

2016 | Semi-Annual Report Vetropack Group



At a Glance

Key Figures

		31.12.2015	30.06.2015	+/-	30.06.2016
Net Sales	CHF millions	557.0	271.1	14.6%	310.8
EBIT	CHF millions	50.3	24.1	27.4%	30.7
Consolidated Profit	CHF millions	42.1	14.2	71.8%	24.4
Cash Flow*	CHF millions	103.7	48.4	18.4%	57.3
Investments	CHF millions	65.0	47.5	- 13.7%	41.0
Production	1000 metric tons	1 330	617	15.0%	710
Unit Sales	billions	4.64	2.36	6.7%	2.51
Exports (in unit terms)	%	44.3	45.8	-	44.4
Employees	number	3 228	3 030	8.4%	3 285
Total Assets	CHF millions	784.3	729.8	17.3%	855.9
Gearing Ratio	in %	74.4	76.5	-	69.4
Share price Bearer share high	CHF	1 655	1 629	-	1 673
Share price Bearer share low	CHF	1 200	1 200	-	1 350

* operating cash flow before change of net working capital

Agenda

2016 Annual Report	21 March 2017
Press Conference (Bülach)	21 March 2017, 10.15 a.m.
Annual General Assembly (St-Prex)	10 May 2017, 11.15 a.m.



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

Business development within the first half of 2016

Dear Shareholders

The business trend at the Vetropack Group was pleasing in the first half of the year under review and they significantly improved their market performance. Vetropack Italia S.r.l., a member of Vetropack Group since early August 2015, made a major contribution of over 10% to net sales from goods and services. Vetropack Ltd in Switzerland and JSC Vetropack Gostomel in Ukraine remained the only exceptions, however.

Unchanged market. The European glass container industry experienced an unchanged market environment in the first six months of the year under review. Lower energy costs kept prices at the previous year's levels. The short-term, event-driven increase in sales in connection with the European Football Championship was not as marked as expected, with the somewhat cool weather curbing consumer spending.

Italian domestic market developed – export markets strengthened. Acquiring Vetropack Italia S.r.l. gave Vetropack Group a new domestic market and a strong market presence. The other Vetropack companies successfully offset

their stagnating domestic markets by growing their exports further. Exports made up 44.4% (2015: 45.8%) of total sales. Excluding Vetropack Italia S.r.l., which primarily operates on its domestic market, this figure would have been 46.8%.

Challenges in Switzerland and Ukraine. The roof of the green glass furnace at Vetropack's Swiss plant needed urgent, costly repair, reducing the company's contribution to performance. However, the production downtime was offset by deliveries from sister plants and sales ex works. The strong Swiss franc also continues to have negative repercussions for the business overall.

The political and economic crisis in Ukraine coupled with newly introduced alcohol taxes have sparked a further major fall in consumer spending since early 2016. JSC Vetropack Gostomel only succeeded in partially offsetting the resulting drop in revenue by increasing its direct exports and supplying sister plants.

Revenue. Consolidated net sales from goods and services rose by 14.6% to CHF 310.8 million (2015: CHF 271.1 million). Vetropack Italia S.r.l. played a key role in this increase, contributing CHF 38.4 million.

Slight improvement in performance. Consolidated EBIT stood at CHF 30.7 million (2015: CHF 24.1 million), with lower energy costs in particular boosting performance. The EBIT margin amounted to 9.9% (2015: 8.9%).

The consolidated semi-annual profit of CHF 24.4 million (2015: CHF 14.2 million) was up 71.8% on the previous year's figure, which had been badly hit by exchange rate losses. Cash flow stood at CHF 57.3 million (2015: CHF 48.4 million). The cash flow margin therefore remained high, at 18.4% of net sales from goods and services (2015: 17.8%). Vetropack Group employed 3,285 individuals during the period under review (2015: 3,030), 259 of whom work at Vetropack's Italian plant.

Stable balance sheet structure. Total assets as at 30 June 2016 amounted to CHF 855.9 million (31 December 2015: CHF 784.3 million). Short-term assets rose to CHF 372.4 million (31 December 2015: CHF 312.1 million) as a result of an increase in liquid assets and a seasonal rise in receivables. Long-term assets stood at CHF 483.5 million (31 December 2015: CHF 472.2 million). Capital was borrowed on what are currently highly favourable terms to finance upcoming investments in equipment. Total liabilities amounted to CHF 261.9 million (31 December 2015: CHF 200.6 million) and shareholders' equity CHF 594.0 million (31 December 2015: CHF 583.7 million).

Investments. Vetropack Group investments in the first six months of the year under review included building a recycling facility at its Czech plant to process cullet for producing new glass. The glass-blowing machines in a flint glass furnace at the glassworks in Croatia were upgraded. Unscheduled

repairs had to be made to the furnace roof at Vetropack Ltd's glassworks in Switzerland. Work was completed on a new training centre for industrial glass manufacture in Pöchlarn, while the Italian plant also invested in optimising quality and production processes.

Outlook for the second half of the year. Vetropack Group expects the market situation to remain unchanged over the next six months. Only Ukraine will see a marked increase in the downturn of its domestic market and a fall in its contribution to Group performance. Another factor is the two rounds of scheduled repairs set for the second six months of the year on the furnaces at the Ukrainian plant in Gostomel and at the Austrian plant in Pöchlarn, which will result in increased expenditure.

Consolidated net sales from goods and services and earnings in the second half of the year will therefore be down on the first half. Although higher net sales are expected for the whole of the 2016 reporting year thanks to Vetropack Italia S.r.l., lower earnings figures are anticipated for the reasons outlined above.

Vetropack Holding Ltd. Vetropack Holding Ltd is expecting earnings for the 2016 fiscal year to be up on the previous year.

Yours sincerely,



Hans R. Rüegg
Chairman of the Board of Directors



Claude R. Cornaz
CEO

Bülach, 25 August 2016

Vetropack Group

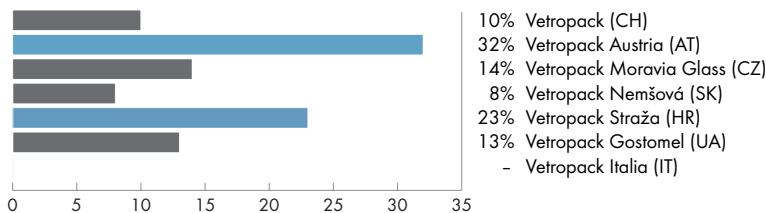
Vetropack is one of Europe's leading manufacturers of glass packaging for the food and beverage industry with group management in Bülach (Switzerland). It runs state-of-the-art production facilities, as well as sales and distribution centres in Switzerland, Austria, the Czech Republic, Slovakia, Croatia, Ukraine and Italy.

As a customer-oriented company, Vetropack guarantees innovative packaging solutions, reliable product quality and on-time deliveries. Tailor-made glass from Vetropack gives a basis for a successful market performance of our customers' products.

Sales by Group Company

Half Year 2015

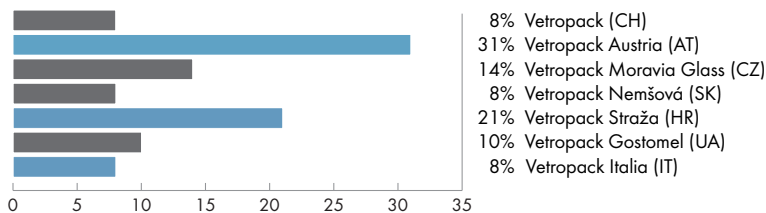
(Total 2.36 billion units)



Sales by Group Company

Half Year 2016

(Total 2.51 billion units)



Financial Reporting – Vetropack Group

Results as per 30.06.2016

The non-audited interim closing of Vetropack Group as at 30 June 2016 was prepared in accordance with Swiss GAAP FER 31 on the basis of acquisition values and, in contrast to the annual financial statements, permits abridged reporting and disclosures.

Vetropack Group will not be publishing an abridged version of its consolidated balance sheet, consolidated income statement or consolidated cash flow statement from its 2016 interim financial statements onwards. The consolidation and valuation principles are unchanged compared to the year-end closing as at 31 December 2015. Adjustments to the consolidation and valuation principles as at 30 June 2015 have been made due to amendments to Swiss GAAP FER 3 and are explained in more detail on page 7. Steklodepo d.o.o., Rogatec (Slovenia) was liquidated and merged with Vetropack Straža d.d., Hum na Sutli (Croatia) during the six months under review.

Consolidated Balance Sheet

CHF millions	30.06.2015	31.12.2015	30.06.2016
ASSETS			
Short-Term Assets			
Liquid assets	61.7	61.7	81.3
Marketable Securities	0.3	0.3	5.0
Accounts receivables	115.4	102.7	140.9
Other short-term receivables	8.3	11.5	14.6
Inventories	91.5	129.9	126.9
Accruals	5.2	6.0	3.7
Sub Total Short-Term Assets	282.4	312.1	372.4
Long-Term Assets			
Tangible assets	410.4	437.7	439.6
Financial assets	16.2	17.3	28.5
Intangible assets	20.8	17.2	15.4
Sub Total Long-Term Assets	447.4	472.2	483.5
Total Assets	729.8	784.3	855.9
LIABILITIES			
Liabilities			
Short-term liabilities			
- Accounts payables	39.6	65.9	51.9
- Short-term financial debts	20.2	20.0	28.4
- Other short-term liabilities	18.9	19.7	26.1
- Deferrals	21.6	20.2	34.7
- Short-term provisions	4.7	2.2	4.8
Long-term liabilities			
- Long-term financial debts	31.6	31.5	74.8
- Other long-term liabilities	0.0	1.7	2.3
- Long-term provisions	34.8	39.4	38.9
Total long-term liabilities	171.4	200.6	261.9
Shareholders' Equity			
Share capital	19.8	19.8	19.8
Capital reserves	0.3	0.3	0.3
Retained earnings	524.2	521.6	549.3
Consolidated profit	14.2	42.1	24.4
Sub Total Shareholders' Equity excl. Minorities	558.5	583.8	593.8
Minority interests	- 0.1	- 0.1	0.2
Sub Total Shareholders' Equity	558.4	583.7	594.0
Total Liabilities	729.8	784.3	855.9

Consolidated Income Statement

CHF millions	Half Year 2015 ¹⁾	+/-	Half Year 2016
Net Sales from Goods and Services	271.1	14.6%	310.8
Other operating income	4.9	6.1%	5.2
Changes in inventories	- 6.5	-43.1%	- 3.7
Material costs	- 41.7	22.5%	- 51.1
Energy costs	- 44.1	3.2%	- 45.5
Personnel expenses	- 59.8	17.1%	- 70.0
Depreciation/Impairments of tangible assets	- 24.3	10.3%	- 26.8
Depreciation/Impairments of intangible assets	- 3.7	0.0%	- 3.7
Other operating expenses	- 71.8	17.7%	- 84.5
Operating Result (EBIT)	24.1	27.4%	30.7
Financial result	- 6.9	- 107.2%	0.5
Ordinary Result	17.2	81.4%	31.2
Non-operating result*	1.3	- 76.9%	0.3
Consolidated Profit before Income Taxes	18.5	70.3%	31.5
Income taxes	-5.0	34.0%	- 6.7
Consolidated Profit before Minority Interests	13.5	83.0%	24.7
Minority interest in profit/loss of Group companies	0.7	- 142.9%	- 0.3
Consolidated profit	14.2	71.8%	24.4
Earnings per Share			
Undiluted earnings per bearer share in CHF	35.9		61.6
Undiluted earnings per registered share in CHF	7.2		12.3
Diluted earnings per bearer share in CHF	35.9		61.6
Diluted earnings per registered share in CHF	7.2		12.3

* This includes depreciation of CHF 0.5 million on non-operating real estate and buildings (2015: CHF 0.6 million).

¹⁾ The revised regulations on recording revenue according to the Swiss GAAP FER framework and Swiss GAAP FER 3, which came into force on 1 January 2016, were already applied by Vetropack Group in the 2015 fiscal year. This revision is being treated as a change to accounting and reporting principles, with the previous year's figures having been restated accordingly (retrospective method). The change largely involves reclassifying transport costs as a deduction from net sales to other operating expenses.

Consolidated Income Statement Half Year 2015

CHF millions	reported	adjustment	adjusted
Net sales from goods and services	252.8	18.3	271.1
Depreciation/impairments of tangible assets	0.0	- 24.3	- 24.3
Depreciation/impairments of intangible assets	0.0	- 3.7	- 3.7
Other operating expenses	- 81.5	9.7	- 71.8
Total	171.3	0.0	171.3

Consolidated Cash Flow Statement

CHF millions	30.06.2015	31.12.2015	30.06.2016
Consolidated profit before incl. minorities	13.5	41.4	24.7
+ Asset depreciation	28.5	59.0	31.1
+/- Loss/gain from applying/removing impairments	0.0	0.9	0.0
+/- Increase/decrease in provisions	4.5	- 0.2	1.6
+/- Loss/gain from disposals of tangible assets	0.7	0.9	0.6
+/- Other changes in non-cash items	1.2	1.7	- 0.7
= Operating Cash Flow before Change of Net Working Capital	48.4	103.7	57.3
+/- Decrease/increase in inventories	-37.2	- 5.2	- 38.5
+/- Decrease/increase in marketable securities	6.1	- 12.6	3.0
+/- Decrease/increase in other receivables and accruals	4.2	2.0	- 0.6
+/- Increase/decrease in accounts payable	- 10.0	- 3.6	- 14.1
+/- Increase/decrease in other short-term liabilities and deferrals	12.3	- 6.3	21.6
= Cash Flow from Operating Activities	23.8	78.0	28.7
- Cash-out for investments in tangible assets	- 47.2	- 63.7	- 28.1
+ Cash-in from sales of tangible assets	2.4	1.9	0.1
- Cash-out for investments in financial assets	0.0	0.0	- 10.9
- Cash-out for company acquisition	0.0	- 30.7	0.0
- Cash-out for investments in intangible assets	- 0.3	- 1.3	- 2.0
+/- Changes in marketable securities	0.0	0.0	- 4.5
= Cash Flow from Investment Activities	- 45.1	- 93.8	- 45.4
- Dividend distribution to shareholders	- 15.3	- 15.3	- 15.3
+/- Formation/repayment of short-term financial debts	20.2	19.4	8.3
+/- Formation/repayment of long-term financial debts	0.0	- 3.9	43.8
= Cash Flow from Financial Activities	4.9	0.2	36.8
Foreign Exchange Differentials	- 7.6	- 8.4	- 0.5
Changes in Liquid Assets	- 24.0	- 24.0	19.6
Liquid assets at the beginning of the year	85.7	85.7	61.7
Liquid assets at the end of the period under review	61.7	61.7	81.3
Changes in Liquid Assets	- 24.0	- 24.0	19.6

Changes in Consolidated Shareholders' Equity

CHF millions

	Share Capital	Capital Reserves (Agio)	Retained Earnings	Sub Total excl. Minority Share Interests	Minority Share Interests	Sub Total incl. Minority Share Interests
Shareholders' Equity as per 1.1.2015	19.8	0.3	611.7	631.8	1.0	632.8
Consolidated 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	558.5	- 0.1	558.4
Accounting Goodwill			- 16.8	- 16.8		- 16.8
Semi-annual profit			27.9	27.9		27.9
Foreign exchange differentials			14.2	14.2		14.2
Shareholders' Equity as per 31.12.2015	19.8	0.3	563.7	583.8	- 0.1	583.7
Consolidated profit			24.4	24.4	0.3	24.7
Foreign exchange differentials			0.9	0.9		0.9
Dividends			- 15.3	- 15.3		- 15.3
Shareholders' Equity as per 30.06.2016	19.8	0.3	573.7	593.8	0.2	594.0

Segment Reporting

The segment reporting used at the top management level for corporate management has just one significant segment ("Glass packaging"). The secondary segment "Speciality glass" comprises only trade revenue in Switzerland (Müller + Krempel Ltd).

Net Sales per Country

CHF millions	Change	Half Year 2015	Half Year 2016
Glass Packaging			
- Switzerland	- 8.6%	40.8	37.3
- Austria	5.6%	88.1	93.0
- Czech Republic	4.3%	34.9	36.4
- Croatia	2.7%	54.7	56.2
- Slovakia	8.5%	21.1	22.9
- Ukraine	- 19.0%	26.9	21.8
- Italy	-	0.0	38.4
Speciality Glass (Switzerland)	4.3%	4.6	4.8
Total	14.6%	271.1	310.8

Vetropack Group does not publish details on its segment results, as there is a significant risk that this could cause competitive disadvantages. The markets in which our business units operate are narrow niche sectors with few, primarily private suppliers, who could draw conclusions about our margins and prices from the segment results.

Results per Participation Right

The undiluted result per share is calculated by dividing the consolidated profit for the applicable reporting period that is to be allocated to the shareholders of Vetropack Group by the weighted average number of outstanding shares.

	Half Year 2015	Half Year 2016
Consolidated profit allocated to the shareholders of the Vetropack Group in million CHF	14.2	24.4
Weighted number of outstanding bearer shares for undiluted result per share	396 480	396 480
Weighted number of outstanding registered shares for undiluted result per share	1 982 400	1 982 400
Undiluted result per bearer share in CHF	35.9	61.6
Undiluted result per registered share in CHF	7.2	12.3

The diluted result per share is calculated in the same way as the undiluted result for both share types, as no dilution potential exists for either.

Events after the Balance Sheet Date

No significant events occurred between the balance sheet date and the Board of Directors approving the consolidated interim financial statements on 25 August 2016 that could negatively affect the declarations made in these interim financial statements as at 30 June 2016.

Further Disclosures

The previous year's semi-annual report omitted the calculation of diluted and undiluted earnings per share, the note on segment reporting, the changes due to currency effects and the total changes in liquid assets.

Published by

Overall Responsibility and Concept: Vetropack Holding Ltd, Bülach

Design: Arnold & Braun Grafik Design, Lucerne

Printing: Kalt Medien AG, Zug

Languages: This publication is available in the original legally binding German version, as well as in the translated English version.

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