

2017 | Semi-Annual Report Vetropack Group



At a Glance

Key Figures

		31.12.2016	30.06.2016	+/-	30.06.2017
Net Sales	CHF millions	601.7	310.8	- 0.2%	310.2
EBIT	CHF millions	49.3	30.7	- 1.3%	30.3
Consolidated Profit	CHF millions	42.6	24.4	1.2%	24.7
Cash Flow*	CHF millions	105.1	57.3	7.0%	61.3
Investments	CHF millions	95.6	41.0	- 26.8%	30.0
Production	1000 metric tons	1 398	710	- 0.3%	708
Unit Sales	billions	4.87	2.51	2.8%	2.58
Exports (in unit terms)	%	43.5	44.4	-	44.0
Employees	number	3 243	3 285	0.9%	3 316
Total Assets	CHF millions	840.7	855.9	3.1%	882.3
Gearing Ratio	in %	72.0	69.4	-	71.1
Share price Bearer share high	CHF	1 777	1 673	-	2 175
Share price Bearer share low	CHF	1 350	1 350	-	1 750

* operating cash flow before change of net working capital

Agenda

2017 Annual Report	20 March 2018
Press Conference (Bülach)	20 March 2018, 10.15 a.m.
2017 Sustainability Report	3 April 2018
Annual General Assembly (Bülach)	20 April 2018, 11.15 a.m.

Business development within the first half of 2017

Dear Shareholders

At 2.58 billion units of glass packaging (2016: 2.51 billion units), Vetropack Group once again achieved record sales in the first half of the year under review. In nominal terms, net sales remained stable. After adjusting for currency effects, however, they rose by 1.2% to CHF 314.5 million.

Greater demand. As far as the glass packaging industry was concerned, the first six months of the year under review were marked by steadily growing demand throughout Europe. Against this promising backdrop, Vetropack Group sold 2.58 billion units of glass packaging in the period under review (2016: 2.51 billion units) – its best performance to date.

Sales organisation set up for Italy. In early 2017, Vetropack Italia S.r.l. assumed Group-wide responsibility for its domestic market and its fellow subsidiaries' activities involving Italy-bound exports were integrated into the Vetropack Italia S.r.l. portfolio. This redistribution means that the other Vetropack companies now no longer supply the Italian market directly, which resulted in a drop in sales from exports in the Czech Republic, Slovakia and Austria in particular. By contrast, however, net sales in Italy rose (see the table "Net Sales per Country" under Segment Reporting on page 9). Exports made up 44.0% of Vetropack Group's total sales (2016: 44.4%). The fact that this percentage remained virtually unchanged despite the redistribution described above is down to the increase in sales to other Eastern and Western European countries. In particular, the Ukrainian subsidiary PrJSC Vetropack Gostomel also contributed with measures to expand its exports.

Revenue. Consolidated net sales from goods and services remained virtually unchanged at CHF 310.2 million (2016: CHF 310.8 million), while net sales in local currencies climbed 1.2% to CHF 314.5 million.

Consistently healthy performance. Consolidated EBIT stood at CHF 30.3 million (2016: CHF 30.7 million). The drop in energy and raw material costs was offset by rising personnel expenses and depreciation. The EBIT margin amounted to 9.8% (2016: 9.9%).



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

The consolidated semi-annual profit of CHF 24.7 million (2016: 24.4 million) was up 1.2% on the previous year's figure. Lower finance costs and exchange rate gains pushed the financial result up by CHF 1.2 million year on year, boosting the consolidated semi-annual profit.

Cash flow rose to CHF 61.3 million (2016: CHF 57.3 million). The cash flow margin increased to 19.8% of net sales from goods and services (2016: 18.4%).

Vetropack Group employed 3,316 individuals during the period under review (2016: 3,285).

Robust balance sheet. Total assets as at 30 June 2017 amounted to CHF 882.3 million (31 December 2016: CHF 840.7 million). Short-term assets rose to CHF 386.9 million (31 December 2016: CHF 339.9 million) as a result of an increase in liquid funds and a seasonal rise in receivables. Since depreciation outstripped investments in the first six months of the year under review, long-term assets fell to CHF 495.4 million (31 December 2016: CHF 500.8 million). Liabilities increased to CHF 255.4 million (31 December 2016: CHF 235.3 million): a loan was taken out to hedge short-term currency fluctuations. Shareholders' equity amounted to CHF 626.9 million (31 December 2016: CHF 605.4 million).

Investments. Vetropack Group invested CHF 20.6 million in ongoing maintenance, upgrades and capacity expansion for its plant and equipment during the first six months of the year under review. For example, new test stations were installed at the Italian glassworks in Trezzano and a glass-blowing machine was replaced at the Czech works in Kyjov to enhance quality assurance and optimise production.

Outlook for the second half of 2017. Vetropack Group expects the market environment to remain favourable over the next six months. There are increasing signs that the Ukrainian economy is stabilising but this is unlikely to filter down to the market yet in 2017. The furnace at Vetropack's Ukrainian glassworks in Gostomel is scheduled for repairs in the second half of the year in addition to upgrades at other plants. These measures will require production downtime, which will have a slight impact on performance.

This means that net sales from goods and services will not be able to fully match the figures from the first half of the year, although the forecast indicates a better performance than the second half of 2016, when two furnaces were repaired. The Group is therefore anticipating a slight improvement in net sales and performance for the whole of the 2017 reporting year.

Yours sincerely,



Hans R. Rüegg
Chairman of the Board of Directors



Claude R. Cornaz
CEO

Bülach, 23 August 2017

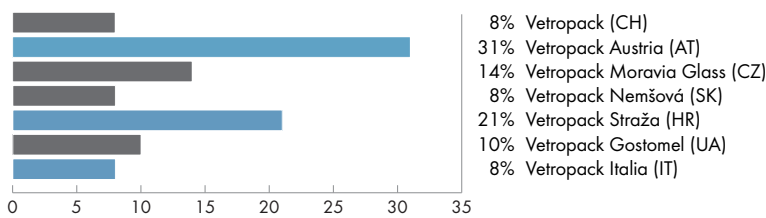
Vetropack Group

Vetropack is one of Europe's leading manufacturers of glass packaging for the food and beverage industry. 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.

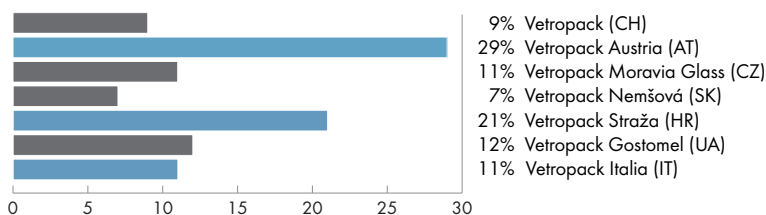
Sales by Group Company / Half Year 2016

(Total 2.51 billion units)



Sales by Group Company / Half Year 2017

(Total 2.58 billion units)



Financial Reporting – Vetropack Group

Results as per 30.06.2017

The non-audited interim closing of Vetropack Group as at 30 June 2017 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. In accordance with core FER 30, changes to estimates are permitted and result in the book value of an asset or liability being corrected. These changes can arise from new developments or new information. In our case, we are using core FER 30 for tangible assets in the moulds segment in the 2017 fiscal year. These were previously posted as costs under other operating expenses. After an in-depth analysis of moulds stocks, it was ascertained that the maximum service life of the moulds is now two years rather than 12 months at most as was previously the case. Newly acquired moulds will therefore be capitalised from 2017 onwards and will be depreciated over a maximum of two years. The general costs of moulds will also continue to be posted directly to expenses. CHF 4.3 million was invested in moulds in the first half of 2017 (previously posted to expenses) and depreciation of moulds amounted to CHF 0.5 million.

The remaining consolidation and valuation principles are identical to those used in the 2016 interim and annual financial statements.

Consolidated Balance Sheet

CHF millions	30.06.2016	31.12.2016	30.06.2017
ASSETS			
Short-Term Assets			
Liquid funds	81.3	89.7	98.1
Marketable securities	5.0	0.8	7.6
Accounts receivables	140.9	105.4	142.3
Other short-term receivables	14.6	13.1	12.9
Inventories	126.9	128.1	123.3
Accruals	3.7	2.8	2.7
Subtotal Short-term Assets	372.4	339.9	386.9
Long-Term Assets			
Tangible assets	439.6	459.5	459.8
Financial assets	28.5	29.0	25.8
Intangible assets	15.4	12.3	9.8
Subtotal Long-term Assets	483.5	500.8	495.4
Total Assets	855.9	840.7	882.3
LIABILITIES			
Liabilities			
Short-term liabilities			
- Accounts payables	51.9	80.0	60.5
- Short-term financial debts	28.4	0.5	20.3
- Other short-term liabilities	26.1	18.9	22.5
- Deferrals	34.7	19.6	32.3
- Short-term provisions	4.8	3.0	5.6
Total Short-term Liabilities	145.9	122.0	141.2
Long-term liabilities			
- Long-term financial debts	74.8	74.2	74.9
- Other long-term liabilities	2.3	1.8	1.9
- Long-term provisions	38.9	37.3	37.4
Total Long-term Liabilities	116.0	113.3	114.2
Subtotal Liabilities	261.9	235.3	255.4
Shareholders' Equity			
Share capital	19.8	19.8	19.8
Capital reserves	0.3	0.3	0.3
Retained earnings	549.3	542.6	581.5
Consolidated profit	24.4	42.6	24.7
Subtotal Shareholders' Equity excl. Minorities	593.8	605.3	626.3
Minority interests	0.2	0.1	0.6
Subtotal Shareholders' Equity	594.0	605.4	626.9
Total Liabilities	855.9	840.7	882.3

Consolidated Income Statement

CHF millions	Half Year 2016	+/-	Half Year 2017
Net Sales from Goods and Services	310.8	- 0.2%	310.2
Other operating income	5.2	- 19.2%	4.2
Changes in inventories	- 3.7	132.4%	- 8.6
Material costs	- 51.1	- 5.1%	- 48.5
Energy costs	- 45.5	- 3.7%	- 43.8
Personnel expenses	- 70.0	3.4%	- 72.4
Depreciation/Impairments of tangible assets	- 26.8	9.3%	- 29.3
Depreciation/Impairments of intangible assets	- 3.7	- 13.5%	- 3.2
Other operating expenses	- 84.5	- 7.3%	- 78.3
Operating Result (EBIT)	30.7	- 1.3%	30.3
Financial result	0.5	240.0%	1.7
Ordinary Result	31.2	2.6%	32.0
Non-operating result*	0.3	0.0%	0.3
Consolidated Profit before Income Taxes	31.5	2.5%	32.3
Income taxes	- 6.7	5.9%	- 7.2
Consolidated Profit before Minority Interests	24.7	1.6%	25.1
Minority interest in profit/loss of Group companies	- 0.3	33.3%	- 0.4
Consolidated profit	24.4	1.2%	24.7
Earnings per Share			
Undiluted earnings per bearer share in CHF	61.6		62.2
Undiluted earnings per registered share in CHF	12.3		12.4
Diluted earnings per bearer share in CHF	61.6		62.2
Diluted earnings per registered share in CHF	12.3		12.4

* This includes depreciation of CHF 0.5 million on non-operating real estate and buildings (2016: CHF 0.5 million).

Consolidated Cash Flow Statement

CHF millions	30.06.2016	31.12.2016	30.06.2017
Consolidated profit incl. minorities	24.7	42.8	25.1
+ Asset depreciation	31.1	62.9	33.0
+/- Loss/gain from applying/removing impairments	0.0	0.3	0.0
+/- Increase/decrease in provisions	1.6	- 1.8	2.7
+/- Loss/gain from disposals of tangible assets	0.6	1.1	0.4
+/- Other changes in non-cash items	- 0.7	- 0.2	0.1
= Operating Cash Flow before Change of Net Working Capital	57.3	105.1	61.3
+/- Decrease/increase in inventories	- 38.5	- 4.1	- 34.6
+/- Decrease/increase in marketable securities	3.0	0.2	7.0
+/- Decrease/increase in other receivables and accruals	- 0.6	1.5	0.6
+/- Increase/decrease in accounts payable	- 14.1	15.0	- 20.7
+/- Increase/decrease in other short-term liabilities and deferrals	21.6	- 1.1	15.7
= Cash Inflow/Drain from Operating Activities	28.7	116.6	29.3
- Outflows for investments in tangible assets	- 28.1	- 81.4	- 20.6
+ Inflows for sales of tangible assets	0.1	0.3	0.1
- Outflows for investments in financial assets	- 10.9	- 11.4	- 8.7
+ Inflows for sales of financial assets	0.0	0.0	11.2
- Outflows for investments in intangible assets	- 2.0	- 3.0	- 0.7
+/- Changes in marketable securities	- 4.5	- 0.5	- 6.9
= Cash Inflow/Drain from Investment Activities	- 45.4	- 96.0	- 25.6
- Dividend distribution to shareholders	- 15.3	- 15.3	- 15.3
+/- Formation/repayment of short-term financial debts	8.3	- 19.5	19.7
+/- Formation/repayment of long-term financial debts	43.8	43.5	- 0.1
= Cash Inflow/Drain from Financing Activities	36.8	8.7	4.3
Foreign Exchange Differentials	- 0.5	- 1.3	0.4
Changes in Liquid Funds	19.6	28.0	8.4
Liquid funds at the beginning of the year	61.7	61.7	89.7
Liquid funds at the end of the period under review	81.3	89.7	98.1
Changes in Liquid Funds	19.6	28.0	8.4

Changes in Consolidated Shareholders' Equity

CHF millions

	Share Capital	Capital Reserves (Agio)	Retained Earnings	Subtotal excl. Minority Share Interests	Minority Share Interests	Subtotal incl. Minority Share Interests
Shareholders' Equity as per 1.1.2016	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
Semi-annual profit			18.2	18.2	- 0.1	18.1
Foreign exchange differentials			- 6.7	- 6.7		- 6.7
Shareholders' Equity as per 31.12.2016	19.8	0.3	585.2	605.3	0.1	605.4
Consolidated profit			24.7	24.7	0.5	25.2
Foreign exchange differentials			11.6	11.6		11.6
Dividends			- 15.3	- 15.3		- 15.3
Shareholders' Equity as per 30.06.2017	19.8	0.3	606.2	626.3	0.6	626.9

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 2016	Half Year 2017
Glass Packaging			
- Switzerland	2.1%	37.3	38.1
- Austria	- 6.5%	93.0	87.0
- Czech Republic	- 20.3%	36.4	29.0
- Croatia	5.0%	56.2	59.0
- Slovakia	- 10.9%	22.9	20.4
- Ukraine	20.2%	21.8	26.2
- Italy	19.8%	38.4	46.0
Speciality Glass (Switzerland)	- 6.3%	4.8	4.5
Total	- 0.2%	310.8	310.2

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 2016	Half Year 2017
Consolidated profit allocated to the shareholders of the Vetropack Group in million CHF	24.4	24.7
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	61.6	62.2
Undiluted result per registered share in CHF	12.3	12.4

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 23 August 2017 that could negatively affect the declarations made in these interim financial statements as at 30 June 2017.

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