2017
ANNUAL
REPORT

Dear Shareholder,

2017 was a year of progress for Vidrala's long term business strategy. Operationally, the business developed aligned with our management guidelines, as evidenced in the results. Strategically, the year was completed by the acquisition of Santos Barosa, whose integration will result in compelling benefits to customers, employees and shareholders, as it enhances our positioning, reinforces our competitiveness and increases our capacity to deliver value in the future.

In summary, sales during the year amounted to 822.7 million euros and EBITDA came to 195.4 million, equivalent to a margin of 23.8% over sales. Earnings for the year grew 31.9% to 3.61 euros per share.

The Board has proposed a dividend increase of 20% for the year, consistent with our long term remuneration policy. Additionally, we are offering an attendance bonus to the Annual General Meeting of 4 cents per share. Overall, cash remuneration to be paid to our Shareholder in 2019 will accumulate 1.0019 euros per share.

Looking at the future, Vidrala progresses, consolidating as a multinational company, supported by competitive positions along strategic regions. Globally, consumer trends are evolving prompted by market drivers as demographics, macroeconomics, modern lifestyles and growing focus on health, safety and sustainability. Glass as a packaging material has a lot more to say in this consumer packaging world. Our challenge is to anticipate market demands and keep ourselves in continuous adaptation. That means strengthening customer relationships, driving operational excellence, balancing long term investment requirements and building a winning organisation.

We have a solid financial position, a firm focus on our customers as the basis of the business, qualified assets grounded on modern manufacturing facilities and skilled and committed operational people. And we will remain firmly committed to our long term management principles focused on customers, cost competitiveness, cash and capital. We are building today the business platform of tomorrow.

Carlos Delclaux
Presidente

VIDRALA
AT A GLANCE


encirc
encirc
md verre
vidrala
vidrala italia
sb vidros
vidrala
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England

DERRYLIN
11 Gortahurk Road
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Northern Ireland

SB VIDROS
Rua Santos Barosa, 5
2430-415 Marinha Grande
Portugal

CREATING VALUE AND FUTURE IN A SUSTAINABLE WAY

VIDRALA IN 2017

OVER 3,700 EMPLOYEES

OVER 90,000 HOURS OF TRAINING IN 2017

9 MANUFACTURING SITES

21 FURNACES

ALMOST 8.0 BILLION CONTAINERS PRODUCED PER YEAR

51% USE OF RECYCLED GLASS

OVER 1,600 CUSTOMERS

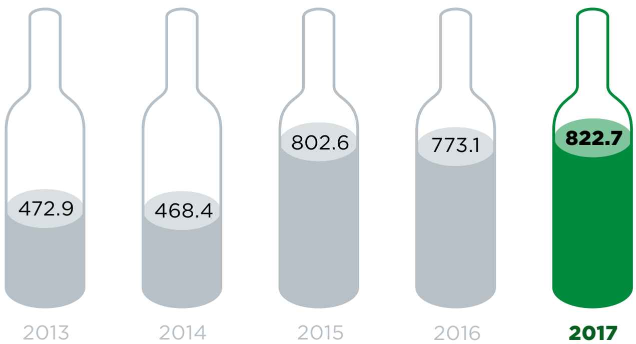
INVESTMENT IN OUR FACILITIES **OVER EUR 300 MILLION** IN THE LAST 5 YEARS

-5% CO_2 EMISSIONS

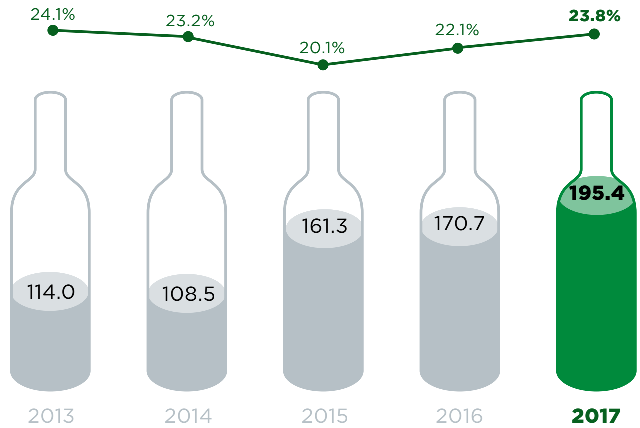
-11% GENERATED WASTE

-16% NO_x EMISSIONS

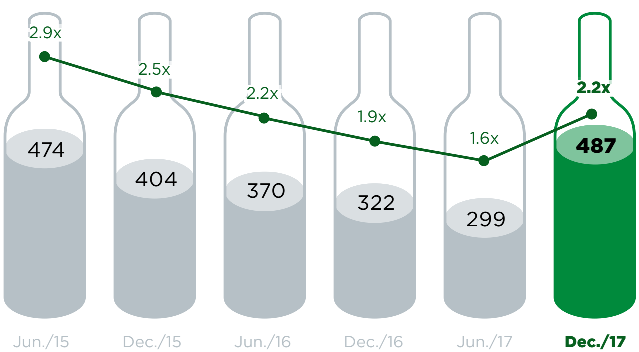
SALES
EUR Million



OPERATING INCOME
EBITDA in EUR million and as percentage of sales



FINANCIAL POSITION
Debt in EUR million and times EBITDA



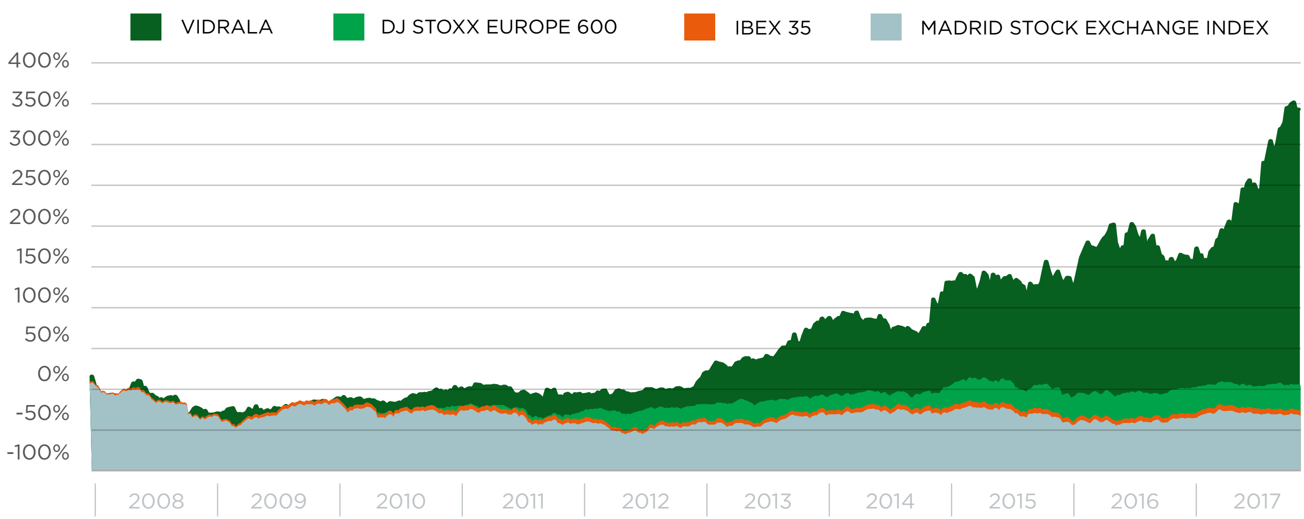
CASH DIVIDENDS AND AGM ATTENDANCE
EUR cents per share

EARNINGS PER SHARE

EUR/share

Share price

Comparative performance in percentage terms, last 10 years, base 2008



	2017
Price at the end of the period (EUR)	84.65
Market capitalisation (EUR million)	2,099

KEY FIGURES

	2017	2016
Sales (EUR million)	**822.7**	773.1
EBITDA (EUR million)	**195.4**	170.7
EBITDA margin (as a percentage of sales)	**23.8%**	22.1%
EBIT (EUR million)	**117.2**	93.0
Net profit (EUR million)	**89.1**	67.7
Free cash flow (EUR million)	**108.5**	102.6
Debt (EUR million)	**487.3**	322.3
Debt / EBITDA (multiple)	**2.2x**	1.9x
Debt / shareholders' equity (multiple)	**0.9x**	0.7x
EBITDA / net financial expenses (multiple)	**28.8x**	17.8x
Total assets (EUR million)	**1.404.9**	1.096.2
Shareholders' equity (EUR million)	**528.1**	474.9

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of 31 December 2017 and 2016, in thousands of Euros.

	Note	2017	2016
ASSETS			
Non-current assets			
Property plant and equipment	6	**683,036**	592,727
Goodwill	7	**209,890**	59,233
Other Intangible assets	7	**23,354**	12,010
Other financial assets		**41**	287
Deferred tax assets	9	**35,304**	39,768
Derivative financial instruments	8	**1,701**	4,256
Other non-current assets		**234**	107
		953,560	708,388
Current assets			
Inventories	10	**189,829**	180,973
Trade and other receivables	11	**206,381**	194,456
Current tax assets		**391**	391
Derivative financial instruments	8	**3,568**	2,777
Other current assets	12	**9,127**	8,834
Cash and cash equivalents		**42,043**	424
		451,339	387,855
Total assets		**1,404,899**	1,096,243

The accompanying notes form an integral part of the consolidated annual accounts

CONSOLIDATED BALANCE SHEET

As of 31 December 2017 and 2016, in thousands of Euros.

	Note	2017	2016
EQUITY AND LIABILITIES			
Equity	13		
Share capital		**25,290**	25,290
Other reserves		**7,545**	7,545
Retained earnings		**551,362**	481,879
Own shares		**(3,347)**	(2,824)
Other comprehensive income		**(35,489)**	(22,594)
Interim dividend distributed during the year		**(17,225)**	(14,362)
Equity attributed to equity holders of the Parent		**528,136**	474,934
Non-current liabilities			
Deferred income	14	**25,411**	31,535
Loans and borrowings	15	**487,819**	310,288
Derivative financial instruments	8	**2,473**	5,263
Deferred tax liabilities	9	**45,115**	47,866
Provisions	19	**23,953**	10,684
Other non-current liabilities		**1,534**	1,145
		586,305	406,781
Current liabilities			
Loans and borrowings	15	**41,519**	12,402
Derivative financial instruments	8	**-**	50
Trade and other payables	16	**223,566**	174,506
Current tax liabilities		**4,136**	5,188
Provisions	19	**383**	1,071
Other current liabilities	12	**20,854**	21,311
		290,458	214,528
Total liabilities		**876,763**	621,309
Total equity and liabilities		**1,404,899**	1,096,243

CONSOLIDATED INCOME STATEMENT

Exercises 2017 and 2016, in thousands of Euros.

	Note	2017	2016
Revenues	22	**823,197**	773,570
Other income	22	**8,533**	8,456
Changes in inventories of finished goods and work in progress		**4,240**	(10,362)
Merchandise, raw materials and consumables used		**(281,046)**	(268,308)
Employee benefits expense	24	**(174,929)**	(166,131)
Amortisation and depreciation	6 & 7	**(76,999)**	(75,556)
Impairment of non-current assets	6	**(1,253)**	(2,116)
Other expenses	23	**(184,561)**	(166,514)
Finance income	25	**1,964**	979
Finance costs	25	**(9,384)**	(9,776)
Profit before income tax from continuing operations		**109,762**	84,242
Income tax expense	9	**(20,616)**	(16,571)
Profit for the year from continuing operations		**89,146**	67,671
Profit for the year		**89,146**	67,671
Profit for the year attributable to equity holders of the Parent		**89,146**	67,671
Earnings per share (expressed in Euros)			
- Basic and diluted	26	**3.61**	2.73

CONSOLIDATED STATEMENT OF COMREHENSIVE INCOME

As of 31 December 2017 and 2016, in thousands of Euros.

	Note	2017	2016
Profit for the year		**89,146**	67,671
Other comprehensive income:			
Translation differences	13	**(14,057)**	(57,397)
Remeasurements of defined benefit plans		**362**	(1,308)
Items to be reclassified in profit or loss			
Cash flow hedges	8	**1,111**	12,213
Tax effect		**(311)**	(3,420)
Other comprehensive income, net of income tax		**(12,895)**	(49,912)
Total comprehensive income for the year		**76,251**	17,759
Profit for the year attributable to equity holders of the Parent		**76,251**	17,759

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As of 31 December 2017 and 2016, 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	Translation differences	Defined benefit plans	Interim dividend paid during the year	Total equity
Balances at 31 December 2015	**25,290**	**5,234**	**431,780**	**-**	**(7,535)**	**34,853**	**-**	**(13,086)**	**476,536**
Total comprehensive income for the year	-	-	67,671	-	8,793	(57,397)	(1,308)	-	17,759
Revaluation of property, plant and equipment, net of tax (note 13(b))	-	2,311	-	-	-	-	-	-	2,311
Own shares redeemed	-	-	-	(3,757)	-	-	-	-	(3,757)
Own shares sold	-	-	281	933	-	-	-	-	1,214
Share capital increase	-	-	-	-	-	-	-	-	-
Share capital reduction	-	-	-	-	-	-	-		-
Distribution of 2015 profit								-	-
Dividends	-	-	(17,853)	-	-	-	-	13,086	(4,767)
Interim dividend on account of 2016 profit	-	-	-	-	-	-	-	(14,362)	(14,362)
Balances at 31 December 2016	**25,290**	**7,545**	**481,879**	**(2.824)**	**1,258**	**(22,544)**	**(1,308)**	**(14,362)**	**474,934**
Total comprehensive income for the year	-	-	89,146	-	800	(14,057)	362	-	76,251
Own shares redeemed	-	-	-	(3,529)	-	-	-	-	(3,529)
Own shares sold	-	-	164	3,006	-	-	-	-	3,170
Distribution of 2016 profit									
Dividends	-	-	(19,827)	-	-	-	-	14,362	(5,465)
Interim dividend on account of 2017 profit	-	-	-	-	-	-	-	(17,225)	(17,225)
Balances at 31 December 2017	**25,290**	**7,545**	**551,362**	**(3,347)**	**2,058**	**(36,601)**	**(946)**	**(17,225)**	**528,136**

CONSOLIDATED STATEMENTS OF CASH FLOWS

As of 31 December 2017 and 2016, in thousands of Euros.

	Note	2017	2016
Cash flows from operating activities			
Profit for the year		**89,146**	67,671
Adjusted for:			
Amortisation and depreciation	6 & 7	**76,999**	75,557
Impairment of non-current assets	6	**1,253**	2,116
(Reversal of) impairment losses on trade receivables		**(519)**	409
(Reversa of) impairment losses on inventories		**1,793**	5,619
Exchange (gains) / losses	25	**(1,942)**	(805)
Changes in provisions	19	**3,566**	9,039
Government grants recognised in the income statement		**(5,453)**	(6,201)
Finance income	25	**(22)**	(174)
Finance costs	25	**9,384**	9,776
Income tax	9	**20,616**	16,571
		105,675	111,907
Changes in working capital			
Inventories		**1,212**	14,418
Trade and other receivables		**13,792**	5,422
Trade and other payables		**9,720**	(3,362)
Application of provisions		**(485)**	(388)
Other current liabilities		**(923)**	(10,000)
Effect of translation differences on operating assets and liabilities of foreign operations		**(3,239)**	(11,690)
Cash used in operating activities		**20,077**	(5,600)

CONSOLIDATED STATEMENTS OF CASH FLOWS

As of 31 December 2017 and 2016, in thousands of Euros.

Interest paid	**(7,230)**	(9,776)
Interest received	**1,102**	174
Income tax paid	**(10,526)**	(6,772)
Net cash from operating activities	**198,244**	157,604
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**-**	542
Acquisition of property, plant and equipment	**(86,479)**	(51,364)
Acquisition of intangible assets	**(2,541)**	(3,540)
Acquisition of financial assets	**246**	(284)
Acquisition of a subsidiary, net of the cash acquired	**(235,233)**	-
Net cash used in investing activities	**(324,007)**	(54,646)
Cash flows from financing activities		
Proceeds from issue of treasury shares and own equity instruments	**3,170**	1,214
Proceeds from loans and borrowings	**201,268**	12,808
Payments to redeem own shares and other own equity instruments	**(3,529)**	(3,757)
Payments of loans and borrowings	**(13,700)**	(110,000)
Dividends paid	**(19,827)**	(18,519)
Net cash from/(used in) financing activities	**167,382**	(118,254)
Net increase/(decrease) in cash and cash equivalents	**41,619**	(15,296)
Cash and cash equivalents at 1 December	**424**	15,720
Cash and cash equivalents at 31 December	**42,043**	424

1. Nature, Principal Activities and Composition of the Group

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

Vidrala, S.A. shares are listed on the Madrid and Bilbao stock exchanges.

Likewise, on October 13, 2017, the Inverbeira Company for the Promotion of Companies, S.A. has acquired the Portuguese Society Santos Barosa Vidros, S.A. (see note 5).

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2017 and the location and activity of each company that forms part of the consolidated group are as follows:

Company	Location	Investment	Activity
Crisnova Vidrio, S.A.	Caudete (Albacete, Spain)	100%	Manufacture and sale of glass containers
Inverbeira, Sociedad de Promoción de Empresas, S.A.	Llodio (Alava, Spain)	100%	Promotion and development of companies
Aiala Vidrio, S.A.U.	Llodio (Alava, Spain)	100%	Manufacture and sale of glass containers
Gallo Vidro, S.A.	Marinha Grande (Portugal)	99.99%	Manufacture and sale of glass containers
Vidrala Logistics, Ltda	Marinha Grande (Portugal)	100%	Transport services
Castellar Vidrio, S.A.	Castellar del Vallés (Barcelona, Spain)	100%	Manufacture and sale of glass containers
Vidrala Italia, S.R.L.	Corsico (Italy)	100%	Manufacture and sale of glass containers
MD Verre, S.A.	Ghlin (Belgium)	100%	Manufacture and sale of glass containers
Omèga Immobilière et Financière, S.A.	Ghlin (Belgium)	100%	Real estate
Investverre, S.A.	Ghlin (Belgium)	100%	Holding company
CD Verre, S.A.	Bordeaux (France)	100%	Commercialisation
Vidrala Desarrollos, S.L.U.	Llodio (Alava, Spain)	100%	Promotion and development of companies
Encirc Limited	Derrylin (Northern Ireland)	100%	Manufacture of glass containers, packaging and logistical services
Encirc Distribution Limited	Ballyconnell (Ireland)	100%	Logistical services
Santos Barosa Vidros, S.A.	Marinha Grande (Portugal)	100%	Manufacture and sale of glass containers

2. Basis of Presentation

The consolidated annual accounts for 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), 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 2017, as well as the consolidated financial performance and changes in consolidated equity and cash flows for the year then ended.

The Parent's directors consider that the consolidated annual accounts for 2017, authorised for issue on 26 February 2018, will be approved without changes by the shareholders at their Shareholders' 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

Accounting estimates, judgements and assumptions sometimes have to be made to prepare the consolidated annual accounts in conformity with IFRS-EU. 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, is 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 and the application of financial measurement criteria. 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 7). 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 expected growth rates, the weighted average cost of capital and tax rates indicated in note 7. The estimates, including the methodology used, could have a significant impact on values and impairment.

» USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT:

Group management determines the estimated useful lives and depreciation charges for its installations. These estimates are based on the historical and projected life cycles of the assets according to their characteristics, available technology and estimated replacement requirements. This could change as a result of technical innovations and initiatives adopted by the competition in response to pronounced 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. This judgement is put into practice through the application of procedurised methodologies developed by the Vidrala Group, mainly based on the detailed analysis of credit ratings and historical sales and payments. Additionally, control over collection solvency is complemented through credit insurance coverage (see note 18).

» 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 2017 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 2017, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

(iii) Sources of uncertainty

At 13 December 2017, a "Proposal of regional law amending several rules and taxes in the Alava tax system" was presented, which at the date of issue of this report is pending approval by the Alava General Meetings. This Proposal introduces a series of income tax measures expected to become effective from 1 January 2018, including, among others, a reduction in the corporate income tax rate to 26% for 2018 and 24% from 2019 onwards, a reduction to 35% in the limit for tax credits with limits, and a limit of 70% on deductions for R&D expenditure

(d) Standards and interpretations approved by the European Union first-time application in the reporting period

The accounting policies used in the preparation of the accompanying consolidated annual accounts are the same as those used in the consolidated annual accounts for the year ended 31 December 2016, as no amendments to standards applicable for the first time in the year had an impact on the Group's accounting policies.

However, amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for the current period as follows:

Changes in liabilities arising from financing activities

	Thousands of Euros				
	1 January 2017	**Cash flows**	**Changes in fair value**	**Other**	**31 December 2017**
Current loans and borrowings	12,402	14,117	-	15,000	41,519
Non-current loans and borrowings	310,288	190,928	-	(13,397)	487,819
Dividends payable	14,362	(14,362)	-	17,225	17,225
Derivatives	5,313	1,486	(4,326)	-	2,473
Total liabilities arising from financing activities	342,365	192,169	(4,326)	18,828	549,036

(e) Standards and interpretations issued by the IASB, but not effective in the reporting period

Standard, interpretation or amendment	Date of adoption by the EU	Date of application in the EU	Effective data of the IASB
IFRS 9 Financial Instruments	September 2016	1 January 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers.	November 2016	1 January 2018	1 January 2018
IFRS 16 Leases	October, 2017	1 January 2019	1 January 2019

The Group intends to adopt the standards, interpretations and amendments issued by the IASB that are not mandatory in the European Union at the date of issuing of the accompanying consolidated annual accounts when they become effective, if applicable to it.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15, issued in May 2014 and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all previous revenue recognition requirements. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The Vidrala Group has assessed the potential impacts of this standard on its revenue. The Group's principal activity is the manufacture and sale of glass containers. Based on the analyses carried out to date, the Group estimates that the initial application of this standard will not have a significant impact on its consolidated annual accounts.

IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

CLASSIFICATION AND MEASUREMENT

The new standard requires financial assets to be classified on initial recognition as subsequently measured at amortised cost or at fair value.

The basis of classification depends on an entity's business model and the existence or not of certain contractual cash flows.

- The financial asset is measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest.

- The financial asset is measured at fair value through comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

On initial recognition of a financial asset, an entity may choose to measure it at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch.

All other financial assets are measured at fair value, with any gains or losses arising from subsequent measurement recognised in the consolidated income statement.

Based on the analyses performed, with the exception of derivative financial instruments, whose category corresponds to financial assets measured at fair value through profit or loss (or applicable, appropriate, of hedge accounting), the Group classifies virtually all of its financial assets in the amortised cost measurement category. This new category is not significantly different in terms of the measurement related to categories applied under IAS 39.

EXPECTED LOSS

A new impairment model based on expected loss is introduced, compared to the incurred loss model of IAS 39.

Based on the analyses performed up to the date of issuing of the accompanying consolidated annual accounts and considering that the Vidrala Group assures most of its credit risk, the Group does not expect application of expected loss to have a significant impact on the consolidated annual accounts.

HEDGE ACCOUNTING.

The new model attempts to align accounting policies with risk management. The three types of hedging relationships at present are maintained (cash flow hedge, fair value hedge, and hedge of a net investment).

Taking into account the Vidrala Group's current portfolio of derivative financial instruments, the main impact arises from the effectiveness assessment, as the current rules are eliminated and assessment criteria are established that are aligned with risk management through the principle of "economic relationship", removing the requirement of retrospective assessment..

REFINANCING OF BORROWINGS

Applying the interpretation of the IASB in 2017 on the treatment of refinancing of borrowings under IFRS 9, the contractual cash flows from the refinanced debt must be discounted at the original effective interest rate, rather than at the new rate of the refinanced borrowing.

Any difference is recognised in the consolidated income statement as income or expense at the refinancing date. However, as this interpretation is applied retrospectively, for transactions carried out before 1 January 2018, the difference is recognised against "Reserves".

The Vidrala Group has a transaction subject to this interpretation related to a non-current syndicated financing agreement arranged by the Parent, Vidrala, S.A., which has undergone several novations since it was originally arranged in 2015 (see note 15).

The Vidrala Group is currently evaluating the impacts of the adoption of the standard in the Consolidated Financial Statements.

IFRS 16 LEASES

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Vidrala Group is currently assessing and estimating the impact of IFRS 16. Therefore, it could not be quantified at the date of issuing of the accompanying consolidated annual accounts, although the impact is not expected to be significant on the group's consolidated annual accounts.

3. Significant Accounting Principles

(a) Subsidiaries

Subsidiaries are entities over which the Company exercises control, either directly or indirectly through subsidiaries. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company has power over a subsidiary when it has existing substantive rights that give it the ability to direct the relevant activities. The Company is exposed, or has rights, to variable returns from its involvement with the subsidiary when its returns from its involvement have the potential to vary as a result of the subsidiary's performance.

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.

Transactions and balances with Group companies and unrealised gains or losses have been eliminated upon consolidation. Nevertheless, unrealised losses have been considered as an indicator of impairment of the assets transferred.

The subsidiaries' accounting policies have been adapted to Group accounting policies, for like transactions and other events in similar circumstances.

The annual accounts or financial statements of the subsidiaries used in the consolidation process have been prepared as of the same date and for the same period as those of the Parent.

(b) Business combinations

The Group applies the acquisition method for business combinations.

The acquisition date is the date on which the Group obtains control of the acquiree.

The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, the equity instruments issued and any consideration contingent on future events or compliance with certain conditions in exchange for control of the acquiree.

The consideration given excludes any payment that does not form part of the exchange for the acquired business. Acquisition costs are recognised as an expense when incurred.

The Group recognises the assets acquired and liabilities assumed at their acquisition-date fair value. Liabilities assumed include any contingent liabilities that represent present obligations arising from past events for which the fair value can be reliably measured.

(c) 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 Group 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 years of useful life
Buildings	20 - 30
Technical installations and machinery	
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 generate probable future profits and for which the amount may reliably be measured are capitalised.

Costs of day-to-day servicing are recognised in profit or 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) Customer portfolio

"Other intangible assets" includes the allocation of the purchase price related to the acquisition of Santos Barosa Vidros, S.A. (see note 5) attributable to customer acquisition in the business combination, which is amortised over the estimated period in which the cash flows generated are received.

(iii) 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.

Expenditure on 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 in profit or loss.

(iv) 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. The Group derecognises emission allowances at weighted average cost.

(v) Other intangible assets

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

(vi) 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.

(vii) Impairment

The Group evaluates and determines impairment losses and reversals of impairment losses on intangible assets in line with the criteria described in section (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) 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 economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument 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 offset 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. The impairment loss is reversed 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.

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

(vii) 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.

If there is an exchange of debt instruments between the Group and the lenders, and the conditions thereof are substantially different, the original financial liability is derecognised and the new financial liability is recognised. If the conditions are not substantially different, the financial liability is not derecognised from the balance sheet and any commission paid is recognised as an adjustment in the carrying amount of the liability. The amortised cost of the financial liability is determined applying the effective interest rate, which is the rate that equates the carrying amount of the financial liability at the audit date with the cash flows to be paid as per the new conditions. In this regard, the conditions of the contracts are considered to be substantially different when the present value of the cash flows of the new financial liability, including net commissions paid or received, is different by at least 10% of the present value of the recurring cash flows of the original financial liability, both updated to the effective interest rate of the latter (see note 15).

(g) 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.

The structure of hedges in the different cases is 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 derivative hedging instruments convert variable interest rates on borrowings to fixed interest rates (swaps) or limit the cost of variable rate borrowings (caps). In some cases, these are forward start instruments, which means that the flows of the hedged item are only hedged from the time the hedging instrument 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 gas used as fuel at production plants tied to Brent prices and the euro/dollar exchange rate.
- Hedging instrument: derivative instrument swaps or purchase option caps through which the Group converts the variable purchase cost of certain fuels to a fixed cost (swaps) or limits the variable cost to a maximum price (caps).
- 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 costs 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 forecast hedged transaction affects profit or loss and in the same caption of the consolidated income statement.

(h) 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 reason for 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.

(i) Distribution to shareholders

Dividends are recognised as a reduction in equity when approved by the Generla Meeting of Shareholders.

(j) Inventories

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

The purchase price includes the amount invoiced by the seller, after deduction of any discounts, rebates or other similar items, other costs directly attributable to the acquisition and indirect taxes not recoverable from Spanish taxation authorities.

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 write-down is reversed against profit and 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 write-down is limited to the lower of the cost and the 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.

(k) Cash and cash equivalents

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

As of December 31, 2017, the Group has cash and other equivalent means amounting to 42,043 thousand euros, corresponding mainly to checking current accounts.

(l) Government grants

Government grants are recognised in the balance sheet 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 issue costs of the financial liability and the amount received, is recognised as a government grant based on the nature of the grant awarded.

(m) Employee benefits

(i) Defined benefit plans

The Group includes plans financed through the payment of insurance premiums under defined benefit plans where a legal or constructive obligation exists to directly pay employees the committed benefits when they become payable or to pay further amounts in the event that the insurance company does not pay the employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. Remeasurements of the net defined benefit asset or liability are recognised in other comprehensive income, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

The present value of defined benefit obligations is calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate of the net defined benefit asset or liability is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high-quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

(ii) Defined contributions

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.

(iii) 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.

(iv) Termination benefits

Under current labor legislation, the Group is required to pay termination benefits to employees terminated under certain conditions.

(v) 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.

(n) 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 under provisions for emission allowances for expenses related to the emission of greenhouse gases at the average price of the allowances expected to be received, and is cancelled through the conveyance of the corresponding allowances, including those purchased to cover the shortfall in allowances received free of charge.

(ii) Provision for defined benefit plans

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. Remeasurements of the net defined benefit asset or liability are recognised in other comprehensive income, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

(o) 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.

(p) Income tax

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

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or tax loss for the period.

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

Vidrala, S.A. together with Vidrala Desarrollos, S.A., Aiala Vidrio, S.A. and Inverbeira, Sociedad de Promoción de Empresas, S.A. have filed consolidated tax returns since 1 January 2013.

Also Crisnova Vidrio, S.A. and Castellar Vidrio, S.A. Taxed on a consolidated tax return basis as of January 1, 2015.

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases.

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets, provided that it is probable that sufficient taxable income will be available against which they can be utilised.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets 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 14).

(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.

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

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.

(q) 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.

(r) 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.

(s) 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, defined as strategic business units. The different strategic business units have similar products and services (the manufacture and sale of glass containers), which are managed separately and aggregated by geographical market as they require different market strategies. The bottling and logistics services provided in the United Kingdom (note 1) do not entail a separate segment in that they are considered a complementary service to the manufacture and sale of glass containers. The ordinary income generated by these services represents less than 10% of the Group's total ordinary income.

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

In 2016, as part of the process of integrating the subsidiary Encirc, the Group redefined its operating segments as follows:

- Continental Europe
- United Kingdom & Ireland

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 that this is the most relevant information in the assessment of the profits generated by specific segments in relation to other groups which operate in these businesses.

Details of Group sales and services assigned to each segment by

geographical location of production companies are as follows:

	Thousands of Euros	
	2017	2016
Continental Europe	**513,133**	459,781
United Kingdom & Ireland	**310,064**	313,789
	823,197	773,570

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

Non-current assets a 31 December are as follows:

	Thousands of Euros	
	2017	2016
Continental Europe	**673,699**	419,329
United Kingdom & Ireland	**279,861**	289,059
	953,560	708,388

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			
	2017		2016	
Area/location	**Profit before income tax from continuing operations**	**Profit after income tax**	**Profit before income tax from continuing operations**	**Profit after income tax**
Continental Europe	**88,490**	**74,560**	51,508	43,122
United Kingdom & Ireland	**21,272**	**14,586**	32,734	24,549
	109,762	**89,146**	84,242	67,671

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

	Thousands of Euros			
	2017		2016	
Area / location	**Expenses**	**Income**	**Expenses**	**Income**
Continental Europe	**9,082**	**921**	9,632	979
united Kingdom & Ireland	**302**	**1,043**	144	-
	9,384	**1,964**	9,776	979

Finance costs for the Continental Europe segment include Euros 3,224 thousand (Euros 5,469 thousand in 2016) related to the non current sindicated loan.

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			
	2017		2016	
Area/location	**Continental Europe**	**UK & Ireland**	**Continental Europe**	**UK & Ireland**
Impairment (reversal) of receivables	**501**	**18**	409	-
Impairment of inventory	**(1,262)**	**(531)**	1,684	(2,063)
Changes in provisions	**11,711**	**870**	580	(888)
	10,950	**357**	2,673	(2,951)

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

	Thousands of Euros					
	2017			2016		
Area/location	**Assets**	**Liabilities**	**Investments made**	**Assets**	**Liabilities**	**Investments made**
Continental Europe	**938,249**	**773,782**	**79,700**	641,312	529,186	30,407
United Kingdom & Ireland	**466,650**	**102,981**	**29,168**	454,931	92,123	17,193
	1,404,899	**876,763**	**108,868**	1,096,243	621,309	47,600

Investments for 2017 and 2016 comprise additions of property, plant and equipment (see note 6) and intangible assets (see note 6) and do not reflect the value of emission allowances allocated for the year (see note 6).

The sum of impairment losses and amortisation and depreciation by segments for 2017 and 2016 is as follows:

	Thousands of Euros			
	Depreciation/amortisation			
	2017		2016	
Area/location	**Property, plant and equipment**	**Intangible assets**	**Property, plant and equipment**	**Intangible assets**
Continental Europe	**46,674**	**2,473**	45,884	1,243
United Kingdom & Ireland	**28,944**	**161**	29,302	-
	75,618	**2,634**	75,186	1,243

5. Business combinations

On 26 July 2017, Vidrala, through subsidiary Inverbeira Sociedad de Promoción de Empresas, S.A., entered into purchase-sale agreements for the acquisition of all the shares of Portuguese company Santos Barosa Vidros, S.A.

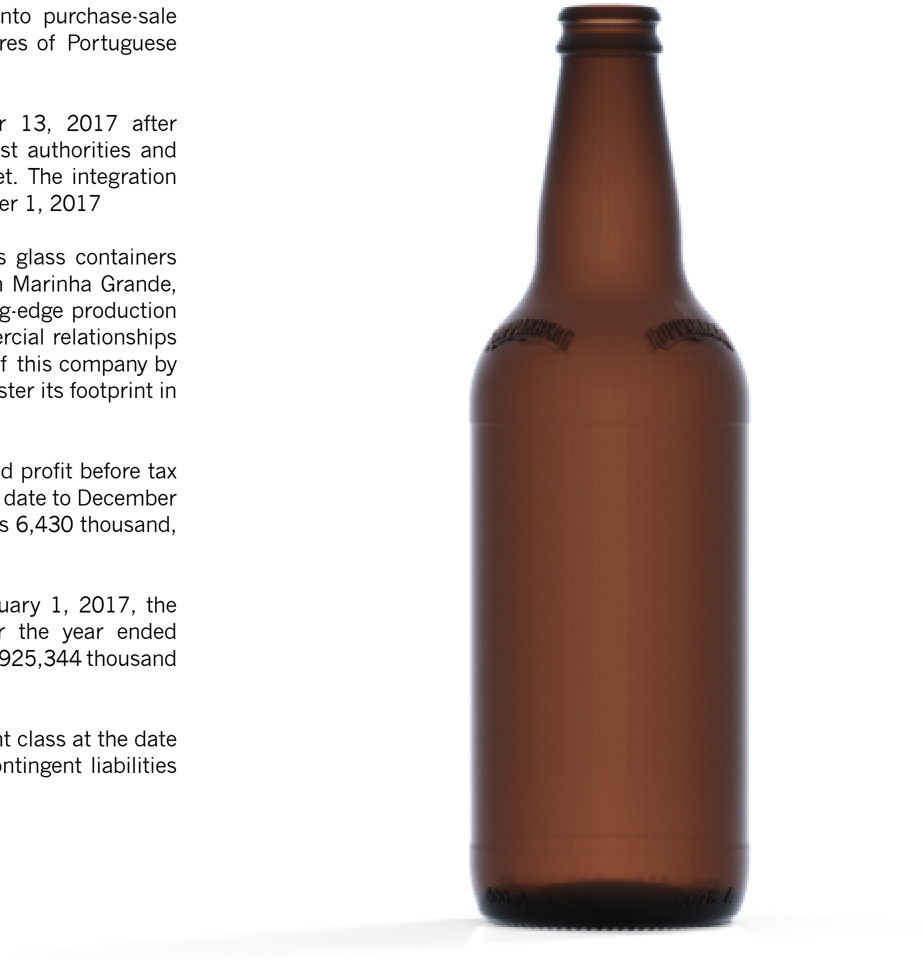
The transaction was completed on October 13, 2017 after clearance was given by the pertinent anti-trust authorities and the rest of the conditions precedent were met. The integration date in the consolidation perimeter was October 1, 2017

Santos Barosa Vidros manufactures and sells glass containers through a major production facility located in Marinha Grande, Portugal. The scale of Santos Barosa's cutting-edge production facilities, its geographic fit and strong commercial relationships with its customers prompted the acquisition of this company by the Vidrala Group as part of its strategy to bolster its footprint in the attractive Iberian glass packaging market.

The business acquired contributed revenue and profit before tax to the Group in the period from the acquisition date to December 31, 2017 of Euros 30,762 thousand and Euros 6,430 thousand, respectively.

Had the acquisition been carried out on January 1, 2017, the Group's consolidated revenue and profit for the year ended December 31, 2017 would have reached Euros 925,344 thousand and Euros 102,889 thousand, respectively.

The amounts recognised in 2017, by significant class at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:



	Thousands of Euros	
	Fair value	**Book value**
Goodwill	150,657	-
Property, plant and equipment	76,170	79,743
Intangible assets	13,664	427
Deferred tax assets	1,784	522
Inventories	11,861	11,861
Other current assets	4,991	4,991
Trade and other receivables	29,682	29,682
Cash and cash equivalents of the acquiree	7,184	7,184
Total assets	**295,993**	**134,410**
Deferred income	-	1,956
Trade and other payables	13,341	13,341
Other non-comercial debts	12,075	12,075
Provisions	2,524	14
Deferred tax liabilities	3,686	11
Other liabilites	18,865	18,865
Total liabilities and contingent liabilities	**50,491**	**46,262**
Total net assets acquired	245,502	88,148
Cash outflow for the acquisition	**245,502**	**-**

The above amount, which was fully paid through new financing obtained for the acquisition (see note 15), comprised the price of the assets and the assumption of all debt.

The cash outflow arising from the acquisition of Santos Barosa Vidros, S.A. is as follows:

	Cash flows from the acquisition
Net cash acquired from the subsidiary	(10,269)
Cash paid	245,502

The total price of the acquisition (Enterprise value) as of October 13, 2017 amounted to 252,709 thousand euros.

Regarding items related to receivables, “Trade and other receivables” includes outstanding balances receivable from third parties net of impairment, while “Other current assets” includes receivables from Public Entities.

The Euros 150 million of goodwill arising on the business combination was due, among other factors, to the synergies with the Parent of the Vidrala Group, mostly cost savings, as the Company has its own sales force that will support the acquiree, and skilled staff that will drive savings in personnel costs.

Expenses derived from the acquisition amounting to 4,185 thousand euros have been recorded against results.

6. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2017 and 2016 are as follows:

	Thousands of Euros						
2017	Balances at 31.12.2016	Additions	Business combination	Disposals	Translation differences	Transfers	**Balances at 31.12.2017**
Cost							
Land and buildings	297,917	5,001	21,286	(2,102)	(3,679)	6,445	**324,868**
Technical installations and machinery	742,445	16,271	43,343	(28,906)	(9,160)	47,566	**811,559**
Moulds	83,863	9,691	2,175	-	(795)	2,303	**97,237**
Furniture	11,494	22	181	(474)	(13)	2	**11,212**
Other property, plant and equipment	3,582	-	230	(72)	-	24	**3,764**
Work in progress	35,389	70,169	8,955	-	(301)	(56,338)	**57,874**
	1,174,690	101,154	76,170	(31,554)	(13,948)	2	**1,306,514**
Depreciation							
Land and buildings	(87,598)	(7,560)	-	1,940	293	-	**(92,925)**
Technical installations and machinery	(417,392)	(56,247)	-	28,661	2,297	-	**(442,681)**
Moulds	(55,807)	(10,406)	-	-	435	-	**(65,778)**
Furniture	(10,789)	(112)	-	467	8	-	**(10,426)**
Other property, plant and equipment	(2,999)	(41)	-	3	-	-	**(3,037)**
	(574,585)	(74,366)	-	31,071	3,033	-	**(614,847)**
Impairment							
Moulds	(7,378)	(1,746)	-	493	-	-	**(8,631)**
Carrying amount	**592,727**						**683,036**

	Thousands of Euros					
2016	Balances at 31.12.2015	Additions	Disposals	Translation differences	Transfers	**Balances at 31.12.2016**
Cost						
Land and buildings	311,488	1,366	(34)	(15,528)	625	**297,917**
Technical installations and machinery	743,430	29,983	(1,440)	(37,753)	8,225	**742,445**
Moulds	76,818	10,723	(504)	(3,174)	-	**83,863**
Furniture	9,427	2,283	(4)	(815)	603	**11,494**
Other property, plant and equipment	3,547	9	-	-	26	**3,582**
Work in progress	29,750	15,542	-	(498)	(9,405)	**35,389**
	1,174,460	59,906	(1,982)	(57,768)	74	**1,174,690**
Depreciation						
Land and buildings	(81,549)	(7,000)	4	947	-	**(87,598)**
Technical installations and machinery	(372,689)	(54,418)	1,455	8,260	-	**(417,392)**
Moulds	(46,790)	(10,459)	-	1,442	-	**(55,807)**
Furniture	(8,552)	(2,318)	1	80	-	**(10,789)**
Other property, plant and equipment	(2,980)	(19)	-	-	-	**(2,999)**
	(512,560)	(74,214)	1,460	10,729	-	**(574,585)**
Impairment						
Moulds	(5,262)	(2,116)	-	-	-	**(7,378)**
Carrying amount	**656,638**					**592,727**

The main additions and transfers for the year correspond to the investment plan for the complete update of the production plant located in Italy.

(a) Government grants received

Deferred income in the consolidated balance sheet includes government grants received for investments made by Group companies in property, plant and equipment. Income pending recognition from these grants amounts to Euros 16,772 thousand at 31 December 2017 (Euros 20,333 thousand at 31 December 2016) (see note 14).

(b) Commitments

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

	Thousands of Euros	
	2017	2016
Technical installations and machinery	**18,963**	33,965

(c) Insurance

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

(d) Fully depreciated assets

At 31 December 2017 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 207 million (Euros 182 million at 31 December 2016).

7. Intangible Assets

Details of intangible assets and movement during 2017 and 2016 are as follows:

	Thousands of Euros							
2017	**R&D expenditure**	**Emission allowances**	**Computer software**	**Work in progress**	**Other Intangible assets**	**Customer portfolio**	**Goodwill**	**Total**
Cost								
Balances at 31 December 2016	2,970	5,494	15,711	359	-	-	59,233	83,767
Additions	21	3,237	2,822	-	6	-	150,657	156,743
Business Combinations	-	154	-	-	273	13.237	-	13,664
Transfers	66	-	(74)	-	6	-	-	(2)
Disposals	-	(5,682)	-	-	-	-	-	(5,682)
Translation differences	-	(8)	(81)	-	-	-	-	(89)
(Balances at 31 December 2017	3,057	3,195	18,378	359	285	13,237	209,890	248,401
Amortisation								
Balances at 31 December 2016	(1,939)	-	(10,585)	-	-	-	-	(12,524)
Additions	(566)	-	(1,040)	-	(9)	(1,018)	-	(2,633)
Disposals	-	-	-	-	-	-	-	-
Balances at 31 December 2017	(2,505)	-	(11,625)	-	(9)	(1,018)	-	(15,157)
Carrying amount								
At 31 December 2016	**1,031**	**5,494**	**5,126**	**359**	**-**	**-**	**59,233**	**71,243**
At 31 December 2017	**552**	**3,195**	**6,753**	**359**	**276**	**12,219**	**209,890**	**233,244**

2016	R&D expenditure	Goodwill	Emission allowances	Computer software	Work in progress	Total
Cost						
Balances at 31 December 2015	2,453	59,233	2,526	11,555	1,661	77,428
Additions	116	-	6,437	4,048	-	10,601
Transfers	401	-	-	204	(679)	(74)
Disposals	-	-	(3,434)	-	(623)	(4,057)
Translation differences	-	-	(35)	(96)	-	(131)
Balances at 31 December 2016	2,970	59,233	5,494	15,711	359	83,767
Amortisation						
Balances at 31 December 2015	(1,618)	-	-	(9,564)	-	(11,182)
Additions	(321)	-	-	(1,021)		(1,342)
Disposals	-	-	-	-	-	-
Balances at 31 December 2016	(1,939)	-	-	(10,585)	-	(12.524)
Carrying amount						
At 31 December 2015	**835**	**59,233**	**2,526**	**1,991**	**1,661**	**66,246**
At 31 December 2016	**1,031**	**59,233**	**5,494**	**5,126**	**359**	**71,243**

(a) 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 that generated the cash, as follows:

Thousands of Euros

Cash Generating Unit	Country	2017	2016
Gallo Vidro	Portugal	20,799	20,799
Castellar Vidrio	Spain	26,155	26,155
Vidrala Italia	Italy	12,279	12,279
Santos Barosa Vidrio	Portugal	150,657	-

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 Vidrala Group carried out its impairment tests using the best information available on the growth of sales and gross margin for each CGU. It used data on past performance of each plant and the best forecasts for market performance and trends in manufacturing costs, as well as outlooks included in industry reports. The average increases in sales and gross margin for the projection period are 2.8% and 0.5%, respectively, which the Group considers reasonable in light of the current market environment.

The discount rates reflect the specific risks of each CGU.

The pre-tax discount rate and the annual growth rate considered for each CGU after the projection period are as follows:

Cash generating unit	Discount rate
Gallo Vidro	7.2%
Castellar Vidrio	6.9%
Vidrala Italia	7.1%

The Vidrala Group also performed a sensitivity analysis of the key assumptions to a reduction in/flat sales and gross margin of +/- 2%. This change in assumptions would not give rise to impairment of any CGU.

The Vidrala Group does not consider any reasonably possible changes in the key assumptions, including the discount rates, that would result in the recognition of impairment of any of its CGUs.

(b) Fully amortised assets

At 31 December 2017, there were fully amortised items of intangible assets still in use with an updated cost of Euros 12 million (Euros 5 million at 31 December 2016).

8. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2017		2016	
	Assets	**Liabilities**	Assets	Liabilities
Hedging derivatives				
Interest rate swaps	**-**	**2,473**	-	5,313
Inflation swaps	**300**	**-**	72	-
Foreign currency options	**-**	**-**	195	-
Energy price options	**4,969**	**-**	6,766	-
Total (note 13)	**5,269**	**2,473**	7,033	5,313

These financial instruments are classified in accordance with categories established in IFRS 13 using the valuation method, input level 2: unquoted prices obtained from observable markets.
SWAPS AND OPTIONS

The Group uses swaps and options on interest rates, inflation, foreign currencies and energy prices to manage its exposure to fluctuations

in these variables.

The fair values of these instruments are determined by direct reference to observable market interest rate curves at the measurement date.

The Group applies hedge accounting to these swap and option contracts.

Interest rate hedging instruments contracted betweem 2015 and 2017 have an accumulated nominal of Euros 426,500 thousand at 31 December 2017. Under these contracts, effective until 2022, the Group will pay a fixed interest rate of between 0.1% and 0.67%

Currency hedging instruments contracted in 2016 have an accumulated nominal of GBP 20,000 thousand at 31 December 2016 Under these contracts, effective until 2017, the Group will receive a fixed rate of between Euros 0.815 and 0.889 per GBP.

The inflation hedging instruments contracted in the year 2017, recorded a cumulative nominal as of December 31, 2017 of 18,500 thousand euros for each of the three years covered until 2019. Through these contracts valid until 2019, the Group is guaranteed a maximum salary increase in certain costs related to salaries that will be between 0.85% and 0.955%.

Energy price hedging instruments have an accumulated nominal of Euros 58,026 thousand at December 31, 2017. As a result of these contracts, effective until 2020, the Group estimates that it has hedged approximately 50% of its expected exposure to fluctuations in energy markets over the aforementioned period.

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

	Thousands of Euros Income/ (Expenses)	
	2017	2016
Other comprehensive income	**(375)**	10,324
Reclassification to finance costs	**1,486**	1,889
	1,111	12,213

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						
	2017						
	Carrying	**Expected**	**Occurrence of cash flows**				
	amount	**cash flows**	**2018**	**2019**	**2020**	**2021**	**2022**
Interest rate swaps	(2,473)	(2,546)	(1,135)	(1,565)	(299)	452	1
Inflation swaps	300	300	43	128	129	-	-
Energy price options	4,969	4,969	3,569	1,191	209	-	-

	Thousands of Euros							
	2016							
	Carrying	**Expected**	**Occurrence of cash flows**					
	amount	**cash flows**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Interest rate swaps	(5,313)	(5,397)	(1,352)	(1,075)	(1,370)	(781)	(481)	(338)
Exchange rate swaps	195	195	195	-	-	-	-	-
Inflation swaps	73	73	73	-	-	-	-	-
Energy price options	6,766	6,766	2,583	3,444	739	-	-	-

9. Income Tax

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

	Thousands of Euros					
Deferred tax assets	**Loans for losses to be offset**	**Provisions for personnel**	**Rights to tax deductions and credits**	**Financial liabilities**	**Other**	**Total**
At 31 December 2015	**6,871**	**297**	**11,817**	**2,931**	**19,944**	**41,860**
(Debit) credit to income statement	(2,211)	43	(1,006)	-	1,553	(1,620)
Debit (credit) to other comprehensive income	-	362	-	(720)	-	(358)
Translation differences	-	-	-	-	(114)	(114)
At 31 December 2016	**4,660**	**702**	**10,811**	**2,211**	**21,383**	**39,768**
(Debit) credit to income statement	(3,112)	28	(2,672)	-	17	(5,739)
Debit (credit) to other comprehensive income	-	-	-	(795)	-	(795)
Business combinations	-	-	-	-	1,784	1,784
Translation differences	-	-	-	-	286	286
At 31 December 2017	**1,548**	**730**	**8,139**	**1,416**	**23,470**	**35,304**

Deferred tax liabilities	Goodwill	Property, plant and equipment	Financial assets	Other	Total
	Thousands of Euros				
At 31 December 2015	**20,624**	**24,565**	**12**	**2,201**	**47,402**
Debit (credit) to income statement	1,140	(514)	-	(3,460)	(2,834)
Debit (credit) to other comprehensive income	-	-	1,701	-	1,701
Translation differences	-	-	-	1,597	1,597
At 31 December 2016	**21,764**	**24,051**	**1,713**	**338**	**47,866**
Debit (credit) to income statement	1,944	4,236	-	(286)	5,894
Debit (credit) to other comprehensive income	-	-	203	(522)	(319)
Translation differences	-	(279)	-	-	(279)
Transfer	(11,733)	-	-	-	(11,733)
Business combinations	-	-	-	3,686	3,686
At 31 December 2017	**11,975**	**28,008**	**1,916**	**3,216**	**45,115**

"Other" includes mainly temporary differences arising on the acquisition of Santos Barosa (see note 5) and of Encirc in 2015. The Directors of the Company consider that the current level of profits ensures the recoverability of the full amount of deferred tax assets.

In 2013 the Company restated its balance sheet in accordance with Law 16/2012 of 27 December 2012, and Regulatory Decree 15/2012 of 28 December 2012 on urgent tax measures applicable to Group companies registered for tax in Alava, which introduced several fiscal measures to consolidate public finances and boost economic activity. Restating its balance sheet, which had no effect for accounting purposes, raised the tax base of property, plant and equipment by Euros 5,991 thousand. Consequently, the Group recognised a deferred tax asset of Euros 1,758 thousand under 'other', with a charge to income tax for 2013, net of the 'one-off tax charge' of Euros 299 thousand.

As permitted by Decree Law 66/2016 published by the Portuguese government on 3 November 2016, the Company revalued certain assets of its Portuguese subsidiary for tax purposes in 2016. As a result of this revaluation, the tax value of the assets has increased by Euros 8,887 thousand, giving rise to a deferred tax asset of Euros 2,311 thousand.

Deferred taxes on items debited/(credited) directly to other comprehensive income in 2017, corresponding to hedging operations, amounted to Euros 311 thousand (Euros 3,420 thousand at 31 December 2016).

Details of the income tax expense are as follows:

	Thousands of Euros 2017	Thousands of Euros 2016
Current tax		
Present year	**10,523**	16,670
Prior year adjustments	**(488)**	83
Deferred tax		
Source and reversal of temporary differences	**6,310**	(129)
Income from reduction in deferred tax liabilities	**2,444**	-
Adjustments for change type of tax	**(520)**	-
Expense for reduction of assets for taxes deferred	**4,440**	2,211
Prior year adjustments	**470**	-
Deferred income taken to income tax (note 14)	**(2,563)**	(2,264)
Total	**20,616**	**16,571**

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

	Thousands of Euros	
	2017	2016
Profit for the year before income tax from continuing operations	**109,762**	84,242
Compensation of negative tax bases from previous years	**(2,536)**	-
Tax calculated at the tax rate of each country	**26,463**	18,943
Deductions for the year	**(1,018)**	(236)
Prior year adjustments	**(149)**	525
Adjustments for changes in tax rate	**(520)**	-
Expense for reduction in deferred tax assets	**4,440**	2,112
Income from reduction in deferred tax liabilities	**-**	-
Deferred income taken to income tax (note 14)	**(2,563)**	(2,264)
Permanent differences	**(6,037)**	(2,509)
Income tax expense	**20,616**	**16,571**

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

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

Permanent differences arise from the application of the tax rate to non-taxable income, which mainly consists of the following:

- In accordance with applicable tax regulations, the Company has applied a 60% reduction to income deriving from the temporary transfer of intangible assets developed by the Company to Group companies for an amount of Euros 5,971 thousand.

- The Company has applied a reduction of 10% of the amount of the increase in its equity for tax purposes compared to the average for the two prior periods for an amount of Euros 4,800 thousand. In this regard, it has apportioned an amount equal to non-distributable reserves for a minimum period of five years, except for the portion of the increase that is incorporated into capital.

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 2017 all main applicable taxes since 31 December 2012 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 2017 consolidated annual accounts taken as a whole.

10. Inventories

Details of inventories are as follows:

	Thousands of Euros 2017	Thousands of Euros 2016
Raw materials	**14,278**	20,811
Auxiliary and production materials	**70,821**	63,387
Finished goods and work in progress	**118,501**	108,753
	203,600	192,951
Impairment	**(13,771)**	(11,978)
	189,829	180,973

At 31 December 2017 and 2016 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 impairment has been recognised under changes in inventories of finished goods and work in progress.

11. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2017	2016
Trade receivables	**204,919**	190,794
Other loans	**8,109**	10,828
Less impairment due to uncollectibility	**(6,647)**	(7,166)
Total	**206,381**	194,456

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

Based on recoverability levels, the Company considers all balances older than 30 days to be past due.

As explained in the note on risks in the directors' report, the level of actual recoverability of matured loans in the past is significant, thus bringing actual uncollectibility to below the aforementioned percentage.

There is no concentration of credit risk as regards trade receivables as the Group has a large number of customers worldwide.

At 31 December 2017 and 2016 the Company has no trade and other receivables discounted at financial institutions.

12. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros	
	2017	2016
Public entities		
Value added tax	**8,946**	8,650
Other items	**181**	184
	9,127	8,834

Details of other current liabilities are as follows:

	Thousands of Euros	
	2017	2016
Public entities		
Value added tax	**10,749**	14,914
Withholdings and payments on account	**5,463**	2,695
Social Security	**3,564**	2,858
Other	**1,078**	844
	20,854	21,311

13. 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 2017 and 2016 is as follows:

Thousands of Euros

	Number of shares outstanding	Ordinary shares	Own shares	Total
At 31 December 2015	**24,794,341**	**25,290**	**-**	**25,290**
Acquisition of own shares	(80,727)	-	(3,757)	(3,757)
Sale of own shares	20,828	-	933	933
At 31 December 2016	**24,734,442**	**25,290**	**(2,824)**	**22,466**
Acquisition of own shares	(70,918)	-	(3,529)	(3,529)
Sale of own shares	64,317	-	3,006	3,006
At 31 December 2017	**24,727,841**	**25,290**	**(3,347)**	**21,943**

At 31 December 2017 and 2016 the share capital of Vidrala, S.A. is represented by 24,794,341 ordinary shares represented by book entries of Euros 1.02 par value each, fully paid and listed on the on the Madrid and Bilbao stock exchanges. No company directly or indirectly holds more than 10% of share capital.

These shares are freely transferable.

At the Vidrala, S.A. Annual Shareholder General Meeting held on 30 May 2017, the shareholders authorised and granted the board of directors the necessary powers to carry out a derivative acquisition of own shares, either directly or indirectly through Group companies, and to reduce share capital, if appropriate, in order to redeem own shares.

The Group manages its capital with the aim of safeguarding its capacity to continue operating as a going concern, so as 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, repurchase or sell own shares, reducing capital if necessary by redeeming own shares, reimburse capital, issue shares or dispose of assets to reduce debt.

The Vidrala Group controls its capital structure using a number of different indicators. One of these is the ratio of equity as a percentage of total equity and liabilities on the consolidated balance sheet, which it endeavours to keep no lower than 20%.

In 2017, as a result of the increase in debt due to the extraordinary financing assumed for the acquisition of Santos Barosa in the year (see note 15), the Group's capital ratios decreased, as shown in the following ratios for 2017 and 2016:

	Thousands of Euros	
	2017	2016
Total equity	**528,136**	474,934
Total equity and liabilities	**1,404,899**	1,096,243
Total equity/total equity and liabilities	**37.59%**	43.32%

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	
	2017	2016
Net financial debt	**487,295**	322,266
Equity	**528,136**	474,934
Debt ratio	**0.92**	0.68

Net financial debt is understood as the sum of current and non-current loans and borrowings, less cash and cash equivalents in the accompanying consolidated balance sheet.

In conclusion, year-end solvency indicators for the Group have strengthened, showing a debt-to-equity ratio of 0.92 (0.68 at the 2016 close) and debt equivalent to 2.2 times accumulated EBITDA (1.89 at the 2016 close). The interest coverage ratio, measured as EBITDA for the year divided by the consolidated net finance cost, is 28.8.

(b) Other reserves

- Revaluation reserve Provincial Law 4/1997

This revaluation reserve comprises the revaluation carried out by the Parent as permitted by Alava Provincial 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.

- Revaluation reserve Decree Law 66/2016

There were changes in this item in 2017.

Euros 2,311 thousand was recognised in revaluation reserves in 2016 comprising the revaluation carried out in the subsidiary Gallo Vidro, S.A., as permitted by Decree Law 66/2016 of 3 November 2016 on the revaluation of commercial assets enacted by the Portuguese government.

- Capitalisation reserve

The capitalisation reserve has been appropriated in accordance with articles 25 and 62 of the Spanish Income Tax Law, which require that an amount equal to the reduction in the tax group's taxable income for the year be appropriated to the reserve. The amount by which the tax group is entitled to reduce taxable income is equal to 10% of the increase in its equity, as defined in the aforementioned article. In no case may this reduction exceed 10% of the tax group's taxable income for the tax period prior to the reduction, before the integration referred to in article 11.12 of the Law and before offsetting tax loss carryforwards. However, if the reduction cannot be applied because the tax group does not generate sufficient taxable income, the outstanding amounts may be applied in the tax periods ending in the two years immediately after the end of the tax period in which the tax group became entitled to the reduction, together with any reduction applicable in that period, subject to the limit indicated. The reserve is restricted and the increase in the tax group's equity must be maintained for a five-year period from the end of the tax period in which the group became entitled to the reduction, unless accounting losses are incurred.

At 31 December 2017 the Group has included a non-distributable capitalisation reserve of Euros 150,671,076.11 within voluntary reserves.

- Legal reserve

The legal reserve has been appropriated in compliance with article 274 of the Revised 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.

(c) Other comprehensive income

Movement in cash flow hedges and the tax effect, is as follows:

	Thousands of Euros		
	Cash flow hedges	**Tax effect**	**Net**
Balances at 31 December 2015	**(10,466)**	**2,931**	**(7,535)**
Income and expenses generated during the year	10,324	(2,891)	7,433
Reclassification to profit or loss	1,889	(529)	1,360
Balances at 31 December 2016	**1,747**	**(489)**	**1,258**
Income and expenses generated during the year	(375)	105	(270)
Reclassification to profit or loss	1,486	(416)	1,070
Balances at 31 December 2017	**2,858**	**(800)**	**2,058**

- Translation differences

Translation differences fully comprise the effect of converting the financial statements of the subsidiary Encirc, the functional currency of which is the Pound Sterling, giving a negative impact for the year of Euros 14,057 thousand deriving from the appreciation of the euro against the pound.

- Defined benefit plans

These fully comprise the cost of defined benefit plans for pensions and other post-employment medical benefits for the subsidiary Encirc, the impact of which on other comprehensive income is Euros 362 thousand (see note 19).

(d) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders in 2017 amounted to Euros 19,827 thousand (Euros 17,853 thousand in 2016), which is equivalent to 80.16 euro cents per share outstanding (72.00 euro cents in 2016). The dividends reflect the distribution of 2016 profit.

The distribution of Company profits and reserves for the year ended 31 December 2016, approved by the shareholders at their annual general meeting held on May 30, 2017, was as follows:

Basis of allocation	Euros
Profit for the year	54,957,207.05
Distribution	
Other reserves	35,130,078.34
Dividend	5,466,311.68
Interim dividend	14,360,817.03
	54,957,207.05

On 21 December 2017 the directors agreed to distribute an interim dividend on 2017 profit of 69.67 euro cents per share to shareholders, totalling Euros 17,225 thousand, which was paid on February 14, 2018.

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 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
Forecast distributable profit for 2016	
Projected profit after income tax to 31.12.2017	
Interim dividend distributed	19,827
Forecast cash flow for the one-year period from 21 December 2017	
Cash and cash equivalents at agreement date	-
Credit facilities available at agreement date	50,944
Projected operating receipts and payments (net)	50,042
Projected cash and cash equivalent balances one year from agreement date	100,986
Credit facilities available (one year later)	**30,706**

The proposed distribution of 2017 profit and other Parent reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

Basis of application	Euros
Profit for the year	121,652,807.75
Distribution	
Other reserves	97,869,198.28
Dividend	6,559,301.59
Interim dividend	17,224,307.88
	121,652,807.75

The proposed distribution of dividends is equivalent to a total unit dividend, including the interim dividend paid, of Euros 0.9619 per share outstanding at the reporting date.

14. Deferred Income

Details of this caption are as follows:

	Thousands of Euros 2017	Thousands of Euros 2016
Capital grants (note 6(a))	**16,772**	20,333
Tax credits for investments	**8,639**	11,202
	25,411	31,535

In 2017 the Group did not incorporate additional capital grants (Euros 3,534 thousand in 2016), of which Euros 3,286 thousand was taken to income during the year (Euros 3,590 thousand in 2016) (see note 22).

Tax credits capitalised in 2004 and 2005 were recorded as deferred income and taken to the income statement in line with the depreciation of the financed assets, in the case of property, plant and equipment, or the recovery of the investments in the case of business combinations. In this regard, during fiscal year 2017 and 2016, 2,563 and 2,264 thousand euros, respectively, have been charged to the profit and loss account as a lower amount of the income tax item (see note 9).

15. Debt with Financial Institutions

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

	Thousands of Euros			
	2017		2016	
	Non-current	**Current**	Non-current	Current
Loans and borrowings	**476,265**	**37,871**	299,689	10,801
Other financial liabilities	**11,554**	**3,255**	10,599	1,275
Accrued interest	**-**	**393**	-	326
	487,819	**41,519**	310,288	12,402

Some of these contracts contain financial covenant clauses. At 31 December 2017 and 2016 the Group complies with these requirements.

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

The terms and conditions of these loans and borrowings are as follows:

			Limit extended/	Thousands of Euros	
Type	Extended	Maturity	nominal amount	Current	Non-current
Loan	2015	2023	440,000	-	401,265
Loan	2014	2018	15,000	15,000	-
Loan	2017	2029	45,000	-	45,000
Credit facility	2010	2018	2,500	-	-
Credit facility	2010	2018	2,500	-	-
Credit facility	2010	2021	30,000	-	30,000
Other short-term credit facilities	2017	2018	99,250	22,871	-
				37,871	**476,265**

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2017	2016
Between 1 and 2 years	**11,498**	23,386
Between 2 and 5 years	**353,696**	166,902
More than 5 years	**122,625**	120,000
	487,819	310,288

On January 12, 2015 Vidrala, S.A. entered into a secure financing agreement for an amount of Euros 465 million, divided into three tranches - a bridge loan, a non-current loan and a revolving credit facility - in order to transitionally fund the acquisition of Encirc Ltd., which was paid on January 14, 2015 through its subsidiary Inverbeira Sociedad Promoción de Empresas, S.A.

With a view to structuring its non-current defined financing model, on March 13, 2015 Vidrala cancelled the aforementioned agreement, refinancing it entirely through a single new non-current syndicated financing agreement with a group of nine financial institutions for an amount of Euros 465 million. The new financing agreement comprised a non-current loan of Euros 440 million, with maturity on March 21, 2021, and a revolving credit facility of up to Euros 25 million.

On December 10, 2015 Vidrala agreed with all of the financial institutions to renew the loan, changing the applicable interest rate.

On November 14, 2016, Vidrala agreed with the financial institutions to further renew the loan, changing the applicable interest rate, the repayment period and maturity date.

On October 11, 2017, this loan was again renewed as agreed previously between Vidrala and the financial institutions on 1 August 2017. The applicable interest rate was maintained, but there were changes to the repayment period and maturity, which was extended to September 13, 2023. The amount was also increased by Euros 150 million, Euros 50 million in a long-term loan and Euros 100 in a revolving credit facility, for the acquisition of Santos Barosa Vidros, S.A. paid out on October 13, 2017 through subsidiary Inverbeira Sociedad Promoción de Empresas, S.A. As the terms of the new loan are not substantially different from the previous one (the percentage difference between the present value of the cash flows of the new financial liability compared to the amended one is 0.1%), it is considered an amendment of the previous loan, rather than an exchange of liabilities (see note 3 (g)).

As a result, the balance of the non-current syndicated loan at year end is Euros 340 million, as early repayments totalling Euros 65 million have been made since the loan was extended. The applicable interest rate on the loan is a variable rate equivalent to Euribor plus a spread of 1.00%, reviewed on an annual basis by tranche based on the evolution of the net debt/consolidated EBITDA ratio. In 2018 the loan will be in a grace period and as such the Company has no obligation to repay the principal. The first repayment of the principal falls due on 13 September 2019 for an amount of Euros 10 million.

The agreement has clauses containing commitments linked to certain stipulations (covenants), typical of agreements of this nature, failure to comply with which could give rise to the early maturity of the financing.

At the date of authorisation for issue of these annual accounts, these commitments have been complied with, as reflected by the results of the following indicators at December 31, 2017:

Net financial debt / consolidated EBITDA: 2.2

Consolidated EBITDA / consolidated net finance cost: 28.8

In addition, in light of planned investments in the production plant in Italy (Vidrala Italia, S.P.A.), on 17 July 2017, Vidrala arranged a long-term Euros 45 million loan with the European Investment Bank ("EIB") falling due on October 23, 2029.

In 2017, new long-term bilateral financing facilities were arranged for an aggregate amount of Euros 30 million and an average duration of 4 years.

Loans and borrowings, including the financing facilities and loans described above, have a combined limit of Euros 634 million and Euros 431 million at December 31, 2017 and 2016, respectively. Consequently, Euros 147 million and Euros 118 million, respectively, were available for draw down at those dates. Furthermore, a limit of Euros 20 million was available in discounting lines in 2017 and 2016, with no amounts having been used at either of the year-end closes.

The average effective interest rates (APR) at the reporting dates for bank borrowings were approximately 1.41% and 1.90% in 2017 and 2016, respectively.

Financial liabilities under this heading comprise debts and payables at amortised cost.

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

Group financial liabilities are measured in Euros.

16. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2017	2016
Trade payables	**168,370**	147,361
Salaries payable	**15,735**	10,938
Dividends to shareholders	**17,225**	14,362
Suppliers of fixed assets	**20,401**	-
Other payables	**1,835**	1,845
	223,566	174,506

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

17. Average Supplier Payment Period. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010

Information on the average Spanish supplier payment period by the Spanish companies in 2017 is as follows:

	Days	
	2017	2016
Average supplier payment period	**68.60**	68.34
Transactions paid ratio	**74.19**	72.83
Transactions payable ratio	**44.59**	46.46
	Amount (Thousands of Euros)	
Total payments made	**170,950**	172,498
Total payments outstanding	**39,816**	35,404

18. Risk Management Policy

BUSINESS RISKS

Risk management at Vidrala involves procedures drawn up by management, overseen by the directors and implemented in the daily running of the organisation.

OPERATIONAL RISK

The Vidrala Group's manufacturing and sales activity, carried out through eight industrial centres, is continuous, intensive and subject to inherent risks linked to routine operations.

In 2017, work continued on the identification, evaluation and monitoring of business risks defined as operational. The aim is to identify potential risks, through continuous review, gain a perspective on their impact and probability of occurrence and, principally, to link each area of operations and each business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

Potential operating risks include the following:

i. Environmental risks

The Vidrala Group declares itself firmly committed to protecting the environment. With this objective in mind, Vidrala implements specific action plans in relation to emissions in the atmosphere, dumping, waste, the consumption of raw materials, energy, water and noise.

Glass manufacturing is an inherently energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. Given the industrial nature of the process, one of management's objectives is to reduce the associated environmental impact. In order to achieve this, specific investments are made to upgrade factory facilities and adapt them to the most efficient technological systems for reducing environmental impacts. Additionally, operating priorities are focused on intensifying the growing use of recycled products as the main raw material for manufacturing glass, the effect of which is twofold as it not only avoids the consumption of natural raw materials, but also contributes to reducing fossil fuel consumption and the resulting pollution.

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this commitment, all the Group's production facilities have ISO 14001:2004 certification, demonstrating that Vidrala operates under a global, externally verified and recognised environmental management system. Furthermore, in keeping with its undertaking to continuous improvement, the implementation and certification of new environmental standards has begun, such as ISO 14064:2012, related to the voluntary declaration of CO_2 emissions, or the ISO 50001:2011 energy management system standard, both of which, CO_2 emissions and energy, are of clear environmental significance in our industrial process.

In addition, Vidrala has a specific commitment to invest in minimising the potential polluting effect of its facilities. Of particular relevance during 2017 in this regard was the conclusion of a major project to install special atmospheric emissions purification systems, called electrostatic precipitators or electrofilters, in all production centres. These installations, which have cost the Group more than Euros 20 million over the last eight years, are aimed exclusively at reducing emissions of particulate pollutants, and are recognised under European legislation as the best currently available technology in this regard. Electrofilters work by attracting and retaining articles generated during the melting process through electrical fields, and reduce typical melting furnace emissions by more than 90%.

The electrofilters installed in Vidrala have been accompanied by systems for purifying SOx emissions, desulfurizers, which have considerably reduced the emission of this pollutant.

As proof of our environmental commitment, Vidrala's advancement towards environmental efficiency is documented in detail in its annual sustainability report published on the Company's website.

ii. Occupational health and safety

Vidrala's daily activity is carried out by some 3,700 employees, the majority of whom work in an industrial or manufacturing environment.

Consequently, the Vidrala Group remains committed to establishing the soundest occupational health and safety measures. This commitment is endorsed by the gradual implementation of occupational health and safety management systems based on OSHAS 18001:2007, which are certified by independent entities accrediting the existence of an internationally recognised management framework.

With a specific view to preventing labour-related accidents, Vidrala implements specific and systematic ongoing staff training and awareness plans. The sustainability report, attached to this report, details the progress of occupational health and safety management indicators. These plans are developed and distributed among all agents involved in the organisation, allowing health and safety trends to be objectively measured and documented, and enabling the actual effectiveness of the processes and controls implemented to be observed, and whether additional corrective measures are needed.

iii. Supply chain risk

Production-intensive, continuous-service industries such as Vidrala's can be vulnerable to risks of distortion in the supply chain.

As regards supply risk affecting key products, materials, installations or technologies for the production process, management initiatives include the continual and specialised search for supply sources and strengthening ties with suppliers, diversifying and forging long-term relationships, establishing ongoing audit and standardisation processes and developing supply alternatives in all relevant areas.

Steps taken to address customer service and product quality risks include the development of a specific departmental area separate from the rest of the organisational areas dedicated exclusively to quality. There is a specific investment project nearing completion that aims to guarantee product quality targets and optimise product quality control through the implementation of state of the art technology across all the Group's facilities.

Concerning inventory risk, the Group systematically carries out a specific and periodic controls to ensure the quality of finished products in the warehouse, and optimise ageing and rotation so that both the volume and value of stocks are balanced to sales forecasts. These controls have resulted in the implementation of automated stock monitoring processes and the subsequent application of specific adaptation, physical and valuation measures, which are giving rise to inventory impairment adjustments in the income statement.

TAX RISK

The Vidrala Group operates on a multinational level through companies that do business in Spain, Portugal, the UK, Ireland, Italy, France and Belgium, and subject to different tax regulations.

Vidrala's tax policy is designed to comply with applicable regulations in all tax jurisdictions where the Group operates, in line with the activity carried out in each. This principle of compliance with tax laws is consistent with the purpose of the business to create sustained value for shareholders, avoid tax risks and seek tax efficiencies in the execution of its business decisions.

Tax risks are understood as the risks arising from the application of tax laws, their interpretation in the framework of the Group's corporate structure or adaption to amendments in tax legislation.

Vidrala has a comprehensive risk management system that includes the main tax risks and control mechanisms. In addition, the Board of Directors' powers include oversight of the tax strategy.

To include these principles of control in the corporate tax planning, Vidrala's practices include:

- Prevention, taking decisions on taxes based on a reasonable and advised interpretation of regulations, avoiding potential disputes in interpretation by using instruments created by the related authorities, such as prior consultation or tax agreements, evaluating investments or transactions with special tax features before performing them and, above all, avoiding the use of opaque or contrived structures, or dealings with companies resident in tax havens or any others designed to avoid paying taxes.

- Cooperation with taxation authorities to find resolutions regarding tax practices in the countries where the Vidrala Group operates, providing information and tax documentation as requested by the taxation authorities promptly and completely, promoting agreement and, ultimately, fostering ongoing dialogue with tax administrations to reduce tax risks and prevent conduct that could give rise to them.

- Reports to the Board of Directors through the Audit and Compliance Committee, providing information on tax policies and criteria applied and on tax implications where material.

FINANCIAL RISK

Global uncertainty in the financial markets and the growing scale of Vidrala's operations expose activities to potentially destabilising elements of an external nature. These financial risks require the implementation of specific control mechanisms.

The management of Vidrala focuses financial risks on the identification, analysis and monitoring of market fluctuations in items that could affect the business's profits. This involves defining systematic measurement, control and monitoring processes to minimise any potential adverse effects and structurally reduce the volatility of results. To hedge certain risks, Vidrala employs, or is in a position to employ, derivative financial instruments the volume and characteristics of which are described in the annual report.

The most relevant financial risks are as follows:

i. Currency risk

Vidrala operates at international level and is therefore exposed to currency risk on transactions in currencies other than the euro.

The current business structure's exposure to currency risk is concentrated mainly in subsidiary Encirc Limited, which operates in the UK and Ireland. With 30.67% of sales and 28.34% of operating profit, or EBITDA, generated in pounds sterling, reporting in euros is exposed to translation risks arising from fluctuations in sterling's exchange rate vis-à-vis the euro. There is also risk in translating cash generated from business in the UK in sterling, as depreciation by the pound could reduce the equivalent value in euros, thereby reducing the cash generated by the business.

To quantify the sensitivity to currency risk, taking 2017 data, average depreciation by sterling of 5% in a full year, ceterus paribus, and assuming the absence of currency hedges, would have an impact of approximately 2% on the Group's consolidated profit and a reduction of approximately 2% in its annual cash flow.

ii. Interest rate risk

Interest rate risk affects the cost of borrowings used to finance the Group's operations. Borrowings contracted at variable interest rates expose Vidrala 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. Vidrala manages interest rate risks in cash flows through interest rate swaps or 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 Vidrala Group obtains long-term variable rate borrowings and swaps them for fixed interest rates. This gives better rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps the Vidrala 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 Vidrala has the right, and the counterparty the obligation, to settle the difference between the variable interest rate and the stipulated 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.

On account of this risk control policy, at the 2017 reporting date Vidrala has interest rate swaps for an accumulated equivalent of Euros 426.5 million, which start and expire progressively until 2022. As a result, it is expected that practically the entire cost to be assumed by the group in the form of interest on the debt during the year 2018 will be insured against fluctuations in the interest rate markets.

iii. Credit risk

The Vidrala Group has specific policies to mitigate the credit risk of receivables. The procedure begins with developing systemised sales authorisation processes for 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 risk limits for each customer, analysing variables such as specific credit metrics, the segment or geographical area in which they operate and preparing individual classifications of ratings typical of evolved credit control systems. In summary, the procedure is done through the creation and maintenance of an internal customer credit rating system.

Furthermore, control of collection risk is intensified with a second level of control involving credit insurance policies with external insurance entities. The aim of these credit insurance policies is to cover the economic impact of eventual situations involving significant amounts where the internal system is ineffective in predicting a risk of default.

In order to demonstrate the collection risk system implemented, Vidrala has subjected the quality of its processes to official external certification. Obtaining this certification, and the resolve to periodically renew it, will guarantee the validity, effectiveness and efficiency of the system in place, and will require formal audits, dynamic monitoring and ongoing improvements.

As a result of the control procedures described during fiscal year 2017, there was no impact of insolvent commercial loans.

Other credit risks: financing, derivative and cash transactions are only carried out with financial institutions 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. Vidrala's policy is to continually monitor and ensure that sufficient resources are available to meet these obligations, maintain internal control processes through follow-ups of budgets and deviations, and implement any necessary contingency plans.

In order to accomplish these objectives, Vidrala prudently manages its liquidity risk by adapting maturities to the maturity of assets to be financed, diversifying the sources of financing used and maintaining the availability of immediate financing.

At 31 December 2017 the Vidrala Group had Euros 160.8 million in immediately available, external undrawn credit, representing 33% of total debt.

v. Debt and solvency

Vidrala had consolidated net financial debt of Euros 487.3 million at 31 December 2017, up Euros 165 million from 31 December 2016. The increase in debt was due to the acquisition of Portuguese company Santos Barosa, for a price of Euros 252.7 million. The amount was paid in full on 13 October 2017, with proceeds from new borrowings. The additional debt was partially offset by the Euros 108.5 million of cash flow generated organically over the course of 2017, of which Euros 87.7 million went to pay down debt.

As a result, the financial solvency indicators at the end of 2017 reflect an indebtedness equivalent to 2.2 times the EBITDA operating result of the last twelve months, pro forma. Despite the disbursement made for the acquisition, the resulting solvency indicator is similar to the average actually registered in the previous year 2016, evidencing the financial capacity of the business and the stability of Vidrala's equity position.

The long-term syndicated financing agreement entered into with a syndicate of nine banks, with an available amount at year-end of Euros 465 million, makes up the bulk of the financing structure. The loan falls due on 13 September 2023, and is gradually repayable from 13 November 2019. There is a grace period on repayment in 2018, with no obligations to repay principal. The average duration of the Group's total financing at the end of 2017 stood at around five years.

This loan has certain covenants requiring the Group to meet certain financial targets, which are typical in these types of contracts. At the reporting date, all the covenants were being met, as shown by the following solvency indicators:

Net financial debt / consolidated EBITDA 2.2x

Consolidated EBITDA / consolidated net finance cost 28.8x

vi. Price risk in energy purchases

Energy consumption, principally natural gas and electricity, represents a significant source of operating costs inherent in Vidrala´s glass production and manufacturing activity. Fluctuations in the variables that determine their prices, represented in the natural volatility of the global energy commodities markets, has a bearing on the profitability of the business.

In order to manage the potential impact of this risk, the Group employs specific control processes to mitigate potential unexpected effects on operating margins that would arise in the event of inflationary tendencies in the market. These measures involve implementing adapted price-setting formulas, continuous monitoring of market variables through dedicated management and control departments and risk control through price hedging strategies, including the contracting of tariffs at fixed prices and the use of derivative hedging instruments.

As a result of this risk control policy, at the 2017 reporting date Vidrala has hedging derivatives on energy commodities for a nominal equivalent of Euros 58 million.

vii. Other risks. Result of the Brexit referendum

Vidrala has strategic business interests in the UK and Ireland through its Encirc Limited division, acquired at the beginning of 2015. Encirc is a manufacturer of glass containers aimed at the domestic food and drinks market in Ireland and the UK, where it operates two plants. It offers a complete range of services, from the manufacture of glass containers to state of the art packaging processes and logistics services.

As a whole, Encirc is eminently domestic, producing glass containers in the UK for sale throughout the British Ireland, including the Republic of Ireland, and the volume of exports outside these regions is immaterial.

On 23 June 2016, the UK voted in a referendum on whether to remain in the European Union, resulting in the now famous Brexit. As a result, a political process has begun to negotiate the terms and conditions of the referendum whose implications are still uncertain.

One immediate effect of the referendum was sterling depreciation against the euro, whose impacts and control measures are outlined in the section on foreign currency risk. Long term, the structural fundamentals of glass packaging demand in the UK remain sound, supported by the region's level of socio-demographic development, the ongoing shift in consumer preferences towards quality products and inherently limited elasticity of demand for food and beverage products. Encirc optimises these market fundamentals thanks to its business positioning, underpinned by the relationships forged with world class customers, a stable market share, a strong competitive positioning backed by cutting-edge industrial facilities and the added value they lend to packaging services, whose unique competitive advantages have been strengthened for owners wishing to export in bulk towards growing demand in the UK.

19. Provisions

Movement in provisions in 2017 and 2016 is as follows:

	Thousands of Euros			
	Emission allowances	**Personnel**	**Other provisions**	**Total**
At 31 December 2016	**5,307**	**5,099**	**1,349**	**11,755**
Charge against profit or loss	4,461	250	-	4,711
Actuarial gains and losses due to changes in financial assumptions	-	(252)	-	(252)
Payments	(4,381)	-	(485)	(4,866)
Business combination	-	1,365	-	1,365
Translation differences	-	(110)	-	(110)
Transfer	-	-	11,733	11,733
At 31 December 2017	**5,387**	**6,352**	**12,597**	**24,336**

	Thousands of Euros			
	Emission allowances	**Personnel**	**Other provisions**	**Total**
At 31 December 2015	**2,481**	**952**	**338**	**3,771**
Charge against profit or loss	3,956	1,569	1,011	6,536
Actuarial gains and losses due to changes in financial assumptions	-	1,308		1,308
Payments	(1,130)	-	-	(1,130)
Other	-	1,270	-	1,270
At 31 December 2016	**5,307**	**5,099**	**1,349**	**11,755**

The provision for emission allowances includes the estimated surrender of emission allowances in 2017 and 2016 measured at the grant date, as described in note 3.

The personnel provision reflects defined benefit plans and other obligations with employees. The Group makes contributions to a defined benefit plan in the UK, which consists of ensuring a pension for retired employees and post-retirement medical coverage. The plan is managed separately from the Company, and defined benefit plans are valued by an independent expert, Xafinity Consulting Limited, pursuant to IAS 19.

20. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 3,460 thousand (Euros 3,794 thousand in 2016). 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.

21. 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 2017 to comply with the Kyoto Protocol and emissions analyses amounted to Euros 70 thousand (Euros 82 thousand in 2016).

Environmental expenses mainly related to waste management incurred during 2017 totalled Euros 2,074 thousand (Euros 816 thousand in 2016).

Environment-related plant investments came to Euros 20,013 thousand (Euros 4,513 thousand in 2016).

22. Revenue and Other Income

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

Details of other income are as follows:

	Thousands of Euros	
	2017	2016
Operating grants	**79**	146
Capital grants taken to income (note 14)	**3,286**	3,590
Grants for emission allowances	**2,361**	2,611
Other income	**2,807**	2,109
	8,533	8,456

23. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2017	2016
External services	**45,196**	35,918
Electricity	**44,077**	39,371
Sales expenses	**77,753**	73,456
Surrender of emission allowances (note 19)	**4,461**	3,956
Taxes	**6,159**	5,716
Impairment and uncollectibility of trade and other payables (note 11)	**(497)**	409
Other operating expenses	**7,412**	7,688
	184,561	166,514

24. Employee Benefits Expense

Details of the employee benefits expense in 2017 and 2016 are as follows:

	Thousands of Euros	
	2017	2016
Salaries, wages and similar	**139,278**	141,081
Contributions to defined contribution plans	**1,430**	243
Other employee benefits	**34,221**	24,807
	174,929	166,131

The average headcount of the Group in 2017 and 2016, distributed by category, is as follows:

	Average headcount	
	2017	2016
Senior management and proxies	**45**	41
Junior management	**386**	296
Administrative staff	**404**	347
Operators	**2,428**	2,365
	3,263	3,049

At 31 December 2017 and 2016 the distribution by gender of Group personnel and directors is as follows:

	Number			
	2017		2016	
	Female	**Male**	Female	Male
Board members	**3**	**8**	3	8
Management	**3**	**42**	3	40
Junior management	**54**	**311**	56	323
Administrative staff	**127**	**278**	118	263
Operators	**198**	**2,126**	202	2,097
	385	**2,765**	382	2,731

25. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	Thousands of Euros	
Finance income	**2017**	2016
Exchange gains	**1,942**	805
Other finance income	**22**	174
Total finance income	**1,964**	979

	Thousands of Euros	
Finance costs	**2017**	2016
Interest on loans and borrowings	**5,034**	6,042
Hedging derivatives	**2,306**	1,889
Exchange losses	**-**	-
Other finance costs	**2,044**	1,845
Total finance costs	**9,384**	9,776

26. 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 13).

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

	Thousands of Euros	
	2017	2016
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	**89,146**	67,671
Weighted average number of ordinary shares outstanding (thousands)	**24,722**	24,728
Basic earnings per share (Euros per share)	**3.61**	2.73

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

	2017	2016
Ordinary shares outstanding at 1 January	**24,734,442**	24,794,341
Effect of own shares	**(11,738)**	(41,282)
Weighted average number of ordinary shares outstanding at 31 December	**24,722,704**	24,753,059

(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.

27. Related Party Balances and Transactions

(a) Commercial transactions

During 2017 and 2016 the Group has not carried out any transactions with related parties vis-á-vis the sale or purchase of goods or the rendering of services.

(b) Related party balances

The Group has no related party balances.

(c) Conflicts of interest concerning the directors

The directors of Vidrala, S.A. and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

(d) Remuneration of key management personnel and directors

Details are as follows:

	Thousands of Euros	
	2017	2016
Salaries and other current remuneration paid to employees, management and directors	**4,295**	2,746

The number of directors as of December 31, 2017 has amounted to 13 people (same number of people in 2016).

Loans to senior managers at 31 December 2017 amounted to Euros 610 thousand (no loans granted to senior managers at 31 December 2016).

(e) Remuneration of the directors of Vidrala

The Company has not extended any amounts to the members of the board of directors of the Parent in respect of guarantees, advances, loans or any pension-related rights. Total remuneration accrued by the board during the year, including salaries, allowances and other items, amounted to Euros 1,451 thousand (Euros 1,227 thousand in 2016).

28. Audit Fees

The firm auditing the annual accounts of the Group has accrued net fees for professional services during the years ended 31 December 2017 and 2016 as follows:

	Thousands of euros 2017
Ernst&Young, S.L.	
Audit services	252
Other services	46
Total EY	**298**

	Thousands of euros 2016
KPMG Auditores, S.L.	
Audit services	182
Other services	25
Total KPMG	**207**

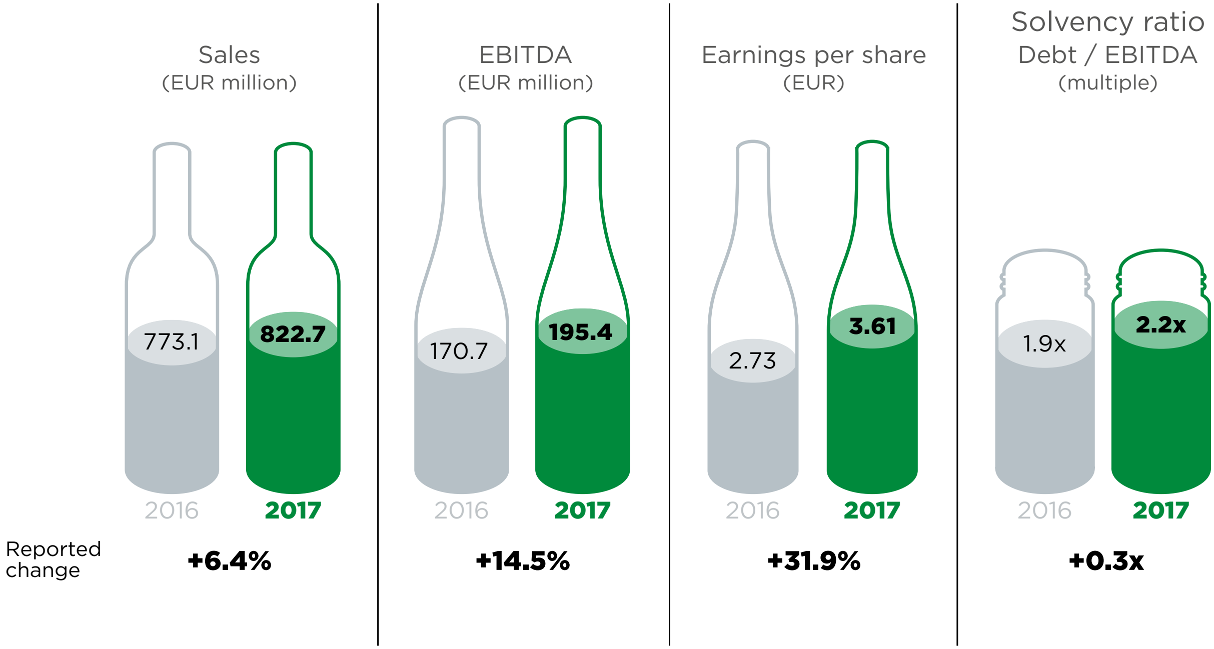
These amounts include all fees for services rendered during 2017 and 2016, irrespective of the date of invoice.

During 2017, other auditors have invoiced the Group audit fees of Euros 106 thousand (Euros 159 thousand in 2016).

	Revaluation reserves	Legal reserve	Voluntary reserves	Reserves in fully consolidated companies	Profit for the year	Total
At 31 December 2015	**-**	**5,234**	**256,997**	**113,923**	**60,860**	**437,014**
Distribution of 2015 profit						
Reserves	-	-	19,127	23,880	(43,007)	-
Dividends	-	-	-	-	(17,853)	(17,853)
Own shares sold	-	-	281	-	-	281
Other movements	2,311	-	-	-	-	2,311
Profit for 2016	-	-	-	-	67,671	67,671
At 31 December 2016	**2,311**	**5,234**	**276,405**	**137,803**	**67,671**	**489,424**
Distribution of 2015 profit						
Reserves	-	-	35,130	12,714	(47,844)	-
Dividends	-	-	-	-	(19,827)	(19,827)
Own shares sold	-	-	164	-	-	164
Profit for 2017	-	-	-	-	89,146	89,146
At 31 December 2017	**2,311**	**5,234**	**311,699**	**150,517**	**89,146**	**558,907**

MANAGEMENT REPORT

MAIN FIGURES



- Sales for the full year 2017 amounted to EUR **822.7** million, showing an organic growth of 5.1% on a like-for-like and constant currency basis.
- Operating profit, EBITDA, was EUR **195.4** million representing an operating margin of **23.8%.**
- Earnings per share grew **32%** over the same period last year.
- Debt at year end stood at **2.2 times** last twelve months proforma **EBITDA.**

Introduction

A CONSUMER'S WORLD

The global population is growing. The United Nations predicts that almost 10 billion people will live on our planet by 2050. Across the globe, more people will increasingly require healthy food and beverages products, safely preserved and globally available through an efficient supply chain. Packaging plays a crucial role in this progress. Without packaging, it would be impossible to distribute food and beverages products from the origin of production to the destiny of consumption. Modern day living, and the wide availability of products we enjoy today, is grounded, in part, on the existence of an efficient packaging supply chain.

In developed regions, like Europe, as modern retail and urbanisation grow, consumers demand more safe and quality food and beverages products, properly preserved and efficiently supplied. As a result, the use of packaging turns out to be more necessary. And consumer trends evolve. It is not simply what we eat and drink, but also where we do it and what we expect the packaging to deliver above traditional experiences. Demand for quality, premiumisation, rising middle classes, more and smaller households, growing interest for sustainability and increasing efforts to reduce waste, eating and drinking more out of home or online retailing are just examples of developments that support future demand for packaging. And glass, as a packaging material, has a key part to play in this evolving consumer world.

SUSTAINABILITY

Packaging can be produced from different materials, in a variety of shapes, sizes and characteristics. Each has a different effect on the environment as a result of the material used to produce, the process of manufacturing and, especially, whether or not it can be recycled. The packaging industry, in particular in developed regions, is constantly working on improving the environmental influence of its products. Glass has unique benefits in this area. It is a product from nature that can be recycled, 100%, an unlimited number of times, without any loss in quantity or quality. Glass has an eternal life. Recycling glass helps the environment, protecting the use of natural resources, saving energy consumption, reducing carbon emissions and eliminating wastes.

And even more. Today, roughly one third of total food and beverages produced globally are not consumed, wasted somewhere across the supply chain. Proper packaging can help reduce this waste and products packaged in glass have a longer shelf life than products packaged in alternative materials.

GLASS

Surveys show that consumers and packagers along the world increasingly prefer glass as the packaging material of choice. Glass packaging is safe, healthy, inert, appealing and can be recycled forever. It protects, preserves and enables efficient distribution of products that require to be consumed in optimal conditions.

Glass also help our customers and brand owners to connect with end consumers, identifying and promoting their goods, acting as a basic marketing tool and an iconic representation of the product inside.

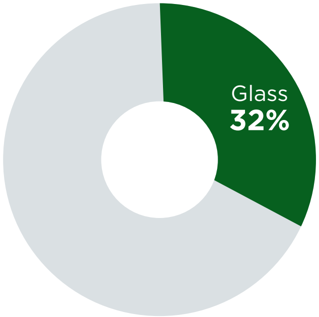
OUR MARKET

Under this context, more than 50 billion glass containers for food and beverages were sold in Western Europe during 2017. It represents an increase of approximately 3% compared to the previous year. Sustained growth to the stimulus of the economic dynamism, favorable consumption trends, tourism in southern regions or the increase of the imports of products in bulk and of the activities of domestic packaging in the United Kingdom.

Vidrala has answered to the challenge of this growing demand. On the basis of a firm focus on customer service, we have progressed in our vision to consolidate ourselves as a reference glass container supplier, whose mission is to consolidate long-term and sustainable commercial relationships with customers that are our main value.

THE RIGID PACKAGING MARKET FOR FOOD AND BEVERAGES PRODUCTS

Glass market share in Western Europe, 2017

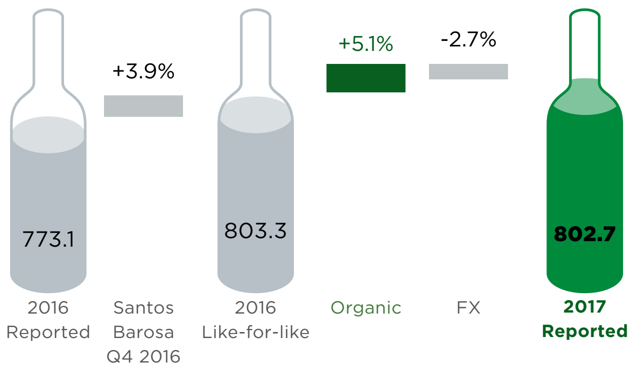


Earnings performance

SALES

Sales reported by Vidrala during the full year 2017 amounted to EUR 822.7 million, an increase of 6.4% over the previous year. On a constant currency and like-for-like basis, sales reflected an organic growth of 5.1%. See below detailed variations.

SALES
Year over year change, EUR million

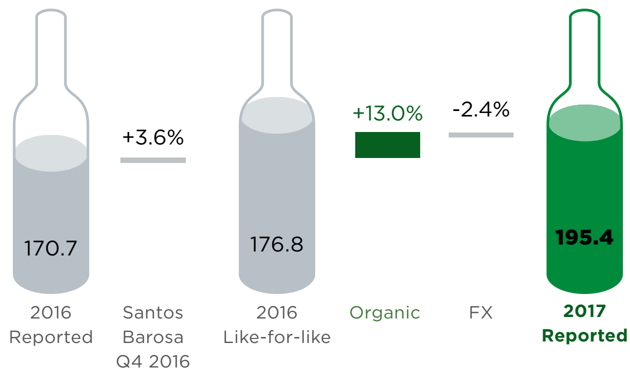


OPERATING RESULTS

Operating profit –EBITDA– obtained in 2017 reached EUR 195.4 million, an increase of 14.5% over the figure reported last year. Organic growth, on a like-for-like and constant currency basis, was 13.0%.

EBITDA

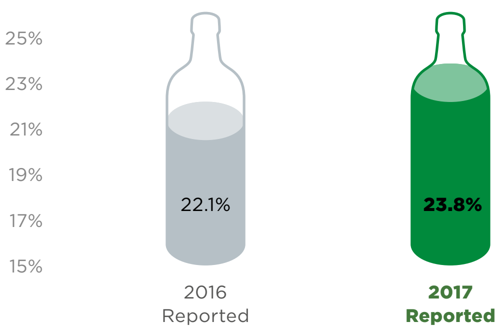
Year over year change, EUR million



EBITDA margins stood at 23.8%, expanded 170 basis points in comparison with the prior year.

OPERATING MARGINS (EBITDA)

Year over year change, as percentage of sales



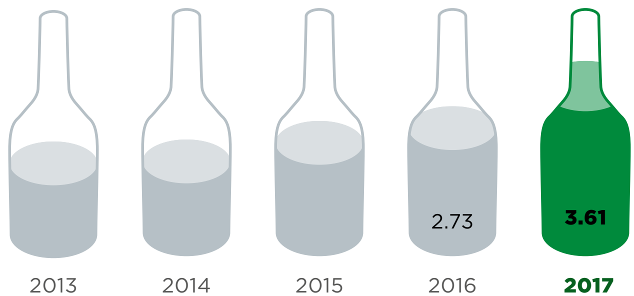
RESULTS AND FINANCIAL POSITION

Net profit for the full year 2017 was EUR 89.1 million, after recording net financial expenses equivalent to 0.9% over sales and an effective tax rate of 18.8% over profits.

As a result, earnings for 2017 reached EUR 3.61 per share, an increase of 31.9% over the previous year.

EARNINGS PER SHARE

Since 2013, EUR per share

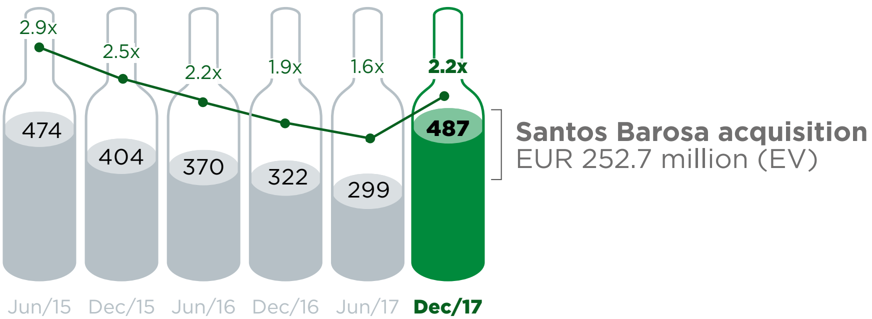


Net debt at year-end stood at EUR 487.3 million, reflecting a leverage ratio of 2.2 times last twelve months proforma EBITDA.

Free cash flow generated during the year, prior to the disbursement of funds for the acquisition of Santos Barosa, amounted to EUR 108.5 million.

DEBT

Six-monthly evolution since 2015
Debt in EUR million and times EBITDA



Conclusions

During 2017, Vidrala has advanced on its long-term business strategy. Beyond the organic improvement of the business evidenced in the reported figures, the Group took a strategic step with the acquisition of Santos Barosa.

The overall growth in results exhibited in 2017 reflected a development of the business consistent with the strategic guidelines and a positive contribution of the immediately accretive acquisition of Santos Barosa.

All in, Vidrala progresses, consolidating itself as a larger multinational company, supported by strongly competitive positions along strategic regions that are grounded in a firm focus on strengthening customer relationships, the “raison d’être” of the business.

Manufacturing facilities of Santos Barosa at Marinha Grande, Portugal.

Business outlook

The food and beverages market is large and growing. This progress is consistent with global expanding sociodemographics and consumer trends that are evolving in accordance with modern lifestyles.

Demand for glass containers in our areas of activity is playing its part in that growth. This responds to the above mentioned global consumer trends, expanding regional economies and, more relevant, the growing preferences of packers and consumers towards glass, a packaging material of choice.

Under this context, Vidrala's turnover for 2018 should remain stable supported, in part, in the broadly positive macroeconomic estimates in our regions of activity. At an operational level, management priorities inside Vidrala will remain focused on internal actions aimed at improving customer service, progressing in manufacturing efficiency, materializing the synergies expected from the recent acquisition and, as a result, reinforcing operating margins. Consequently, considering the effect from a full year contribution of the acquiree Santos Barosa, earnings should be expected to grow in 2018.

In any case, the long-term strategic guidelines will remain intact. This means managing the balance between customer focus, competitiveness, industrial investments and, as an unwaiving guarantee for the future, optimal cash generation and efficient capital structures. We are strengthening today the foundations of our business, creating a solid platform for the future.

Relevant information for shareholders

The shareholder remuneration policy implemented by Vidrala is based on the gradual growth in cash dividends as the main way of distributing benefits. Annual payments are typically increased by attendance bonuses to the shareholders' annual general meeting.

Consistent with that policy, cash dividends distributed during the year 2017 amounted to EUR 80.16 cents per share. This represents an increase of 11.3% over the prior year. In addition, EUR 3.00 cents per share were offered as attendance bonus to the general meeting, accumulating an annual cash distribution of EUR 83.16 cents per share.

Regarding the dividend payments for 2018, Vidrala has proposed a results distribution that represents an increase in the annual dividend of 20%. The first interim payment was paid on February 14, 2018 for EUR 69.67 cents per share. A second complementary payment is proposed to be paid on July 13, 2018 for an amount EUR 26.52 cents per share. Additionally, EUR 4.00 cents per share will be offered as attendance bonus to the general meeting. Overall, cash remuneration during 2018 will accumulate EUR 1.0019 per share.

2018 TOTAL REMUNERATION

Proposed 2017 results distribution, to be approved at the AGM

EUR 1.0019 per share

EUR 0.9619 per share as dividends

+20% versus previus year

EUR 0.6967 per share

First interim cash dividend, payment February 14, 2018

EUR 0.2652 per share

Complementary cash dividend, payment July 13, 2018

EUR 0.04 per share

as AGM attendance bonus

SHAREHOLDERS' REMUNERATION

CASH DIVIDENDS AND AGM ATTENDANCE BONUSES

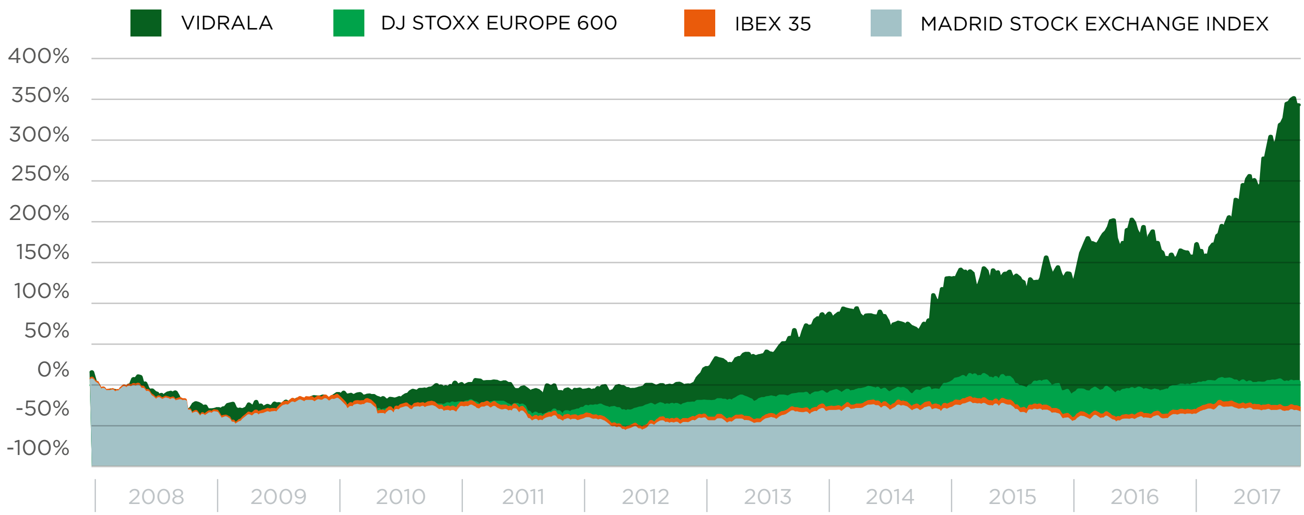
EUR million, since 2000

Share performance

The share price closed 2017 at EUR 84.65, equivalent to a market capitalisation at the end of the year of EUR 2,099 million.

SHARE PRICE

Comparative performance in percentage terms, last 10 years, base 2008



	2017
Price at the end of the period (EUR)	**84.65**
Market capitalisation (EUR million)	**2,099**

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

Vidrala, through nine production centres, carries out a continuous production-intensive industrial manufacturing activity that is subject to inherent risks linked to routine operations.

In this respect, during the year 2017, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and, principally, to link each area of operations and each business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

Potential operating risks include the following:

I. Environmental risks

The Vidrala Group declares itself firmly committed to protecting the environment. In order to minimise the impact on the environment, Vidrala implements specific action plans in relation to emissions in 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 the primary management objectives is to reduce contaminating emissions. In order to do this, specific investments are made to upgrade factory facilities and adapt them to the most efficient technological systems for reducing environmental impacts. Additionally, operating priorities are focused on the growing use of recycled products as the main raw material for manufacturing glass, which not only avoids the consumption of natural raw materials but also contributes to reducing energy consumption and emissions volumes.

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this commitment, all Group's production facilities have ISO 14001:2004 certification, demonstrating that Vidrala operates under the guidelines of a global, verified and recognised environmental management system. Furthermore, in line with its undertaking to continuous improvement, the implementation and certification of new environmental standards has begun, such as ISO 14064:2012, related to the voluntary declaration of CO_2 emissions, or the ISO 50001:2011 energy management system standard, both of which, CO_2 emissions and energy, are of clear environmental significance in our industrial process.

In addition, Vidrala maintains an investment commitment specifically designed to minimise the potential pollutant effect of its facilities. Of special importance during 2017, this concrete effort has materialised in the conclusion of an extensive investment project developed for the installation, in all the production centers, of special systems of purification of atmospheric emissions, denominated electrostatic precipitators or electrofilters. These installations, whose accumulated investment throughout the group amounted to more than EUR 20 million in the last eight years, are aimed at reducing emissions of pollutant particles and are recognized as the best technology available for this purpose by the European legislation. The installed electrofilters act to retain the particles generated in the melting process by attracting them through electric fields, reducing the usual emissions of glass melting furnaces by more than 90%. The electrofilters installed in Vidrala have been accompanied by systems for purifying SOx emissions, desulfurizers, which have considerably reduced the emission of this pollutant.

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

II. Occupational health and safety

The activity developed by Vidrala is cemented in the daily work of the 3,700 people employed in the group, most of which operate in a context of industrial or manufacturing work.

In this sense, the Vidrala group remains determined to establish the most effective measures of prevention and protection against occupational accidents. This commitment is evidenced by the progressive implementation of occupational health and safety systems, based on the OSHAS 18001:2007 standard, which are certified by independent entities accrediting the existence of an internationally recognized management framework.

With the aim of preventing labour-related accidents and, more relevant, with the guideline to improve health and well-being at work, Vidrala implements specific and systematic ongoing staff training and awareness plans. The sustainability report, appended to this report, details the evolution of the indicators linked to the management of occupational risk prevention. These plans are developed and disseminated among all the agents involved in the organisation, and allow the business to objectively document the trend in occupational safety indicators and, consequently, the actual effectiveness of the implemented control processes, evidencing whether additional corrective measures are necessary.

III. Supply chain risk

Production-intensive, continuous-service industries such as Vidrala's can be vulnerable to risks of distortion in the supply chain.

With regard to supply risk affecting key assets or products for the production process, management initiatives include the continual and specialised search for supply sources and strengthening ties with suppliers, diversifying and forging long-term relationships, establishing ongoing audit and standardisation processes and developing supply alternatives in all relevant areas.

Steps taken to address customer service and product quality risks include the development of a specific departmental area, separate from the rest of the organisational areas dedicated exclusively to quality. Specific investments are being made across all the Group's facilities to guarantee quality targets and optimise product quality control in production plants through implementation of the latest available technological advances.

Concerning inventory risk, the Group systematically carries out specific and periodic control measures to ensure the quality of finished products in the warehouse, to optimise ageing and rotation so that stocks, both in volume and value, are balanced to sales forecasts. These controls have resulted in the implementation of automated stock monitoring processes and the subsequent application of specific physical and valuation measures.

FISCAL RISK

The Vidrala Group operates in a multinational environment, through companies with activities in Spain, Portugal, the United Kingdom, Ireland, Italy, France and Belgium, subject to different tax regulations.

The purpose of Vidrala's fiscal policy is to ensure compliance with applicable regulations in all the tax territories in which the Group operates. That respect for tax regulations is developed in coherence with the purpose of the business, that is to create value in a sustained manner for the shareholder, avoiding tax risks and seeking fiscal efficiencies in the execution of business decisions.

Under tax risks we include those potentially derived from the application of aforementioned regulations, the interpretation thereof within the framework of the Group's corporate structure or the adaptation to tax modifications that may occur.

For its monitoring, Vidrala has a comprehensive risk management system that includes the relevant fiscal risks and the mechanisms for its control. Likewise, the Board of Directors assumes among its powers the supervision of the fiscal strategy.

In order to incorporate the indicated control principles into corporate tax planning, Vidrala assumes among its practices:

Prevention, adopting decisions on tax matters based on a reasonable and advised interpretation of the regulations, avoiding possible conflicts of interpretation through the use of instruments established by the relevant authorities such as prior consultations or tax agreements, evaluating in advance the investments or operations that present a special fiscal particularity and, above all, avoiding the use of opaque or artificial structures, as well as operations with companies resident in tax havens or any others that have the purpose of avoiding tax burdens.

Collaboration with tax administrations in the search for solutions regarding tax practices in the countries in which the Vidrala Group is present, providing information and tax documentation when requested by the tax authorities, in the shortest possible time and a fully manner, strengthening agreements and, finally, encouraging a continuous dialogue with tax administrations in order to reduce fiscal risks and prevent behaviors likely to generate them.

Information to the Board of Directors, through the Audit and Compliance Committee, providing information on the fiscal policies and criteria applied and reporting on tax consequences when they are a relevant factor.

FINANCIAL RISK

Global uncertainty in the financial markets and the growing scale of Vidrala's operations expose the Group 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 affect the business's profits. This involves defining systematic measurement, control and monitoring processes to minimise any potential adverse effects and structurally reduce the volatility of results. To hedge certain risks, the Group employs, or is in a position to employ, derivative financial instruments which are described 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.

Currency risk affecting the Group's present structure arise, mainly, from the risks inherent in the global expansion of the Group after the incorporation of Encirc Ltd. in 2015, whose business is largely conducted in Pounds Sterling. In order to quantify the sensitivity to the currency at a consolidated level, as a result of the above, 30.67% of sales and 28.34% of operating income, EBITDA, is generated in Pounds Sterling, which may be affected by fluctuations in this currency against the Euro. There is also a risk of translating cash generated by the acquired business in Pounds Sterling to Euros, to repay a debt that was acquired in Euros. The depreciation of the Pound Sterling against the Euro could reduce its equivalent value in Euros, thus reducing cash.

Quantifying currency risk based on 2017 data, if the Pound Sterling depreciated against the Euro by an average of 5% over a year, without considering any hedging or insurance instruments, and the remaining variables remained constant, consolidated profit of the group would be affected by approximately 2%, and ıal cash flow would be reduced by approximately 2%.

II. Interest rate risk

Interest rate risk affects the cost of borrowings used to finance the Group's operations. 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 interest rate swaps or caps. These instruments convert variable-rate borrowings to fixed-rate in the case of swaps, or limit the cost of variable interest rates in the case of caps. Generally the Group obtains long-term variable rate borrowings and swaps them for fixed interest rates. This normally give better 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.

As a result of this risk control policy, at the end of 2017, Vidrala has contracted interest rate hedging instruments in the form of interest rate swaps for an accumulated value of EUR 426.5 million, with progressive maturities up to 2022. As a result, it is expected that almost the entire cost to be borne by the group in 2018 in the form of interest on debt will be secured against fluctuations in interest rate markets.

III. 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 risk limits for each customer considering variables such as specific credit metrics, the segment or geographical area in which they operate and preparing detailed individual ratings typical of evolved credit control systems, using a proprietary rating system.

Furthermore, control of collection risk is intensified with a second level of control through policies of repeat contracting of credit insurance with external insurance policies to cover the impact of any bad debts.

As a result of its credit risk control systems, the Vidrala Group obtained official external certification for its credit management processes. Obtaining this certification, and the resolve to periodically renew it, will allow for independent expert verification of the validity, effectiveness and efficiency of the system in place, and will require formal audits, dynamic monitoring and ongoing improvements.

As a result of the control procedures described above, there was no impact of bad trade debts in 2017.

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 continually monitor and ensure that sufficient resources are available to meet these obligations, maintain internal control processes through follow-ups of 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 to the financed assets, diversifying the sources of financing used and maintaining the availability of immediate financing.

At 31 December, 2017 the Group had EUR 160.8 million in immediately available, undrawn credit, representing 33% of total debt.

V. Debt and solvency

At the 2017 reporting date, Vidrala's consolidated debt amounted to EUR 487.3 million, an increase of EUR 165 million. This increase is mainly due to the acquisition of Santos Barosa, whose enterprise value (EV) amounted to EUR 252.7 million paid on October 13, 2017 and fully financed with new debt. This additional leverage was partially offset by an organic free cash flow generation accumulated in the period of EUR 108.5 million, of which EUR 87.7 million were allocated to debt reduction.

As a result, indicators of financial solvency at year-end reflect a leverage of 2.2 times last twelve months pro forma EBITDA. Despite the payment made for the acquisition, the resulting solvency indicator is similar to the average actually recorded in the previous year 2016, evidencing the financial capacity of the business and the stability of Vidrala's financial position.

The core of the financing structure is concentrated in a long-term syndicated financing agreement, signed by a selected group of nine financing entities, for an amount in force at the end of the year of EUR 405 million. Its maturity date is September 13, 2023, being progressively amortizable from September 13, 2019. Consequently, during 2018 the financing will be in a grace period with no obligations to repay the loan principal. The total average duration of the group's financing at the close of fiscal year 2017 is around five years.

The mentioned loan contract contains certain covenants, mainly in relation to the net debt to EBITDA ratio. All these covenants had been met at December 31, 2017:

Leverage ratio (FND/EBITDA): 2.2x

Consolidated proforma EBITDA / Net Financial Result: 28.8x

VI. Price risk in purchases of energy and raw materials

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

Volatility in the variables affecting prices has a bearing on the profitability of a business. Risk management is based on establishing processes to mitigate potential unforeseen effects on margins. These measures consist of the implementation of adapted price-setting formulas, the continuous monitoring of market variables through specifically dedicated departments and risk control through price hedging strategies, including the contracting of tariffs at fixed prices and the use of derivative hedging instruments.

At the 2017 closing date, Vidrala had contracted energy commodity derivatives to hedge the price for a nominal amount equivalent to EUR 58 million.

VII. Other risks: UK negotiations to exit from the European Union

Vidrala maintains strategic business activities in the United Kingdom and Ireland through Encirc Ltd., acquired in early 2015. Encirc is a glass packaging manufacturer aimed at supplying domestic demand for food and beverage products in Ireland and the United Kingdom, where it operates two plants from which it offers a complete range of services including, in addition to the manufacture of glass containers, packaging processes of the latest technology and logistical services.

Overall, Encirc's business is primarily domestic, producing glass containers in the United Kingdom for marketing throughout the British Isles, including the Republic of Ireland, with the volume of exports being immaterial outside these regions.

On June 23, 2016 a referendum was held in the United Kingdom on its stay in the European Union, which resulted in a decision to depart. As a consequence, a political process has been opened to negotiate the conditions of the referendum, whose implications are still uncertain.

As an immediate effect, the result of the referendum triggered the devaluation of the Pound Sterling, with respect to the Euro, whose effects and control measures have been detailed in the section corresponding to foreign exchange risk. In the long term, the structural demand fundamentals for glass containers in the United Kingdom remain stable, supported by the degree of sociodemographic development of the region, consumer preferences increasingly directed towards quality products and the limited variability of demand for food and beverage products. Encirc optimizes these market fundamentals thanks to a business positioning endorsed in the relationships developed with world-class clients, the stability of its market share, the competitiveness supported in its modern industrial facilities and the added value provided by the offer of packaging services, whose competitive advantages for those owners interested in bulk exports towards the growing demand of the United Kingdom has been reinforced.

SUSTAINABILITY REPORT

I. Introduction to the Report

For almost a decade, Vidrala has published its Sustainability Report, which reflects the key results related to the most important aspects of its activity. When this document was first created many years ago, it had a purely environmental profile. However over recent years it has evolved to be able to respond to demands for information from its stakeholders. Vidrala decided that internationally recognised standards, such as ISO 14001:2015, ISO 22000, OHSAS 18001, GRI (Global Reporting Initiative) standards, the principles of the Global Compact and the *Directive on the disclosure of non-financial information and diversity*, should be used as the benchmarks in an attempt to respond to these demands.

Since the publication of the first report, Vidrala has undergone significant growth in scale. The growth has been particularly significant over the last five years, with a firm focus on ensuring the growth is it both sustained and sustainable. Vidrala has gone from being a local bottle factory to a multi-site, international organisation. The driving force behind this growth has been Vidrala's unwavering pursuit of finding new ways to create the best product, satisfy its customers, and take care of the environment and its people, as set out in the *Vidrala Group's Occupational Risk Prevention and Environmental Policy document.* These principles govern the daily activities of Vidrala and also the structure this report.

Vidrala's 2017 Sustainability Report reflects the performance of the company in the field of sustainability with facts and figures, particularly with regard to environmental and social matters. Every year, Vidrala makes a commitment to the stakeholders that make up its value chain, by communicating its management results, the objectives that have been achieved, the challenges to be met and the expectations of the organisation.

II. Glass and the Circular Economy

The *Europa 2020 Strategy* is the main tool promoted by the European Union, the key aim of which is to remedy the shortcomings of the current growth model and to create conducive conditions for a different, smarter, more sustainable and inclusive type of growth.

This strategy should allow the European Union to achieve smart growth through the development of knowledge and innovation - sustainable growth based on a "greener", more resource-efficient and competitive economy and inclusive growth aimed at strengthening employment, social and territorial cohesion.

Both the strategy itself and the *"Roadmap to a resource-efficient Europe"* initiative include the objectives and means to transform the current economy, based on the intensive use of resources, into a new growth model based on the efficient use of resources. The European Commission has developed an *Action Plan for the Circular Economy along these lines.*

The Circular Economy presents opportunities that the glass manufacturing sector has been able to integrate in a natural way for years.

These include:

- The efficient use of natural resources (including the incorporation of secondary raw materials) and energy.
- More sustainable product design.
- The adoption of the best technologies to reduce emissions.
- The commitment to consumers for the appropriate use and management at the end of the product's lifecycle (glass collection and recycling systems).
- A commitment to creating employment and economic development locally.

Glass is 100% recyclable and it can be recycled an infinite number of times without losing any of its intrinsic properties, either in terms of quantity or quality. In order to close the material cycle, it is necessary to raise awareness in society. In addition, thanks to its recycling, the use of raw materials and energy is minimised and CO_2 emissions are reduced.

Evidence of this contribution to the Circular Economy is reflected in the document *"Contribución Económica, Ambiental y Social del sector del vidrio en España – Vidrio España y la economía circular. Balance 2014/2016"* (Economic, Environmental and Social Contribution of the glass sector in Spain · Spanish glass and the circular economy. 2014/2016 Balance), in which Vidrala played a part as a member of ANFEVI (Spanish Association of Glass Container Manufacturers) by providing information about its plants in Spain (Aiala Vidrio, Castellar Vidrio and Crisnova).

The collaboration through ANFEVI or through other organisations that encourage the use of glass is a commitment by Vidrala to the sector, aimed at promoting more sustainable behaviour and fostering knowledge about the industry. **By doing so, the Vidrala Group integrates the concerns of different organisations and institutions regarding the promotion of the circular economy in order to turn it into a real model of more sustainable production.**

CREATING VALUE AND FUTURE IN A SUSTAINABLE WAY

vidrala

VIDRALA IN 2017

OVER **3,700** EMPLOYEES

OVER **90,000** HOURS OF TRAINING IN 2017

9 MANUFACTURING SITES

21 FURNACES

ALMOST **8.0 BILLION** CONTAINERS PRODUCED PER YEAR

51% USE OF RECYCLED GLASS

OVER **1,600** CUSTOMERS

INVESTMENT IN OUR FACILITIES **OVER EUR 300 MILLION** IN THE LAST 5 YEARS

-5% CO_2 EMISSIONS

-11% GENERATED WASTE

-16% NO_x EMISSIONS

IV. Sustainability as a fundamental value

The 2030 Agenda and Sustainable Development Goals (SDGs). The planet is currently facing enormous economic, social and environmental challenges. In order to combat them, the international community has established a new roadmap for the coming years, which was adopted in 2015 by member countries of the United Nations. The roadmap's most recognized content is the 17 Sustainable Development Goals (SDGs), which translate into 169 goals covering social, environmental and economic aspects.

THE ROLE OF COMPANIES

The Global Compact as a UN initiative for private sector business sustainability is a catalyst for the efforts of companies and organisations in achieving the SDGs. A new paradigm for action and collaboration is opening up for public and private entities. It is not possible to achieve business success without a sustainable environment. At the same time, development at a local or international level requires the active presence and participation of companies. This binomial draws a new dimension of corporate social responsibility that is calling for change. According to the 2030 Agenda document, "Our journey will involve Governments as well as Parliaments, the UN system and other international institutions, local authorities, indigenous peoples, civil society, business and the private sector, the scientific and academic community – and all people". Source: Global Compact's Spanish Network (www.pactomundial.org).

The contribution of companies can be approached from three approaches that are not mutually exclusive and provide different returns:

1. The development of philanthropic actions, not related to the company's activities, by which it seeks to improve the social and environmental conditions of the environments in which the company does or does not operate.

2. The implementation of initiatives related to the operations of the organisation in order to reduce and eliminate negative impacts and enhance those that are positive for stakeholders.

3. The development of innovative products and services, within the framework of the company's sector of activity, which contribute to the goals established for the SDGs, while generating new business opportunities.

VIDRALA'S ROLE

In the case of Vidrala, none of these approaches has been excluded and the activities carried out for each of them are set out in this document, which may be summarised as follows:

- Conception and design of more sustainable (lighter) products.
- Efficient use of natural resources, through the incorporation of cullet as a raw material.
- Efficient use of energy, mainly natural gas.
- Reduction of atmospheric emissions and waste through the adoption of efficient treatment technologies.
- Implementation of the Industry 4.0.
- Awareness-raising and public awareness.

V. Creating value with glass

Vidrala is committed to placing people, customers and suppliers at the heart of its management strategy. It is important that the strategy makes best use of the abilities of Vidrala's team, continually evolving and developing to meet the needs of its major stakeholders, in a way that also generates of value for the environment. For the organization, working with glass is a commitment to the material that best represents the values of the company:

- **Transparent, as a link to customers and shareholders.**
- **Sustainable, as a commitment to the environment.**
- **Tough, as a commitment to innovation and continuous improvement.**
- **Noble, like the teams of people and their development.**

Vidrala's success is formalised in a mission that has been developed since 1965, growing as a team, making essential tools out of innovation and continuous improvement in order to be a leading supplier in sustainable packaging solutions. Vidrala's success is based on the satisfaction of its customers and employees, on optimal operational performance and profitability and continuous re-investment.

EXCELLENCE AT WORK

For the Vidrala Group, success is demonstrated by being one of the organisations with the greatest influence and recent growth in the sector. After consolidating growth in previous years, 2017 ended with the addition of a new plant in Portugal. This expansion is not just about making more glass. Vidrala wants to offer a better response to its customers, manufacture in a more efficient way and promote local development in the areas where its plants are located. For this reason, formalising this step in Portugal is a source of satisfaction in continuing to excel in these areas. This operational excellence is part of a vocation to fully serve our stakeholders. The aim is to strengthen an industrial management system that optimises processes by increasing their efficiency and effectiveness and improving the level of service at a competitive cost. Thanks to this, the Group is able to enhance the degree of improvement linked to operational differences between plants. This is all achieved through promoting a systematic approach to improving operations, which is capable of responding to the challenges posed by an increasingly global, volatile and complex market.

VIDRALA AND TECHNOLOGY FOR ZERO DEFECT PRODUCTION

For the Vidrala Group, collaboration with other organisations is a constant in the quest for business excellence. An advanced system was put into operation during 2017 that makes it possible to automatically detect the presence of bubbles in bottles during the production process, with the aim of offering the best product and boosting the Group's competitiveness. This innovation is part of the zero defects manufacturing paradigm. To this end, Vidrala has been working with the Tecnalia technology corporation.

It is a system installed in the production line, capable of inspecting 100% of production in real time. Thanks to a linear camera with a telecentric lens and specific lighting, an image is captured and processed on a specific platform that reconstructs the image of each container. This system determines the number of bubbles per container, taking into account their density and other parameters.

Thanks to this project, Vidrala is able to develop expert knowledge and its own technology capable of solving one of the main causes for rejecting containers, thus gaining in efficiency and response capacity.

The management of excellence at Vidrala also requires a solid management system that is capable of minimising operating risks and promoting plant growth from a perspective of sustainability and healthy working environments. In order to comply with the excellence model, the Group completed 2017 successfully, making progress in its effort to integrate the new ISO 14001:2015 standards relating to environmental management and OHSAS18001 regarding occupational risk prevention. At the same time, new IT tools have been developed that support the management of all aspects, including this integrated system. This is an ambitious leap forward in quality for standards, accompanied by an intensive training programme for those responsible for implementing it.

As a complement to the integrated management system, specific improvement projects have been consolidated in some plants, which also contribute significantly to advancing a model of excellence of their own. These include:

- Aiala Vidrio, which has kept its greenhouse gas emissions inventory certification as per the ISO14064 standard.
- Crisnova Vidrio, which has integrated the Energy Management System certification as per the ISO50001 standard for glass melting activities.
- Castellar Vidrio, which is committed to conveying the importance of environmental education through projects developed in collaboration with primary and secondary schools.

Thanks to its performance in environmental protection and management, the Vidrala Group has managed to end 2017 with no legal non-conformities.

Over recent years, the different Vidrala Group plants have adapted their corresponding **integrated environmental authorisations (IEAs)** to the requirements of the BAT (best available techniques) conclusions defined in the BREF document for the glass sector and the *Industrial Emissions Directive.* The renovations to some of the plants were successfully completed during 2017, while the remaining plants are in progress. In all cases, the Vidrala Group is implementing the best techniques proposed by the competent authorities.

COMMITTING TO CONTINUOUS INNOVATION AND IMPROVEMENT

For the Vidrala Group, constant innovation results in sustained growth.

When applied to any element of the value chain, innovation is the driver of change promoted by its own R&D&I department. Innovation is evident, in the first place, thanks to this human team and through the facilities for controlling raw materials and finished products, managing the quality of the process to the maximum. Vidrala continuously invests in aspects such as improving analyses for statistical control, new designs, better processes or improved production capacity of the installations. All of this is done with a view to improving the service offered to customers. Vidrala Group is recognised as an example of special contribution to the regional and local economies in which it operates. It contributes towards balancing trade balances, mitigating container imports from other continents, boosting exports of packaged products, generating value chains in the distribution process, creating direct and indirect quality employment and reducing the ecological footprint. Few other industrial sectors have such a positive impact. These are all key drivers for the glass sector to remain as an important player in the new innovative economic growth.

*Methodological note: the data in this report reported cover the time period 2015-2017. In addition to data from the plants located in Spain, Portugal, Italy and Belgium and the Group's central services, this includes the plants in Northern Ireland, the United Kingdom and the new plant in Portugal.

VI. Protecting the environment

GLASS RECYCLING

For the Vidrala Group, all economic growth is connected to sustainable development. The glass container manufacturing industry is a special example of a contribution to the circular economy model. With nine plants in six European countries, the Vidrala Group is in a position to be one of the leading driving forces of glass recycling in Europe. In this way, the continent's commitment to developing a new industrial model in balance with the environment is made visible. A commitment that requires all of the links that make up the glass packaging value chain to be connected together: industries, public administrations, foundations, the civil sector and European citizens. Coordinated action by everyone will close the cycle and allow the circular economy to generate economic, environmental and social benefits. In countries such as Spain, Italy or Portugal, where many more glass-packed products are exported than imported, the consolidation of an efficient glass collection system is a fundamental part of the industry model with a lower environmental impact.

Why is using cullet beneficial to the environment?

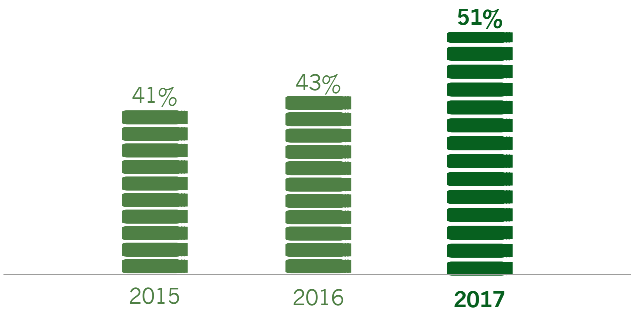
- **It requires less energy to melt.**
- **It makes it possible to reduce greenhouse gas emissions.**
- **It reduces the need for raw materials from nature.**

In this regard, raising public awareness is a key task. Promoting a selective collection of quality is raising public awareness about glass recycling. All this should help achieve the ambitious European recycling targets: 75% recycled glass by 2020. As a result of the collective effort in the sector, in 2015, citizens in 28 European countries contributed to recycling 74% of the packaging put on the market. Therefore, playing an important role in supporting the European Circular Economy Strategy provides motivation for the Vidrala Group. Working tirelessly to make statistics a reality in order to achieve an increasingly sustainable glass container sector is a source of pride. It is no coincidence, therefore, that the **Group's nine manufacturing plants are certified under the ISO 14001:2015** environmental management standard. Throughout this new economic model, Vidrala, as a manufacturer of containers, encourages the use of materials with a lower environmental impact, by prioritising the purchase of recycled glass over other raw materials and transforming it by means of a complex industrial process into new containers of the same quality.

In the Vidrala Group's glass container manufacturing furnaces, cullet is incorporated from two sources. Firstly, glass which originates from selective collection (called external cullet). And secondly, rejected glass generated in the production process itself (called internal cullet). The sum of these two types of cullet is commonly known as total cullet. In the case of Vidrala, in 2017 **the usage rate of recycled glass on total raw materials was 51%,** demonstrating the Group's efforts in continuing the push for sustainability from the outset. Whenever the availability of materials and technical characteristics allow it, Vidrala includes a high percentage of recycled glass in the formulation of the containers it makes. This represents a considerable saving of natural resources and a reduction in the energy intensity of the process.

EVOLUTION OF THE INCORPORATION OF CULLET 2015-2017

Rate of cullet
In percentage



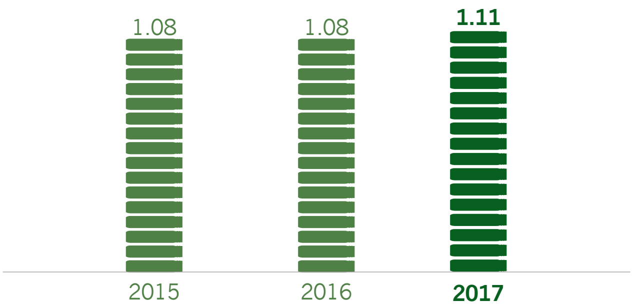
MATERIAL REQUIREMENTS

In the new framework of the circular economy, the challenge for the European glass industry is to maintain the capacity to generate value and grow in a way that is not linked to a greater need for raw materials. The Vidrala Group makes a distinction between the requirements for raw material (those needed to make up the glass container itself) and auxiliary materials (those that allow the manufacturing process to be carried out). The Vidrala Group works to ensure that the recycling, reuse and efficiency of these materials form the guidelines for using natural resources.

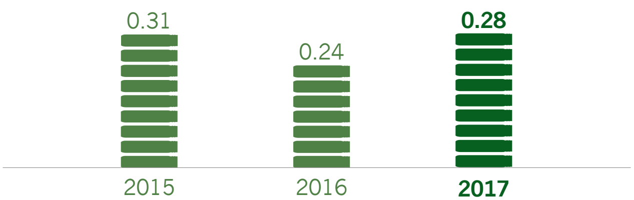
During 2017, the Vidrala Group significantly increased the overall amount of containers that it put on the market, as well as the tonnage of molten glass extracted from its furnaces. Due to the technical requirements for manufacturing containers and the availability of cullet, the relative consumption of raw and auxiliary materials was slightly higher than in the previous year. Repairs and renovations of furnaces have a particular impact, which means a greater need for auxiliary materials for their fine tuning.

EVOLUTION OF THE CONSUMPTION OF MATERIALS 2015-2017

Total raw materials consumed
Tonne/tonne of molten glass*



Auxiliary materials consumed
Kg/tonne of molten glass



**The tonnage of molten glass (t.m.g.) has been implemented as a unit of reference throughout the report. Thanks to this approach, improvement can be assessed over the years and compared to the performance of other companies in the same sector.*

12 AFFORDABLE AND NON-CONTAMINATING ENERGY

Sustainable Development Goal No. 12: ensure access to affordable, reliable, sustainable, and modern energy for everyone.

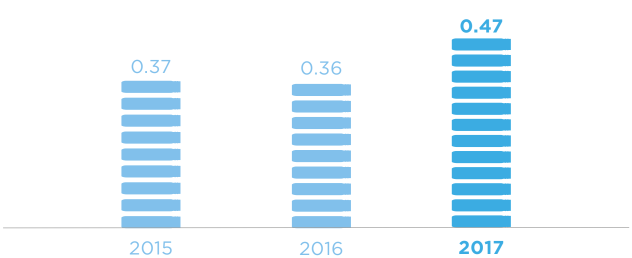
The goal of sustainable consumption and production is to make more, better products with fewer resources. It is about creating profits from economic activities by reducing the use of resources, degradation and pollution, while achieving a better quality of life. The Vidrala Group adopts a systemic, integrated approach, aware that to achieve this goal requires cooperation between the participants in the glass container value chain: manufacturers, distributors, traders and consumers.

Another of the requirements of most industrial activities is the use of water. Being aware of its importance, scarcity and cost, Vidrala tries to optimise water usage at its facilities. To this end, Vidrala plants have reuse and recirculation systems that make it possible to optimise its water use as much as possible.

EVOLUTION OF THE CONSUMPTION OF WATER 2015-2017

Total water consumption

m^3/tonne of molten glass



However, despite this, due to the growth in production and renovation of some plants, the average ratio of total consumption for the Vidrala Group was higher than in the previous period. Nevertheless, it remains within the optimum usage range. With regard to the use of water, the Group recirculates more than half of the water it consumes. All of the water resources supplied to the plants are strictly controlled through the various collection authorisations in place in the different countries in which Vidrala is present. Whatever the region, the source of water is the supply network itself, wells or watercourses close to the plants, provided that they comply with the operating and control conditions set out in the corresponding permits. Vidrala is working to optimise these ratios to make the glass making activity more environmentally friendly.

6 AFFORDABLE AND NON-CONTAMINATING ENERGY

Sustainable Development Goal No. 6: ensure the availability and sustainable management of water.

One of the goals establishes the need to manage water efficiently, while at the same time taking care of water quality by reducing pollution, eliminating discharges and minimising the emission of chemicals and hazardous materials. The work and environmental management of the Vidrala Group ensures legal compliance with the use of water and provides a firm commitment to reducing the need to use this scarce resource.

ENERGY REQUIREMENTS

Energy is the main environmental vector in the manufacturing process of glass containers. This is a continuous, active process, 24 hours a day, 365 days a year, which requires strict and rigorous management (from controlling combustion, maintaining furnaces or monitoring the melting process). These internal aspects, together with the economic cost of energy, make energy efficiency the cornerstone of Vidrala's operational priorities, involving not only cost optimisation, but also, more importantly from an environmental point of view, the reduction of greenhouse gas emissions.

As an example of the importance Vidrala gives to the management of aspects related to the energy efficiency and sustainability of the activity, priority is given to external certification processes to ensure disciplined internal systems evaluated by independent third parties. In this regard, Vidrala has certification of the Crisnova Vidrio plant in line with the ISO 50001 energy management standard, with the idea of extending this management to other plants.

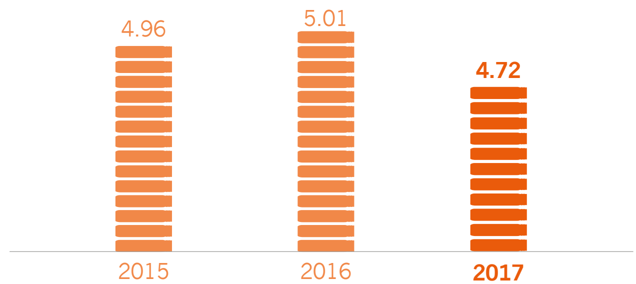
In the report, the Vidrala Group distinguishes between direct energy consumption (mainly natural gas) and indirect energy (electricity).

An important aspect related to energy management is Vidrala's ability to use cullet to manufacture its containers. Thanks to an increase in the amount of recycled glass used in 2017, the impact on primary energy consumption has reduced for each tonne of glass produced. In terms of energy efficiency, any action adds and contributes to generating containers with a lower environmental footprint. The results for 2017 show the result of strict management and control of energy consumption. Thanks to the investment projects to provide the furnaces with the greatest operability and energy efficiency, it is possible to achieve a significant reduction in the primary energy consumption required to melt glass.

EVOLUTION OF THE DIRECT CONSUMPTION OF ENERGY 2015-2017

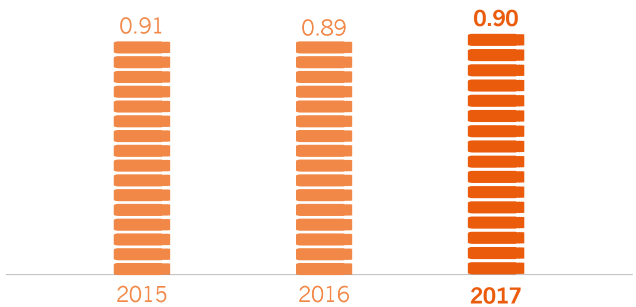
Direct energy consumed

Gigajoules/tonne of molten glass



Indirect energy consumed

Gigajoules/tonne of molten glass



DESIGN AND INNOVATION AT THE SERVICE OF ENERGY EFFICIENCY IN VIDRALA FURNACES.

In 2017, the Vidrala Group's Italian plant launched a completely renovated furnace. Furnaces are a key element in the manufacturing processes of glass containers. Due to their continuous activity, any measure that focuses on improving their energy consumption and increasing efficiency has a major impact. That is why the Corsico plant rebuilt one of its furnaces. It took the opportunity to introduce a number of improvements that made it possible to fully comply with the BATs, increasing energy savings and reducing emissions. In this way, the new furnace complies with all of the primary measures and new emission limits recommended by the BATs for the glass sector.

7 AFFORDABLE AND NON-CONTAMINATING ENERGY

Sustainable Development Goal No. 7: ensure access to affordable, reliable, sustainable, and modern energy for everyone.

One of the most significant impacts is energy consumption, both direct and indirect. Therefore, the Vidrala Group focuses much of its efforts on improving this aspect. This is not only an issue linked to a direct economic benefit from lower consumption, but it also reduces emissions associated with this, with a consequent improvement of the air quality in the immediate environment. Glass container manufacturing is energy intensive, so this aspect is critical in assessing the environmental performance of the sector.

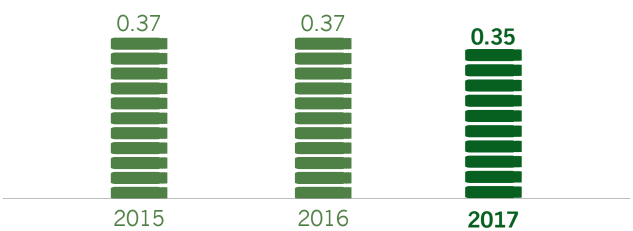
ATMOSPHERIC EMISSIONS

For the Vidrala Group, complying with the requirements regarding emissions is ongoing work that requires improvement in the environmental management of all of the elements involved in the process. A significant number of Vidrala's environmental policy actions are focused on this aspect, as the company is aware that this is one of the major improvement areas being undertaken across Vidrala's plants. As a result, the comparison of accumulated emissions over the last three years shows a 5% decrease in CO_2 emissions per tonne of molten glass.

EVOLUTION OF GHG EMISSIONS 2015-2017

Greenhouse gas emissions

Tonne/tonne of molten glass

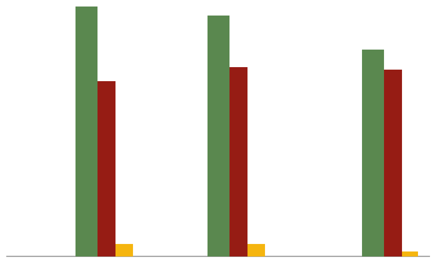


This reduction is explained, in the main, for three reasons, making it possible to achieve the greenhouse gas emission reduction targets. Firstly, with glass, as already explained, the increasing use of cullet from selective collection and rejections in the plants themselves. Secondly, investments associated with environmental improvements that have been implemented at Vidrala factories.

Finally, the development and application of an energy management system for furnaces implemented at the Group's plants, which has made it possible to optimise energy consumption in recent years. Vidrala's firm commitment to reducing greenhouse gas emissions is also reflected in the fact that the Vidrala Group's plants are under the *European Emissions Directive.* This requires the company to remain in a constant process of improvement, working on reducing emissions. Essentially, action is taken on reducing the fuel consumption requirements of the furnaces, so that the control of emissions of gases such as nitrogen oxides, sulphur oxides and particles is a key beneficial result.

EVOLUTION OF NOX, SOX AND OTHER SIGNIFICANT EMISSIONS 2015-2017

NOx, SOx and other significant emissions
Kg/tonne of molten glass



	2015	2016	**2017**
Emisiones NOx	1.88	1.80	**1.51**
Emisiones SOx	1.27	1.37	**1.42**
Emisiones partículas	0.07	0.07	**0.04**

NOx is a pollutant created during combustion processes, which depends on the fuel used (natural gas, mainly) and the conditions of the process itself. Vidrala Group's plants are permanently monitoring and adjusting the different parameters based on production needs, while continually monitoring strict compliance with the conditions set out in the respective environmental authorisations for each facility. The joint work of the teams managing Vidrala plants has enabled the relative NOx emissions to be reduced by 12% in 2017 compared to the previous period. This puts the rate at the lowest levels in recent years.

AWARD FOR VIDRALA'S MOST SUSTAINABLE TRANSPORT

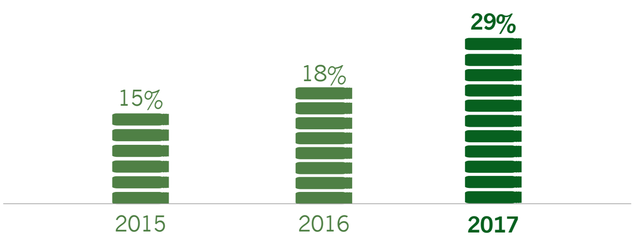
The Vidrala Group plant in United Kingdom won an award at the Glass Focus Awards 2017 in recognition of its investment of £6 million pounds in Elton on rail access. Thanks to this project, it is possible to deliver around 50% of the raw materials directly to the plant by rail, saving millions of kilometres on the road each year and reducing CO_2 emissions by around 2,400 tonnes annually. This action is an example of how the life cycle of containers is continually being explored to help suppliers and customers create a supply chain that minimises their environmental footprint. The railway project is a roadmap that the Vidrala Group has taken to be one of the most sustainable glass manufacturers in the world.

Among other measures that the Vidrala Group applies regarding the control of atmospheric emissions are electrostatic precipitation systems (to reduce the emission of particles) with preliminary desulphurisation (to reduce the emission of sulphur oxides). With this technology, the Vidrala Group can recover a portion of the sulphur emitted as sulphates from precipitation. In 2017, 29% of the sulphate could be recovered. In addition to the above, as additional measures, the Group is committed to adopting primary measures, such as the special design of furnaces, the use of burners with lower NOx emission rates and the replacement of part of the fossil fuel with electrical energy.

SULPHATE RECOVERY 2015-2017

Sulphate recovered

In percentage



13 AFFORDABLE AND NON-CONTAMINATING ENERGY

Sustainable Development Goal No. 13: take urgent action to combat climate change and its impacts.

Climate change affects all countries on all continents. It has a negative impact on the economy and on the lives of individuals, regions and countries. For this reason, the Vidrala Group is committed to continue reducing greenhouse gas emissions in order to mitigate their impact and commit to a more sustainable future for all.

WASTE MANAGEMENT

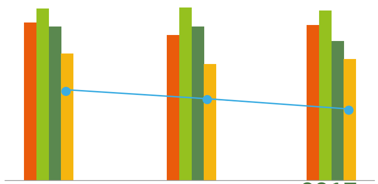
Trends point to the aforementioned circular economy as the new economic model that can offer solutions to larger environmental problems, such as waste management. The Vidrala Group is aware that the best waste is waste that is not generated. And, if it is generated, each of the fractions should be managed in the most sustainable way possible, following the European waste management hierarchy. In view of the evolution of the data associated to waste generation, Vidrala's efforts to reduce the volume of these materials that are not used for Vidrala's activity have been successful.

When it is technically and economically feasible, waste management is carried out internally at the Group's own plants. For the rest of the waste, the Group has partners who are responsible for its recovery in accordance with current legislation and technologies. Four categories are used by the group: hazardous waste (HW) is managed by authorised agents (e.g. contaminated demolition waste or toxic elements). Non-hazardous recoverable waste (NHRW) is waste that can be used by the Group itself or by others (such as wood, cardboard, etc.). Non-hazardous non-recoverable waste (NHNRW), such as inert waste or municipal solid waste (MSW), are managed by authorized companies, which are responsible for their collection.

EVOLUTION OF WASTE GENERATION BY TYPE, 2015-2017

Waste generation

By waste type and year (tonne)



	2015	2016	2017
Total HW (in tonnes) (Hazardous Waste)	4.058	2.708	**4216**
Total NHRW (in tonnes) (Non Hazardous Recoverable Waste)	10.024	10.808	**9.155**
Total NHNRW (in tonnes)(Total Non-Hazardous, Non-Recoverable Waste)	4.428	3.584	**1.717**
Total MSW (in tonnes) (Total Urban Solid Waste)	881	504	**642**
Total (t/t.m.g) (tonne/tonne of molten glass)	0,0076	0,00067	**0,0058**

In total, the Vidrala Group has reduced the total volume of waste it generated in 2017 by 10.6% compared to 2016. The increase in hazardous waste is due to the repair and renovation of furnaces and the extraordinary maintenance of the infrastructure linked to cooling at some of the plants, which has an impact on a larger quantity of this type of waste. The group is currently working on implementing preventive plans to optimise reagent consumption and on waste recovery projects in other industrial processes. This is all done with the firm intention of achieving the lowest possible figures in terms of waste generation and management.

NATURA, VIDRALA'S MOST SUSTAINABLE COLLECTION

Eco-design has meant a new concept in the world of product development. Introducing such criteria into the manufacture of glass containers means improving the environmental performance of products throughout their life cycle. This involves addressing the creation of containers with a holistic concept of the product: from the design itself to the use of raw materials and inclusion of cullet, the manufacturing process, its transportation and distribution and end of life. For the Vidrala Group, its environmental performance is passed on in each of the containers it puts on the market. The Natura range represents the philosophy of environmentally-friendly work: containers that meet all expectations with minimum impact on the environment. Natura is a range of bottles that are lighter than their equivalent models on the market. **On average, these containers incorporate 43% less glass to create the same type of container, resulting in less need for raw materials, water and energy.** Sales of these models grew in the last period, thanks to Vidrala's ability to adapt the Natura range models to the specific needs of its customers.

ENVIRONMENTAL INVESTMENT AND EXPENSES

With regard to initiatives to mitigate its environmental impact, the Vidrala Group is making significant economic investments aimed exclusively at improving environmental performance. **During 2017, more than 1.1 million euros was allocated to expenses directly related to the sustainability of its plants, and more than 20 million euros to routine and unscheduled investments.** Making repairs to and rebuilding the furnaces, applying new designs, adopting Best Available Techniques (BATs) and implementing actions aimed at improving energy efficiency and other process improvements involve a significant amount of financial resources and have, ultimately, made it possible to improve the environmental performance of the Vidrala Group. I**n short, the resources invested are an example of the commitment to promoting a transition towards a more sustainable manufacturing model, seeking to adapt existing technology to something more effective aimed at reducing environmental impact.**

VII. Social commitment

TO WORKERS

The Vidrala Group has integrated the need to carry out its activity in a healthy, safe and secure working environment into its organisation. This means strengthening the commitment to the maximum satisfaction of one of the most important stakeholders, the workers.

In order to facilitate the creation of safe work places in the daily lives of all of the people who work for the organisation, the Vidrala Group's plants have implemented an Integrated Environmental and Occupational Health and Safety Management System, in accordance with the OHSAS 18000 and ISO 14001 standards. The Vidrala Group promotes a preventive culture, with the aim of ensuring the highest levels of safety, health and well-being. The efforts of the Vidrala Group's entire human team are reflected in the figures: the medium-term accident rate indicators continue to show a downward trend. **Thanks to these ongoing efforts, from 2011 to 2017 accidents with absence from work fell by 43% and the severity index was down 23%.**

The team of prevention technicians is working with innovative applications and tools to detect and assess risks in different areas of the organisation. With the aim of continuing to improve the indicators obtained, in 2017 an ongoing activity was undertaken to monitor and analyse the accident rate results at all of the Group's plants, using the statistics available thanks to a new computer tool for identifying trends and their causes. The ambitious management of aspects arising from occupational risk prevention is a priority for the Vidrala Group. For this reason, in addition to the analysis of previous years, a new accident investigation procedure has been introduced, as well as a management system that systematises, monitors compliance and integrates these aspects into the chain of command. The courses of action in this area related to these issues in the coming years will preferably focus more on raising staff awareness, technical training and promoting safe behaviour projects, increasing the number of audits and the continuous monitoring of each plant's plans.

For the Vidrala Group, occupational risk prevention is a priority for ensuring that people carry out their work in a healthy, motivating and safe way. **Promoting the health and well-being of all of the people in the various Vidrala teams is a priority in a sector with the characteristics and specialisation like the glass container manufacturing sector.**

8 AFFORDABLE AND NON-CONTAMINATING ENERGY

Sustainable Development Goal No. 8: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work.

As the UN itself recognises, in order to achieve sustainable economic development, societies must create the conditions necessary for people to have access to quality jobs, stimulating the economy without harming the environment.

PROFESSIONAL DEVELOPMENT

For the Vidrala Group, committing to people who are part of the business project is unquestionable. This translates into promoting the health of the people who work for the Vidrala Group, promoting professional development, initiative and equal opportunities. The Vidrala Group ended 2017 with more than 3,700 employees, with an average age of around 41. A stable, quality working environment also depends on promoting job stability. In this sense, the percentage of permanent contracts within the Vidrala Group is 93%. In addition to employment stability, the Vidrala Group promotes equality and non-discrimination as one of the cornerstone principles in the process of professionally developing people.

Vidrala is committed to training and professional development, reaching an average of 21.28 hours of training per employee for 2017. Real commitment to training is only possible when it comes to quality training. It is a priority for the organisation to have a trained workforce that constitutes a group of professional and well-trained individuals. Only in this way will the Vidrala Group be able to meet the increasingly demanding requirements of the food and beverage market. In 2017, a level of compliance of more than 86% was achieved regarding training plans, representing more than 90,000 hours of training and learning.

In terms of professional development, a measure promoted at the plants in the United Kingdom and Ireland was the development of a questionnaire for workers at both plants. With the collaboration of an external company, a survey was conducted in 2017 on the effectiveness of internal communication and their degree of satisfaction. Thanks to the information gathered, issues were highlighted that made it possible to implement a plan to promote and consolidate the corporate values. For the first time, a clear identity has been defined for the business and its people, meaning that the entire team will understand what success means and how to achieve it. As a result, progress has been made in increasing motivation, staff retention and productivity levels.

VIDRALA ACADEMY

SHARING KNOWLEDGE TO PROMOTE A MORE SUSTAINABLE SECTOR

For the last four years, the Vidrala Group has had a space in which to train professionals in the glass sector in order to increase their productivity and efficiency. Vidrala Academy aims to become the partner of companies working in the glass container ecosystem, so as to maximise efficiency and improve the final quality of products. This will all help to improve the level of sustainability across the entire industry.

Vidrala Academy, which is based at the Group's UK-based plant, provides support through Vidrala to the world, allowing the glass industry to share good working practices to achieve excellence in the manufacture of glass containers.

TO CUSTOMERS

The Vidrala Group's commitment to its customers is expressed in the supply of containers that meet the agreed functionality and quality requirements, complying with the strictest requirements in terms of food safety, quality and sustainability.

The Vidrala Group accompanies its customers in the search for solutions to their needs, collaborating with them in developing tailor-made products and envisioning future consumer trends.

This commitment to the customer is reflected in the surveys that the Vidrala Group undertakes annually. **More than 80% of the customers surveyed recommend the Vidrala Group as a benchmark supplier.** They are the best results in nine years of satisfaction surveys. Understanding customer perception is key to Vidrala, as it is the most direct channel for assessing the most strategic aspects and being able to evolve and continue to improve in those areas that are considered to be the least satisfactory.

The survey highlighted other elements that are key to the Vidrala Group, such as food safety. In this sense, good manufacturing and hygiene practices and the degree of depth of risk analyses are two of the most valued attributes for those who responded to the survey. It is noteworthy how, out of all of the attributes assessed, the organisation's attitude in terms of friendliness and courtesy was valued very highly. It is no coincidence that, in times like these, it is the human quality of the manufacturers that is valued, as well as the quality of the product. The Vidrala Group continues to work daily to achieve maximum customer satisfaction.

VIDRALA GROUP AND BODEGAS TORRES: SHARED COMMITMENT TO A SUSTAINABLE FUTURE

An example of the work that the Vidrala Group does with its customers to promote a more sustainable value chain is the project undertaken with Bodegas Torres. This organisation has recognised Vidrala's true commitment to the environment, due to the implementation of projects and initiatives that promote energy efficiency in its processes and have meant a significant reduction in emissions. Bodegas Torres has analysed the impact associated to the life cycle of its product and concluded that 80% of its carbon footprint relates to the activity of its suppliers. As a result, the reduction achieved by Vidrala has had a positive impact on the final balance of CO_2 emissions from the winery, as the balance covers the entire cycle of a bottle of wine, from the vineyard to its final transportation.

Vidrala received the Torres & Earth 'Best Glass Supplier' award for manufacturing lighter bottles and the efficiency of its production processes. The close collaboration with Torres has made it possible to develop more environmentally-friendly bottles, because, as they are lighter (up to 130 grams in weight), they require less energy in their manufacture and transportation, **which means a 26% reduction in total CO_2 emissions compared to 2008.**

THE IMPORTANCE OF COMMUNICATION

Handling communication effectively with all of the stakeholders can be challenging. During the past year, different actions were undertaken to make progress in this area. One example was the Group's plant in the UK and Ireland, which chose to install digital screens in its staff canteens. This measure makes direct communication possible with those people who do not have work e-mails or telephones. At the same time, access to and the communication of news via e-mail is being expanded, meaning a new digital e-mail channel for communications will be developed in the coming months, so that all staff can receive important updates regarding their work.

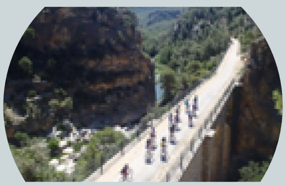
In addition to these internal communication actions, in recent years the Vidrala Group has wanted to expand the communication channels that keep it in contact with different stakeholders at an external level. Together with the website itself, which has been completely redesigned and updated, the Group maintains active channels on social networks such as Twitter, LinkedIn and YouTube. Each one of them has its own content that brings the reality of the organisation closer through multiple audiovisual languages.

VIDRALA AND ITS STAKEHOLDERS ON SOCIAL NETWORKS

Thanks to @Vidrala_Group for making it possible to have another year with the best bottles for sending our liquid gold to the people adopting olive trees who support this project: http://apadrinaunolivo.org #vidrala #botellas #vidrio #cristal #apadrinaunolivo

Glass industry

One of the potential applications of @reslag_eu is the #Glass industry and companies like @Vidrala_Group #H2020



One of the potential applications of @reslag_eu is the #Glass industry and companies like @Vidrala_Group #H2020

Bizkaia talent

Be Basque Talent: @bebasquetalent: Talentia challenge 2017-2018 / Vidrala challenge: http://youtu.be/RmQRG-KdG2o?a

Anfevi

Very good numbers in recent years for @ANFEVI_ESP companies, with awareness raised about their #vidrioEspaña process

TO THE LOCAL COMMUNITY

SOCIAL PROJECT

For Vidrala, social commitment integrates this approach of closeness and unites it to the community of people who make up the group towards a common initiative aimed at local groups. As part of this commitment, following the terrible fires in the area during 2017, the Portugal plant collaborated with the Marinha Grande Association of Volunteer Firefighters. Moreover, the plants in Spain continued the collaboration established in previous years and once again supported the AECC (Spanish Cancer Association) in the fight against this disease through support, prevention and research. In Italy, collaboration also focused on the fight against cancer. **Overall, the people of the Vidrala Group gave almost €22,000 to the Social Project in 2017, taking the contributions from both the workers and the company itself into account.**

In an effort to encourage performance and internal participation, the Vidrala Group has been working for several years on a collaboration system between the organisation and the workers. This contribution is the result of a participation initiative in which they encourage suggestions for the improvement of their personnel. The company contributes an amount of money for each suggestion presented by its employees and every year they allocate it to a social or charity initiative. For the second consecutive year, Vidrala and Aiala Vidrio decided to donate it to Biocruces to carry out research in Paediatric Oncology projects. The head of the paediatrics department at Hospital Universitario Cruces and manager of one of the scientific departments at Biocruces highlighted the importance of these contributions from society, companies and associations, as the development of children's oncology treatments is not usually an area of interest for pharmaceutical laboratories, due to its complexity and cost. However, cancer is the leading cause of infant mortality in our country.

2ND EDITION OF MASTERGLASS

The second edition of the MasterGlass competition, organised by Vidrala and the Faculty of Engineering of the University of Deusto, took place in 2017. It is a competition that seeks to promote innovation, creativity and practicality in the design of glass containers, always within an environmentally sustainable and efficient process. The participants, all of them students of Industrial Design, Engineering or Graphic Arts from all over Spain, submitted more than 50 proposals, individually and in groups, for the two categories selected: bottles and small bottles. The jury, which was made up of Juli Capella and Mario Ruiz from the National Design Awards, Marcelo Leslabay, professor at the University of Deusto and Director of Experimenta, and Jon Abad, chairman of EIDE, evaluated aspects such as innovation, originality, functionality, practicality and new ideas in closure systems or caps.

The ICE Pure Icelandic Water project, by Santiago Garau de Meer, Xavi Anducas and Huijun Jiang of the Polytechnic University of Catalonia received first prize. A transparent glass bottle which, at first sight, transmits the sensation of pure, frozen water in an effective way, which the jury valued for its high communication capacity and a sober graphic application of the brand that does not visually interfere with the vision of the content. Three runners-up prizes were also awarded: for Encuentro, a proposal by Cristina López and Carlos Lobo, from the Escuela Superior de Diseño de la Región de Murcia (Murcia Design School), which links two wine bottles by means of a longitudinal section and solves the functional problems of space; for ACE, a convertible cocktail shaker bottle thanks to the kit inside its cap, by Ane de la Brena, Sian Roberson, Igor Romero and Asier Fernández de Antona from the University of Mondragon; and for hERA, an elegant clear glass milk bottle by Ainhoa Irigoien, Garoa Gómez and Iñigo Puerta de Tecnun, from the University of Navarra.

WORKING TOGETHER AT A LOCAL LEVEL

In 2017, a new committee was created that will serve as a forum for dialogue with the community in Derrylin, joining the one at the Vidrala Group's plant in Elton. The two committees are made up of people who are considered local community leaders and meet three times a year.

During the meetings, experiences are exchanged, concerns are shared and problems are resolved, thus generating positive working relationships with the local community. In addition, the committees also oversee the contribution of the local funds to local charitable causes with which the Vidrala Group collaborates.

VIII. Challenges 2018

The Vidrala Group has shown itself to be a team committed to environmental and social sustainability. The future undoubtedly lies in continuing to commit to quality and sustainability as an opportunity for increasing the efficiency of the glass container manufacturing process. A process in which innovation and the latest technology are allies in responding to the challenges posed by the circular economy and on which work is already underway. In addition to this, consolidating the reduction in greenhouse gas emissions will help position the glass container manufacturing sector towards mitigating climate change. In daily management, the promotion of health in the workplace, commitment to the customer and commitment to sustainable development objectives will mark the way forward to keeping glass as an example of the most sustainable material.

www.vidrala.com/report2017

vidrala