

Vantico Group Announces Third Quarter Results

CHF millions	3 months to Sept. 30 2002	3 months to Sept. 30 2001	9 months to Sept. 30 2002	9 months to Sept. 30 2001	12 months to Dec. 31 2001
SALES	358	394	1,133	1,277	1,612
EBIT	5	24	31	100	86
% of sales	1.4%	6.1%	2.7%	7.8%	5.3%
EBITDA	20	36	76	138	140
% of sales	5.6%	9.1%	6.7%	10.8%	8.7%

The results above and in the text of this press release for the three months and nine months ended September 30, 2002, and September 30, 2001 and the twelve months ended December 31, 2001 have been adjusted to a basis consistent with that of previous years. EBIT and EBITDA are presented before fair value adjustments, reorganization costs and restructuring and special charges. The basis of this adjustment is detailed in Appendix 1. The term "constant currency" as disclosed in this press release is defined as the re-translation of all 2002 financials at the respective monthly exchange rates applied when translating all 2001 financials during the same period last year.

- **Third quarter EBITDA CHF 20 million**
- **Sales decrease of 8%, quarter on quarter (4% currency adjusted)**
- **Progressing discussions with key stakeholders regarding a balance sheet restructuring**

Helmut Strametz, Chief Executive, said today:

"Third quarter results show the Company continues to experience significant pricing pressure in many of the industries that we serve. Good progress has been made in a number of major operational restructuring initiatives with benefits expected to show through next year. Meanwhile cost savings have been achieved in relation to IT expenditure and the cost base relating to the activities of the Optronics business. The Company has also completed its review of strategic options in relation to its capital structure and is now progressing discussions with key stakeholders to strengthen its balance sheet and create a firm platform for the development of our business."

Financial Overview

Net sales were CHF 1,133 million for the nine months ended September 30, 2002, resulting in a 11% decrease as compared to the same period in 2001. Sales in the first nine months, although 11% lower in Swiss francs compared to the same period in 2001, were 6% lower in constant currency. The shortfall compared to last year was primarily due to lower sales prices, particularly in Polymer Specialties and lower demand in our Tooling and Printed Wiring Board Technologies businesses. Sales for the three months ended September 30, 2002 were CHF 358 million, compared to CHF 394 million for the three months ended September 30, 2001, representing a 9% decrease in Swiss francs (1% increase in constant currency).

Earnings before interest, taxation, depreciation, amortization, reorganization costs and restructuring and special charges (EBITDA) was CHF 76 million for the nine months ended September 30, 2002, representing EBITDA for the third quarter of CHF 20 million as compared to CHF 36 million for the same period in 2001.

Debt costs (interest on borrowings) were CHF 64 million for the nine months ended September 30, 2002 and net debt (defined as long-term debt plus short-term debt net of cash and cash equivalents) at September 30, 2002 was CHF 953 million (December 31, 2001: CHF 942 million).

Trading Performance

Polymer Specialties

Polymer Specialties is a world leader in the manufacture and formulation of epoxy specialty resins and formulated systems. The division comprises the Coating Systems, Structural Composites and Electrical Insulating Materials value sectors.

In the three months ended September 30, 2002, net sales were CHF 266 million. Net sales in the same period in 2001 were CHF 301 million, representing a decrease of 12% (2% lower in constant currency) for 2002 as compared to the same period in 2001. Volume-led improvements as compared with 2001 are continuing to be offset by weak sales prices and unfavorable exchange rates. Our basic resin business continues to experience the most significant price pressure.

On a regional basis, Asia Pacific's performance continues to be comparable with 2001, while in Europe, performance is slightly below that of 2001. The Americas continues to be the weakest region with revenues more than 20% down as compared to 2001.

Operating income from Polymer Specialties for the three months ended September 30, 2002 was CHF 36 million (CHF 41 million for the same period in 2001) before the allocation of group infrastructure costs. The decrease is primarily attributable to continued price pressure on commodity products.

Adhesives and Tooling

This Division services various niche markets for adhesives where there is a need to provide highly reliable, tailored engineering solutions, applications and processing equipment. Knowledge of the particular industry together with the ability to provide qualified or approved products is critical. The tooling market is generally characterised by the continual development of new high value products.

In the three months ended September 30, 2002 net sales were CHF 72 million as compared to CHF 74 million in the same period last year, representing a decrease of 3% compared to prior year (8% increase in constant currency). Although our adhesives business has outperformed 2001, this has been offset by lower sales in our tooling business. Although direct sales to customers of stereolithography tooling products (SLA) has been slower than planned due to separation issues with 3D Systems Corporation, the third quarter has shown encouraging signs of growth in demand. Our Seamless Modeling Paste markets have also shown signs of growth during the third quarter of 2002. The continued weakness in the automotive and aerospace industries is hindering overall recovery in our tooling business.

Operating income from Adhesives and Tooling was CHF 10 million for the three months ended September 30, 2002 (CHF 13 million for the same period in 2001) before the allocation of group infrastructure costs.

Optronics

This Division currently comprises the Printed Wiring Board (PWB) and Optical Performance Alignment Layer (Opal) value sectors.

In the three months ended September 30, 2002, net sales by this Division were CHF 20 million as compared to CHF 19 million in the same period last year, representing an increase of 5% on prior year (16% increase in constant currency). The increase as compared to the same period in 2001 highlights the partial recovery made following the significant downturn in the electronics industry experienced during the third quarter of 2001.

The Opal business continues to conduct product testing with potential customers, which if successful could lead to sales on a commercial scale during 2003.

Operating loss from Optronics for the three months to September 30, 2002 was CHF 2 million (CHF 5 million loss for the same period in 2001) before the allocation of group infrastructure costs.

Gross Profit

Gross Profit after raw material, freight and all production costs for the three months ended September 30, 2002 was CHF 96 million as compared to CHF 107 million for the corresponding period in 2001. Gross profit margin of 26.8% (27.2% for the same period in 2001) represents a decrease on the previous year, primarily arising as a result of continued price pressure on commodity products.

EBIT and EBITDA

Earnings before interest, taxation, fair value adjustments, reorganization costs and restructuring and special charges (EBIT) for the three months ended September 30, 2002 was CHF 5 million, a decrease of CHF 19 million compared to CHF 24 million in 2001. The reduction is primarily attributable to lower sales, as a result of lower selling prices and unfavourable exchange rates, and increased group infrastructure costs partially offset by improved sales volumes.

EBITDA for the three months ended September 30, 2002 was CHF 20 million, a decrease of CHF 16 million compared to CHF 36 million in the same period of 2001.

Interest and Debt

The group recorded net interest expense was CHF 82 million for the nine months ended September 30, 2002, compared with CHF 86 million for the corresponding period in 2001.

Interest expense is inclusive of CHF 12 million amortization of financing fees arising from the debt raised to fund the acquisition from Ciba SC (CHF 12 million for the same period in 2001) and CHF 6 million of financial expenses (CHF 5 million for the same period in 2001). Debt costs (interest on borrowings) amounted to CHF 64 million (CHF 69 million for the same period in 2001).

Cash used in operating activities (inclusive of interest and taxation payments) amounted to CHF 89 million. Cash used in investing activities of CHF 22 million primarily relates to capital expenditures of CHF 30 million, of which CHF 14 million represents settlement of restructuring capital expenditure capitalized in 2001 and CHF 16 million of operating capital expenditure, offset by proceeds from the sale of fixed assets and other long-term assets.

At September 30, 2002 Vantico had net debt of CHF 953 million (CHF 942 million as at December 31, 2001).

Cash Resources

As at September 30, 2002, approximately CHF 54 million of the CHF 100 million Revolving Credit Facility was utilised in the form of guarantees for short term borrowing facilities of subsidiary companies, with the balance of CHF 46 million fully drawn by Vantico International. The availability under local facilities of CHF 15 million, and cash and cash equivalents of CHF 60 million, provided total liquidity of CHF 75 million as at September 30, 2002.

We believe that cash generated from our operations together with available cash and cash equivalents and local undrawn credit facilities will be adequate to meet anticipated operating cash requirements while financial restructuring discussions continue. We expect these

discussions to be concluded during the first quarter of 2003. In order for Vantico to meet its existing obligations under the Senior Credit Facilities and the Euro 250 million Senior Notes due 2010, we will require the continued support of our lenders under the Senior Credit Facilities.

Current Trading

As disclosed in our third quarter Form 6-K, while we do not expect the fourth quarter of 2002 to see a return to the extraordinary trading conditions experienced in the same period for 2001, seasonal trading patterns imply that fourth quarter performance will be lower than the recently completed third quarter. Vantico believes, as at November 29, 2002, that EBITDA of CHF 10 million to CHF 15 million will have been achieved over the period of October and November 2002. Historically trading levels in December are materially lower than preceding months.

Financial Restructuring

Following a review of the strategic options in relation to its capital structure, Vantico has concluded that a restructuring of its balance sheet is required. Accordingly, Vantico and its principal equity sponsor have entered into discussions with holders of the Euro 250 million 12% Senior Notes. These holders have been invited to form a committee for the purposes of facilitating a dialogue with the Company. Vantico has also contacted holders of the PIK Notes issued by Vantico Holding SA and these PIK Note holders have established a committee for the purposes of facilitating a dialogue with the Company.

Vantico believes that discussions with its principal stakeholders will enable the Company to strengthen its balance sheet, providing a firm platform for future development. The trade counter-parties of Vantico and its operating subsidiaries are not expected to be impacted by these discussions.

About Vantico

Vantico was created through a management buy-out of the Performance Polymers Division of Ciba S.C., backed by Morgan Grenfell Private Equity. Vantico operates as a global leader in providing solutions in the field of innovative coatings, structural composites, adhesives, tooling materials, and electrical and electronic insulation for the automotive, electronic, electrical, aerospace and consumer-durable industries.

Vantico employs approximately 2,750 people in over 30 countries. The company is incorporated in Luxembourg and operates globally in three Divisions: Polymer Specialties, Adhesives and Tooling and Optronics.

This press release does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for securities. Some of the information contained herein constitutes forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Although management at Vantico Group S.A. believes its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that actual results will not differ materially from its expectations.

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