



2004 | VETROPACK GROUP SEMI-ANNUAL REPORT

BUSINESS DEVELOPMENT DURING THE FIRST HALF OF 2004

DEAR SHAREHOLDERS,

During the first half of 2004 the Vetropack Group achieved a consolidated turnover of CHF 243.8 million (2003: CHF 226.8 million), thereby resulting in a 7.5% increase over the previous year (4.3% allowing for exchange rate



Jean-Daniel Cornaz

fluctuations). Unit sales of 1.68 billion represent a 6.3% increase over the previous year and ensured that all of Vetropack's plants produced at full capacity. The Croatian company achieved the highest rate of sales development, due to the continued full force market dynamics in neighbouring countries. By operating in close coordination, the Vetropack plants in the Czech and Slovak republics, not only met domestic demands, but also increasingly served the neighbouring eastern European markets, which exhibited high growth rates coupled with relatively low price levels. In Slovakia, macroeconomic stability has not yet been secured and purchasing power has deteriorated as a result of reforms that have been carried out. In Switzerland and Austria, high level of market saturation prohibited significant growth during the first six months of 2004. High levels of market share were sustained.

Owing to a higher proportion of exports and longer transport distances, an increase in gross sales during the first half of 2004 was not reflected by an increase in profits. Consolidated EBIT amounted to CHF 26.2 million (2003: CHF 27.7 million). As a percentage of gross sales, EBIT came to 10.8% (2003: 12.2%). Semi annual consolidated profits equalled CHF 19.9 million (2003: CHF 20.0 million), almost unchanged compared with the corresponding period in the previous year. This also applies to the cash flow of CHF 40.5 million (2003: CHF 40.1 million).

The consolidated balance sheet for mid 2004 shows a slightly higher sum of CHF 551.7 million.

Fixed assets remained almost unchanged at 57.7%, whilst shareholder's equity increased to 55.2% (31 December 2003: 53.0%).

As of the end of June, the Vetropack Group engaged 2 702 employees (2003: 2 729 employees).

DEMANDING BUSINESS ENVIRONMENT

The economic environment during the first half of the year placed high demands on management once again. In Switzerland and Austria, influences from the German market became increasingly noticeable. The German introduction of a compulsory deposit on non-returnable bottles has in part induced enormous shifts between packaging materials. This resulted in additional over capacity in the German container glass industry, and consequently increased pressures on prices and competition in adjoining markets. Vetropack can only avoid these pressures by delivering tailor-made solutions to its customers. Overall, Vetropack's continued efforts to improve competitiveness through superior quality, productivity advances, and added value have proved successful. Corresponding investments to further develop the business were made in the first half of 2004.

INVESTMENTS

Vetropack capitalised investments to the sum of CHF 21.8 million during the first half of the year. A major part of this went into replacing the amber glass furnace at the Croatian plant in Straža, which went into operation at the end of February. Investments were also made in adapting buildings for a new green glass furnace at the Slovakian plant in Nemšová. This new furnace is scheduled to enter into operation in early November, bringing with it large improvements in quality and productivity.

ECOLOGY AND THE ENVIRONMENT

The melting technology of the new green glass furnace in the Slovakian plant permits significant energy savings and reduced CO₂ emissions. Vetropack's engineering places a high priority on the environment when melting furnaces are

replaced. This also guarantees sustainable improvements in the production facilities' efficiency.

In the first half of this year, the Croatian plant initiated the extension of the glass recycling system in Croatia as part of a public-private project that forms the basis for increasing the recycling rate of container glass in the region.

PROCESS ORIENTED MANAGEMENT

Lasting customer orientation and improvements in quality and efficiency are largely supported by the expedient design of all working processes. In the first half of 2004, all Vetropack companies were successfully awarded the new ISO 9001:2000 certification. System co-ordinators at every site are responsible for process compliance. Thereby all of the company's processes and operational areas integrate within a transparent management system. A major priority for the second half of the year will be anchoring this system in the daily operating process.

OUTLOOK

The initial cool summer weather led bottlers and retailers to hold higher mid year stocks, which will not be conducive for sales of glass bottles during the second half of the year. The glass industry does not expect any major new impetus from the food industry. General expectations are that the successful eastward expansion of the EU this spring will not have a major effect on purchasing power or consumption in the eastern European markets this year. As before in Switzerland and Austria, consumer confidence in a sustainable economic recovery remains low, and consumption is subdued.

On the basis of this assessment, Vetropack expects profitability to be consolidated at a high level. Taking into account our increased investment activity, and assuming that all plants continue operating at full capacity, we expect results for the current 2004 fiscal year to be of the same magnitude as those the previous year.

VETROPACK HOLDING LTD

Based on the earnings forecast, Vetropack Holding Ltd expects results for the 2004 fiscal year to be broadly in line with those of the previous year.

Yours faithfully,

Jean-Daniel Cornaz
Chairman of the Board of Directors

Bülach, September 3, 2004



RESULTS AS AT 30.6.2004

CONSOLIDATED INCOME STATEMENT

in 1000 CHF	1 st half of 2004	1 st half of 2003	Change
Gross revenues	243 802	226 843	7.5%
Total income	231 158	218 981	5.6%
Operating expenses	-204 917	-191 304	7.1%
Operating income before interest (EBIT)	26 241	27 677	-5.2%
Profit before taxes	25 563	24 441	4.6%
Consolidated net profit	19 925	19 982	-0.3%
Consolidated cash flow	40 542	40 052	1.2%
Cash flow as % of gross revenues	16.6%	17.7%	-

CONSOLIDATED BALANCE SHEET

in 1000 CHF	30.6.2004	31.12.2003	30.6.2003
ASSETS			
Current assets	233 350	229 970	228 199
Fixed assets	318 308	318 445	319 644
Total assets	551 658	548 415	547 843
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term liabilities	144 020	157 624	163 239
Medium and long-term liabilities	102 683	99 632	111 438
Total liabilities	246 703	257 256	274 677
Minority interests	361	359	323
Total shareholders' equity	304 594	290 800	272 843
Total liabilities and shareholders' equity	551 658	548 415	547 843

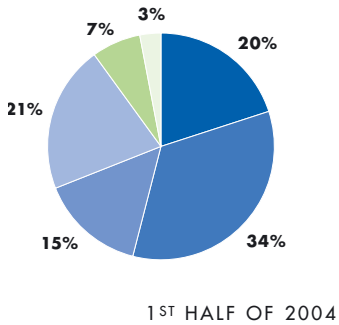


INDICATORS

		1 st half of 2004	1 st half of 2003	Change	2003
Gross revenues	CHF million	243.8	226.8	7.5%	479.0
EBIT	CHF million	26.2	27.7	-5.2%	56.5
Consolidated net profit	CHF million	19.9	20.0	-0.3%	38.9
Cash flow	CHF million	40.5	40.1	1.2%	84.4
Production	1 000 tonnes	429	413	3.9%	838
Unit sales	billion pieces	1.68	1.58	6.3%	3.27
Exports	as %	39.9	33.0	-	35.1
Number of employees		2 702	2 729	-1.0%	2 744
Investments	CHF million	21.8	15.4	41.6%	41.2
Balance sheet total	CHF million	551.7	547.8	0.7%	548.4
Equity ratio	as %	55.2	49.8	-	53.0
Share price (registered shares) – high	CHF	680	405	67.9%	486
Share price (registered shares) – low	CHF	461	290	59.0%	290

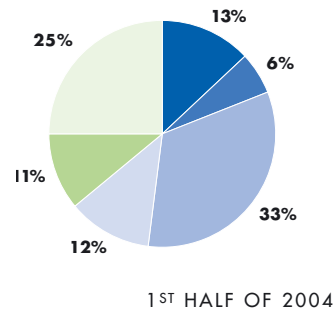


Consolidated revenues by national companies



- 1ST HALF OF 2004
- Switzerland
 - Austria
 - Czech Republic
 - Croatia
 - Slovakia
 - Other areas

Glass packaging by product segments



- 1ST HALF OF 2004
- Wine
 - Spirits
 - Beer
 - Mineral Water/Soft Drinks
 - Fruit Juice
 - Food/Milk



Vetropack Holding Ltd

CH-8180 Bülach
 Phone +41-44-863 31 31
 Fax +41-44-863 31 21
www.vetropack.com