

End-of-year review

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End-of-year review

In a fiscal year dominated by a massive market downturn, we positioned ourselves as a strong market player and exerted a decisive influence on the evolution of the glass industry. Thanks to our innovative strength – coupled with the profound engagement of our employees and a business model that is geared to sustainability – we achieved some notable successes in 2023.

The Vetropack Group faced challenges in the 2023 fiscal year on account of the volatile and tense market environment. As in the past, we were confronted yet again with high energy prices, and we felt the effects of inflation and the impacts of the war in Europe. Subdued consumer sentiment made its mark on the packaging industry as a whole. We nevertheless successfully drove innovations (such as Echovai) ahead, and we deepened our commitment to sustainability. Click on the picture below or follow this [link](#) to watch a video showing some of the milestones that gave us particular cause for celebration, proving that we are on the right track:



These are some of the events you can see in the video:

We resumed glass production at our Ukrainian plant in Gostomel at the end of May, and the Vetropack Foundation Gostomel demonstrated solidarity with our employees who were impacted by the war.

Echovai, our exceptionally stable lightweight glass bottle that is economical on materials and manufactured in a sustainable process, won the Swiss Packaging Award 2023.

As another stage in the integration of our Chişinău plant, we published the Romanian-language versions of our website and catalogue.

To mark the 140th anniversary of Moravia Glass, our plant in the Czech Republic, we installed our first servo-driven electric glass-blowing machine. As well as reducing energy consumption, the new machine will operate to the highest standards of precision.

In connection with the Zero CO₂ project, we conducted experiments on changing the raw material input for glass production. By eliminating soda, glass can be manufactured with lower emissions.

In autumn, we celebrated the opening of our new site at Boffalora sopra Ticino, Italy. This impressive state-of-the-art plant features eight production lines and offers high production capacity.

At the end of the year, we showcased our exceptionally stable returnable bottles at BrauBeviale, the trade fair for the European beverage industry.

These positive events – in parallel with the implementation of our [Strategy 2030](#) – will help us to strengthen our market position in 2024.



End-of-year-review

Letter from the Board of Directors

Dear Shareholders,

A good first half of the year was followed by a sharp slowdown in business during the second half, so the Vetropack Group is closing the 2023 fiscal year with a stable operating result at the same level as in the prior year. By investing in state-of-the-art production plant and thanks to the development and introduction of product innovations, Vetropack was able to strengthen its position as a market and technology leader. Especially in the second half of the year, however, the Group also felt the effects of a noticeable downturn in consumer demand as a consequence of inflation. At CHF 898.8 million, net sales from goods and services were more or less the same as in the prior year. After adjustments for currency effects, the Group was able to increase net sales from goods and services by 2.8 percent. Consolidated EBIT rose to CHF 91.3 million (prior year: CHF 89.1 million). Below the line, the Group is posting a profit of CHF 63.3 million (prior year: CHF 40.7 million).

2023 will go down in our records as a difficult fiscal year. Even more so than in previous years, our sector – in common with the entire packaging industry – felt the effects of the climate of crisis prevailing at present: wars, the aftermath of the energy crisis, inflation, and growing overall uncertainty are slowing down consumer behaviour, and this is also curtailing demand for packaging. Especially in the second half of 2023, this situation confronted our Group with a number of challenges to which we responded by very swiftly adjusting our production capacities. Across the Group, we are recording hundreds of line downtime days throughout 2023 – and it is currently impossible to predict when or how quickly this situation will change again.

Market situation remains tense

In fact, we can already see that 2024 is following on seamlessly from the weak second half of the preceding year. We will therefore be focusing on our efficiency even more intensively than in 2023: alongside proactive management of our capacities, this means that we will concentrate on reducing costs. This also applies to human resources, and in particular to restraint regarding the creation of new positions as well as new appointments to existing positions. We will also defer planned investments in our plants as far as possible.

Irrespective of these measures, we reserve the option of temporarily shutting down further lines and furnaces at individual sites if a change in the market situation necessitates such steps. In this same context, we already announced a difficult decision a few days ago: we are currently reviewing the closure of our production at the site in St-Prex, Switzerland, probably in the second half of 2024. We have already opened the consultation process on the future of the production site. Should this come to pass, it would be a drastic step for us. St-Prex is not merely our only plant in our home market of Switzerland: it is also the Vetropack Group's parent plant. For our employees in St-Prex, furthermore, this would mean that the majority of their jobs would cease to exist.

Nevertheless, we cannot yet see any alternative to closure: major investments in a complete furnace overhaul would become necessary in the coming years, even though this would bring about no permanent change in the plant's future prospects and competitiveness.

Regardless of the outcome of the consultation process, Switzerland will remain our home and one of our core markets. Our company headquarters will remain in Bülach in the future. At all events, we will continue our commitment to glass recycling (Vetrorecycling) in collaboration with our Swiss partners at municipal level.

Proactive management of production capacities

Given that the tense market situation remains unchanged, we still reserve the general option of proactively adapting our Group-wide production capacities in response to developments. Following the furnace shutdown lasting several months in Kyjov, for instance, we are considering another furnace shutdown at the Kremsmünster site. Until further notice, moreover, we will only be using one of the two remaining furnaces at our Ukrainian plant in Gostomel.

These cutbacks mean that we are withdrawing massive production capacity from the market, because demand for glass packaging is currently weak due to the economic situation. The emphasis here is on "currently": in fact, we assume that we are experiencing a temporary weakness in the market and that we can expect a recovery in the medium term. At that point, we will again have need of these capacities.

Stable development despite a difficult market environment

In view of the difficult environment, it is most remarkable that we maintained our sales in fiscal 2023 and closed the year with a good result. Given the current market conditions, this was certainly not an achievement that could be taken for granted – and, above all, it was the result of many correct decisions taken in preceding years. More than ever before, we are convinced that our [Strategy 2030](#), with its five cornerstones, stakes out the right framework for the successful development of our group of companies in the coming years. This was clearly demonstrated once again in the past year, when we were able to make major progress in all our core areas: strengthening our market position, entering new business areas, quality and operational excellence, and innovation and sustainability. On this basis, we shall resolutely continue along this path again in 2024.

Overview of main results and key figures for the 2023 fiscal year

		2023	2022	+/-
Net sales	CHF millions	898.8	899.4	- 0.1%
EBIT	CHF millions	91.3	89.1	2.5%
EBIT margin	%	10.2	9.9	-
Cash flow ¹	CHF millions	130.1	142.2	- 8.5%
Cash flow margin	%	14.5	15.8	-
Consolidated profit ²	CHF millions	63.3	40.7	55.5%
Investments	CHF millions	238.0	194.6	22.3%
Total assets	CHF millions	1 263.8	1 234.5	2.4%
Shareholders' equity	CHF millions	750.7	749.3	0.2%
Gearing ratio	%	59.4	60.7	-
Employees	Headcount	3 772	3 676	2.6%

¹ operating cash flow before change of net working capital

² included extraordinary costs of CHF 31.4 million in 2022 as a result of the war in Ukraine

Sound operating result level with prior year

2023 was a challenging fiscal year, dominated by external crises. High energy and raw material prices, the war in Ukraine, and the significant deterioration in consumer sentiment due to inflation: all these factors had an exceptionally severe impact on the packaging industry and thus on our business in our core European markets. The second six months in particular were marked by an extreme market downturn, and the gains made in the first half of the year could no longer be realised in the second half. Below the line, therefore, there is a sound operating result at the same level as in the prior year.

Consistent development of our commitment to sustainability

2023 was also a year when we expanded the Clearly Sustainable pillar of our Strategy 2030 across all aspects of our ESG approach; we established appropriate governance for this purpose in the Group, and we added ESG risks to our risk matrix. These steps relate to all aspects of the concept of sustainability: in our commitment to sustainability, we have achieved progress in many different ways. We are driving ahead with the evaluation and implementation of new climate protection measures as part of our commitment to the Science Based Targets initiative (SBTi). We are deploying new and particularly efficient glass-blowing machines, and we will be launching our Echovai lightweight glass bottle in additional markets. We have also created a new position focussing on diversity, equity and inclusion.

New plant in Italy combines innovation with sustainability

Another major contribution to these endeavours is the opening of our new and exceptionally resource-efficient production facility in Italy: without doubt, the [official opening of our plant in Boffalora sopra Ticino](#) was the outstanding milestone as well as the highlight of the second half of 2023. This is one of the most modern glass container production facilities not only in our own Group, but anywhere in Europe.

In many respects, the site epitomises our vision of glass production that is both sustainable and innovative. For example: closed-loop systems ensure that water and waste heat are re-used, and smart technology is deployed to ensure efficient processes in production and storage. The new plant also enables us to produce more flexibly in smaller batches, helping us to respond directly to dynamic market conditions going forward. At a volume of over CHF 400 million, Boffalora so-

pra Ticino is also the largest investment that Vetropack has ever made in its future – and furthermore, we expect it to generate impetus for our other sites.

Ukraine plant resumes production

We also invested at other sites and launched some major initiatives in 2023. In May, we were able to [resume glass production at our Ukrainian plant in Gostomel near Kyiv](#). This site was severely damaged by a Russian military attack during the first weeks of the war in 2022. Its reopening not only offers future prospects for our colleagues on the ground there. It also sends out an important signal of the strength of our entire Group, which has shown the utmost solidarity with our Ukrainian colleagues throughout the entire period. In 2023, the Vetropack Gostomel Foundation – which was set up specifically to support them – began making aid payments to Ukrainian employees particularly impacted by the war.

Anniversary and expansion of our site in the Czech Republic

[An exceptional anniversary was celebrated in 2023 by Vetropack Moravia Glass](#), a.s., the Vetropack Group's Czech subsidiary. This glassworks in the South Moravian town of Kyjov has been in existence for 140 years, and it has been part of the Vetropack Group since 1991. Our Czech facility has established its position within Vetropack as one of the leading glass packaging suppliers for Central Europe. In 2023, our site also became one of the first plants to operate two energy-saving high-performance machines with servo drives to ensure particularly precise control of the glass forming process. A newly retrofitted, state-of-the-art melting furnace to produce coloured glass also resumed operation in February.

Focus on innovation

As well as consolidating our market position, investments in our plants and modern technologies boost our innovative strength. One key focus in 2023 was on the ongoing market launch of our Echovai solution. With Echovai, Vetropack becomes the world's first glass packaging manufacturer to offer an exceptionally stable type of lightweight glass bottle that is also very economical on materials. It is up to 30 percent lighter than a conventional returnable bottle – but at the same time, it is significantly more resistant to abrasion. [Vetropack's innovation was honoured in several categories of the prestigious Swiss Packaging Award at the start of June](#): as well as winning an award in the 'Technology' category, Echovai also received the jury's special prize.

Outlook for the 2024 fiscal year

Demand for glass packaging will only recover slowly in the coming fiscal year. This will continue to result in significant under-utilisation of our capacities. The consequence of this overcapacity on the market is likely to be further price erosion. We therefore assume that net sales from goods and services in fiscal 2024 will prove to be lower than in 2023, despite a forecast increase in volume. As things stand today, the reduced energy and raw material costs are already reflected in the lower market prices.

The market situation means that we are facing a challenging fiscal year in 2024; we are therefore pleased that our strategy gave us the basis for taking the right steps in recent years so that we can successfully overcome such situations. Our Group's strength and the agility of our organisation have become guarantors of success, allowing us to take a positive view of the future.

Annual General Assembly of Vetropack Holding Ltd

The 55th Ordinary Annual General Assembly of Vetropack Holding Ltd will take place on Thursday, 25 April 2024 at 3:30 p.m. in the Stadthalle Bülach, Allmendstrasse 8, 8180 Bülach, Switzerland.

The Board of Directors will propose to the General Assembly that dividends are paid out as follows: a gross dividend of CHF 1.00 per class A registered share (2022: CHF 1.00), and a gross dividend of CHF 0.20 per class B registered share (2022: CHF 0.20).

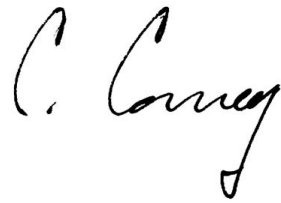
The Board of Directors of Vetropack Holding Ltd will propose to the General Assembly that Urs Ryffel is elected to the Board of Directors. Urs Ryffel has acquired many years of industrial experience at ABB Kraftwerke AG, as Head of the Hydro Power Plant Service Global Business Unit,

then as Unit General Manager for Alstom Power Hydraulique S.A., and at Huber+Suhner AG, which he has managed as CEO since 2017. Urs Kaufmann, who has been a member of the Board of Directors of Vetropack Holding Ltd since 2017, is not standing for re-election. Through his many years of committed service as a member of the Board of Directors, he has played a major part in the growth of the Vetropack Group. We are very grateful to him for this.

Our sincere thanks!

The Board of Directors thanks all our employees for their excellent collaboration and enormous dedication in the 2023 fiscal year. We thank our customers, suppliers, business partners and shareholders for their trust and support.

Bülach, 13 March 2024



Claude R. Cornaz
Chairman of the Board of Directors



Johann Reiter
CEO



End-of-year review

Management report

“We shall maintain our strategic focus.”

The 2023 fiscal year started out with a successful first half, but a significant market downturn emerged as the dominant feature in the second half. The new year of 2024 is also overshadowed by a tense situation in Vetropack’s core markets. We talked with CEO Johann Reiter about the issues that will play an important part going forward, and the priorities he is setting for the Group.



Johann Reiter, CEO Vetropack Group

Mr Reiter: 2023 is behind us, and the business figures are now available. Vetropack made a good showing in a difficult environment, but the company hardly achieved any growth. What's your assessment of the results?

2023 is a fiscal year that I look back on with very mixed feelings. In overall terms, like the two preceding years, it was largely dominated by external crises that we – as a company – are unable to influence, but which nevertheless directly impact our business. These are, first and foremost, the war in Ukraine and the sustained energy crisis – but also the tense global economic situation, with high inflation rates affecting our European core markets in particular. This led to restrained consumer sentiment which impacted us severely, especially in the second half of the year. For this reason, we had to implement massive capacity scalebacks in several plants.

Conversely, 2023 also saw a series of very positive events that I shall look back on with fond memories. I'd like to mention two specific examples here: the opening of our new plant in Italy, and the resumption of production at our Ukrainian site in Gostomel. Both these events pointed the way ahead for our Group. And even though 2023 was a difficult year, we shouldn't forget that we closed it with a stable result at the same level as the prior year's figure. This testifies to our Group's energy and capacity to perform, and it should stand us in good stead for the new fiscal year.

Although, according to the latest data, 2024 is unlikely to be any less difficult than the previous year ...

True. In actual fact, we're expecting the difficult situation in our markets to persist in the new year as well. We do see a slight decrease in inflation, but that is definitely not going to bring about a fundamental change in consumer behaviour. And meanwhile, it's precisely this shortfall in consumption that continues to be a critical factor for us, as it is for the entire packaging industry.

For us, this ongoing trend means that we have to take action, and we have to do so right now. We can only respond to this sharp downturn in consumption by adjusting our capacities accordingly. We in the Vetropack Group can't cope with a market slump on this scale by temporary shutdowns and closures alone. We have to ramp down production rates, at least for the time being, or close down some production lines entirely.

You've now opened a consultation process for your site at St-Prex in Switzerland, and this could ultimately lead to the closure of the plant. How does that fit in?

Believe me: this was no easy decision for us. For years, the St-Prex plant has been struggling with difficulties relating to its location, modernisation and profitability – and we simply cannot see any

possible way of continuing to operate the site competitively. This is very tough, because St-Prex is our only glass production facility in Switzerland and we are well aware of the impact that a closure would have – especially for our employees at the site. After all, this is where our history began.

Even so, we cannot close our eyes to the difficult situation that has now prevailed at the site for some considerable time. We are an international group of companies, and we have to be fair when we assess our various locations. We constantly evaluate our plants and keep them under scrutiny so we can make well-founded decisions on issues such as investments in existing or new locations. For months now, we've been experiencing a persistent situation where massive downturns in demand have forced us to cut costs, halt investments and ramp down capacities. We can't afford to make exceptions for any of our sites, no matter which country they are located in. In past years, we've undertaken comprehensive analyses at St-Prex to examine whether continued operation of the plant makes sense and is economically viable. These have shown that the site's competitiveness and opportunities for development are negative, because of the noticeable deterioration in the market situation. This situation was ultimately the reason for opening the consultation process.

So will the plant in St-Prex be closed?

That hasn't been decided yet. The consultation process is ongoing, and we're now awaiting the results. In the first place, the employees and their representatives now have the opportunity to comment on the situation and possibly submit alternative proposals. The Board of Directors will then analyse this input in depth and arrive at a final decision. For the time being, we just need to wait for this decision – and otherwise, concentrate on our ongoing business. As I've said, this year is certainly not going to be an easy one for us.

What do you think will be the key issues in 2024?

We're currently assuming that we can achieve a stable result as a group of companies in 2024, but without significant growth. It goes without saying that this picture could still change as the year goes on. But as long as consumer sentiment stays as it is, there will be little change to the current economic situation.

We will need to continue keeping a very close watch on market developments so we can react swiftly to changes as and when necessary. We are doing so already by implementing the cost savings I've just mentioned, and by withdrawing capacities from the market. Further immediate adjustments in response to the changeable market situation are also conceivable – and everyone in our team clearly understands that we have to keep to this course.

That brings me to another point: despite the pressure of current developments that often materialise at short notice, we must never lose sight of our long-term goals. With our Strategy 2030, we have defined an ambitious framework for ourselves that will make Vetropack successful and fit for the future in the long term. This framework remains essential for us, even under present conditions.

So no changes will be made to the Group's strategic orientation in 2024?

There's really no reason to do so. The priorities we set ourselves in our strategy are still the right ones, and they are designed to position Vetropack as a strong market player with a key role in shaping the future development of our industry.

The past two years, in particular, have clearly demonstrated this yet again: we came through them so well and so successfully precisely because we set the right priorities and achieved major progress in all five strategic areas. We made great strides in 2022 and 2023, particularly on key issues such as sustainability and innovation. This will help us in 2024 – and especially in the years after that – and these achievements will make our market position even stronger.

Could you give us a specific example to illustrate this?

Well now: a year and a half ago, we launched our Echovai solution on the market. This was one of the most important innovations – if not the most important one – in our industry for at least a decade. It has the potential not only to revolutionise the market for returnable glass bottles, but also to advance the switch from non-returnable to returnable containers in the medium term. We

ourselves developed the special manufacturing process in Vetropack's own Innovation Centre at Pöchlarn, and we made the product ready for its market launch.

Echovai shows how innovation and sustainability go hand in hand – adding up to genuine market opportunities for us. We're already seeing enormous interest in Echovai. It could well become one of our growth drivers in future years – not only through sales of the containers, but also from licensing the technology to other glass manufacturers. With that in mind, 2024 and 2025 will see us enabling more sites to produce Echovai bottles so we can gradually increase the market share for this solution.

The new site at Boffalora sopra Ticino was officially opened last October. How does that fit into this context?

Our new plant in Italy sets new standards in terms of sustainability as well as innovation. We shouldn't forget that innovation at Vetropack isn't just about our products – it also embraces our production processes. This means we can leverage innovations such as digitalisation and smart technologies to streamline and accelerate our processes going forward. At the same time, we save valuable resources and thus protect the environment. At Boffalora, for instance, we systematically re-use the waste heat from the furnaces and drastically reduce emissions with the help of modern filter systems.

The main challenge now is to develop these tremendous technological possibilities to the fullest extent, and exploit them as competitive advantages for our Group. As a Group, we will benefit greatly from the experience gained in Boffalora – all the more so as we set about successively modernising our other production facilities by 2030. These modernisations will be accompanied by an increase in the share of renewable electricity compared to gas as a source of energy. Ultimately, this will contribute to making our glass packaging even more sustainable.

Bearing in mind, of course, that glass containers are already a highly sustainable packaging solution ...

That's certainly true, and it also makes us very optimistic about the future. Consumers have a very high regard for glass as a sustainable and healthy form of packaging. They view glass as synonymous with recycling and reusability. Glass also makes it possible to preserve food and beverages, so it reduces food waste – which, in turn, safeguards the environment. So we have good arguments on our side to show why a significant increase in the share of glass used in packaging would be both sensible and right. However, policymakers are called on to play their part here as well. For example: we could quickly replace a large percentage of single-use bottles by returnable ones without any problems. To do this, the markets need returnable systems that function in the right way – but we see that many countries still have a lot of ground to make up in this regard.

Finally, let's take another look at the current fiscal year. Are there any factors that make you optimistic in spite of the difficult market situation?

Yes, of course there are some. We have already talked at length about our innovative strength, our market potential, and Echovai. Above and beyond those advantages, what makes me most optimistic is our excellent international positioning as a Group, in terms of human resources as well as locations. We have superb employees on board, and we benefit greatly from the experience and expertise of our entire workforce across all our sites. A major venture such as the new construction project in Boffalora sopra Ticino was only ever possible thanks to support from the entire Vetropack Group.

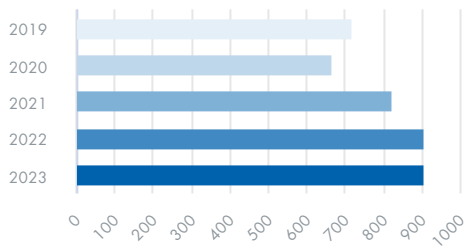


End-of-year review

Key figures

Net sales

CHF millions



Net sales

CHF millions

898.8

Change compared to the previous year

-0.1%

Recycled glass used

in %

56

Change compared to the previous year

-1%P

Employees

Headcount

3 772

Change compared to the previous year

+2.6%

Presence in Europe

Locations

12

