ANNUAL REPORT | 2005

VETROPACK HOLDING LTD

vetropack

Summary

2005 AT A GLANCE

		2005	2004	+/–
Gross revenues	CHF millions	519.8	485.4	7.1%
EBIT	CHF millions	61.8	55.5	11.4%
Annual profit	CHF millions	50.9	41.7	22.1%
Cash flow	CHF millions	97.2	84.7	14.8%
Production	1 000 metric tons	907	866	4.7%
Unit sales	billions	3.57	3.31	7.9%
Exports		41.7%	38.7%	–
Employees		2 405	2 639	– 8.9%
Investments	CHF millions	50.7	72.2	– 29.8%

Agenda

2006	Annual General Assembly (Bülach)	10th May 2006	11:15
	Semi Annual Report	1st Sept. 2006	
2007	Press Conference (Bülach)	21st March 2007	10:15
	Annual General Assembly (St-Prex)	9th May 2007	11:00

Board of Directors' Report

DEAR SHAREHOLDERS:

The Vetropack Group further strengthened and consolidated its market position and earnings power during the 2005 fiscal year. Turnover and income developed well and the balance sheet is solid. Through an upturn in consumer behaviour, the business environment in the packaging sector also improved, despite massive rises in energy prices and their associated cost increases and decline in purchasing power. In the wake of economic reforms and poor harvests experienced in some areas during the previous year, demand for glass packaging rose markedly in the Eastern European markets. In contrast, the packaging industry in Western Europe, which continues to suffer from overcapacity, was confronted with excessive inventory levels. The economic necessity to keep production running at full capacity led to increased price pressure in the sector. Such pressure also made itself felt in the bordering Central European markets.

Our strategy of expanding into the Eastern European economic area, while maintaining our position as the market leader in countries where we have production facilities, remains the right strategy for the Vetropack Group. Its implementation continues: In the Czech and Slovak Republics, as well as the countries of former Yugoslavia, Vetropack was able to strengthen its market position markedly. Moreover, shortly after the 2005 fiscal year end Vetropack acquired a 75% majority shareholding in Gostomel Glass Factory, Ukraine's leading glassworks. Thereby Vetropack managed to gain access to yet another significant Eastern European growth market. With a market volume of over 2.4 billion units of glass packaging, Ukraine generates an above average growth rate compared to European norms. With this new acquisition, Vetropack can further strengthen its position as an effective and internationally active supplier to major customers who are increasingly looking to Eastern Europe for growth opportunities. In acquiring the new glassworks in Ukraine, Vetropack has taken yet another important strategic step towards achieving its planned market position in Central and Eastern Europe.

In operational terms, the Vetropack Group has affirmed itself very well in a challenging environment. The sales targets were met overall, thus permitting full utilisation of all production facilities. It was possible to strengthen the Group's earnings power further. During the year under review, a program to cut costs and increase productivity was implemented both precociously and consistently. Hence, it enabled us to offset some of the upward cost pressure resulting from price hikes in energy, raw materials and packaging material.

The Vetropack Group's current earnings power is the result of a clear strategy that was consistently implemented by the board of directors and management over the past years. Shareholders have benefited from this developmental increase in share price. Over the past three years the price of Vetropack shares has outperformed both the SPI Index and SSCI Index (Vetropack registered shares +201%, SPI +79%, SSCI +119%).

During the annual general assembly on 10th May 2006, we will propose setting the dividend distribution for the past year at 32% of the nominal value. Accordingly dividend payments will be increased from CHF 14.00 to CHF 16.00 per bearer share and from CHF 2.80 to CHF 3.20 per registered share.

As a result of incorporating Vetropack Gostomel within the Group, the board of directors expects to see a clear rise in production volumes during the 2006 fiscal year. Organic growth will essentially depend on the robustness of the economic environment as well as developments in the energy market. During the course of 2006 and 2007, Vetropack will replace a total of five furnaces coupled with distinct technical improvements. This is part of an extensive investment program intended to take full account of burgeoning demand in Eastern Europe and rising energy prices. The investments, approved by the board of directors for 2006, are essential if Vetropack is to continue improving its cost effectiveness and productivity in coming years and derive maximum benefit from market growth.

On behalf of the members of the board of directors, I would like to thank all customers who have chosen Vetropack as supplier. I would also like to thank all our business partners for their constructive cooperation, and all our staff for their unfailing hard work. Their competence and commitment are key factors in our market success. The positive results for the 2005 fiscal year demonstrate that our goals were consistently put into practice. Special thanks to the management team for their constructive collaboration with the board of directors. I would also like to thank our shareholders for their financial support and their trust in our shared future.

The statutory term of office for the board of directors expires during the 2006 annual general assembly. All current members are available for re-election for a further three year term, with the exception of Mr Jean-Claude Gisling, who will be leaving the board due to reaching the mandatory retirement age. The board of directors proposes Mr Jean-Philippe Rochat from Epalinges as his successor. On behalf of the board of directors, the group executive board and the shareholders, I would like to take this opportunity to give cordial thanks Mr Gisling for his valuable contribution to Vetropack Holding Ltd, as a board member since 1988, and as its Vice-Chairman since 1998.

St-Prex, 15th March 2006

Hans R. Rüegg
Chairman of the Board

CEO's Report

The Vetropack Group achieved commendable growth in both revenues and income during 2005 fiscal year. Revenues rose to CHF 519.8 million, therefore overshooting the previous year's value by 7.1%. Increased exchange rate differentials accounted for 2.1% of that figure, thus in real terms revenues increased by 5.0%. Increased business volumes and rigorous cost cutting measures enabled a 11.4% rise in EBIT to CHF 61.8 million, despite heavy and sustained pressure on margins. Consolidated profit rose by 22.1% to CHF 50.9 million (2004: CHF 41.7 million). Cash flow, at CHF 97.2 million, showed a 14.8% increase over the previous year (2004: CHF 84.7 million), and represents 18.7% of consolidated group revenues.

Vitalised Demand

During the year under review, the economic environment in Vetropack's key national markets improved, activating a rise in demand for glass packaging. This in conjunction with the Group's own marketing efforts enabled increased business volumes and ensured that production capacity was fully utilised. Unit sales of 3.6 billion were up 7.9% on the previous year's total. All Group companies outside Switzerland recorded improved figures over the previous year in their domestic markets. The improvement was particularly pronounced in Eastern Europe where there remains a high level of pent-up demand. Exports, as a proportion of overall revenues, concurrently rose to 41.7% (2004: 38.7%). This is primarily a result of our intensified marketing efforts in the countries of former Yugoslavia.

Despite increased demand, competitive and pricing pressures remained enormous. This reflects continuing overcapacity in the sector, especially in Germany where structural changes in retail trade and in bottling cause concern for the future. Certain glass manufacturers have resorted to aggressive price cutting in an effort to sustain output. The consequences were most severely endured by Vetropack in Switzerland. Given that our plants were working to full capacity, we could opt to waive certain contracts where competitors had undercut prices to an extent that left the margins unattractive.

Substantial Income Growth

The enormous cost increases in raw materials, and energy in particular, impinged on our production costs. Vetropack managed, nonetheless, to sustain its operational earning power. At 11.9% the EBIT margin sustained last year's satisfactory levels. Alongside the growth in sales volumes, the main contributory factors included disciplined streamlining of operational costs, as well as targeted investments within the manufacturing plants, making sustained improvements in energy efficiency possible. Thanks to the replacement of three furnaces and the simultaneous introduction of modern melting technologies during the previous year, it was possible to reduce the specific energy consumption per ton of molten glass in 2005. In addition, and in contrast to both the previous year and the current year, only one glass furnace was temporarily shut down for repair purposes.

Solid Balance Sheet
The consolidated balance sheet sum rose to CHF 627.5 million (2004: CHF 564.2 million). At 58.0% the proportion of fixed assets was down from the previous year end (2004: 61.7%). The higher level of liquidity and the reduction in the debt burden brought the level of external funding down to 38.1% (2004: 41.8%). The percentage of equity rose accordingly to a satisfactory 61.9% (2004: 58.2%). Net debt at year end was CHF 54.6 million (2004: CHF 98.7 million).

The improvement of the free cash flow and the additional liquidity gave us greater financial flexibility, and thus more room to manoeuvre in implementing our strategy.

Investments
A substantial share of investments went towards rotational furnace replacement. As a rule the operational cycle of a furnace is eight to ten years. Having replaced three furnaces during the previous year it was necessary to revise only one in 2005, namely the flint glass furnace at the Pöchlarn plant.

Replacing a furnace normally also means adjusting its peripheral infrastructure. In preparation for the replacement of the green glass furnace in St-Prex during the first quarter of 2006, substantial operational and constructional investments were already undertaken in 2005. As a measure to reduce logistics costs, two new warehouses were built on site and were put into operation at the end of 2005.

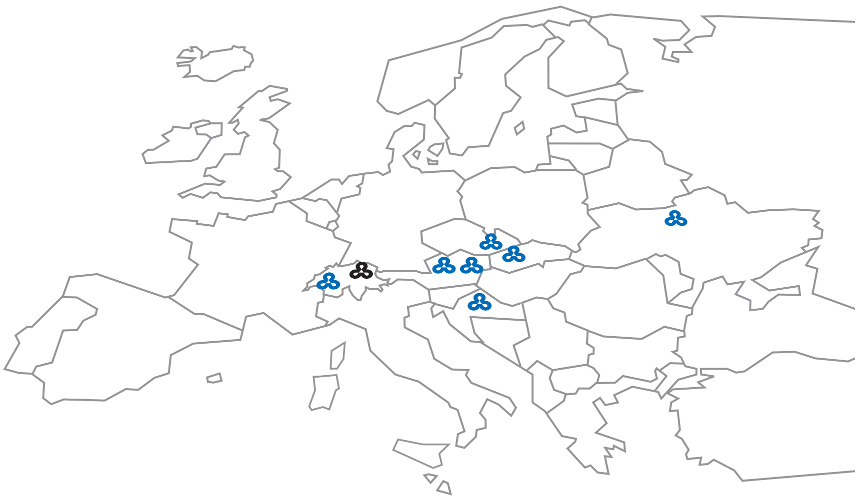
In addition to the furnace replacement in St-Prex, the Vetropack Group also plans to refurbish three more furnaces in 2006. In Kremsmünster, cyclical repairs will be made to the flint glass furnace. As planned, a second regenerative furnace will be built in the Slovak plant. Its preparation necessitated extensive market research and detailed technical planning in 2005. Furthermore, alongside negotiations for the acquisition of the Ukrainian facility, plans for upgrading one its four furnaces were conducted.

Improved Cost Efficiency
When renewing purchasing contracts for both raw materials and energy in 2005, we were confronted with massive price increases. In the face of competitive pressures, we were constricted in our ability to fully offset these increases in a timely manner through our own pricing policy. Within the past two years, gas and oil prices have doubled on the international market. Price increases of these dimensions oblige us to endeavour to the highest efficiency and productivity. During 2005, Vetropack finalised preliminary measures for improving earnings power and implemented them rigorously to good effect. Concurrently the potential for synergies between the Group's two neighbouring glass factories in the Czech and Slovak Republics was strengthened even further. The mould making division employing 35 individuals at the Slovakian plant was sold. Group-wide production planning, taking account of plant specific cost structures and logistics costs was optimised.

The Vetropack Group's total workforce was reduced by 9% to 2,405, during the year under review. Revenues per employee rose from CHF 183,900 to CHF 216,100.

Growth Through Expansion
During the year under review, Vetropack was intensively engaged in analysing the Ukrainian market and preparing for the successful acquisition of the glass manufacturing concern Gostomel Glass Factory in February 2006. The acquisition follows our chosen strategy. It brings growth through expansion, in addition to

organic grown, which is limited to productivity increases. Our approach to expansion follows clear principles set out in our corporate strategy: confining our activities to glass packaging, focusing on neighbouring regions with above average growth potential and assessing companies with a solid base in their own home markets for potential acquisition.



In contrast to the modest economic developments of Western Europe, most of the transition countries find themselves on a steep growth curve. Their economies, particularly in the still underdeveloped Eastern and Balkan regions, are growing two to three times more quickly than those of their Western neighbours.

The newly acquired Vetropack Gostomel, with its annual output of 175,000 tons (550 million units), is one of Ukraine's leading glass packaging manufacturers. It has a strong market position and a diversified customer base that includes major international beverage producers.

Through a long term investment program, Vetropack intends to participate in this region's strong market growth, while concurrently developing and consolidating the company's market position as a leading glass packaging manufacturer for Ukraine's domestic market.

Promoting Glass Packaging
Retail trade development creates an increasing demand for a variety of diversified packaging. Subsequently packaging is becoming an increasingly important marketing medium used to enhance product sales.

The glass packaging industry has kept a close eye on PET manufacturers' efforts to extend their foothold in the fruit juice and food sectors. Since people are increasingly eating and drinking on the move, and doing so more casually, including during leisure activities, convenient new forms of packaging are increasingly required. The challenge for glass manufacturers is to become more innovative, to make production systems more flexible and to be receptive to new process technologies.

Aware that packaging design is crucially important to leading brands, Vetropack actively assists in the development of new products. Several of the new models developed in 2005 were distinguished in national competitions. Two of which won the coveted Swiss Star special award for packaging design. Since mid 2005 members of our sales force have had access to a database that enables them to advise customers, on the basis of trend surveys, when it is time to consider new packaging design.

In the field of process technology, we are part of a development group and have close contacts with a global market leader of glass moulding machines. We are actively involved in joint projects to reduce weight and increase strength of glass containers, as well as other innovative projects.

To help us meet the increased quality expectations of customers, we have successfully implemented a Group wide "Q-up" project. Furthermore, several of our production lines have been equipped with process control systems and the latest machine inspection technology. The prime concern at all our plants is to meet all our customers' quality requirements at all times.

We know from a number of surveys that most consumers still prefer glass packaging because its unique quality features in terms of product preservation and flavour retention outweigh the advantages of alternative materials.

Ecological Responsibility
Vetropack utilises the latest technologies and places particular emphasis on environmental protection for all its investment plans. We actively contribute to reducing energy consumption and thus minimise environmental damage via, reducing the weight of glass packaging, investing in leading edge melting technologies and promoting glass recycling. Thanks to glass recycling and modern technology, our new furnaces utilise up to 30% less energy than those of older generations, and subsequently cut proportionate NO_X and CO_2 emissions without loss of efficiency.

In Croatia, as well as the Czech and Slovak Republics, where the recycling quotas remain comparatively low, we have worked together with public authorities during 2005 to introduce and develop glass collection services and their associated logistics.

Organistation and Management
Vetropack's national companies and individual facilities are under the authority of local management teams. They speak the local languages, and are knowledgeable regarding the political, economic and cultural conditions of their regions. Through Vetropack Holding's centrally based functions, project specific coaching, and its integrated ISO 9001:2000 certified management system that is implemented in all Group companies, it is ensured that standards are maintained and the corporate culture is promoted throughout the Group.

The Group-wide intranet has been enhanced to improve internal communications. Supported by SAP, the system offers employees rapid access to required information, and facilitates the exchange of information between companies. Decentralised data entry and maintenance provides users with straightforward and rapid access to the latest information and reference documents they require.

Group Management Changes
Mr Ota Horák, who reaches retirement age in April 2006, is to leave the Group management team. When the Group acquired Vetropack Moravia Glass in the Czech Republic in 1991, Mr Horák joined us as its head of finance. In 2001 he took over as head of that subsidiary, and since 2003 he has been in charge of our Eastern division. He played a key role in integrating the Slovakian glass factory acquired in 2002. I would like to thank Mr Horák for his valuable work in furthering the development of our companies in Eastern Europe, and for his committed contribution to the Group management. I wish him all the best in his well earned retirement.

As per 1st February 2006, Mr Marcello Montisci takes over from Mr Horák as head of both Vetropack companies in the Czech and Slovak Republics. Mr Montisci has worked in the European glass packaging industry for nearly 15 years. Since the beginning of 2005, he has been in charge of marketing, sales and production planning with the Vetropack Group. Despite his new line management responsibilities, he will continue in his previous role. Furthermore, our company in Croatia is no longer structured within our Eastern division. As per February 2006, it operates as an independent southern division headed by Mr Dragutin Špiljak. The Board has appointed Mr Montisci and Mr Špiljak to the Group management as per 1st February 2006.

Outlook for 2006

Vetropack's organic growth for the 2006 fiscal year is expected to be lower than it was last year. The temporary standstill of three furnaces for repair at St-Prex, Kremsmünster and Nemšová will reduce added value. Moreover, for the first time the impact of the previous increases in raw materials and energy costs will be felt over the entire fiscal year, whereby further price increases for 2006 have already been announced. However, the integration of the newly acquired Vetropack Gostomel will generate a significant increase in revenues, and its impact on our financial results will be generally positive.

The Board's investment programme for 2006, which provides for additional investment in the Ukrainian plant, as well as the replacement of the three melting furnaces, will have a temporary negative impact on the balance sheet. All investments have been planned to account for future market developments.

Thanks to Our Partners

I thank all employees for their flexibility and their successful commitment to maximising output quality, production efficiency and customer benefit. Theirs was an essential contribution to a fruitful year. Thanks also go to our customers and partners for their close and triumphant cooperation, as well as to our shareholders for the confidence they have shown in us.

Claude R. Cornaz
CEO

Company Reports

VETROPACK LTD (SWITZERLAND)

During the 2005 fiscal year, Vetropack Ltd realised revenues of CHF 86.8 million. Aggressive competition from neighbouring countries and a decline in exports by a leading bottler kept sales of glass packaging in the beer and food sectors below the level of the previous year. In contrast, improved sales figures were achieved in the wine sector, despite an increase in bottled wine imports and the introduction of a legal blood alcohol limit of 0.5 per ml for drivers. Overall, quantitative sales of 518 million units of glass packaging represent a 13% decline on the previous year. Exports accounted for 9.2% of sales.

At the St-Prex facility there was considerable upfront investment in structural and operational preparation for the replacement of the melting furnace. Additionally two supplementary warehouses were built on site. The new furnace, which is scheduled for operation in early May 2006, will allow substantial energy savings, and contribute significantly to the partial offsetting of rising energy and raw materials costs, which are already comparatively high in an international context. The simultaneous reduction of NO_X and CO_2 emissions by up to 30% will enable the St-Prex facility to meet the criteria for exemption from statutory controls on CO_2 output. This sizable investment is thus crucial to Vetropack as it aims to match its foreign competitors on price.

At the fiscal year end of 2005, Vetropack AG employed a workforce of 208 individuals.

Vetropack Switzerland	***2005***	*2004*	*+/–*
Revenues in CHF millions	***86.8***	*92.6*	*– 6.3%*
Unit sales in millions	***518.0***	*597.2*	*– 13.3%*
Exports in unit terms	***9.2%***	*6.4%*	*–*
Production in tons	***87 342***	*88 101*	*– 0.9%*

Domestic Sales 2005 by Market Segment (in unit terms)	
Wine/spirits	*29.3%*
Beer/mineral waters/ carbonated beverages/juice	*48.0%*
Food/dairy	*22.7%*

VETROPACK AUSTRIA GMBH (AUSTRIA)

Vetropack Austria GmbH reported revenues of EUR 121.7 million in 2005, representing an increase of 2.9% over the previous year. Quantitative sales of 1,258 million units of glass packaging, represent an increase of 4.6%.

Sales rose in all segments of the domestic market. The beer segment developed particularly well thanks to increased demand for disposable bottles. In the wine segment, the positive development of the Austrian wine market had advantageous effects on sales. Exports, which accounted for 39% of overall unit sales, showed a modest increase on the previous year. Indeed due to increased activities and price pressure from competitors, lower returns had to be accepted.

During the fiscal year, the flint glass furnace at the Pöchlarn facility underwent scheduled repairs. Thanks to the optimum utilisation of furnace capacity and obtaining its goal of increased revenues, Vetropack Austria further consolidated its earning power. The proportion of cullet in the raw material mixture was further increased at both production facilities.

At the fiscal year end of 2005, Vetropack Austria GmbH employed a workforce of 618 individuals.

Vetropack Austria	**2005**	2004	+/–	Domestic Sales 2005 by Market Segment (in unit terms)	
Sales in EUR millions	***121.7***	*118.3*	*2.9%*		
Unit sales in millions	***1 257.6***	*1 202.5*	*4.6%*	*Wine/spirits*	*22.6%*
Exports in unit terms	***38.5%***	*37.7%*	–	*Beer/mineral waters/*	
Production in tons	***300 870***	*295 869*	*1.7%*	*carbonated beverages/juice*	*52.7%*
1 EUR = CHF	***1.548***	*1.544*	–	*Food/dairy*	*24.7%*

VETROPACK MORAVIA GLASS, A.S. (CZECH REPUBLIC)

In 2005 Vetropack Moravia Glass, a.s. realised revenues of CZK 2,104 million, an increase of 11% over the previous year. Unit sales rose by an impressive 17% to CZK 880 million.

In the core food segment, domestic sales were significantly up as the market recovered from the poor harvests of the previous year. In comparison to the other group companies, Vetropack Moravia Glass realises an above average share of over 50% of its overall unit sales in the food segment. Nevertheless, the most impressive growth was in the beer sector. Through close cooperation with an international brewer currently enlarging its market position in eastern Europe, Vetropack Moravia Glass successfully strengthened its market position in this sector. Despite both furnaces being utilised to capacity, price undercutting tested the wine sector. Consequently sales in this segment fell. Exports levels of 42% correspond to those of the previous year.

During the year under review, Vetropack Moravia Glass further optimised cooperation with its nearby sister plant in the Slovak Republic. The resultant cost savings in production, coupled with a coordinated approach to markets, had positive effects on the company's earning power.

At the fiscal year end of 2005, Vetropack Moravia Glass, a.s. employed a workforce of 495 individuals.

Vetropack Moravia Glass	**2005**	2004	+/–	Domestic Sales 2005 by Market Segment (in unit terms)	
Revenues in CZK millions	***2 104.0***	*1 897.9*	*10.9%*		
Unit sales in millions	***880.0***	*749.8*	*17.4%*	*Wine/spirits*	*9.6%*
Exports in unit terms	***41.7%***	*41.1%*	–	*Beer/mineral waters/*	
Production in tons	***201 386***	*196 391*	*2.5%*	*carbonated beverages/juice*	*37.4%*
100 CZK = CHF	***5.199***	*4.820*	–	*Food/dairy*	*52.9%*

VETROPACK NEMŠOVÁ, S.R.O. (SLOVAKIA)

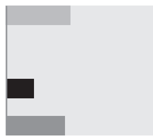
In 2005 Vetropack Nemšová s.r.o. generated revenues of SKK 1,406.5 million, up 24.8% on the previous year. With 413 million units of glass packaging sold, quantitative sales rose by 21.8%. The additional melting capacity of the flint glass furnace that came into operation in late 2004 was fully utilised according to plan.

Domestic demand for packaging glass recovered following a decline in the previous year as a result of reforms. Vetropack Nemšová sustained its position in the core market segments despite, in some cases, heavy pressure from competitors. Exports also showed a healthy improvement, rising to 39% of overall unit sales.

The partial renewal of the production plant in the previous year enabled Vetropack Nemšová to achieve substantial increases in both productivity and earning power during 2005. There was a lasting decline in specific energy consumption; personnel productivity increased significantly, and technical efficiency was improved. The scheduled replacement of the green glass furnace in 2006, which required extensive market research and detailed planning in 2005, will boost productivity still further. The mould construction division with its 35 employees was sold during the fiscal year.

At the fiscal year end of 2005, Vetropack Nemšová, s.r.o. employed a workforce of 380 individuals.

Vetropack Nemšová	***2005***	*2004*	*+/–*	*Domestic Sales 2005 by Market Segment (in unit terms)*	
Revenues in SKK millions	***1 406.5***	*1 126.6*	*24.8%*		
Unit sales in millions	***412.7***	*338.8*	*21.8%*	*Wine/spirits*	*42.8%*
Exports in unit term	***39.0%***	*36.7%*	*–*	*Beer/mineral waters/*	
Production in tons	***102 793***	*88 044*	*16.8%*	*carbonated beverages/juice*	*18.5%*
100 SKK = CHF	***4.012***	*3.856*	*–*	*Food/dairy*	*38.7%*



VETROPACK STRAŽA D.D. (CROATIA)

Vetropack Straža d.d. sustained the healthy growth rate of previous years. At HRK 597.4 million revenues for 2005 were up by 11.3%. Quantitative sales increased by 14% to a total of 927 million units of packaging glass.

Sales growth for the Croatian domestic market was less marked than in its neighbouring countries, where Vetropack Straža consistently expanded its market positioning. Exports as a proportion of overall sales rose accordingly to 66%. The most impressive development was in exports to Serbia, especially in the beer sector where large volumes of reusable glass bottles were replaced by new models. Sales in Macedonia were boosted by the strong performance in fruit juice and wine markets.

Vetropack Straža also realised above average growth in the international brands market. With its five standard colours and the technical capability to produce glass containers in additional colours according to customers' specifications, Vetropack Straža occupies an unparalleled market position in former Yugoslavia. With numerous new developments, Vetropack Straža supports important customers in their brand positioning, and simultaneously fortifies its image as a competent glass packaging producer, as well as maintaining its earning power at high levels.

At the fiscal year end of 2005, Vetropack Straža d.d. employed a workforce of 629 individuals.

Vetropack Straža	***2005***	*2004*	*+/−*
Revenues in HRK millions	***597.4***	*536.9*	*11.3%*
Unit sales in millions	***926.6***	*812.4*	*14.1%*
Exports in unit terms	***65.6%***	*62.9%*	*–*
Production in tons	***215 000***	*197 680*	*8.8%*
100 HRK = CHF	***20.919***	*20.599*	*–*

Domestic Sales 2005 by Market Segment (in unit terms)	
Wine/spirits	*24.7%*
Beer/mineral waters/ carbonated beverages/juice	*63.5%*
Food/dairy	*11.8%*

MÜLLER + KREMPEL LTD

The Bülach based trading house Müller + Krempel Ltd reported revenues of CHF 10.5 million in 2005 (2004: CHF 9.9 million). The revenue breakdown by sector associated 42% to the retail trade, 35% to glass packaging for the food and beverage industry, and 23% to the pharmaceutical and cosmetics industries.

Its takeover of IMPAG Verpackungen AG's business, and its associated commission businesses for well known German packaging manufacturers, enabled Müller + Krempel to further develop its market presence in the pharmaceutical and cosmetics industries. Sales in the food and beverage industry were boosted by rising demand for high grade glass packaging. Business volumes in the retail sector were sustained by targeting new customer groups.

At the fiscal year end of 2005, Müller + Krempel Ltd employed 14 individuals.

Müller + Krempel	*Revenue 2005 by Market Segment*
Retail trade	*41.8%*
Food & beverage industry	*35.1%*
Pharmaceutical & cosmetics industries	*23.1%*

VETROCONSULT LTD

Vetroconsult Ltd is the technical and IT services provider to the group companies. Its major task in 2005 was detailed technical planning for the new energy saving, environmentally friendly melting furnace at the St-Prex plant. Preparation for the new furnace, which is currently being installed, required extensive structural and operational adjustments in 2005. Two of three planned warehouses were also completed and went into service at the end of the year. Scheduled repairs to two furnaces in Austria and support for individual plants' cost-saving, productivity and quality programmes also accounted for a substantial part of Vetroconsult's activities in 2005.

In the IT division, new applications for the analysis of production data and article administration were developed.

In the consultancy division, business was primarily in connection with engineering projects, chiefly for Eastern European glass packaging manufacturers.

At the fiscal year end of 2005, Vetroconsult employed 24 individuals.

Vetroconsult	*Revenue 2005 by Market Segment*
Technical	*46.5%*
IT	*49.5%*
Consultancy	*4.0%*

VETRO-RECYCLING LTD

Vetro-Recycling Ltd supplies the Swiss glass industry with culets. It operates an efficient collection system and supports the glass recycling activities of public bodies and specialist organisations. The company's site in Dagmersellen, which has been redundant since culet processing was concentrated at the St-Prex plant, was sold in 2005.

Vetro-Recycling sold 69% of the culets collected in 2005 to the St-Prex plant for the processing and manufacturing of new glass packaging. The remaining 31% was exported or put to alternative uses. The proportion of culets used in the production of glass packaging in Switzerland was 77% in 2005.

At the fiscal year end of 2005 Vetro-Recycling Ltd employed five individuals.

REFLECTIONS

3200 employees; seven glassworks in six countries producing over 3000 glass tons per day. The oldest working material known to humanity. Our work … Just a packaging material? Just … glass?

RESPONSIBILITY

Viewed rationally, packaging glass has been synonymous with foresight for thousands of years. It preserves non-perishable food products for later consumption. It gives us a sense of certainty about our future. Thus, perhaps the daily handling of a material as ancient as glass affects certain attitudes. However, it takes no great stretch of the imagination to derive a highly contemporary principle from this idea.

Sustainability: Sustainability implies commitment to maintaining resources for future generations. Thus, Vetropack's management always emphasises innovation in this regard, and rightly so. "For us, the principles of sustainable business leadership are self explanatory." However, this is just one side of the coin. This basic corporate culture is supported by broad social consensus, in conjunction with packaging glass.

The key word in this context is recycling. We collect used material to turn it into something new, or to prepare it for reuse. Even now, the most important raw material used for the production of glass is glass itself. We have learned to recycle it without diminishing its quality, thereby preserving our environment from waste.

Glass performs a remarkable service. It conserves the environment without imposing restrictions on us, or limiting its own applications. All it takes is a little attention.

Logically, Vetropack plans to further improve this performance, in cooperation with its customers, in the near future.

PRESERVATION

Preserving the fruits of our labour as carefully as possible, until we want to reuse them is also a mark of respect for the special nature of our work, is it not?

AT THE MARKET PLACE

Just glass? Vetropack offers a series of complementary services: customer marketing support, set requirements analysis, packaging development and optimisation, external partner co-ordination, etc. Thanks to Vetropack's product database, listing all new launches worldwide, in-depth market information is supplied to Vetropack's customers, thereby providing a solid foundation for ideas such as design. Design, including the creation of independent customer specific tailor made packaging, is clearly also one of Vetropack's services.

Tailor Made Glass: Why so much effort? Ultimately where we shop is irrelevant, be it at a supermarket, at an outdoor market, or at a specialist retailer. It is difficult to imagine that objects, painstakingly made, often indeed a labour of love, might be encased in anything other than glass. When we handle a product presented in glass, we know we are handling a high quality product.

Consider this: Is the natural precedence of glass sufficient for our own decision making processes regarding appropriate presentation of our products? Even if glass is per se…

– a distinguishing feature of product identity;
– a vital factor in branding;
– a message supporting marketing communications;
– an effortless integral of every value oriented marketing strategy.

What role would our efforts have on the market, if they depended solely on the material used in packaging, and excluded further ideas?

Thus, Vetropack's approach is enterprising. Vetropack seizes the opportunity to make something special, not despite the features of glass, but due to them.

PERFECTION

Product presentation is a message to the consumer conveying esteem, is it not?

KNOWLEDGE

Knowledge: When one of our senses perceives something in foresight of an impending experience, we unwittingly transfer it to all our other senses. Knowledge is our ability to transform a single stimulus into a comprehensive impression.

For over 3,000 years, glass has proved an ideal material for packaging what it contains; subsequently it is also ideal for all those who use it.

Glass is a chemically inert material. Glass never interacts with its contents or its environment. Glass protects what it encloses. Its contents, regardless of what they may be, remain unaltered for long periods.

So what does this mean for our experience with glass? What do we expect when we see a glass with food, or when we hear someone putting a bottle down on a marble tabletop?

Pleasure: Let us dwell on this thought a while, and deepen it with some rather less obvious perceptions. On the one hand, we realise that pleasure does not derive strictly from contents, which benefit from the technical properties of glass. It also derives from the inherent aesthetics of glass, through the cool elegance that differentiates it from any other material.

On the other hand, our experience leads us into the realm of philosophy. The transparency of glass implies honesty and openness. We trust that food and beverages packaged in glass will remain as they were at the time of filling. Thus, glass as a packaging material, not only expresses our feelings, it also elicits them. **Trust.**

What if we question ourselves about meaning? What experience could be more conceivable than one that centres on trust?

EXPERIENCE

Expectations are in fact much more than the hope of repeating a known experience. However, expectations require a foundation, implying a promise of quality. Do they not?

VETROPACK GROUP

Financial Reporting

CONSOLIDATED BALANCE SHEET

In CHF millions	Notes	31.12.2005	31.12.2004
ASSETS			
Current Assets			
Liquid assets	1	66.0	35.2
Receivables from sales of products and services	2	86.5	73.0
Other receivables	3	21.0	12.6
Materials and finished goods	4	87.8	93.4
Accrued items	5	2.3	1.7
Sub Total Current Assets		263.6	215.9
Fixed Assets			
Tangible assets	6	348.1	340.4
Financial assets	7	15.8	7.9
Sub Total Fixed Assets		363.9	348.3
Total Assets		627.5	564.2
LIABILITIES			
Liabilities			
Current liabilities			
– Suppliers		37.2	37.7
– Banks		74.2	46.4
– Other liabilities	8	16.2	23.4
– Deferred items	9	9.2	4.6
– Provisions	10	16.1	10.9
Medium and long-term liabilities			
– Loans and credits	11	58.5	87.5
– Other liabilities		0.2	0.0
– Provisions	12	27.2	24.9
Sub Total Liabilities		238.8	235.4
Minority Interests	13	0.0	0.3
Equity			
Share capital	14	21.4	21.4
Capital reserves		6.5	6.5
Retained profits		309.9	258.9
Consolidated annual profit		50.9	41.7
Sub Total Equity		388.7	328.5
Total Liabilities		627.5	564.2

CONSOLIDATED INCOME STATEMENT

In CHF millions	Notes	2005	2004
Gross Revenue	20	519.8	485.4
Redemptions and transport costs	21	– 43.8	– 40.2
Net Revenue		476.0	445.2
Changes in inventories of finished goods		– 7.8	10.4
Other operating income	22	10.6	11.9
Income		478.8	467.5
Cost of raw materials and supplies		– 88.5	– 95.4
Energy costs		– 67.2	– 60.9
Personnel expenses	23	– 111.1	– 105.7
Other operating expenses	24	– 108.8	– 109.7
Depreciation		– 41.4	– 40.3
Earnings Before Interests and Tax (EBIT)		61.8	55.5
Financial income	25	– 3.1	– 3.6
Operating Earnings After Interest		58.7	51.9
Non-operating income	26	3.4	2.1
Consolidated Profit Before Taxes		62.1	54.0
Taxes	27	– 11.2	– 12.2
Minority interests from Group companies		0.0	– 0.1
Consolidated Annual Profit		50.9	41.7
Consolidated Cash Flow		97.2	84.7

CONSOLIDATED CASH FLOW STATEMENT

In CHF millions	Notes	2005	2004
Cash Flow from Operational Activities			
Consolidated annual profit		50.9	41.7
Minority interests in annual profit from Group companies		0.0	0.1
Depreciation		45.8	40.3
Other non cash items		0.5	2.6
Cash Flow (Earned Income)		97.2	84.7
Changes in working capital		– 6.8	– 6.2
Changes in non interest bearing debt		– 3.2	2.0
Sub Total Operational Cash Flow		87.2	80.5
Cash Flow from Investment Activities			
Investments in fixed assets	28	– 50.7	– 72.2
Changes in other fixed assets		2.3	2.3
Divestments fixed assets	29	11.5	0.7
Sub Total Investment Cash Flow		– 36.9	– 69.2
Cash Flow from Financial Activities			
Dividend Distribution (including minority shares)		– 6.0	– 5.4
Acquisition of minority interests		– 0.3	0.0
Changes in receivable loans & credits		– 12.1	0.0
Changes in liable loans & credits		– 1.2	– 25.4
Changes in other interest bearing debt		0.2	– 1.8
Sub Total Financial Cash Flow		– 19.4	– 32.6
Adjustments for currency and consolidation effects		– 0.1	– 1.0
Total Changes in Cash Flow		30.8	– 22.3

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

In CHF millions	Share Capital	Capital Reserves (Agio)	Retained Earnings	Comulative FX Differentials	Sub Total excl. Minority Share Interests	Minority Share Interests	Total incl. Minority Share Interests
Shareholders' Equity as per 01.01.2004	21.4	6.5	253.2	9.7	290.8	0.3	291.1
Restructuring			– 1.0	1.0	0.0		0.0
Shareholders' Equity as per 01.01.2004 (after restructuring)	21.4	6.5	252.2	10.7	290.8	0.3	291.1
Annual profit			41.7		41.7	0.1	41.8
Foreign exchange differential				1.8	1.8		1.8
Dividends			– 5.3		– 5.3		– 5.3
Revaluation of participation in AGR			– 0.5		– 0.5	– 0.1	– 0.6
Shareholders' Equity as per 31.12.2004	21.4	6.5	288.1	12.5	328.5	0.3	328.8
Effect from change in accounting principles *			7.5		7.5		7.5
Shareholders' Equity as per 01.01.2005 (after restatement)	21.4	6.5	295.6	12.5	336.0	0.3	336.3
Annual profit			50.9		50.9		50.9
Foreign exchange differential				7.8	7.8		7.8
Dividends			– 6.0		– 6.0		– 6.0
Changes due to increase in participation					0.0	– 0.3	– 0.3
Shareholders' Equity as per 31.12.2005	21.4	6.5	340.5	20.3	388.7	0.0	388.7

* These figures are composed of CHF 8.5 million assets from employer's contribution reserves (refer to Note 19, page 34) less the effect of CHF 1.0 million in deferred taxes.

CONSOLIDATION PRINCIPLES

Basis for the Affiliated Group Consolidation Principles

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. In consolidating the closing figures for Vetropack's companies, all material intra-group transactions are eliminated.

Consolidated Group statements are based on the financial statements for the year, and are prepared in accordance with the applicable national laws of each of the companies concerned. They are then unformed according to internal Group valuation and formatting principles. The consolidated 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 the accounting prescriptions set out in the regulations for quoted companies on the Swiss Stock Exchange.

The new Swiss GAAP ARR 16 accounting standard (pension schemes) has been applied to the financial statements for the fiscal year ending 31.12.2005. Accordingly, the restatement of assets as per 01.01.2005 has been booked via shareholders' equity. In the interests of greater transparency, reclassifications were made for provisions and non-operating fixed assets.

Consolidation Scope

In addition to Vetropack Holding's Ltd annual closing statements, the consolidated Group statements comprise of all domestic and foreign subsidiaries in which Vetropack Holding Ltd has a direct or indirect interest of more than 50%. In such cases, the "Full Consolidation Method" is used, i.e. assets, liabilities, expenses and income of the consolidated companies are consolidated 100% and all intra Group transactions (accounts payables and receivables, income and expenses) are eliminated. The number of shares and capital resources owned by minority shareholders is stated separately. In mid 2005 Vetropack Straža d.d. founded a 100% stake in Steklodepo SL d.o.o.

The "Equity Method" is applied if the Group's interest in the consolidated company lies between 20% and 50%. In such a case, the Group's percentage share of the company's net equity is posted in the consolidated balance sheet as a financial asset. The percentage share of its net income is contained in the consolidated income statement. ASRO CZ a.s. was liquidated in 2005 and is thus no longer included in the scope of consolidation. Moreover, as per March 2005 the equity stake in Vetropack Straža d.d. was increased from 99.53% to 100%.

Holdings of less than 20% are posted in the consolidated balance sheet at the cost of acquisition, less any necessary valuation adjustments owing to business operations.

An overview of the companies within the Vetropack Group, and the method used to consolidate them into the Group financial statements, is found on page 39.

Capital Consolidation

Capital consolidation is preformed according to the "Purchase Method". Thereby the acquisition costs of an acquired company are measured against the its net assets in accordance with Group principles at the time of the purchase. Any goodwill paid at the time of the acquisition is charged directly to Group's reserves in the year of the acquisition.

Foreign Currency Conversions

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

– The balance sheet figures are converted according to the exchange rate valid at year end.
– The income statement figures are converted according to the annual average exchange rate.
– The cash flow statement figures are converted according to average and year end rates respectively.

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

VALUATION PRINCIPLES

The companies' financial statements for the individual companies are consolidated into the Group's financial statements, and are valued in accordance to principles that are uniform throughout the Group. The most important valuation methods used are:

Receivables

Receivables arising from the sale of goods and services are valued at their nominal value, less any individual value adjustment made for risk of bad debt, plus an across-the-board adjustment for general credit risk.

Inventories of Raw Materials and Finished Goods

Inventories of raw materials and finished goods are valued at their cost of acquisition or manufacture. If, however, the market price is lower, then this figure is applied instead. Manufacturing costs include the costs of raw materials, individual production costs as well as a portion of allocated general overhead costs. The amounts used for items whose marketability is limited are partially or entirely corrected in accordance with their real loss in value. Inventories of intra-Group deliveries are not assigned an intermediate profit. Discounts are recorded as cost of goods sold reductions.

Fixed and Intangible Assets

Fixed assets encompass property, buildings, furnaces, machinery, production facilities, equipment, vehicles and furniture, which are valued at their cost of acquisition or manufacture, less applicable depreciation. Depreciation is linear over the expected useful life of the asset. The depreciation period for assets listed below is 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
Intangible assets	5 – 10 years

Business items with little value are directly expensed in the income statement upon acquisition. Intermediate profit arising from intra Group asset transfers is eliminated.

Financial Assets

Non consolidated participations are recorded in the balance sheet at their nominal or purchase value. Loans are recorded at their nominal value including any necessary deductions due to adjustments for bad debts. Securities are valued at market prices.

Impairment of Assets

Insofar as there is evidence that the value of an asset has been impaired, a so-called "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

Current liabilities are comprised of debts that are payable within one year. Due dates beyond one year are posted on the balance sheet under medium and long-term liabilities.

Provisions

Provisions are created in order to cover all recognised risks and obligations as per the balance sheet date. They are necessary from a business point of view.

Taxes

All tax obligations, irrespective of their due dates, are set aside. Ongoing income taxes are calculated based on the taxable result. Deferred taxes are calculated based on all temporary differences between the values from the tax balance sheet and the operating values. Tax relevant losses carried forward are only taken into account if it seems that it may actually be possible to offset them against tax. The country specific tax rates are applied when calculating deferred taxes. If there is any change to the tax rates in question, the deferred taxes are adjusted accordingly.

Derivative Financial Instruments

Derivative financial instruments are used to hedge against monetary and interest rates risks. For such transactions, the same valuation principles apply as for the underlying transaction.

NOTES

All figures are in millions of Swiss francs unless otherwise indicated.

1. Liquid Assets

In addition to cash, postal checking and bank account balances, this position also includes short term financial assets.

2. Receivables from Sales of Products and Services

In CHF millions	31.12.2005	31.12.2004
Gross receivables	102.7	87.3
Adjustments in value	– 16.2	– 14.3
Net receivables	86.5	73.0

Receivables of CHF 8.9 million are pledged against bank credit (2004: CHF 6.6 million).

3. Other Receivables

In CHF millions	31.12.2005	31.12.2004
Reclaimable taxes	6.7	7.7
Advance payments	1.2	1.7
Loans to third parties	10.1	0.0
Other receivables	3.0	3.2
Total	21.0	12.6

4. Materials and Finished Goods

In CHF millions	31.12.2005	31.12.2004
Raw and auxiliary materials	22.2	21.7
Semi-finished goods	0.7	0.8
Finished goods, commercial goods	64.9	70.9
Total	87.8	93.4

Inventories valued at CHF 9.7 million were used as collateral to secure bank loans (2004: CHF 11.3 million).

5. Accrued Items

In CHF millions	31.12.2005	31.12.2004
Deferred taxes	1.8	0.4
Other accrued items	0.5	1.3
Total	2.3	1.7

6. Fixed Assets

During the year under review, fixed assets changed as follows:

In CHF millions	* Real Estate & Buildings non-operating	Real Estate & Buildings operating	Furnances Equipment, Production Facilities	Other Fixed Assets	Assets Under Con-struction	Total
Acquisition Costs						
Status as per 01.01.2005	18.6	311.9	571.6	39.5	19.7	961.3
Additions	0.1	2.3	16.2	2.4	29.7	50.7
Disposals	– 5.0	– 1.0	– 32.5	– 1.2	– 0.1	– 39.8
Reclassification	102.4	– 93.8	9.1	– 0.3	– 17.4	0.0
Currency conversion		5.4	13.4	0.5	0.1	19.4
Status as per 31.12.2005	116.1	224.8	577.8	40.9	32.0	991.6
Accumulated Depreciation						
Status as per 01.01.2005	0.0	195.2	393.8	31.9	0.0	620.9
Depreciation 2005	2.0	6.5	30.5	3.1		42.1
Disposals	– 0.3	– 0.9	– 32.0	– 1.2		– 34.4
Reclassification	75.6	– 71.4	– 3.6	– 0.6		0.0
Impairment of assets **	2.3		1.2			3.5
Currency conversion		2.6	8.4	0.4		11.4
Status as per 31.12.2005	79.6	132.0	398.3	33.6	0.0	643.5
Balance Sheet Value						
As per 01.01.2005	18.6	116.7	177.8	7.6	19.7	340.4
As per 31.12.2004	36.5	92.8	179.5	7.3	32.0	348.1

* In order to provide improved transparency, non-operating tangible assets have been redefined Group-wide, appropriate reclassifications made, and their depreciation reported from 2005 onwards under non-operating expenditure.

** The result of the changes in property usage, and the current inability to fully utilise certain buildings and facilities, required book value reassessment of the positions in question. Additionally, value adjustments were made for equipment no longer required in 2006. Therefore a value adjustment (impairment according to Swiss GAAP ARR 20) for this period has been applied and results in an extraordinary write off of CHF 3.5 million (2004: CHF 1.2 million).

In CHF millions	31.12.2005	31.12.2004
Pledges undertaken to secure bank loans and mortgages	9.8	22.6

7. Financial Assets

In CHF millions	Comment	31.12.2005	31.12.2004
Assets from employer's contribution reserves	19	8.6	0.0
Securities		4.0	6.6
Loans to third parties		2.0	0.0
Participations in associated companies		0.6	0.5
Other financial investments		0.6	0.8
Total		15.8	7.9

Securities in the amount of CHF 1.8 million have been pledged for own bank loans (2004: CHF 3.6 million).

8. Other Current Liabilities

In CHF millions	31.12.2005	31.12.2004
Other taxes payable	1.0	6.6
Prepaid recycling fee	5.6	6.0
Advanced payments	0.2	3.3
Salaries	3.7	3.3
Shareholders' current account	0.7	0.3
Other current liabilities	5.0	3.9
Total	16.2	23.4

From 2005 onwards, liabilities from income taxes are to be reported under current provisions.

9. Deferred Items

In CHF millions	31.12.2005	31.12.2004
Unclaimed vacation days and overtime	4.0	0.0
Wages and salaries	0.9	1.4
Energy costs	1.8	1.3
Other deferred items	2.5	1.9
Total	9.2	4.6

From 2005 onwards, accruals for unused vacation entitlement and overtime are to be reported under deferred items (2004: current provisions).

10. Current Provisions

In CHF millions	Income Taxes	Employee Service Anniversaries	Closure of Bülach Plant	Legal Proceedings	Guarantee, Warranty	Other	Total
As per 1.1.2005	0.0	0.8	1.2	3.1	0.0	5.8	10.9
Reclassification	4.0	– 0.6			0.5	– 4.6	– 0.7
Creation	13.4	0.2		1.6	0.9	2.8	18.9
Utilisation	– 12.4		– 0.1		– 0.4	– 0.4	– 13.3
Currency conversion	0.1			0.1		0.1	0.3
As per 31.12.2005	5.1	0.4	1.1	4.8	1.0	3.7	16.1

Provisions for unused vacation entitlement and overtime are to be reported under deferred items. Last year they were reported under other current provisions. Provisions for income taxes are to be reported under current provisions (2004: Other liabilities).

11. Loans and Credits

These comprise of bank loans, mortgages and other borrowings. These medium to long term financial liabilities are due for repayment as follows:

Remaining Duration

In CHF millions	31.12.2005	31.12.2004
1 to 2 years	34.4	45.8
3 to 5 years	16.2	15.9
Over 5 years	7.9	25.8
Total	58.5	87.5

12. Medium and Long Term Provisions

In CHF millions	Deferred Taxes	Employee Service Anniversaire	Pension Related Obligations	Other	Total
As per 1.1.2005	10.4	1.4	11.7	1.4	24.9
Reclassification	0.9	2.8	– 2.6	0.5	1.6
Creation		0.6	0.4	0.3	1.3
Release	– 0.3				– 0.3
Utilisation		– 0.3		– 0.2	– 0.5
Currency conversion		0.1	0.1		0.2
As per 31.12.2005	11.0	4.6	9.6	2.0	27.2

Losses carried forward in the amount of CHF 16.0 million (2004: CHF 19.7 million), which from a current perspective are unlikely to be able to offset against tax, have not been included in the calculation of deferred taxes.

The provisions made for employee service anniversaries contain remuneration due for long term service to the company, as set out in the Employment Regulations. It becomes payable for all employees from the balance sheet date till the relevant retirement date. These provisions are reduced by applying a country specific correction factor for fluctuation, and discounted at the discount rate for the country in question as per the balance sheet date.

For information on pension related obligations, refer to Note 19, page 34.

13. Minority Interests

The proportion of minority interest shareholders of Vetropack Straža d.d. stands at 0.0 % (2004: 0.47%).

14. Share Capital

Share capital remains unchanged since 1997. It is composed as follows:

In CHF millions	Number	31.12.2005	31.12.2004
Bearer shares, CHF 50.– par value	251 438	12.6	12.6
Registered shares, CHF 10.– par value	880 000	8.8	8.8
Total share capital		21.4	21.4

The bearer shares (security number 622 761) are quoted on the Swiss Stock Exchange (Local Caps). With a year end closing price of CHF 872, the stock market capitalisation on bearer shares equals CHF 219.3 million. Each registered and bearer share includes a voting right.

Major shareholders (voting rights >5%)	31.12.2005	31.12.2004
Cornaz Holding Ltd.	60.3%	57.5%
Paul-Henri Cornaz	5.4%	6.1%
Claude Maurice Cornaz	< 5.0%	5.6%
Elisabeth Leon-Cornaz	5.0%	5.9%

15. Fire Insurance

Fixed assets are insured at their replacement value as follows:

In CHF millions	31.12.2005	31.12.2004
Buildings	468.1	439.4
Furnaces, machinery, equipment, vehicles and furniture	855.1	768.2
Total	1 323.2	1 207.6

16. Contingent Liabilities

In CHF millions	31.12.2005	31.12.2004
Recourse liabilities from bills of exchange	4.1	4.5

17. Derivative Financial Instruments

In CHF millions	31.12.2005	31.12.2004
Interest Instruments		
Contractual value	16.1	15.2
Replacement values (off balance sheet)		
– positive		
– negative	– 0.1	– 0.2
Currency Instruments		
Contractual value	0.0	1.5
Replacement values (off balance sheet)		
– positive		0.9
– negative		– 0.1

18. Transactions with Associated Persons

Business relationships with associated persons are handled on the basis of normal market terms and conditions. Essentially, these exclusively consist of transactions vis-à-vis company funded pension plans of the Swiss companies. As per 31.12.2005 there exist loan liabilities of CHF 4.7 million (2004: CHF 5.2 million), which are reported on the balance sheet under loans and credits.

19. Pension Fund

Various pension plans exist within the Group. They are structured in line with the legal regulations in their respective countries. In Switzerland, these are contributor funded plans in accordance with Swiss pension fund law. Abroad they are state guaranteed contribution based pension schemes. The plans are financed either through contributions to legally independent establishments and foundations, or by recording the pension fund liability in the financial statements of the Group companies.

The new Swiss GAAP ARR 16 accounting standards have been applied in the financial statements for the fiscal year ending 31.12.2005. Consequently, the revaluation of assets as per 01.01.2005 has been booked via shareholders' equity.

Employer's Contribution Reserves

In CHF millions	Sponsoring Pension Schemes
Nominal value as per 31.12.2005	12.5
Waiver of usage as per 31.12.2005	0.0
Other value adjustments as per 31.12.2005	0.0
Discount effects as per 31.12.2005	– 3.9
Book value as per 31.12.2005	8.6
Book value as per 31.12.2004	8.5
Change 2005	0.1

Assets & Liabilities from Pension Schemes

In CHF millions	Sponsoring Pension Schemes	Pension Schemes Excluding Surplus/Shortfall	Total
Surplus/shortfall as per 31.12.2005	2.6	0.0	2.6
Economic benefit/obligation as per 31.12.2005	0.0	– 9.6	– 9.6
Economic benefit/obligation as per 31.12.2004	0.0	– 9.2	– 9.2
Change 2005	0.0	0.4	0.4
Contributions to pension schemes 2005	0.0	1.8	1.8
Cost of retirement benefits 2005	0.0	2.2	2.2

The values for pension schemes of Swiss companies are based on the financial statements of the relevant previous years, whereby any substantive decisions in the current fiscal year are also taken into account.

20. Gross Revenues

From 2005 onwards, gross revenues are to include only revenues from the core business of glass production and trading. The consolidated revenue increased 7.1% over the previous year. Monetary influences account for an increase of 2.1%. This represents a 5.0% increase in revenues in real value terms.

Revenues per Business Area

In CHF millions	+/–	2005	2004
Glass packaging			
– Switzerland	– 6.2%	84.4	90.0
– Austria	4.1%	170.9	164.2
– Czech Republic	23.3%	95.9	77.8
– Croatia	11.0%	116.5	105.0
– Slovakia	14.0%	40.7	35.7
Speciality and pharmaceutical glass	6.1%	10.4	9.8
Other *	– 65.5%	1.0	2.9
Total	7.1%	519.8	485.4

* From 2005 onwards, revenues from non-glass activities are to be reported under other operating income or non-operating income.

21. Redemptions and Transport Costs

Redemptions consist primarily of discounts, adjustments, losses on receivables and bad dept provisions. Included in this position are sales of goods from secondary businesses, fees for waste disposal, activation of own performance and services rendered to third parties.

22. Other Operating Income

This category includes the sales of goods from ancillary activities, services provided to third parties, and internally produced and capitalised assets of CHF 0.9 million (2004: CHF 0.7 million). From 2005 onwards, rental income from non-operating property is to be reported under non-operating income.

23. Personnel Expenses

In CHF millions	2005	2004
Wages and salaries	89.8	85.1
Social security payments	19.7	19.8
Other personnel expenses	1.6	0.8
Total	111.1	105.7

Headcount by Country

	+/–	31.12.2005	31.12.2004
Switzerland	– 2.6%	283.2	290.9
Austria	– 1.0%	618.0	624.0
Czech Republic	– 11.1%	495.0	557.0
Croatia	– 6.5%	629.0	673.0
Slovakia	– 23.1%	380.0	494.0
Total	– 8.9%	2 405.2	2 638.9

24. Other Operating Expenses

Other operating expenses include maintenance and repair costs, packaging material, moulds, rent, external personnel, as well as promotional, logistics and administrative expenses. From 2005 onwards, expenditure relating to non-operating property will be reported under non-operating expenses.

25. Financial Results

In CHF millions	2005	2004
Interest income	1.2	2.0
Interest expense	– 4.5	– 6.4
Currency related income	0.5	0.5
Other financial income	– 0.3	0.3
Total	– 3.1	– 3.6

26. Non-operating Results

In CHF millions	2005	2004
Income from non-operating property	3.0	1.8
Profit form the sale of non-operating property	5.4	0.0
Expenditure related to non-operating property	– 0.8	– 0.1
Depreciation / impairment related to non-operating property	– 4.3	0.0
Other non-operating property	0.1	0.4
Total	3.4	2.1

From 2005 onwards, income and expenditure related to non-operating property are to be reported under non-operating income.

27. Taxes

In CHF millions	2005	2004
Income taxes	13.2	10.4
Deferred taxes	– 2.0	1.8
Total	11.2	12.2

28. Investments

Investments in fixed assets have decreased by CHF 21.5 million, or 29.8% over the previous year to CHF 50.7 million. This amount is broken down among the Group's companies as follows:

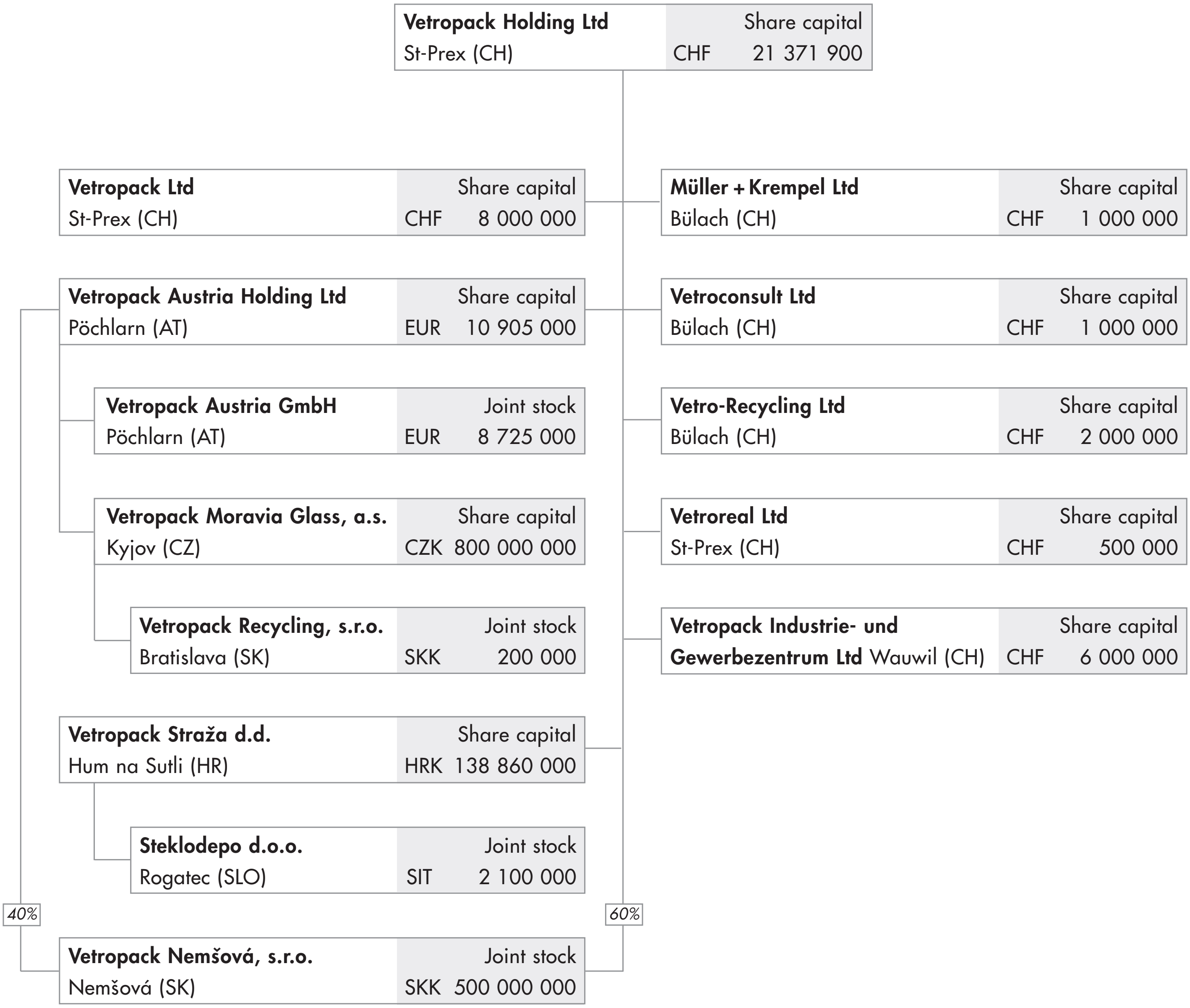
Investments by Country

In CHF millions	2005	2004
Switzerland	13.7	5.2
Austria	21.1	21.8
Czech Republic	3.5	2.8
Croatia	10.5	14.3
Slovakia	1.9	28.1
Total	50.7	72.2

29. Divestments

The return from the divestment in 2005 of tangible assets amounting to CHF 11.5 million (2004: CHF 0.7 million) is essentially the result of the sale of two non-operating properties in Switzerland.

OWNERSHIP STRUCTURE



COMPANY PARTICIPATIONS

Company	Domicile	Currency	Share Capital	Equitiy Interest %	Consoli-dation	Owner
Switzerland						
Vetropack Holding Ltd	St-Prex	CHF	21 371 900		C	Public
Vetropack Ltd	St-Prex	CHF	8 000 000	100	C	VPH
Vetroconsult Ltd	Bülach	CHF	1 000 000	100	C	VPH
Vetropack (International) Ltd	Bülach	CHF	100 000	100	C	VPH
Müller + Krempel Ltd	Bülach	CHF	1 000 000	100	C	VPH
Vetro-Recycling Ltd	Bülach	CHF	2 000 000	100	C	VPH
Vetroreal Ltd	St-Prex	CHF	500 000	100	C	VPH
Vetroreal Industrie- und Gewerbezentrum Ltd	Wauwil	CHF	6 000 000	100	C	VPH
Austria						
Vetropack Austria Holding Ltd	Pöchlarn	EUR	10 905 000	100	C	VPH
Vetropack Austria GmbH	Pöchlarn	EUR	8 725 000	100	C	VAH
Austria Glas Recycling Ges.m.b.H.	Vienna	EUR	50 000	44.5	E	VPA
Czech Republic						
Vetropack Moravia Glass, a.s.	Kyjov	CZK	800 000 000	100	C	VAH
Croatia						
Vetropack Straža d.d.	Hum na Sutli	HRK	138 860 000	100	C	VPH
Straža-Imo d.o.o.	Hum na Sutli	HRK	855 031	25.1	E	VST
Slovakia						
Vetropack Nemšová, s.r.o.	Nemšová	SKK	500 000 000	60/40	C	VPH/VAH
Vetropack Recycling, s.r.o.	Bratislava	SKK	200 000	100	C	VMG
Slovenia						
Steklodepo d.o.o.	Rogatec	SIT	2 100 000	100	C	VST

As per 31st December 2005

C = Fully consolidated companies
E = Equity method

VPH = Vetropack Holding Ltd
VAH = Vetropack Austria Holding Ltd
VPA = Vetropack Austria GmbH
VST = Vetropack Straža d.d.
VMG = Vetropack Moravia Glass, a.s.

GROUP AUDITORS' REPORT

To the General Meeting of Vetropack Holding Ltd, St-Prex:

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, cash flow statement, change in equity and notes presented on pages 22 to 39) of Vetropack Holding AG for the year ended December 31, 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP ARR and comply with Swiss law.

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

Ernst & Young Ltd

Christoph Dolensky	Daniel Zaugg
Swiss Certified Accountant	Swiss Certified Accountant
(Chief Auditor)	

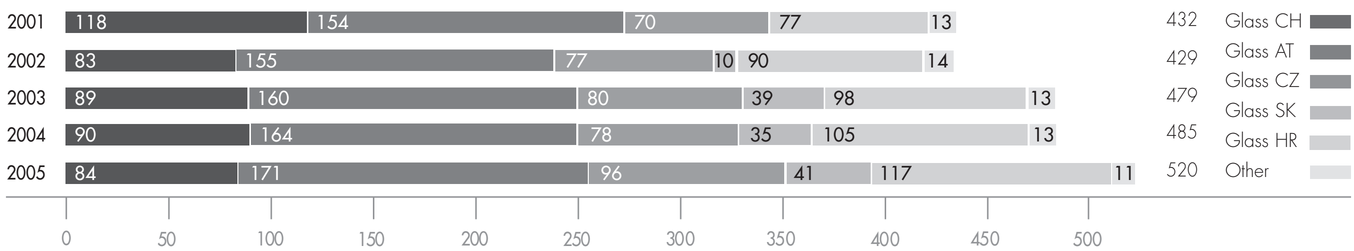
Zurich, 15th March 2006

FIVE-YEAR OVERVIEW

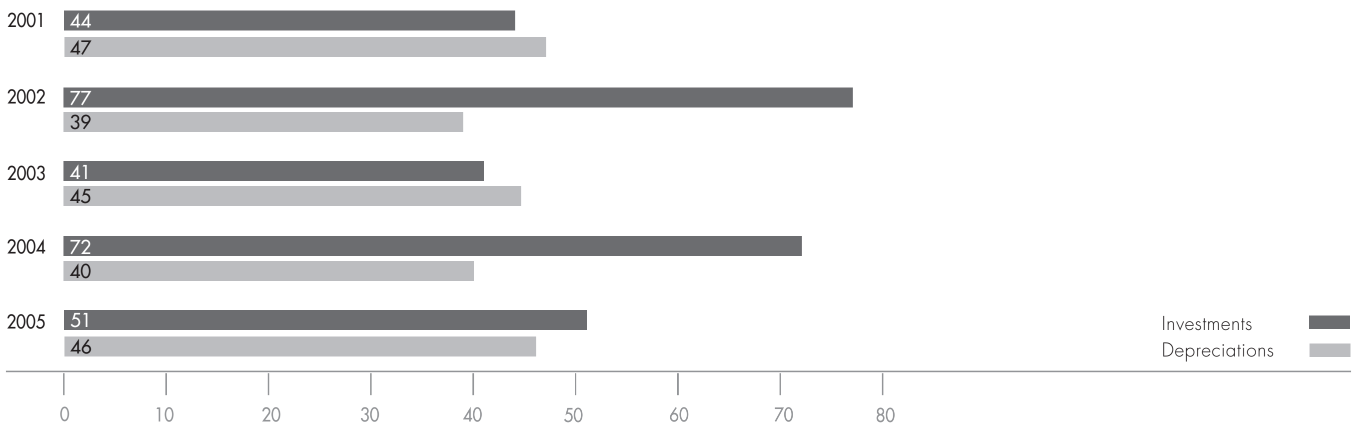
Consolidated Income Statement		2005	2004	2003	2002	2001
Gross revenue	CHF millions	**519.8**	485.4	479.0	428.5	431.6
% Change	%	**7.1%**	1.3%	11.8%	– 0.7%	4.3%
Number of employees	Positions	**2 405**	2 639	2 744	2 806	2 358
Gross revenue per employee	TCHF	**216**	184	175	153	183
Cash flow	CHF millions	**97.2**	84.7	84.4	65.1	56.6
Cash flow as % of gross revenue	%	**18.7%**	17.5%	17.6%	15.2%	13.1%
Depreciation	CHF millions	**45.8**	40.3	44.6	39.3	46.8
Taxes	CHF millions	**– 11.2**	– 12.2	– 12.3	– 10.7	– 5.4
Net profit	CHF millions	**50.9**	41.7	38.9	25.6	11.6

Consolidated Balance Sheet as per 31.12.2004						
Investments in fixed assets	CHF millions	**50.7**	72.2	41.2	77.6	43.6
Total assets	CHF millions	**627.5**	564.2	548.4	512.2	491.2
Current assets	CHF millions	**263.6**	215.9	230.0	200.9	206.5
Fixed assets	CHF millions	**363.9**	348.3	318.4	311.3	284.7
Liabilities	CHF millions	**238.8**	235.4	257.3	265.1	262.8
Minority interests	CHF millions	**0.0**	0.3	0.4	0.3	0.2
Equity	CHF millions	**388.7**	328.5	290.8	246.9	228.2
Equity/Dept Ratio	%	**61.9%**	58.2%	53.0%	48.2%	46.5%

Consolidated Sales 2001–2005 / CHF million



Investments and Depreciation 2001–2005 / CHF million



VETROPACK HOLDING LTD

Financial Reporting

BALANCE SHEET

In CHF millions	Notes	31.12.2005	31.12.2004
ASSETS			
Current Assets			
Liquid assets		30.8	17.4
Receivables from Group companies	1	19.7	18.7
Other receivables	2	0.4	1.1
Sub Total Current Assets		50.9	37.2
Fixed Assets			
Tangible assets		0.1	0.2
Participations	3	78.8	82.6
Loans to Group companies	1	9.5	15.2
Sub Total Fixed Assets		88.4	98.0
Total Assets		139.3	135.2
LIABILITIES			
Liabilities			
Current liabilities			
– Loans and credits	4	10.0	0.0
– Accounts payable	5	2.9	2.5
– Accounts payable to Group companies	1	4.9	6.2
Medium and long-term liabilities			
– Loans and credits	4	0.0	10.0
– Other liabilities	6	4.3	5.0
– Provisions		0.3	0.2
Sub Total Liabilities		22.4	23.9
Equity			
Share capital	7	21.4	21.4
General legal reserve		28.6	28.6
Free reserves		46.5	42.5
Annual profit shown in the balance sheet			
– Retained earnings		8.8	8.3
– Annual profit		11.6	10.5
Sub Total Equity		116.9	111.3
Total Liabilities		139.3	135.2

INCOME STATEMENT

In CHF millions	Notes	2005	2004
Revenues			
Dividends and other income from Group companies	8	23.9	22.4
Interest and financial income		1.8	1.5
Other income		1.0	0.2
Sub Total Revenues		26.7	24.1
Expenses			
Personnel expenses	9	4.9	4.4
Interest and financial expenses		0.4	0.6
Provisions and depreciation	10	4.3	4.1
Other operating expenses*		5.2	4.4
Income taxes		0.3	0.1
Sub Total Expenses		15.1	13.6
Total Annual Profit		11.6	10.5

NOTES

1. Receivables and Liabilities Amongst Group Companies

The changes in the current account and lending relationships reflect the current financial requirements of subsidiaries. Compared to the previous year, the net balance of credits and liabilities was reduced by CHF 3.5 million, to CHF 24.2 million in favour of Vetropack Holding Ltd.

2. Other Receivables

In CHF millions	31.12.2005	31.12.2004
Reclaimable tax payments	0.09	0.19
Loans to third parties	0.09	0.34
Accrued items	0.02	0.06
Other receivables	0.24	0.54
Total	0.44	1.13

3. Participations

The change is attributed to the shareholding position of Vetropack Straža d.d., Hum na Sutli (HR) being increased to 100%, and increased provisions against participations.

The composition of the share capital held directly or indirectly by Vetropack Holding Ltd is shown in the summary on page 39.

4. Financial Debt

Financial debts remained unchanged from the previous year at CHF 100 million. This debt provides financing for the subsidiaries. The financial debt reported under short-term liabilities is due for repayment in 2006.

5. Accounts Payable

In CHF millions	31.12.2005	31.12.2004
Suppliers	0.61	0.73
Payable to shareholders	0.21	0.18
Deferred items	1.11	0.82
Other payables	0.95	0.72
Total	2.88	2.45

6. Other Long Term Liabilities

This position consists of liabilities toward corporate pension fund foundations.

7. Share Capital

Share capital remained unchanged during the year under review. For details concerning this position refar to Note 14, page 33.

8. Dividends and Other Income from Group Companies

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

9. Personnel Expenses

As per fiscal year end 2005, Vetropack Holding Ltd employed 27.6 individuals (2004: 26.2).

10. Provisions and Depreciation

The participations were adjusted by CHF 4.2 million (2004: CHF 4.0 million).

ADDITIONAL INFORMATION

11. Fire Insurance Value

The value of fixed assets insured against fire equalled CHF 1.6 million (2004: CHF 1.7 million).

12. Contingent Liabilities

To guarantee bank credits made to foreign subsidiaries, letters of comfort in the amount of CHF 59.1 million were signed (2004: CHF 58.6 million).

THE BOARD OF DIRECTORS' PROPOSAL FOR THE APPROPRIATION OF CORPORATE PROFITS

The Board of Directors proposes the following appropriation of profits to the general assembly of shareholders:

In CHF millions	2005	2004
Retained profits from the previous year	8.8	8.3
Annual profit	11.6	10.5
Total profits at the disposal of the General Assembly	20.4	18.8
Dividend Distribution of 32%	6.8	6.0
Transfer to free reserves	4.0	4.0
Retained profits to be carried forward	9.6	8.8

Acceptance of this proposal results in the following dividend payments:

	Gross Dividend	35% Withholding Tax	Net Dividend
In CHF millions			
Bearer Shares, Nominal Value of CHF 50	16.00	5.60	10.40
Registered Shares, Nominal Value of CHF 10	3.20	1.12	2.08

The dividend payment is to be paid to registered shareholders on 16th May 2006 via the usual appointed paying agents. Payments to holders of bearer shares are to be made in exchange for coupon No 9 at the Swiss branch offices of the following banks:

Banque Cantonale Vaudoise
Credit Suisse
UBS
Zürcher Kantonalbank

STATUTORY AUDITORS' REPORT

To the General Assembly of Vetropack Holding Ltd, St-Prex:

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes presented on pages 42 to 45) of Vetropack Holding AG for the year ended December 31, 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

Christoph Dolensky	Daniel Zaugg
Swiss Certified Accountant	Swiss Certified Accountant
(Chief Auditor)	

Zurich, 15th March 2006

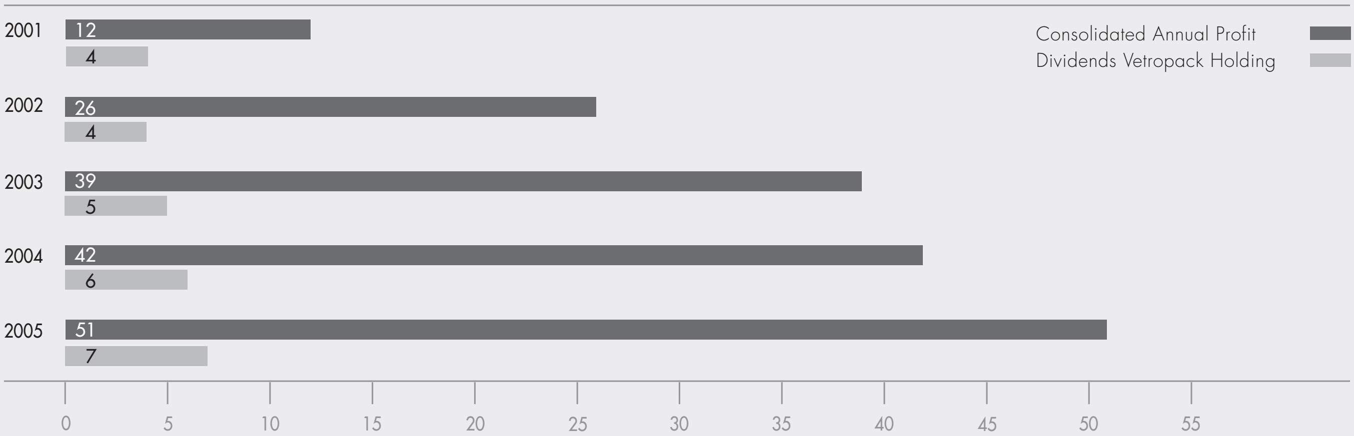
FIVE YEAR OVERVIEW

Income Statement	in CHF millions	2005	2004	2003	2002	2001
Dividends and other income from Group companies		23.9	22.4	19.6	18.3	16.1
Net profit		11.6	10.5	9.4	7.7	7.0
Total balance sheet as per 31.12.		139.3	135.2	142.0	146.2	153.7
Participations		78.8	82.6	86.5	79.2	84.2
Share capital		21.4	21.4	21.4	21.4	21.4
Reserves		75.1	71.1	67.1	63.6	61.1
Retained earnings *(carried over from previous year)*		8.8	8.3	8.2	8.3	8.0

Share Details		2005	2004	2003	2002	2001
Share prices						
– bearer shares high	CHF	979	760	486	310	255
– bearer shares low	CHF	742	461	290	215	182
Dividends						
– bearer shares 1)	CHF	16.00	14.00	12.50	10.00	10.00
– registered shares 1)	CHF	3.20	2.80	2.50	2.00	2.00
Consolidated annual profit *(per bearer share)*	CHF	119.1	97.6	91.0	59.9	27.1
Payout ratio	%	13.4%	14.3%	13.7%	16.7%	36.9%

1) Motion for the General Assembly on 10th May 2005

Consolidated Annual Profit and Dividends 2001–2005 / CHF million



VETROPACK HOLDING LTD

Corporate Governance

The following explanations contain fundamental information for the Vetropack Group as laid out in the Corporate Governance Guidelines defined by the SWX Swiss Exchange as per 1st July 2002.

Operational Group Structure

Refer to the illustration on page 58.

Group Companies', Shareholdings in Other Companies and Percentage of Shares

Refer to the illustration on page 39.

Capital Structure and Shareholders

For details of the share capital, refer to note 14 on page 33. Vetropack Holding Ltd does not issue options on participation rights.

Dividend Entitlement

Registered and bearer shares are dividend bearing.

List of Major Shareholders Holding > 5%

	31.12.2005			31.12.2004		
	No. of Registered Shares	No. of Bearer Shares	% Voting Rights	No. of Registered Shares	No. of Bearer Shares	% Voting Rights
Cornaz-Holding Ltd Oberrieden	672 754	10 000	60.34%	640 624	9 684	57.48%
Paul-Henri Cornaz Luzern	60 167	532	5.36%	68 917	532	6.14%
Claude Maurice Cornaz Les Monts-de-Corsier			< 5.00%	63 222		5.59%
Elisabeth Leon-Cornaz Lausanne	56 868		5.03%	66 868		5.91%

A shareholders' agreement exists between the shareholders of Cornaz-Holding Ltd. An additional shareholders' agreement exists between Cornaz-Holding Ltd and the shareholders mentioned above, as well as two further shareholders.

The core elements of both agreements are:
– Uniform exercise of voting rights at the AGA
– Mutual obligation to offer shares at time of sale

Board of Directors (BoD)

Principles Underlying Voting Procedures for the Board of Directors and their Terms of Office

Members of the BoD are 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 member of the BoD.

Duties of the BoD

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

The Chairman of the BoD 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 BoD.
– In urgent cases, the President of the BoD can conclude transactions that fall within the competence of the BoD by executive decision. Any such actions must be communicated in writing without delay to the members of the BoD.

Respective Areas of Responsibility for the BoD and Managing 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 is also fully responsible for the operational management of the Group.

Working Methods

The BoD forms no committees. The BoD carries out its overall supervisory and monitoring role by receiving oral and written reports from the MB at four regular quarterly meetings, by consulting among its members, and by reaching decisions in relation to any motions raised. Extraordinary meetings of the BoD may be held as necessary.

The BoD is regularly informed in writing about the Group's commercial situation and plans via Monthly, Quarterly, Semi-Annual and Annual Reports, as well as dossier planning at both company and Group levels (three year plans).

Moreover, the BoD appoints an external company to carry out the Group's internal audit. The audit is organised on the basis of specialist areas within the company and covers all of the glass producing companies. The BoD delegates the implementation of any necessary measures to the MB and verifies that these have been implemented via periodic feedback from internal audit.

Members of the Board of Directors (BoD)

	Position	Nationality	Appointed	Elected Until
Hans R. Rüegg	Chairman, non-executive	CH	1993	May 2006
Jean-Claude Gisling	Vice Chairman, non-executive	CH	1988	May 2006
Claude R. Cornaz	Delegate, executive	CH	1998	May 2006
Paul-Henri Cornaz	Member, non-executive	CH	1985	May 2006
Werner Degen	Member, non-executive	CH	1997	May 2006
Rudolf W. Fischer	Member, non-executive	CH	2000	May 2006
Richard Fritschi	Member, non-executive	CH	2005	May 2006

New elections will be held at the AGA in 2006 for the 2006 – 2008 term of office.

Hans R. Rüegg

(1946, Rüti ZH)	Dipl. El. Ing. ETH, Zurich, Switzerland MBA, University of Florida, Gainesville, USA
1983 – present	BoD Delegate, Baumann Federn AG
1993 – present	BoD President and Delegate, Baumann Federn AG
Since 2005	Chairman of the Board of Directors of Vetropack Holding AG
Other Governing Mandates	BoD Member, Dätwyler Holding AG Vice President of the Audit Committee, Dätwyler Holding AG
Other Offices Held	Vice President, Swissmem (Trade association for the Swiss engineering, electronics and metal goods industries)

Jean-Claude Gisling

(1936, Echandens VD)	Dr. iur., Universities of Zurich & Lausanne, Switzerland
1962 – 1965	Assistant to the Financial Director at EXPO 64 (National Exposition 1964)
1965 – 1973	General Secretary, later Financial Director, Cossonay Group
1974 – 1980	Deputy General Director, Amindus AG, Nyon Responsible for the Eternit Group’s overseas companies
1980 – 1992	General Director and Delegate, Publicitas Group, Lausanne
1989 – 1994	President, Von Roll Group, Gerlafingen
Other Governing Mandates	President, Fonderie de Moudon Gisling SA, Moudon Supervisory Board Member, Clariant GmbH, Sulzbach-am-Taunus, Germany

Claude R. Cornaz

(1961, Bülach ZH)	Dipl. Masch. Ing., ETH, Zurich, Switzerland
1987 – 1989	Management Services Contraves AG, Zurich
1989 – 1993	Project Engineer, Nestec in Vevey and Thailand
1993 – 1994	Head of Corporate Development for Vetropack Group
1995 – 1999	Head of Technology and Production, Vetropack Group
1996 – present	MB Member, Vetropack Group
2000 – present	CEO, Vetropack Holding Ltd
Other Governing Mandates	BoD Member, Bucher Industries AG BoD Member, H. Goessler AG Vice President, Cornaz-Holding Ltd
Other Offices Held	President of FEVE (The European Federation for Glass Packaging)

Paul-Henri Cornaz

(1938, Lucerne LU)	El. Ing. HTL Technikum, Geneva, Switzerland
1962 – 2001	Various functions within Controlling, including 25 years as the Head of Price Calculation, Schindler Lifts, Ebikon

Werner Degen

(1941, Liestal BL)	Dipl. El. Ing. ETH, Zurich, Switzerland
1979 – 1988	Various functions within the chemicals industry: CEO and Delegate, Plüss-Staufer AG, Oftringen COO and Head of Plastics Division, EMS Group Delegate, EMS-Chemie Holding
1989 – present	Independent Industry Consultant
Other Governing Mandates	President, Bank Council, BLKB, Liestal President, Dolder AG, Basel BoD Member, Agie Charmilles Holding AG, Zug

Rudolf W. Fischer

(1952, Walchwil ZG)	Dr. oec. publ. University of Zurich, Switzerland
1982 – 1991	Various management positions in Human Resources and Trade Marketing, Jacobs Suchard, Switzerland and Belgium
1991 – 1994	Managing Director, Jockey / Vollmöller, Uster Part of the Austrian Huber Tricot Group, and later Hanro AG, Liestal
1994 – 1995	Partner, Executive Search company, Zurich
1996 – present	Group Management Member, responsible for Human Resources and Training, Schindler Lifts + Escalators, Ebikon
Other Governing Mandates	BoD Member, several companies within Schindler Group

Richard Fritschi

(1960, Oberrieden ZH)	Commercial Diploma/Controller
1979 – 1985	Various functions in France and England for Luwa SA
1985 – 1987	Project Controller at Airchal-Luwa SA, Paris
1987 – 1991	Head of Finance and Administration at Isolag AG, Zurich
1991 – 1999	Head of Finance at Allo Pro/Sulzer Orthopädie, Baar/Winterthur
1999 – 2001	Head of Sales at Sulzer Orthopädie/Sulzermedica, Winterthur
2001 – 2003	President Europe/Asia/South America at Sulzer Orthopädie/ Sulzermedica, Winterthur
2003 – 2005	President Europe/Australasia at ZIMMER, Winterthur
Other directorships	Member of Cornaz-Holding Ltd

Members of the BoD of Vetropack Holding Ltd do not sit with other members of the BoD on the boards of other listed companies, nor are there any business relationships between the members of the BoD and Vetropack Holding Ltd. Three members of the BoD (Claude R. Cornaz, Werner Degen and Hans R. Rüegg) also act as directors of other listed companies as set out on pages 50 and 51 of this report.

Members of the Management Board (MB)

	Position	Nationality	Appointed
Claude R. Cornaz	CEO	CH	1.5.1993
David Zak	CFO	CH	1.5.2002
Günter Lubitz	Head of Holding Responsibilities for Technology and Production	DE	1.6.2003
Rudolf Schraml	Head of Business Division West	AT	1.7.1986
Ota Horák	Head of Business Division East	CZ	1.11.1991

Claude R. Cornaz

(1961)	Dipl. Masch. Ing., ETH, Zurich, Switzerland
1987 – 1989	Management Services Contraves AG, Zurich
1989 – 1993	Project Engineer, Nestec in Vevey and Thailand
1993 – 1994	Head of Corporate Development, Vetropack Group
1995 – 1999	Head of Technology and Production, Vetropack Group
1996 – present	MB Member, Vetropack Group
2000 – present	CEO of Vetropack Holding Ltd

David Zak

(1965)	Bsc., Business Administration, Boston University, USA
1988 – 1997	Various international Finance and Management positions within the ABB Group
1998 – 2001	CFO, Studer Professional Audio AG
2002 – present	CFO, Vetropack Holding Ltd MB Member, Vetropack Group

Günter Lubitz

(1953)	Dipl. Ing., Glass and Ceramics engineer, Germany
1977 – 1985	Management Positions as Production Engineer and Head of Production within the German container glass industry
1985 – 1988	Production Manager and Technical Director at Bangkok Glass Industry, Bangkok
1989 – 2003	Technical Manager and Works Manager at various container glass companies in Germany
2003 – present	Head of Technology and Production for the Vetropack Group MB Member, Vetropack Group

Rudolf Schraml

(1950)	Dipl. Ing., Engineering & Business Administration, Technical University of Vienna, Austria
1976 – 1977	Management Assistant, Böhler Bohr- und Drucklufttechnik, Vienna
1977 – 1978	Delegate, Iran Böhler Pneumatic, Teheran, Iran
1979 – 1983	Head of Controlling, Böhler Bohr- und Drucklufttechnik, Vienna
1983 – 1986	Head of Group Controlling and Accounting Stölzle Oberglas AG Vetropack Group acquired Stölzle Oberglas AG, Pöchlarn in 1986
1986	General Director, Vetropack Austria GmbH
2000 – present	Responsible of Business Division West, Vetropack Group MB Member, Vetropack Group

Ota Horák

(1942)	Ing., Technical University of Brno, Czech Republic
1965 – 1985	Research Institute for Chemical Processes and Equipment, Brno
1985 – 1991	Head of Finance and Administration, Moravia Glass, a.s., Kyjov Vetropack Group acquired, Moravia Glass, a.s. in 1991
1991 – 2001	Head of Finance and Administration, Vetropack Moravia Glass, a.s., Kyjov
2001 – present	General Director, Vetropack Moravia Glass, a.s. MB Member, Vetropack Group
2003 – present	Responsible for Business Division East, Vetropack Group

There are no management agreements between Vetropack Holding Ltd and companies or individuals outside the Group.

Remuneration, Shareholdings and Loans

Content and Method of Determining Remuneration

The level of remuneration to members of the BoD is determined by the BoD as a whole. Only cash benefits are paid. No share or option plans exist.

The level of remuneration to the members of the MB is determined by the Chairman of the BoD. In addition to a basic level of remuneration that reflects the responsibility borne by an individual, there is a variable performance related component that can amount to between 15% and 25% of overall remuneration. Remuneration will not be made in the form of shares or options, nor are there any loans.

Remuneration for Acting Members of Governing Bodies

In 2005, the remuneration sum for executive members of the BoD and members of the MB amounted to CHF 2.68 million.

In 2005, the remuneration sum for non-executive members of the BoD amounted to CHF 0.35 million.

During the year under review, no shares, options, loans to corporate bodies, additional fees and compensation, severance payments, or remunerations were issued to acting or former members of governing bodies, or to people closely associated with them.

The highest overall remuneration paid to a member of the BoD in the year under review amounted to CHF 0.64 million.

As per 31.12.2005, the executive members of the BoD and MB (including people closely associated with them) held a total of 1,381 registered shares and 578 bearer shares.

As per 31.12.2005, the non-executive members of the BoD and MB (including people closely associated with them) held a total of 60,167 registered shares and 2,172 bearer shares.

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.

AGA's Convocation

The invitation is issued at least 20 days prior to proposed date of the assembly. In 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 the share capital can demand the convocation of an EGA at any time. In such a case, the proposed motions for the assembly must be presented in writing to the BoD.

AGA's Agenda Composition

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

Registrations in the Share Register

There are no ownership or transfer restrictions for registered or bearer shares. Transfers of registered shares must be reported to the Shareholders' Office of Vetropack Holding Ltd.

Changes of Control and Defence Measures

There is no statutory regulation in relation to "opting-out" or "opting-up".
There are no clauses on changes of control in favour of members of the BoD or the MB.

Auditors

Mandate

Ernst & Young AG have been auditors for Vetropack Holding Ltd since 1995.
The head auditor has been responsible for the auditing mandate since 1999.

Fees

During the year under review, Ernst & Young AG charged a fee of CHF 0.32 million to Vetropack Holding Ltd for services connected with auditing the annual financial reports of Vetropack Holding Ltd and its Swiss group of companies.

Moreover, Ernst & Young AG also charged Vetropack Holding Ltd a fee in the sum of CHF 0.29 million for services relating to tax advice, due diligence and internal audit.

Supervisory and Control Instruments Vis-à-Vis the Auditors

At its meetings the BoD is informed both verbally and in writing about the results of audit activities. The BoD assesses performance, remuneration and independence of the auditors on an annual basis. The main focus and results of the subsidiary audits are also discussed with the local auditors at the appropriate subsidiary meetings. A member of the BoD is present at these meetings.

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

Contact Address

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Fax +41-44-863 31 25

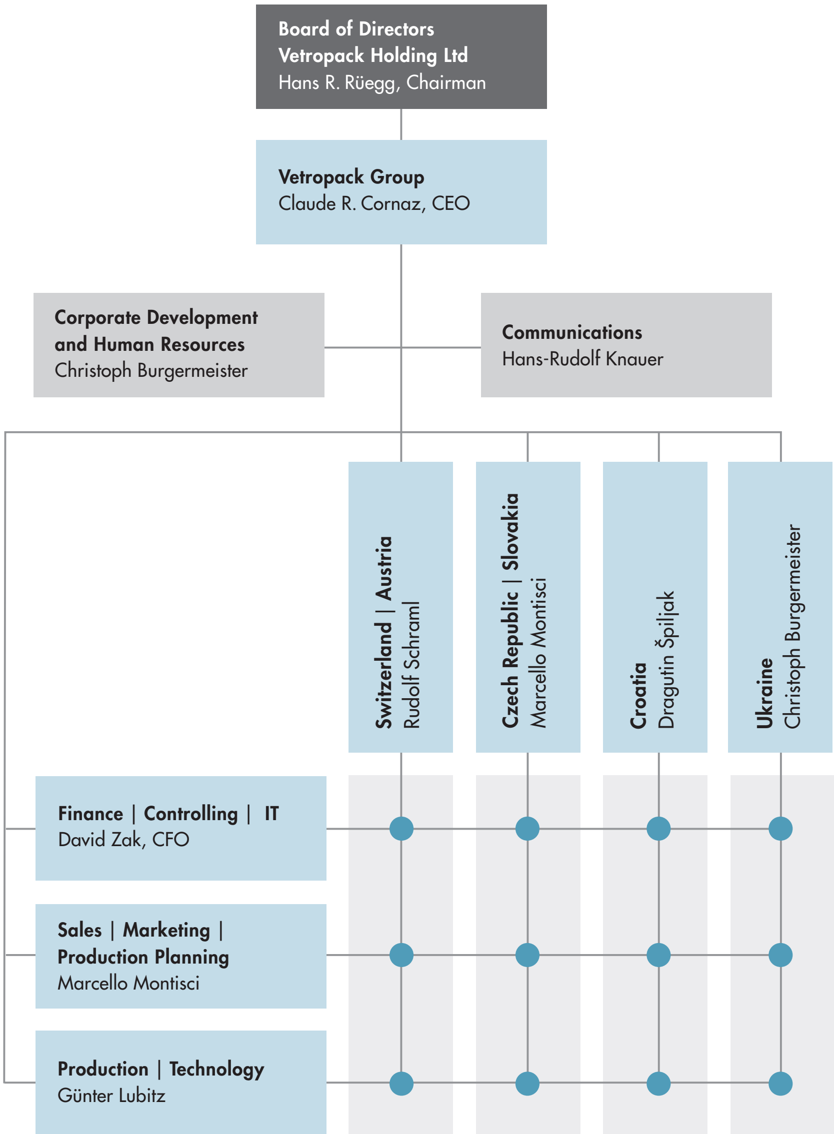
Extended Group Management as per 31 December 2005

Dragutin Špiljak *Rudolf Schraml* *Christoph Burgermeister* *Claude R. Cornaz*

Marcello Montisci
David Zak
Hans-Rudolf Knauer
Ota Horák*
Günter Lubitz

* Manager of Business Division East till 31 January 2006

Organisation as per 15 March 2006



Group Managing Board

Claude R. Cornaz, CEO
David Zak, CFO
Günter Lubitz
Rudolf Schraml
Marcello Montisci
Dragutin Špiljak

Holding Responsibilities – Finance/Controlling/IT

David Zak	
– Finance	*Sara-Ida Möckli*
– Controlling	*Adriano Melchioretto*
– IT	*Jean-Jacques Müller*

Holding Responsibilities – Marketing

Marcello Montisci

Holding Responsibilities – Production/Technology

Günter Lubitz

Group Staff – Corporate Development and Human Resources

Christoph Burgermeister

Group Staff – Communications

Hans-Rudolf Knauer

Business Division Switzerland/Austria

Rudolf Schraml	
Sales + Marketing	*Herbert Kühberger*
– Switzerland	*Jürg Mossdorf*
– Austria	*Herbert Kühberger*
– Export West	*Leopold Siegel*
Finance + Administration	*Eduard Steininger*
Controlling Switzerland	*Dieter Schellhammer*
St-Prex plant	*Jean-Pierre Cavin*
Pöchlarn plant	*Franz Kendl*
Kremsmünster plant	*Winfried Mosler*

Business Division Czech Republic/Slovakia

Marcello Montisci	
Sales + Marketing	*Dana Švejcarová*
– Czech Republic	*Dana Švejcarová*
– Slovakia	*Zuzana Hudecová*
– Export East	*Vlastimil Ostrezi*
Finance + Administration	*Marek Matula*
Production Kyjov plant	*Attila Hosszú*
Nemšová plant	*Gregor Gábel*

Business Division Croatia

Dragutin Špiljak	
Sales + Marketing	*Darko Šlogar*
Logistic	*Josip Debeljak*
Finance	*Marija Špiljak*
Human Resources + IT	*Damir Gorup*
Production	*Josip Šolman*
Technics	*Tihomir Premužak*

Business Division Ukraine

Christoph Burgermeister	
General Manager	*Andriy Girnyk*
Sales + Marketing	*Volodymyr Lysenko*
Finance	*Nadiya Solodovnik*
Controlling	*Julia Solodovnik*
Production	*Jaroslav Mudryk*
Technics	*Stepan Girnyk*

Group Companies

Vetroconsult Ltd	*Günter Lubitz*
Müller + Krempel Ltd	*Sandro Bernini*
Vetro-Recycling Ltd	*Jürg Mossdorf*
Vetroreal Ltd	*Jakob Meier*

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)

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PRIORITAIRE

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Languages
This publication is available in the original German version, as well as in the translated French and English versions.

Please send me more information about Vetropack Group:

☐ Annual Report	☐ English	☐ German	☐ French
☐ Semi-annual Report	☐ English	☐ German	☐ French
Name:	Firstname:		
Company:	Street:		
Postal Code:	Place:		
Phone:	Fax:		

☐ Please send me the documents via E-Mail: @

Other interests in Vetropack:

Comments, suggestions and requests:

☐ I have a new address:

☐ I do not wish to receive further information.

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03/2006 900 e

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