ANNUAL REPORT | 2006
VETROPACK HOLDING LTD

vetropack

Summary

2005 AT A GLANCE

		2006	2005	+/–
Gross revenues	CHF million	594.7	519.8	14.4%
EBIT	CHF million	67.4	61.8	9.1%
Annual profit	CHF million	43.2	50.9	– 15.1%
Cash flow	CHF million	97.2	97.2	0.0%
Production	1000 metric tons	1 039	907	14.6%
Unit sales	billion	3.92	3.57	9.8%
Exports		34.6%	41.7%	–
Employees		3 137	2 405	30.4%
Investments	CHF million	112.4	50.7	121.7%

Agenda

2007	Annual General Assembly (St-Prex)	9th May 2007	11:15
	Semi Annual Report	31st August 2007	
2008	Press Conference (Bülach)	19st March 2008	10:15
	Annual General Assembly (Bülach)	14th May 2008	11:15

Board of Directors' Report

DEAR SHAREHOLDERS:

Thanks to its takeover of a glassworks in Ukraine in 2006, the Vetropack Group succeeded in taking another important step towards its expansion into the Eastern European economic area. The successful integration of OJSC Vetropack Gostomel into the Group is of great strategic importance to Vetropack due to the increasing significance of the international food and beverage industry in Eastern Europe. It strengthens this customer group's confidence in our company's operational capabilities and reliability, and increases the scope of our business opportunities – not just in Eastern Europe. Ukraine has high growth markets with correspondingly high potential. Against this background, and in order to gain a competitive advantage over the competition, it is important that the expanded capacity that Vetropack is installing in Gostomel proceeds as rapidly as possible. The increase in revenues recorded by Vetropack in the 2006 fiscal year is substantially due to this acquisition. Concurrently progress on productivity was given high priority in all our production facilities. The achieved results made an essential contribution towards the maintenance of our operating margin.

Our strategy of expanding into the Eastern European economic area whilst maintaining our position as the market leader in countries where we have production facilities has proven to be the right strategy for the Vetropack Group. The acquisition will have an increasingly positive impact on the market performance, as well as the earnings power of the business. Thus the integration and expansion of Vetropack Gostomel pressed ahead with top priority in the 2006 fiscal year. Commencing in September 2007 our Ukrainian facility well conform to Vetropack standards and will have additional production capacity of 250 tons per day. In the other domestic markets, with the exception of Switzerland where production was interrupted for three months while replacing the melting furnace, Vetropack sold more units of glass packaging than in the previous year and further strengthened its market position.

The renewal of four melting furnaces in fiscal year 2006 led to substantially increased levels of maintenance work and to exceptional investment volumes. These are reflected in both the income statement and the balance sheet. In operational terms the Vetropack Group has more than held its own. Sales targets were met overall, thus production capacity was fully utilised at all production facilities. Despite the high level of expenditure, it proved possible to stabilise the Group's earnings power at the satisfactory level achieved last year. Cost pressures from increased energy and raw material prices were largely offset during the year under review, thanks to productivity advancements, earnings oriented management of the product range, and cost discipline.

Vetropack Group's current earnings power is the result of a clear strategy, which has been consistently implemented over the past few years by the board of directors and management. Shareholders participated in this development through the increased share price. Over the past three years Vetropack shares have outperformed the both the SPI and the SSCI Indices (Vetropack registered shares +205.9%, SPI +74.9%, SSCI +122.7%).

At the Annual General Assembly on 9th May 2007, we will propose setting the dividend distribution for the past year at 32% of the nominal value. This corresponds to an unchanged dividend of CHF 16.00 per bearer share and CHF 3.20 per registered share.

Thanks to efficiency improvements resulting from the furnace refurbishment work carried out in 2006, and the increased capacity in Ukraine, the board of directors expects to see a marked increase in volumes during the 2007 fiscal year. As long as no shortages occur in the energy sector, the cyclical economic environment and the current high level of capacity utilisation in the European glass packaging industry, signal a recovery of the EBIT margin. The investment program, which is limited essentially to the construction of the 380 ton furnace at the Gostomel plant and the development of the necessary infrastructure, will have less of an impact on the income statement than in 2006, which saw exceptional levels of investment. The board of directors therefore expect to see profits rise above 2005 levels. The increased capacity in Ukraine is essential if Vetropack is to continue improving its cost effectiveness and productivity in the coming years and deriving maximum benefit from market growth.

Switzerland remains a challenge for Vetropack. The strategic policy decision of maintaining the company's leading position in the Swiss domestic market in the long term by continuing production in St-Prex was put into practice with the construction of the new melting furnace. This investment forms the basis for a turnaround in earnings in 2007.

On behalf of the members of the board of directors, I would like to thank all our customers who have chosen Vetropack as their supplier. I would also like to thank all our business partners for their constructive cooperation, as well as all our staff for their unfailing efforts. Their competence and commitment are key factors in our market success. The positive results for the 2006 fiscal year demonstrate that our goals were consistently put into practice. Special thanks are due to our 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.

St-Prex, 14th March 2007

Hans R. Rüegg
Chairman of the Board

CEO's Report

The Vetropack Group achieved impressive revenue growth during the 2006 fiscal year. Revenues rose to CHF 594.7 million, and surpassed the previous year's figure of 14.4%. Excluding the foreign exchange differential of 2.8%, real growth amounted to 11.6%. CHF 48.1 million (8.1%) of the revenue was attributable to the acquisition in Ukraine, which has been consolidated since 1st March 2006. The strong growth of 9.8% to 3.92 billion units of glass packaging with its associated full utilisation of production capacity, made it possible to offset raw materials and energy price increases, and stabilise the operating margin at the high level of 11.3%. At fiscal year end Earnings Before Interest and Tax (EBIT) amounted to CHF 67.4 million. Annual profits were down by 15.1% to CHF 43.2 million compared to the previous year. This resulted from additional capital expenditure, and non-operating expenditure associated with the redevelopment of the old glass manufacturing site in Bülach. Cash flow was substantially in line with last year at CHF 97.2 million, and amounted to 16.3% of consolidated gross revenues.

Price Adjustments and Volume Growth

During the year under review, the markets in Western Europe were characterised by increased demand for bottles, particularly in the beer, mineral water and alcoholic drinks sectors, as a result of the 2006 World Cup. As a consequence of production capacities shut downs in the German and French glass industry, there were temporary shortages in delivering glass packaging. Subsequently the industry was able to push through long overdue price corrections without suffering any decline in unit sales.

Economic growth continued unabated in Central and Eastern Europe, not only in EU member countries but also in countries where EU membership is still being discussed, or is not yet a topic for discussion. The per capita consumption of glass packaging items in these countries lies significantly below the average of the western industrialised nations, and increased accordingly during the year under review. This enabled Vetropack to utilise its production facilities at full capacity throughout the year. Unit sales of glass packaging were up by 9.8% over the previous year to 3.92 billion. The growth was primarily generated by our acquisition in Ukraine. Disregarding production at Vetropack Gostomel, unit sales are in fact slightly down on last year. The drop in sales relates exclusively to exports that fell to 34.6% of total sales (2005: 41.7%). The exception was Switzerland, where production was halted for three months due to the construction of a new melting furnace. In its domestic markets, Vetropack sold more units of glass packaging than in the previous year, likewise with the exception of Switzerland. Switzerland remains a challenge, nevertheless the successful construction of the new furnace signals a turnaround in future earnings. The appropriate marketing measures were introduced during the 2006 fiscal year.

Stable Earnings Power

During the first half of 2006 price increases for raw materials, and energy in particular, had a marked impact on production costs. In view of the high level of capacity utilisation throughout Europe, it was possible to at least partially forward the higher energy and raw materials costs to the customer. Concurrently, rising costs were offset by optimising the product range, improving cost effectiveness, and making targeted investments to increase productivity. This enabled us to stabilise the EBIT margin to last year's gratifying level of 11.3%, despite the standstill of four furnaces during repairs and its consequential limitations on added value. The production capacity acquired by Vetropack Gostomel also contributed towards the preservation of the operating margin. In contrast to EBIT, consolidated earnings were down by 15.1% to CHF 43.2 million. There was an extraordinary charge against the income statement in 2006, due to exceptional investment volumes of CHF 112.4 million, which necessitated additional borrowing. This expenditure was associated with the planned redevelopment of the old glass manufacturing site in Bülach. Cash flow was in line with last year at CHF 97.2 million and amounts to 16.3% of consolidated Group revenues.

The Balance Sheet Remains Very Solid

Total assets rose to CHF 750.3 million as a result of investment and acquisition activity (2005: CHF 627.5 million). The proportion of fixed assets was up on last year at 65.1% (2005: 58.0%). Due to high levels of investment in 2006, liabilities rose to 45.5% (2005: 38.1%). Although the goodwill from the acquisition of Vetropack Gostomel was written off in full as equity, the percentage of equity merely fell to 54.5% (2005: 61.9%). The balance sheet for 2006 also shows minority interests of CHF 9.7 million, which relate to the 25% minority holding in OJSC Vetropack Gostomel. Due to the acquisition in Ukraine and the highly above average investments within the Group, net debt at year end rose to CHF 164.6 million (2005: CHF 54.6 million).

Growing with the Market

In recent years numerous international corporations from the food and beverage industry, along with traditional customers of the glass packaging industry, have either increased their capacity by acquiring and expanding new production facilities in Eastern Europe, or are set to do so. The objective of these investments is to allow the companies in question to improve servitude in their production locations, as well as competitiveness in their traditional markets thanks to lower labour costs.

During the year under review, Vetropack responded to this extremely rapid development by acquiring a 75% majority share holding of the Gostomel Glassfactory, Ukraine's leading glass manufacturer. This front line position in Eastern Europe's rapidly developing region around Kiev is particularly interesting. The urban agglomeration has twelve million consumers, which makes it larger than any of our other domestic markets. Moreover its spending power is growing rapidly.

Ukraine's population of over 48 million consumed 3,064 billion units of glass packaging in 2006, which is a relatively low level of per capita consumption. Nevertheless, market growth is enormous. In 2006 domestic demand for beer bottles rose by 235 million units, while demand for vodka and wine bottles rose by 170 million units. Vodka, beer and jars represent the main segments of the Ukrainian glass market. Vetropack Gostomel enables the Group to participate in this growth and supply the market.

Integration and Increased Capacity in Ukraine
As soon as it took over the Gostomel facility, Vetropack launched a comprehensive program to ensure the rapid integration of Vetropack Gostomel into the Vetropack Group in organisational, technical and marketing terms. One major focus of this initiative was pushing ahead with rapid expansion of production capacity and infrastructure as well as increasing productivity. During the third quarter of 2006, the old clear glass furnace was replaced by a new energy efficient furnace, which concurrently provides an increase in capacity of 40 tons per day. Additional plans were made for a new 380 ton coloured glass furnace that will replace two smaller obsolete furnaces. Once this new furnace is commissioned in the autumn of 2007, within 18 months of the takeover, our Ukrainian plant will dispose of an increased production capacity of 42%, and concurrently improve its employee productivity, which is currently below average.

An Exceptional Year for Investments
The 2006 fiscal year was marked by exceptional investment activity. Major investments included replacing a melting furnace in Switzerland, Ukraine and Slovakia, with an environmentally friendly, energy efficient furnace that utilises the latest technology. Additionally, the clear glass furnace at the Kremsmünster production facility in Austria was overhauled as part of the regular maintenance cycle.

The ongoing planning of the future coloured glass production facility in Gostomel, for which the board of directors approved an investment framework of CHF 52 million, has proved particularly demanding. Construction for a new production building, including comprehensive preparatory work for the peripheral infrastructure commenced in 2006. Batch and transport facilities must be expanded, possible uses for existing machinery and production installations must be reviewed, and the infrastructure for future power requirements must be modified to cope with a doubling of production capacity. In addition, language barriers must be overcome, special cultural sensitivities must be respected, and complex official approval practices must be mastered. Despite these obstacles, or perhaps precisely because of them, the tried and tested project management team put in place by Vetroconsult has proven effective. The project is managed by local staff that speaks the language, and is familiar with the local political and cultural environment.

Ecological Responsibility
Vetropack uses the utmost modern technology and places particular emphasis on environmental protection for all its investment plans. We actively contribute to reducing energy consumption and thereby minimising environmental damage by 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. Thereby NO_X and CO_2 emissions are proportionately reduced without loosing efficiency. Following the successful commissioning of furnaces in Switzerland, Slovakia and Ukraine during 2006, Vetropack now only has two older generation furnaces out of a total of 17. Both of these will be shut down in the course of this year.

At the Straža facility in Croatia, where the past recycling rate was still comparatively low, the proportion of recycled glass used in production rose by 50% during the year under review. For this purpose Vetropack in Croatia started a nationwide campaign in conjunction with the public sector to expand both the collection of used glass and the necessary logistical infrastructure. On average, the proportion of recycled glass used in the production of new glass at Vetropack plants was 52% during the year under review.

The Outlook for 2007

Demand for glass packaging is stable in Western European markets. Glass is becoming increasingly popular in Eastern Europe and can grow in line with the markets there. Capacity in Europe has become scarce due to a back log in demand from the food and beverage industry. There have even been some delivery bottlenecks. Subsequently, all of Vetropack's production facilities will be working at full capacity in the coming months.

2007 will be the first fiscal year in which Vetropack Gostomel makes a full year's contribution to the Vetropack Group's consolidated income statement. Sales and revenues will rise accordingly. The increased added value and the associated economies of scale will have a positive impact on operating profits. The aim is to exceed the 2005 operating margin and net profit. One cause for uncertainty continues to be the price of energy, since our prices for 2007 are largely already fixed. Increases in energy costs during the current year cannot be forwarded to customers.

Thanks to our Partners

I would like to thank all our employees for their commitment throughout the year. Their continuous strive towards service quality, production efficiency and customer benefit has made a crucial contribution towards the success of the 2006 fiscal year. My special thanks go to our new employees in Ukraine, and to our central technical department, whose workload has been substantially increased as a result of our comprehensive investment program. Thanks also extend to our customers and partners, for their worthy and successful cooperation with us during the year, as well as to our shareholders for the confidence they have shown in us.

Claude R. Cornaz,
CEO of Directors' Report

Constructing of the regenerators at the St-Prex facility (Switzerland)

2006 – A YEAR OF INVESTMENTS

The major focus during the 2006 fiscal year was the renewal and construction of several production facilities. Major investments included replacing a melting furnace in Switzerland, Ukraine and Slovakia, with an environmentally friendly, energy efficient furnace that utilises the latest technology. In addition, the clear glass furnace at the Kremsmünster production facility in Austria was overhauled as part of the regular maintenance cycle. At the Gostomel facility in Ukraine substantial preparatory work was undertaken towards the construction of a new 380 ton furnace which will be commissioned in September 2007. By increasing production capacity in Ukraine, Vetropack is taking the growing demand for glass packaging into account.

The new green glass furnace in St-Prex (Switzerland) meets the highest standards in terms of energy efficiency and ecology.

In Gostomel (Ukraine) a new production building for the 380 ton melting furnace is under construction.

In Nemšová (Slovakia) a new clear glass furnace was commissioned at the end of 2006.

Company Reports

VETROPACK LTD (SWITZERLAND)

During the 2006 fiscal year Vetropack Ltd realised revenues of CHF 83.3 million. The reduction in sales to 493 million units of glass packaging is primarily attributed to the construction of the melting furnace in St-Prex, which consequently interrupted operations for three months. The attempt to compensate for this shortfall by importing glass packaging from affiliated facilities abroad did not fully succeed as planned, due to high levels of demand for glass in Europe.

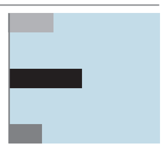
Reduced sales were exclusively attributed to exports, whose share fell to 6% of total sales. Domestic sales rose in the beer and food sectors, whilst demand for empty glass containers in the wine segment fell back from last year's levels due to increasing imports of filled containers.

In early of May 2006, the new green glass furnace was brought into operation at the St-Prex production facility. Thanks to modern furnace technology, it proved possible to achieve the planned energy savings and strengthen competitiveness going forward. The concurrent reduction of CO_2 emissions signifies that the St-Prex facility now meets the conditions for exemption from the statutory CO_2 levy.

At the fiscal year end of 2006, Vetropack Ltd employed a workforce of 199 individuals.

Vetropack Switzerland	***2006***	*2005*	*+/–*
Sales in CHF millions	***83.3***	*86.8*	*– 4.0%*
Unit sales in millions	***493.0***	*518.0*	*– 4.8%*
Exports in unit terms	***6.5%***	*9.2%*	*–*
Production in tons	***68 525***	*87 342*	*– 21.5%*

Sales 2006 by Market Segment (in unit terms)	
Wine/spirits	*29.8%*
Beer/mineral waters/ carbonated beverages/juice	*48.6%*
Food/dairy	*21.6%*



VETROPACK AUSTRIA GMBH (AUSTRIA)

Vetropack Austria GmbH reported revenues of EUR 131.3 million in 2006, representing an increase of 7.8% over the previous year. This revenue development is primarily the result of a structural change in the product range. Unit sales increased to 1,291 million units of glass packaging. In the domestic market demand for disposable beer bottles continued to rise strongly. Sales in the wine segment were held at last year's high level thanks to the stable situation in the Austrian wine market, whereas sales in the sparkling wine sector were down due to the closure of a major domestic bottling operation. In order to meet the growth in domestic demand, Vetropack Austria GmbH was forced to reduce its exports despite a high level of export demand. Exports accounted for 35% of total sales.

The clear glass furnace at the Kremsmünster production facility was revised during the fourth quarter of 2006 as part of the ongoing maintenance cycle. Therefore, production of clear glass at this facility was halted for two months. Thanks to an optimum capacity utilisation of furnaces, as well as increased sales, Vetropack Austria was able to make good to a large extent the massive increases in the price of energy and raw materials.

At the fiscal year end of 2006, Vetropack Austria GmbH employed a workforce of 613 individuals.

Vetropack Austria	**2006**	2005	+/–
Sales in EUR millions	***131.3***	*121.7*	*7.8%*
Unit sales in millions	***1 291.4***	*1 257.6*	*2.7%*
Exports in unit terms	***34.6%***	*38.5%*	–
Production in tons	***311 961***	*300 870*	*3.7%*
100 EUR = CHF	***1.573***	*1.548*	–

Sales 2006 by Market Segment (in unit terms)

Wine/spirits	*18.8%*
Beer/mineral waters/ carbonated beverages/juice	*51.9%*
Food/dairy	*29.3%*

VETROPACK MORAVIA GLASS A.S. (CZECH REPUBLIC)

In 2006 Vetropack Moravia Glass a.s. realised revenues of CZK 2,162.5 million, an increase of 2.8% over the previous year. Unit sales fell slightly to 869 million units of glass packaging.

In the core food segment, domestic sales were down on the previous year as a result of poor harvests. This segment's share of total sales fell to 46%. Nevertheless, it remains above average compared with the other Vetropack companies. In the beer segment, the strong market position that was established in the previous year was stabilised at a high level. The wine segment posted an above average growth following reduced sales in 2005 caused by capacity bottlenecks. Exports remained unchanged at 42% of total sales.

In terms of production, Vetropack Moravia Glass achieved significant increases in the technical efficiency of its machinery, as well as in productivity during the year under review. This was accomplished by increasing machine speeds, reducing error rates and machining retooling frequencies. In the case of strategic products, mould design was optimised in order to reduce the weight of the articles produced, thereby offsetting the increased energy and raw material costs in the customer's interests.

By outsourcing mould maintenance activities and optimising its organisation, Vetropack Moravia Glass a.s. has reduced its workforce to 429 individuals by the fiscal year end of 2006.

Vetropack Moravia Glass	**2006**	2005	+/–
Sales in CZK millions	***2 162.5***	*2 104.0*	*2.8%*
Unit sales in millions	***869.4***	*880.0*	*– 1.2%*
Exports in unit terms	***41.6%***	*41.7%*	–
Production in tons	***200 011***	*201 386*	*– 0.7%*
100 CZK = CHF	***5.552***	*5.199*	–

Sales 2006 by Market Segment (in unit terms)

Wine/spirits	*10.5%*
Beer/mineral waters/ carbonated beverages/juice	*43.6%*
Food/dairy	*45.9%*

VETROPACK NEMŠOVÁ, S.R.O. (SLOVAKIA)

Vetropack Nemšová s.r.o. reported revenues of SKK 1,529.6 million in 2006, representing an increase of 8.8% over the previous year. Sales in terms of tons were up by 3% over the previous year. However, unit sales fell to 400 million primarily due to structural changes in the product range.

In the spirits segment increases in excise duty and competition from international brands had a negative impact on domestic demand. In the beer segment sales rose substantially as the result of the arrival of a major international corporation in the market. Subsequently Vetropack Nemšová's domestic market position was strengthened. In the core food segment sales were slightly down on last year's levels due to reduced market demand. Exports remained unchanged at 39% of total sales.

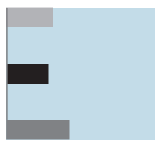
A new clear glass furnace was commissioned and brought into operation at the Nemšová production facility at the end of November 2006. Concurrently the melting furnace that was installed two years previously was converted to coloured glass and the old green glass furnace was decommissioned. Accordingly, Vetropack Nemšová now has two glass furnaces that use the utmost modern melting technology with greatly reduced energy consumption. Technical productivity has risen substantially thanks to the installation of an additional ten-station double drop machine, as well as implemented improvements in production processes and quality management. Four years after taking over the production facility in Nemšová, Vetropack Slovakia now has one of the Group's most modern production facilities, and is exceptionally well equipped to prosper in its competitive environment.

At the fiscal year end of 2006, Vetropack Nemšová, s.r.o. employed a workforce of 369 individuals.

Vetropack Nemšová	***2006***	*2005*	*+/–*
Sales in SKK millions	***1 529.6***	*1 406.5*	*8.8%*
Unit sales in millions	***400.1***	*412.7*	*– 3.1%*
Exports in unit terms	***39.2%***	*39.0%*	*–*
Production in tons	***104 688***	*102 793*	*1.8%*
100 SKK = CHF	***4.228***	*4.012*	*–*

Sales 2006 by Market Segment (in unit terms)

Wine/spirits	*31.0%*
Beer/mineral waters/ carbonated beverages/juice	*27.6%*
Food/dairy	*41.4%*



VETROPACK STRAŽA D.D. (CROATIA)

With revenues of HRK 587.3 million in 2006, the above average growth experienced by Vetropack Straža d.d. in recent years has come to a standstill. Unit sales fell by 2.1% over the previous year to 907 million.

While sales in the domestic market rose by 15%, exports to neighbouring countries had to be reduced given that the three melting furnaces were operating at maximum capacity. Accordingly, exports as a proportion of total sales fell to 60%. The increase in domestic demand had a positive impact on all product areas, particularly the food segment thanks to an exceptionally good vegetable harvest. The beer, carbonated beverages and juice segments profited from this increase as well. With additional new developments, it proved possible to comprehensively meet increasingly diverse customer needs and further strengthen the company's presence in the domestic market during the year under review.

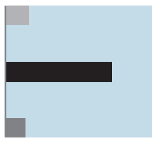
In order to offset increased energy and raw material costs, the proportion of recycled glass used in production was increased sharply. During the year under review, the proportion of recycled glass averaged 33% (2005: 23%). The newly enacted environmental legislation, which now obliges municipalities in Croatia to collect and recycle used glass, provides the basis for this increase.

A new warehouse with capacity for 10,000 palettes was completed in December. In addition, preparatory work commenced on a new office building that will be occupied by mid 2007. It will replace the old temporary arrangements.

At the fiscal year end of 2006, Vetropack Straža d.d. employed a workforce of 580 individuals.

Vetropack Straža	***2006***	*2005*	*+/–*
Sales in HRK millions	***587.3***	*597.4*	*– 1.7%*
Unit sales in millions	***907.2***	*926.6*	*– 2.1%*
Exports in unit terms	***59.5%***	*65.6%*	*–*
Production in tons	***216 451***	*215 000*	*0.7%*
100 HRK = CHF	***21.478***	*20.919*	*–*

Sales 2006 by Market Segment (in unit terms)	
Wine/spirits	*15.9%*
Beer/mineral waters/ carbonated beverages/juice	*70.7%*
Food/dairy	*13.4%*



OJSC VETROPACK GOSTOMLEL (UKRAINE)

From 1st March 2006, the time of its takeover by Vetropack, to the 2006 fiscal year end, OJSC Vetropack Gostomel realised revenues of UAH 195.3 million. This represents sales of 427 million units of glass packaging, which were almost exclusively sold to the domestic market. The proportion of sales attributable to exports was merely 1%.

Ukraine has experienced enormous growth since its markets were opened to the West. Production of beer and vodka has risen in the past two years by approximately a quarter. Meanwhile production of wine and carbonated beverages is growing at an annual rate of 5% – 10%. Moreover, the domestic supply of glass packaging to Ukraine's food and beverage industry is inadequate. In 2006 approximately 10% of the demand for glass packaging had to be met through imports.

In order to keep pace with this rapid growth and to maintain its leading position in the domestic market, Vetropack launched a comprehensive package of projects immediately after signing the purchase agreement. The aim was to quickly increase productivity and capacity at the Gostomel production facility. During the third quarter of 2006, a new energy efficient furnace using modern melting technology and simultaneously offering increased capacity replaced the old clear glass furnace. Furthermore, plans were made for a new 380-ton coloured glass furnace. It will replace two smaller obsolete furnaces and will come into operation in the autumn of 2007. Construction of the production building was substantially completed by the end of the year under review.

The planning and implementation of the comprehensive technical projects to increase production capacity and provide the necessary infrastructure has proven very complex due to differing cultures, language barriers, and statutory provisions. Accordingly, steps to promote the organisational, technical and marketing integration of the Ukrainian production facility into the Vetropack Group have been assigned a correspondingly high priority.

At the fiscal year end of 2006, OJSC Vetropack Gostomel employed a workforce of 863 individuals.

Vetropack Gostomel	*3–12/2006*
Sales in UAH millions	***195.3***
Unit sales in millions	***427.3***
Exports in unit terms	***1.4%***
Production in tons	***137 678***
100 UAH = CHF	***24.686***

Sales 2006 by Market Segment (in unit terms)

Wine/spirits	*17.2%*
Beer/mineral waters/ carbonated beverages/juice	*70.9%*
Food/dairy	*11.9%*

MÜLLER + KREMPEL LTD

During the year under review the Bülach based trading house Müller + Krempel Ltd reported revenues of CHF 11.5 million (2005: CHF 10.4 million). The revenue breakdown was as follows: retail trade 41%; glass packaging for the food and beverage industry 31%; glass and plastic packaging for the pharmaceutical and cosmetics industry 28%.

Sales rose substantially in all three market segments. In the food and beverage industry, the growing trend towards exclusive high grade glass packaging made it possible to attract new customer orders. In the pharmaceutical and cosmetics industry, an increasing number of small and medium sized customers are turning away from direct imports in order to take advantage of the services and skills of Müller + Krempel Ltd. In the retail sector, additional business was generated by addressing new target groups and continually refreshing the product range.

At the fiscal year end of 2006, Müller + Krempel Ltd employed of 13 individuals.

Müller + Krempel LTD

Revenue 2006 by Market Segment

Retail Trade	*40.9%*
Food & Beverage	*30.7%*
Pharmaceutical & Cosmetics	*28.4%*

VETROCONSULT LTD

Vetroconsult Ltd is the technical and IT service provider to the Vetropack Group companies. The 2006 fiscal year was marked by a very significant surge in investment activity for the Group with a correspondingly high workload for the technology department. The main projects were the planning, construction and commissioning of environmentally friendly energy efficient melting furnaces in Switzerland, Ukraine and Slovakia. In addition, the clear glass furnace at the Kremsmünster production facility in Austria was overhauled as part of the ongoing maintenance cycle. The planning of an additional production facility at the Gostomel works, which was taken over in 2006, has proven extremely complex and demanding. In the year under review, the production premise was constructed, and comprehensive preparatory work was undertaken to improve the infrastructure for this green glass furnace, which will begin production in September 2007. In addition to working on the investment projects, Vetroconsult supported the individual production facilities in respect of their cost effectiveness, productivity and quality.

In the IT division, the standard IT infrastructure was installed and networked in Gostomel. In addition, IT operations were further rationalised and security was improved, thanks to the implementation of the Storage Area Network (SAN) and the virtualisation of the servers.

In the consultancy division, which contains services provided to third parties, Vetroconsult Ltd undertook activities on behalf of a Nigerian glassworks, and worked on a range of engineering projects in Russia.

At the fiscal year end of 2006, Vetroconsult Ltd employed of 27 individuals.

Vetroconsult LTD

Revenue 2006 by Division

Technical	*44.6%*
IT	*44.3%*
Consultancy	*11.1%*

VETRO-RECYCLING LTD

Vetro-Recycling Ltd supplies the Swiss glass industry with glass culets. It operates an efficient collection system and supports the glass recycling activities of public bodies and specialist organisations.

Vetro-Recycling sold 56% of the culets collected in 2006 to the St-Prex plant for processing and manufacturing new glass packaging. The remaining 44% was exported, or put to alternative uses. The proportion of culets used in the production of glass packaging in Switzerland in 2006 was 83%.

At the end of 2006, Vetro-Recycling Ltd employed 5 individuals.

VETROPACK AND GOSTOMEL – REFLECTIONS

OBJECTIVES

We have a philosophy. We can refer to it on paper, discuss it at length or even frame it. It helps explain how one should think about us. However, we can also live our philosophy. We use it to gauge the present and to help us define our goals. In this way, it is beneficial to our partners and to us.

Vetropack and Gostomel …

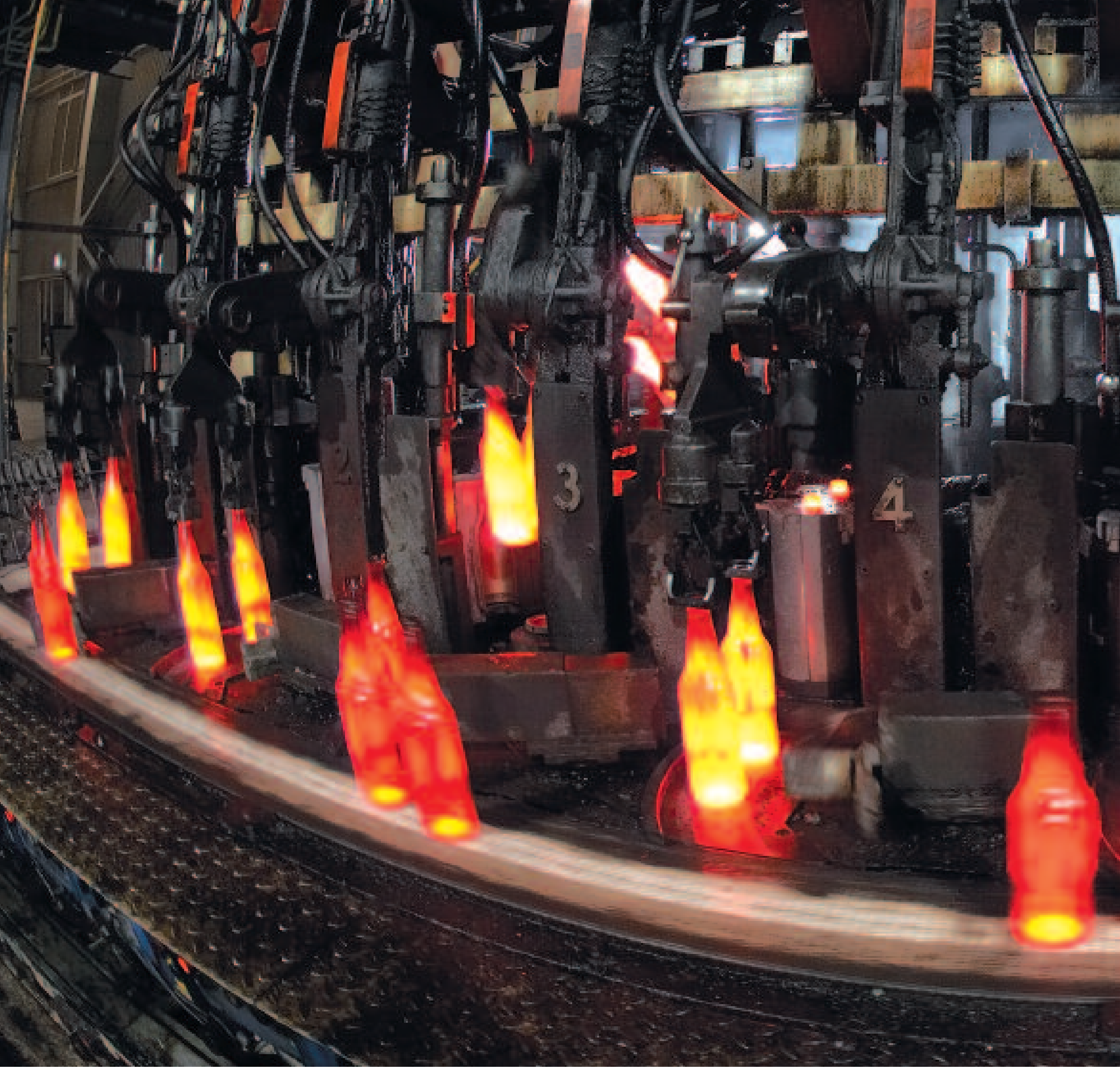
DECISIONS

Approaching new ventures with caution, waiting to see how things develop, carefully and repeatedly weighing up our next step before taking it, are precepts of responsibility, are they not? Conversely, this kind of circumspection casts doubt on preceding decisions. Still, it implies lost time. Worse still, it signalises a lack of confidence, both in those who are new to the Group, and in our own decision making.

The Vetropack Group began its commitment in Ukraine with considerable up front investment. Technologically and ecologically, the white glass furnace built in Gostomel in 2006 and the new green glass furnace scheduled for completion by September 2007, will make the latest addition to the Vetropack Group the most advanced glassworks in the region in less than two years.

In other words: Vetropack decided to give the latest addition to the Group everything it needs to make it successful from the start.

Vetropack Gostomel: New Melting Furnace

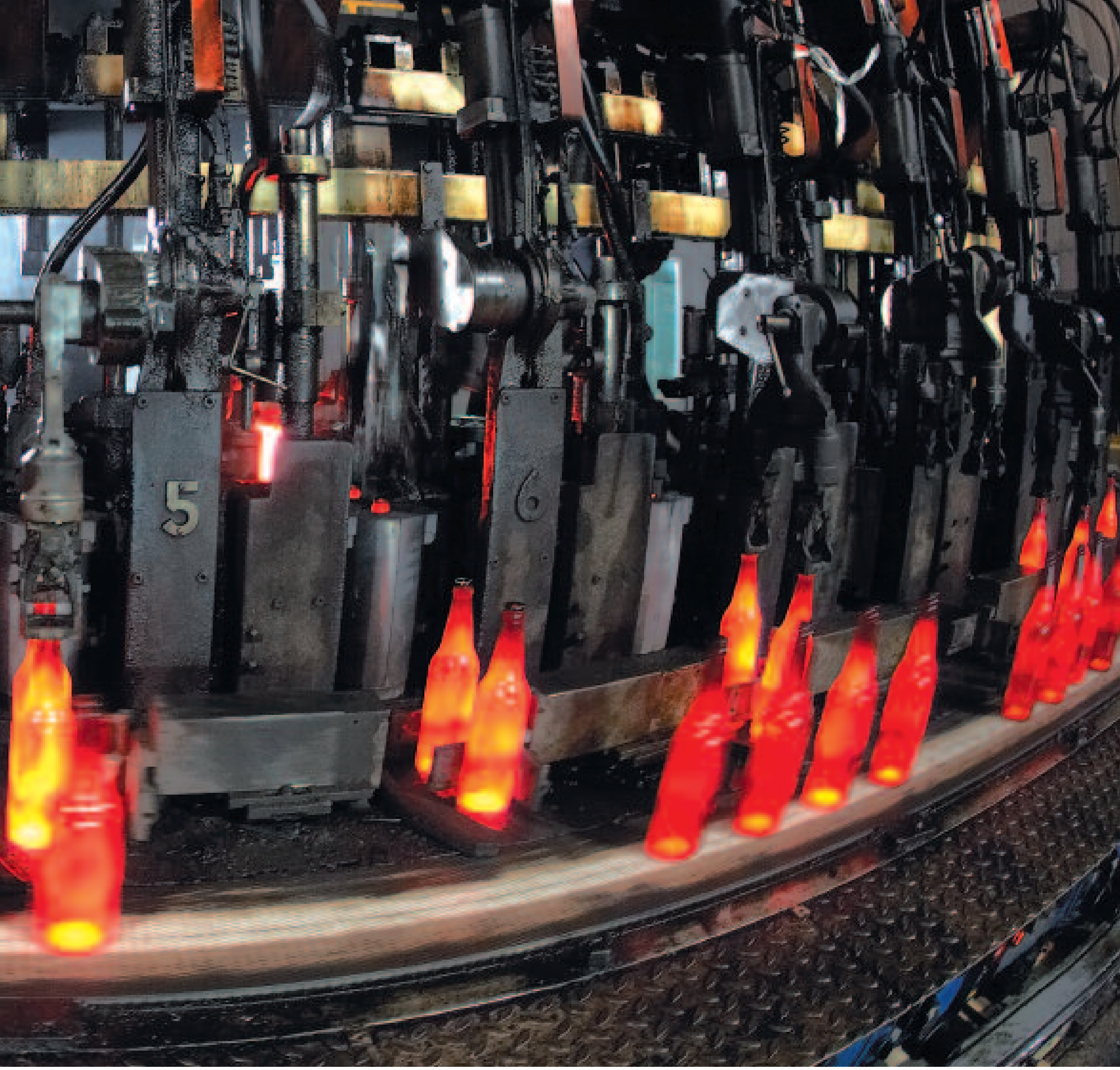


ACTION

More glass packaging, but less glass in each package. In an age when energy efficiency is at a premium, demands have changed. For thousands of years, the stability and solidity of glass were directly related to the amount of material used. Today, they are the result of increasingly sophisticated process technologies in state-of-the-art production facilities. Indeed, one overarching principle remains: the quality must be beyond question.

In the Group's latest factory, these requirements have long been met. The connection that took Vetropack to Gostomel is traced back to an initial contact through Vetroconsult in 2002, when the Gostomel Glass Factory, as it was then known, installed advance production lines in its facilities.

Since then the plant has proved its worth, and is now doing so for the benefit of the entire Group. Our latest member also fulfils even the most exacting demands.



Vetropack Gostomel: IS-10 Double Gob Production Machines

KNOW-HOW

Glass packaging underlines the high quality of its contents. At least when the glass appears to be, and is, high quality itself. No matter how sophisticated the technology, it is individuals who ultimately decide whether a job is a well done. This principle applies particularly to glass, the oldest material made by man. It assumes that the decision maker is capable of making a decision. That one can actually do what one is supposed to do.

Yet unlike a machine or even an entire production line, know-how cannot simply be transported from one place to another, and certainly not within a useful time period. Apart from this, the quality standards set by the Vetropack Group are a challenge to the know-how and commitment of every single employee. So where does Gostomel fit in? Can Gostomel do it? Is Gostomel up to the challenge?

No need to worry. The Gostomel factory has been operating continuously since it was established 96 years ago. In other words: they *know how* to make glass.

Vetropack Gostomel: Quality Control

EXISTANCE

The Vetropack Group is one of the five largest producers of glass packaging in Europe. Each facility is either number one or among the leaders within their domestic markets. On the one hand, this is not bad for a family owned enterprise. Yet on the other hand, it's not all that important. After all the real reason for the Group's special status is found in its motto: *Tailor Made Glass*. This means concern for the needs of each individual customer, as well as for the culture of each individual market. *Tailor Made Glass* stands for the uniqueness of the individual rather than global monotony.

When it comes to surmounting the tasks that lie ahead, then the Vetropack Group, and especially its latest addition, is at the leading edge. Ukraine is larger than any other country in which Vetropack operates; the market is currently growing at a dynamic pace. The task is to overcome the challenges of the biggest market ever faced by a Vetropack Group company while remaining true to Vetropack's principles.

The future is exciting …

Vetropack Gostomel: Warehouse

VETROPACK GROUP

Financial Reporting

CONSOLIDATED BALANCE SHEET

CHF million	Notes	31.12.2006	31.12.2005
ASSETS			
Current Assets			
Liquid assets	1	38.9	66.0
Receivables from sales of products and services	2	104.7	86.5
Other receivables	3	15.0	21.0
Materials and finished goods	4	99.4	87.8
Accrued items	5	3.8	2.3
Sub Total Current Assets		261.8	263.6
Fixed Assets			
Tangible assets	6	476.2	348.1
Financial assets	7	12.2	15.8
Intangible assets		0.1	0.0
Sub Total Fixed Assets		488.5	363.9
Total Assets		750.3	627.5
LIABILITIES			
Liabilities			
Current liabilities			
– Liabilites deliveries and services		56.4	37.2
– Liabilites short-term financing	8	67.3	74.2
– Other liabilities	9	19.5	16.2
– Deferred items	10	11.4	9.2
– Provisions	11	18.8	16.1
Medium and long-term liabilities			
– Liabilities long-term financing	12	138.2	58.5
– Other liabilities		0.3	0.2
– Provisions	13	29.6	27.2
Sub Total Liabilities		341.5	238.8
Equity			
Share capital	14	21.4	21.4
Capital reserves		6.5	6.5
Retained profits		328.0	309.9
Consolidated annual profit		43.2	50.9
Sub Total Equity excl. minorities		399.1	388.7
Minority Interests	15	9.7	0.0
Sub Total Equity	16	408.8	388.7
Total Liabilities		750.3	627.5

CONSOLIDATED INCOME STATEMENT

CHF million	Notes	2006	2005
Gross Revenue	22	594.7	519.8
Redemptions and transport costs	23	– 47.9	– 43.8
Net Revenue		546.8	476.0
Changes in inventories of finished goods		0.9	– 7.8
Other operating income	24	13.3	10.6
Income		561.0	478.8
Cost of raw materials and supplies		– 113.0	– 88.5
Energy costs		– 88.2	– 67.2
Personnel expenses	25	– 126.4	– 111.1
Other operating expenses	26	– 120.9	– 108.8
Depreciation		– 45.1	– 41.4
Earnings Before Interests and Tax (EBIT)		67.4	61.8
Financial Income	27	– 5.4	– 3.1
Operating Earnings After Interests		62.0	58.7
Non-operating Income	28	– 0.3	3.4
Consolidated Profit Before Taxes		61.7	62.1
Taxes	29	– 17.9	– 11.2
Minority interests from Group companies		– 0.6	0.0
Consolidated Annual Profit		43.2	50.9
Consolidated Cash Flow		97.2	97.2

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Notes	2006	2005
Cash Flow from Operational Activities			
Consolidated annual profit		43.2	50.9
Minority interests in annual profit from Group companies		0.6	0.0
Depreciation		46.3	45.8
Other non cash items		7.1	0.5
Cash Flow (Earned Income)		97.2	97.2
Changes in working capital		– 17.1	– 6.8
Changes in non interest bearing debt		20.1	– 3.2
Total Operational Cash Flow		100.2	87.2
Cash Flow from Investment Activities			
Investments in fixed assets	30	– 109.8	– 39.2
Investments in financial assets	31	– 60.6	2.3
Changes active loans		10.1	– 12.1
Total Investment Cash Flow		– 160.3	– 49.0
Cash Flow from Financial Activities			
Dividend Distribution (including minority shares)		– 6.8	– 6.0
Acquisition of minority interests		0.0	– 0.3
Capital increase through minority shares		0.9	0.0
Changes in liable loans & credits		39.7	– 1.2
Changes in other interest bearing debt		0.2	0.2
Total Financial Cash Flow		34.0	– 7.3
Adjustments for currency and consolidation effects		– 1.0	– 0.1
Changes in Cash Flow		– 27.1	30.8

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

CHF million	Share Capital	Capital Reserves (Agio)	Retained Earnings	Cumulative FX Differentials	Sub Total excl. Minority Share Interests	Minority Share Interests	Total incl. Minority Share Interests
Shareholders' Equity as per 01.01.2005	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
Revaluation of participation in AGR					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
Change consoldation range			– 39.3		– 39.3	8.8	– 30.5
Capital increase					0.0	0.9	0.9
Annual profit			43.2		43.2	0.6	43.8
Foreign exchange differential				13.3	13.3	– 0.6	12.7
Dividends			– 6.8		– 6.8		–6.8
Shareholders' Equity as per 31.12.2006	21.4	6.5	337.6	33.6	399.1	9.7	408.8

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.

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.

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.

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.

The consolidation range changed in the fiscal year due to consolidating 75.10% of OJSC Vetropack Gostomel for the first time (as per 01.03.2006). Furthermore two associated companies, Natur-Pack a.s. (34.0%) and GVZ Glasverbund Zentralschweiz (25.0%) were added (Equity Method). In March 2006 Vetroreal Industrie- und Gewerbezentrum AG in Wauwil was retroactively merged with Vetroreal AG as per 01.10.2005. All assets and liabilities were migrated unchanged into Vetroreal AG.

An overview of the companies within the Vetropack Group, and the method used to consolidate them into the Group financial statements, can be found on page 43.

Capital Consolidation

Capital consolidation is preformed according to the "Purchase Method". Thereby the acquisition costs of an acquired company is 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.
– 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 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. However, if the market price is lower, 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. These are valued at their acquisition or manufacture costs minus the 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 of little value are directly expensed in the income statement upon acquisition. Intermediate profit arising from intra Group asset transfers is eliminated.

Leasing

Financial leases are placed in the same category as fixed assets owned by the Group. The purchase value or market value respectively of the leased goods or, if lower, the cash value of the future leasing payments is established at the beginning of the contract and activated. The corresponding liability toward the leasing grantor is carried as liability financial leases. Cost of rental agreements and operative leasing are booked income statement-related.

Financial Investments

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

The same valuation principles apply for derivative financial instruments as for the underlying transaction.

NOTES

1. Liquid Assets

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

2. Receivables from Goods and Services sold

CHF million	31.12.2006	31.12.2005
Gross dept	123.9	102.7
Adjustments in value	– 19.2	– 16.2
Net dept	104.7	86.5

Receivables of CHF 23.1 million are pledged against bank credit (2005: CHF 8.9 million).

3. Other Receivables

CHF million	31.12.2006	31.12.2005
Reclaimable taxes	6.5	6.7
Advance payments	0.8	1.2
Loans to third parties	1.0	10.1
Other receivables	6.7	3.0
Total	15.0	21.0

4. Materials and Finished Goods

CHF million	31.12.2006	31.12.2005
Raw and auxiliary materials	28.5	22.2
Semi-finished goods	1.4	0.7
Finished goods, commercial goods	69.2	64.9
Advance payments to suppliers	0.3	0.0
Total	99.4	87.8

Inventories valued at CHF 12.0 million were used as collateral to secure bank loans (2005: CHF 9.7 million).

5. Accrued Items

CHF million	31.12.2006	31.12.2005
Deferred taxes	2.9	1.8
Other accrued items	0.9	0.5
Total	3.8	2.3

6. Fixed Assets

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

CHF million	Real Estate & non-operating Buildings	Real Estate & operating Buildings	Furnances Equipment, Production Facilities	Other Fixed Assets	Assets Under Con-struction	Total
Acquisition Costs						
Status as per 01.01.2006	116.1	224.8	577.8	40.9	32.0	991.6
Addition consolidation range		15.2	42.4	2.0	9.2	68.8
Additions	0.2	13.2	57.0	3.0	39.0	112.4
Disposals	– 14.2	– 1.9	– 34.0	– 2.5		– 52.6
Reclassification	– 0.3	10.2	38.2	– 0.3	– 47.8	0.0
Currency differential	0.1	8.6	26.5	0.8	0.4	36.4
Status as per 31.12.2006	101.9	270.1	707.9	43.9	32.8	1 156.6
Accumulated Depreciation						
Status as per 01.01.2006	79.6	132.0	398.3	33.6	0.0	643.5
Addition consolidation range		4.7	12.8	0.8		18.3
Depreciation 2006	1.2	6.9	34.6	3.4		46.1
Disposals	– 13.2	– 1.5	– 32.8	– 2.4		– 49.9
Reclassification	1.2			– 1.2		0.0
Impairment of assets **		0.2				0.2
Currency differential		4.2	17.2	0.8		22.2
Status as per 31.12.2006	68.8	146.5	430.1	35.0	0.0	680.4
Balance Sheet Value						
As per 01.01.2006	36.5	92.8	179.5	7.3	32.0	348.1
As per 31.12.2006	33.1	123.6	277.8 *	8.9	32.8	476.2

* This includes financial leases of CHF 1.0 million (2005: CHF 0.0 million)

** Due to the change in real estate utilisation, the respective book values have been newly appraised and their values adjusted. This resulted in an extraordinary depreciation (impairment according Swiss GAAP FER 20) in the periodical result of CHF 0.2 million (2005: CHF 3.5 million).

CHF million	31.12.2006	31.12.2005
Pledges undertaken to secure bank loans and mortgages	8.5	9.8

7. Financial Assets

CHF million	Comment	31.12.2006	31.12.2005
Assets from employer's contribution reserves	21	8.3	8.6
Securities		1.6	4.0
Loans to third parties		1.0	2.0
Participations in associated companies		0.8	0.6
Other financial investments		0.5	0.6
Total		12.2	15.8

No securities were pledged for own bank loans (2005: CHF 1.8 million).

8. Short Term Financing

CHF million	31.12.2006	31.12.2005
Bank credits	65.8	73.2
Liabilities loward associated persons	1.2	1.0
Short-term leasing liabilities	0.3	0.0
Total	67.3	74.2

9. Other Current Liabilities

CHF million	31.12.2006	31.12.2005
Prepaid recycling fee	5.7	5.6
Advanced payments	3.1	0.2
Salaries	4.3	3.7
Shareholders' current account	0.1	0.2
Other current liabilities	6.3	6.5
Total	19.5	16.2

10. Deferred Items

CHF million	31.12.2006	31.12.2005
Unclaimed vacation days and overtime	4.5	4.0
Wages and salaries	1.9	0.9
Energy costs	0.3	1.8
Other deferred items	4.7	2.5
Total	11.4	9.2

11. Current Provisions

CHF million	Income Taxes	Employee Service Anniversaries	Redevelopment Site Bülach	Legal Proceedings	Guarantee, Warranty	Other	Total
As per 1.1.2006	5.1	0.4	1.1	4.8	1.0	3.7	16.1
Increase consolidation range	2.3						2.3
Reclassification		0.1					0.1
Creation	16.4		2.6		0.1	3.3	22.4
Dissolution				– 0.4			– 0.4
Utilisation	– 18.0	– 0.1	– 1.2	– 0.9	– 0.7	– 1.6	– 22.5
Currency differential	0.3			0.1		0.4	0.8
As per 31.12.2006	6.1	0.4	2.5	3.6	0.4	5.8	18.8

In order to utilise the former manufacturing site in Bülach for other business purposes, an accrual of CHF 2.5 million was made during the 2006 fiscal year for the planned disposal of contaminated materials.

12. Long Term Financing

CHF million	31.12.2006	31.12.2005
Bank loans and mortgages	134.5	54.8
Liabilites toward associated persons	2.8	3.7
Long-term leasing liabilities	0.9	0.0
Total	138.2	58.5

These medium to long-term financial liabilities are due for repayment as follows:

Remaining Duration

CHF million	31.12.2006	31.12.2005
1 to 2 years	60.9	34.4
3 to 5 years	62.2	16.2
Over 5 years	14.7	7.9
Total	138.2	58.5

The bank credits are bound to financial covenants according to loan agreement.

13. Medium and Long Term Provisions

CHF million	Deferred Taxes	Employee Service Anniversaire	Pension Related Obligations	Other	Total
As per 1.1.2006	11.0	4.6	9.6	2.0	27.2
Increase consolidation range		0.3			0.3
Reclassification		– 0.1			– 0.1
Creation	0.6	0.5	1.0	0.5	2.6
Utilisation		– 0.2	– 0.6	– 0.2	– 1.0
Currency differential	0.1	0.2	0.3		0.6
As per 31.12.2006	11.7	5.3	10.3	2.3	29.6

From the current perspective, losses carried forward in the sum of CHF 29.4 million (2005: CHF 23.8 million) have not been included in the calculation of deferred taxes, because they are unlikely to be offset against 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 at the balance sheet date.

For information on pension related obligations, see Comment No. 21.

14. Share Capital

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

CHF million	Number	31.12.2006	31.12.2005
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 1,450 (2005: CHF 872). The stock market capitalisation on bearer shares equals CHF 364.6 million (2005: CHF 219.3 million). Each registered and bearer share includes a voting right.

Major shareholders (voting rights >5%)	31.12.2006	31.12.2005
Cornaz AG-Holding	60.3%	60.3%
Paul-Henri Cornaz	5.4%	5.4%
Elisabeth Leon-Cornaz	5.0%	5.0%

15. Minority Shareholdings

The proportion of shareholders' equity held by minority shareholders of OJSC Vetropack Gostomel is 24.9% (2005: 0.0%).

16. Shareholders' Equity

Had goodwill been activated and depreciated over a five year period, the share capital would have been CHF 441.5 million as per 31.12.2006; the annual profit for 2006 would have been CHF 36.6 million.

17. Fire Insurance

Fixed assets are insured at their replacement value as follows:

CHF million	31.12.2006	31.12.2005
Buildings	498.9	468.1
Furnaces, machinery, equipment, vehicles and furniture	996.8	855.1
Total	1 495.7	1 323.2

18. Contingent Liabilities

CHF million	31.12.2006	31.12.2005
Recourse liabilities from bills of exchange	5.1	4.1
Off balance sheet leasing liabilities	1.0	0.0

19. Derivative Financial Instruments

CHF million	31.12.2006	31.12.2005
Interest Instruments		
Contractual value	17.5	16.1
Replacement values (off balance sheet)		
– positive	0.1	
– negative		– 0.1
Currency Instruments		
Contractual value	1.6	0.0
Replacement values (off balance sheet)		
– positive		
– negative	0.0	
Other Financial Instruments		
Contract values	21.8	0.0
Off balance sheet replacement values		
– positive	0.0	
– negative	0.0	

20. Transactions with Closely Associated Persons

Business relationships with closely associated persons are based on normal market terms and conditions. Essentially, these exclusively consist of transactions vis-à-vis sponsoring foundations of the Swiss companies.

21. 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.

Employer's Contribution Reserves

CHF million	Sponsoring Pension Schemes
Nominal value as per 31.12.2006	12.1
Waiver of usage as per 31.12.2006	0.0
Other value adjustments as per 31.12.2006	0.0
Discount effects as per 31.12.2006	– 3.8
Book value as per 31.12.2006	8.3
Book value as per 31.12.2005	8.6
Change 2006	– 0.3
Change 2005	0.1

Assets and Liabilities from Pension Schemes

CHF million	Sponsoring Pension Schemes	Pension Schemes Excluding Surplus/Shortfall	Pension Schemes Excluding Assets	Total
Surplus/shortfall as per 31.12.2006	2.0	0.0	0.0	2.0
Economic benefit/ obligation as per 31.12.2005	0.0	0.0	– 9.6	– 9.6
Economic benefit/ obligation as per 31.12.2006	0.0	0.0	– 10.3	– 10.3
Change 2006	0.0	0.0	0.7	0.7
Contributions to pension schemes 2006	0.5	1.8	0.0	2.3
Cost of retirement benefits 2006	0.5	1.8	0.7	3.0
Cost of retirement benefits 2005	0.0	1.8	0.4	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.

22. Gross Revenues

The consolidated revenue increased 14.4% over the previous year. The increase due to the acquisition amounts to 8.1% and the monetary influences account for an increase of 2.8%. This represents a 3.5% increase in revenues in real terms.

Revenues per Business Area

CHF million	+/–	2006	2005
Glass packaging			
– Switzerland	– 3.0%	81.9	84.4
– Austria	8.3%	185.1	170.9
– Czech Republic	8.0%	103.6	95.9
– Croatia	0.7%	117.3	116.5
– Slovakia	13.5%	46.2	40.7
– Ukraine	100.0%	48.1	0.0
Speciality and pharmaceutical glass	10.6%	11.5	10.4
Other	0.0%	1.0	1.0
Total	14.4%	594.7	519.8

23. Redemptions and Transport Costs

Redemptions primarily consist of transport costs, discounts, and commissions.

24. Other Operating Income

This category includes the sales of goods from ancillary activities, services provided to third parties, as well as internally produced and capitalised assets of CHF 2.7 million (2005: CHF 0.9 million).

25. Personnel Expenses

CHF million	2006	2005
Wages and salaries	97.9	89.8
Social benefits	25.2	19.7
Other personnel expenses	3.3	1.6
Total	126.4	111.1

Headcount per Country

	+/–	31.12.2006	31.12.2005
Switzerland	1.1%	279	276
Austria	– 1.6%	617	627
Czech Republic	– 13.3%	429	495
Croatia	– 7.5%	580	627
Slovakia	– 2.9%	369	380
Ukraine	100.0%	863	0
Total	30.4%	3 137	2 405

26. Other Operating Expenses

Other operating expenses include maintenance and repair costs, packaging material, moulds, rent as well as promotional, logistics and administrative expenses.

27. Financial Results

CHF million	2006	2005
Interest income	1.8	1.2
Interest expense	– 7.3	– 4.5
Currency related income	0.4	0.5
Other financial income	– 0.3	– 0.3
Total	– 5.4	– 3.1

Value adjustments on financial assets for CHF 0.5 million. (2005: CHF 0.0 million) are included in other financial income.

28. Non-operating Results

CHF million	2006	2005
Income from non-operating property	4.3	3.0
Profit form the sale of non-operating property	0.4	5.4
Expenditure related to non-operating property	– 1.4	– 0.8
Accrual redevelopment site Bülach	– 2.6	0.0
Depreciation/impairment related to non-operating property	– 1.2	– 4.3
Other non-operating property	0.2	0.1
Total	– 0.3	3.4

29. Taxes

CHF million	2006	2005
Income taxes	16.4	13.2
Deferred taxes	1.5	– 2.0
Total	17.9	11.2

30. Investments

Investments per Country

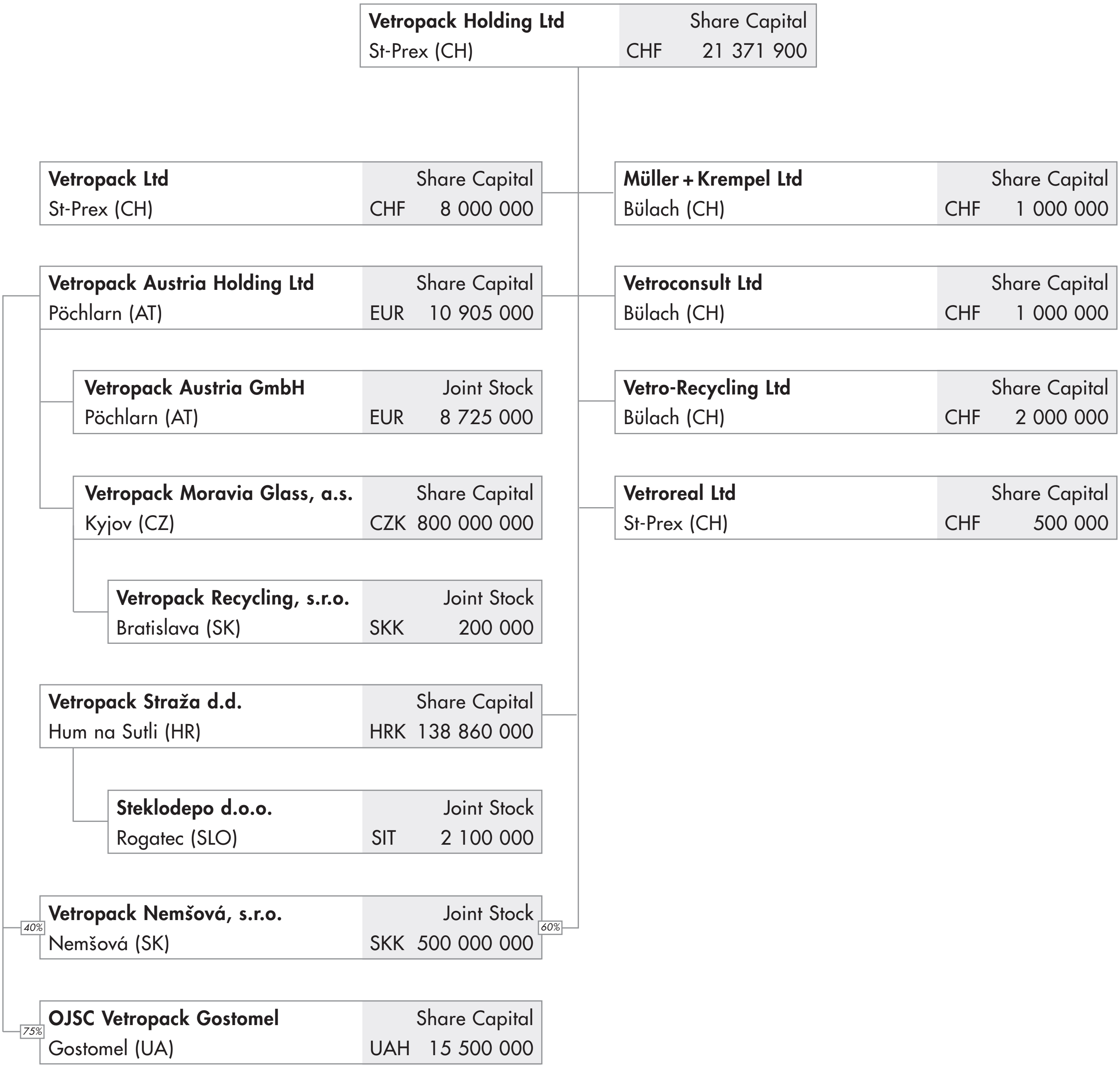
CHF million	2006	2005
Switzerland	28.2	13.7
Austria	26.0	21.1
Czech Republic	4.1	3.5
Croatia	8.2	10.5
Slovakia	30.5	1.9
Ukraine	15.4	0.0
Total	112.4	50.7

The selling non-operational real estate and obsolete production equipment resulted in divestment proceeds of CHF 2.6 million (2005: CHF 11.5 million).

31. Divestments Financial Assets

The investments in financial assets in 2006 primarily include the acquisition of the participation in OJSC Vetropack Gostomel Glass Factory.

OWNERSHIP STRUCTURE



COMPANY PARTICIPATIONS

Company	Domicile	Currency	Share Capital	% Share	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
GVZ Glasverbund Zentralschweiz Ltd	Dagmersellen	CHF	140 000	25	E	RECY
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
Slovenia						
Steklodepo d.o.o.	Rogatec	SIT	2 100 000	100	C	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
Natur-Pack, a.s.	Bratislava	SKK	1 000 000	34	E	VPN
Ukraine						
OJSC Vetropack Gostomel	Gostomel	UAH	15 500 000	75.1	C	VAH

As per 31st December 2006

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.
VPN = Vetropack Nemšová, s.r.o.
RECY = Vetro-Recycling Ltd

GROUP AUDITORS' REPORT

To the General Assembly 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 26 to 43) of Vetropack Holding AG for the year ending 31st December 2006.

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

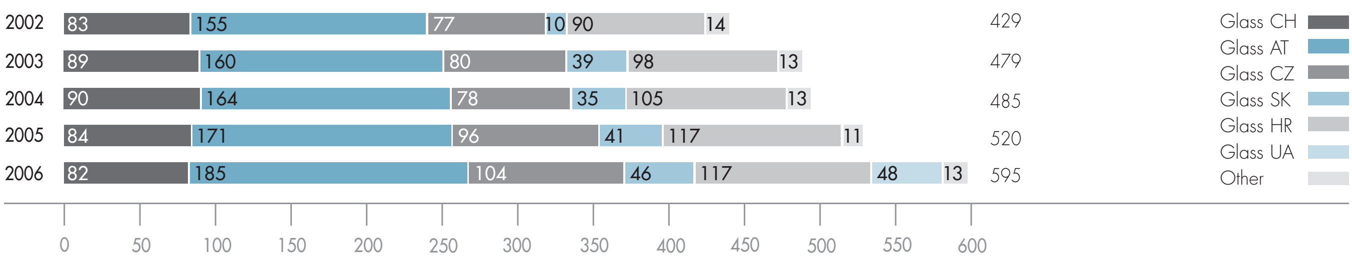
Markus Oppliger	Daniel Zaugg
Swiss Certified Accountant	Swiss Certified Accountant
(in charge of the audit)	

Zurich, 14th March 2007

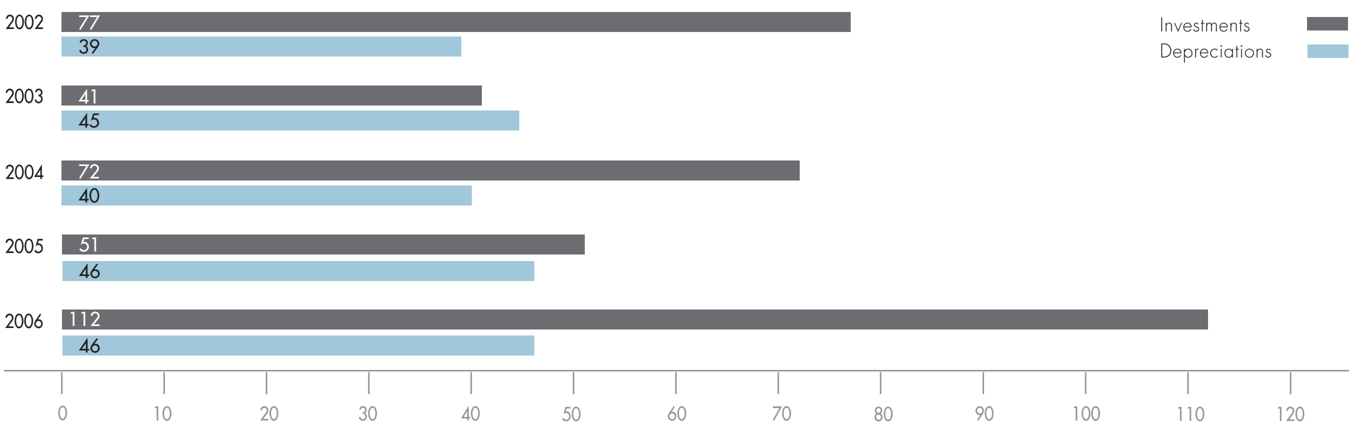
FIVE-YEAR OVERVIEW

		2006	2005	2004	2003	2002
Consolidated Income Statement						
Gross revenue	CHF million	594.7	519.8	485.4	479.0	428.5
% Change	%	14.4	7.1	1.3	11.8	– 0.7
Number of employees	Positions	3 137	2 405	2 639	2 744	2 806
Gross revenue per employee	TCHF	190	216	184	175	153
Cash flow	CHF million	97.2	97.2	84.7	84.4	65.1
Cash flow as % of gross revenue	%	16.3	18.7	17.5	17.6	15.2
Depreciation	CHF million	46.3	45.8	40.3	44.6	39.3
Taxes	CHF million	– 17.9	– 11.2	– 12.2	– 12.3	– 10.7
Net profit	CHF million	43.2	50.9	41.7	38.9	25.6
Consolidated Balance Sheet as per 31.12.	CHF million					
Investments in fixed assets	CHF million	112.4	50.7	72.2	41.2	77.6
Total assets	CHF million	750.3	627.5	564.2	548.4	512.2
Current assets	CHF million	261.8	263.6	215.9	230.0	200.9
Fixed assets	CHF million	488.5	363.9	348.3	318.4	311.3
Liabilities	CHF million	341.5	238.8	235.4	257.3	265.1
Equity	CHF million	408.8	388.7	328.5	290.8	246.9
Equity/Dept Ratio	%	54.5	61.9	58.2	53.0	48.2

Consolidated Revenues 2002–2006 / CHF million



Investments and Depreciation 2002–2006 / CHF million



Wine markets are local – wine bottles are too.

Glass presents food beautifully and wets appetite.

Mineral water in discreetly tinted glass bottles refreshes the senses.

Every third bottle from Vetropack is used for beer.

TAILOR MADE GLASS

During the 2006 fiscal year Vetropack produced 1,707 different models of glass packaging. Two thirds of these are tailor made according to customer specifications. With “Tailor Made Glass” Vetropack delivers a services package that focuses firmly on the packaging, and thereby positions the market success of the product in the foreground. “Tailor Made Glass” goes from first class packaging design, through high quality production, to timely supply.

VETROPACK HOLDING LTD

Financial Reporting

BALANCE SHEET

CHF million	Notes	31.12.2006	31.12.2005
ASSETS			
Current Assets			
Liquid assets		8.2	30.8
Receivables from Group companies	1	54.3	19.7
Other receivables	2	0.3	0.4
Sub total current assets		62.8	50.9
Fixed Assets			
Tangible assets		0.1	0.1
Participations	3	73.4	78.8
Loans to Group companies	1	16.8	9.5
Sub total fixed assets		90.3	88.4
Total Assets		153.1	139.3
LIABILITIES			
Liabilities			
Current liabilities			
– Loans and credits	4	7.4	10.0
– Accounts payable	5	2.2	2.4
– Accounts payable to Group companies	1	5.7	4.9
– Provisions		1.0	0.5
Medium and long-term liabilities			
– Loans and credits	4	10.0	0.0
– Other liabilities	6	3.5	4.3
– Provisions		0.3	0.3
Sub total liabilities		30.1	22.4
Equity			
Share capital	7	21.4	21.4
General legal reserve		28.6	28.6
Free reserves		50.5	46.5
Annual profit shown in the balance sheet			
– Retained earnings		9.6	8.8
– Annual profit		12.9	11.6
Sub total equity		123.0	116.9
Total Liabilities		153.1	139.3

INCOME STATEMENT

CHF million	Notes	2006	2005
Revenues			
Dividends and other income from Group companies	8	26.6	23.9
Interest and financial income		2.5	1.8
Other income		0.6	1.0
Sub total revenues		29.7	26.7
Expenses			
Personnel expenses	9	5.8	5.3
Interest and financial expenses		0.6	0.4
Provisions and depreciation	10	5.5	4.3
Other operating expenses		4.7	4.8
Income taxes		0.2	0.3
Sub total expenses		16.8	15.1
Total Annual Profit		12.9	11.6

REMARKS CONCERNING CLOSING FIGURES

1. Receivables and Liabilities Amongst Group Companies

The changes in the current account and lending relationships reflect the current financial requirements of subsidiaries.

2. Other Receivables

CHF million	31.12.2006	31.12.2005
Reclaimable tax payments	0.13	0.09
Accrued items	0.00	0.02
Other receivables	0.14	0.33
Total	0.27	0.44

3. Participations

The change is attributed to the right-off against participations.

The composition of the share capital held directly or indirectly by Vetropack Holding Ltd is shown in the summary on page 43.

4. Financial Debt

Financial debts provide financing for the subsidiaries.

5. Accounts Payable

CHF million	31.12.2006	31.12.2005
Suppliers	0.66	0.61
Payable to shareholders	0.07	0.21
Deferred items	0.55	0.62
Other payables	0.95	0.95
Total	2.23	2.39

6. Other Long Term Liabilities

This position consists of liabilities toward corporate pension fund foundations.

7. Share Capital

Share capital remained unchanged during year under review. Details concerning this position can be found in the “Notes to the Consolidated Balance Sheet”, Comment 14, page 37.

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 28.4 individuals (2005: 27.6).

10. Provisions and Depreciation

The participations were adjusted by CHF 5.4 million (2005: CHF 4.2 million).

ADDITIONAL INFORMATION

11. Fire Insurance Value

The value of fixed assets insured against fire equalled CHF 1.1 million (2005: CHF 1.6 million).

12. Contingent Liabilities

In order to guarantee bank credits made to foreign subsidiaries, letters of comfort in the amount of CHF 135.3 million were signed (2005: CHF 59.1 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:

CHF million	2006	2005
Retained profits from the previous year	9.6	8.8
Annual profit	12.9	11.6
Total profits at the disposal of the General Assembly	22.5	20.4
Dividend Payment of 32%	6.8	6.8
Transfer to free reserves	4.0	4.0
Retained profits to be carried forward	11.7	9.6

Acceptance of this proposal would result 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 15th May 2007 via the usual appointed paying agents. Payment to holders of bearer shares is to be made in exchange for coupon No 10 at the Swiss branch offices of the following banks:

Banque Cantonale Vaudoise
Credit Suisse
UBS
Zürcher Kantonalbank

REPORT OF THE STATUTORY AUDITORS

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 on pages 48 – 51) of Vetropack Holding AG for the year ending 31st December 2006.

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

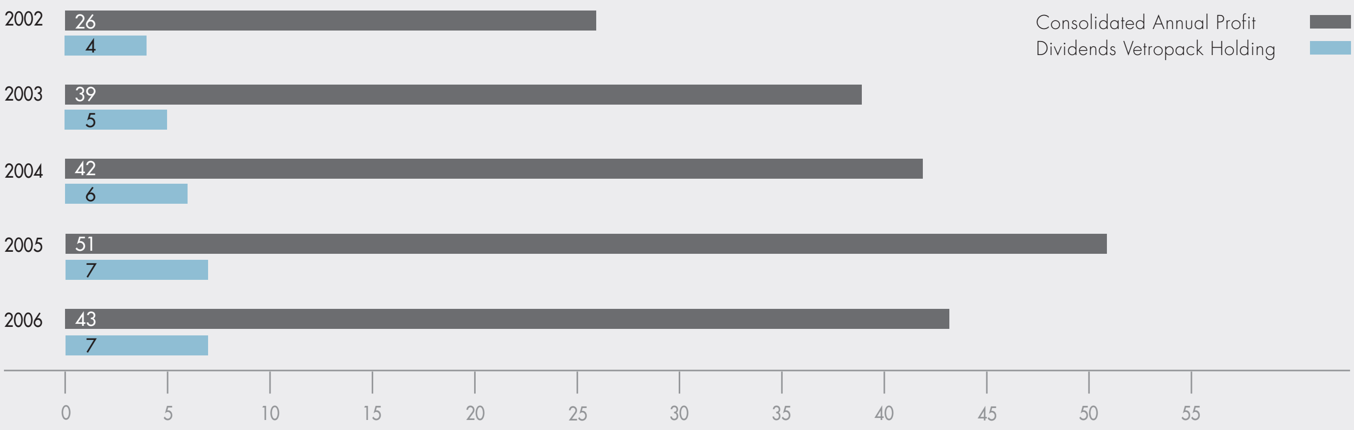
Zurich, 14th March 2007

FIVE YEAR OVERVIEW

Income Statement	2006	2005	2004	2003	2002
Dividends and other income from Group companies	26.6	23.9	22.4	19.6	18.3
Net profit	12.9	11.6	10.5	9.4	7.7
Total balance sheet as per 31.12.2005	153.1	139.3	135.2	142.0	146.2
Participations	73.4	78.8	82.6	86.5	79.2
Share capital	21.4	21.4	21.4	21.4	21.4
Equite	123.0	116.9	111.3	106.1	100.9
Share Details					
Share prices					
– bearer shares high	1 475	979	760	486	310
– bearer shares low	366	742	461	290	215
Dividends					
– bearer shares 1)	16.00	16.00	14.00	12.50	10.00
– registered shares 1)	3.20	3.20	2.80	2.50	2.00
Consolidated annual profit	101.7	119.1	97.6	91.0	59.9
Payout ratio	15.7	13.4	14.3	13.7	16.7

1) Motion for the Annual General Assembly on 9th May 2007

Consolidated Annual Profit and Dividends 2002–2006 / 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 64.

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

Refer to the illustration on page 43.

Capital Structure and Shareholders

For details of the share capital, refer to commentary 14 on page 37. 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%

	31.12.2006			31.12.2005		
	No. of Registered Shares	No. of Bearer Shares	% Voting Rights	No. of Registered Shares	No. of Bearer Shares	% Voting Rights
Cornaz AG-Holding Oberrieden	672 754	10 000	60.34%	672 754	10 000	60.34%
Paul-Henri Cornaz Luzern	60 167	532	5.36%	60 167	532	5.36%
Elisabeth Leon-Cornaz Lausanne	56 868		5.03%	56 868		5.03%

A shareholders' lock-in agreement exists between the shareholders of Cornaz Holding Ltd. A shareholders' agreement exists between Cornaz Holding Ltd and the shareholders mentioned above as well as three further shareholders.

The core elements of both agreements are:
– Uniform exercise of voting rights at the AGM
– Mutual obligation to offer shares to parties to the agreement

Board of Directors (BoD)

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

BoD members 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 BoD member.

BoD Duties

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

The BoD Chairman has the following additional main duties:
– Preparing and drawing up the invitations to the AGA jointly with the CEO.
– Drawing up the agenda for BoD meetings, and issuing invitations and relevant documentation jointly with the CEO.
– Chairing the AGA and the BoD meetings.
– Monitoring the implementation of resolutions passed by the AGA and BoD.
– In urgent cases, the BoD Chairman 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 BoD members.

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

The duties that the BoD has not reserved to itself as laid out in CO 716a items one to five are delegated to the MB. This means that the MB can act freely within the guidelines laid down by the BoD, but 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 BoD meetings of the may be held as necessary. Meetings normally last at least four hours. The head auditor is invited to the March meeting to report on the audit and its results. Moreover, a two day strategy meeting is held every year in August. Additionly, at least nine meetings involving exclusively the BoD Chairman, the CEO and the CFO are held every year to discuss operational topics, preparations for the ordinary meetings, as well as reports from. Internal Audit.

The BoD is regularly informed about the Group's commercial situation and planning via written 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. An Internal Audit function will commence in 2007. The BoD delegates with the implementation of any necessary measures to the MB and verifies that these have been implemented by means of periodic feedback via internal auditing.

Board of Directors (BoD) Members

	Position	Nationality	Appointed	Elected Till
Hans R. Rüegg	Chairman, non-executive	CH	1993	May 2009
Richard Fritschi	Vice chairman, non-executive	CH	2005	May 2009
Claude R. Cornaz	Delegate, executive	CH	1998	May 2009
Paul-Henri Cornaz	Member, non-executive	CH	1985	May 2009
Werner Degen	Member, non-executive	CH	1997	May 2009
Rudolf W. Fischer	Member, non-executive	CH	2000	May 2009
Jean-Philippe Rochat	Member, non-executive	CH	2006	May 2009

Elections for fiscal years 2006 – 2008 were held at the 2006 AGA

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
2005 – present	BoD Chairman, Vetropack Holding AG
Governing Mandates	VP, Dätwyler Holding AG Präsident Audit Committee, Dätwyler Holding AG
Offices	VP, Swissmem, Trade association for the Swiss engineering, electronics and metal goods industries

Richard Fritschi

(1960, Oberrieden ZH)	Dipl. Commercial Controller
1979 – 1985	Various functions in France and England, Luwa SA
1985 – 1987	Project Controller, Airchal-Luwa SA, Paris
1987 – 1991	Head of Finance and Administration, Isolag AG, Zurich
1991 – 1999	Head of Finance, Allo Pro/Sulzer Orthopädie, Baar/Winterthur
1999 – 2001	Head of Sales, Sulzer Orthopädie/Sulzermedica, Winterthur
2001 – 2003	President Europe/Asia/South America, Sulzer Orthopädie/ Sulzermedica, Winterthur
2003 – 2005	President Europe/Australasia, ZIMMER, Winterthur
2006 – present	CEO, Ypsomed AG
Governing Mandates	Member, Cornaz AG-Holding

Claude R. Cornaz

(1961, Bülach, ZH)	Dipl. Mechanical Engineering, 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, Vetropack Holding Ltd
Governing Mandates	BoD Member, Bucher Industries AG BoD Member, H. Goessler AG VP, Cornaz Holding Ltd
Offices	BoD Member of FEVE The European Federation for Glass Packaging

Paul-Henri Cornaz

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

Werner Degen

(1941, Liestal, BL)	Dipl. Electrical Engineering, 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
Governing Mandates	President, Bank Council, BLKB, Liestal President, Dolder AG, Basel BoD Member, Agie Charmilles Holding AG, Zug BoD Member, AAM, a subsidiary of BLKB

Rudolf W. Fischer

(1952, Walchwil, ZG)	PhD. publ. Economics, University of Zurich, Switzerland
1982 – 1991	Various management positions in Human Resources and Trade Marketing, Jacobs Suchard, Switzerland and Belgium
1991 – 1994	MD, 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 Personnel and Training, Schindler Lifts + Escalators, Ebikon
Governing Mandates	BoD Member, several companies within Schindler Group

Jean-Philippe Rochat

(1957, Lausanne VD)	Lic. iur. Lawyer, University of Lausanne, Switzerland
1980 – 1984	Internship, Publicitas Ltd, Lausanne, Bern and Basel
1984 – 1985	Internship, Fiduciaire Fidinter Ltd, Lausanne
1985 – 1987	Legal intership in Geneva
1987 – 1989	Lawyer, Pfyffer, Argand, Troller & Associates, Geneva
1989 – present	Partner at Carrard, Paschoud, Heim & Associates, Lausanne
Governing Mandates	BoD Chairman, Beaulieu Exploitation SA, Lausanne BoD VP, Baumgartner Papier Holding Ldt, Crissier BoD Member, Banque Benedict Hensch SA, Geneva BoD Member, Gétaz Romang Holding SA, Vevey BoD Member, Investissements Fonciers SA – La Foncière, Lausanne BoD Member, Kessler Prévoyance Ltd, Geneva
Offices	President of “Commission des Appellations des Vins Vaudois” Member of the Strategy Council “Chambre Vaudoise du Commerce et de l’Industrie” Honorary consul of Finland in Lausanne

BoD Members of Vetropack Holding AG do not sit with other BoD members on the boards of other listed companies, nor are there any business relationships between the BoD members and Vetropack Holding AG. Three BoD members (Claude R. Cornaz, Werner Degen and Hans R. Rüegg) also act as directors of other listed companies as set out on pages 56 and 57 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	GM Technology and Production	DE	1.6.2003
Rudolf Schraml	GM Business Division West	AT	1.7.1986
Marcello Montisci	GM Czech & Slovak Republics	IT	1.3.2005
Dragutin Špiljak	GM Croatia	HR	5.9.1996

Claude R. Cornaz

(1961)	Dipl. Mechanical Engineering, ETH, Zurich, Switzerland
1987 – 1989	Management Services, Contraves AG, Zurich
1989 – 1993	Project Engineer, Nestec in Vevey and Thailand
1993 – 1999	Head of Corporate Development for 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
1989 – 1997	Various international Finance and Management positions, ABB Group, Switzerland and the Czech Republic
1998 – 2001	CFO, Studer Professional Audio AG, Regensdorf
2002 – present	CFO, Vetropack Holding Ltd MB Member, Vetropack Group

Günter Lubitz

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

Rudolf Schraml

(1950)	Dipl. Mechanical Engineering, Technical University of Vienna, Dept. of Engineering & Business Administration, 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 – present	General Director, Vetropack Austria GmbH
2000 – present	Responsible of Business Division West, Vetropack Group MB Member, Vetropack Group

Marcello Montisci

(1954)	PhD., Electrical Engineering, University of Rome, Italy MBA, Universita Commerciale Luigi Bocconi, Milan, Italy
1980 – 1985	Technical Sales, VARIAN, Turin
1985 – 1991	Various management functions, AXIS Spa, Florence Including four years in the USA
1991 – 2001	Commercial Director, AVIR Spa, Milan (O.I.)
2001 – 2005	MD, United Hungarian Glass, (O.I.)
2005 – present	Head of Marketing / Sales / Production Planning, Vetropack Group
2006 – present	Division Head, Czech and Slovak Republics MB Member, Vetropack Group

Dragutin Špiljak

(1947)	Dipl. Mechanical Engineering, University of Zagreb, Croatia
1972 – 1986	Head of Production, Straža Glassworks, Croatia
1986 – 1990	Major of the municipality of Pregrada Member of the Croatian parliament
1990 – 1992	Technical Director, Straža Glassworks, Croatia
1992 – present	MD, Straža Glassworks, Croatia Taken over by Vetropack in 1996
1996 – present	MD, Vetropack Straža d.d. Extended MB member, Vetropack Group
1.2.2006 – present	Division Head, Croatia MB Member, 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 2006, the remuneration sum for executive members of the BoD and members of the MB amounted to CHF 2.94 million.

In 2006, 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 0.65 million.

As per 31.12.2006 the executive BoD and MB members (including people closely associated with them) held a total of 1,381 registered shares and 30 bearer shares.

As per 31.12.2006 the non-executive BoD and MB members (including people closely associated with them) held a total of 60,167 registered shares and 592 bearer shares.

Shareholder's Participation Rights

Voting Rights, Voting Rights Restrictions and Representation

Each registered or bearer share has one voting right.

There is no representation restriction in respect of bearer shares. Registered shares can only be represented by other holders of registered shares (persons or legal entities).

Statutory Quorums

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

Convocation of the AGA

The invitation is issued at least 20 days prior to proposed date of the assembly. Within the invitation the shareholders are informed of business items to be negotiated during the assembly, as well as motions proposed by the BoD and by shareholders who have demanded that a given business item be placed on the agenda.

Extraordinary General Assemblies (EGAs) are convened as necessary and as defined by legal precedent. Shareholders representing at least one tenth of 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.

Composition of the Agenda for the AGA

Shareholders who represent shares with a nominal value of CHF 1,000,000 can demand that a business item 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 2006. The head auditor is changed every seven years.

Fees

During the year under review, Ernst & Young invoiced the Vetropack Group the sum of CHF 0.31 million for auditing services for accounts of individual Group companies and consolidated accounts. Some of the Group companies are audited by other auditors.

Moreover, Ernst & Young AG also charged Vetropack Holding Ltd a fee in the sum of CHF 0.65 million for services relating to tax advice, due diligence, internal audit and other advisory services.

Supervisory and Control Instruments Vis-à-Vis the Auditors

At the ordinary March meeting the full board of directors will be informed in writing (Auditor's Report, Group Auditor's Report, Management Letter, Explanatory Notes) and verbally (the lead auditor attends the March meeting of the board of directors) about the results of the audit. The main points and results of the audits carried out at the subsidiaries are also discussed with the auditors at the ordinary meeting of the governing body of each subsidiary. A member of the board of directors is present at these meetings. The BoD will assess the performance, remuneration and independence of the auditors and the group auditor on an annual basis.

Information Policy

Vetropack Holding Ltd Provides Information Through the Following Channels:

Annual Report, Annual Press conference, Annual General Meeting, and Semi-Annual Report.
Current information is available via the company's website at www.vetropack.com

Contact Address

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Switzerland
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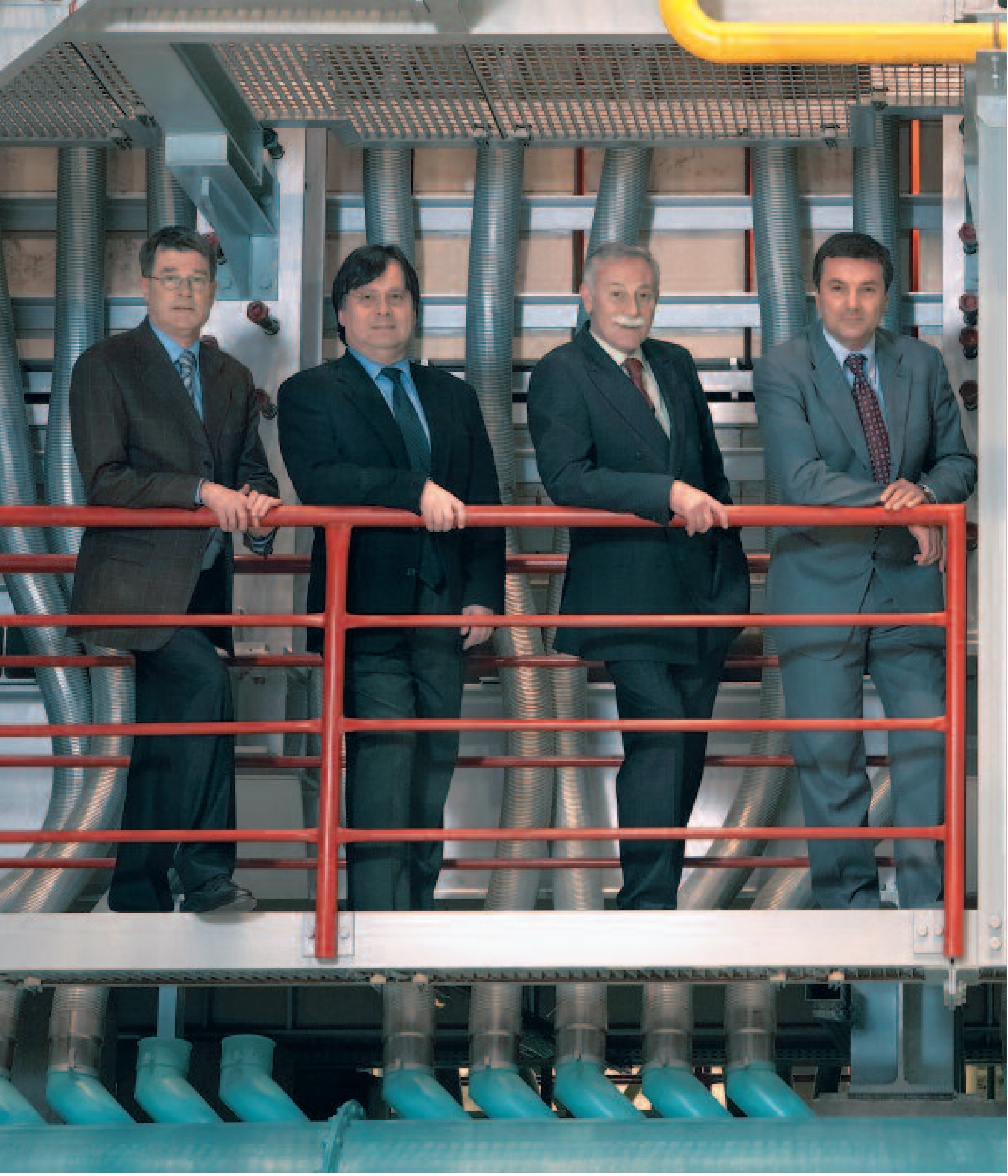
Fax +41-44-863 31 25

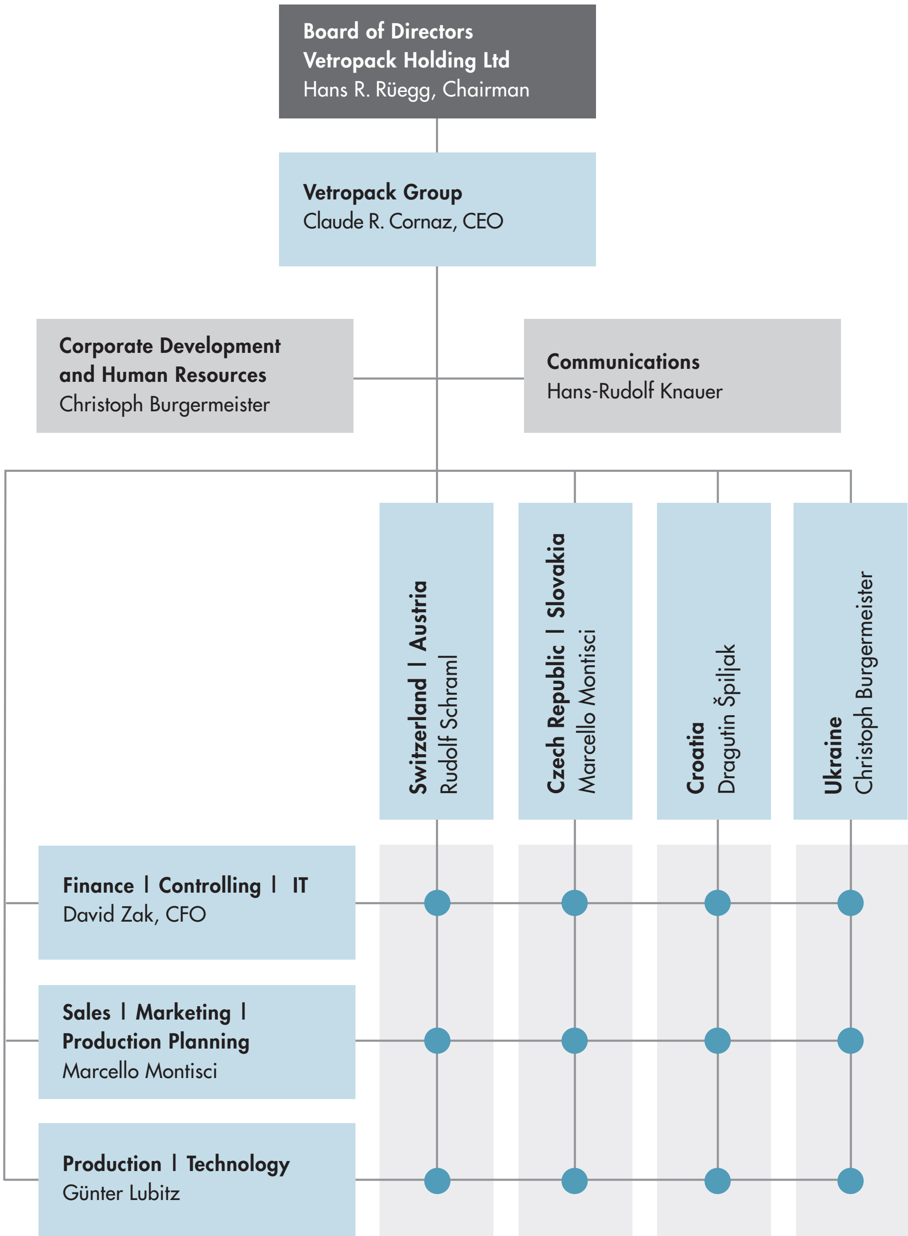


Hans-Rudolf Knauer *Marcello Montisci* *Dragutin Špiljak* *David Zak*

Extended Group Management as at 15th March 2007

Claude R. Cornaz *Rudolf Schraml* *Günter Lubitz* *Christoph Burgermeister*

Organisation as at 15th March 2007



Group Managing Board

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

Finance, Controlling and IT

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

Marketing, Sales and Production Planning

Marcello Montisci

Technics and Production

Günter Lubitz

Corporate Development and Human Resources

Christoph Burgermeister

Corporate Communication

Hans-Rudolf Knauer (till 31st March 2007)
Elisabeth Boner (as per 1st April 2007)

Business Division Switzerland / Austria

Rudolf Schraml	
Sales and Marketing	Herbert Kühberger
– Switzerland	Jürg Mossdorf
– Austria	Herbert Kühberger
– Export Europe West	Leopold Siegel
Finance and Administration	Eduard Steininger
Logistics	Helmut Artacker
Technics	Knut Ludwig
– St-Prex plant	
– Technical Management	Samuel Thirion
– Administrative Management	Dieter Schellhammer
– Pöchlarn plant	Franz Kendl
– Kremsmünster plant	Knut Ludwig

Business Division Czech Republic / Slovakia

Marcello Montisci	
Sales and Marketing	Dana Švejcarová
– Czech Republic	Dana Švejcarová
– Slovakia	Zuzana Hudecová
– Export Europe East	Vlastimil Ostrezi
Finance and Administration	a.i. Marcello Montisci
Logistic	Jaroslav Mikliš
Production Kyjov plant	Attila Hosszú
Technics Kyjov plant	Miloš Kostýlek
Nemšová plant	Gregor Gábel
– Production	Róbert Adamčík
– Technics	Miroslav Šebik
– Finance	Eva Vanková

Business Division Croatia

Dragutin Špiljak	
Sales and Marketing	Darko Šlogar
Logistic	Josip Debeljak
Finance	Marija Špiljak
Personnel and IT	Damir Gorup
Production	Josip Šolman
Technics	Tihomir Premužak

Business Division Ukraine

Christoph Burgermeister	
General Management	Andriy Girnyk
Sales, Marketing and Logistics	Vladimir Lysenko
Finance	Nadezhda Solodovnik
Controlling	Julia Solodovnik
Personnel	Viktor Sytnikov
Production	Jaroslav Mudryk
Technics	Stepan Girnyk

Group Companies

Vetroconsult Ltd	Günter Lubitz
Müller + Krempel Ltd	Urs Wohlgemuth
Vetro-Recycling Ltd	Jürg Mossdorf
Vetroreal Ltd	Jakob Meier

Vetropack – Our Glassworks

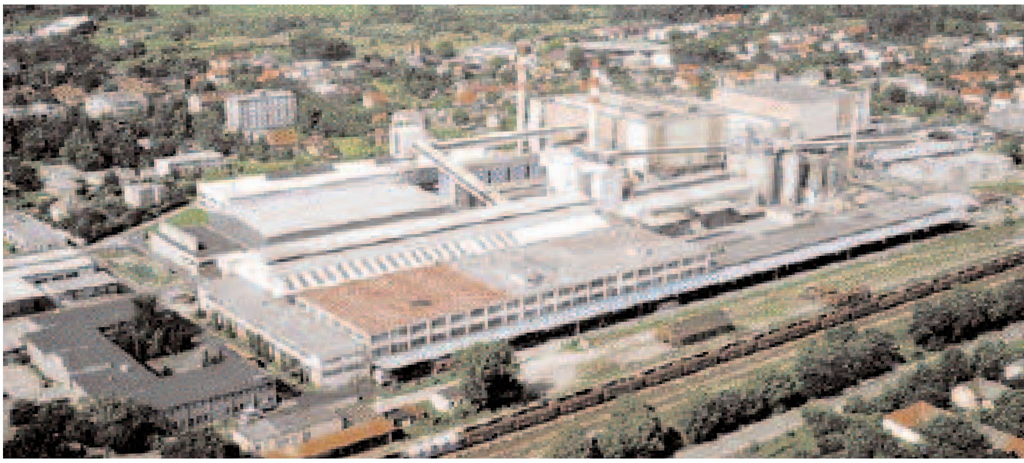
St-Prex Plant (Switzerland)

Pöchlarn Plant (Austria)

Kremsmünster Plant (Austria)

Kyjov Plant (Czech Republic)

Nemšová Plant (Slovakia)



Hum na Sutli Plant (Croatia)

Gostomel Plant (Ukraine)

03/2007 600 e

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Vetropack Austria GmbH

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Vetropack Nemšová, s.r.o.

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Vetropack Straža d.d.

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Vetro-Recycling Ltd

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Vetroreal Ltd

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