

2012 | Annual Report Vetropack Holding Ltd



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What is the link between the natural products milk and honey, beer and wine, spices and vegetables? – Their glass packaging of course!



## At a Glance

### Key Figures 2012

		+/-	2011	2012
Gross Revenue	CHF millions	2.5%	589.4	604.4
EBIT	CHF millions	- 20.4%	77.3	61.5
Annual Profit	CHF millions	41.7%	59.0	83.6
Cash Flow	CHF millions	- 16.5%	117.3	98.0
Investments	CHF millions	31.8%	85.2	112.3
Production	1 000 metric tons	- 0.3%	1 246	1 242
Unit Sales	billions	2.9%	4.17	4.29
Exports (in unit terms)	%	-	39.6	38.3
Employees	number	1.0%	2 971	3 000

## Agenda

### 2013

Annual General Assembly (St-Prex)

8<sup>th</sup> May 2013, 11:15

Semi-Annual Report

26<sup>th</sup> August 2013

### 2014

Press Conference (Bülach)

25<sup>th</sup> March 2014, 10:15

Annual General Assembly (Bülach)

14<sup>th</sup> May 2014, 11:15

**Honey in a jar.** Golden yellow and sweet, packaged in transparent glass that preserves its high quality and unique taste, until honey-lovers can no longer resist it. Busy bees pollinate around 80% of our flowering plants when collecting nectar. This ensures the continued survival of flora and fauna, time and again – just as glass is melted time and again to make new glass packaging without any detrimental effect on its quality.

Vetropack has therefore dedicated the title page of its semi-annual report for 2012, Christmas cards for 2012/2013 and its annual report for 2012 to the theme “Bees – Honey – Glass”, because sustainability and nature are linked.

## Board of Directors' Report

Dear shareholders,

*During the 2012 fiscal year, Vetropack Group concentrated on its domestic markets without, however, neglecting its strategically important exports. Although the economic environment made it possible to increase sales, it allowed the necessary price adjustments to only a limited degree. All plants operated at full capacity.*

Vetropack Group generated consolidated gross revenue of CHF 604.4 million in the 2012 fiscal year, an increase of 2.5% from the previous year (2011: CHF 589.4 million). The currency-adjusted revenue increase was as high as 3.9%. Because the currency environment was more stable than in 2011, exchange rates had a less severe impact than in the previous year.

The share of consolidated gross revenue attributable to Vetropack Ltd of Switzerland decreased to 13.6% (2011: 15.4%). Two effects had a significant impact on this trend: price erosion and declining markets due to increases in imports of beverages and foodstuffs packaged in glass. Vetropack Austria GmbH, with its two glassworks in Pöchlarn and Kremsmünster, held up very well, performing in parallel to the market. With 31.2% (2011: 32.0%), the Austrian subsidiary again made the largest contribution to gross revenue in 2012. Vetropack Moravia Glass a.s. in the Czech Republic increased its share of revenue to 13.4% (2011: 12.6%). Vetropack Nemšová s.r.o. did likewise, the Slovakian plant boosting its own revenue contribution to 6.8% (2011: 6.5%). Both companies increased domestic revenue, which cut the production capacity that they could make available to their fellow subsidiaries. Vetropack Straža d.d. generated 17.0% of gross revenue (2011: 18.3%). The revenue contribution of Vetropack's Ukrainian subsidiary grew to 15.9% (2011: 13.0%). The expansion of the product portfolio opened up new markets for JSC Vetropack Gostomel. In addition, rising costs necessitated higher sales prices this year.

**Uneven regional market performance.** Although demand in the European packaging market, when considered in its entirety, has increased slowly but steadily since 2010, there remain significant regional differences. The increase in demand in Western Europe was restrained, with demand stabilising at a high level in some countries. Switzerland occupies a special position in this environment, as imports of empty and pre-filled glass packaging have been on the rise. Markets in the Eastern European countries also performed unevenly, making a trans-regional assessment difficult. There was very clear evidence of increasing demand in some countries, whereas this was barely perceptible in others. By contrast, the European container glass industry profited from rising demand in Central European countries.

This uneven economic performance resulted in a fiercely competitive environment, a fact that was also evident in the countries in which Vetropack operates. Price adjustments could not be implemented everywhere to the extent originally planned. Vetropack Group therefore complemented its cost/price model with targeted increases in efficiency. In addition, the product portfolio expansion launched in Ukraine in 2010 continued to have a positive effect and led to an increase in revenue.

**Focus on domestic markets.** Vetropack Group sold a total of 4.29 billion units of glass packaging (2011: 4.17 billion units). The rising demand allowed the focus of sales to shift increasingly onto the domestic



Hans R. Rüegg, Chairman of the Board of Directors (left) , Claude R. Cornaz, CEO (right)

markets. Parallel to this, Vetropack Group successfully serviced its strategically important export markets.

Domestic markets accounted for 61.7% of total unit sales (2011: 60.4%), with export markets making up 38.3% (2011: 39.6%). All Vetropack plants operated at full capacity.

**Stable production capacity.** In spite of the two scheduled rounds of repairs to bassins carried out during the reporting year, at 1,242,094 tons, production of saleable glass packaging was almost unchanged from the previous year (2011: 1,246,025 tons). A flint-glass furnace was refurbished at the Hum na Sutli site in Croatia, and a coloured-glass furnace was overhauled at Pöchlarn, Austria. Both refurbishments resulted in slight decreases in production. However, a Group-wide intensification and optimisation of production

processes at all locations was able to largely absorb the shortfall.

**Higher costs – lower EBIT.** Vetropack Group achieved consolidated EBIT of CHF 61.5 million (2011: CHF 77.3 million). This reduction is primarily attributable to higher costs for energy and packaging material, with personnel expenses also playing a role. The maintenance costs for the two rounds of furnace repairs should also be taken into account. In addition to the costs already mentioned, value creation was negatively impacted in the second half of the year by the write-down of IT investments. The EBIT margin decreased to 10.2% (2011: 13.1%).

**Exceptional annual profit.** Consolidated annual profit was CHF 83.6 million for the reporting year (2011: CHF 59.0 million). This increase can be traced back to

non-operating income from the successful sale of two properties in Switzerland that were no longer necessary for operations. The production sites of two former glassworks in Wauwil and Bülach were sold. The plant in Wauwil had lain idle since 1993, and that in Bülach since 2002. The non-recurring effect amounted to CHF 45.7 million in total. This positive trend was boosted by exchange rates being significantly more stable than in the previous year. Net foreign exchange losses for 2012 from liquid funds and loans (measured as at 31 December 2012) amounted to CHF 0.8 million (2011: CHF 4.4 million).

**Increased liquidity.** At CHF 98.0 million, cash flow was 16.5% lower than the previous year's figure of CHF 117.3 million. The cash flow margin was 16.2% of gross revenue (2011: 19.9%). Vetropack Group's net liquidity reached the very high level of CHF 44.1 million (2011: CHF 33.9 million). The sale of the Swiss sites easily compensated for the higher investments as compared to the previous year.

**Strong balance sheet structure.** Consolidated total assets remained nearly constant at CHF 771.9 million (2011: CHF 766.2 million). Short-term assets decreased by 13.7% to CHF 298.1 million (2011: 345.3 million). A significant portion of liquid assets was used to pay off debt. Due to the high level of investments, long-term assets increased by 12.6% to CHF 473.8 million (2011: CHF 420.9 million). Debt decreased by CHF 63.3 million to CHF 133.8 million (2011: CHF 197.1 million) due to the repayments of the above-mentioned loans. Vetropack Group's external debt totalled CHF 14.8 million as of the reporting date,

31 December 2012, 81.4% lower than the previous year's figure of CHF 79.5 million. The high profit resulted in an increase in shareholders' equity, which reached CHF 638.1 million in the reporting year (2011: CHF 569.1 million). The equity ratio consequently increased to 82.7% (2011: 74.3%).

At the end of the reporting year, Vetropack Group employed a workforce of 3,000 individuals (31 December 2011: 2,971).

**Investing in the future.** Vetropack Group invested a total of CHF 112.3 million during the reporting year (2011: 85.2 million). The focus of the investments in the first half of the year was the repair of the flint-glass furnace in the Straža plant in Croatia, followed by the refurbishment of a coloured-glass furnace in the Vetropack plant in Pöchlarn, Austria, in the second half of the year. The construction of a new production hall for the planned industrial test production of thermally tempered glass was also begun at the Pöchlarn site. The production of this so-called hard glass is expected to begin in the second quarter of 2013.

During this reporting year too, glass-blowing machines were replaced at several locations as part of refurbishment work, in order to optimise furnace utilisation and increase capacity. Another focus of investment that should not be ignored was the Group-wide PRISMA project to harmonise all processes and unify the IT landscape.

**PRISMA – key milestones reached.** PRISMA, an internal project started in 2010, enjoyed four significant high points during the reporting year. The successful rollout at the Swiss sites in Bülach and St-Prex took place on 1 May 2012. Seven months later, at the turn of the year, the sites in Croatia, the Czech Republic and Slovakia followed suit. The Gostomel plant in Ukraine will complete the implementation of PRISMA at the beginning of 2014. The Group-wide implementation of this cost- and investment-intensive project is of great strategic importance, because it will enable

Vetropack Group to design its internal processes to be even more uniform and efficient.

**Vetropack share.** For many years now, analysts have rated the Vetropack share as having safe value with low risk, an assessment backed by investors and shareholders alike. The Vetropack share was stable during the reporting year, but lost ground on the SPI due to a lack of positive recommendations (Vetropack share: +2.8%, SPI: +17.7%).

**Unchanged dividend.** At the Annual General Assembly on 8 May 2013, the Board of Directors will propose fixing the dividend for the previous year at 70.0% of the nominal value. This corresponds to a gross dividend of CHF 35.00 (2012: CHF 35.00) per bearer share and CHF 7.00 (2012: CHF 7.00) per registered share.

#### Plans to issue put options

The Board of Directors of Vetropack Holding Ltd has also decided to issue put options that can be traded on the SIX Swiss Exchange. Registered shareholders are to be assigned one put option for every five registered shares and the holders of bearer shares one put option for each bearer share.

By offering these put options, Vetropack Holding Ltd is inviting its shareholders to offer their bearer shares for repurchase. The plan is to ask at the 2014 Annual General Meeting for the shares purchased from the shareholders to be cancelled. The terms (the exercise date, price and ratio) are expected to be announced on the day of the Annual General Meeting on 8 May 2013, and published in an offer and listing prospectus on the [www.vetropack.com](http://www.vetropack.com) website on their issue. Registered shareholders and holders of bearer shares with bank deposits will also be informed in writing - either directly in person or via the relevant banking institution.

Cornaz AG-Holding, as the main shareholder in Vetropack Holding Ltd, supports this repurchase of shares.

**Outlook for the 2013 fiscal year.** During the reporting year, the market recovered gradually to reach its current high point. Demand is expected to stagnate in 2013, with no clear indications of an increase in consumption in all countries. One of the biggest unknowns is the solution to the EU debt issue and its ramifications. Vetropack Group will continue to pursue its strategy, which includes expanding its domestic markets and utilising all its plants to capacity. Although adjusting prices in the wake of higher raw material and personnel costs is realistic, any further adjustments would be very difficult to implement.

Increases in efficiency are therefore vital in 2013 as well. Despite the improvements in production that have already been achieved, the situation in Switzerland remains a challenge.

No furnace repairs are planned for the 2013 fiscal year.

**Thank you.** On behalf of the Board of Directors, we would like to thank our employees for their outstanding commitment and hard work during 2012. We would also like to thank our customers, shareholders and business partners for their support and for the confidence that they have shown in us.



Hans R. Rüegg  
Chairman of the Board of Directors



Claude R. Cornaz  
CEO

St-Prex, 20 March 2013



## 2012 – distinguished in many respects

### **Mr Cornaz, you were voted “Entrepreneur of the Year” at the end of 2012. How does that feel?**

It feels very good. This is not a “gratuitous” award, but one with substance. The winners are selected by a high-calibre independent jury. The criteria are transparent and Ernst & Young, the organisers of the global competition, naturally remain totally neutral.

### **Does this award make you an icon in the Group?**

No, not at all. The award was in the “Family Business” category, which rewards the successful growth of a company over many generations. So, it was not only I that won but the entire Vetropack Group. The fact that we are where we are today is thanks to all senior managers and employees – both past and present.

**Vetropack received other prizes and awards in 2012 as well...** Yes, it was an extraordinary year! I will just mention two examples:

Coca-Cola Hellenic voted Vetropack “Best Supplier of the Year 2011”. This prize was awarded to our Group for our leading and proactive role in various lightweight glass initiatives, among other things, and praised our high level of commitment in the fields of recycling and energy-saving measures. The other award that I should like to mention in this context is one with which you might not initially associate the name Vetropack: on 18 October, our animated film “Glass remains glass” was awarded a Golden Dolphin in Cannes, France. The film about the history and life-cycle of packaging glass can thus take its place among the best international films and commercials.

### **To come back to the company: what is it that makes Vetropack so special; what has been the recipe for success for the past 101 years?**

Many things deserve a mention here but I believe that three factors are decisive: firstly, we have a clear long-term strategy and do not turn everything on its head simply for short-term gain. Secondly, we don’t make hasty decisions and are constantly optimising our processes, so as to retain a competitive edge over the competition at all times. And thirdly, the success of a company or group depends on its organisational setup. Ours is matrix-based, which is not always easy in day-to-day business but which allows quick decision-making. For this reason, the way in which our staff, particularly senior managers, work together within this organisational structure is of central importance.



**How satisfied are you with the business performance for 2012?** 2012 panned out better than we originally anticipated. Although margins shrank as expected, they are still balanced across the Group. However, a large proportion of the increased profits achieved in the 2012 fiscal year results from the sale of the former glassworks site in Bülach, Switzerland. This is a non-operational, non-recurring factor and must be viewed separately from business performance.

**On the subject of Switzerland, what is the impact of the Swiss franc remaining so strong?** The strong franc is a problem affecting all areas of Switzerland as a place to do business. Although the exchange rate floor provides planning security and prevents a

I am predicting more or less “zero change”. I don’t foresee a profound, pan-European recession that would be really worthy of the name.

**To round off this interview, what’s the current status of the two long-term projects “Hard glass” and “PRISMA”?** In 2012, we were fully engaged with the preparations for industrial hard glass production. The first test runs are planned for soon. In terms of the internal PRISMA project, we have taken quite a big step forwards. In addition to our sites in Austria and Switzerland, the companies in the Czech Republic, Croatia and Slovakia are now also integrated in the new process and SAP landscape. Vetropack Gostomel will follow in early 2014.

Claude R. Cornaz,  
CEO of the Vetropack Group:

“It was an  
extraordinary year!”

worst-case scenario, it also means that the problem is not yet solved. We have implemented a cost- and energy-saving programme and increased productivity. The important factor here was to retain our high quality. In 2012, the “pack to melt” of the Swiss plant was the best within our Group. “Pack to melt” is an indicator of efficiency; it describes how many kilograms of glass produced from a ton of melt can be sold. We were delighted with what was achieved and it made it easier to decide to invest more than 10 million francs in modernising equipment at the St-Prex plant. This investment is a commitment to the site with all its challenges. In 2013 and the following years, we will focus particularly on increasing sales and revenue.

**How would you assess 2013 from today’s perspective?** It is hard to say what lies ahead. But I said that last year too, and the year before that. The really big questions are how consumption trends will change and how the European debt crisis will develop. All the signs are pointing towards a slowdown.



## Impressions 2012

### 1<sup>st</sup> Half Year

For the first time in the company's history, Vetropack produces black glass. Vetropack Straža d.d. uses feeder colouring to produce black beer bottles for a customer in Austria. This trendy colour for bottles represents a big challenge for the optical testing equipment.

JSC Vetropack Gostomel showcases its wide range of glass packaging at Prodexpo in Moscow. Prodexpo is

the biggest annual specialist food and drink trade fair in Russia and Eastern Europe.

In the "Ukrainian star package" competition in Kiev, the jury is impressed by the fresh new design and low weight of a glass bottle for milk and other dairy products that was made at Vetropack's plant in Ukraine: a 750 ml bottle weighs just 305 grams.

At Vetropack Austria GmbH's Pöchlarn glassworks, the foundation stone is formally laid for a new production hall that will be the first in the world to make exclusively thermally tempered packaging glass.



Vetropack Ltd: the Swiss Energy Agency for Industry (EnAW) recertifies the company for "Voluntary climate protection - protecting the climate out of conviction". The glassworks in St-Prex has been working voluntarily to protect the climate and save energy since 2004.

Vetropack Nemšová s.r.o. receives Slovakia's highest award for quality, the "Grand Prix Slovak Gold". The company wins this coveted gold medal for its extensive glass recycling activities, which not only make a big contribution to protecting the environment but also create and secure jobs.

The Vetropack Group as a whole is voted best supplier of 2011 by Coca-Cola Hellenic, the largest bottler of alcohol-free drinks in Europe. The prize is presented at the "2011 Best Supplier of the Year Award" ceremony in Athens.

Vetropack Straža d.d. wins the "golden key" as the largest Croatian exporter into neighbouring Serbia. The good and successful business relationships with customers in Serbia are the result of years of cooperation with partners and a high-profile market presence.

Investing for the future, part I: at Vetropack's Austrian plant in Kremsmünster and Croatian plant in Hum na Sutli, refurbished furnaces are put back into operation. A pioneering innovation at the Croatian plant of Vetropack Straža d.d. is the detailed preparatory work for retrofitting a batch glass preheater. At various sites, glass blowing machines, IS machines and other infrastructure components are being replaced to optimise use of the furnaces and increase capacity. All these measures are enabling energy to be used more efficiently and emissions to be continuously reduced.





## 2<sup>nd</sup> Half Year

On 28 September, Vetropack's Gostomel plant in Ukraine celebrates its centenary. The celebrations last for three days and include a customer event, a staff party and an open day. Claude R. Cornaz, CEO, said of the newest member of the Vetropack Group: "When we took over this plant in 2006, we grew by almost one-fifth at a single stroke. Together we moved up to number one in the Ukrainian market and since that time

have been one of the five largest producers of packaging glass in Europe." And Andriy Girnyk, Head of the Ukraine Business Division, is convinced that "his" plant is both old and young at the same time: "Old in terms of experience, but young when you look at the technical infrastructure. We have our best years ahead of us." A special centenary book puts the finishing touch to the historic occasion. It recounts the history and the development of glass manufacture in Ukraine from its beginnings to the present day.

The new animated film produced by the Vetropack Group, "Glass remains glass", wins two awards of international renown: a Golden Dolphin in Cannes, France, and a Silver Plaque at the International Film Festival in Chicago, USA. This makes the film not only one of the best films and commercials but also one of the best educational films.

Open day at Vetropack Nemšová s.r.o.: nearly 2,000 visitors take the opportunity to learn about glass production and have a look round the Slovakian plant, which has been part of the Vetropack Group for 10 years. This is followed by an official celebration of the 10<sup>th</sup> anniversary, attended by nearly 100 invited guests from Slovakia and other countries.

Vetropack Straža d.d. wins the "Golden Marten Award" for the best company in north-west Croatia. The prize is presented by the Croatian Chamber of Commerce.



A wine bottle range made in lightweight glass by Vetropack Austria GmbH wins the national award for "Exemplary Packaging 2012" in the Consumer Packaging category. The special feature of this range of bottles is their reduced weight, which helps save resources.

Brau Bevale in Nuremberg: the Vetropack Group showcases a wide range of products and services. Visitors are also able to admire the first models made in hard glass. The production of thermally tempered packaging glass is a pilot project, with industrial test production planned to start in the first half of 2013.

Investing in the future, part II: JSC Vetropack Gostomel builds a new warehouse. In an area measuring 9,000 m<sup>2</sup>, packaging glass that is already packed up and put on pallets is well protected while it waits to be requested by customers. A faulty stack on a coloured-glass furnace has to be replaced. A spectacular demolition

process is carried out for the new building work without interrupting furnace operation. Vetropack Nemšová s.r.o. also expands its storage facilities. Extended to 3,553 m<sup>2</sup>, the area enables customers to be continuously supplied with glass packaging.

Last but not least: towards the end of the year, Claude R. Cornaz, CEO, is voted Swiss "Entrepreneur of The Year 2012 Family Business". This award is a prestigious prize for entrepreneurs, the only one of its kind in the world, and is organised at regional, national and global level in 140 cities and around 50 different countries, all using the same criteria. Ernst & Young ran the competition in Switzerland for the 15<sup>th</sup> time, with 43 entrepreneurs taking part.



The Vetropack Group places great importance on responsible treatment of the environment.

### Sustainability at Vetropack

## Responsibility – actively implemented

Even though glass is an “ancient” packaging material, it suits modern times perfectly because it is and will remain the most natural packaging. Packaging glass can also be made lighter and lighter and will soon even be made significantly more stable.

**Glass is environmentally friendly.** It mainly consists of quartz sand, lime and sodium carbonate – raw materials that are available in almost unlimited quantities on Earth. Used glass is also an important raw material. Green glass produced by Vetropack plants contains up to 90% used glass, while amber glass contains about 60% and flint glass contains about 50%. Used glass can be melted and re-formed any number of times – and, of course, all without any detrimental effect on quality. Glass is therefore completely natural.

The Vetropack Group’s company philosophy places great importance on responsible treatment of the environment, because large amounts of energy are needed to make the natural product glass. Consideration of the environment in both ideas and actions defines the everyday running of the business at all levels, as these three examples show:

**1. Sustainability through careful planning.** It is technically and economically essential to operate the melting furnaces at their full capacity around the clock. Any deviation from this capacity regulation would make production considerably less profitable and make prices soar. Vetropack therefore works with its customers to plan far ahead and adapts capacities to customer needs and long-term trends. Profitability, the environment and a high level of flexibility are always at the heart of everything we do.

**2. Ongoing investment in sustainability.** With every scheduled furnace refurbishment and the continuous expansion of production capacity, the Vetropack Group is investing in the future. Our new furnaces and plants are always up-to-date with the latest technology and considerably more environmentally friendly than their predecessors, consuming less energy and emitting significantly lower levels of pollutants.

**3. Recycling, the foundation for sustainability.** Vetropack consistently champions glass recycling at all its sites, reducing pollution of the environment consi-

economical · social · ecological



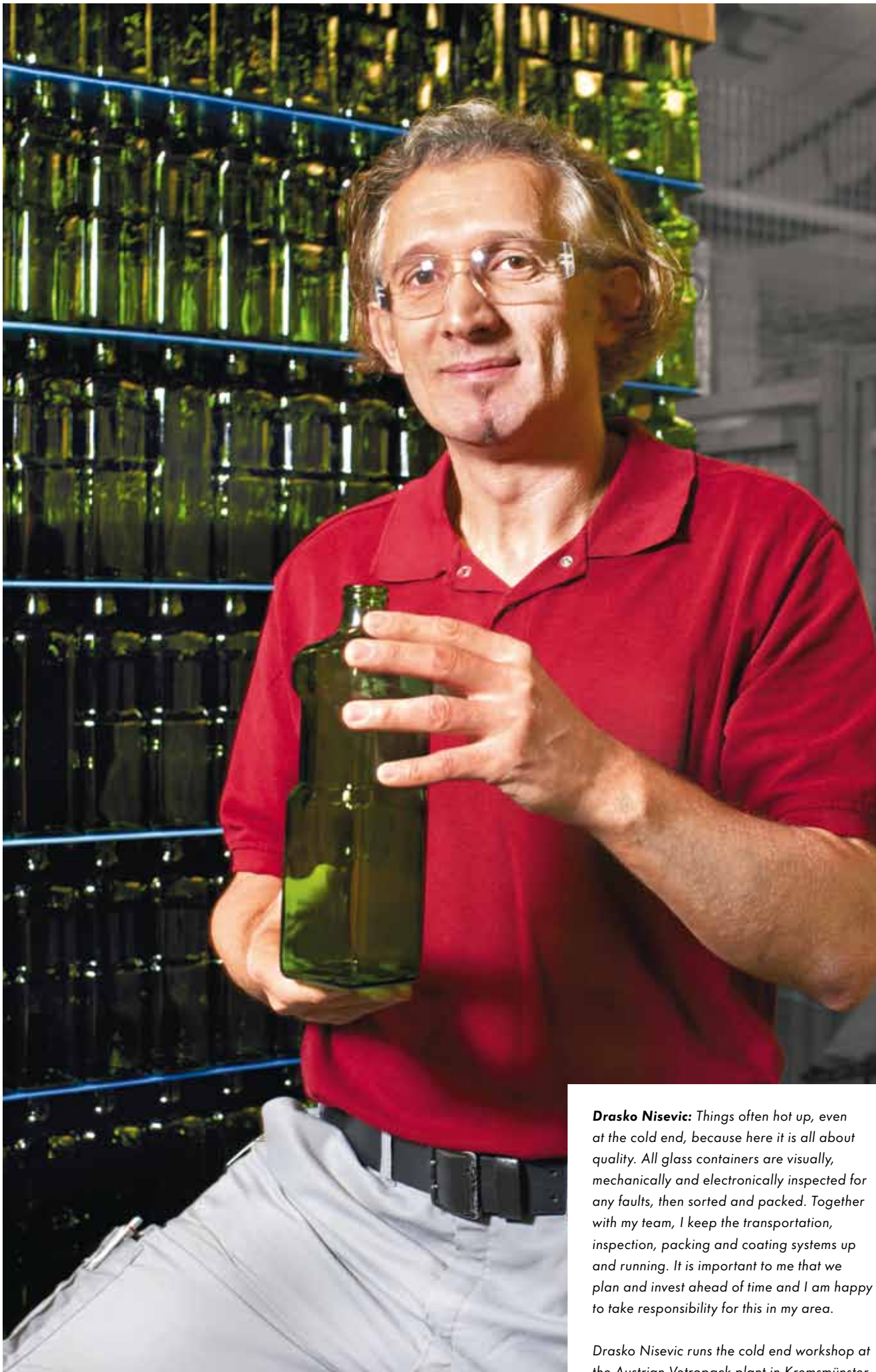
derably. Through this, we are also making a significant contribution to the reduction of waste.

**Decreasing weight to become even more sustainable.** Active protection of the environment and the production of lightweight glass complement each other perfectly. It was for good reason that Vetropack Austria GmbH was awarded the state prize for exemplary packaging in 2012 for its newly developed wine bottle range made from lightweight glass. Thanks to lightweight glass technology, the 1 litre bottle is 80 grams lighter than the previous model, the 0.75 litre bottle is 50 grams lighter and the 0.25 litre bottle is 24 grams lighter. This means an annual reduction in the amount of material used of over 1,700 tons of glass. This is the equivalent of the weekly output of an average furnace and reduces CO<sub>2</sub> emissions by almost 1,200 tons per year. In addition, the proportion of used glass in the production of this bottle range is about 70%, which also saves energy and CO<sub>2</sub> emissions. The new wine bottle range is only one example of many. Vetropack offers a wide range of containers made from lightweight glass, including preserve and condiment

jars as well as wine, beer and syrup bottles. The typical characteristics of glass, such as its high-quality look and feel and neutrality with regard to the contents of course remain unchanged, even at extremely low weights.

**Hard glass – the next step.** The innovative thermal hardening process enables glass packaging to be made even more robust and sustainable. Working closely with glassmaking machinery manufacturer Emhart Glass, Vetropack will test the international innovation under industrial production conditions. At the Pöchlarn plant in Austria, a production hall has been built to house the first production of hard glass for Vetropack customers from the food and beverage industry. Production will begin in the second quarter of 2013.





**Drasko Nisevic:** Things often hot up, even at the cold end, because here it is all about quality. All glass containers are visually, mechanically and electronically inspected for any faults, then sorted and packed. Together with my team, I keep the transportation, inspection, packing and coating systems up and running. It is important to me that we plan and invest ahead of time and I am happy to take responsibility for this in my area.

*Drasko Nisevic runs the cold end workshop at the Austrian Vetropack plant in Kremsmünster.*

## Company Reports

**Vetropack Ltd (Switzerland).** Vetropack Ltd's revenue for the 2012 fiscal year was CHF 89.9 million, 5.9% less than in the previous year. A total of 505.2 million units of glass packaging were sold.

This trend was primarily due to lower domestic sales. While the wine segment remained largely stable, sales decreased most notably in the beer and food sectors. Export sales also declined due to a new strategy geared towards reducing beer sales. Exports made up 18.5% of total sales.

	+/-	2011	2012
Sales in CHF millions	- 5.9%	95.5	89.9
Unit sales in millions	- 6.1%	537.9	505.2
Exports in unit terms		21.1%	18.5%
Production in tons	5.8%	105 752	111 927
<b>Sales by Market Segment (in unit terms)</b>			
Wine/spirits		35.9%	41.6%
Beer/mineral water/carbonated beverages/juice		46.9%	42.4%
Food		17.2%	16.0%

The strong Swiss franc and increased imports of empty and pre-filled glass packaging also had a negative impact on the Swiss company in the reporting year. That a profit was nevertheless achieved for the year is attributable to the successful sale of about 40,000 m<sup>2</sup> of land no longer needed for operations in the Nord district of Bülach.

In terms of recycling, Vetropack Ltd stepped up its collaboration with municipalities, cities and authorities and expanded the regional cullet return programme at customers' premises.

At the end of the 2012 fiscal year, Vetropack Ltd had a workforce of 198 individuals (2011: 193). The plant operated at full capacity.

**Vetropack Austria GmbH (Austria).** Vetropack Austria GmbH generated revenue of EUR 168.5 million in the 2012 fiscal year, an increase of 0.9% on the previous year. Unit sales rose by 2.5% to 1,523.0 million units.

The gratifying sales volume and revenue trend again represents a record in the history of Vetropack Austria GmbH. Domestic business varied by segment, but continued to expand overall. Growth was strongest in the beer segment, followed by soft drinks and fruit juice. Sales of wine bottles increased due to a satisfactory harvest. Glass packaging for the food division showed a slight downward trend.

Export markets continued their clear upward trend as compared to the previous year. The well-established partnership with major international customers resulted in growth in the beer, soft drinks and food segments. Exports made up 38.3% of total sales.

The reporting year was shaped by large-scale, forward-looking projects. Foremost among these were the renovation of the green-glass furnace at the Pöchlarn plant, including replacing and modernising three manufacturing lines, modernising the recycling plant in Pöchlarn and, last but not least, constructing the production hall for hard glass, in which thermally tempered packaging glass will be manufactured industrially for the first time anywhere in the world.

	+/-	2011	2012
Sales in EUR millions	0.9%	167.0	168.5
Unit sales in millions	2.5%	1 486.5	1 523.0
Exports in unit terms		37.1%	38.3%
Production in tons		318 147	318 418
1 EUR = CHF	0.1%	1.234	1.205
<b>Sales by Market Segment (in unit terms)</b>			
Wine/spirits		15.9%	14.5%
Beer/mineral water/carbonated beverages/juice		57.2%	58.8%
Food		26.9%	26.7%

At the end of the 2012 fiscal year, Vetropack Austria GmbH employed 640 members of staff (2011: 617). Both plants operated at full capacity.

### Vetropack Moravia Glass a.s. (Czech Republic).

The revenue generated by Vetropack Moravia Glass a.s. increased by 12.6% in the reporting year, to CZK 2,096.9 million. The Czech company was able to further expand its domestic and international market positions. A total of 896.8 million units of glass packaging were sold, 10.5% more than in the previous year. Exports amounted to 42.4%.

Demand grew in both the wine segment and in the food and beer sales. Organic wines are becoming ever more popular in Central and Eastern Europe, which is boosting demand for containers. The launch of new projects and increased desire for customer-specific glass designs also resulted in greater demand in this segment. However, the beer segment continued to account for the highest number of bottles sold. In addition to the introduction of new beer bottle designs and a closer collaboration with existing customers, the heightened popularity of beer drinks played a positive role in the high unit sales. Bottle sales in the soft drinks and mineral water segments decreased slightly. This was in line with the decline in the consumption of these beverages in the food service industry.

	+/-	2011	2012
Sales in CZK millions	12.6%	1 862.2	2 096.9
Unit sales in millions	10.5%	811.3	896.8
Exports in unit terms		46.4%	42.4%
Production in tons	- 1.0%	198 984	197 013
100 CZK = CHF		5.019	4.793
<b>Sales by Market Segment (in unit terms)</b>			
Wine/spirits		15.8%	14.4%
Beer/mineral water/carbonated beverages/juice		41.8%	46.3%
Food		42.4%	39.3%

Thanks to the ongoing modernisation of production technology – among other things, the first twelve-station IS machine was installed in the Czech plant during the reporting year – capacity was optimised and quality was increased.

All capacity was fully utilised. Headcount stood at 460 persons at the end of the 2012 fiscal year (2011: 461).

**Vetropack Nemšová s.r.o. (Slovakia).** Vetropack Nemšová s.r.o. generated revenue of EUR 51.6 million in the 2012 fiscal year, which was 8.2% higher than the previous year's figure. Unit sales increased by 7.1% to 444.1 million units of glass packaging.

	+/-	2011	2012
Sales in EUR millions	8.2%	47.7	51.6
Unit sales in millions	7.1%	414.6	444.1
Exports in unit terms		48.4%	42.0%
Production in tons	4.2%	136 233	142 004
1 EUR = CHF		1.234	1.205
<b>Sales by Market Segment (in unit terms)</b>			
Wine/spirits		49.6%	52.2%
Beer/mineral water/carbonated beverages/juice		23.2%	16.3%
Food		27.2%	31.5%

The Slovakian company was able to strengthen and further expand its leading position in the domestic market. Although the economic situation is still tense and recovery is slow, demand in the spirits and wine segments continued to grow. A new project in the beer segment, delivered in close collaboration with a major international customer, also had a positive impact.

Successful new developments of bottle designs in the reporting year included a family of lightweight glass bottles for spirits. In addition, numerous new designs for soft drink and wine bottles were created.

Exports amounted to 42.0% of the total. The higher domestic sales were able to only partially compensate for this decrease.

Production capacity was stepped up through modernisation and equipment replacement in this plant as well. In addition, a new warehouse for approximately 12,000 pallets of finished goods was built to increase delivery readiness.

Vetropack Nemšová s.r.o. was utilised to capacity and had 355 employees at the end of the 2012 fiscal year (2011: 351).



**Mykola Gnes:** Without gas, no glass can be melted and shaped into packaging glass. My duties include the care and maintenance of the gas systems at the Vetropack Gostomel plant in Ukraine. Incidental repairs must not stop production so no resources are wasted. The systems must be safe and work properly; I take responsibility for this.

Mykola Gnes works at the Ukrainian plant JSC Vetropack Gostomel. He is responsible for maintaining the gas systems.



**Christine Frochoux:** *The St-Prex glassworks is almost the cradle of the present Vetropack Group. Most of our employees have already been working at the glassworks by Lake Geneva for many years. Training and professional development, ranging from “on-the-job training sessions” to internal training and external courses, are very important to us. I take responsibility for ensuring that each individual is looked after and that they can all carry out their duties to their full extent.*

*Christine Frochoux is the Personnel Manager at the Swiss Vetropack plant in St-Prex.*

**Vetropack Straža d.d. (Croatia).** Vetropack Straža d.d. generated revenue of HRK 702.0 million in the reporting year, which equates to an increase of 0.7% compared to the previous year. A total of 894.1 million units of glass packaging were sold.

The effects of the crisis are still ever-present in Croatia. The economy is dominated by insolvency, bankruptcies and unemployment, and consumer purchasing power is correspondingly low. This economic environment led to a decrease in domestic sales.

With two breweries, one in Serbia and the other in Bosnia and Herzegovina, completely replacing their cylinder fleets, both the beer segment and sales in the expanded domestic market matched the level of the previous year. The former Yugoslavian countries are regarded as an extension of the domestic market.

The domestic portion of total revenue amounted to 32.1%. Exports increased to 67.9%, of which 55.8% is attributable to the constantly growing extended domestic market.

Due to the refurbishment of a flint-glass basin and isolated demand peaks, an additional 54 million units of glass packaging had to be purchased from fellow subsidiaries and third parties.

All production capacity was fully utilised. Vetropack Straža d.d. employed 592 individuals at the end of the 2012 fiscal year (2011: 586).

	+/-	2011	2012
Sales in HRK millions	0.7%	697.0	702.0
Unit sales in millions	- 2.8%	920.3	894.1
Exports in unit terms		66.6%	67.9%
Production in tons	- 7.9%	242 905	223 754
100 HRK = CHF		16.587	16.024
<b>Sales by Market Segment (in unit terms)</b>			
Wine/spirits		16.9%	17.4%
Beer/mineral water/carbonated beverages/juice		68.9%	68.7%
Food		14.2%	13.9%

**JSC Vetropack Gostomel (Ukraine).** JSC Vetropack Gostomel in Ukraine generated revenue of UAH 838.8 million in the reporting year, which equates to an increase of 18.9% compared to the previous year. Unit sales rose by 11.2% to 643.5 million units of glass packaging.

Vetropack's Ukrainian company continued to expand its product portfolio during the reporting year, focusing production and sales on high-margin glass packaging products. A total of 31 new glass packaging products were developed and produced. The company was also able to carry out necessary price adjustments due to economic trends. Exports fell slightly to 8.5%.

	+/-	2011	2012
Sales in UAH millions	18.9%	705.2	838.8
Unit sales in millions	11.2%	578.4	643.5
Exports in unit terms		9.8%	8.5%
Production in tons	2.0%	244 004	248 978
100 UAH = CHF		11.146	11.745
<b>Sales by Market Segment (in unit terms)</b>			
Wine/spirits		34.8%	32.8%
Beer/mineral water/carbonated beverages/juice		64.5%	66.0%
Food		0.7%	1.2%

Glass packaging for milk and milk products enjoyed increasing popularity in the food division. The milk segment increased from 0.7% in the previous year to 1.2%. In addition, wide mouth glass containers for milk products were successfully tested on the market.

JSC Vetropack Gostomel celebrated its centenary in 2012. Customers, public authorities and suppliers were invited to the first event of the anniversary celebrations, held over three days. Employees had a party on the second day, with an open day rounding off the celebrations. Part of the newly constructed warehouse, which has a total area of 9,000 m<sup>2</sup>, was used for the celebrations.

All capacity was fully utilised during the reporting year. The Vetropack Gostomel plant employed 662 persons at the end of the 2012 fiscal year (2011: 669).

**Müller + Krempel Ltd (Switzerland).** Vetropack Group's Bülach-based trading house Müller + Krempel Ltd generated revenue of CHF 13.0 million in the 2012 fiscal year, of which 46.8% was attributable to retail sales, 29.5% to glass packaging for the food and beverage industry and 23.7% to glass and plastic packaging for the pharmaceutical and cosmetics industries.

All three business segments developed in a gratifying manner despite the strong Swiss franc and the competitive environment. The focus on system solutions in many sectors had a positive effect on the corresponding market segments. Assessments of the outlook for the coming years are cautiously optimistic.

At the end of the 2012 fiscal year, 15 persons were employed at Müller + Krempel Ltd (2011: 15).

	2011	2012
<b>Revenue by Market Segment</b>		
Retail Trade	47.8%	46.8%
Food & Beverage	26.5%	29.5%
Pharmaceutical & Cosmetics	25.7%	23.7%

**Vetroconsult Ltd (Switzerland).** Vetroconsult Ltd comprises three divisions: Technology, IT and Consultancy. Technology and IT services are provided exclusively for Group companies, whereas consultancy services are also provided to third parties. The company's headquarters are located in Bülach. Consultancy services for Eastern Europe are based at the Vetropack Moravia Glass a.s. plant in the Czech Republic.

Among the Technology division's main activities in the reporting year were the planning and repairing of a flint-glass bassin at Vetropack Straža in Croatia and a green-glass bassin at Vetropack's Austrian plant in Pöchlarn. In Austria as well, the furnace refurbished at the end of 2011 at the Kremsmünster plant was placed back into service as early as the beginning of 2012. These activities were rounded off with the ongoing modernisation of infrastructure, which included the scheduled replacement of glassblowing and IS machines.

Thanks to these modernisation measures, production capacity has also been optimised. Energy is being used more efficiently and emissions are being reduced.

	2011	2012
<b>Revenue by Division</b>		
Technical	44.0%	33.3%
IT	56.0%	66.7%
Consultancy	0.0%	0.0%

Another focal point was the hard glass project, with which Vetroconsult is continuing to make progress in close collaboration with glassmaking machinery manufacturer Emhart Glass. The objective is to test a technology for the thermal tempering of container glass under industrial production conditions. A new production hall for tempered glass was constructed and equipped for this purpose at the Vetropack plant in Pöchlarn. Pilot production is scheduled to begin in the second quarter of 2013.

Owing to the sizeable in-house workload, no services were provided to third parties in the reporting year.

In the IT division, the focus was on supporting the IT infrastructure across the Group. Work also progressed on the Group-wide PRISMA project for the harmonisation and standardisation of the IT landscape. With the exception of JSC Vetropack Gostomel in Ukraine, all Vetropack Group sites are now working with the new system. The integration of the Ukrainian plant is scheduled for 1 January 2014.

Vetroconsult Ltd employed 31 individuals at the end of 2012 (2011: 31).



**Peter Pekara:** *Vetropack customers rely on the fact that their glass packaging will be delivered to the right place at the right time – and in immaculate condition of course. The logistics division of our group of companies makes sure of this. Not only because the word “logistics” comes from Greek and means order, principle or system. In the Slovakian Vetropack plant I take responsibility for this, together with my team.*

*Engineer Peter Pekara is responsible for transportation at the Slovakian Vetropack plant in Nemšová.*

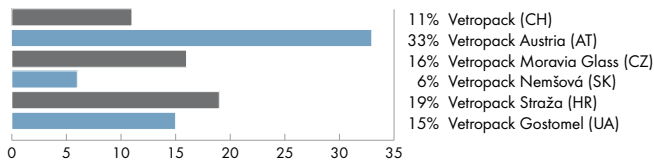


## Vetropack Group

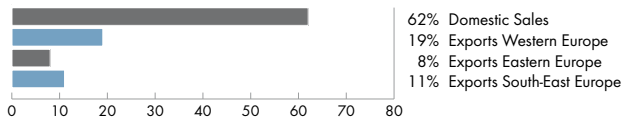
Vetropack is one of Europe's leading manufacturers of glass packaging for the food and beverage industry with group management in Bülach (Switzerland). It runs state-of-the-art production facilities, as well as sales and distribution centres in Switzerland, Austria, the Czech Republic, Slovakia, Croatia and Ukraine.

As a customer orientated company, Vetropack guarantees innovative packaging solutions, reliable product quality and on-time deliveries. Tailor-made glass from Vetropack gives a basis for a successful market performance of our customers' products.

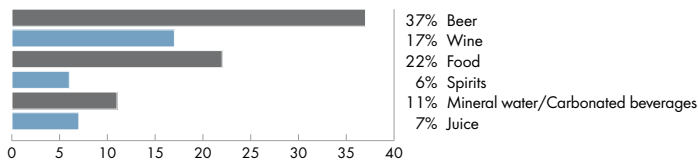
Sales by Group Company 2012  
(total 4.29 billion units)



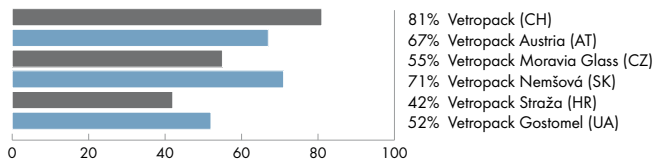
Sales by Markets 2012  
(total 4.29 billion units)



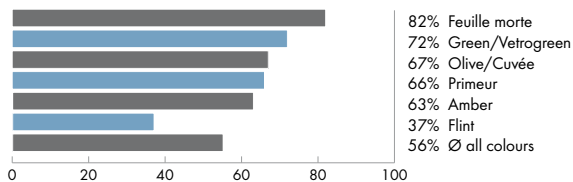
Sales by Market Segments 2012  
(total 4.29 billion units)



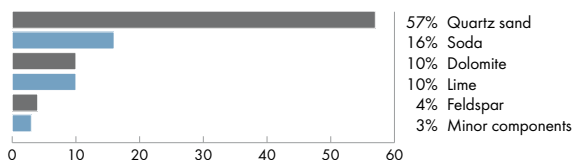
Cullet Ratio for Glass Production 2012  
(by Group Company)



Cullet Ratio for Glass Production 2012  
(by Colours)



Primary Raw Materials Ratio 2012  
(excluding Cullet)





**Erich Jaquemar:** Attentive customer care begins long before the contract negotiations – and extends far beyond these too. Together we develop tailored glass packaging and set ourselves new challenges, including in regard to sustainability, social responsibility and special certifications. I take responsibility for ensuring that my customers get exactly what they need.

Sales Manager Erich Jaquemar works at the Vetropack Austria GmbH Pöchlarn site. He is the Sales Manager for the beer, mineral water, carbonated drinks and fruit juice segments in Austria and is also the Key Account Manager for two customers operating at an international level.

## Financial Reporting – Vetropack Group

### Consolidated Balance Sheet

CHF millions	Note	31.12.2011	31.12.2012
<b>ASSETS</b>			
<b>Short-Term Assets</b>			
Liquid assets		113.4	58.9
Accounts receivables	1	96.7	98.9
Other short-term receivables	2	17.7	11.4
Inventories	3	115.8	121.5
Accruals	4	1.7	7.4
Sub Total Short-Term Assets		345.3	298.1
<b>Long-Term Assets</b>			
Tangible assets	5	384.2	428.2
Financial assets	6	15.2	15.4
Intangible assets	7	21.5	30.2
Sub Total Long-Term Assets		420.9	473.8
<b>Total Assets</b>		<b>766.2</b>	<b>771.9</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
<b>Short-term liabilities</b>			
- Accounts payables		48.0	45.9
- Short-term financial debts	8	54.5	9.4
- Other short-term liabilities	9	15.8	14.1
- Deferrals	10	18.7	20.3
- Short-term provisions	11	3.6	4.0
<b>Long-term liabilities</b>			
- Long-term financial debts	12	25.0	5.4
- Long-term provisions	13	31.5	34.7
Sub Total Liabilities		197.1	133.8
<b>Shareholders' Equity</b>			
Share capital	14	20.5	20.5
Capital reserves		0.3	0.3
Retained earnings		486.1	529.2
Consolidated annual profit		59.0	83.6
Sub Total Shareholders' Equity excl. Minorities		565.9	633.6
Minority interests	15	3.2	4.5
Sub Total Shareholders' Equity		569.1	638.1
<b>Total Liabilities</b>		<b>766.2</b>	<b>771.9</b>

## Consolidated Income Statement

CHF millions	Note	2011	2012
Gross Revenues	16	589.4	604.4
Redemptions and transport costs	17	- 40.5	- 37.1
Net Revenues		548.9	567.3
Changes in inventories		13.3	3.0
Other operating income	18	10.4	12.2
Income		572.6	582.5
Raw materials and supplies costs	19	- 98.4	- 97.9
Energy costs		- 111.2	- 122.5
Personnel expenses	20	- 124.3	- 129.5
Other operating expenses	21	- 110.6	- 116.8
Depreciation of tangible assets	5	- 50.2	- 51.4
Amortisation of intangible assets	7	- 0.6	- 2.9
EBIT (Earnings Before Interests and Taxes)		77.3	61.5
Financial results	22	- 3.4	0.1
Earnings After Interest		73.9	61.6
Non-operating results*	23	0.7	46.0
Consolidated Profit Before Tax		74.6	107.6
Tax	24	- 14.3	- 22.6
Consolidated Annual Profit Before Minority Interests		60.3	85.0
Minority interest from Group companies		- 1.3	- 1.4
Consolidated Annual Profit		59.0	83.6

\* This includes depreciation of CHF 0.5 million on non-operating real estate and buildings (2011: CHF 0.5 million).

## Consolidated Cash Flow Statement

CHF millions	2011	2012
<b>Cash Flow from Operating Activities</b>		
Consolidated annual profit before minority interests	60.3	85.0
+ Asset depreciation	47.6	53.7
+/- Loss/gain from applying/removing impairments	3.6	1.1
+/- Increase/decrease in provisions	- 1.6	- 0.8
+/- Loss/gain from disposals of tangible assets	2.2	- 41.5
+/- Other changes in non-cash items	5.2	0.5
<b>= Cash Flow</b>	<b>117.3</b>	<b>98.0</b>
+/- Decrease/increase in accounts receivables	14.9	0.0
+/- Decrease/increase in inventories	- 5.8	1.4
+/- Decrease/increase in marketable securities	- 18.7	- 6.0
+/- Decrease/increase in other receivables and accruals	- 2.7	0.7
+/- Increase/decrease in accounts payable	11.7	- 1.8
+/- Increase/decrease in other short-term liabilities and deferrals	5.3	0.0
<b>= Cash Flow from Operating Activities</b>	<b>122.0</b>	<b>92.3</b>
<b>Cash Flow from Investment Activities</b>		
- Cash-out for investments in tangible assets (Note 25)	- 69.4	- 100.8
+ Cash-in from sales of tangible assets	0.3	45.2
- Cash-out for investments in financial assets	- 0.2	0.0
- Cash-out for acquisitions of consolidated companies	- 0.2	0.0
+ Cash-in from sales of financial investments	0.2	0.1
- Cash-out for investments in intangible assets	-15.7	- 11.5
<b>= Cash Flow from Investment Activities</b>	<b>- 85.0</b>	<b>- 67.0</b>

CHF millions	2011	2012
<b>Cash Flow from Financial Activities</b>		
- Dividend distribution to shareholders and minority interests	- 18.6	- 14.4
+/- Changes own shares	- 8.5	0.0
+/- Formation/repayment of short-term financial debts	18.9	- 45.2
+/- Formation/repayment of long-term financial debts	- 3.1	- 19.7
= <b>Cash Flow from Financial Activities</b>	- 11.3	- 79.3
<b>Foreign Exchange Differentials</b>	- 2.6	- 0.5
<b>Changes in Liquid Assets</b>	23.1	- 54.5
Liquid assets as per 1.1.	90.3	113.4
Liquid assets as per 31.12.	113.4	58.9
<b>Changes in Liquid Assets</b>	23.1	- 54.5
Cash-in from interest	2.5	1.5
Cash-out for interest	- 2.6	- 0.7
Cash-out for income taxes	- 10.9	- 25.6

## Changes in Consolidated Shareholders' Equity

CHF millions

	Share Capital	Capital Reserves (Agio)	Retained Earnings	Own Shares	Sub Total excl. Minority Share Interests	Minority Share Interests	Sub Total incl. Minority Share Interests
<b>Shareholders' Equity as per 1.1.2010</b>	21.2	6.5	562.1	- 8.0	581.8	1.1	582.9
Purchase of own shares				- 8.3	- 8.3		- 8.3
Capital decrease					0.0		0.0
Capital increase					0.0		0.0
Acquisition of minority interests			- 0.3		- 0.3	- 0.1	- 0.4
Annual profit			38.7		38.7	1.2	39.9
Foreign exchange differentials			- 52.7		- 52.7	- 0.2	- 52.9
Dividends			- 14.7		- 14.7		- 14.7
<b>Shareholders' Equity as per 31.12.2010</b>	21.2	6.5	533.1	- 16.3	544.5	2.0	546.5
Purchase of own shares				- 8.5	- 8.5		- 8.5
Capital decrease	- 0.7		- 24.1	24.8	0.0		0.0
Capital increase					0.0		0.0
Acquisition of minority interests			- 0.2		- 0.2	- 0.1	- 0.3
Annual profit			59.0		59.0	1.3	60.3
Foreign exchange differentials			- 10.4		- 10.4	0.1	- 10.3
Dividends		- 6.2	- 12.3		- 18.5	- 0.1	- 18.6
<b>Shareholders' Equity as per 31.12.2011</b>	20.5	0.3	545.1	0.0	565.9	3.2	569.1
Purchase of own shares					0.0		0.0
Capital decrease					0.0		0.0
Capital increase					0.0		0.0
Acquisition of minority interests			- 0.0		- 0.0	- 0.0	- 0.0
Annual profit			83.6		83.6	1.4	85.0
Foreign exchange differentials			- 1.5		- 1.5	- 0.1	- 1.6
Dividends			- 14.4		- 14.4	- 0.0	- 14.4
<b>Shareholders' Equity as per 31.12.2012</b>	20.5	0.3	612.8	0.0	633.6	4.5	638.1

The legally non-distributable reserves of Vetropack Holding Ltd amount to CHF 4.1 million (2011: CHF 4.1 million).



**Martina Landmann:** Glass is a product of nature. It mainly consists of quartz sand, lime, sodium carbonate and used glass cullets. Culletts can be used to make up to 90% of green glass as well as up to 60% of amber glass and up to 50% of flint glass. I take responsibility for ensuring that the composition of the glass batch is correct.

Martina Landmann is an industrial glass supervisor. She is responsible for the glass batch and for the processing of external cullets at the Austrian Vetropack plant in Kremsmünster.



## Consolidation Principles

### Basic Principles for Group Consolidation

The consolidation of the group's financial statements provides a picture of the group's assets, finances and income, which corresponds to the actual relationships between them and regards the Vetropack Group as a single business entity.

Consolidated Group statements are based on financial statements for the year and are prepared in accordance with applicable national laws of each of the companies concerned. They are then converted in accordance with internal Group valuation and formatting principles. Financial statements conform to the regulations of Swiss equity law, as well as the principles of Swiss GAAP ARR (Swiss Accounting and Reporting Recommendations) in addition to accounting prescriptions set out in regulations for companies listed on the Swiss Stock Exchange.

Consolidated financial statements were approved by the Board of Directors during their meeting on 20<sup>th</sup> March 2013.

### Consolidation Scope

Consolidated Group statements include Vetropack Holding Ltd, as well as all domestic and foreign subsidiaries in which Vetropack Holding Ltd has a direct or indirect interest of more than 50%. In such cases, "Full Consolidation Method" is applied, i.e. assets, liabilities, expenses and incomes of consolidated companies are consolidated 100%. Whereby all intra-Group transactions are eliminated (accounts receivables and payables, incomes and expenses). Minority interests are posted separately in the balance sheet and income statement.

Holdings between 20% and 50% are included in Group accounts, and are carried out according to the "Equity Method". The Group's percentage share of net assets is reported in the balance sheet under Financial Assets. Percentage share of net income is stated in the Consolidated Income Statement.

Holdings below 20% are posted in the consolidated balance sheet at acquisition cost less any necessary value adjustments.

An overview of companies within Vetropack Group and methods used to consolidate them into Group financial statements is found on page 53.

### Capital Consolidation

Capital consolidation is carried out according to the "Purchase Method", whereby acquisition cost of an acquired company is charged against its net assets according to Group principles at the time of purchase. Any goodwill paid at the time of acquisition is charged directly to Group's reserves in acquisition year.

### Foreign Exchange (FX) Differentials

Financial statements produced by foreign companies within the Group in their respective currencies are converted into Swiss francs as follows:

- Balance sheet figures according to the exchange rate valid at year end.
- Income statement figures according to the average annual exchange rate.
- Cash flow statement figures according to average and year end rates respectively.

Exchange rate differentials resulting from such foreign currency conversions are charged to Group reserves. Exchange rate differentials caused by converting transactions and balance sheet items in foreign currencies are recorded in the books of the respective Group company. Exchange rate differentials arising from Group loans in foreign currencies that have equity characteristics are debited or credited to the shareholders' equity.

	Average Exchange Rate		Year End Exchange Rate	
	2011	2012	2011	2012
EUR	1.23355	1.20525	1.21560	1.20800
CZK	0.05019	0.04793	0.04714	0.04805
HRK	0.16587	0.16024	0.16128	0.16000
UAH	0.11146	0.11745	0.11676	0.11464

### Valuation Principles

Financial statements for individual companies are consolidated into the Group's financial statements, and valued in accordance with uniform principles across the Group. The most important valuation methods for the individual balance sheet positions are as follows:

#### Liquid Assets

Liquid assets include cash, current account balances at banks and other financial institutions, as well as fixed term deposits with maturity of no more than 90 days. Liquid assets are valued at their nominal rate.

#### Marketable Securities

Short-term securities include marketable and easily realisable securities investments and term deposits with a maturity of three to twelve months. Securities are valued at market prices. Term deposits are valued at their nominal rate.

#### Receivables

Receivables are valued at their nominal rate. Value adjustments are carried out for identifiable individual risks. Experienced based country-specific value adjustments (2% to 15%) are applied to other risks.

#### Inventories

Inventories are valued at either their acquisition or manufacturing costs. However, if the market price is lower, this figure is applied instead. Manufacturing costs include the cost of raw materials, individual production costs and a portion of allocated general overhead costs. The values used for items whose marketability is limited, are partially or entirely corrected according to their recognisable risks of loss. Inventories of intra-Group distribution are not assigned an intermediate profit. Discounts are recorded as reductions in the cost of goods.

## Tangible Assets

Tangible assets are valued at their acquisition or manufacturing cost less any applicable depreciation. Depreciation is linear over the expected useful life of the asset, taking residual values into account. The relevant depreciation periods are as follows:

- Buildings	15 - 50 years
- Production facilities	10 - 20 years
- Machinery and furnaces	5 - 16 years
- Vehicles	5 - 7 years
- Office and other equipment	5 - 10 years

Assets of insubstantial value are directly expensed in the income statement upon acquisition. Intermediate profits arising from intra-Group asset transfers are eliminated.

## Leasing

Leased assets (financial leases) are reported as assets in the balance sheet. At the beginning of the contract, leasing payments are established by applying either the leased goods' purchase value or market value respectively. Alternatively cash value is applied if it is lower. The corresponding liability toward the leasing grantor is carried as liabilities from financial leasing. Cost from rental agreements and operational leasing are recorded in the income statement.

## Financial Assets

Non-consolidated participations are recorded in the balance sheet at their proportionate equity or purchase values. Loans and marketable securities are recorded at their nominal values or purchase prices respectively less any applicable value adjustments.

## Intangible Assets

Intangible assets include brands, patents, licences, software and other intangibles. Acquired intangible assets are reported in the balance sheet at acquisition cost and are subject to linear amortisation over their estimated useful life. If it is impossible to determine the useful life of an intangible asset, it is generally amortised over a period of five years.

- Licences, patents, brands	5 years
- Software	3 - 5 years
- Other intangible assets	5 years

Assets of insubstantial value are directly expensed in the income statement upon acquisition.

## Asset Impairment

If there is evidence that the value of an asset has been impaired, an "Impairment Test" is carried out. If the test reveals that there is indeed an impairment of assets, the book value is reduced with a net income effect on the attainable value.

## **Liabilities**

Short-term a.k.a. current liabilities are debts that are repayable within one year. When the due dates are beyond one year they are posted in the balance sheet under long-term liabilities. Liabilities are recorded in the balance sheet at nominal value.

## **Provisions**

Provisions are formed when a legal or de facto obligation from past events has arisen. The outflow of funds to meet this obligation is likely, and provisionally its possible to estimate its' amount reliably. The future outflow of funds is reported in the balance sheet at nominal value. If necessary, it is discounted as per the balance sheet date.

## **Taxes**

All tax obligations, irrespective of their due dates, are set aside. Ongoing income taxes are calculated on the basis of taxable income and reported in the balance sheet under Liabilities. Deferred taxes are calculated based on all temporary differences between the values from the tax statement and the operating values. Tax relevant losses carried forward are only taken into account if it seems possible to offset them against income. The country specific tax rates are applied when calculating deferred taxes.

## **Derivative Financial Instruments**

Derivative financial instruments are valued for trading and hedging purposes at their current value. Derivative financial instruments that are held for other purposes are reported in the balance sheet according to the "lowest value" principle. Balance sheet relevant derivatives are reported under Other short-term receivables or Other short-term liabilities. Valuation changes are reported in the income statement.



**Rajko Varjačić:** Changing the mould – on your marks, get set, go! Every movement matters when our expert team adjusts the entire glass machine system for a new bottle shape, quick as a flash. Time is money; this especially applies to glass production, because interruptions are costly. What we do is precise manual work, and every movement has a purpose. I take responsibility for this.

Foreman Rajko Varjačić has many years of experience in mould changing; he works at the Croatian Vetropack plant in Hum na Sutli.

## Notes

### 1. Accounts Receivables

CHF millions	31.12.2011	31.12.2012
Gross receivables	106.2	104.2
Value adjustments	- 9.5	- 5.3
<b>Net receivables</b>	<b>96.7</b>	<b>98.9</b>

### 2. Other Short-Term Receivables

CHF millions	31.12.2011	31.12.2012
Receivables from subsidies	4.9	0.0
VAT (value added tax) credit	3.7	5.6
Withholding tax credit	2.4	2.4
Other short-term receivables	6.7	3.4
<b>Total</b>	<b>17.7</b>	<b>11.4</b>

### 3. Inventories

CHF millions	31.12.2011	31.12.2012
Raw materials	14.6	8.3
Materials and supplies	29.5	39.6
Work-in-progress	0.9	1.5
Finished goods, merchandise	98.4	106.2
Advance payments	0.1	0.1
Value adjustments	- 27.7	- 34.2
<b>Total</b>	<b>115.8</b>	<b>121.5</b>

### 4. Accruals

CHF millions	31.12.2011	31.12.2012
Ongoing income tax (credit)	0.0	6.4
Other active accruals	1.7	1.0
<b>Total</b>	<b>1.7</b>	<b>7.4</b>

## 5. Tangible Assets

CHF millions

	Real Estate & Buildings Non- Operating	Real Estate & Buildings Operating	Furnaces Equipment Production Facilities	Other Tangible Assets	Advance Payments for Assets Under Construction	Total
<b>Acquisition Value</b>						
As per 1.1.2011	65.1	255.4	663.2	36.0	9.5	1 029.2
Additions	1.9	4.9	15.6	1.9	45.1	69.4
Disposals			- 20.1	- 1.0	- 1.2	- 22.3
Reclassifications		0.4	14.4	0.3	- 15.1	0.0
Foreign exchange differentials	- 0.1	- 6.9	- 18.9	- 0.8	- 0.6	- 27.3
As per 1.1.2012	66.9	253.8	654.2	36.4	37.7	1 049.0
Additions	1.7	4.4	36.9	2.4	55.4	100.8
Disposals	- 23.3	- 0.3	- 41.3	- 1.4		- 66.3
Reclassifications	0.4	4.6	43.1	- 4.7	- 43.4	0.0
Foreign exchange differentials	- 0.0	- 0.7	- 1.2	- 0.2	- 0.2	- 2.3
<b>As per 31.12.2012</b>	<b>45.7</b>	<b>261.8</b>	<b>691.7</b>	<b>32.5</b>	<b>49.5</b>	<b>1 081.2</b>
<b>Accumulated Depreciation</b>						
As per 1.1.2011	48.1	141.6	430.6	29.6	1.2	651.1
Ordinary depreciations 2011	0.5	7.4	36.9	2.3		47.1
Disposals			- 17.8	- 1.0	- 1.2	- 20.0
Reclassifications						0.0
Asset impairments**			3.6			3.6
Foreign exchange differentials		- 3.8	- 12.6	- 0.6		- 17.0
As per 1.1.2012	48.6	145.2	440.7	30.3	0.0	664.8
Ordinary depreciations 2012	0.5	7.5	40.1	2.7		50.8
Disposals	- 20.8	- 0.3	- 39.8	- 1.8		- 62.7
Reclassifications		0.1	4.5	- 4.6		0.0
Asset impairments**			1.1			1.1
Foreign exchange differentials		- 0.4	- 0.6	- 0.0		- 1.0
<b>As per 31.12.2012</b>	<b>28.3</b>	<b>152.1</b>	<b>446.0</b>	<b>26.6</b>	<b>0.0</b>	<b>653.0</b>
<b>Book Value</b>						
As per 1.1.2012	18.3	108.6	213.5	6.1	37.7	384.2
<b>As per 31.12.2012</b>	<b>*17.4</b>	<b>*109.7</b>	<b>245.7</b>	<b>5.9</b>	<b>49.5</b>	<b>428.2</b>

\* This includes vacant real estate plots valued at CHF 4.7 million (2011: CHF 6.5 million).

\*\* These impairments concern the overstated useful life of obsolete buildings and production facilities.

As per 31.12.2012 payments on assets under construction amounted to CHF 3.9 million (2011: CHF 1.6 million).

## 6. Financial Assets

CHF millions	Note	31.12.2011	31.12.2012
Employer's contribution reserves	31	9.5	9.6
Assets from pension funds		0.9	1.1
Deferred taxes		2.9	3.0
Marketable securities		1.3	1.2
Participations in associated companies		0.5	0.5
Other financial investments		0.1	0.0
<b>Total</b>		<b>15.2</b>	<b>15.4</b>

## 7. Intangible Assets

CHF millions	Lizences, Patents, Brands	Software	Software in Development	Other Intangible Assets	Total
<b>Acquisition Value</b>					
As per 1.1.2012	0.0	5.4	20.2	1.2	26.8
Additions		0.4	11.1		11.5
Disposals		- 0.0	- 0.0		- 0.0
Reclassifications		15.0	- 15.0		0.0
Foreign exchange differentials		- 0.0			- 0.0
<b>As per 31.12.2012</b>	<b>0.0</b>	<b>20.8</b>	<b>16.3</b>	<b>1.2</b>	<b>38.3</b>
<b>Accumulated Amortisation</b>					
As per 1.1.2012	0.0	4.1	0.0	1.2	5.3
Ordinary amortisations 2012		2.9			2.9
Disposals		- 0.1			- 0.1
Reclassifications					0.0
Asset impairments					0.0
Foreign exchange differentials		- 0.0			- 0.0
<b>As per 31.12.2012</b>	<b>0.0</b>	<b>6.9</b>	<b>0.0</b>	<b>1.2</b>	<b>8.1</b>
<b>Book Value</b>					
As per 1.1.2012	0.0	1.3	20.2	0.0	21.5
<b>As per 31.12.2012</b>	<b>0.0</b>	<b>13.9</b>	<b>16.3</b>	<b>0.0</b>	<b>30.2</b>

In the framework of an ongoing group-wide IT project, internal labour in the sum of CHF 2.2 million (2011: CHF 2.6 million) was booked under the Software in development category.



## 8. Short-Term Financial Debts

CHF millions	31.12.2011	31.12.2012
Credits and loans	54.5	9.4
<b>Total</b>	<b>54.5</b>	<b>9.4</b>

## 9. Other Short-Term Liabilities

CHF millions	31.12.2011	31.12.2012
Prepaid recycling fees	4.6	4.8
Advance payments	2.4	0.8
Liabilities to employees	3.6	3.9
Other short-term liabilities	5.2	4.6
<b>Total</b>	<b>15.8</b>	<b>14.1</b>

## 10. Deferrals

CHF millions	31.12.2011	31.12.2012
Ongoing liable income taxes	6.1	7.8
Unclaimed vacations and overtime compensations	4.7	4.6
Other deferrals	7.9	7.9
<b>Total</b>	<b>18.7</b>	<b>20.3</b>

## 11. Short-Term Provisions

CHF millions	Service Anniversaries	Legal Proceedings	Guarantee Warranty	Other	Total
As per 1.1.2012	0.5	0.4	0.3	2.4	3.6
Reclassifications					0.0
Formations	0.2		0.1	2.5	2.8
Liquidations		- 0.1		- 0.2	- 0.3
Utilisations	- 0.3		- 0.2	- 1.6	- 2.1
Foreign exchange differentials		- 0.1		0.1	0.0
<b>As per 31.12.2012</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>3.2</b>	<b>4.0</b>

## 12. Long-Term Financial Debts

Hierbei handelt es sich um Kredite und Darlehen welche wie folgt zur Rückzahlung fällig werden:

CHF millions	31.12.2011	31.12.2012
Residual period		
- 1 to 2 years	12.7	5.4
- 3 to 5 years	11.9	0.0
- > 5 years	0.4	0.0
<b>Total</b>	<b>25.0</b>	<b>5.4</b>

The credits are bound to the financial covenants of their loan agreements. These were complied with during the entire reporting period.

## 13. Long-Term Provisions

CHF millions					
	Deferred Taxes	Service Anniversaires	Pensions	Other	Total
As per 1.1.2012	16.1	5.0	10.1	0.3	31.5
Reclassifications					0.0
Formations	2.2	0.4	1.2		3.8
Liquidations	-0.1	- 0.1			- 0.2
Utilisations		- 0.2		- 0.1	- 0.3
Foreign exchange differentials			- 0.2	0.1	- 0.1
<b>As per 31.12.2012</b>	<b>18.2</b>	<b>5.1</b>	<b>11.1</b>	<b>0.3</b>	<b>34.7</b>

**Deferred Taxes:** As per fiscal year no end losses were carried forward (2011: CHF 0.9 million). As in the past year the calculation of deferred taxes includes no losses carried forward. The country-specific tax rates used in calculating deferred taxes range from 7.8% to 25.0% (2011: 3.8% to 25.0%).

**Service Anniversaries:** Provisions are formed in respect to remuneration for long service to the company as defined in the Employment Regulations. These provisions, which take into account country-specific corrective factors for the staff turnover, were discounted between 1% to 11% (2011: 1% to 11%) as per balance sheet date.

## 14. Share Capital

The share capital is structured as follows:

CHF millions	31.12.2011	31.12.2012
233 837 Bearer shares (2011: 233 837)		
nominal value CHF 50.00 (Issued and paid in full)	11.7	11.7
880 000 Registered shares (2011: 880 000)		
nominal value CHF 10.00 (Issued and paid in full)	8.8	8.8
<b>Total</b>	<b>20.5</b>	<b>20.5</b>

The bearer shares (Security no. 622 761) are listed on the SIX Swiss Exchange, Domestic Standard, with a year end closing price of CHF 1,686.00 (2011: CHF 1,640.00. Their total capitalisation equalled CHF 691.0 million (2011: CHF 672.1 million). Each registered and bearer share holds one voting right.

### Major shareholders with > 3% of voting rights

	31.12.2011	31.12.2012
Cornaz AG-Holding	64.8%	65.0%
Elisabeth Leon-Cornaz	5.1%	5.1%
La Licorne Holding SA	4.6%	4.6%
Paul-Henri Cornaz	3.6%	3.6%
<b>Total</b>	<b>78.1%</b>	<b>78.3%</b>

## 15. Minority Interests

The proportion of shareholders' equity held by minority shareholders of JSC Vetropack Gostomel equals 16.0% (2011: 16.1%).

## 16. Gross Revenue

Consolidated revenue increased 2.5% above the previous year. Foreign exchange differentials account for a decrease of 1.4%. Therefore real organic revenue growth amounts to 3.9%. Vetropack Group consists of two business areas: glass packaging and specialty glass.

Revenue Breakdown	Change		2011	2012
	Previous Year	Current Year		
CHF millions				
Glass Packaging				
- Switzerland	- 8.8%	- 9.3%	90.7	82.3
- Austria	- 3.2%	- 0.1%	188.5	188.4
- Czech Republic	- 14.4%	8.5%	74.5	80.8
- Croatia	- 9.9%	- 4.5%	107.9	103.0
- Slovakia	- 16.0%	7.0%	38.4	41.1
- Ukraine	- 7.6%	24.7%	76.8	95.8
Specialty Glass	- 2.3%	3.2%	12.6	13.0
<b>Total</b>	<b>- 8.3%</b>	<b>2.5%</b>	<b>589.4</b>	<b>604.4</b>

## 17. Redemptions and Transport Costs

CHF millions	2011	2012
Transport costs	33.4	33.0
Discounts, deductions and commissions	4.9	5.3
Change in value adjustments for accounts receivables	0.9	- 3.4
Other redemptions	1.3	2.2
<b>Total</b>	<b>40.5</b>	<b>37.1</b>

## 18. Other Operating Income

CHF millions	2011	2012
Materials and energy sales	3.9	2.7
Ancillary services	0.8	0.6
Real estate management income	1.1	1.1
Internally produced additions to plant and equipment	3.6	2.7
Supplier commissions	0.4	1.3
Allocations disposal fees	0.5	0.7
Other income	0.1	3.1
<b>Total</b>	<b>10.4</b>	<b>12.2</b>

## 19. Cost of Raw Materials and Merchandise

CHF millions	2011	2012
Raw materials	86.8	87.1
Merchandise	11.6	10.8
<b>Total</b>	<b>98.4</b>	<b>97.9</b>

## 20. Personnel Expenses

CHF millions	2011	2012
Wages and salaries	97.2	99.1
Social benefits	23.9	24.3
Other personnel expenses	3.2	6.1
<b>Total</b>	<b>124.3</b>	<b>129.5</b>

## Employee Headcount

	Change		31.12.2011	31.12.2012
	Previous Year	Current Year		
Switzerland	- 3.8%	1.4%	282	286
Austria	2.3%	3.7%	621	644
Czech Republic	1.8%	- 0.2%	461	460
Croatia	0.7%	1.0%	587	593
Slovakia	- 1.7%	1.1%	351	355
Ukraine	- 1.9%	- 1.0%	669	662
<b>Total</b>	<b>- 0.1%</b>	<b>1.0%</b>	<b>2 971</b>	<b>3 000</b>

## 21. Other Operating Expenses

CHF millions	2011	2012
Maintenance and repairs	25.4	31.4
Moulds	17.3	17.5
Packaging material	26.4	26.7
Other administrative and operating expenses	41.5	41.2
<b>Total</b>	<b>110.6</b>	<b>116.8</b>

## 22. Financial Results

CHF millions	2011	2012
Interest income	2.5	1.6
Interest expenses	- 1.9	- 1.2
Currency income	- 4.4	- 0.8
Other financial income	0.4	0.5
<b>Total</b>	<b>- 3.4</b>	<b>0.1</b>

## 23. Non-Operating Results

CHF millions	2011	2012
Non-operating real estate income	2.4	2.3
Profit from sale of non-operating real estate	0.0	45.7
Non-operating real estate expenses	- 1.3	- 1.5
Non-operating real estate depreciation / impairments	- 0.5	- 0.5
Other non-operating income	0.1	0.0
<b>Total</b>	<b>0.7</b>	<b>46.0</b>

## 24. Taxes

CHF millions	2011	2012
Ongoing income taxes	16.3	20.7
Deferred taxes	- 2.0	1.9
<b>Total</b>	<b>14.3</b>	<b>22.6</b>

## 25. Investments

Investment Breakdown:

CHF millions	2011	2012
Switzerland	7.3	8.0
Austria	37.0	42.7
Czech Republic	3.8	9.0
Croatia	8.2	31.4
Slovakia	3.1	5.4
Ukraine	10.0	4.3
<b>Total</b>	<b>69.4</b>	<b>100.8</b>

## Other Information

### 26. Fire Insurance

Tangible assets are insured at their replacement value as follows:

CHF millions	31.12.2011	31.12.2012
Buildings	490.5	459.0
Furnaces, machinery and equipment, vehicles and furniture	1 167.9	1 160.2
<b>Total</b>	<b>1 658.4</b>	<b>1 619.2</b>

### 27. Off Balance Sheet Transactions

CHF millions	31.12.2011	31.12.2012
Recourse from drafts	5.0	5.3
Off balance sheet leasing	0.7	0.7
<b>Total</b>	<b>5.7</b>	<b>6.0</b>

Contingent liabilities are stated at their maximum amounts (full sum of liability).

The repayment structure of the off balance sheet leasing liabilities is as follows:

CHF millions	31.12.2011	31.12.2012
Maturity		
- 1 to 2 years	0.3	0.3
- 3 to 5 years	0.5	0.4
- > 5 years	0.0	0.0
<b>Total</b>	<b>0.8</b>	<b>0.7</b>

### 28. Pledged Assets

The following assets' book values are used as collateral to secure bank credits and mortgages:

CHF millions	31.12.2011	31.12.2012
Accounts receivables	9.9	8.3
Marketable securities	0.9	1.1
Real estate	9.7	9.3
<b>Total</b>	<b>20.5</b>	<b>18.7</b>

### 29. Derivative Financial Instruments

As in the previous year there are no derivative financial instruments.

### 30. Transactions with Closely Associated Persons

CHF millions	31.12.2011	31.12.2012
<b>Pension Funds</b>		
Accounts receivables	0.1	0.1
Accounts payables	0.0	0.0
Interest expenses	0.0	0.0
<b>Associated Companies</b>		
Accounts receivables	0.0	0.0
Accounts payables	0.3	0.3
Capitalised services	0.1	0.2
Service income	0.0	0.0
Equity income	0.0	0.0
Glass culets purchasing expenses	- 4.7	- 4.4
Maintenance and repairs expenses	- 0.3	- 0.4
Other service expenses	0.0	0.0
<b>Other Closely Associated Persons</b>		
Accounts receivables	0.0	0.0
Accounts payables	0.1	0.1
Investments in tangible assets	0.3	0.0
Distribution income	0.1	0.0
Packaging material expenses	- 0.8	0.0
Distribution expenses	- 0.1	- 0.7
Service expenses	- 0.3	- 0.7
Interest expenses	0.0	0.0
Tangible assets sales	0.0	0.0

The classification of "Other Closely Associated Persons" includes transactions with the following natural persons and legal entities, irrespective of the Vetropack Company in which they occurred: shareholders with voting rights of more than 20%, BoD members, MB members and all companies that are directly or indirectly controlled by these persons.

Transactions with closely associated persons and companies are handled on the basis of normal market terms and conditions.

### 31. Pension Fund

There exist various pension schemes within the Group, which are based on regulations of their respective countries. In Switzerland, these are contributor funded schemes in accordance with Swiss pension fund law; abroad they are state-guaranteed contribution-based pension schemes. The schemes are financed either through contributions to legally independent institutions and trusts or by registering the pension fund liability in the financial statements of the Group companies.



**Employer's Contribution Reserves** Company Sponsored Pension Funds

CHF millions	2011	2012
Nominal value 31.12.	12.7	12.8
Utilisation waiver 31.12.	0.0	0.0
Other value adjustments 31.12.	0.0	0.0
Discounting effects 31.12	- 3.2	- 3.2
Book value 31.12.	9.5	9.6
Changes	0.2	0.1

CHF millions	2011	2012
Key influential factors		
- Interest effect incl. change in discount rate	0.5	0.5
- Utilisation and other effects	- 0.3	- 0.4
<b>Total Change in Employer's Contribution Reserves</b>	<b>0.2</b>	<b>0.1</b>

**Assets and Liabilities from Pension Funds**

CHF millions	Company Sponsored Pension Funds	Pension Funds with Excess / Deficiency Cover	Pension Funds without Own Assets	Total
Excess / deficiency cover 31.12.2012	4.5	0.0	0.0	4.5
Economic utilisation / liabilities 31.12.2011	0.0	0.0	- 9.1	- 9.1
Economic utilisation / liabilities 31.12.2012	0.0	0.0	- 10.5	- 10.5
Changes 2012	0.0	0.0	1.4	1.4
Contributions restricted to 2012	- 0.1	2.1	0.6	2.6
Pension expenses 2011	- 0.2	2.0	0.5	2.3
Pension expenses 2012	0.0	2.1	1.9	4.0

The values for pension funds of Swiss companies are based on previous years' financial statements, whereby all substantive decisions in the current fiscal year are taken into account.

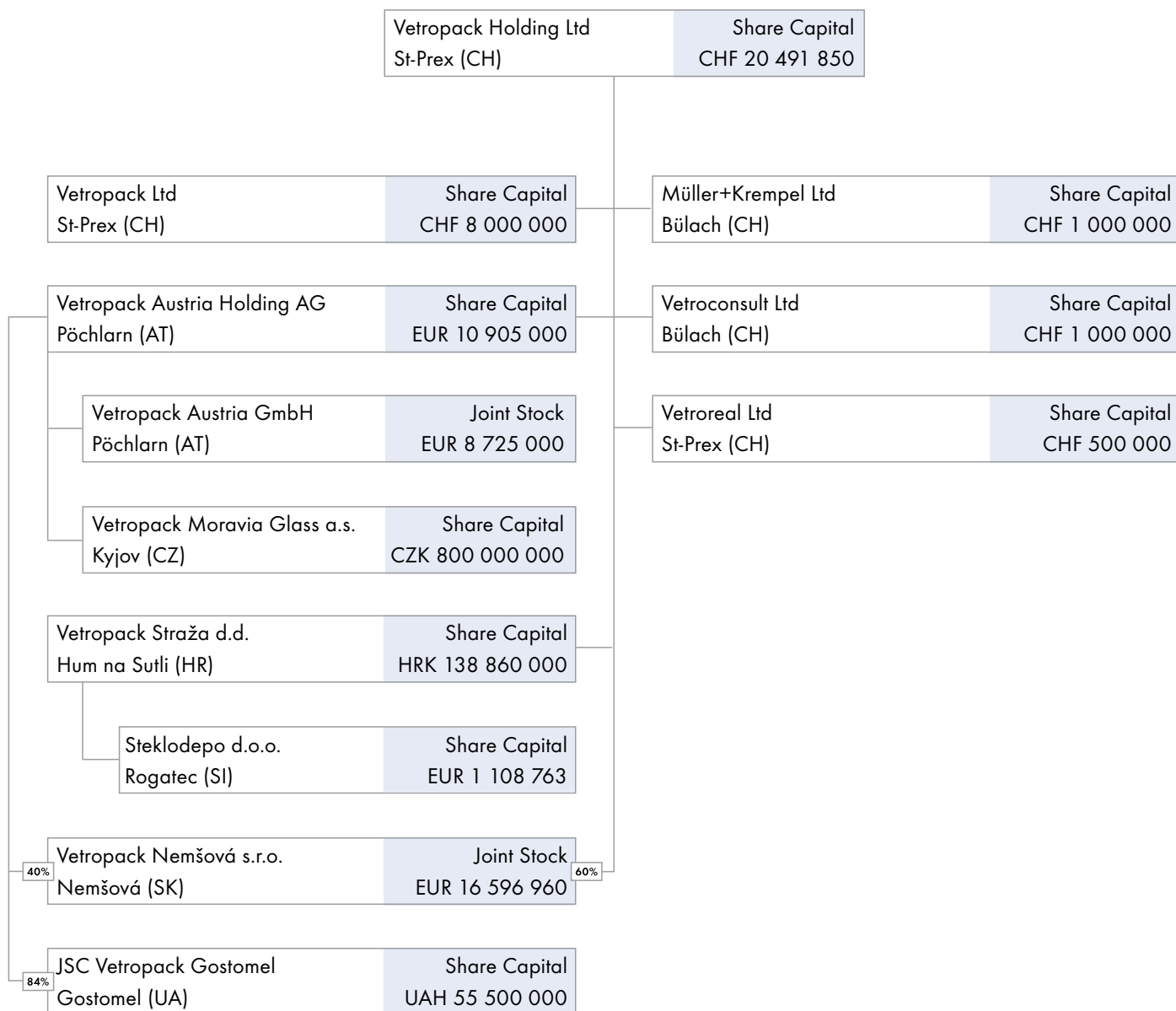
CHF millions	2011	2012
Key influential factors		
- Changes in employer's contribution reserves	- 0.2	- 0.1
- Changes in economic utilisation / liabilities	- 0.1	1.4
- Pension fund contributions	2.6	2.7
<b>Total Pension Fund Expenses</b>	<b>2.3</b>	<b>4.0</b>



**Jiřina Blatová:** Ecological ideas and actions are important to me. In my own daily life as well as at work. Energy efficiency and conserving resources are a matter of course for the Vetropack Group. It is therefore a pleasure for me to monitor compliance with the approved emission standards for glass production. For the sake of the environment. I take responsibility for this.

Jiřina Blatová is an environmental engineer and works at the Czech Vetropack plant in Kyjov.

## Ownership Structure



## Company Participations

Company	Domicile	Currency	Share Capital	Share	Consolidation	Owner
Switzerland						
Vetropack Holding Ltd	St-Prex	CHF	20 491 850		K	the public
Vetropack Ltd	St-Prex	CHF	8 000 000	100%	K	VPH
Vetroconsult Ltd	Bülach	CHF	1 000 000	100%	K	VPH
Vetro-Recycling Ltd	Bülach	CHF	100 000	100%	K	VPH
Müller + Krempel Ltd	Bülach	CHF	1 000 000	100%	K	VPH
Vetoreal Ltd	St-Prex	CHF	500 000	100%	K	VPH
Austria						
Vetropack Austria Holding AG	Pöchlarn	EUR	10 905 000	100%	K	VPH
Vetropack Austria GmbH	Pöchlarn	EUR	8 725 000	100%	K	VAH
Austria Glas Recycling Ges.m.b.H.	Wien	EUR	50 000	50%	E	VPA
Czech Republic						
Vetropack Moravia Glass a.s.	Kyjov	CZK	800 000 000	100%	K	VAH
Croatia						
Vetropack Straža d.d.	Hum na Sutli	HRK	138 860 000	100%	K	VPH
Straža-Imo d.o.o.	Hum na Sutli	HRK	855 031	25.1%	E	VST
Slovenia						
Steklodepo d.o.o.	Rogatec	EUR	1 108 763	100%	K	VST
Slovakia						
Vetropack Nemšová s.r.o.	Nemšová	EUR	16 596 960	60/40%	K	VPH/VAH
Ukraine						
JSC Vetropack Gostomel	Gostomel	UAH	55 500 000	*84.0%	K	VAH

K = Fully consolidated companies

E = Equity method

VPH = Vetropack Holding Ltd

VAH = Vetropack Austria Holding AG

VPA = Vetropack Austria GmbH

VST = Vetropack Straža d.d.

\* During the year under review the Group's stake increased from 83.9% to 84.0%

As per 31<sup>st</sup> December 2012



**Andrea Sigrist:** *The internal control system (ICS) is an important management tool for the Vetropack Group and a significant component of our corporate governance. Through internal controls and inspections, we ensure that we achieve our goals in the areas of processes, information, asset protection and compliance. Systematic internal controls are necessary to ensure that the ICS remains up-to-date and effective. We need a transparent and neutral evaluation. I take responsibility for this.*

*Andrea Sigrist is a controller and is responsible for the Vetropack Group's ICS. She works for Vetropack Holding Ltd in Bülach.*

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Vetropack Holding Ltd, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 28 to 53), for the year ended 31 December 2012.

**Board of Directors' responsibility.** The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility.** Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion.** In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

**Report on other legal requirements.** We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zürich, 20 March 2013, Ernst & Young Ltd

Markus Oppliger  
Licensed audit expert (Auditor in charge)

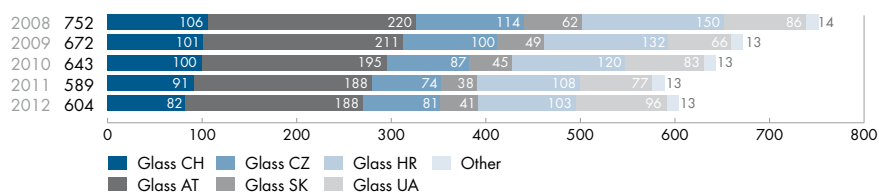
Christian Krämer  
Licensed audit expert

## Five Year Overview

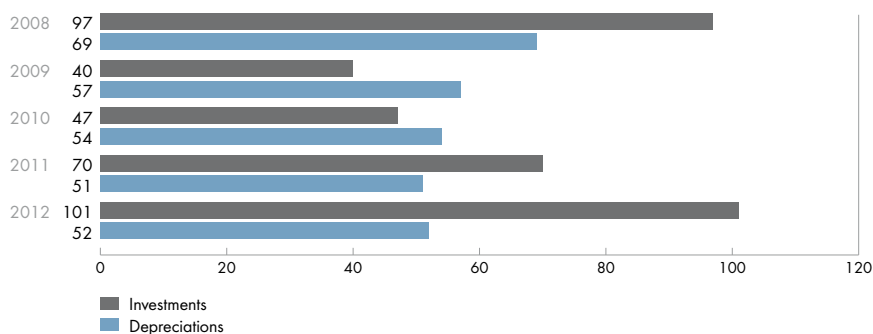
		2008	2009	2010	2011	2012
<b>Consolidated Income Statement</b>						
Revenue	CHF million	752.0	671.5	642.6	589.4	604.4
Change from previous year	%	7.5	- 10.7	- 4.3	- 8.3	2.5
Number of employees	Positions	3 056	3 000	2 975	2'971	3 000
Revenue per employee	TCHF	246	224	216	198	201
Cash flow	CHF million	150.0	137.9	122.6	117.3	98.0
Cash flow as % of gross revenue	%	19.9	20.5	19.1	19.9	16.2
Depreciations/Impairments on tangible assets*	CHF million	69.0	56.7	54.4	50.7	51.9
Taxes	CHF million	18.0	19.0	15.3	14.3	22.6
Net profit	CHF million	78.5	78.4	38.7	59.0	83.6
<b>Consolidated Balance Sheet as per 31.12.</b>						
Investments in tangible assets	CHF million	96.6	39.8	47.2	69.4	100.8
Total assets	CHF million	801.5	804.8	714.7	766.2	771.9
Short-term assets	CHF million	319.4	345.2	315.0	345.3	298.1
Long-term assets	CHF million	482.1	459.6	399.7	420.9	473.8
Liabilities	CHF million	269.5	221.9	168.2	197.1	133.8
Shareholders' equity	CHF million	532.0	582.9	546.5	569.1	638.1
Gearing ratio	%	66.4	72.4	76.5	74.3	82.7

\* This includes amortisation on non-operating real estate and buildings.

## Consolidated Revenues 2008 – 2012 in CHF millions



## Investments and Depreciations 2008 – 2012 in CHF millions





*Sergiy Yacentyuk: After quality control, bottles and wide mouth jars are put on pallets and shrink-wrapped. It is important that the film is always properly positioned and is guided correctly. For not only does it hold the containers together, it also protects them in the warehouses and during transportation. Packing the glass packaging with a machine is one of my duties and I take responsibility for it.*

*Sergiy Yacentyuk looks after the shrink-wrap system at the Vetropack plant in Ukraine.*



## Financial Reporting – Vetropack Holding Ltd

### Balance Sheet

CHF millions	Note	31.12.2011	31.12.2012
<b>ASSETS</b>			
<b>Short-Term Assets</b>			
Liquid assets		52.9	28.4
Accounts receivables from Group companies		65.0	90.6
Other receivables and accruals	1	1.4	1.0
<b>Sub Total Short-Term Assets</b>		<b>119.3</b>	<b>120.0</b>
<b>Long-Term Assets</b>			
Tangible assets		0.4	0.3
Participations	2	79.9	79.9
Loans to Group companies		112.3	125.5
<b>Sub Total Long-Term Assets</b>		<b>192.6</b>	<b>205.7</b>
<b>Total Assets</b>		<b>311.9</b>	<b>325.7</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
<b>Short-Term Liabilities</b>			
- Financial debts		38.1	0.0
- Accounts payable to third parties	3	4.0	1.4
- Accounts payable to Group companies		3.1	22.6
- Provisions		0.9	1.5
<b>Long-Term Liabilities</b>			
- Provisions		0.1	0.0
<b>Sub Total Liabilities</b>		<b>46.2</b>	<b>25.5</b>
<b>Shareholders' Equity</b>			
Share capital	4	20.5	20.5
General legal reserves		28.6	28.6
Legal reserves from capital investments		0.3	0.3
Free reserves		117.9	148.0
<b>Profits</b>			
- Retained earnings brought forward from previous year		55.9	54.0
- Annual profit		42.5	48.8
<b>Sub Total Shareholders' Equity</b>		<b>265.7</b>	<b>300.2</b>
<b>Total Liabilities</b>		<b>311.9</b>	<b>325.7</b>

## Income Statement

CHF millions	Note	2011	2012
<b>Income</b>			
Dividends and other income from Group companies	5	50.8	53.6
Interest and financial income		4.6	4.9
Other income		0.5	0.5
<b>Total Income</b>		<b>55.9</b>	<b>59.0</b>
<b>Expenses</b>			
Personnel expenses	6	7.1	8.0
Interest and financial expenses	7	3.1	2.9
Provisions and depreciation	8	- 5.8	- 9.9
Other operating expenses		8.1	7.9
Income taxes		0.9	1.3
<b>Total Expenses</b>		<b>13.4</b>	<b>10.2</b>
<b>Annual Profit</b>		<b>42.5</b>	<b>48.8</b>

## Notes

### 1. Other receivables and accruals

CHF millions	31.12.2011	31.12.2012
Reclaimable tax payments	0.4	0.6
Accruals	0.9	0.4
Other receivables	0.1	0.0
<b>Total</b>	<b>1.4</b>	<b>1.0</b>

### 2. Participations

For details concerning the listing of Vetropack Holding Ltd's direct or indirect shareholdings refer to page 53.

### 3. Accounts Payable to Third Parties

CHF millions	31.12.2011	31.12.2012
Suppliers	0.9	0.2
Deferrals	1.0	1.0
Other liabilities	2.1	0.2
<b>Total</b>	<b>4.0</b>	<b>1.4</b>

### 4. Share Capital

For details concerning this position, refer to note 14 of Vetropack Group's financial statements.

### 5. Dividends and Other Income from Group Companies

In addition to dividend income from subsidiaries this position also contains income generated from brand licences, as well as from services rendered by the Holding company.

### 6. Personnel Expenses

As per 31.12.2012 Vetropack Holding Ltd employed 31 individuals (2011: 32).

## **7. Interest and Financial Expenses**

This position contains unrealised currency losses on intercompany loans and cash holdings amounting to CHF 1.1 million (2011: CHF 3.1 million).

## **8. Changes in provisions and depreciations**

This position includes the renewal of a debt waiver of CHF 10.0 million in relation to a Group company. The previous year includes the liquidation of value adjustments no longer required on participations in the amount of CHF 6.0 million.

## **Additional Information**

### **9. Fire Insurance Value**

The value of fixed assets insured against fire equalled CHF 2.1 million (2011: CHF 1.6 million).

### **10. Risk Assessment**

The risk assessment was carried out at Group level. For the definition of principle of risk assessment, please refer to Corporate Governance section.

### **11. Joint Liability**

In the framework of VAT group taxation, all affiliated Swiss companies within the Vetropack Group are solitarily liable for total debt owed to the federal tax authorities.

### **12. Disclosure in Accordance with Swiss Obligations Code 663b<sup>bis</sup>**

For information concerning the process by which remuneration levels are defined refer to the Corporate Governance section.

## Board of Directors' (BoD) Remuneration

Only cash benefits were paid to members of the BoD in 2012. During the year under review, no shares, options, loans, additional fees and emoluments, severance payments nor remuneration of any other kind were disbursed neither to members of the BoD, former members of the BoD, nor persons closely associated with them.

in CHF					
	Cash	Social Security Contributions	FAK/Administrative Costs	Total Social Security Contributions	Total
<b>2011 BoD Remuneration</b>					
Hans R. Rüegg, Chairman	109 789	4 789	1 116	5 905	115 694
Richard Fritschi, Vice-Chairman	80 000	5 000	960	5 960	85 960
Claude R. Cornaz, CEO	52 715	2 715	633	3 348	56 063
Pascal Cornaz, Board Member	53 333	3 333	640	3 973	57 306
Werner Degen, Board Member	51 803	1 803	420	2 223	54 026
Rudolf W. Fischer, Board Member	53 333	3 333	640	3 973	57 306
Jean-Philippe Rochat, Board Member	53 333	3 333	640	3 973	57 306
<b>Total</b>	<b>454 306</b>	<b>24 306</b>	<b>5 049</b>	<b>29 355</b>	<b>483 661</b>
<b>2012 BoD Remuneration</b>					
Hans R. Rüegg, Chairman	115 060	5 060	1 120	6 180	121 240
Richard Fritschi, Vice-Chairman	82 667	5 167	942	6 109	88 776
Claude R. Cornaz, CEO	55 351	2 851	631	3 482	58 833
Sönke Bandixen, Board Member	56 000	3 500	638	4 138	60 138
Pascal Cornaz, Board Member	56 000	3 500	638	4 138	60 138
Rudolf W. Fischer, Board Member	56 000	3 500	638	4 138	60 138
Jean-Philippe Rochat, Board Member	56 000	3 500	638	4 138	60 138
<b>Total</b>	<b>477 078</b>	<b>27 078</b>	<b>5 245</b>	<b>32 323</b>	<b>509 401</b>

## Management Board's (MB) Remuneration

During the year under review, no shares, options, loans, additional fees and emoluments, severance payments nor remuneration of any other kind were disbursed neither to members of the MB, former members of the MB, nor persons closely associated with them.

in CHF					
	Basic Salary	Bonus	Pension/ Social Security Contributions	Payments in Kind	Total
<b>2011 MB Remuneration</b>					
Total for MB	2 100 728	668 737	658 120	40 339	3 467 924
Highest level of remuneration*	606 620	191 678	196 748	4 282	999 328
<b>2012 MB Remuneration</b>					
Total for MB	1 982 267	706 879	682 225	28 653	3 400 024
Highest level of remuneration*	612 080	256 525	215 540	4 282	1 088 427

\* Claude R. Cornaz, CEO

## 13. Disclosure in Accordance with Swiss Obligations Code 663c

The table below lists the number of shares held by members of the BoD and MB as per 31.12.2012. Shares held by closely associated persons are included in the total for the respective individual.

Voting Rights	Registered Shares 2011		Bearer Shares 2011		Registered Shares 2012		Bearer Shares 2012	
	Number	(%)	Number	(%)	Number	(%)	Number	(%)
Hans R. Rüegg	0	(-)	100	(<0.1%)	0	(-)	100	(<0.1%)
Sönke Bandixen*					0	(-)	0	(-)
Pascal Cornaz	5 000	(0.5%)	0	(-)	5 000	(0.5%)	0	(-)
Werner Degen**	0	(-)	20	(<0.1%)				
Rudolf Fischer	0	(-)	10	(<0.1%)	0	(-)	10	(<0.1%)
Richard Fritschi	0	(-)	250	(<0.1%)	0	(-)	250	(<0.1%)
Jean-Philippe Rochat	0	(-)	10	(<0.1%)	0	(-)	10	(<0.1%)
<b>Total</b>	<b>5 000</b>	<b>(0.5%)</b>	<b>390</b>	<b>(&lt;0.1%)</b>	<b>5 000</b>	<b>(0.5%)</b>	<b>370</b>	<b>(&lt;0.1%)</b>
Claude R. Cornaz	1 421	(0.1%)	215	(<0.1%)	1 421	(0.1%)	215	(<0.1%)
David Zak	0	(-)	51	(<0.1%)	0	(-)	50	(<0.1%)
Günter Lubitz	0	(-)	110	(<0.1%)	0	(-)	120	(<0.1%)
Marcello Montisci	0	(-)	0	(-)	0	(-)	0	(-)
Johann Reiter	0	(-)	0	(-)	0	(-)	0	(-)
Dragutin Špiljak***	0	(-)	0	(-)				
<b>Total</b>	<b>1 421</b>	<b>(0.1%)</b>	<b>376</b>	<b>(&lt;0.1%)</b>	<b>1 421</b>	<b>(0.1%)</b>	<b>385</b>	<b>(&lt;0.1%)</b>

\* new member of the Board of Directors since 9 May 2012

\*\* resigned as member of the Board of Directors since 9 May 2012

\*\*\* retired since 31 January 2012

## Board of Directors' (BoD) Proposal for the Corporate Profit Appropriation

The Board of Directors proposes the following appropriation of profits to the annual general assembly of shareholders (AGA):

CHF millions	2011	2012
Retained earnings brought forward from previous year	55.9	54.0
Annual profit	42.5	48.8
Total profit at the disposal of the AGA	98.4	102.8
Dividend distribution of 70% (2011: 70%) of dividend authorised capital	14.4	14.4
Allocation to free reserves	30.0	30.0
Retained earnings	54.0	58.4

Acceptance of this proposal results in the following dividend payments:

in CHF	Gross Dividend	35% Withholding Tax	Net Dividend
Bearer shares CHF 50.00 nominal value	35.00	12.25	22.75
Registered shares CHF 10.00 nominal value	7.00	2.45	4.55

The dividend payment is to be paid to registered shareholders on 21<sup>st</sup> May 2013 via the usual appointed paying agents. Payment to holders of bearer shares is to be made in exchange for coupon number 16 at the Swiss branch offices of the following banks: Banque Cantonale Vaudoise, UBS, Credit Suisse, Zürcher Kantonalbank.



**Mark Isler:** *Our small company belongs to the Vetropack Group and has a great deal of autonomy as an independent Swiss trading house. These two things go hand in hand. As the Managing Director, it is important to me that we all act responsibly because we are reliant on each other, we depend on each other. We are team players and not lone wolves. I take responsibility for ensuring that this remains the case in the future.*

*Mark Isler manages Müller + Krempel Ltd and leads a team of 14 employees.*



## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Vetropack Holding Ltd, which comprise the balance sheet, income statement and notes (pages 58 to 64), for the year ended 31 December 2012.

**Board of Directors' responsibility.** The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility.** Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion.** In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

**Report on other legal requirements.** We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zürich, 20 March 2013, Ernst & Young AG

Markus Oppliger  
Zugelassener Revisionsexperte (Leitender Revisor)

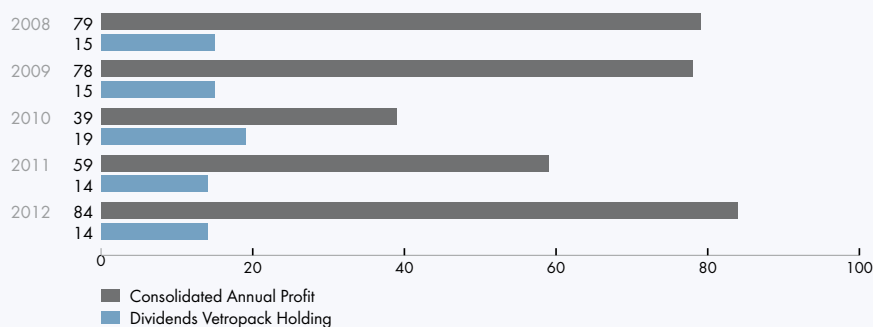
Christian Krämer  
Zugelassener Revisionsexperte

## Five Year Overview

	2008	2009	2010	2011	2012
<b>Income Statement and Balance Sheet (in Mio. CHF)</b>					
Dividends and other income from affiliated companies	90.6	79.9	64.3	50.8	53.6
Net profit	71.7	68.5	37.5	42.5	48.8
Total assets	196.5	248.3	284.6	311.9	325.7
Participations	66.9	66.9	73.8	79.9	79.9
Share capital	21.4	21.2	21.2	20.5	20.5
Shareholders' equity	190.5	239.8	266.5	265.7	300.2
<b>Share Details (in CHF)</b>					
Share prices					
- Bearer share high	2 710	1 860	2 055	1 980	1 875
- Bearer share low	1 180	1 032	1 525	1 296	1 581
Dividends					
- Bearer share	35.00	35.00	45.00	35.00	*35.00
- Registered share	7.00	7.00	9.00	7.00	*7.00
Distribution ratio in %	19.1	18.8	47.7	24.3	17.2

\* This includes capital repayment. Motion for the AGA on 8<sup>th</sup> May 2013.

## Consolidated Annual Profit and Dividends 2008 – 2012 in CHF millions





**Katarína Šlesarová:** The technical testing of the glass packaging at the cold end requires a high level of concentration. While working, I make sure that our customers will only receive flawless products. Although I am supported by state-of-the-art testing machines, the human eye cannot be replaced. My colleagues and I have a lot of responsibility and we take it seriously.

Katarína Šlesarová works as a technical tester at the Slovakian Vetropack plant in Nemšová.

## Corporate Governance

The following explanations contain fundamental information for the Vetropack Group as laid out in the Corporate Governance Guidelines defined by the SIX Swiss Exchange as per 1<sup>st</sup> July 2002, resp. 1<sup>st</sup> January 2007.

### Operational Group Structure

Refer to the illustration on page 82.

### Group Companies

For Shareholdings and their Percentage Breakdowns, refer to the illustration on page 53.

### Capital Structure

For details of the share capital, refer to commentary 14 on page 44. For details of changes in capital structure within the last three years, refer to table "Changes in Consolidated Shareholders' Equity" on page 32. Vetropack Holding Ltd does not issue options on participation rights.

### Dividends

Registered and bearer shares are dividend bearing.

### List of Major Shareholders with Holdings > 3%

	31.12.2011			31.12.2012		
	No. of Registered Shares	No. of Bearer Shares	Voting Rights in %	No. of Registered Shares	No. of Bearer Shares	Voting Rights in %
<b>Cornaz AG-Holding</b>						
Oberrieden	701 546	19 853	64.8	701 686	22 427	65.0
<b>Elisabeth Leon-Cornaz</b>						
St-Prex	56 868		5.1	56 868		5.1
<b>La Licorne Holding SA</b>						
Martigny	50 722		4.6	50 722		4.6
<b>Paul-Henri Cornaz</b>						
Luzern	40 000	648	3.6	40 000	648	3.6

A shareholders' lock-in agreement exists between the shareholders of Cornaz AG-Holding. A shareholders' agreement exists between Cornaz AG-Holding, and the shareholders mentioned above, as well as two further shareholders. The core elements of both agreements are:

- Preparing and drawing up the invitations to the AGA jointly with the CEO.
- Mutual obligation to offer shares to parties to the agreement.



Jean-Philippe Rochat

Rudolf W. Fischer

Richard Fritschi

## Board of Directors (BoD)

### Principles Underlying the Voting Procedure for Members of the Board of Directors and their Terms of Office

Each BoD member is individually elected by the Annual General Assembly of shareholders (AGA) for a period of three years. The BoD constitutes itself and elects from amongst its members a President, a Vice President and one or more Delegates. It also elects a Secretary, who need not be a BoD member.



Claude R. Cornaz

Hans R. Rüegg

Pascal Cornaz

Sönke Bandixen

### **BoD Duties**

The BoD performs its duties as laid out in the Swiss Code of Obligations (CO) 716a items one to five. The BoD Chairman has the following additional main duties:

- Preparing and drawing up the invitations to the AGA jointly with the CEO.
- Drawing up the agenda for BoD meetings, and issuing invitations and relevant documentation jointly with the CEO.
- Chairing the AGA and the BoD meetings.
- Monitoring the implementation of resolutions passed by the AGA and the BoD.
- In urgent cases, the BoD Chairman can conclude transactions that fall within the competence of the BoD by executive decision. Any such actions are communicated in writing without delay to the BoD.

## Respective Areas of Responsibility for the BoD and Management Board (MB)

The duties that the BoD has not reserved to itself as laid out in CO 716a items one to five are delegated to the MB. This means that the MB can act freely within the guidelines laid down by the BoD, but it is also fully responsible for the operational management of the Group.

## Working Methods

In 2012 the BoD exercised its overall supervisory and monitoring role by receiving oral and written reports from the MB at five regular annual meetings, by consulting amongst its members, and by reaching decisions in relation to any motions raised. Ordinary BoD meetings normally last at least four hours. The head auditor was invited to the March meeting to disclose the results of the external audit. Moreover, a two-day strategy meeting was held in August. During the November meeting, the results of the 2012 internal audit were discussed and focal areas were defined for the 2013 internal audit. A further nine annual meetings were held, exclusively involving the BoD Chairman, the CEO, and the CFO. They discussed operational topics, preparations for ordinary meetings, as well as reports from internal audit. The BoD is regularly informed regarding the Group's commercial state of affairs and planning via written Monthly, Semi-Annual and Annual Reports, and receives a planning dossier at both company and Group levels (three year plan). As of 2011 the BoD forms a nomination and compensation committee whose task is to regularly check the BoD and extended MB's remuneration scheme. If necessary they will make adjustments and recommend concrete compensation proposals for the members of the BoD and the CEO to the entire BoD for resolution. The committee takes independent decisions regarding the remuneration of the extended MB. In addition, the committee prepares the medium and long term human resources planning for the members of the BoD and the MB. The committee is formed of the following members: Rudolf Fischer (Chairman), Richard Fritschi and Claude R. Cornaz. The term of office is a period of one year and the members are elected by the entire BoD. The committee had a session in November 2012. With the exception of this compensation committee, the BoD forms no committees.

## Risk Assessment

Vetropack Holding Ltd utilises a risk management system that enables the identification, early recognition, and analysis of risks in order for the company to take appropriate action. The system's scope includes strategic, operational, financial, and compliance risks. It covers not only Vetropack Holding Ltd's risks, but also the key risks of its subsidiaries.

All systematically identified risks are listed according to rank. This risk ranking system is formulated from a risk probability matrix. Management is actively involved in drawing up annually the matrix and in keeping it up to date. During the year under review, the Board of Directors dealt with the topic of risk assessment in its August meeting.

## BoD Members

	Position	Nationality	Appointed	Elected till
Hans R. Rüegg	Chairman, non-executive	CH	1993	Mai 2015
Richard Fritschi	Vice-Chairman, non-executive	CH	2005	Mai 2015
Claude R. Cornaz	Delegate, executive	CH	1998	Mai 2015
Sönke Bandixen	Member, non-executive	CH	2012	Mai 2015
Pascal Cornaz	Member, non-executive	CH	2009	Mai 2015
Rudolf W. Fischer	Member, non-executive	CH	2000	Mai 2015
Jean-Philippe Rochat	Member, non-executive	CH	2006	Mai 2015

The reelection of each individual elected member was held at the 2012 ordinary AGA, and is valid from fiscal years 2012 - 2014.

**Hans R. Rüegg** (1946, Rüti ZH)

Dipl. El. Ing., ETH, Zürich, Switzerland/MBA, University of Florida, Gainesville, USA

- 1983 - 1993 Delegate of the BoD, Baumann Federn AG, Rüti, Switzerland
- 1993 - 2011 Chairman and Delegate of the BoD, Baumann Federn AG, Rüti, Switzerland
- 2005 - present Chairman of the BoD, Vetropack Holding Ltd
- 2011 - present Chairman of the BoD, Baumann Federn AG, Rüti, Switzerland

Governing Mandates: Vice-Chairman, Dätwyler Holding AG, Altdorf, Switzerland / Chairman of the Audit Committee, Dätwyler Holding AG, Switzerland

**Richard Fritschi** (1960, Oberrieden ZH)

Dipl. Commercial Controller, SIB; Zürich, Switzerland

- 1979 - 1985 Various functions for Luwa SA, in Zürich, Switzerland and England
- 1985 - 1987 Project Controller, Airchal-Luwa SA, Paris, France
- 1987 - 1991 Head of Finance and Administration, Isolag AG, Zürich, Switzerland
- 1991 - 1999 Head of Finance, Allo Pro / Sulzer Orthopädie, Baar / Winterthur, Switzerland
- 1999 - 2001 Head of Sales, Sulzer Orthopädie/Sulzermedica, Winterthur, Switzerland
- 2001 - 2003 President Europe / Asia / South America, Sulzer Orthopädie / Sulzermedica, Winterthur, Switzerland
- 2003 - 2005 President Europe / Australasia, ZIMMER, Winterthur, Switzerland
- 2006 - 8/2011 CEO, Ypsomed AG, Burgdorf, Switzerland
- 9/2011 - present Executive Director of Biodenta Holding Corp., Taipei/Taiwan

Governing Mandates: Chairman, Biodenta Schweiz AG and Member of Biodenta Corp., Taiwan / Chairman, Cornaz AG-Holding, Oberrieden, Switzerland / Chairman Bibus Holding AG, Fehraltorf, Switzerland / BoD Member, Fromm Holding AG, Cham, Switzerland

**Claude R. Cornaz** (1961, Bülach ZH)

Dipl. Mechanical Engineering, ETH / BWI, Zürich, Switzerland

- 1987 - 1989 Management Services Contraves AG, Zürich, Switzerland
- 1989 - 1993 Project Engineer, Nestec in Vevey Switzerland and Thailand
- 1993 - 1999 Head of Corporate Development and Head of Technology & Production Vetropack Group
- 1996 - present MB Member, Vetropack Group
- 1/2000 - present CEO of Vetropack Holding Ltd

Governing Mandates: Member, Bucher Industries AG Niederweningen, Switzerland / Vice-Chairman, H. Goessler AG, Zürich, Switzerland / Vice-Chairman, Cornaz AG-Holding, Oberrieden, Switzerland / Member of Glas Trösch Holding AG, Bützberg, Switzerland

Offices: BoD Member of the European Federation for Glass Packaging (FEVE), Brussels, Belgium / Chairman of the Swiss Packaging Institute (SVI), Bern, Switzerland



**Sönke Bandixen** (1957, Stein am Rhein SH)

Dipl. Mechanical Engineer, ETH Zürich, Switzerland, Harvard Business School, USA

- 1984 - 1993 Various functions for SIG AG, as of 1990 MB Division Packaging Machines, Neuhausen am Rheinfall, Switzerland
- 1994 - 1996 Vice President Marketing, Cosatec AG, Dübendorf, Switzerland
- 1997 - 2003 CEO Division Door Systems, Kaba Holding AG, Rümlang, Switzerland
- 2004 - 2007 Partner, AMC Account Management Center AG, Zürich, Switzerland
- 2007 - 2010 CEO, Orell Füssli Holding AG, Zürich, Switzerland
- 2010 - 2011 Self-employed Management Consultant
- 2012 - present CEO, Landert Motoren AG, Bülach, Switzerland

Governing Mandates: Axon Active AG, Lucerne, Switzerland

Offices: Member Advisory Board, CGAM Center for Global Account Management, HSG St. Gallen, Switzerland

**Pascal Cornaz** (1971, Les Paccots FR)

Dipl. Purchaser, Switzerland

- 1995 - 2005 Various functions in technical customer support, purchasing, and logistics, Switzerland
- 2005 - 2007 Member of the Executive Board of Giovanni Holding SA, Clarens, Switzerland
- 2008 - 2011 Member of the Executive Board and Head of Customer Service of Ginox SA, Clarens, Switzerland
- 2012 - present Member of the Executive Board, Diamcoupe SA, Cheseaux s. Lausanne, Switzerland

**Rudolf W. Fischer** (1952, Walchwil ZG)

PhD. Economics. publ., University of Zürich, Switzerland

- 1982 - 1991 Various management positions in HR and Trade Marketing, Jacobs Suchard, Switzerland and Belgium
- 1991 - 1994 CEO Jockey (Switzerland), Uster, Switzerland part of the Austrian Huber Tricot Group (91 & 92), and Hanro AG, Liestal (93 & 94), Switzerland
- 1994 - 1995 Partner Björn Johansson Associates, Executive Search, Zürich, Switzerland
- 1/1996 - present Group Management Member, responsible for HR and Training Schindler Lifts + Escalators, Ebikon, Switzerland
- 3/2012 - present BoD Member full-time of Schindler Holding Ltd, Member of the Supervisory and Nomination Committee, Member of Compensation Committee, Switzerland

Governing Mandates: Chairman of the Supervisory Board Schindler Deutschland GmbH, Germany

**Jean-Philippe Rochat** (1957, Lausanne VD)

Lic. iur. Law, University of Lausanne, Switzerland

1980 - 1984	Publicitas Ltd, Lausanne, Bern and Basel, Switzerland
1984 - 1985	Fiduciaire Fidinter Ltd, Lausanne, Switzerland
1985 - 1987	Legal internship in Geneva, Switzerland
1987 - 1989	Lawyer, Pfyffer, Argand, Troller & Associates, Geneva, Switzerland
1989 - 2007	Partner Lawyer at Carrard, Paschoud, Heim et Associés, Lausanne, Switzerland
2008 - present	Partner Lawyer at Carrard et Associés, Lausanne, Switzerland

Governing Mandates: Chairman, Beaulieu Exploitation SA, Lausanne, Switzerland /Member, PKB Privatbank, Lugano, Switzerland / Member, Investissements Fonciers SA - La Foncière, Lausanne, Switzerland / Member, Vaudoise Holding SA, Lausanne, Switzerland

Offices: Member of the Strategy Council "Chambre Vaudoise du Commerce et de l'Industrie" (CVCI), Lausanne, Switzerland / Honorary consul of Finland in Lausanne, Switzerland

Members of the BoD for Vetropack Holding Ltd do not sit with other BoD members on the boards of other listed companies, nor are there any business relationships between the BoD members and Vetropack Holding Ltd. Six BoD members (Sönke Bandixen, Claude R. Cornaz, Richard Fritschi, Rudolf W. Fischer, Jean-Philippe Rochat and Hans R. Rüegg) also act as directors of other listed companies as set out on pages 72 to 75 of this report.

**MB Members**

	Position	Nationality	Appointed
Claude R. Cornaz	CEO	CH	1.5.1993
David Zak	CFO	CH	1.5.2002
Günter Lubitz	GM Technology and Production	DE	1.6.2003
Johann Reiter	GM Business Division Switzerland / Austria	AT	1.11.2010
Marcello Montisci	GM Marketing/Sales/Production Planning	IT	1.3.2005

**Claude R. Cornaz** (1961)

Dipl. Mechanical Engineer, ETH / BWI, Zürich, Switzerland

1987 - 1989	Management Services, Contraves AG, Zürich, Switzerland
1989 - 1993	Project Engineer, Nestec in Vevey Switzerland and Thailand
1993 - 1999	Head of Corporate Development for Technology and Production, Vetropack Group
1996 - present	MB Member, Vetropack Group
1/2000 - present	CEO of Vetropack Holding Ltd

**David Zak (1965)**

BSc., Business Administration, Boston University, Boston, USA

- 1989 - 1997 Various international Finance and Management positions within the ABB Group, including Controller for ABB Holding AG, Zürich, Switzerland  
Vice-Chairman, ABB s.r.o., Prague, Czech Republic
- 1998 - 2002 CFO, Studer Professional Audio AG, Regensdorf, Switzerland
- 5/2002 - present CFO, Vetropack Holding Ltd / MB Member, Vetropack Group

**Günter Lubitz (1953)**

Dipl. Engineer, Glass and Ceramics Engineer, University of Duisburg, Duisburg, Germany

- 1977 - 1985 Management Positions as Production Engineer and Head of Production within the German glass packaging industry
- 1985 - 1988 Production Manager and Technical Director at Bangkok Glass Industry, Bangkok, Thailand
- 1989 - 2003 Technical and Works Manager at various glass packaging companies in Germany
- 6/2003 - present Head of Technology and Production for the Vetropack Group / MB Member, Vetropack Group

**Johann Reiter (1960)**

Dipl. Industrial & Mechanical Engineer, HTL, Kapfenberg, Austria

- 1976 - 2010 Diverse functions at Böhler Edelstahl GmbH & Co KG, Kapfenberg, Austria, including business area manager for freeform forge and casting parts
- 11/2010 - present GM Business Division Switzerland / Austria MB member, Vetropack Group

**Marcello Montisci (1954)**

PhD., Electrical Engineer, University of Rome, Italy, MBA, Università Commerciale Luigi Bocconi, Milan, Italy

- 1980 - 1985 Technical Sales, VARIAN, Turin, Italy
- 1985 - 1991 Various management functions, AXIS Spa, Florence, Italy  
Including four years in the USA
- 1991 - 2001 Commercial Director, AVIR Spa, Milan (O.I.), Italy
- 2001 - 2005 MD, United Hungarian Glass, (O.I.), Oroshaza, Hungary
- 3/2005 - present Head of Marketing/Sales/Production Planning, Vetropack Group
- 2/2006 - present MB Member, Vetropack Group
- 2006 - 2009 Division Head, Czech and Slovaak Republics, Kyjov

There are no management agreements between Vetropack Holding Ltd and companies, nor individuals outside the Group.

## Remuneration, Shareholdings and Loans

Content and Method of Determining Remuneration: The BoD exercise their discretionary authority to determine the principles underlying their own remuneration concept, including salary bands, as well as that of the MB.

The remuneration level allocated to BoD members is determined by the BoD as a whole, within the framework of the remuneration concept. Only fixed cash benefits are paid. No share nor option plans exist.

The remuneration level allocated to MB members is determined to a basic remuneration level reflecting the responsibility borne by an individual, there is a variable performance related component of up to 60% of basic remuneration, which is based on the results of the business unit and/or the Group.

Remuneration is not made in the form of shares, options, nor loans. It is determined by the Nomination and Compensation Committee (NCC) on the basis of the process set out on page 72. Details relating to remuneration and disclosure, as specified in CO Art. 663b<sup>bis</sup> and 663c, can be found on pages 62 and 63.

## Shareholders' Participation Rights

Voting Rights, Voting Rights Restrictions and Representation: Each registered or bearer share has one voting right. There is no representation restriction in respect of bearer shares. Registered shares can only be represented by other holders of registered shares (persons or legal entities).

Statutory Quorums: The Articles of Association of Vetropack Holding Ltd specify only the statutory requirements as laid out in Articles 703 and 704 of the Code of Obligations.

Convocation of the AGA: The invitation is issued at least 20 days prior to proposed date of the assembly. Within the invitation the shareholders are informed of business items to be negotiated during the assembly, as well as motions proposed by the BoD, and by shareholders who have demanded that a given business item be placed on the agenda. Extraordinary General Assemblies (EGAs) are convened as necessary and as defined by legal precedent. Shareholders representing at least one tenth of total share capital can demand convocation of an EGA at any time.

Composition of the Agenda for the AGA: Shareholders who represent shares with a nominal value of CHF 1,000,000 can demand that a business item is placed on the agenda. This request must be submitted in writing to the Chairman of the BoD at least 40 days prior to AGA.

Transfer Provisions: There are no ownership nor transfer restrictions for registered or bearer shares. Transfers of registered shares must be reported to the Shareholders' Office of Vetropack Holding Ltd.

Registrations in the Share Register: For the voting right to be exercised, registration must take place at least 20 days prior to the AGA.

Changes of Control and Defence Measures: There is no statutory regulation in relation to "opting-out" nor "opting-up". There are no clauses on changes of control in favour of members of the BoD nor the MB.

## Auditors

Mandate: Ernst & Young Ltd have been auditors for Vetropack Holding Ltd since 1995. The head auditor has been responsible for the auditing mandate since 2006. The head auditor is changed every seven years.

Fees: During the year under review, Ernst & Young invoiced Vetropack Group the sum of CHF 0.3 million for auditing services regarding accounts of individual Group companies as well as consolidated accounts. Ernst & Young also invoiced CHF 0.01 million for services relating to auditing activities. Some of the Group companies are audited by other auditors.

Supervisory and Control Instruments Vis-à-Vis the External Auditors: At the ordinary November meeting, the entire BoD reviews the scope and key aspects of the external audit, including key aspects for auditing the internal control system of the current year. At the ordinary March meeting all BoD members are informed of audit results both in writing (Auditor's Report, Group Auditor's Report, Management Letter, Explanatory Notes) and verbally (the lead auditor attends the BoD's March meeting). In February, the main points and results of audits carried out at subsidiaries are also discussed with auditors at the ordinary meetings of the governing body of each subsidiary. A member of the BoD is present at these meetings. With the help of the above-mentioned information sources, the BoD annually assesses both the statutory auditors' and group auditors' performance and independence during the March meeting. The BoD annually analyses the development of external audit costs (multiple year comparison).

## Information Policy

Vetropack Holding Ltd Provides Information Through the Following Channels: Annual Report, Annual Press Conference, Annual General Assembly, and Semi-Annual Report. Current information is available via the company's website at [www.vetropack.com](http://www.vetropack.com).

Press releases are published under the "News" header. ([http://www.vetropack.com/htm/presse\\_list\\_3.htm](http://www.vetropack.com/htm/presse_list_3.htm)) Under the "Investor Relations" header ([http://www.vetropack.com/htm/investorrel\\_3.htm](http://www.vetropack.com/htm/investorrel_3.htm)) key figures, financial agenda, news subscription, articles of association, minutes of the last AGA and contact information are published.

By registering for the newsletter (push mail), one automatically receives an e-mail directing to newly released investor relations information pages on the company's website. ([http://www.vetropack.com/htm/newsletter\\_3.htm](http://www.vetropack.com/htm/newsletter_3.htm))

## Contact Address

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**Đurđica Lipohar:** Taking responsibility comes as naturally as breathing. It is just part of everyday life and is nothing out of the ordinary. My sense of responsibility also extends to my work, as well as to the people I work with. As shift leader, I also take specific responsibility for the work plans and the careful execution of individual tasks. My own, and those of my colleagues, since I am also responsible for them.

Đurđica Lipohar is shift leader at the cold end and works at the Vetropack Straža plant in Croatia.



Christoph Burgermeister

Günter Lubitz

Elisabeth Boner

Claude R. Cornaz

Marcello Montisci



Gregor Gábel

Inge Jost

Andriy Girnyk

Tihomir Premužak

Johann Reiter

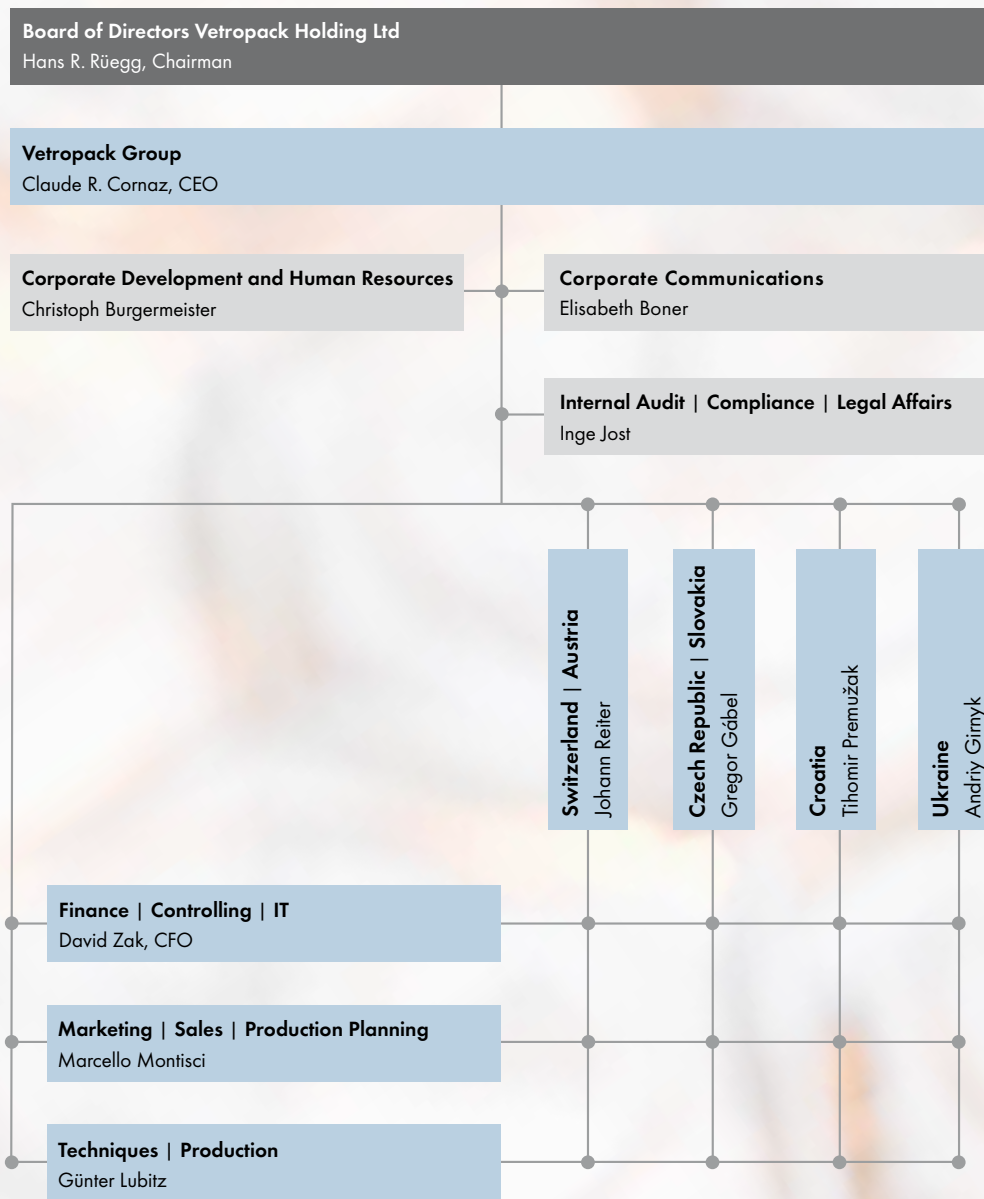
David Zak

## Organisation

Extended Group Management as per 1<sup>st</sup> January 2013



## Organisation as per 1<sup>st</sup> January 2013



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**Group Management Board**

Claude R. Cornaz, CEO

David Zak, CFO

Günter Lubitz

Johann Reiter

Marcello Montisci

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**Finance, Controlling and IT**

David Zak

- Shared Service Centre Switzerland Christian Trösch

- Group Controlling and Accounting Adriano Melchiorretto

- IT Bruno Hennig

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**Marketing, Sales and Production Planning**

Marcello Montisci

---

**Techniques and Production**

Günter Lubitz

---

**Corporate Development and Human Resources**

Christoph Burgermeister

---

**Corporate Communications**

Elisabeth Boner

---

**Internal Audit, Compliance, Legal Affairs**

Inge Jost

---

**Business Division Switzerland/Austria**

Johann Reiter

**Marketing + Sales** Herbert Kühberger

- Switzerland Christine Arnet

- Austria Herbert Kühberger

- Export Europe West Leopold Siegel

**Finance + Administration** Eduard Steininger

**Logistics** Helmut Artacker

**Techniques** Knut Ludwig

- St-Prex Plant Philippe Clerc

- Pöchlarn Plant Franz Kendl

- Kremsmünster Plant Knut Ludwig

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**Business Division Czech Republic/Slovakia**

Gregor Gábel

**Marketing + Sales** Dana Švejcarová

- Czech Republic Dana Švejcarová

- Slovakia Zuzana Hudecová

- Export Europe East Vlastimil Ostrezi

**Logistics** Jaroslav Mikliš

---

**Kyjov Plant**

- Production Antonín Pres

- Techniques Miloš Kostýlek

- Finance Milan Kucharčík

---

**Nemšová Plant**

- Production Roman Fait

- Techniques Miroslav Šebík

- Finance Eva Vanková

---

**Business Division Kroatien**

Tihomir Premužak

**Marketing + Sales** Darko Šlogar

**Logistics** Josip Debeljak

**Finance** Marija Špiljak

**Personnel + IT** Damir Gorup

**Production** Josip Šolman

**Techniques** Velimir Mrkus

---

**Business Division Ukraine**

Andriy Girnyk

**Marketing + Sales** Sergey Isaenko

**Logistics** Vladimir Lysenko

**Finance** Nataliia Bukreieva

**Controlling** Andriy Konoval

**Personnel** Viktor Sytnikov

**Production** Oleksandr Voznyuk

**Techniques** Mikola Marchenko

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**Group Companies**

Vetroconsult Ltd Günter Lubitz

Müller + Krempel Ltd Mark Isler

Vetoreal Ltd Hans Fahrni

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**Radek Lípový:** The hot end is really a beginning: the red, glowing, precise amount of molten glass quickly drops into the glass blowing machine to take its final shape as a bottle or wide mouth jar. Then it continues its journey on a conveyer belt to cool off. Seamless interaction is crucial for efficient industrial production. And I take responsibility for this at the hot end.

Engineer Radek Lípový is responsible for the hot end at the Czech Vetropack plant.

## Vetropack – Our Glassworks

St-Prex Plant  
Switzerland



Pöchlarn Plant  
Austria



Kremsmünster Plant  
Austria



Kyjov Plant  
Czech Republic



Nemšová Plant  
Slovakia



Hum na Sutli Plant  
Croatia



Gostomel Plant  
Ukraine



**Published by**

Overall Responsibility and Concept

Vetropack Holding Ltd, Bülach

Design: Arnold & Braun Grafik Design, Lucerne

Photography: Emanuel Ammon, Daniel Meyer, Lucerne

Printing: Kalt-Zehnder-Druck AG, Zug

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**Vetropack Straža d.d.**  
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Phone +385 49 326 326  
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