Semi-annual report 2024

Customer centricity

Pöchlarn and Nemšová

Two innovative products – two stories of unique collaboration with customers at our production plants in Austria and Slovakia. In our 2024 report, partnerships with two acclaimed beer brands impressively spotlight our high-quality products and our customer centricity. Together, we protect consumers' enjoyment – with cutting-edge technology, exclusive, optimised design, and a strong commitment to sustainability!

GOOD TASTE
WITH A TWIST

Semi-annual report 2024

Board of Directors' report

Dear shareholders,

The first six months of fiscal 2024 saw a slight improvement for the Vetropack Group as compared to the weak second half of 2023. With net sales from goods and services of CHF 444.9 million (prior year: CHF 477.9 million), the Vetropack Group posted a downturn of –6.9 percent year-on-year (after adjusting for currency effects: –4.4 percent). Some degree of stabilisation is discernible in our core markets, but there cannot be any talk of a general recovery as yet. For these reasons, we are not anticipating growth in the second half either; in fact, we continue to expect the full-year result for 2024 to be lower than in the previous year.

Demand for glass packaging is stagnant at a low level, so the same is also true of our sales – and the markets are only recovering slowly. In the first half of 2024, this situation was manifested (for example) by a high number of line downtime days. In order to counteract overcapacity and thus avert a potential decrease in prices, we temporarily took capacities out of operation or – as happened at our site in Kyjov – brought them back into operation later than planned.

Foresighted management of our production capacities will again be essential in the second half of the year if we want to close the fiscal year as planned. Moreover, we will maintain our focus on cost reductions and savings. In practice, this means: we will not be taking on any more staff, and we will continuously reassess and – where possible – postpone investments in our plants that have already been planned.

Development of key figures in the first half of 2024

As anticipated, the first half of 2024 turned out to be weak as compared to the extremely strong first six months of the previous year. The EBIT margin, for instance, fell to 8.5 percent in the first half from 14.7 percent in the first six months of the prior year. Reasons for this include, on the one hand, the positive inventory effect in the first half of 2023; and, on the other, increasing price pressure in the market starting in the second half of 2023 due to overcapacity and poorer absorption of fixed costs. Net sales in the first half of 2024 were around CHF 444.9 million – a decrease of –6.9 percent as compared to the exceptionally strong first six months of the prior year. Nevertheless, it is encouraging that we have already been able to achieve slight growth – of 5.7 percent – as compared to the second half of 2023. This shows that our measures to boost cost efficiency are taking effect, and that the market is showing the first signs of a modest recovery.

Although energy expenses fell significantly year-on-year, they remain high in relation to the volume produced: this is because the furnaces only reach their maximum level of energy efficiency when capacity utilisation is high. Thanks to strict cash management, the cash flow margin only showed a slight year-on-year decrease, from 17.9 percent to 15.2 percent. Due to the expenses associated with the closure of the plant in St-Prex, the consolidated profit of CHF 9.4 million is correspondingly low. However, the Vetropack Group remains solid, with a gearing ratio of 59.2 percent.

Development of key figures

		Half Year 2024	Half Year 2023	+/–
Net sales	CHF millions	444.9	477.9	– 6.9%
EBIT	CHF millions	37.8	70.1	– 46.1%
EBIT-margin	%	8.5	14.7	–
Cash flow[1]	CHF millions	67.8	85.7	– 20.9%
Cash flow-Margin	%	15.2	17.9	–
Consolidated profit	CHF millions	9.4	50.7	– 81.5%
Investments	CHF millions	34.7	128.0	– 72.9%
Total assets	CHF millions	1 298.7	1 289.7	0.7%
Shareholders' equity	CHF millions	768.9	777.4	– 1.1%
Gearing ratio	%	59.2	60.3	–
Employees	Headcount	3 727	3 789	– 1.6%
Share price: registered share A high	CHF	41.45	47.80	–
Share price: registered share A low	CHF	30.45	36.80	–

[1] operating cash flow before change of net working capital

Closure of the production site in St-Prex

Independently of the generally challenging market situation in the first half of the year, the Board of Directors and the Management Board had to take a very difficult decision with far-reaching implications: to discontinue glass production at the St-Prex site before the end of this year. In March, the Board of Directors launched a consultation process about the future of this production site. The proposals submitted by the employees' representatives were then examined in depth – but with no viable outcome. In mid-May, the Board of Directors decided to close the plant.

This decision was not entirely unexpected: for years, the site – which is over a hundred years old – had already been suffering from difficulties in terms of profitability, location, and size. Comprehensive analyses had shown that even with investments in the double-digit million range, it would not be possible to operate the plant profitably in the long term. From the economic perspective, therefore, the discontinuation of production was unavoidable.

Social plan for employees in St-Prex brought into effect

The decision to close the plant was a very difficult step for us, not least because the origins of our company can be traced back to St-Prex. The closure has a particularly severe impact on the local workforce: 175 jobs have to be cut at the site, although this will take place in several phases rather than all at once. We already had to announce the first redundancies at the end of June. Due to the high sickness rate and the critical condition of the furnace and equipment, we also halted production at the end of June – around two months earlier than planned; safe operation was no longer guaranteed.

The social plan negotiated with the trade unions includes all the measures previously announced by Vetropack in mid-May, such as severance payments, bonuses and benefits for possible early retirement. In addition, we are setting up our own Job Centre to support our employees as they search for new positions.

Switzerland remains our core market – and that includes glass recycling

Back in June, we began relocating production from St-Prex to other Vetropack sites so as to ensure that our Swiss customers continue to be supplied as usual.

In no way does the closure of the St-Prex plant mean that we are withdrawing from our home market of Switzerland, even though there has been repeated speculation to this effect. Going forward, we shall work strenuously to maintain the good relationships with our customers, many of which have been in place for decades – and to ensure this, our Swiss sales team will continue to work from Bülach, in close proximity to our customers. Our company headquarters will also remain in Bülach.

Special emphasis should be placed on our activities relating to used glass recycling: our collaboration with municipal partners in Switzerland will continue unchanged, and we even plan to expand these activities where possible. As a key element of our sustainability strategy, Vetrorecycling will continue to collect used glass and transport it to other Vetropack Group sites for recycling. In those locations, the used glass will be utilised again to produce new glass packaging.

Strong commitment to protecting the environment and the climate

Our focus on sustainability – and especially on measures to protect the environment and the climate – continues to be one of our central strategic cornerstones throughout the Group. There are several reasons for this. First: European regulatory and environmental requirements for glass production are constantly increasing – creating the need for additional investments and more innovations. And second: we anticipate that demand for glass packaging will grow in the coming years because this material is eminently recyclable and reusable.

Back in 2022, Vetropack already announced that we would step up our commitment to climate protection in line with the Science Based Targets initiative (SBTi). In April this year, we submitted specific targets for reducing our CO_2 emissions to the SBTi – a step that once again underscores our profound commitment to sustainability.

Another important focus is on increasing the share of recycled glass in our production to 70 percent by 2030. In this context, we are conducting a pilot project in Croatia with the European Container Glass Federation (FEVE) and local partners, with the goal of improving the recycling rate for glass packaging. Our local team is one of the drivers of the Digital Recycling Pilot Project, an education and awareness-raising campaign aimed at consumers.

Innovative technology for thermal tempering of container glass is gaining market momentum

Innovation – both in our manufacturing and in our products – is one of the core goals of our Strategy 2030. Among the most important projects in this context continues to be the mass-market rollout of our innovative technology for thermal tempering of container glass. We reached a major milestone on this journey in February: together with Brau Union Österreich, a subsidiary of the Heineken Group, we introduced the new 0.33-litre reusable bottle based on our innovation – which is set to become the standard solution for Austria's brewing industry going forward. With its 'Biostoff' brand, Gösser has now brought the first Austrian beer to market in the new standard bottles.

Our innovative technology is also continuing to cause a sensation at international level: in June, Vetropack's reusable bottle made of tempered lightweight glass was honoured with the coveted WorldStar Award during the ProPak Asia trade fair in Bangkok. Our product is one of the winners in the 'Packaging Material & Components' category. This accolade confirms our ability to develop sustainable solutions that meet market requirements and can set new standards in our industry.

Developments at our sites

We maintain a consistent focus on modernising our production facilities. One example is our plant at Kyjov in the Czech Republic where, at the end of January, we commissioned the retrofitted melting furnace for producing coloured glass as well as two state-of-the-art servo-driven NIS production machines and one AIS machine.

Technological innovation and sustainability go hand in hand in the new plant we opened during 2023 at Boffalora sopra Ticino in northern Italy: this facility's production plants number among the most modern and sustainable anywhere in Europe. Thanks in part to the integration of high-performance intelligent technologies, our 'Glassworks of the Future' enables us to boost our production capacity by as much as 70 percent – and at the same time, production is more resource-efficient and more sustainable. The on-site teams worked at pace to leverage the full potential of these technologies so they can be put to profitable use for existing and new customers alike.

Reconstruction of our Ukraine plant is in full swing

There is also positive news to report from the plant at our Hostomel site: although the Russian war of aggression is continuing, production at our Ukrainian facility is running stably again. The team on the ground is doing a magnificent job, and progress with the reconstruction work is good.

At the same time, payments continue to be made from the Vetropack Foundation Gostomel to Ukrainian employees and their families whose homes were destroyed in the war, or who have sustained serious injuries or lost their lives. Donations from employees at our other sites, business partners and customers have poured into the foundation set up by Vetropack: this is already a success story, and a superb sign of solidarity with our colleagues in that war-torn country.

Positive employer rating

Signs such as these are important because they prove that our employees' team spirit and determination to achieve remain high even in these difficult times. This is demonstrated by the results from our most recent employee survey, which are now available to us. Across all locations, 73 percent of all Vetropack employees made use of the opportunity to provide their feedback in this anonymous survey – thus helping to advance Vetropack's ongoing development in line with Strategy 2030. These results show that our employees continue to rate us highly as an employer. In Switzerland, we were certified as a 'Great Place to Work', and we were also awarded good scores in other countries such as Slovakia, the Czech Republic, Italy and Ukraine.

Even though our Group-wide headcount decreased slightly to 3,727 employees in the first half (prior year: 3,789 employees), such positive feedback is extremely valuable for us. It shows that our reputation as an employer remains excellent – and this will help us to recruit new talents as we face the growing shortage of skilled professionals in the coming years.

The new website we launched in February should also play its part here. With its modern design and eye-catching content, it is intended to spark enthusiasm about our products among our customers, investors and potential employees, and to show them how Vetropack is drawing on its long and rich tradition to shape the future. To achieve these aims, the website highlights five promises relating to five issues that Vetropack sees as crucial: Sustainability, Innovation, Safety, Teamwork, and Expertise – and each of them is augmented by stories from our company.

Outlook for the second half of 2024

One issue that is already of growing concern – not only to us but also to our customers in the food and beverage industry – is the new EU packaging directive (PPWR, Packaging and Packaging Waste Regulation). The changeover from non-binding national guidelines to an EU-wide law that defines refill and recycling quotas will inevitably have a major impact on our market environment. Nevertheless, we assume that glass packaging will benefit from the new regulations.

Apart from regulatory changes of this sort, our chief concern in the second half of the year will be the difficult – and in some cases critical – overall conditions we continue to face. Of these, it is the war in Ukraine that is still at the centre of our attention. However, experience in past years shows that even events such as the US election in late autumn can impact the ongoing development of our business – despite the fact that we do not have a branch in North America. Consumers and markets react sensitively and sometimes fiercely to such events and changes, triggering a strong impact on the consumer goods market – and therefore on our business as well.

We are in fact seeing a slight and very slow recovery in demand for glass packaging. However, this is doing nothing to change the under-utilisation of our production capacities. Given the high level of competition and the excess capacities in the market, we also expect the price situation to remain tense – although, so far, it is staying within manageable limits. In addition to these factors, there are necessary investments in our production facilities that cannot be postponed: these include the new furnace construction project at our Croatian site.

For all these reasons, 2024 will continue to be a challenging year for the Vetropack Group, as expected. Admittedly, the slight increase in sales compared to the weak second half of 2023 sends out a first positive signal. Nevertheless, we are still assuming that the operating result (EBIT) in fiscal 2024 will fall short of the 2023 level, despite the forecast increase in volume.

However, the strength of our organisation, our market expertise and our innovative power allow us to take an optimistic view of the future – and especially of the upcoming 2025 fiscal year. Above all, therefore, we will make use of the second half of 2024 to build up suitable momentum for the following fiscal year.

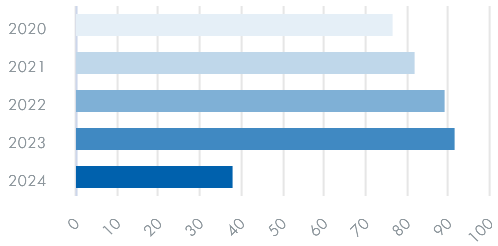
Bülach, 26 August 2024

Claude R. Cornaz
Chairman of the Board of Directors

Johann Reiter
CEO

At a glance in the first half year 2024

EBIT in the half year 2020–2024
CHF millions

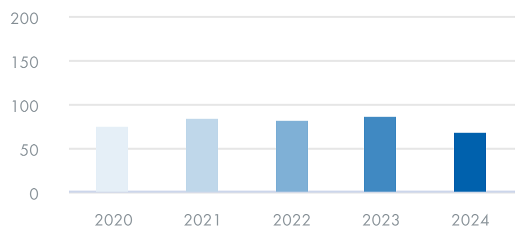


37.8

Change compared to the previous year

-46.1%

Cash flow in the half year 2020–2024
CHF millions

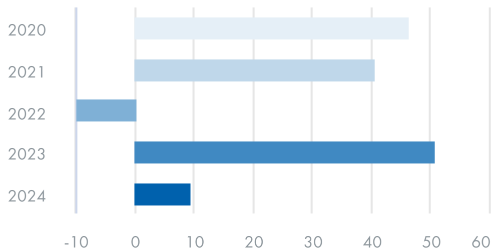


67.8

Change compared to the previous year

-20.9%

Consolidated result in the half year 2020–2024
CHF millions

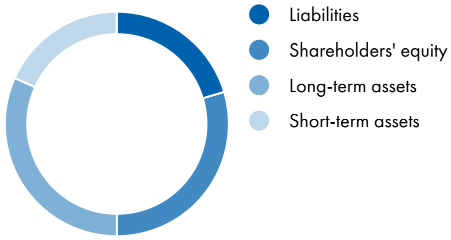


9.4

Change compared to the previous year

-81.5%

Total assets 30.06.2024
CHF millions

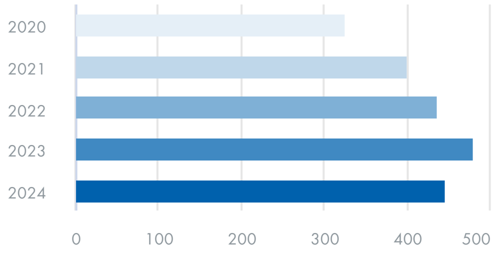


1 298.7

Change compared to the previous year

+0.7%

Net sales in the half year 2020–2024
CHF millions

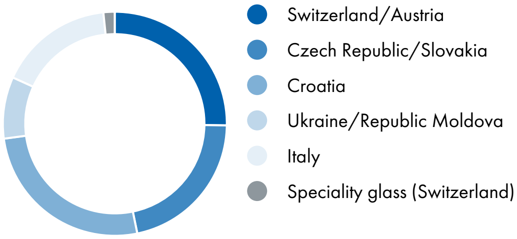


444.9

Change compared to the previous year

-6.9%

Net sales by supplying country in the half year 2024
CHF millions



Consolidated balance sheet

CHF millions	Note	30.06.2024	31.12.2023	30.06.2023
ASSETS				
Short-term assets				
Liquid funds		59.1	82.2	83.4
Accounts receivable		187.9	141.3	187.5
Other short-term receivables		34.1	36.0	40.9
Inventories		188.2	197.9	198.6
Accruals		5.3	4.1	6.2
Total short-term assets		474.6	461.5	516.6
Long-term Assets				
Tangible assets		794.9	778.0	751.3
Financial assets		24.2	20.3	18.6
Intangible assets		5.0	4.0	3.2
Total long-term assets		824.1	802.3	773.1
Total assets		**1 298.7**	**1 263.8**	**1 289.7**
LIABILITIES				
Liabilities				
Accounts payable		140.1	160.5	165.0
Short-term financial debts		2.9	3.3	56.1
Other short-term liabilities		27.9	26.9	30.8
Deferrals		45.3	34.1	53.1
Short-term provisions		19.6	4.8	9.5
Short-term liabilities		235.8	229.6	314.5
Long-term financial debts		261.7	252.4	166.1
Other long-term liabilities		0.4	0.5	0.6
Long-term provisions		31.9	30.6	31.1
Long-term liabilities		294.0	283.5	197.8
Total liabilities		529.8	513.1	512.3
Shareholders' equity				
Share capital		19.8	19.8	19.8
Capital reserves		0.3	0.3	0.3
Retained earnings		739.4	667.3	706.6
Consolidated profit		9.4	63.3	50.7
Total shareholders' equity		768.9	750.7	777.4
Total liabilities		**1 298.7**	**1 263.8**	**1 289.7**

Consolidated income statement

CHF millions	Note	Half Year 2024	Half Year 2023
Net sales from goods and services	1	**444.9**	**477.9**
Other operating income		6.7	10.9
Changes in inventories		– 4.9	39.0
Material expenses		– 76.9	– 75.1
Energy expenses		– 87.0	– 140.2
Personnel expenses		– 98.6	– 97.0
Depreciation		– 40.1	– 33.6
Impairments of tangible assets		–	–
Amortisation		– 0.6	– 0.8
Other operating expenses		– 105.7	– 110.9
Operating result (EBIT)		**37.8**	**70.1**
Financial result		– 5.8	– 3.9
Ordinary result		**32.0**	**66.2**
Non-operating result[1]	2	– 19.6	– 0.5
Extraordinary result	3	0.4	– 0.4
Consolidated result before income taxes		**12.8**	**65.3**
Income taxes		– 3.4	– 14.6
Consolidated profit		**9.4**	**50.7**
Earnings per share	4		
Undiluted earnings per registered share A in CHF		0.48	2.56
Undiluted earnings per registered share B in CHF		0.10	0.51
Diluted earnings per registered share A in CHF		0.48	2.56
Diluted earnings per registered share B in CHF		0.10	0.51

[1] This includes depreciation of CHF 0.4 million on non-operating real estate and buildings (2023: CHF 0.4 million).

Consolidated cash flow statement

CHF millions	Note	Half Year 2024	2023	Half Year 2023
Consolidated profit		9.4	63.3	50.7
Depreciation and amortisation		41.1	74.9	34.9
Impairments		3.9	– 1.2	– 0.3
Change in provisions		10.8	– 6.3	0.2
Result from disposals of fixed assets		– 0.1	– 0.1	0.2
Other non-cash items		2.7	– 0.5	–
Operating cash flow before change of net working capital		**67.8**	**130.1**	**85.7**
Change in accounts receivable		– 40.4	32.1	– 8.7
Change in inventories		16.5	– 53.0	– 43.8
Change in other receivables, prepaid expenses and accrued income		2.1	– 4.8	– 9.8
Change in accounts payable		– 26.2	– 38.0	– 43.4
Change in other short-term liabilities, accrued expenses and deferred income		10.2	6.0	26.3
Cash flow from operating activities		**30.0**	**72.4**	**6.3**
Investments in tangible assets		– 33.2	– 235.6	– 127.4
Disposals of tangible assets		0.2	1.5	0.2
Investments in financial assets		–	– 0.1	–
Investments in intangible assets		– 1.5	– 2.3	– 0.6
Cash flow from investment activities		**– 34.5**	**– 236.5**	**– 127.8**
Dividend to shareholders		– 19.8	– 19.8	– 19.8
Change in short-term financial debts		– 0.6	– 4.0	46.2
Change in long-term financial debts		– 0.1	94.1	– 1.7
Cash flow from financing activities		**– 20.5**	**70.3**	**24.7**
Foreign exchange differences		**1.9**	**– 4.3**	**– 0.1**
Change in liquid funds		**– 23.1**	**– 98.1**	**– 96.9**
Liquid funds at the beginning of the year		82.2	180.3	180.3
Liquid funds at the end of the period under review		59.1	82.2	83.4
Change in liquid funds		**– 23.1**	**– 98.1**	**– 96.9**

Changes in consolidated shareholders' equity

CHF millions

	Share capital	Capital reserves (Agio)	Offset goodwill	Retained earnings	Foreign currency translation differences	Subtotal
Shareholders' equity as per 1.1.2023	**19.8**	**0.3**	**–**	**963.5**	**– 234.3**	**749.3**
Consolidated result	–	–	–	50.7	–	50.7
Dividends	–	–	–	– 19.8	–	– 19.8
Foreign exchange differences	–	–	–	–	– 2.8	– 2.8
Shareholders' equity as per 30.06.2023	**19.8**	**0.3**	**–**	**994.4**	**– 237.1**	**777.4**
Consolidated result	–	–	–	12.6	–	12.6
Foreign exchange differences	–	–	–	–	– 39.3	– 39.3
Shareholders' equity as per 31.12.2023	**19.8**	**0.3**	**–**	**1 007.0**	**– 276.4**	**750.7**
Consolidated result	–	–	–	9.4	–	9.4
Dividends	–	–	–	– 19.8	–	– 19.8
Foreign exchange differences	–	–	–	–	28.6	28.6
Shareholders' equity as per 30.06.2024	**19.8**	**0.3**	**–**	**996.6**	**– 247.8**	**768.9**

Notes

Consolidation principles

The non-audited semi-annual report of Vetropack Group as at 30 June 2024 was prepared in accordance with Swiss GAAP FER 31 on the basis of acquisition- and manufacturing costs and, in contrast to the annual financial statements, allows abridged reporting and disclosures. The consolidation principles are unchanged to those of the semi-annual and annual report 2023.

The revised standard FER 30 consolidated financial statements is to be applied from 1 January 2024. The effects on the half-year financial statements relate only to the presentation in the consolidated statement of changes in equity, in which the foreign currency translation differences are now shown separately. In the first half of 2024, there was no loss of control of subsidiaries, which is why no foreign currency translation differences were recognized in profit or loss. There is no retrospective implementation of the new regulations with regard to the offsetting of goodwill against equity.

Valuation principles

The non-audited semi-annual report of Vetropack Group as at 30 June 2024 was prepared in accordance with Swiss GAAP FER 31 on the basis of acquisition- and manufacturing costs and, in contrast to the annual financial statements, allows abridged reporting and disclosures. The valuation principles are unchanged to those of the semi-annual and annual report 2023.

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). Until the end of 2022, the net sales was shown broken down by country. The change in the presentation of segment reporting for 2023 was made to correspond to the segments reporting at corporate management level.

Net sales by supplying country

CHF millions

	Change	Half Year 2024	Half Year 2023
Glass Packaging			
– Switzerland, Austria	– 8.3%	164.0	178.9
– Czech Republic, Slovakia	– 2.4%	81.0	83.0
– Croatia	– 0.9%	98.0	98.9
– Ukraine, Republic of Moldova	– 21.5%	33.5	42.7
– Italy	– 8.4%	62.3	68.0
Speciality Glass (Switzerland)	– 4.7%	6.1	6.4
Total	**– 6.9%**	**444.9**	**477.9**

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. Non-operating result

On 13 May 2024, the Board of Directors of Vetropack Holding Ltd. decided to close the production site in St-Prex. The non-operating result for 2024 includes costs for the social plan, write-downs on fixed assets and inventories and other miscellaneous costs in connection with the closure of the production site in St-Prex. These expenses amount to CHF 20.3 million (2023: CHF 0.0 million).

Furthermore, this position includes the result from the non-operating real estate business in the amount of CHF 0.7 million (2023: CHF 0.4 million). In the previous year, moreover, non-operating costs of CHF 0.9 million incurred due to the closure of the Italian plant in Trezzano sul Naviglio.

3. Extraordinary result

In the first half of 2024 costs of CHF 0.2 million (2023: CHF 0.9 million) for clean-up and repair work at the Gostomel glass factory are included. In addition, value adjustments on fixed assets of CHF 0.6 million (2023: CHF 0.3 million) and on receivables of CHF 0.0 milllion (2023: CHF 0.2 million) could be released.

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 2024	**Half Year 2023**
Consolidated profit allocated to the shareholders of the Vetropack Group in CHF millions	9.4	50.7
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	0.48	2.56
Undiluted result per registered share B in CHF	0.10	0.51

5. Events after the balance sheet date

No events occurred between 30 June 2024 and 22 August 2024 (approval of the consolidated semi-annual report by the Board of Directors) that would result in an adjustment to the carrying amounts of assets and liabilities or would need to be disclosed here.

Imprint

Vetropack Holding Ltd, Bülach

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