



**2020** | **Vetropack Group**  
Semi-Annual Report

# Semi-Annual Report 2020

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Preliminary remarks: Please observe the [Notes, 3. Adjustment of figures for the previous year](#) and the previous year's figures marked with an \* in the Board of Directors' Report.

\* Effluent volumes at the Austrian production plant in Kremsmünster were recorded incorrectly between 2010 and 2019, meaning that the sewerage fees charged to the plant were too low. An adjustment charge of CHF 3.8 million net is therefore being applied in 2020. In the interests of comparability and transparency, the figures for 2019 have been restated.

# Dear shareholders,

**Like many other businesses, the Swiss-based Vetropack Group was also impacted by the global COVID-19 pandemic in the first half of the year under review. Net sales came to CHF 323.8 million, down 10.4% on the same period last year (2019: CHF 361.2 million). Adjusted for currency effects, however, this decrease only amounted to 5.6%. EBIT fell by 14.8% to CHF 40.9 million (2019: CHF 48.0 million\*). Consolidated operating profit remained virtually the same as last year, while reported profit rose to CHF 46.3 million (2019: CHF 37.9 million\*) thanks to the sale of a property not required for operations.**



Johann Reiter, CEO (left) and Claude R. Cornaz, Chairman of the Board of Directors (right)

The COVID-19 pandemic has hit the European container glass industry hard: not only were restaurants and other catering outlets closed for months on end, but the concept of “social distancing” has also changed consumer behaviour. Lockdown led to a build-up of stock and put the brakes on output, with some production lines even being shut down temporarily.

## Swift action

Vetropack Group responded quickly and effectively to this sudden crisis. Measures to protect staff were coordinated across the Group and implemented locally. Efforts were also made to guarantee the supply of raw materials and the delivery of glass containers. Thanks to the Vetropack network, with eight production facilities and a committed workforce, we were able to keep the production process going safely and without any interruptions.

## Unit sales, net sales and production

In the first half of the year, Vetropack Group sold 2.35 billion units of glass packaging, 9.3% fewer than last year (2019: 2.59 billion units). Consolidated net sales from goods and services were down by 10.4% at CHF 323.8 million (2019: CHF 361.2 million). After adjusting for currency effects, however, this only amounted to a 5.6% reduction. Since this drop in sales mainly affected lower-priced products such as glass bottles for beer, mineral water and soft drinks, the average price of the glass packaging sold actually increased. With capacity being actively reduced, Vetropack Group produced 725,000 tonnes in the first half of the year (2019: 730,000 tonnes). The effects of COVID-19 pushed stock levels up to CHF 16.1 million during this period.

## Performance maintained

Vetropack Group responded quickly and effectively to the COVID-19 pandemic and introduced stringent cost control measures. This, along with lower energy prices, meant that savings could be made across all areas. For example, accrued staff overtime and untaken leave were reduced and delivery costs were optimised. Thanks to these extensive measures, Vetropack Group achieved a consolidated EBIT of CHF 40.9 million (2019: CHF 48.0 million\*). The EBIT margin stood at 12.6% (2019: 13.3%).

Cash flow came to CHF 75.5 million (2019: CHF 81.6 million\*), while the cash flow margin amounted to 23.3% of net sales (2019: 22.6%).

The consolidated semi-annual profit of CHF 46.3 million (2019: CHF 37.9 million\*) was up 22.2% on the previous year's figure. The profit margin amounted to 14.3% (2019: 10.5%). A property in the Swiss canton of Zurich that was not required for operations was sold in the first half of 2020, generating one-off proceeds before tax of CHF 11.7 million.

Vetropack Group employed a workforce of 3,414 people during the period under review (2019: 3,346).

## Balance sheet remains strong

Total assets as at 30 June 2020 amounted to CHF 945.7 million (31 December 2019: CHF 949.2 million\*). In spite of the significant build-up of stock, the level of liquid funds was successfully maintained thanks to targeted cost optimisation measures and reduced capital expenditure. Short-term assets climbed to CHF 389.7 million (31 December 2019: CHF 365.0 million), while long-term assets fell to CHF 556.0 million (31 December 2019: CHF 584.2 million) due to investments being limited to those that were absolutely essential in the first half of the year. Liabilities remained virtually unchanged at CHF 202.1 million (31 December 2019: CHF 200.8 million). Shareholder's equity came to CHF 743.6 million (31 December 2019: CHF 748.4\* million), 78.6% of total assets.

## Investments

Investments in the first half of the year focused on making preparations for the new, larger furnace at Vetropack's Croatian glassworks, along with all the necessary equipment, as well as the new glassworks due to be set up in the Italian town of Boffalora. Vetropack Group invested a total of CHF 35.8 million in the first six months of the year (2019: CHF 47.3 million).

## Outlook for the second half of 2020

Owing to the pandemic and the continued uncertainty surrounding its impact on the economy as a whole and on demand for glass packaging in particular, it is difficult to predict the outlook for the coming months. As things stand, and taking the reopening of restaurants and catering outlets into account, we expect Vetropack Group's sales volumes to increase slightly in the second half of the year compared to the first six months. Production capacity will be actively reduced further in the second half of 2020 to bring the high stock levels down, which will impair production efficiency. This will have an adverse impact on performance in the second half of the year. We are therefore expecting the operating profit margin for 2020 as a whole to fall slightly short of last year.



**Claude R. Cornaz**  
Chairman of the Board of Directors



**Johann Reiter**  
CEO

Bülach, 25 August 2020

# At a Glance

		30.06.2020	+/-	30.06.2019 <sup>1)</sup>	31.12.2019 <sup>1)</sup>
Net Sales	CHF millions	323.8	- 10.4%	361.2	714.9
EBIT	CHF millions	40.9	- 14.8%	48.0	89.4
Consolidated Profit	CHF millions	46.3	22.2%	37.9	72.6
Cash Flow*	CHF millions	75.5	- 7.5%	81.6	153.3
Investments	CHF millions	35.8	- 24.3%	47.3	123.7
Production	1 000 metric tons	725	- 0.7%	730	1 460
Unit Sales	billions	2.35	- 9.3%	2.59	5.16
Exports (in unit terms)	%	41.7	-	42.6	43.9
Employees	number	3 414	2.0%	3 346	3 366
Total Assets	CHF millions	945.7		926.8	949.2
Gearing Ratio	%	78.6		77.7	78.8
Share price Registered share A high	CHF	65.10		46.00	62.40
Share price Registered share A low	CHF	39.60		38.00	38.00

<sup>1)</sup> adjusted; see [note No. 2](#) and [note No. 3](#)

\* operating cash flow before change of net working capital

The non-audited interim closing of Vetropack Group as at 30 June 2020 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. The consolidation and valuation principles are identical to those used in the 2019 interim and annual financial statements.

# Consolidated Balance Sheet

CHF millions	Note	30.06.2020	31.12.2019 <sup>1)</sup>	30.06.2019 <sup>1)</sup>
<b>ASSETS</b>				
<b>Short-term assets</b>				
Liquid funds		102.6	100.8	67.5
Marketable securities		–	0.4	14.9
Accounts receivables		126.7	115.6	147.9
Other short-term receivables		9.3	10.2	9.7
Inventories		149.1	136.6	130.0
Accruals		2.0	1.4	3.1
Subtotal Short-term Assets		389.7	365.0	373.1
<b>Long-term Assets</b>				
Tangible assets		533.7	559.2	529.8
Financial assets		15.9	18.5	17.7
Intangible assets		6.4	6.5	6.2
Subtotal Long-term Assets		556.0	584.2	553.7
<b>Total Assets</b>		<b>945.7</b>	<b>949.2</b>	<b>926.8</b>
<b>LIABILITIES</b>				
<b>Liabilities</b>				
<b>Short-term liabilities</b>				
– Accounts payables		77.4	87.6	79.7
– Short-term financial debts		0.3	0.3	9.1
– Other short-term liabilities		23.9	23.1	24.3
– Deferrals		32.5	21.3	31.4
– Short-term provisions		10.9	9.5	9.7
Subtotal Short-term Liabilities		145.0	141.8	154.2
<b>Long-term liabilities</b>				
– Long-term financial debts		21.6	21.7	13.2
– Other long-term liabilities		1.3	1.2	1.4
– Long-term provisions		34.2	36.1	37.6
Subtotal Long-term Liabilities		57.1	59.0	52.2
Total Liabilities		202.1	200.8	206.4
<b>Shareholders' Equity</b>				
Share capital		19.8	19.8	19.8
Capital reserves		0.3	0.3	0.3
Retained earnings		677.2	655.9	662.4
Consolidated profit		46.3	72.4	37.9
Subtotal shareholders' Equity excl. Minorities		743.6	748.4	720.4
Minority interests		–	–	–
Subtotal Shareholders' Equity		743.6	748.4	720.4
<b>Total Liabilities</b>		<b>945.7</b>	<b>949.2</b>	<b>926.8</b>

<sup>1)</sup> adjusted; see note No. 3

# Consolidated Income Statement

CHF millions	Note	Half Year 2020		Half Year 2019 <sup>1)</sup>
<b>Net Sales from Goods and Services</b>	1	323.8	- 10.4%	361.2
Other operating income		5.5	5.8%	5.2
Changes in inventories		16.1	705.0%	2.0
Material costs		- 55.1	- 5.5%	- 58.3
Energy costs		- 44.2	- 8.3%	- 48.2
Personnel expenses		- 83.4	- 1.2%	- 84.4
Depreciation/Impairments of tangible assets		- 37.3	2.5%	- 36.4
Depreciation/Impairments of intangible assets		- 1.3	44.4%	- 0.9
Other operating expenses		- 83.2	- 9.8%	- 92.2
<b>Operating Result (EBIT)</b>		<b>40.9</b>	<b>- 14.8%</b>	<b>48.0</b>
Financial result		- 1.2	- 36.8%	- 1.9
<b>Ordinary Result</b>		<b>39.7</b>	<b>- 13.9%</b>	<b>46.1</b>
Non-operating result*		12.3	1.437.5%	0.8
<b>Consolidated Profit before Income Taxes</b>		<b>52.0</b>	<b>10.9%</b>	<b>46.9</b>
Income taxes		- 5.7	- 31.3%	- 8.3
<b>Consolidated Profit before Minority Interests</b>		<b>46.3</b>	<b>19.9%</b>	<b>38.6</b>
Minority interests from Group companies		-	- 100.0%	- 0.7
<b>Consolidated Profit</b>		<b>46.3</b>	<b>22.2%</b>	<b>37.9</b>
<b>Earnings per Share</b>	2			
Undiluted earnings per registered share A in CHF		2.3		95.7
Undiluted earnings per registered share B in CHF		0.5		19.1
Diluted earnings per registered share A in CHF		2.3		95.7
Diluted earnings per registered share B in CHF		0.5		19.1

<sup>1)</sup> adjusted; see [note No. 3](#)

\* This includes sales proceeds from a non-operating property of CHF 11.7 million (2019: CHF 0.0 million).

# Consolidated Cash Flow Statement

CHF millions	Note	30.06.2020	31.12.2019 <sup>1)</sup>	30.06.2019 <sup>1)</sup>
Consolidated profit incl. minorities		46.3	73.1	38.6
+ Asset depreciation		39.1	77.7	37.8
+/- Loss/gain from applying/removing impairments		-	-	-
+/- Increase/decrease in provisions		5.6	1.9	3.7
+/- Loss/gain from disposals of tangible assets		- 11.7	0.2	0.3
+/- Other changes in non-cash items <sup>1)</sup>		- 3.8	0.4	1.2
= <b>Operating Cash Flow before Change of Net Working Capital</b>		<b>75.5</b>	<b>153.3</b>	<b>81.6</b>
+/- Decrease/increase in accounts receivables		- 14.8	7.9	- 23.1
+/- Decrease/increase in inventories		- 17.8	- 11.5	- 4.0
+/- Decrease/increase in other receivables and accruals		0.2	3.2	2.2
+/- Increase/decrease in accounts payables		- 7.3	1.6	- 7.5
+/- Increase/decrease in other liabilities and deferrals		11.9	2.2	13.7
= <b>Cash Inflow/Drain from Operating Activities</b>		<b>47.7</b>	<b>156.7</b>	<b>62.9</b>
- Outflows for investments in tangible assets		- 34.7	- 121.1	- 46.2
+ Inflows for sales of tangible assets		14.5	0.7	0.2
+ Inflows for sales of financial assets		2.1	-	-
- Cash-out for acquisitions of consolidated companies		-	- 5.9	- 5.9
- Outflows for investments in intangible assets		- 1.1	- 2.6	- 1.1
+/- Changes in marketable securities		0.4	0.3	- 14.3
= <b>Cash Inflow/Drain from Investment Activities</b>		<b>- 18.8</b>	<b>- 128.6</b>	<b>- 67.3</b>
- Dividend distribution to shareholders		- 25.8	- 19.8	- 19.8
+/- Formation/repayment of short-tem financial debts		-	- 44.6	- 45.0
+/- Formation/repayment of long-tem financial debts		-	4.8	4.8
= <b>Cash Inflow/Drain from Financing Activities</b>		<b>- 25.8</b>	<b>- 59.6</b>	<b>- 60.0</b>
<b>Foreign Exchange Differentials</b>		<b>- 1.3</b>	<b>0.8</b>	<b>0.4</b>
<b>Changes in Liquid Funds</b>		<b>1.8</b>	<b>- 30.7</b>	<b>- 64.0</b>
Liquid funds at the beginning of the year		100.8	131.5	131.5
Liquid funds at the end of the period under review		102.6	100.8	67.5
<b>Changes in Liquid Funds</b>		<b>1.8</b>	<b>- 30.7</b>	<b>- 64.0</b>

<sup>1)</sup> adjusted; see note No. 3

# Changes in Consolidated Shareholders' Equity

CHF millions

	Share Capital	Capital Re-serves (Agio)	Retained Earnings	Subtotal excl. Minority Share Interests	Minority Share Interests	Subtotal incl. Minority Share interests
Shareholders' Equity as per 1.1.2019 <sup>1)</sup>	19.8	0.3	685.9	706.0	2.4	708.4
Acquisition of minority interests	–	–	– 2.8	– 2.8	– 3.1	– 5.9
Consolidated profit <sup>1)</sup>	–	–	37.9	37.9	0.7	38.6
Foreign exchange differentials	–	–	– 0.9	– 0.9	–	– 0.9
Dividends	–	–	– 19.8	– 19.8	–	– 19.8
Shareholders' Equity as per 30.06.2019 <sup>1)</sup>	19.8	0.3	700.3	720.4	–	720.4
Consolidated profit <sup>1)</sup>	–	–	34.5	34.5	–	34.5
Foreign exchange differentials	–	–	– 6.5	– 6.5	–	– 6.5
Shareholders' Equity as per 31.12.2019 <sup>1)</sup>	19.8	0.3	728.3	748.4	–	748.4
Consolidated profit	–	–	46.3	46.3	–	46.3
Foreign exchange differentials	–	–	– 25.3	– 25.3	–	– 25.3
Dividends	–	–	– 25.8	– 25.8	–	– 25.8
Shareholders' Equity as per 30.06.2020	19.8	0.3	723.5	743.6	–	743.6

<sup>1)</sup> adjusted; see note No. 3

## 1. 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).

CHF millions

	Change previous year	Change current year	Half Year 2020	Half Year 2019
Glass Packaging				
– Switzerland	– 0.2%	1.7%	40.9	40.2
– Austria	1.6%	– 6.0%	96.3	102.4
– Czech Republic	– 1.1%	– 11.5%	32.4	36.6
– Croatia	– 3.4%	– 26.4%	46.6	63.3
– Slovakia	23.4%	8.9%	29.3	26.9
– Ukraine	22.0%	– 30.5%	27.4	39.4
– Italy	– 0.2%	– 5.5%	44.7	47.3
Speciality Glass (Switzerland)	2.0%	21.6%	6.2	5.1
<b>Total</b>	<b>3.2%</b>	<b>– 10.4%</b>	<b>323.8</b>	<b>361.2</b>

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 the Business Units of Vetropack operate are narrow niche sectors with few, primarily private suppliers, who could draw conclusions about the margins and prices from the segment results.

## 2. 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 2020	Half Year 2019 <sup>1)</sup>
Consolidated profit allocated to the shareholders of the Vetropack Group in million CHF	46.3	37.9
Weighted number of outstanding registered shares A for undiluted result per share	19 824 000	396 480
Weighted number of outstanding registered shares B for undiluted result per share	99 120 000	1 982 400
Undiluted result per registered share A in CHF	2.3	95.7
Undiluted result per registered share B in CHF	0.5	19.1

<sup>1)</sup> adjusted; see note No. 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. By resolution of the Annual General Assembly of 22 April 2020 a 1:50 share split was carried out for both categories on 4 May 2020. Furthermore, the listed bearer shares were converted into class A registered shares and the current registered shares are now designated as class B registered shares. In addition, 13,750,000 class B registered shares, each with a nominal value of CHF 0.20, were converted at a ratio of 5:1 into 2,750,000 class A registered shares, each with a nominal value of CHF 1.00.

### 3. Correction previous year's figures

Due to incorrect recordings of the wastewater quantities in the Austrian Kremsmünster production plant, sewer fees that were too low were charged to the plant in the years 2010 to 2019. In 2020, the extent of the deviation was recorded and reported to the responsible authority. This will lead in 2020 to an additional payment after taxes of CHF 3.8 million. For reasons of comparability, the previous year's figures have been adjusted as follows:

#### Consolidated Balance Sheet 30.06.2019

CHF millions	reported	correction	corrected
Deferrals	32.6	- 1.2	31.4
Short-term provisions	5.0	4.7	9.7
Retained earnings	665.6	- 3.2	662.4
Consolidated profit	38.2	- 0.3	37.9

#### Consolidated Balance Sheet 31.12.2019

CHF millions	reported	correction	corrected
Deferrals	22.6	- 1.3	21.3
Short-term provisions	4.4	5.1	9.5
Retained earnings	659.1	- 3.2	655.9
Consolidated profit	73.0	- 0.6	72.4

#### Consolidated Income Statement Half Year 2019

CHF millions	reported	correction	corrected
Other operating expenses	- 91.8	- 0.4	- 92.2
Income taxes	- 8.4	0.1	- 8.3
Consolidated Profit	38.2	- 0.3	37.9

#### Consolidated Cash Flow Statement 30.06.2019

CHF millions	reported	correction	corrected
Consolidated profit incl. minorities	38.9	- 0.3	38.6
Increase/decrease in provisions (+/-)	3.3	0.4	3.7
Operating Cash Flow before Change of Net Working Capital	81.5	0.1	81.6
Increase/decrease in other liabilities and deferrals (+/-)	13.8	- 0.1	13.7

#### Consolidated Cash Flow Statement 31.12.2019

CHF millions	reported	correction	corrected
Consolidated profit incl. minorities	73.7	- 0.6	73.1
Increase/decrease in provisions (+/-)	1.1	0.8	1.9
Operating Cash Flow before Change of Net Working Capital	153.1	0.2	153.3
Increase/decrease in other liabilities and deferrals (+/-)	2.4	- 0.2	2.2

#### Changes in Consolidated Shareholders' Equity

CHF millions	reported	correction	corrected
Shareholders' Equity as per 1.1.2019	711.6	- 3.2	708.4
Consolidated profit	38.2	- 0.3	37.9
Shareholders' Equity as per 30.06.2019	723.9	- 3.5	720.4
Consolidated profit	34.8	- 0.3	34.5
Shareholders' Equity as per 31.12.2019	752.2	- 3.8	748.4

## **4. 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 19 August 2020 that could negatively affect the declarations made in these interim financial statements as at 30 June 2020.

# | Imprint

Vetropack Holding Ltd, Bülach

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