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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K405

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

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	04-2271897
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
TWO SEAPORT LANE, SUITE 1300	02210
BOSTON, MASSACHUSETTS	(Zip Code)
(Address of Principal Executive Offices)	

(617) 345-0100
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
COMMON STOCK, $1.00 PAR VALUE PER SHARE:

62,174,071 Shares Outstanding At November 30, 2001	Boston Stock Exchange New York Stock Exchange Pacific Exchange

PREFERRED STOCK PURCHASE RIGHTS

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 (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes [X]

The aggregate market value of the Registrant's common stock held beneficially or of record by shareholders who are not directors or executive officers of the Registrant at November 30, 2001, was approximately $2,124,974,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2002 Annual Meeting of Shareholders are incorporated by reference in Part III.

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PART I

ITEM 1. BUSINESS

GENERAL

Cabot's business was founded in 1882 and incorporated in the State of Delaware in 1960. The Company has businesses in chemicals, performance materials, and specialty fluids. The Company and its affiliates have manufacturing facilities in the United States and more than 20 other countries.

The terms "Cabot" and "Company" as used in this Report refer to Cabot Corporation and its consolidated subsidiaries.

The description of the Company's businesses is as of September 30, 2001, unless otherwise noted. Information regarding the Company's revenues and profits by business segment and geographic area appears in the Continuing Operations section of the Management's Discussion and Analysis of Financial Condition and Results of Operations which appears in Item 7, and in Note Q of the Notes to the Company's Consolidated Financial Statements, which appears in Item 8 of this annual report on Form 10-K for the fiscal year ended September 30, 2001.

During the fiscal year ended September 30, 2001, Cabot repurchased approximately 6.6 million shares of its common stock, $1.00 par value per share (the "Common Stock"), for the purpose of reducing the total number of shares outstanding as well as offsetting shares issued under the Company's employee incentive compensation programs.

Additional information regarding significant events affecting the Company during its fiscal year ended September 30, 2001, appears in Management's Discussion and Analysis of Financial Condition and Results of Operations which appears in Item 7 of this annual report on Form 10-K for the fiscal year ended September 30, 2001.

CHEMICALS BUSINESSES

CARBON BLACK

The Company manufactures and sells carbon black. Carbon black is a form of elemental carbon, which is manufactured in a highly controlled process, to produce particles of colloidal size, which form into aggregates and agglomerates during the manufacturing process. The size of these particles and aggregates, their structure and their surface chemistry are varied to produce many different performance characteristics in a wide variety of applications. Carbon black is widely used to enhance the mechanical, electrical and optical properties of the systems and applications in which it is incorporated. The Company's carbon black products are used in three business areas: tires, industrial products and high performance applications. Carbon blacks are used in the tire industry as a rubber reinforcing agent and a performance additive. These products are marketed globally and are present in all types of tires. Carbon blacks are used in the industrial products sector in applications such as hoses, belts, extruded profiles and molded goods. In the performance products sector of the business, the Company manufactures highly tailored and specialized grades of carbon black which are used as pigments, enhance conductivity and static charge control, to provide UV protection, to enhance mechanical properties, and to provide chemical flexibility through surface treatment. These products are used in a wide variety of industries such as inks, coatings, cables, pipes, toners, electronics, and plastics, among others.

The Company believes that it is the leading manufacturer of carbon black in the world, with an estimated one-quarter of the worldwide production capacity and market share of carbon black. The Company competes in the manufacture of carbon black primarily with two companies having a global presence and with at least 20 other companies in various regional markets in which it operates (see "Other" below).

Carbon black plants owned by Cabot or a subsidiary are located in Argentina, Australia, Brazil, Canada, Colombia, England, France (two plants), India, Indonesia (two plants), Italy, The Netherlands, Spain and the United States (four plants). Affiliates of the Company own carbon black plants in China, the Czech Republic, Japan (two plants), Malaysia, Mexico and Venezuela. Headquarters for the Company's carbon

black business are located in Boston, Massachusetts, with regional headquarters in Atlanta, Georgia (North America), Sao Paulo, Brazil (South America), Suresnes, France (Europe) and Kuala Lumpur, Malaysia (Asia Pacific). Some of the plants listed above are built on leased land (see "Properties," below).

The principal raw materials used in the manufacture of carbon black are heavy oils, a portion of the residual oil pool which is derived from petroleum refining operations and from the distillation of coal tars and the production of ethylene throughout the world. The availability of raw materials has not been and is not expected to be a significant factor for the Company's carbon black business. Raw material costs are influenced by the cost and availability of oil worldwide and the availability of various types of carbon black oils. During fiscal year 2000 and the first three quarters of fiscal year 2001, the price of raw materials for the carbon black business increased, but the price stabilized in the fourth fiscal quarter of 2001.

Sales are generally made by employees of the Company or its affiliates in the countries where carbon black plants are located. Export sales are generally made through distributors or sales representatives in conjunction with Company employees. In fiscal year 1999, the Company's plastics business began marketing carbon black to the plastics industry. Sales are made under various trademarks owned by Cabot. (See "Other," below.)

The Company's carbon black business continues to pursue a dual strategy of cost improvement and new product development. Management continues to support carbon black new product development initiatives that have significant customer involvement or sponsorship. The Company's management continues to believe that if the Company can achieve a combination of effective cost and capacity management and commercialization of new product initiatives, the Company's carbon black business should have earnings growth opportunities over the next several years.

The Company combined its existing plastics business, which consisted of concentrates and compounds, with its special blacks business into its performance products group. The Company's plastics business now markets carbon black, and produces and markets black and white thermoplastic concentrates and specialty compounds, to the plastics industry. Major applications for the materials produced and sold by the Company's plastics business include pipe and tubing, packaging and agricultural film, automotive components, cable sheathing and special packaging for use in the electronics industry. Customers use the carbon black marketed by the plastics business to provide color, UV protection, electrical conductivity and opacity in plastics. Sales are made under various Cabot trademarks, each of which is either registered or pending in one or more countries (see "Other" below). Sales are made by Company employees and through sales representatives and distributors primarily in Europe (concentrates, compounds and carbon black), North America (carbon black) and Asia (concentrates, compounds and carbon black). The thermoplastic concentrates and compounds sold are produced in Company facilities in Europe and Hong Kong. The carbon black sold is produced in Company facilities in Europe, North America and Asia. The plastics business is headquartered in Leuven, Belgium. In Europe, the Company is one of the five leading producers of thermoplastic concentrates. Other than carbon black feedstock, the primary raw materials used in this business are titanium dioxide, thermoplastic resins and mineral fillers. The price of thermoplastic resins remained steady during the second half of fiscal 2000 and during the first half of fiscal year 2001, and decreased somewhat during the second half of fiscal year 2001. Raw materials are, in general, readily available.

FUMED METAL OXIDES

The Company manufactures and sells fumed metal oxides, including fumed silica and fumed alumina and dispersions thereof under various trademarks. Fumed silica is an ultra-fine, high-purity particle used as a reinforcing, thickening, abrasive, thixotropic, suspending or anti-caking agent in a wide variety of products produced for the automotive, construction, microelectronics, and consumer products industries, including adhesives, sealants, cosmetics, inks, silicone rubber, coatings, polishing and pharmaceuticals. The headquarters for the Company's fumed metal oxides business are located in Billerica, Massachusetts. This business has two North American fumed metal oxides manufacturing plants, which are located in Tuscola, Illinois and Midland, Michigan. The Midland plant was completed in September 1999 and began operations in November 1999. The performance of the plant was subject to delays in reaching full anticipated output levels during

2000. Full output and qualification were achieved in fiscal year 2001. The Company owns a manufacturing plant in Wales and owns a manufacturing plant in Germany. In addition, a joint venture owned 50% by the Company and 50% by an Indian entity owns a plant in India, which began operations in the spring of 1998. Raw materials for the production of fumed silica are various chlorosilane feedstocks. The feedstocks are either purchased or toll converted for owners of the materials. The Company has long-term procurement contracts or arrangements in place for the purchase of feedstock for this business, which it believes will enable it to meet its raw material requirements for the foreseeable future. In addition the Company buys some materials in the spot market in order to help ensure flexibility and minimize costs. Sales of fumed metal oxides products are made by Company employees and through distributors and sales representatives. There are four principal producers of fumed silica in the world (see "Other" below). The Company believes it is the leading producer and seller of this chemical in the United States and second worldwide.

INKJET COLORANTS

Inkjet colorants are pigment-based black colorants, which are designed to replace traditional pigment dispersions and dyes used in inkjet printing applications. Products produced by the Company's inkjet colorants business, formed in 1996, target various printing markets, including home and office printers, wide format printers, and commercial and industrial printing applications. The Company's colorants have become integral components in several inkjet printing systems introduced to the market since 1998. Sales are made by Company employees and through distributors and sales representatives. The headquarters of the Company's inkjet colorants business are located in Billerica, Massachusetts. Raw materials for the inkjet colorants business include carbon black, as well as other products, from various sources. The Company believes that all raw materials for this business are in adequate supply.

PERFORMANCE MATERIALS

The Company produces tantalum, niobium (columbium) and their alloys. Tantalum, which accounts for the majority of this business' sales, is produced in various forms including powder and wire for electronic capacitors. Tantalum and niobium and their alloys are also produced in wrought form for non-electronic applications such as chemical process equipment and the production of superalloys, and for various other industrial and aerospace applications. The headquarters and principal manufacturing facility for this business are in Boyertown, Pennsylvania. An affiliate of the Company has a manufacturing plant in Japan. Raw materials are obtained by the Company from ores mined principally in Australia, Brazil and Canada and from by-product tin slags from tin smelting mainly in Malaysia and Thailand. Raw materials are currently in adequate supply. Earlier in fiscal year 2001, strong markets caused a short-term shortage in raw materials which resulted in high spot prices. Sales in the United States are made by Company employees, with export sales to Europe handled by Company employees, independent European sales representatives and an affiliated company. Sales in Japan and other parts of Asia are handled primarily through employees of the Company's Japanese affiliate. There are currently two principal groups producing tantalum and niobium in the western world, with an emerging competitor in China. The Company believes that it, together with its Japanese affiliate, is the leading producer of electronic grade tantalum powder products, with competitors having greater production in some other product lines (see "Other" below).

SPECIALTY FLUIDS

The Company's specialty fluids business produces and markets cesium formate as a drilling and completion fluid for use primarily in high pressure and high temperature oil and gas well operations. Cesium formate is a solids-free high-density fluid that has a low viscosity permitting it to flow readily in oil and gas wells. The Company expects the fluid to be especially beneficial to operators of wells where the oil or gas is difficult to reach. The fluid is resistant to high temperatures, does not damage producing reservoirs and is readily biodegradable. The Company has been shipping the fluid to facilities in Aberdeen, Scotland, and Bergen, Norway, for application in its target market, the North Sea. Expanded commercial tests of the Company's cesium formate in this region during fiscal year 2001 continued to yield positive results. The Company expects those test results to boost industry confidence in the fluid, leading to additional applications.

The specialty fluids business has its headquarters in The Woodlands, Texas, and has a mine and a cesium formate manufacturing facility in Manitoba, Canada. The Company expects to make cesium formate sales directly to oil and gas operating companies and through existing oil field service Companies. Customers will either rent or purchase cesium formate from the Company. Those who rent cesium formate will be required to purchase any of the product that is not returned to the Company after the job is completed. The principal raw material used in this business is pollucite ore, which the Company obtains from its mine. The Company has an adequate supply of this cesium-rich ore, with approximately 82% of the world's known cesium reserves. Because each job for which cesium formate is used requires a large volume of the product, the specialty fluids business must carry a large inventory. Based on its current information, the Company expects to reclaim between 60% and 90% of the cesium formate used in each job, which will be returned to inventory for use in additional well operations. The Company's specialty fluids business also markets fine cesium chemicals to various industrial chemical companies, and mined spodumene to the pyroceramics industry. Sales of those products are made either by Company employees or its agents. Cabot Specialty Fluids also mines and processes tantalum ore for shipment to Cabot Performance Materials.

DISCONTINUED BUSINESSES

As reported in the Company's Form 8-K filed October 3, 2000, on September 19, 2000 the Company sold all of its liquefied natural gas (LNG) business, which is being reported as a discontinued operation in the Financial Information being filed as a part of this annual report on Form 10-K. The Company also completed the initial public offering of approximately 20% of its microelectronics materials business, conducted by Cabot Microelectronics Corporation, in the third quarter of fiscal year 2000. The offering was followed by a distribution of the Company's remaining shares of Cabot Microelectronics Corporation common stock to Cabot shareholders which was completed on September 29, 2000, which was also reported in the Company's Form 8-K filed October 3, 2000. This business is also being reported as a discontinued operation in the Financial Information being filed as a part of this annual report on Form 10-K. See Note C of the Notes to the Company's Consolidated Financial Statements which appears in Item 8 of this annual report on Form 10-K for the fiscal year ended September 30, 2001.

OTHER

The Company owns and is a licensee of various patents, which expire at various times, covering many of its products, as well as processes and product uses. Although the products made and sold under these patents and licenses are important to the Company, the loss of any particular patent or license would not materially affect the Company's business, taken as a whole. The Company sells its products under a variety of trademarks, the loss of any one of which would not materially affect the Company's business, taken as a whole.

With the exception of the Company's former LNG business referred to above, the Company's businesses are generally not seasonal in nature, although they experience some decline in sales in the fourth fiscal quarter due to European summer plant shutdowns. The Company believes that as of September 30, 2001, approximately $209 million of backlog orders for its businesses were firm, compared to firm backlog orders as of September 30, 2000 of approximately $176 million. Backlog consists of firm purchase orders for which a delivery date has been scheduled. Because customers may generally cancel purchase orders with little or no notice without any significant penalty, and because most orders are typically shipped within 30 days of receipt, backlog at any particular time is not typically a good indicator of future revenues. All of the 2001 backlog orders are expected to be filled during fiscal year 2002.

Many of the Company's chemicals and materials are used in products associated with the automotive industry such as tires, extruded profiles, hoses, molded goods, capacitors and paints. The Company's financial results are affected by the cyclical nature of the automotive industry, although a large portion of the market is for replacement tires and other parts which are less subject to automobile industry cycles. The Company has in the past entered into long-term carbon black supply contracts with certain of its North American tire customers and expects to pursue a similar strategy under appropriate circumstances. Those contracts are designed to provide such customers with a secure supply of carbon black and reduce the volatility in the Company's carbon black volumes and margins caused, in part, by automobile industry cycles.

Five major tire and rubber customers, one fumed metal oxides customer, three capacitor materials customers and one microelectronics customer represent a material portion of the total net sales and operating revenues of the Company's businesses; the loss of one or more of these customers might materially adversely affect the Company's businesses taken as a whole.

Competition in the Company's businesses is based on price, service, quality, product performance and technical innovation. Competitive conditions also necessitate carrying an inventory of raw materials and finished goods in order to meet customers' needs for prompt delivery of products. Competition in quality, service, product performance and technical innovation is particularly significant for the fumed metal oxides, industrial products, special blacks, inkjet colorants and tantalum businesses. The Company's competitors, other than in the carbon black business, vary by product group.

The Company owns approximately 41.4% of the common stock of Aearo Corporation (formerly Cabot Safety Holdings Corporation) after the restructuring of the Company's safety products and specialty composites business in July 1995. The Company has two representatives serving on the Board of Directors of Aearo Corporation and its principal subsidiaries ("Aearo"). Aearo manufactures and sells personal safety products, as well as energy absorbing, vibration damping and impact absorbing products for industrial noise control and environmental enhancement.

EMPLOYEES

As of September 30, 2001, the Company had approximately 4,300 employees. Approximately 450 employees in the United States are covered by collective bargaining agreements. The Company believes that its relations with its employees are satisfactory.

RESEARCH AND DEVELOPMENT

The Company develops new and improved products and processes and greater operating efficiencies through Company-sponsored research and technical service activities including those initiated in response to customer requests. Expenditures by the Company for such activities are shown in the Consolidated Statements of Income which appears in Item 8 of this annual report on Form 10-K for the fiscal year ended September 30, 2001.

SAFETY, HEALTH AND ENVIRONMENT

The Company's operations are subject to various environmental laws and regulations. Over the past several years, the Company has expended considerable sums to add, improve, maintain and operate facilities for environmental protection.

The Company has been named as a potentially responsible party under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (the "Superfund law") with respect to several sites (see "Legal Proceedings," below). During the next several years, as remediation of various environmental sites is carried out, the Company expects to spend a significant portion of its $30 million environmental reserve for costs associated with such remediation. Adjustments are made to the reserve based on the Company's continuing analysis of its share of costs likely to be incurred at each site. The sites are primarily associated with divested businesses.

In 1996, the International Agency for Research on Cancer ("IARC") revised its evaluation of carbon black from Group 3 (insufficient evidence to make a determination regarding carcinogenicity) to Group 2B (known animal carcinogen, possible human carcinogen), based solely on results of studies of female rat responses to the inhalation of carbon black. The Company has communicated this change in IARC's evaluation of carbon black to its customers and employees and has made changes to its material safety data sheets and elsewhere, as appropriate. The Company continues to believe that available evidence, taken as a whole, indicates that carbon black is not carcinogenic to humans, and does not present a health hazard when handled in accordance with good housekeeping and safe workplace practices as described in the Company's material safety data sheets.

In October 1999, the California Office of Environmental Health Hazard Assessment ("OEHHA") published a Notice of Intent to add "carbon black (airborne particles of respirable size)" to its list of chemicals known to the state to cause cancer promulgated pursuant to the California Safe Drinking Water and Toxic Enforcement Act, commonly referred to as Proposition 65. OEHHA stated it was taking this action in light of IARC's 1996 reclassification of carbon black. Proposition 65 requires businesses to give warnings to individuals before they knowingly or intentionally expose them to chemicals subject to its requirements, and it prohibits businesses from knowingly discharging or releasing the chemicals into water or onto land where they could contaminate drinking water. The Company is working with the International Carbon Black Association and various customers and carbon black user groups to respond to the decision by OEHHA to add carbon black to the list of chemicals subject to Proposition 65.

FORWARD-LOOKING INFORMATION

Included herein are statements relating to management's projections of future profits, the possible achievement of the Company's financial goals and objectives, and management's expectations for the Company's product development program. Actual results may differ materially from the results anticipated in the statements included herein due to a variety of factors, including but not limited to the following: market supply and demand conditions, fluctuations in currency exchange rates, changes in the rate of economic growth in the United States and other major international economies, changes in regulatory environments, changes in trade, monetary and fiscal policies around the world, pending and future litigation, cost of raw materials, patent rights of the Company and others, demand for the Company's customers' products and competitors' reactions to market conditions. Timely commercialization of products under development by the Company may be disrupted or delayed by technical difficulties, market acceptance or competitors' new products, as well as difficulties in moving from the experimental stage to the production stage. The risk management discussion and the estimated amounts generated from the analyses are forward-looking statements of market risk, assuming certain adverse market conditions occur. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets. The methods used by the Company to assess and mitigate risks should not be considered projections of future events or losses. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

FINANCIAL INFORMATION ABOUT SEGMENTS, FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

Segment financial data are set forth in the Continuing Operations section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7, and in Note Q of the Notes to the Company's Consolidated Financial Statements, which appears in Item 8 of this annual report on Form 10-K for the fiscal year ended September 30, 2001. The Company's former LNG business and microelectronics materials business are being reported as discontinued operations in the Financial Information being filed as a part of this annual report on Form 10-K. A significant portion of the Company's revenues and operating profits is derived from overseas operations. The profitability of the Company's segments is affected by fluctuations in the value of the U.S. dollar relative to foreign currencies. (See the Geographic Area Information portion of Note Q for further information relating to sales and profits and long-lived assets by geographic area and "Management's Discussion and Analysis of Financial Condition and Results of Operations".) Currency fluctuations and nationalization and expropriation of assets are risks inherent in international operations. The Company has taken steps it deems prudent in its international operations to diversify and otherwise to protect against these risks, including the use of foreign currency financial instruments to reduce the risk associated with changes in the value of certain foreign currencies compared to the U.S. dollar. (See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Management" in Item 7, and Note P of the Notes to the Company's Consolidated Financial Statements, which appears in Item 8, of this annual report on Form 10-K for the fiscal year ended September 30, 2001.)

ITEM 2. PROPERTIES

The Company owns, leases and operates office, production, storage, distribution, marketing and research and development facilities in the United States and in foreign countries.

The principal facilities of the Company's business units are described generally in Item 1 above.

The principal facilities owned by the Company in the United States are: (i) the administrative offices and manufacturing plants of its carbon black operations in Louisiana, Massachusetts, Texas and West Virginia; (ii) its research and development facilities in Illinois, Massachusetts and Pennsylvania; (iii) administrative offices and manufacturing plants of its fumed metal oxides business in Illinois and Michigan, and (iv) its performance materials business in Pennsylvania.

The Company's principal foreign facilities are held through subsidiaries and consist primarily of manufacturing facilities, together with administrative facilities and research and development facilities. The largest of such facilities are located in Australia, China, the Czech Republic, England, France, India, Indonesia and Italy, and are used by the Company's carbon black business. Administrative offices and manufacturing facilities of the fumed metal oxides business are owned in Wales and Germany. Portions of the owned facilities in the Czech Republic, France, Japan and Spain, and all of the owned facilities in China, Hong Kong, India, Indonesia, The Netherlands and Wales are located on leased land.

The principal facilities leased by subsidiaries in locations outside the United States are administrative offices and research and development facilities of the carbon black operations in France and Malaysia, and administrative offices and manufacturing facilities of the specialty fluids business in Canada, and a sales facility in Norway. In addition, the Company holds mining rights in Canada.

The principal facilities leased by the Company in the United States are: (i) its corporate headquarters in Massachusetts, and (ii) the headquarters of its North American carbon black business in Georgia.

The Company's administrative offices are generally suitable and adequate for their intended purposes. Existing manufacturing facilities of the Company are sufficient to meet the Company's anticipated requirements for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

The Company is a defendant in various lawsuits and environmental proceedings wherein substantial amounts are claimed. The following is a description of the significant proceedings pending as of September 30, 2001, unless otherwise specified.

ENVIRONMENTAL PROCEEDINGS

In November 1997, Cabot was sued in the District Court of Potter County, Texas by K N Energy, Inc. ("KNE") and various related entities for environmental remediation costs at approximately 45 gas plants and compressor stations located in New Mexico, Oklahoma and Texas. In July 1998, an arbitration panel ordered Cabot to pay $3.38 million for past response costs incurred by KNE as well as up to 80% of future groundwater remediation costs at six of the sites as such costs are incurred by KNE. Cabot and Kinder Morgan, Inc., (KNE's successor) have agreed in principle to settle all remaining issues with Cabot paying an additional $942,000 and taking remedial responsibility directly at three of the remaining disputed sites.

Beginning in May 1986, the New Jersey Department of Environmental Protection ("NJDEP") issued directives under New Jersey's cleanup law to Cabot and a number of other potentially responsible parties ("PRPs") to fund an investigation for the cleanup of a six-acre site known as the Evor Phillips Site in Old Bridge Township near Perth Amboy, New Jersey ("Site"). Cabot and other PRPs subsequently entered into various Administrative Consent Orders ("ACOs") with NJDEP to fund and perform various investigations of the Site. Cabot and certain other PRPs also initiated litigation against the current site owner and other parties in the United States District Court for the District of New Jersey to obtain monetary contribution and deed restrictions on the Site. In addition, two PRPs, Union Carbide Corp. and Oakite Products, filed separate contribution actions against Cabot and other PRPs. The court has consolidated the actions. The PRPs have

agreed in principle to an ACO with the NJDEP to perform further investigation and the final remedy for the Site. The PRPs have also agreed to a settlement in principle with Union Carbide Corp. and Oakite Products.

In 1986, Cabot sold a manufacturing facility in Reading, Pennsylvania to NGK Metals, Inc. ("NGK"). In doing so, Cabot agreed to share with NGK the costs of certain environmental remediation of the Reading plant site. After the sale, the United States Environmental Protection Agency ("EPA") issued an order to NGK requiring it to address soil and groundwater contamination at the site. Remediation activities at the Reading property are ongoing and the Company is contributing to the costs associated with those activities pursuant to the cost-sharing agreement with NGK.

Cabot is one of approximately 25 parties identified by EPA as PRPs under the Superfund law with respect to the cleanup of Fields Brook (the "Brook"), a tributary of the Ashtabula River in northeast Ohio. From 1963 to 1972, Cabot owned two manufacturing facilities located beside the Brook. Pursuant to an EPA administrative order, 13 companies, including Cabot, are performing the design and other preliminary work relating to remediation of sediment in the Brook and soil in the floodplain and wetlands areas adjacent to the Brook. In 1997, EPA and the companies reached agreement on the remedy for these areas; EPA made certain changes to that remedy in response to its finding low levels of previously undetected radioactive material in the Brook. In addition, EPA's cost recovery claims have been settled, and the companies have negotiated consent decrees with EPA, the State of Ohio and the Natural Resource Trustees that settle the governments' claims for past costs and natural resource damages and obligates the companies to implement the agreed remedy. Those consent decrees were entered by the United States District Court for the Northern District of Ohio on July 7, 1999. Remediation efforts at the site are ongoing.

During the summer of 1998, Cabot joined a group of companies in forming the Ashtabula River Cooperative Group ("ARCG") which collectively agreed on an allocation for funding private party shares of a public/private partnership (the Ashtabula River Partnership (the "ARP")), established to conduct navigational dredging and environmental restoration of the Ashtabula River (the "River") in Ashtabula, Ohio. The ARP expects to obtain additional funding from both the federal and state governments for the project under the Federal Water Resources Development Act ("WRDA"). In September 1999, the ARP issued a Comprehensive Management Plan ("CMP") which placed an initial estimate of $42 million on the project. An updated cost estimate for the project of approximately $48 million was recently released by the U.S. Army Corps of Engineers as part of the WRDA process. Under the statutory formula available for funding this project under WRDA, approximately 68% of its cost is to be borne by the federal government, leaving 32% of the cost for non-federal participants. The State of Ohio has pledged a contribution of $7 million to the project. The ARCG expects to be asked to bear a substantial percentage of the remaining costs. In addition, the ARCG has received a notice of claim for natural resource damages related to the River and the amount of that claim remains to be negotiated with the Natural Resource Trustees.

In June, 2001 Cabot signed a Consent Order with the West Virginia Department of Environmental Protection, Office of Air Quality (the "Agency") regarding Cabot's carbon black manufacturing facility in Waverly, West Virginia. The Consent Order resolves claims by the Agency that the Waverly facility was not in compliance with certain air permitting and regulatory requirements. Under the Consent Order, Cabot was required to submit a penalty payment of $200,000 to the Agency's Air Pollution and Education Fund. Cabot was also required to submit an air permit application to the Agency by September 1, 2001 (which date was subsequently extended to October 1, 2001), and the application was submitted. The Consent Order also imposes certain operational and recordkeeping requirements on the Waverly facility, none of which are expected to have a material adverse effect on the Company.

In 1994, Detrex Chemical Industries, Inc. filed third-party complaints against eight companies, including Cabot, in connection with material allegedly sent to the Koski/Reserve Environmental Services ("RES") landfill in Ashtabula, Ohio. Cabot and other third-party defendants filed complaints against five additional companies that sent waste to the site. In May 1998, Cabot and certain other defendants agreed to settle their liability for this matter by agreeing to fund and conduct a portion of the remedy at the landfill site and to loan RES $1.2 million to fund cleanup activities of RES on other portions of the site. Cabot is one of five of the

settling defendants that agreed to conduct the work; the others made one-time cash payments to resolve their liabilities at the site.

Cabot is the holder of a Nuclear Regulatory Commission ("NRC") license for certain slag waste material deposited on industrial property on Tulpehocken Street in Reading, Pennsylvania in the late 1960s by a predecessor of Cabot that had leased a portion of the site to process tin slags. The slag material contains low levels of uranium and thorium, thus subjecting it to NRC jurisdiction. A consultant for Cabot has prepared a site decommissioning plan for the slag material which concludes that the levels of radioactivity in the slag are low enough that the material can be safely left in place and still meet NRC requirements for license termination without restrictions. Cabot's decommissioning plan proposing this in-place remedy was filed with the NRC in late August 1998. The current owner of the Tulpehocken Street site, the City of Reading and the Reading Redevelopment Authority (the "RRA") filed requests for a hearing with the NRC concerning Cabot's decommissioning plan, alleging various deficiencies with the plan. In October 2000, Cabot reached an agreement with the City of Reading and the RRA to settle their claims. Under that agreement, assuming the NRC approves Cabot's decommissioning plan, Cabot will pay a fixed amount to the RRA in three separate installments over three or more years. In exchange, the RRA has agreed to maintain the slag on the site and prohibit its disturbance or removal. Cabot continues to work with the NRC to obtain approval of the decommissioning plan.

In July 1991, EPA instituted litigation against a number of parties, not including Cabot, seeking to recover its costs incurred in connection with an investigation of the Berks Associates Superfund Site in Douglassville, Pennsylvania. Cabot was joined in this litigation as a third-party defendant. In April 1996, EPA proposed that ten companies, including Cabot, undertake the remaining remediation required at the site and indicated it would be willing to reconsider, to some extent, the remediation technology to be used. After further study, the EPA agreed that the alternative remedy is feasible. The companies' consultant estimates the cost to implement the alternative remedy at the site is approximately $13 million to $18 million. The companies, including Cabot, have entered into a Consent Decree concerning implementation of the alternative remedy and payment of certain EPA past costs.

In 1994, EPA issued a Unilateral Administrative Order to Cabot and 11 other respondents pursuant to the Superfund law with respect to the Revere Chemical Site (a/k/a Echo Site) in Nockamixon Township, Bucks County, Pennsylvania (the "Revere Chemical Site"). The order required the respondents to design and implement several remedial measures at the Revere Chemical Site. Cabot responded to EPA's order by indicating that it should not have been named as a respondent and by raising several objections to the order. Certain other recipients of the order proceeded to conduct the work required by EPA, and Cabot understands that the remedial work has been completed. Cabot entered into a settlement agreement with the performing parties in October 2001 covering response costs at the site. Cabot has been informed by the parties who performed the work that the total cost of cleanup activities at the site is estimated to be approximately $12 million, not including certain unreimbursed costs claimed by EPA. In August 1999, Cabot received a letter from the U.S. Department of Justice ("DOJ"), which stated that EPA had asked the DOJ to bring an enforcement action against Cabot for its failure to comply with the EPA order. Cabot has entered into settlement discussions with the DOJ and EPA in an attempt to resolve that dispute.

The EPA has completed an investigation of certain areas surrounding the Company's Boyertown, Pennsylvania facility. The investigation was prompted by media reports of complaints by area farmers of health impacts and damage to livestock and crops allegedly associated with emissions from the Boyertown facility. In a report dated November 2000, EPA stated that increased concentrations of some elements in environmental media at locations near the Boyertown site did not pose a health threat to the broad community necessitating a cleanup action by the EPA. The EPA report concluded that EPA could find no relationship between industrial emissions and reported poor farm production and animal health concerns. In November 1999, Cabot received a letter from an attorney representing certain farmers in the area threatening litigation concerning contamination alleged to be caused by the Boyertown plant. In September of 2001, two of the farmers filed suit in Pennsylvania state court alleging damage to their herds. Cabot removed the case to federal court. This suit is in discovery. The Company believes that it has strong defenses against plaintiffs' claims.

In May 2000, the Direction Regionale de L'Industrie, de la Recherche et de L'Environment ("DRIRE") and the Prefecture de la Seine-Maritime (the "Prefecture") issued an order to United Chemical France S.A. ("UCF"), a French subsidiary of Cabot, requiring UCF to undertake a simplified risk assessment ("SRA") of a former waste dump operated by UCF from the mid-1960s to the early 1980s in the Town of Notre Dame de Gravenchon. The SRA was completed at the end of November 2000. It concluded that the site does not pose a major risk of groundwater contamination, and that no further investigation is necessary. The report has been submitted to the authorities in France but has not yet been approved by them. When Cabot purchased UCF in 1985, the seller indemnified Cabot for matters relating to events occurring prior to the sale, including environmental matters. Cabot has notified the seller that Cabot believes that the indemnification would cover costs related to the Final Order.

In January 1999, DRIRE notified Cabot France S.A., a French subsidiary of Cabot, that the DRIRE was investigating groundwater pollution in the Montee des Pins area where Cabot France S.A.'s carbon black plant in Berre l'Etang, France is located. The DRIRE convened meetings of various industries in the area and asked them to work together on a study of area groundwater conditions. Ten companies, including Cabot France S.A., worked together to fund and undertake the initial study requested by the DRIRE. Based on the results of that study, a neighboring company, Shell Oil, appears to be responsible for the existing groundwater contamination. Cabot and the other companies are expecting Shell Oil to assume responsibility for remediating the groundwater conditions in the area.

Cabot, along with a number of other companies, is a PRP under the Superfund law with respect to the King of Prussia Technical Corp. site in Winslow Township, New Jersey. Work on site remediation was completed several years ago except for ongoing operation and maintenance of groundwater treatment facilities. Cabot and four other companies involved have agreed on the portions of the costs to be borne by each company. In a December 22, 1998 letter to Cabot and the other four companies, EPA demanded approximately $4.1 million in past costs at the site. This dispute has been resolved through settlement negotiations between the group of companies and EPA for $1.7 million. In addition, in May, 2001 the NJDEP informed Cabot, along with the other named parties, that NJDEP has incurred certain unreimbursed response costs at the site. Cabot is awaiting the cost information from NJDEP.

On June 5, 1999, there was a break in the pipeline used to transport carbon black feedstock from a nearby port to a Ravenna, Italy carbon black facility owned by Cabot Italiana S.p.A., a wholly-owned subsidiary of Cabot. The break was in a portion of the pipeline adjacent to a neighboring industrial facility. As a result, a substantial amount of carbon black feedstock was released at the neighboring facility. An expert for the public prosecutor in Ravenna has completed an initial investigation of the facts of the spill. He has concluded that the pipeline was damaged from drilling activity conducted by a third party, and that Cabot is not responsible for causing the spill. In the interim, the Company undertook emergency remediation efforts immediately following the spill. Claims have been asserted against the Company by the owner of the facility where the spill occurred and by the owners of a sewer system into which some of the oil flowed. In addition, the Company has asserted a claim against the third parties that caused the spill. The municipal environmental authorities issued an order to the Company and the parties who damaged the pipeline ordering them to undertake further activities to address conditions caused by the spill. The Company and the other parties have challenged issuance of the order, and the administrative courts in Italy are hearing the matter. The parties, including the Company, have entered into an agreement to fund most of the activities required by the administrative order, and work under that agreement is proceeding. As of September 2001, the Company has spent in excess of $6 million responding to the spill. The Company has notified its insurers about the spill and has received reimbursement from them for a substantial portion of those costs. At this point, the Company does not know the likely course that legal proceedings will take, and does not have an estimate of the costs, if any, that the Company will ultimately bear.

The Louisiana Department of Environmental Quality ("LADEQ") notified Cabot in a January 5, 1995 letter of its potential liability with respect to the Great National Oil/Ida Gas site in Ida, Louisiana (the "Ida Site") and requested information regarding Cabot's activities related to the Ida Site or involvement with the Hartsell Oil Company of Rodessa, Louisiana. Cabot responded on February 15, 1995 by indicating that during the 1982 to 1984 time period, Cabot's Arcadia, Louisiana facility sold used oil to Hartsell for reprocessing.

Cabot's Arcadia facility was sold to Haynes International, Inc. ("Haynes") in December 1986. Cabot believes that it is entitled to indemnity from Haynes pursuant to the acquisition agreement by which Haynes acquired the facility. Haynes has denied Cabot's request for indemnification but also requested additional information concerning this claim. In 1997, Cabot and eight other parties received a demand letter from LADEQ for oversight costs incurred in connection with the site from July 1989 to December 1996. Cabot paid its pro-rata share of those costs in April 1997, which payment was an immaterial amount. In May 2000, Cabot learned that the LADEQ intends to require the parties it has previously notified, including the Company, to perform investigation and cleanup activities at the site. The potential costs of those activities is unknown at this time.

Cabot has received various requests for information and notifications that it may be a PRP at several other Superfund sites.

As of September 30, 2001, approximately $30 million was reserved for environmental matters by the Company. This amount represents the Company's current best estimate of costs likely to be incurred based on its analysis of the extent of cleanup required, alternative cleanup methods available, abilities of other responsible parties to contribute and its interpretation of laws and regulations applicable to each site.

OTHER PROCEEDINGS

The Company is a defendant in a patent infringement case, Rodel v. Cabot, now pending in the federal court in Delaware, in which it is alleged that the Company's W2000 slurries and possibly other slurries made for use in Chemical Mechanical Planarization infringe, or contribute to the infringement of, a patent owned by Rodel (the "Roberts Patent"). The Company has filed an answer denying infringement and asserting that the Roberts Patent is not valid. The Company has also filed a motion to dismiss on the grounds that the plaintiff is not the owner of the Roberts Patent. Rodel requested re-examination of the Roberts Patent by the US Patent & Trademark Office. This lawsuit was stayed pending re-examination. Although the re-examination was completed in March, 2001, the stay had not been lifted. Cabot has moved for summary judgment on the grounds of invalidity. Cabot continues to believe it has valid defenses and will vigorously defend the action. The Company is a defendant in a second patent infringement case, also entitled Rodel v. Cabot and pending in the federal court in Delaware, in which it is alleged that certain experimental slurries made by the Company for use in Chemical Mechanical Planarization infringe, or contribute to the infringement of, one or two other patents owned by Rodel (the "Brancaleoni Patents"). The Company filed an answer denying infringement and asserting that the Brancaleoni Patents are not valid. The Company's motion to dismiss on the grounds that the plaintiff is not the owner of the Brancaleoni Patents was denied. A number of motions are pending before the court, including the Company's summary judgment motion. Trial is expected to take place next year. The Company continues to believe it has valid defenses and will vigorously defend the action. Cabot Microelectronics Corporation, which was spun off from the Company in 2000, has assumed the Company's liabilities in connection with both of the foregoing cases.

Several additional lawsuits have been filed in 2001 in connection with Cabot's discontinued beryllium operations. Cabot entered the beryllium industry through an acquisition in 1978. It ceased manufacturing beryllium products at one of the acquired facilities in 1980, and another portion of Cabot's former beryllium business was sold to NGK Metals, Inc. in 1986. Two individuals who have resided for many years in the immediate vicinity of Cabot's former beryllium facility located in Reading, Pennsylvania brought suit in United States District Court for the Eastern District of Pennsylvania against Cabot and NGK for personal injury allegedly caused by beryllium particle emissions produced at that facility over the course of many decades. These cases were settled in 2001. Several additional individuals from the Reading area have also filed suit on a similar basis. There are also approximately twenty other beryllium product liability cases pending against Cabot in Tennessee, Pennsylvania, Illinois, California, Colorado and Missouri. A number of cases in Tennessee have been dismissed in 2001 as a result of findings by the court on the validity of Cabot's defenses. The following class action suits have been filed. (1) Individuals who reside within a 6-mile zone surrounding the Reading facility have filed a purported class action in Pennsylvania state court seeking the creation of a trust fund to pay for the medical monitoring of the surrounding resident population. (2) A class action was filed in Pennsylvania state court on behalf of all former employees of Cabot and NGK in Pennsylvania also seeking medical monitoring. (3) A third class action, filed in the United States District Court for the Eastern

District of Pennsylvania, purported to assert claims on behalf of a nationwide class of workers who have been employed by customers of various beryllium manufacturers including Cabot; plaintiffs in this action seek the creation of a "medical surveillance and screening program" for all class members. (4) Finally, other individuals who reside within a 6-mile zone surrounding Cabot's former facility in Hazleton, Pennsylvania have filed a purported class action in Pennsylvania state court seeking the creation of a trust fund to pay for the medical monitoring of the surrounding resident population. The class action relating to the employees of customers described in (3) above has been dismissed. The class action relating to the former employees of Cabot and NGK described in (2) above will soon be dismissed. The Company believes it has valid defenses to these actions and will assert them vigorously in the various venues in which claims have been asserted. In addition, Cabot is indemnified by NGK in connection with many of these matters. Moreover, recent federal legislation creating a federally funded compensation scheme for beryllium workers injured or otherwise requiring medical screening or testing may well affect certain of these pending beryllium cases.

The Company has exposure to a safety respiratory products business that it acquired in April 1990. It disposed of that business in July 1995. In connection with its acquisition of the business, the Company agreed with the seller, American Optical Corporation, and another former owner of the business to share responsibility for legal costs, including settlements and judgments, in connection with a number of lawsuits and claims relating to the respirators. These lawsuits and claims typically involve allegations that the plaintiffs suffer from asbestosis or silicosis as a result, in part, from respirators that were negligently designed or labeled. The defendants in these lawsuits are often numerous and include, in addition to respirator manufacturers, the plaintiffs' employers and makers of asbestos and sand used in sand blasting. When the Company disposed of the business in 1995 to Aearo Corporation ("Aearo"), it agreed with Aearo that for an annual fee of $400,000 the Company would retain responsibility for, and indemnify Aearo against, claims asserted after July 11, 1995 to the extent they are alleged to arise out of the use of respirators before that date. Aearo can discontinue payment of the fee at any time, in which case it will assume the responsibility for and indemnify the Company with respect to these claims. Neither the Company, nor its past or present subsidiaries, at any time manufactured asbestos or asbestos-containing products. Moreover, not every person with exposure to asbestos giving rise to an asbestos claim used a form of respiratory protection. At no time did the business for which the Company is financially responsible for legal costs represent a significant portion of the respirator market. In addition, as a result of the sharing arrangements involving these lawsuits and claims, the Company has only a portion of the liability in any given case. It is management's opinion, taking into account currently available information, past experience, contractual obligations and insurance coverage which may be applicable, that these suits and claims should not result in final judgments or settlements that, in the aggregate, would have a material effect on the Company's financial condition or results of operations.

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business. In the opinion of the Company, although final disposition of all of its suits and claims may impact the Company's financial statements in a particular period, they should not, in the aggregate, have a material adverse effect on the Company's financial position. (See Note O of the Notes to the Company's Consolidated Financial Statements, which appears in Item 8 of this annual report on Form 10-K for the fiscal year ended September 30, 2001.)

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below for each person who was an executive officer of Cabot at the end of the 2001 fiscal year, is information, as of November 30, 2001, regarding his or her age, position(s) with Cabot, the periods during which he or she served as an officer and his or her business experience during at least the past five years:

NAME	AGE	OFFICES HELD/BUSINESS EXPERIENCE DATES
John E. Anderson.....	61	Cabot Corporation Vice President, Safety, Health and Environmental Affairs March 2000 to present Vice President and Director, Global Quality March 1996 to March 2000
William T. Anderson.....	46	Cabot Corporation Vice President March 2000 to November 2001 Controller September 1997 to November 2001 Acting Corporate Controller and Assistant Controller February 1997 to September 1997 Assistant Controller July 1995 to February 1997
Kennett F. Burnes.....	58	Cabot Corporation Chairman of the Board May 2001 to present President February 1995 to present Chief Executive Officer March 2001 to present Chief Operating Officer March 1996 to March 2001 Executive Vice President October 1988 to February 1995
Ho-il Kim.....	43	Cabot Corporation Vice President and General Counsel July 2000 to present Counsel August 1992 to July 2000
William P. Noglows.....	43	Cabot Corporation Executive Vice President March 1998 to present

Vice President February 1994 to March 1998 Director of Global Manufacturing November 1997 to present General Manager, Cab-O-Sil Division November 1992 to November 1997 Thomas H. Odle..... 43 Cabot Corporation Vice President March 1997 to present General Manager, Cabot Performance Materials October 1996 to March 1997 Roland R. Silverio..... 54 Cabot Corporation Vice President May 1998 to present Director of Human Resources/ Organizational Effectiveness May 1998 to November 2001 Director of Organizational Development January 1998 to May 1998 October 1992 to October 1995 Manager of Training and Development July 1990 to October 1992 Managing Partner, The Franklin Group October 1995 to January 1998

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Cabot's Common Stock is listed for trading (symbol CBT) on the New York, Boston, and Pacific stock exchanges and the Chicago Board Options Exchange. As of September 30, 2001, there were approximately

1,652 holders of record of Cabot's Common Stock. 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.

STOCK PRICE AND DIVIDEND DATA

DECEMBER	MARCH	JUNE	SEPTEMBER	YEAR
				FISCAL 2001
Cash dividends per share	$ 0.11	$ 0.11	$ 0.13	$ 0.13	$ 0.48
Price range of common stock:				
High	$26.75	$39.40	$38.74	$41.35	$41.35
Low	$18.56	$25.13	$31.40	$34.87	$18.56
Close	$26.38	$31.50	$36.02	$39.90	$39.90

DECEMBER	MARCH	JUNE	SEPTEMBER	YEAR
				FISCAL 2000
Cash dividends per share	$ 0.11	$ 0.11	$ 0.11	$ 0.11	$ 0.44
Price range of common stock:				
High	$13.31	$17.51	$17.27	$21.97	$21.97
Low	$10.55	$11.12	$14.39	$16.29	$10.55
Close	$11.70	$17.51	$15.65	$18.19	$18.19

On September 29, 2000, Cabot Corporation distributed to its shareholders in the form of a stock dividend 0.28047 shares of Cabot Microelectronics for each outstanding share of Cabot common stock. As a result, Cabot Corporation's stock price was restated on October 2, 2000 from $31.69 to $18.19 by the New York Stock Exchange to reflect the distribution of Cabot's ownership in Cabot Microelectronics to Cabot's shareholders. Accordingly, the stock prices presented above for fiscal 2000 are all restated on the same basis.

ITEM 6. SELECTED FINANCIAL DATA

Cabot Corporation Selected Financial Data:

YEARS ENDED SEPTEMBER 30	2001	2000	1999	1998	1997
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)					
Financial Highlights					
Net sales and other operating revenues	$1,670	$1,574	$1,405	$1,443	$1,450
Income from continuing operations	$ 121	$ 108	$ 82	$ 116	$ 90
Long-term debt	$ 419	$ 329	$ 419	$ 316	$ 286
Minority interest	27	31	32	25	23
Stockholders' equity	950	1,047	706	706	728
Total capitalization	$1,396	$1,407	$1,157	$1,047	$1,037
Total assets	$1,919	$2,134	$1,842	$1,805	$1,826
Income from continuing operations per common share:					
Basic	$ 1.89	$ 1.65	$ 1.24	$ 1.72	$ 1.29
Diluted	$ 1.62	$ 1.46	$ 1.11	$ 1.53	$ 1.15
Cash dividends (declared and paid)	$ 0.48	$ 0.44	$ 0.44	$ 0.42	$ 0.40

------ ------ ------ ------ Weighted
average common shares outstanding in
millions (diluted).....
74 73 73 75 77 ------ ------ ------ ---
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Information regarding the sale of Cabot's LNG business and the spin-off of Cabot Microelectronics Corporation common stock can be found in Note C of the Notes to the Company's Consolidated Financial Statements, which appears in Item 8 of this annual report on Form 10-K for the fiscal year ended September 30, 2001.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cabot Corporation and its subsidiaries (the "Company" or "Cabot") are organized into three reportable segments: Chemical Businesses, Cabot Performance Materials ("CPM"), and Cabot Specialty Fluids ("CSF"). The Chemical Businesses are comprised of the carbon black, fumed metal oxides, and inkjet colorants businesses.

The following discussion of results includes diluted earnings per share, segment sales, and operating profit before taxes ("PBT"). Segment PBT is a measure used by chief operating decision-makers to measure the Company's consolidated operating results and assess segment performance. The following discussion has been prepared on a basis consistent with segment reporting as outlined in Note Q of the consolidated financial statements. (Refer to Note Q of the consolidated financial statements for a definition of segment PBT and additional segment information.)

The following analysis of financial condition and operating results should be read in conjunction with Cabot's consolidated financial statements and accompanying notes. Unless a calendar year is specified, all references to years in this discussion are to Cabot's fiscal years ended September 30.

OVERVIEW

Cabot reported earnings per share of $1.66, $6.20, and $1.31 in 2001, 2000, and 1999, respectively. In 2000, earnings included the net gain of $4.25 from the sale of the Liquefied Natural Gas ("LNG") business. Earnings from continuing operations totaled $1.62 in 2001 versus $1.46 in 2000. For 2001, the $1.62 amount included a net $0.20 charge for special items. For 2000, $1.46 in earnings from continuing operations included a net $0.09 charge for special items. Earnings from continuing operations totaled $1.11 in 1999 including a net $0.14 charge from special items. Special items are detailed in the Company Summary section of Management's Discussion and Analysis.

In 2001, weakened economic conditions resulted in lower demand in the Chemical Businesses. In addition, higher feedstock costs, higher administrative costs, and negative currency translations adversely impacted results in the Chemical Businesses. The carbon black business experienced lower volumes across all markets and in all regions with the exception of Asia Pacific. The fumed metal oxides business also experienced reduced volumes in most of its markets. Inkjet colorants realized increased volumes in 2001. The Performance Materials Business experienced increased pricing and higher volumes due to new customer contracts entered into in the first quarter of fiscal 2001. The Specialty Fluids Business continued to gain market acceptance and experienced significantly higher volumes and improved pricing.

In 2000, Cabot completed several initiatives focused on improving shareholder value. These initiatives included the realization of approximately $50 million in cost reductions, the initial public offering ("IPO") and subsequent spin-off of Cabot Microelectronics and the sale of the LNG business for $688 million, resulting in a net gain of $4.25 per share.

Cabot continues to pursue its strategy of managing costs and developing new products and businesses based on its core competencies. Cabot is also committed to achieving productivity improvements and further refining its business portfolio in order to achieve its objectives of increasing earnings and stock price performance.

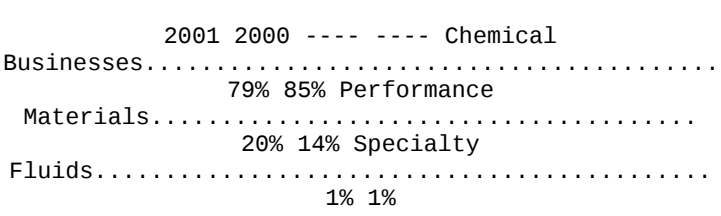
RESULTS OF OPERATIONS

In fiscal year 2001, Cabot's operating results were comprised of three segments: Chemical Businesses, Performance Materials, and Specialty Fluids. Due to the disposition and spin-off of LNG and Cabot

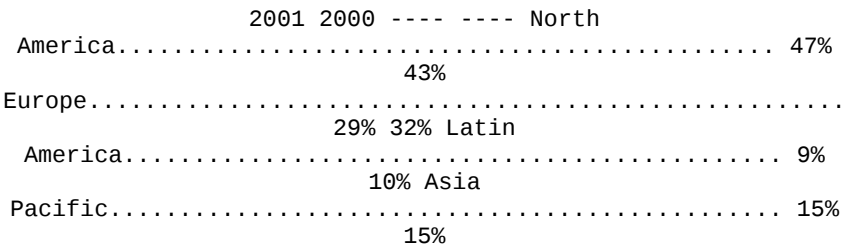
Microelectronics, respectively, earnings related to those segments are reported as "discontinued" for the 2000 and 1999 fiscal years.

Cabot's sales for 2001, 2000 and 1999 were $1,670 million, $1,574 million and $1,405 million, respectively. In 2001, improved pricing and increased volumes in the Performance Materials Business offset lower volumes and negative currency exchange effects in the Chemical Businesses resulting in a $96 million improvement in sales versus 2000. Sales increased $169 million in 2000 as compared to 1999 due to increased volumes and higher selling prices in the Chemical Businesses somewhat offset by negative currency trends.

SEGMENT SALES

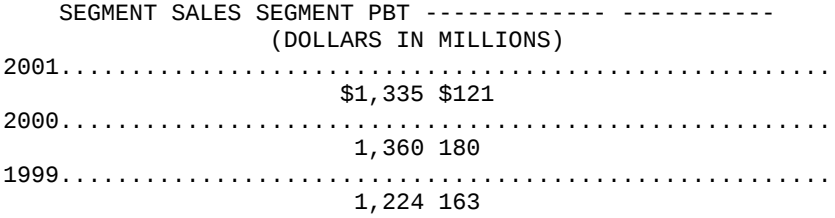


SALES BY GEOGRAPHIC REGION



CONTINUING OPERATIONS

CHEMICAL BUSINESSES: CARBON BLACK, FUMED METAL OXIDES, AND INKJET COLORANTS



Sales for the Chemical Businesses were $1,335 million in 2001, compared with $1,360 million in 2000 and $1,224 million in 1999. In 2001, sales decreased 2%, primarily as a result of lower volumes. PBT decreased 33%, from $180 million in 2000 to $121 million in 2001, largely as the result of a strong US dollar and lower volumes and, to a lesser extent, due to increased feedstock costs, higher administrative and business development costs, somewhat offset by improved pricing. Currency translation negatively impacted the businesses in every quarter of fiscal 2001 versus fiscal 2000. In addition, feedstock costs increased in each of the first three quarters of fiscal 2001 and stabilized in the fourth fiscal quarter. In comparing 2000 to 1999, sales increased 11% and PBT increased 10%. These improvements were attributable to higher volumes and significant cost reductions, which amounted to approximately $50 million in annual cost savings in fiscal 2000.

Carbon black sales, which comprise the majority of the Chemical Businesses segment, were down 3% from last year due to lower volumes. Volume declined in all regions with the exception of Asia Pacific, which remained flat. Weak economic conditions, particularly in North America, resulted in a global carbon black volume decrease of 6%. In addition to lower volumes, rising feedstock costs and a stronger US dollar negatively impacted carbon black's profitability resulting in an annual decrease in PBT of 20%.

In 2001, the fumed metal oxides business experienced decreased demand from its traditional silicone rubber, composites, and adhesives markets, with overall sales and volumes down 7% and 10%, respectively. In addition, increased energy costs in North America, higher operating costs, and a stronger US dollar resulted in a 60% decrease in the profitability of fumed metal oxides.

The inkjet colorants business continues gaining market acceptance, growing both sales and volumes in 2001. Sales and volumes increased 54% and 69% compared to last year, albeit off of a relatively small base, due to higher penetration in the inkjet colorants market. The inkjet colorants business operated at approximately breakeven in 2001.

OUTLOOK FOR 2002

The Chemical Businesses have experienced weak order patterns for the past three quarters, which will likely continue until the overall global economy begins to recover. In an effort to mitigate the economic climate, the businesses will continue to search for cost efficiencies and will focus on cost savings initiatives.

Although growth in the inkjet printer market has slowed considerably, the inkjet colorants business expects to see increases in sales and volumes as the installed base of its customers' printers increases.

PERFORMANCE MATERIALS

	SEGMENT SALES	SEGMENT PBT
	(DOLLARS IN MILLIONS)	
2001	$329	$78
2000	215	38
1999	187	30

Performance Materials sales were $329 million in 2001, compared with $215 million in 2000 and $187 million in 1999. Although the electronic capacitor market weakened significantly in the second half of the year, new customer contracts entered into in the first fiscal quarter of 2001 resulted in a 14% volume increase in fiscal 2001. In addition, average costs and average selling prices increased 42% and 45%, respectively, in 2001 compared to 2000. As a result, PBT increased 105% in 2001 versus 2000. In 2000, improvements in volumes and prices offset increases in tantalum ore costs resulting in a 27% improvement in profitability compared to 1999.

OUTLOOK FOR 2002

Demand for electronic products has been extremely weak for most of fiscal 2001 which has resulted in inventory build in the tantalum capacitor supply chain. As a result of weak demand and high levels of inventory, the market for tantalum remains weak. Cabot's long-term contracts with its customers call for specified volumes and prices for the coming year; however, Cabot continues to work with its customers to look for ways to help them in these difficult market conditions while preserving the long-term value of the contracts. The Company is uncertain of the magnitude of the impact, if any, of these discussions on Cabot's future earnings. The electronics products marketplace and the corresponding demand for tantalum capacitors is likely to remain weak until the overall global electronics market begins to recover.

SPECIALTY FLUIDS

	SEGMENT SALES	SEGMENT PBT
	(DOLLARS IN MILLIONS)	
2001	$27	$0
2000	20	(3)
1999	12	(3)

Specialty Fluids sales in 2001 were $27 million versus $20 million in 2000 and $12 million in 1999. Higher sales resulted from a 14% increase in volumes and improved pricing. In 2001, cesium formate was successfully used in 21 oil and gas well completions and five drill-in applications bringing the total number of jobs as of November 30, 2001 to 46. During 2001, initial production flow tests were performed on three drill-in applications. Preliminary results were favorable and indicated that cesium formate increased drilling speed, minimized skin damage, and improved initial production flow rates by two to five times. In 2000, increased

demand resulted in the re-starting of cesium formate production that was temporarily suspended in 1999 as a result of excess inventory and a downturn in the oil industry.

OUTLOOK FOR 2002

Demand for the Specialty Fluids Business continues to grow. In 2002, the Company expects to increase the number of drill-ins and completion applications as the market develops for the use of cesium formate as the premium drilling fluid for High-Temperature High-Pressure ("HTHP") wells. Furthermore, as the CSF business continues to demonstrate cesium formate's ability to deliver superior performance, the Company will search for ways to participate in the value created in the drilling of oil and gas wells.

DISCONTINUED OPERATIONS

Cabot sold its LNG business and spun-off its Cabot Microelectronics business in 2000. In 2001, Cabot received additional proceeds of $3 million, net of tax, from the sale of its LNG business. Cabot reported earnings from discontinued operations of $0.49 per diluted common share in 2000 compared to $0.20 per diluted common share in 1999. Income from operations of discontinued businesses, net of tax, for 2000 and 1999 was $36 million and $15 million, respectively.

COMPANY SUMMARY

INCOME FROM CONTINUING OPERATIONS

Income before income taxes was $150 million in 2001, a 4% decline versus $157 million in 2000. In 1999, income before income taxes was $113 million. Income in 2001 was negatively impacted by special items, unfavorable currency translations, and lower volumes in the Chemical Businesses. In 2001, special items consisted of a $1 million insurance recovery and a $1 million recovery of costs from one of the 2000 plant closings. Special items for 2001 also included a $2 million charge from the discontinuance of a toll manufacturing agreement of which $1 million remained accrued at September 30, 2001. In addition a $21 million charge was recorded related to the retirement of the Chief Executive Officer and the resignation of the Chief Financial Officer. The charge consisted of $13 million to accelerate the vesting of shares issued under Cabot's Long Term Incentive Compensation Plan and $8 million of cash payments. In 2000, special items consisted of the benefit of a $10 million insurance recovery, a $2 million charge to increase the environmental reserve, and an $18 million charge to close two plants. Included in the $18 million charge were accruals of $2 million for severance and termination benefits for approximately 38 employees of the Chemical and Performance Materials Businesses, $7 million for facility closing costs, and a $9 million charge for the impairment of long-lived plant assets. During 2001, $1 million of severance and termination benefits and $3 million of facility closing costs were paid. It was determined during fiscal 2001 that the recovery value of fixed assets was overvalued by $2 million and the required facility closing costs would be $2 million less than originally accrued. At September 30, 2001, $3 million remained in the accrual. During 1999, Cabot began the implementation of initiatives to reduce costs and improve operating efficiencies. In connection with these efforts, Cabot recorded a $26 million charge for capacity utilization and cost reduction initiatives. These initiatives included $16 million for severance and termination benefits for approximately 265 employees, of which $8 million and $7 million was paid out in 2000 and 1999, respectively. The remainder of the accrual was paid out during 2001. Also included in the charge was $10 million for the retirement of certain long-lived plant assets, primarily at the Australian carbon black facility and European plastics master batch operations. All special items are included in the consolidated statements of income.

Gross margin improved by $23 million in 2001 due to higher pricing in all the businesses and increased volumes in the CPM business. These improvements were somewhat offset by higher raw material costs in all the businesses and a strong US dollar. In 2000, gross margin decreased $4 million as compared to 1999 due to higher raw material costs.

Operating expenses include research and technical service, and selling and administrative expenses. Research and technical service spending increased from $43 million in 2000 to $48 million in 2001. The increase reflects increased spending in CPM as well as in the inkjet colorants business and other developing

businesses. In 2000, cost reductions in the carbon black and CPM businesses led to a significant decrease in spending, from $58 million in 1999 to $43 million in 2000. Selling and administrative expenses for 2001, 2000, and 1999 were $208 million, $173 million, and $186 million, respectively. The increase in 2001 is primarily due to increased administrative costs including our Enterprise-wide Resource Planning initiative and stock-based compensation. Selling and administrative expenses decreased $13 million from 1999 to 2000 as a result of the successful implementation of cost improvement initiatives in the Chemical Businesses.

Interest expense from continuing operations was $1 million lower in 2001 compared to 2000 and $6 million lower in 2000 versus 1999 due to the repayment of debt and lower interest rates. Interest expense was $32 million, $33 million, $39 million in 2001, 2000, and 1999, respectively.

During fiscal 2001, Cabot completed a reorganization of its international legal entity structure. One of the results of this reorganization was a decrease in Cabot's overall effective income tax rate from 36% in fiscal 1999 and 2000 to 28% in fiscal 2001. It is anticipated that the effective income tax rate for 2002 will be approximately 28% to 30%. The underlying factors affecting Cabot's overall effective tax rates are summarized in Note M of the consolidated financial statements.

Cabot's share of earnings from equity affiliates increased from $13 million in 1999 and 2000 to $20 million in 2001 as a result of increased earnings from Showa Cabot Supermetals, a Japanese joint venture in the Performance Materials Business.

NET INCOME

Net income was $124 million ($1.66 per diluted common share) in 2001 compared to $453 million ($6.20 per diluted common share) in 2000 and $97 million ($1.31 per diluted common share) in 1999.

The following table summarizes the impact of special items and the gain on sale of equity securities, net of tax, on diluted earnings per common share:

SPECIAL ITEMS & GAIN ON SALE	2001	2000	1999
Insurance recoveries	$ 0.01	$ 0.08	--
Sale of K N Energy, Inc. stock	--	--	$ 0.09
Cost reduction initiatives/programs	0.01	(0.16)	(0.23)
Retirement of Chief Executive Officer and resignation of Chief Financial Officer	--	--	(0.20)
Discontinuance of toll manufacturing agreement	(0.02)	--	--
Environmental charge	(0.01)	--	--
Special Items & Gain on Sale per common share -- diluted	$(0.20)	$(0.09)	$(0.14)

Excluding special items and the gain on sale of equity securities, net income from continuing operations would have been $136 million in 2001, $114 million in 2000 and $92 million in 1999.

RISK MANAGEMENT

MARKET RISK

Cabot's principal risk management objective is to identify and monitor its exposure to interest rates, foreign currency rates, commodity prices and Cabot's share price in order to assess the impact that changes in each could have on future cash flow and earnings. Cabot manages these risks through normal operating and financial activities and, when deemed appropriate, through the use of derivative financial instruments. Gains or losses associated with financial instruments are generally offset by the changes in value of the underlying transaction. Market risk exposure to other financial instruments is not material to earnings, cash flow, or fair values.

Cabot's risk management policy prohibits entering into financial instruments for speculative purposes. All instruments entered into by Cabot are reviewed and approved by Cabot's Risk Management Committee, which is charged with enforcing Cabot's risk management policy.

INTEREST RATES

Cabot's objective in managing its exposure to interest rate changes is to maintain an appropriate balance of fixed and variable rate debt and to match borrowing costs with the economics of Cabot's business cycles. Cabot uses interest rate swaps to adjust fixed and variable rate debt positions. Cabot did not enter into financial instruments to hedge interest rates during 2001 or 2000. Cabot settled its remaining interest rate swaps in January 2000. For 2000 and 1999, the gains or losses in interest income or expense associated with interest rate swaps were immaterial.

In October of 2001, Cabot entered into interest rate swaps in an aggregate notional amount of $97 million in order to balance its mix of fixed and variable rate debt. The instruments mature on various dates through February 2007.

As of September 30, 2001, Cabot had $364 million in cash and short-term investments. It is the Company's practice to invest excess cash in instruments that will earn a high rate of return, consistent with the protection of principal. Interest income earned may vary as a result of changes in interest rates and average cash balances, which could fluctuate over time. Based on current market rates of 2.7% and a cash balance invested in money market securities of $320 million, a 10% change in interest rates could cause interest income to change by approximately $1 million.

FOREIGN CURRENCY

Cabot's international operations are subject to certain risks, including currency fluctuations and government actions. Operations in each country are closely monitored so Cabot can respond to changing economic and political environments and to fluctuations in foreign currencies. Accordingly, Cabot utilizes short-term forward contracts to hedge receivables and payables denominated in currencies other than its foreign entities' functional currencies. In 2001, none of Cabot's forward contracts were designated as hedging instruments under FAS No. 133. Cabot monitors its foreign exchange exposures and adjusts its hedge position accordingly. Cabot's forward foreign exchange contracts are denominated primarily in the EURO, Japanese yen, British pound sterling, Canadian dollar, and Australian dollar.

SHARE REPURCHASES

As a regular practice, Cabot repurchases its shares in order to offset dilution caused by issuing shares under its various employee stock plans. In addition, Cabot may repurchase its shares as a preferred method of returning excess cash to shareholders. From time to time, Cabot enters into derivative instruments in its stock in order to fix the price of stock for delivery at a future date. These agreements provide Cabot with the right to settle forward contracts in cash or an equivalent value of Cabot Corporation common stock. In 2001 Cabot purchased 100,000 shares under share repurchase contracts at an average price of $35 per share. At September 30, 2001 there were no open share repurchase contracts.

COMMODITIES

Cabot is exposed to price fluctuations for certain commodities such as oil feedstock and natural gas. When it owned the LNG business, from time to time, Cabot entered into commodity futures contracts, commodity price swaps, and/or option contracts to hedge a portion of firmly committed and anticipated transactions against natural gas price fluctuations. In 2000, Cabot realized a $1 million loss on futures contracts. In 1999, Cabot realized gains associated with futures of $2 million and realized losses associated with options of $2 million. At September 30, 2001 and 2000, no contracts were outstanding.

VALUE-AT-RISK

Cabot utilizes a Value-at-Risk ("VAR") model to determine the maximum potential loss in the fair value of its foreign exchange, share repurchases and commodity sensitive derivative financial instruments within a 95% confidence interval. Cabot's computation is based on the interrelationships between movements in interest rates, foreign currencies, share repurchases and commodities. These interrelationships are determined by observing historical interest rates, foreign currency, share price and commodity market changes over corresponding periods. The assets and liabilities, firm commitments and anticipated transactions, which are hedged by derivative financial instruments, are excluded from the model. The VAR model estimates were made assuming normal market conditions. There are various modeling techniques that can be used in the VAR computation. Cabot's computations are based on a Monte Carlo simulation method. The VAR Model is a risk analysis tool and does not purport to represent actual gains or losses in fair value that will be incurred by Cabot. The VAR Model estimated a maximum loss in market value of $2 million from October 1, 2001 through November 30, 2001 for derivative instruments held as of September 30, 2001.

At no time during 2001 did actual changes in market value exceed the VAR amounts during the reporting period.

In 2000, the VAR Model estimated a maximum loss in market value of $1 million for derivative instruments held as of September 30, 2000.

CASH FLOW AND LIQUIDITY

Cash generated in 2001 from operating activities was $26 million, compared with $264 million in 2000 and $208 million in 1999. The decrease in operating cash in 2001 is largely attributable to a $178 million tax payment made in fiscal 2001 which was related to the sale of the LNG business in fiscal 2000. The change in 2000 versus 1999 was primarily due to improved working capital as a result of an ongoing capital efficiency initiative.

Capital spending from continuing operations on property, plant and equipment, and investments and acquisitions for 2001, 2000 and 1999 was $133 million, $108 million and $133 million, respectively. The 2000 and 1999 amounts excluded capital spending from discontinued operations of $45 million and $39 million, respectively. The major components of the 2001, 2000 and 1999 capital programs included new business expansion, normal plant operating capital projects, capacity expansion in Cabot's CPM, fumed metal oxides and inkjet businesses, and the development of new products. Capital expenditures for 2002 are expected to be approximately $200 million and include replacement projects, plant expansions, and the completion of projects started in fiscal 2001.

Cash used in 2001 in financing activities was $176 million, compared with $184 million in 2000 and $69 million in 1999. In 2001, the Company used cash for the repurchase of its common stock which was partially offset by net proceeds from long-term debt. In 2000, the Company used cash for the repayment of debt and repurchase of common stock, partially offset by dividends received from Cabot Microelectronics as a result of its IPO.

Cabot's ratio of total debt (including short-term debt, net of cash) to capital increased from (29%) at September 30, 2000 to 9% at September 30, 2001, primarily due to a lower cash balance in 2001, resulting from the repurchase of Cabot common stock and income tax payments.

In November 2000, a Cabot subsidiary issued a 150 million EURO Note (fair market value of $138 million at September 30, 2001) to a group of institutional lenders. The loan bears interest at EURIBOR plus 0.70%, and is scheduled to mature in November 2003.

On October 4, 2000, Cabot purchased $17 million of its Medium Term Notes (MTNs) at par plus accrued interest. The 7.28% MTNs were issued on October 21, 1997, had a maturity date of October 21, 2027, and were subject to a put at par in 2004.

On September 8, 2000, Cabot's Board of Directors authorized the repurchase of up to 10 million shares of Cabot's common stock, superseding prior authorizations. Approximately 7 million shares have been purchased under this new authorization as of October 31, 2001.

Cabot repurchased 7 million, 2 million, and 2 million shares of its common stock for $218 million, $40 million, and $44 million in 2001, 2000, and 1999, respectively.

In July 2001, Cabot replaced its revolving credit facility with a new agreement. Under the new agreement, Cabot may, under certain conditions, borrow up to $250 million at floating rates. The new facility is available through July 13, 2006. As of September 30, 2001, Cabot had no borrowings outstanding under this arrangement. Management expects cash on hand, cash from operations and present financing arrangements, including Cabot's unused line of credit and shelf registration for debt securities, to be sufficient to meet Cabot's cash requirements for the foreseeable future.

During 2001, 2000, and 1999 Cabot paid cash dividends of $0.48, $0.44, and $0.44, respectively, per share of common stock. In November 2001, the Board of Directors approved a $0.13 per share dividend on its common stock payable in the first fiscal quarter of 2002.

Cabot is a defendant, or potentially responsible party, in various lawsuits and environmental proceedings wherein substantial amounts are claimed or are at issue. During the next few years, Cabot expects to spend a significant portion of its $30 million environmental reserve in connection with remediation at various environmental sites. These sites are primarily associated with businesses divested in prior years.

NEW ACCOUNTING STANDARDS

In 2001, Cabot adopted the following new accounting pronouncement:

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FAS No. 141"), which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires that unallocated negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. Cabot will account for business combinations after June 30, 2001 in accordance with the guidance in FAS No. 141.

Cabot is assessing the impact of the following new accounting pronouncements:

In June 2001, the FASB issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). Under FAS No. 142 goodwill and indefinite lived intangible assets will no longer be amortized. Instead, goodwill will be subject to annual impairment tests performed under the guidance of the Statement. Additionally, the amortization period of intangible assets with finite lives will no longer be limited to forty years. Cabot has elected to implement FAS No. 142 on October 1, 2001 and expects annual amortization expense to be reduced by $3 million.

The FASB issued Statement No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" ("FAS No. 143"), in June 2001. The objective of FAS No. 143 is to establish an accounting standard for the recognition and measurement of an asset retirement obligation on certain long-lived assets. The retirement obligation must be one that results from the acquisition, construction or normal operation of a long-lived asset. FAS No. 143 requires the legal obligation associated with the retirement of a tangible long-lived asset to be recognized at fair value as a liability when incurred and the cost capitalized by increasing the related long-lived asset. FAS No. 143 will be effective for Cabot on October 1, 2002. Cabot is currently evaluating the effect of implementing FAS No. 143.

In October 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS No. 144"), which supersedes FAS No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of" and provisions of APB Opinion No. 30 "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently

Occurring Events and Transactions" ("APB No. 30"), for the disposal of segments of a business. The statement creates one accounting model, based on the framework established in FAS No. 121, to be applied to all long-lived assets including discontinued operations. FAS No. 144 will be effective for Cabot on October 1, 2002. Cabot is currently evaluating the effect of implementing FAS No. 144.

FORWARD-LOOKING INFORMATION

Included herein are statements relating to management's projections of future profits, the possible achievement of Cabot's financial goals and objectives, and management's expectations for Cabot's product development program. Actual results may differ materially from the results anticipated in the statements included herein due to a variety of factors, including but not limited to the following: market supply and demand conditions, fluctuations in currency exchange rates, changes in the rate of economic growth in the United States and other major international economies, changes in regulatory environments, changes in trade, monetary and fiscal policies throughout the world, acts of war and terrorist activities, pending and future litigation, cost of raw materials, patent rights of Cabot and others, demand for Cabot's customers' products, and competitors' reactions to market conditions. Timely commercialization of products under development by Cabot may be disrupted or delayed by technical difficulties, market acceptance, or competitors' new products, as well as difficulties in moving from the experimental stage to the production stage. The risk management discussion and the estimated amounts generated from the analyses are forward-looking statements of market risk, assuming certain adverse market conditions occur. Actual results in the future may differ materially from these projected results due to actual developments in the global financial markets. The methods used by Cabot to assess and mitigate risks should not be considered projections of future events or losses. The Company undertakes no obligation to publicly release any revisions to the forward-looking statements or reflect events or circumstances after the date of this document.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required appears in the Risk Management portion of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the financial information which appears in Item 7 of this annual report on Form 10-K for the fiscal year ended September 30, 2001, and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30

	2001	2000
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)		
ASSETS		
Current assets:		
Cash and cash equivalents	$ 364	$ 638
Accounts and notes receivable, net of reserve for doubtful accounts of $4 and $3	267	280
Inventories	285	232
Prepaid expenses and other current assets	33	23
Deferred income taxes	19	17
Total current assets	968	1,190
Investments:		
Equity	76	74
Other	29	27
Total investments	105	101
Property, plant and equipment	1,856	1,794
Accumulated depreciation and amortization	(1,049)	(988)
Net property, plant and equipment	807	806
Other assets:		
Intangible assets, net of accumulated amortization of $13 and $11	21	21
Deferred income taxes	2	2
Other assets	16	14
Total other assets	39	37
Total assets	$ 1,919	$2,134

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

CABOT CORPORATION

CONSOLIDATED BALANCE SHEETS -- (CONTINUED)
SEPTEMBER 30

2001	2000	(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)
		LIABILITIES AND STOCKHOLDERS' EQUITY
		Current liabilities:
$ 13	$ 20	Notes payable to banks
30	48	Current portion of long-term debt
243	425	Accounts payable and accrued liabilities
5	1	Deferred income taxes
291	494	Total current liabilities
419	329	Long-term debt
94	90	Deferred income taxes
138	143	Other liabilities
		Commitments and contingencies (Note O)
27	31	Minority interest
		Stockholders' equity: 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, outstanding: 59,148 and 62,285 shares (aggregate redemption value of $59 and $62)
75	75	Less cost of shares of preferred treasury stock
(33)	(24)	Common stock: Authorized: 200,000,000 shares of $1 par value Issued and outstanding: 62,633,252 and 67,700,060 shares
63	68	Additional paid-in capital
9	111	Retained earnings
1,078	1,040	Unearned compensation
(40)	(39)	Deferred employee benefits
(54)	(56)	Notes receivable for restricted stock
(23)	(27)	Accumulated other comprehensive loss
(125)	(101)	Total stockholders' equity
950	1,047	Total liabilities and stockholders' equity
$1,919	$2,134	

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30

	2001	2000	1999
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)			
Revenues:			
Net sales and other operating revenues	$1,670	$1,574	$1,405
Interest and dividend income	28	6	4
Total revenues	1,698	1,580	1,409
Costs and expenses:			
Cost of sales	1,237	1,164	991
Selling and administrative expenses	208	173	186
Research and technical service	48	43	58
Interest expense	32	33	39
Special items	21	10	26
Gain on sale of equity securities	--	--	(10)
Other charges, net	2	--	6
Total costs and expenses	1,548	1,423	1,296
Income before income taxes	150	157	113
Provision for income taxes	(42)	(57)	(41)
Equity in net income of affiliated companies	20	13	13
Minority interest in net income	(7)	(5)	(3)
Income from continuing operations	121	108	82
Discontinued Operations			
Income from operations of discontinued businesses, net of income taxes	--	36	15
Gain on sale of business, net of income taxes	3	309	--
Net Income	124	453	97
Dividends on preferred stock, net of tax benefit of $2, $2 and $2	(3)	(3)	(3)
Income applicable to common shares	$ 121	$ 450	$ 94
Weighted-average common shares outstanding, in millions:			
Basic	62	64	64
Diluted	74	73	73
Income per common share:			
Basic: Continuing operations	$ 1.89	$ 1.65	$ 1.24
Discontinued Operations: Income from operations of discontinued businesses	--	0.56	0.23
Gain on sale of business	0.05	4.83	--
Net Income	$ 1.94	$ 7.04	$ 1.47
Diluted: Continuing operations	$ 1.62	$ 1.46	$ 1.11
Discontinued Operations: Income from operations of discontinued businesses	--	0.49	0.20
Gain on sale of business	0.04	4.25	--
Net Income	$ 1.66	$ 6.20	$ 1.31

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30

	2001	2000	1999
(DOLLARS IN MILLIONS) Cash Flows from Operating Activities			
Net income	$ 124	$ 453	$ 97
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	115	129	125
Deferred tax expense (benefit)	6	20	(3)
Equity in net income of affiliated companies, net of dividends received	(9)	(5)	6
Special items	14	20	19
Gain on sale of business, net of income taxes	(3)	(309)	--
Gain on sale of equity securities	--	--	(10)
Non-cash compensation	22	17	12
Other, net	5	--	--
Changes in assets and liabilities, net of the effect of the consolidation of equity affiliates:			
Decrease (increase) in accounts and notes receivable	13	(73)	(38)
Decrease (increase) in inventories	(55)	1	(7)
Increase (decrease) in accounts payable and accrued liabilities	(31)	48	(2)
Decrease in income taxes payable	(175)	(10)	(14)
Increase (decrease) in other liabilities	(6)	(22)	32
Other, net	6	(5)	(9)
Cash provided by operating activities	26	264	208
Cash Flows from Investing Activities			
Additions to property, plant and equipment	(122)	(137)	(166)
Proceeds from sales of property, plant and equipment	4	7	1
Purchases of equity securities	(5)	(2)	--
Proceeds from sales of equity securities	--	--	20
Investments and acquisitions, excluding cash acquired	(6)	(14)	(6)
Proceeds from sale of business	5	688	--
Cash retained by discontinued operations	--	(14)	--
Cash from consolidation of equity affiliates and other	--	--	8
Cash provided by (used in) investing activities	(124)	528	(143)
Cash Flows from Financing Activities			
Proceeds from long-term debt	129	17	103
Repayments of long-term debt	(63)	(62)	(11)
Decrease in short-term debt, net	(7)	(165)	(77)
Proceeds from initial public offering of Cabot Microelectronics Corporation	--	83	--
Purchases of preferred and common stock	(229)	(47)	(46)
Sales and issuances of preferred and common stock	13	15	11
Cash dividends paid to stockholders	(34)	(32)	(32)
Purchase of notes receivable for restricted stock	--	--	(18)
Employee loan repayments	15	7	1
Cash used in financing activities	(176)	(184)	(69)
Effect of exchange rate changes on cash	--	(5)	(1)
Increase (decrease) in cash and cash equivalents	(274)	603	(5)
Cash and cash equivalents at beginning of year	638	35	

40	Cash and cash equivalents at end of year	$ 364	$ 638 $ 35

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

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30

(DOLLARS IN MILLIONS)	PREFERRED STOCK, NET OF DEFERRED COMPENSATION	ACCUMULATED ADDITIONAL PAID-IN CAPITAL	OTHER TREASURY STOCK	COMMON STOCK EARNINGS	RETAINED UNEARNED INCOME (LOSS)	COMPREHENSIVE EMPLOYEE BENEFITS	STOCK
1999							
Balance at September 30, 1998.....	$61	$67	$ 5	$ 672	$ (13)	$(26)	$(60)
Net income.....				97			
Foreign currency translation adjustments.....					(17)		
Change in unrealized gain on available-for-sale securities...					(14)		
Total comprehensive income.....							
Common dividends paid.....				(29)			
Issuance of stock under employee compensation plans, net of tax benefit of $5.....		2	39	(16)			
Purchase and retirement of common stock.....		(2)	(39)	(3)			
Purchase of treasury stock -- preferred.....				(3)			
Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2.....				(3)			
Principal payment by Employee Stock Ownership Plan under guaranteed loan.....				1			
Amortization of unearned compensation.....						12	
Notes receivable -- loans purchased, payments, and forfeitures.....							
Balance at September 30, 1999.....	$58	$67	$ 5	$ 734	$ (44)	$(30)	$(59)
2000 Net income.....				453			
Foreign currency translation adjustments.....					(58)		
Change in unrealized gain on available-for-sale securities...					1		
Total comprehensive income.....							
Common dividends paid.....				(30)			
Issuance of stock under employee compensation plans, net of tax benefit of $4.....		3	51	(26)			
Purchase and retirement of common stock.....		(2)	(15)	(23)			
Purchase of treasury stock -- preferred.....				(7)			
Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2.....				(3)			

NOTES RECEIVABLE FOR TOTAL TOTAL RESTRICTED STOCKHOLDERS' COMPREHENSIVE STOCK EQUITY INCOME ---------- ---------- ---- ---------- (DOLLARS IN MILLIONS) 1999 Balance at September 30, 1998..... $ -- $ 706 ---- ------ Net income..... $ 97 Foreign currency translation adjustments..... (17) Change in unrealized gain on available-for-sale securities... (14) ---- Total comprehensive income..... $ 66 ==== Common dividends paid..... Issuance of stock under employee compensation plans, net of tax benefit of $5..... (8) Purchase and retirement of common stock..... Purchase of treasury stock -- preferred..... Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2..... Principal payment by Employee Stock Ownership Plan under guaranteed loan..... Amortization of unearned compensation..... Notes receivable -- loans purchased, payments, and forfeitures..... (17) ---- ------ Balance at September 30, 1999..... $(25) $ 706 ---- ------ 2000 Net income..... $453 Foreign currency translation adjustments..... (58) Change in unrealized gain on available-for-sale securities... 1 ---- Total comprehensive income..... $396 ==== Common dividends paid..... Issuance of stock under employee compensation plans, net of tax benefit of $4..... (10) Purchase and retirement of common stock..... Purchase of treasury stock -- preferred..... Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2.....

CABOT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY -- (CONTINUED)
YEARS ENDED SEPTEMBER 30

(DOLLARS IN MILLIONS)	PREFERRED STOCK, NET OF DEFERRED COMPENSATION	ACCUMULATED ADDITIONAL PAID-IN CAPITAL	OTHER TREASURY STOCK	COMMON EARNINGS	UNEARNED EMPLOYEE BENEFITS	COMPREHENSIVE INCOME (LOSS)	STOCK
Principal payment by Employee Stock Ownership Plan under guaranteed loan					3		
Amortization of unearned compensation					17		
Notes receivable -- payments and forfeitures							
Proceeds from Initial Public Offering -- Cabot Microelectronics Corporation							
83 Minority interest recorded related to Cabot Microelectronics Corporation							
(13) Cabot Microelectronics Corporation -- dividend				(91)			
Balance at September 30, 2000	$51	$68	$111	$1,040	$(101)	$(39)	$(56)
2001 Net income				124			
Foreign currency translation adjustments						(26)	
Change in unrealized gain on available-for-sale securities						2	
Total comprehensive income							
Common dividends paid				(31)			
Issuance of stock under employee compensation plans, net of tax benefit of $4		2	49				(27)
Purchase and retirement of common stock							
		(7)	(161)	(52)			
Purchase of treasury stock -- preferred				(9)			
Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2				(3)			
Principal payment by Employee Stock Ownership Plan under guaranteed loan					2		
Amortization of unearned compensation					10		
Notes receivable -- payments, and forfeitures					26		
Balance at September 30, 2001	$42	$63	$ 9	$1,078	$(125)	$(40)	$(54)

(DOLLARS IN MILLIONS)	NOTES RECEIVABLE FOR STOCK	TOTAL RESTRICTED STOCK	TOTAL STOCKHOLDERS' EQUITY	COMPREHENSIVE INCOME
Principal payment by Employee Stock Ownership Plan under guaranteed loan				
Amortization of unearned compensation				
Notes receivable -- payments and forfeitures				
Proceeds from Initial Public Offering -- Cabot Microelectronics Corporation				
Minority interest recorded related to Cabot Microelectronics Corporation				
Cabot Microelectronics Corporation -- dividend				
Balance at September 30, 2000				
2001 Net income				
Foreign currency translation adjustments				
Change in unrealized gain on available-for-sale securities				
Total comprehensive income				
Common dividends paid				
Issuance of stock under employee compensation plans, net of tax benefit of $4				
Purchase and retirement of common stock				
Purchase of treasury stock -- preferred				
Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2				
Principal payment by Employee Stock Ownership Plan under guaranteed loan				
Amortization of unearned compensation				
Notes receivable -- payments, and forfeitures				
Balance at September 30, 2001				

---- ------------- (DOLLARS IN MILLIONS) Principal payment by Employee Stock Ownership Plan under guaranteed loan..... Amortization of unearned compensation..... Notes receivable -- payments and forfeitures..... 8 Proceeds from Initial Public Offering -- Cabot Microelectronics Corporation.... Minority interest recorded related to Cabot Microelectronics Corporation..... Cabot Microelectronics Corporation -- dividend..... ---- ------ Balance at September 30, 2000..... $(27) $1,047 ---- ------ 2001 Net income..... $124 Foreign currency translation adjustments..... (26) Change in unrealized gain on available-for-sale securities... 2 ---- Total comprehensive income..... $100 ==== Common dividends paid..... Issuance of stock under employee compensation plans, net of tax benefit of $4..... (11) Purchase and retirement of common stock..... Purchase of treasury stock -- preferred..... Preferred dividends paid to Employee Stock Ownership Plan, net of tax benefit of $2..... Principal payment by Employee Stock Ownership Plan under guaranteed loan..... Amortization of unearned compensation..... Notes receivable -- payments, and forfeitures..... 15 ---- ------ Balance at September 30, 2001..... $(23) $ 950 ---- ------

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

NOTE A SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. The significant accounting policies of Cabot Corporation ("Cabot") are described below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Cabot and majority-owned and controlled U.S. and non-U.S. subsidiaries. Investments in 20% to 50% owned affiliates are accounted for using the equity method. Intercompany transactions have been eliminated.

CASH AND CASH EQUIVALENTS

Cash equivalents include all highly liquid investments with a maturity of three months or less at date of acquisition. Cash overdrafts are included with notes payable to banks on the consolidated balance sheet.

INVENTORIES

Inventories are stated at the lower of cost or market. The cost of most U.S. inventories is determined using the last-in, first-out ("LIFO") method. The cost of other U.S. and all non-U.S. inventories is determined using the average cost method or the first-in, first-out ("FIFO") method.

INVESTMENTS

Investments include investments in equity affiliates, investments in equity securities, and investments accounted for under the cost method. Investments held under the cost method are subject to impairment. Investments in equity securities are classified as available-for-sale and are recorded at their fair market values. Accordingly, any unrealized holding gains or losses, net of taxes, are excluded from income and recognized as a separate component of other comprehensive income within stockholders' equity. For all investment securities, unrealized losses that are other than temporary are recognized in net income. The fair value of equity securities is determined based on market prices at the balance sheet dates. The cost of equity securities sold is determined by the specific identification method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is generally calculated on the straight-line method for financial reporting purposes. The depreciable lives for buildings, machinery and equipment, and other fixed assets are 20 to 25 years, 10 to 20 years, and 3 to 20 years, respectively. The cost and accumulated depreciation for property, plant and equipment sold, retired, or otherwise disposed of are relieved from the accounts, and resulting gains or losses are reflected in income.

Cabot capitalizes internal use software costs in accordance with Statement of Position No. 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use."

INTANGIBLE ASSETS

Intangible assets are comprised of the cost of business acquisitions in excess of the fair value assigned to the net tangible assets acquired and the costs of technology, licenses, and patents purchased in business acquisitions. The excess of cost over the fair value of net assets acquired is amortized on the straight-line basis over the estimated useful life up to 40 years. Other intangibles are amortized over their estimated useful lives. Included in other charges is amortization expense of $4 million for 2001, 2000 and 1999.

IMPAIRMENT OF LONG-LIVED ASSETS

Cabot reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Each impairment test is based on

comparison of undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its fair value.

FOREIGN CURRENCY TRANSLATION

The functional currency of the majority of Cabot's foreign subsidiaries is the local currency. Substantially all assets and liabilities of foreign operations are translated into U.S. dollars at exchange rates in effect at the balance sheet dates. Unrealized currency translation adjustments are accumulated as a separate component of other comprehensive income within stockholders' equity. Income and expense items are translated at average exchange rates during the year. Foreign currency gains and losses arising from transactions are reflected in net income. Included in other charges for 2001, 2000 and 1999 are net foreign exchange losses of $3 million, $1 million and $1 million, respectively.

FINANCIAL INSTRUMENTS

Derivative financial instruments are used by Cabot to manage some of its foreign currency exposures. Cabot may also use financial instruments to manage other exposures, such as commodity prices, share repurchases and interest rates. Cabot does not enter into financial instruments for speculative purposes. Derivative financial instruments are accounted for in accordance with Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", and are measured at fair value and recorded on the balance sheet. Through fiscal 2001, Cabot did not enter into financial instruments which received hedge accounting treatment under FAS No. 133. If the derivative instrument is not designated as a hedge, the gain or loss from changes in the fair value is recognized in earnings in the period of change.

REVENUE RECOGNITION

The Company derives its revenues through the sale of chemical products, performance materials and specialty fluids products. Cabot recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable. Provision is made at the time the related revenue is recognized for estimated rebates and product returns which may occur.

The SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101") in December 1999, which establishes criteria which must be satisfied before revenue is realized or realizable and earned. During fiscal 2001, the Company reviewed the provisions of SAB 101 and concluded that its revenue recognition policies were in compliance with the standard. Accordingly, there were no transition adjustments required in applying the provisions of SAB 101.

In addition, the Emerging Issues Task Force issued EITF 00-10, "Accounting for Shipping and Handling Fees and Costs." Shipping and handling charges related to sales transactions are recorded as sales revenue when billed to customers or included in the sale price. Shipping and handling costs that were previously netted against revenues are now included in cost of sales. Shipping and handling costs reclassified from revenue to cost of sales to conform to the 2001 presentation in fiscal 2000 and 1999 amounted to $57 million and $51 million, respectively.

INCOME TAXES

Deferred income taxes are determined based on the estimated future tax effects of differences between financial statement carrying amounts and the tax bases of existing assets and liabilities. Provisions are made for the U.S. income tax liability and additional non-U.S. taxes on the undistributed earnings of non-U.S. subsidiaries, except for amounts Cabot has designated to be indefinitely reinvested.

EQUITY INCENTIVE PLANS

In accordance with the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS No. 123"), Cabot has elected to account for stock-based compensation plans consistent with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to

Employees" ("APB No. 25"), and related interpretations in accounting. Cabot discloses the summary of pro forma effects to reported net income and earnings per share, as if Cabot had elected to recognize compensation cost based on the fair value of the options granted at grant date, as prescribed by FAS No. 123.

Under Cabot's Equity Incentive Plans, common stock may be granted at a discount to certain key employees. Generally, restricted stock awards cannot be sold or otherwise encumbered during the three years following the grant. Upon issuance of stock under the plan, unearned compensation equivalent to the difference between the market value on the date of the grant and the discounted price is charged to a separate component of stockholders' equity and subsequently amortized over the vesting period.

COMPREHENSIVE INCOME

Accumulated Other Comprehensive Income (Loss), which is disclosed in the stockholders' equity section of the consolidated balance sheet, includes unrealized gains or losses on available-for-sale securities, translation adjustments on investments in foreign subsidiaries, and translation adjustments on foreign securities.

ENVIRONMENTAL CLEANUP MATTERS

Cabot expenses environmental costs related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible. Cabot determines its liability on a site-by-site basis and records a liability at the time when it is probable and can be reasonably estimated. Cabot's estimated liability is reduced to reflect the anticipated participation of other potentially responsible parties in those instances where it is probable that such parties are legally responsible and financially capable of paying their respective shares of the relevant costs. The estimated liability of Cabot is not reduced for possible recoveries from insurance carriers.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

RECLASSIFICATION

Certain amounts in 2000 and 1999 have been reclassified to conform to the 2001 presentation. These reclassifications had no affect on operating income.

NEW ACCOUNTING PRONOUNCEMENTS

In 2001, Cabot adopted the following new accounting pronouncements:

- Effective October 1, 2000, Cabot adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS No. 133"), as amended. The adoption of FAS No. 133 did not have an impact on Cabot's financial position or results of operations. FAS No. 133 establishes accounting and reporting standards requiring that all derivative instruments, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either assets or liabilities measured at fair value. FAS No. 133 requires that changes in the derivative instrument's fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

- Cabot adopted Emerging Issues Task Force ("EITF") No. 00-10 "Accounting for Shipping and Handling Fees and Costs", as of October 1, 2000. Amounts billed as shipping and handling are required to be recorded as revenue, however a company can adopt a policy of including shipping and handling costs in cost of sales. Following the guidance of EITF No. 00-10, Cabot has reclassified shipping and handling costs to cost of sales for all periods presented. As a result, reported net sales have increased, with a corresponding increase in cost of sales.

- In December 1999, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin No. 101 ("SAB 101"), which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements filed with the SEC. In June 2000, the SEC released SAB 101B, which postponed the effective date of SAB 101 to the fourth quarter of fiscal years beginning after December 15, 1999. We have reviewed our revenue recognition policies and have found them to be in compliance with SAB 101 in all material respects.

- In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("FAS No. 141"), which requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires that unallocated negative goodwill be written off immediately as an extraordinary gain instead of being deferred and amortized. Cabot will account for business combinations after June 30, 2001 in accordance with the guidance in FAS No. 141.

In addition, Cabot is assessing the impact of the following standards:

- In June 2001, the FASB issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("FAS No. 142"). Under FAS No. 142, goodwill and indefinite lived intangible assets will no longer be amortized. Instead, goodwill and indefinite lived intangible assets will be subject to annual impairment tests performed under the guidance of the statement. Additionally, the amortization period of intangible assets with finite lives will no longer be limited to forty years. Cabot has elected to implement FAS No. 142 on October 1, 2001 and expects annual amortization expense to be reduced by $3 million.

- The FASB issued Statement No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" ("FAS No. 143"), in June 2001. The objective of FAS No. 143 is to establish an accounting standard for the recognition and measurement of an asset retirement obligation on certain long-lived assets. The retirement obligation must be one that results from the acquisition, construction or normal operation of a long-lived asset. FAS No. 143 requires the legal obligation associated with the retirement of a tangible long-lived asset to be recognized at fair value as a liability when incurred, and the cost to be capitalized by increasing the carrying amount of the related long-lived asset. FAS No. 143 will be effective for Cabot on October 1, 2002. Cabot is currently evaluating the effect of implementing FAS No. 143.

- In October 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("FAS No. 144"), which supersedes FAS No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of" and provisions of APB Opinion No. 30 "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB No. 30"), for the disposal of segments of a business. The statement creates one accounting model, based on the framework established in FAS No. 121, to be applied to all long-lived assets including discontinued operations. FAS No. 144 will be effective for Cabot on October 1, 2002. Cabot is currently evaluating the effect of implementing FAS No. 144.

NOTE B SPECIAL ITEMS AND ACQUISITIONS

SPECIAL ITEMS

Special items for 2001 include the benefits of a $1 million insurance recovery and a $1 million recovery of costs from one of the 2000 plant closings. Special charges for 2001 include a $2 million charge from the discontinuance of a toll manufacturing agreement of which $1 million remained accrued at September 30, 2001. In addition a $21 million charge was recorded related to the retirement of the Chief Executive Officer and the resignation of the Chief Financial Officer. The charge consisted of $13 million to accelerate the vesting of shares issued under Cabot's Long Term Incentive Compensation Plan and $8 million of cash payments. These items are reported as special in the consolidated statements of income.

Special items for fiscal 2000 included the benefit of a $10 million insurance recovery, a $2 million charge to increase the environmental reserve, and an $18 million charge to close two plants. Included in the $18 million charge were accruals of $2 million for severance and termination benefits for approximately 38 employees of the Chemical and Performance Materials Businesses, $7 million for facility closing costs, and a $9 million charge for the impairment of long-lived plant assets. These items are reported as special in the consolidated statements of income. During 2001, $1 million of severance and termination benefits and $3 million of facility closing costs were paid. It was determined during fiscal 2001 that the recovery value of fixed assets was overvalued by $2 million and the required facility closing costs would be $2 million less than originally accrued. At September 30, 2001, $3 million remains in the accrual.

During 1999, Cabot began implementation of initiatives to reduce costs and improve operating efficiencies. In connection with these efforts, Cabot recorded a $26 million charge for capacity utilization and cost reduction initiatives. These initiatives included $16 million for severance and termination benefits for approximately 265 employees, of which $8 million and $7 million was paid out in 2000 and 1999, respectively. The remainder of the accrual was paid out during 2001. Also included in the charge was $10 million for the retirement of certain long-lived plant assets, primarily at the Australian carbon black facility and European plastics master batch operations. These items are reported as special in the consolidated statements of income.

ACQUISITIONS

On March 16, 2001, Cabot announced an open offer for approximately 4 million shares of Cabot India Limited, at 100 Rupees per share. Cabot India Limited is a majority owned subsidiary of Cabot Corporation and its shares are traded on Indian stock exchanges. The tender offer was for the 40% ownership of Cabot India Limited held by minority interest shareholders. The tender offer closed on June 16, 2001 and the share transfer procedures occurred in July 2001. Approximately 3 million of the outstanding shares were acquired for $6 million, raising Cabot's total ownership to approximately 92% as of September 30, 2001. Cabot made a follow-on offer at the same price for the remaining shares. The follow on offer closed in October 2001, with Cabot acquiring an additional 2% ownership. The excess of the purchase price over the fair value of the minority interest acquired of approximately $2 million was recorded as goodwill.

In March 2001, Cabot exercised an option to purchase 1 million shares of Angus & Ross Plc common stock. In May 2001, Cabot purchased an additional 4 million shares of Angus & Ross Plc common stock. The total purchase price of the 5 million shares was $1 million. The purchase of the additional 4 million shares increased Cabot's ownership in Angus & Ross Plc to approximately 21%. The investment is accounted for under the equity method. As part of the agreement, Cabot received an option to purchase an additional 5 million shares of common stock. The option has not yet been exercised.

On March 17, 2000, Cabot signed a preliminary agreement to acquire the remaining interest in a joint venture for approximately $14 million. The acquisition closed in the third quarter of fiscal 2000 and was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to the net assets acquired based on their estimated fair values. The excess of the purchase price over fair value of net assets acquired of approximately $7 million was recorded as goodwill and is being amortized over 10 years.

NOTE C DISCONTINUED OPERATIONS

On September 19, 2000, Cabot completed a transaction to sell its Liquefied Natural Gas (LNG) segment for $688 million in cash. The sale included Cabot's LNG terminal in Everett, Massachusetts, its LNG tanker, the Matthew, and its equity interest in the Atlantic LNG liquefaction plant in Trinidad. The gain on the sale of the LNG segment was approximately $309 million, net of taxes of $178 million.

In February 2001, Cabot received additional cash proceeds of $5 million from the sale. The receipt, net of taxes, is classified as a gain on sale of business in the consolidated statement of income.

On April 4, 2000, Cabot Microelectronics Corporation, then a subsidiary of Cabot, sold 4.6 million shares of its common stock in an initial public offering (IPO). The 4.6 million shares represented approximately 19.5% of Cabot Microelectronics. The net proceeds from the IPO were approximately $83 million. Cabot received an aggregate of approximately $81 million in dividends from Cabot Microelectronics. On July 25, 2000, a committee of Cabot's Board of Directors voted to spin off its remaining 80.5% equity interest in Cabot Microelectronics by distributing a special dividend of its remaining interest in Cabot Microelectronics to its common stockholders of record as of the close of regular trading on the New York Stock Exchange on September 13, 2000. The tax-free distribution took place on September 29, 2000.

For fiscal 2000 and 1999 the operating results of the LNG and Cabot Microelectronics segments have been segregated from continuing operations and reported as a separate item on the consolidated statements of income. Interest expense was allocated to discontinued operations proportionally based upon total assets, in accordance with APB No. 30. Condensed operating results of the discontinued operations are as follows:

SEPTEMBER 30	2000	1999
	(DOLLARS IN MILLIONS)	
Net sales and other operating revenues	$579	$361
Income before income taxes and minority interest	62	23
Provision for income taxes	22	8
Minority interests	4	--
Income from operations, net of income taxes	36	15

NOTE D INVENTORIES

Inventories, net of reserves, were as follows:

SEPTEMBER 30	2001	2000
	(DOLLARS IN MILLIONS)	
Raw materials	$ 76	$ 73
Work in process	70	45
Finished goods	106	83
Other	33	31
Total	$285	$232

Inventories valued under the LIFO method comprised approximately 26% and 25% of 2001 and 2000 total inventory, respectively. At September 30, 2001 and 2000, the estimated current cost of these inventories exceeded their stated valuation determined on the LIFO basis by approximately $94 million and $58 million, respectively. There were no significant liquidations of LIFO inventories in 2001 and 1999. In 2000, LIFO inventory quantities were reduced, which resulted in a liquidation of LIFO inventory layers carried at lower costs which prevailed in prior years. The effect of the 2000 liquidation was to decrease cost of sales by approximately $5 million and to increase net earnings by $3 million. Other inventory is comprised of spare parts and supplies.

NOTE E INVESTMENTS

At September 30, 2001 and 2000, investments in common stock accounted for using the equity method amounted to $76 million and $74 million, respectively. In addition to joint ventures in the Chemical Businesses segment, Cabot's equity investments include Showa Cabot Supermetals, a 50% joint venture in the Performance Materials segment. Dividends received from equity affiliates were $11 million in 2001, $8 million in 2000, and $19 million in 1999.

The results of operations and financial position of Showa Cabot Supermetals and Cabot's other equity-basis affiliates are summarized below:

EQUITY-BASED AFFILIATES

	SHOWA CABOT SUPERMETALS			OTHER EQUITY AFFILIATES		
	SEPTEMBER 30			SEPTEMBER 30		
(DOLLARS IN MILLIONS)	2001	2000	1999	2001	2000	1999
Condensed Income Statement Information:						
Net sales	$209	$175	$133	$475	$511	$489
Gross profit	64	39	32	173	196	196
Net income	30	15	10	18	23	29
Condensed Balance Sheet Information:						
Current assets	$147	$142	$171	$179		
Non-current assets	53	28				
	337	356				
Current liabilities	77					
	78	153	193			
Non-current liabilities	66	38				
	245	238				
Net assets	57	54	110	104		

Other investments of $29 million include $2 million of cost based investments and $27 million of available-for-sale equity securities at September 30, 2001. At September 30, 2000 other investments included $3 million of cost based investments and $24 million of available-for-sale equity securities. The cost and fair value of available-for-sale equity securities included in other investments are summarized as follows:

SEPTEMBER 30	2001	2000
(DOLLARS IN MILLIONS)		
Cost	$24	$20
Cumulative unrealized holding gains	9	7
Foreign currency translation adjustment on foreign denominated securities	(6)	(3)
Fair value	$27	$24

Dividends received from available-for-sale equity securities were $1 million, $1 million, and $2 million in 2001, 2000, and 1999, respectively. Unrealized holding gains were credited to accumulated other comprehensive income in stockholders' equity net of deferred taxes of $4 million and $3 million at September 30, 2001 and 2000, respectively. Foreign currency translation adjustments on foreign securities are included in accumulated other comprehensive income within stockholders' equity as part of foreign currency translation adjustments. There were no sales of available-for-sale equity securities for the years ended September 30, 2001 and 2000. Gains related to sales of available-for-sale equity securities were $10 million in 1999.

NOTE F PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment is summarized as follows:

SEPTEMBER 30	2001	2000
	(DOLLARS IN MILLIONS)	
Land and improvements	$ 50	$ 50
Buildings	299	290
Machinery and equipment	1,302	1,296
Other	79	75
Construction in progress	126	83
Total property, plant and equipment	1,856	1,794
Less: accumulated depreciation	(1,049)	(988)
Net property, plant and equipment	$ 807	$ 806

Depreciation expense for continuing operations was $111 million, $116 million and $114 million for the years ended September 30, 2001, 2000 and 1999, respectively.

NOTE G ACCOUNTS PAYABLE & ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

SEPTEMBER 30	2001	2000
	(DOLLARS IN MILLIONS)	
Accounts payable	$128	$134
Accrued employee compensation	31	32
Income taxes payable	--	152
Other accrued liabilities	84	107
Total	$243	$425

NOTE H DEBT

Unsecured long-term debt consisted of the following:

SEPTEMBER 30	2001	2000
(DOLLARS IN MILLIONS)		
Fixed Rate Notes (stated rate):		
Notes due 2002-2022, 8.0%	$ 89	$ 89
Notes due 2004-2011, 7.1%	90	90
Note due 2027, 7.3%	8	25
Note due 2027, put option 2004, 6.6%	1	1
Notes due 2005-2018, 7.0%	60	100
Guarantee of ESOP notes, due 2013, 8.3%	54	56
Notes due 2001-2002, 6.0%	5	9
Other, due beginning in 2001 with various rates from 6.0% to 15.5%	4	5
Variable Rate Notes (end of year rate):		
Foreign term loan, due 2001, floating rate 4.7%	--	2
Foreign note due 2003, variable rate 5.2%	138	--
	----	----
	449	377
Less: current portion of long-term debt	(30)	(48)
	----	----
Total	$419	$329
	====	====

In June 1992, Cabot filed a registration statement on Form S-3 with the Securities and Exchange Commission covering $300 million of debt securities. In 1992, $105 million of medium-term notes were issued to refinance $105 million of notes payable. In May of 2000, Cabot purchased $15.5 million of these medium-term notes. The medium-term notes have a weighted-average maturity of 17 years and a weighted-average interest rate of 8.0%.

In February 1997, Cabot issued $90 million of medium-term notes. The notes have a weighted-average maturity of 11 years and a weighted-average interest rate of 7.1%.

In October 1997, Cabot issued a total of $50 million in medium-term notes. These notes included a $25 million note, with an interest rate of 7.3% due in 2027, and a $25 million note, with an interest rate of 6.6% due in 2027, with a put option in 2004. In 2000, Cabot purchased $24.5 million of the 6.6% notes. In fiscal 2001, Cabot purchased $17 million of the 7.3% notes.

In December 1998, Cabot issued $100 million in medium-term notes. The outstanding notes have a weighted-average maturity of 14 years and a weighted-average interest rate of 7.0%.

In November 1988, Cabot's Employee Stock Ownership Plan ("ESOP") borrowed $75 million from an institutional lender in order to finance its purchase of 75,000 shares of Cabot's Series B ESOP Convertible Preferred Stock. This debt bears interest at 8.3% per annum, and is to be repaid in equal quarterly installments through December 31, 2013. Cabot, as guarantor, has reflected the outstanding balance of $54 million and $56 million as a liability in the consolidated balance sheet at September 30, 2001 and 2000, respectively. An equal amount, representing deferred employee benefits, has been recorded as a reduction to stockholders' equity.

In November 2000, a Cabot subsidiary borrowed 150 million EURO (currently $138 million) from institutional lenders. The loan is payable in EUROs, bears interest at EURIBOR plus 0.70%, and matures in November 2003.

In March 2000, Cabot Microelectronics borrowed $17 million from an institutional lender. During the third quarter of fiscal 2000, Cabot Microelectronics repaid $13.5 million of the loan. As a result of the spin-off

of Cabot Microelectronics on September 29, 2000, this loan was not consolidated into the results of Cabot Corporation at September 30, 2000.

During 2001, Cabot entered into a $250 million revolving credit loan facility at floating rates, replacing a $300 million revolving credit and term loan facility. The agreement contains specific covenants, including certain maximum indebtedness limitations and minimum cash flow requirements, that would limit the amount available for future borrowings. Commitment fees are paid based on the used and unused portions of the facility. The facility is available through July 13, 2006. No amounts were outstanding under either revolving credit facility at September 30, 2001 or 2000.

In September 1998, Cabot filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission covering $500 million of debt securities. This registration includes the remaining $55 million not then issued under the 1992 registration. At September 30, 2001 and 2000, there were no borrowings outstanding under this registration.

The aggregate principal amounts of long-term debt due in each of the five fiscal years 2002 through 2006 and thereafter are $30 million, $143 million, $40 million, $3 million, $34 million and $199 million, respectively.

At September 30, 2001 and 2000, the fair market value of long-term borrowings was approximately $306 million and $290 million, respectively.

The weighted-average interest rate on short-term borrowing of $13 million and $20 million was approximately 6.5% and 9.1% as of September 30, 2001 and 2000, respectively.

NOTE I EMPLOYEE BENEFIT PLANS

Cabot provides both defined benefit and defined contribution plans for its employees. Defined benefit pension plans include, the Cabot Cash Balance Plan ("CBP") and several foreign pension plans. Through December 31, 2000, defined contribution plans included the Cabot Retirement Incentive Savings Plan ("CRISP"), Cabot Employee Savings Plan ("CESP"), and the Cabot Employee Stock Ownership Plan ("ESOP"). Effective December 31, 2000, the CRISP and CESP merged into and with the ESOP. The combined plan was renamed the Cabot Retirement Savings Plan ("RSP"). The RSP plan provisions are consistent with the original CRISP, CESP and ESOP plans.

DEFINED CONTRIBUTION PLANS

In September 1988, Cabot established an Employee Stock Ownership Plan ("ESOP"), a defined contribution plan, as an integral part of the retirement program that was designed for participants to share in the growth of Cabot. All employees of Cabot and its participating subsidiaries, except those individuals subject to collective bargaining agreements and employed by the Performance Materials segment, are eligible to participate beginning on the later of the first day of employment or the date the employee is included in an employee group that participates in the plan.

In November 1988, Cabot placed 75,336 shares of its Series B ESOP Convertible Preferred Stock in the ESOP for cash at a price of $1,000 per share. Each share of the Series B ESOP Convertible Preferred Stock was convertible into 87.5 shares of Cabot's common stock, subject to certain events and anti-dilution adjustment provisions, and carries voting rights on an "as converted" basis. As a result of the Cabot Microelectronics dividend (Note C) that was distributed to the holders of Cabot common stock, on September 29, 2000, the conversion rate of the Series B ESOP Convertible Preferred Stock was adjusted from 87.5 to 146.4 shares of Cabot's common stock. The trustee for the ESOP has the right to cause Cabot to redeem shares sufficient to provide for periodic distributions to plan participants. Cabot has the option to redeem the shares for $1,000 per share, convert the shares to common stock, or a combination thereof.

The issued shares of Series B ESOP Convertible Preferred Stock receive preferential and cumulative quarterly dividends, and are ranked as to dividends and liquidation prior to Cabot's Series A Junior

Participating Preferred Stock and common stock. At September 30, 2001, 9 million shares of Cabot's common stock were reserved for conversion of the Series B ESOP Convertible Preferred Stock.

On the last business day of each calendar quarter, 750 shares of the Series B ESOP Convertible Preferred Stock are released and allocated to participants' accounts. The allocation to each participant is based on the value of Cabot's preferred stock, the number of shares allocated as dividends, and the total eligible compensation. Effective January 1, 1997, the participant's respective contribution allocation cannot fall below 4% of the participant's eligible compensation. If the amount of the participant allocation were to fall below 4%, Cabot would make an additional contribution to bring the total value to 4% for the participant. The allocation is made to the account of each participant who is employed on that date, or has retired, died, or become totally and permanently disabled during the quarter.

In accordance with the plan document as amended, in March 2001, the number of shares of preferred stock, which are released for allocation to participants' accounts changed to 742.6 shares. Also in March 2001, the RSP received a cash contribution from Cabot totaling $2 million. The cash contribution was used to purchase Cabot common stock.

In October 1976, Cabot established the CRISP plan to allow nonunion eligible employees to participate in the profits of Cabot, to encourage long-term systematic savings, and to provide funds for retirement or possible earlier needs. The plan is designed to qualify under section 401(k) of the Internal Revenue Code of the United States. Cabot's contribution is in the form of a matching contribution equivalent to 75% of a participant's eligible before-tax and after-tax contribution up to 7.5% of the participant's eligible compensation and is made on a quarterly basis.

In January 1987, Cabot established the CESP plan to encourage long-term systematic savings, and to provide funds for retirement or possible earlier needs. The plan is designed to qualify under section 401(k) of the Internal Revenue Code of the United States. Only members of designated collective bargaining units are eligible to participate in the plan. Although the plan allows for discretionary contributions from Cabot, the provisions of the CESP do not include minimum funding or matching requirements from Cabot.

Cabot recognized expenses related to defined contribution plans in the amounts of $2 million in 2001, $6 million in 2000, and $7 million in 1999.

DEFINED BENEFIT PENSION PLANS

The worldwide defined benefit pension plan assets are comprised principally of investments in equity securities and government bonds. Included in plan assets at September 30, 2001 and 2000 are $7 million and $7 million, respectively, of insurance contracts.

Measurement of defined benefit pension expense is based on assumptions used to value the defined benefit pension liability at the beginning of the year.

In fiscal 2000, certain amendments were made to the Cabot plans to provide for special termination benefits for the employees of Cabot Microelectronics Corporation and Cabot Liquefied Natural Gas. In fiscal 2001, certain amendments were made to the postretirement benefit plan to change eligibility requirements.

The following provides a reconciliation of benefit obligations, plan assets, the funded status, and weighted-average assumptions of the defined benefit pension and postretirement benefit plans:

	POSTRETIREMENT PENSION BENEFITS		BENEFITS	
	SEPTEMBER 30			
	2001	2000	2001	2000
(DOLLARS IN MILLIONS) CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	$211	$221	$ 92	$ 90
Service cost	8	6	1	1
Interest cost	14	13	6	6
Plan participants' contribution	--	--	1	--
Amendments	--	7	(3)	--
Foreign currency exchange rate changes	1	(18)	--	--
Gain (loss) from changes in actuarial assumptions	15	(1)	5	--
Special termination benefit	--	1	--	--
Benefits paid	(16)	(18)	(7)	(5)
Benefit obligation at end of year	$233	$211	$ 95	$ 92
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	$281	$263	$ --	$ --
Actual return on plan assets	(14)	51	--	--
Employer contribution	4	4	6	5
Plan participants' contribution	--	--	1	--
Foreign currency exchange rate changes	1	(19)	--	--
Benefits paid	(16)	(18)	(7)	(5)
Fair value of plan assets at end of year	$256	$281	$ --	$ --
Funded status	$ 23	$ 70	$(95)	$(92)
Unrecognized transition amount	(2)	(1)	--	--
Unrecognized prior service cost	6	6	(2)	(3)
Unrecognized net (gain) loss	(34)	(81)	19	17
Recognized liability	$ (7)	$ (6)	$(78)	$(78)
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSIST OF:				
Prepaid benefit cost	$ 14	$ 17	$ --	$ --
Accrued benefit liabilities	(21)	(23)	(78)	(78)
Net amount recognized	$ (7)	$ (6)	$(78)	$(78)
WEIGHTED-AVERAGE RATES: Assumptions as of September 30				
Discount rate	6.4%	6.6%	6.8%	7.3%
Expected rate of return on plan assets	8.4%	8.4%	N/A	N/A
Assumed rate of increase in compensation	4.3%	4.3%	N/A	N/A
Assumed annual rate of increase in health care benefits	N/A	N/A	6.3%	6.5%

Net periodic defined benefit pension and other postretirement benefit costs include the following components:

	PENSION BENEFITS			POSTRETIREMENT BENEFITS		
	YEAR ENDED SEPTEMBER 30					
	2001	2000	1999	2001	2000	1999
(DOLLARS IN MILLIONS) Service cost	$ 8	$ 6	$ 7	$ 1	$ 1	$ 1
Interest						

cost.....
14 13 13 6 6 6 Expected return on
plan assets..... (19) (14)
(16) -- -- -- Amortization of
transition asset..... (1)
(1) (1) -- -- --

PENSION BENEFITS			POSTRETIREMENT BENEFITS		
YEAR ENDED SEPTEMBER 30					
2001	2000	1999	2001	2000	1999
(DOLLARS IN MILLIONS)					
Recognized losses (gains)					
(3)	(2)	1	1	1	1
Settlement gain					
(3)	--	--	--	-----	-----
-----	-----	-----	-----	Net periodic benefit cost	
$ (1)	$ 2	$ 4	$ 5	$ 8	$ 8
=====	=====	=====	=====	=====	=====

POSTRETIREMENT BENEFIT PLANS

Cabot also has postretirement benefit plans that provide certain health care and life insurance benefits for retired employees. Substantially all U.S. employees become eligible for these benefits if they have met certain age and service requirements at retirement. Cabot funds the plans as claims or insurance premiums come due.

Postretirement benefit plans include health care and life insurance plans. Measurement of postretirement benefit expense is based on assumptions used to value the postretirement benefit liability at the beginning of the year. Assumed health care trend rates have a significant effect on the amounts reported for the health care plans. A 1-percentage-point change in the 2001 assumed health care cost trend rate would have the following effects:

1-PERCENTAGE-POINT	
INCREASE	DECREASE
(DOLLARS IN MILLIONS)	
September 30 Effect on total of service and interest cost components	$1
$(1)	
Effect on postretirement benefit obligation	$8
$(8)	

NOTE J EQUITY INCENTIVE PLANS

Cabot has an Equity Incentive Plan for key employees. Under the plan adopted in 1988, Cabot was able to grant participants various types of stock and stock-based awards. During the period from 1988 through 1991, the awards granted consisted of stock options, performance appreciation rights ("PARs"), and tandem units that may be exercised as stock options or PARs. These awards were granted at the fair market value of Cabot's common stock at date of grant, vested ratably on each of the next four anniversaries of the award, and generally expire ten years from the date of grant. From 1992 through 1995, awards consisted of Cabot common stock, which employees could elect to receive in the form of restricted stock purchased at a price equal to 50% of the fair market value on the date of the award, nonqualified stock options at fair market value of Cabot's common stock on the date of the award, or a combination of one-half of each. Effective in March 1996, no new awards were permitted under this plan.

In December 1995, the Board of Directors adopted, and in March 1996, Cabot stockholders approved, the 1996 Equity Incentive Plan. Under this plan, Cabot can make various types of stock and stock-based awards, the terms of which are determined by Cabot's Compensation Committee. Awards under the 1996 plan have been made primarily as part of Cabot's Long-Term Incentive Program. These awards consist of restricted stock, which could be purchased at a price equal to 40% of the fair market value on the date of the award, or nonqualified stock options exercisable at the fair market value of Cabot's common stock on the date of the award. Variations of the restricted stock awards were made to international employees in order to try to provide results comparable to U.S. employees. The awards generally vest on the third anniversary of the grant for participants then employed by Cabot, and the options generally expire five years from the date of grant. In November 1998, the Board of Directors adopted, and in March

1999, Cabot stockholders approved, the 1999 Equity Incentive Plan. This plan is similar to the 1996 Equity Incentive Plan with the exception of the discount price, which was established at a price equal to 30% of the fair market value on the date of the award.

Cabot had 6 million shares of common stock reserved for issuance under the 1996 and 1999 plans. There were approximately 1 million shares available for future grants at September 30, 2001, under both plans. Compensation expense recognized during 2001, 2000, and 1999 for restricted stock grants was $26 million,

$17 million, and $12 million, respectively. Compensation expense for 2001 includes $4 million to accelerate the vesting of restricted stock grants and stock options held by Cabot's former Chief Executive Officer and Chief Financial Officer. The $4 million charge is included in special items on the consolidated statement of income. The Compensation Committee of the Board of Directors voted on July 14, 2000 to accelerate the vesting of both the restricted stock grants and the stock options held by employees of Cabot Microelectronics and Cabot Liquefied Natural Gas. As a result, the compensation charge for fiscal 2000 includes a $2 million charge related to the accelerated vesting of those restricted stock grants, which has been included in discontinued operations.

RESTRICTED STOCK

The following table summarizes the plans' restricted stock activity from September 30, 1998 through September 30, 2001:

	WEIGHTED- AVERAGE RESTRICTED PURCHASE STOCK PRICE
(SHARES IN THOUSANDS) Outstanding at September 30, 1998	2,501 $16.27
Granted	1,034 9.19
Vested	(733) 11.48
Canceled	(135) 9.60
Outstanding at September 30, 1999	2,667 $11.08
Granted	1,497 8.85
Vested	(875) 12.43
Canceled	(217) 10.75
Outstanding at September 30, 2000	3,072 $11.35
Granted	1,169 12.64
Vested	(1,204) 13.60
Canceled	(113) 13.80
Outstanding at September 30, 2001	2,924 $10.96

STOCK-BASED COMPENSATION

The following table summarizes the plans' restricted stock activity from September 30, 1998 through September 30, 2001:

	STOCK EXERCISE OPTIONS PRICE
(OPTIONS IN THOUSANDS) Outstanding at September 30, 1998	1,322 $16.26
Granted	582 27.00
Exercised	(209) 9.73
Canceled	(50) 27.96
Outstanding at September 30, 1999	1,645 $20.53
Granted	435 24.44
Exercised	(685) 10.98
Canceled	(179) 27.41
Adjustment due to Cabot Microelectronics spin-off	910

WEIGHTED- AVERAGE STOCK EXERCISE OPTIONS PRICE ------- ---- ----- (OPTIONS IN THOUSANDS) Outstanding at September 30, 2000.....	2,126	$15.07
Granted.....	284	34.87
Exercised.....	(437)	12.46
Canceled.....	(117)	15.70
----- Outstanding at September 30, 2001.....	1,856	$18.67 =====

Options outstanding at September 30, 2001, were as follows:

OPTIONS OUTSTANDING OPTIONS EXERCISABLE ------ ---------- ---- ---------- -- WEIGHTED-AVERAGE ------ ---------- REMAINING WEIGHTED- THOUSANDS CONTRACTUAL THOUSANDS AVERAGE OF OPTIONS EXERCISE LIFE OF OPTIONS EXERCISE RANGE OF EXERCISE PRICE OUTSTANDING PRICE (YEARS) EXERCISABLE PRICE - ---------- ---------- ----- ------ ---------- -------					
-- 10.83-13.70.....	149	$11.07	3.75	12 $13.70
15.50-15.57.....	1,199	$15.53	3.39	-- --
20.27-34.87.....	508	$28.31	3.65	228 $20.27
----- --- Total Options.....	1,856	240 =====	===	

Due to the fiscal 2000 spin-off of Cabot Microelectronics, Cabot adjusted the exercise price and number of options outstanding at September 30, 2000 to maintain the same intrinsic value as prior to the spin-off. The estimated weighted-average fair value of the options granted during fiscal 2001, 2000 and 1999 were $7.06, $7.06 and $8.24, respectively, on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

YEARS ENDED SEPTEMBER 30 ---------- ---------- 2001 2000 1999 ------- ------ - ------- Expected stock price volatility.....	49%	39%	35% Risk free interest rate.....	4.5%	6.5%	5.4% Expected life of options.....	3 years	4 years	4 years Expected annual dividends.....	$0.48	$0.44	$0.44

If the fair value method prescribed by FAS No. 123 had been used, Cabot's pro forma net income and pro forma net income per common share for fiscal 2001, 2000 and 1999 would have been as follows:

YEARS ENDED SEPTEMBER 30 ---------- 2001 2000 1999 ------ ------ ------ Net income -- pro forma (in millions).....	$ 122	$ 451	$ 96 Net income per common share -- pro forma:
Basic.....	$1.91	$7.00	$1.45
Diluted.....	$1.63	$6.18	$1.29

The effects of applying the fair value method in this pro forma disclosure are not indicative of future amounts. The fair value method does not apply to awards prior to 1995 and additional awards in future years are anticipated.

NOTE K STOCKHOLDERS' EQUITY

The following table summarizes Cabot's stock activity:

YEARS ENDED SEPTEMBER 30					
	2001	2000	1999		
(PREFERRED SHARES IN THOUSANDS) (COMMON SHARES IN MILLIONS) Preferred Stock Beginning of year					
	75	75	75	--	--
End of year					
	75	75	75	==	==
Preferred Treasury Stock Beginning of year					
	13	10	9		
Purchased preferred treasury stock					
	3	3	1	--	--
End of year					
	16	13	10	==	==
Common Stock Beginning of year					
	68	67	67		
Issued common stock					2
	3	2			
Purchased and retired common stock					
	(7)	(2)	(2)	--	--
End of year					
	63	68	67	==	==

In May 2001, 2000, and 1999, Cabot adopted a stock purchase assistance plan whereby Cabot may extend credit to purchase restricted shares of Cabot Corporation common stock awarded under Cabot's 1999 Equity Incentive Plans to those participants in Cabot's 2001, 2000 and 1999 Long-Term Incentive Programs. These full recourse notes bear interest at 6% per annum on a principal amount of up to 30% of the aggregate fair market value of such purchased stock on the day of grant. Interest is payable quarterly and principal is due on various dates through May 2004. On June 30, 1999, Cabot purchased, from a financial institution, loans to Cabot employees totaling $18 million. These loans were made to help finance the purchase of restricted shares of Cabot Corporation common stock under Cabot's Long-Term Incentive Program.

In September 2000, the Board of Directors authorized Cabot to purchase up to 10 million shares of Cabot's common stock superseding the previous authorization issued in January 2000. Approximately 7 million shares have been purchased under this new authorization at November 30, 2001.

In January 2000, the Board of Directors authorized Cabot to purchase up to 4 million shares of Cabot's common stock, superseding the previous authorization issued in September 1998. Also in September, 1998, the Board of Directors adopted a resolution to retire and restore to the status of authorized, but unissued, both the entire balance of shares of common stock classified as common treasury stock and all subsequent acquisitions/purchases effective September 30, 1998.

In November 1995, Cabot declared a dividend of one Preferred Stock Purchase Right ("Right") for each outstanding share of Cabot's common stock. Each Right entitles the holder, upon the occurrence of certain specified events, to purchase from Cabot one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of $200 per share. The Right further provides that each Right will entitle the holder, upon the occurrence of certain other specified events, to purchase from Cabot its common stock having a value of twice the exercise price of the Right, and upon the occurrence of certain other specified events, to purchase from another person into which Cabot was merged or which acquired 50% or more of Cabot's assets or earnings power, common stock of such other person having a value of twice the exercise price of the Right. The Right may generally be redeemed by Cabot at a price of $0.01 per Right. The Rights are not presently exercisable and will expire on November 10, 2005.

COMPREHENSIVE INCOME

The pre-tax, tax, and after-tax effects of the components of other comprehensive income are shown below:

YEARS ENDED SEPTEMBER 30		
PRE-TAX	TAX	AFTER-TAX
1999 (DOLLARS IN MILLIONS)		
Foreign currency translation adjustments	$(17)	$(17)
Unrealized gain on marketable equity securities:		
Unrealized holding loss arising during the period	(10)	(7)
Less: reclassification adjustment for gain realized in net income	(11)	(7)
Change in unrealized gain	(21)	(14)
Other comprehensive income (loss)	$(38)	$(31)
2000 (DOLLARS IN MILLIONS)		
Foreign currency translation adjustments	$(58)	$(58)
Unrealized holding gain arising during the period	1	1
Other comprehensive income (loss)	$(57)	$(57)
2001 (DOLLARS IN MILLIONS)		
Foreign currency translation adjustments	$(26)	$(26)
Unrealized holding gain arising during the period	2	2
Other comprehensive income (loss)	$(24)	$(24)

The balance of related after-tax components comprising accumulated other comprehensive income (loss) are summarized below:

SEPTEMBER 30		
2001 (DOLLARS IN MILLIONS)	2000	1999
Foreign currency translation adjustments	$(131)	$(105)	$(47)
Unrealized holding gain on marketable equity securities	6	4	3
Accumulated other comprehensive income (loss)	$(125)	$(101)	$(44)

NOTE L EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") were calculated as follows:

YEARS ENDED SEPTEMBER 30		
2001 (DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)	2000	1999
BASIC EPS:		
Income available to common shares (numerator)	$ 121	$ 450	$ 94
Weighted-average common shares outstanding	65	67	67
Less: contingently issuable shares(a)	(3)	(3)	(3)
Adjusted weighted-average shares (denominator)	62	64	64
Basic EPS	$1.94	$7.04	$1.47

YEARS ENDED SEPTEMBER 30			
	2001	2000	1999
(DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS)			
DILUTED EPS:			
Income available to common shares	$ 121	$ 450	$ 94
Dividends on preferred stock	3	3	3
Less: income impact of assumed conversion of preferred stock	--	(2)	(2)
Income available to common shares plus assumed conversions (numerator)	$ 124	$ 451	$ 95
Weighted-average common shares outstanding	65	67	67
Effect of dilutive securities:			
Conversion of Preferred Stock	9	6	6
Conversion of incentive stock options(b)	--	--	--
Adjusted weighted-average shares (denominator)	74	73	73
Diluted EPS	$1.66	$6.20	$1.31

- ---

(a) Represents restricted stock issued under Cabot Equity Incentive Plans.

(b) Options to purchase 2 million shares of common stock with a weighted-average exercise price of $16.61 were outstanding at September 30, 2000, but were not included in the computation of diluted EPS, because the options' exercise price was greater than the average market price of the common shares, adjusted for the spin-off of Cabot Microelectronics Corporation. At September 30, 2001, the average fair value of Cabot's stock price exceeded the exercise price of all options outstanding. As such, all options outstanding have been included in the calculation of diluted earnings per share.

NOTE M INCOME TAXES

Income before income taxes was as follows:

YEARS ENDED SEPTEMBER 30			
	2001	2000	1999
(DOLLARS IN MILLIONS)			
Income from continuing operations:			
Domestic	$ 66	$ 54	$ 18
Foreign	84	103	95
	150	157	113
Discontinued Operations:			
Income from operations of discontinued businesses	--	62	23
Gain on sale of business	5	487	--
	5	549	23
Total	$155	$706	$136

Taxes on income consisted of the following:

YEARS ENDED SEPTEMBER 30	2001	2000	1999
(DOLLARS IN MILLIONS) U.S. federal and state:			
Current	$17	$ (3)	$ 5
Deferred	(2)	16	(2)
Total	15	13	3
Foreign:			
Current	29	43	39
Deferred	(2)	1	(1)
Total	27	44	38
Total U.S. and foreign	42	57	41
Discontinued Operations: Income from operations of discontinued businesses	--	22	8
Gain on sale of business	2	178	--
Total Discontinued Operations	2	200	8
Total	$44	$257	$49

The provision for income taxes at Cabot's effective tax rate differed from the provision for income taxes at the statutory rate as follows:

YEARS ENDED SEPTEMBER 30	2001	2000	1999
(DOLLARS IN MILLIONS) Continuing Operations: Computed tax expense at the federal statutory rate	$53	$ 55	$40
Foreign income: Impact of taxation at different rates, repatriation and other	(13)	2	3
Impact of foreign losses for which a current tax benefit is not available	1	1	4
State taxes, net of federal effect	2	--	--
Foreign sales corporation	(2)	(1)	(2)
U.S. and state benefits from research and experimentation activities	(1)	(1)	(2)
Other, net	2	1	(2)
Total Continuing Operations	42	57	41
Discontinued Operations: Income from operations of discontinued businesses	--	22	8
Gain on sale of businesses	2	178	--
Total Discontinued Operations	2	200	8
Provision for income taxes	$44	$257	$49

Significant components of deferred income taxes were as follows:

SEPTEMBER 30	2001	2000
(DOLLARS IN MILLIONS) Deferred tax assets:		
Depreciation and amortization	$ 29	$ 30
Pension and other benefits	68	56
Environmental matters	11	13
Special charges	5	7
Investments	11	11
State and local taxes	--	3
Net operating loss and other tax carryforwards	17	17
Other	26	26
Subtotal	167	163
Valuation allowances	(11)	(10)
Total deferred tax assets	$156	$153
Deferred tax liabilities: Depreciation and amortization	$ 86	$ 76
Pension and other benefits	16	14
Special charges	3	4
Investments	1	1
State and local taxes	1	--
Other	127	130
Total deferred tax liabilities	$234	$225

The valuation allowance at September 30, 2001 and 2000 represents management's best estimate of the ultimate realization of the net deferred tax amounts. The deferred tax valuation allowance increased in 2001 by $1 million due to the uncertainty of the ultimate realization of certain future foreign tax benefits and net operating losses reflected as deferred tax assets.

Approximately $62 million of net operating losses and other tax carryforwards remain at September 30, 2001. Of this amount, $30 million will expire in the years 2002 through 2008; $32 million can be carried forward indefinitely. The benefits of these carryforwards are dependent upon taxable income during the carryforward period in those foreign jurisdictions where they arose. Accordingly, a valuation allowance has been provided where management has determined that it is more likely than not that the carryforwards will not be utilized.

Provisions have not been made for U.S. income taxes or foreign withholding taxes on approximately $130 million of undistributed earnings of foreign subsidiaries, as these earnings are considered indefinitely reinvested. These earnings could become subject to U.S. income taxes and foreign withholding taxes (subject to a reduction for foreign tax credits) if they were remitted as dividends, were loaned to Cabot or a U.S. subsidiary, or if Cabot should sell its stock in the subsidiaries. However, Cabot believes that U.S. foreign tax credits would largely eliminate any U.S. income tax on these earnings.

NOTE N SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments for interest and taxes were as follows:

YEARS ENDED SEPTEMBER 30			
-	2001	2000	1999
	(DOLLARS IN MILLIONS)		
Income taxes paid	$197	$50	$59
Interest paid	$ 21	$38	$36

Cabot issued restricted stock for notes receivable of $11 million, $10 million and $8 million in 2001, 2000 and 1999, respectively.

During 2000, Cabot acquired the remaining 50% interest in a joint venture, previously accounted for under the equity method of accounting. Upon purchase of the additional interest, the value of the investment was allocated to the respective net assets. Also in 2000, Cabot spun-off its remaining equity interest in Cabot Microelectronics by distributing a special dividend to shareholders.

During 1999, Cabot made a charitable contribution of equity securities worth $1 million.

NOTE O COMMITMENTS & CONTINGENCIES

LEASE COMMITMENTS

Cabot leases certain transportation vehicles, warehouse facilities, office space, machinery, and equipment under operating cancelable and non-cancelable leases, most of which expire within ten years and may be renewed by Cabot. Rent expense under such arrangements for 2001, 2000, and 1999 totaled $11 million, $12 million and $14 million, respectively. Future minimum rental commitments under non-cancelable leases are as follows:

	DOLLARS IN MILLIONS
2002	$ 9
2003	8
2004	8
2005	8
2006	7
2007 and thereafter	29
Total future minimum rental commitments	$69

OTHER LONG-TERM COMMITMENTS

Cabot has entered into long-term purchase agreements for various key raw materials in the performance materials business. The purchase commitments covered by these agreements aggregate approximately $287 million for the periods 2002 to 2005.

During 2001, Cabot entered into long-term supply agreements ranging from three to five years, with certain performance material customers. The contracts provide such customers with agreed upon amounts of product at agreed upon prices.

During 1995, Cabot entered into long-term supply agreements of more than six years with certain North American tire customers. The contracts are designed to provide such customers with agreed-upon amounts of carbon black at prices based on an agreed-upon formula.

CONTINGENCIES

Cabot is a defendant, or potentially responsible party, in various lawsuits and environmental proceedings wherein substantial amounts are claimed or at issue.

The Company has exposure to a safety respiratory products business that it acquired in April 1990. It disposed of that business in July 1995. In connection with its acquisition of the business, the Company agreed with the seller, American Optical Corporation, and another former owner of the business to share responsibility for legal costs, including settlements and judgments, in connection with a number of lawsuits and claims relating to the respirators. These lawsuits and claims typically involve allegations that the plaintiffs suffer from asbestosis or silicosis as a result, in part, from respirators that were negligently designed or labeled. It is management's opinion, that these judgments or suits should not result in final judgments or settlements that would have a material effect on Cabot's financial condition or results of operations.

As of September 30, 2001 and 2000, Cabot had approximately $30 million and $38 million, respectively, reserved for environmental matters primarily related to divested businesses. The amount represents Cabot's current best estimate of its share of costs likely to be incurred at those sites where costs are reasonably estimable based on its analysis of the extent of cleanup required, alternative cleanup methods available, abilities of other responsible parties to contribute, and its interpretation of applicable laws and regulations applicable to each site. Cabot reviews the adequacy of this reserve as circumstances change at individual sites. Cabot is unable to reasonably estimate the amount of possible loss in excess of the accrued amount. Operating results included charges for environmental expense of $1 million in 2001, $3 million in 2000 and $4 million in 1999.

In the opinion of Cabot, although final disposition of these suits and claims may impact Cabot's financial statements in a particular period, they will not, in the aggregate, have a material adverse effect on Cabot's financial position.

NOTE P RISK MANAGEMENT

MARKET RISK

Cabot's principal risk management objective is to identify and monitor its exposure to changes in interest rates, foreign currency rates, commodity prices and Cabot's share price, in order to assess the impact that changes in each could have on future cash flow and earnings. Cabot manages these risks through normal operating and financial activities and, when deemed appropriate, through the use of derivative financial instruments. Gains or losses associated with financial instruments are generally offset by the changes in value of the underlying transaction. Market risk exposure to other financial instruments is not material to earnings, cash flow, or fair values.

Cabot's risk management policy prohibits entering into financial instruments for speculative purposes. All instruments entered into by Cabot are reviewed and approved by Cabot's Risk Management Committee, which is charged with enforcing Cabot's risk management policy.

INTEREST RATES

Cabot's objective in managing its exposure to interest rate changes is to maintain an appropriate balance of fixed and variable rate debt and to match borrowing costs with the economics of Cabot's business cycles. Cabot may use interest rate swaps to adjust fixed and variable rate debt positions. Cabot did not enter into financial instruments to hedge interest rates during 2001 or 2000. Cabot settled its remaining interest rate swaps in January 2000. For 2000 and 1999 the gains or losses in interest income or expense associated with interest rate swaps were immaterial.

In October of 2001, Cabot entered into interest rate swaps in an aggregate notional amount of $97 million in order to balance its mix of fixed and variable rate debt. The instruments mature on various dates through February 2007.

FOREIGN CURRENCY

Cabot's international operations are subject to certain risks, including currency fluctuations and government actions. Operations in each country are closely monitored so Cabot can respond to changing economic and political environments and to fluctuations in foreign currencies. Accordingly, Cabot utilizes short-term forward contracts to hedge receivables and payables denominated in currencies other than its

foreign entities' functional currencies. In 2001, none of Cabot's forward contracts were designated as hedging instruments under FAS No. 133. Cabot monitors its foreign exchange exposures and adjusts its hedge position accordingly. Cabot's forward foreign exchange contracts are denominated primarily in the EURO, Japanese yen, British pound sterling, Canadian dollar, and Australian dollar.

At September 30, 2001 and 2000, Cabot had $80 million and $60 million in foreign currency instruments outstanding, respectively. For 2001, 2000 and 1999, the net realized gain or (loss) associated with these types of instruments were $(2) million, $3 million and $(3) million, respectively. The net unrealized losses as of September 30, 2001 and 2000, based on the fair value of the instruments, were not material to each respective period, and have been recorded as expenses. Gains and losses associated with foreign exchange contracts are classified in other charges.

SHARE REPURCHASES

As a regular practice, Cabot repurchases its shares in order to offset dilution caused by issuing shares under its various employee stock plans. In addition, Cabot may repurchase its shares as a preferred method of returning excess cash to shareholders. From time to time, Cabot enters into derivative instruments in its stock in order to fix the price of stock for delivery at a future date. These agreements provide Cabot with the right to settle forward contracts in cash or an equivalent value of Cabot Corporation common stock. In 2001 Cabot purchased 100,000 shares of its common stock under share repurchase contracts, at an average price of $35 per share. At September 30, 2001 there were no open share repurchase contracts.

COMMODITIES

Cabot is exposed to price fluctuations in certain commodities, such as feedstock and natural gas. When it owned the LNG segment, from time to time, Cabot entered into commodity futures contracts, commodity price swaps, and/or option contracts to hedge a portion of firmly committed and anticipated transactions against natural gas price fluctuations. Cabot monitored its exposure to ensure the overall effectiveness of its hedge positions. In 2000, Cabot realized a $1 million loss on futures contracts. In 1999, Cabot realized gains associated with futures of $2 million and realized losses associated with options of $2 million. At September 30, 2001 and 2000, no contracts were outstanding.

CONCENTRATION OF CREDIT

Financial instruments that subject Cabot to concentrations of credit risk consist principally of trade receivables. Tire manufacturers and customers of the Performance Materials business comprise significant portions of Cabot's trade receivable balance. The majority of these receivables were current at September 30, 2001. At September 30, 2001 and 2000, Cabot had trade receivables of approximately $88 million and $89 million, respectively, from tire manufacturers. Cabot's exposure to credit risk associated with nonpayment by tire manufacturers is affected by conditions or occurrences within the tire industry.

NOTE Q FINANCIAL INFORMATION BY SEGMENT & GEOGRAPHIC AREA

SEGMENT INFORMATION

During 1999, Cabot reorganized into market-focused strategic business units ("SBUs"), each having responsibility for individual global marketing strategies, day-to-day business operations, and new product development. Under FAS No. 131, these SBUs aggregate into three reportable segments: Chemical Businesses (which includes carbon black, fumed metal oxides, and inkjet colorants), Performance Materials, and Specialty Fluids. Cabot was organized into SBUs to better direct its technical strengths and focus on key markets. Cabot's business segment reporting under FAS No. 131 is consistent with the changes in its financial reporting structure incorporated in Cabot's management reporting.

The Chemical Businesses produce carbon black, fumed metal oxides and inkjet colorants. Carbon black is a fine particle used as an agent for rubber reinforcement, pigmentation, conductivity or UV protection. Carbon black is produced in a wide variety of commodity and specialty grades. Some of the end products

which use carbon black include tires, rubber hoses, roofing materials, inks, paints, and sealants. Fumed metal oxides are ultra fine, high-purity particles used as reinforcing, thickening, abrasive, thixotropic, suspending or anti-caking agents. The automotive, construction, microelectronics and consumer products industries use fumed metal oxides in their sealants, toners, insulations, composites, and cosmetics. Inkjet colorants are high-purity black pigment dispersions, used in inkjet printing applications.

The Performance Materials segment produces tantalum, niobium and their alloys for the electronic materials and refractory metals industries. Tantalum, which accounts for the majority of this segment's sales, is produced in various forms, including powder and wire for electronic capacitors. Tantalum, niobium and their alloys are also produced in wrought form for non-electronic applications, such as chemical process equipment, the production of superalloys, and for various other industrial and aerospace applications.

The Specialty Fluids segment produces cesium formate as a drilling and completion fluid for use in high pressure and high temperature oil and gas well operations. Cesium formate is a solids-free high density fluid that has a low viscosity, permitting it to flow readily in oil and gas wells. The fluid is resistant to high temperatures, does not damage producing reservoirs and is readily biodegradable.

The accounting policies of the segments are the same as those described in the summary of "Significant Accounting Policies." Exceptions are noted as follows and are incorporated in the tables on the following page. Revenues from external customers for certain operating segments within the Chemical Businesses include 100% of equity affiliate sales. Transfers of ore to Performance Materials from Specialty Fluids are generally valued at market-based prices, and revenues generated by these transfers are shown as segment revenues from external customers. Segment profit is a measure used by Cabot's chief operating decision makers to measure consolidated operating results and assess segment performance. Cabot evaluates the performance of its segments and allocates resources based on segment profit or loss before tax ("PBT"), including equity in net income of affiliated companies, but excluding special items (Note B), gains on the sale of equity securities, and foreign currency transaction gains and losses. Costs related to divested businesses and interest expense are not allocated to operating segments. Cash, short-term investments, investments other than equity basis, income taxes receivable, deferred taxes, and headquarters' assets are included in Unallocated and Other. 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.

Financial information by segment was as follows:

CHEMICAL PERFORMANCE SPECIALTY SEGMENT UNALLOCATED CONSOLIDATED BUSINESSES MATERIALS FLUIDS TOTAL AND OTHER(1) TOTAL ---------- --- -------- --------- ------- ------ ------ ------------ (DOLLARS IN MILLIONS) YEARS ENDED SEPTEMBER 30 2001 Revenues from external customers(2)..... $1,335 $329 $27 $1,691 $(21) $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)..... 1,155 249 55 1,459 460 1,919 Investment in equity-basis affiliates..... 47 29 -- 76 -- 76 Total expenditures for additions to long-lived assets(6)..... 87 25 3 115 18 133

	CHEMICAL PERFORMANCE SPECIALTY SEGMENT UNALLOCATED CONSOLIDATED BUSINESSES MATERIALS FLUIDS TOTAL AND OTHER(1) TOTAL
	(DOLLARS IN MILLIONS)
2000 Revenues from external customers(2)	$1,360 $215 $20 $1,595 $(21) $1,574
Depreciation and amortization(3)	105 9 2 116 13 129
Equity in net income of affiliated companies	5 8 -- 13 -- 13
Profit (loss) from continuing operations before taxes(4)	180 38 (3) 215 (58) 157
Assets(5)	1,168 195 47 1,410 724 2,134
Investment in equity-basis affiliates	47 27 -- 74 -- 74
Total expenditures for additions to long-lived assets(6)	87 12 1 100 53 153
1999 Revenues from external customers(2)	$1,224 $187 $12 $1,423 $(18) $1,405
Depreciation and amortization(3)	104 8 4 116 9 125
Equity in net income of affiliated companies	8 5 -- 13 -- 13
Profit (loss) from continuing operations before taxes(4)	163 30 (3) 190 (77) 113
Assets(5)	1,244 205 50 1,499 343 1,842
Investment in equity-basis affiliates	52 20 -- 72 -- 72
Total expenditures for additions to long-lived assets(6)	114 9 3 126 46 172

- ---

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

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

	2001	2000	1999
Equity affiliate sales			$(63)
Royalties paid by equity affiliates	$(74)	$(69)	6
Shipping and handling fees	6	7	44
Interoperating segment revenues	57	51	(8)
Total	(10)	(7)	$(21)
	----	----	----
	$(21)	$(18)	====
	====	====	====

(3) Unallocated and Other includes depreciation and amortization for the discontinued segments, Cabot LNG and Cabot Microelectronics, amounting to $9 million and $7 million for the fiscal years 2000 and 1999, respectively.

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

	2001	2000	1999
Interest expense	$(32)	$(33)	$(39)
Gain on sale of equity securities	--	--	10
Corporate governance costs/other expenses, net(a)	27	(1)	(8)
Equity in net income of affiliated companies	(20)	(13)	(13)
Foreign currency transaction gains (losses) (b)	(3)	(1)	(1)
Special charges (Note B)		(21)	(10)	(26)
Total	$(49)	$(58)	$(77)

- ---

(a) Corporate governance costs/other expenses, net includes costs previously allocated to discontinued segments reduced by investment income.

(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. Also included are the assets for the discontinued segments, Cabot LNG and Cabot Microelectronics, amounting to $237 million for fiscal year 1999.

(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. In addition, included in Unallocated and Other are the expenditures for additions to long-lived assets for the discontinued segments, Cabot LNG and Cabot Microelectronics, amounting to $45 million and $39 million for the fiscal years 2000 and 1999, respectively.

GEOGRAPHIC AREA INFORMATION

Sales are attributed to the United States and to all foreign countries based on the customer location (region of sale) and not on geographic location from which goods were shipped (region of manufacture). Revenues from external customers attributable to an individual country, other than the United States, were not material for disclosure. No single country other than the United States has material long-lived assets. No customer represented 10% or more of Cabot's revenues.

Revenues from external customers and long-lived asset information by geographic area are summarized as follows:

(DOLLARS IN MILLIONS) YEARS ENDED SEPTEMBER 30	UNITED STATES	ALL FOREIGN COUNTRIES	CONSOLIDATED TOTAL
2001 Revenues from external customers	$757	$913	
Long-lived assets(1)	$1,670	397	536
2000 Revenues from external customers	$671	$903	
Long-lived assets(1)	$1,574	391	537
1999 Revenues from external customers	$564	$841	
Long-lived assets(1)	$1,405	525	638
			1,163

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(1) Long-lived assets include total equity and other investments, (including available-for-sale securities), net property, plant and equipment, and net intangible assets.

NOTE R UNAUDITED QUARTERLY FINANCIAL INFORMATION

Unaudited financial results, by quarter for the fiscal years ended September 30, 2001 and 2000, are summarized below and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations. Certain items have been reclassified to reflect global changes in Cabot's organization during the year. Results for fiscal 2000 reflect Cabot Microelectronics Corporation and Cabot Liquefied Natural Gas as discontinued operations.

(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	DECEMBER	MARCH	JUNE	SEPTEMBER	YEAR
FISCAL 2001					
Net sales	$ 395	$458	$ 436	$ 381	$1,670
Cost of sales	305	339	316	276	1,237
Net income from continuing operations	28	28(a)	38(b)	27(c)	121
Gain on sale of discontinued business, net of income taxes	--	3	--	--	3
Income applicable to common shares	$ 27	$ 30	$ 38	$ 26	$ 121
Income from continuing operations per common share (diluted)	$0.37	$0.36	$0.51	$0.38	1.62
Gain on sale of discontinued business per common share (diluted)	--	0.04	--	--	0.04
Income per common share (diluted)	$0.37	$0.40	$0.51	$0.38	1.66
FISCAL 2000					
Net sales	$ 377	$397	$ 414	$ 387	$1,574
Cost of sales	268	291	311	294	1,164
Net income from continuing operations	31	28	38(d)	11(e)	108
Net income from discontinued operations	7	13	8	8	36
Gain on sale of discontinued business, net of income taxes	--	--	--	309	309
Income applicable to common shares	$ 37	$ 40	$ 45	$ 328	$ 450
Income from continuing operations per common share (diluted)	$0.41	$0.39	$0.51	$0.15	$ 1.46
Income from discontinued operations per common share (diluted)	0.09	0.18	0.11	0.11	0.49
Gain on sale of discontinued business per common share (diluted)	--	--	--	4.24	4.25
Income per common share (diluted)	$0.50	$0.57	$0.62	$4.50	$ 6.20

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(a) Includes a charge related to the retirement of the Chief Executive Officer. Included in the charge is $10 million relating to the accelerated vesting of shares issued under the Long Term Incentive Compensation Plan and a $7 million cash payment.

(b) Includes a $3 million charge to accelerate the vesting of shares issued under the Long Term Incentive Compensation Plan and a $1 million cash payout related to the resignation of the Chief Financial Officer.

(c) Includes a $2 million charge related to the discontinuance of a toll manufacturing agreement and benefits of a $1 million insurance recovery and a $1 million recovery of costs related to one of the 2000 plant closings.

(d) Includes an $8 million insurance recovery.

(e) Includes an $18 million charge for the closure of two facilities, a $2 million environmental charge, and a benefit of a $2 million insurance recovery.

SELECTED FINANCIAL DATA -- FIVE YEAR SUMMARY

YEARS ENDED SEPTEMBER 30 ----------
---------- 2001 2000 1999 1998 1997 -----
- ------ ------ ------ ------ (DOLLARS IN
MILLIONS, EXCEPT PER SHARE AMOUNTS AND OTHER
DATA) CONSOLIDATED INCOME Revenues: Net sales and
other operating revenues..... $1,670 $1,574
$1,405 $1,443 $1,450 Interest and dividend
income..... 28 6 4 5 7 ------ ----
-- ------ ------ ------ Total
revenues..... 1,698
1,580 1,409 1,448 1,457 ------ ------ ------ ----
-- ------ Costs and expenses: Cost of
sales..... 1,237
1,164 991 985 1,011 Selling and administrative
expenses..... 208 173 186 187 192
Research and technical service.....
48 43 58 70 72 Interest
expense..... 32 33 39
36 37 Special
items(a)..... 21 10 26
85 18 Gain on sale of
assets..... -- -- (10) (90)
-- Other charges,
net..... 2 -- 6 16 15 --
---- ------ ------ ------ ------ Total costs and
expenses..... 1,548 1,423 1,296
1,289 1,345 ------ ------ ------ ------ ------
Income before income
taxes..... 150 157 113 159 112
Provision for income
taxes..... (42) (57) (41) (57)
(40) Equity in net income of affiliated
companies..... 20 13 13 17 20 Minority
interest..... (7) (5)
(3) (3) (2) ------ ------ ------ ------ ------
Income from continuing
operations..... 121 108 82 116 90
Discontinued operations:(b) Income from
operations of discontinued businesses, net of
income taxes..... -- 36 15 6 3 Gain on
sale of business, net of income
taxes(c)..... 3
309 -- -- -- ------ ------ ------ ------ ------
Net income..... $
124 $ 453 $ 97 $ 122 $ 93 ------ ------ ------ --
---- ------ COMMON SHARE DATA Diluted Net Income:
Continuing operations.....
1.62 1.46 1.11 1.53 1.15 Discontinued operations:
Income from operations of discontinued
businesses..... --
0.49 0.20 0.08 0.04 Gain on sale of
business..... 0.04 4.25 -- --
-- ------ ------ ------ ------ ------ Net
Income.....
1.66 6.20 1.31 1.61 1.19 ------ ------ ------ ---
--- ------
Dividends.....
0.48 0.44 0.44 0.42 0.40 Stock prices(d)
High.....
41.35 21.97 18.05 22.31 16.72
Low.....
18.56 10.55 11.37 12.48 12.56
Close.....
39.90 18.19 13.63 14.31 15.46 Average diluted
shares outstanding -- millions.... 74 73 73 75 77
Shares outstanding at year end --
millions..... 63 68 67 67 69

YEARS ENDED SEPTEMBER 30	2001	2000	1999	1998	1997
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS AND OTHER DATA)					
CONSOLIDATED FINANCIAL POSITION					
Total current assets	$ 968	$1,190	$ 659	$ 619	$ 613
Net property, plant and equipment	807	806	1,024	978	922
Other assets	144	138	159	208	291
Total assets	$1,919	$2,134	$1,842	$1,805	$1,826
Total current liabilities	$ 291	$ 494	$ 450	$ 536	$ 543
Long-term debt	419	329	419	316	286
Other long-term liabilities and minority interest	259	264	267	247	269
Stockholders' equity	950	1,047	706	706	728
Total liabilities and stockholders' equity	$1,919	$2,134	$1,842	$1,805	$1,826
Working capital	$ 677	$ 696	$ 209	$ 83	$ 70
SELECTED FINANCIAL RATIOS					
Income from continuing operations as a percentage of sales	7%	7%	6%	8%	6%
Return on average stockholders' equity	12%	58%	13%	16%	12%
Net debt to capitalization ratio	9%	(29)%	44%	43%	43%

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(a) Special Items for 2001 include a $2 million charge related to the discontinuance of a toll manufacturing agreement and benefits of a $1 million insurance recovery and a $1 million recovery of costs related to one of the 2000 plant closings. 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. The 2000 special items reflect an $18 million charge for the closure of two plants, a $2 million environmental charge, and a benefit of a $10 million insurance recovery. Special items in 1999 include 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. Special items for 1998 include a $60 million asset impairment charge in the Chemical Businesses, a $25 million write-off of a tantalum ore recovery project in the Performance Material segment and a $90 million gain from the sale of the 2 million shares of K N Energy, Inc. Special items for 1997 include an $18 million charge related to cost reduction programs in the Chemical Businesses and the Performance Materials segment.

(b) The Liquefied Natural Gas (LNG) and Cabot Microelectronics segments are presented as Discontinued Operations.

(c) Gain from the sale of the Liquefied Natural Gas (LNG) segment net of tax.

(d) The stock prices presented above are adjusted to reflect the fiscal 2000 stock dividend distribution of Cabot's ownership in Cabot Microelectronics.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Cabot Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in stockholders' equity present fairly, in all material respects, the financial position of Cabot Corporation and its subsidiaries at September 30, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
October 23, 2001

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required regarding the executive officers of Cabot is included at the end of Part I in the table following Item 4 captioned "Executive Officers of the Registrant." Certain information required regarding the directors of Cabot is contained in the Registrant's Proxy Statement for the 2002 Annual Meeting of Stockholders ("Proxy Statement") under the heading "Certain Information Regarding Directors." Certain information required regarding the failure of any person subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to timely file reports required by Section 16(a) of the Exchange Act is contained in the Proxy Statement under the heading "Compliance with Section 16(a) of the Exchange Act." All of such information is incorporated herein by reference from the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required is contained in the Proxy Statement under the heading "Executive Compensation." All of such information is incorporated herein by reference from the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required is contained in the Proxy Statement under the heading "Beneficial Stock Ownership of Directors, Executive Officers and Persons Owning More than Five Percent of Common Stock." All of such information is incorporated herein by reference from the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required is contained in the Proxy Statement under the heading "Certain Relationships and Related Transactions." All of such information is incorporated herein by reference from the Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements. The following appear in Item 8 in this annual report on Form 10-K for the fiscal year ended September 30, 2001:

(b) Reports on Form 8-K. No reports on Form 8-K were filed by the Company during the quarter ended September 30, 2001.

(c) Exhibits. (Not included in copies of the Form 10-K sent to stockholders.)

The exhibit numbers in the following list correspond to the numbers assigned to such exhibits in the Exhibit Table of Item 601 of Regulation S-K. The Company will furnish to any stockholder, upon written request, any exhibit listed below, upon payment by such stockholder to the Company of the Company's reasonable expenses in furnishing such exhibit.

EXHIBIT NUMBER	DESCRIPTION
3(a)	-- Certificate of Incorporation of Cabot Corporation restated effective October 24, 1983, as amended February 14, 1985, December 3, 1986, February 19, 1987, November 18, 1988, November 24, 1995 and March 12, 1996 (incorporated herein by reference to Exhibit 3(a) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1996, file reference 1-5667, filed with the Commission on December 24, 1996).
3(b)	-- The By-laws of Cabot Corporation as of January 11, 1991 (incorporated herein by reference to Exhibit 3(b) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1991, file reference 1-5667, filed

with the Commission on December 27, 1991).

4(a) -- Rights Agreement, dated as of November 10, 1995, between Cabot Corporation and The First National Bank of Boston as Rights Agent (incorporated herein by reference to Exhibit 1 of Cabot's Registration Statement on Form 8-A, file reference 1-5667, filed with the Commission on November 13, 1995).

4(b)(i) -- Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (incorporated herein by reference to Exhibit 4 of Amendment No. 1 to Cabot's Registration Statement on Form S-3, Registration No. 33-18883, filed with the Commission on December 10, 1987).

4(b)(ii) -- First Supplemental Indenture dated as of June 17, 1992, to Indenture, dated as of December 1, 1987, between Cabot Corporation and The First

National Bank of Boston, Trustee (incorporated by reference to Exhibit 4.3 of Cabot's Registration Statement on Form S-3, Registration Statement No. 33-48686, filed with the Commission on June 18, 1992). 4(b)(iii) -- Second Supplemental Indenture, dated as of January 31, 1997, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1996, file reference 1-5667, filed with the Commission on February 14, 1997). 4(b)(iv) -- Third Supplemental Indenture, dated as of November 20, 1998, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Current Report on Form 8-K, dated November 20, 1998, file reference 1-

5667, filed with the Commission on November 20, 1998). 10(a) -- Credit Agreement, dated as of July 13, 2001, among Cabot Corporation, the banks listed therein and Fleet National Bank, as Agent, filed herewith. 10(b)(i)* -- 1996 Equity Incentive Plan (incorporated herein by reference to Exhibit 28 of Cabot's Registration Statement on Form S-8, Registration No. 333-03683, filed with the Commission on May 14, 1996). 10(b)(ii)* -- 1999 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, file reference 1-5667, filed with the Commission on May 17, 1999). 10(b)(iii)* -- Amendments to Cabot Corporation 1996 and 1999 Equity Incentive Plans, dated May 12, 2000 (incorporated herein by reference to Exhibit 10 of Cabot's Quarterly Report on Form 10-Q for the

quarterly period ended March 31, 2000, file reference 1-5667, filed with the Commission on May 15, 2000). 10(c) -- Note Purchase Agreement between John Hancock Mutual Life Insurance Company, State Street Bank and Trust Company, as trustee for the Cabot Corporation Employee Stock Ownership Plan, and Cabot Corporation, dated as of November 15, 1988 (incorporated by reference to Exhibit 10(c) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1988, file reference 1-5667, filed with the Commission on December 29, 1988).

EXHIBIT NUMBER	DESCRIPTION
10(d)(i)*	Supplemental Cash Balance Plan (incorporated herein by reference to Exhibit 10(e)(i) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1994, file reference 1-5667, filed with the Commission on December 22, 1994).
10(d)(ii)*	Supplemental Employee Stock Ownership Plan (incorporated herein by reference to Exhibit 10(e)(ii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1994, file reference 1-5667, filed with the Commission on December 22, 1994).
10(d)(iii)*	Supplemental Retirement Incentive Savings Plan (incorporated herein by reference to Exhibit 10(e)(iii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1994, file reference 1-5667, filed

with the Commission on December 22, 1994).

10(d)(iv)* -- Supplemental Employee Benefit Agreement with John G.L. Cabot (incorporated herein by reference to Exhibit 10(f) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1987, file reference 1-5667, filed with the Commission on December 28, 1987).

10(d)(v)* -- Cabot Corporation Deferred Compensation Plan dated January 1, 1995 (incorporated herein by reference to Exhibit 10(e)(v) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1995, file reference 1-5667, filed with the Commission on December 29, 1995).

10(d)(vi)* -- Amendment 1997-I to Cabot Corporation Deferred Compensation Plan dated June 30, 1997 (incorporated herein by reference to Exhibit 10(d)(vi) of Cabot's Annual Report on Form 10-K for the year ended

September 30, 1997, file reference 1-5667, filed with the Commission on December 24, 1997).

10(e) -- Group Annuity Contract No. GA-6121 between The Prudential Insurance Company of America and State Street Bank and Trust Company, dated June 28, 1991 (incorporated herein by reference to Exhibit 10(h) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1991, file reference 1-5667, filed with the Commission on December 27, 1991).

10(f)* -- Non-employee Directors' Stock Compensation Plan (incorporated herein by reference to Exhibit A of Cabot's Proxy Statement for its 1992 Annual Meeting of Stockholders, file reference 1-5667, filed with the Commission on December 27, 1991).

10(g)(i) -- Asset Transfer Agreement, dated as of June 13, 1995, among Cabot Safety Corporation, Cabot Canada Ltd., Cabot Safety

Limited, Cabot Corporation, Cabot Safety Holdings Corporation and Cabot Safety Acquisition Corporation (incorporated herein by reference to Exhibit 2(a) of Cabot Corporation's Current Report on Form 8-K, dated July 11, 1995, file reference 1-5667, filed with the Commission July 26, 1995). 10(g)(ii) -- Stockholders' Agreement, dated as of July 11, 1995, among Vestar Equity Partners, L.P., Cabot CSC Corporation, Cabot Safety Holdings Corporation, Cabot Corporation and various other parties thereto (incorporated herein by reference to Exhibit 2(b) of Cabot Corporation's Current Report on Form 8-K, dated July 11, 1995, file reference 1-5667, filed with the Commission July 26, 1995). 10(h)* -- Cabot Corporation Senior Management Severance Protection Plan, effective January 9, 1998 (incorporated herein by reference to

exhibit 10(a) of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997, file reference 1-5667, filed with the Commission February 17, 1998). 10(i)* -- Cabot Corporation Key Employee Severance Protection Plan, effective January 9, 1998 (incorporated herein by reference to exhibit 10(b) of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997, file reference 1-5667, filed with the Commission February 17, 1998). 10(j)* -- Cabot Corporation Short-Term Incentive Compensation Plan (incorporated herein by reference to Exhibit 10 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, file reference 1-5667, filed with the Commission on May 14, 2001). 10(k) -- Stock Purchase and Sale Agreement, dated as of July 13, 2000, by and among Cabot

Business Trust, Cabot Corporation, Tractebel, Inc. and Tractebel, S.A. (incorporated herein by reference to Exhibit 2 of Cabot Corporation's Report on Form 8-K dated October 2, 2000, file reference 1-5667, filed with the Commission on October 3, 2000).

EXHIBIT NUMBER DESCRIPTION ------- - ---------- 10(l) -- Revolving Credit Agreement dated as of November 10, 2000 among Cabot Finance B.V., Fleet National Bank, Commerzbank AG, and other lending institutions listed therein, including First Amendment to Revolving Credit Agreement (incorporated herein by reference to Exhibit 10 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2000, file reference 1-5667, filed with the Commission on February 14, 2001). 12 -- Statement Re: Computation of Ratios of Earnings to Fixed Charges, filed herewith. 21 -- List of Significant Subsidiaries, filed herewith. 23 -- Consent of PricewaterhouseCoopers LLP, filed herewith. 24 -- Power of attorney for signing of this Annual Report on Form 10-K, filed herewith.

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* Management contract or compensatory plan or arrangement.

(d) Schedules. The Schedules have been omitted for the reason that they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 (Registrant)

By: /s/ KENNETT F. BURNES

KENNETT F. BURNES,
Chairman of the Board, President
and Chief Executive Officer

Date: December 19, 2001

Pursuant to the requirement of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
/s/ KENNETT F. BURNES	Director, Chairman of the Board, President and Chief Executive Officer	December 19, 2001
/s/ MARTIN L. COFFEE	Assistant Controller (acting principal financial and accounting officer)	December 19, 2001
MARTIN L. COFFEE *	Director	December 19, 2001
JOHN G.L. CABOT *	Director	December 19, 2001

JOHN S. CLARKESON	* Director	December 19, 2001
ARTHUR L. GOLDSTEIN	* Director	December 19, 2001
ROBERT P. HENDERSON	* Director	December 19, 2001
GAUTAM S. KAJI	* Director	December 19, 2001
RODERICK C.G. MACLEOD	* Director	December 19, 2001
JOHN H. MCARTHUR	* Director	December 19, 2001
JOHN F. O'BRIEN		

SIGNATURES	TITLE	DATE
*	Director	December 19, 2001
RONALDO H. SCHMITZ *	Director	December 19, 2001
LYDIA W. THOMAS *	Director	December 19, 2001
MARK S. WRIGHTON		
*By: /s/ JOHN P. MCGANN		
JOHN P. MCGANN AS ATTORNEY-IN-FACT		

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3(a)	-- Certificate of Incorporation of Cabot Corporation restated effective October 24, 1983, as amended February 14, 1985, December 3, 1986, February 19, 1987, November 18, 1988, November 24, 1995 and March 12, 1996 (incorporated herein by reference to Exhibit 3(a) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1996, file reference 1-5667, filed with the Commission on December 24, 1996).
3(b)	-- The By-laws of Cabot Corporation as of January 11, 1991 (incorporated herein by reference to Exhibit 3(b) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1991, file reference 1-5667, filed with the Commission on December 27, 1991).
4(a)	-- Rights Agreement,

dated as of November 10, 1995, between Cabot Corporation and The First National Bank of Boston as Rights Agent (incorporated herein by reference to Exhibit 1 of Cabot's Registration Statement on Form 8-A, file reference 1-5667, filed with the Commission on November 13, 1995).

4(b)(i) -- Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (incorporated herein by reference to Exhibit 4 of Amendment No. 1 to Cabot's Registration Statement on Form S-3, Registration No. 33-18883, filed with the Commission on December 10, 1987).

4(b)(ii) -- First Supplemental Indenture dated as of June 17, 1992, to Indenture, dated as of December 1, 1987, between Cabot Corporation and The First National Bank of Boston, Trustee (incorporated by reference to Exhibit

4.3 of Cabot's Registration Statement on Form S-3, Registration Statement No. 33-48686, filed with the Commission on June 18, 1992). 4(b)(iii) -- Second Supplemental Indenture, dated as of January 31, 1997, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1996, file reference 1-5667, filed with the Commission on February 14, 1997). 4(b)(iv) -- Third Supplemental Indenture, dated as of November 20, 1998, between Cabot Corporation and State Street Bank and Trust Company, Trustee (incorporated herein by reference to Exhibit 4.1 of Cabot's Current Report on Form 8-K, dated November 20, 1998, file reference 1-5667, filed with the Commission on November 20, 1998). 10(a) -- Credit

Agreement, dated as of July 13, 2001, among Cabot Corporation, the banks listed therein and Fleet National Bank, as Agent, filed herewith. 10(b)(i)* -- 1996 Equity Incentive Plan (incorporated herein by reference to Exhibit 28 of Cabot's Registration Statement on Form S-8, Registration No. 333-03683, filed with the Commission on May 14, 1996). 10(b)(ii)* -- 1999 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999, file reference 1-5667, filed with the Commission on May 17, 1999). 10(b)(iii)* -- Amendments to Cabot Corporation 1996 and 1999 Equity Incentive Plans, dated May 12, 2000 (incorporated herein by reference to Exhibit 10 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000, file reference 1-5667, filed with the

Commission on May 15, 2000). 10(c) -- Note Purchase Agreement between John Hancock Mutual Life Insurance Company, State Street Bank and Trust Company, as trustee for the Cabot Corporation Employee Stock Ownership Plan, and Cabot Corporation, dated as of November 15, 1988 (incorporated by reference to Exhibit 10(c) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1988, file reference 1-5667, filed with the Commission on December 29, 1988). 10(d)(i)* -- Supplemental Cash Balance Plan (incorporated herein by reference to Exhibit 10(e)(i) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1994, file reference 1-5667, filed with the Commission on December 22, 1994).

EXHIBIT NUMBER	DESCRIPTION
10(d)(ii)*	Supplemental Employee Stock Ownership Plan (incorporated herein by reference to Exhibit 10(e)(ii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1994, file reference 1-5667, filed with the Commission on December 22, 1994).
10(d)(iii)*	Supplemental Retirement Incentive Savings Plan (incorporated herein by reference to Exhibit 10(e)(iii) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1994, file reference 1-5667, filed with the Commission on December 22, 1994).
10(d)(iv)*	Supplemental Employee Benefit Agreement with John G.L. Cabot (incorporated herein by reference to Exhibit 10(f) of Cabot's Annual Report on Form 10-K for the year ended September

30, 1987, file reference 1-5667, filed with the Commission on December 28, 1987).

10(d)(v)* -- Cabot Corporation Deferred Compensation Plan dated January 1, 1995 (incorporated herein by reference to Exhibit 10(e)(v) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1995, file reference 1-5667, filed with the Commission on December 29, 1995).

10(d)(vi)* -- Amendment 1997-I to Cabot Corporation Deferred Compensation Plan dated June 30, 1997 (incorporated herein by reference to Exhibit 10(d)(vi) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1997, file reference 1-5667, filed with the Commission on December 24, 1997).

10(e) -- Group Annuity Contract No. GA-6121 between The Prudential Insurance Company of America and State Street Bank and Trust Company, dated June

28, 1991 (incorporated herein by reference to Exhibit 10(h) of Cabot's Annual Report on Form 10-K for the year ended September 30, 1991, file reference 1-5667, filed with the Commission on December 27, 1991).

10(f)* -- Non-employee Directors' Stock Compensation Plan (incorporated herein by reference to Exhibit A of Cabot's Proxy Statement for its 1992 Annual Meeting of Stockholders, file reference 1-5667, filed with the Commission on December 27, 1991).

10(g)(i) -- Asset Transfer Agreement, dated as of June 13, 1995, among Cabot Safety Corporation, Cabot Canada Ltd., Cabot Safety Limited, Cabot Corporation, Cabot Safety Holdings Corporation and Cabot Safety Acquisition Corporation (incorporated herein by reference to Exhibit 2(a) of Cabot Corporation's Current Report on Form 8-K, dated July 11, 1995, file reference 1-5667, filed

with the Commission July 26, 1995). 10(g) (ii) -- Stockholders' Agreement, dated as of July 11, 1995, among Vestar Equity Partners, L.P., Cabot CSC Corporation, Cabot Safety Holdings Corporation, Cabot Corporation and various other parties thereto (incorporated herein by reference to Exhibit 2(b) of Cabot Corporation's Current Report on Form 8-K, dated July 11, 1995, file reference 1-5667, filed with the Commission July 26, 1995). 10(h)* -- Cabot Corporation Senior Management Severance Protection Plan, effective January 9, 1998 (incorporated herein by reference to exhibit 10(a) of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997, file reference 1-5667, filed with the Commission February 17, 1998). 10(i)* -- Cabot Corporation Key Employee Severance Protection Plan,

effective January 9, 1998 (incorporated herein by reference to exhibit 10(b) of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 1997, file reference 1-5667, filed with the Commission February 17, 1998). 10(j)* -- Cabot Corporation Short-Term Incentive Compensation Plan (incorporated herein by reference to Exhibit 10 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2001, file reference 1-5667, filed with the Commission on May 14, 2001). 10(k) -- Stock Purchase and Sale Agreement, dated as of July 13, 2000, by and among Cabot Business Trust, Cabot Corporation, Tractebel, Inc. and Tractebel, S.A. (incorporated herein by reference to Exhibit 2 of Cabot Corporation's Report on Form 8-K dated October 2, 2000, file reference 1-5667, filed with the Commission on October 3, 2000).

EXHIBIT NUMBER	DESCRIPTION
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12	Statement Re: Computation of Ratios of Earnings to Fixed Charges, filed herewith.
21	List of Significant Subsidiaries, filed herewith.
23	Consent of PricewaterhouseCoopers LLP, filed herewith.
24	Power of attorney for signing of this Annual Report on Form 10-K, filed herewith.

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* Management contract or compensatory plan or arrangement.

EXHIBIT 10(a)

CREDIT AGREEMENT

dated as of

July 13, 2001

among

CABOT CORPORATION,

The Banks Listed Herein

and

FLEET NATIONAL BANK,
as Agent

with

FLEET SECURITIES, INC., as Lead Arranger
SALOMON SMITH BARNEY INC., as Co-Lead Arranger

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EXHIBITS

Exhibit A	Note
EXHIBIT B	Form of Money Market Quote Request
EXHIBIT C	Form of Invitation for Money Market Quotes
EXHIBIT D	Form of Money Market Quote
EXHIBIT E	Legal Opinion
EXHIBIT G	Assignment and Assumption Agreement
EXHIBIT H	Instrument of Accession

CREDIT AGREEMENT

AGREEMENT dated as of July 13, 2001 among CABOT CORPORATION, the Banks listed on the signature pages hereof and FLEET NATIONAL BANK, as Agent.

The parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.1. DEFINITIONS. The following terms, as used herein, have the following meanings:

"Absolute Rate Auction" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.3.

"Acceding Bank" has the meaning set forth in Section 9.6(d).

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Borrower) duly completed by such Bank.

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the Borrower (a "Controlling Person") or (ii) any Person (other than the Borrower, a Consolidated Subsidiary or an Equity Affiliate) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agent" means Fleet National Bank in its capacity as agent for the Banks hereunder, and its permitted successors in such capacity.

"Agent's Office" means the Agent's office located at 100 Federal Street, Boston, Massachusetts 02110, or at such other location as the Agent may designate from time to time.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

"Arrangers" means the Lead Arranger and the Co-Lead Arranger.

"Assignee" has the meaning set forth in Section 9.6(c).

"Bank" means each bank listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.6(c), and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day. Changes in the Base Rate resulting from changes in the Prime Rate shall take place immediately and without notice or demand of any kind.

"Base Rate Borrowing" has the meaning set forth in Section 1.3.

"Base Rate Loan" means a Committed Loan to be made by a Bank as a Base Rate Loan in accordance with the applicable Notice of Committed Borrowing or pursuant to Article VIII.

"Borrower" means Cabot Corporation, a Delaware corporation.

"Borrower's 2000 Form 10-K" means the Borrower's annual report on Form 10-K for its 2000 fiscal year, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"Borrowing" has the meaning set forth in Section 1.3.

"Co-Lead Arranger" means Citibank Salomon Smith Barney.

"Commitment" means, with respect to each Bank, the amount set forth on SCHEDULE 1 hereto as the amount of such Bank's commitment to make Committed Loans to, and to participate in the issuance, extension and renewal of Letters of Credit for the account of the Borrower, as the same may be modified pursuant to Section 9.6(d) hereof, and as the same may be reduced from time to time; or if such commitment is terminated pursuant to the provisions hereof, zero.

"Committed Borrowing" has the meaning set forth in Section 1.3.

"Commitment Percentage" means, with respect to each Bank, the percentage set forth on SCHEDULE 1 hereto as such Bank's percentage of the aggregate Commitments of all the Banks.

"Committed Loan" means a loan made by a Bank pursuant to Section 2.1.

"Consolidated Debt" means at any date the Debt of the Borrower and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated EBITDA" means, with respect to any fiscal period, an amount equal to the sum of (a) Consolidated Net Income of the Borrower and its Consolidated Subsidiaries for such fiscal period, PLUS (b) in each case to the extent deducted in the calculation of Consolidated Net Income and without duplication (i) tax expense for such period, PLUS (ii) Consolidated Total Interest Expense paid or accrued during such period, PLUS (iii) other noncash charges for such period, PLUS (iv) depreciation and amortization for such period, and MINUS (c) to the extent

added in calculating Consolidated Net Income, and without duplication, all noncash gains (including income tax benefits) for such period, all as determined in accordance with generally accepted accounting principles.

"Consolidated Net Income (or Deficit)" means the consolidated net income (or deficit) of the Borrower and its Consolidated Subsidiaries, after deduction of all expenses, taxes and other proper charges, determined in accordance with generally accepted accounting principles, after eliminating therefrom all extraordinary nonrecurring items of income.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which are consolidated with those of the Borrower in its consolidated financial statements prepared as of such date.

"Consolidated Tangible Net Worth" means at any date (i) the consolidated stockholders' equity of the Borrower as of such date (calculated excluding adjustments to translate foreign assets and liabilities for changes in foreign exchange rates made in accordance with Financial Accounting Standards Board Statement No. 52 and 133), MINUS (ii) to the extent reflected in determining such consolidated stockholders' equity at such date, the amount of consolidated Intangible Assets of the Borrower and its Consolidated Subsidiaries.

"Consolidated Total Interest Expense" means, for any period, the aggregate amount of interest required to be paid or accrued by the Borrower and its Consolidated Subsidiaries during such period on all Debt of the Borrower and its Consolidated Subsidiaries outstanding during all or any part of such fiscal period, whether such interest was or is required to be reflected as an item of expense or capitalized, including payments consisting of interest in respect of any capitalized lease, and including commitment fees, agency fees, facility fees, utilization fees, balance deficiency fees and similar fees or expenses in connection with the borrowing of money.

"Debt" of any Person means at any date, whether or not contingent, but without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, promissory notes or other similar instruments, (iii) every reimbursement obligation of the Borrower with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Borrower, (iv) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (v) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (vi) every obligation of such Person under any lease of goods or other property, whether real or personal, which is treated as on operating lease under generally accepted accounting principles and as a loan or financing for U.S. income tax purposes, (vii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (viii) all Debt of others Guaranteed by such Person, and (ix) all sales by the Borrower of (a) accounts or general intangibles for money due or to become due, (b) chattel paper, instruments or documents creating or evidencing a right to payment of money or (c) other receivables (collectively, "receivables"), whether pursuant to a purchase facility or otherwise, other than in connection with the disposition of the business operations of the Borrower relating thereto or a disposition of defaulted receivables for collection and not as a financing arrangement, and together with

any obligation of the Borrower to pay discount, interest, fees, indemnities, penalties, recourse, expenses or other amounts in connection therewith.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Delinquent Lender" has the meaning set forth in Section 7.10.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City or Boston, Massachusetts are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Agent.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 3.1.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws (including case law), regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"Equity Affiliate" means at any date any corporation or other entity (which may be a Subsidiary but not a Consolidated Subsidiary) of which securities or other ownership interests are at the time directly or indirectly owned by the Borrower and accounted for under the equity method of accounting.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Borrowing" has the meaning set forth in Section 1.3.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London or such other eurodollar interbank market as may be selected by the Agent in its sole discretion acting in good faith.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Agent.

"Euro-Dollar Loan" means a Committed Loan to be made by a Bank as a Euro-Dollar Loan in accordance with the applicable Notice of Committed Borrowing.

"Euro-Dollar Margin" has the meaning set forth in Section 2.7(c).

"Euro-Dollar Reference Banks" means the principal London office of Fleet National Bank, or any successor Euro-Dollar Reference Bank appointed as such pursuant to Section 2.7(h).

"Euro-Dollar Reserve Percentage" means for any day for any Bank that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the effective reserve requirement for such Bank as determined in good faith by such Bank in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

"Event of Default" has the meaning set forth in Section 6.1.

"Existing Credit Agreement" means the Credit Agreement dated as of January 3, 1997, as amended, among Cabot Corporation, the banks listed therein and Morgan Guaranty Trust Company of New York, as Agent.

"Facility Fee Rate" means (i) .10 of 1% per annum for any day on which Investment Level I Status exists, (ii) .125 of 1% per annum for any day on which Investment Level II Status exists, (iii) .15 of 1% per annum for any day on which Investment Level III Status exists, (iv) .20 of 1% per annum for any day on which Investment Level IV Status exists, and (v) .30 of 1% per annum for any day on which Investment Level V Status exists.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, PROVIDED that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such

transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Agent on such day on such transactions from the fund brokers of recognized standing selected by the Agent.

"Fee Letter" means that certain letter dated on or prior to the date hereof between the Agent and the Borrower.

"Fronting Fee" has the meaning set forth in Section 2.22.

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), PROVIDED that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business and letters or other undertakings which state that the Borrower or a Consolidated Subsidiary will maintain its ownership of another Person but which do not include any obligation related to the financial condition of such other Person. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Instrument of Accession" has the meaning set forth in Section 9.6(d).

"Intangible Assets" means the amount of (i) all write-ups of assets (other than write-ups of assets of a going concern business made within twelve months after the acquisition of such business); (ii) all Investments in Persons other than (x) Consolidated Subsidiaries and (y) Equity Affiliates (A) in which the Borrower directly or indirectly owns equity securities or other comparable ownership interests of not less than 30% and (B) which are engaged in the same general business as the Borrower or any of its Subsidiaries or engaged in a business incidental or related thereto; and (iii) all unamortized debt discount and expense, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, anticipated future benefit of tax loss carry-forwards, copyrights, organization or developmental expenses and other assets treated as intangible assets under generally accepted accounting principles.

"Interest Period" means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, two, three or six months thereafter, as the Borrower may elect in the applicable Notice of Borrowing; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the date determined pursuant to clause (y) of the definition of Termination Date shall end on the date so determined.

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending on the last day of the calendar quarter; PROVIDED that:

(a) any Interest Period which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period which would otherwise end after the date determined pursuant to clause (y) of the definition of Termination Date shall end on the date so determined.

(3) with respect to each Money Market LIBOR Borrowing, the period commencing on the date of such Borrowing and ending such whole number of months thereafter (but not less than one month) as the Borrower may elect in accordance with Section 2.3; PROVIDED that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the date determined pursuant to clause (y) of the definition of Termination Date shall end on the date so determined.

(4) with respect to each Money Market Absolute Rate Borrowing, the period commencing on the date of such Borrowing and ending such number of days thereafter (but not less than 30 days) as the Borrower may elect in accordance with Section 2.3; PROVIDED that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the date determined pursuant to clause (y) of the definition of Termination Date shall end on the date so determined.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, demand or time deposit or otherwise.

"Investment Level I Status" exists at any date if, at such date, (x) the Borrower's outstanding senior unsecured long term debt securities are (i) rated A- or better by S&P or (ii) rated A3 or better by Moody's.

"Investment Level II Status" exists at any date if, at such date, (x) the Borrower's outstanding senior unsecured long-term debt securities are (i) rated BBB+ or better by S&P OR (ii) rated Baa1 or better by Moody's and (y) Investment Level I Status does not exist.

"Investment Level III Status" exists at any date if, at such date, (x) the Borrower's outstanding senior unsecured long-term debt securities are (i) rated BBB or better by S&P OR (ii) rated Baa2 or better by Moody's and (y) neither Investment Level I Status nor Investment Level II Status exists.

"Investment Level IV Status" exists at any date, if at such date (x) the Borrower's outstanding senior unsecured long-term debt securities are (i) rated BBB- or better by S&P OR (ii) rated Baa3 or better by Moody's AND (y) none of Investment Level I Status, Investment Level II Status nor Investment Level III Status exists.

"Investment Level V Status" exists at any date if, at such date, none of Level I Status, Level II Status, Level III Status nor Level IV Status exists.

"Investment Level Status" means, as at any date of determination, the Borrower's rating of Investment Level I Status, Investment Level II Status, Investment Level III Status, Investment Level IV Status or Investment Level V Status. In determining such status, in the event of a split debt rating of (a) only one level between S&P and Moody's, the higher rating shall apply, and (b) more than one level between S&P and Moody's, the rating level that is one level above the lowest level shall apply. In addition, in the event that S&P or Moody's changes its debt rating designations, definitions or symbols, the Borrower and the Required Banks shall agree as to the exact application of such new debt rating terminology to the application of this definition, taking into account the explanation of such new rating terminology by S&P or Moody's, as the case may be, and its comparability to the debt rating referred to in the definitions of "Investment Level Status I", Investment Level Status II", "Investment Level Status III", "Investment Level Status IV" and "Investment Level Status V".

"Lead Arranger" means Fleet Securities, Inc.

"Letter of Credit" has the meaning set forth in Section 2.17.1.

"Letter of Credit Application" has the meaning set forth in Section 2.17.1.

"Letter of Credit Fee" has the meaning set forth in Section 2.22.

"Letter of Credit Participation" has the meaning set forth in Section 2.17.4.

"LIBOR Auction" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.3.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge or security interest in respect of such asset. For the purposes of this Agreement, the Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease (but not operating lease) or other title retention agreement relating to such asset.

"Loan" means a Domestic Loan or a Euro-Dollar Loan or a Money Market Loan and "Loans" means Domestic Loans or Euro-Dollar Loans or Money Market Loans or any combination of the foregoing.

"Loan Documents" means this Agreement, the Notes, the Letter of Credit Applications, the Letters of Credit and the Fee Letter.

"London Interbank Offered Rate" has the meaning set forth in Section 2.7(b).

"Margin Stock" means margin stock within the meaning of Regulation U.

"Material Debt" means (x) Debt (other than the Notes) of the Borrower and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount exceeding $50,000,000 or (y) Debt of the Borrower (other than the Notes) and/or one or more of its Consolidated Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount exceeding $20,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities at such time in excess of $20,000,000.

"Maximum Drawing Amount" means the maximum aggregate amount that the beneficiaries may at any time draw under outstanding Letters of Credit, as such aggregate amount may be reduced from time to time pursuant to the terms of the Letters of Credit.

"Money Market Absolute Rate" has the meaning set forth in Section 2.3(d).

"Money Market Absolute Rate Borrowing" has the meaning set forth in Section 1.3.

"Money Market Absolute Rate Loan" means a loan to be made by a Bank pursuant to an Absolute Rate Auction.

"Money Market Borrowing" has the meaning set forth in Section 1.3.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Borrower and the Agent; PROVIDED that any Bank may from time to time by notice to the Borrower and the Agent designate separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, in which case all references herein to the Money Market Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Money Market LIBOR Borrowing" has the meaning set forth in Section 1.3.

"Money Market LIBOR Loan" means a loan to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the Base Rate pursuant to Section 8.1).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" has the meaning set forth in Section 2.3(d).

"Money Market Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.3.

"Moody's" means Moody's Investors Services, Inc.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Notes" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Loans, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" means a Notice of Committed Borrowing (as defined in Section 2.2) or a Notice of Money Market Borrowing (as defined in Section 2.3(f)).

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 9.6(b) .

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Prime Rate" means the variable rate of interest so designated from time to time by Fleet National Bank in Boston, Massachusetts from time to time as its "prime rate", such rate being a reference rate and not necessarily representing the lowest or best rate being charged to any customer.

"Receivables Transaction" means any transaction involving the nonrecourse sale of accounts receivable and related rights of the Borrower for cash to a specific purpose entity (which may be a Subsidiary or Affiliate of the Borrower) in connection with the securitization thereof.

"Refunding Borrowing" means a Committed Borrowing which, after application of the proceeds thereof, results in no net increase in the outstanding principal amount of Committed Loans made by any Bank.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Reimbursement Obligation" means the Borrower's obligation to reimburse the Agent and the Banks on account of any drawing under any Letter of Credit as provided in Section 2.18.

"Required Banks" means at any time Banks having more than 50% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing more than 50% of the aggregate unpaid principal amount of the Loans, PROVIDED, HOWEVER, that if any Bank shall be a Delinquent Lender at such time then, for so long as such Bank is a Delinquent Lender, "Required Banks" means Banks (excluding all Delinquent Lenders) having more than 50% or the amount of the Commitments of such Banks or, if the Commitments shall have been terminated, holding Notes evidencing more than 50% of the aggregate unpaid principal amount of the Loans owing to such Banks (other than a Delinquent Lender).

"Revolving Credit Period" means the period from and including the Effective Date to and including the Termination Date.

"S&P" means Standard & Poor's Ratings Group.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Temporary Cash Investment" means any Investment in (i) securities of the U.S. Treasury; (ii) securities of agencies of the U.S. Government; (iii) commercial paper, with a rating in the United States of A-1 by S&P and a rating in the United States of P-1 by Moody's or better; or in the case of a foreign issuer, an equivalent rating by another recognized credit rating service; (iv) bankers' acceptances, certificates of deposit, and time deposits issued by any Bank or by a bank having capital in excess of $1,000,000,000; (v) repurchase agreements with a "primary" dealer of the Federal Reserve or a bank described in clause (iv) of this definition which is collateralized by obligations of the U.S. Government or federal agencies with a value not to be below 102% of the face value of the repurchase agreement; (vi) municipal obligations with a rating of MIG-1 by S&P and a rating of SP-1 by Moody's or better, (vii) preferred stock which is rated A by S&P or A2 by Moody's or better and whose dividend rate is set no longer than every 49 days through a Dutch auction process and (viii) money market funds substantially all of whose investments listed in the relevant prospectus are of the types listed in the foregoing items (i) through (vii).

"Termination Date" means the earlier of (x) the date on which the Commitments are terminated pursuant to Section 2.9(i) hereof and (y) July 13, 2006, or, if July 13, 2006 is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day.

"Total Capitalization" means, at any date, Consolidated Debt PLUS the consolidated stockholders' equity of the Borrower (calculated excluding adjustments to translate foreign assets and liabilities for changes in foreign exchange rates made in accordance with Financial Accounting Standards Board Statement No. 52 and 133), all as would be presented according to generally accepted accounting principles in a consolidated balance sheet of the Borrower as of such date.

"Total Commitment" means the sum of the Commitments of the Lenders, as in effect from time to time.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all accrued benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"Uniform Customs" means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 or any successor version thereto adopted by the Agent in the ordinary course of its business as a letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

"Unpaid Reimbursement Obligation" means any Reimbursement Obligation for which the Borrower does not reimburse the Agent and the Banks on the date specified in, and in accordance with Section 2.18.

"Utilization Fee" has the meaning set forth in Section 2.8(b).

SECTION 1.2. ACCOUNTING TERMS AND DETERMINATIONS. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Banks.

SECTION 1.3. TYPES OF BORROWINGS. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article II on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (i.e., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans, a "Base Rate Borrowing" is a Borrowing comprised of Base Rate Loans, a "Money Market LIBOR Borrowing" is a Borrowing comprised of Money Market LIBOR Loans, and a "Money Market Absolute Rate Borrowing" is a Borrowing comprised of Money Market Absolute Rate Loans) or by reference to the provisions of Article II under which participation therein is determined (i.e., a "Committed Borrowing" is a Borrowing under Section 2.1 in which all Banks participate in proportion to their Commitments, while a "Money Market Borrowing" is a Borrowing under Section 2.3 in which the Bank participants are determined on the basis of their bids in accordance therewith).

ARTICLE II.

THE CREDITS

SECTION 2.1. COMMITMENTS TO LEND DURING REVOLVING CREDIT PERIOD. During the Revolving Credit Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time in amounts such that the aggregate principal amount of Committed Loans by such Bank at any one time outstanding shall not exceed the amount of its Commitment MINUS such Bank's Commitment Percentage of the sum of the Maximum Drawing Amount and all Unpaid Reimbursement Obligations, PROVIDED that the sum of the outstanding amount of the Committed Borrowings (after giving effect to all amounts requested) PLUS the outstanding amount of the Money Market Loans PLUS the Maximum Drawing Amount and all Unpaid Reimbursement Obligations with respect to all Letters of Credit shall not at any time exceed the Total Commitment. Each Borrowing under this Section shall be in an aggregate principal amount of $10,000,000 or any larger integral multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.2(b)) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section, repay, or to the extent

permitted by Section 2.11, prepay Loans and reborrow at any time during the Revolving Credit Period under this Section.

SECTION 2.2. NOTICE OF COMMITTED BORROWINGS. The Borrower shall give the Agent notice (a "Notice of Committed Borrowing") not later than 10:00 A.M. (Boston time) on the date of each Base Rate Borrowing and not later than 11:00 A.M. (Boston time) on the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing,

(c) whether the Loans comprising such Borrowing are to be Base Rate Loans or Euro-Dollar Loans, and

(d) in the case of Euro-Dollar Loans or Money Market Loans, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

SECTION 2.3. MONEY MARKET BORROWINGS.

(a) THE MONEY MARKET OPTION. In addition to Committed Borrowings pursuant to Section 2.1, the Borrower may, as set forth in this Section, request the Banks during the Revolving Credit Period to make offers to make Money Market Loans to the Borrower. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section. Each Money Market Loan may be greater than the Commitment of the Bank giving the bid but the aggregate amount of all Money Market Loans may not exceed the Total Commitment LESS all outstanding Committed Borrowings, Money Market Loans and the aggregate Maximum Drawing Amount and Unpaid Reimbursement Obligations of all outstanding Letters of Credit. In addition, the aggregate outstanding principal amount of all Money Market Loans shall not at any time exceed $100,000,000.

(b) MONEY MARKET QUOTE REQUEST. When the Borrower wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Agent by telex or facsimile transmission a Money Market Quote Request substantially in the form of EXHIBIT B hereto so as to be received no later than 10:00 A.M. (Boston time) on (x) the fifth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) the Domestic Business Day next preceding the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the aggregate amount of such Borrowing, which shall be $10,000,000 or a larger integral multiple of $1,000,000,

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

The Borrower may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request shall be given within five Euro-Dollar Business Days (or such other number of days as the Borrower and the Agent may agree) of any other Money Market Quote Request.

(c) INVITATION FOR MONEY MARKET QUOTES. Promptly upon receipt of a Money Market Quote Request, the Agent shall send to the Banks by telex or facsimile transmission an Invitation for Money Market Quotes substantially in the form of EXHIBIT C hereto, which shall constitute an invitation by the Borrower to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) SUBMISSION AND CONTENTS OF MONEY MARKET QUOTES. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d) and must be submitted to the Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 9.1 not later than (x) 2:00 P.M. (Boston time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 9:15 A.M. (Boston time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); PROVIDED that Money Market Quotes submitted by the Agent (or any affiliate of the Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Agent or such affiliate notifies the Borrower of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the other Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Articles III and VI, any Money Market Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Borrower.

(ii) Each Money Market Quote shall be in substantially the form of EXHIBIT D hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be $5,000,000 or a larger integral multiple of $1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Money Market Absolute Rate") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with EXHIBIT D hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) NOTICE TO BORROWER. The Agent shall promptly notify the Borrower of the terms (x) of any Money Market Quote submitted by a Bank that is in accordance with subsection (d) and (y) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case

may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(f) ACCEPTANCE AND NOTICE BY BORROWER. Not later than (x) 10:00 A.M. (Boston time) on the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 10:15 A.M. (Boston time) or 30 minutes after the receipt of the Money Market Quote from the Agent on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Borrower and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Borrower shall notify the Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "Notice of Money Market Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Borrower may accept any Money Market Quote in whole or in part; PROVIDED that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request,

(ii) the principal amount of each Money Market Borrowing must be $10,000,000 or a larger multiple of $1,000,000,

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be, and

(iv) the Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) ALLOCATION BY AGENT. If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in integral multiples of $1,000,000, as the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

SECTION 2.4. NOTICE TO BANKS; FUNDING OF LOANS.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 12:00 Noon (Boston time) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in Boston, to the Agent at its address specified in or pursuant to Section 9.1. Unless the Agent

determines that any applicable condition specified in Article III has not been satisfied, the Agent will make the funds so received from the Banks available to the Borrower at the Agent's aforesaid address.

(c) If any Bank makes a new Loan hereunder on a day on which the Borrower is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Agent as provided in subsection (b), or remitted by the Borrower to the Agent as provided in Section 2.12, as the case may be.

(d) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with subsections (b) and (c) of this Section 2.4 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.7 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.5. NOTES. (a) The Loans of each Bank shall be evidenced by a single Note payable to the order of such Bank for the account of its Applicable Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Loans.

(b) Each Bank may, by notice to the Borrower and the Agent, request that its Loans of a particular type be evidenced by a separate Note in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Note" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note pursuant to Section 3.1(d), the Agent shall forward such Note to such Bank. Each Bank shall record the date, amount, type and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; PROVIDED that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

SECTION 2.6. MATURITY OF LOANS. Each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

SECTION 2.7. INTEREST RATES. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the applicable London Interbank Offered Rate. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

"Euro-Dollar Margin" means, for any day, the percentage per annum equal to the applicable Euro-Dollar Margin set forth in the table below.

If the Investment Level Status is	The Euro-Dollar Margin is
Investment Level Status I	.40 of 1%
Investment Level Status II	.475 of 1%
Investment Level Status III	.70 of 1%
Investment Level Status IV	.925 of 1%
Investment Level Status V	1.075 of 1%

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London Interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(c) Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the higher of (i) the sum of the Euro-Dollar Margin plus the London Interbank Offered Rate applicable to such Loan and (ii) the Euro-Dollar Margin plus the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to each of the

Euro-Dollar Reference Banks are offered to such Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided above (or, if the circumstances described in clause (a) or (b) of Section 8.1 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day (excluding the application of the last sentence in Section 2.7 (a)).

(d) Subject to Section 8.1, each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.7(c) as if the related Money Market LIBOR Borrowing were a Committed Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.3. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.3. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

(e) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrower and the participating Banks by telex or cable of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error; provided that the Borrower shall, for a period of 60 days after such notice is given, have the right to demonstrate that the rate of interest so determined was not calculated in accordance with the terms of this Agreement; provided further that until the fact that the rate of interest was not calculated in accordance with the terms of this Agreement is demonstrated to the satisfaction of the Agent (which must act reasonably and in good faith), the Borrower shall continue to pay interest in accordance with the notice given.

(f) Each Euro-Dollar Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Euro-Dollar Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.1 shall apply.

(g) If for any reason any Euro-Dollar Reference Bank ceases to be a Bank, the Agent with the written consent of the Borrower, which consent shall not be unreasonably withheld, shall appoint a successor Euro-Dollar Reference Bank which shall be one of the Banks.

SECTION 2.8. FEES.

(a) FACILITY FEE. The Borrower shall pay to the Agent for the account of the Banks ratably a facility fee at the Facility Fee Rate per annum. Such facility fee shall accrue for each day (i) from and including the Effective Date to but excluding the Termination Date, on the aggregate amount of the Commitments (whether used or unused) for such day and (ii) from and including the Termination Date to but excluding the date the Loans shall be repaid in their

entirety, on the daily average aggregate outstanding principal amount of the Loans on such day.

(b) UTILIZATION FEE. The Borrower shall pay to the Agent for the account of the Banks ratably, during any calendar quarter during the period from the Effective Date to but excluding the Termination Date when the aggregate daily average amount of outstanding Loans exceeds 33 1/3% of the aggregate Commitments of the Banks, a utilization fee on the daily average amount of outstanding Loans during such quarter at a rate equal to .125% per annum.

(c) PAYMENTS. Accrued fees under this Section shall be payable quarterly in arrears on each March 31, June 30, September 30 and December 31 and upon the date of termination of the Commitments in their entirety (and, if later, the date the Loans shall be repaid in their entirety).

SECTION 2.9. OPTIONAL TERMINATION OR REDUCTION OF COMMITMENTS. During the Revolving Credit Period, the Borrower may, upon at least one Domestic Business Day's notice to the Agent, (i) terminate the Commitments at any time, if no Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $25,000,000 or a larger integral multiple of $5,000,000 in excess thereof, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans. If the Commitments are reduced or terminated pursuant to this Section, such Commitments may not be increased or reinstated thereafter.

SECTION 2.10. MANDATORY TERMINATION OF COMMITMENTS. The Commitments shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon and any Facility Fees or other amounts owing hereunder) shall be due and payable on such date, and the Borrower promises to pay on the Termination Date, all such Loans outstanding on such date, together with any and all accrued and unpaid interest thereon and any and all other amounts due hereunder.

SECTION 2.11. OPTIONAL PREPAYMENTS. (a) The Borrower may, upon same day notice (no later than 10:00 A.M. Boston time) to the Agent, prepay any Base Rate Borrowing (or any Money Market LIBOR Borrowing bearing interest at the Base Rate pursuant to Section 8.1(a)) in whole at any time, or from time to time in part in amounts aggregating $10,000,000 or any larger integral multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Borrowing.

(b) The Borrower may, upon at least three Domestic Business Days' notice to the Agent, in the case of a Money Market Absolute Rate Borrowing, or upon at least three Euro-Dollar Business Days' notice to the Agent, in the case of a Euro-Dollar Borrowing or a Money Market LIBOR Borrowing (other than a Money Market LIBOR Borrowing bearing interest at the Base Rate pursuant to Section 8.1(a)), subject to the provisions of Section 2.13, prepay any such Borrowing in whole or in part in amounts aggregating $10,000,000 or any larger integral multiple of $1,000,000, on any Domestic Business Day, in the case of a Money Market Absolute Rate Borrowing, or any Euro-Dollar Business Day, in the case of a Euro-Dollar Borrowing or a Money Market LIBOR Borrowing, by paying the principal amount to be prepaid

together with accrued interest thereon to the date of prepayment. Each such prepayment shall be applied to prepay ratably the outstanding Euro-Dollar Loans or Money Market Loans of the several Banks included in such Borrowing, subject to Article VIII.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.12. GENERAL PROVISIONS AS TO PAYMENTS. (a) The Borrower shall make each payment of principal of, and interest on, the Loans, payments of Reimbursement Obligations and of fees and other amounts due hereunder, not later than 12:00 Noon (Boston time) on the date when due, in U.S. Dollars and in immediately available funds in Boston, to the Agent at the Agent's Office. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans, payments of Reimbursement Obligations or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans or the Money Market LIBOR Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, the Money Market Absolute Rate Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.13. FUNDING LOSSES. If the Borrower makes any payment of principal with respect to any Euro-Dollar Loans or Money Market Loans (pursuant to Section 2.11(b), Article VI or VIII or otherwise) on any day other than the last day of the Interest Period applicable thereto, or the end of an applicable period fixed pursuant to Section 2.7(d), or if the Borrower fails to borrow any Euro-Dollar Loans or Money Market Loans after notice has been given to any Bank in accordance with Section 2.4(a), the Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or failure to borrow, PROVIDED that such Bank shall have

delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error, PROVIDED that the Borrower shall have the right, within 60 days of receipt of such certificate, to demonstrate that the amount set forth in such certificate is incorrect and request an adjustment of the amount to be, or theretofore, paid.

SECTION 2.14. COMPUTATION OF INTEREST AND FEES. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.15. TAXES. (a) Any and all payments by the Borrower to or for the account of any Bank or the Agent hereunder or under any Note, Letter of Credit or Letter of Credit Application shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, EXCLUDING, (1) in the case of each Bank and the Agent, taxes imposed on its income, and franchise or similar taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized, (2) in the case of each Bank, taxes imposed on its income, and franchise or similar taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office and (3) in the case of each Bank, taxes imposed on its net income and franchise taxes which such Bank or Agent is subject to at the time the Bank first becomes a party to this Agreement, at whatever rates may be in effect for such taxes from time to time (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note, Letter of Credit or Letter of Credit Application to any Bank or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.15) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions, (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) the Borrower shall furnish to the Agent, at its address referred to in Section 9.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, or charges or similar levies which arise solely from any payment made hereunder or under any Note, Letter of Credit or Letter of Credit Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note, Letter of Credit or Letter of Credit Application (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.15) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 15 days from the date such Bank or the Agent (as the case may be) makes demand therefor; PROVIDED, HOWEVER, that (1)

after the Borrower has made a payment pursuant to this provision, the Borrower shall not be obligated to pay any further penalties, interest or expenses accrued thereafter imposed by a jurisdiction with respect to such Taxes or Other Taxes to which the payment is related and (2) if the Bank knows or has reason to know of the imposition of any Taxes or Other Taxes for which the Borrower is required to indemnify such Bank under this Section 2.15 and fails to promptly notify the Borrower of such imposition, the Borrower shall not be obligated to pay any penalties, interest or expenses accrued with respect to such Taxes or Other Taxes after the Bank has such knowledge and before the Borrower has received such notification.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Borrower (but only so long as such Bank remains lawfully able to do so), shall provide the Borrower with Internal Revenue Service Form W-8BEN or W-8EC1, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Bank at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 2.15(a).

(e) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form pursuant to Section 2.15(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 2.15(a) with respect to Taxes imposed by the United States; PROVIDED, HOWEVER, that should a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section 2.15, then such Bank will change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Bank, is not otherwise disadvantageous to such Bank.

(g) Upon a reasonable request of the Borrower, a Bank shall, at the expense of the Borrower, seek the refund for any Taxes or Other Taxes for which the Borrower has indemnified the Bank under this Section 2.15, PROVIDED that such Bank, in its sole discretion, determines that the application of such refund will not be detrimental to such Bank.

SECTION 2.16. REGULATION D COMPENSATION. Each Bank may require the Borrower to pay, contemporaneously with each payment of interest on the related Euro-Dollar Loans, additional interest on the related Euro-Dollar Loans of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the applicable London

Interbank Offered Rate divided by (B) one MINUS the Euro-Dollar Reserve Percentage over (ii) the applicable London Interbank Offered Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify the Borrower and the Agent in writing no later than two Euro-Dollar Business Days before the making of any Euro-Dollar Loans hereunder, in which case such additional interest on the Euro-Dollar Loans of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall notify the Borrower at least five Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section.

SECTION 2.17. LETTERS OF CREDIT.

SECTION 2.17.1. COMMITMENT TO ISSUE LETTERS OF CREDIT. Subject to the terms and conditions hereof and the execution and delivery by the Borrower of a letter of credit application on the Agent's customary form (a "Letter of Credit Application"), the Agent on behalf of the Banks and in reliance upon the agreement of the Banks set forth in Section 2.17.4 and upon the representations and warranties of the Borrower contained herein, agrees, in its individual capacity, to issue, extend and renew for the account of the Borrower one or more standby or documentary letters of credit (individually, a "Letter of Credit"), in such form as may be requested from time to time by the Borrower and agreed to by the Agent; PROVIDED, HOWEVER, that, after giving effect to such request, (a) the sum of the aggregate Maximum Drawing Amount and all Unpaid Reimbursement Obligations shall not exceed $25,000,000 at any one time and (b) the sum of (i) the Maximum Drawing Amount on all Letters of Credit, (ii) all Unpaid Reimbursement Obligations, and (iii) the amount of all Loans outstanding shall not exceed the Total Commitment. Notwithstanding the foregoing, the Agent shall have no obligation to issue any Letter of Credit to support or secure any Indebtedness of the Borrower or any of its Subsidiaries to the extent that such Indebtedness was incurred prior to the proposed issuance date of such Letter of Credit, unless in any such case the Borrower demonstrates to the satisfaction of the Agent that (x) such prior incurred Indebtedness was then fully secured by a prior perfected and unavoidable security interest in collateral provided by the Borrower or such Subsidiary to the proposed beneficiary of such Letter of Credit or (y) such prior incurred Indebtedness was then secured or supported by a letter of credit issued for the account of the Borrower or such Subsidiary and the reimbursement obligation with respect to such letter of credit was fully secured by a prior perfected and unavoidable security interest in collateral provided to the issuer of such letter of credit by the Borrower or such Subsidiary.

SECTION 2.17.2. LETTER OF CREDIT APPLICATIONS. Each Letter of Credit Application shall be completed to the satisfaction of the Agent. In the event that any provision of any Letter of Credit Application shall be inconsistent with any provision of this Credit Agreement, then the provisions of this Credit Agreement shall, to the extent of any such inconsistency, govern.

SECTION 2.17.3. TERMS OF LETTERS OF CREDIT. Each Letter of Credit issued, extended or renewed hereunder shall, among other things, (a) provide for the payment of sight drafts for honor thereunder when presented in accordance with the terms

thereof and when accompanied by the documents described therein, and (b) have an expiry date no later than the date which is fourteen (14) days (or, if the Letter of Credit is confirmed by a confirmer or otherwise provides for one or more nominated persons, forty-five (45) days) prior to the Termination Date. Each Letter of Credit so issued, extended or renewed shall be subject to the Uniform Customs or, in the case of a standby Letter of Credit, either the Uniform Customs or the International Standby Practices (ISP98), International Chamber of Commerce Publication No. 590, or any successor code of standby letter of credit practices among banks, adopted by the Agent in the ordinary course of its business as a standby letter of credit issuer and in effect at the time of issuance of such Letter of Credit.

SECTION 2.17.4. REIMBURSEMENT OBLIGATIONS OF BANKS. Each Bank severally agrees that it shall be absolutely liable, without regard to the occurrence of any Default or Event of Default or any other condition precedent whatsoever, to the extent of such Bank's Commitment Percentage, to reimburse the Agent on demand for the amount of each draft paid by the Agent under each Letter of Credit to the extent that such amount is not reimbursed by the Borrower pursuant to Section 2.18 (such agreement for a Bank being called herein the "Letter of Credit Participation" of such Bank).

SECTION 2.17.5. PARTICIPATIONS OF BANKS. Each such payment made by a Bank shall be treated as the purchase by such Bank of a participating interest in the Borrower's Reimbursement Obligation under Section 2.18 in an amount equal to such payment. Each Bank shall share in accordance with its participating interest in any interest which accrues pursuant to Section 2.18.

SECTION 2.18. REIMBURSEMENT OBLIGATION OF THE BORROWER. In order to induce the Agent to issue, extend and renew each Letter of Credit and the Banks to participate therein, the Borrower hereby agrees to reimburse or pay to the Agent, for the account of the Agent or (as the case may be) the Banks, with respect to each Letter of Credit issued, extended or renewed by the Agent hereunder,

(a) except as otherwise expressly provided in Section 2.18(b) and (c), on each date that any draft presented under such Letter of Credit is honored by the Agent, or the Agent otherwise makes a payment with respect thereto, (i) the amount paid by the Agent under or with respect to such Letter of Credit, and (ii) the amount of any taxes, fees, charges or other reasonable costs and expenses whatsoever incurred by the Agent or any Bank in connection with any payment made by the Agent or any Bank under, or with respect to, such Letter of Credit,

(b) upon the reduction (but not termination) of the Total Commitment to an amount less than the Maximum Drawing Amount, an amount equal to such difference, which amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations, and

(c) upon the termination of the Total Commitment, or the acceleration of the Reimbursement Obligations with respect to all Letters of Credit in accordance with Article VI, an amount equal to the then Maximum Drawing Amount on all Letters of Credit, which

amount shall be held by the Agent for the benefit of the Banks and the Agent as cash collateral for all Reimbursement Obligations.

Each such payment shall be made to the Agent at the Agent's Office in immediately available funds. Interest on any and all amounts remaining unpaid by the Borrower under this Section 2.18 at any time from the date such amounts become due and payable (whether as stated in this Section 2.18, by acceleration or otherwise) until payment in full (whether before or after judgment) shall be payable to the Agent on demand at the rate specified in Section 2.7 for overdue principal on the Loans.

SECTION 2.19. LETTER OF CREDIT PAYMENTS. If any draft shall be presented or other demand for payment shall be made under any Letter of Credit, the Agent shall notify the Borrower of the date and amount of the draft presented or demand for payment and of the date and time when it expects to pay such draft or honor such demand for payment. If the Borrower fails to reimburse the Agent as provided in Section 2.18 on or before the date that such draft is paid or other payment is made by the Agent, the Agent may at any time thereafter notify the Banks of the amount of any such Unpaid Reimbursement Obligation. No later than 3:00 p.m. (Boston time) on the Domestic Business Day next following the receipt of such notice, each Bank shall make available to the Agent, at the Agent's Office, in immediately available funds, such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, together with an amount equal to the product of (a) the average, computed for the period referred to in clause (c) below, of the weighted average interest rate paid by the Agent for federal funds acquired by the Agent during each day included in such period, TIMES (b) the amount equal to such Bank's Commitment Percentage of such Unpaid Reimbursement Obligation, TIMES (c) a fraction, the numerator of which is the number of days that elapse from and including the date the Agent paid the draft presented for honor or otherwise made payment to the date on which such Bank's Commitment Percentage of such Unpaid Reimbursement obligation shall become immediately available to the Agent, and the denominator of which is 360. The responsibility of the Agent to the Borrower and the Banks shall be only to determine that the documents (including each draft) delivered under each Letter of Credit in connection with such presentment shall be in conformity in all material respects with such Letter of Credit.

SECTION 2.20. OBLIGATIONS ABSOLUTE. The Borrower's obligations under this Section 2.17-2.22 shall be absolute and unconditional under any and all circumstances and irrespective of the occurrence of any Default or Event of Default or any condition precedent whatsoever or any setoff, counterclaim or defense to payment which the Borrower may have or have had against the Agent, any Bank or any beneficiary of a Letter of Credit. The Borrower further agrees with the Agent and the Banks that the Agent and the Banks shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 2.18 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Borrower, the beneficiary of any Letter of Credit or any financing institution or other party to which any Letter of Credit may be transferred or any claims or defenses whatsoever of the Borrower against the beneficiary of any Letter of Credit or any such transferee. The Agent and the Banks shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any

message or advice, however transmitted, in connection with any Letter of Credit. The Borrower agrees that any action taken or omitted by the Agent or any Bank under or in connection with each Letter of Credit and the related drafts and documents, if done in good faith, shall be binding upon the Borrower and shall not result in any liability on the part of the Agent or any Bank to the Borrower.

SECTION 2.21. RELIANCE BY ISSUER. To the extent not inconsistent with Section 2.20, the Agent shall be entitled to rely, and shall be fully protected in relying upon, any Letter of Credit, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel, independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Credit Agreement unless it shall first have received such advice or concurrence of the Required Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Credit Agreement in accordance with a request of the Required Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and all future holders of the Notes or of a Letter of Credit Participation.

SECTION 2.22. LETTER OF CREDIT FEE. The Borrower shall pay a fee (in each case, a "Letter of Credit Fee") to the Agent in respect of each Letter of Credit, calculated at an amount equal to the Euro-Dollar Margin then in effect for Euro-Dollar Borrowings times the aggregate face amount of such Letter of Credit, PLUS, a fee equal to one-eighth of one percent (1/8%) per annum of the face amount of such Letter of Credit (the "Fronting Fee"), which Fronting Fee shall be for the account of the Agent, as a fronting fee, and the balance of which Letter of Credit Fee shall be for the accounts of the Banks in accordance with their respective Commitment Percentages. The Letter of Credit Fee and the Fronting Fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter for the calendar quarter then ending. In respect of each Letter of Credit, the Borrower shall also pay to the Agent for the Agent's own account, at such other time or times as such charges are customarily made by the Agent, the Agent's customary issuance, amendment, negotiation or document examination and other administrative fees as in effect from time to time.

ARTICLE III.

CONDITIONS

SECTION 3.1. EFFECTIVENESS. This Agreement shall become effective on the date that each of the following conditions shall have been satisfied (or waived in accordance with Section 9.5):

(a) receipt by the Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received,

receipt by the Agent in form satisfactory to it of telegraphic, telex, facsimile transmission or other written confirmation from such party of execution of a counterpart hereof by such party);

(b) receipt by the Agent of certified copies of the corporate charter and by-laws of the Borrower and of all corporate action taken by the Borrower authorizing the execution, delivery and performance of this Agreement (including, without limitation, a certificate of the Borrower setting forth the resolutions of the Board of Directors or the Executive Committee of the Board of Directors authorizing the transactions contemplated thereby and a certified copy of the by-laws provision of the Borrower authorizing the Executive Committee so to act);

(c) receipt by the Agent of a certificate from the Borrower in respect of the name and signature of each of the officers (i) who is authorized to sign on its behalf and (ii) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement;

(d) receipt by the Agent for the account of each Bank of a duly executed Note dated on or before the Effective Date complying with the provisions of Section 2.5;

(e) receipt by the Agent of an opinion of Ho-il Kim, General Counsel of the Borrower, substantially in the form of EXHIBIT E hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(f) receipt by the Agent of an opinion of Bingham Dana LLP, Agent's Special Counsel, substantially in the form of Exhibit F hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(g) termination of the commitments and payment by the Borrower of all amounts due under the Existing Credit Agreement; and

(h) receipt by the Agent of all documents it may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent;

PROVIDED that this Agreement shall not become effective or be binding on any party hereto unless all of the foregoing conditions are satisfied not later than July 13, 2001. The Agent shall promptly notify the Borrower and the Banks of the Effective Date, and such notice shall be conclusive and binding on all parties hereto. The Banks that are parties to the Existing Credit Agreement, comprising the "Required Banks" as defined therein, and the Borrower agree that the commitments under the Existing Credit Agreement shall terminate in their entirety simultaneously with and subject to the effectiveness of this Agreement and that the Borrower shall be obligated to pay the accrued facility fees thereunder to but excluding the date of such effectiveness.

SECTION 3.2. BORROWINGS. The obligation of any Bank to make a Loan on the occasion of any Borrowing, or of the Agent to issue, extend or renew any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) in the case of any Borrowing, receipt by the Agent of a Notice of Borrowing as required by Section 2.2 or 2.3, as the case may be;

(b) the fact that, immediately after such Borrowing, or the issuance, extension or renewal of such Letter of Credit, the aggregate outstanding principal amount of the Loans will not exceed the Total Commitment;

(c) the fact that, immediately before and after such Borrowing, or such issuance, extension or renewal of such Letter of Credit, no Default (or, in the case of a Refunding Borrowing, no Event of Default by reason of failure to comply with Section 5.7 or 5.8) shall have occurred and be continuing; and

(d) the fact that the representations and warranties of the Borrower contained in this Agreement (except, in the case of a Refunding Borrowing, the Borrower need not make the representations and warranties set forth in Sections 4.4(b), 4.5, 4.6 and 4.7) shall be true on and as of the date of such Borrowing or such issuance, extension or renewal of such Letter of Credit.

Each Borrowing or request for the issuance, extension or renewal of any Letter of Credit hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (b), (c) and (d) of this Section.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Agent and each of the Banks that:

SECTION 4.1. CORPORATE EXISTENCE AND POWER. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 4.2. CORPORATE AND GOVERNMENTAL AUTHORIZATION; NO CONTRAVENTION. The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official (other than regular informational filings with the Securities and Exchange Commission) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Borrower or of any judgment, injunction, order, decree or material agreement or instrument binding upon the Borrower or any of its Consolidated Subsidiaries or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Consolidated Subsidiaries. In addition, neither the Borrowers nor any of its Subsidiaries is in violation of any agreement or

instrument to which it may be subject or by which it or any of its properties may be bound or any decree, order, judgment, statute, law, license, rule or regulation, in any of the foregoing cases in a manner that could result in the imposition of substantial penalties or have a material adverse effect on the business, assets or financial condition of the Borrower.

SECTION 4.3. BINDING EFFECT. This Agreement constitutes a valid and binding agreement of the Borrower and the Notes and other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrower.

SECTION 4.4. FINANCIAL INFORMATION.

(a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of September 30, 2000, and the related consolidated statements of income, cash flows and stockholders' equity for the fiscal year then ended, reported on by PricewaterhouseCoopers LLP and set forth in the Borrower's 2000 Form 10-K, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since September 30, 2000, there has been no material adverse change in the business, financial position, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.5. LITIGATION. Except as described in the Borrower's 2000 Form 10-K, there is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Consolidated Subsidiaries before any court or arbitrator or any governmental body, agency or official which poses a material risk of being adversely determined and, if so determined, might reasonably be expected to materially adversely affect the business; consolidated financial position or consolidated results of operations of the Borrower and its Consolidated Subsidiaries considered as a whole or which in any manner draws into question the validity of this Agreement or the other Loan Documents.

SECTION 4.6. COMPLIANCE WITH ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all respects material to the Borrower and its Consolidated Subsidiaries considered as a whole with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan. No member of the ERISA Group has within the past five years (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan, or made any amendment to any Plan which has resulted or could reasonably be expected to result in the imposition of a Lien under Section 302 (f) of ERISA, Section 412(n) of the Internal Revenue Code or any successor provision thereto or the posting of a bond or other security under Section 307 of ERISA, Section 401(a)(29) of the Internal Revenue Code or any successor provision thereto in excess of $20,000,000 or (iii) incurred any liability in excess of $10,000,000 under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.7. ENVIRONMENTAL MATTERS. In the ordinary course of its business, the Borrower conducts an ongoing review of the effect of Environmental Laws on the business, operations and properties of the Borrower and its Consolidated Subsidiaries, in the course of which, taking into account the requirements of such Environmental Laws, it makes a reasonable effort to identify and evaluate known and potential associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean-up or closure of properties presently or previously owned, any capital or operating expenditures required to achieve or maintain compliance with Environmental Laws or as a condition of any license, permit or contract held or entered into by the Borrower or any Consolidated Subsidiary, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential material liabilities to third parties, including employees of the Borrower and its Consolidated Subsidiaries and any related costs and expenses). On the basis of this review, the Borrower has reasonably concluded that such liabilities and costs, including the cost of compliance with and liabilities arising under Environmental Laws, are unlikely to have a material adverse effect on the business, financial condition, results of operations or prospects of the Borrower and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.8. TAXES. United States Federal income tax returns of the Borrower and its Consolidated Subsidiaries have been examined and closed through the fiscal year ended September 30, 1996. The Borrower and its Consolidated Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any Subsidiary, except such taxes or assessments, if any, as are being contested in good faith by appropriate proceedings or where the failure to do so does not materially adversely affect the Borrower and its Consolidated Subsidiaries, considered as a whole. The charges, accruals and reserves on the books of the Borrower and its Consolidated Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

SECTION 4.9. SUBSIDIARIES. Each of the Borrower's Subsidiaries which is organized as a corporation is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 4.10. NOT AN INVESTMENT COMPANY. The Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.11. FULL DISCLOSURE. All information heretofore furnished by the Borrower to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Borrower to the Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The Borrower has disclosed to the Banks in writing any and all facts known to the Borrower's management which materially and adversely affect or may affect (to the extent the Borrower's management can now reasonably foresee), the

business, operations or financial condition of the Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of the Borrower to perform its obligations under this Agreement.

ARTICLE V.

COVENANTS

The Borrower agrees that, so long as any Loan, Unpaid Reimbursement Obligation, Letter of Credit or Note is outstanding or any Bank has any Commitment hereunder or the Agent has any obligation to issue, extend or renew any Letters of Credit:

SECTION 5.1. INFORMATION. The Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 95 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flow and stockholders' equity for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner acceptable to the Securities and Exchange Commission by PricewaterhouseCoopers LLP or other independent accountants of nationally recognized standing;

(b) as soon as available and in any event within 50 days after the end of each of the first three quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income, cash flow and stockholders' equity for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Borrower;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer or the chief accounting officer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.7 to 5.14, inclusive, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the firm of independent accountants which reported on such statements whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements, PROVIDED, HOWEVER, that no such statement shall be required if there are no Loans outstanding at the end of the applicable fiscal year;

(e) within five Domestic Business Days after any officer of the Borrower obtains knowledge of any Default, if such Default is then continuing, a certificate of the chief financial

officer or the chief accounting officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(f) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all financial statements, reports and proxy statements so mailed;

(g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(h) if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA with respect to a Multiemployer Plan or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan which is a defined benefit pension plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or makes any amendment to any Plan which has resulted or could reasonably be expected to result in the imposition of a Lien under Section 302 (f) of ERISA or Section 412(n) of the Internal Revenue Code or any successor provision thereto or the posting of a bond or other security under Section 307 of ERISA or Section 401(a)(29) of the Internal Revenue Code or any successor provision thereto, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(i) if and when any officer of the Borrower obtains knowledge of any actual or pending change in the rating of the Borrower's outstanding senior unsecured long-term debt securities or commercial paper by Moody's or S&P, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the details thereof;

(j) if and when any officer of the Borrower obtains knowledge of any reason why the Agent and each Bank may not conclusively rely on the certificate from the Borrower in respect of the names and signatures of authorized officers delivered pursuant to Section 3.1(c) of this Agreement, a notice in writing from the Borrower setting forth the details thereof; and

(k) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Agent, at the request of any Bank, may reasonably request.

The Banks and the Agent understand that some of the information furnished to them pursuant to this Section 5.1 may be received by them prior to the time such information shall have been made public, and the Banks and the Agent agree that upon written notice from the Borrower that any such written information has not been made public they will keep such information furnished to them pursuant to this Section 5.1 confidential and will make no use of such information or disclosure of such information to other Persons who have not been furnished such information until it shall have become public through no fault of any of the Banks, except to the extent that such use or disclosure (i) is in connection with matters involving this Agreement, any assignment and assumption agreement with Assignees or participation agreements with Participants or (ii) is made in accordance with obligations under law or regulations or in response to requests from governmental agencies or authorities pursuant to subpoenas or other process to make information available to governmental agencies and examiners or to others. Notwithstanding the foregoing, the Banks may make information furnished to them pursuant to this Section 5.1 available to their Assignees or Participants or proposed Assignees or Participants, PROVIDED that such Persons have agreed in writing to be bound by the confidentiality provisions set forth in this Section.

SECTION 5.2. PAYMENT OF OBLIGATIONS. The Borrower will pay and discharge, and will cause each Consolidated Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities, including, without limitation, tax liabilities, except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same. In addition, the Borrower will duly and punctually pay or cause to be paid the principal and interest on the Loans, all Reimbursement Obligations, the Letter of Credit Fees, the Facility Fee and all other amounts provided for in this Agreement and the other Loan Documents to which the Borrower is a party, all in accordance with the terms of this Agreement and such other Loan Documents.

SECTION 5.3. MAINTENANCE OF PROPERTY; INSURANCE. (a) The Borrower will keep, and will cause each Consolidated Subsidiary to keep, all of its properties used or useful in the conduct of its business or the business of such Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and will cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Borrower may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, that nothing in this clause (a) shall prevent the Borrower or any of its Consolidated Subsidiaries from discontinuing the operations and maintenance of any of its properties or those of its Consolidated Subsidiaries if such discontinuance is, in the judgment of the Borrower or such Subsidiary, desirable in the conduct of its or their business and which do not in the aggregate materially adversely affect the business of the Borrower and its Consolidated Subsidiaries considered as a whole.

(b) The Borrower will, and will cause each of its Consolidated Subsidiaries to, maintain (either in the name of the Borrower or in such subsidiary's own name) with financially sound and reputable insurance companies, insurance on such of their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against in the same general area by companies of established repute engaged in the same or similar business; and will furnish to the Banks, upon request from the Agent, information presented in reasonable detail (but not including the actual insurance policy) as to the insurance so carried.

SECTION 5.4. CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE. The Company will do or cause to be done, and will cause each of its Consolidated Subsidiaries to do or cause to be done, all things necessary to preserve and keep in full force and effect its existence and good standing under the laws of its jurisdiction of incorporation, maintain its qualification to do business in each state in which the failure to do so would have a material adverse effect on the condition, financial or otherwise, of the Borrower and its Consolidated Subsidiaries considered as a whole, and maintain all of the rights and franchises reasonably necessary to the conduct of the business of the Borrower and its Consolidated Subsidiaries considered as a whole; PROVIDED that nothing in this Section 5.4 shall prohibit mergers or consolidations or sales of assets not prohibited by Sections 5.11 and 5.12 hereof or prevent the Borrower from liquidating or selling any of its Consolidated Subsidiaries.

SECTION 5.5. COMPLIANCE WITH LAWS. The Borrower will comply, and cause each Consolidated Subsidiary to comply, in all material respects with all material applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except where the necessity of compliance therewith is contested in good faith by appropriate proceedings.

SECTION 5.6. INSPECTION OF PROPERTY, BOOKS AND RECORDS. The Borrower will keep, and will cause each Consolidated Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Consolidated Subsidiary to permit, representatives of any Bank at such Bank's expense to visit and inspect any of their respective properties, and, for the purposes of verifying compliance with this Agreement or the accuracy of the financial information provided hereunder, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 5.7. DEBT. Consolidated Debt minus the lesser of (x) $50,000,000 and (y) the amount of Temporary Cash Investments (at book value) then held in the Borrower's corporate cash management system will not exceed 56% of Total Capitalization at any time. Total Debt of all Consolidated Subsidiaries (excluding Debt of a Consolidated Subsidiary to the Borrower or to another Consolidated Subsidiary) will at no time exceed 25% of Total Capitalization. For purposes of this Section any preferred stock of a Consolidated Subsidiary held by a Person other than the Borrower or a Consolidated Subsidiary shall be included, at the higher of its voluntary or involuntary liquidation value, in "Consolidated Debt" and in the "Debt" of such

Consolidated Subsidiary. Consolidated Debt arising in connection with any Receivables Transactions shall not exceed $100,000,000 in the aggregate.

SECTION 5.8. DEBT SERVICE. The ratio at each fiscal quarter-end of (a) Consolidated EBITDA for the four fiscal quarters then ended to (b) Consolidated Total Interest Expense for such four fiscal quarters will at no time be less than 3.50 to 1.00.

SECTION 5.9. INVESTMENTS. Neither the Borrower nor any Consolidated Subsidiary will make, acquire or hold any Investment in any Person other than:

(a) Investments in Subsidiaries and Equity Affiliates (including investments in entities which, as a result of such Investment, become Subsidiaries or Equity Affiliates) and Investments in Aearo Corporation (the "Designated Company") or any successor to any of such entities, PROVIDED that the Borrower and its Consolidated Subsidiaries may continue to hold Investments in any entity which was, or is the successor (by merger, acquisition or otherwise) to a Subsidiary or Equity Affiliate whether or not such entity remains a Subsidiary or Equity Affiliate and may take and hold Investments in any affiliate of such a successor received in connection with any such merger, acquisition or similar transaction.

(b) Temporary Cash Investments;

(c) Investments in securities commonly known as "commercial paper"

issued by a corporation organized and existing under the laws of the United States of America or any state thereof that at the time of purchase have been rated and the ratings for which are not less than "P 2" if rated by Moody's, and not less than "A2" if rated by S&P;

(d) Investments consisting of Margin Stock, PROVIDED that the aggregate book value of all Investments in Margin Stock held at any time under this Section 5.9 does not exceed $20,000,000 (excluding the stock of the Designated Company and the Borrower), and PROVIDED FURTHER that the making, acquisition or holding of such Investments does not cause or result in any violation of the provisions of Regulation U;

(e) Investments in the Borrower by any Consolidated Subsidiary; and

(f) any Investment not otherwise permitted by the foregoing clauses of this Section if, immediately after such Investment is made or acquired, the aggregate net book value of all Investments permitted by this clause (e) does not exceed 10% of Consolidated Tangible Net Worth.

SECTION 5.10. NEGATIVE PLEDGE. Neither the Borrower nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding $40,000,000;

(b) any Lien existing on any asset of any corporation at the time such corporation becomes a Consolidated Subsidiary;

(c) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset (including an asset to be held pursuant to a capital lease), PROVIDED that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof;

(d) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Borrower or a Consolidated Subsidiary;

(e) any Lien existing on any asset prior to the acquisition thereof by the Borrower or a consolidated Subsidiary and not created in contemplation of such acquisition;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, PROVIDED that such Debt is not increased and is not secured by any additional assets;

(g) Liens arising in the ordinary course of its business which (i) do not secure Debt, (ii) do not secure any single obligation in an amount exceeding $75,000,000 and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(h) any purchase money mortgages and Liens created in respect of property acquired pursuant to Investments made after the date of this Agreement in specialty chemical businesses located outside North America and Western Europe, PROVIDED that (i) no such mortgage or Lien shall extend to or cover any other property of the Borrower or any Consolidated Subsidiary and (ii) the aggregate principal amount of all liabilities secured by all mortgages and Liens in respect of such property (whether or not the Borrower or any Consolidated Subsidiary assumes or becomes liable for such liabilities) shall not at any time exceed 100% of the purchase price of such property;

(i) any Lien on Margin Stock;

(j) any Lien on accounts receivable and related rights of the Borrower arising in connection with a Receivables Transaction; provided that no such Lien shall extend to any assets other than the accounts receivable and related rights subject to such Receivables Transaction; and

(k) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt in an aggregate principal amount at any time outstanding not to exceed 10% of Consolidated Tangible Net Worth.

SECTION 5.11. CONSOLIDATIONS AND MERGERS. The Borrower will not (i) consolidate or merge with or into any other Person unless upon completion of such merger or consolidation the surviving entity is the Borrower or (ii) sell, lease or otherwise transfer, directly or indirectly,

in any one transaction or series of related transactions, all or substantially all of the assets of the Borrower and its Consolidated Subsidiaries, taken as a whole, to any other Person.

SECTION 5.12. SALES OF ASSETS. Except as provided in Section 5.3, the Borrower shall maintain direct ownership of substantially all of the tangible and intangible assets employed in connection with (x) the Borrower's United States domestic carbon black business and (y) the Borrower's United States domestic fumed silica business, and shall conduct such businesses generally in the same manner and to the same extent as conducted by the Borrower on September 30, 2000 and as described in the Borrower's 2000 Form 10-K.

SECTION 5.13. USE OF PROCEEDS. The proceeds of the Loans made and the Letters of Credit issued under this Agreement will be used by the Borrower to refinancing existing Indebtedness, for working capital and for general corporate purposes, PROVIDED that no more than $20,000,000 of principal amount of Loans outstanding at any time shall be Loans the proceeds of which have been used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying Margin Stock (other than stock of the Borrower), and PROVIDED FURTHER that in no event shall such proceeds be used in any manner which would result in a violation of Regulation U or any other applicable law or regulation.

SECTION 5.14. TRANSACTIONS WITH AFFILIATES. Neither the Borrower nor any Consolidated Subsidiary will directly or indirectly engage in any transaction (including, without limitation, the purchase, sale or exchange of assets or the rendering of any service) with any Affiliate, except upon terms that are no less favorable to the Borrower or such Consolidated Subsidiary than those which might be obtained in an arm's-length transaction at the time with Persons which are not Affiliates.

ARTICLE VI.

DEFAULTS

SECTION 6.1. EVENTS OF DEFAULT. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan or any Reimbursement Obligation when the same shall become due and payable, whether at the stated maturity or any accelerated date of maturity or at any other date fixed for payment, or shall fail to pay within five days of the due date thereof any interest, fees or any other amount payable hereunder;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.7 to 5.14, inclusive;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 30 days after written notice thereof has been given to the Borrower by the Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower or any Subsidiary shall fail to make any payment in respect of any Material Debt when due, taking into account any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) the Borrower or any Subsidiary or Subsidiaries in which the Borrower's aggregate direct and indirect Investment is at least $20,000,000 shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or themselves or its or their debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or them or any substantial part of its or their property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it or them, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its or their debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any Subsidiary or Subsidiaries in which the Borrower's aggregate direct and indirect Investment is at least $20,000,000 seeking liquidation, reorganization or other relief with respect to it or them or its or their debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or them or any substantial part of its or their property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Borrower or any subsidiary or subsidiaries in which the Borrower's aggregate direct and indirect Investment is at least $20,000,000 under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $20,000,000 which it shall have become liable to pay under Title IV of ERISA and such amount shall continue to be unpaid and unstayed for a period of 10 days; or notice of intent to terminate a Material Plan in a distress termination shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator of any such Material Plan or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition specified in ERISA Section 4042(a) (other than the condition specified in ERISA Section 4042(a)(4)) shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA,

with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $25,000,000;

(j) a judgment or order for the payment of money in excess of $20,000,000 shall be rendered against the Borrower or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 10 days; or

(k) any person or group of persons (within the meaning of Section 13 of the Securities Exchange Act of 1934, as amended), other than members of the Cabot family or Persons holding securities for the benefit of members of the Cabot family or employee benefit plans holding securities for the benefit of Cabot employees, shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 25% or more of the outstanding shares of common stock of the Borrower; or, during any period of 24 consecutive calendar months, individuals who were directors of the Borrower on the first day of such period shall cease to constitute a majority of the board of directors of the Borrower;

then, and in every such event, the Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate and the Agent shall be relieved of all further obligations to issue, extend or renew Letters of Credit, and (ii) if requested by Banks holding Notes evidencing more than 50% in aggregate principal amount of the Loans by notice to the Borrower declare all amounts owing with respect to this Agreement, the Notes (together with accrued interest thereon) and the other Loan Documents and all Reimbursement Obligations to be, and they shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower; PROVIDED that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Agent or the Banks, the Commitments shall thereupon terminate and the Agent shall be relieved of all further obligations to issue, extend or renew Letters of Credit shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 6.2. NOTICE OF DEFAULT. The Agent shall give notice to the Borrower under Section 6.1(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

SECTION 6.3. REMEDIES. In case any one or more of the Events of Default shall have occurred and be continuing, and whether or not the Banks shall have accelerated the maturity of the Loans pursuant to Section 6.1, each Bank, if owed any amount with respect to the Loans or the Reimbursement Obligations, may proceed to protect and enforce its rights by suit in equity, action at law or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement and the other Loan Documents or any instrument pursuant to which the obligations to such Lender are evidenced, including as permitted by applicable law the obtaining of the EX PARTE appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of such Lender. No remedy herein conferred upon

any Bank or the Agent or the holder of any Note or purchaser of any Letter of Credit Participation is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or any other provision of law.

ARTICLE VII.

THE AGENT

SECTION 7.1. APPOINTMENT AND AUTHORIZATION.

(a) Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto PROVIDED that no duties or responsibilities not expressly assumed herein or therein shall be implied to have been assumed by the Agent;

(b) The relationship between the Agent and each of the Banks is that of an independent contractor. The use of the term "Agent" is for convenience only and is used to describe, as a form of convention, the independent contractual relationship between the Agent and each of the Banks. Nothing contained in this Agreement nor the other Loan Documents shall be construed to create an agency, trust or other fiduciary relationship between the Agent and any of the Banks;

(c) As an independent contractor empowered by the Banks to exercise certain rights and perform certain duties and responsibilities hereunder and under the other Loan Documents, the Agent is nevertheless a "representative" of the Banks, as that term is defined in Article 1 of the Uniform Commercial Code, for purposes of actions for the benefit of the Banks and the Agent with respect to any and all collateral security and guaranties contemplated by the Loan Documents. Such actions include the designation of the Agent as "SECURED PARTY", "MORTGAGEE" or the like on all financing statements and other documents and instruments, whether recorded or otherwise, relating to the attachment, perfection, priority or enforcement of any security interests, mortgages or deeds of trust in collateral security intended to secure the payment or performance of any of the obligations, all for the benefit of the Banks and the Agent.

SECTION 7.2. AGENT AND AFFILIATES. Fleet National Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Fleet National Bank and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Agent hereunder.

SECTION 7.3. ACTION BY AGENT. The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not

be required to take any action with respect to any Default, except as expressly provided in Article VI.

SECTION 7.4. CONSULTATION WITH EXPERTS. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.5. LIABILITY OF AGENT. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.6. INDEMNIFICATION. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitees hereunder.

SECTION 7.7. CREDIT DECISION. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.8. SUCCESSOR AGENT. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks with the written consent of the Borrower, which consent shall not be unreasonably withheld, shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the

Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $50,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

SECTION 7.9. AGENT'S FEE. The Borrower shall pay to the Agent for its own account fees in the amounts and at the times set forth in the Fee Letter.

SECTION 7.10. DELINQUENT BANK. Notwithstanding anything to the contrary contained in this Agreement or any of the other Loan Documents, any Bank that fails (a) to make available to the Agent its PRO RATA share of any Committed Loan or to purchase any Letter of Credit Participation or (b) to comply with the provisions of Section 9.4 with respect to making dispositions and arrangements with the other Banks, where such Bank's share of any payment received, whether by setoff or otherwise, is in excess of its PRO RATA share of such payments due and payable to all of the Banks, in each case as, when and to the full extent required by the provisions of this Agreement, shall be deemed delinquent (a "DELINQUENT LENDER") and shall be deemed a Delinquent Lender until such time as such delinquency is satisfied. A Delinquent Lender shall be deemed to have assigned any and all payments due to it from the Borrower, whether on account of outstanding Loans, Unpaid Reimbursement Obligations, interest, fees or otherwise, to the remaining nondelinquent Banks for application to, and reduction of, their respective PRO RATA shares of all outstanding Committed Loans and Unpaid Reimbursement Obligations. The Delinquent Lender hereby authorizes the Agent to distribute such payments to the nondelinquent Banks in proportion to their respective PRO RATA shares of all outstanding Committed Loans and Unpaid Reimbursement Obligations. A Delinquent Lender shall be deemed to have satisfied in full a delinquency when and if, as a result of application of the assigned payments to all outstanding Committed Loans and Unpaid Reimbursement Obligations of the nondelinquent Banks, the Banks' respective PRO RATA shares of all outstanding Committed Loans and Unpaid Reimbursement Obligations have returned to those in effect immediately prior to such delinquency and without giving effect to the nonpayment causing such delinquency.

ARTICLE VIII.

CHANGE IN CIRCUMSTANCES

SECTION 8.1. BASIS FOR DETERMINING INTEREST RATE INADEQUATE OR UNFAIR. If on or prior to the first day of any Interest Period for any Borrowing comprised of Euro-Dollar Loans or Money Market Loans:

(a) the Agent is advised by the Euro-Dollar Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Euro-Dollar Reference Banks in the relevant market for such Interest Period, or

(b) in the case of a Committed Borrowing, Banks having 50% or more of the aggregate amount of the Commitments advise the Agent that the London Interbank Offered Rate as determined by the Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period, the Agent shall forthwith give notice thereof to the Borrower, and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make Euro-Dollar Loans shall be suspended. Unless the Borrower notifies the Agent at least two Domestic Business Days before the date of any Borrowing of Euro-Dollar Loans or Money Market Loans for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Borrowing of Euro-Dollar Loans or Money Market Loans is a Committed Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Borrowing of Euro-Dollar Loans or Money Market Loans is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

SECTION 8.2. ILLEGALITY. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and such Bank shall make such a Base Rate Loan.

SECTION 8.3. INCREASED COST AND REDUCED RETURN. (a) If on or after (x) the date hereof, in the case of any Committed Loan, Letter of Credit or any obligation to make Committed Loans or issue, extend or renew any Letter of Credit or (y) the date of the related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its

Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 2.16), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Euro-Dollar Loans or Money Market Loans, its Note, its Letter of Credit or its obligation to make Euro-Dollar Loans or Money Market Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan or Money Market Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under any Loan Document with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction. The Borrower's obligation under this Section 8.3(a) shall be limited to paying any costs which the Bank incurs after or within 45 days prior to receipt by the Borrower of the notice provided for under Section 8.3(c).

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction. The Borrower's obligation under this Section 8.3(b) shall be limited to paying any costs which the Bank incurs after or within 90 days prior to receipt by the Borrower of the notice provided for under Section 8.3(c) unless such costs were incurred prior to such 90 day period as a result of such present or future applicable law being retroactive to a date which occurred prior to such 90 day period and such Bank or, as the case may be, the Agent, has given notice to the Borrower of the effectiveness of such law within 90 days after the effective date thereof.

(c) Each Bank will promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and

will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the calculation in reasonable detail of the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error, PROVIDED that the Borrower shall have the right, within 60 days of receipt of such certificate, to demonstrate that the amount set forth in such certificate is incorrect and request an adjustment of the amount to be, or therefore, paid. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 8.4. BASE RATE LOANS SUBSTITUTED FOR AFFECTED EURO-DOLLAR LOANS AND MONEY MARKET LOANS. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.2 or (ii) any Bank has demanded compensation under Section 8.3(a) and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank Euro-Dollar Loans shall be made instead as Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans and Money Market Loans of the other Banks), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans and Money Market Loans shall be applied to repay its Base Rate Loans instead.

SECTION 8.5. SUBSTITUTION OF BANK. If (i) any Bank has required the Borrower to pay additional amounts to or for the account of any Bank pursuant to Section 2.15, (ii) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.2 or (iii) any Bank has demanded compensation under Section 8.3, the Borrower shall, upon at least three Euro-Dollar Business Days' notice to the Agent, have the right, with the assistance of the Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to purchase the Note and the Letter of Credit Participations and assume the Commitment of such Bank.

ARTICLE IX.

MISCELLANEOUS

SECTION 9.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Agent, at its address set forth on the signature pages hereof, (y) in the case of any Bank, at its address or facsimile number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address as such party may hereafter specify for the purpose by notice to the Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by mail, when delivered or (ii) if given by any other means, when delivered at the address

specified in this Section; PROVIDED that notices to the Agent under Article II or Article VIII shall not be effective until received.

SECTION 9.2. NO WAIVERS. No failure or delay by the Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.3. EXPENSES: DOCUMENTARY TAXES; INDEMNIFICATION. (a) The Borrower shall pay (i) all out-of-pocket expenses of the Agent and the Arrangers, including fees and disbursements of special counsel for the Agent and the Arrangers, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent and each Bank, including fees and disbursements of counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom. The Borrower shall indemnify each Bank against any transfer taxes (except in the case of any voluntary transfer by a Bank to an Assignee or Participant hereunder), documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement or the Notes.

(b) The Borrower agrees to indemnify each Bank, the Agent and the Arrangers and hold each such Person harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Person in connection with any investigative, administrative or judicial proceeding (whether or not such Person shall be designated a party thereto) relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; PROVIDED that no Person shall have the right to be indemnified hereunder for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

SECTION 9.4. SETOFF. The Borrower hereby grants to the Agent and each of the Banks a continuing lien, security interest and right of setoff as security for all liabilities and obligations to the Agent and each Bank, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Agent or such Bank or any affiliate of any Bank and their successors and assigns or in transit to any of them. Regardless of the adequacy of any collateral, if any of the obligations owing from the Borrower to the Agent or any Bank hereunder are due and payable and have not been paid or any Event of Default shall have occurred, any deposits or other sums credited by or due from any of the Banks to the Borrower and any securities or other property of the Borrower in the possession of such Bank may be applied to or set off by such Bank against the payment of such obligations and any and all other liabilities, direct, or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, of the Borrower to such Bank. ANY AND ALL RIGHTS TO REQUIRE ANY BANK TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES SUCH OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER

ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED. Each of the Banks agree with each other Bank that (a) if an amount to be set off is to be applied to Indebtedness of the Borrower to such Bank, other than Indebtedness evidenced by the Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, such amount shall be applied ratably to such other Indebtedness and to the Indebtedness evidenced by all such Notes held by such Bank or constituting Reimbursement Obligations owed to such Bank, and (b) if such Bank shall receive from the Borrower, whether by voluntary payment, exercise of the right of setoff, counterclaim, cross action, enforcement of the claim evidenced by the Notes held by, or constituting Reimbursement Obligations owed to, such Bank by proceedings against the Borrower at law or in equity or by proof thereof in bankruptcy, reorganization, liquidation, receivership or similar proceedings, or otherwise, and shall retain and apply to the payment of the Note or Notes held by, or Reimbursement Obligations owed to, such Bank any amount in excess of its ratable portion of the payments received by all of the Banks with respect to the Notes held by, and Reimbursement Obligations owed to, all of the Banks, such Bank will make such disposition and arrangements with the other Banks with respect to such excess, either by way of distribution, PRO TANTO assignment of claims, subrogation or otherwise as shall result in each Bank receiving in respect of the Notes held by it or Reimbursement Obligations owed it, its proportionate payment as contemplated by this Agreement; PROVIDED that if all or any part of such excess payment is thereafter recovered from such Bank, such disposition and arrangements shall be rescinded and the amount restored to the extent of such recovery, but without interest.

SECTION 9.5. AMENDMENTS AND WAIVERS. Any provision of this Agreement or the other Loan Documents may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); PROVIDED that no such amendment or waiver shall, unless signed by all the Banks, (i) increase the Commitment of any Bank or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or Reimbursement Obligation or any fees hereunder or reduce or forgive any Reimbursement Obligation, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment or postpone or extend the Termination Date or (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement or otherwise amend or waive this Section 9.5.

SECTION 9.6. SUCCESSORS AND ASSIGNS. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans and in all or a portion of such Bank's rights and obligations under this Agreement and the other Loan Documents. In the event of any such grant by a Bank of a participating interest to a Participant,

whether or not upon notice to the Borrower and the Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; PROVIDED that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii) or (iii) of Section 9.5 which would directly affect the Participant without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article VIII with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement (including all or a portion of its Commitment Percentage and Commitment and the same portion of the Loans at the time owing to it, the Notes held by it and its participating interest in the risk relating to any Letters of Credit) (provided that any such assignment shall be of an amount not less than $5,000,000), and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of EXHIBIT G hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Agent and, unless a Default or Event of Default shall have occurred and be continuing, the Borrower, which consent by the Agent and the Borrower shall not be unreasonably withheld; PROVIDED that if an Assignee is another Bank or is an affiliate of such transferor Bank, no such consent shall be required; and PROVIDED FURTHER that such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required.

Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agent and the Borrower shall make appropriate arrangements so that, if required, a new Note is issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of $3,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Borrower and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 2.15.

(d) (i) At any time, the Borrower may request that the Total Commitment be increased, provided that, without the prior written consent of the Required Banks, (1) the Total Commitment shall at no time exceed $300,000,000 minus the aggregate amount of all reductions in the Total Commitment under this Agreement previously made pursuant to Section 2.9 or 2.10; (2) the Borrower shall not be entitled to make any such request more frequently than twice in each 12-month period; and (3) each such request shall be in a minimum amount of at least $25,000,000 and increments of $5,000,000 in excess thereof. Such request shall be made in a written notice given to the Agent and the Banks by the Borrower not fewer than ten (10) Domestic Business Days prior to the proposed effective date of such increase, which notice (a "Commitment Increase Notice") shall specify the amount of the proposed increase in the Total Commitment and the proposed effective date of such increase. In the event of such a Commitment Increase Notice, each of the Banks shall be given the opportunity to participate in the requested increase ratably in proportion that its Commitment bears to the Total Commitment under this Agreement, respectively. No Bank shall have any obligation to increase its Commitment pursuant to a Commitment Increase Notice. On or prior to a date that is five (5) Domestic Business Days after receipt of the Commitment Increase Notice, each Bank shall submit to the Agent a notice indicating the maximum amount by which it is willing to increase its Commitment in connection with such Commitment Increase Notice (any such notice to the Agent being herein a "Lender Increase Notice"). Any Bank which does not submit a Lender Increase Notice to the Agent prior to the expiration of such five (5) Business Day period shall be deemed to have denied any increase in its Commitment. In the event that the increases of Commitments set forth in the Lender Increase Notices exceed the amount requested by the Borrower in the Commitment Increase Notice, the Agent and the Arrangers shall have the right, in consultation with the Borrower, to allocate the amount of increases necessary to meet the Borrower's Commitment Increase Notice; provided, no Bank shall be allocated an amount less than its pro rata share of such increase based upon the proportion its Commitment bears to the Total Commitment under this Agreement. In the event that the Lender Increase Notices are less than the amount requested by the Borrower, no later than three (3) Domestic Business Days prior to the proposed effect date the Borrower may notify the Agent of any financial institution that shall have agreed to become a "Bank" party hereto (an "Acceding Bank") in connection with the Commitment Increase Notice. Any Acceding Bank shall be consented to by the Agent (which consent shall not be unreasonably withheld). If the Borrower shall not have arranged any Acceding Bank(s) to commit to the shortfall from the Lender Increase Notices, then the Borrower shall be deemed to have reduced the amount of its Commitment Increase Notice to the aggregate amount set forth in the Lender Increase Notices. Based upon the Lender Increase Notices, any allocations made in connection therewith and any notice regarding any Acceding Bank, if applicable, the Agent shall notify the Borrower and the Banks on or before the Domestic Business Day immediately prior to the proposed effective date of the amount of each Bank's and Acceding Bank's Commitment (the "Effective Commitment Amount") and the amount of the Total Commitment, which amounts shall be effective on the following Domestic Business Day subject to the conditions set forth herein. Any increase in the Total Commitment under this Agreement shall be subject to the following conditions precedent: (i) as of the date of the Commitment Increase Notice and as of the proposed effective date of the increase in the Total Commitment under this Agreement, all representations and warranties shall be true and correct in all material respects as though made on such date (unless such representation and warranty is made as of a specific date, in which case, such representation and warranty shall be true and

correct as of such date) and no event shall have occurred and then be continuing which constitutes a Default or Event of Default under this Agreement; (ii) the Borrower, the Agent and each Acceding Bank shall have agreed to provide a "Commitment" in support of such increase in the Total Commitment under this Agreement, shall have executed and delivered an "Instrument of Accession" substantially in the form of EXHIBIT H hereto; (iii) counsel for the Borrower shall have provided to the Agent supplemental opinions in form and substance reasonably satisfactory to the Agent and (iv) the Borrower and the Acceding Bank(s) shall otherwise have executed and delivered such other instruments and documents as may be required under Article III or that the Agent shall have reasonably requested in connection with such increase. Upon satisfaction of the conditions precedent to any increase in the Total Commitment under this Agreement, the Agent shall promptly advise the Borrower and each Bank of the effective date of such increase. Upon the effective date of any increase the Total Commitment under this Agreement that is supported by an Acceding Bank, such Acceding Bank shall be a party to this Agreement as a Bank and shall have the rights and obligations of a Bank hereunder. In addition, on the effective date, the Agent shall replace the existing Schedule 1 attached hereto with the revised Schedule 1 reflecting such new Total Commitment and each Bank's Commitment. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Bank to increase its Commitment hereunder.

(ii) For purposes of this clause (ii), (A) the term "Buying Lender(s)" shall mean (1) each Bank the Effective Commitment Amount of which is greater than its Commitment prior to the effective date of any increase in the Total Commitment under this Agreement and (2) each Acceding Bank that is allocated an Effective Commitment Amount in connection with any Commitment Increase Notice and (B) the term "Selling Lender(s)" shall mean each Bank whose Commitment under this Agreement is not being increased from that in effect prior to such increase in the Total Commitment under this Agreement as the case may be. Effective on the effective date of any increase in the Total Commitment under this Agreement pursuant to clause (i) above, each Selling Lender hereby sells, grants, assigns and conveys to each Buying Lender, without recourse, warranty or representation of any kind, except as specifically provided herein, an undivided percentage in such Selling Lender's right, title and interest in and to its outstanding Committed Loans in the respective amounts and percentages necessary so that, from and after such sale, each such Selling Lender's outstanding Committed Loans shall equal such Selling Lender's pro rata share (calculated based upon the Effective Commitment Amounts) of the outstanding Committed Loans under this Agreement as applicable. Effective on the effective date of any increase in the Total Commitment under this Agreement pursuant to clause (i) above, each Buying Lender hereby purchases and accepts such grant, assignment and conveyance from the Selling Lenders. Each Buying Lender hereby agrees that its respective purchase price for the portion of the outstanding Committed Loans purchased hereby shall equal the respective amount necessary so that, from and after such payments, each Buying Lender's outstanding Committed Loans shall equal such Buying Lender's pro rata share (calculated based upon the Effective Commitment Amounts) of the outstanding Committed Loans under this Agreement. Such amount shall be payable on the effective date of the increase in the Total Commitment under this Agreement by wire transfer of immediately available funds to the Agent. The Agent, in turn, shall wire transfer any such funds received to the Selling Lenders, in same day funds, for the sole account of the Selling Lenders. Each Selling Lender hereby represents and warrants to each Buying Lender that such Selling Lender owns the

Committed Loans being sold and assigned hereby for its own account and has not sold, transferred or encumbered any or all of its interests in such Committed Loans, except for participations which will be extinguished upon payment to the Selling Lender of any amount equal to the portion of the outstanding Committed Loans being sold by such Selling Lender. Each Buying Lender hereby acknowledges and agrees that, except for such Selling Lender's representations and warranties contained in the foregoing sentence, each such Buying Lender has entered into its Instrument of Accession with respect to such increase on the basis of its own independent investigation and has not relied upon, and will not rely upon, any explicit or implicit written or oral representation, warranty or other statement of the Banks or the Agent concerning the authorization, execution, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents. The Borrower hereby agrees to compensate each Selling Lender for all losses, expenses and liabilities incurred by each Bank in connection with the sale and assignment of any Euro-Dollar Borrowing hereunder on the terms and in the manner set forth in Section 2.13 hereof.

(e) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(f) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 2.15 or 8.3 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Borrower's prior written consent or by reason of the provisions of Section 2.15, 8.2 or 8.3 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.7. COLLATERAL. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any Margin Stock as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 9.8. GOVERNING LAW: SUBMISSION TO JURISDICTION. This Agreement and each Note shall be governed by and construed in accordance with the laws of the State of New York. The Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

SECTION 9.9. COUNTERPARTS: INTEGRATION. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH OF THE BORROWER, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 9.11. SEVERABILITY. The provisions of this Agreement are severable and if any one clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CABOT CORPORATION

By _____
Name: Margaret J. Hanratty
Title: Vice President and Treasurer

2 Seaport Lane, Suite 1300
Boston, MA 02210

FLEET NATIONAL BANK, individually
and as Agent

By _____
Name: Harvey H. Thayer, Jr.
Title: Managing Director

CITIBANK, N.A.

By _____
Name:
Title:

COMMERZBANK AG, NEW YORK BRANCH

By _____
Name:
Title:

WACHOVIA BANK, N.A.

By _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY

By _____
Name:
Title:

THE CHASE MANHATTAN BANK

By _____
Name:
Title:

Schedule 1

Banks; Commitments

BANK	COMMITMENT AMOUNT	COMMITMENT PERCENTAGE
Fleet National Bank 100 Federal Street Boston, Massachusetts 02110	$ 70,000,000	28%
Citibank, N.A. 399 Park Avenue, 4th Floor, Zone 16 New York, New York 10043	$ 50,000,000	20%
Commerzbank AG 2 World Financial Center, 34th Floor New York, New York 10281	$ 40,000,000	16%
Wachovia Bank, N.A. One Boston Place, Suite 3005 New York, New York 10281	$ 40,000,000	16%
The Industrial Bank of Japan Trust Company 1251 Avenue of the Americas, 31st Floor New York, New York 10020	$ 25,000,000	10%
The Chase Manhattan Bank 270 Park Avenue, 38th Floor New York, New York 10017	$ 25,000,000	10%
TOTAL	$250,000,000	100%

EXHIBIT 12

CABOT CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT REGARDING COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Amounts in millions, except ratios)

	Years ended September 30				
	2001	2000	1999	1998	1997
Earnings:					
Pre-tax income from continuing operations	$150	$157	$113	$159	$112
Distributed income of affiliated companies	11	8	19	7	10
Add fixed charges:					
Interest on indebtedness	32	33	39	36	37
Capitalized interest	1	--	--	--	--
Portion of rents representative of the interest factor	4	4	5	5	5
Preferred stock dividend	3	3	3	3	3
Income as adjusted	$201	$205	$179	$210	$167
Fixed charges:					
Interest on indebtedness	$ 32	$ 33	$ 39	$ 36	$ 37
Capitalized interest	1	--	--	--	--
Portion of rents representative of the interest factor	4	4	5	5	5
Preferred stock dividend	3	3	3	3	3
Total fixed charges	$ 40	$ 40	$ 47	$ 44	$ 45
Ratio of earnings to fixed charges	5	5	4	5	4

EXHIBIT 21

CABOT CORPORATION

SIGNIFICANT SUBSIDIARIES

As of September 30, 2001

Name	Jurisdiction
Cabot Canada Ltd.	Canada
Cabot Carbon Limited	England
Cabot do Brasil	Brazil
Cabot FSC, Inc.	Barbados
Cabot G.B. Limited	England
Cabot B.V.	The Netherlands
Cabot International Capital Corporation	Delaware
CDE Company	Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (File No. 333-64787) and on Forms S-8 (File Nos. 033-28699, 033-52940, 033-53659, 333-03683, 333-06629, 333-19103, 333-19099 and 333-82353) of Cabot Corporation of our report dated October 23, 2001 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Boston, Massachusetts
December 19, 2001

EXHIBIT 24

POWER OF ATTORNEY

We, the undersigned directors and officers of Cabot Corporation, hereby severally constitute and appoint Ho-il Kim and John P. McGann, and each of them, our true and lawful attorneys with full power to (i) sign for us and in our names in the capacities indicated below Annual Reports on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 of Cabot Corporation for the fiscal year ended September 30, 2001, and any and all amendments, thereto, thereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Reports and to any and all amendments to said Reports; and (ii) to file such Reports and amendments with the Securities and Exchange Commission and with applicable stock exchanges on behalf of Cabot Corporation.

WITNESS our hands and common seal on the date set forth below.

SIGNATURE	TITLE	DATE
/s/ JOHN G.L. CABOT John G.L. Cabot	Director	November 9, 2001
/s/ JOHN S. CLARKESON John S. Clarkeson	Director	November 9, 2001
/s/ ARTHUR L. GOLDSTEIN Arthur L. Goldstein	Director	November 9, 2001
/s/ ROBERT P. HENDERSON Robert P. Henderson	Director	November 9, 2001
/s/ GAUTAM S. KAJI Gautam S. Kaji	Director	November 9, 2001
/s/ RODERICK C.G. MacLEOD Roderick C.G. MacLeod	Director	November 9, 2001
/s/ JOHN H. McARTHUR John H. McArthur	Director	November 9, 2001
/s/ JOHN F. O'BRIEN John F. O'Brien	Director	November 9, 2001
/s/ RONALDO H. SCHMITZ Ronaldo H. Schmitz	Director	November 9, 2001

/s/ LYDIA W. THOMAS - ------------------------------ Lydia W. Thomas	Director	November 9, 2001
/s/ MARK S. WRIGHTON - ------------------------------ Mark S. Wrighton	Director	November 9, 2001