



“The expertise provided by Emhart Glass allows us to improve the efficiency and profitability of our glass container manufacturing operation.”

Brian Rodger, Group Operation Director, Consol Glass, South Africa



Help and solutions from one source
As the world's largest manufacturer of glass forming machinery, we're committed to the glass container industry: and so we also offer expertise covering every aspect of the glass container manufacturing process. Our specialists develop and test complete solutions to optimise our customers' production lines.

Emhart Glass

Activities Emhart Glass is the world's leading supplier of advanced technologies for manufacturing and inspecting glass containers. Its portfolio encompasses glass forming and inspection machinery, systems, components, spare parts, advice and services for the glass container industry. The division's manufacturing facilities are located in Sweden, the USA and Malaysia. Emhart Glass is headquartered in Switzerland and has a research and development centre in the USA.

Highlights The late-cyclical, capital-intensive business of Emhart Glass was still suffering severely from the downturn during the year under review. Project activity only began to pick up during the second half of the year which saw order intake rise 23% to CHF 285 million, 34% after adjustment for currency effects. Sales declined by 15%, 7% after adjustment for currency effects, to CHF 259 million. Not only the drop in sales but restructuring costs of CHF 5 million as well as the negative impact of foreign currency movements caused by the strong Swedish krona and Swiss franc against the euro had an adverse effect on operating profit. With an operating result of CHF 3 million, the division generated a slight profit. Emhart Glass accounted for 13% of Group sales (2009: 14%).

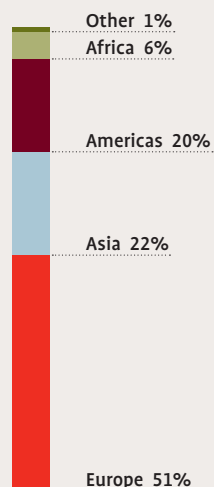
Key figures

CHF million

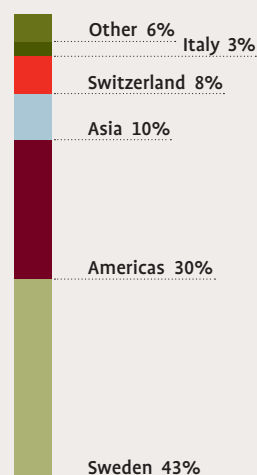
| | 2010 | 2009 |
|--|-------|-------|
| Order intake | 285.2 | 232.4 |
| Net sales | 259.3 | 303.7 |
| Order book | 109.7 | 91.5 |
| Operating profit (EBITDA) before restructuring | 16.1 | 21.3 |
| Operating profit (EBIT) before restructuring | 8.0 | 12.2 |
| Operating profit (EBIT) | 3.0 | 12.2 |
| Number of employees at 31 December | 874 | 871 |
| Average number of employees during year | 869 | 909 |

Geographical analysis

Net sales



Number of employees



Late-cyclical market environment The capital-intensive, late-cyclical glass container industry was still strongly impacted by the crisis until mid-2010. It was only during the second half of the year that the market began to recover, which then translated into a considerable increase in project work and order intake. In the growth markets of Asia and South America, demand for simpler standard machines picked up again. Mature markets in Europe and North America, on the other hand, remained particularly cautious during the first half of the year. Demand only revived following the Glasstec trade fair in Düsseldorf in late September 2010 and this brought a more relaxed attitude toward investments among customers. In Asian markets, as well, particularly in China and India, demand for glass containers rose considerably. These positive signs toward the end of 2010 are clear indications that the slump is over.

Lowest ebb has been passed Following a strong period of growth from 2006 to mid-2008, investments slumped in the glass container industry in 2009 and 2010 and hit a ten-year low in the year under review. As the market leader, Emhart Glass was also hit hard. Customers' projects which had been cancelled or postponed during the previous year remained on hold until summer 2010. The second half of the year and in particular the strong fourth quarter could no longer make up for ground lost during the first half of the year. Emhart Glass generated sales of CHF 259.3 million in this turbulent market environment. That amounts to a 14.6% decline year-on-year, 6.7% after adjustment for currency effects. Order intake recovered in autumn 2010 and, at CHF 285.2 million, considerably exceeded the previous year's figure by 22.7%, 34.0% after adjustment for currency effects. Glass forming and inspection machines benefited most from this turn of events while the spare parts business remained relatively stable. At CHF 109.7 million, the order book was up a considerable 19.9%, or 30.9% after adjustment for currency effects. Together with the major CHF 40 million order from Hindustan National Glass & Industries, India, which was not yet included in the order book at the end of 2010, capacities at Emhart Glass will be utilised significantly better than the previous year. In 2010 the division undertook further restructuring measures which incurred costs of some CHF 5 million. The Swedish krona's sharp 13% rise versus the euro had a negative impact on profitability in the division, which has two facilities for the manufacturing of glass forming machines in Sweden where some 40% of its workforce are employed. The operating profit amounted to CHF 3.0 million.

Structural measures The persistently difficult market situation forced the division to further simplify its structures. Emhart Glass closed the plant in Italy and integrated its activities into the plants already in operation in Malaysia and Sweden. Both plants manufacture glass forming machines and components in accordance with the same Emhart Glass quality standard whereby the Swedish assembly facility in Sundsvall is specially geared to meet the needs of western customers and the plant in Malaysia is mainly geared toward customers in Asia. The modern component plant in Örebro, Sweden, is scheduled for further modernisation and will continue to focus on the manufacturing of top-performance components as it has in the past. The implementation of these structural changes began in mid-2010 and should probably be completed during the second half of the current year. Emhart Glass expects these measures to help it improve profitability considerably from 2012 onward. The accompanying restructuring costs of CHF 5 million were expensed to 2010.

Division management

Martin Jetter,
division president

Bertil Bjugård,
logistics and manufacturing

William Grüniger,
customer service and projects

Jeffrey D. Hartung,
inspection machines

Matthias Kümmerle,
technology

Edward Munz,
business development

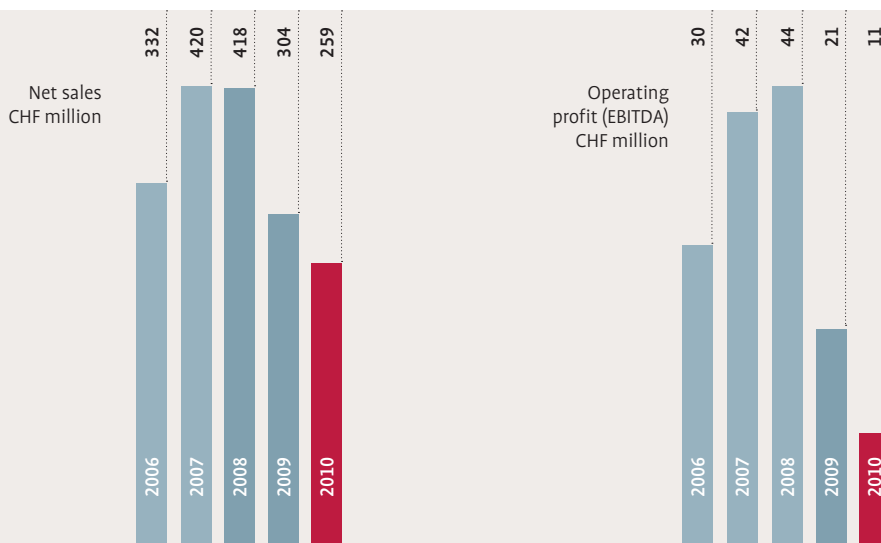
Franco Venturelli,
sales

Ngai Lin Wong,
finance and controlling

At 8 March 2011

Spare parts and turnkey projects Working together with select customers, a specialised team at Emhart Glass drew up a concept that guarantees delivery of spare parts within 48 hours of receipt of the order. Following successful testing with a pilot customer, the division introduced the new offering for all S-class spare parts. In order to professionally handle enquiries for turnkey systems, Emhart Glass and complementary suppliers of glass production lines founded the Container Glass Alliance. This alliance comprises market leaders for equipment used for the individual manufacturing steps in a glass container manufacturing line whereby Emhart Glass covers the glass forming and inspection portion. The alliance guarantees customers a turnkey offer with leading products.

Development of tempered glass Thanks to the excellent infrastructure available at the Research Centre, the division was able to make sufficient progress in its tempered glass manufacturing process in 2010 that it could begin searching for and selecting a pilot customer. Requirements placed on pilot customers are high. Not only must they be capable of operating challenging, technical equipment at their plant 24 hours a day to comply with technical requirements, they must also have a pioneering spirit and take their commitment as a partner for the industrialisation of a new manufacturing procedure very seriously. Additionally, they must be willing to share their experience and results with the glass container industry. Emhart Glass carried out numerous tests last year and in the first quarter of 2011 with several bottle types for a number of interested pilot customers.



Technology leadership and new products Emhart Glass invested around CHF 25 million into a glass production facility three years ago with a melting capacity of 40 tonnes/day. This Research Centre, the only one of its kind in the glass container industry, has made it possible to get tempered glass technology as well as key improvements in glass forming processes and existing machines ready for the market. That, in turn, enabled the division to present an unprecedented number of new products and innovations at the Glasstec trade fair in Düsseldorf in September 2010 and thus set itself further apart from the competition. Customers were impressed by the production speed, cooling and safety of this new generation of the BIS glass forming machines. Several different sensor systems were also presented which use mathematical algorithms to automatically optimise the parameters of the glass forming machine within a closed loop to achieve continuous improvements in both quality and output.

Outlook for 2011 The positive growth trend seen toward the end of 2010 is expected to continue in 2011. In Eastern Europe and especially in the Middle East and Asia, the glass container industry anticipates sales of glass containers to rise, which is likely to trigger brisker investment activity. As a global market leader, Emhart Glass will be able to benefit from this much friendlier market environment. The higher order book at the beginning of 2011 and the major order from India which is scheduled for delivery during 2011 should mean significantly better utilisation of the division's capacities. However, the costs of implementing the relocation from Europe to Malaysia, which is already underway, as well as foreign currency movements will probably have a significant negative impact on operating profit. The division expects sales to increase substantially during the current year and considerable improvements in profitability.

