

2015 | Semi-annual Report Vetropack Group



At a Glance

Key Figures

		31.12.2014	30.06.2014	+/-	30.06.2015
Gross Revenues	CHF millions	603.7	311.4	- 12.4%	272.8
EBIT	CHF millions	49.1	32.2	- 25.2%	24.1
Net Profit	CHF millions	49.2	28.2	- 49.6%	14.2
Cash Flow*	CHF millions	107.2	58.6	- 17.4%	48.4
Investments	CHF millions	74.3	18.0	163.9%	47.5
Production	1000 metric tons	1 236	626	- 1.4%	617
Unit Sales	billions	4.55	2.36	0.2%	2.36
Exports (base: units)	%	43.5	43.9	-	45.8
Employees	number	2 985	3 014	0.5%	3 030
Total Assets	CHF millions	792.1	783.1	- 6.8%	729.8
Gearing Ratio	in %	79.9	80.0	-	76.5
Share price Bearer share high	CHF	1 933	1 933	-	1 629
Share price Bearer share low	CHF	1 495	1 566	-	1 200

* Consolidated Profit before Minority Interests +/- non-cash expenses/income

Agenda

2015 Annual Report	22 March 2016
Press Conference (Bülach)	22 March 2016, 10.15 a.m.
Annual General Assembly (Bülach)	11 May 2016, 11.15 a.m.

Vetropack Italia S.r.l. – the new subsidiary of Vetropack Group

Vetropack Italia S.r.l. has been part of Vetropack Group since 23 July. This glassworks is based in Trezzano sul Naviglio, around 10 km west of the centre of Milan. With a workforce of 258 (as of January 2015), it produces some 140,000 metric tons of glass packaging for the food and beverage industry each year, most of which is sold on the Italian market.

The new glassworks strengthens Vetropack's position on the Italian domestic market. The Group already exports to Italy, with over 20% of its exports delivered to Italian customers in the 2014 financial year. Thanks to the new Vetropack Italia S.r.l. subsidiary, Vetropack can significantly increase its market share and further consolidate its status as an efficient, Europe-wide supplier of glass packaging in all of its markets.

Since the acquisition was completed at the start of the second half of 2015, the subsidiary is not included in this Semi-annual Report. It will be featured for the first time in the 2015 Annual Report, which will be published next March.



Business development within the first half of 2015

Dear Shareholders,

In the first half of 2015, Vetropack Group maintained the record level of sales achieved in the previous year with a sales volume of 2.36 billion units of glass packaging. It also increased revenue in local currency by 5.8%. Negative exchange rate effects, triggered primarily by the strong Swiss franc and the sharp fall in the Ukrainian hryvnia, pushed consolidated gross revenue down by 12.4% to CHF 272.8 million.



*Hans R. Rüegg, Chairman of the Board of Directors (left),
Claude R. Cornaz, CEO (right)*

Market conditions. On the whole, the geopolitical turmoil which hit the European economy in the first half of the year has so far failed to have any major effect on sales in Europe's glass industry. However, two factors shaped Vetropack Group's performance, namely the depegging of the Swiss franc from the euro and the political and economic crisis in Ukraine.

The abolition of the currency floor has not only affected consolidation in Swiss francs but also made competition on the Swiss market even more intense. In order to withstand import pressure from foreign competitors, Switzerland's Vetropack Ltd was forced to reduce market prices for its glass packaging considerably in a move that affected all product groups sold in Switzerland. Although running costs were converted to euros where possible as a countermeasure, the negative effects on performance could not be fully offset. This trend was clearly felt at Group level during the first half of the year.

The fragile political situation, the armed conflicts and the resulting uncertainty are affecting the Ukrainian economy,

with the local currency, the hryvnia, plummeting by around 50% during the period under review. As consumer prices have also increased by some 50% as a result of inflation, there was a sharp fall in consumption. Despite this extremely difficult climate, production at JSC Vetropack Gostomel ran at full capacity, thereby maintaining operating performance at what was already a high level. Three factors set the company apart from its competitors and proved key to this extremely pleasing performance given the circumstances. These were: the continued certification of all production processes and an unchangingly high level of quality and supply reliability. The plant also benefited from highly efficient production facilities, which provided an ideal framework for pricing – something appreciated by local and global customers alike.

Other markets performed in line with expectations, with sales at the Group's Croatian company putting in a particularly positive performance.

High sales volume maintained. The volume of sales for the first half of 2015 matched the level achieved a year earlier, which was itself a record. This remained unchanged at 2.36 billion units of glass packaging (2014: 2.36 billion).

Export markets strengthened. The conscious decision to focus on international key customers who do not only operate where Vetropack has bases boosted export sales and acted as a counterbalance to the domestic markets, some of which saw cut-throat competition. This was underpinned by the targeted expansion of specific product groups such as glass bottles for sparkling and other wines. Exports accounted for 45.8% of total sales (2014: 43.9%).

Revenue. Adjusted for currency effects, consolidated gross revenue increased by a creditable 5.8%. In nominal terms, however, it fell by 12.4% year on year to CHF 272.8 million (2014: CHF 311.4 million). This considerable difference is due to currency effects.

Profitability. Adjusted for currency effects, EBIT stood at CHF 30.8 million, which was slightly below the figures of the previous year. Reported EBIT was reduced by 25.2% and reached CHF 21.4 million (2014: CHF 32.2 million). The EBIT margin stood at 8.9% (2014: 10.3%). The competitive market climate left no scope for improving margin at local level. Furthermore, raw material costs were higher than in the previous year, which also reduced profitability. The EBIT margin stood at 8.9% (2014: 10.3%).

Consolidated semi-annual profit amounted to CHF 14.2 million (2014: CHF 28.2 million) and was affected by unrealised exchange rate losses on euro-denominated credit balances to the tune of more than CHF 5 million.

At CHF 48.4 million, cash flow fell by 17.4% on the same period in the previous year (2014: CHF 58.6 million). The cash flow margin therefore remained high, at 17.7% of gross revenue (2014: 18.8%).

Vetropack Group employed 3,030 individuals during the period under review (2014: 3,014).

Balance sheet structure. Total assets as at 30 June 2015 amounted to CHF 729.8 million (31 December 2014: CHF 792.1 million). Short-term assets totalled CHF 282.4 million (31 December 2014: CHF 309.6 million). The fall is due to the translation of foreign currencies into Swiss francs, which was also the reason for lower long-term assets of CHF 447.4 million (31 December 2014: CHF 482.5 million).

Investments. During the first half of 2015, a new coloured glass furnace was constructed at the glassworks in Kremsmünster, Austria, and a furnace for amber glass was repaired at the Croatian plant in Hum na Sutli. In addition, a new triple-gob glass-blowing machine was put into operation at the Nemšová plant in Slovakia in order to increase production efficiency. No further furnace overhauls or other major investments are planned for the second half of the year.

Outlook for the second half of the year. Vetropack Group is not expecting any substantial changes over the next six months. The political and economic course of events in Ukraine, the strength of the Swiss franc against the euro and the closely related performance of Vetropack Ltd in Switzerland will remain crucial to the Group's performance.

While the newly acquired company will have a five-month impact on the consolidated figures in Italy, consolidated revenue and earnings will remain below the previous year's figures owing to currency effects.

Vetropack Holding Ltd. Vetropack Holding Ltd is expecting earnings for the 2015 fiscal year to be down on the previous year.

Yours sincerely,



Hans R. Rüegg
Chairman of the Board of Directors



Claude R. Cornaz
CEO

Bülach, 24 August 2015

Financial Reporting – Vetropack Group

Results as per 30.06.2015

The non-audited interim closing of Vetropack Group as per 30 June 2015 was prepared in accordance with Swiss Gaap FER 31 on the basis of acquisition values. The consolidation and valuation principles are unchanged compared to the year-end closing as per 31 Dezember 2014.

Consolidated Balance Sheet

CHF millions	30.06.2014	31.12.2014	30.06.2015
Assets			
Short-term assets	314.5	309.6	282.4
Long-term assets	468.6	482.5	447.4
Total Assets	783.1	792.1	729.8
Liabilities			
Short-term liabilities	88.6	90.1	105.0
Long-term liabilities	68.0	69.2	66.4
Sub-total liabilities	156.6	159.3	171.4
Sub-total shareholders' equity excl. minorities	624.4	631.8	558.5
Minority interests	2.1	1.0	- 0.1
Sub-total shareholders' equity	626.5	632.8	558.4
Total Liabilities	783.1	792.1	729.8

Consolidated Income Statement

CHF millions	Half Year 2014	+/-	Half Year 2015
Gross Revenues	311.4	- 12.4%	272.8
Net Revenues	290.0	- 12.8%	252.8
Income*	284.6	- 11.7%	251.2
Raw material and supplies costs	- 45.5	- 8.4%	- 41.7
Energy costs	- 55.2	- 20.1%	- 44.1
Personnel expenses	- 65.3	- 8.4%	- 59.8
Other operating expenses	- 86.4	- 5.7%	- 81.5
EBIT (Earnings before Interest and Tax)	32.2	- 25.0%	24.1
Earnings after Interest	31.7	- 45.7%	17.2
Consolidated Profit before Tax	31.5	- 41.3%	18.5
Consolidated Semi-annual Profit before Minority Interests	26.6	- 49.2%	13.5
Minority Interest from Group companies	1.6	- 56.3%	0.7
Consolidated Semi-annual Profit	28.2	- 49.6%	14.2

* Earnings correspond to net revenues including changes in inventories and other operating income.

Consolidated Cash Flow Statement

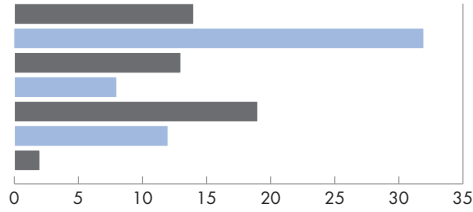
CHF millions	30.06.2014	31.12.2014	30.06.2015
Cash Flow	58.6	107.2	48.4
Cash Flow from Operating Activities	23.3	121.9	23.8
Cash Flow from Investment Activities	- 18.2	- 70.8	- 45.1
Cash Flow from Financial Activities	- 6.4	- 12.1	4.9

Changes in Consolidated Shareholders' Equity

CHF millions	Share Capital	Capital Reserves (Agio)	Retained Earnings	Own Shares	Sub Total excl. Minority Share Interests	Minority Share Interests	Sub Total incl. Minority Share Interests
Shareholders' Equity as per 1.1.2014	20.5	0.3	647.6	- 31.1	637.3	5.3	642.6
Semi-annual profit			28.2		28.2	- 1.6	26.6
Foreign exchange differentials			- 26.2		- 26.2	- 1.6	- 27.8
Dividends			- 14.9		- 14.9		- 14.9
Shareholders' Equity as per 30.06.2014	20.5	0.3	634.7	- 31.1	624.4	2.1	626.5
Capital decrease	- 0.7		- 30.4	31.1	0.0		0.0
Acquisition of minority interests			- 0.2		- 0.2	- 0.1	- 0.3
Semi-annual profit			21.0		21.0	- 0.8	20.2
Foreign exchange differentials			- 13.4		- 13.4	- 0.2	- 13.6
Shareholders' Equity as per 31.12.2014	19.8	0.3	611.7	0.0	631.8	1.0	632.8
Semi-annual profit			14.2		14.2	- 0.7	13.5
Foreign exchange differentials			- 72.2		- 72.2	- 0.4	- 72.6
Dividends			- 15.3		- 15.3		- 15.3
Shareholders' Equity as per 30.06.2015	19.8	0.3	538.4	0.0	558.5	- 0.1	558.4

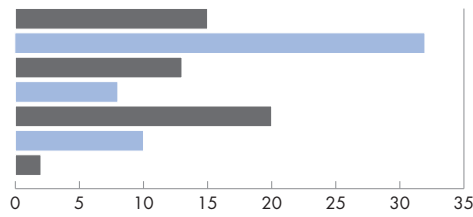
Consolidated Revenue by National Companies

Half Year 2014



14% Switzerland
32% Austria
13% Czech Republic
8% Slovakia
19% Croatia
12% Ukraine
2% Other activities

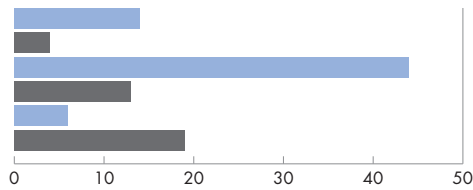
Half Year 2015



15% Switzerland
32% Austria
13% Czech Republic
8% Slovakia
20% Croatia
10% Ukraine
2% Other activities

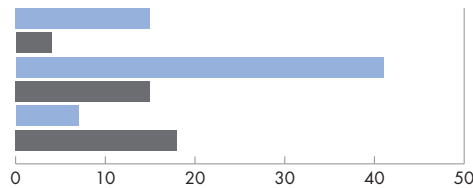
Sales by Product Groups (base: units)

Half Year 2014



14% Wine
4% Spirits
44% Beer
13% Mineral water/Carbonated beverages
6% Fruit Juice
19% Food

Half Year 2015



15% Wine
4% Spirits
41% Beer
15% Mineral water/Carbonated beverages
7% Fruit Juice
18% Food



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