

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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

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 000-30205

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

DELAWARE
(State of Incorporation)

36-4324765
(I.R.S. Employer
Identification No.)

870 NORTH COMMONS DRIVE
AURORA, ILLINOIS
(Address of principal executive offices)

60504
(Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(630) 375-6631

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, \$0.001 PAR VALUE

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 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 registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the registrant's Common Stock held beneficially or of record by stockholders who are not affiliates of the registrant, based upon the closing price of the Common Stock on November 29, 2002 as reported by the Nasdaq National Market, was approximately \$1,469,000,000. For the purposes hereof, "affiliates" include all executive officers and directors of the registrant.

As of November 29, 2002, the Company had 24,334,559 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on March 11, 2003 are incorporated by reference in Part III of this Form 10-K to the extent stated herein.

This Form 10-K includes statements that constitute "forward-looking statements" within the meaning of federal securities regulations. For more detail regarding "forward-looking statements" see item 7 of Part II of this Form 10-K.

CABOT MICROELECTRONICS CORPORATION
 FORM 10-K
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

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PART I

ITEM 1. BUSINESS

OUR COMPANY

Cabot Microelectronics Corporation ("Cabot Microelectronics," "the Company," "us," "we," or "our") is the leading supplier of high-performance polishing slurries used in the manufacture of the most advanced integrated circuit ("IC") devices within a process called chemical mechanical planarization ("CMP"). CMP is a polishing process used by IC device manufacturers to planarize or flatten many of the multiple layers of material that are built upon silicon wafers, and it is a necessary step in the production of advanced ICs. Planarization is a polishing process that levels, smooths and removes excess material from the surfaces of these layers. CMP slurries are liquid formulations that facilitate and enhance this polishing process and generally contain engineered abrasives and proprietary chemicals. CMP enables IC device manufacturers to produce smaller, faster and more complex IC devices with fewer defects. We believe CMP will become increasingly important in the future as manufacturers seek to shrink the size of these devices and to improve their performance. A majority of our CMP slurries are used to polish insulating layers and the tungsten plugs that go through the insulating layers and connect the

multiple wiring layers of IC devices. We also have developed specialized slurries used to polish copper, a metal used in wiring layers of IC device fabrication, and our products for this application have been well received. In addition, we have developed CMP slurries for polishing certain components in hard disk drives, specifically rigid disk substrates and magnetic heads, and we have become a strong participant in this area. We are continuing to develop slurries for new applications such as noble metals. In addition, we are developing our own polishing pads for use in the CMP process. Like slurries, polishing pads are important consumables used in the CMP process. To broaden our portfolio of pad products, we recently entered into a distribution agreement with a third party to sell polishing pads while pursuing additional elements of our pad strategy.

Prior to our initial public offering on April 4, 2000, we operated as a division of Cabot Corporation ("Cabot Corporation"), a global chemical manufacturing company based in Boston, Massachusetts. Following our initial public offering, Cabot Corporation owned approximately 80.5 percent of Cabot Microelectronics. On September 29, 2000, Cabot Corporation effected the spin-off of Cabot Microelectronics by distributing 0.280473721 shares of our common stock as a dividend on each outstanding share of Cabot Corporation common stock outstanding on September 13, 2000, or an aggregate of 18,989,744 shares of our common stock.

IC DEVICE MANUFACTURING

Advanced IC devices are composed of millions of transistors and other electronic components connected by miles of wiring. The wiring, today composed primarily of aluminum and tungsten but also increasingly with copper in advanced applications, carries electric signals through the multiple layers of the IC device. Insulating material is used throughout the IC device to isolate the electronic components and the wiring, thereby preventing short circuiting and improving the efficiency of electric signal travel within the device. To enhance performance, IC device manufacturers have progressively increased the number, or density, of transistors and other electronic components in each IC device. As a result, the number of wires and the number of layers have also increased.

The multi-step manufacturing process for IC devices typically begins with a circular wafer of pure silicon. A large number of identical IC devices are manufactured on each wafer at the same time, and at the end of the process, the wafer is cut into the individual devices. The first step in the manufacturing process is to build transistors and other electronic components on the silicon wafer. These components are then wired together in a particular sequence to produce a functional IC device with the desired characteristics. Once the transistors and other electronic components are in place on the silicon wafer, they are usually covered with a layer of insulating material, most often silicon dioxide.

CMP is used to planarize the insulating layers of an IC device and prepare them for a process known as metallization. During metallization, wiring is added to the surface of the insulating layer through a series of steps involving: depositing metal onto the surface of the layer; projecting an image of the desired wiring

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pattern on the layer using a process known as photolithography; and removing the excess deposited metal from the surface of the insulating layer using a process known as etching, which leaves behind the desired wiring pattern.

When the wiring is finished, another layer of insulating material is added and planarized using CMP. This process of alternating insulating and wiring layers is repeated until the desired wiring within the IC device is completed. The electronic components and wiring layers are connected by conductive plugs that are formed by making holes in the insulating layers and filling those holes with metal, usually tungsten. After these holes have been filled with tungsten, CMP is used to remove all the excess tungsten above the surface of the insulating layer so that the top of the plug is level with the surface of the insulating layer before the next wiring layer is built. Due to the extremely small dimensions involved, manufacturing IC devices requires precision processing in ultra-clean, controlled environments.

The semiconductor industry follows generally accepted design rules that describe current and projected feature size and spacing of electronic components and wiring in IC devices. The feature size and spacing in these design rules

have been progressively decreasing to accommodate the demand for increased circuit density and transistor miniaturization. As the density of IC devices increases, the amount of wiring needed to connect the transistors and other electronic components to each other also increases. As IC devices become smaller, this increase in wiring requires tighter and more precise spacing of the wiring, but also has led to an increase in the layers of IC devices.

The International Technology Roadmap for Semiconductors ("ITRS") is a set of documents sponsored by the Semiconductor Industry Association along with other worldwide associations. Those documents provide guidance and targets for suppliers. According to the 2001 edition of the ITRS, the trends toward increased density and miniaturization of IC devices are expected to continue. The ITRS shows that today's leading edge logic microprocessors are scaled to a 1/2 pitch of 130 nanometer and utilize a maximum of 8 levels of metal interconnect wiring. By 2004, those devices are projected to have a 1/2 pitch of 90 nanometer and a maximum of 9 levels of metal wiring. Similarly, leading edge memory DRAM chips are projected to move to 4 levels of metal wiring. CMP is currently used to polish the insulating layers, tungsten plugs, and copper wiring in IC devices in separate steps. CMP is also utilized in the formation of the transistors in the processes that precede the formation of interconnects and that use is also increasing. We believe that the use of CMP in the manufacture of IC devices will continue to increase as the feature size and spacing of these devices decreases and the number of layers in the device increases.

CHEMICAL MECHANICAL PLANARIZATION

The CMP process involves both chemical reactions and mechanical abrasion to planarize the insulating and conductive layers of an IC device that are built upon a silicon wafer. The wafer is typically held on a rotating carrier, which is spun at high speeds and pressed against a rotating polishing table. The portion of the table that comes in contact with the wafer is covered by a textured polishing pad. A CMP slurry is continuously applied to the polishing pad to facilitate and enhance the polishing process. CMP slurries are liquid compounds composed of high-purity deionized water, proprietary chemical additives and engineered abrasives that chemically and mechanically interact with the surface material of the IC device at an atomic level.

BENEFITS OF CMP

CMP provides IC device manufacturers with a number of advantages. CMP enables IC device manufacturers to produce smaller IC devices with greater density, both of which improve the performance and capabilities of the device. As IC devices shrink and become more dense, they require smaller feature sizes and tighter spacing among the device wiring. If the surface is not level, the smaller feature size and tighter spacing make it more difficult for the photolithography equipment to focus accurately and create the desired wiring pattern. In addition, because today's smaller, denser IC devices have more layers than previous devices, any unevenness of a layer at or near the bottom of an IC device will be magnified in the additional layers that are added to the device. Defects caused by problems in the photolithography process or unevenness in the layers

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can lead to short circuits, reduced performance and at worst, failure of the IC device. By using CMP, IC device manufacturers can eliminate or minimize these problems.

By enabling IC device manufacturers to make smaller IC devices, CMP allows them to increase their throughput, or the number of IC devices they can manufacture in a given time period. CMP also helps reduce the number of defective or substandard IC devices produced, which increases the device yield. Improvements in throughput and yield reduce an IC device manufacturer's unit production costs. Manufacturers can achieve further improvements in throughput and yield as new improvements to the CMP process helps to reduce defect rates and decrease the amount of time required for the polishing process.

CMP SLURRIES

The characteristics that are important to making an effective CMP slurry include: high polishing rates, which increase productivity and throughput; high selectivity, which means the ability to enhance the polishing of specific materials while inhibiting the polishing of other materials; uniformity of polishing, which means that different surface materials can be polished to the

same degree at the same time, thereby eliminating the problems of dishing and erosion; low levels of chemical and physical impurities, which can adversely affect IC device performance by leaving residues on the polished surface; and colloidal stability, meaning that the abrasive particles within the slurry do not settle, which is an important factor in accomplishing uniform polishing with minimum defects.

These qualities affect and enhance the performance of IC devices, and most of them have the ability to also positively impact the cost of ownership of the CMP process for IC device manufacturers. Cost of ownership is a calculation by which IC device manufacturers evaluate the benefits and costs of each production step by analyzing the impact of that step on throughput and yield, compared with the costs of the production inputs of that step.

Prior to introducing a new or different CMP slurry into its manufacturing process, an IC device manufacturer generally requires the slurry to be qualified at each of its plants through a series of tests and evaluations intended to ensure that the slurry will function properly in the manufacturing process, as well as to optimize the slurry's application. These tests may require changes to the CMP process, the CMP slurry and/or the CMP polishing pad. While this qualification process varies depending on numerous factors, it is not unusual for it to be very expensive and to take six months or more to complete. IC device manufacturers usually take the cost, time delay and impact on production into account when they consider implementing or switching to a new CMP slurry.

INDUSTRY TRENDS

The semiconductor industry has experienced rapid growth over the past decade, but it has also been highly cyclical. Since January 2001, companies in this industry have been challenged by one of the most significant downturns in its history, as our customers' inventory levels of IC devices were higher than in the past, and end-market demand for products using IC devices slowed as a result of the overall weakness in the global economy. While customer inventory levels appeared to stabilize to some extent in fiscal 2002, the trends of softness in the global economy and low consumer demand for electronic devices continued during the fiscal year and appear to be ongoing.

Despite the current weakness in the semiconductor industry, we expect the CMP slurry market to grow in the future, driven in large part by the significant growth and technological advances the semiconductor industry has experienced over the past decade. IC devices are critical components in an increasingly wide variety of products and applications, including computers, data processing, communications, telecommunications, the Internet, automobiles and consumer and industrial electronics.

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This growth, along with increasing demand for smaller, higher performance and more complex IC devices, pressure on IC device manufacturers to reduce their costs, and the growth of new leading-edge technologies, such as copper interconnect, that require CMP, has led to more widespread use of CMP and consumption of CMP slurries and polishing pads. We anticipate the worldwide market for CMP slurries used by IC device manufacturers to grow significantly in the future as a result of expected increases in the number of IC devices produced, the percentage of IC devices produced using CMP and the number of CMP polishing steps used to produce each device. In addition, we believe that IC manufacturers have continued to increase their use of CMP because the CMP process represents only a small percentage of the total production cost of an IC device, and is important to the continued improvement of IC device performance and the reduction of costs of IC device manufacturing.

OTHER APPLICATIONS OF CMP IN THE IC DEVICE MANUFACTURING PROCESS

We have developed and commenced sampling of CMP slurries for use in connection with an IC device manufacturing process known as direct shallow trench isolation. Direct shallow trench isolation is a relatively new method of isolating the electronic components built on silicon wafers of an IC device to prevent short circuits and other electrical interference. Direct shallow trench isolation uses CMP before the first insulating layer is put down on the wafer. Isolation methods used prior to direct shallow trench isolation did not use CMP. By using CMP in conjunction with direct shallow trench isolation, IC device manufacturers are expected to be able to achieve greater miniaturization and density of their IC devices.

We also are developing CMP slurries for polishing noble metals. Noble metals include iridium, ruthenium, and platinum. These materials are being evaluated for use in advanced memory IC devices where their properties enable the continued miniaturization of individual memory cells called capacitors. CMP is expected to be used to planarize thin layers of these materials.

STRATEGY

We intend to pursue the following strategies:

REMAIN THE TECHNOLOGY LEADER IN CMP SLURRIES

We believe that technology is vital to success in the CMP slurry market and we plan to continue to devote significant resources to research and development. We need to keep pace with the rapid technological advances in the semiconductor industry so we can continue to deliver products that meet our customers' evolving needs. We intend to: use our advanced research and development, polishing and metrology capabilities to advance our understanding of our customers' technology, processes, and performance requirements for qualified products; improve the chemical and mechanical qualities of our CMP products; and, demonstrate and deliver advanced CMP solutions to the semiconductor industry.

BUILD AND MAINTAIN CUSTOMER RELATIONSHIPS

We believe that building close relationships with our customers is another cornerstone to long-term success in our business. We work closely with our customers to identify and develop new and better CMP slurries, to integrate our slurries into their manufacturing processes and to assist them with supply, warehousing, packaging and inventory management. We have devoted significant resources to enhancing our close customer relationships, and we are committed to continuing this effort.

EXPAND GLOBALLY

We believe that having production facilities, personnel and other resources in strategic locations around the world is important to the success of our business, particularly in light of increased IC device manufacturing in Asia. Accordingly, we have established a global presence with production facilities in Barry, Wales and Geino, Japan. We also have assembled a team of business and account managers and independent distributors strategically located in Europe, Taiwan, Singapore, Japan and Korea, and technical support and sales personnel throughout the United States, Europe and Asia. We intend to expand our production capacity,

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technical and sales support in many of the locations around the world where IC device production is concentrated.

ATTRACT AND RETAIN WORLD-CLASS PERSONNEL

We have assembled a highly skilled and dedicated workforce that includes a wide range of scientists and applications specialists, many of whom have significant experience in the semiconductor industry. We plan to continue to attract and retain experienced personnel who are committed to providing high-performance products and strong customer and applications support.

MAINTAIN TOP QUALITY PRODUCTS AND SUPPLY

Our customers demand consistent high-quality products and a reliable supply source. We intend to advance our strict quality controls on a continual basis in order to improve the uniformity and consistency of performance of our CMP products. The capacity and the location of our production facilities in the United States, Europe and Asia allow us to provide a reliable supply chain to meet our customers' CMP slurry requirements in a consistent, timely manner.

EXPAND INTO NEW APPLICATIONS AND PRODUCTS

We intend to leverage our CMP experience and technology to explore new applications and products. We have continued to develop and have increased sales of slurries for polishing copper used in the wiring layers of some IC devices and for polishing the magnetic heads and coating on hard disks in hard disk drives. We also are developing polishing products for other applications such as direct shallow trench isolation and noble metals. Additionally, we are using our

knowledge of CMP materials to expand into CMP polishing pads so that we can provide our customers with a broader range of solutions for use in the CMP process.

PRODUCTS

CMP SLURRIES FOR IC DEVICES

We produce CMP slurries of various formulations for polishing a wide variety of materials. In addition to our existing tungsten and oxide slurries, we have developed new, improved generations of each of our slurries as well as new slurries to keep pace with our customers' evolving needs. Our new generations of tungsten and oxide slurries, which are the most common use of CMP in IC device manufacturing, are designed to reduce both defectivity in IC devices and the required polishing time.

We also manufacture slurry products for polishing copper used in the wiring layers of IC devices and are working on next generation copper applications. These products include different slurries for polishing the primary copper film, as well as the thin barrier metal layer used in copper wiring. We continue to work closely with our customers to develop advanced slurries to meet their evolving technological needs.

CMP SLURRIES FOR THE DATA STORAGE INDUSTRY

We produce CMP slurries for polishing the magnetic heads and the coating on hard disks in hard disk drives by leveraging our core slurry technology and manufacturing capacity, as well as by hiring industry experts who understand the needs of the data storage industry. We believe CMP significantly improves the surface finish of these coatings, resulting in greater storage capacity of the substrates, and also improves the production efficiency of manufacturers of hard disk drives by helping them increase their throughput and yield. We also established a dedicated research and development team and an applications support team who employ a process solution approach similar to what we use for our other slurry products. We have experienced promising results in these areas, and believe that they offer solid potential. Moreover, we believe that our slurry products offer improved performance compared with other materials currently used in the industry.

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POLISHING PADS

CMP polishing pads are consumable materials used in the CMP process that work in conjunction with CMP slurries to facilitate the polishing process. We believe the CMP polishing pad market is currently led by one principal supplier, Rodel. Through discussions with our customers, as well as our own examination of the CMP polishing pad market, we have determined that a demand exists for higher quality, more reliable and consistent polishing pads. Based on this, we have identified an opportunity to provide our customers with technological and quality improvements through the ability to jointly market our CMP slurries and polishing pads to them. At the end of fiscal 2002, we broadened our pad strategy by entering a distribution agreement with a third party to sell polishing pads. We also intend to continue to develop our proprietary pads while pursuing additional elements of our pad strategy.

CUSTOMERS, SALES AND MARKETING

Our marketing begins with development teams who work closely with our customers, using our research and development facilities to design CMP slurry products tailored to their precise needs. Next, our applications teams work with customers to integrate our slurry products into their manufacturing processes. Finally, our logistics and sales personnel work to provide reliable supply, warehousing, packaging and inventory management to our customers. Through our interactive approach, we are able to build close relationships with our customers in a variety of areas.

In the past, we also have marketed our products through independent distributors in certain regions of the world. In fiscal 2002, we altered this approach by modifying our agreement with one of our independent distributors, Metron Technology. This modification provides that as of June 2003, we will sell directly to our customers in Europe, Singapore and Malaysia, while maintaining Metron as our distributor in Israel. In addition, the IC device manufacturing industry in Asia has grown significantly over the last five years. As a result,

we have increased our focus in Asia over the last few years by increasing the number of account managers and technical and customer support personnel present in this region. By building this regional infrastructure, we have demonstrated a commitment to the Asian marketplace.

In fiscal year 2002, our five largest customers, of which two are distributors, accounted for approximately 63% of our revenue, with Marketech, who is one of the distributors, and Intel accounting for approximately 24% and 16% of our revenue, respectively. In fiscal year 2001, our five largest customers accounted for approximately 55% of our revenue, with Marketech and Intel accounting for approximately 21% and 14% of our revenue, respectively.

CABOT CORPORATION AS OUR MAJOR SUPPLIER OF RAW MATERIALS

The base ingredients for most of our CMP slurries are fumed metal oxides, primarily fumed silica, which is an ultra-fine, high purity silica produced by a flame process, and, to a lesser extent, fumed alumina. We currently purchase fumed silica under a fumed metal oxide agreement with Cabot Corporation, which became effective at the time of our initial public offering in April, 2000 and purchased fumed alumina until December, 2001 only under this agreement. In order to meet our growing needs for fumed alumina, in December, 2001 we entered into a fumed alumina supply agreement with Cabot Corporation, and amended certain terms related to fumed alumina under the fumed metal oxide agreement.

FUMED METAL OXIDE AGREEMENT

Under the fumed metal oxide supply agreement Cabot Corporation continues to be our primary supplier, subject to certain terms and conditions, of certain fumed metal oxides for our slurry products produced as of the date of our initial public offering with respect to fumed silica. For our technologies since that time, we have the flexibility to purchase from Cabot Corporation or other parties. Approximately 75% of the fumed metal oxides that we currently purchase from Cabot Corporation are manufactured at its facility in Tuscola, Illinois.

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This agreement provides for a fixed annual increase in the price of fumed silica of approximately 2% of the initial price and additional increases if Cabot Corporation's raw material costs increase. Cabot Corporation is required to supply us with fumed silica in volumes specified by us, up to a limit, from each of its Tuscola, Illinois and Barry, Wales facilities, up to a specific limit from each facility. We are required to provide Cabot Corporation with quarterly, six-month, annual and 18-month forecasts of our expected fumed silica purchases and Cabot Corporation's obligation to provide us with fumed silica to specified percentages in excess of those forecasted volumes is limited. We are limited in the amount we can forecast for any month to an amount no greater than 120% of the forecasted amount for the previous month. We are obligated to purchase at least 90% of the six-month volume forecast and to pay specified amounts to Cabot Corporation if we purchase less than that amount. We are also required to pay all reasonable costs incurred by Cabot Corporation to provide quality control testing at levels greater than Cabot Corporation provides to its other customers and are generally prohibited from reselling any fumed silica purchased from Cabot Corporation.

Under the agreement and the amendment entered into in December, 2001, Cabot Corporation also supplies us with fumed alumina from its Tuscola, Illinois facility on terms generally similar to those described above, except certain of the forecast requirements do not apply to fumed alumina. The price is fixed and unchanged for a base level of production, and we agreed to pay a higher incentive price for volumes above that level. The terms related to fumed alumina now provide us with the first right, subject to certain terms and conditions, to all fumed alumina produced at the facility. The agreement prohibits Cabot Corporation from selling fumed metal oxides to third parties for use in CMP applications. This agreement has an initial term that expires in June 2005. Thereafter, the agreement may be terminated by either party on June 30 or December 31 in any year with at least 18 months prior written notice.

FUMED ALUMINA SUPPLY AGREEMENT

Under the fumed alumina supply agreement, Cabot Corporation expanded its capacity for the manufacture of fumed alumina, to which we have first right to all capacity from the expansion and, under the amended fumed metal oxide agreement, we now have first right, subject to certain terms and conditions, to the capacity from that fumed alumina facility. The expansion is dedicated to our

fumed alumina requirements, subject to certain terms and conditions, and we have a first right on all production and capacity from the expansion. The agreement provides that the price Cabot Corporation charges us for fumed alumina is based on all of its fixed and variable costs for producing the fumed alumina, plus its capital costs for expanding its capacity, plus an agreed upon rate of return on investment, plus incentive payments if Cabot Corporation produces more than a certain amount of fumed alumina that meets our specifications per year. Quarterly capital lease payments of approximately \$0.3 million with respect to capital costs will be made over the ten year period of the agreement. Based upon these financial terms and those of the amendment to the fumed metal oxide agreement, our average cost per pound for fumed alumina are and will be higher in the future than paid under the original fumed metal oxide agreement. We expect this amount to increase in future years as we anticipate continued strong sales growth in alumina-based slurry products.

The agreement provides that Cabot Corporation only has to produce fumed alumina that meets our specifications up to a certain amount and percentage of overall fumed alumina they produce. We pay for fumed alumina that is produced subject to our orders, whether conforming or nonconforming to our specifications. We must give Cabot Corporation the first right to purchase from us any nonconforming fumed alumina that we wish to resell at an agreed upon price. Under this agreement, up to certain quantities and for products produced on the effective date of the agreement, Cabot Corporation is the exclusive supplier of fumed alumina for these products, subject to certain terms and conditions. For amounts over these quantities, and for technologies since that time, we have the flexibility to also purchase from other parties; the terms related to these matters replace those that existed under the fumed metal oxide agreement with respect to fumed alumina. The agreement prohibits Cabot Corporation from selling fumed alumina to third parties, or engaging itself in its use in CMP applications. The agreement has an initial five year term and we may renew the agreement for an additional five years to 2011. Under certain limited circumstances, we can permit Cabot Corporation to use the expansion to produce fumed alumina for itself, with Cabot Corporation paying us an agreed upon price for such production.

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Under both agreements, Cabot Corporation warrants that its products will meet our agreed upon product specifications. We have no right to any consequential, special or incidental damages for breach of that warranty or any other provision of the agreement. Under the fumed metal oxide agreement, Cabot Corporation is obligated to replace noncompliant products with products that meet the agreed upon specifications. Under the fumed alumina supply agreement, Cabot Corporation is only obligated to replace noncompliant product with those that meet the agreed upon specifications when the amount of nonconforming product exceeds a certain percentage. The agreements also provide that any change to product specifications for fumed metal oxides must be by mutual agreement. Any increased costs due to product specification changes are paid by us. If Cabot Corporation fails to supply us with our requirements for any reason, including if we require product specification changes that Cabot Corporation cannot meet, we have the right to purchase products meeting those specifications from other suppliers.

Prior to our initial public offering, we did not provide detailed product specifications to Cabot Corporation and Cabot Corporation permitted us to return some products even if they met our specifications. Under these agreements, we provide detailed specifications to Cabot Corporation and have no contractual right to return products that meet these specifications.

It may be difficult to secure alternative sources of fumed metal oxides in the event Cabot Corporation encounters supply or production problems or terminates, breaches or otherwise fails to perform under these agreements with us. A significant reduction in the amount of fumed metal oxides supplied by Cabot Corporation, a problem with the quality of those fumed metal oxides or a prolonged interruption in their supply by Cabot Corporation could interfere with our ability to produce our CMP slurries in the quantities and of the quality required by our customers and in accordance with their delivery schedules.

DISPERSION SERVICES AGREEMENT WITH DAVIES

At the time of our initial public offering, Cabot Corporation assigned to us a dispersion services agreement with Davies Imperial Coatings, Inc. ("Davies") pursuant to which Davies produces slurries for us. Under this agreement, we provide raw materials, primarily fumed silica, to Davies and it

performs dispersion services. The price for these services is set at a negotiated price, subject to increases. We have agreed to purchase minimum amounts of services for each year of the agreement. If Davies fails to supply us with required dispersion services, we have the right to provide these services for ourselves or purchase them from third parties. The agreement provides for renegotiation of the price paid for dispersion services on each two-year anniversary of the agreement in order to reflect changes in Davies' manufacturing costs. We have also agreed to invest during each year approximately \$0.2 million in capital improvements, capacity expansions and other expenditures to maintain capacity at the Davies dispersion facility in Hammond, Indiana. We own most of the dispersion equipment at the Davies facility. The agreement has an initial term that expires in October, 2004, and is automatically renewed for one-year periods thereafter, unless either party gives written notice to the other of its intention to terminate the agreement at least 90 days prior to the expiration of the term.

DISPERSION SERVICES AGREEMENT WITH CABOT CORPORATION

We perform dispersion services for Cabot Corporation under a dispersion services agreement with Cabot Corporation that became effective at the time of our initial public offering. Dispersions of fumed metal oxides are used in a variety of applications in addition to CMP and Cabot Corporation develops and sells fumed metal oxide dispersions for these non-CMP applications. The agreement has an initial term that expires in June, 2005. Thereafter, the agreement may be terminated by either party on June 30 or December 31 in any year with at least 18 months prior written notice.

RESEARCH AND DEVELOPMENT

We believe our competitive position depends in part on our ability to develop CMP applications tailored to our customers' needs. In our product development and dispersion technology laboratory, our skilled technical personnel conduct kinetic studies of the chemical reactions on the surface of the wafer. These kinetic data allow us to adjust the composition of our slurries to avoid, among other things, non-uniform polishing

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patterns. Understanding the chemical processes on the surface of the polished wafer allows us to compose slurries specifically tailored to interact with one element and to slow or essentially stop planarization as soon as this particular element has been polished. We have also assembled dedicated development teams that work closely with customers to identify their specific technology and manufacturing challenges and to translate these challenges into viable CMP process solutions. We have dedicated substantial resources to copper technology in research & development (R&D) and manufacturing to support our customers' requirements around this very challenging technology and we continue to follow our business model of continuous product innovation for our tungsten and oxide product lines.

We have greatly expanded our existing R&D capabilities this year with the opening of our new research and development facility in Aurora, Illinois, which was substantially completed in April 2002. This facility is staffed by a team that includes experts from the semiconductor industry and scientists from key disciplines required for the development of high-performance CMP products and features a state-of-the-art Class 1 clean room and advanced equipment for slurry and pad product development. We believe this investment will provide us with leading edge polishing and metrology capabilities to support the most advanced and challenging customer technology requirements.

We expensed approximately \$33.7 million, \$25.8 million and \$19.8 million for research and development in fiscal years 2002, 2001 and 2000, respectively. Investments in research and development equipment are capitalized and depreciated over their useful life.

COMPETITION

We are aware of several other manufacturers with significant commercial sales of CMP slurries for IC devices and many other companies are attempting to enter this market. During this fiscal year, competition has increased and we expect it to continue to intensify. In the data storage area we are aware of only two other manufacturers with significant commercial sales of CMP slurries for polishing the magnetic heads and the coating on the hard disks in hard disk drives. We believe the CMP polishing pad market is currently led by one

principal supplier, Rodel. We may also face competition from other companies that develop CMP products, customers that currently have, or that may develop, in-house capability to produce their own CMP products, and from significant changes in technology, such as the development of polishing pads containing abrasives. We compete primarily on the basis of our product innovation, performance and level of service. We compete secondarily on the basis of our broad product offering, global supply assurance and, to a lesser extent, price. We believe that we presently compete favorably with respect to each of these factors. The CMP marketplace and CMP products are evolving, however, and there is no assurance that we will compete successfully in the future.

INTELLECTUAL PROPERTY

Our intellectual property is important to our success and ability to compete. We currently have 39 U.S. patents and 59 pending U.S. patent applications covering CMP related products and processes. In most cases we file counterpart foreign patent applications. Many of these patents are important to our continued development of new and innovative products for CMP and related processes. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as employee and third party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

On February 28, 2002, we settled all pending patent infringement litigation involving us and one of our major competitors, Rodel Inc., for a one-time payment to Rodel of \$1.0 million, which we recorded as expense in the second fiscal quarter, and we have no further financial obligation with respect to this matter. We received from Rodel a fully paid-up, royalty free, worldwide license in all patents that were the subject of the two suits and their foreign equivalents. For a further discussion of this litigation, see Item 3 -- Legal Proceedings of this Form 10-K.

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In addition, we have obtained a patent license from a third party covering a polishing process used in the manufacturing of non-IC devices. Although we expect to independently develop a new technology which will eliminate our need for this licensed technology, there is no assurance that we will be successful in doing so or that we will be able to continue to license this technology beyond the eight years currently provided for in our license agreement. This agreement is effective through 2004 and may be renewed for an additional three year period.

ENVIRONMENTAL MATTERS

Our facilities are subject to various environmental laws and regulations, including those relating to air emissions, wastewater discharges, the handling and disposal of solid and hazardous wastes, and occupational safety and health. We believe that our facilities are in substantial compliance with applicable environmental laws and regulations. Our facilities have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with these laws and regulations in both the United States and abroad. However, we currently do not anticipate that the future costs of environmental compliance will have a material adverse effect on our business, financial condition or results of operations.

EMPLOYEES

As of September 30, 2002, we employed a total of 494 individuals, including 42 in sales and marketing, 158 in research and development, 51 in administration and 243 in operations. None of our employees are covered by collective bargaining agreements. We have not experienced any work stoppages and in general consider our relations with our employees to be good.

ITEM 2. PROPERTIES

Our principal U.S. facilities consist of:

- a global headquarters and research and development facility in Aurora, Illinois, comprising approximately 200,000 square feet;
- a commercial dispersion plant in Aurora, Illinois, comprising

approximately 48,000 square feet;

- a commercial dispersion plant and distribution center in Aurora, Illinois, comprising approximately 175,000 square feet; and
- an additional 13.2 acres of vacant land in Aurora, Illinois to accommodate the possibility of future growth.

Our principal foreign facilities consist of:

- a commercial dispersion plant in Geino, Japan, consisting of approximately 113,000 square feet; and
- a distribution center in Ansung, South Korea consisting of approximately 16,000 square feet.

As our business needs in South Korea have changed, in November 2002 we entered into a purchase and sale agreement with a third party to sell our distribution center and land in Ansung, South Korea. The sale is pending and estimated final proceeds approximate the net book value of the assets being sold.

We lease land and a building from Cabot Corporation at a commercial dispersion plant in Barry, Wales consisting of approximately 22,000 square feet. We also lease office and lab space in Hsin-Chu, Taiwan consisting of approximately 5,000 square feet.

We believe that our current facilities are suitable and adequate for their intended purpose and provide us with sufficient capacity and technological capability to meet our current and expected demand in the foreseeable future.

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ITEM 3. LEGAL PROCEEDINGS

On February 28, 2002, we settled all pending patent infringement litigation involving us and one of our major competitors, Rodel Inc., for a one-time payment to Rodel of \$1.0 million, which we recorded as expense in the second fiscal quarter, and we have no further financial obligation with respect to this matter. The litigation, entitled Rodel, Inc. v. Cabot Corporation (Civil Action No. 98-352) and Rodel, Inc. and Rodel Holdings, Inc. v. Cabot Corporation (Civil Action No. 99-256), had related to certain aspects of our slurry business and had been controlled by us, but had been between Rodel and our former parent, Cabot Corporation. Under the settlement, the suits were fully and permanently dismissed, and neither party admits liability. In addition, Cabot Microelectronics received from Rodel a fully paid-up, royalty free, worldwide license in all patents that were the subject of the two suits and their foreign equivalents.

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

None.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is information concerning our executive officers and their ages as of November 30, 2002.

NAME	AGE	POSITION
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Dr. Matthew Neville.....	48	Chairman of the Board, President and Chief Executive Officer
Martin M. Ellen.....	48	Vice President, Chief Financial Officer and Treasurer (through October 2002)
H. Carol Bernstein.....	42	Vice President, Secretary and General Counsel
J. Michael Jenkins.....	49	Vice President of Human Resources
Jeremy K. Jones.....	48	Vice President of New Business Development
Hiroyuki Nishiya.....	44	Vice President of Asia Pacific Business Region
Kathleen A. Perry.....	45	Vice President of Research and Development
Daniel J. Pike.....	39	Vice President of Operations
Stephen R. Smith.....	43	Vice President of Marketing and Sales
Daniel S. Wobby.....	39	Acting Principal Financial Officer, Principal

Dr. Matthew Neville was elected Chairman of the Board of our company in March 2001. He has served as our President and Chief Executive Officer since December 1999 and at that time was elected a director of our company. Dr. Neville was a Vice President of Cabot Corporation from 1997 to 1999, and was the General Manager of the Microelectronics Materials Division of Cabot Corporation from 1996 until the formation of Cabot Microelectronics Corporation in 1999. From 1983 to 1996, Dr. Neville held various positions at Cabot Corporation, including Director of Research and Development for the Cab-O-Sil Division. Dr. Neville received his Ph.D. in Chemical Engineering from the Massachusetts Institute of Technology.

Martin M. Ellen served as our Vice President and Chief Financial Officer from March 2001 through October 2002, at which time he resigned to become Chief Financial Officer of another company. Mr. Ellen joined Cabot Microelectronics after serving as Senior Vice President and Chief Financial Officer of Whitman Corporation from October 1998 through the closing of its merger with PepsiAmericas, Inc. in 2001. From May 1998 through September 1998, Mr. Ellen was a founding member of Casas, Ellen & White, LLC, a venture management firm. From October 1996 to May 1998, Mr. Ellen was Executive Vice President and Chief Financial Officer of PrimeCare International, Inc., a healthcare services company. Mr. Ellen received a Bachelor of Science degree in accountancy from the University of Illinois, is a certified public accountant, and received a Masters of Management degree from the Kellogg Graduate School of Management at Northwestern University.

H. Carol Bernstein has served as our Vice President, Secretary and General Counsel since August 2000. From January 1998 until joining us, Ms. Bernstein served as the General Counsel and Director of Industrial Technology Development of Argonne National Laboratory, which is operated by the University of Chicago for

the United States Department of Energy. From May 1985 until December 1997, she served in various positions with the IBM Corporation, culminating in serving as an Associate General Counsel, and was the Vice President, Secretary and General Counsel of Advantis Corporation, a joint venture between IBM and Sears Roebuck and Co. Ms. Bernstein received her B.A. from Colgate University and her J.D. from Northwestern University; she is a member of the Bar of the States of Illinois and New York.

J. Michael Jenkins has served as our Vice President of Human Resources since December 1999. Mr. Jenkins previously served as our Director of Human Resources beginning in May 1999. Prior to joining us, Mr. Jenkins was employed for 15 years by the Gas Chromatography Division of Hewlett-Packard holding various positions, including Human Resources and Quality Manager. Mr. Jenkins received his M.H.S. from Lincoln University.

Jeremy K. Jones has served as our Vice President, New Business Development since January 2001 and previously was our Director of New Business Development since March 2000. Mr. Jones also served as Pad Business Manager upon joining us in January 1999. Prior to joining us, Mr. Jones served as Market Development Manager at Motorola from 1997 to January 1999 and spent 20 years at Polaroid Corporation in various management positions. Mr. Jones earned a M.S. in Materials Engineering and B.S. in Mechanical Engineering from Worcester Polytechnic Institute in Worcester Massachusetts and a M.B.A. from Babson College in Wellesley, Massachusetts.

Hiroyuki Nishiya has served as our Vice President, Asian Pacific Business Region since January 2001 and previously was our Japan Business Manager since April 1997. Prior to joining us, Nishiya held various positions at OKIDATA and Materials Research Corporation. Nishiya received a Bachelor of Business Administration degree from George Washington University.

Kathleen A. Perry has served as our Vice President of Research and Development since October 2000. Prior to joining us, Ms. Perry served as Senior Director of Strategic Technology at Applied Materials, where she was responsible for creating the strategic roadmap for CMP products and processes. From April 1997 until October 1999 she served as the Chief Technology Officer at Obsidian. From April 1993 to April 1997, she led a CMP research team at Motorola as the Manager of CMP Research. Ms. Perry earned a B.S. in Materials Science and

Engineering from Cornell University and an M.S. in Materials Science and Engineering from Northwestern University.

Daniel J. Pike has served as our Vice President of Operations since December 1999. Mr. Pike served as our Director of Global Operations from 1996 to 1999. Prior to joining us, Mr. Pike worked for FMC Corporation as a Marketing Manager for the Pharmaceutical Division. Mr. Pike received his B.S. in Chemical Engineering from the University of Buffalo and his M.B.A. from the Wharton School of Business of the University of Pennsylvania.

Stephen R. Smith has served as our Vice President of Marketing and Sales since October 2001. Prior to joining us, Mr. Smith served as Vice President, Sales & Business Development for Buildpoint Corporation, a start-up company providing web-based supply chain applications to the construction industry, from 2000 to October 2001. Prior to that, Mr. Smith spent 17 years at Tyco Electronics Group, formerly known as AMP Incorporated, in various management positions. Mr. Smith earned a B.S. in Industrial Engineering from Grove City College and a M.B.A. from Wake Forest University.

Daniel S. Wobby has served as our Acting Principal Financial Officer since November 2002 and has served as our Corporate Controller since April 2000 and Principal Accounting Officer since June 2000. Mr. Wobby had served as Director of Finance since October 1997. Since 1989, Mr. Wobby held various accounting and operations positions with Cabot Corporation. Prior to joining Cabot Corporation, Mr. Wobby worked for Arthur Andersen LLP in the Commercial Audit Division. Mr. Wobby earned a B.S. in Accounting from St. Michael's College.

PART II

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

Our common stock has traded publicly on the Nasdaq National Market under the symbol "CCMP" since our initial public offering on April 4, 2000. The following table sets forth the range of quarterly high and low closing sales prices for our common stock on the Nasdaq National Market.

	HIGH	LOW
	-----	-----
Fiscal 2001		
First Quarter.....	\$57.00	\$36.63
Second Quarter.....	99.38	38.31
Third Quarter.....	76.41	38.00
Fourth Quarter.....	79.34	48.31
Fiscal 2002		
First Quarter.....	81.16	43.15
Second Quarter.....	86.54	53.25
Third Quarter.....	68.80	38.41
Fourth Quarter.....	49.81	34.75
Fiscal 2003 First Quarter (through November 29, 2002).....	61.02	33.25

As of November 29, 2002, there were approximately 1,338 holders of record of our common stock. No dividends were declared or paid in fiscal 2002 and we currently do not anticipate paying cash dividends in the future.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data for each of the five years ended September 30, 2002 has been derived from the audited consolidated financial statements. Certain amounts in the prior fiscal years have been reclassified to conform with the current year presentation.

Basic and diluted net income per share for the year ended September 30, 1999 have been calculated using the pro forma 18.99 million shares owned by Cabot Corporation for the period prior to our initial public offering. Basic and diluted net income per share for the year ended September 30, 2000 have been calculated using the pro forma 18.99 million shares owned by Cabot Corporation for the period prior to our initial public offering in the weighted average shares outstanding calculation.

The information set forth below is not necessarily indicative of results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes to those statements included in Items 7 and 8 of Part II of this Form 10-K.

CABOT MICROELECTRONICS CORPORATION

SELECTED FINANCIAL DATA -- FIVE YEAR SUMMARY

	YEAR ENDED SEPTEMBER 30,				
	2002	2001	2000	1999	1998
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
CONSOLIDATED STATEMENT OF INCOME DATA:					
Revenue.....	\$235,165	\$227,192	\$181,156	\$98,690	\$58,831
Cost of goods sold.....	113,067	108,419	86,290	48,087	29,747
Gross profit.....	122,098	118,773	94,866	50,603	29,084
Operating expenses:					
Research and development.....	33,668	25,805	19,762	14,768	10,261
Selling and marketing.....	9,667	8,757	7,594	4,932	3,507
General and administrative.....	17,458	21,054	19,974	11,107	8,148
Litigation settlement.....	1,000	--	--	--	--
Amortization of intangibles.....	345	718	718	720	720
Total operating expenses.....	62,138	56,334	48,048	31,527	22,636
Operating income.....	59,960	62,439	46,818	19,076	6,448
Other income, net.....	763	1,049	130	--	--
Income before income taxes.....	60,723	63,488	46,948	19,076	6,448
Provision for income taxes.....	20,038	21,586	16,446	6,796	2,211
Net income.....	\$ 40,685	\$ 41,902	\$ 30,502	\$12,280	\$ 4,237
Basic earnings per share.....	\$ 1.68	\$ 1.76	\$ 1.44	\$ 0.65	
Weighted average basic shares outstanding.....	24,160	23,824	21,214	18,990	
Diluted earnings per share.....	\$ 1.66	\$ 1.72	\$ 1.39	\$ 0.65	
Weighted average diluted shares outstanding.....	24,565	24,327	21,888	18,990	
Cash dividends per share.....	\$ 0.00	\$ 0.00	\$ 3.71	\$ 0.00	

SEPTEMBER 30,

	2002	2001	2000	1999	1998
CONSOLIDATED BALANCE SHEET DATA:					
Current assets.....	\$123,283	\$ 96,454	\$ 59,053	\$26,120	\$15,581
Property, plant and equipment, net.....	132,264	97,426	71,873	40,031	24,713
Other assets.....	2,838	2,801	5,180	4,123	4,837
Total assets.....	\$258,385	\$196,681	\$136,106	\$70,274	\$45,131
Current liabilities.....	\$ 30,571	\$ 26,366	\$ 24,200	\$ 7,775	\$ 4,870
Long-term debt.....	3,500	3,500	3,500	--	--
Other long-term liabilities.....	10,808	528	844	422	233
Total liabilities.....	44,879	30,394	28,544	8,197	5,103

Stockholders' equity.....	213,506	166,287	107,562	62,077	40,028
	-----	-----	-----	-----	-----
Total liabilities and stockholders' equity.....	\$258,385	\$196,681	\$136,106	\$70,274	\$45,131
	=====	=====	=====	=====	=====

Certain amounts in the prior fiscal years have been reclassified to conform with the current year presentation.

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

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as disclosures included elsewhere in this Form 10-K, include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward-looking and provide meaningful cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact we make in this Form 10-K are forward-looking. In particular, the statements herein regarding industry or general economic prospects or trends, our future results of operations or financial position and statements preceded by, followed by or that include the words "intends", "estimates", "plans", "believes", "expects", "anticipates", "should", "could", or similar expressions, are forward-looking statements. Forward-looking statements reflect our current expectations and are inherently uncertain. Our actual results may differ significantly from our expectations. We assume no obligation to update this forward-looking information. The section entitled "Factors Affecting Future Operating Results" describes some, but not all, of the factors that could cause these differences.

The following discussion and analysis should be read in conjunction with our historical financial statements and the notes to those financial statements which are included in Item 8. of Part II of this Form 10-K.

OVERVIEW

We believe we are the leading supplier of high-performance polishing slurries used in the manufacture of the most advanced IC devices within a process called chemical mechanical planarization ("CMP"). CMP is a polishing process used by IC device manufacturers to planarize or flatten many of the multiple layers of material that are built upon silicon wafers, and it is a necessary step in the production of advanced ICs. Planarization is a polishing process that levels and smooths, removing excess material from the surfaces of these layers. CMP slurries are liquid formulations that facilitate and enhance this polishing process and generally contain engineered abrasives and proprietary chemicals. CMP enables IC device manufacturers to produce smaller, faster and more complex IC devices with fewer defects. We believe CMP will become increasingly important in the future as manufacturers seek to shrink the size of these devices and to improve their performance.

A majority of our CMP slurries are used to polish insulating layers and the tungsten plugs that go through the insulating layers and connect the multiple wiring layers of IC devices. We have developed specialized slurries used to polish copper, a metal used in wiring layers of IC device fabrication, and our products for this application have been well received. In addition, we have developed CMP slurries for polishing several components in hard disk drives, specifically rigid disk substrates and magnetic heads, and we have become a strong participant in this market. We are continuing to develop slurries for new applications such as direct shallow trench isolation and noble metals. In addition, we are developing our own polishing pads for use in the CMP process. Like slurries, polishing pads are important consumables used in the CMP process. To broaden our portfolio of pad products, we recently entered into a distribution agreement with a third party to sell polishing pads while pursuing additional elements of our pad strategy.

Prior to our initial public offering on April 4, 2000, we operated as a division of Cabot Corporation, a global chemical manufacturing company based in Boston, Massachusetts. Following our initial public offering, Cabot Corporation owned approximately 80.5 percent of Cabot Microelectronics. On September 29, 2000, Cabot Corporation effected the spin-off of Cabot Microelectronics by distributing 0.280473721 shares of our common stock as a dividend on each

outstanding share of Cabot Corporation common stock outstanding on September 13, 2000, or an aggregate of 18,989,744 shares of our common stock.

BASIS OF PRESENTATION

The following "Management's Discussion of Results of Operations" contains financial comparisons with prior periods that are affected by certain agreements entered into with Cabot Corporation during the fiscal

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year ended September 30, 2002. The effects of these agreements on the comparison of operating results are disclosed in the discussion that follows.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations", as well as disclosures included elsewhere in this Form 10-K, are based upon our audited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingencies. On an on-going basis, we evaluate the estimates used, including those related to product returns, bad debts, inventory valuation, impairments of tangible and intangible assets, income taxes, warranty obligations, other accruals, contingencies and litigation. We base our estimates on historical experience, current conditions and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources as well as identifying and assessing our accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies involve more significant judgments and estimates used in the preparation of the consolidated financial statements.

We maintain an allowance for doubtful accounts for estimated losses resulting from the potential inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

We provide for the estimated cost of product returns based upon historical experience and any known conditions or circumstances. Our warranty obligation is affected primarily by product that does not meet specifications and performance requirements and any related costs of addressing such matters. Should actual incidences of product not meeting specifications and performance requirements differ from our estimates, revisions to the estimated warranty liability may be required.

We value inventory at the lower of cost or market and write down the value of inventory for estimated obsolescence or unmarketable inventory. An inventory reserve is maintained based upon a historical percentage of actual inventory written off and for known conditions and circumstances. Should actual product marketability be affected by conditions that are different from those projected by management, revisions to the estimated inventory reserve may be required. Also, the purchase cost of one of our key raw materials from one supplier changes significantly based on the total quantity of in-specification product purchased in a given fiscal year. During interim periods we determine inventory valuation and the amount charged to cost of goods sold for this raw material from this supplier based on the expected average cost over the entire fiscal year using our current full year forecast of purchases of this raw material from this supplier.

We have entered into unconditional purchase obligations which include noncancelable purchase commitments and take-or-pay arrangements with suppliers. We review our material agreements and make an assessment of the likelihood of a shortfall in purchases and determine if it is necessary to record a liability.

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), we have elected to account for stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. We disclose

the summary of pro forma effects to reported net income as if we had elected to recognize compensation cost based on the fair value of stock based awards to employees of Cabot Microelectronics as prescribed by SFAS 123.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, the percentage of revenue of certain line items included in our historical statements of income:

	YEAR ENDED SEPTEMBER 30		
	2002	2001	2000
Total revenue.....	100.0%	100.0%	100.0%
Cost of goods sold.....	48.1	47.7	47.6
Gross profit.....	51.9	52.3	52.4
Research and development.....	14.3	11.4	10.9
Selling and marketing.....	4.1	3.9	4.2
General and administrative.....	7.4	9.3	11.0
Litigation settlement.....	0.4	--	--
Amortization of intangibles.....	0.1	0.3	0.4
Operating income.....	25.5	27.4	25.9
Other income, net.....	0.3	0.5	0.0
Income before income taxes.....	25.8	27.9	25.9
Provision for income taxes.....	8.5	9.5	9.1
Net income.....	17.3%	18.4%	16.8%

YEAR ENDED SEPTEMBER 30, 2002 VERSUS YEAR ENDED SEPTEMBER 30, 2001

REVENUE

Total revenue was \$235.2 million in 2002, which represented a 3.5%, or \$8.0 million, increase from 2001. Of this increase, \$5.2 million was due to a 2.3% increase in volume and \$2.8 million was due to increased weighted average selling prices. Revenue related to copper products increased 115% over the prior year. Fiscal 2002 revenue would have been \$2.0 million higher had the Japanese Yen average exchange rate for the year held constant with the prior year average.

Total revenue in the second half of fiscal 2002 increased 32% over the first half of the year. We believe this is primarily due to higher production by our customers as a result of improvement in IC device inventories, which appeared to return to more normal levels during 2002. However, we have not yet seen an improvement in demand driven by end markets, as a lack of corporate information technology spending appears to have weighed heavily on the PC and computer-related markets. We also experienced an increase in competition this fiscal year and expect it to continue to intensify. The continued uncertainty in the semiconductor industry and the worldwide economy make it difficult for us to predict future revenue trends.

COST OF GOODS SOLD

Total cost of goods sold was \$113.1 million in 2002, which represented an increase of 4.3% or \$4.6 million from 2001. Of this increase, \$2.5 million was due to higher sales volume and \$2.1 million was due to higher weighted average costs per gallon.

With respect to the key raw materials used to make our products, we expect that the cost of fumed silica we purchase from Cabot Corporation used in the manufacture of CMP slurries will continue to increase according to the terms of our existing fumed metal oxide agreement with Cabot Corporation, which provides for a fixed annual increase in the price of silica of 2.0% of the initial price and additional increases if Cabot Corporation's raw material costs increase. Also, in order to meet certain of our needs for fumed alumina given the

anticipated growth in sales of fumed alumina based slurries, in December 2001, we entered into a fumed alumina supply agreement with Cabot Corporation and an amendment to the fumed metal oxide agreement with respect to its fumed alumina terms. Under this fumed alumina supply agreement, Cabot Corporation

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expanded its capacity for the manufacture of fumed alumina and we have the first right to all this capacity. The agreement provides that the price Cabot Corporation charges us for fumed alumina is based on all of its fixed and variable costs for producing the fumed alumina, plus its capital costs for expanding its capacity, plus an agreed upon rate of return on investment, plus incentive payments if they produce more than a certain amount that meets our specifications per year. The terms of this agreement, along with those contained in the amendment to the fumed metal oxide agreement, were retroactive to October 2001 and our average cost per pound for alumina from Cabot Corporation since that time is higher than paid previously under the original fumed metal oxide agreement. Had we paid this higher average cost per pound for all fumed alumina purchased in fiscal 2001, cost of goods sold in that period would have increased by approximately \$1.0 million.

Certain costs will decrease in the future due to the expiration on June 30, 2002 of a contingent payment arrangement resulting from our 1995 acquisition of selected assets used or created in connection with the development and sale of polishing slurries. We had made payments under this agreement of 2.5% of applicable slurry revenue from July, 1995 through our last payment in August, 2002. Cost of goods sold for the quarter ended September 30, 2002 included a final payment of \$0.6 million, which now completely terminates our obligation under this contract.

Our need for additional quantities of key raw materials in the future has required and will continue to require that we enter into new supply arrangements with third parties. In July 2002, we entered into an agreement for certain materials with a supplier in which we are obligated to purchase, subject to the supplier's ability to deliver, certain minimum quantities based upon certain forecasted requirements over a one-year period. We do not expect this agreement to have a material effect on our cost of goods sold. However, we may enter into arrangements in the future that could result in costs which are higher than those in the existing agreements

GROSS PROFIT

Our gross profit as a percentage of total revenue was 51.9% in 2002 as compared to 52.3% in 2001. The decrease in gross profit resulted primarily from an increase in fixed manufacturing costs offset partially by an increase in weighted average selling prices.

RESEARCH AND DEVELOPMENT

Total research and development expenses were \$33.7 million in 2002, which represented an increase of 30.5% or \$7.9 million, from 2001. Research and development expense increased \$2.3 million due to increased staffing, \$2.0 million due to higher wafer purchases and \$1.5 million due to depreciation and operating costs of our new R&D facility. An additional \$1.1 million increase resulted from allocating certain common facility operating costs to R&D. These costs had previously been treated as general and administrative expense prior to the R&D facility addition to our existing office building. Key activities during the year involved the continued development of new and enhanced slurry products, with a significant focus on slurries for polishing copper, and new CMP polishing pad technology.

SELLING AND MARKETING

Selling and marketing expenses were \$9.7 million in 2002, which represented an increase of 10.4%, or \$0.9 million, over 2001. The increase was primarily due to increased staffing in North America.

GENERAL AND ADMINISTRATIVE

General and administrative expenses were \$17.5 million in 2002, which represented a decrease of 17.1%, or \$3.6 million, from 2001. The decrease was primarily due to the absence of \$0.7 million of stock compensation and other costs associated with an executive leaving the business in fiscal 2001, a net decrease in non-cash charges related to modifications of stock option agreements

of \$0.7 million, reduced relocation and recruiting costs of \$0.5 million, decrease in professional fees of \$0.7 million, decrease in facilities charges of \$1.5 million due to the change in allocation of certain common facility operating costs described under Research and Development and a net decrease in the provision for doubtful accounts of \$0.9 million. These

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reductions were partially offset by an increase in depreciation of \$1.4 million associated with administrative areas of the R&D facility addition. We expect that general and administrative expenses will increase due to higher premiums and increased coverage with respect to directors and officers liability insurance.

LITIGATION SETTLEMENT

During the second fiscal quarter of 2002, we settled all pending patent infringement litigation with Rodel, which resulted in a one-time payment of \$1.0 million. Under the settlement agreement, we received a fully paid-up, worldwide royalty-free license to all technology that was the subject of the litigation and their foreign equivalents, and we have no further financial obligation with respect to this matter.

AMORTIZATION OF INTANGIBLES

Amortization of intangibles was \$0.3 million in 2002 compared to \$0.7 million in 2001. The reduction of approximately \$0.4 million occurred as we adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets", effective October 1, 2001, which required the amortization of goodwill to be discontinued and that goodwill be instead tested for impairment at least annually.

OTHER INCOME, NET

Other income was \$0.8 million in 2002, compared to \$1.0 million in 2001. The decrease of approximately \$0.2 million was primarily due to \$0.7 million of interest expense from capital leases entered into during the current fiscal year, a payment of \$0.3 million to Cabot Corporation to reimburse them for certain capital improvements made to equipment used to supply us with material that was abandoned and the absence of \$0.2 million interest income on accounts receivable balances. These decreases were almost entirely offset by unrealized foreign exchange gains resulting from the strengthening of the Japanese Yen and increased interest income due to higher cash balances over the prior year.

PROVISION FOR INCOME TAXES

The effective income tax rate was 33.0% in 2002 and 34.0% in 2001. The decrease in the effective tax rate was mainly due to an increase in tax credits from expanded research and experimentation activities.

NET INCOME

Net income was \$40.7 million in 2002, which represented a decrease of 2.9%, or \$1.2 million, from 2001 as a result of the factors discussed above.

YEAR ENDED SEPTEMBER 30, 2001 VERSUS YEAR ENDED SEPTEMBER 30, 2000

REVENUE

Total revenue was \$227.2 million in 2001, which represented a 25.4%, or \$46.0 million, increase from 2000. Of this increase, \$37.4 million was due to a 20.6% increase in volume and \$8.6 million was due to increased weighted average selling prices. Fiscal 2001 revenue would have been \$3.8 million higher had the Japanese Yen average exchange rate for the year held constant with the prior fiscal year average. Total revenue in 2000 would have been \$0.6 million lower had our dispersion services agreement with Cabot Corporation been in effect throughout the entire fiscal year. Most of our revenues are derived from sales of products used in the manufacture of advanced IC devices. Manufacturing of IC devices declined throughout calendar year 2001 as a result of the downturn in the semiconductor industry and weak global economic conditions. As a result, our fiscal 2001 quarterly revenues were the highest in our first quarter at \$68.6 million and were the lowest in our fourth fiscal quarter at \$51.4 million, which was essentially flat with revenues in the third fiscal quarter.

COST OF GOODS SOLD

Total cost of goods sold was \$108.4 million in 2001, which represented an increase of 25.6% or \$22.1 million from 2000. Of this increase, \$17.8 million was due to higher sales volume and \$4.3 million was due to higher weighted average costs per gallon. Cost of goods sold would have been \$4.2 million higher in 2000 had our dispersion services and fumed metal oxide agreements with Cabot Corporation been in effect throughout the entire fiscal year. Higher costs per gallon resulted from a shift in product mix and higher raw material costs. Had the fumed alumina supply agreement with Cabot Corporation, which was entered into in December 2001, been in effect during the year ended September 30, 2001, cost of goods sold for that period would have increased by approximately \$1.0 million.

GROSS PROFIT

Our gross profit as a percentage of total revenue of 52.3% in 2001 was essentially flat as compared to 52.4% in 2000. Gross profit as a percentage of total revenue would have been 49.9% in 2000 had our dispersion services and fumed metal oxide agreements with Cabot Corporation been in effect throughout the entire fiscal year. On a comparable basis, the increase in gross profit of 2.4 percentage points resulted primarily from favorable product mix.

RESEARCH AND DEVELOPMENT

Research and development expenses were \$25.8 million in 2001, which represented an increase of 30.6%, or \$6.0 million, over 2000. This resulted primarily from higher staffing levels and operating supplies needed to support our continued investments in research and development. Key activities during the twelve months ended September 30, 2001 involved the continued development of new and enhanced slurry products with a significant focus on slurries for polishing copper, CMP polishing pad technology and advanced particle technology.

SELLING AND MARKETING

Selling and marketing expenses were \$8.8 million in 2001, which represented an increase of 15.3%, or \$1.2 million, over 2000. The increase was due primarily to the hiring of additional customer support personnel in North America, Japan and Taiwan.

GENERAL AND ADMINISTRATIVE

General and administrative expenses were \$21.1 million in 2001, which represented an increase of 5.4%, or \$1.1 million, from 2000. Fiscal 2000 includes compensation expense of \$3.8 million related to options granted to non-Cabot Microelectronics employees at the time of the initial public offering and a charge for the accelerated vesting of long term incentives and benefits at the time of the spin-off from Cabot Corporation. Absent these prior year charges, general and administrative expenses increased 29.8%, or \$4.9 million, primarily due to increased staffing and other expenses necessary to support the general growth of the business and the administrative activities of a stand alone company.

AMORTIZATION OF INTANGIBLES

Amortization of intangibles was \$0.7 million in 2001 and 2000 resulting from goodwill and other intangible assets associated with the acquisition of selected distributor assets from a third party in 1995.

PROVISION FOR INCOME TAXES

The effective income tax rate was 34.0% in 2001 and 35.0% in 2000. The decrease in the effective tax rate was mainly driven by an increase in tax credits from expanded research and experimentation activities.

NET INCOME

Net income was \$41.9 million in 2001, which represented an increase of 37.4%, or \$11.4 million, from 2000 as a result of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

We had cash flows from operating activities of \$53.5 million in 2002, \$62.5 million in 2001 and \$31.9 million in 2000. Our cash provided by operating activities in 2002 resulted from net income of \$40.7 million plus non-cash items of \$15.1 million which was offset partially by a net increase in working capital of \$2.3 million. The increase in working capital resulted primarily from an increase in inventories and prepaid and other assets which were partially offset by increases in income taxes payable. Our principal funding requirements have been for additions to property, plant and equipment that support the expansion of our business and technological capability.

In 2002, cash flows used in investing activities were \$35.3 million, primarily due to the construction and completion of our new research and development facility in Aurora, Illinois, and equipping the facility with additional research and development equipment. We also purchased additional production-related equipment to be used in Aurora, Illinois and invested in the development and implementation of our stand-alone business information system. In 2001, cash flows used in investing activities were \$35.3 million, primarily related to the capacity expansion of our Geino, Japan facility and construction of our new Aurora, Illinois research and development facility. In 2000, cash flows used in investing activities were \$37.2 million, primarily related to the construction of our Aurora, Illinois manufacturing facility, the purchase of land and construction of a new distribution facility in Korea, the purchase of research and development equipment and the purchase of additional land in Geino, Japan.

We had cash flows from financing activities of \$3.6 million in 2002 which resulted from the issuance of common stock of \$4.5 million for both the exercise of stock options and the Employee Stock Purchase Plan, offset partially by principal payments of \$0.9 million made under capital lease obligations. In 2001 cash flows from financing activities of \$10.4 million resulted from the exercise of stock options and issuance of shares under our Employee Stock Purchase Plan. In 2000, cash flows from financing activities of \$15.2 million resulted primarily from capital contributions from Cabot Corporation of \$10.1 million, net proceeds from our initial public offering of \$82.8 million and borrowings of \$17.0 million under a term credit facility. We paid Cabot Corporation dividends of \$17.0 million in March 2000 and \$64.3 million in April 2000. Also, during the third quarter of 2000, we repaid \$13.5 million of borrowings under our term credit facility.

At September 30, 2002 debt was comprised of an unsecured term loan in the amount of \$3.5 million funded on the basis of the Illinois State Treasurer's Economic Program. This loan is due on April 3, 2005 and incurs interest at an annual rate of 4.68%. On July 10, 2001, the agreement between Cabot Microelectronics and LaSalle Bank for this loan was amended and restated. Although the loan amount of \$3.5 million was unchanged, various other terms were revised and the termination date was amended from June 1, 2005 to April 3, 2005.

On July 10, 2001 we entered into a \$75.0 million unsecured revolving credit and term loan facility with a group of commercial banks which replaced our \$25.0 million unsecured revolving credit facility and \$8.5 million revolving line of credit, both of which were terminated. On February 5, 2002, this agreement was amended with no material changes in terms. Under this agreement, which terminates July 10, 2004, interest accrues on any outstanding balance at either the institution's base rate or the eurodollar rate plus an applicable margin. A non-use fee also accrues. Loans under this facility are anticipated to be used primarily for general corporate purposes, including working capital and capital expenditures. The credit agreement also contains various covenants. No amounts are currently outstanding or were outstanding at September 30, 2001 under this credit facility and we are currently in compliance with the covenants.

We estimate that our total capital expenditures in fiscal year 2003 will be approximately \$24.0 million, approximately \$0.6 million of which we have already spent as of October 31, 2002. Our major capital expenditures in 2003 are currently expected to be:

- approximately \$12.0 million for advanced clean room equipment, polishing and other equipment primarily for use in our new research and development facility; and

- approximately \$12.0 million for general expansion of operations and new business support.

As our business needs in South Korea have changed, in November 2002 we entered into a purchase and sale agreement with a third party to sell our distribution center and land in Ansong, South Korea. The sale is pending and estimated final proceeds approximate the net book value of the assets being sold.

We believe that cash generated by our operations and borrowings under our revolving credit facility will be sufficient to fund our operations and expected capital expenditures in the foreseeable future. However, we plan to expand our business and continue to improve our technology and, to do so, we may be required to raise additional funds in the future through public or private equity or debt financing, strategic relationships or other arrangements.

DISCLOSURES ABOUT CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

At September 30, 2002 and 2001, we did not have any unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which might have been established for the purpose of facilitating off-balance sheet arrangements.

The following summarizes our contractual obligations at September 30, 2002, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

CONTRACTUAL OBLIGATIONS

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
	-----	-----	-----	-----	-----
	(IN MILLIONS)				
Long-term debt.....	\$ 3.5	\$ 0.0	\$ 3.5	\$0.0	\$0.0
Capital lease obligations.....	10.5	1.6	3.5	2.1	3.3
Operating leases.....	1.1	0.4	0.5	0.1	0.1
Unconditional purchase obligations.....	26.4	12.3	6.7	2.8	4.6
Other long-term obligations.....	1.7	0.4	1.3	0.0	0.0
	-----	-----	-----	-----	-----
Total contractual cash obligations.....	\$43.2	\$14.7	\$15.5	\$5.0	\$8.0
	=====	=====	=====	=====	=====

LONG-TERM DEBT

At September 30, 2002 debt was comprised of an unsecured term loan in the amount of \$3.5 million funded under the Illinois State Treasurer's Economic Program. The interest rate is 4.68% and the loan is due April 3, 2005.

CAPITAL LEASE OBLIGATIONS

On December 12, 2001 we entered into a fumed alumina supply agreement with Cabot Corporation. Under this agreement, Cabot Corporation expanded its capacity in Tuscola, Illinois for the manufacture of fumed alumina. Payments by us for capital costs for the facility have been treated as a capital lease for accounting purposes and the present value of the minimum quarterly payments of approximately \$0.3 million resulted in a \$9.8 million lease obligation and related leased asset. The agreement has an initial five year term, which expires in 2006, but we can choose to renew the agreement for another five year term, which would expire in 2011. We also can choose not to renew the agreement subject to certain terms and conditions and the payment of certain costs, after the initial five year term. Capital lease payments to Cabot Corporation

commenced in the second quarter of fiscal 2002 and a total of \$0.9 million has been paid as of September 30, 2002.

On January 11, 2002 we entered into a CMP tool and polishing consumables transfer agreement with a third party under which we agreed to transfer polishing consumables to them in return for a CMP polishing tool. The polishing tool has been treated as a capital lease and the aggregate fair market value of

the polishing consumables resulted in a \$2.0 million lease obligation. The agreement has approximately a three-year term, which expires in November 2004.

OPERATING LEASES

We lease certain vehicles, warehouse facilities, office space, machinery and equipment under cancelable and noncancelable operating leases, most of which expire within ten years and may be renewed by us.

UNCONDITIONAL PURCHASE OBLIGATIONS

Unconditional purchase obligations include our noncancelable purchase commitments and take-or-pay arrangements with suppliers. We operate under an amended fumed metal oxide agreement with Cabot Corporation for the purchase of two key raw materials, fumed silica and fumed alumina. We are obligated to purchase at least 90% of our six-month volume forecast of fumed silica and must pay the difference if we purchase less than that amount. We currently anticipate meeting minimum forecasted purchase volume requirements. Also, under our fumed alumina supply agreement with Cabot Corporation we are obligated to pay certain fixed, capital and variable costs through December of 2006. This agreement has an initial five year term, but we can choose to renew the agreement for another five year term, which would expire in December 2011. If we do not renew the agreement, we will become subject to certain terms and conditions and the payment of certain costs. Unconditional purchase obligations include \$21.9 million of contractual commitments based upon our anticipated renewal of the agreement through December 2011.

Unconditional purchase obligations also includes \$0.6 million related to a purchase agreement entered into with a supplier in July 2002 for certain materials in which we are obligated to purchase, subject to the supplier's ability to deliver, certain minimum quantities based upon certain forecasted requirements over a one-year period. We currently anticipate meeting minimum forecasted purchase volume requirements.

We also have a long-term agreement with a supplier to purchase materials for use in one of our product lines that is not currently in commercial production. As of September 30, 2002, we are obligated to purchase, subject to the supplier's ability to deliver, \$3.2 million of materials over the remaining term of the agreement, which expires in June, 2005. There exists the possibility that we will not require the entire amount of material provided for under the agreement, but we still would be obligated to pay for it. We have not recorded a liability for this possible loss as we plan to and are evaluating the use of the production capabilities of this supplier in conjunction with this product line strategy. In fiscal 2001 and 2002, we made payments to this supplier of \$0.5 million and \$0.7 million, respectively for purchasing less than the contractual minimum. We also are required to reimburse the supplier for all approved research and development costs related to the materials. The supplier will repay these research and development reimbursements if our material purchases from them reach certain levels.

In November 2002, we entered into a purchase agreement for certain materials with a supplier and we are obligated to purchase \$0.2 million over the life of the contract. We also expect to purchase \$0.5 million of capital assets to be placed in service at this supplier.

OTHER LONG-TERM OBLIGATIONS

We have an agreement with Davies Imperial Coatings, Inc. ("Davies") pursuant to which Davies will perform certain agreed-upon dispersion services. We have agreed to purchase minimum amounts of services per year and to invest approximately \$0.2 million per year in capital improvements or other expenditures to maintain capacity at the Davies dispersion facility. The initial term of the agreement expires in October 2004,

with automatic one-year renewals, and contains a 90-day cancellation clause executable by either party. We are obligated to make a termination payment if the agreement is not renewed.

On July 10, 2001 we entered into a \$75.0 million unsecured revolving credit and term facility with a group of commercial banks. Under this agreement, which terminates July 10, 2004, we are obligated to pay an administrative fee and a non-use fee. No amounts are currently outstanding under this agreement and we

are currently in compliance with the covenants.

On September 25, 2002 we entered into a licensing agreement for a product line under development. Under this agreement we are required to pay an annual non-refundable minimum annual licensing fee. In addition, we have committed to rent or purchase equipment to develop and commercialize the licensed product. This agreement is cancelable at any time and shall remain in effect until terminated upon the mutual agreement of the parties involved.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") which is effective for fiscal years beginning after June 15, 2002. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We do not expect the adoption of SFAS 143 will have a material impact on our consolidated financial position, results of operations, or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") which is effective for fiscal years beginning after December 15, 2001. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" while retaining many of the provisions of that statement. SFAS 144 also supercedes the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting for the Impairment or Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions ("APB No. 30"). We do not expect the adoption of SFAS 144 will have a material impact on our consolidated financial position, results of operations, or cash flows.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145") which is effective for fiscal years beginning after May 15, 2002. SFAS 145 updates, clarifies and simplifies existing accounting pronouncements. We do not expect the standard will have a significant impact on our consolidated financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") which supercedes Emerging Issues Task Force Issue No. 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of the commitment to an exit or disposal plan. This statement is effective for exit or disposal activities that are initiated after December 31, 2002 and its adoption will have no impact on our historical consolidated financial position, results of operations or cash flows.

In October 2002, the FASB issued SFAS No. 147, "Acquisition of Certain Financial Institutions," which is not applicable to us.

NON-AUDIT SERVICES PERFORMED BY EXTERNAL AUDITORS

Pursuant to Section 10A(i)(2) of the Securities Exchange Act of 1934, as added by Section 202 of the Sarbanes-Oxley Act of 2002, we are responsible for disclosing to investors the non-audit services approved by our Audit Committee to be performed by PricewaterhouseCoopers LLP, our external auditor. Non-audit services are defined in the law as services other than those provided in connection with an audit or a review of the financial statements of the company. During the period covered by this filing our Audit Committee

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preapproved the following non-audit services, which subsequently were or are being performed by PricewaterhouseCoopers LLP: (1) tax compliance consultations; (2) tax compliance and advice related to our foreign operations and the creation of our foreign subsidiaries; and (3) tax consultations with respect to our Employee Stock Purchase and Equity Incentive Plans.

WEBSITE ACCESS TO REPORTS

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, definitive

proxy statements on Form 14a, current reports on Form 8-K, and any amendments to those reports, are made available free of charge on our company website at "www.cabotcmp.com" as reasonably practicable after such reports are filed with the Securities and Exchange Commission (SEC). Statements of changes in beneficial ownership of our securities on Form 4 by our executive officers and directors are made available on our company website by the end of the business day following the submission to the SEC of such filings.

CODE OF ETHICS

We have adopted a code of business conduct for all of our employees and directors, including our principal executive officer, other executive officers, acting principal financial officer and senior financial personnel. A copy of our code of business conduct is attached hereto as Exhibit 10.34 and also is available on our company website at "www.cabotcmp.com". We intend to post on our website any material changes to, or waiver from our code of business conduct, if any, within two days of any such event.

FACTORS AFFECTING FUTURE OPERATING RESULTS

RISKS RELATING TO OUR BUSINESS

WE HAVE A NARROW PRODUCT RANGE AND OUR PRODUCTS MAY BECOME OBSOLETE, OR TECHNOLOGICAL CHANGES MAY REDUCE OR LIMIT INCREASES IN CMP CONSUMPTION

Our business is substantially dependent on a single class of products, CMP slurries, which historically has accounted for almost all of our revenue. Our business would suffer if these products became obsolete or if consumption of these products decreased. Our success depends on our ability to keep pace with technological changes and advances in the semiconductor industry and to adapt and improve our products in response to evolving customer needs and industry trends. Since its inception, the semiconductor industry has experienced rapid technological changes and advances in the design, manufacture, performance and application of IC devices and these changes and advances are expected to continue in the future. One or more developments in the semiconductor or related industries may render our products obsolete or less important to the IC device manufacturing process.

A SIGNIFICANT AMOUNT OF OUR BUSINESS COMES FROM A LIMITED NUMBER OF LARGE CUSTOMERS AND OUR REVENUE AND PROFITS COULD DECREASE SIGNIFICANTLY IF WE LOST ONE OR MORE OF THEM AS CUSTOMERS

Our customer base is concentrated among a limited number of large customers. One or more of these principal customers may stop buying CMP slurries from us or may substantially reduce the quantity of CMP slurries they purchase from us. Any cancellation, deferral or significant reduction in CMP slurries sold to these principal customers or a significant number of smaller customers could seriously harm our business, financial condition and results of operations. In fiscal year 2002, our five largest customers, of which two are distributors, accounted for approximately 63% of our revenue, with Marketech, one of these distributors, and Intel accounting for approximately 24% and 16% of our revenue, respectively. In fiscal year 2001, our five largest customers accounted for approximately 55% of our revenue, with Marketech and Intel accounting for approximately 21% and 14% of our revenue, respectively.

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DEMAND FOR OUR PRODUCTS AND OUR BUSINESS MAY BE ADVERSELY AFFECTED BY A FURTHER DECLINE IN WORLDWIDE ECONOMIC AND INDUSTRY CONDITIONS

Our business is affected by current economic and industry trends and it is extremely difficult to predict sales of our products given uncertainties in these factors. During fiscal 2001 and the first and second fiscal quarters of 2002 the global economic slowdown and weakening in demand for electronic systems, coupled with higher than normal chip inventories, affected our quarterly revenue trends. Although our third and fourth fiscal quarters of this year showed improvement over previous quarters, concerns remain regarding the health of the global economy and semiconductor industry and further declines or lack of improvement in current economic and industry conditions could adversely affect our business.

ANY PROBLEM OR INTERRUPTION IN OUR SUPPLY FROM CABOT CORPORATION OR OTHER SUPPLIERS OF OUR MOST IMPORTANT RAW MATERIALS, INCLUDING FUMED METAL OXIDES, COULD DELAY OUR SLURRY PRODUCTION AND ADVERSELY AFFECT OUR SALES

Fumed metal oxides, both fumed silica and fumed alumina, are the primary raw materials we use in many of our CMP slurries. Our business would suffer from any problem or interruption in our supply of fumed metal oxides or other key raw materials. We entered into a fumed metal oxide agreement with Cabot Corporation, which became effective upon completion of our initial public offering in April, 2000. In December, 2001 we entered into a fumed alumina supply agreement with Cabot Corporation and an amendment to the fumed metal oxide agreement with respect to fumed alumina. Under these agreements, Cabot Corporation continues to be our primary supplier of certain fumed metal oxides for our slurry products produced as of the date of the initial public offering with respect to fumed silica and as of the effective date of the new fumed alumina supply agreement with respect to certain amounts of fumed alumina. Under the fumed alumina supply agreement, Cabot Corporation expanded its capacity for the manufacture of fumed alumina to which we have first right to all capacity from the expansion and, under the amended fumed metal oxide agreement, we now have first right, subject to certain terms and conditions, to the fumed alumina capacity from that facility. We face the risk of significant increases in the price of fumed metal oxides under these agreements if Cabot Corporation's cost of production increases. It may be difficult to secure alternative sources of fumed metal oxides in the event Cabot Corporation or another supplier is unable to supply us with sufficient quantities of fumed metal oxides which meet the quality required by our customers' supply needs and technical specifications, or encounters supply problems, including but not limited to any related to quality, functionality of equipment, natural disasters, work stoppages or raw material availability. In addition, contractual amendments to the existing agreements with, or non-performance by, Cabot Corporation or another supplier, may adversely affect us as well.

In addition, if we change the supplier or type of key raw materials such as fumed metal oxides we use to make our existing CMP slurries or are required to purchase them from a different manufacturer or manufacturing facility, whether Cabot Corporation or another party, in certain circumstances our customers are forced to requalify our CMP slurries for their manufacturing processes and products. The requalification process takes a significant amount of time to complete, possibly interrupting or reducing our sales of CMP slurries to these customers.

We have also specifically engineered our slurry chemistries with key raw materials such as fumed metal oxides. A change in the fumed metal oxides or other key raw materials we use to make our slurry products could require us to modify our products. This modification may involve a significant amount of time and cost to complete and could require our customers to requalify our products, and therefore could have an adverse effect on our business and sales.

OUR BUSINESS COULD BE SERIOUSLY HARMED IF OUR EXISTING OR FUTURE COMPETITORS DEVELOP SUPERIOR SLURRY PRODUCTS, OFFER BETTER PRICING TERMS OR SERVICE, OBTAIN CERTAIN INTELLECTUAL PROPERTY RIGHTS OR IF ANY OF OUR MAJOR CUSTOMERS DEVELOP IN-HOUSE SLURRY MANUFACTURING CAPABILITY

Competition has intensified in the past year, and increased competition from current CMP slurry manufacturers, new entrants to the CMP slurry market or a decision by any of our major customers to produce

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slurry products in-house could seriously harm our business and results of operations. Competition has increased from other existing providers of CMP slurries and opportunities exist for other companies with sufficient financial or technological resources to emerge as potential competitors by developing their own CMP slurry products. Some of our major customers, and some potential customers, currently manufacture slurries in-house and others have the financial and technological capability to do so. The existence or threat of increased competition and in-house production could limit or reduce the prices we are able to charge for our slurry products. In addition, our competitors may have or obtain intellectual property rights which may restrict our ability to market our existing products and/or to innovate and develop new products.

BECAUSE WE HAVE LIMITED EXPERIENCE IN MANUFACTURING AND SELLING CMP POLISHING PADS, EXPANSION OF OUR BUSINESS INTO THIS AREA MAY NOT BE SUCCESSFUL

An element of our strategy is to leverage our current customer relationships and technological expertise to expand our business into new product areas and applications, including manufacturing CMP polishing pads. We

have had limited experience in developing and marketing these products, which involve technologies and production processes that are relatively new to us. We, the suppliers of the raw materials that we use to develop our polishing pads, or the provider of pads for whom we act as distributor, may not be able to solve any technological or production problems that we or they may encounter. In addition, if we, our suppliers or pad provider are unable to keep pace with technological or other developments in the design and production of polishing pads, we will probably not be competitive in the polishing pad market. In addition, our competitors may have or obtain intellectual property rights which may restrict our ability to market our existing products and/or to innovate and develop new products. For these reasons, the expansion of our business into CMP polishing pads may not be successful.

BECAUSE WE RELY HEAVILY ON OUR INTELLECTUAL PROPERTY, OUR FAILURE TO ADEQUATELY PROTECT OR OBTAIN IT COULD SERIOUSLY HARM OUR BUSINESS

Protection of intellectual property is particularly important in our industry because CMP slurry and pad manufacturers develop complex and technical formulas for CMP products which are proprietary in nature and differentiate their products from those of competitors. Our intellectual property is important to our success and ability to compete. We attempt to protect our intellectual property rights through a combination of patent, trademark, copyright and trade secret laws, as well as employee and third-party nondisclosure and assignment agreements. Our failure to obtain or maintain adequate protection of our intellectual property rights for any reason could seriously harm our business.

Policing the unauthorized use of our intellectual property is difficult, and the steps we have taken may not detect or prevent the misappropriation or unauthorized use of our technologies. In addition, other parties may independently develop or otherwise acquire the same or substantially equivalent technologies to ours.

WE ARE SUBJECT TO SOME RISKS ASSOCIATED WITH OUR FOREIGN OPERATIONS

We currently have operations and a large customer base outside the United States. For fiscal 2002, approximately 66% of our revenue was generated by sales to customers outside the United States. For fiscal 2001, approximately 62% of our revenue was generated by sales to customers outside the United States. We encounter risks in doing business in foreign countries. These risks include, but are not limited to, adverse changes in economic and political conditions, as well as the difficulty in enforceability of business and customer contracts and agreements, including protection of intellectual property rights. We have announced our intention to sell directly to customers in Europe, Singapore and Malaysia beginning in June, 2003. We currently service these customers through Metron, a third party distributor. Selling directly may increase our risk of conducting business in foreign countries.

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OUR ABILITY TO RAISE CAPITAL IN THE FUTURE MAY BE LIMITED AND THIS MAY LIMIT OUR ABILITY TO EXPAND OUR BUSINESS AND IMPROVE OUR TECHNOLOGY

We plan to expand our business and continue to improve our technology. This may require funds in excess of those generated from operating activities and from those available under existing credit facilities. Therefore, we may be required to raise additional funds in the future through public or private equity or debt financing, strategic relationships or other arrangements. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could negatively impact our financial condition or results of operations. Additional equity financing may be dilutive to the holders of our common stock and additional debt financing, if available, may involve restrictive covenants.

HISTORICAL FINANCIAL INFORMATION PRIOR TO FISCAL 2001 MAY NOT BE REPRESENTATIVE OF OUR RESULTS AS A SEPARATE COMPANY

The historical financial information we have presented may not reflect what our results of operations, financial position and cash flows would have been had we been a separate, stand-alone entity for fiscal years prior to 2001 and may not be indicative of what our results of operations, financial position and cash flows will be in the future. As a result, information to evaluate our business is limited. This is because when we were a division of Cabot Corporation, Cabot Corporation provided us with various services and allocated expenses for these services to us in amounts that may not have been the same as the expenses we

would have incurred had we performed or acquired these services ourselves. At the time of our initial public offering, we changed our fumed metal oxide supply and dispersion services arrangements with Cabot Corporation and the prices we are paying and anticipate paying in the future under these and other arrangements. In December 2001 we entered into an amendment to the fumed metal oxide agreement and a new agreement for the purchase of fumed alumina. Also, the historical financial information for the periods prior to our initial public offering does not reflect other events and changes that have occurred as a result of our separation from Cabot Corporation, including the establishment of our capital structure, the incurrence of debt and changes in our expenses as a result of new employee, tax and other structures and matters.

RISKS RELATING TO OUR SEPARATION FROM CABOT CORPORATION

CERTAIN OF OUR DIRECTORS OR EXECUTIVE OFFICERS MAY HAVE CONFLICTS OF INTEREST BECAUSE THEY ALSO OWN CABOT CORPORATION STOCK

Three former members of our board of directors were directors and/or executive officers of Cabot Corporation during their term of service on our board. One former director resigned from our board in July 2001, one did not stand for reelection and his term of service expired at our annual meeting held in March, 2002, and one resigned in April, 2002. During their term on our board, these former directors had obligations to both companies and may have had conflicts of interest with respect to matters involving or affecting us, such as acquisitions and other corporate opportunities that may have been suitable for both us and Cabot Corporation, as well as related party transactions and agreements between us and Cabot Corporation such as our fumed metal oxide, fumed alumina supply, and dispersion services agreements.

In addition, some of our executive officers own Cabot Corporation stock that they acquired as employees of Cabot Corporation, and some directors own Cabot Corporation stock that they acquired independently. This ownership could create, or appear to create, potential conflicts of interest when these directors and officers are faced with decisions that could have different implications for our company and Cabot Corporation.

WE MAY HAVE CONFLICTS WITH CABOT CORPORATION WITH RESPECT TO OUR PAST AND ONGOING RELATIONSHIPS

Conflicts of interest may arise between Cabot Corporation and us in a number of areas relating to our past and ongoing relationships. We may have conflicts with Cabot Corporation that we cannot resolve and, even if we are able to do so, the resolution of these conflicts may not be as favorable as if we were dealing with a party with whom we had never been affiliated. For example, Cabot Corporation continues to be our primary supplier, subject to certain terms and conditions, of fumed silica and fumed alumina under a fumed metal

oxide agreement that became effective upon completion of our initial public offering in April, 2000, and of fumed alumina under a fumed alumina supply agreement and an amendment to the fumed metal oxide agreement, both of which we entered into in December, 2001. These and other agreements were made or structured in the context of an affiliated relationship and generally were negotiated in the overall context of our separation from Cabot Corporation. The prices and other terms under these agreements may be less favorable to us than what we could have obtained in arm's-length negotiations at the time with unaffiliated third parties for similar services or under similar agreements. It is particularly difficult to assess whether the price for fumed metal oxides provided under our fumed metal oxide supply agreement and its December, 2001 amendment with respect to fumed alumina, fumed alumina supply agreement or other arrangements with Cabot Corporation is the same as or different from the price we could have obtained in arm's-length negotiations at the time with an unaffiliated third party in light of the long-term nature of the contracts, the volumes provided for under the agreements and our particular quality requirements.

At the time of the filing of our Form 10-Q for the quarterly period ended December 31, 2001 and through April 2002, two officers of Cabot Corporation served as members of our board of directors. Because of these relationships, which ceased as of April 2002, we make the following disclosures: during fiscal 2001, we purchased approximately \$49.5 million of fumed metal oxides from Cabot Corporation under the fumed metal oxide agreement. During fiscal 2002, we paid Cabot Corporation \$38.8 million under that agreement. The fumed alumina supply

agreement did not become effective until fiscal 2002, and we paid no amount to Cabot Corporation under it in fiscal 2001. During fiscal 2002 we paid Cabot Corporation \$5.2 million under the fumed alumina supply agreement.

IF THE SPIN-OFF IS NOT TAX-FREE, WE COULD BE LIABLE TO CABOT CORPORATION FOR THE RESULTING TAXES

On September 29, 2000, Cabot Corporation effected the spin-off of Cabot Microelectronics by distributing 0.280473721 shares of our common stock as a dividend on each share of Cabot Corporation common stock outstanding on September 13, 2000, or an aggregate of 18,989,744 shares of our common stock. We have agreed to indemnify Cabot Corporation in the event the spin-off is not tax-free to Cabot Corporation as a result of various actions taken by or with respect to us or our failure to take various actions, all as set forth in our tax sharing agreement with Cabot Corporation. We may not be able to control some of the events that could trigger this liability.

RISKS RELATING TO THE MARKET FOR OUR COMMON STOCK

THE MARKET PRICE MAY FLUCTUATE SIGNIFICANTLY AND RAPIDLY

The market price of our common stock has and could continue to fluctuate significantly as a result of factors such as: economic and stock market conditions generally and specifically as they may impact participants in the semiconductor industry; changes in financial estimates and recommendations by securities analysts following our stock; earnings and other announcements by, and changes in market evaluations of, us or participants in the semiconductor industry; changes in business or regulatory conditions affecting us or participants in the semiconductor industry; announcements or implementation by us or our competitors of technological innovations or new products; and trading volume of our common stock.

The securities of many companies have experienced extreme price and volume fluctuations in recent years, often unrelated to the companies' operating performance. Specifically, market prices for securities of technology related companies have frequently reached elevated levels, often following their initial public offerings. These levels may not be sustainable and may not bear any relationship to these companies' operating performances. In the past, following periods of volatility in the market price of a company's securities, stockholders have often instituted securities class action litigation against a company. If we were involved in a class action suit, it could divert the attention of senior management, and, if adversely determined, have a negative impact on our business, results of operations and financial condition.

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ANTI-TAKEOVER PROVISIONS UNDER OUR CERTIFICATE OF INCORPORATION AND BYLAWS, OUR RIGHTS PLAN AND DELAWARE GENERAL CORPORATION LAW MAY ADVERSELY AFFECT THE PRICE OF OUR COMMON STOCK, DISCOURAGE THIRD PARTIES FROM MAKING A BID FOR OUR COMPANY OR REDUCE ANY PREMIUMS PAID TO OUR STOCKHOLDERS FOR THEIR COMMON STOCK

Our certificate of incorporation, our bylaws, our rights plan and various provisions of the Delaware General Corporation Law may make it more difficult to effect a change in control of our company. Our certificate of incorporation, our by-laws, our rights plan and the various provisions of Delaware General Corporation Law may adversely affect the price of our common stock, discourage third parties from making a bid for our company or reduce any premiums paid to our stockholders for their common stock. For example, our amended certificate of incorporation authorizes our board of directors to issue up to 20 million shares of blank check preferred stock and to attach special rights and preferences to this preferred stock. The issuance of this preferred stock may make it more difficult for a third party to acquire control of us. Also our amended certificate of incorporation provides for the division of our board of directors into three classes as nearly equal in size as possible with staggered three-year terms. This classification of our board of directors could have the effect of making it more difficult for a third party to acquire our company, or of discouraging a third party from acquiring control of our company. In addition, the rights issued to our stockholders under our rights plan may make it more difficult or expensive for another person or entity to acquire control of us without the consent of our board of directors.

We have adopted change-in-control arrangements covering our executive officers and other key employees. These arrangements provide for a cash severance payment, continued medical benefits and other ancillary payments and

benefits upon termination of a covered employee's employment following a change in control.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

EFFECT OF CURRENCY EXCHANGE RATES AND EXCHANGE RATE RISK MANAGEMENT

We conduct business operations outside of the United States through our foreign operations. Our foreign operations maintain their accounting records in their local currencies. Consequently, period to period comparability of results of operations is affected by fluctuations in exchange rates. The primary currencies to which we have exposure are the Japanese Yen and, to a lesser extent, the British Pound and the Euro. From time to time we enter into forward contracts in an effort to manage foreign currency exchange exposure. However, we may be unable to hedge these exposures completely. Approximately 15% of our revenue is transacted in currencies other than the U.S. dollar. We do not currently enter into forward exchange contracts for speculative or trading purposes.

MARKET RISK AND SENSITIVITY ANALYSIS FOREIGN EXCHANGE RATE RISK

During the third and fourth fiscal quarters of 2002 we had a foreign exchange exposure related to a note receivable denominated in Japanese Yen which resulted in unrealized foreign exchange gains of \$1.5 million. In the fourth fiscal quarter we hedged this exposure and now believe that our exposure to foreign currency exchange rate risk on this note is not material.

We have performed a sensitivity analysis assuming a hypothetical 10% adverse movement in foreign exchange rates. As of September 30, 2002, the analysis demonstrated that such market movements would not have a material adverse effect on our consolidated financial position, results of operations or cash flows over a one-year period. Actual gains and losses in the future may differ materially from this analysis based on changes in the timing and amount of foreign currency rate movements and our actual exposures.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CABOT MICROELECTRONICS CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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Consolidated Financial Statements:	
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Consolidated Balance Sheets at September 30, 2002 and 2001.....	35
Consolidated Statements of Cash Flows for the years ended September 30, 2002, 2001 and 2000.....	36
Consolidated Statements of Changes in Stockholders' Equity for the years ended September 30, 2002, 2001 and 2000.....	37
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Schedule II -- Valuation and Qualifying Accounts.....	59

All other schedules are omitted, because they are not required, are not applicable, or the information is included in the financial statements and notes thereto.

To the Board of Directors and Stockholders of Cabot Microelectronics Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Cabot Microelectronics Corporation and its subsidiaries at September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule 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

Chicago, Illinois
October 22, 2002

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CABOT MICROELECTRONICS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenue.....	\$235,165	\$227,192	\$181,156
Cost of goods sold.....	113,067	108,419	86,290
Gross profit.....	122,098	118,773	94,866
Operating expenses:			
Research and development.....	33,668	25,805	19,762
Selling and marketing.....	9,667	8,757	7,594
General and administrative.....	17,458	21,054	19,974
Litigation settlement.....	1,000	--	--
Amortization of intangibles.....	345	718	718
Total operating expenses.....	62,138	56,334	48,048
Operating income.....	59,960	62,439	46,818
Other income, net.....	763	1,049	130
Income before income taxes.....	60,723	63,488	46,948
Provision for income taxes.....	20,038	21,586	16,446
Net income.....	\$ 40,685	\$ 41,902	\$ 30,502
Basic earnings per share.....	\$ 1.68	\$ 1.76	\$ 1.44
Weighted average basic shares outstanding.....	24,160	23,824	21,214
Diluted earnings per share.....	\$ 1.66	\$ 1.72	\$ 1.39
Weighted average diluted shares outstanding.....	24,565	24,327	21,888

The accompanying notes are an integral part of these consolidated financial

statements.

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CABOT MICROELECTRONICS CORPORATION
CONSOLIDATED BALANCE SHEETS

	SEPTEMBER 30,	
	2002	2001
	(IN THOUSANDS, EXCEPT SHARE AMOUNTS)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 69,605	\$ 47,677
Accounts receivable, less allowance for doubtful accounts of \$667 at September 30, 2002 and \$1,014 at September 30, 2001.....	26,082	26,735
Inventories.....	21,959	16,806
Prepaid expenses and other current assets.....	2,654	1,742
Deferred income taxes.....	2,983	3,494
	-----	-----
Total current assets.....	123,283	96,454
Property, plant and equipment, net.....	132,264	97,426
Goodwill.....	1,373	1,045
Other intangible assets, net.....	935	1,562
Deferred income taxes and other assets.....	530	194
	-----	-----
Total assets.....	\$258,385	\$196,681
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 11,748	\$ 13,557
Capital lease obligations.....	1,585	--
Accrued expenses, income taxes payable and other current liabilities.....	17,238	12,809
	-----	-----
Total current liabilities.....	30,571	26,366
Long-term debt.....	3,500	3,500
Capital lease obligations.....	8,865	--
Deferred income taxes.....	1,514	268
Deferred compensation and other long term liabilities.....	429	260
	-----	-----
Total liabilities.....	44,879	30,394
Commitments and contingencies (Note 20)		
Stockholders' equity:		
Common stock:		
Authorized: 200,000,000 shares, \$0.001 par value Issued and outstanding: 24,254,819 shares at September 30, 2002 and 24,079,997 shares at September 30, 2001.....	24	24
Capital in excess of par value of common stock.....	114,116	107,335
Retained earnings.....	101,125	60,440
Accumulated other comprehensive loss.....	(1,688)	(1,191)
Unearned compensation.....	(71)	(321)
	-----	-----
Total stockholders' equity.....	213,506	166,287
	-----	-----
Total liabilities and stockholders' equity.....	\$258,385	\$196,681
	=====	=====

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

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	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
	(IN THOUSANDS)		
Cash flows from operating activities:			
Net income.....	\$ 40,685	\$ 41,902	\$ 30,502
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	12,009	7,787	4,891
Noncash compensation expense and non-employee stock option expense.....	475	1,822	4,451
Provision for inventory writedown.....	517	902	434
Provision for doubtful accounts.....	(154)	781	183
Stock option income tax benefits.....	2,059	6,587	--
Deferred income taxes.....	1,756	(394)	(2,117)
Unrealized foreign exchange gain.....	(1,504)	--	--
Loss on disposal of property, plant and equipment.....	98	131	85
Other noncash expenses, net.....	(109)	--	--
Changes in operating assets and liabilities:			
Accounts receivable.....	713	1,892	(11,177)
Inventories.....	(4,429)	(2,827)	(8,865)
Prepaid expenses and other assets.....	(1,255)	1,196	(3,037)
Accounts payable, accrued liabilities and other current liabilities.....	158	2,997	16,258
Income taxes payable, deferred compensation and other noncurrent liabilities.....	2,481	(232)	262
Net cash provided by operating activities.....	53,500	62,544	31,870
Cash flows from investing activities:			
Additions to property, plant and equipment.....	(35,259)	(35,328)	(38,923)
Proceeds from the sale of property, plant and equipment...	--	2	1,675
Net cash used in investing activities.....	(35,259)	(35,326)	(37,248)
Cash flows from financing activities:			
Proceeds from the issuance of long-term debt.....	--	--	17,000
Repayments of long-term debt.....	--	--	(13,500)
Net capital contributed by Cabot Corporation.....	--	--	10,070
Net proceeds from issuance of stock.....	4,500	10,390	82,765
Principal payments under capital lease obligations.....	(857)	--	--
Dividends paid to Cabot Corporation.....	--	--	(81,300)
Net proceeds from stockholder.....	--	--	124
Net cash provided by financing activities.....	3,643	10,390	15,159
Effect of exchange rate changes on cash.....	44	98	152
Increase in cash.....	21,928	37,706	9,933
Cash and cash equivalents at beginning of year.....	47,677	9,971	38
Cash and cash equivalents at end of year.....	\$ 69,605	\$ 47,677	\$ 9,971
Supplemental disclosure of cash flow information:			
Cash paid for income taxes.....	\$ 14,028	\$ 15,059	\$ 11,448
Cash paid for interest.....	869	304	350
Supplemental disclosure of non-cash investing and financing activities:			
Issuance of restricted stock.....	\$ 10	\$ 660	\$ 123
Assets acquired under capital leases (Note 10).....	\$ 11,770	\$ --	\$ --

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

	PARENT INVESTMENT	COMMON STOCK, \$0.001 PAR VALUE	CAPITAL IN EXCESS OF PAR	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME
(IN THOUSANDS)						
BALANCE AT SEPTEMBER 30, 1999.....	\$ 46,629			\$ 16,714	\$ 974	
Capital contribution from Cabot Corporation...	6,900		\$ 2,225			
Capitalization of Cabot Microelectronics.....	(53,586)	\$19	53,567			
Dividend paid to Cabot Corporation.....			(52,622)	(28,678)		
Proceeds from initial public offering (net)...		5	82,760			
Issuance of stock options to non-Cabot Microelectronics employees.....			2,113			
Issuance of Cabot Corporation restricted stock under employee compensation plans.....	57					
Amortization of deferred compensation.....						
Issuance of Cabot Microelectronics restricted stock under employee compensation plans.....			123			
Amortization of unearned compensation on restricted stock.....						
Accelerated vesting of Cabot Corporation restricted stock under deferred compensation plan.....						
Proceeds from stockholder.....			124			
Net income.....				30,502		\$30,502
Foreign currency translation adjustment.....					(182)	(182)
Total comprehensive income.....						\$30,320

BALANCE AT SEPTEMBER 30, 2000.....	--	24	88,290	18,538	792	
Exercise of stock options.....			8,746			
Tax benefit on stock options exercised.....			6,587			
Issuance of Cabot Microelectronics restricted stock under employee compensation plans.....			660			
Amortization of unearned compensation on restricted stock.....						
Issuance of stock options to non-Cabot Microelectronics employees.....			106			
Issuance of Cabot Microelectronics stock under Employee Stock Purchase Plan.....			1,651			
Modification of stock award grants.....			1,295			
Net income.....				41,902		\$41,902
Net unrealized loss on derivative instruments.....					(632)	(632)
Foreign currency translation adjustment.....					(1,351)	(1,351)
Total comprehensive income.....						\$39,919

BALANCE AT SEPTEMBER 30, 2001.....	--	24	107,335	60,440	(1,191)	
Exercise of stock options.....			3,169			
Tax benefit on stock options exercised.....			2,059			
Amortization of unearned compensation on restricted stock.....						
Issuance of Cabot Microelectronics restricted stock under deposit share plan.....			30			
Issuance of stock options to non-Cabot Microelectronics employees.....			37			
Issuance of Cabot Microelectronics stock under Employee Stock Purchase Plan.....			1,308			
Modification of stock award grants.....			178			
Net income.....				40,685		\$40,685
Net unrealized gain on derivative instruments.....					32	32
Foreign currency translation adjustment.....					(529)	(529)
Total comprehensive income.....						\$40,188

BALANCE AT SEPTEMBER 30, 2002.....	\$ --	\$24	\$114,116	\$101,125	\$(1,688)	

	UNEARNED COMPENSATION	TOTAL
(IN THOUSANDS)		
BALANCE AT SEPTEMBER 30, 1999.....	\$ (2,240)	\$ 62,077
Capital contribution from Cabot Corporation...		9,125
Capitalization of Cabot Microelectronics.....		--
Dividend paid to Cabot Corporation.....		(81,300)
Proceeds from initial public offering (net)...		82,765
Issuance of stock options to non-Cabot Microelectronics employees.....		2,113
Issuance of Cabot Corporation restricted stock under employee compensation plans.....	(57)	--
Amortization of deferred compensation.....	1,180	1,180
Issuance of Cabot Microelectronics restricted stock under employee compensation plans.....	(123)	--
Amortization of unearned compensation on restricted stock.....	41	41
Accelerated vesting of Cabot Corporation restricted stock under deferred compensation plan.....	1,117	1,117
Proceeds from stockholder.....		124
Net income.....		
Foreign currency translation adjustment.....		
Total comprehensive income.....		30,320

BALANCE AT SEPTEMBER 30, 2000.....	(82)	107,562
Exercise of stock options.....		8,746
Tax benefit on stock options exercised.....		6,587
Issuance of Cabot Microelectronics restricted stock under employee compensation plans.....	(660)	0
Amortization of unearned compensation on restricted stock.....	421	421
Issuance of stock options to non-Cabot Microelectronics employees.....		106
Issuance of Cabot Microelectronics stock under		

Employee Stock Purchase Plan.....		1,651
Modification of stock award grants.....		1,295
Net income.....		
Net unrealized loss on derivative instruments.....		
Foreign currency translation adjustment.....		
Total comprehensive income.....		39,919
	-----	-----
BALANCE AT SEPTEMBER 30, 2001.....	(321)	166,287
Exercise of stock options.....		3,169
Tax benefit on stock options exercised.....		2,059
Amortization of unearned compensation on restricted stock.....	260	260
Issuance of Cabot Microelectronics restricted stock under deposit share plan.....	(10)	20
Issuance of stock options to non-Cabot Microelectronics employees.....		37
Issuance of Cabot Microelectronics stock under Employee Stock Purchase Plan.....		1,308
Modification of stock award grants.....		178
Net income.....		
Net unrealized gain on derivative instruments.....		
Foreign currency translation adjustment.....		
Total comprehensive income.....		40,188
	-----	-----
BALANCE AT SEPTEMBER 30, 2002.....	\$ (71)	\$213,506
	=====	=====

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

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CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

1. BACKGROUND AND BASIS OF PRESENTATION

We believe we are the leading supplier of high performance polishing slurries used in the manufacture of the most advanced integrated circuit ("IC") devices, within a process called chemical mechanical planarization ("CMP"). CMP is a polishing process used by IC device manufacturers to planarize many of the multiple layers of material that are built upon silicon wafers to produce advanced devices.

The consolidated financial statements have been prepared by Cabot Microelectronics Corporation ("Cabot Microelectronics", "the Company", "us", "we", or "our"), pursuant to the rules of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States of America. Our consolidated financial statements reflect the historical results of operations, financial position and cash flows of Cabot Microelectronics which, prior to the initial public offering and spin-off, operated as a division and subsidiary (incorporated October, 1999) of Cabot Corporation ("Cabot Corporation"). We operate predominantly in one industry segment -- the development, manufacture, and sale of CMP slurries.

In July 1999, Cabot Corporation ("Cabot Corporation") announced its plans to create an independent publicly-traded company, Cabot Microelectronics, comprised of its Microelectronics Materials Division. Cabot Microelectronics, which was incorporated in October 1999, completed its initial public offering in April 2000. On September 29, 2000, Cabot Corporation effected the spin-off of its remaining ownership ("spin-off"), in Cabot Microelectronics by distributing 0.280473721 shares of Cabot Microelectronics common stock as a dividend on each share of Cabot Corporation common stock outstanding on September 13, 2000.

During the second fiscal quarter of 2002, we established the following wholly-owned subsidiaries: Cabot Microelectronics Global Corporation, Nihon Cabot Microelectronics KK and Cabot Microelectronics Japan KK. The consolidated financial statements include the accounts of Cabot Microelectronics and these subsidiaries and all intercompany transactions and balances between the companies have been eliminated.

For the year ended September 30, 2000, the consolidated statement of income includes an allocation from Cabot Corporation of employee benefits and costs of shared services (including legal, finance, human resources, information systems, corporate office, and safety, health and environmental expenses). These costs were allocated to Cabot Microelectronics based on criteria that management believes to be equitable, such as Cabot Microelectronics' revenue, headcount, or actual utilization in proportion to Cabot Corporation's revenue, headcount, or actual utilization. Management believes this provides a reasonable estimate of the costs attributable to Cabot Microelectronics. For the year ended September

30, 2000, such allocated costs amounted to \$5,728. Allocated costs may not necessarily be indicative of the costs that would have been incurred by Cabot Microelectronics on a stand-alone basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

We consider investments in all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) basis, or market. Finished goods and work in process inventories include material, labor and manufacturing overhead costs.

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CABOT MICROELECTRONICS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation is based on the following estimated useful lives of the assets using the straight-line method:

Buildings.....	20-25 years
Machinery and equipment.....	5-10 years
Furniture and fixtures.....	5-10 years
Information systems.....	3-5 years
Assets under capital leases.....	Term of lease

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized and depreciated over the remaining useful lives. As assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations. Costs related to internal use software are capitalized in accordance with AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use".

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets were acquired in connection with a July 1995 purchase of selected assets (see Note 4). Other intangible assets consist of trade secrets and know-how, distribution rights and customer lists. Goodwill has historically been amortized on the straight-line basis over 10 years. Effective October 1, 2001, we adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". In accordance with the statement, we ceased amortizing goodwill and perform impairment tests at least annually. We determined that goodwill was not impaired as of September 30, 2002. Intangible assets continue to be amortized over their estimated useful lives.

IMPAIRMENT OF LONG-LIVED ASSETS

We review 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 or that the useful lives of these assets are no longer appropriate. We believe that no material impairment exists at September 30, 2002.

FOREIGN CURRENCY TRANSLATION

Our operations in Europe and Asia operate primarily in local currency. Accordingly, all assets and liabilities of these operations are translated using exchange rates in effect at the end of the year, and revenue and costs are translated using weighted average exchange rates for the year. The related translation adjustments are reported in Comprehensive Income in stockholders' equity. Gains and losses resulting from foreign currency transactions are

recorded in the statements of income for all periods presented.

FOREIGN EXCHANGE MANAGEMENT

We transact business in various foreign currencies, primarily the Japanese Yen, British Pound and the Euro. Our exposure to foreign currency exchange risks has not been significant because a significant portion of our foreign sales are denominated in U.S. dollars. However, we have entered into forward contracts in an effort to manage foreign currency exchange exposure regarding our receivable and payable positions denominated in foreign currencies, and in fiscal 2001, commitments for construction costs associated with our Geino, Japan expansion. The purpose of our foreign currency management activity is to mitigate the risk that eventual cash flow requirements from significant foreign currency commitments or transactions may be adversely affected by changes in exchange rates from the commitment or transaction date through the settlement date. We do not currently use derivative financial instruments for trading or speculative purposes.

CABOT MICROELECTRONICS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

FAIR VALUES OF FINANCIAL INSTRUMENTS

The recorded amounts of cash, accounts receivable, accounts payable and long-term debt approximate their fair values.

CONCENTRATION OF CREDIT RISK

Financial instruments that subject us to concentrations of credit risk consist principally of accounts receivable. We perform ongoing credit evaluations of our customers' financial condition and generally do not require collateral to secure accounts receivable. Our exposure to credit risk associated with nonpayment is affected principally by conditions or occurrences within the semiconductor industry and global economy. We historically have not experienced material losses relating to accounts receivables from individual customers or groups of customers and maintain an allowance for doubtful accounts based on an assessment of the collectibility of such accounts.

Portion of revenue from customers who represented more than 10% of revenue were as follows:

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
	----	----	----
Customer A.....	16%	14%	15%
Customer B.....	24%	21%	17%
Customer C.....	3%	5%	11%

Customers B and C in the above table are distributors.

The three customers above accounted for 29.7% and 37.1% of net accounts receivable at September 30, 2002 and 2001, respectively.

REVENUE RECOGNITION

Revenue is recognized upon completion of delivery obligations, provided acceptance and collectibility are reasonably assured. A provision for the estimated warranty cost is recorded at the time revenue is recognized based on our historical experience.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred.

INCOME TAXES

Prior to the September 29, 2000 spin-off, we were not a separate taxable entity for federal, state or local income tax purposes. For years prior to

fiscal 2001, our operations were included in the consolidated Cabot Corporation tax returns and the income tax provisions were calculated on a separate return basis.

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. and any non-U.S. deferred income tax liability or benefit.

STOCK BASED COMPENSATION

In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), we have elected to account for stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. We disclose the summary of pro forma effects

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CABOT MICROELECTRONICS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

to reported net income as if we had elected to recognize compensation cost based on the fair value of stock based awards to employees of Cabot Microelectronics as prescribed by SFAS 123.

EARNINGS PER SHARE

Basic earnings per share is calculated based on the weighted average shares of common stock outstanding during the period, and diluted earnings per share is calculated based on the weighted average of common stock outstanding, plus the dilutive effect of stock options, calculated using the treasury stock method. The calculation of weighted average shares outstanding for the year ended September 30, 2000 includes the pro forma 18,989,744 shares that were owned by Cabot Corporation prior to the closing of our initial public offering.

COMPREHENSIVE INCOME

Comprehensive income differs from net income due to foreign currency translation adjustments and net unrealized gains and losses on derivative instruments.

USE OF ESTIMATES

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

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") which is effective for fiscal years beginning after June 15, 2002. SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We do not expect the adoption of SFAS 143 will have a material impact on our consolidated financial position, results of operations, or cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144") which is effective for fiscal years beginning after December 15, 2001. SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supercedes SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" while retaining many of the provisions of that statement. SFAS 144 also supercedes the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting for the Impairment or Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" ("APB No. 30"). We do not expect the adoption of SFAS 144 will have a material impact on our consolidated financial position, results of operations, or cash flows.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145") which is effective for fiscal years beginning after May 15, 2002. SFAS 145 updates, clarifies and simplifies existing accounting pronouncements. We do not expect the standard will have a significant impact on our consolidated financial position, results of operations or cash flows.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146") which supercedes Emerging Issues Task Force Issue No. 94-3, "Liability for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS 146 requires companies to recognize costs associated with exit or

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CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

disposal activities when they are incurred rather than at the date of the commitment to an exit or disposal plan. This statement is effective for exit or disposal activities that are initiated after December 31, 2002 and the adoption will have no impact on our historical consolidated financial position or results of operations.

In October 2002, the FASB issued SFAS No. 147, "Acquisition of Certain Financial Institutions," which is not applicable to us.

3. ARRANGEMENTS WITH CABOT CORPORATION

Our relationship with Cabot Corporation following the initial public offering and spin-off are currently governed by the following agreements:

FUMED METAL OXIDE AGREEMENT

A fumed metal oxide supply agreement with Cabot Corporation for the supply of fumed silica and fumed alumina became effective upon the closing of our initial public offering and was amended on December 12, 2001 with respect to its terms for fumed alumina. Cabot Corporation continues to be the primary supplier, subject to certain terms and conditions, of certain fumed metal oxides for our slurry products produced as of the date of our initial public offering with respect to fumed silica and as of the effective date of the fumed alumina supply agreement with respect to certain amounts of fumed alumina. The agreement provides for a fixed annual increase in the price of fumed silica of approximately 2% and additional increases if Cabot Corporation's raw material costs increase. The agreement contains provisions requiring Cabot Corporation to supply us with fumed silica in specified volumes. We are obligated to purchase at least 90% of the six-month volume forecast and must pay the difference if we purchase less than that amount. In addition, we are obligated to pay all reasonable costs incurred by Cabot Corporation to provide quality control testing at levels greater than that which Cabot Corporation provides to other customers. Under the agreement and its amendment, Cabot Corporation also supplies fumed alumina on terms generally similar to those described above, except that certain of the forecast requirements do not apply to fumed alumina, and the price is fixed and unchanged for a base level of production, and we agreed to pay a higher incentive price for volumes above that level. The terms related to fumed alumina now provide us with the first right, subject to certain terms and conditions, to all fumed alumina that is subject to the fumed metal oxide agreement. Cabot Corporation is not permitted to sell fumed metal oxides to third parties for use in CMP applications.

Under the agreement and the fumed alumina supply agreement, Cabot Corporation warrants that its products will meet our agreed upon product specifications. Cabot Corporation is obligated to replace noncompliant products with products that meet the agreed upon specifications. The agreement also provides that any change to product specifications for fumed metal oxides must be by mutual agreement. Any increased costs due to product specification changes will be paid by us. The agreement has an initial term that expires in June 2005 and may be terminated thereafter by either party on June 30 or December 31 in any year upon 18 months prior written notice.

FUMED ALUMINA SUPPLY AGREEMENT

Until December, 2001, we purchased fumed alumina from Cabot Corporation only under the fumed metal oxide agreement. In order to meet our needs for fumed

alumina given the anticipated growth in sales of fumed alumina based slurries, we entered into a fumed alumina supply agreement with Cabot Corporation on December 12, 2001. Under the fumed alumina supply agreement, Cabot Corporation expanded its capacity for the manufacture of fumed alumina to which we have first right to all capacity from the expansion and, under the amended fumed metal oxide agreement, we now have first right, subject to certain terms and conditions, to the capacity from that facility. The agreement provides that the price Cabot Corporation charges us for fumed alumina is based on all of its fixed and variable costs for producing the fumed alumina, plus its capital costs for expanding its capacity, plus an agreed upon rate of return on investment, plus incentive payments if Cabot

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CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Corporation produces more than a certain amount per year. Quarterly capital lease payments of approximately \$300 with respect to capital costs will be made over the ten year period of the agreement. The agreement has an initial five year term and we may renew the agreement for an additional five years to 2011. We also may choose not to renew the agreement subject to certain terms and conditions and the payment of certain costs, after five years.

DISPERSION SERVICES AGREEMENT

A dispersion services agreement with Cabot Corporation became effective upon the closing of the initial public offering. We continue to provide fumed metal oxide dispersion services to Cabot Corporation, including the manufacturing, packaging and testing of the dispersions. Under the agreement, Cabot Corporation supplies us with the fumed metal oxide particles necessary for the manufacture of the dispersions. The pricing of the dispersion services is determined on a cost-plus basis. Our obligation to provide Cabot Corporation with dispersions is limited to certain maximum volumes and Cabot Corporation is obligated to supply to us certain forecasts of their expected dispersion purchases. Cabot Corporation agrees not to engage any third party other than Davies Imperial Coatings, Inc. ("Davies") to provide dispersion services unless we are unable to supply the requested or agreed-upon services. The agreement has an initial term that expires in June 2005 and may be terminated by either party on June 30 or December 31 in any year upon 18 months prior notice.

FACILITIES LEASE ARRANGEMENTS

Beginning in March 2000, we began subleasing from Cabot Corporation the land and building in Barry, Wales that we utilize in our business. As noted below under the caption "Master Separation Agreement", these assets were not transferred to Cabot Microelectronics and accordingly, have not been included in our balance sheet at September 30, 2002 and 2001. The lease will expire after ten years, subject to earlier termination under certain circumstances.

MASTER SEPARATION AGREEMENT

A master separation agreement with Cabot Corporation provided for the transfer of the legal ownership of substantially all of the assets and liabilities of the former Microelectronics Materials Division to Cabot Microelectronics. However, the land and building located in Barry, Wales were not transferred to us as discussed above under the caption "Facilities Lease Arrangements". We assumed all liabilities and obligations of Cabot Corporation relating to or arising out of our business operations any time on or before the date of the transfer of the former division's business operations to us other than various excluded liabilities. Under the master separation agreement, Cabot Corporation transferred intellectual property rights related solely to the business conducted by us, including patents, copyrights, trademarks, technology and know-how and licenses and other rights concerning third party technology and intellectual property.

TRADEMARK LICENSE AGREEMENT

A trademark license agreement with Cabot Corporation governs our use of various trademarks used in our core business. Under the agreement, Cabot Corporation has granted a worldwide royalty-free license to use the trademarks in connection with the manufacture, sale or distribution of products related to our business and we agreed to refrain from various actions that could interfere with Cabot Corporation's ownership of the trademarks. The agreement also provides that our license to use the trademarks may be terminated for various

reasons, including discontinued use of the trademarks, breach of the agreement, or a change in control of Cabot Microelectronics.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CONFIDENTIAL DISCLOSURE AND LICENSE AGREEMENT

A confidential disclosure and license agreement governs the treatment of confidential and proprietary information, intellectual property and certain other matters. Cabot Corporation granted a fully paid, world-wide non-exclusive license to us for Cabot Corporation's copyrights, patents and technology that were used by Cabot Corporation in connection with our activities prior to the separation from Cabot Corporation. We granted to Cabot Corporation a fully paid, world-wide, non-exclusive license to copyrights, patents and technologies that are among the assets transferred to us under the master separation agreement and that would be infringed by the manufacture, treatment, processing, handling, marketing, sale or use of any products or services sold by Cabot Corporation for applications other than CMP.

In addition, Cabot Corporation assigned to us an undivided one-half interest in various patents, copyrights and technology that relate to dispersion technology, which are owned by Cabot Corporation and used in Cabot Corporation's dispersion business and our business. Any costs, taxes or other fees related to the assignments and transfers of intellectual property will generally be paid by us.

TAX-SHARING AND TAX REPORTING AND COOPERATION AGREEMENTS

We were included in Cabot Corporation's consolidated federal income tax group through the fiscal year ended September 30, 2000 as Cabot Corporation beneficially owned at least 80% of the total voting power and value of our outstanding common stock. At the time of our initial public offering we entered into a tax-sharing agreement pursuant to which Cabot Microelectronics and Cabot Corporation will make payments between them to achieve the same effects as if Cabot Microelectronics were to file separate federal, state and local income tax returns. Under the terms of the tax-sharing agreement, Cabot Corporation is required to make any payment to us for the use of our tax attributes that arose prior to the spin-off until such time as we would otherwise be able to utilize such attributes. Each member of Cabot Corporation's consolidated group is jointly and severally liable for the federal income tax liability of each other member of the consolidated group. Accordingly, although the tax-sharing agreement allocates tax liabilities between Cabot Microelectronics and Cabot Corporation, during the period in which we were included in Cabot Corporation's consolidated group, we could be liable in the event that any federal tax liability is incurred, but not discharged, by any other member of Cabot Corporation's consolidated group. We will indemnify Cabot Corporation in the event that the spin-off is not tax free to Cabot Corporation as a result of various actions taken by or with respect to Cabot Microelectronics or our failure to take various actions.

Further, as of September 29, 2000 Cabot Microelectronics and Cabot Corporation entered into a tax reporting and cooperation agreement that clarifies certain additional tax matters not specifically addressed by the Internal Revenue Service Private Letter Ruling and the Tax Sharing Agreement. Pursuant to the agreement, and subject to relevant tax regulation, Cabot Microelectronics will claim the benefit of all tax deductions resulting from the awards granted to either Cabot Corporation or Cabot Microelectronics employees under the Cabot Microelectronics 2000 Equity Incentive Plan. We are also responsible for collecting and remitting all required taxes and paying all employer taxes related to these awards.

Cabot Corporation is responsible for collecting and remitting all required taxes and paying all employer taxes related to the vesting of Cabot Corporation restricted stock awards granted to Cabot Microelectronics employees. We are entitled to the benefit of all tax deductions and will reimburse Cabot Corporation for all employer taxes related to Cabot Corporation restricted stock awards to Cabot Microelectronics employees.

Cabot Corporation will receive the benefit of all tax deductions and is responsible for all employment taxes resulting from the vesting of Cabot Microelectronics stock received by employees of Cabot Corporation in the distribution, who held restricted Cabot Corporation stock.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

EMPLOYEE MATTERS AGREEMENT

We have an employee matters agreement with Cabot Corporation under which we are, with certain exceptions, solely responsible for the compensation and benefits of our employees who are former employees of Cabot Corporation. The principal exception is the retirement benefits for these employees. Cabot Corporation's tax-qualified retirement plans retain all assets and liabilities relating to our employees who are former employees of Cabot Corporation (subject to any distributions from the plans that are required or permitted by the plans and applicable law).

4. ACQUISITION OF SELECTED ASSETS

On July 3, 1995, we acquired selected assets used or created in connection with the development and sale of polishing slurries. The acquisition was accounted for using the purchase method of accounting. Accordingly, the purchase price of \$9,800 was allocated to the net assets acquired based on their estimated fair values. Identifiable intangible assets, consisting primarily of trade secrets and know-how, distribution rights, customer lists and workforce in place, were valued at \$4,300 and were amortized on a straight-line basis over their estimated useful lives of 7-10 years. The excess of purchase price over the fair value of the net assets acquired (goodwill) was approximately \$2,800. Effective October 1, 2001, we adopted SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets", which resulted in the reclassification of a portion of intangible assets regarding workforce in place to goodwill. We determined that the resulting unamortized goodwill balance of \$1,326 was not impaired. In accordance with the statement, we ceased amortizing goodwill and perform impairment tests at least annually. Accumulated amortization of intangible assets as of September 30, 2002 and 2001 was \$2,615 and \$2,738, respectively. In addition to the purchase price, we also made contingent payments in the amount of 2.5% of applicable slurry revenue. These payments were recorded and paid on a monthly basis and are included in cost of goods sold. In fiscal 2002 we finished making these contingent payments, which completely terminated our obligation under this contract.

The changes in the carrying value of goodwill for fiscal year 2002 are as follows:

Balance as of September 30, 2001.....	\$1,045
Reclassification of workforce in place.....	281
Acquired goodwill.....	47

Balance as of September 30, 2002.....	\$1,373
	=====

The components of intangible assets are as follows:

	2002		2001	
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION
	-----	-----	-----	-----
Trade secrets and know-how.....	\$2,550	\$1,850	\$2,550	\$1,600
Workforce in place.....	--	--	750	469
Distribution rights, customer lists and other.....	1,000	765	1,000	669
	-----	-----	-----	-----
Total intangible assets.....	3,550	2,615	4,300	2,738
	=====	=====	=====	=====

Amortization expense for the net carrying amount of intangible assets at September 30, 2002 is estimated to be \$340 in fiscal 2003, \$340 in fiscal 2004

and \$255 in 2005.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

5. INVENTORIES

Inventories consisted of the following:

	SEPTEMBER 30,	
	2002	2001
Raw materials.....	\$13,779	\$11,981
Work in process.....	1,173	42
Finished goods.....	7,007	4,783
Total.....	\$21,959	\$16,806

6. CAPITALIZED SOFTWARE

We have implemented a new global business information system that replaced Cabot Corporation's systems, and we have capitalized costs related to this internal use software project in accordance with AICPA Statement of Position No. 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use". This system was placed in service in fiscal 2002 at a cost of \$5,213. Depreciation expense of \$695 was recognized in fiscal 2002.

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following:

	SEPTEMBER 30,	
	2002	2001
Land.....	\$ 13,705	\$ 11,253
Buildings.....	55,458	39,223
Machinery and equipment.....	61,492	45,445
Furniture and fixtures.....	4,657	2,034
Information systems.....	8,740	1,314
Capital leases.....	11,770	--
Construction in progress.....	3,758	13,676
Total property, plant and equipment.....	159,580	112,945
Less: accumulated depreciation and amortization of assets under capital leases.....	(27,316)	(15,519)
Net property, plant and equipment.....	\$132,264	\$ 97,426

Depreciation expense, including amortization of assets recorded under capital leases, was \$11,667, \$7,069 and \$4,174 for the years ended September 30, 2002, 2001 and 2000, respectively.

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

8. ACCRUED EXPENSES, INCOME TAXES PAYABLE AND OTHER CURRENT LIABILITIES

Accrued expenses, income taxes and other current liabilities consisted of

the following:

	SEPTEMBER 30,	
	2002	2001
Raw material accruals.....	\$ 851	\$ 609
Accrued compensation.....	8,302	8,220
Warranty accrual.....	858	1,255
Fixed asset accrual.....	1,375	54
Income taxes payable.....	2,662	237
Other.....	3,190	2,434
Total.....	\$17,238	\$12,809
	=====	=====

9. LONG-TERM DEBT

At September 30, 2002 long-term debt was comprised of an unsecured term loan in the amount of \$3,500 funded on the basis of the Illinois State Treasurer's Economic Program. This loan is due on April 3, 2005 and incurs interest at an annual rate of 4.68%.

On July 10, 2001 we entered into a \$75,000 unsecured revolving credit and term loan facility with a group of commercial banks. On February 5, 2002, this agreement was amended with no material changes in terms. Under this agreement, which terminates July 10, 2004, interest accrues on any outstanding balance at either the institution's base rate or the eurodollar rate plus an applicable margin. A non-use fee also accrues. Loans under this facility are anticipated to be used primarily for general corporate purposes, including working capital and capital expenditures. The credit agreement also contains various covenants. No amounts are currently outstanding under this credit facility and we are currently in compliance with the covenants.

10. CAPITAL LEASE OBLIGATIONS

On December 12, 2001 we entered into a fumed alumina supply agreement with Cabot Corporation under which we agreed to pay Cabot Corporation for the expansion of a fumed alumina manufacturing facility in Tuscola, Illinois. The payments for the facility have been treated as a capital lease for accounting purposes and the present value of the minimum quarterly payments resulted in a \$9,776 lease obligation and related leased asset. The agreement has an initial five year term, which expires in 2006, but we can choose to renew the agreement for another five year term, which expires in 2011. We also can choose not to renew the agreement subject to certain terms and conditions and the payment of certain costs, after the initial five year term.

On January 11, 2002 we entered into a CMP tool and polishing consumables transfer agreement with a third party under which we agreed to transfer polishing consumables to them in return for a CMP polishing tool. The polishing tool has been treated as a capital lease for accounting purposes and is valued based on the aggregate fair market value of the polishing consumables, which resulted in a \$1,994 lease obligation. The agreement has approximately a three-year term, which expires in November 2004.

11. DERIVATIVES

In the first quarter of fiscal 2001, we adopted Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged

item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

During fiscal 2001 we entered into two cash flow hedges to cover commitments involving construction contracts associated with our Geino, Japan expansion. The adoption of SFAS 133 resulted in a reduction to comprehensive income for the twelve months ended September 30, 2001 of \$632. We will reclassify losses currently in other comprehensive income associated with the cash flow hedges into earnings in the same period or periods in which the related assets affect earnings, which resulted in a gain of \$32 in other comprehensive income in fiscal 2002. There were no other significant derivatives as of September 30, 2002.

At September 30, 2002 we had one forward contract selling Japanese Yen related to an intercompany note with one of our subsidiaries in Japan and for the purpose of hedging the risk associated with a net exposure in Japanese Yen.

12. DEFERRED COMPENSATION

Under the Directors' Deferred Compensation Plan, which became effective March 13, 2001, certain non-employee directors elected to defer their compensation to future periods. Amounts deferred under the plan were \$136 and \$111 as of September 30, 2002 and 2001, respectively. We do not currently maintain a deferred compensation plan for employees.

In fiscal 2000, certain officers and employees of Cabot Microelectronics elected to defer certain percentages of their compensation to future periods under the Cabot Corporation Supplemental Employee Retirement Plan. This program was discontinued for Cabot Microelectronics employees effective September 30, 2000 and the \$684 deferred as of that date was rolled over to the Cabot Microelectronics Corporation Supplemental Employee Retirement Plan ("SERP") explained in Note 15.

13. JOINT DEVELOPMENT AGREEMENT

In September 1998, we entered into a three-year joint development agreement with a third party in the semiconductor industry. Under the agreement, we provided the third party with CMP slurries of up to \$3,000 over the three-year period in exchange for the use of CMP equipment provided by the third party. The arrangement has been accounted for as a nonmonetary transaction in accordance with APB No. 29 "Accounting for Nonmonetary Transactions." The CMP equipment has been accounted for as an operating lease in accordance with SFAS No. 13, "Accounting for Leases." The cost of leasing the CMP equipment was valued based upon the slurries that the third party was entitled to receive over the three-year period. The agreement was extended through December 31, 2001, and we purchased the CMP equipment for \$106 at the end of the lease. Total revenue recognized under this agreement was \$131 and \$684, for the year ended September 2002 and 2001, respectively. Lease expense of \$637 was recognized in fiscal 2001 and no lease expense was recorded in fiscal 2002.

14. PENSION PLANS AND POSTRETIREMENT BENEFITS

Cabot Microelectronics' employees participated in the following Cabot Corporation sponsored pension and postretirement plans through April 30, 2000 and September 29, 2000, respectively.

- Noncontributory defined benefit pension plan including the Cabot Corporation Cash Balance Plan ("CBP"), a defined benefit pension plan, and the Cabot Corporation Employee Stock Ownership Plan ("ESOP"); and

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CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

- Cabot Corporation's postretirement plan, providing certain healthcare and life insurance benefits to retired employees.

Those Cabot Corporation employees who accepted employment with Cabot Microelectronics terminated their participation in certain Cabot Corporation benefit plans as a result of the spin-off on September 29, 2000, but maintained

their vested and unvested rights in the above mentioned plans. Cabot Corporation allocated periodic benefit costs (income) to Cabot Microelectronics as follows:

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
Pension (CBP).....	\$--	\$--	\$(86)
Employee Stock Ownership Plan (ESOP).....	--	--	70
Postretirement benefit costs.....	--	--	75

Because our employees were only eligible to actively participate in the Cabot Corporation pension plans through April 30, 2000, we incurred a one-time charge in September 2000 for the accelerated vesting charges associated with the spin-off of \$150 and \$175 for the Cash Balance Plan and Employee Stock Ownership Plan, respectively.

15. SAVINGS PLAN AND OTHER INCENTIVE COMPENSATION PLANS

Effective May 1, 2000, we adopted the Cabot Microelectronics Corporation 401(k) Plan (the "401k Plan") covering substantially all eligible employees meeting certain minimum age and eligibility requirements, as defined by the plan. Participants may make elective contributions up to 15% of their eligible salary. All amounts contributed by participants and earnings on these contributions are fully vested at all times. The 401(k) Plan provides for matching and fixed nonelective contributions by the Company. Under the 401(k) Plan, the Company will match 100% of the first four percent of the participant's eligible compensation and 50% of the next two percent of the participant's eligible compensation, subject to limitations required by government laws or regulations. Under the 401(k) Plan, all employees, even non-participants, will receive a contribution by the Company in an amount equal to 4% of eligible compensation. Participants and employees are 100% vested in all Company contributions. The Company's expense for the defined contribution plan totaled \$2,043, \$1,693 and \$320 for the periods ending September 30, 2002, 2001 and 2000, respectively.

Effective May 1, 2000, we adopted the Cabot Microelectronics Corporation Supplemental Employee Retirement Plan ("SERP") covering all eligible employees as defined by the SERP. Under the SERP, the Company contributes up to 4% of these individual's eligible compensation. The purpose of the SERP is to provide for the deferral of the Company contribution to certain highly compensated employees as defined under the provision of the Employee Retirement Income Security Act ("ERISA") of 1974. All amounts contributed by the Company and earnings on these contributions are fully vested at all times. The Company's expense for the SERP was immaterial for periods ending September 30, 2002, 2001 and 2000, respectively.

In fiscal 2000, Cabot Microelectronics' employees participated in the Cabot Corporation Retirement Incentive Savings Plan ("CRISP"), in which substantially all of Cabot Corporations' and its subsidiaries domestic employees were eligible to participate, and under which Cabot Corporation made matching contributions of at least 75% of a participant's contribution up to 7.5% of the participant's eligible compensation, subject to limitations required by government laws or regulations. Contributions to the CRISP on behalf of employees of Cabot Microelectronics were \$527 during fiscal 2000. Accelerated vesting costs of \$200 were also incurred in fiscal 2000 due to the spin-off. On September 29, 2000, all of our employees' participation was terminated as a result of the spin-off from Cabot Corporation and employees could rollover their balance, take a distribution, or other action as defined by the CRISP.

16. EMPLOYEE STOCK PURCHASE PLAN

In March 2000, Cabot Microelectronics adopted an Employee Stock Purchase Plan ("ESPP") and authorized up to 475,000 shares of common stock to be purchased under the plan. The ESPP allows all full or part-time employees of Cabot Microelectronics and its subsidiaries to purchase shares of our common

stock through payroll deductions. Employees can elect to have up to 10% of their annual earnings withheld to purchase our stock, subject to certain other criteria. The shares are purchased at a price equal to the lower of 85% of the closing price at the beginning or end of each semi-annual stock purchase period. A total of 30,248 and 75,790 shares were issued under the ESPP during fiscal 2002 and 2001, respectively. No shares were issued during fiscal 2000.

17. EQUITY INCENTIVE PLANS

In March 2000, our Board of Directors and Cabot Corporation's Board of Directors adopted the Company's 2000 Equity Incentive Plan (the "Plan"), which was approved by Cabot Corporation as the sole stockholder of Cabot Microelectronics. Our Board of Directors amended the Plan in September, 2000 and in December, 2000, amended and restated the Plan, which was then approved by our stockholders in March, 2001. The Board and stockholders approved 6,500,000 shares of common stock to be granted under the Plan, subject to adjustment for stock splits and similar events. The Plan allows for the granting of three types of equity incentive awards: Restricted Stock, Stock Options, and Substitute Awards. According to the Plan, all employees, directors, consultants, and advisors of the Company and its subsidiaries are eligible for awards under the Plan, which awards will be awarded subject to applicable Award Agreements. The Plan is administered by the Compensation Committee of the Cabot Microelectronics' Board of Directors.

RESTRICTED STOCK

Under the Plan, employees and non-employees are granted shares of restricted stock at the discretion of the Compensation Committee. According to the Plan, shares of restricted stock may not be sold, assigned, transferred, pledged, or otherwise encumbered or disposed of, except that restricted stock may be pledged as security for the purchase price of the restricted stock. Generally, under our Award Agreement for restricted stock, restrictions lapse over a two-year period with one-third becoming unrestricted immediately at the date of grant and the remaining restrictions lapsing over a two-year period. Holders of restricted stock have all the rights of a stockholder, including voting and dividend rights, subject to the above restrictions. In no event shall the Company issue more than 875,000 shares of restricted stock under the Plan. Restricted shares may also be purchased and placed "on deposit" by executive level employees under the 2001 Deposit Share Plan. Shares purchased under this Deposit Share Plan receive a 50% match in restricted shares, which vest over a three year period, and are subject to forfeiture upon early withdrawal of deposit shares.

In December 2001, we issued 369 restricted shares at \$81.16 under the Deposit Share Plan and no other restricted shares were granted during the fiscal year. In October 2000, we granted 10,000 shares of restricted stock to an employee at \$39.19 per share and in May 2001, we granted 4,000 shares of restricted stock to an employee at \$67.07 per share, of which the 1,334 shares that were still restricted were forfeited upon the employee's resignation in October 2002. Unearned compensation of \$10 and \$660 was recorded in fiscal 2002 and 2001, respectively. Compensation expense associated with restricted stock awards was \$260, \$421 and \$41 for the years ended September 30, 2002, 2001 and 2000, respectively. The number of shares subject to restrictions were 5,037, 10,168 and 1,667 at September 30, 2002, 2001 and 2000, respectively.

STOCK OPTIONS

Under the Plan, employees and non-employees may be granted incentive stock options ("ISO") to purchase common stock at not less than the fair value on the date of grant and non-qualified stock options ("NQSO") as determined by the Compensation Committee and set forth in an applicable Award Agreement.

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CABOT MICROELECTRONICS CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Plan provides that the term of the option may be as long as ten years. Options granted during fiscal 2002 generally provided for a ten year term, with options vesting equally over a four year period, with first vesting on the anniversary date of the grant. Options granted in 2001 generally provided for a seven year term and also vested over a four year period. Options granted during fiscal 2000 provide for a five year term, with the options vesting over a two-year period, with one-third immediately vesting on the date of grant under the Plan. No more than 1,750,000 ISO shares may be issued, and none have been granted to date.

In fiscal 2002, we recorded compensation expense of \$178 associated with revised stock option agreements involving a former director. In fiscal 2001, we recorded compensation expense of \$1,295 associated with revised stock option agreements involving a former director and a former employee. In fiscal 2000, a total of \$3,755 of expenses were recorded relating to options granted to non-Cabot Microelectronics employees at the time of the initial public offering and for the accelerated vesting of long term incentives and benefits at the time of the spin-off from Cabot Corporation.

In April 2000, we granted stock options to non-Cabot Microelectronics employees. The term of these options is five years from the initial date of grant, but the options were fully vested on the date of grant. We accounted for these grants to non-Cabot Microelectronics employees under the guidance of Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock Based Compensation" and, as a result, recorded a charge of \$2,113 (\$1,373 after tax) at the time of the initial public offering.

The following tables relate to stock options outstanding as of September 30, 2002:

	STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
	-----	-----
Outstanding at September 30, 1999.....	--	\$ --
Granted.....	1,264,310	20.44
Exercised.....	--	--
Canceled.....	(7,880)	20.00
	-----	-----
Outstanding at September 30, 2000.....	1,256,430	\$20.44
Granted.....	1,218,176	64.29
Exercised.....	(397,963)	21.98
Canceled.....	(49,655)	41.76
	-----	-----
Outstanding at September 30, 2001.....	2,026,988	\$45.97
Granted.....	1,018,425	50.33
Exercised.....	(144,203)	21.98
Canceled.....	(82,446)	50.40
	-----	-----
Outstanding at September 30, 2002.....	2,818,764	\$48.64
	=====	=====

RANGE OF EXERCISE PRICE	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OF SHARES	WEIGHTED AVERAGE CONTRACTUAL LIFE (IN YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
-----	-----	-----	-----	-----	-----
\$20.00.....	697,597	2.5	\$20.00	672,597	\$20.00
\$39.18-\$53.50.....	1,047,917	8.5	48.87	74,750	43.39
\$62.00-\$69.69.....	1,073,250	5.3	67.04	283,359	67.12
	-----	-----	-----	-----	-----
	2,818,764		\$48.64	1,030,706	\$34.65
	=====		=====	=====	=====

We adopted the disclosure requirements of SFAS 123 upon establishing the Plan. As permitted by SFAS 123, we continue to apply the accounting provisions of Accounting Principles Board ("APB") Opinion Number 25, "Accounting for Stock Issued to Employees" with regard to the measurement of compensation cost for

options granted under the Equity Incentive Plan and shares issued under our ESPP. Had expense been recognized using the fair value method described in SFAS 123, using the Black-Scholes option-pricing model we would have reported the following results of operations:

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
Pro forma net income.....	\$28,191	\$32,580	\$27,634
Pro forma basic net income per share.....	\$ 1.17	\$ 1.37	\$ 1.30
Pro forma diluted net income per share.....	\$ 1.15	\$ 1.34	\$ 1.26

These costs may not be representative of the total effects on pro forma reported income for future years. Factors that may also impact disclosures in future years include the attribution of the awards to the service period, the vesting period of stock options, timing of additional grants of stock option awards and number of shares granted for future awards. The fair value of our stock based awards to employees under SFAS 123 was estimated assuming no expected dividends and the following weighted-average assumptions:

	OPTIONS			ESPP		
	2002	2001	2000	2002	2001	2000
Expected term (in years).....	5	5	5	.5	.5	.75
Expected volatility.....	85%	97%	35%	57%	94%	35%
Risk-free rate of return.....	2.8%	4.0%	6.0%	1.6%	2.4%	6.0%

18. STOCKHOLDERS' EQUITY

COMMON STOCK

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of Cabot Microelectronics' stockholders. Common stockholders are entitled to receive ratably the dividends, if any, as may be declared by the Board of Directors. Upon liquidation, dissolution or winding up of Cabot Microelectronics, the common stockholders will be entitled to share, pro ratably, in the distribution of assets available after satisfaction of all liabilities and liquidation preferences of preferred stockholders, if any. In March 2000, the Board of Directors amended our articles of incorporation to increase the number of authorized shares of its common stock to 200,000,000 shares. There have been no changes to the number of authorized shares during fiscal 2002 and 2001.

STOCKHOLDER RIGHTS PLAN

In March 2000, the Board of Directors of Cabot Microelectronics approved a stock rights agreement and declared a dividend distribution of one right to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock for each outstanding share of common stock to stockholders of record on April 7, 2000. The rights become exercisable based upon certain limited conditions related to acquisitions of stock, tender offers and certain business combination transactions.

STOCK SPLITS

In March 2000, the Board of Directors approved an 18,989,744 to 1 stock split pursuant to which all 18,898,744 shares were issued to Cabot Corporation as of the date of the initial public offering. There have been no stock splits during fiscal 2002 and 2001.

DIVIDENDS

We paid Cabot Corporation aggregate dividends of \$81,300 in fiscal 2000, of which \$17,000 was paid from borrowings under a term credit facility prior to our initial public offering and \$64,300 was paid with proceeds from our initial public offering. No dividends were declared or paid during fiscal 2002 and 2001.

19. INCOME TAXES

Income before income taxes was as follows:

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
Domestic.....	\$51,772	\$53,606	\$43,721
Foreign.....	8,951	9,882	3,227
Total.....	\$60,723	\$63,488	\$46,948

Taxes on income consisted of the following:

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
U.S. federal and state:			
Current.....	\$13,946	\$17,579	\$17,417
Deferred.....	2,460	410	(2,145)
Total.....	\$16,406	\$17,989	\$15,272
Foreign:			
Current.....	\$ 4,198	\$ 3,817	\$ 1,146
Deferred.....	(566)	(220)	28
Total.....	3,632	3,597	1,174
Total U.S. and foreign.....	\$20,038	\$21,586	\$16,446

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

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000
Computed tax expense at the federal statutory rate.....	35.0%	35.0%	35.0%
U.S. benefits from research and development activities.....	(2.0)	(1.5)	(1.3)
State taxes, net of federal effect.....	1.2	1.5	1.9
Foreign sales corporation benefits.....	(0.7)	(1.3)	(1.7)
Other, net.....	(0.5)	0.3	1.1
Provision for income taxes.....	33.0%	34.0%	35.0%

Significant components of deferred income taxes were as follows:

	SEPTEMBER 30,	
	2002	2001
	-----	-----
Deferred tax assets:		
Depreciation and amortization.....	\$ 718	\$1,271
Employee benefits.....	2,316	858
Inventory.....	588	595
Product warranty.....	381	436
Bad debt reserve.....	233	355
State and local taxes.....	180	212
Deferred tax credits.....	--	1,435
Translation adjustment.....	901	764
Other, net.....	204	162
	-----	-----
Total deferred tax assets.....	\$5,521	\$6,088
	=====	=====
Deferred tax liabilities:		
Depreciation and amortization.....	\$3,804	\$2,715
State and local taxes.....	132	146
Other, net.....	116	--
	-----	-----
Total deferred tax liabilities.....	\$4,052	\$2,861
	=====	=====

20. COMMITMENTS AND CONTINGENCIES

LEASE COMMITMENTS

We lease certain vehicles, warehouse facilities, office space, machinery and equipment under cancelable and noncancelable leases, most of which expire within ten years and may be renewed by us. Rent expense under such arrangements during fiscal 2002, 2001 and 2000 totaled \$482, \$1,400 and \$1,288, respectively.

Future minimum rental commitments under noncancelable leases as of September 30, 2002 are as follows:

FISCAL YEAR	OPERATING	CAPITAL
-----	-----	-----
2003.....	\$ 430	\$ 2,413
2004.....	311	2,077
2005.....	97	1,527
2006.....	71	1,344
2007.....	63	1,344
Thereafter.....	148	5,041
	-----	-----
	\$1,120	13,746
	=====	-----
Amount related to interest.....		(3,296)

Capital lease obligation.....		\$10,450
		=====

UNCONDITIONAL PURCHASE OBLIGATIONS

We have entered into unconditional purchase obligations which include noncancelable purchase commitments and take-or-pay arrangements with suppliers. We operate under an amended fumed metal oxide agreement with Cabot Corporation for the purchase of two key raw materials, fumed silica and fumed alumina. We are obligated to purchase at least 90% of our six-month volume forecast of fumed silica and must pay the difference if we purchase less than that amount. Also, under our fumed alumina supply agreement with Cabot Corporation we are obligated to pay certain fixed, capital and variable costs through December of

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

2006. This agreement has an initial five year term, but we can choose to renew the agreement for another five year term, which would expire in December 2011. If we do not renew the agreement, we will become subject to certain terms and conditions and the payment of certain costs. Although our unconditional purchase obligations include \$21,939 of contractual commitments, based upon our anticipated renewal of the agreement through December 2011, we have not recorded a liability because we currently anticipate meeting minimum forecasted purchase volume requirements.

We also entered into a purchase agreement with a supplier in July 2002 for certain materials in which we are obligated to purchase \$571 in materials, subject to the supplier's ability to deliver, certain minimum quantities based upon certain forecasted requirements over a one-year period. We currently anticipate meeting minimum forecasted purchase volume requirements.

We also have a long-term agreement with a supplier to purchase materials for use in one of our product lines that is not currently in commercial production. As of September 30, 2002, we are obligated to purchase, subject to the supplier's ability to deliver, \$3,200 of materials over the remaining term of the agreement, which expires in June, 2005. There exists the possibility that we will not require the entire amount of material provided for under the agreement, but we still would be obligated to pay for it. We have not recorded a liability for this possible loss as we plan to and are evaluating the use of the production capabilities of the supplier in conjunction with this product line strategy. In fiscal 2001 and 2002, we made payments to this supplier of \$500 and \$700 respectively for purchasing less than the contractual minimum. We also are required to reimburse the supplier for all approved research and development costs related to the materials. The supplier will repay these research and development reimbursements if our material purchases from them reach certain levels.

In November 2002, we entered into a purchase agreement for certain materials with a supplier and we are obligated to purchase \$201 over the life of the contract. We also expect to purchase \$500 of capital assets to be placed in service at this supplier.

OTHER LONG-TERM OBLIGATIONS

We have an agreement with Davies Imperial Coatings, Inc. ("Davies") pursuant to which Davies will perform certain agreed-upon dispersion services. We have agreed to purchase minimum amounts of services per year and to invest approximately \$200 per year in capital improvements or other expenditures to maintain capacity at the Davies dispersion facility. The initial term of the agreement expires in October 2004, with automatic one-year renewals, and contains a 90-day cancellation clause executable by either party. We are obligated to make a termination payment if the agreement is not renewed.

On July 10, 2001 we entered into a \$75,000 unsecured revolving credit and term facility with a group of commercial banks. Under this agreement, which terminates July 10, 2004, we are obligated to pay an administrative fee and a non-use fee. No amounts are currently outstanding under this agreement and we are currently in compliance with the covenants.

On September 25, 2002 we entered into a licensing agreement for a product line under development. Under this agreement we are required to pay an annual non-refundable minimum annual licensing fee. In addition, we have committed to rent or purchase equipment to develop and commercialize the licensed product. This agreement is cancellable at any time and shall remain in effect until terminated upon the mutual agreement of the parties involved.

21. LITIGATION SETTLEMENT

On February 28, 2002, we settled all pending patent infringement litigation involving us and one of our major competitors, Rodel Inc., for a one-time payment to Rodel of \$1,000, which we recorded as expense in the second fiscal quarter, and we have no further financial obligation with respect to this matter. The litigation, entitled Rodel, Inc. v. Cabot Corporation (Civil Action No. 98-352) and Rodel, Inc. and Rodel Holdings,

CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Inc. v. Cabot Corporation (Civil Action No. 99-256), had related to certain aspects of our slurry business and had been controlled by us, but had been between Rodel and our former parent, Cabot Corporation. Under the settlement, the suits were fully and permanently dismissed, and neither party admits liability. In addition, Cabot Microelectronics received from Rodel a fully paid-up, royalty free, worldwide license in all patents that were the subject of the two suits and their foreign equivalents.

22. EARNINGS PER SHARE

Statement of Financial Accounting Standards No. 128 "Earnings per Shares", requires companies to provide a reconciliation of the numerator and denominator of the basic and diluted earnings per share computations. Basic and diluted earnings per share were calculated as follows:

	YEAR ENDED SEPTEMBER 30,		
	2002	2001	2000

	(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE AMOUNTS)		
Numerator:			
Income available to common shares.....	\$ 40,685	\$ 41,902	\$ 30,502
	=====	=====	=====
Denominator:			
Weighted average common shares (Denominator for basic calculation).....	24,160,361	23,823,790	21,214,414
Weighted average effect of dilutive securities:			
Stock based compensation.....	404,713	502,812	673,342
	-----	-----	-----
Diluted weighted average common shares (Denominator for diluted calculation).....	24,565,074	24,326,602	21,887,756
	=====	=====	=====
Earnings per share:			
Basic.....	\$ 1.68	\$ 1.76	\$ 1.44
	=====	=====	=====
Diluted.....	\$ 1.66	\$ 1.72	\$ 1.39
	=====	=====	=====

23. FINANCIAL INFORMATION BY INDUSTRY SEGMENT AND GEOGRAPHIC AREA

We operate predominantly in one industry segment -- the development, manufacture, and sale of CMP slurries.

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CABOT MICROELECTRONICS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Revenues are attributed to the United States and foreign regions based upon the customer location and not the geographic location from which our products were shipped. Financial information by geographic area was as follows:

	SEPTEMBER 30,		
	2002	2001	2000

Revenue:			
United States.....	\$ 81,015	\$ 87,049	\$ 81,070
Europe.....	29,734	30,583	18,244
Asia.....	124,416	109,560	81,842
	-----	-----	-----
Total.....	\$235,165	\$227,192	\$181,156
	=====	=====	=====
Property, plant and equipment, net:			
United States.....	\$100,900	\$ 64,171	\$ 50,421
Europe.....	2,032	1,943	2,147

Asia.....	29,332	31,312	19,305
Total.....	\$132,264	\$ 97,426	\$ 71,873

SELECTED QUARTERLY OPERATING RESULTS

The following table presents our unaudited financial information for the eight quarters ended September 30, 2002. This unaudited financial information has been prepared in accordance with accounting principles generally accepted in the United States of America, applied on a basis consistent with the annual audited financial statements and in the opinion of management, include all necessary adjustments, which consist only of normal recurring adjustments necessary to present fairly the financial results for the periods. The results for any quarter are not necessarily indicative of results for any future period.

CABOT MICROELECTRONICS CORPORATION

SELECTED QUARTERLY OPERATING RESULTS

	SEPT. 30, 2002	JUNE 30, 2002	MARCH 31, 2002	DEC. 31, 2001	SEPT. 30, 2001	JUNE 30, 2001	MARCH 31, 2001	DEC. 31, 2000
(UNAUDITED AND IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)								
Revenue.....	\$65,264	\$68,377	\$50,520	\$51,004	\$51,411	\$51,470	\$55,695	\$68,616
Cost of goods sold.....	31,946	32,113	25,262	23,746	25,305	24,628	25,923	32,563
Gross profit.....	33,318	36,264	25,258	27,258	26,106	26,842	29,772	36,053
Operating expenses:								
Research and development.....	10,102	10,190	6,429	6,947	6,297	6,165	6,805	6,538
Selling and marketing... General and administrative.....	2,469	2,470	2,370	2,358	2,292	1,947	2,249	2,269
Litigation settlement...	3,917	4,260	5,397	3,884	4,106	5,316	6,485	5,147
Amortization of intangibles.....	--	--	1,000	--	--	--	--	--
Total operating expenses.....	74	90	91	90	179	180	180	179
Operating income.....	16,562	17,010	15,287	13,279	12,874	13,608	15,719	14,133
Other income (expense), net.....	16,756	19,254	9,971	13,979	13,232	13,234	14,053	21,920
Income before income taxes.....	71	1,160	(151)	(317)	208	166	238	437
Provision for income taxes.....	16,827	20,414	9,820	13,662	13,440	13,400	14,291	22,357
Net income.....	5,377	7,147	2,869	4,645	4,217	4,544	4,907	7,918
Basic earnings per share.....	\$11,450	\$13,267	\$ 6,951	\$ 9,017	\$ 9,223	\$ 8,856	\$ 9,384	\$14,439
Weighted average basic shares outstanding.....	\$ 0.47	\$ 0.55	\$ 0.29	\$ 0.37	\$ 0.38	\$ 0.37	\$ 0.39	\$ 0.61
Diluted earnings per share.....	24,231	24,193	24,140	24,096	24,043	23,975	23,800	23,608
Weighted average diluted shares outstanding.....	\$ 0.47	\$ 0.54	\$ 0.28	\$ 0.37	\$ 0.38	\$ 0.36	\$ 0.39	\$ 0.59
	24,501	24,521	24,583	24,532	24,510	24,450	24,328	24,290

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

The following table sets forth activities in our allowance for doubtful accounts:

ALLOWANCE FOR DOUBTFUL ACCOUNTS	BALANCE AT BEGINNING OF YEAR	ADDITIONS (DEDUCTIONS) CHARGED TO EXPENSES	DEDUCTIONS	BALANCE AT END OF YEAR
-----	-----	-----	-----	-----

Year ended:				
September 30, 2002.....	\$1,014	\$ (154)	\$ (193)	\$ 667
September 30, 2001.....	233	812	(31)	1,014
September 30, 2000.....	50	226	(43)	233

We have historically not recorded warranty claims against warranty reserves, but rather provided for them in the period in which they occurred. As such, charges to expenses represent the net charge required to maintain an appropriate reserve.

WARRANTY RESERVES	BALANCE AT BEGINNING OF YEAR	CHARGES TO EXPENSES	DEDUCTIONS	BALANCE AT END OF YEAR
Year ended:				
September 30, 2002.....	\$1,255	\$ --	\$ (397)	\$ 858
September 30, 2001.....	773	482	--	1,255
September 30, 2000.....	891	222	(340)	773

MANAGEMENT RESPONSIBILITY

The accompanying consolidated financial statements were prepared by Cabot Microelectronics in conformity with accounting principles generally accepted in the United States of America. Cabot Microelectronics' management is responsible for the integrity of these statements and of the data, estimates and judgments that underlie them.

Cabot Microelectronics maintains a system of internal accounting controls designed to provide reasonable assurance that its assets are safeguarded from loss or unauthorized use, that transactions are properly authorized and recorded, and that financial records are reliable and adequate for public reporting. The standard of reasonable assurance is based on management's judgment that the cost of such controls should not exceed their associated benefits. The system is monitored and evaluated on an ongoing basis by management in conjunction with its internal audit function, independent accountants, and the Audit Committee of the Board of Directors.

The Audit Committee of the Board of Directors provides general oversight responsibility for the financial statements. Composed entirely of Directors who are independent and not employees of Cabot Microelectronics, the Committee meets periodically with Cabot Microelectronics' management, internal auditors and the independent accountants to review the quality of the financial reporting and internal controls, as well as the

results of the auditing efforts. The internal auditors and independent accountants have full and direct access to the Audit Committee, with and without management present.

/s/ MATTHEW NEVILLE

Matthew Neville
Chief Executive Officer

/s/ DANIEL S. WOBBY

Daniel S. Wobby
Corporate Controller and
Acting Principal Financial Officer

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 of Form 10-K with respect to identification of directors is incorporated by reference from the information contained in the section captioned "Election of Directors" in Cabot Microelectronics' definitive Proxy Statement for the Annual Meeting of Stockholders to be held March 11, 2003 (the "Proxy Statement"). For information with respect to the executive officers of Cabot Microelectronics, see "Executive Officers" at the end of Part I of this Form 10-K and the section captioned "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated by reference from the information contained in the section captioned "Executive Compensation" in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 of Form 10-K is incorporated by reference from the information contained in the section captioned "Stock Ownership" in the Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 of Form 10-K is incorporated by reference from the information contained in the section captioned "Certain Relationships and Related Transactions" in the Proxy Statement.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days of the filing of this report, the Company's Chief Executive Officer and Acting Principal Financial Officer have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-14 and 15d-14. Based on that evaluation, our Chief Executive Officer and Acting Principal Financial Officer concluded that our disclosure controls and procedures are effective to make known to them in a timely fashion material information related to the Company required to be filed in this report. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

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While we believe the present design of our disclosure controls and procedures is effective to make known to our senior management in a timely fashion all material information concerning our business, we will continue to improve the design and effectiveness of our disclosure controls and procedures to the extent necessary in the future to provide our senior management with timely access to such material information, and to correct any deficiencies that we may discover in the future.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a) The following Financial Statements and Financial Statement Schedule are included in Item 8 herein:

1. Financial Statements:

Report of Independent Accountants

Statements of Income for the years ended September 30, 2002, 2001 and 2000

Balance Sheets at September 30, 2002 and 2001

Statements of Cash Flows for the years ended September 30, 2002, 2001 and 2000

Statements of Changes in Stockholders' Equity for the years ended September 30, 2002, 2001 and 2000

Notes to the Financial Statements

2. Financial Statement Schedule: Schedule II -- Valuation and Qualifying Accounts

3. Exhibits -- The following exhibits are filed as part of, or incorporated by reference into, this Report on Form 10-K:

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1(1)	Certificate of Incorporation of Cabot Microelectronics Corporation.
3.2(1)	Amended and Restated By-Laws of Cabot Microelectronics Corporation.
3.3(1)	Form of Amended and Restated Certificate of Incorporation of Cabot Microelectronics Corporation.
3.4(1)	Form of Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock.
4.1(1)	Form of Cabot Microelectronics Corporation Common Stock Certificate.
4.2(1)	Rights Agreement.
4.3(2)	Amendment to Rights Agreement.
10.1(1)	Master Separation Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.2(1)	IPO and Distribution Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.3(1)	Tax Sharing Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.4(1)	Management Services Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.5(1)	Fumed Metal Oxide Supply Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.+
10.6(1)	Confidential Disclosure and License Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.7(1)	Trademark License Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.8(1)	Dispersion Services Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.+
10.9(1)	Employee Matters Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.
10.11(1)	Purchase Agreement between Cabot Corporation and Intel Corporation.+

EXHIBIT NUMBER -----	DESCRIPTION -----
10.12(1)	Services Agreement by and among Davies -- Imperial Coatings, Inc., Cabot Corporation, Donn Davies and JoAnn Davies.+
10.13(1)	Sublease for Barry, Wales facility.
10.14(5)	Amended and Restated 2000 Equity Incentive Plan, dated March 13, 2001.*
10.15(8)	Amendment to Cabot Microelectronics Corporation Employee Stock Purchase Plan.*
10.17(1)	Credit Agreement, between Cabot Microelectronics Corporation and LaSalle Bank National Association.
10.18(3)	Tax Reporting and Cooperation Agreement.
10.19(3)	Services Agreement with Cabot.
10.20(3)	Extension of Management Services Agreement.
10.22(8)	Amendment to Cabot Microelectronics Corporation 401(k) Plan.*
10.23(3)	Form of Change in Control Severance Protection Agreement.**
10.26(6)	Second Amended and Restated Credit Agreement, between Cabot Microelectronics Corporation and LaSalle Bank National Association, dated July 10, 2001.
10.27(4)	First Amendment to Amended and Restated Credit Agreement, between Cabot Microelectronics Corporation and LaSalle Bank

- National Association, dated August 24, 2000.
- 10.28(5) Directors Deferred Compensation Plan.*
- 10.29(8) First Amendment to Credit Agreement dated as of July 10, 2001 among Cabot Microelectronics Corporation, Various Financial Institutions and LaSalle Bank National Association, as Administrative Agent, and National City Bank of Michigan/Illinois, as Syndication Agent.
- 10.30(7) 2001 Deposit Share Agreement.*
- 10.31(7) Amendment No. 1 to Fumed Metal Oxide Agreement, between Cabot Microelectronics Corporation and Cabot Corporation.+
- 10.32(7) Fumed Alumina Supply Agreement+
- 10.33(8) Adoption Agreement, as amended, of Cabot Microelectronics Corporation Supplemental Employee Retirement Plan.*
- 10.34 Code of Business Conduct.
- 21.1 Subsidiaries of Cabot Microelectronics Corporation.
- 23.1 Consent of Independent Accountants.
- 24.1 Power of Attorney.
- 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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- (1) Filed as an exhibit to, and incorporated by reference from the Registrant's Registration Statement on Form S-1 (No. 333-95093) filed with the Commission on April 4, 2000, as amended.
- (2) Filed as Exhibit 4.1 to, and incorporated by reference from the Registrant's Current Report on Form 8-K filed with the Commission on October 6, 2000.
- (3) Filed as an exhibit to, and incorporated by reference from the Registrant's Annual Report on Form 10-K filed with the Commission on December 28, 2000.
- (4) Filed as an exhibit to, and incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the Commission on February 14, 2001.
- (5) Filed as an exhibit to, and incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 14, 2001.
- (6) Filed as an exhibit to, and incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 10, 2001.
- (7) Filed as an exhibit to, and incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the Commission on February 12, 2002.
- (8) Filed as an exhibit to, and incorporated by reference from the Registrant's Quarterly Report on Form 10-Q filed with the Commission on May 13, 2002.

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* Management contract, or compensatory plan or arrangement.

** Substantially similar change in control severance protection agreements have been entered into with Matthew Neville, H. Carol Bernstein, J. Michael Jenkins, Jeremy K. Jones, Hiroyuki Nishiya, Kathleen A. Perry, Daniel J. Pike, Stephen R. Smith and Daniel S. Wobby, with differences only in the amount of payments and benefits to be received by such persons.

+ This Exhibit has been filed separately with the Commission pursuant to the grant of a confidential treatment request. The confidential portions of this Exhibit have been omitted and are marked by an asterisk.

(b) Reports on Form 8-K

In a report dated August 6, 2002, Cabot Microelectronics reported under Item 5. "Other Events" and Item 7. "Financial Statements and Exhibits" that on August 5, 2002 Cabot Microelectronics announced the modification of the distribution agreement between Cabot Microelectronics and Metron Technology.

In a report dated September 24, 2002, Cabot Microelectronics reported under Item 5. "Other Events" and Item 7. "Financial Statements and Exhibits" that on September 24, 2002 Cabot Microelectronics announced the election of J. Joseph King to the Company's Board of Directors.

In a report dated September 26, 2002, Cabot Microelectronics reported under Item 5. "Other Events" and Item 7. "Financial Statements and Exhibits" that on September 25, 2002 Cabot Microelectronics announced that Martin M. Ellen, our vice president and chief financial officer, will be resigning as of October 25, 2002.

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 MICROELECTRONICS CORPORATION
(Registrant)

Date: December 10, 2002

/s/ MATTHEW NEVILLE

Matthew Neville
Chairman of the Board, President and Chief Executive
Officer [Principal Executive Officer]

Pursuant to the requirements 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:

Date: December 10, 2002

/s/ MATTHEW NEVILLE

Matthew Neville
Chairman of the Board, President and Chief Executive
Officer [Director]

Date: December 10, 2002

/s/ DANIEL S. WOBBY

Daniel S. Wobby
Corporate Controller
[Acting Principal Financial Officer and Principal
Accounting Officer]

Date: December 10, 2002

/s/ JUAN ENRIQUEZ-CABOT*

Juan Enriquez-Cabot
[Director]

Date: December 10, 2002

/s/ JOHN P. FRAZEE, JR.*

John P. Frazee, Jr.
[Director]

Date: December 10, 2002

/s/ H. LAURANCE FULLER*

H. Laurance Fuller
[Director]

Date: December 10, 2002

/s/ J. JOSEPH KING*

J. Joseph King
[Director]

Date: December 10, 2002

/s/ RONALD L. SKATES*

Ronald L. Skates
[Director]

Date: December 10, 2002

/s/ STEVEN V. WILKINSON*

Steven V. Wilkinson
[Director]

* by H. Carol Bernstein as Attorney-in-fact pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934.

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CERTIFICATIONS

I, Matthew Neville, Chief Executive Officer of Cabot Microelectronics Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Cabot Microelectronics Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors;

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 10, 2002

/s/ MATTHEW NEVILLE

Matthew Neville
Chief Executive Officer

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I, Daniel S. Wobby, Acting Principal Financial Officer of Cabot Microelectronics Corporation, certify that:

1. I have reviewed this annual report on Form 10-K of Cabot Microelectronics Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors;

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 10, 2002

/s/ DANIEL S. WOBBY

Daniel S. Wobby
Acting Principal Financial Officer

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CODE OF BUSINESS CONDUCT

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CABOT MICROELECTRONICS CORPORATION CODE OF BUSINESS CONDUCT

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- 2.0 INTRODUCTION
- 3.0 YOU AND YOUR JOB AT CABOT MICROELECTRONICS
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- 0.0 CABOT MICROELECTRONICS CORPORATION'S VISION AND VALUES
- VISION

We are the company others pursue in technology and product performance. Our people and our business partners are our competitive advantage. We create value for our global customers and shareholders by unlocking the opportunity in unsolved problems.

VALUES

Integrity

- We are honest and ethical in all of our dealings with all of our employees, customers, business partners, suppliers, competitors, and other stakeholders.
- We adhere to all laws, regulations, and our business practices.

Respect

- We value people's differences.
- We value diverse opinions, we listen and learn.
- We treat people fairly and respect their need for work/life balance.
- We provide honest, constructive, and discreet feedback.

Accountability

- We admit mistakes, we learn from our mistakes, we ask for help.
- We take ownership and responsibility for our actions and performance.
- We take initiative to make a difference and to help.
- We focus on results.
- We recognize and celebrate our successes.

Competitiveness

- We are relentless in our pursuit of success.
- We are a leader in the markets we serve.
- We are committed to ensuring that we have the best people and talent, technology, quality, service, and market knowledge.
- We act with a sense of urgency, and we strive for excellence in everything we do.

Innovation

- We work creatively to develop new ways to provide value to our customers.
- We drive our innovation by understanding stated and unstated market needs, and we are the first to deliver against those needs.
- We create new markets with unique technologies and solutions.

1.0 A LETTER FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Dear Fellow CMC Employee:

This Code of Business Conduct essentially is about Cabot Microelectronics' Vision and Values, which are the foundation of our company.

Each employee has the responsibility to act according to our Vision and Values. CMC operates in one of the most competitive and fast-moving industries, and this environment emphasizes the importance of each employee's responsibility to exercise sound business judgment and act ethically. This Code of Business Conduct gives you the basic guidelines for understanding your responsibilities.

While we each know that ethical behavior is important in its own right, it also is essential to our business success because it fosters our relationships with our customers, suppliers, communities in which we operate, and other stakeholders.

We ask you to read our Code of Business Conduct, follow it, and continue to exhibit the Vision and Values and ethical conduct that has been a fundamental principle of our company since our beginning.

Matthew Neville
Chairman & Chief Executive Officer
March 2002

2.0 INTRODUCTION

At Cabot Microelectronics Corporation, the Chief Executive Officer and other executive officers, along with CMC's Board of Directors, are responsible for setting standards of business ethics and overseeing compliance with these standards for CMC and its subsidiaries ("CMC"). It is the individual responsibility of each employee (including directors and officers) of CMC and its subsidiaries ("CMC employees") to comply with these standards.

As CMC employees, we frequently encounter a variety of ethical and legal questions. We should decide these situations in ways that are consistent with CMC's Vision and Values. CMC expects all employees to obey the law and to act ethically. CMC's Code of Business Conduct provides general guidance for resolving a variety of legal and ethical questions for CMC employees.

Because rapid changes in our business and industry present new ethical and legal issues on an ongoing basis, no one set of guidelines should be considered the definitive statement for all circumstances. If you have any questions about interpreting or applying this Code of Business Conduct--or about guidelines and procedures published by CMC or its subsidiaries or operating units --it is your responsibility to consult your manager, the Human Resources Department or the Office of the CMC General Counsel. A violation of any CMC guidelines or this Code of Business Conduct can result in disciplinary action, including dismissal.

Each section of this Code of Business Conduct covers an area in which we have responsibilities to CMC as employees:

- Personal conduct and protection of CMC's assets
- Obligations in conducting CMC's business with other people and organizations
- Conflicts of interest and other considerations affecting CMC that may arise from our own activities

Our responsibilities as CMC employees generally can be summarized as:

- Acting according to CMC's Vision and Values
- Acting honestly
- Treating others fairly
- Protecting CMC's physical and intellectual property
- Avoiding conflicts of interest
- Complying with laws

While CMC employees are expected to comply with all of the provisions of CMC's Code of Business Conduct, certain sections of the Code will be more applicable to certain of our employees, depending on their job responsibilities (for example, Section 5 will be especially informative for those CMC employees whose jobs involve working with our customers, suppliers or other outside organizations, like research universities or laboratories).

3.0 YOU AND YOUR JOB AT CMC

3.1 Communications Channels

If you know of an unlawful or unethical situation, you should immediately tell CMC whatever you know or have heard about it; you can do so in one of several ways. Contacting your manager is the best place to start, but you can also contact CMC's Human Resources Department, CMC counsel, including CMC's General Counsel, who has been designated CMC's Compliance Officer, CMC's Internal Audit Manager, or any other CMC manager. You may contact us in person, on the phone, through email, or in writing. In addition, you may call the CMC Ethics Line at 630/499-2702 (either direct or collect) or send an email to Ethics_Email@cabotcmp.com to report any concern you may have. You also may contact directly any member of our Board of Directors, including any member of our Board's Audit Committee. You may report your concern on an anonymous basis if you would like.

CMC will promptly review your report of unlawful or unethical conduct, and CMC will not tolerate threats or acts of retaliation against you for notifying us of your concerns.

3.2 Personal Conduct

We should never take for granted CMC's reputation for integrity and business ethics - it's in each of our hands. To maintain that reputation, you must follow all of CMC's Code of Business Conduct and exercise good judgment in your decisions and actions.

If CMC finds that your conduct on or off the job adversely affects your performance, that of other employees, or CMC's legitimate business interests, you can be subject to disciplinary measures, including dismissal.

3.3 Work Environment

CMC strives to maintain a healthy, safe and productive work environment that is free from discrimination or harassment based on race, color, religion, sex, sexual orientation, age, national origin, disability, or other factors that are unrelated to CMC's legitimate business interests. CMC will not tolerate sexual advances, actions or comments or racial or religious slurs, jokes or any other comments or conduct in the workplace that creates, encourages or permits an offensive, intimidating or inappropriate work environment.

If you believe that you are subject to such conduct, or have observed others subject to such conduct, you should tell CMC through any of the communication channels that you feel most comfortable in using - your manager, the Human Resources Department, CMC counsel, or any of the communications channels referenced above. Your complaint of such conduct will be reviewed promptly. Employees who are found to have engaged in harassment or discrimination, or to have misused their positions of authority in this regard, will be subject to disciplinary measures, including dismissal.

Other conduct that is prohibited because of its adverse impact on the work environment includes: (1) threats; (2) violent behavior; (3) the possession of weapons of any type; (4) the use of recording devices, including videophones and Web cameras, for other than management approved purposes; and (5) the use, distribution, sale or possession of illegal drugs or any other controlled substance, except for approved medical purposes. In addition, employees should not be on CMC premises, in the CMC work environment or at CMC-sponsored events if they are under the influence of or affected by illegal drugs, controlled substances used for nonmedical purposes or alcoholic beverages. Consumption of alcoholic beverages on CMC premises is only permitted, with prior management approval, for company-sponsored events.

3.4 Employee Privacy

CMC and CMC authorized companies and individuals collect and maintain personal information that relates to your employment, including compensation, medical and benefit information. Because CMC is a global organization with business processes, management structures and technical systems that cross country borders, you acknowledge that, to run its business, CMC and its authorized companies may transfer personal information about you as a CMC employee to any of the countries where we do business. While not all countries have a data protection law, CMC has world-wide policies that are intended to protect information wherever it is stored or processed. For example, access to your personal information is restricted to people with a need to know. Personal information is normally released to outside parties only with employee approval, except that CMC and authorized companies and individuals may also release personal information to verify employment, to satisfy the legitimate requirements of a company or other entity which is considering acquiring some of CMC's business operations, or for appropriate investigatory, business or legal reasons. Employees who have access to personal information must ensure that the information is not disclosed in violation of CMC's policies or practices.

Personal items, messages or information that you consider personal or private should not be placed or kept anywhere in the CMC workplace, such as in telephone systems, office systems, electronic files, desks, credenzas, lockers, or offices. CMC's management has the right to access those areas and any other CMC furnished facilities. Additionally, in order to protect its employees and assets, CMC may ask to search an employee's personal

property, including briefcases and bags, located on or being removed from CMC locations; the employee is expected to cooperate with such a request. Employees, however, should not access another employee's workspace, including electronic files, without prior approval from management.

3.5 Protecting CMC's Assets

CMC has a large variety of assets. Many are of great value to CMC's competitiveness and success as a business. They include our physical assets and our extremely valuable proprietary information, such as CMC's intellectual property and CMC's confidential information.

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Protecting all of these assets is critical. Their loss, theft or misuse jeopardizes the future of CMC.

You are personally responsible for protecting CMC's property entrusted to you and for helping to protect the company's assets in general. To do this, you should be aware of and understand CMC's security and information protection procedures. You should be alert to any situations or incidents that could lead to the loss, misuse or theft of company assets and property. You should report all such situations to your manager or the Office of the General Counsel as soon as they come to your attention.

Let's review the types of assets you should be concerned about protecting, and your related responsibilities.

3.5.1 Physical Assets

CMC's physical assets, such as equipment, systems, facilities, corporate charge cards and supplies, must be used only for conducting CMC's business or for purposes authorized by management.

3.5.2 Financial Assets

CMC's financial assets and funds must be used properly, accurately, and only for conducting CMC's business. No undisclosed or unrecorded fund or asset of CMC may be established for any purpose. No entity, fund or asset of CMC may be created or maintained for any purpose that is not properly reflected in CMC's books and records. No payment on behalf of CMC may be approved or made with the intention, understanding or awareness that any part of such payment is to be used for any purpose other than that described by the documents supporting the payment.

3.5.3 CMC Information and Communication Systems

CMC's information and communication systems, including CMC connections to the Internet, are vital to CMC's business; you should only use them for appropriate purposes. You can use them for conducting CMC business or for other incidental purposes authorized by your management or by applicable CMC guidelines, such as those on Internet use. For example, it is inappropriate to use CMC systems to visit Internet sites that feature sexual content or that advocate intolerance of others. It is also inappropriate to use them in a manner that interferes with your productivity or the productivity of others. You are responsible to ensure that your use of CMC systems is appropriate; inappropriate use of our systems is a misuse of CMC assets.

3.5.4 Proprietary Information

CMC proprietary information is any information that is owned by CMC, including information in CMC databases. Much, but not all, of CMC proprietary information is confidential. It may also be subject to copyright, patent or other intellectual property or legal rights. Proprietary information includes such things as: CMC's technical, manufacturing or scientific information relating to current and future products, offerings, and research; formulas and formulations; work instructions; business or marketing plans or projections; earnings and other financial data; personnel information including organizational changes; and software.

CMC's proprietary information is the result of the ideas and hard work

of many of your fellow employees and of substantial investments by CMC in planning, research and development. This information, particularly CMC confidential information, gives CMC a competitive advantage in the marketplace, and CMC would be damaged if its competitors learned of it.

The value of CMC's proprietary information is well known not only to CMC's competitors but also to others in the industry, such as security analysts, members of the press, and consultants. CMC would be harmed by unauthorized disclosures of its proprietary information to, or the unauthorized use of that information by, any of those people. For example, unauthorized disclosure of an unannounced CMC product can hurt us by giving competitors more time to match our product. Or, unauthorized disclosure of financial information or issues with particular suppliers or customers, whether positive or negative, can impact our stock and our responsibilities with respect to securities laws. Another example is unauthorized disclosure of an unannounced organizational or personnel change that can adversely affect employee morale and can interfere with our plans.

As a CMC employee, you will have access to information that CMC considers proprietary. Given outside interest in CMC and the increasingly competitive nature of our industry, you might come into contact with someone who

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is interested in acquiring CMC proprietary information. It is critical that you do not disclose or distribute that information except as authorized by CMC and that you follow all CMC safeguards for protecting that information.

3.5.4.1 Inadvertent Disclosure

You should be careful to avoid the inadvertent disclosure of proprietary information.

To avoid inadvertent disclosure, never discuss with any unauthorized person proprietary information that CMC considers confidential or which CMC has not made public. Furthermore, you should not discuss such information even with authorized CMC employees if you are in the presence of others who are not authorized--for example, at a trade show reception or in a public area, such as an airplane, or when using a cellular or wireless telephone or an electronic bulletin board or database. You should also not discuss such information with family members or with friends, who might innocently or unintentionally pass the information on to someone else.

Finally, keep in mind that a harmful disclosure may start with the smallest leak of bits of information. Fragments of information you disclose may be pieced together with fragments from other sources to form a fairly complete picture.

3.5.4.2 Direct Requests for Information and Contacts with the Press, Analysts and Others

CMC's business activities are monitored closely by reporters, industry consultants and securities analysts. You should not initiate contact with these individuals or groups or respond to their inquiries without authorization as follows:

- Reporters - CMC Chief Financial Officer
- Consultants - CMC Chief Financial Officer
- Securities Analysts - CMC Investor Relations

Similarly, if you receive a request for information on CMC from an attorney, investigator, law enforcement official, or government official or agency, you should not respond to their inquiries and instead refer the request to CMC's General Counsel or Associate General Counsel - Intellectual Property.

If you do not know what functional area a questioner should be referred to, ask your manager before responding.

3.5.4.3 Using Proprietary Information

Besides your obligation to protect CMC proprietary information from unauthorized disclosure or distribution, you are also required as an employee to use such information only in connection with CMC's business. This obligation applies whether or not you developed the information yourself, and it applies by law in virtually all countries in which CMC does business.

3.5.5 CMC Intellectual Property Rights

When you joined CMC or its predecessor in interest, or at the time we became an independent company, you were required to sign an agreement under which you, as an employee of CMC, assumed specific obligations relating to intellectual property as well as the treatment of confidential information. Among other things in the agreement, you assign to CMC all of your right, title, and interest in intellectual property you develop. The intellectual property you assign includes such things as ideas, inventions, computer programs and documents which relate to CMC's actual or anticipated business, research or development or that are suggested by, or result from, work or tasks you perform for, or on behalf of, CMC. Subject to the laws of each country, this obligation applies no matter where or when--at work or after hours--such intellectual property is created. You must report that intellectual property to CMC, and protect it like any other proprietary information of the company. However, if you believe that your idea, invention, computer program, or other material neither falls within the area of CMC's actual or anticipated business interests, nor resulted from, nor was suggested by, any of your work assignments at CMC, you should discuss it with CMC's Associate General Counsel - Intellectual Property. Throughout your employment with CMC, you should receive advice and direction from CMC's Associate General Counsel - Intellectual Property before taking any action with respect to an invention that may be patentable, and provide her with copies of any patent you have applied for or obtained outside of CMC.

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3.5.6 Leaving CMC

If you cease to be an employee of CMC for any reason, you must return all CMC property, including documents and media which contain CMC proprietary information, and you may not disclose or use CMC proprietary information, including CMC confidential information. Also, CMC's ownership of intellectual property that you created while you were a CMC employee continues after you leave the company.

3.5.7 Legal Remedies

Regrettably, there have been cases in which CMC's physical, financial or intellectual property assets have been wrongfully taken or misused, or employees or former employees have violated their agreements with CMC with respect to protecting our property or refraining from competing against CMC. In some of these instances, CMC has not limited its response to disciplinary action against offending employees or former employees, but has taken legal action as well. Also, individuals can be subject to prosecution for their actions by government authorities and convicted of crimes for their part in stealing CMC assets.

CMC will continue to take every step necessary, including legal measures, to protect its assets.

3.6 Recording and Reporting Information

You must record and report all information accurately and honestly.

Every employee records information of some kind and submits it to the company. For example: an engineer fills out a product test report; a marketing representative reports orders; an accountant records revenues and costs; a scientist prepares a research report; a quality technician completes a time-card; and, a product line manager makes an employee

benefit claim. Each employee must accurately and honestly fill in reports.

One important report that many employees use is the expense account. Employees are entitled to reimbursement for reasonable expenses--but only if those expenses were actually incurred. To submit an expense account for meals not eaten, miles not driven, airline tickets not used or for any other expense not incurred is dishonest reporting and is prohibited.

Under various laws, such as tax and securities laws, environmental laws, or the Foreign Corrupt Practices Act, CMC is required to maintain books and records reflecting CMC's transactions. It is essential that these books and records are accurate. Regardless of whether reporting is required by law, dishonest reporting within CMC, for example to CMC management or CMC auditors or during an internal investigation, or to organizations and people outside the company, is strictly prohibited. This includes not only reporting information inaccurately but also organizing it in a way that is intended to mislead or misinform those who receive it. Employees must ensure that they do not make false or misleading statements in external financial reports, environmental monitoring reports and other documents submitted to or maintained for government agencies. Dishonest reporting can lead to civil or even criminal liability for you or CMC. Employees who are found to have engaged in dishonest reporting, or to have misused their positions of authority in this regard, will be subject to disciplinary measures, including dismissal.

4.0 DEALING WITH OTHERS OUTSIDE OF CMC

4.1 Bribes, Gifts and Entertainment

Gifts offered by employees of different companies vary widely. They can range from widely distributed advertising novelties of nominal value, which you may give or accept, to bribes, which you unquestionably may not give or accept.

Gifts include not only material goods, but also services, promotional premiums and discounts.

The following are CMC's guidelines on giving and receiving gifts and business amenities. Exceptions may be approved by an executive officer, but those exceptions must not be prohibited by law or known customer business practice.

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4.1.1 Business Amenities

With management approval, you may give or accept customary business amenities, such as meals and entertainment, provided the expenses involved are kept at a reasonable level and are not prohibited by law or known customer business practice. Suppliers, including CMC, frequently find it appropriate to provide education and briefings for their customers or suppliers. It is all right to provide or accept some services in connection with this type of activity, such as transportation, and food and lodging, if you have prior management approval.

4.1.2 Receiving Gifts

Neither you nor any member of your family may solicit or accept from a supplier or customer money or a gift that could influence or could reasonably give the appearance of influencing CMC's business relationship with that supplier or customer. However, unless CMC has specified to the contrary, you may accept promotional premiums and discounts offered by transportation companies, hotels, auto rental agencies and restaurants if they are based upon membership in bonus programs for individuals and are offered to travelers generally. Furthermore, you may accept a gift of nominal value, such as an advertising novelty, when it is customarily offered to others having a similar relationship with the customer or supplier. If you have any doubts about a particular situation, you should consult your manager.

If you are offered a gift which has more than nominal value or which is not customarily offered to others, or money, or if either arrives at your home or office, tell your manager immediately. Appropriate arrangements will be made to return or dispose of what has been received, and the supplier or customer will be reminded of CMC's policy in this regard.

4.1.3 Referral Fees

When authorized by CMC, you may refer customers to third party vendors, such as CMC's distributors, transportation and shipping entities, or support organizations. However, CMC employees may not accept any fee, commission or other compensation for this activity from anyone.

4.1.4 Giving Gifts

You may not give money or any gift to an executive, official or employee (or related person) of any supplier, customer or any other organization if doing so would influence or could reasonably give the appearance of influencing the organization's relationship with CMC. You may, however, provide a gift of nominal value, such as a CMC advertising novelty, if it is not prohibited by law or the customer's, supplier's or other organization's known business practices.

4.1.5 Relationships with Government Employees

When we are dealing with government employees or those who act on the government's behalf, practices that are acceptable in the commercial business environment, such as providing education, transportation, meals, entertainment or other things of value, may be entirely unacceptable, and may even violate certain federal, state, local or foreign laws and regulations. Therefore, you must be aware of, and adhere to, the relevant laws and regulations governing relations between government employees and business entities in every country where you conduct business. You should contact the CMC General Counsel for guidance.

You must not give money or a gift to an official or an employee of a governmental entity if doing so could be reasonably construed as having any connection with CMC's business relationship. U.S. and foreign laws often prohibit such actions: for example, the Foreign Corrupt Practices Act (FCPA), a U.S. law, makes it a crime to pay money or to give anything of value to a foreign official to assist the company or another to obtain or retain business with the government, whether the improper payment or gift is made directly by a company or indirectly through someone acting for the company. Any proposed payment or gift to a foreign official, political party or candidate must have prior review and approval by the CMC General Counsel, even if such payment or gift is common in that country. Keep in mind that foreign officials, under the FCPA, can include executives and employees of government-owned corporations, such as universities, and other entities such as industrial parks. Always ask if you have some doubt regarding government ownership or participation.

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In countries where local customs call for giving gifts to customers or others on special occasions, you may, with prior approval from management and the CMC General Counsel, present gifts that are lawful, appropriate, and of nominal value, provided the action cannot be seen as seeking special favor.

Furthermore, certain legal or ethical restrictions may exist with respect to the hiring by CMC of current or former employees of the government or their family members. You should consult with the CMC General Counsel before any attempts, even preliminary discussions, are made to hire any such persons.

4.1.6 Public Official and Campaign Visits, Speaking Engagements and Honoraria

CMC encourages public officials to make non-partisan visits to CMC locations to better understand our company, products, programs and our

views on public policy issues. However, political campaigning is not allowed on CMC property.

Likewise, public officials, candidates and prominent former officials may request or be invited to speak at various CMC events. We generally do not pay honoraria or travel expenses since in many instances such a payment would not be lawful. You should review any matters in this area with CMC's Office of the General Counsel.

4.2 Complying with Laws

CMC's policy is to comply with all laws and regulations that apply to its business. As you conduct CMC's business, you may encounter a variety of legal issues, particularly in the areas described below. If you have questions on specific laws or regulations, contact CMC's Office of the General Counsel.

4.2.1 Competition

Laws governing competition exist in most of the countries in which CMC does business. The purpose of competition laws, which also may be known as antitrust, monopoly, fair trade or cartel laws, is to prevent interference with the functioning of a competitive market system. While the purpose of such laws is primarily economic, their effect is often seen as going beyond consumer or customer welfare to protecting other values of society, including individual freedoms.

Under these laws, companies may not enter into agreements with other companies, including their distributors and competitors, however informally, that unreasonably restrict the functioning of the competitive system, such as price fixing, or dividing customers or territories.

Companies also may violate competition laws without acting jointly with other companies by, for example, illegally monopolizing or attempting to monopolize an industry or unlawfully abusing a dominant position through arrangements such as "tie-in", certain pricing, or exclusive dealing arrangements.

CMC's policy is to comply fully with competition laws throughout the world. You can help by adhering to CMC's Code of Business Conduct and related policies and procedures, by being sensitive to legal concerns under competition laws, and by raising any such concerns with CMC's General Counsel.

4.2.2 Export

It is CMC's policy to comply with the export control laws and regulations of all countries in which we do business. When certain CMC products and technical data are exported, CMC may have to obtain an export authorization from the U.S. or appropriate foreign government.

It is against the law to export without authorization or to facilitate the unauthorized export of CMC technology. Penalties for failure to comply with export laws and regulations are severe and can result in fines, loss of export privileges for our products and imprisonment. If you have questions on export-related issues, talk with your manager or the CMC General Counsel.

4.2.3 Antiboycott

U.S. law prohibits CMC and its subsidiaries and affiliates and their agents from complying with or supporting a foreign country's boycott of a country that is "friendly" to the United States. CMC is also required to report promptly to the U.S. Government any request to support a boycott or to furnish information concerning a boycott. A foreign country or an entity associated with the country could make such a request in writing, orally in

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connection with a transaction or in a number of other ways. Examples of improper boycott requests are requests that we refuse to do business with a boycotted country, including its corporation and

citizens, or with so-called blacklisted companies who do business with the boycotted country or that we provide information about activities in a boycotted country or implement letters of credit with boycott conditions. If you hear of a boycott or receive a request to support a boycott or to provide information related to a boycott, you should contact CMC's General Counsel.

4.2.4 Import

As an importer, CMC must comply with import regulations and requirements when engaging in international trade. Because of the continued globalization of CMC's business, there are many situations, some of them very subtle, in which your work may have import implications. For example, in addition to the obvious one in which you are importing raw materials, parts or products into the U.S. or another country, there may be import implications in activities, -- such as development process activity requiring non-U.S. sourcing, customer activity requiring the shipment of products to another country, or the shipment of samples. In addition, experience has shown that designing parts and ensuring accuracy of inventory of parts will have import implications whenever those parts will cross international borders. You need to be aware of import regulations and requirements, especially if you are involved in importing. A failure to comply with the law can result in fines, penalties, imprisonment and/or a loss of import privileges. If you have questions about imports, contact your manager, Manager of Planning and Distribution, or the Office of the General Counsel.

4.2.5 Safety, Health and the Environment

CMC is committed to leadership in safety, health and environmental protection. Not only will we comply with all safety, health and environmental laws in the countries in which we operate, but if there is no law or if the law does not protect the safety and health of our employees and the environment, we will set and adhere to stringent standards of our own. Each of us must comply with safety, health and environmental laws and CMC's related policies.

If you are involved with processes that affect the environment, such as measuring, recording or reporting discharges and emissions to the environment or handling hazardous wastes, you must be sure to comply with environmental regulations and permits. You must also maintain CMC standards and ensure that reports are accurate and complete.

As an employee, you have a role to play in working in a manner that supports your own safety and health and that of others, as well as in protecting the environment. If you become aware of any violation of safety, health or environmental law or any action that may appear to conceal such a violation, you should immediately report the matter to your manager, CMC's Director, Safety, Health and Environment, or to CMC's General Counsel.

4.2.6 Lobbying

Any contact with government personnel for the purpose of influencing legislation or rule making, including how CMC operates in a particular country or locality, is considered lobbying. Some laws also define lobbying even more broadly to include our normal marketing activities. You are responsible for knowing and adhering to all the relevant lobbying laws and associated gift laws, if applicable, and for compliance with all reporting requirements.

In general, any and all lobbying activity related to CMC is coordinated through CMC's General Counsel. You must obtain the prior approval of CMC's General Counsel to lobby or authorize anyone else (for example, a consultant or agent) to lobby on CMC's behalf.

4.2.7 Disclosure Obligations

The policy of CMC is to provide full, fair, accurate, timely and understandable disclosure in reports and documents that CMC submits to or files with the Securities and Exchange Commission, other regulatory bodies, and in other public communications made by us. The accuracy and timeliness of public disclosure can have an impact on the investment decisions of hundreds of investors. CMC's executive,

financial, and accounting officers are responsible for assuring that the information we release to the public is free from material misstatements, omissions, or inaccuracies, but you must also do your part. Your first responsibility is to assure that all of our business is conducted in accordance with our Vision and Values and with this Code of Business Conduct . If you become aware of any facts or circumstances that cause you to believe that any information that has been or will be released to the public contains material misstatements, omissions, or inaccuracies, you are encouraged and

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expected to contact CMC's General Counsel, CEO, or CFO to discuss the matter. See Section 3.1. Communications Channels, for a complete description of the channels open to you to express any concerns about this or other matters covered by this Code or otherwise.

5.0 FURTHER GUIDANCE REGARDING WORKING WITH CUSTOMERS, SUPPLIERS AND OTHER OUTSIDE PARTIES

You must be ethical and lawful in all of your business dealings whether you are selling, buying or representing CMC in any other capacity.

Today CMC is engaged in a variety of business relationships with other companies and organizations, including customers, suppliers, distributors, and co-suppliers/original equipment manufacturers. No matter what type of organization you are dealing with or what its relationship is to CMC, you should always observe the following general standards.

5.1 Avoiding Misrepresentation

Never make misrepresentations or dishonest statements to anyone. If you believe that the other person may have misunderstood you, promptly correct any misunderstanding. Honesty based on clear communication is integral to ethical behavior. The resulting trustworthiness is essential to forming and maintaining sound, lasting relationships.

5.2 Dealing with Suppliers

In deciding among competing suppliers, we weigh the facts impartially to determine the best supplier. You should do so whether you are in a purchasing job, a local office or any other part of our business, and without regard to the type or volume of transaction.

Whether or not you are in a position to influence decisions involving the evaluation or selection of suppliers, you must not exert or attempt to exert influence to obtain "special treatment" for a particular supplier. Even to appear to do so can undermine the integrity of our established procedures. CMC uses an evaluation process to select the best suppliers. Prices and other information submitted by suppliers and our evaluation of that information are confidential to CMC. Employees and former employees may not use any of this information outside of CMC without written permission from management. It is essential that suppliers competing for our business have confidence in the integrity of not only our selection process but also our working relationship with them once they have been selected as a supplier.

5.2.1 Avoiding Reciprocal Dealing

Seeking reciprocity is contrary to CMC policy and may also be unlawful. You should not tell a prospective supplier that your decision to buy its goods or services is conditioned on the supplier's agreement to buy CMC products or services.

This does not mean that a customer of CMC cannot be a supplier to CMC or that CMC can never consider its other relationships with the supplier when it is evaluating the supplier. It simply means that CMC's decision to buy from a supplier must be made independently from that supplier's decision to buy from CMC.

5.3 Competing in the Field

CMC will compete vigorously for business. If circumstances require modified

pricing or service or support terms, the modifications must be specifically approved by the appropriate level of management. Never extend any modified contract terms to any customer without prior authorization.

If you are performing a marketing or customer service or support activity, CMC expects you to compete not just vigorously and effectively, but lawfully and ethically as well.

5.3.1 Working with Customers and Avoiding False and Misleading Statements about Competitors

It is CMC's policy to sell our products and offerings on their merits, enabling our customers to make their choices in an unrestrained manner, based on accurate information. Never force, or suggest that it is a requirement that our customers take other CMC products or offerings as a condition of delivery of the desired product or offering. In addition, we will not sell a product on the condition that the customer will not use or purchase the products of a particular competitor. Also, false or misleading statements and innuendoes about competitors, their products or

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their offerings are improper. All of this type of conduct only invites disrespect from customers and complaints from competitors.

Be sure that all comparisons to competitors and their products and offerings are substantiated, and that they are complete, accurate and not misleading whenever they are made. Certain countries prohibit comparative advertising. Advice on this subject is available from the Office of the General Counsel.

5.4 Relationships with Other Organizations

Frequently, other organizations have multiple relationships with CMC. For example, a co-supplier/original equipment manufacturer may be both an end user and a competitor. Another organization may be a CMC supplier and Customer at the same time, or a supplier to us in one aspect of its business and a competitor in another. Still another organization may be an agent for our customer (for example, a third party chemical manager), and also a competitor to us. In any dealings, it is important that you understand each one of the relationships involved, and act accordingly.

5.4.1 Complementary Third Parties

CMC has various relationships with complementary third parties, such as distributors and sales representatives, to help CMC market and support CMC's products and offerings, and those relationships are governed by the arrangements we have with those third parties as well as relevant law in many countries. If your responsibilities bring you into contact with these third parties, and you have questions about how to work with them, please contact the Office of the General Counsel.

5.4.2 Business Contacts with Competitors

It is important to recognize when a company you are dealing with, as a supplier, customer, or agent to a customer of ours, is also a CMC competitor. Such relationships require extra care. It is inevitable that you and competitors will, from time to time, meet, talk and attend the same industry or association meetings. Many of these contacts are perfectly acceptable as long as you follow established procedures. Acceptable contacts include: sales to other companies in our industry and purchases from them; approved participation in joint meetings or interactions with mutual customers; and attendance at business shows, standards organizations and trade associations. But even these contacts require caution. If in doubt, you should seek advice from the Office of the General Counsel.

5.4.3 Prohibitions

In all contacts with competitors, do not discuss pricing policy, contract terms, costs, inventories, marketing and product plans,

market surveys and studies, production plans and capabilities, arrangements with, or identity of, suppliers --and, of course, any other proprietary or confidential information.

Discussion of these subjects or collaboration on them with competitors can be illegal. If a competitor raises any of them, even lightly or with apparent innocence, you should object, stop the conversation immediately, and tell the competitor that under no circumstances will you discuss these matters. If necessary, you should leave the meeting.

In summary, disassociate yourself and CMC from participation in any possibly illegal activity with competitors; confine your communication to what is clearly legal and proper. Finally, report immediately to the CMC General Counsel any incident involving a prohibited subject.

5.5 Acquiring and Using Information about Others

In the normal course of business, it is not unusual to acquire information about many other organizations, including competitors. Doing so is a normal business activity and is not unethical in itself. In fact, CMC quite properly gathers this kind of information for such purposes as evaluating suppliers and creditworthiness. We also collect information on competitors from a variety of legitimate sources to evaluate the relative merits of their products, services, and marketing methods. This activity is proper and necessary in a competitive system.

There are, however, limits to the ways that information should be acquired and used, especially information about competitors. No company should use improper means to acquire a competitor's trade secrets or other confidential information. Illegal practices such as trespassing, burglary, wiretapping, bribery and stealing are obviously wrong; so

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is attempting to acquire a competitor's confidential information from the competitor's employees or CMC's customers. CMC will not tolerate any form of questionable intelligence-gathering.

Information about other companies, especially that of our customers and suppliers, should be treated with sensitivity and discretion. Such information is often about individuals. Other companies are rightly concerned about their proprietary information, reputations and the privacy of their people.

In addition, individuals, such as the employees of customers and suppliers, are also concerned about their privacy, especially now that Internet use has become so widespread. CMC remains committed to protecting the privacy of personal information of others. CMC will only collect, use, process, and disclose an individual's personal information in accordance with our privacy policies and guidelines.

When working with sensitive information about other companies and individuals, you should use that information in the proper context and make it available only to other CMC employees with a legitimate need to know. In presenting such information, you should disclose the identity of the organization or individuals only if necessary. If disclosure is not necessary, you should present the information in the aggregate or by some other means.

5.6 Information Owned by Others

Like CMC, other organizations and some individuals have intellectual property, including confidential information, they want to protect. They are sometimes willing to disclose and allow others to use their proprietary information for a particular purpose. If you receive another party's proprietary information, you must proceed with caution to prevent any accusations that CMC misappropriated or misused the information.

5.6.1 Receiving Information that May Be Confidential or Have Restrictions on Its Use

To avoid the risk of CMC being accused of misappropriating or misusing someone's confidential or restricted information, there are certain

steps you must take before receiving such information. The receipt of confidential or restricted information (whether oral, visual or written) must not take place until the terms of its use have been formally agreed to by CMC and the other party in a written agreement approved by CMC's Associate General Counsel - Intellectual Property. Once another party's confidential or restricted information is properly in your hands, you must not use, copy, distribute or disclose that information unless you do so in accordance with the terms of the agreement.

In any case, do not take the status of information for granted. If you have information in your possession that you believe may be confidential to a third party or may have restrictions on its use, you should consult immediately with CMC's Associate General Counsel - Intellectual Property.

5.6.2 Acquiring Software

Special care should be taken in acquiring software from others. As intellectual property, software is protected by copyright, and may also be protected by patent or trade secret laws. Software includes computer programs in "beta" or finished form, databases and related documentation. The software may be on CD-ROMs or diskettes or it may reside on electronic online bulletin boards or databases. Before you accept software, access software or data on a network, or accept a license agreement, you must review the matter with CMC's Associate General Counsel - Intellectual Property. The terms and conditions of any license agreement--such as provisions not to copy or distribute programs--must also be strictly followed. If you acquire software for your personally owned equipment, you should not copy any part of such software in any work you do for CMC or place such software on any CMC-owned computer system. This includes any copies of software which reside on any electronic online bulletin boards or databases.

It is your responsibility to make sure that all third party software you are using is appropriately licensed and that you use it only in accordance with the terms of its license.

5.7 Using Trademarks

CMC and many other companies have trademarks--words, names, symbols or devices--that are used to identify and distinguish the company's products. Two of CMC's most prominent trademarks are our logo and name, Cabot Microelectronics. Some trademarks are registered in the U.S. Patent and Trademark Office; others are not. For example, "iCue" is a registered trademark of CMC, indicated by an "(R)". There are other trademarks of

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CMC that are not yet registered, for example, "LUSTRA". Its trademark status is indicated by "TM". There may be additional or different trademark designations outside of the U.S.

In all countries, it is important that you properly acknowledge and use CMC trademarks and the trademarks of other companies. Specifically, you should always ensure that the trademark is spelled correctly and written the way the owner of the trademark writes it. You should not use the trademark as a generic name and should use the trademark only as an adjective. Also, you should indicate the first time the trademark is mentioned in a publication that it is a trademark of CMC or of the company who owns it.

You should consult CMC's Associate General Counsel - Intellectual Property if you have questions on the proper use of a trademark.

6.0 YOUR OWN ACTIVITIES

6.1 Conflicts of Interest

Your private life is very much your own. Still, a conflict of interest may arise if you engage in any activities or advance any personal interests, at the expense of CMC's interests. It's up to you to avoid situations in which

your loyalty may become divided. Each individual's situation is different, and in evaluating your own, you will have to consider many factors. The most common types of conflicts are addressed here to help you make informed decisions. You should consult with CMC's General Counsel if you have any questions about these matters.

6.1.1 Assisting a Competitor or Other Organizations

An obvious conflict of interest is providing assistance to an organization that markets products and offerings in competition with CMC's current or potential products or offerings. You may not work for such an organization in any capacity, such as an employee, a consultant or as a member of its board of directors; you may not hold more than a nominal financial interest in such an organization if it is publicly traded, and not hold any interest if it is privately held. Such activities are prohibited because they could divide your loyalty between CMC and that organization.

In addition, you may not serve as a member of the board of directors of any for-profit entity, whether publicly or privately held, without prior approval from the CMC General Counsel.

6.1.2 Competing against CMC

Employees should be careful to avoid activities that conflict with CMC's business interests.

Obviously, you may not commercially market or develop products or services in competition with CMC's current or potential products or offerings. Such activities are "commercial" if you receive direct or indirect remuneration of any kind. In addition, certain non-commercial activity, such as research collaborations with universities or consortiums, also might conflict with CMC's business interests.

Because CMC is expanding into new lines of business and new areas of interest, the company will redraw lines of acceptable activity on an ongoing basis. It is unlikely that you will find definitive answers to many of your questions regarding the boundaries of acceptable activity in published guidelines. It is therefore your responsibility to consult with your management or the Office of the General Counsel to determine whether your planned activity will compete with any of CMC's actual or potential businesses. This should be done before you pursue any activity that might create a conflict of interest or the appearance of a conflict of interest with CMC.

6.1.3 Supplying to or Other Relationships with CMC

Unless approved in advance by an executive officer and CMC's General Counsel, you may not be a supplier of any kind of product or services to CMC, represent a supplier to CMC, work for a supplier to CMC, hold more than a nominal financial interest in a supplier, or be a member of its board of directors while you are an employee of CMC. In addition, you may not accept money or benefits of any kind for any advice or services you may provide to a supplier in connection with its business with CMC. These same prohibitions also apply to your dealings with any entity with whom CMC does business.

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6.1.4 Other Personal Financial Interests

In addition to the restrictions discussed above, you should not have any financial interest in any organization with whom CMC does business or competes if that interest would give you or would appear to give you a conflict of interest with CMC. Such organizations include suppliers, competitors, customers, distributors and co-suppliers/original equipment manufacturers. You should consult with CMC's General Counsel if you have any questions remaining after considering the following:

6.1.4.1 Publicly Traded Securities

To determine whether an improper interest exists, ask yourself

the following questions:

- What is the extent of the competition or the nature of the relationship between CMC and the other company?
- If the other company is in more than one line of business, how significant is the part that competes with or supplies CMC?
- What is the size of my investment in relation to my salary and other family income, including income from other investments?
- Is it significant enough to cause me to take some action as a CMC employee to protect or enhance my investment?
- Given the nature of my job in CMC, could my actions as a CMC employee affect the value of my investment in the other company (for example, do you have anything to do, either directly or indirectly, in deciding whether CMC does business with that company)?
- Could my actions significantly enhance my investment, even if it is a relatively modest one?

A financial interest is improper if your job, the amount of your investment, or the particular company in which you invested could--when viewed objectively by another person--influence your actions as a CMC employee.

Additionally, from time to time, an existing or prospective CMC supplier, distributor or customer may offer stock options or other securities to a select small group of investors in connection with the company's initial public offering. You should not accept or buy any of that company's securities in such a situation without receiving prior approval from CMC's General Counsel.

You should not evade these guidelines on investments by acting indirectly through anyone else.

6.1.4.2 Privately Held Organizations

Investments in privately (sometimes referred to as "closely") held organizations--typically, privately held corporations, partnerships or even sole proprietorships--raise additional concerns over those in publicly traded companies because of the closer ties of investors to most privately held organizations. For example, there are generally relatively few investors or owners of such companies, giving each a greater stake in ownership; the investors often have a chance to participate in the company's day-to-day operations; and the investors may be perceived to be closely identified with the company.

This relatively close relationship may give the appearance to competitors of the privately held organization that it derives some benefit from CMC. Such a relationship may also give the appearance to CMC employees that the investing employee is using CMC's time, facilities or confidential information for the benefit of the privately held company. For these reasons, employees may not make any investment in a privately held organization that is a competitor, supplier, distributor, customer or other organization with whom CMC does business.

6.2 Using Inside Information and Insider Trading

In the course of your employment with CMC, you may become aware of information about CMC or other companies that has not been made public. The use of such nonpublic or "inside" information about CMC or another company for your financial or other benefit not only is unethical, but also may be a violation of law. U.S. law makes it unlawful for any person who has "material" nonpublic information about a company to trade the stock or other securities of the company or to disclose such information to others who may trade. Violation of such laws may result in civil and criminal penalties, including fines and jail sentences. CMC will not tolerate the improper use of inside information. These prohibitions also apply outside the U.S.

Material inside information is information which is not available to the general public and which could influence a reasonable investor to buy, sell or hold stock or securities. While it is not possible to identify in advance all information that could be viewed as material inside information, some examples might include nonpublic information about: CMC's financial performance including earnings and actions related to its stock; acquisitions or other business combinations; divestitures; major new product announcements; significant advances in research; significant contracts or the loss of them; and, other significant activities affecting CMC. Here are some examples of how you can avoid the improper use of inside information:

- If you know that CMC is considering an alliance or is about to announce a new product or make a purchasing decision that could affect the price of the stock of a CMC supplier or other company, you should not buy or sell the stock of that company until after the information becomes public.
- Similarly, if you know that CMC is about to make an announcement that could affect the price of its own stock, you should not buy or sell CMC stock on the open market until after the announcement.
- You should not buy or sell the stock of a customer or other company with whom CMC does business based on any inside information you have about that company.
- If you have nonpublic information that CMC is about to build a new facility or expand an existing facility, you should not invest in land or in any business near the new site.
- You should not disclose inside information to CMC employees who do not have a business need to know or to anyone outside of CMC.

CMC's directors, officers, and other key employees are also subject to additional responsibilities and guidelines with respect to trading in CMC's stock, such as a prohibition on trading during quarterly "blackout" periods.

As with investments, you should not evade these guidelines by acting through anyone else or by giving inside information to others for their use even if you will not financially benefit from it.

If you have any doubt about what you can or cannot do in this area, you should consult with CMC's General Counsel.

6.3 Using CMC's Time and Assets

You may not perform non-CMC work or solicit such business on CMC premises or while working on CMC time, including time you are given with pay to handle personal matters. Also, you are not permitted to use CMC assets, including equipment, information systems, telephones, materials, resources or proprietary information for any outside work.

6.4 Public Service

CMC encourages employees to be active in the civic life of their communities. However, such service may, at times, place you in a situation that poses a conflict of interest with CMC. As a board or committee member, you may, for example, be confronted with a decision involving CMC. It might be a decision by a board of tax assessors or a zoning board that affects CMC property. In such circumstances, your interest in CMC and your obligation to the civic organization might pull you in opposite directions. The law may require you to abstain, depending on your position in CMC and whether you stand to gain personally from the decision. On the other hand, there may be circumstances in which the law does not permit you to abstain. While you are in the best position to make the decision and bear the responsibility for the decision, before making your decision, you should get advice from the civic organization's lawyer and from the Office of the General Counsel. In order to protect CMC from embarrassment or other issues, whether or not you finally abstain, you should make it clear that you are a CMC employee and thereby head off any charges of trying to conceal your association with CMC. If you decide to abstain, state clearly that you are doing so because there would be a conflict of interest--or the appearance of one--if you did not.

6.5 Participation in Political Life

CMC will not make contributions or payments or otherwise give any endorsement of support which would be considered a contribution directly or indirectly to political parties or candidates, including through intermediary organizations, such as political action committees or campaign funds. For example, CMC will not purchase tickets or pay fees for you or anyone else to attend any event where any portion of the funds will be used for election campaigns. In many countries, political contributions by corporations are illegal. CMC will not make such contributions, even in countries where they are legal. Also, the company will not provide any other form of support that may be considered a contribution.

You must not make any political contribution as a representative of CMC. You may not request reimbursement from CMC, nor will CMC reimburse you, for any personal contributions you make. In addition, you should recognize that

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your work time or use of CMC assets is the equivalent of such a contribution. Therefore, you will not be paid by CMC for any time spent running for public office, serving as an elected official or campaigning for a political candidate, unless required by law. You can, however, take reasonable time off without pay for such activities if your CMC duties permit the time off and it is approved by your manager. You also may use vacation time for political activity.

6.5.1 Speaking Out

When you speak out on public issues, make sure that you do so as an individual. Don't give the appearance that you are speaking or acting on CMC's behalf.

6.6 Someone Close to You Working in the Industry

With the growth in two-career families and the expansion of our industry, you may find yourself in a situation where your spouse, another member of your immediate family or someone else you are close to is a competitor or supplier of CMC or is employed by one. While everyone is entitled to choose and pursue a career, such situations call for extra sensitivity to security, confidentiality and conflicts of interest. The closeness of the relationship might lead you to inadvertently compromise CMC's interests.

There are several factors to consider in assessing such a situation. Among them are the relationship between CMC and the other company, the nature of your responsibilities as a CMC employee and those of the person close to you, and the access each of you has to your respective employer's confidential information.

If you have any questions about your situation, you should review it with your manager to assess the nature and extent of any concern and how it can be resolved. Frequently, any risk to CMC's interests is sufficiently remote that your manager need only remind you to guard against inadvertently disclosing CMC confidential information. However, in some instances, a change in the job responsibilities of one of the people involved may be necessary.

7.0 SOME ADDITIONAL GUIDANCE

As already stated, while this Code of Business Conduct provides you with basic guidelines for performing your responsibilities as a CMC employee in a lawful and ethical way and in conjunction with CMC's Vision and Values, it cannot serve as a definitive statement for each situation that you may encounter as a CMC employee. If you are in doubt about a particular business conduct situation, you might ask yourself the following questions:

- Is it legal?
- Does it violate CMC's policy?
- Is it consistent with CMC's Vision and Values?
- Is it fair and just? How does it make me feel about myself?
- What would my family think about it?
- How would it look in a newspaper article?
- Will I sleep soundly tonight?
- What would I tell a child to do?

If you are unsure about what to do, ask questions - contact your manager, a more senior-level manager, the Human Resources Department or the Office of the General Counsel.

To keep pace with the complexity and change that is an ongoing part of our business and industry, we will maintain this Code of Business Conduct online and update it on an ongoing basis as necessary. Employees also need to comply with CMC's employee policies and procedures, and employees who work with particular matters - for example, safety, health and environment, human resources, finance, export/import - also may have additional guidelines to follow.

Any exceptions to CMC's Code of Business Conduct for CMC employees other than Directors or Executive Officers must be specifically approved by CMC's Chief Compliance Officer, who is CMC's General Counsel; any exceptions for Directors or Executive Officers must be specifically approved by the Board of Directors of CMC.

V.2 November, 2002

CODE OF BUSINESS CONDUCT CERTIFICATION

I acknowledge that I have received and will comply with Cabot Microelectronics Corporation's Code of Business Conduct. I understand that if I have questions related to the Code of Business Conduct, or become aware of any violations of it, I need to discuss them promptly with my manager, any other CMC manager, the Human Resources Department, CMC counsel, including CMC's General Counsel, who is CMC's Compliance Officer, or CMC's Internal Audit Manager, call the Ethics Line at 630/499-2702, send an email to Ethics_Email@cabotcmp.com, or contact any member of CMC's Board of Directors, including any member of the Audit Committee of the Board.

Signature

Name

Date

V.2 November, 2002

EXHIBIT 21.1

SUBSIDIARIES OF CABOT MICROELECTRONICS CORPORATION

Cabot Microelectronics Global Corporation (Delaware, U.S.)
Nihon Cabot Microelectronics K.K. (Japan)
Cabot Microelectronics Japan K.K. (Japan)

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No.'s 333-34272, 333-34270 and 333-82680) of Cabot Microelectronics Corporation of our report dated October 22, 2002 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Chicago, Illinois
December 10, 2002

EXHIBIT 24.1

POWER OF ATTORNEY

Know all persons by these presents, that each person whose signature appears below constitutes and appoints H. Carol Bernstein, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign the annual report on Form 10K for the fiscal year ended September 30, 2002 and any amendments to this Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements 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.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Matthew Neville ----- Matthew Neville	Chairman of the Board President and Chief Executive Officer	December 9, 2002
/s/ Juan Enriquez-Cabot ----- Juan Enriquez-Cabot	Director	December 9, 2002
/s/ John P. Frazee, Jr. ----- John P. Frazee, Jr.	Director	December 9, 2002
/s/ H. Laurance Fuller ----- H. Laurance Fuller	Director	December 9, 2002
/s/ J. Joseph King December 9, 2002 ----- J. Joseph King	Director	
/s/ Ronald L. Skates ----- Ronald L. Skates	Director	December 9, 2002
/s/ Steven V. Wilkinson ----- Steven V. Wilkinson	Director	December 9, 2002

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cabot Microelectronics Corporation (the "Company") on Form 10-K for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew Neville, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2002

/s/ MATTHEW NEVILLE

Matthew Neville
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Cabot Microelectronics Corporation (the "Company") on Form 10-K for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel S. Wobby, Acting Principal Financial Officer (acting in the capacity of the Chief Financial Officer) of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 10, 2002

/s/ DANIEL S. WOBBY

Daniel S. Wobby
Acting Principal Financial Officer