Informe Anual 2012 Annual Report

vidrala

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Informe Anual 2012 Annual Report

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Dear shareholders,

I am writing to present you the 2012 annual report and inform about Vidrala´s business performance.

The results obtained during 2012 showed progresses in the company´s strategic priorities. Building our future under the basis of competitiveness, we kept focused on commercial service, operating efficiency, productivity, cost management, financial soundness and reduction of capital employed.

Sales during 2012 reached EUR 456.9 million, proving our solid commercial positioning. Improved product and supply quality was evidenced by solid indicators of customer service.

In terms of operations, we kept capacity utilization rates limited, consistent with prevailing demand conditions during the year. Improved internal efficiencies along Vidrala´s six production sites led to a better operating performance within the group. As a result, operating profit (EBIT) amounted to EUR 65.3 million which represents a margin over sales of 14.3%.

Net profit during 2012 was EUR 46.5 million. It is equivalent to EUR 1.94 per share, increased by 8.4% compared to the prior year.

Net debt was reduced by 16% during the year, benefited from a solid cash conversion. At the end of the year net debt to EBITDA ratio was 1.5 times and gearing ratio was less than 50%. Throughout the last three years net debt has been reduced by more than 40%.

Regarding shareholder remuneration, the Board of Directors has proposed a payment during 2013 in dividends and AGM attendance bonus of EUR 59.92 cent per share. As a result, cash dividend in 2013 will be increased by five percent compared to the previous year.

Additionally, during the year the company cancelled 550,000 shares that represented 2.24% of the share capital. The cancelled shares had been repurchased for treasury stock. By reducing the number of outstanding shares, we increased the stake of the shareholder in the company´s results as a way to complement cash dividend payments.

All in all, I am pleased to report that, under a challenging global economic climate, 2012 was a year of progress on many fronts and our results demonstrate the underlying resilience of the business.

Prevailing economic conditions require, more than ever, a competitive business model. We must therefore continue on the same path: driving operational excellence and managing costs responsibly; strengthening relations with our customers, expanding revenues and progressing in product quality and service; optimizing cash generation, reducing the use of capital and consolidating our financial soundness. To sum up, improving our returns on capital, generating value for our shareholders and building a sustainable future for longer term growth.

Glass packaging for food and beverage is an essential part of modern consumption patterns. It preserves the product under the most demanding quality conditions, guarantees the supply chain and helps the brand owner, the client we serve, to communicate with the consumer and promote its content. Furthermore, glass fosters environmental sustainability, minimizes the use of natural resources through its endless recyclability, limits product losses and ensures an efficient distribution. Glass is positioned as the package of choice by more and more customers, it clearly shows its content and it is a reference of the regions in which we operate.

Vidrala´s sales structure comprises a well balanced portfolio between geographic diversification, focus on strategic segments, presence in international customers and a wide client base. In fact, the foundations of our future are based on deep customer relationships, their recognition, our effort towards higher service standards, our focus on innovation and continuous improvement, a core business that we know well and our financial strength.

On behalf of the Board of Directors and all the staff of the Group, I thank you all, the shareholders of Vidrala, for your trust in our Company.

Carlos Delclaux
Chairman

Vidrala Group

PLANTS

Aiala Vidrio
Barrio Munegazo, 22
01400 Llodio.
Spain

Crisnova Vidrio
Polígono Los Villares S/N
02660 Caudete.
Spain

Castellar Vidrio
Bergueda, 67
08211 Castellar del Vallés.
Spain

Gallo Vidro
Rua Vieira de Leiria, 1
2430-300 Marinha Grande.
Portugal

Vidrala Italia
Via Alzaia Trieste, 45
20094 Corsico.
Italy

Md Verre
Rue Des Ayettes, 2
7011 Ghlin.
Belgium

SHAREHOLDERS' OFFICE

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SALES CONTACT

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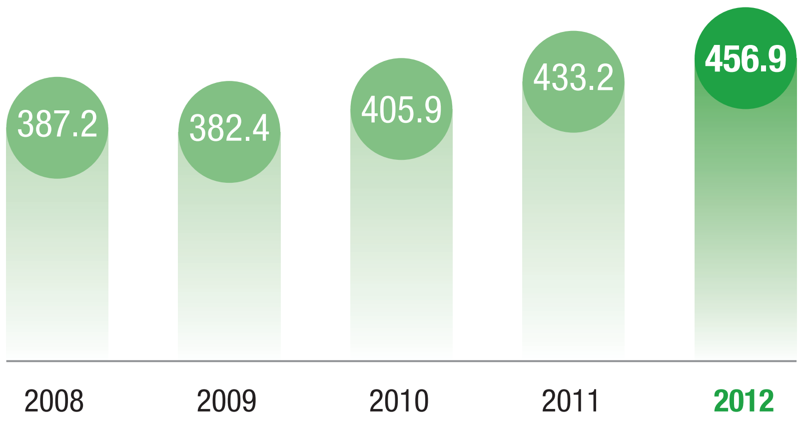
Main Figures

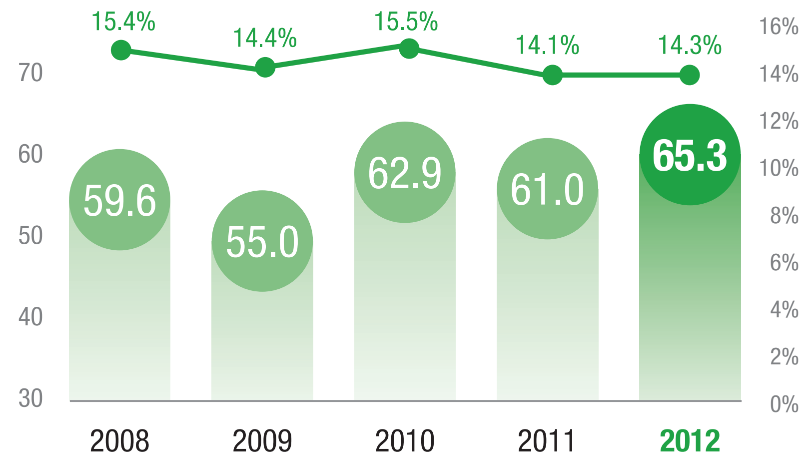
SALES

EUR Million



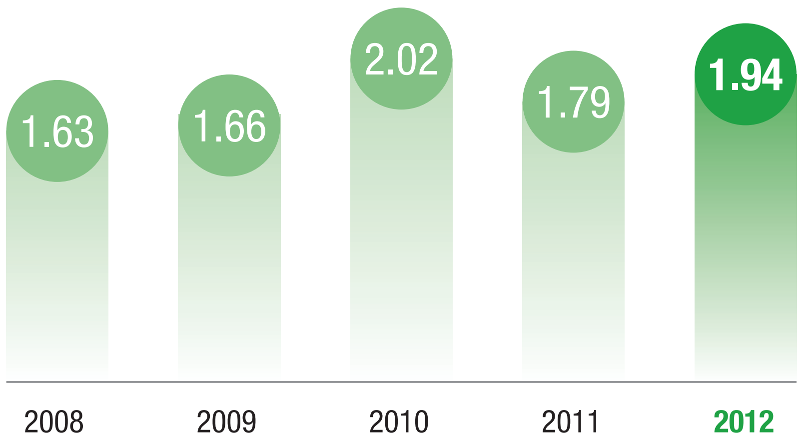
OPERATING INCOME (EBIT) AND EBIT MARGIN

EUR Million and % of sales



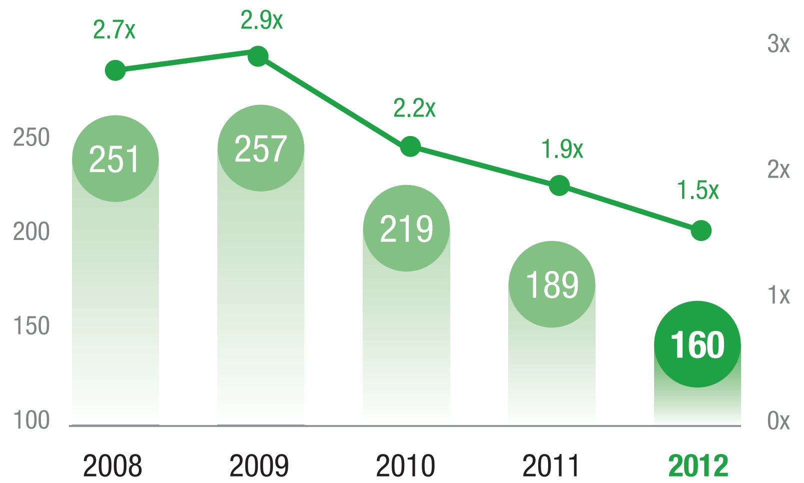
EARNINGS PER SHARE

EUR/share



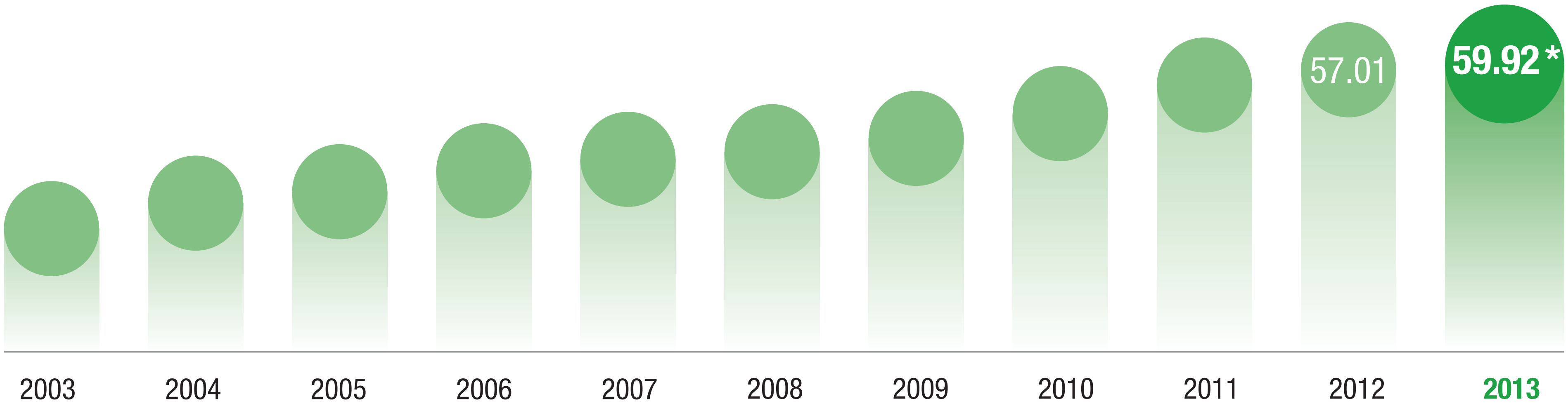
NET DEBT AND NET DEBT / EBITDA

EUR Million



CASH DIVIDENDS (INCLUDES AGM ATTENDANCE BONUSES)

EUR cents/share

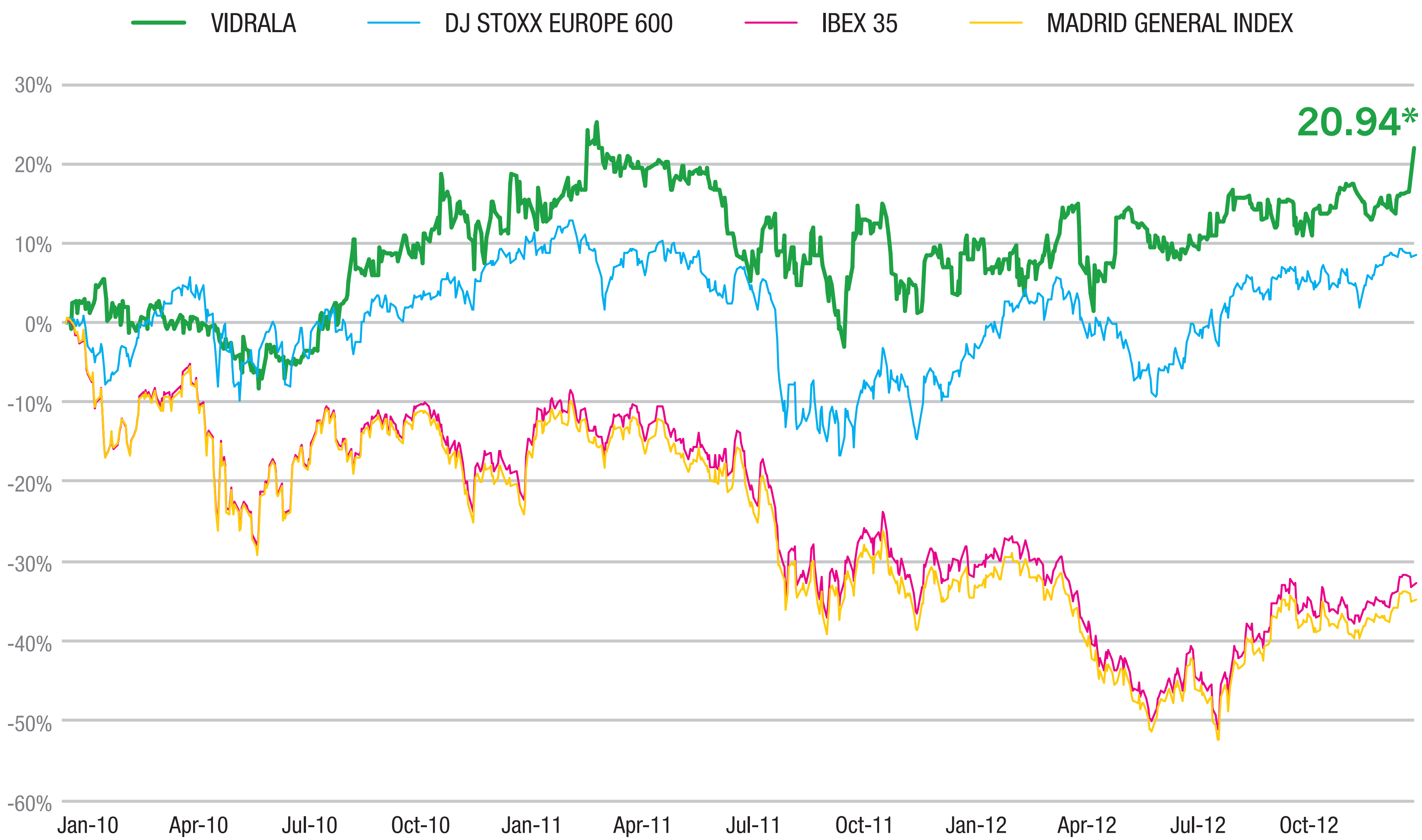


* Includes a first interim cash dividend from 2012 results of EUR 41.72 cent per share payed in February 2013, a complementary dividend of EUR 15.20 cent per share proposed to be paid in July 2013 and EUR 3 cent per share as an attendance bonus to be paid in the AGM that will be held in June 2013.

RELEVANT FIGURES

EUR Million	2008	2009	2010	2011	2012
Net Sales	387.2	382.4	405.9	433.3	**456.9**
Operating Profit (EBIT)	59.6	55.0	62.9	61.0	**65.3**
Net Profit	40.6	40.9	49.6	43.7	**46.5**
Total Assets	688	698	699	697	**695**
Shareholders Equity	226	252	287	312	**338**
Net Debt	251	257	219	189	**160**
Market cap (EUR million)	352.4	429.2	511.6	456.1	**502.0**
Earnings per share (EUR/share)	1.63	1.66	2.02	1.79	**1.94**

SHARE PRICE. COMPARED IN PERCENTAGE TERMS. SINCE 2010



* Share closing price at 31/12/2012

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KPMG Auditores S.L.
Gran Vía, 17
48001 Bilbao

Informe de Auditoría de Cuentas Anuales

A los Accionistas de
Vidrala, S.A.

Hemos auditado las cuentas anuales de Vidrala, S.A. (la "Sociedad") que comprenden el balance al 31 de diciembre de 2012, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha. Los Administradores son responsables de la formulación de las cuentas anuales de la Sociedad, de acuerdo con el marco normativo de información financiera aplicable a la entidad (que se identifica en la nota 2 (a) de la memoria adjunta) y, en particular, con los principios y criterios contables contenidos en el mismo. Nuestra responsabilidad es expresar una opinión sobre las citadas cuentas anuales en su conjunto, basada en el trabajo realizado de acuerdo con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, que requiere el examen, mediante la realización de pruebas selectivas, de la evidencia justificativa de las cuentas anuales y la evaluación de si su presentación, los principios y criterios contables utilizados y las estimaciones realizadas están de acuerdo con el marco normativo de información financiera que resulta de aplicación.

En nuestra opinión, las cuentas anuales del ejercicio 2012 adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de Vidrala, S.A. al 31 de diciembre de 2012, así como de los resultados de sus operaciones y de los flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación y, en particular, con los principios y criterios contables contenidos en el mismo.

El informe de gestión adjunto del ejercicio 2012 contiene las explicaciones que los Administradores consideran oportunas sobre la situación de Vidrala, S.A., la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales. Hemos verificado que la información contable que contiene el citado informe de gestión concuerda con la de las cuentas anuales del ejercicio 2012. Nuestro trabajo como auditores se limita a la verificación del informe de gestión con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de la Sociedad.

KPMG Auditores, S.L.

Juan José Llorente

27 de febrero de 2013

INSTITUTO DE
CENSORES JURADOS
DE CUENTAS DE ESPAÑA

Miembro ejerciente:
KPMG AUDITORES, S.L.

Año 2013 Nº 03/13/00061
COPIA GRATUITA

Este informe está sujeto a la tasa aplicable establecida en la Ley 44/2002 de 22 de noviembre.

CONSOLIDATED BALANCE SHEETS

31 December 2012 and 2011. (Million Euros)

	Note	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	5	**345.3**	354.3
Goodwill	6	**59.2**	59.2
Other intangible assets	6	**12.3**	13.8
Deferred tax assets	8	**39.1**	37.4
Derivative financial instruments	7	**0.3**	0.0
Other non-current assets	26	**0.1**	0.3
		456.4	**465.0**
Current assets			
Inventories	9	**112.6**	100.9
Trade and other receivables	10	**96.9**	98.4
Current tax assets		**0.8**	2.0
Other current assets	11	**27.9**	30.4
Cash and cash equivalents		**0.9**	0.1
		239.1	**231.7**
Total assets		**695.5**	**696.7**

CONSOLIDATED BALANCE SHEETS

31 December 2012 and 2011. (Million Euros)

EQUITY AND LIABILITIES	Note	2012	2011
Equity	12		
Share capital		**24.5**	25.0
Other reserves		**5.6**	5.2
Retained earnings		**322.5**	298.7
Own shares		**-2.7**	-5.7
Other comprehensive income		**-1.4**	-1.8
Interim dividend		**-10.0**	-9.6
Equity attributable to equity holders of the Parent		**338.5**	**311.8**
Non-current liabilities			
Deferred income	13	**27.8**	27.7
Loans and borrowings	14	**94.3**	112.8
Derivative financial instruments	7	**1.8**	2.5
Deferred tax liabilities	8	**26.3**	26.2
Provisions	18	**5.9**	25.3
		156.0	**194.6**
Current liabilities			
Loans and borrowings	14	**66.1**	76.4
Derivative financial instruments	7	**0.1**	0.0
Trade and other payables	15	**107.7**	98.1
Current tax liabilities	8	**5.2**	5.1
Provisions	18	**2.7**	1.4
Other current liabilities	11	**19.2**	9.3
		201.0	**190.4**
Total liabilities		**357.0**	**385.0**
Total equity and liabilities		**695.5**	**696.7**

CONSOLIDATED INCOME STATEMENTS

for the years ended 31 December 2011 and 2010. (Million Euros)

	Note	2012	2011
Revenue		**457.8**	433.9
Net sales	21	*456.9*	*433.3*
Other services		*0.9*	*0.6*
Other income	21	**8.6**	12.5
Change in inventories of finished goods and work in progress		**7.8**	-5.8
Work carried out by the Group for non-current assets		**-**	0.0
Merchandise, raw materials and consumables used		**-164.3**	-143.4
Employee benefits expense	23	**-99.8**	-96.3
Amortisation and depreciation	5 and 6	**-38.1**	-39.3
Impairment of non-current assets	5	**-1.0**	-
Other expenses	22	**-105.7**	-100.7
Finance income	24	**0.2**	0.2
Finance costs	24	**-6.4**	-6.5
Profit from continuing operations, net of income tax		**59.2**	54.7
Income tax expense	8	**-12.6**	-11.0
Profit for the year from continuing operations		**46.5**	43.7
Profit for the year		**46.5**	43.7
Profit for the year attributable to equity holders of the Parent		**46.5**	**43.7**
Earnings per share (expressed in Euros) • Basic and diluted		**1.94**	1.79

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the years ended 31 December 2012 and 2011 (Expressed in thousands of Euros)

	Note	2012	2011
Profit for the year		**46,542**	43,699
Other comprehensive income:			
Cash flow hedges	12	**524**	(904)
Tax effect	12	**(147)**	253
Other comprehensive income, net of income tax		**377**	(651)
Total comprehensive income for the year		**46,919**	43,048
Profit for the year attributable to equity holders of the Parent		**46,919**	43,048

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the years ended 31 December 2012 and 2011 (Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent						
					Other comprehensive income		
	Share capital	Other reserves	Retained earnings	Own shares	Cash flow hedges	Interim dividend paid during the year	Total equity
Balances at 31 December 2010	**24,383**	**6,206**	**276,684**	**(9,667)**	**(1,138)**	**(9,278)**	**287,190**
Total comprehensive income for the year	-	-	43,699	-	(651)	-	43,048
Share capital increase	1,191	(1,191)	(8)	-	-	-	(8)
Capital reductions	(561)	-	(9,063)	9,624	-	-	-
Own shares redeemed	-	-	-	(7,042)	-	-	(7,042)
Own shares sold	-	-	267	1,348	-	-	1,615
Distribution of 2010 profit							
Dividends	-	-	(12,657)	-	-	9,278	(3,379)
Interim dividend on account of 2011 profit	-	-	-	-	-	(9,620)	(9,620)
Other movements	-	232	(256)	-	-	-	(24)
Balances at 31 December 2011	**25,013**	**5,247**	**298,666**	**(5,737)**	**(1,789)**	**(9,620)**	**311,780**
Total comprehensive income for the year	-	-	46,542	-	377	-	46,919
Capital reductions	(561)	-	(9,364)	9,925	-	-	-
Own shares redeemed	-	-	-	(8,233)	-	-	(8,233)
Own shares sold	-	-	124	1,270	-	-	1,394
Distribution of 2011 profit							
Dividends	-	-	(13,126)	-	-	9,620	(3,506)
Interim dividend on account of 2012 profit	-	-	-	-	-	(9,952)	(9,952)
Other movements	-	358	(315)	27	-	-	70
Balances at 31 December 2012	**24,452**	**5,605**	**322,527**	**(2,748)**	**(1,412)**	**(9,952)**	**338,472**

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2012 and 2011 (Indirect method) (Expressed in thousands of Euros)

	Note	2012	2011
Cash flows from operating activities			
Profit for the year		**46,542**	43,699
Adjustments for:			
Amortisation and depreciation	5 y 6	**38,135**	39,255
Impairment of non-current assets	5	**1,046**	-
(Reversal of) impairment losses on trade receivables		**77**	424
(Reversal of) impairment losses on inventories		**(737)**	(1,070)
Exchange (gains) / losses	24	**17**	38
Changes in provisions	18	**5,885**	1,684
Government grants recognised in the income statement		**(4,945)**	(1,382)
Finance income	24	**(204)**	(255)
Finance expenses	24	**6,352**	6,467
(Gain)/loss on sale of property, plant and equipment		**-**	433
Income tax	8	**12,620**	11,020
		104,788	**100,313**
Changes in working capital, excluding the effect of acquisitions and translation differences			
Inventories		**(9,934)**	6,315
Trade and other receivables		**3,900**	(8,251)
Trade and other payables		**22,700**	7,862
Application of provisions		**(18,086)**	(908)
Other current liabilities		**(11,016)**	-

Continued ▶

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2012 and 2011 (Indirect method) (Expressed in thousands of Euros)

	Note	2012	2011
Cash generated from operating activities		**92,352**	105,331
Interest paid		**(6,347)**	(6,193)
Income tax paid		**(4,200)**	(11,396)
Net cash from operating activities		**81,805**	87,742
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,938**	1,990
Proceeds from sale of intangible assets		**-**	174
Proceeds from sale of financial assets		**137**	1,038
Interest received		**204**	255
Acquisition of property, plant and equipment		**(32,620)**	(46,664)
Acquisition of intangible assets		**(1,555)**	(1,717)
Acquisition of financial assets		**(274)**	-
Net cash used in investing activities		**(32,170)**	(44,924)

Continued ▶

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended 31 December 2012 and 2011 (Indirect method) (Expressed in thousands of Euros)

	Note	2012	2011
Cash flows from financing activities			
Proceeds from issue of own shares and own equity instruments		**1,394**	1,615
Proceeds from loans and borrowings		**48,000**	42,198
Proceeds from grants, donations and bequests		**-**	5,214
Payments relating to redemption of own shares and other own equity instruments		**(8,233)**	(7,042)
Payments relating to loans and borrowings		**(76,861)**	(72,077)
Dividends paid		**(13,126)**	(12,657)
Other		**(22)**	(33)
Net cash used in financing activities		**(48,848)**	(42,782)
Net increase/(decrease) in cash and cash equivalents		**787**	36
Cash and cash equivalents at 1 January		**76**	40
Cash and cash equivalents at 31 December		**863**	76

1. Nature, Activities and Composition of the Group

The principal activity of Vidrala, S.A. (hereinafter the Company, the Parent company or Vidrala), which was incorporated with limited liability under Spanish law, is the manufacture and sale of glass containers. Its registered offices are in Llodio (Alava, Spain).

The shares of Vidrala, S.A. are listed on the Spanish organised stock market.

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2012 and 2011 and the address and activity of each one which forms part of the consolidated group, are as follows:

Company	Location	Investment	Shareholder	Consolidation method	Activity	Auditor
CRISNOVA VIDRIO, S.A.	Caudete (Albacete, Spain)	100%	Vidrala, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
INVERBEIRA, SOCIEDAD DE PROMOCIÓN DE EMPRESAS, S.A.	Llodio (Alava, Spain)	100%	Vidrala, S.A.	Fully consolidated	Promotion and development of companies	KPMG (**)
AIALA VIDRIO, S.A.U.	Llodio (Alava, Spain)	100%	Vidrala, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
GALLO VIDRO, S.A.	Marinha Grande (Portugal)	99,99%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
J. FERREIRA DA SILVA, LTDA.	Marinha Grande (Portugal)	100%	Gallo Vidro, S.A.	Fully consolidated	Transport services	KPMG (**)
CASTELLAR VIDRIO, S.A. (***)	Castellar del Vallés (Barcelona, Spain)	100%	Vidrala Desarrollos, S.L.U.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
VIDRALA ITALIA, S.R.L. (formerly Corsico Vetro, S.R.L.)	Corsico (Italy)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (**)
MD VERRE, S.A.	Ghlin (Belgium)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (**)
OMÈGA IMMOBILIÈRE ET FINANCIÈRE, S.A.	Ghlin (Belgium)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Real estate	Not subject to statutory audit
INVESTVERRE, S.A.	Ghlin (Belgium)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Holding company	Not subject to statutory audit
CD VERRE, S.A.	Bordeaux (France)	100%	Investverre, S.A.	Fully consolidated	Commercialisation	Not subject to statutory audit
VIDRALA DESARROLLOS S.L.U.	Llodio (Alava, Spain)	100%	Vidrala, S.A.	Fully consolidated	Promotion and development of companies	Not subject to statutory audit

(*) Audited by KPMG / (**) Limited review of the financial statements carried out by KPMG / (***) At 31 December 2011 the Parent was Inverbeira Sociedad de Promoción de Empresas, S.A.

Vidrala Desarrollos, S.L.U., incorporated on 5 November 2012, was consolidated for the first time in 2012.

2. Basis of Presentation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Vidrala, S.A. and of the consolidated companies. The consolidated annual accounts for 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS), and other provisions of the financial information reporting framework applicable to the Group, to present fairly the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2012, as well as the consolidated financial performance and changes in consolidated equity and cash flows for the year then ended.

On 1 January 2004 the Group adopted EU-IFRS and applied IFRS 1 First-time Adoption of IFRS on the same date.

The Parent's directors consider that the consolidated annual accounts for 2012, authorised for issue on 26 February 2013, will be approved without changes by the shareholders at their annual general meeting

(a) Basis of preparation of the annual accounts

These consolidated annual accounts have been prepared on a going concern basis using the historical cost principle, with the exception of derivative financial instruments, which have been recognised at fair value.

(b) Comparative information

The accounting criteria used in preparing these consolidated annual accounts have been applied consistently for the two years presented.

(c) Relevant accounting estimates and relevant assumptions and judgements in the application of the accounting policies

The preparation of consolidated annual accounts in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of Group accounting policies. A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, are as follows:

(i) Relevant accounting estimates and assumptions

Goodwill impairment:

The Group tests for impairment of goodwill on an annual basis. The calculation of the recoverable amount of a cash generating unit to which goodwill has been allocated requires the use of estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group uses cash flow discounting methods to calculate these values. Cash flow discounting calculations are made considering that the activity of cash generating units has an infinite life and free cash flow projections are made based on financial projections approved by management. Cash flows beyond the budgeted period are extrapolated using estimated growth rates (see note 6). The flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions used to determine value in use include growth rates, the weighted average cost of capital and tax rates indicated in note 6. The estimates, including the methodology employed, could have a significant impact on the values and the impairment loss.

Useful lives of property, plant and equipment:

Group management determines the estimated useful lives and depreciation charges for its plant and equipment. This estimate is based on the projected life cycles of products for its high technology division. This could change considerably as a result of technical innovations and initiatives adopted by the competition in response to severe sector cycles. Management will increase the depreciation charge when the useful lives are lower than the lives estimated previously or will depreciate or eliminate technically obsolete or non-strategic assets which are idle or sold.

Valuation allowances for bad debts

Valuation allowances for bad debts require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, market trends, and historical analysis of bad debts at an aggregated level.

Income tax

The Group files income tax returns in numerous jurisdictions. Tax legislation applicable to certain group companies means that certain calculations have to be estimated.

Any differences between the final tax calculation and the amount initially recognised have an effect on the profit or loss for the period in question.

Group management estimates that any differences arising from the use of assumptions and judgements in estimating income tax for 2012 will be immaterial.

Capitalised tax credits

The Group evaluates the recoverability of capitalised tax credits based on estimates of whether sufficient future taxable income will be available against which they can be offset.

(ii) Changes in accounting estimates

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2012, future events may require changes to these estimates in subsequent years. The effect on the consolidated annual accounts of modifications resulting from adjustments to be made in subsequent years are recognised prospectively.

Standards and interpretations issued and not applied

The standards effective as of 1 January 2012 have not given rise to changes in the Group's accounting policies. The IASB has issued new accounting standards (IFRS) and interpretations (IFRIC) which are due to become effective for accounting periods beginning on or after 1 January 2013. Details of the nature of the changes in accounting policy and a summary of group management's assessment of the impact these new standards could have on the Group's financial statements are as follows:

IFRS 9 Financial instruments – issued November 2009 (pending adoption by the European Union)

This standard, which partially replaces IAS 39, simplifies the classification and measurement criteria for financial instruments, maintaining a mixed measurement model and establishing only two main financial asset categories: amortised cost and fair value. The classification criteria are based on the entity's business model and the characteristics of the financial asset's contractual cash flows.

The Group will assess the impact of this standard for the first year in which it becomes effective.

This standard is effective for periods beginning on or after 1 January 2015.

IFRS 10 Consolidated financial statements – issued May 2011

This new consolidation standard supersedes the previous version of IAS 27 Consolidated and Separate Financial Statements including the related interpretation SIC 12 Consolidation – Special Purpose Entities. The objective of this standard is to obtain a single consolidation model based on three premises: the exposure or existence of rights to variable returns from involvement with the investee; the ability to affect those returns through power over the investee; and linkage between power and returns.

Management does not consider that this new approach alters the conclusion on the existence of control.

This standard is effective for periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities – issued May 2011

This standard combines all disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities, and states that an entity may aggregate the disclosures required if aggregation is consistent with the disclosure objective, is clear and does not lead to confusion.

The Group will assess the impact of this standard for the first year in which it becomes effective.

This standard is effective for periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement – issued May 2011

This standard supersedes the different guidelines contained in individual standards and serves as a single source of guidance for all fair value measurements, including the relevant disclosure requirements.

This standard is effective for periods beginning on or after 1 January 2013.

Amendment to IAS 1: Presentation of Items of Other Comprehensive Income - issued June 2011

This amendment deals only with presentation, the main difference being that items that could be reclassified to profit or loss at a future point in time would be presented separately in the statement of comprehensive income from items which will never be reclassified.

The impact of this new presentation criteria will be assessed in the first year in which it becomes effective.

This standard is effective for periods beginning on or after 1 July 2012.

Annual IFRS improvement project – 2009/2011 cycle – issued May 2012 (pending adoption by the European Union)

The annual improvement project introduces changes or clarifications which affect a range of standards.

The Group will assess the impact of these improvements for the first year in which they become effective.

This is effective for periods beginning on or after 1 January 2013.

3. Significant Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Company exercises control, either directly or indirectly through subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Information on subsidiaries forming the consolidated Group is included in note 1.

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group obtained effective control of the subsidiaries. Subsidiaries are no longer consolidated once control is lost.

Intragroup balances and transactions and unrealised gains or losses are eliminated on consolidation. Nevertheless, unrealised losses are considered as indicative of impairment of the transferred assets.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The annual accounts or financial statements of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the financial statements of the Parent.

(b) Property, plant and equipment

Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses.

Spare parts for use in installations, equipment and machinery as replacements for similar parts with a warehouse cycle of more than one year are measured using the aforementioned criteria and depreciated over the same period as the related assets. Parts with a warehouse cycle of less than one year are recognised as inventories.

Moulds are considered property, plant and equipment as their period of use exceeds one year, and are depreciated according to the quantities they produce.

At 1 January 2004 the Group applied the exemption permitted by IFRS 1, First-time Adoption of International Financial Reporting Standards, relating to fair value or revaluation as deemed cost, for certain items of property, plant and equipment acquired prior to that date.

Depreciation

The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated on a straight-line basis using the following estimated useful lives:

	Estimated useful life
Buildings	20 - 30
Instalaciones técnicas y maquinaria	
Internal transport and fixed maintenance installations	6 - 10
General installations	10 - 30
Furnaces, installations and production machinery	8 - 16
Workshop machinery	8 - 14
Furniture	6 - 12
Other property, plant and equipment	8 - 12

The Group reviews residual values, useful lives and depreciation methods for property, plant and equipment at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

Subsequent costs

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

Impairment

The Group evaluates and determines impairment losses and reversals of impairment losses on property, plant and equipment in line with the criteria described in section (e).

(d) Intangible assets

(i) Goodwill

Goodwill corresponds to the excess between the consideration paid plus the value assigned to non-controlling interests and the net amount of assets acquired and liabilities assumed in business combinations made by the Group.

Goodwill is not amortised but is tested for impairment annually or more frequently where events or circumstances indicate that an asset may be impaired. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in the note on impairment are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

(ii) Internally generated intangible assets

Expenditure on research is recognised as an expense when it is incurred.

Costs associated with development activities relating to the design and testing of new and improved products are capitalised to the extent that:

- The Group has technical studies that demonstrate the feasibility of the production process.
- The Group has undertaken a commitment to complete production of the asset to make it available for sale (or internal use).
- The asset will generate sufficient future economic benefits as, according to management's best estimates, a market exists that will absorb production or the internal use of the asset.
- The Group has sufficient technical and financial resources to complete development of the asset (or to use the asset internally) and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

Costs incurred in the course of activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised as an expense.

(iii) CO_2 emission allowances

Emission allowances are recognised when the Group becomes entitled to such allowances and are measured at cost, less accumulated impairment losses. Allowances acquired free of charge or at a price substantially lower than fair value are carried at fair value, which generally coincides with the market value of the allowances at the beginning of the relevant calendar year. The excess between this value and, where applicable, the payment made for the allowance is credited to government grants under deferred income. Amounts recognised under government grants are taken to profit or loss in accordance with the emissions made as a percentage of total emissions forecast for the entire period for which they have been allocated, irrespective of whether the previously acquired allowances have been sold or impaired.

Expenses generated by the emission of greenhouse gases are recognised in line with the use of emission allowances allocated or acquired as these gases are emitted during the production process, with a credit to the corresponding provision.

Emission allowances recognised as intangible assets are not amortised but written off against the corresponding provision upon delivery to the authorities to cancel the obligations assumed.

(iv) Other intangible assets

Other intangible assets acquired by the Group are carried at cost, less any accumulated amortisation and impairment losses.

(v) Useful life and amortisation rates

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis using the straight-line method over its useful life, which is estimated to be a maximum of ten years for computer software and, in the case of development expenses, the period over which profit is expected to be generated from the start of the commercial production of the product.

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(vi) Impairment

El Grupo evalúa y determina las pérdidas y las reversiones de las pérdidas por deterioro de valor del activo intangible de acuerdo con los criterios que se mencionan en el apartado (e).

(e) Impairment losses of non-financial assets subject to amortisation or depreciation

The Group tests non-financial assets subject to depreciation or amortisation for impairment with a view to verifying whether their carrying amount exceeds their recoverable amount. The recoverable amount of assets is the higher of their fair value less costs to sell and their value in use determined based on estimated future cash flows.

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in profit or loss.

(f) Leases

- **Lessee accounting records**

  El Grupo tiene cedido el derecho de uso de determinados activos bajo contratos de arrendamiento.

  Los arrendamientos en los que el contrato al inicio transfiere al Grupo sustancialmente todos los riesgos y beneficios inherentes a la propiedad de los activos se clasifican como arrendamientos financieros y en caso contrario se clasifican como arrendamientos operativos.

- **Finance leases**

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

  The accounting policies applied to the assets used by the Group by virtue of finance lease contracts are the same as those set out in the section on property, plant and equipment.

- **Operating leasess**

  Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term.

(g) Financial instruments

(i) Classification of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument set out in IAS 32 Financial Instruments: Presentation.

Financial instruments are classified into the following categories: financial assets and financial liabilities at fair value through profit or loss, loans and receivables and financial liabilities at amortised cost. The Group classifies financial instruments into different categories based on the nature of the instruments and management's intentions on initial recognition.

(ii) Offsetting principles

A financial asset and a financial liability are offset only when the Group currently has the legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other financial asset categories.

These assets are recognised initially at fair value, including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

(iv) Impairment and uncollectibility of financial assets

The Group recognises impairment losses and defaults on loans and other receivables in an allowance account for financial assets. Recognition is based on ageing, monitoring, and third party data and reports on the economic circumstances of the debtors. When impairment and uncollectibility are considered irreversible as all avenues for collecting the debt, including the courts, have been exhausted, the carrying amount is written off with a charge to the allowance account. Impairment reversals are also recognised against the allowance account.

- Impairment of financial assets carried at amortised cost.

  In the case of financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of an impairment loss is recognised in profit or loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised. Impairment reversals are recognised against the allowance account.

(v) Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

(vi) Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in other comprehensive income, is recognised in profit or loss.

Transactions in which the Group retains substantially all the risks and rewards of ownership of a transferred financial asset are recognised as a liability for the consideration received. Transaction costs are recognised in profit or loss using the effective interest method.

(vi) Derecognition of financial liabilities

A financial liability is derecognised when the Group either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The Group has contracted reverse factoring facilities with various financial entities to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

(h) Hedge accounting

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments.

The Group has cash flow hedges.

At the inception of the hedge the Group formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

For cash flow hedges of forecast transactions, the Group assesses whether these transactions are highly probable and if they present an exposure to variations in cash flows that could ultimately affect profit or loss.

Hedges are structured as follows:

Interest rate hedges

- Hedged item: variable-rate financing received.
- Hedging instrument: The Group manages interest rate risks in cash flows through derivative instrument swaps or interest rate caps. These interest rate hedges convert variable interest rates on borrowings to fixed interest rates in the case of swaps or limit the maximum costs of variable interest rates in the case of caps. In some cases the hedging instruments are contracted using forward starts, which means that the flows of the hedged item are only hedged from the time the IRS comes into effect.
- Hedged risk: changes in the cash flows of the hedged item (interest payments) in the event of changes in benchmark interest rates.

Energy price swaps

- Hedged item: variable price of energy referenced to certain fuels.
- Hedging instrument: contracting of caps through which the Group acquires the right to receive regular future payments when the variable price of certain fuels payable by the entity with which the financial instrument has been contracted exceeds a certain amount (strike price).
- Hedged risk: changes in the cash flows of the hedged item in the event of changes in benchmark fuel prices.

The Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance expenses or finance income.

The Group recognises in profit or loss amounts accounted for in other comprehensive income in the same year or years during which the hedged transaction affects profit or loss and in the same caption of the consolidated income statement.

(i) Parent own shares

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated balance sheet as a reduction in equity, regardless of the motive of the purchase. No gain or loss is recognised on transactions involving own equity instruments.

Transaction costs related to own equity instruments are accounted for as a reduction in equity, net of any tax effect.

(j) Distribution to shareholders

Dividends are recognised as a reduction in equity when approved by the shareholders.

(k) Inventories

Inventories are measured at the lower of acquisition or production cost and net realisable value.

The cost of purchase includes the purchase price, other costs directly attributable to the acquisition and indirect taxes not recoverable from Spanish taxation authorities. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

The Group uses the following measurement criteria to determine the cost of each type of inventory:

a. **Raw materials:** at weighted average cost.

b. **Finished goods and work in progress:** at actual cost, which includes raw materials, direct labour and direct and indirect manufacturing overheads (based on normal operating capacity).

c. **Auxiliary and production materials:** at weighted average cost.

The cost of inventories is adjusted against profit or loss when cost exceeds the net realisable value.

The previously recognised reduction in value is reversed against profit or loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the reduction in value is limited to the lower of the cost and revised net realisable value of the inventories. Reductions and reversals of the value of inventories are classified under change in inventories of finished goods and work in progress and raw materials and other supplies used in the consolidated income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions.

The Group recognises interest received as cash flows from investing activities and interest paid as cash flows from operating activities. Dividends received are classified under investing activities and dividends paid under financing activities.

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(i) Capital grants

Capital grants awarded as monetary assets are recognised under deferred income in the consolidated balance sheet and allocated to other income in line with the amortisation or depreciation of the assets for which the grants have been received.

The accounting treatment of grants related to emission allowances is described in section (d).

(ii) Operating grants

Operating grants are recognised under other income..

(iii) Interest-rate grants

Financial liabilities comprising implicit assistance in the form of below market interest rates are initially recognised at fair value. The difference between this value, adjusted where necessary for the cost of issuing the financial liability and the amount received, is recognised as a government grant based on the nature of the grant awarded.

(n) Employee benefits

(i) Pension commitments

The Group has pension plan commitments. Contributions are made to externally managed funds and are classified as defined contributions.

The Group recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Group. The contributions payable are recognised as an expense for employee remuneration, and as a liability after deducting any contribution already paid.

(ii) Other commitments with employees

"Provisions" in the consolidated balance sheet include a provision for commitments assumed with the employees of one of the Group's companies in accordance with legal requirements in the country of origin. According to this legislation, companies are obliged to provide for or contribute certain amounts to an externally managed pension plan, calculated on the basis of employees' remuneration, which are redeemed when an employee's working relationship with the company terminates.

(iii) Termination benefits

Termination benefits paid or payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date or when employees voluntarily agree to termination in exchange for these benefits. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and there is no possibility of withdrawing or changing the decisions made.

(iv) Short-term employee benefits

The Group recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated.

If it is not probable that an outflow of resources embodying economic resources will be required to settle an obligation, the provision is reversed. The provision is reversed against the caption of the consolidated income statement in which the related expense was recognised, and any surplus is accounted for in other income.

(i) Provision for emission allowances

Provision is systematically made for expenses related to the emission of greenhouse gases and is cancelled when the rights are received.

(p) Revenue recognition

Revenue from the sale of goods or services is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts are recognised as a reduction in the consideration. Revenue is presented net of value added taxes and any other amount or tax which, in substance, corresponds to amounts received on behalf of third parties.

Discounts granted to customers are recognised as a reduction in sales revenue when it is probable that the discount conditions will be met.

Revenue is only recognised when there is evidence of an agreement between the parties, the goods have been delivered or the services rendered, amounts are agreed and collection is reasonably assured

(q) Income tax

The income tax expense or tax income for the year comprises current tax and deferred.

Current tax is the expected tax payable or receivable on the consolidated taxable income or loss for the year.

Current tax assets or liabilities are measured at the amounts expected to be paid to or recovered from the taxation authorities, using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of unused tax credits. Temporary differences are considered to be the difference between the carrying amount of the assets and liabilities and their tax base.

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases.

(ii) Taxable temporary differences

Deductible temporary differences are recognised provided that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductions to the extent that it is probable that future taxable profits will be available against which they can be utilised. Certain deductions for investments in property, plant and equipment or business acquisitions are applied in line with the depreciation period of the assets or business plan of the acquired activities which generated the tax credits with a credit to deferred income (see note 12).

(iii) Measurement

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted. The tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets which do not meet the above conditions are not recognised in the consolidated balance sheet. At the reporting date the Group assesses whether deferred tax assets which were previously not recognised meet the conditions for recognition.

(iv) Offsetting and classification

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group only offsets deferred tax assets and liabilities if it has a legally enforceable right, when they relate to income taxes levied by the same taxation authority and on the same taxable entity and when the taxation authority permits the Group to make or receive a single net payment, or to recover the assets and settle the liabilities simultaneously in each future year in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets or liabilities, irrespective of the date of realisation or settlement.

(r) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as other expenses in the period in which they are incurred. Nonetheless, the Group recognises environmental provisions and, where applicable, reimbursement rights by applying the general criteria described in the note on provisions.

Assets acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet in line with the recognition, measurement and disclosure criteria detailed in the note on property, plant and equipment.

(t) Foreign currency transactions and balances

The figures disclosed in the consolidated annual accounts are expressed in thousands of Euros, the Parent's functional and presentation currency.

Transactions in foreign currency are translated to the functional currency at the foreign exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into Euros at the exchange rates prevailing at the dates the cash flows occur.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Exchange gains or losses on monetary financial assets or financial liabilities denominated in foreign currencies are also recognised in profit or loss.

4. Segment Reporting

As described below, the Group is organised internally into operating segments, which are strategic business units. The strategic business units have the same products and services, the manufacture and sale of glass containers, and are managed separately, by geographical markets, because they require different market strategies.

The information used at board and management level and for reporting to third parties is broken down by geographical location.

At 31 December 2012 and 2011 the Group comprises the following operating segments:

- **Spain**
- **European Union**

Segment performance is measured based on the pre-tax profit generated by each segment. The profit generated by each segment is used as a measure of its performance because the Group considers this to be the most relevant information in assessing the profits generated by specific segments in relation to other groups which operate in these businesses.

Details of group sales and services rendered to external customers of each segment, assigned by geographical location of production companies, are as follows:

Thousands of Euros

	2012	2011
Spain	**291,121**	270,741
European Union	**166,705**	163,174
	457,826	**433,915**

The table above shows details of sales and services rendered to external customers; consequently, there are no transactions between geographical segments.

Non-current assets attributed to foreign countries amount to Euros 169,402 thousand.

Profit before income tax from continuing operations and profit for the year after income tax by geographical location of manufacturing companies are as follows:

Thousands of Euros

	2012		2011	
Area/location	Profit before income tax from continuing operations	Profit after income tax	Profit before income tax from continuing operations	Profit after income tax
Spain	**53,450**	**42,192**	49,179	40,015
European Union	**5,712**	**4,350**	5,541	3,684
	59,162	**46,542**	**54,720**	**43,699**

Details of finance income and expenses by geographical location of manufacturing companies are as follows:

Thousands of Euros

	2012		2011	
Area/location	Expenses	Income	Expenses	Income
Spain	**5,607**	**170**	5,792	219
European Union	**762**	**34**	682	6
	6,369	**204**	**6,474**	**225**

Details of impairment and reversals of impairment relating to receivables and inventory and changes in provisions by geographical location of manufacturing companies are as follows:

Thousands of Euros

	2012		2011	
Area/location	Spain	European Union	Spain	European Union
Impairment (reversal) of receivables	**331**	**-**	638	-
Impairment of inventory	**22**	**113**	269	158
Changes in provisions	**(308)**	**-**	(290)	43
	45	**113**	**617**	**201**

Information on the main captions in the consolidated annual accounts by geographical location of production assets is as follows:

Thousands of Euros

	2012			2011		
Area/ location	Assets	Liabilities	Invest-ments during the year	Assets	Liabilities	Invest-ments during the year
Spain	**388,570**	**115,650**	**8,231**	423,160	125,121	21,633
European Union	**208,603**	**54,667**	**25,944**	176,922	44,362	22,897
	597,173	**170,317**	**34,175**	600,082	169,483	44,530

Segment assets mainly include property, plant and equipment, intangible assets, inventories, accounts receivable and operating cash flow. Deferred tax assets and goodwill are not included.

Segment liabilities comprise non-current and operating liabilities and exclude deferred tax liabilities and borrowings.

Investments for 2012 and 2011 correspond to additions of property, plant and equipment (see note 4) and intangible assets (see note 5) and do not reflect the value of emission allowances allocated for the year (see note 5).

Impairment losses and amortisation and depreciation by segments for 2012 and 2011 are as follows:

Thousands of Euros

Depreciation

Area / localización	2012		2011	
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
España	**20,535**	**1,325**	22,122	1,232
Unión Europea	**16,265**	**10**	15,891	11
	36,800	**1,335**	38,013	1,243

5. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2012 and 2011 are as follows:

Thousands of Euros

2012	Balances at 31/12/2011	Additions	Disposals	Transfers	Balances at 31/12/2012
Cost					
Land and buildings	195,800	417	-	3	196,220
Technical installations and machinery	455,866	8,510	(607)	484	464,253
Moulds	42,650	4,684	-	-	47,334
Furniture	6,056	317	-	28	6,401
Other assets	5,849	456	-	(2,768)	3,537
Property, plant and equipment under construction	313	18,236	(1,713)	1,472	18,308
	706,534	**32,620**	**(2,320)**	**(781)**	**736,053**
Depreciation					
Land and buildings	61,302	4,482	-	-	65,784
Technical installations and machinery	257,299	27,969	(382)	155	285,041
Moulds	26,040	3,738	-	-	29,778
Furniture	5,164	343	-	-	5,507
Other assets	2,453	268	-	(181)	2,540
	352,258	**36,800**	**(382)**	**(26)**	**388,650**
Impairment					
Moulds	-	1,046	-	1,045	2,091
Carrying amount	**354,276**				**345,312**

Thousands of Euros

2011	Saldos al 31.12.10	Adiciones	Retiros	Traspasos	Saldos al 31.12.11
Cost					
Land and buildings	192,523	2,422	-	855	195,800
Technical installations and machinery	426,140	30,784	(6,632)	5,574	455,866
Moulds	38,628	6,458	(2,817)	381	42,650
Furniture	5,762	294	-	-	6,056
Other assets	5,610	262	(93)	70	5,849
Property, plant and equipment under construction	4,661	2,593	(61)	(6,880)	313
	673,324	**42,813**	**(9,603)**	-	**706,534**
Depreciation					
Land and buildings	57,047	4,255	-	-	61,302
Technical installations and machinery	234,156	29,136	(5,993)	-	257,299
Moulds	23,326	3,963	(1,249)	-	26,040
Furniture	4,766	398	-	-	5,164
Other assets	2,284	261	(92)	-	2,453
	321,579	**38,013**	**(7,334)**	-	**352,258**
Carrying amount	**351,745**				**354,276**

(a) Government grants received

Deferred income includes government grants received for investments made by group companies in property, plant and equipment. Income pending recognition from these grants amounts to Euros 9,682 thousand at 31 December 2012 (Euros 7,271 thousand at 31 December 2011) (see note 13).

(b) Commitments

Commitments for the acquisition of property, plant and equipment are as follows:

	Thousands of Euros	
	2012	2011
Technical installations and machinery	**12,810**	10,595

(c) Insurance

The Group has contracted insurance policies to cover the risk of damage to its property, plant and equipment. The coverage of these policies is considered sufficient.

Note 21 shows details of the amount of insurance compensation received by the Group at 31 December 2011 in relation to property, plant and equipment.

(d) Fully depreciated assets

At 31 December 2012 the restated cost of fully depreciated property, plant and equipment still in use amounts to Euros 120 million (Euros 120 million at 31 December 2011).

6. Intangible Assets

Details of intangible assets and movement during 2012 and 2011 are as follows:

Thousands of Euros

2012	R&D expenditure	Goodwill	Emission allowances	Computer software	Work in progress	Total
Cost						
Balances at 31 December 2011	1,684	59,233	7,791	9,108	5	77,821
Additions	274	-	3,634	944	337	5,189
Transfers	3	-	-	261	513	777
Disposals	-	-	(6,076)	-	(2)	(6,078)
Balances at 31 December 2012	1,961	59,233	5,349	10,313	853	77,709
Amortisation						
Balances at 31 December 2011	(523)	-	-	(4,269)	-	(4,792)
Additions	(197)	-	-	(1,138)	-	(1,335)
Transfers	16	-	-	(16)	-	-
Balances at 31 December 2012	(704)	-	-	(5,423)	-	(6,127)
Carrying amount						
At 31 December 2011	1,161	59,233	7,791	4,839	5	73,029
At 31 December 2012	1,257	59,233	5,349	4,890	853	71,582

Thousands of Euros

2011	R&D expenditure	Goodwill	Emission allowances	Computer software	Work in progress	Total
Cost						
Balances at 31 December 2010	1,121	59,233	7,130	7,954	7	75,445
Additions	563	-	7,675	1,154	-	9,392
Disposals	-	-	(7,014)	-	(2)	(7,016)
Balances at 31 December 2011	1,684	59,233	7,791	9,108	5	77,821
Amortisation						
Balances at 31 December 2010	(343)	-	-	(3,206)	-	(3,549)
Additions	(180)	-	-	(1,063)	-	(1,243)
Balances at 31 December 2011	(523)	-	-	(4,269)	-	(4,792)
Carrying amount						
At 31 December 2010	778	59,233	7,130	4,748	7	71,896
At 31 December 2011	1,161	59,233	7,791	4,839	5	73,029

(a) Emission allowances

In 2012 an amount of Euros 6,819 thousand (Euros 5,797 thousand in 2011) has been paid to public entities with a charge to the provision for emission allowances (see note 18).

The cost of emission allowances for 2012, which have been recorded against the corresponding provision (see note 18), amounted to Euros 3,555 thousand (Euros 6,871 thousand in 2011) and corresponds to the estimated consumption of emission allowances for 2012 of 510,539 tonnes (485,322 tonnes in 2011).

Derivative financial instruments contracted at 31 December 2011 in relation to emission allowances are detailed in note 7.

Details of emission allowances allocated free of charge during the National Allocation Plan period and their annual distribution are as follows:

	No. of rights
2009	542,832
2010	542,832
2011	554,347
2012	**554,347**

Movement in the number of rights during 2012 and 2011 is as follows:

	Free of charge
Balance at 31 December 2010	540,929
Additions	554,347
Transfers	(449,070)
Sales	(15,000)
Balance at 31 December 2011	631,206
Additions	554,347
Transfers	(488,794)
Balance at 31 December 2012	696,759

(b) Impairment and allocation of goodwill to CGUs

For impairment testing purposes, goodwill has been allocated to the Group's cash-generating units (CGUs) based on the production unit which generated the cash, as follows:

		Thousands of Euros	
Cash Generating Unit	Country	2012	2011
Gallo Vidro	Portugal	**20,799**	20,799
Castellar	Spain	**26,155**	26,155
Córsico Vetro	Italy	**12,279**	12,279

The recoverable amount of a CGU is determined based on value in use calculations using the discounted cash flow method. These calculations are based on cash flow projections for a five-year period from the financial budgets approved by management. Cash flows beyond this period are extrapolated using the estimated growth rates indicated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used in value in use calculations are as follows:

	Tasa de crecimiento	Tasa de descuento antes de impuestos	
		2012	2011
Gallo Vidro	1.5%	**11.35%**	15.74%
Castellar	1.5%	**11.41%**	12.30%
Vidrala Italia (formerly Córsico Vetro)	1.5%	**11.05%**	11.83%

The Group has determined budgeted gross margins based on past experience and forecast market development. Average weighted growth rates are consistent with forecasts in industry reports. Pre-tax discount rates are used which reflect specific risks related to the relevant segments.

Based on the recoverable amounts resulting from the analysis carried out, goodwill is not impaired at 31 December 2012 and 2011. There are deemed to be no reasonably possible changes in the key assumptions which would result in the carrying amount of the CGU exceeding its recoverable amount, thus giving rise to impairment. The sensitivity analyses were performed by stressing the discount rate by +/-5% and the perpetuity growth rate by +/-2.5%, and goodwill would remain unimpaired. No impairment losses would thus have to be recognised on either goodwill or property, plant and equipment.

7. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	Thousands of Euros		
	2012		2011
	Assets	Liabilities	Liabilities
Derivatives held for trading			
Emission allowance swaps	-	-	22
Hedging derivatives			
Interest rate swaps	-	1,961	2,485
Interest rate options	64	-	-
Energy price options	210	-	-
Total	**274**	**1,961**	**2,507**

These financial instruments are classified in accordance with categories established in IFRS 7 using the valuation method, in the category of unquoted prices obtained from observable markets.

Interest rate swaps and call options

The Group uses interest rate swaps and call options to manage its exposure to interest rate fluctuations.

The fair values of these interest rate instruments are determined by direct reference to observable market interest rate curves at the measurement date. The counterparty of these instruments uses customary sources to obtain quoted interest rates published in active markets.

The Group applies hedge accounting to interest rate swaps.

These hedging instruments, contracted between 2009 and 2012, have an accumulated nominal of Euros 89,500 thousand at 31 December 2012 (Euros 81,666 thousand in 2011). Under these contracts, effective until 2015, Vidrala will pay a fixed interest rate of between 0.49% and 3.64%.

Total cash flow hedges recognised in equity and taken to other comprehensive income under finance costs, are as follows:

	Thousands of Euros Income/ (Expenses)	
	2012	2011
Other comprehensive income	**(187)**	(1,641)
Reclassification to finance costs	**711**	737
	524	**(904)**

The classification of cash flow hedges by reporting periods in which the cash flows are expected to occur, which coincides with those expected to impact the consolidated income statement, is as follows:

	Thousands of Euros				
	2012				
	Carrying amount	Expected cash flows	Occurrence of cash flows		
			2013	2014	2015
Interest rate swaps	(1,960)	(2,020)	(764)	(669)	(587)

	Thousands of Euros				
	2011				
	Carrying amount	Expected cash flows	Occurrence of cash flows		
			2012	2013	2014
Interest rate swaps	(2,485)	(2,522)	(348)	(1,695)	(86)

Emission allowance swaps

In 2008 certain consolidated group companies signed emission allowance swaps with banks which mainly consisted of an exchange, with a counterparty, of emission allowances (EUAs) for carbon credits (CERs). Both emission allowances (EUAs) and carbon credits (CERs) have the same nominal value, i.e. they represent the right to emit one tonne of CO2. However, although they have equivalent underlying values, their market price is not the same.

The 2008-2012 National Allocation Plan provides for the possibility of delivering CERs instead of EUAs in order to comply with annual delivery obligations based on emissions generated up to a maximum of 7.53% of the annual allocation.

The formalised contracts were based on the above-mentioned criteria. In other words, 7.53% of EUA allocations have been exchanged for group CERs, taking advantage of the price difference at the date the agreements were signed. The fair values of emission allowance swaps were determined by direct reference to publicly quoted prices in active markets. This instrument was cancelled on 25 December 2012. The fair value of this instrument at 31 December 2011 was Euros 22 thousand.

8. Income Tax

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	Thousands of Euros					
Deferred tax liabilities	Goodwill	Property, plant and equipment	Depreciation and amortisation	Financial assets	Other	Total
At 31 December 2010	4,887	15,191	2,162	301	3,591	26,132
Debit (credit) to income statement	831	(506)	(198)	(144)	52	35
At 31 December 2011	5,718	14,685	1,964	157	3,643	26,167
Debit (credit) to income statement	531	(402)	(34)	(145)	160	110
At 31 December 2012	**6,249**	**14,283**	**1,930**	**12**	**3803**	**26,277**

Deferred tax assets	Tax loss carryforwards	Provisions for personnel	Tax deductions and credits	Financial assets	Other	Total
At 31 December 2010	8,988	363	29,925	442	2,031	41,749
(Debit)/credit to income statement	(568)	55	(3,425)	-	(672)	(4,610)
Debit/(credit) to other comprehensive income	-	-	-	254	-	254
At 31 December 2011	8,420	418	26,500	696	1,359	37,393
(Debit)/credit to income statement	379	189	1,044	-	224	1,836
Debit/(credit) to other comprehensive income	-	-	-	(147)	-	(147)
At 31 December 2012	**8,799**	**607**	**27,544**	**549**	**1,583**	**39,082**

Details of deferred tax assets and liabilities that are expected to be realised or reversed in periods exceeding 12 months, are as follows:

	Thousands of Euros	
	2012	2011
Deferred tax assets	**34.670**	32.912
Deferred tax liabilities	**(5,072)**	(26,167)
	29,598	6,745

Deferred taxes on items taken directly to other comprehensive income during 2012 and 2011, corresponding to cash flow hedges, amounted to Euros (147) thousand and Euros 254 thousand, respectively.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2012	2011
Current tax		
Present year	15,260	9,603
Prior year adjustments	1,350	(440)
Deferred taxes		
Source and reversal of temporary differences	(1,726)	4,645
Deferred income taken to income tax (note 13)	(2,264)	(2,788)
Total	**12,620**	**11,020**

Details of the income tax expense related to profit from continuing operations are as follows:

	Thousands of Euros	
	2012	2011
Profit for the year from continuing operations, net of income tax	**59.162**	54.719
Tax calculated at the tax rate of each country	**16.676**	14.847
Tax deductions for the year	**(1.173)**	-
Deferred taxes from consolidation adjustments	**-**	471
Capitalisation of deductions for shortfall in income tax	**(2.463)**	(456)
Prior year adjustments	**1.332**	(992)
Deferred income taken to income tax (note 13)	**(2.264)**	(2.788)
Permanent differences	**512**	(62)
Income tax expense	**12.620**	11.020

In general, each group company has open to inspection by the tax authorities the years which have not prescribed in accordance with tax legislation applicable to each company.

The years open to inspection by the tax authorities vary for the different companies of the consolidated tax group, but mainly cover the last three or four years.

In accordance with current legislation in Spain, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2012 all main applicable taxes since 31 December 2007 are open to inspection by the taxation authorities. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the directors do not consider that any such liabilities that could arise would have a significant effect on the 2012 consolidated annual accounts taken as a whole.

9. Inventories

Details of inventories are as follows:

	Thousands of Euros 2012	2011
Raw materials	**6,354**	5,411
Auxiliary and production materials	**32,623**	30,219
Finished goods and work in progress	**75,709**	68,077
	114,686	103,707
Valuation allowance	**(2,059)**	(2,796)
	112,627	**100,911**

At 31 December 2012 and 2011, there are no inventories with a recovery period of more than 12 months from the consolidated balance sheet date.

Group companies have contracted insurance policies to cover the risk of damage to their inventories. The coverage of these policies is considered sufficient.

The effect of the change in the valuation allowance has been recognised under changes in inventories of finished goods and work in progress.

10. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros 2012	2011
Trade receivables	**101,622**	100,557
Personnel	**980**	1,438
Other loans	**920**	2,938
Less bad debt valuation allowances	**(6,622)**	(6,545)
Total	**96,900**	98,388

The carrying amount of trade and other receivables does not differ significantly from their fair value.

There is no concentration of credit risk as regards trade receivables as the Group has numerous customers all over the world.

At 31 December 2012 trade and other receivables discounted at banks amount to Euros 13,009 thousand (Euros 4,366 thousand in 2011) (see note 14).

At 31 December 2012, personnel includes Euros 171 thousand (Euros 303 thousand in 2011) relating to loans to management personnel (see note 26(b)).

11. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros	
	2012	2011
Public entities		
VAT	**23,366**	30,376
Grants	**4,395**	-
Other items	**138**	12
	27,899	**30,388**

Details of other current liabilities are as follows:

	Thousands of Euros	
	2012	2011
Public entities		
VAT	**10,328**	4,468
Withholdings and payments on account	**6,446**	2,830
Social Security	**2,342**	1,925
Other	**80**	59
	19,196	**9,282**

12. Equity

Details of equity and movement during the year are shown in the statement of changes in equity.

Details of other reserves and retained earnings and movement during the year are shown in the Appendix.

(a) Capital

Movement of issued and outstanding shares in 2012 and 2011 is as follows:

		Thousands of Euros		
	Number of shares outstanding	Ordinary shares	Own shares	Total
At 31 December 2010	23,337,704	24,383	(9,667)	14,716
Share capital increase	1,167,748	1,191	-	1,191
Capital reduction	-	(561)	9,624	9,063
Acquisition of own shares	(370,096)	-	(7,042)	(7,042)
Sale of own shares	77,404	-	1,348	1,348
At 31 December 2011	24,212,760	25,013	(5,737)	19,276
Capital reduction	-	(561)	9,925	9,364
Acquisition of own shares	(429,610)	-	(8,233)	(8,233)
Sale of own shares	70,874	-	1,297	1,297
At 31 December 2012	**23,854,024**	**24,452**	**(2,748)**	**21,704**

At 31 December 2012 the share capital of Vidrala, S.A. is represented by 23,972,705 ordinary shares (24,522,705 in 2011) represented by book entries of Euros 1.02 par value each, fully paid and listed on the Spanish organised stock market. No company directly or indirectly holds more than 10% of share capital.

These shares are freely transferable.

At their annual general meeting held on 23 June 2011, the shareholders of Vidrala, S,A, agreed to increase share capital by Euros 1,191 thousand with a charge to freely distributable reserves,

At their annual general meeting held on 23 June 2011, the shareholders of Vidrala, S.A. agreed to increase share capital by Euros 1,191 thousand with a charge to freely distributable reserves.

By virtue of the powers delegated by the shareholders at their annual general meeting held on 23 June 2011, it was agreed to reduce the Company's share capital by Euros 561 thousand through the redemption of 550,000 own shares - in the own share portfolio - with a par value of Euros 1.02 each.

By virtue of the powers delegated by the shareholders at their annual general meeting held on 21 June 2012, it was agreed to reduce the Company's share capital by Euros 561 thousand through the redemption of 550,000 own shares from - in the own share portfolio - with a par value of Euros 1.02 each.

At their annual general meeting held on 19 June 2008 the shareholders of Vidrala, S.A. agreed to authorise the board of directors, for a period of five years, to issue bonds exchangeable for and/or convertible into Company shares and warrants up to a maximum amount of Euros 500 million, and to suppress the preferential subscription rights of shareholders and convertible bond holders.

In 2012 and 2011, 429,610 and 370,099 Parent shares were acquired on the organised market for Euros 8,233 thousand and Euros 7,042 thousand, respectively.

The Group's capital management objective is to safeguard the Company's capacity to continue trading as a going concern, enabling it to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, reimburse capital, issue shares or dispose of assets to reduce debt.

The Vidrala Group controls its capital structure by ensuring that equity as a percentage of total equity and liabilities on the consolidated balance sheet does not fall below 20%.

During 2012 the strategy has not changed compared to 2011, and the ratios for 2012 and 2011 have been determined as follows:

	Thousands of Euros	
	2012	2011
Total equity	**338,472**	311,780
Total equity and liabilities	**695,488**	696,730
Total equity/total equity and liabilities	**48,7%**	44,7%

The Vidrala Group controls its levels of net financial debt based on net debt as a percentage of equity.

This calculation was performed as follows:

	Thousands of Euros	
	2012	2011
Net financial debt	**159,559**	189,202
Equity	**338,472**	311,780
Debt ratio	**0,47**	0,61

Net financial debt is understood as current and non-current loans and borrowings less cash and cash equivalents.

(b) Revaluation reserves

Revaluation reserves correspond to the revaluation carried out by the Parent as permitted by Alava Regional Authority Local Law 4/1997 of 7 February 1997, whereby Vidrala revalued its property, plant and equipment in 1996 by a net amount of Euros 3.8 million.

This revaluation was inspected and agreed by the tax authorities in 1999 and therefore may be applied to offset losses, increase share capital in accordance with article 16 of the aforementioned Local Law or increase restricted reserves.

As these reserves are freely distributable, the Company transferred an amount of Euros 1,191 thousand to share capital in 2011.

(c) Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Revised Text of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

(d) Reserves in fully consolidated companies

Details of reserves in fully consolidated companies at 31 December 2012 and 2011 are as follows:

	Thousands of Euros	
	2012	2011
Company or subgroup		
Crisnova Vidrio, S.A.	**42,541**	42,299
Inverbeira, Sociedad de Promoción de Empresas, S.A.	**12,075**	11,907
Gallo Vidro, S.A.	**29,688**	26,175
Aiala Vidrio, S.A.	**5,471**	5,471
Castellar Vidrio, S.A.	**9,521**	4,725
Córsico Vetro, S.R.L.	**1,482**	721
MD Verre, S.A.	**(2,177)**	(1,095)
Investverre, S.A.	**168**	(460)
Oméga Inmobiliere et Finánciere, S.A.	**(3,904)**	(3,886)
CD Verre	**68**	68
	94,933	**85,925**

Restricted reserves and retained earnings in fully consolidated companies are as follows:

	Thousands of Euros	
	2012	2011
Legal reserve	**13,802**	12,469
Revaluation reserves	**3,655**	4,926
Goodwill reserve	**4,998**	3,748
	22,455	**21,143**

Revaluation reserves correspond to the following:

	Thousands of Euros	
	2012	2011
Crisnova Vidrio, S.A.	**3,655**	3,655
Gallo Vidro, S.A.	**-**	1,271
	3,655	**4,926**

The balance corresponding to Crisnova Vidrio, S.A. may not be distributed until the gain (depreciation or sale of the revalued assets) is realised.

(e) Other comprehensive income

Movement in accounts under other comprehensive income during 2012 and 2011, corresponding to cash flow hedges and their tax effect, is as follows:

	Thousands of Euros		
	Coberturas de efectivo	Efecto impositivo	Neto
Balances at 31 December 2010	(1,581)	443	(1,138)
Income and expenses generated during the year	(1,641)	459	(1,182)
Reclassification to profit or loss	737	(206)	531
Balances at 31 December 2011	(2,485)	696	(1,789)
Income and expenses generated during the year	(187)	52	(135)
Reclassification to profit or loss	711	(199)	512
Balances at 31 December 2012	**(1,961)**	**549**	**(1,412)**

(f) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders during 2012 amounted to Euros 13,126 thousand (Euros 12,657 thousand in 2011), which is equivalent to Euros 0.5421 per outstanding share (Euros 0.5421 in 2011). The dividends reflect the distribution of 2012 profit and interim dividends.

The distribution of company profits and reserves for the year ended 31 December 2011, approved by the shareholders at their annual general meeting held on 21 June 2012, was as follows:

Basis of allocation	Euros
Profit for the year	34,944,706.91
Distribution	
Legal reserve	358,240.32
Other reserves	21,460,729.54
Interim dividend	9,619,729.55
Dividend	3,506,007.50
	34,944,706.91

On 20 December 2012 the directors agreed to distribute an interim dividend of Euros 0.4172 per share to shareholders, totalling Euros 9,952 thousand and payable on 14 February 2013.

The amount distributed did not exceed the profits reported by the Parent since the end of the previous reporting period, after deducting the estimated income tax payable on these profits, as required by article 277 of the Revised Text of the Spanish Companies Act.

The provisional accounting statement prepared in accordance with statutory requirements demonstrating that sufficient cash was available for distribution of the aforementioned dividend is as follows:

	Thousands of Euros
Distributable profit for 2012	
Projected profit after income tax to 31.12.2012	35,000
Interim dividend	-
Forecast cash flow for the one-year period from 20 December 2012	
Cash at agreement date	-
Cash available in credit facilities at agreement date	52,200
Projected operating receipts and payments (net)	24,500
Projected cash balances one year from date of agreement	-
Balances available in credit facilities (one year from date of agreement)	36,632

The proposed distribution of 2012 profit and other Parent company reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

Basis of allocation	Euros
Profit for the year	35,113,481.30
Distribution	
Legal reserve	-
Other reserves	21,535,770.84
Interim dividend	9,951,898.81
Dividend	3,625,811.65
	35,113,481.30

The proposed distribution of dividends is equivalent to a dividend of Euros 0.5692 per share outstanding at the closing date.

13. Deferred Income

Details of this caption are as follows:

	Thousands of Euros	
	2012	2011
Capital grants (note 5(a))	**9,682**	7,271
Tax credits for investments	**18,070**	20,334
Other	**-**	137
	27,752	**27,742**

During 2012 the Group incorporated additional capital grants amounting to Euros 3,722 thousand (Euros 217 thousand in 2011), of which Euros 1,311 thousand was taken to income during the year (Euros 1,382 thousand in 2011) (see note 21).

Tax credits capitalised in the consolidated balance sheet in 2004 and 2005 were recorded as deferred income and taken to the income statement in line with the depreciation of the financed assets, or the recovery of the investments in the case of business combinations. Euros 2,264 thousand and Euros 2,788 thousand were taken to profit or loss as a reduction in income tax in 2012 and 2011, respectively (see note 8).

14. Loans and Borrowings

Details of current and non-current loans and borrowings are as follows:

	2012		2011	
Thousands of Euros	Non-current	Current	Non-current	Current
Loans and borrowings	**88,917**	**52,845**	109,191	64,363
Discounted notes pending maturity (note 10)	**-**	**13,009**	-	4,366
Other financial liabilities	**5,376**	**-**	3,656	7,425
Interest accrued	**-**	**275**	-	277
	94,293	**66,129**	**112,847**	**76,431**

In January 2005 Vidrala contracted credit facilities with various banks for a combined amount of Euros 140 million to meet payments on new business combinations.

During 2008 Vidrala contracted credit facilities with various financial entities for a combined amount of Euros 75 million. Repayment of these credit facilities, which accrue annual interest indexed to Euribor, falls due between 2007 and 2016.

In 2009, the Company contracted new credit facilities totalling Euros 63.3 million. The limit on these facilities will be reduced between 2009 and 2013.

In 2010, the Company contracted new credit facilities totalling Euros 75 million. The limit on these facilities will be reduced between 2012 and 2018.

In 2011, the Company contracted new credit facilities totalling Euros 42 million. The limit on these facilities will be reduced between 2012 and 2018.

In 2012, the Company contracted new credit facilities totalling Euros 73 million. The limit on these facilities will be reduced between 2013 and 2018.

Some of these contracts contain financial covenant clauses. At 31 December 2012 and 2011 the Group complies with these requirements.

Other non-current financial liabilities include interest-free loans from public entities.

On 1 July 2010 a contract was signed with a financial entity whereby the Group sold its emission allowances for an amount of Euros 7,086 thousand. Simultaneously, a forward contract maturing on 25 December 2012 was signed with the same entity to repurchase these rights for Euros 7,659 thousand. At 31 December 2011 the financial liability on this transaction was recognised under other non-current financial liabilities for an amount of Euros 7,425 thousand, which corresponded to the amounted obtained on the sale plus the effective interest accrued on the transaction.

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2012	2011
Between 1 and 2 years	**51,345**	36,029
Between 2 and 5 years	**30,537**	66,109
More than 5 years	**12,411**	10,709
	94,293	**112,847**

The average effective interest rates on bank loans and borrowings at the consolidated balance sheet are approximately 2.91% and 2.86% APR for 2012 and 2011, respectively.

The carrying amount and fair values of current and non-current liabilities do not differ significantly.

Group financial liabilities are measured in Euros.

The credit facilities included under loans and borrowings have a combined limit of Euros 265 million and Euros 308 million at 31 December 2012 and 2011, respectively, while discounted notes are limited to Euros 22 million for both years.

15. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2012	2011
Trade payables	**83,838**	75,665
Salaries payable	**11,953**	11,322
Dividends to shareholders	**9,964**	9,620
Fixed asset suppliers	**374**	244
Other payables	**1,529**	1,257
	107,658	**98,108**

The carrying amount of trade and other payables does not differ significantly from their fair value.

16. Late Payments to Suppliers. "Reporting Requirement" Third Additional Provision of Law 15/2010 of 5 July 2010

At 31 December 2012 the balance payable to suppliers for which the maximum legal payment term under Law 15/2010 of 5 July 2010 has been exceeded is Euros 1,011 thousand (Euros 235 thousand in 2011).

Details of late payments to suppliers for the year ended 31 December 2012 and 2011 are as follows:

	Payments made and outstanding at the balance sheet date	
	2012	
	Thousands of Euros	%
Within the maximum legal payment term	**369,723**	**79.78**
Rest	**93,728**	**20.22**
Total payments for the year	**463,451**	
Weighted average late payment days	**21.42**	

	Payments made and outstanding at the balance sheet date	
	2011	
	Thousands of Euros	%
Within the maximum legal payment term	334,731	82.40
Rest	71,485	17.60
Total payments for the year	406,216	
Weighted average late payment days	18.71	

17. Risk Management Policy

Business risks

Risk management in the Vidrala Group involves procedures supervised by the directors, coordinated by management and implemented in each operating area of the organisation.

Potential operating risks include the following:

Operational risk

The Group carries out process-intensive industrial manufacturing activity which is subject to internal risks linked to routine operations. In 2012 work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map, initiated in 2009. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimize their potential adverse effects.

i. Environmental risks

The Vidrala Group is firmly committed to protecting the environment. In order to minimise the impact of its activities on the environment, Vidrala takes specific steps in relation to the atmosphere, dumping, waste, the consumption of raw materials, energy, water and noise.

Glass manufacturing is an energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. As a consequence of the industrial process, one of Vidrala's primary objectives is to reduce emissions. As such, priorities involve increasing the use of recycled glass as a raw material and the design of more efficient installations adapted to the Group's production systems.

One of Vidrala Group management's priorities is the gradual implementation of environmental management systems. In this regard, all of the Group's production installations held ISO 14001:2004 certification in 2012. The Group as a whole thus operates under the guidelines of a global and recognised environmental management system.

Progress in the Group's environmental efficiency is verified annually and documented in a sustainability report.

ii. Occupational health and safety

The Vidrala Group is determined to establish occupational health and safety measures. Evidence of this is the implementation in all of its plants of a system based on the internationally recognised OSHAS 18001:2007 standard.

With a view to preventing labour-related accidents, Vidrala draws up ongoing staff training and awareness plans.

iii. Supply chain risk

As a result of the current economic climate, process-intensive industries such as Vidrala's are unavoidably subject to increasing pressure and are generally more vulnerable to the risks of distortion in the supply chain.

Initiatives for mitigating supply risks include strengthening relations with habitual suppliers, analysing additional supply alternatives across all areas of influence, and implementing stricter and more flexible control over negotiating abilities and deadlines.

In terms of inventory risk, specific steps were taken in 2012 to ensure the quality, value and rotation of stocks. These steps have given rise to specific measures which, in certain cases, have had an effect on the value of inventories reflected in the Group's results. With regard to inventory risk for finished products, the Group continually monitors demand and internal operating trends to ensure an optimised balance between inventories, sales and production. At year end the Group's volume of inventories is considered to be adapted in terms of cost and quantity to current market conditions and forecast demand.

Financial risk

The global business environment in which the Group operates and the growing scale of its activities are exposed to potentially destabilising elements of an external nature. These financial risks require the implementation of specific control mechanisms.

Managing the Group's financial risks focuses on the identification, analysis and monitoring of natural market fluctuations in items that could have an effect on the income statement. This involves taking steps to minimise potential adverse effects and reduce the volatility of results. To cover certain risks, the Group may use derivative financial instruments, as described in the annual report.

The most relevant financial risks identified are the following:

Currency risk

The Group operates at international level and is therefore exposed to currency risk on foreign currency operations. Nevertheless, currency risk is limited to future commercial transactions, mainly the supply of raw materials contracted in US Dollars, the amounts of which may be affected by currency fluctuations. Financial management monitors currencies and takes decisions on hedging exchange rates in order to limit the potentially adverse effect that fluctuations could have on results. The Group's risk management policy is to cover planned transactions (imports) based on quantity and forecast occurrence for the next twelve months. To control currency risk, the Group uses derivative instruments, principally forward foreign exchange contracts.

For total forecast imports of raw materials in US Dollars for 2013, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately 0.3% (0.3% in 2011 for transactions forecast for 2012).

Interest rate risk

Interest rate risk affects the cost of borrowings used for the Group's financing. Borrowings contracted at variable interest rates expose the Group to the risk of interest rate fluctuations which in turn affects forecast cash flows.

The Group's financing policy is to focus its borrowings on variable rate instruments. The Group manages interest rate risks in cash flows through derivative instrument swaps or interest rate caps. These interest rate hedges convert variable interest rates on borrowings to fixed interest rates in the case of swaps or limit the maximum costs of variable interest rates in the case of caps. Generally, the Group obtains long-term variable rate borrowings and swaps these for fixed interest rates or limits them to a maximum. These are normally at lower rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps, the Group undertakes to periodically exchange the difference between fixed and variable interest with other financial entities. The difference is calculated based on the contracted notional amount. Under interest rate caps the Group has the right, and the counterparty the obligation, to settle the difference between the variable interest rate and the established rate if this is positive. The effectiveness of these instruments as regards fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates during 2012 and 2011 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.4% lower due to the higher borrowing costs of variable rate debt.

Approximately 50% of debt in 2013 is expected to be covered using interest rate hedging instruments.

Credit risk

As regards credit risk, the Vidrala Group has policies to ensure that sales are only made to customers with adequate credit records and solvency in order to minimise the risk of default. This control process involves ongoing solvency analysis, setting specific, assumable limits for each customer considering variables such as the segment or geographical area in which they operate and preparing detailed individual ratings typical of credit control systems, using a proprietary rating system.

Furthermore, and in light of the current economic climate, customer credit control is being combined with external credit insurance policies to limit the impact of any significant bad debts.

The impact of bad trade debts and credit insurance premiums on the income statement in 2012 was Euros 0.3 million (Euros 0.6 million in 2011), equivalent to 0.07% of turnover (0.15% in 2011).

Aged, non-impaired receivables at 31 December 2012 amount to Euros 8.8 million, of which Euros 1.4 million is past due by over 90 days (Euros 14.2 million and Euros 2.3 million, respectively, at 31 December 2011).

At year end the Group is in the process of obtaining official certification for its credit management and collection systems. This will enable independent expert validation of the robustness, effectiveness and efficiency of the system in place, guaranteeing dynamic monitoring and the development of improvements while resulting in insurance cost savings.

As regards other credit risks, financing, derivative and cash operations are only carried out with financial institutions with high credit ratings.

Liquidity risk

Vidrala's liquidity risk mainly stems from the maturing of current and non-current debt obligations, transactions with derivative instruments and payment commitments with other trade creditors. Group policy is to ensure that sufficient resources are available to meet these obligations, maintain internal control processes through monthly follow-ups of cash flow budgets and deviations, and implement any necessary contingency plans.

In order to accomplish these objectives, the Group prudently manages its liquidity risk by adapting maturities adjusted to the maturity of the financed assets, diversifying the different sources of bank financing and maintaining a sufficient level of immediately available, undrawn financing. At 31 December 2012 the Group had Euros 118 million (Euros 115 million at 31 December 2011) in immediately available, undrawn credit, representing 74% of total debt (61% at 31 December 2011). 26% of this available credit has a maturity of more than one year (13% in 2011).

Details of the Group's exposure to liquidity risk at 31 December 2012 and 2011 are shown below. The following tables reflect an analysis of financial liabilities by contractual maturity date:

	Thousands of Euros					
	2012					
	1 year	2 years	3 years	4 years	5 years	Thereafter
Loans and borrowings	**67,237**	**27,185**	**25,344**	**17,255**	**14,063**	**12,705**
Trade and other payables	**107,658**	**-**	**-**	**-**	**-**	**-**

	Thousands of Euros					
	2011					
	1 year	2 years	3 years	4 years	5 years	Thereafter
Loans and borrowings	78,850	37,352	23,040	22,701	14,090	20,029
Trade and other payables	105,680	-	-	-	-	-

i. Debt and solvency

At year end the Company had a net debt Euros 159.6 million, 15.7% lower than the previous year.

As a result, solvency indicators have improved, with a debt to equity ratio of 0.47, and debt equivalent to 1.5 times EBITDA (defined as gross operating profit) for the year.

Price risk in purchases of energy and raw materials

Energy consumption, principally natural gas and electricity, represents a significant source of costs inherent to most production-intensive industries. Raw materials are an equally significant cost for the Group.

Instability in the variables affecting prices has a bearing on the profitability of the business. Managing this situation involves analysing price-setting formulas, monitoring market variables and controlling instability through different price hedging strategies, including partially contracting tariffs at preset prices and the use of derivative financial instruments.

The Group's supplies department combines and implements policies based on an analysis of purchasing alternatives in optimum conditions, which in turn ensures reserve supplies in times of need.

18. Provisions

Movement in provisions in 2012 and 2011 is as follows:

	Thousands of Euros			
	Derechos de emisión	Personal	Otras provisiones	Total
At 31 December 2011	7,003	1,217	17,121	25,341
Charge against profit or loss	3,555	579	-	4,134
Payments	(6,819)	(232)	(16,675)	(23,726)
Write-offs	(184)	-	(2)	(186)
Transfers	-	288	-	288
At 31 December 2012	**3,555**	**1,852**	**444**	**5,851**

	Thousands of Euros			
	Derechos de emisión	Personal	Otras provisiones	Total
At 31 December 2010	6,016	1,881	17,121	25,018
Charge against profit or loss	6,871	679	422	7,971
Payments	(5,797)	(908)	-	(6,705)
Write-offs	(87)	-	-	(87)
Transfers	-	(435)	(422)	(857)
At 31 December 2011	**7,003**	**1,217**	**17,121**	**25,341**

In 2004 the Group reached agreements with the workforce of one of its production plants whereby previously established pension commitments were rescinded. Consequently, a provision for the amounts payable to the workers under the commitments was recognised based on actuarial studies. This provision amounted to Euros 215 thousand and Euros 235 thousand at 31 December 2012 and 2011, respectively. Additionally, at 31 December 2012 and 2011 current and non-current provisions for personnel included Euros 1,025 thousand and Euros 1,206 thousand, respectively, for commitments with personnel from other group companies in accordance with the legal requirements of the country of origin (see note 3(n)). The provision for this last item was calculated based on an actuarial study, the most important assumptions of which are as follows:

	2012	2011
Annual discount rate	**4%**	4. 5%

As a result of a change in legislation in the corresponding country, as of 2007 it is not necessary to update salary increases to determine the associated obligations.

The provision for emission allowances includes the estimated consumption of emission allowances in 2012 and 2011 measured at the grant date, as described in note 3.

Other provisions at 31 December 2011 shown in the table at the beginning of this note included the best estimation of the Company and its external advisors with regard to contingencies for tax credits applied in prior years which were being questioned by the taxation authorities.

This contingency was resolved in 2012, recognising the difference between the existing provision and the amount eventually paid under other expenses in the accompanying consolidated income statement.

Additionally, current provisions for liabilities and charges include the estimated amounts for third party claims, the movement in which is presented below.

Thousands of Euros

	2011	Dotaciones	Traspasos	Aplicaciones/ Reversiones	2012
Provisions for personnel	1,019	903	(288)	(250)	**1,384**
Other items	422	848	-	-	**1,270**
	1,441	1,751	(288)	(250)	**2,654**

19. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 7,174 thousand (Euros 8,338 thousand in 2011). These guarantees mainly comprise those extended to public entities for commitments assumed. The Group's directors do not expect any significant liabilities to arise from these guarantees.

20. Environmental Information

In 2010 positive results were obtained in the ISO 14001/2004 certification in recognition of the organisation's ongoing efforts to improve the environment.

The total cost of initiatives taken by the Vidrala Group in 2012 to comply with the Kyoto Protocol and emissions analysis amounted to Euros 152 thousand (Euros 133 thousand in 2011).

Environmental expenses mainly related to waste management incurred during 2012 totalled Euros 976 thousand (Euros 873 thousand in 2011).

Environment-related plant investments came to Euros 1,223 thousand (Euros 7,053 thousand in 2012).

21. Revenue and Other Income

Details of revenue are shown in note 4, Segment Reporting.

Details of other income are as follows:

	Thousands of Euros	
	2012	2011
Insurance compensation	-	1,000
Operating grants	**160**	491
Capital grants taken to the income statement (note 13)	**1,311**	1,382
Grants for emission allowances	**3,897**	7,064
Reversal of defaults on trade and other receivables (note 10)	**254**	214
Other income	**2,953**	2,395
	8,575	**12,546**

22. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2012	2011
External services	**18,915**	18,453
Electricity	**23,749**	21,310
Sales expenses	**49,984**	45,155
Emission allowances (note 18)	**3,555**	6,871
Taxes	**1,994**	1,710
Impairment losses and defaults on trade and other receivables (note 10)	**331**	638
Other operating expenses	**7,146**	6,259
Loss on sale of property, plant and equipment	**-**	279
	105,674	**100,675**

23. Employee Benefits

Details of employee benefits during 2012 and 2011 are as follows:

	Thousands of Euros	
	2012	2011
Wages and salaries	**77,307**	73,388
Contributions to defined contribution plans	**854**	691
Other employee benefits	**21,028**	21,506
Contributions to other long-term employee benefits (note 18)	**579**	679
	99,768	**96,264**

The average headcount of the Group during 2012 and 2011, distributed by category, is as follows:

	Número medio de empleados	
	2012	2011
Senior management	**33**	37
Middle management	**196**	193
Clerks	**246**	250
Operatives	**1,455**	1,439
	1,930	**1,919**

At the 2012 and 2011 year end, the distribution by gender of Group personnel and the members of the board of directors is as follows:

Número

	2012		2011	
	Female	Male	Female	Male
Board members	**1**	**10**	1	10
Senior management	**2**	**31**	3	34
Middle management	**19**	**177**	15	178
Clerks	**80**	**166**	81	169
Operatives	**48**	**1,407**	48	1,390
	150	**1,791**	**148**	**1,781**

24. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

Thousands of Euros

Finance income	**2012**	2011
Other finance income	**204**	225
Total finance income	**204**	**225**

Thousands of Euros

Finance costs	**2012**	2011
Interest on loans and borrowings	**4,761**	5,101
Derivative financial hedging instruments	**711**	737
Exchange losses	**17**	38
Other finance costs	**880**	629
Total finance costs	**6,369**	**6,505**

25. Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (see note 12).

Details of the calculation of basic earnings per share are as follows:

	2012	2011
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	**46,542**	43,699
Weighted average of ordinary shares outstanding (thousands)	**24,031**	24,429
Basic earnings per share (Euros per share)	**1.94**	1.79

The weighted average number of ordinary shares outstanding is determined as follows:

	2012	2011
Ordinary shares outstanding at 1 January	**24,212,760**	23,337,704
Effect of own shares	**(181,879)**	(76,548)
Free issue 2011	**-**	1,167,748
Weighted average number of ordinary shares outstanding at 31 December	**24,030,881**	24,428,904

(b) Diluted

Diluted earnings per share is determined by adjusting the profit or loss for the year attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares.

26. Balances and Transactions with Related Parties

(a) Trade operations

During 2012 and 2011 the Group has not carried out any transactions with related parties as regards the sale or purchase of goods or the rendering of services.

(b) Related party balances

The Group has extended interest-free loans to management personnel which fall due in 2014. These loans have been included at their present value under other non-current assets and trade and other receivables for Euros 232 thousand and Euros 45 thousand, respectively (Euros 203 thousand and Euros 303 thousand in 2011).

(c) Article 229 of the Revised Text of the Spanish Companies Act

The members of the board of directors of Vidrala, S.A. also sit on the board of directors of Crisnova Vidrio, S.A., and neither they nor parties related to them hold any positions in companies with a statutory activity which is identical, similar or complementary to that of Vidrala, S.A., with the exception of the chairman of the board of Vidrala, S.A., who holds the following positions in other group companies:

Company	Position
Gallo Vidro, S.A.	Board member
Inverbeira Sociedad de Promoción de Empresas, S.A.	Board member representing Crisnova
Aiala Vidrio, S.A.	Board member representing Crisnova
Castellar Vidrio, S.A.	Board member representing Crisnova
Córsico Vetro, S.R.L.	Chairman
MD Verre, S.A.	Board member
Investverre, S.A.	Chairman
Omega Inmobiliere et Financiere, S.A.	Chairman
Vidrala Desarrollos, S.L.U.	Chairman

The members of the board of directors and their related parties do not hold any investments in companies with a statutory activity which is identical, similar or complementary to that of Vidrala, S.A.

(d) Remuneration of key management personnel and directors

Details are as follows:

	Thousands of Euros	
	2012	2011
Salaries and other current remuneration paid to employees, management and directors	**4,186**	4,977

During 2012 directors and senior management numbered 44 in total (51 in 2011).

(e) Remuneration of the directors of Vidrala

The Company has not extended any amounts to the members of the board of directors in respect of guarantees, advances or loans or any pension-related rights. Total remuneration accrued by the board during the year, including salaries, allowances and other items, amounted to Euros 1,098 thousand (Euros 970 thousand in 2011).

27. Audit Fees

The firm auditing the annual accounts of the Group have accrued net fees for professional services during the years ended 31 December 2012 and 2011 as follows:

Thousands of Euros	2012	2011
Audit services	**122**	122
Other services	**9**	8
	131	**130**

These amounts include all fees for services rendered during 2012 and 2011, irrespective of the date of invoice.

Other companies of the KPMG Europe, LLP group have invoiced the Group net fees for professional services during the years ended 31 December 2012 and 2011 as follows:

Thousands of Euros	2012	2011
Audit services	**35**	34
Other services	**7**	95
	42	**129**

Other entities affiliated to KPMG International have invoiced the Group fees and expenses for professional audit services during the years ended 31 December 2012 and 2011 amounting to Euros 62 thousand (Euros 61 thousand in 2011).

During 2012, other auditors have invoiced the Group fees of Euros 73 thousand (Euros 61 thousand in 2011) for professional services, mainly audit services.

28. Events after the Reporting Period

At the date the annual accounts are authorised for issue, the Group is evaluating the impact of the restatement of its balance sheets pursuant to Law 16/2012 of 27 December 2012 and Tax Decree 15/2012 of 28 December 2012 governing the restatement of balance sheets applicable to companies registered for tax purposes in Alava (Spain), in accordance with which a number of tax measures are adopted aimed at consolidating public finances and stimulating economic activity, a process which has yet to be concluded. The restatement of balance sheets requires the approval of the shareholders at a general meeting and would lead to an increase in the tax bases associated with the restated assets.

	Revaluation reserves	Legal reserve	Voluntary reserves	Reserves in fully consolidated companies	Profit for the year	Total
At 31 December 2010	1,562	4,644	151,056	76,050	49,578	282,890
Ampliación de capital	(1,191)		(8)		-	(1,199)
Disminución de capital	-	-	(9,063)	-	-	(9,063)
Distribution of 2010 profit						
Reserves	-	232	26,814	9,875	(36,921)	-
Dividends	-	-	-	-	(12,657)	(12,657)
Own shares sold	-	-	267	-	-	267
Other movements	-	-	(24)	-	-	(24)
Profit for 2011	-	-	-	-	43,699	43,699
At 31 December 2011	371	4,876	169,042	85,925	43,699	303,913
Share capital increase	-	-	-	-	-	-
Capital decrease	-	-	(9,364)	-	-	(9,364)
Distribution of 2011 profit						
Reserves	-	358	21,207	9,008	(30,573)	-
Dividends	-	-	-	-	(13,126)	(13,126)
Own shares sold	-	-	124	-	-	124
Other movements	-	-	43	-	-	43
Profit for 2012	-	-	-	-	46,542	46,542
At 31 December 2012	**371**	**5,234**	**181,052**	**94,933**	**46,542**	**328,132**

vidrala

2012 Annual Report

Management Report

2012 Business Performance

ACCUMULATED RESULTS FOR THE YEAR
IN MILLIONS EUROS

	2012	2011
Sales	**456.9**	433.3
Operating Profit (EBIT)	**65.3**	61.0
Net Profit	**46.5**	43.7
Earnings per share	**1.94**	1.79

DURING 2012, SALES GREW BY 5.5% VERSUS THE PRIOR YEAR REACHING EUR 456.9 MILLION.

GROUP OPERATING PROFIT AMOUNTED TO EUR 65.3 MILLION, REPRESENTING AN OPERATING MARGIN OF 14.3%.

NET PROFIT FOR THE YEAR WAS EUR 46.5 MILLION. CONSEQUENTLY, EARNINGS PER SHARE REACHED EUR 1.94, AN INCREASE OF 8.4% FROM 2011.

FREE CASH FLOW GENERATED DURING THE YEAR ACCUMULATED EUR 49.9 MILLION WHICH ENTAILED A 16% DECREASE IN NET DEBT FROM PREVIOUS YEAR.

Vidrala in 2012

Highlights of the business performance during 2012:

- **Increased turnover due to the consolidation of the Group commercial positioning in European glass packaging markets.**
- **Solid operating profit and progress in competitiveness supported in improved internal operational efficiencies.**
- **High inflationary pressures in manufacturing costs affecting operating margins.**
- **Improved customer service indicators.**
- **Strong cash flow generation, reaching a cash conversion rate higher than 100%.**
- **Strengthening of the Group financial position reducing net debt by 16% and improving solvency ratios down to 1.5 times 2012 EBITDA.**
- **To sum up, increase of 8.4% in earnings per share, stronger balance sheet and improved ROCE rate.**

Business context

In 2012, Europe's economic climate was conditioned by complex circumstances. The tensions derived from the recessionary environment started four years ago have been aggravated by uncertainties surrounding the public deficits of certain countries and the tax measures adopted to correct them.

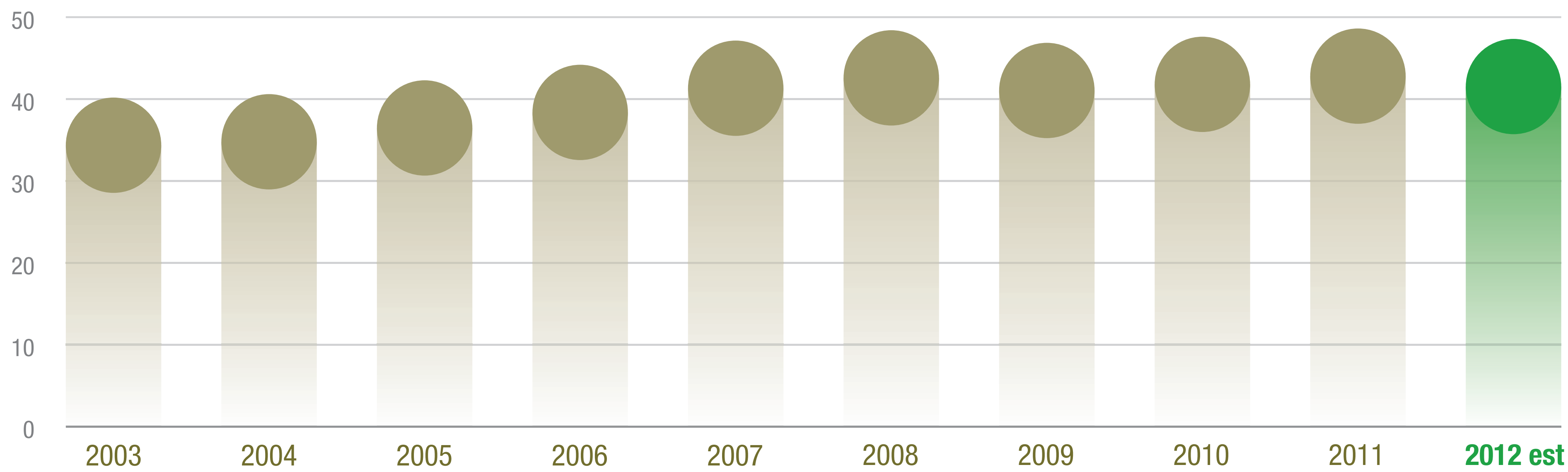
This situation has impacted economic activity, affecting consumer spending and, inevitably, the demand for glass containers. As a result, demand in the principal Western European markets has been modest in line with prevailing macroeconomic difficulties.

Nonetheless, the natural resilience of demand for food and drink containers to adverse economic cycles and the upturn in exports of certain product segments, particularly those with a preference for glass as a packaging material, have partially mitigated the recessionary effects.

Never before has food and drink packaging been a more essential part of modern consumer economies. It preserves the product, guarantees the supply chain and helps brand owners to communicate with end consumers and promote their contents. Moreover, packaging makes a decisive contribution to sustaining the environment, minimising product waste and ensuring efficient distribution.

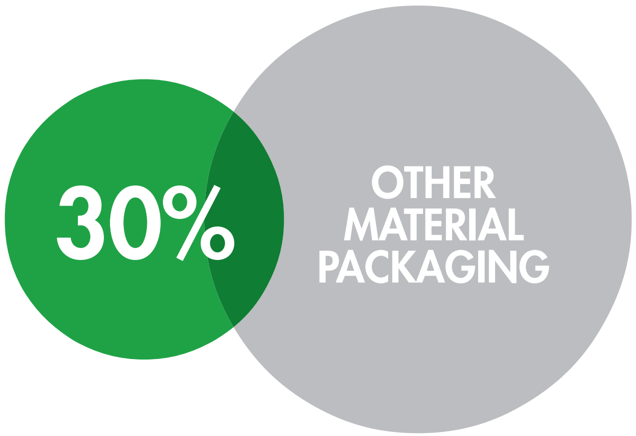
DEMAND FOR FOOD AND BEVERAGE PACKAGING IN WESTERN EUROPE (2003-2012E)

THOUSANDS OF MILLION EUROS



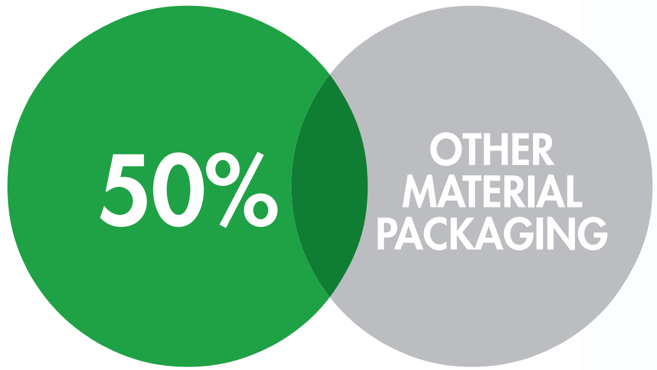
Among the different food and beverage packaging segments, glass is consolidating its market share, and has once again proved itself to be the material of choice for packagers and consumers in premium products. Consumer habits have shifted towards product quality, requesting optimum conditions of preservation and distribution, healthy packaging and environmental sustainability. There is also growing interest from brand owners in prioritising glass containers in their product marketing strategies.

MARKET SHARE OF GLASS IN WESTERN EUROPEAN BEVERAGE PACKAGING SECTOR IN 2012



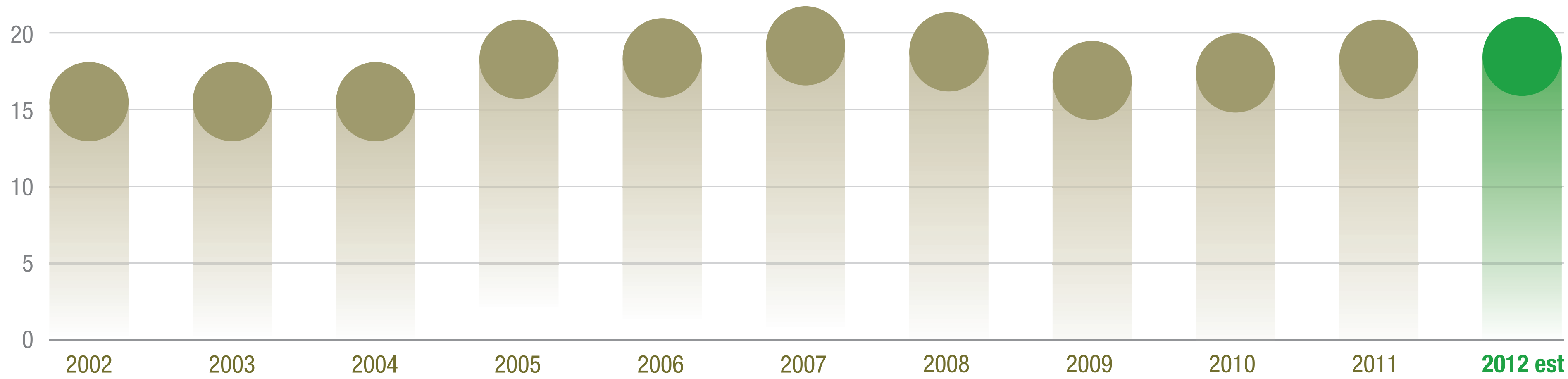
MARKET SHARE OF GLASS IN THE TOP FIVE PRODUCTS* OF WESTERN EUROPEAN DRINKS BEVERAGE SECTOR IN 2012

* Wine, beer, soft drinks, spirits, water.



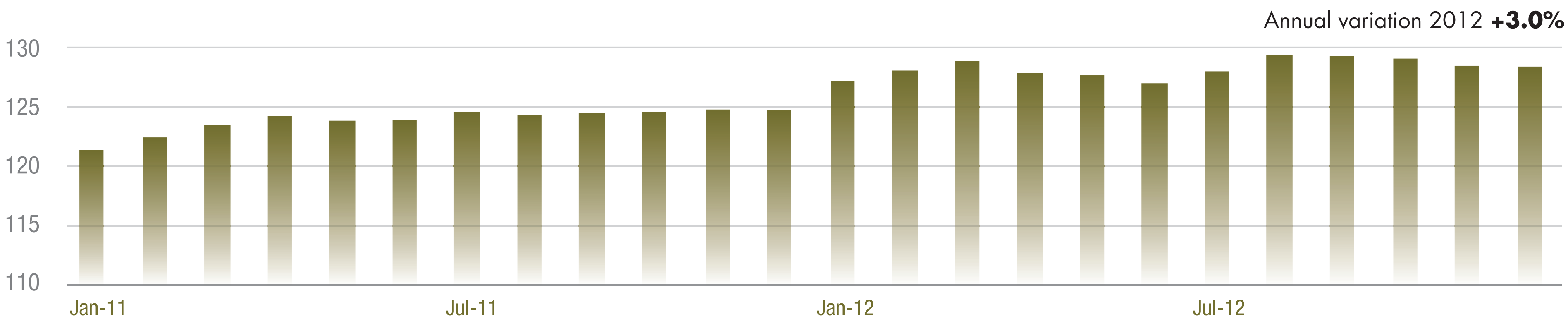
GLASS CONTAINER PRODUCTION IN WESTERN EUROPE (2002-2012E)

IN MILLIONS OF TONNES



In any event, the factor which most affected the packaging industry in 2012 was inflationary pressure on production costs. The continuous increase in energy and raw material costs, at times aggravated by the weakness of the Euro, has led to an overall deterioration in operating margins within the sector.

INDUSTRIAL PRICE INDEXES IN THE EUROZONE



Sales

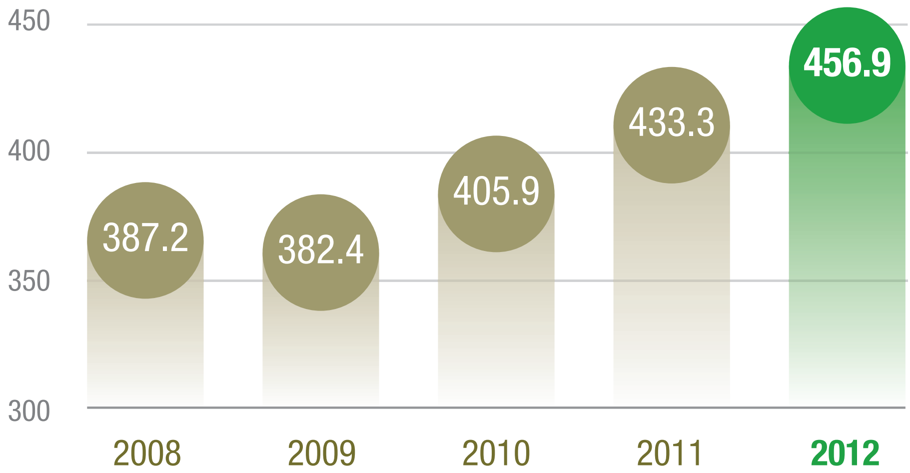
Turnover for 2012 increased by 5.5% compared to the previous year, amounting to EUR 456.9 million.

The business expansion was grounded on the solid commercial positioning attained within the main European glass packaging markets. During 2012, the drivers of this growth were the development of market shares in strategic customers as well as a wider geographic diversification.

Volumes and prices contributed to the turnover increase proportionally.

SALES ANNUAL ACCUMULATED SINCE 2008

IN MILLION EUROS



Progress in quality and customer service is reflected in solid indicators of commercial positioning.

Vidrala Group manages a commercial structure balanced between geographical diversification, orientation towards strategic segments, presence in multinational customers and a wide customer base.

Vidrala served a total of 1,559 customers in 2012. The top ten customers in terms of turnover accounted for less than a third of sales. Of the 50 most significant customers in terms of turnover in 2009, 96% continue to be customers of Vidrala nowadays. In 2012, no geographical area accounted for more than 50% of Group sales.

Defaulting of customers has been kept within target levels, amounting to approximately 0.07% of sales in 2012.

With regards to marketing policies, Vidrala was present at the 2012 edition of Vinitech Sifel, the grape and wine-growing industry's most important trade fair in Europe. Vidrala has continued to collaborate with associations of glass container manufacturers on their respective marketing and communication committees. The "Friends of glass" movement, launched in 2008 to promote glass as the packaging material of choice, continues to grow thanks to the support of thousands of European customers.

Glass has become the global material of choice for customers and packagers alike, and Vidrala remains firmly committed to continue developing the unique value of this product.

Industrial activity

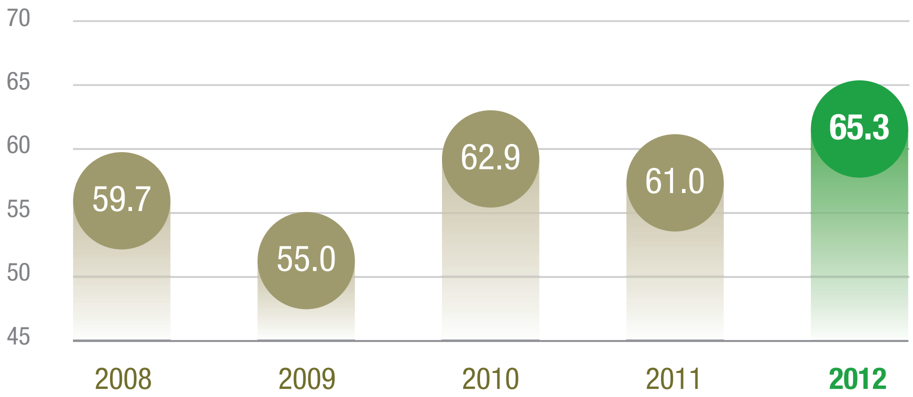
The glass packaging industry has been significantly hit by inflationary pressures in production costs. The raise in energy and certain raw material costs has been worsened by inflation rates not proportionate to the current macroeconomic context. Consequently, variable costs were higher by 6% compared with 2011.

Internally, considering current demand conditions, during 2012 capacity utilization rates were limited to an average level of roughly 92%.

Vidrala Group operating results evolution is thus supported by the internal improvement of operational efficiency rates. Each and every site of the group has progressed compared with the previous year, especially the ones that were far from their target.

As a result, operating profit, EBIT, amounted to EUR 65.3 million, up 7.1% from 2011. It represents a margin over sales of 14.3%.

OPERATING PROFIT (EBIT)
ANNUAL ACCUMULATED SINCE 2008
IN MILLION EUROS



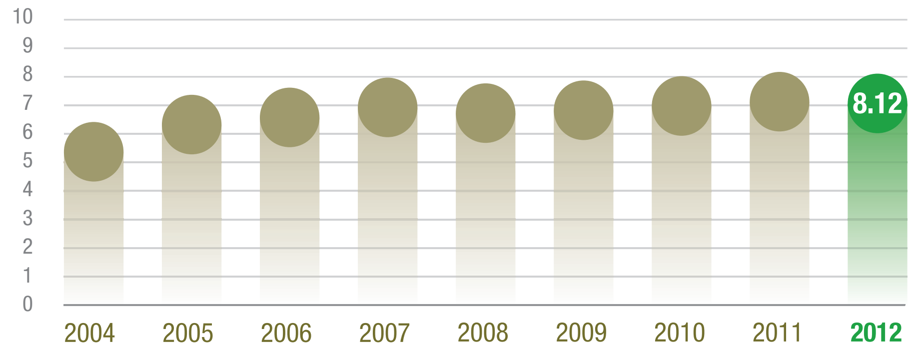
Quality

Access to new markets in 2012, both directly and particularly on behalf of customers, has resulted in our products having to meet added requirements. The glass container sector is subject to strict quality requirements throughout the supply chain, and the corresponding action plans implemented by the Group, which form part of a specific, long-term policy, are evidence of the progress made in 2012.

As an example, product claims fell by a record 15% in 2012.

This progress has been verified in the customer satisfaction survey, which returned a score of 8.12 out of 10 in 2012.

RESULTS OF CUSTOMER SATISFACTION SURVEY
RATING OUT OF A MAXIMUM OF 10. SINCE 2004



Additionally, Vidrala keeps firmly focused on consolidating its position as a reference supplier in terms of food safety. In this sense, the Group, certified by ISO 22000 in all its production sites, continued during 2012 with the implementation of BRC/IOP standard (British Retail Consortium/ Institute of Packaging).

Investment, innovation and development

Vidrala's investment policy has remained focused on ensuring the Group's competitiveness and was implemented in line with target ROI rates, while technological improvements have been made with a view to achieving cost efficiencies and excellence in service.

Innovation in 2012 was focused on generating process technologies that contribute to improved competitiveness, based on automation, productivity and energy efficiency. Developments were implemented in the production control systems to allow for automatic monitoring, thus speeding up processes and generating efficiencies.

Vidrala has also reaffirmed its involvement in IPGR (International Partners on Glass Research). Made up of ten members representing the international glass packaging sector, this increasingly active collaboration ensures shared access to new technologies, and promotes a permanent vision of the industry's future and the challenges it faces.

Investment projects have centred on implementing improvements in the cold zones of production centres with new, more highly automated equipment. Plans focus on ensuring the high standards of service attained, in response to growing requirements consistent with trade policy, attempting to standardise production plants in obtaining synergies, and finally, contributing to boosting the Group's competitiveness.

In the area of product development, 38 new models have been manufactured during the year and 20 existing models redesigned in response to customer feedback in the satisfaction survey and incorporated into the R&D&i plans. In addition to focusing on customers' and consumers' latest preferences, these launches are also more environmentally-friendly, reducing both CO_2 emissions and the amount of natural resources required for their manufacture and transport.

Environmental issues

The Group's environmental management in 2012 has once again been documented in a specific, detailed report. Vidrala considers the reporting of this information to be crucial to the integration of sustainability as a way of carrying out activity. As a point in case, this information has been published in the annual sustainability report since 2008. Since 2010, the sustainability report has been prepared following the official requirements of the Global Reporting Initiative. In 2011, an external and independent agent certified the content of this report. Vidrala has thus become the first company in the world in the glass packaging sector to develop and certify a sustainability report following the most demanding A+ requirements of the Global Reporting Initiative.

The current annual report is accompanied by the aforementioned sustainability report which includes details of the Group's environmental and social initiatives during 2012. The complete document can be found at our website (www.vidrala.com).

Vidrala's reporting process has been externally and officially acknowledged as an example of good practices in the 2012 Informe Reporta.

Against a backdrop of ever increasing economic demands, all areas have prioritised progress in competitiveness. Energy consumption is one of the major factors affecting glass container manufacturing. It is also a crucial environmental aspect. In 2012, initiatives were launched to manage energy consumption as efficiently as possible. These measures included the implementation of permanent monitoring and early warning IT systems, or the implementation of the ISO 50001:2011 standard for establishing an efficient energy management system.

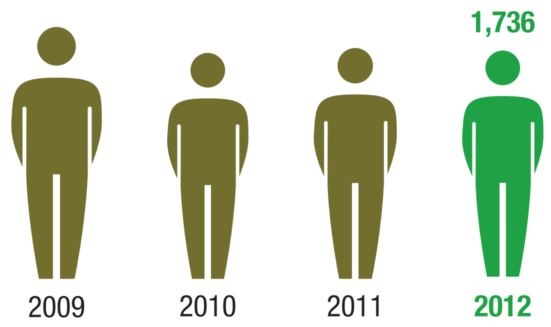
As regards direct environmental management costs, such as waste management, specific plans have been drawn up to identify causes and establish action plans and programmes for process optimisation.

Human resources

At year end the Group's headcount totalled 1,736. In an economic context of highly required competitiveness, Group workforce management is aimed at improving productivity and production costs.

VIDRALA GROUP WORKFORCE

SINCE 2009. AT YEAR END.



In 2012, collective bargaining over working conditions in the subsidiary Crisnova Vidrio culminated with the signing of a collective bargaining agreement for the next four years. Concerning remuneration, salary policies were redefined in a shift towards variable benefits in proportion to economic results.

In the area of human resources, programmes launched in prior years for standardising technical and management teams continued apace. Plans for training personnel specialised in production equipment were implemented, as were plans associated with certified management systems, which are gradually being extended to all production centres. Likewise, and in order to adapt strategic HR policies to the needs of internal customers, the first internal satisfaction survey was launched in all of the Group's work centres.

Results

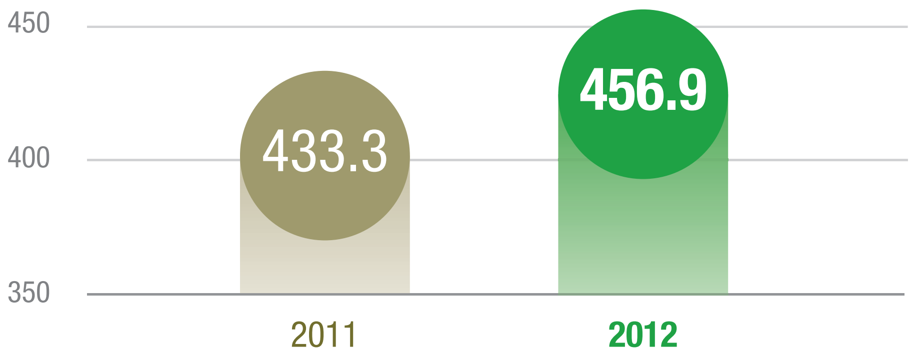
The benefits derived from the positioning developed by Vidrala have enabled, under a difficult 2012 context, improved revenues.

Industrial activity has been seriously hit by higher than expected production cost inflation. Moreover, average capacity utilization rates were constrained below optimal levels. Thus, the company operating results strength is a consequence of internal progresses in operational efficiency rates and in the integration of all the sites of the group.

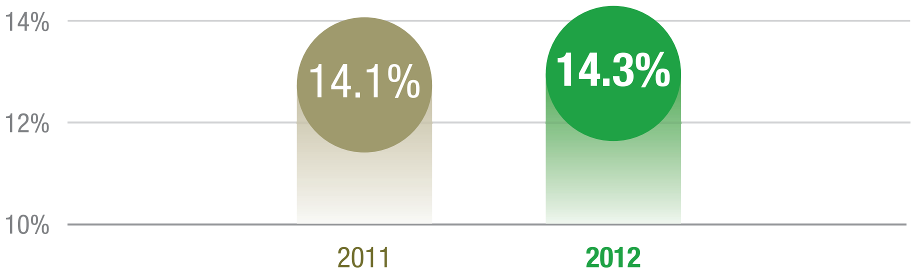
Therefore, sales increased by 5.5% and operating profit grew by 7.1%.

SALES

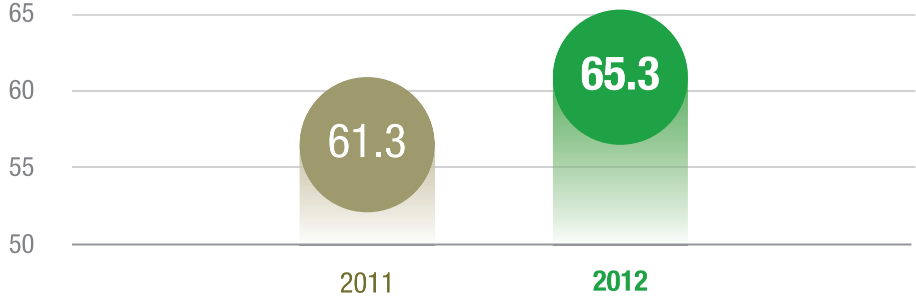
MILLION EUROS



EBIT MARGIN
EBIT/SALES



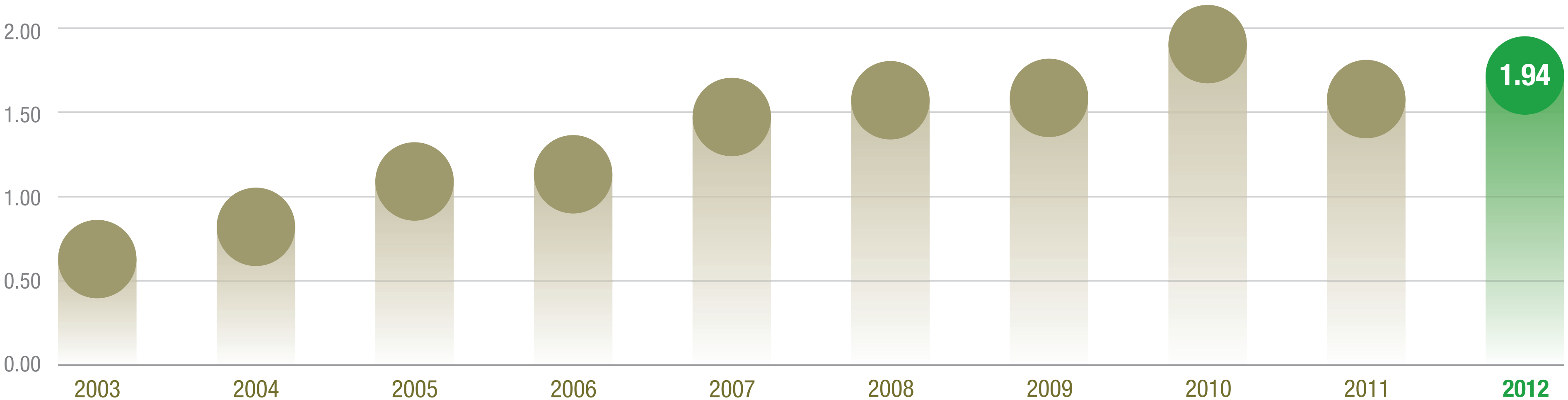
EBIT
MILLION EUROS



Financial expenses amounted to roughly 1.3% of sales which represents an effective annual interest rate of 2.9%. Tax rate was 21.3%.

Net profit for the period reached EUR 46.5 million. Equivalent earning per share stood at EUR 1.94 per share. It represents an increase over the prior year of 8.4%.

ADJUSTED EARNINGS PER SHARE SINCE 2003
EUROS PER SHARE



Balance sheet and cash flow

With regard to the balance sheet, the Company reported a reduction in net debt of 16% compared with the previous year, down to EUR 159.6 million.

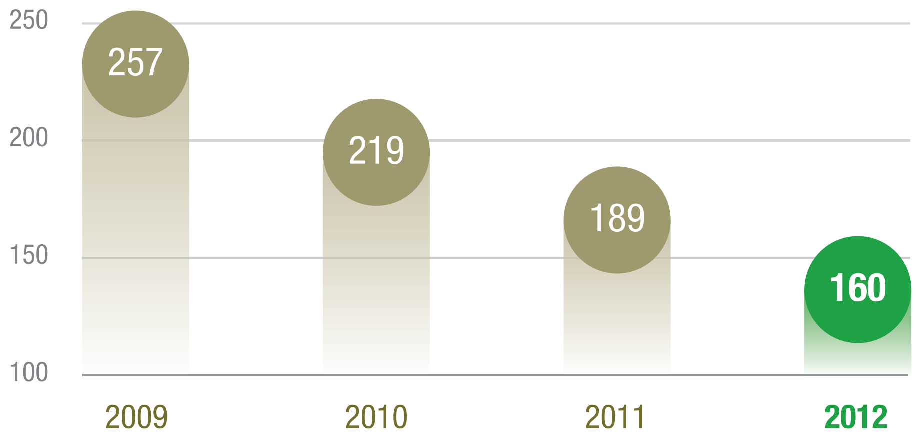
The strengthening of the financial position is a consequence of a free cash flow generation, before dividends and share buybacks, of EUR 49.9 million. The cash conversion ratio, higher than 100%, shows constraints in working capital financing as well as discipline in capex management.

Free cash flow was allocated as follows: EUR 29.7 million to reducing net debt, EUR 13.4 million to remunerate shareholders through dividend and attendance bonuses and EUR 6.8 million to buy back treasury stock.

Consequently, the financial position of the group is now stronger. Net debt at the end of 2012 shows a gearing ratio of 47% and is equivalent to 1.5 times LTM EBITDA.

NET DEBT

MILLION EUROS. SINCE 2009.



Financial solvency ratios	as at 31 December 2012
Net debt / LTM EBITDA	1.5x
Net debt / Shareholders' equity	47%

Business outlook

Current macroeconomic uncertainties affect the visibility of demand enforcing to keep a close market monitoring. However, the commercial positioning reached by Vidrala, supported on geographical areas, product segments and customers of strong basis, should enable the company to maintain its positive performance.

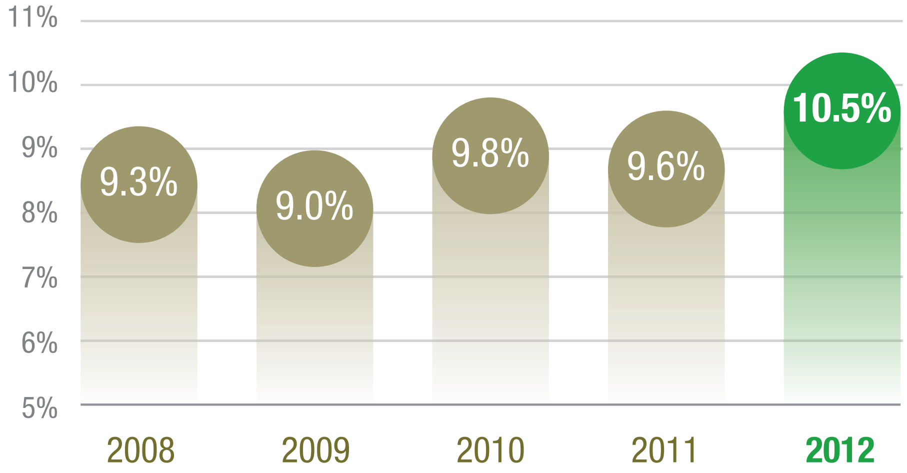
In terms of industrial activity, manufacturing costs evolution during the past two years has broadly overcome any inflationary estimation. Under this context, 2012 selling prices were unmatched to real manufacturing opex and it must be necessary to adapt them.

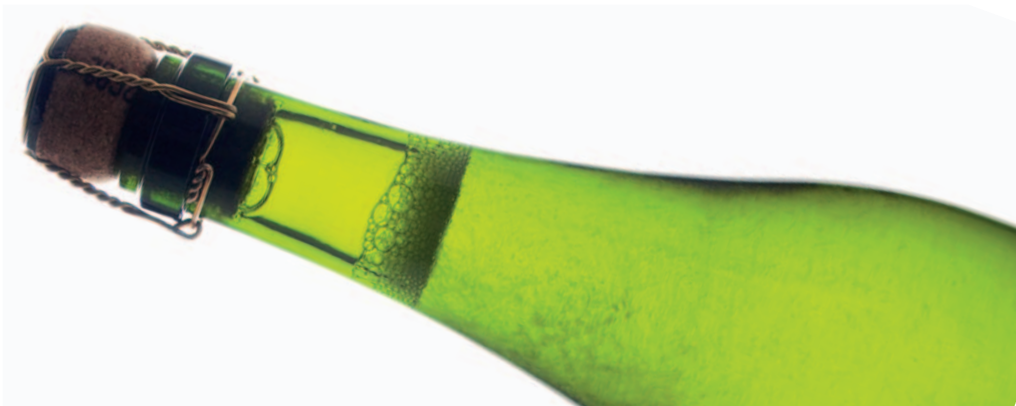
All in all, such business situation forces intensively to request competitiveness. In this sense, internal action plans guided to costs optimization are prioritized. In terms of operations, both the evolution of operational efficiency and the pace of integration of all manufacturing sites, should prove progresses that make the current pending value emerge.

In any case, management will be firmly focused on improving ROCE rates as a guarantee for the future. It will be grounded on competitiveness plans based on the strategic commercial positioning, the operational efficiency and the cost control plans, as well as an economic policy oriented to prioritize cash flow generation.

RETURN ON CAPITAL EMPLOYED (ROCE)

SINCE 2008





Relevant Information for Shareholders

Shareholder remuneration policy

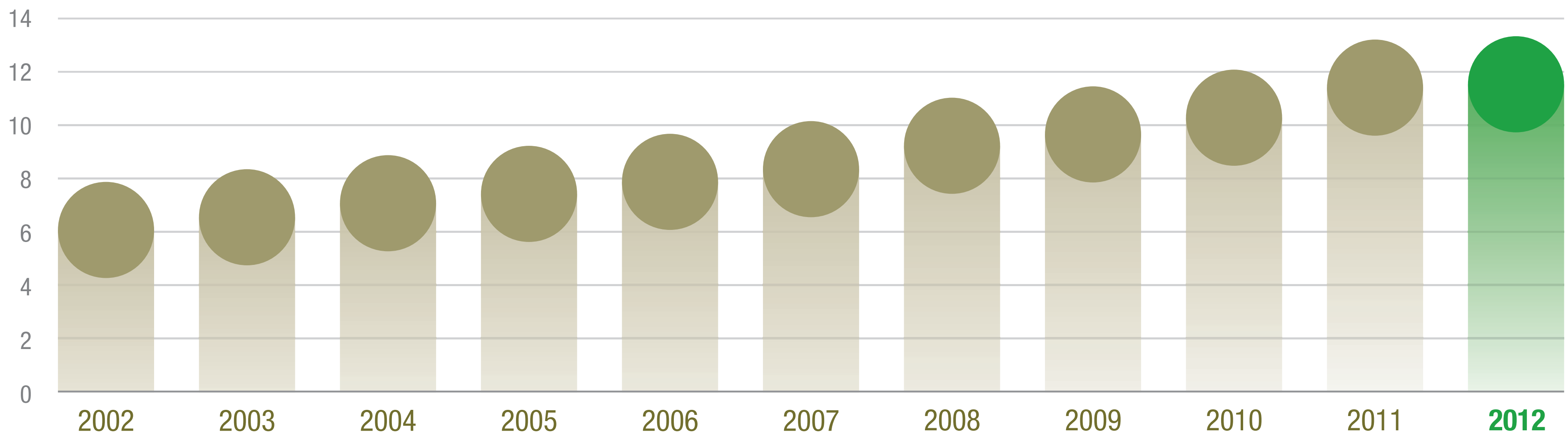
Vidrala's shareholder remuneration policy is based on the gradual growth in cash dividends. Annual payments are typically extended through attendance bonuses to the Shareholders' annual general meeting.

In addition, Vidrala has recently used share buy backs as an alternative to increase shareholder remuneration in a selective way, based on the company's cash generation pattern and the share price performance.

Consistent with that policy, dividends and attendance bonuses paid during the year 2012 amounted to EUR 57.01 cents per share. As a result, cash distribution to shareholders increased by five per cent from the previous year, representing a pay-out of 32%.

CASH SHAREHOLDER REMUNERATION (DIVIDENDS AND ATTENDANCE BONUSES)

MILLION EUROS. SINCE 2002.W

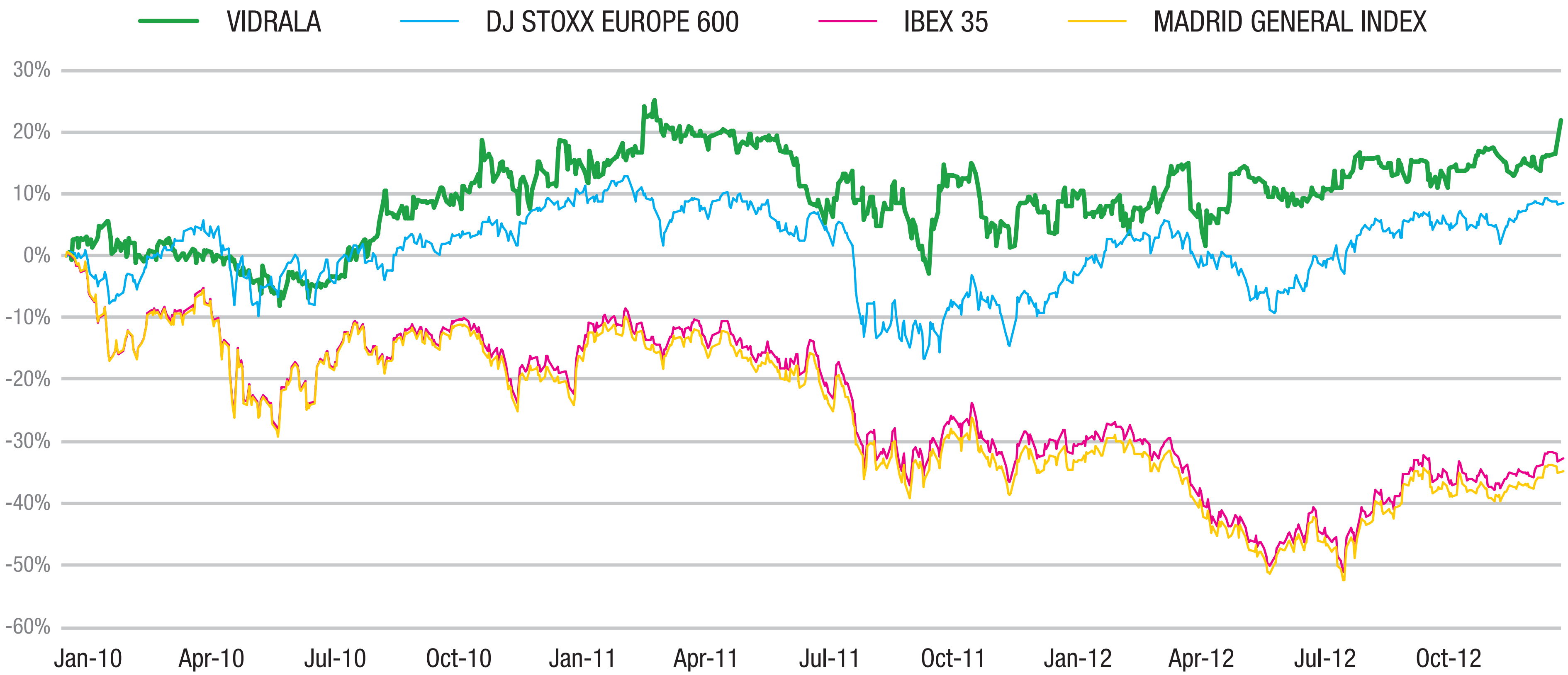


Shares

Vidrala´s share price at the end of 2012 was Euros 20.94, equivalent to a market cap of Eur 502 million. This represents, ex-dividends, a revaluation of 12.6% during 2012. In the same period, the Madrid Stock Market General Index dropped 3.8% while the Ibex 35 fell by 4.7%.

A total of 2,347,170 shares were traded on the stock exchange during the year, which is equivalent to Eur 44.6 million.

SHARE PRICE. COMPARED IN PERCENTAGE TERMS. SINCE 2010



Events after the reporting period

The Board of Directors, at its meeting held on 20 December 2012, agreed the payment of a first interim cash dividend from 2012 results of EUR 41.72 cents per share, which was paid on 14 February 2013. The gross cash dividend to be received by each shareholder in this first distribution from 2012 results is five per cent higher than the prior year.

Business risks

Risk management in the Vidrala Group involves procedures supervised by the directors, coordinated by management and implemented in each operating area of the organization.

Operational risk

The Company carries out process-intensive industrial manufacturing activity which is subject to inherent risks linked to routine operations. In 2012, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map, initiated in 2009. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimize their potential adverse effects.

Potential operating risks include the following:

I. Environmental risks

The Vidrala Group is firmly committed to protecting the environment. In order to minimise the impact of its activities on the environment, Vidrala takes specific steps in relation to the atmosphere, dumping, waste, the consumption of raw materials, energy, water and noise.

Glass manufacturing is an energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. As a consequence of the industrial process, one of Vidrala's primary objectives is to reduce emissions. In order to do so, priorities involve increasing the use of recycled glass as a raw material and designing installations adapted to more efficient production systems.

One of Vidrala Group management's priorities is the gradual implementation of environmental management systems. As a result of this, all production plants sported ISO 14001:2004 certification in 2012. The Group as a whole thus operates under the guidelines of a global and recognised environmental management system.

Progress in the Group's environmental efficiency is verified annually and documented in the sustainability report.

II. Occupational health and safety

The Vidrala Group is determined to establish occupational health and safety measures. Evidence of this is the implementation in all its plants of a system based on the internationally recognised OSHAS 18001:2007 standard.

With a view to preventing labour-related accidents, Vidrala draws up ongoing staff training and awareness plans.

III. Supply chain risk

As a result of the current economic climate, process-intensive industries such as Vidrala's are unavoidably subject to increasing pressure and are generally more vulnerable to the risks of distortion in the supply chain.

Initiatives for mitigating supply risks include strengthening relations with regular suppliers, analysing additional supply alternatives across all areas of influence, and stricter, more reactive control over our negotiating abilities and deadlines.

As regards inventory risk, specific steps were taken in 2012 to ensure the quality, valuation and rotation of inventories. These steps resulted in specific measures with an effect, in some cases, on the value of inventories reflected in the Group's results. Concerning risks of inventories of finished goods, the Group continually monitors demand and internal operating trends in order to ensure an adequate balance between inventory levels, sales forecasts and production. The volume of Group inventories at year end is considered to be adapted in cost and quantity to prevailing market conditions and forecast demand.

Financial risk

The global business environment in which the Group operates and the growing scale of its activities are exposed to potentially destabilising elements of an external nature. These financial risks mean explicit control mechanisms must be implemented.

Managing the Group's financial risks focuses on the identification, analysis and monitoring of natural market fluctuations in items which could affect our income statement. This involves taking steps to minimise any potential adverse effects and reduce the volatility of results. To hedge certain risks, the Group employs or can employ derivative financial instruments which are detailed in the annual report.

The most relevant financial risks identified are as follows:

I. Currency risk

The Group operates at international level, and is therefore exposed to currency risk on foreign currency operations. Nevertheless, our currency risk is limited to future commercial transactions, mainly the supply of raw materials contracted in US Dollars, the amounts of which may be affected by currency fluctuations. Financial management monitors currencies and takes decisions on hedging exchange rates in order to limit the potentially adverse effect that fluctuations could have on results. The Group's risk management policy is to cover planned transactions (imports) based on quantity and forecast occurrence for the next twelve months. To control currency risk, the Group uses derivative instruments, principally forward foreign exchange contracts.

As regards total forecast imports of raw materials in US Dollars for 2013, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately 0.3%.

II. Interest rate risk

Interest rate risk affects the cost of borrowings used to finance the Group. Borrowings contracted at floating interest rates expose the Group to the risk of interest rate fluctuations which in turn affects forecast cash flows.

The Group's financing policy is to focus its borrowings on variable rate instruments. The Group manages interest rate risks in cash flows through floating-to-fixed interest rate instruments (swaps) or interest rate call options (caps). These derivative hedging instruments convert variable interest rates on borrowings to fixed interest rates (swaps) or limit the cost of variable rate borrowings (caps). Generally the Group obtains long-term variable rate borrowings and swaps these for fixed interest rates or limits variable interest on borrowings. These are normally at lower rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to periodically exchange the difference between fixed and variable interest with other financial entities. The difference is calculated based on the contracted notional amount. Under interest rate call options, the Group has the right and the counterparty the obligation to settle the difference between the variable interest rate and the stipulated rate, in the event this is positive. The effectiveness of these instruments at fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates during 2012 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.4% lower due to the higher borrowing costs of variable rate debt.

In 2013, approximately 50% of debt for the year is planned to be hedged using interest rate hedging instruments.

III. Credit risk

As regards credit risk, Vidrala Group has policies to ensure that sales are only made to customers with adequate credit records and solvency in order to minimise the risk of default. This control process involves ongoing solvency analysis, setting specific, assumable limits for each customer considering variables such as the segment or geographical area in which they operate and preparing detailed individual ratings typical of credit control systems, using a proprietary rating system.

Furthermore, and in light of the current economic climate, customer credit control is being combined with external credit insurance policies to limit the impact of any significant default.

The impact of defaulting of customers and credit insurance premiums on the income statement in 2012 was Euros 0.3 million, equivalent to 0.07% of turnover.

At year end the Group is in the process of obtaining official certification for its credit management and collection systems. This will allow for independent expert validation of the robustness, effectiveness and efficiency of the system in place, guaranteeing dynamic monitoring and improvements while resulting in insurance savings.

Other credit risks: financing, derivative and cash operations are only carried out with financial entities with high credit ratings.

IV. Liquidity risk

Vidrala's liquidity risk basically stems from the maturing of current and non-current debt obligations, transactions with derivative instruments and payment commitments with other trade creditors. Group policy is to ensure that sufficient resources are available to meet these obligations, maintain internal control processes through monthly follow-ups of cash flow budgets and deviations, and implement any necessary contingency plans.

In order to accomplish these objectives, the Group prudently manages its liquidity risk by adapting maturities adjusted to the maturity of the financed assets, diversifying the different sources of bank financing and maintaining a sufficient level of immediately available, undrawn financing.

At 31 December 2012 the Group had Euros 118 million in immediately available, undrawn credit, representing 74% of total debt.

V. Debt and solvency

At year end the Company had a net debt Eur 159.6 million, 15.7% lower than the previous year.

As a result, solvency indicators are well within acceptable ranges, with a debt-to-equity ratio of 0.47, and debt equivalent to 1.54 times EBITDA (defined as gross operating profit) for the year.

VI. Price risk in purchases of energy and raw materials

Energy consumption, principally natural gas and electricity, represents a significant source of costs inherent to most production-intensive industries. Raw materials are an equally significant cost for the Group.

Volatility in the variables affecting prices has a bearing on the profitability of a business. Managing this situation involves analysing price-setting formulas, monitoring market variables and controlling instability through different price hedging strategies, including partially contracting tariffs at preset prices and the use of derivative hedging instruments.

The Group's supply chain department combines and implements policies based on an analysis of purchasing alternatives in optimum conditions, which in turn ensures reserve supplies in times of need.

vidrala

2012 Sustainability Report

THE COMMITMENT OF VIDRALA GROUP TO INNOVATION AND SUSTAINABILITY.

The challenges posed by the current situation are not unusual to a Group like Vidrala, which has a presence in four European countries and which also has international export capability. Vidrala Group is aware that it is not enough just to report and would like to communicate and explain how it applies its sustainability criteria, by taking risks, but aware that this is the best way to hold out in the current framework of economic difficulties.

This Sustainability Report contains the main information on events that have occurred within Vidrala Group during 2012. This publication is aimed at continuing the work begun in previous editions, showing our commitment to developing the concept of materiality within the organisation. To do this, the Second Vidrala Materiality Committee was held, working on this occasion around the interest groups, their demands and their expectations. The results from this committee make up the backbone of this document.

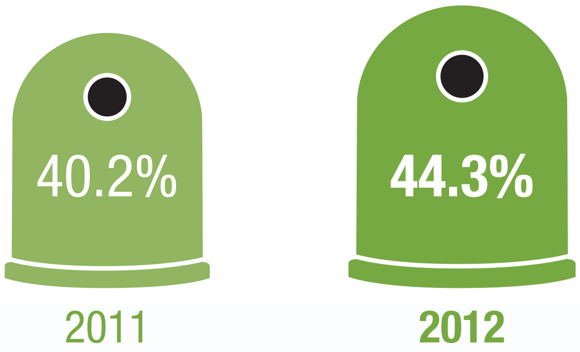
For the group, 2012 has been a year of great challenges that we have been able to get through with good financial results thanks to the joint effort of all those who make up Vidrala. Much of this work is included here, showing the desire that Vidrala has for being a better, more sustainable and responsible company.

Main environmental aspects relating to the activity

The Group strives to improve productivity and efficiency in its manufacturing processes. This involves making periodic investments to renew furnaces and optimise the consumption of raw materials, in such a way that it is possible to continue with the activity without having to affect this factor directly by increasing the consumption of resources. Thanks to this, Vidrala **has increased its consumption of recycled glass by 4%.**

All of the work to improve this percentage has some clear objectives: **to reduce the consumption of raw materials extracted from the natural environment, to minimise expenditure on energy (a recycled empty bottle melts at a lower temperature) and avoids the emission of CO_2.**

USAGE RATE OF RECYCLED GLASS %



This feature that glass makes possible, i.e. where the continuous recycling of glass is almost infinite, puts glass containers in a privileged position in terms of their environmental performance. For this reason, Vidrala is continuing its commitment to trying to increase the use of recycled glass (cullet) as much as the situation allows.

In this regard, it should be borne in mind that a large part of the packaging manufactured in Spain in this sector as a whole, is intended for export. This causes a leakage of material which will not return to the recycling channels established in the country of origin.

Furthermore, it is necessary to improve awareness about recycling and attain greater involvement from the sectors involved, especially the end consumer, since the technical capabilities of furnaces allow us to continue increasing the use of recycled glass (cullet) from the selective waste collection system.

"GLASS IS A FULLY RECYCLABLE MATERIAL, AND THE CYCLE OF PRODUCTION AND RECYCLING CAN BE REPEATED IN PERPETUITY WITHOUT CHANGES TO THE MATERIAL OR ITS PROPERTIES"

CSIC, Institute of ceramics and glass.

Energy consumption

Another prominent theme when getting to know the manufacturing process of glass and its environmental aspects is the **consumption of energy.** This chapter analyses direct and indirect consumption.

Power consumption is a key aspect for the Group. To the direct environmental impact of energy consumption, it is necessary to associate the increasing economic costs that it generates, in a strongly fluctuating Spanish energy market with upward trends. That is why it is one of the most controlled aspects at Vidrala. Direct energy consumption is associated with the fossil energy consumed in the production process, mainly natural gas as a fuel for the furnaces and other uses (feeders, tempering ovens, heating, etc.), and other petroleum-based fuels in a lower percentage. In turn, indirect consumption is associated with the use of electric power throughout the glass packaging production chain.

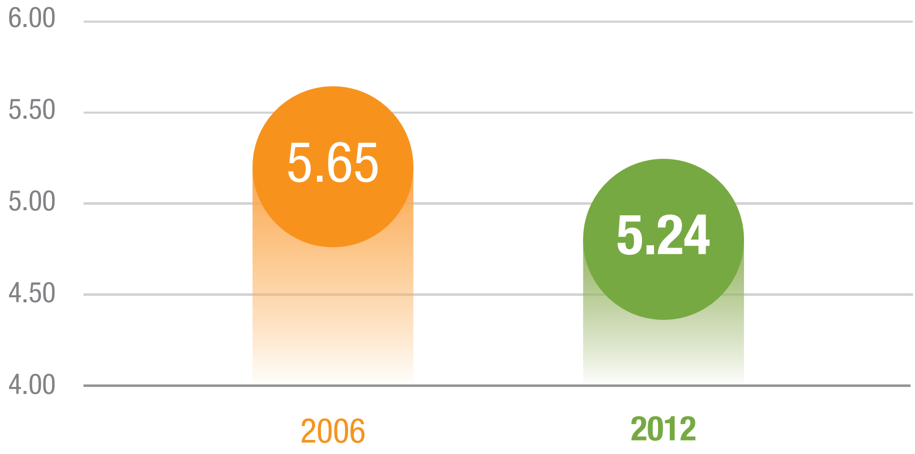
In both cases it should be noted that the production of bottles and jars is carried out in conditions of strong energy dependency, even if this is in furnaces with the best available techniques. This fact makes it necessary for Vidrala to set up mechanisms for controlling and monitoring the energy vector, since any improvement has an important bearing on the economic and environmental result of the organisation.

The stability in both fossil and electrical energy consumption over the last three years, which can be seen in the graph above, demonstrates that the strategy associated with refurbishing furnaces which has been undertaken in recent times and the methodologies for monitoring and controlling applied are yielding optimum results.

Therefore, the figures reflect the commitment by Vidrala to follow the policy of reducing the environmental impact of its processes, thereby fulfilling its maxim to commit to the sustainability of its packaging.

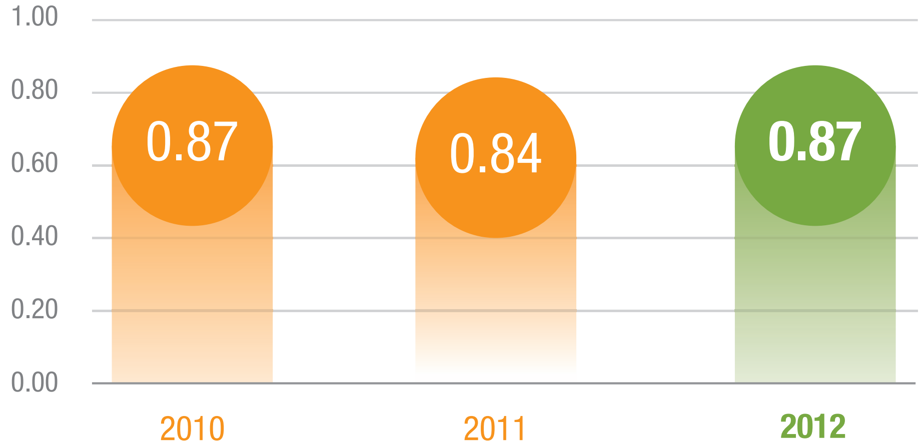
DIRECT PRIMARY ENERGY CONSUMED

(GJ/t.m.g.)



INDIRECT ENERGY CONSUMED

(GJ/t.m.g.)

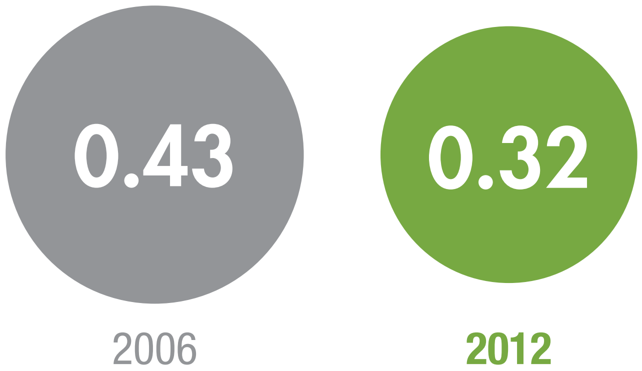


The struggle to mitigate climate change

An organisation with the production dimensions of Vidrala is familiar to the current situation with regard to the fight against climate change. The Group adheres to the trading system established in matters of emission rights, with **all the production plants below the emission limits allowed for each of them.** The organisation is also an active member in this area of great environmental impact on the industry. As explained above, the production of glass requires a high consumption of energy, so its impact on climate change is significant. With the objective of contributing to the reduction in its emissions, Vidrala has **its own proactive policy in the fight against climate change,** making energy efficiency and the use of low carbon fossil fuels their two main tools for action.

GHG EMISSIONS VIDRALA GROUP

(t/t.m.g.)



As a reflection of this proactive policy of progress towards change, in 2012 **Vidrala Group managed to reduce CO_2 emissions by 15% per tonne of glass manufactured.**

This reduction has been made possible thanks to an increase in the use of recycled glass and investments made in improving and refurbishing the furnaces over the last few years, which puts Vidrala on the path to achieving its ambitious long-term environmental objectives. As mentioned above, provided that the technical capacity of the furnaces allows it and that there is a sufficient supply of cullet, the Group will continue with glass recycling as a way to optimise the resources used.

When dealing with improvements that have a direct environmental benefit, the refurbishment of furnaces is the measure which has the greatest impact on energy consumption at Group plants. This involves a high investment, but affects the improvement of the energy efficiency levels.

THE IMPORTANCE OF CHECKING THAT THE WORK IS WELL DONE

To achieve the highest level of excellence, Vidrala is aware that it is not only necessary to have internal control, but also to promote the consolidation of the most **stringent controls in the whole value chain of the product,** by means of certification at all their plants:

- **Certifying quality:** ISO 9001:2008
- **Committing to respecting the environment:** ISO 14001:2004
- **Ensuring the safety of workers:** OHSAS 18001:2007
- **Ensuring the quality of food:** ISO 22000:2005, BRC/IOP
- **Certifying glass as a suitable material for food use:** Regulation (CE) 1935/2004 and RD 397/1990

Recognition of social work 2012

For Vidrala, the manufacture of glass containers involves behaving as responsibly as possible within the different European regions in which it is located. This is something that drives the organisation to continue to develop projects where it is located and which has make Vidrala to deserve, along with other organisations, the **2012 Best Social Enterprise Award,** which is presented every year at the Festival Internacional de la Publicidad Social (International Festival of Social Advertising) organised by the **Fundación Mundo Ciudad.** This sector recognises companies that, during the past year, have promoted **active policies of social responsibility. It is a recognition that encourages Vidrala to continue developing its activity using an approach that integrates CSR.**

Information for customers

Customer-oriented innovation

As an example of the way that Vidrala does business, the Group invests major material and human resources in a concept that, despite being intangible, adds value: **innovation**

Vidrala endeavours to anticipate the demands and new needs for glass packaging. The Group is evolving as its environment does, by designing new more environmentally friendly models, new shapes for new products and different characteristics adapted to the needs of the market.

natura
menos es más

From the **Natura Range,** a modern design of bottles that are lighter and therefore use fewer raw materials, to the new ISIS and Apolo models. Throughout its catalogue, Vidrala seeks to embody its commitment to sustainable growth, by means of research and development in the glass sector, customer proximity and flexibility that provides service at the highest level. All these elements make up what Vidrala seeks to translate into **Innovation as a continuous improvement mechanism.** Innovation applied throughout the value chain: from the very design of the container, by applying criteria resulting in fewer raw materials and energy, to R&D&i in the wharehouse system of the finished product or by innovating in campaigns to encourage recycling. Vidrala thus aims to **permeate the whole life cycle of glass with responsible and innovative behaviour.**

Year after year, Vidrala is committed to adapting its product catalogue, by making them more environmentally friendly. One example of this is the Natura catalogue, introduced in 2011 and featured again in 2012, which offered 13 bottle models for wines and sparkling wines with a lower glass content. These models had identical technical characteristics as the former ones but with lower environmental impact. In 2012, **two of the best-selling models belonged to this Natura Range.**

In order to guarantee the highest compliance of the quality standards required for the safety of all its customers, all of Vidrala's production plants are **UNE-EN-ISO 22000:2005 certified.** The group began work on obtaining the maximum **BRC/IOP Global Standard for Packaging and Packaging Material Food Safety** rating. 2012 was set as the year in which to obtain the certificate for Aiala Vidrio and Crisnova Vidrio plants. In order to implement it, both plants have worked hard to bring the facilities in line with the standard and on training at all levels.

Marketing in Vidrala

Throughout 2012, a summary of the key actions focused on increasing communication with the priority stakeholders includes:

VINITECH SIFEL

Held in Bordeaux, in November 2012, Vinitech Sifel is the most important trade fair in the work of equipment and services for the wines and spirits sector. With an impact of 45,000 visitors, Vidrala's presence at the fair was an opportunity to directly present the new products. Vidrala was thus able to showcase the new catalogue of products in a setting where there was direct contact with customers and suppliers from the wine sector.

WWW.VIDRALA.COM

In 2012, special emphasis was placed on the online optimising and positioning of Vidrala website, with 123,000 visits being clocked up. Work continued on developing the online channels, Twitter and Linkedin, obtaining followers, generating conversation and reporting on the key facts of the organisation. **Thanks to the new website, Vidrala customers have access not only to the latest catalogue, but also to their own dedicated area of the site, with specific information and commercial contents.**

FRIENDS OF GLASS

Vidrala has its dedicated support to establish contact with all its stakeholders. Customers, suppliers and, above all, end users are part of this new communication method. In Europe, and as a member of the Friends of Glass platform, the Group has contributed to developing online communications, with special emphasis on the social media. In addition, the foundations were laid for the 2013-2015 strategy and plan of action. **Vidrala aims to foster the participation in these campaigns, as they enable a greater number of citizens to discover the advantages of this packaging material.**

ANFEVI

In the same way as the European initiative, on the Spanish market and through ANFEVI (Spanish Association of Glass Container Manufacturers), Vidrala Group has supported presence in the acts to promote glass held in 2012. The two most noteworthy were:

1. Creamfields Festival (Andalusia), driving the development of an own mobile application under the "Conserva lo bueno en vidrio" ["Preserving the Tasty in Glass"] campaign. The users could download a free app to their mobiles during the campaign and illustrate photos using templates with glass containers.

2. Dabadum Trade Fair (Madrid) as part of the Friends of Glass-Spain "Pequeños grandes catadores" [Small Great Tasters] year-end campaign. The action targeted parents and was based on the guarantees that glass containers provide to protect the nutritional and organoleptic properties of food. In addition, a Facebook application was launched to play at guessing what the Pequeños Grandes Catadores are tasting blindfolded by listening to the descriptions of the children.

Information for employees

Essential safety in the workplace

As it should be expected from, a company with all its plants certified pursuant to the OHSAS 18.0001 standard, occupational health and safety of every worker in Vidrala is a priority area. To implement this system effectively, the Group has a triple control mechanism of those aspects. Apart from the Health and Safety Committees established in each plant (pursuant to current legislation) meetings are held of the Occupational Health and Safety Monitoring Committee in each plant and at Vidrala group management level. **In all the plants of the Group, including Vidrala as General Management, over 75% of the workers are represented on the different occupational health and safety committees. In 2012, the Group conducted a total of 60 programmed safety inspections, with the presence of the workers' representatives of all the centres.**

Regarding the programmes to prevent occupational diseases, Vidrala Group runs health care programmes for employees, their relatives or the members of the community with regards to serious illnesses.

This involves carrying out an ongoing and periodic control of the impact of the working conditions on the workers. This aim is thus to identify any case as soon as possible, as we are aware the early detection of any disease is an efficient way to treat it. In order to carry out this task, Vidrala has an interaction among all the members of the Prevention Service, who receive information and in turn facilitate it to other programmes that make up that plan (hygiene, ergonomics, safety, etc.).

Occupational health and safety figures are a key indicator as to how a company does business. In general, low rates are linked to good productivity and employee welfare. Vidrala is therefore proud of being able to improve the figures year after year, reducing significantly the accident rates and the absenteeism* and lost day figures, as well as being able to attain a **zero occupational disease rate.** These good figures highlight that the policy to promote health and prevent occupational risks in the Group is effective.

NO. OF SAFETY INSPECTIONS

(aggregated annual total for the Vidrala Group)

* Maternity, paternity and other official leaves were not included when calculating the absenteeism rate and only those caused by illness, accident or disability were included, as indicated in the GRI to calculate the rate.

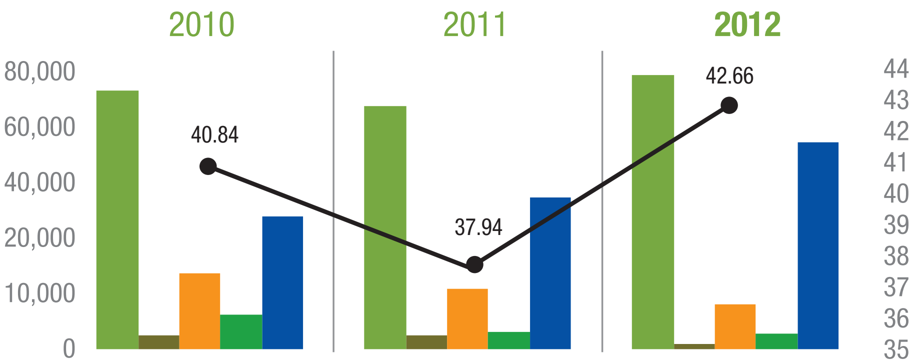
Training as a means for professional development

At Vidrala, great importance is given to training the workforce and a significant part of the human, economic and technical resources is dedicated to that task. At Vidrala, the number of training hours was increased, attaining a figure of around **43 hours of training per employee a year, which is higher than the average for other organisations.**

In general, the figures that reflect the training trends in Vidrala over the last three years show the Group's commitment to increasing this area:

TOTAL NUMBER AND AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE

AT THE VIDRALA GROUP



	2010	2011	**2012**
Total number hours	74,949	70,566	**79,353**
Senior management	4,334	3,913	**1,765**
Middle management	22,116	17,495	**13,143**
Office employees	9,956	5,243	**4,560**
Blue collar workers	38,543	43,915	**59,885**
Number average hours	40.84	37.94	**42.66**

Vidrala has an ongoing programme of what is known as **internal training.** In 2012, 80% of the training implemented was capacity-building training, in other words, training new recruits and in-company promotions as the result of plant restructuring. As regards funding training, **90% of the investment in training is on internal costs, in other words, the time spent by the student in the working day** and, the remaining 10%, on the external cost incurred by the external training given.

Vidrala also has a performance assessment procedure in place for senior and middle management, a collective that accounts for 10% of the total workforce.

Information for Society

Social concern regarding the state of the environment

Vidrala Group is aware that being committed to the environment is a winning bid. Therefore, Vidrala continues to invest resources aimed at protecting the environment with a dual goal: guarantee compliance of environmental legislation in its plants, at the same time as it continues to innovate in the field of Sustainability. These two objectives mean that Vidrala's environmental policy has to be more competitive and comprehensive.

It is clear that the minimum that an organisation must guarantee is to comply with legislation, also regarding the environment. Compliance sometimes involves an effort that the organisation has to take strongly onboard, particularly if the strict European environmental framework (current and future) in which Vidrala develops its operations is analysed. To guarantee compliance, all the **Vidrala plants are ISO 14001 certified.** Thanks to the process started years ago, the Group has turned a certified system into its integral work tool, a way of doing business that is as environmentally friendly as possible.

Direct emissions into the atmosphere

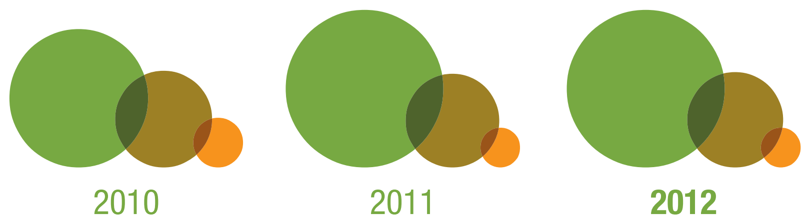
Aware that environmental legislation is the base underpinning its environmental management model, Vidrala Group has focused all its endeavours on adapting its furnaces to ensure that they comply with those new legal limits.

This is not simple, since the reduction of those levels means that the latest technical innovations have to be implemented in all stages of the production process, as each contribution adds up to minimise the impact of the activity.

Optimisation of energy consumption must not only be associated with cutting CO_2 emissions, but it must also allow **other atmospheric pollutants** to be minimised that is another aspect that the Group is striving to reduce: NO_x, SO_x and particles. Thus, the data for recent years reflect that the Group is moving in the right direction and is seeking to maintain the emission levels of NO_x and particles stable.

GHG EMISSIONS VIDRALA GROUP
(t/t.m.g.)

EVOLUTION OF THE EMISSIONS TO THE ATMOSPHERE BY VIDRALA GROUP POLLUTANTS (t/t.m.g.)



	2010	2011	**2012**
NOx emissions (t/t.m.g.)	0.0017	0.0022	**0.0022**
SOx emissions (t/t.m.g.)	0.00083	0.00078	**0.00081**
Particle emissions (t/t.m.g.)	0.00022	0.00014	**0.00014**

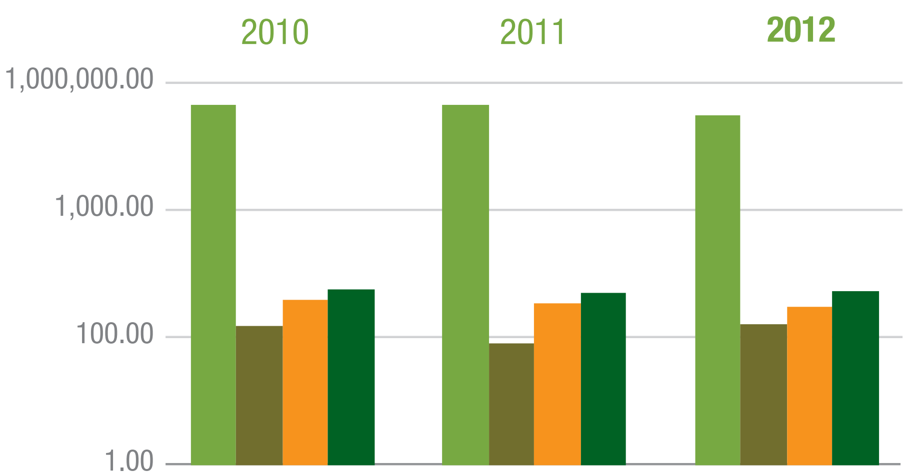
Indirect emissions into the atmosphere

On the other hand, Vidralas' operations generate other greenhouse gas emissions, apart from the ones described above, as a consequence of using fuel and the decarbonisation of raw materials in the production process. Indirectly, these diffused emissions are derived from transporting and marketing the finished product, from the different plants to the customer.

Thus, when analysing the emissions overall associated with transporting the product compared to the other indirect emissions, the percentage that they represent is much lower from railways, boat or the emissions arising from employee trips (by any possible means).

OTHER GHG INDIRECT EMISSIONS

(2012, %)



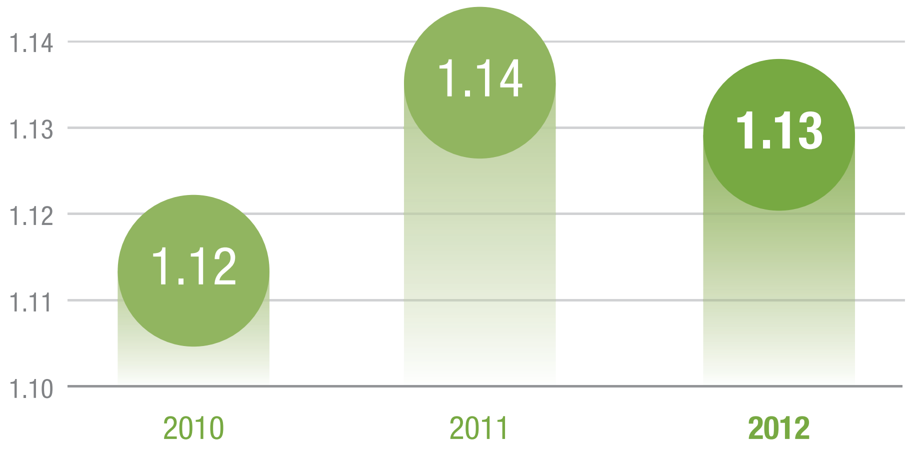
	2010	2011	**2012**
t CO_2 - Transport by lorry	497,830.82	496,091.46	**345,231.05**
t CO_2 - Transport by railway	154.10	83.33	**163.23**
t CO_2 -Transport by boat	390.85	358.71	**312.23**
t CO_2 - Business travel	592.23	524.24	**554.28**

- **0.16%** Business travel (any means)
- **0.09 %** Product transport (boat)
- **0.05 %** Product transport (railway)

Consumption of materials and recycling at Vidrala

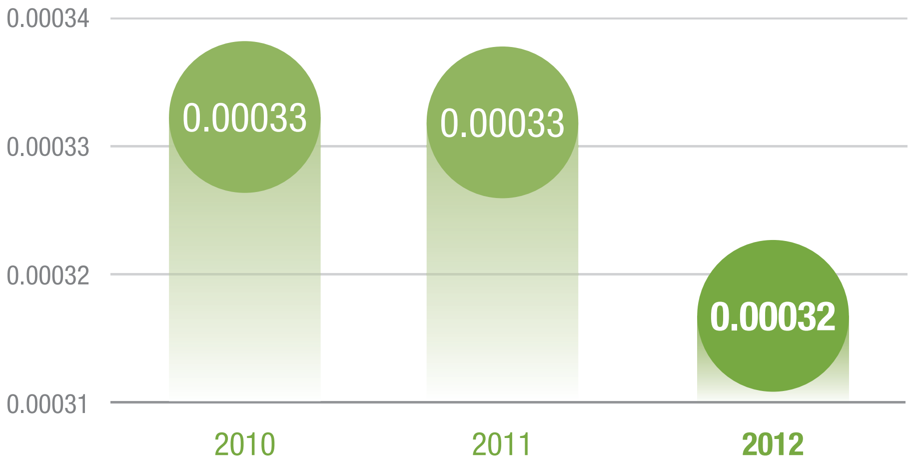
RAW MATERIAL CONSUMPTION

VIDRALA GROUP (T/T.M.G.)



ANCILLARY MATERIAL CONSUMPTION

VIDRALA GROUP (T/T.M.G.)



Along with the consumption of materials purely related to producing glass, sand, lime, dolomite, etc., Vidrala also strives to optimise consumption of **ancillary materials.** They are additional products required in the process, such as the drilling fluids or productions use in the hot layer process. In all cases, and in keeping with the raw material data, there has also been a notable improvement in the ratio per t.m.g. in the ancillary materials. This is a further example of how any action, no matter which environmental aspect it affects, has an impact on the overall performance of the organisation.

RECOVERED SULPHATE

AT VIDRALA GROUP

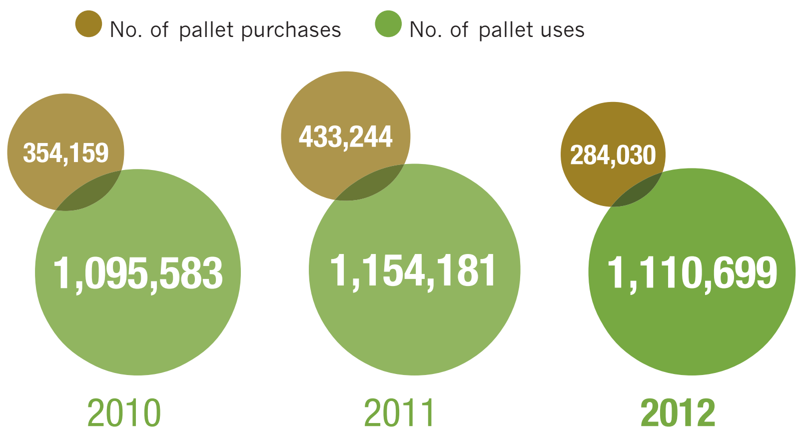
Apart from the cullet glass, the Group has also been focusing on recycling the majority of the resources whenever viable. One of them is the waste from the electro-filters from the purification of the particles of the emission gases. This waste is sulphate, which can be used as a material for the glass melting process, thus replacing the natural sulphate. Thanks to this technology, not only are the atmospheric pollutant emissions reduced, but an essential material resource throughout the process is reused. In 2012, the sulphate reuse rate was the lowest for the period due to the less waste generated.

When it comes to reducing the environmental impact, Vidrala minimises and reuses as far as possible the **packaging and transport** materials used for the finished product. **Wooden pallets** are one of the most common in this regard and are used on a closed circuit basis: They are used to take glass containers from the production plants to customers and return empty to be reused again and again until they need to be replaced. Only then do new pallets need to be acquired.

DURING THE LAST YEAR, VIDRALA HAS NOTED A DROP IN THE NUMBER OF PALLETS USED TO TRANSPORT ITS PRODUCTS, YET PARTICULARLY NOTEWORTHY HAS BEEN THE DROP IN THE NUMBER OF PALLETS BROUGHT, WHICH CONTRIBUTES TO THE IMPROVED ENVIRONMENTAL PERFORMANCE OF THE PRODUCTS.

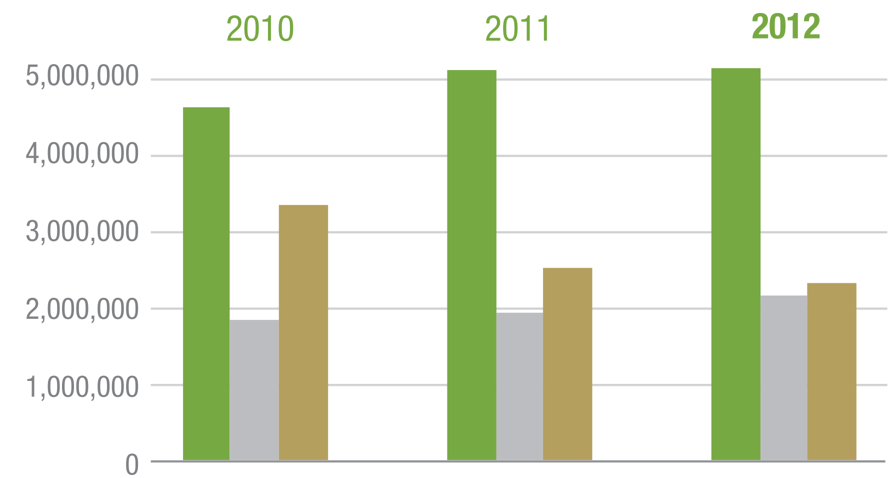
COMPARATIVE BETWEEN THE NO. OF PALLETS PURCHASED AND NO. OF USES

AT VIDRALA GROUP



COMPARATIVE OF THE CONSUMPTION OF PACKAGING MATERIALS AND NO. OF USES OF PLASTIC FILLETS

AT VIDRALA GROUP



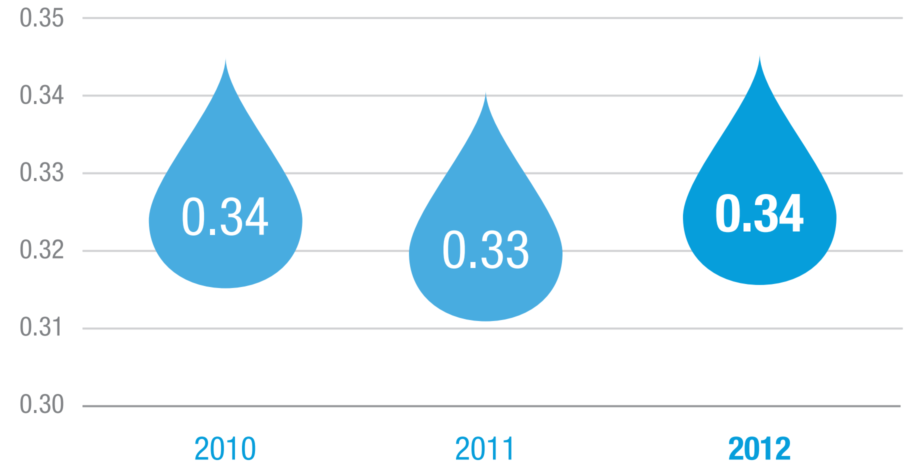
	2010	2011	2012
No. uses of plastic fillets	4,636,465	5,133,883	**5,150,304**
Plastic used in straps and covers (kg)	1,865,362	1,943,252	**2,153,504**
Cardboard used (kg)	3,347,024	2,525,457	**2,337,099**

For the same reason, Vidrala has been using plastic rather than cardboard fillets (the protective trays used between levels of the containers piled up on the pallets) for years. The fillets go through an intermediate processor between the customer and Vidrala, entrusted with checking that they retain the technical characteristics for their use. Part of the materials used as packaging is cardboard and shrink plastic, which cannot be reused. Only in this case they cannot be returned to the customer-Vidrala closed circuit; however, the Group tries to minimise their impact by tending to reduce their consumption (as is the case of cardboard) or also recycling them (as is the case of the wrapping plastic and strips).

Use of water in Vidrala

All Vidrala plants draw the water they need from the local main supply, from underground wells and from water courses, in strict compliance with the regulations established by the prevailing legislation in the different countries. The emphasis placed on reducing water consumption in previous years has resulted in low consumption rates that can be seen in the attached graph, which has remained practically unchanged throughout the period. This highlights the efficiency and durability of the actions undertaken.

TOTAL WATER CONSUMPTION
FOR THE VIDRALA GROUP (M3/T.M.G.)



Among these actions, the Group develops a glass packaging production technology that enables it **to attain a recycling and recirculation percentage of around 65%,** considering that all the water evaporated during the process is recovered.

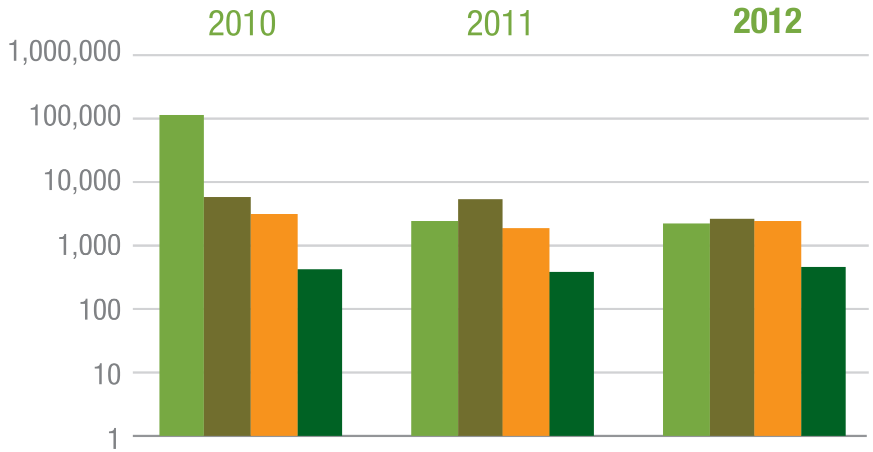
In terms of discharge, all the Group's plants operate on a closed-circuit basis for most of the processes, particularly those that are most water intensive in terms of consumption. However, a small proportion of water used in standard processes and for maintenance and upkeep is usually lost when circuits are bled and in other similar circumstances. In those cases, the water discharged complies with the environmental legislation on consumption and discharges in all the countries where the Group operates.

Waste in Vidrala

Vidrala is striving to minimise the production of materials that cannot be reused, which are a real waste.

WASTE GENERATED

AT THE VIDRALA GROUP, BY TYPE OF WASTE AND YEAR (T)



	2010	2011	**2012**
Total hazardous waste (t.)	115,029	2,448	**2,117**
Total recoverable non-hazardous waste (t.)	5,447	5,048	**2,656**
Total non-recoverable non-hazardous waste (t.)	3,068	1,856	**2,305**
MSW & similar (t.)	404	377	**467**

Except for faulty glass (which is re-used as cullet glass) and the sulphate from the electro-filter, the other waste are externally managed by the relevant authorised agents to carry out the necessary treatment operations.

In 2012, Vidrala has managed to recover 35% of the waste generated (this figure does not include the reuse of cullet or sulphate from electro-filter). Furthermore, an in-depth analysis has been performed of the environmental aspects that generate greater cost, the causes have been identified and programmes and plans of actions to be developed in 2013 have been scheduled, particularly related to cutting waste generation, which is the most significant environmental management cost.

Investments in environmental technology

The Group believes that good environmental performance can only be attained on the basis of economic effort, as technology is needed to manage to develop a good environmental efficiency model. The group distinguishes between "current investment" and "operational spending" on environmental items: "investment" means those items that - even if their scope is small - result in direct reduction of impacts; by contract "operational spending" covers environmental-management-related items at each plant (waste management, maintenance of facilities with environmental impacts, environmental audits and assessments, etc.). **In 2012, over 2.2 million euros were dedicated to environment-related improvement measures.**

	2010	2011	2012
Environmental operating spending (€)	768,318	957,165	**983,194**
Environmental investments (€)	1,282,810	1,346,915	**1,223,489**
Total (€)	**2,051,128**	**2,304,080**	**2,206,683**

In the same way as in previous years, Vidrala wishes to stress that no fines or non-financial penalties were imposed in 2012 for breaches of environmental regulations.

vidrala

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