

SEMI ANNUAL REPORT | 2006

VETROPACK GROUP



Business developments within the 1st half of 2006

DEAR SHAREHOLDERS,

During the first half of 2006 the Vetropack Group generated a consolidated gross turnover of CHF 283.7 million (1st half 2005: CHF 257.3 million). This represents an increase of 10.3% (8.3% after currency adjustments). CHF 21.5 million (8.4%) of this amount is attributable to our acquisition in Ukraine, which has been consolidated since 1st March 2006.



Sales of glass packaging rose by 11.5% to 1.91 billion units (1st half 2005: 1.79 billion). Growth in output was entirely the result of the acquisition; excluding OJSC Vetropack Gostomel Glass Factory, sales were 3.7% below last year. Reductions in sales were recorded primarily on the export side. During the first half of 2006, exports as a proportion of overall sales fell to 36.4% (2005: 44.7%). In its domestic markets Vetropack benefited from a general rise in demand, and was able to sell more units of glass packaging than in the same period last year, with the exception of Switzerland where production was halted for three months to enable the construction of a new furnace. The entire melting capacity was fully utilised throughout the first six months of the year.

The income statement was negatively impacted by the massive increased energy and raw material prices, increased maintenance work during furnace reconstruction in Switzerland, and exceptional acquisition related costs. At CHF 23.2 million (1st half 2005: CHF 28.4 million) the consolidated EBIT was 18.3% lower than during the same period last year. Measured against increased gross turnover, EBIT was 8.2% (1st half 2005: 11.0%). Consolidated profits fell by 32.2% to CHF 15.6 million (1st half 2005: CHF 23.0 million), and cash flow fell by 25.5% to CHF 34.2 million (1st half 2005: CHF 45.9 million). Therefore cash flow margin was 12.1% of gross turnover (1st half 2005: 17.8%).

The acquisition, as well as the investments made during the first half of the year in connection with furnace revisions, led to an increase in the balance sheet total to CHF 689.4 million as at the end of June 2006. The proportion of fixed assets rose to 60.9% (31.12.2005: 58.0%), whereas the proportion of equity fell to 52.2% as a result of a one off compensation for acquisition related Goodwill (31.12.2005: 61.9%).

With the additional production facility in Ukraine the number of individuals employed by the Vetropack Group rose to 3,247 (31.12.2005: 2,553).

Higher energy costs depress earnings

The aggregate economic climate and the development of consumer demand enabled the European glass packaging industry to achieve a high level of capacity utilisation during the first half of the year. It was possible to make long overdue price adjustments without any reduction in unit sales. However, these price corrections were more than offset by the massive cost increases for energy and raw materials. In the first half year alone increased

energy and raw materials prices led to additional costs of CHF 12.5 million, only a proportion of which were recouped through sales prices. In view of the current situation in the energy sector, it seems unlikely that energy prices will fall; indeed, further price increases can be expected. Vetropack is therefore pressing ahead with all projects which will deliver additional energy savings or contribute to increased productivity in order to stabilise Vetropack's earnings power at a high level.

Investments

During the first half of the year investments amounting to CHF 37.0 million were capitalised. They related primarily to new the furnace that was put into production in St-Prex in May, the up front investment and structural measures taken in respect of furnace renovation activities in Austria, and the replacement of a furnace in both Slovakia and Ukraine. As in St-Prex, the furnace replacement in the two Eastern European facilities represents a technological leap that will enable significant energy savings and help partially offset the massive price increase of natural gas. The reduction in energy consumption improves not only the facilities' profitability, but also its ecological balance.

Outlook

The current year's investment program and the associated elevated renovation costs will add extraordinary charges to the 2006 income statement. However, the acquisition and additional production capacity that they represent will have a positive impact on the operating margin during the second half of the year. In turn Vetropack expects operating profits for 2006 to be broadly in line with those of last year, provided that energy and raw material costs do not continue to rise. In contrast, consolidated profits may not quite match last year's levels.

Not only will there be less exceptional non-operating income, but also higher expenditure associated with the reuse of the former glass-works grounds in Bülach.

Vetropack Holding Ltd

Based on the earnings forecast, Vetropack Holding Ltd expects the results for the 2006 fiscal year to be broadly in line with those of last year.

Sincerely



Hans R. Rüegg
Chairman of the Board of Directors

Bülach, 1st September 2006

Results as at 30.6.2006

CONSOLIDATED INCOME STATEMENT

In CHF millions	1 st half of 2006	1 st half of 2005	+/-
Gross Revenue	283.7	257.3	10.3
Net Revenue	258.6	234.9	10.1
Income	264.2	238.2	10.9
Operating Expenses	- 241.0	- 209.8	14.9
Earnings before Interest and Tax (EBIT)	23.2	28.4	- 18.3
Operating Earnings after Interest	21.8	29.0	- 24.8
Profit before Tax	22.6	29.9	- 24.4
Profit	15.6	23.0	- 32.2
Cash flow	34.2	45.9	- 25.5
Cash flow as % of Gross Revenue	12.1%	17.8%	-

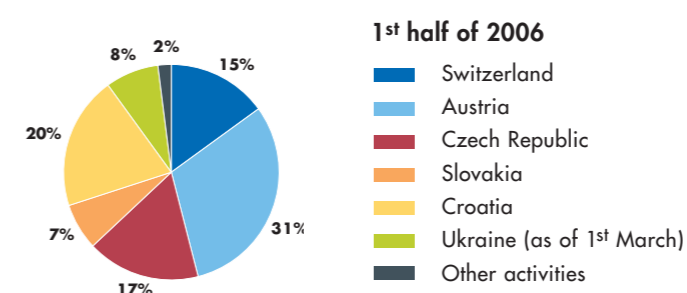
CONSOLIDATED BALANCE SHEET

In CHF millions	30.6.2006	31.12.2005	30.6.2005
ASSETS			
Current Assets	269.4	263.6	247.4
Fixed Assets	420.0	363.9	349.3
Total Assets	689.4	627.5	596.7
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	188.1	152.9	140.0
Medium and Long Term Liabilities	132.8	85.9	106.6
Total Liabilities	320.9	238.8	246.6
Minority Interests	8.3	0.0	0.0
Total Shareholders' Equity	360.2	388.7	350.1
Total Liabilities and Shareholders' Equity	689.4	627.5	596.7

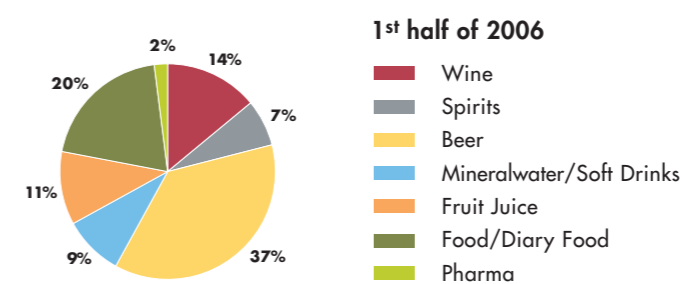
INDICATORS

		1 st half of 2006	1 st half of 2005	+/-	2005
Gross Revenue	CHF million	283.7	257.3	10.2%	519.8
EBIT	CHF million	23.2	28.4	- 18.4%	61.8
Profit	CHF million	15.6	23.0	- 32.0%	50.9
Cash flow	CHF million	34.2	45.9	- 25.4%	97.2
Production	1 000 tonnes	496	454	9.3%	907
Unit sales	billion pieces	1.91	1.79	6.4%	3.57
Exports	as %	36.4	44.1	-	41.7
Number of employees		3 247	2 553	27.2%	2 405
Investments	CHF million	37.0	20.2	83.2%	50.7
Balance sheet total	CHF million	689.4	596.7	15.5%	627.5
Equity ratio	as %	52.2	58.7	-	61.9
Share price (registered shares) - high	CHF	1 475	900	-	979
Share price (registered shares) - low	CHF	866	742	-	742

CONSOLIDATED REVENUE BY NATIONAL COMPANIES



GLASS PACKAGING BY PRODUCT SEGMENTS



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