



2022 | **Vetropack Group**
Semi-Annual Report

Semi-Annual Report 2022

Board of Directors' Report	3
At a Glance	6
Consolidated Balance Sheet	7
Consolidated Income Statement	8
Consolidated Cash Flow Statement	9
Changes in Consolidated Shareholders' Equity	10
Notes	11

Dear shareholders,

Despite an extremely challenging environment, the Vetropack Group was able to increase its net sales from goods and services by 9.0% (14% after adjusting for currency effects) to reach CHF 435.0 million in the first half of 2022 (prior year: CHF 399.2 million). Consolidated EBIT rose to CHF 48.3 million (prior year: CHF 46.6 million). War damage to the Ukraine plant necessitated a value adjustment of CHF 46.5 million, resulting in a reported loss of CHF -9.7 million for the Group.



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

Three major developments were dominant during the first half of 2022: the ongoing Ukraine conflict, increases in energy and production costs, and sustained high demand for packaging glass. Rapidly escalating events in Ukraine had already led to the shutdown of our production at the Gostomel plant near Kyiv in February. Shortly afterwards, the production facility was severely damaged by military action. Fortunately, no employees were injured during these events. Since access to the site of our plant has only recently been restored, we were still unable to make a final assessment of the precise extent of the destruction – and the possibility of resuming production – by the end of the first half of 2022.

Sharp increases in energy and production costs led to major market price adjustments in the packaging glass industry. Vetropack managed to compensate for the majority of these additional costs with an energy surcharge that is transparent for customers. Nevertheless, unabated high demand for glass packaging and capacity reductions caused by the shutdown of the Ukrainian glass industry have already led to a number of bottlenecks in meeting customer demand throughout Europe.

In the first half of 2022, the Vetropack Group employed a workforce totalling 3,570 people (prior year: 3,914 people). The decreased headcount is a consequence of the stoppage of production in Ukraine. Given that the overall situation in the region is beset by major uncertainties, it is not possible to resume operations for the time being.

Development of key figures

The Vetropack Group sold 2.69 billion units of packaging glass in the first half of 2022. Due to the absence of capacity at our plant in Ukraine, sales volume was 6.9% below the prior year's figure of 2.89 billion units. Consolidated net sales from goods and services rose by 9.0% to reach CHF 435.0 million (prior year: 399.2 million). After adjustments for currency effects, the increase was as much as 14.0%: given that the sales volume actually decreased, this is explained by the high energy surcharges.

Production in the first half of 2022 fell by 3.3% to 761,000 tonnes (prior year: 787,000 tonnes). On account of high demand for glass packaging coupled with the shutdown at the Ukrainian production company, the Vetropack Group's inventory levels decreased by almost 16% in the first six months.

Increase in added value

Despite reduced capacity and increasing production costs, Vetropack was able to post consolidated EBIT of CHF 48.3 million for the first half of 2022 (prior year: CHF 46.6 million). High production costs also led to an adjustment of the inventory value by CHF 16.2 million (prior year: CHF -10.1 million), triggering a one-off positive impact on EBIT. The EBIT margin was 11.1% (prior year: 11.7%).

During the first six months of this year, cash flow reached CHF 81.4 million (prior year: CHF 83.7 million). The cash flow margin was 18.7% of net sales (prior year: 21.0%). Because of war damage in the Ukraine plant, a value adjustment of CHF 46.5 million had to be debited to the half year, so the Vetropack Group is posting a loss of CHF -9.7 million (prior year: 40.4 million).

Strong balance sheet

Although the first half of 2022 was difficult, the Vetropack Group is presenting a strong balance sheet. Total assets were CHF 1,161.0 million as at 30 June 2022 (figure as at 31 December 2021: CHF 1,047.8 million). The first six months saw short-term assets rising to CHF 580.3 million (31 December 2021: CHF 432.3 million). This growth resulted from increases in liquid funds and accounts receivable. Value adjustments on long-term assets in Ukraine caused a slight decrease in overall long-term assets, which amounted to CHF 580.7 million (31 December 2021: 615.5 million). Liabilities increased to CHF 442.9 million (31 December 2021: CHF 273.3 million) because financing of EUR 150 million was taken up for planned investments in Italy. As at the reporting date, shareholders' equity stood at CHF 718.1 million (31 December 2021: 774.5 million), corresponding to a gearing ratio of 61.8% (31 December 2021: 73.9%).

Investments

The Vetropack Group invested CHF 52.7 million in the first half of 2022 (prior year: CHF 45.2 million). Top priority is accorded to the greenfield project in Boffalora, Italy. This is the largest investment ever made in the company's history. The planned volume of investment in the new plant will peak at over CHF 200 million in the second half of 2022. As matters stand today, commissioning of the plant is scheduled in the second quarter of 2023. The conversion of the recycling plant at Nemšová (Slovakia) was also completed during the first half. This means that the plant has now increased its processing capacity by 50%.

Outlook for the second half of 2022

The packaging glass market is positive and demand for glass packaging remains high. However, the market is subject to increasingly negative effects due to inflation, the general cost trend and the related decrease in purchasing power. Growing uncertainties regarding energy supplies (gas and electricity) are impacting the entire glass industry, making it difficult to foresee how sales will develop going forward. Assuming constant exchange rates and overall conditions, we expect our group of companies to achieve slightly higher net sales than in the 2021 financial year, and an EBIT margin in the upper single-digit range. The consolidated result will end up well below the previous year's figure on account of the value adjustment.



Claude R. Cornaz
Chairman of the Board of Directors



Johann Reiter
CEO

Bülach, 23 August 2022

At a Glance

		30.06.2022	+/-	30.06.2021	31.12.2021
Net Sales	CHF millions	435.0	9.0%	399.2	816.5
EBIT	CHF millions	48.3	3.6%	46.6	81.6
Consolidated Result	CHF millions	- 9.7	- 124.0%	40.4	63.8
Cash Flow*	CHF millions	81.4	- 2.7%	83.7	154.1
Investments	CHF millions	52.7	16.6%	45.2	119.2
Production	1 000 metric tons	761	- 3.3%	787	1 629
Unit Sales	billion units	2.69	- 6.9%	2.89	5.88
Exports (in unit terms)	%	48.1	-	45.2	45.5
Employees	number	3 570	- 8.8%	3 914	3 896
Total Assets	CHF millions	1 161.0		1 035.6	1 047.8
Gearing Ratio	%	61.8		75.4	73.9
Share price Registered share A high	CHF	58.90		64.90	64.90
Share price Registered share A low	CHF	34.55		55.00	53.00

* operating cash flow before change of net working capital

The non-audited interim closing of Vetropack Group as at 30 June 2022 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 2021 interim and annual financial statements.

Consolidated Balance Sheet

CHF millions	Note	30.06.2022	31.12.2021	30.06.2021
ASSETS				
Short-term assets				
Liquid funds		229.3	126.2	87.7
Marketable securities		–	–	0.3
Accounts receivables	1	178.2	142.5	179.7
Other short-term receivables		17.3	16.4	11.0
Inventories	1	151.0	144.6	145.4
Accruals		4.5	2.6	2.9
Subtotal Short-term Assets		580.3	432.3	427.0
Long-term Assets				
Tangible assets	1	559.2	593.4	586.7
Financial assets		17.6	17.4	16.9
Intangible assets		3.9	4.7	5.0
Subtotal Long-term Assets		580.7	615.5	608.6
Total Assets		1 161.0	1 047.8	1 035.6
LIABILITIES				
Liabilities				
Short-term liabilities				
– Accounts payables		139.1	138.2	98.7
– Short-term financial debts	2	11.9	11.5	6.3
– Other short-term liabilities		30.1	27.2	32.9
– Deferrals		43.6	30.9	37.6
– Short-term provisions		6.7	4.6	6.6
Subtotal Short-term Liabilities		231.4	212.4	182.1
Long-term liabilities				
– Long-term financial debts	2	177.8	26.0	36.2
– Other long-term liabilities		0.8	0.8	1.1
– Long-term provisions		32.9	34.1	35.0
Subtotal Long-term Liabilities		211.5	60.9	72.3
Total Liabilities		442.9	273.3	254.4
Shareholders' Equity				
Share capital		19.8	19.8	19.8
Capital reserves		0.3	0.3	0.3
Retained earnings		707.7	690.6	720.7
Consolidated result		– 9.7	63.8	40.4
Subtotal shareholders' Equity excl. Minorities		718.1	774.5	781.2
Minority interests		–	–	–
Subtotal Shareholders' Equity		718.1	774.5	781.2
Total Liabilities		1 161.0	1 047.8	1 035.6

Consolidated Income Statement

CHF millions	Note	Half Year 2022		Half Year 2021
Net Sales from Goods and Services	3	435.0	9.0%	399.2
Other operating income		7.3	14.1%	6.4
Changes in inventories		16.2	- 260.4%	- 10.1
Material costs		- 63.7	2.2%	- 62.3
Energy costs		- 112.6	105.9%	- 54.7
Personnel expenses		- 90.0	- 2.0%	- 91.8
Depreciation/Impairments of tangible assets		- 36.9	- 9.8%	- 40.9
Depreciation/Impairments of intangible assets		- 0.9	- 25.0%	- 1.2
Other operating expenses		- 106.1	8.3%	- 98.0
Operating Result (EBIT)		48.3	3.6%	46.6
Financial result		- 5.6		- 0.3
Ordinary Result		42.7	- 7.8%	46.3
Non-operating result*		0.6	50.0%	0.4
Extraordinary result	1	- 46.5		-
Consolidated Result before Income Taxes		- 3.2	- 106.9%	46.7
Income taxes		- 6.5	3.2%	- 6.3
Consolidated Result before Minority Interests		- 9.7	- 124.0%	40.4
Minority interests from Group companies		-	-	-
Consolidated Result		- 9.7	- 124.0%	40.4
Earnings per Share	4			
Undiluted earnings per registered share A in CHF		- 0.49		2.04
Undiluted earnings per registered share B in CHF		- 0.10		0.41
Diluted earnings per registered share A in CHF		- 0.49		2.04
Diluted earnings per registered share B in CHF		- 0.10		0.41

*This includes depreciation of CHF 0.5 million on non-operating real estate and buildings (2021: CHF 0.5 million).

Consolidated Cash Flow Statement

CHF millions	Note	30.06.2022	31.12.2021	30.06.2021
Consolidated result incl. minorities		- 9.7	63.8	40.4
+ Asset depreciation		38.3	84.1	42.5
+/- Loss/gain from applying/removing impairments		45.0	0.3	-
+/- Increase/decrease in provisions		6.2	2.3	3.0
+/- Loss/gain from disposals of tangible assets		-	- 0.2	0.1
+/- Other changes in non-cash items		1.6	3.8	- 2.3
= Operating Cash Flow before Change of Net Working Capital		81.4	154.1	83.7
+/- Decrease/increase in accounts receivables		- 49.3	- 24.9	- 54.0
+/- Decrease/increase in inventories		- 22.0	4.4	9.1
+/- Decrease/increase in other receivables and accruals		- 3.2	- 3.9	1.9
+/- Increase/decrease in accounts payables		0.8	50.3	10.9
+/- Increase/decrease in other liabilities and deferrals		17.5	2.7	14.1
= Cash Inflow/Drain from Operating Activities		25.2	182.7	65.7
- Outflows for investments in tangible assets		- 52.5	- 118.2	- 45.0
+ Inflows for sales of tangible assets		-	0.6	-
+ Inflows for sales of financial assets		-	-	-
- Cash-out for acquisitions of consolidated companies		-	- 9.6	- 9.6
- Outflows for investments in intangible assets		- 0.2	- 1.0	- 0.2
+/- Changes in marketable securities		-	-	- 0.3
= Cash Inflow/Drain from Investment Activities		- 52.7	- 128.2	- 55.1
- Dividend distribution to shareholders		- 25.8	- 25.8	- 25.8
+/- Formation/repayment of short-term financial debts		2.6	0.2	0.8
+/- Formation/repayment of long-term financial debts		154.5	- 6.9	- 3.1
= Cash Inflow/Drain from Financing Activities		131.3	- 32.5	- 28.1
Foreign Exchange Differentials		- 0.7	- 0.3	0.7
Changes in Liquid Funds		103.1	21.7	- 16.8
Liquid funds at the beginning of the year		126.2	104.5	104.5
Liquid funds at the end of the period under review		229.3	126.2	87.7
Changes in Liquid Funds		103.1	21.7	- 16.8

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
Sharholders' Equity as per 1.1.2021	19.8	0.3	743.5	763.6	–	763.6
Accounting goodwill	–	–	– 10.4	– 10.4	–	– 10.4
Consolidated result	–	–	40.4	40.4	–	40.4
Foreign exchange differentials	–	–	13.4	13.4	–	13.4
Dividends	–	–	– 25.8	– 25.8	–	– 25.8
Sharholders' Equity as per 30.06.2021	19.8	0.3	761.1	781.2	–	781.2
Consolidated result	–	–	23.4	23.4	–	23.4
Foreign exchange differentials	–	–	– 30.1	– 30.1	–	– 30.1
Sharholders' Equity as per 31.12.2021	19.8	0.3	754.4	774.5	–	774.5
Consolidated result	–	–	– 9.7	– 9.7	–	– 9.7
Foreign exchange differentials	–	–	– 20.9	– 20.9	–	– 20.9
Dividends	–	–	– 25.8	– 25.8	–	– 25.8
Sharholders' Equity as per 30.06.2022	19.8	0.3	698.0	718.1	–	718.1

1. Extraordinary Result

This position mainly includes impairments on receivables (CHF 3.5 million), inventories (CHF 8.2 million) and fixed assets (CHF 30.6 million) of the glass factory in Ukraine.

2. Financial Debts

CHF millions	30.06.2022	31.12.2021	30.06.2021
Residual period			
- < 1 year*	11.9	11.5	6.3
- 1 to 2 years**	2.6	7.9	4.0
- 3 to 5 years***	71.3	5.6	19.7
- > 5 years****	103.9	12.5	12.5
Total	189.7	37.5	42.5

* in CHF; interest rate between 0.65% to 4.75% (31.12.2021: 0.65 to 1.85%, 30.06.2021: 0.85%)

** in CHF; interest rate between 0.7% to 3.25% (31.12.2021: 0.7% to 3.25%, 30.06.2021: 0.65% bis 4.75%)

*** in CHF; interest rate between 0.85% to 6.0% (31.12.2021: 4.6% to 6.0%, 30.06.2021: 0.7% bis 6.0%)

**** in CHF; interest rate between 0.99% to 3.13% (31.12.2021: 0.99%, 30.06.2021: 0.99%)

In the first half of 2022, the Vetropack Group, with the support of two joint lead arrangers, took out a promissory note for EUR 150 million and a phased term of 4 to 7 years.

3. 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	Half Year 2022	Half Year 2021
Glass Packaging			
– Switzerland	4.8%	45.4	43.3
– Austria	12.1%	119.2	106.3
– Czech Republic	– 3.8%	38.2	39.7
– Croatia	28.8%	80.1	62.2
– Slovakia	28.8%	39.4	30.6
– Ukraine	– 56.4%	12.3	28.2
– Italy	6.6%	64.3	60.3
– Moldova	28.8%	29.5	22.9
Speciality Glass (Switzerland)	15.8%	6.6	5.7
Total	9.0%	435.0	399.2

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 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.

4. 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 2022	Half Year 2021
Consolidated result allocated to the shareholders of the Vetropack Group in million CHF	– 9.7	40.4
Weighted number of outstanding registered shares A for undiluted result per share	19 824 000	19 824 000
Weighted number of outstanding registered shares B for undiluted result per share	99 120 000	99 120 000
Undiluted result per registered share A in CHF	– 0.49	2.04
Undiluted result per registered share B in CHF	– 0.10	0.41

5. 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 17 August 2022 that could negatively affect the declarations made in these interim financial statements as at 30 June 2022.

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Vetropack Holding Ltd, Bülach

Concept and design, system and programming:
NeidhartSchön AG, Zurich

Photography:
Teamwerk AG, Luzern
Daniel Meyer, Luzern