Vidrala, S.A. and Subsidiaries

Consolidated Annual Accounts
31 December 2023

Consolidated Directors' Report
2023

(With Independent Auditor's Report Thereon)

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2023 and 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	1,133,643	829,543
Right-of-use assets	**8**	44,446	2,302
Goodwill	**8**	309,222	209,890
Other Intangible assets	**8**	98,269	73,077
Other financial assets		6,994	33
Deferred tax assets	**10**	57,410	39,832
Derivative financial instruments	**9**	10,483	18,045
Other non-current assets		103	103
		1,660,570	**1,172,825**
Current assets			
Inventories	**11**	339,230	254,683
Trade and other receivables	**12**	356,029	318,696
Current tax assets		9,123	11,317
Derivative financial instruments	**9**	-	1,114
Other current assets	**13**	35,453	40,863
Cash and cash equivalents		81,506	154,029
		821,341	**780,702**
Total assets		**2,481,911**	**1,953,527**

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2023 and 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

EQUITY AND LIABILITIES	**Note**	**2023**	**2022**
Equity	**14**		
Share capital		32,908	31,341
Other reserves		8,579	8,399
Retained earnings		1,244,478	1,050,381
Other comprehensive income		(28,789)	(29,298)
Interim dividend distributed during the year		(32,844)	(27,199)
Equity attributed to equity holders of the Parent		**1,224,332**	**1,033,624**
Non-current liabilities			
Deferred income	**15**	9,388	5,106
Loans and borrowings	**16**	414,277	273,464
Deferred tax liabilities	**10**	108,060	81,178
Provisions	**19**	79,899	70,794
Other non-current liabilities		5,728	799
		617,352	**431,341**
Current liabilities			
Loans and borrowings	**16**	184,771	50,089
Derivative financial instruments	**9**	2,961	2,715
Trade and other payables	**17**	383,080	386,779
Current tax liabilities		33,929	20,856
Provisions	**19**	3,286	1,744
Other current liabilities	**13**	32,200	26,379
		640,227	**488,562**
Total liabilities		**1,257,579**	**919,903**
Total equity and liabilities		**2,481,911**	**1,953,527**

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended
31 December 2023 and 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Note	2023	2022
Revenues	**4 & 22**	1,558,765	1,345,610
Services rendered		721	972
Other income	**22**	27,467	27,317
Changes in inventories of finished goods and work in progress		69,774	72,380
Merchandise, raw materials and consumables used	**23**	(772,730)	(767,014)
Employee benefits expense	**25**	(269,133)	(214,028)
Amortisation and depreciation	**7 & 8**	(97,865)	(85,460)
Impairment of non-current assets	**7**	(5,992)	(724)
Other expenses	**24**	(221,169)	(194,839)
Profit loss from operating activities		**289,838**	**184,214**
Finance income	**26**	8,483	2,819
Finance costs	**26**	(16,435)	(3,435)
Fair value variation in financial instruments		-	4,638
Gain on disposal of financial instruments		-	(488)
Participation in profits (losses) of entities accounted for using the equity method		5,607	-
Profit before income tax from continuing operations		**287,493**	**187,748**
Income tax expense	**10**	(54,098)	(34,062)
Profit for the year from continuing operations		**233,395**	**153,686**
Profit for the year		**233,395**	**153,686**
Profit for the year attributable to equity holders of the Parent		**233,395**	**153,686**
Earnings per share (expressed in Euros)			
- Basic	**27**	**7,23**	**4,97**
- Diluted	**27**	**7,23**	**4,97**

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income
for the years ended
31 December 2023 and 2022

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy,
the Spanish-language version prevails)

	Note	2023	2022
Profit for the year		**233,395**	**153,686**
Other comprehensive income:			
Translation differences	**14**	8,318	(21,647)
Remeasurements of defined benefit plans	**14**	2	2,671
Items to be reclassified in profit or loss		(10,278)	680
Cash flow hedges	**9**		
Tax effect	**10**	2,467	(163)
Other comprehensive income, net of income tax		**509**	**(18,459)**
Total comprehensive income for the year		**233,904**	**135,227**
Profit for the year attributable to equity holders of the Parent		**233,904**	**135,227**

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
for the years ended
31 December 2023 and 2022
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	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 1 January 2022	**30,438**	**8,109**	**973,506**	**(9,246)**	**8,460**	**(18,159)**	**(1,140)**	**(25,066)**	**966,902**
Total comprehensive income for the year	-	-	153,686	-	517	(21,647)	2,671	-	135,227
Own shares redeemed	-	-	-	(31,765)	-	-	-	-	(31,765)
Share capital increase	1,492	-	(1,492)	-	-	-	-	-	-
Share capital decrease	(589)	-	(40,422)	41,011	-	-	-	-	-
Dividends	-	-	(34,607)	-	-	-	-	25,066	(9.541)
Interim dividend on account of 2022 profit	-	-	-	-	-	-	-	(27,199)	(27,199)
Other movements	-	290	(290)	-	-	-	-	-	-
Balances at 31 December 2022	**31,341**	**8,399**	**1,050,381**	**-**	**8,977**	**(39,806)**	**1,531**	**(27,199)**	**1,033,624**
Total comprehensive income for the year	-	-	233,395	-	(7,811)	8,318	2	-	233,904
Own shares redeemed	-	-	-	-	-	-	-	-	-
Share capital increase	1,567	-	(1,567)	-	-	-	-	-	-
Share capital decrease	-	-	-	-	-	-	-	-	-
Dividends	-	-	(37,551)	-	-	-	-	27,199	(10,352)
Interim dividend on account of 2022 profit	-	-	-	-	-	-	-	(32,844)	(32,844)
Other movements	-	180	(180)	-	-	-	-	-	-
Balances at 31 December 2023	**32,908**	**8,579**	**1,244,478**	**-**	**1,166**	**(31,488)**	**1,533**	**(32,844)**	**1,224,332**

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
for the years ended
31 December 2023 and 2022
(Indirect Method)

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Note	**2023**	**2022**
Cash flows from operating activities			
Profit for the year		233,395	153,686
Adjusted for:			
Amortisation and depreciation	**7 & 8**	97,865	85,460
Impairment of non-current assets	**7 & 8**	5,992	724
		-	488
(Reversal of) impairment losses on trade receivables		(788)	(514)
(Reversal of) impairment losses on inventories	**11**	1,213	(5,300)
Exchange (gains) / losses	**26**	(131)	(1,475)
Changes in provisions		10,647	(6,553)
Government grants recognised in the income statement		(7,504)	(5,372)
Result from sales and disposals of financial instruments	**6**	-	(11,190)
Finance income	**26**	(8,352)	(1,344)
Finance costs	**26**	16,435	3,435
Fair value variation in financial instruments		-	(4,638)
Income tax	**10**	54,098	34,062
		169,475	**87,783**
Changes in working capital			
Inventories		(83,925)	(85,880)
Trade and other receivables		(34,457)	(82,341)
Trade and other payables		(6,068)	132,504
Other current liabilities		36,138	(84,515)
Effect of translation differences on operating assets and liabilities of foreign operations		(1,554)	2,686
Cash used in operating activities		**(89,866)**	**(117,545)**
Interest paid		(12,320)	(4,070)
Interest received		7,774	2,870
Income tax paid		(45,021)	(8,600)
Net cash from operating activities		**263,437**	**114,124**
Cash flows from investing activities			
Payments from sale of property, plant and equipment		(143,848)	(117,296)
Payments from sale of other intangible assets		(7,852)	(2,904)
Acquisition of a subsidiary, net of cash acquired		(254,086)	-
Net cash used in investing activities		**(405,786)**	**(120,200)**
Cash flows from financing activities			
Proceeds from loans and borrowings	**16**	257,877	112,5000
Payments to redeem own shares and other own equity instruments	**14**	-	(31,765)
Payments of loans and borrowings		(4,500)	(24,500)
Payments from other debts	**14**	(146,000)	(22,063)
Dividends paid	**14**	(37,551)	(34,607)
Net cash from/(used in) financing activities		**69,826**	**(435)**
Net increase/(decrease) in cash and cash equivalents		(72,523)	(6,511)
Cash and cash equivalents at 1 December		154,029	160,540
Cash and cash equivalents at 31 December		**81,506**	**154,029**

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 (Álava, Spain).

During the years 2023 and 2022 there have been no changes in the name of the Company or the aforementioned registered office and tax office.

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

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2023 and 2022 and the location and activity of each company that forms part of the consolidated group are as follows.

Company	Location	Investment 2023	Investment 2022	Activity
Crisnova Vidrio, S.A.	Caudete (Albacete)	100%	100%	Manufacture and sale of glass containers
Inverbeira, Sociedad de Promoción de Empresas, S.A.	Llodio (Álava)	100%	100%	Promotion and development of companies
Aiala Vidrio, S.A.U.	Llodio (Álava)	100%	100%	Manufacture and sale of glass containers
Gallo Vidro, S.A.	Marinha Grande (Portugal)	100%	100%	Manufacture and sale of glass containers
Vidrala Logistics, Ltda.	Marinha Grande (Portugal)	100%	100%	Logistic services
Castellar Vidrio, S.A.	Castellar del Vallés (Barcelona)	100%	100%	Manufacture and sale of glass containers
Vidrala Italia, S.r.l.	Córsico (Italy)	100%	100%	Manufacture and sale of glass containers
Vidrala France, SARL	Burdeos (France)	100%	100%	Commercialisation
Vidrala Desarrollos, S.L.U.	Llodio (Álava)	100%	100%	Promotion and development of companies
Encirc Limited	Derrylin (Irlanda del Norte)	100%	100%	Manufacture of glass containers, packaging and logistical services
Encirc Distribution Limited	Ballyconnell (Irlanda)	100%	100%	Logistical services
Santos Barosa Vidros, S.A.	Marinha Grande (Portugal)	100%	100%	Manufacture and sale of glass containers
Vidroporto, S.A.	Porto Ferreira (Brazil)	100%	-	Manufacture and sale of glass containers
Indústria Vidriera do Nordeste LTDA.	Estancia – Sergipe (Brazil)	100%	-	Manufacture and sale of glass containers
Quatroefe Administraçao e Particiapaçoes LTDA.	Sao Paulo (Brazil)	100%	-	Promotion and development of companies
Conrado Participaçoes LTDA.	Sao Paulo (Brazil)	100%	-	Promotion and development of companies
Vidrala Portugal, S.A.	Marinha Grande (Portugal)	100%	-	Promotion and development of companies
RT119 Empreendimentos e Participaçoes LTDA.	Sao Paulo (Brazil)	100%	-	Promotion and development of companies

2. Basis of Presentation

The consolidated 2023 annual accounts have been prepared based on Vidrala, S.A. and descendants financial statements 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 2023, 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 2023, authorised for issue on 28 February 2024, 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) Effects of the current macroeconomic situation and the war conflict

In February 2022, Rusia began the war in Ukraine. As of the reporting date, this conflict is still in force although its effects on the financial markets have been significantly reduced.

The direct impact on Vidrala's business is limited, as the Group does not have assets or maintains any industrial or commercial activity, does not produce, sell or buy directly in Ukraine or Russia.

However, the indirect impact was evident during said year in the growing difficulties in global supply chains and, specially, in the abnormal increases in energy prices. In particular, the price of natural gas, the main energy source in glass manufacturing, generally dictated by pan-European organized markets, which behaved with abnormal volatility related to the perception of the risks of lower supply from Russia to central Europe. Thus, the market prices of gas, as well as electricity, multiplied by almost three times the levels of 2021. During 2023 the rise in inflation, as well as the extreme volatility suffered during the previous year, have subsided, prices being at levels like those existing before the start of the war.

In response to this inflationary situation, Vidrala has implemented exceptional measures to adapt sales prices and temporary coverage by fixing energy prices, which are discussed in detail in its specific section. These measures, together with the normalization of costs, should be efficient to preserve business margins.
In October 2023, Hamas and other Palestinian armed groups in the Gaza Strip launched a surprise attack against Israel that officially and immediately declared war. So far, the conflict between Israel and Hamas has had a limited economic and financial impact, but

if it escalates significantly, it could result in an oil crisis with global impacts and its consequent collateral effects on the energy markets.

Since mid-December, tensions in the Middle East have been affecting maritime transport of goods. The main route affected is the Suez Canal, through which 30% of global container traffic transits. The current crisis has, for now, a limited impact due to the current weakness in global demand and the absence of congestion in the logistics industry.

The conflict does not compromise any of the Group's continuous supplies; although certain specific supplies could suffer delivery delays; in these cases, the Vidrala Group is managing the supply chain in advance and looking for logistical alternatives to the Red Sea. The situation is causing increases in freight costs, which in any case do not have a relevant impact on the Group's supply costs.

(d) 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:

i) Relevant accounting estimates and assumptions

- Goodwill impairment:

The Group tests for impairment of goodwill on an annual basis, regardless assigned goodwill existence. 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 8). 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 8. 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.

- 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 2023 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.

- Impairment of trade receivables:

The Group set aside an allowance for impairment of trade receivables, reviewing individual balances based on management's review of individual customer creditworthiness, current market trends and aggregate default rate.

- Write-downs of inventories:

The controls put in place by the Group to ensure continuous control of inventories of finished goods included implementing automated inventory tracking processes, enabling Group management to apply specific measures regarding depreciation, physical inventory and carrying amount.

(ii) Changes in accounting estimates

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2023, 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.

(e) 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 financial statements are the same as those used in the consolidated financial statements for the year ended 31 December 2022, except for the following standards applied for the first time in this exercise:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement No. 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

- International Tax Reform Second Pillar Model Rules (Amendments IAS 12).

The adoption of these standards has not had a significant impact on the Consolidated Financial Statements of the Vidrala Group.

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

Rule, interpretation or amendment	Date of adoption by the EU	Date of implementation in the EU	Date of application of the IASB
Presentation of financial statements: classification of liabilities as current or non-current (Amendments to IAS 1)	December 19th, 2023	January 1st, 2024	January 1st, 2024
Lease Liability in a Sale with Leaseback (IFRS 16 Amendments)	November 20th, 2023	January 1st, 2024	January 1st, 2024
Supplier Financing Arrangements (IAS 7 and IFRS 7 Amendments)	Pending	Pending	January 1st, 2024
Lack of Convertibility (Amendments to IAS 21)	Pending	Pending	January 1st, 2025

The Group intends to adopt the standards, interpretations and amendments to standards issued by the IASB applicable to it when they become effective in the EU. Although the Group is currently assessing their impact, based on the analysis performed to date, the Group estimates that their initial application will not have a significant impact on the consolidated financial statements.

3. Significant Accounting Principles

(a) Subsidiaries

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

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.

(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 (f).

(d) Leases

Group as a lessee

The Group is lessee of different kinds of machinery for its production activity. It applies a single recognition and measurement approach for all leases in which it is lessee except for short-term leases and leases of low-value assets.

• Right-of-use assets

The Group recognises right-of-use assets at the commencement date, i.e. the date on which the underlying asset is available for use. Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the related lease liabilities. The initial cost of right-of-use assets includes the amount of recognised lease liabilities, any initial direct costs and any lease payments made at or before the commencement date of the lease. Any incentives received are deducted from the initial cost.

Right-of-use assets are depreciated over the shorter of the estimated useful life and the lease term.

However, where the Group considers it reasonably certain that it will obtain ownership of the leased asset at the end of the lease term or that it will exercise any purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. Right-of-use assets are tested for impairment.

The Group's leases do not include obligations to dismantle assets or restore sites.

Right-of-use assets are presented in separate line item in the balance sheet.

• Lease liabilities

At the commencement date of the lease, the Group recognises the lease liabilities at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset. The liability is also increased if there is a change to future lease payments resulting from a change in an index or rate used to determine such lease payments.

• Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

• Judgements made in determining the lease term of contracts with renewal option

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. Also included are any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

(e) 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. in 2017 attributable to customer acquisition in the business combination, which is amortised in 4 years over the estimated period in which the cash flows generated are received. As at 31 December 2022 it is fully amortised (Note 7).

(iii) Internally generated intangible assets

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

(iv) CO2 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 (f).

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

The Group assesses the existence of indications of potential impairment of the non-financial assets subject to amortisation and depreciation, in order to check whether carrying amount exceeds 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 the expected future cash flows.

The cash-generating units (CGUs) identified by the Group correspond to its production subsidiaries and directly equate to the Group's production plants, except for Encirc Ltd and Vidroporto ,which include two inter-related production plants, respectively.

Each CGU corresponds to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

The discount rate used is obtained through assessments based on the assumptions used by the company. The result is consistent with the discount rates used in independent external financial research on Vidrala. If specific items of property, plant and equipment within a CGU are detected that will not generate future cash inflows, an impairment is recognised.

Measurements to quantify value in use are based on assessing value in use of the production plants identified according to predictive business models and a valuation methodology based on discounted future cash flows.

Negative differences between assets' carrying amount and their recoverable amount are recognised in profit or loss.

(g) Financial instruments

(i) Classification of financial instruments

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

(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) Financial assets

The group classifies its financial assets after initial recognition according to whether they are measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

At initial recognition, the Group measures financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are also recognised in profit or loss.

Subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. After initial recognition, financial assets are classified into three categories:

- *Financial instruments at amortised costs*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the asset is derecognized.

- *Financial assets at fair value through other comprehensive income*

These are financial assets measured initially at fair value if they are managed within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The initial recognition at fair value includes transaction costs that are directly attributable to the transaction. In subsequent periods, these assets are measured at fair value, with any gain or loss recognised in the statement of other comprehensive income, although accrued interest is recognised in profit or loss. Amounts recognised in the statement of comprehensive income are recycled to profit or loss upon derecognition of the financial assets.

- *Financial assets at fair value through income*

These are assets acquired for the purpose of selling them in the near term. Derivatives are classified in this category unless they are designated as hedging instruments. These assets are measured both initially and subsequently at fair value, with any changes in fair value recognised in consolidated profit or loss for the year.

Equity instruments classified in this category are recognised at fair value with any gains or losses arising from changes in fair value and proceeds from the sale included in consolidated profit or loss.

The fair values of quoted investments are based on quoted prices (Level 1). For investments in unquoted companies, fair value is based on valuation techniques, including the use of recent arm's length transactions between knowledgeable, willing parities, references to other instruments that are substantially the same and discounted cash flow analysis (Levels 2 and 3). If insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range, the investments are measured at cost less any impairment losses.

(iv) *Financial liabilities*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Bank loans make up the Group's most important financial liabilities. They are recognised initially at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The accounting policies for derivatives and hedging instruments are described below in section (h) hedge accounting.

(v) *Impairment of financial assets*

The Group recognises a loss allowance for impairment losses on financial assets and the uncollectability of loans and other receivables. The recognition criteria followed by the Group is based on the age of the debtors, and the monitoring, knowledge and third-party reports on the debtors’ financial situation When the impairment or uncollectability are considered irreversible because the Group has exhausted all means of claims, including legal, the carrying amount of the asset is eliminated against the loss allowance. Reversals of impairment losses are also recognised against the amount of the allowance account.

(vi) *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(h) <u>Hedge accounting</u>

Financial derivatives are initially recorded at their acquisition cost in the consolidated balance sheet and, subsequently, the necessary valuation adjustments are made to reflect their fair value. Profits or losses arising from fluctuations in this fair value are recorded in the consolidated income statement, unless the derivatives in question forms part of a cash flow or foreign investment hedge relationship.

The Group has cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The structure of hedges in the different cases is as follows:

<u>Interest rate hedges</u>

- 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 also enters into agreements to hedge risks arising from changes in exchange and inflation rates.

(i) Parent own shares

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

(j) Distribution to shareholders

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

(k) 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.

(l) Cash and cash equivalents

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

(m) 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 note 3.e.

(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.

(n) 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 (Italy). 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. Likewise, this heading records a commitment for variable remuneration with certain employees of the UK subsidiary, related to the achievement of certain economic performance targets.

(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.

(o) Provisions

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

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

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

(i) *Provision for emission allowances*

Provision is systematically made 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 taxes*

Vidrala recognises a provision for taxes arising from ongoing litigation with the taxation authorities based on the best information available at the date of authorisation for issue of these consolidated financial statements (see Note 19).

(p) Revenue recognition

Revenue from contracts with customers should be recognised with accordance with satisfaction of the performance obligations with customers.

Ordinary revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which Vidrala expects to be entitled in exchange for those goods and services.

A five-step model is established for recognising revenue

1. Identifying the contract(s) with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to performance obligations.

5. Recognising revenue according to satisfaction of each obligation.

Based on this recognition model, sales of goods are recognised when the products have been delivered to and accepted by the customer, even if they have not been invoiced or, where applicable, the services have been rendered and collection of the receivables is reasonably assured.

Discounts for early payment, volume or other, are recognised as a reduction. Revenue is presented net of value-added tax and any other amount or tax whose substance relates to amounts received by third parties.

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

(q) 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 January 1, 2013.

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

(i) <u>Recognition of deferred tax liabilities</u>

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of goodwill, as well as those associated with investments in subsidiaries, associates and entities under joint control in which Vidrala can control the reversal of these and is likely not to revert in the foreseeable future.

(ii) <u>Recognition of deferred tax assets</u>

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 15).

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

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

(r) Segment reporting

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

(s) Environmental issues

The Group takes measures to prevent, reduce or repair the damage caused as result of its activities can produce on the environment.

Expenses related to the decontamination and restoration of contaminated sites, waste disposal and other expenses arising from compliance with environmental legislation are recorded in the year in which they are incurred.

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

(t) Foreign currency transactions and balances

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

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.

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 filling 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.

In accordance with its location, each plant produces for a specific geographical market through a unified commercial structure designed for that market.

Plants in Spain and Portugal produce products marketed under the Vidrala brand name, through the Parent mostly for the Iberian Peninsula, France, Belgium and Germany. UK plants produce products marketed under the Encirc brand name, through the company of the same name, mostly for the UK and Ireland. Lastly, the Italian plant produces products marketed under Vidrala Italia brand name, through the company of the same name, mostly for Italy.

This segmentation matches with the lowest level, or the most detailed level, of information used by management and the board of directors, which have information on production activity and manufacturing costs per production plant, and on sales, operating profit or loss, and margins for the identified segments.

During the fiscal year 2023, after the acquisition of the Brazilian business (Note 5), the Group has redefined the segmentation structure, establishing the following operating segments:

- United Kingdom and Ireland
- Italy
- Iberian Peninsula and rest of Europe
- Brazil

Segment performance is measured based on profit or loss before tax. Segment profit is used as a performance measure since the Group considers this information to be the most relevant in assessing the results of certain segments compared to other groups operating in those businesses.

Segment information related to the consolidated income statements for the years ended 31 December 2023 and 2022:

	Thousands of Euros 2023				
	Iberian Peninsula & Other	**Italy**	**United Kingdom & Ireland**	**Brazil (*)**	**Consolidated Financial Statements**
Revenues	799,742	131,292	609,305	19,147	1,559,486
Other income	17,056	3,387	6,864	160	27,467
Changes in inventories of finished goods and work in progress	43,613	15,232	10,263	666	69,774
Merchandise, raw materials and consumables used	(377,650)	(88,543)	(296,833)	(9,704)	(772,730)
Employee benefits expense	(128,124)	(13,926)	(124,768)	(2,315)	(269,133)
Amortisation costs	(43,743)	(10,655)	(42,552)	(915)	(97,865)
Impairment of non-current assets	(4,749)	(333)	(910)	-	(5,992)
Other expenses	(118,038)	(14,124)	(88,830)	(177)	(221,169)
Finance income	7,776	-	593	114	8,483
Finance costs	(8,208)	(3,486)	(2,147)	(2,594)	(16,435)
Participation in profits (losses) of equity accounted investees	-	-	-	5,607	5,607
Profit before income tax from continuing operations	**187,675**	**18,844**	**70,985**	**9,989**	**287,493**
Income Tax	(38,773)	715	(14,749)	(1,291)	(54,098)
Profit for the year from continuing operations	**148,902**	**19,559**	**56,236**	**8,698**	**233,395**

(*)The Income Statement for the Brazil segment corresponds to the operations of the month of December 2023.

	Thousands of Euros 2022			
	Iberian Peninsula & Other	**Italy**	**United Kingdom & Ireland**	**Consolidated Financial Statements**
Revenues	752,802	106,009	487,771	1,346,582
Other income	14,555	2,565	10,197	27,317
Changes in inventories of finished goods and work in progress	36,180	5,517	30,683	72,380
Merchandise, raw materials and consumables used	(417,936)	(70,469)	(278,609)	(767,014)
Employee benefits expense	(104,596)	(13,172)	(96,260)	(214,028)
Amortisation costs	(39,202)	(9,967)	(36,291)	(85,460)
Impairment of non-current assets	(290)	(344)	(90)	(724)
Other expenses	(111,612)	(14,118)	(69,109)	(194,839)
Finance income	1,629	-	1,190	2,819
Finance costs	(1,757)	(1,600)	(78)	(3,435)
Change in fair value financial instruments	4,638	-	-	4,638
Impairment	(488)	-	-	(488)
Profit before income tax from continuing operations	**133,923**	**4,421**	**49,404**	**187,748**
Income Tax	(34,460)	7,751	(7,353)	(34,062)
Profit for the year from continuing operations	**99,463**	**12,172**	**42,051**	**153,686**

Non-current assets allocated at 31 December 2023 and 2022:

	Thousands of Euros	
	2023	2022
Iberian Peninsula & Other	857,277	707,903
Italy	141,643	126,057
United Kingdom & Ireland	434,796	338,865
Brazil	226,854	-
	1660,570	**1,172,825**

Information of key line items in the consolidated financial statements by geographical areas according to the location of the production assets:

	Thousands of euros					
	2023			2022		
Location	**Assets**	**Liabilities**	**Investments**	**Assets**	**Liabilities**	**Investments**
Iberian Peninsula & Other	1,181,098	717,688	109,887	1,213,988	723,448	90,556
Italy	229,277	52,430	4,315	217,841	42,786	14,779
United Kingdom & Ireland	721,940	267,278	27,619	521,698	153,669	55,878
Brazil	349,596	220,183	-	-	-	-
	2,481,911	**1,257,579**	**141,821**	**1,953,527**	**919,903**	**161,213**

Investments in 2023 and 2022 in the preceding table include additions to property, plant and equipment (see Note 7) and intangible assets (see Note 8) and do not reflect the value of emission rights allocated for the year (see Note 8).

5. Business Combinations

Acquisition of The Park business

On 31 January 2023, Encirc Group subsidiary Encirc Ltd completed the acquisition of the bottling and warehouse business known as ‘The Park’ from wine producer Accolade Wines Ltd.

The Park, in Bristol (UK), has 80,000 m2 and three bottling lines, with capacity to fill approximately 200 million litres.

Details of the fair value as at 31 December 2023 of the assets acquired and liabilities assumed in the transaction are as follows:

	Fair Value	
	Thousand Euros	Thousand Pounds
Property, Plant and Equipment (Note 7)	42,745	37,647
Right of-use assets (Note 8)	46,123	40,083
Inventories	6,400	5,562
Total Assets	**95,268**	**83,292**
Deferred Tax Liabilities	2,171	1,912
Provisions (Note 19)	10,872	9,448
Finance Lease (Note 8)	46,123	40,083
Total liabilities and contingent liabilities	**59,166**	**51,443**
Total Net Assets acquired	**36,102**	**31,849**

The calculation of the goodwill allocated to the acquisition was as follows:

	Thousand Euros	Thousand Pounds
Payment	38,334	33,761
Net Assets acquired	36,102	31,849
Goodwill	2,232	1,912

The change in goodwill disclosed relative to the amount presented under non-current assets in the consolidated balance sheet as at 31 December 2023 was the result of the fluctuation in the pound sterling's exchange rate since 31 January 2023.

Goodwill generated on the acquisition amounts to approximately Euros 2.2 million, driven primarily by synergies within Encirc Limited for the glass volumes obtained in the filling contracts acquired as part of the business combination.

The transaction costs incurred by the Group amounted to Euros 583 thousand (500 thousand pounds sterling), recognised in the consolidated income statement for the year ended 31 December 2023.

The breakdown of the net cash flow arising on the transaction at 31 December 2023 is as follows:

	Thousand Pounds
Cash paid in the transaction	33.761,00
Cash acquired in the transaction	-

The contribution of The Park business to the income statement of the Encirc Group subsidiary and, accordingly, the annual income statement for the year ended 31 December 2023 was a negative Euros 11,341 thousand (9,880 thousand pounds sterling), with net revenue of Euros 29,872 thousand (25,945 thousand pounds sterling).

Had the The Park acquisition taken place on 1 January, the Group's revenue would have increased by Euros 2,157 thousand (1,900 thousand pounds sterling) and its loss would have decreased by Euros 1,031 thousand (908 thousand pounds sterling).

The accounting of the business combination had been completed as at the date of authorisation for issue of these consolidated financial statements for the year ended 31 December 2023.

Acquisition of Vidroporto, S.A.

On 9 February 2023 Vidrala announced the acquisition, through its subsidiary Inverbeira Sociedad de Promoción de Empresas S.A., of a 29.36% non-controlling interest in the share capital of Vidroporto S.A. from Brazil for 297 million Brazilian reais, approximately Euros 53 million.

Meanwhile, on 4 December 2023, Vidrala completed the acquisition of a 100% stake in Vidroporto, S.A. through its subsidiary Inberveira Sociedad de Promoción de Empresas, S.A. after signing the contract to purchase the shares it did not already own at that date.

Vidroporto, with its subsidiary Indústria Vidreira do Nordeste, is a competitive Brazilian producer of glass containers, founded on an excellent industrial heritage. It has an experienced management team and strong business relationships with strategic customers. It also operates two high-tech plants located in Porto Ferreira, São Paulo state, south-east region, and Estância, Sergipe state, north-east region, from where it supplies containers to some of Brazil's leading brands in segments such as beer, spirits and soft drinks.

The business acquired generated revenue, consolidated profit before tax and EBITDA for the Group during the period between the acquisition date and the date of presentation of the 2023 consolidated financial statements of Euros 19,147 thousand, Euros 9,989 thousand and Euros 7,778 thousand, respectively.

Has the acquisition taken place on 1 January, the Group's revenue, consolidated profit and EBITDA for the year ended 31 December 2023 including this acquisition would have been Euros 154,969 thousand, Euros 22,393 thousand and Euros 55,457 thousand, respectively.

The amounts recognised in 2023 by the main line items at the acquisition date of the assets, liabilities and contingent liabilities were as follows:

	Fair Value	Fair Value
	€ Thousand	BRL Thousand
Goodwill (Note 8)	97,162	520,963
Property, Plant and Equipment (Note 7)	219,934	1,179,240
Intangible assets (Nota 8)	332	1,781
Inventories	36,221	194,208
Other Current Assets	6,458	32,837
Trade and other receivables	72,573	360,421
Cash and cash equivalents	12,684	65,144
Total assets	**445,364**	**2,354,594**
Trade and other payables	17,977	96,389
Non Current and Current Loans and Borrowings	179,399	954,260
Provisions(Note 19)	197	1,056
Deferred Tax Liabilities	22,317	119,657
Other liabilities	5,016	26,895
Total liabilities and contingent liabilities	**224,906**	**1,198,257**
Total Net Assets acquired	**220,458**	**1,156,337**
Cash Flow paid in the acquisition	**220,458**	**1,156,337**

Subtracted from the cash flow paid for the acquisition is Euros 2,543 thousand for the impact of other transaction-related matters.

The amount paid reflects the actual cash outflow, although the cost of the business combination for the Group amounted to Euros 384 million. This figure includes the non-controlling interest acquired at the beginning of the year, the remaining shares acquired now and the debt assumed in Vidroporto, for Euros 168 million, which at the spot rate of exchange at the reporting date amounted to Euros 165.8 million. This amount was paid in full with the Group's cash equivalents at the date it obtained control.

The related transaction costs amounted to Euros 1,597 thousand, entailing mostly fees paid to legal advisors and similar costs.

Factors giving rise to the generation of goodwill amounting to Euros 97,162 thousand include business diversification towards the growing Brazilian market and the creation of a platform for future growth across Latin America, and stronger long-term alliances with strategic customers.

The Group expects most of the entire amount of the goodwill arising on the Vidroporto acquisition to be tax-deductible.

The accounting of the business combination was provisional as at the date of authorisation for issue of these consolidated financial statements for the year ended 31 December 2023.

6. Risk Management Policy

Business risks

Risk management in the Vidrala Group involves procedures supervised by the directors, coordinated by management and implemented in each operating area of the organisation. The main external risk factors affecting our business results in the short-term future, under the current overall business context, are: the continuation of the solid sales context, global economic trends and their potential impact on end-consumer demand for our products; the management of needed inventory levels to serve our customers and subsequent adaptation of production capacities at our facilities; the abnormal inflation in the prices of energy, raw materials and other operating costs necessary to produce and sale glass containers and our ability to transfer these cost increases into our sales prices, through contractual pass through formulas or direct renegotiations; the investment intensity in our industrial perimeter to grow or diversify the business and reduce operating costs.

Operational risk

Vidrala, through ten glass production plants and two filling facilities, 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 2023, 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.

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 14001:2015 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, we have started implementation and verification processes for new environmental standards such as ISO 14064:2018 in 5 of our manufacturing sites, related to the voluntary declaration of CO_2 emissions, or ISO 50001:2018, on energy management systems, already certified in 3 of our factories and another 2 of them in certification phase.

In addition, Vidrala maintains an investment commitment specifically designed to minimise the potential pollutant effect of its facilities. Of special importance in recent years, this concrete effort has materialised in the conclusion of an extensive investment project developed for the installation, in all the production centres, of special systems of purification of atmospheric emissions, denominated electrostatic precipitators or electrofilters. These installations are aimed at reducing emissions of pollutant particles and are recognised 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, desulfurisers, which have considerably reduced the emission of this pollutant.

The impacts of climate change are already visible and will worsen without proper action. Reducing our carbon footprint and minimising our climate impact is vital for us. To do so, we have been investing in more energy efficient furnaces, as well as switching to renewable sources of energy to reduce reliance on fossil fuels. Additionally, our plans are formally aligned with the goal of limiting global warming to levels below 1.5°C, after being validated by the Science-based Target Initiative (SBTi).

Additionally, the Vidrala Group obtained an 'B' rating for Climate Change and 'B' for Water Management in the Carbon Disclosure Project questionnaires. The Carbon Disclosure Project (CDP) qualification allows visualising the environmental performance, management and progress in corporate sustainability matters. The report published by the non-profit organisation reaffirms Vidrala's environmental commitment and its leadership position in sustainability.

Progress in the Group's environmental efficiency is certified annually and documented in a sustainability report / statement of non-financial information, part of the management report of the full year consolidated financial statements.

ii) Occupational health and safety

The activity developed by the Vidrala Group is grounded on the daily work of the more than 4,900 people employed, 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 ISO 45001:2018 standard, which are certified by independent entities accrediting the existence of an internationally recognised 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, included in the Group's full year consolidated financial statements, details the evolution of the indicators linked to the management of occupational risk prevention, having registered a 2023 accident rate 5% below that of 2022, with a total of 84 accidents. Part of this decrease is due to the investment of 17.432 training hours in this area. 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. Besides, to ensure stability in volume, quality and price of certain key raw materials, Vidrala plans to move forward with the verticalisation of its activity, deploying a specific strategy for each of the regions in which it operates, adapting to particular risks and casuistry.

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.

iv) Risks of inflation in the cost of energy and raw materials

Glass container manufacturing has been affected by the inflationary backdrop experienced between 2022 and 2023, with abnormal pressure on production costs that has started to show signs of moderation.

In particular, industrial activity during 2022 was impacted by extreme energy cost inflation, which was intensified by the conflict between Russia and Ukraine and inevitably passed through to other operating cost components.

Energy consumption, mainly natural gas and electricity, represents a significant element of operating costs that is inherent to the glass production and manufacturing process to which Vidrala dedicates its activity. The supply of raw materials is another significant part of cost for the Group. Fluctuations in the variables that give rise to their prices, represented in the natural variability of global commodity markets, affect the cost of the production process and can have a greater or lesser impact on the profitability of the business.

In order to manage the impact of this risk, the Group employs specific control processes to mitigate the potential unforeseen effects on operating margins in the event of inflationary market trends. The Vidrala Group has implemented measures to adapt sales prices and protect the cost of energy, including the implementation of adapted pricing formulas, increased flexibility in supply contracts, continuous monitoring of the market variables that determine them through dedicated management and control departments, and risk monitoring through price hedging strategies, including the contracting of fixed price tariffs and the use of derivative financial instruments to hedge them. Furthermore, as part of the sustainability objectives related to the energy transition and decarbonisation, the Vidrala Group is carrying out an investment plan in self-generation of renewable electricity, which in turn contributes to the gradual mitigation of this risk.

Due to this risk management policy, as of December 31, 2023, the Vidrala Group had contracted protection or hedging instruments against increases in energy commodity prices for a nominal amount equivalent to EUR 31 million. Additionally, some energy supplies have been directly contracted at a fixed price. As a result of these measures, the Group estimates that it has approximately 50% and 15% of the consumption hedged for 2024 and 2025, respectively.

v) Cybersecurity risk

Cybersecurity risk refers to potential threats and vulnerabilities that may affect control systems or information and communication systems, as well as any other asset supported by information technology systems. Currently, the risk of suffering a cybersecurity attack is real and growing, although no relevant incident in this area has materialised in the Vidrala Group in 2023. The constant advancement of technology has great benefits, while also increases exposure to malicious attacks, sabotage, as well as other intentional acts that can lead to interruptions at the operational level, theft of sensitive information, intellectual and industrial property, etc. with significant impacts on the Group’s activity.

In order to manage this risk, the Vidrala Group has a Cybersecurity Master Plan, launched in 2021, that has involved specific investments and spending after an intense analysis resulting from the advice of external consultants, self-assessment of risks and the development of policies and procedures for continuous improvement that help to continue strengthening our control environment. Some, but not all, of these improvement tools include the following:

- Cybersecurity manager has sufficient autonomy and independence to carry out his/her functions.
- Various cybersecurity management policies and procedures are in place to ensure compliance.
- Cyber-attack drills and third-party audits are carried out in order to continuously improve our response and business continuity protocols.
- Constant education and training of all workers is promoted as training for the first line of defence.

- There is a Security Operations Center that continuously detects, analyses and reports alerts and possible threats.

Fiscal risk

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

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 behaviours 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 Vidrala 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 and Vidroporto S.A. in 2023, whose businesses are largely conducted in sterling pounds and brazilian reais. In order to quantify the sensitivity to the currency at a consolidated level, as a result of the above, 38,20% of sales and 32,23% of operating income, EBITDA, obtained during the year 2023 are generated in Pounds Sterling and Brazilian Real, which may be affected by fluctuations in this currency against the Euro. There is also a risk of translating cash generated by the acquired businesses in Pounds Sterling and Brazilian Real to Euros, to repay a debt that was acquired in Euros. The depreciation of any of both currencies against the Euro could reduce its equivalent value in Euros, thus reducing cash.

Quantifying currency risk based on 2023 data, and using the Pound Sterling as an example, a depreciation 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 1.5%, and annual cash flow would be reduced by approximately 1,6%.

To control currency risk, Vidrala uses derivative instruments, mainly forwards or options. Thus, as of the this report issuance date, Vidrala has contracted sales structures in pounds sterling with maturities during the year 2024, for an accumulated equivalent value of approximately EUR 52 million, equivalent to approximately 40% protection on the net cash flow expected to be generated during the year 2024 in that currency.

In addition, there is no hedging on force over Brazilien Real, given that the expected net cash flows to be generated along 2024 will be dedicated to reduce the indebtedness of Vidroporto in that currency, obtaining thus a natural hedginig on this currency.

ii) Interest rate risk

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 concentrates the main part of its borrowings on variable rate instruments. The Group manages interest rate risks in cash flows mainly through interest rate swaps. These instruments convert variable-rate borrowings to fixed-rate, thus avoiding the risk of fluctuations in variable interest rates. 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, as of December 31, 2023, Vidrala has contracted interest rate hedging instruments in the form of interest rate swaps for a notional of EUR 190 million, with progressive maturities up to 2026. Thanks to this hedging structure, jointly with financing structures already based on fixed interests rates, the Group debt in euros, along the year 2024, is completely hedged from euro rates potential fluctuations.

iii) Credit risk

The Vidrala Group has a well-diversified customer base made up of a combination of large owners of widely recognised global consumer brands, local or regional packers and packaging distribution companies. No customer accounts for more than 10% of revenue. Top ten clients represent approximately 34% of revenue. The 50th percentile of sales is composed of the main 21 customers.

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. During 2023, the impact of bad debts has represented 0.05% of the Group’s consolidated sales (reversal).

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.

As of December 31, 2023 the Group maintains EUR 872 million in external financing available resources, of which EUR 25 million correspond to promissory notes issued in the Alternative Fixed Income Market (MARF) whose maturities will take place in the short term.

Vidrala bases its financial liquidity management strategy on prudence, flexibility, cost efficiency and the appropriate duration long-term structure. For this reason, in order to maintain a solid financing position capable of assuming the repayment of the maturities of the currently arranged debt, the impact of any unforeseen or change of context in the markets, and maintain an adequate structure to face strategic operations that could require payments agility, the Group has –as of December 31, 2023– EUR 319 million in immediately available, undrawn credit, on top of EUR 81 million in cash and cash equivalents.

v) Debt and solvency

As of December 31, 2023 Vidrala's consolidated net debt amounted to EUR 472.2 million. As a result, indicators of financial solvency as of December 31, 2023 reflects a leverage of 1.1 times last twelve months EBITDA, evidencing the financial capacity and stability of Vidrala's equity position.

The core part of the financing structure is concentrated in a syndicated financing agreement, signed by a selected group of nine financing entities, for an amount in force at the reporting date of EUR 260 million. Its maturity date is September 13, 2025, being progressively amortisable from September 13, 2024.

The mentioned loan contract contains certain covenants, mainly in relation to the net debt to EBITDA ratio. All these covenants had been met as of December 31, 2023:

- Leverage ratio (Financial Net Debt / LTM Consolidated EBITDA): 1.08x
- LTM Consolidated EBITDA / Net Financial Result: 21.11x

In addition to the syndicated structure, Vidrala has complementary financing. In the long term, in order to provide flexibility, financial strength and to adapt the Group's debt maturity structure to its future needs, the Vidrala Group has credit lines and additional loans for an amount of EUR 522 million, with maturities between 2024 and 2032. On top of that, for the short-term management of flows and cost efficiency, the Group has a Commercial Paper Program (CPP) registered in MARF for a limit of EUR 200 million which –as of December 31, 2023– is used in EUR 25 million. Finally, the Group has working capital credit lines for limits of EUR 65 million.

vi) Other risks: conflict between Russia and Ukraine

In February 2022, Rusia began the war in Ukraine. As of the reporting date, this conflict is still in force although its effects on the financial markets have been significantly reduced.

The direct impact on Vidrala's business is limited, as the Group does not have assets or maintains any industrial or commercial activity, does not produce, sell or buy directly in Ukraine or Russia.

However, the indirect impact was evident during said year in the growing difficulties in global supply chains and, specially, in the abnormal increases in energy prices. In particular, the price of natural gas, the main energy source in glass manufacturing, generally dictated by pan-European organized markets, which behaved with abnormal volatility related to the perception of the risks of lower supply from Russia to central Europe. Thus, the market prices of gas, as well as electricity, multiplied by almost three times the levels of 2021. During 2023 the rise in inflation, as well as the extreme volatility suffered during the previous year, have subsided, prices being at levels like those existing before the start of the war.

In response to this inflationary situation, Vidrala has implemented exceptional measures to adapt sales prices and temporary coverage by fixing energy prices, which are discussed in detail in its specific section. These measures, together with the normalization of costs, should be efficient to preserve business margins.
In October 2023, Hamas and other Palestinian armed groups in the Gaza Strip launched a surprise attack against Israel that officially and immediately declared war. So far, the conflict between Israel and Hamas has had a limited economic and financial impact, but if it escalates significantly, it could result in an oil crisis with global impacts and its consequent collateral effects on the energy markets.

Since mid-December, tensions in the Middle East have been affecting maritime transport of goods. The main route affected is the Suez Canal, through which 30% of global container traffic transits. The current crisis has, for now, a limited impact due to the current weakness in global demand and the absence of congestion in the logistics industry.

The conflict does not compromise any of the Group's continuous supplies; although certain specific supplies could suffer delivery delays; in these cases, the Vidrala Group is managing the supply chain in advance and looking for logistical alternatives to the Red Sea. The situation is causing increases in freight costs, which in any case do not have a relevant impact on the Group's supply costs.

7. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2023 and 2022 are as follows:

	Thousands of Euros						
2023	**Balances at 12.31.22**	**Additions**	**Business Combination (Note 5)**	**Disposals**	**Transfers**	**Translation differences**	**Balances at 12.31.23**
Cost							
Land and buildings	348,628	4,715	44,787	-	21,730	2,896	422,756
Technical installations and machinery	984,971	49,758	198,690	(7,963)	76,289	11,352	1,313,097
Moulds	130,324	11,280	-	(3,071)	(981)	971	138,523
Furniture	14,734	4,255	985	(187)	954	148	20,889
Other property, plant and equipment	9,652	13	3,357	-	19	-	13,041
Work in progress	212,034	64,451	14,860	-	(98,011)	806	194,140
	1,700,343	**134,472**	**262,679**	**(11,221)**	**-**	**16,173**	**2,102,446**
Depreciation							
Land and buildings	(130,180)	(14,045)	-	-	-	(1.084)	(145,309)
Technical installations and machinery	(618,490)	(73,157)	-	7,963	-	(7,731)	(691,415)
Moulds	(93,146)	(6,276)	-	3,071	-	(379)	(96,730)
Furniture	(7,460)	(473)	-	187	-	(72)	(7,818)
Other property, plant and equipment	(2,377)	(15)	-	-	-	-	(2,392)
	(851,653)	**(93,966)**	**-**	**11,221**	**-**	**(9,266)**	**(943,664)**
Impairments							
Moulds	(19,147)	(5,992)		-	-	-	(25,139)
	(19,147)	**(5,992)**		**-**	**-**	**-**	**(25,139)**
Carrying amount	**829,543**						**1,133,643**

	Thousands of Euros					
2022	**Balances at 12.31.21**	**Additions**	**Disposals**	**Transfers**	**Translation differences**	**Balances at 12.31.22**
Cost						
Land and buildings	343,148	12,006	(1,534)	2,045	(7,037)	348,628
Technical installations and machinery	975,737	23,539	(2,513)	5,108	(16,900)	984,971
Moulds	119,686	13,797	(2,057)	-	(1,102)	130,324
Furniture	11,884	2,796	(629)	1,332	(649)	14,734
Other property, plant and equipment	9,650	2	-	-	-	9,652
Work in progress	116,851	106,094	(1,563)	(8,485)	(863)	212,034
	1,576,956	**158,234**	**(8,296)**	**-**	**(26,551)**	**1,700,343**
Depreciation						
Land and buildings	(123,737)	(8,812)	1,376	-	993	(130,180)
Technical installations and machinery	(562,201)	(64,139)	2,363	-	5,487	(618,490)
Moulds	(87,225)	(8,804)	1,862	-	1,021	(93,146)
Furniture	(7,819)	(287)	290	-	356	(7,460)
Other property, plant and equipment	(3,924)	(16)	1,563	-	-	(2,377)
	(784,906)	**(82,058)**	**7,454**	**-**	**7,857**	**(851,653)**
Impairments						
Moulds	(18,423)	(724)	-	-	-	(19,147)
	(18,423)	**(724)**	**-**	**-**	**-**	**(19,147)**
Carrying amount	**773,627**					**829,543**

The main additions in 2023 correspond to the investments made by the Group in its subsidiaries in Portugal. It is worth highlighting the contribution of assets, as a result of business combinations (Note 5). During 2022, the main additions corresponded to investment plans developed for the modernization of the production plants located in the United Kingdom and Portugal.

No significant decreases have been recorded during 2023 and 2022.

During the financial year 2022, the Group formalized various "Sale & Leaseback" leasing contracts with financial institutions (Note 16), relating to fixed assets affecting their production plants in Spain. During 2023, no new contracts have been formalized.

(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 9,532 thousand at 31 December 2023 (Euros 5,219 thousand at 31 December 2022) (see note 15).

b) Commitments

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

	Thousands of Euros	
	2023	2022
Technical installations and machinery	17,630	50,645

(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 2023 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 543 million (Euros 500 million at 31 December 2022).

8. Intangible Assets

Details of intangible assets and movement during 2023 and 2022 are as follows:

	Thousand of euros						
2023	**R&D expenditure**	**Emission allowances**	**Computer software**	**Other Intangible assets**	**Customer portfolio**	**Goodwill**	**Total**
Cost							
Balances at December 31 2022	**5,057**	**62,456**	**32,308**	**1,168**	**13,237**	**209,890**	**324,116**
Additions	677	93,306	6,528	144	-	-	100,655
Business combinations (Note 5)	-	-	332	-	-	99,302	99,634
Disposals	-	(72,106)	-	-	-	-	(72,106)
Transfers	221	-	(221)	-	-	-	-
Translation differences	-	-	88	-	-	30	118
Balances at December 31 2023	**5,955**	**83,656**	**39,035**	**1,312**	**13,237**	**309,222**	**452,417**
Depreciation							
Balances at December 31 2022	(3,796)	-	(23,366)	(628)	(13,237)	-	(41,027)
Additions	(437)	-	(3,403)	(59)	-	-	(3,899)
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Translation differences	-	-	-	-	-	-	-
Balances at December 31 2022	**(4,233)**	**-**	**(26,769)**	**(687)**	**(13,237)**	**-**	**(44,926)**
Impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount							
At December 31 2022	**1,261**	**62,456**	**8,820**	**540**	**-**	**209,890**	**282,967**
At December 31 2023	**1,722**	**83,656**	**12,266**	**625**	**-**	**309,222**	**407,491**

	Thousand of euros						
2022	**R&D expenditure**	**Emission allowances**	**Computer software**	**Other Intangible assets**	**Customer portfolio**	**Goodwill**	**Total**
Cost							
Balances at December 31 2021	**4,936**	**36,087**	**30,888**	**1,137**	**13,237**	**209,890**	**296,175**
Additions	167	90,780	2,781	31	-	-	93,759
Disposals	(199)	(64,411)	-	-	-	-	(64,610)
Transfers	153	-	(629)	-	-	-	(476)
Translation differences	-	-	(732)	-	-	-	(732)
Balances at December 31 2022	**5,057**	**62,456**	**32,308**	**1,168**	**13,237**	**209,890**	**324,116**
Depreciation							
Balances at December 31 2021	(3,512)	-	(20,283)	(621)	(13,237)	-	(37,653)
Additions	(361)	-	(3,034)	(7)	-	-	(3,402)
Disposals	77	-	-	-	-	-	77
Transfers	-	-	(49)	-	-	-	(49)
Translation differences	-	-	-	-	-	-	-
Balances at December 31 2022	**(3,796)**	**-**	**(23,366)**	**(628)**	**(13,237)**	**-**	**(41,027)**
Impairment	**-**	**-**	**(122)**	**-**	**-**	**-**	**(122)**
Carrying amount							
At December 31 2021	**1,424**	**36,087**	**10,483**	**516**	**-**	**209,890**	**258,400**
At December 31 2022	**1,261**	**62,456**	**8,820**	**540**	**-**	**209,890**	**282,967**

(a) Impairment and allocation of goodwill to CGUs

The CGUs identified by the Group correspond to its production subsidiaries and directly equate to the Group's production plants, except for Encirc Ltd and Vidroporto, which include two inter-related production plants, respectively.

Each CGU corresponds to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

Accordingly, the Group's CGUs are:

- Aiala Vidrio (integrated under Aiala Vidrio, S.A.)
- Castellar Vidrio (integrated under Castellar Vidrio, S.A.)
- Crisnova Vidrio (integrated under Crisnova Vidrio, S.A.)
- Vidrala Italia (integrated under Vidrala Italia, S.R.L.)
- Santos Barosa (integrated under Santos Barosa Vidros, S.A.)
- Gallo Vidro (integrated under Gallo Vidro, S.A.)
- Encirc, Derrylin and Elton plants (integrated under Encirc Limited)

- Vidroporto, Porto Ferreira and Estância plants (integrated under Indústria Vidreira do Nordeste).

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**	**2023**	**2022**
Gallo Vidro	Portugal	20,799	20,799
Castellar Vidrio	Spain	26,155	26,155
Vidrala Italia	Italy	12,279	12,279
Santos Barosa Vidros	Portugal	150,657	150,657
Encirc	United Kingdom	2,170	-
Vidroporto	Brazil	97,162	-
		309,222	**209,890**

All Group CGUs are tested for impairment, irrespective of any goodwill allocated, annually or more frequently if there is any indication of a potential loss in the value of the asset. CGUs tested for impairment represent 77% of the value of the group's non-current assets.

In the case of the CGU associated with Vidroporto and considering that the effective date of the business combination is December 1, 2023, the Group has not conducted specific impairment tests on said CGU.

Measurements to quantify value in use are based on assessing value in use of the production plants identified according to predictive business models, which have been updated on the basis of current economic conditions, and a valuation methodology based on discounted future cash flows.

The projections are based on the actual scenario 2023. In general, sales growth estimates are constructed as the combination of an expected 1% annual growth in sales volumes and an average sales price increase equal to the year-on-year change in the general consumer price indices forecast in each region. However, sales price declines of 8% and 4% in 2024 and 2025 respectively are assumed in line with the best internal estimates, reflecting price growth in line with normalized CPI rates from 2025 onwards. The figures for sales volume variation and required industrial investment for its sustainability, are consistent with the historical data of the business.

In calculating EBITDA, production costs increase in line with the annual change in the general CPI forecast for each CGU tested, in line with the estimated change in selling prices except, as explained previously, for 2024 and 2025, where a specific estimate was applied to prices. Given the importance of energy costs in production plants' cost structure and the particular variability of energy tariffs, specific assumptions are used for changes in energy costs taking as inputs future prices on active markets for natural gas as the best indicator.

The estimated annual growth rate in all valuation models is 1.5%. This assumption is consistent with long-run industry growth and the macroeconomic outlooks for the geographical regions in which the Vidrala Group operates. It is considered reasonable in light of the stable, mature and reasonably predictable demand typical of the developed economies in which Vidrala carries out its business.

Average growth in sales and EBITDA for the forecast period is -0.3% and 3.7%, respectively (2022: 0.4% and 14.2%, respectively), respectively, increases that the Group considers reasonable in the current market context. Projections assume an initial moderation of sales prices after the extraordinarily inflationary situation in recent years, as well as a progressive improvement of EBITDA margins as a result of the normalization of the cost environment.

The discount rate used is obtained through assessments based on internal assumptions and the result is consistent with the discount rates used in independent external financial research on Vidrala. They also reflect the specific risks of each GCU.

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

	2023	**2022**
Cash Generating Unit	**Discount rate**	**Discount rate**
Aiala Vidrio	7.1%	7.1%
Crisnova Vidrio	7.0%	7.0%
Castellar Vidrio	7.1%	7.1%
Gallo Vidro	7.4%	7.4%
Vidrala Italia	7.2%	7.2%
Santos Barosa Vidros	7.4%	7.4%
Encirc	7.0%	7%

The following assumptions are used to obtain the discount rates in the preceding table:

- The risk-free rate of the related GCU's country, which ranges from 2.0% to 2.6% (same percentages in 2022).

- A 7.0% risk premium (same percentages in 2022).

- A beta for the related GCU's country, which ranges from 1.05 to 1.11 (same amount in 2022).

- A fixed liability structure of 1/3 debt, 2/3 equity (the same as in 2022).

The rest of the key assumptions used in the impairment tests performed are as follows:

- *Changes in consumer price index*

Estimated in 2023	**2024**	**2025 and following**
Spain	3.1%	1.5%
Portugal	5.5%	1.5%
Italy	6.2%	1.5%
United Kingdom	7.4%	2.0%

Estimated in 2022	**2023**	**2024 and following**
Spain	6.8%	1.5%
Portugal	9.9%	1.5%
Italy	11.8%	1.5%
United Kingdom	10.7%	2.0%

- *Estimated Brent barrel price, in euros:*

	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Estimated in 2023 (Gas)	-	45,00	38,00	32,00	28,00	27,00
Estimated in 2022 (Gas)	95,80	86,80	68,48	40,17	32,58	-

Historical analysis of variation in Vidrala's profit or loss on a like-for-like basis (i.e. excluding the effects of acquisitions and disposals) shows average variability, measured as standard deviation, in both sales and margins of less than 2% p.a. The data are consistent with the nature of Western European manufacturing and sale of glass containers for food and beverages, characterised by mature, reasonably stable and predictable demand. Vidrala's production performance shows limited fluctuations at the expense of the recurring capex captured in the valuation models.

Exceptionally and due to the volatility of the economic situation derived from the collateral effects of the pandemic as well as those derived from the energy crisis, in order to carry out a sensitivity analysis of the discounted cash flow valuations, variations in sales and EBITDA of +/-3% in each of the years are analysed.

Mainly, real sales prices may perform differently than considered in the valuation models, which is linked to general inflation indicators. In this case, there would also be a proportionate increase or decrease in production costs, thereby mitigating the impact on EBITDA to a certain extent. Real production costs could also perform differently than considered in the valuation models, which is linked to general inflation indicators and the estimate of future oil prices. However, in this case, there would also be a proportionate movement in selling costs, thereby mitigating the impact on EBITDA to a certain extent. This sensitivity analysis of sales and EBITDA should also capture the impact in these circumstances. Lastly, depending on the stage in the industrial use cycle where each facility is located, capex each year could be higher or lower than the levels included in the valuation models. Nevertheless, the rate used is considered to be a sound reference for a normalised annual average rate.

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

(b) Fully amortised assets

At 31 December 2023, there were fully amortised items of intangible assets still in use with an updated cost of Euros 25 million (Euros 20 million at 31 December 2022).

(c) Right-of-use assets

The right-of-use assets mainly correspond to the lease contracts associated with the facilities acquired in the context of the acquisition of the "The Park" business (See Note 5), as well as various machinery and other facilities used in the Group's operations.

	Cost	**Depreciation**	**Carrying Amount**
At 31 December 2021	**770**	**-**	**770**
Additions	2,165	(633)	1,532
Disposals	-	-	-
At 31 December 2022	2,935	(633)	2,302
Additions due to business combinations (Note 5)	**46,123**	**-**	**46,123**
Additions	**645**	**(4,624)**	**(3,979)**
Disposals	**-**	**-**	**-**
At 31 December 2023	**49,703**	**(5,257)**	**44,446**

The carrying amounts of lease liabilities and the movements during the years 2023 and 2022 are as follows (note 16):

	2023	2022
Initial balance	**2,346**	**776**
Additions due to business combinations (Note 5)	46,123	-
Additions	643	2,133
Accrued finance charges	2,131	50
Payments	(5,861)	(613)
Final balance at 12/31	**45,382**	**2,346**
Non-current lease liability (Note 16)	42,269	2,346
Current lease liability (Note 16)	3,113	

The amounts recognized in the consolidated income statement for leases in the years 2023 and 2022 are as follows:

	2023	2022
Depreciation of right-of-use assets	4,624	633
Finance cost	2,131	50
Expenses related to short-term leases and leases of low-value items	5,861	613

9. <u>Derivative Financial Instruments</u>

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2023		2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Hedging derivatives				
Interest rate swaps	10,483	-	18,408	-
Inflation swaps	-	-	406	-
Energy price options	-	2,961	345	2,715
Total	10,483	2,961	19,159	2,715

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.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivatives, primarily swaps to convert variable prices to fixed prices on interest rates and underlying energy prices, are valued using valuation techniques which employ the use of observable market data. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations (discounted cash flows). The models incorporate various inputs including the credit quality of counterparties, US dollar foreign exchange spot and forward rates, euro yield curves, and forward oil (Brent), gas (NBP and TTF) and electricity (OMIE) prices. All of the contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk.

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 have an accumulated nominal value at 31 December 2023 of EUR 190 million (EUR 205 million in 2022), with maturities between 2025 and 2026. At 31 December 2023, the market value of these hedges amounted to EUR 10 million. Under these contracts, the Group will pay a fixed interest rate of between negative 0.266% and 0.195%.

Energy price hedging instruments have an accumulated nominal of Euros 31 million at December 31, 2023 (Euros 39 million at December 31, 2022), with maturities between 2024 and 2026. The value of the liability associated with these hedges as of December 31, 2023 amounts to EUR 3,812 thousand (EUR 2,711 thousand euros in 2022).

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

	Thousands of Euros Income/(Expenses)	
	2023	**2022**
Other comprehensive income	3,561	(68,610)
Reclassification to finance costs	(13,839)	69,290
	(10,278)	**680**

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

	2023						
	Carrying Amount	**Expected Cash flows**	**Occurrence of cash flows**				
			2024	**2025**	**2026**	**2027**	**2028**
Interest rate swaps	10,483	10,483	4,829	3,673	1,981	-	-
Currency swap	-	-	-	-	-	-	-
Energy price options	(2,961)	(2,961)	(2,961)	-	-	-	-

Thousands of Euros

	2022						
	Carrying Amount	**Expected Cash flows**	**Occurrence of cash flows**				
			2023	**2024**	**2025**	**2026**	**2027**
Interest rate swaps	18,408	18,408	6,035	5,673	4,327	2,373	-
Currency swap	(406)	(406)	(406)	-	-	-	-
Energy price options	(2,404)	(2,404)	(2,404)	-	-	-	-

10. Income Tax

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

	Thousand 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 2021	**7,362**	**737**	**4,875**	**2,751**	**25,817**	**41,542**
(Debit) credit to income statement	-	-	1,782	-	(3,885)	(2,103)
Debit (credit) to other comprehensive income	-	-	-	393	-	393
Translation differences	-	-	-	-	-	-
At 31 December 2022	**7,362**	**737**	**6,657**	**3,144**	**21,932**	**39,832**
(Debit) credit to income statement	-	3,120	3,035	-	10,703	16,858
Debit (credit) to other comprehensive income	-	-	-	720	-	720
At 31 December 2023	**7,362**	**3,857**	**9,692**	**3,864**	**32,635**	**57,410**

	Thousand euros				
Deferred tax assets	**Goodwill**	**Tangible Assets**	**Financial liabilities**	**Other**	**Total**
At 31 December 2020	**25,195**	**33,356**	**5,344**	**9,810**	**73,705**
(Debit) credit to income statement	3,616	-	-	4,468	8,084
Debit (credit) to other comprehensive income	-	-	(105)	-	(105)
Translation differences	-	(506)	-	-	(506)
At 31 December 2021	**28,811**	**32,850**	**5,239**	**14,278**	**81,178**
(Debit) credit to income statement	3,616	-	-	-	3,616
Debit (credit) to other comprehensive income	-	-	(1,161)	(1,041)	(2,202)
Translation differences	-	-	-	25,468	25,468
At 31 December 2022	**32,427**	**32,850**	**4,078**	**38,705**	**108,060**

“Other” of “Deferred tax assets” includes mainly the temporary differences arising from the acquisitions of Santos Barosa Vidros, S.A. in 2017 and Encirc Limited and Encirc Distribution Limited in 2015.

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The Parent's directors consider that recovery of all deferred tax assets is assured with the current level of profits.

“Property, plant and equipment” under “Deferred tax liabilities” includes mainly the tax effect of the accelerated depreciation of various fixed assets.

“Goodwill” relates mainly to the accumulated effect of the tax deductibility applied to goodwill allocated to Santos Barosa Vidros, S.A.

Deferred taxes on items debited/(credited) directly to other comprehensive income in 2023, corresponding to hedging operations, amounted to Euros 2,467 thousand (Euros (163) thousand at 31 December 2022).

Details of the income tax expense are as follows:

	Thousands of Euros	
	2023	**2022**
Current tax	63,249	23,599
Prior year adjustments	-	743
Deferred tax		
Source and reversal of temporary differences	(4,215)	2,809
Application on capitalized deductions	(3,035)	4,399
Adjustments for change type of tax	-	-
Expense for reduction of deferred tax assets	-	40
Income for increase of deferred tax assets	(1,405)	(84)
Expense for increase of deferred tax liabilities	-	2,121
Income for reduction of deferred tax liabilities	-	480
Prior year adjustments	-	554
Other	(496)	887
Total	**54,098**	**34,062**

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

	Thousands of Euros	
	2023	**2022**
Profit for the year before income tax from continuing operations	287,493	187,748
Tax calculated at the tax rate of each country	68,685	43,733
Carry forward of unused tax losses	-	-
Deductions for the year	(2,961)	(9,885)
Prior year adjustments	(18)	(189)
Adjustments for changes in tax rate	-	-
Income for reduction in deferred tax liabilities	(1,405)	480
Other adjustments	(530)	1,047
Deferred income taken to income tax (note 14)		
Permanent differences	(9,673)	(1,124)
Income tax expense	**54,098**	**34,062**

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 between four and five years for those located in Spain and between three and four years for those located out of Spain.

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 or the four to five year statute of limitations period has elapsed. 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 2023 consolidated annual accounts taken as a whole.

Laws to implement Pillar Two rules have been enacted, or substantively enacted, in certain jurisdictions where the Group operates. The laws will be effective for the Group for annual periods beginning on or after 1 January 2024. The Group performed an assessment to determine any potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes was made considering the most recent tax returns, country-by-country reports and the separate financial statements of Group companies. Based on this assessment, the effective Pillar Two income tax rates in most of the jurisdictions where the Group operates are above 15%. However, there is a limited number of jurisdictions where the safe harbour exemptions might not apply during the transition and the effective Pillar Two income tax rate is close to 15%. In any event, the Group does not expect to have any material exposure to taxes beyond Pillar Two income taxes in these jurisdictions.

11. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2023	**2022**
Raw materials	27,147	22,499
Auxiliary and production materials	93,901	85,055
Finished goods and work in progress	248,454	176,028
Supplier down payments	-	160
	369,502	**283,742**
Impairment	(30,272)	(29,059)
	339,230	**254,683**

At 31 December 2023 and 2022 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.

Impairment on finished goods amounted to Euros 6,800 thousand (2022: Euros 4,147 thousand), and on auxiliary and production materials to Euros 23,472 thousand (2022: Euros 24,912 thousand).

Decreases in the value and reversals of impairment of inventories are recognised with a credit to "Changes in inventories of finished goods and work in progress" in the consolidated income statement for finished goods and work in progress; and "Merchandise, raw materials and consumables used" in the consolidated income statement for the remaining inventories.

12. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2023	**2022**
Trade receivables	356,650	318,279
Other loans	9,973	11,799
Less impairment (Note 24)	(10,594)	(11,382)
Total	**356,029**	**318,696**

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

There is no concentration of credit risk in respect of trade receivables, as the Group has a diversified commercial base comprising a large number of customers spread across different geographies.

At 31 December 2023 and 2022 the Company has no trade and other receivables discounted at financial institutions.

13. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros	
	2023	**2022**
Public entities		
Value added tax	31,223	28,861
Other items	4,230	12,002
	35,453	**40,863**

Details of other current liabilities are as follows:

	Thousands of Euros	
	2023	**2022**
Public entities		
Value added tax	22,201	18,629
Withholdings and payments on account	4,206	2,971
Social Security	5,218	4,346
Other	575	433
	32,200	**26,379**

14. 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 2023 and 2022 is as follows:

	Number Of shares outstanding	Thousand of euros Ordinary shares	Own shares	Total
At December 31 2021	**29,732,450**	**30,438**	**(9,246)**	**21,192**
Acquisition of own shares	(468,852)	-	(31,765)	(31,765)
Share capital increase	1,463,179	1,492	-	1,492
Share capital decrease	-	(589)	41,011	40,422
At December 31 2022	**30,726,777**	**31,241**	**-**	**31,341**
Acquisition of own shares	-	-	-	-
Share capital increase	1,536,338	1,567	-	1,567
Share capital decrease	-	-	-	-
At December 31 2023	**32,263,115**	**32,908**	**-**	**32,908**

The movement on own shares is the following:

	Number of own shares 2023	2022
At January 1	**-**	**108,973**
Acquisition of own shares	-	468,852
Sale of own shares	-	(577,825)
At December 31	**-**	**-**

At 31 December 2022, the share capital of Vidrala, S.A. was represented by 30,726,777 ordinary shares, represented by book entries with a par value of 1.02 euros each, fully paid up and listed on the Madrid and Bilbao Stock Exchanges.

At the Annual General Meeting of Vidrala, S.A. held on 27 April 2023, approval was given to increase share capital by Euros 1,567 thousand through the issuance and circulation of 1,536,338 new ordinary shares of Euros 1.02 par value each, without a share premium, all of the same class and series as those outstanding, with a charge to unrestricted reserves. The objective was to allocate them freely to Company shareholders in the proportion of one (1) new share for every twenty (20) existing shares.

Following the approval by the Spanish Securities Exchange Commission (Comisión Nacional del Mercado de Valores or CNMV) regarding the admission to trading of the new shares on 22 November 2023 and its filing with the companies register on 7 November 2023, Vidrala, S.A.'s share capital amounted to Euros 32,908 thousand, divided up into 32,263,115 shares of one euro and two euro cents (Euros 1.02) par value each.

In respect of treasury shares, at the Annual General Meeting of Vidrala, S.A. held on 27 April 2022, shareholders gave the Board of Directors authorisation for the derivative acquisition of own shares, directly or through group companies, and for a reduction of share capital, as appropriate, to redeem the treasury shares, conferring the necessary powers to the Board of Directors to execute them.

Under the scope of this authorisation, once the share buy-back programme is completed, the Board authorised a new programme running for 12 months to repurchase up to 300,000 shares for a cash amount of up to Euros 30 million. The purpose of the programme is to redeem the treasury shares, thereby increasing earnings per share to each shareholder as an additional tool for shareholder remuneration besides cash dividends.

On 1 September 2022, the Company communicated the completion of the repurchase programme prior to its deadline –which was set for 15 May 2023 – having reached the maximum number of shares to be acquired, for a cash amount of Euros 20.5 million, equivalent to an average price of Euros 68.36 per share.

Therefore, at 31 December 2023 and 2022, the Company did not recognise any balance for treasury shares.

All shares, except treasury shares, have the same voting and dividend rights. The voting rights of treasury shares are suspended. The economic rights, with the exception of the right to the free allotment of new shares, are attributed proportionally to the remaining shares, in accordance with the regime established in article 148 of the Capital Companies Act.

All of the Company's shares are listed on the Bilbao and Madrid Stock Exchanges. There are no restrictions on the free transferability of these shares. No shareholder holds 10% or more of the share capital.

Vidrala's objectives in capital management are to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefit other stakeholders by maintaining an optimal equity structure to reduce its cost of capital.

In order to adapt the capital structure to each economic situation, Vidrala can adjust the amount of dividends to be paid to shareholders, buy back or sell treasury shares, reduce capital through the redemption of treasury shares, return capital, issue shares or sell assets to reduce indebtedness.

Vidrala Group monitors its capital structure on the basis of various indicators. One of these is the ratio of shareholders' equity to total equity and liabilities on the balance sheet, ensuring that this ratio is not less than 20% in terms of the consolidated balance sheet.

In 2023, the Group's capital ratios increased, as shown in the following ratios for 2023 and 2022:

	Thousands of Euros	
	2023	2022
Total equity	1,224,332	1,033,624
Total equity and liabilities	2,481,911	1,953,527
Total equity/total equity and liabilities	49,33%	52,91%

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	
	2023	2022
Net financial debt	472,160	167,124
Equity	1,224,332	1,033,624
Debt ratio	0,39	0,16

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.

As mentioned in Note 16 and the financing contract, Net Financial Debt does not include the effect of IFRS 16, which represents an increase of EUR 45 million under "Debts to credit institutions".

The Group's financial solvency indicators at year-end reflect a total debt equivalent to 1.08 times accumulated EBITDA in the last year (0.62 at the end of the previous year) and lower than equity, at a ratio of 0.39 times to 1 (0.16 at the end of the previous year). Likewise, the interest coverage ratio, measured as EBITDA for the year over consolidated net financial result, amounts to 21.11 times (147.88 at the end of the previous year).

(b) Other reserves

- **Revaluation reserve Provincial Law 4/1997**

This revaluation reserve comprises the revaluation carried out by the Parent as permitted by "*Norma Foral de Alava 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**

In fiscal year 2023 and 2022 no movements have been recorded under this heading.

- **Capitalisation reserve**

The capitalisation reserve was allocated in accordance with Article 51 of Regional Law 37/2013, of 13 December, on Corporate Income Tax in Alava, which requires allocation of the reserve in the amount eligible for deduction from the tax group's taxable income for the year.

Taxpayers may deduct from the tax base an amount equal to 10% of the increase in equity net of the related tax effect from the previous year. In these cases, they must earmark the increase to a non-distributable reserve for a minimum period of five years starting from the end of the tax period in which the deduction was taken, except for the portion of the increase included in capital. During this five-year period, the amount of the Company’s equity net of the related tax effect must remain unchanged or increase, except in the event of a reduction caused by accounting losses. The increase in equity net of the related tax effect arising from the allocation to legal or bylaw-stipulated reserves is not eligible for applying this article.

At December 31, 2023 the Group has included a non-distributable capitalisation reserve of Euros 565,750,000 (520,000,000 in 2022) 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 – Cash flow hedges

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

	Thousands of Euros		
	Cash flow hedges	Tax effect	Net
Balances at December 31 2021	**11,191**	**(2,731)**	**8,460**
Income and expenses generated during the year	(68,610)	16,466	(52,144)
Reclassification to profit or loss	69,290	(16,629)	52,661
Balances at December 31 2022	**11,871**	**(2,894)**	**8,977**
Income and expenses generated during the year	3,561	(855)	2,706
Reclassification to profit or loss	(13,839)	3,322	(10,517)
Balances at December 31 2023	**1,593**	**(427)**	**1,166**

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 positive impact for the year of Euros 8,318 thousand (Euros 21,647 thousand negative in 2022) deriving from the depreciation of the pound against the euro.

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 2 thousand (Euros 2,671 thousand in 2022) (see note 19).

(d) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders in 2023 amounted to Euros 37,551 thousand (Euros 34,607 thousand in 2022), which is equivalent to 1.2621 euro per share outstanding (1,1639 euro in 2022). The dividends reflect the distribution of 2022 profit.

The amount paid as an attendance bonus to the General Shareholders' Meeting during the financial year 2023 amounted to Euros 1,050 thousand (Euros 1,015 thousand in 2022).

The distribution of Company profits and reserves for the year ended 31 December 2022, approved by the shareholders at their annual general meeting held on April 27, 2023, was as follows:

Basis of allocation	Euros
Profit for the year	171,290,073,03
Distribution	
Legal reserves	180,612.22
Other reserves	133,558,266.64
Dividend	10,351,851.17
Interim dividend	27,199,343.00
	171,290,073.03

On 19 December 2023 the Board of Directors of the Parent Company agreed to distribute an interim dividend on 2023 profit of 1.0180 euro per share to shareholders, totalling Euros 32,844 thousand, which was paid on February 15, 2024.

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 2023	
Projected profit after income tax to 12.31.2023	
Interim dividend distributed	32,844
Forecast cash flow for the one-year period from December 16, 2023	
Cash and cash equivalents at agreement date	27,846
Credit facilities available at agreement date	282,000
Projected operating receipts and payments (net)	110,964
Other cash disbarments	(41,444)
Credit facilities available (one year later)	**379,366**

The proposed distribution of 2023 profit and other Parent reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Euros
Basis of application	
Profit for the year	123,235,142.54
Distribution	
Legal reserve	313,413.00
Other reserves	77,575,921.41
Dividend	12,501,957.06
Interim dividend	32,843,851.07
	123,235,142.54

The proposed distribution of dividends is equivalent to a total unit dividend, including the interim dividend paid, of Euros 1.1639 per share outstanding at the reporting date.

15. Deferred Income

Details of this caption are as follows:

	Thousands of Euros	
	2023	2022
Capital grants (note 7(e))	9,532	5,219
Tax credits for investments	(144)	(113)
	9,388	**5,106**

During 2023 and 2022, the Group has not added any additional capital grants being the gross allocation during 2023 to the consolidated profit and loss account amounting to 7,504 thousand euros (5,372 thousand euros in 2022) (see note 22).

16. Financial Liabilities

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

	Thousands of Euros			
	2023		2022	
	Non-current	Current	Non-current	Current
Loans and borrowings	310,089	145,802	209,500	4,874
Finance Lease - NIIF 16 (Note 8)	42,269	3,113	2,346	-
Finance Lease - Others	60,857	278	60,018	274
Other financial liabilities	1.062	34,220	1,600	44,697
Accrued interest	-	1,358	-	244
	414,277	**184,771**	**273,464**	**50,089**

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2023	2022
2 years	21,887	115,600
Between 3 and 5 years	247,126	143,364
More than 5 years	145,264	14,500
	414,277	**273,464**

Some of these contracts contain financial covenant clauses. At 31 December 2023 and 2022 the Group complies with these requirements.

On July 24, 2023, the Group Parent company, Vidrala S.A., placed a commercial paper programme on the Spanish Alternative Fixed Income Market (MARF), with a maximum limit of Euros 200 million. The programme is for one year, renewable annually. Through this programme, the Company may issue commercial paper with terms of between 3 and 730 days. Rates will be set according to supply and demand upon issuance, which will depend on market conditions, the time structure of the yield curve, and the investor appreciation or interest in the issuer's credit rating. Interest rates on the Company's commercial paper issued in 2023 ranged from 2.40% to 4.25% p.a., excluding the placement fee. The total amount of commercial paper issued in 2023 was Euros 129 million, of which Euros 25 million were pending maturity at 31 December 2023, recognised in the “Other financial liabilities”. These mature between January and December 2023. In these conditions, the Company expects to meet the maturities of these issues in 2024 via the issuance of new securities, gradually attempting to optimise the term and interest rate structure and further diversifying its funding sources. Anyway, the Group had sufficient liquidity at year-end 2023 in the form of immediately available, undrawn long-term bank borrowings to meet all its maturities.

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

				Thousand euros			
				2023		2022	
Type	**Extended**	**Maturity**	**Limit extended/ Nominal amount**	**Current**	**Non-current**	**Current**	**Non-current**
Loan	2015	2024	80,000	80,000	-	-	80,000
Credit facility	2015	2025	180,000	-	-	-	-
Loan	2018	2027	40,000	-	40,000	-	40,000
Credit facility	2018	2027	40,000	-	-	-	-
Loan	2017	2029	45,000	4,500	22,500	4,500	27,000
Loan	2021	2024	25,000	25,000	-	-	25,000
Loan	2022	2027	20,000	-	20,000	-	20,000
Loan	2022	2027	40,000	-	40,000	-	-
Loan	2022	2032	17,500	-	17,500	-	17,500
Loan (*)	2021	2028	111,903	24,879	75,978	-	-
Loan (*)	2023	2028	55,951	1,166	54,786	-	-
Credit facility	2010	2027	50,000	-	-	-	-
Credit facility	2023	2028	25,000	-	20,000	-	-
Credit facility (*)	2023	2024	4,662	4,662	-	-	-
Credit facility (*)	2023	2024	5,595	5,595	-	-	-
Credit facility (*)	2023	2025	9,325	-	9,325		
Other short-terms credit facilities	2019	2027	12,000	-	10,000	374	-
			761,936	**145,802**	**310,089**	**4,500**	**209,500**

(*) These liabilities have been assumed with the acquisition of the Brazilian business (Note 5). They are denominated in a currency different from the euro.

The following table presents changes in liabilities from financing activities in compliance with the required disclosures of IAS 7:

	Thousands of Euros					
	1 January 2023	**Cash flows**	**Business Combination**	**Changes in fair value**	**Other**	**31 December 2023**
Current loans and borrowings	50,089	95,267	39,703	(288)	-	184,771
Non-current loans and borrowings	273,464	-41,545	185,078	(2,720)	-	414,277
Dividends payables (Note 17)	27,199	-27,199	-	-	32,844	32,844
Total liabilities from financing activities	**350,752**	**26,523**	**224,781**	**(3,008)**	**32,844**	**631,892**

	Thousands of Euros				
	1 January 2022	**Cash flows**	**Changes in fair value**	**Other**	**31 December 2022**
Current loans and borrowings	73,613	-23,524	-	-	50,089
Non-current loans and borrowings	184,003	89,461	-	-	273,464
Dividends payables (Note 29)	25,066	-25,066	-	27,199	27,199
Total liabilities from financing activities	**282,682**	**40,871**	**-**	**27,199**	**350,752**

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. The following Group Companies are listed as guarantors of the abovementioned loan: Inverbeira Sociedad de Promoción de Empresas, S.A., Aiala Vidrio, S.A.U., Crisnova Vidrio, S.A, Castellar Vidrio, S.A. and Vidrala Italia S.R.L.

On October 11, 2017 and for the acquisition of Santos Barosa Vidros, S.A. paid out on October 13, 2017 through the subsidiary Inverbeira Sociedad Promoción de Empresas, S.A, 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.

On 21 June 2019, Vidrala, S.A. entered into a novation agreement of its syndicated facility, effective 15 July 2019, adapting it to a sustainable financing structure. With principal of Euros 260 million, the facility comprises a Euros 80 million loan and a Euros 180 million revolving credit line, with maturities between 2023 and 2024.The terms did not imply a substantial modification, so it was considered a modification of the previous agreement.

On 29 July 2020, Vidrala extended the maturity of Euros 114 million of the Euros 180 million revolving credit facility from 2023 and 2024. The remaining Euros 66 million still mature in 2023. Thus, on 19 July 2021, it was agreed to extend the revolving credit line for its full amount (EUR 180 million) until 2025, and there were no substantial modifications to the formalised agreement.

As a result, at 31 December 2023 and 2022, the long-term syndicated loan amounted to EUR 80 million and the EUR 180 million revolving credit facility is undrawn and fully available.

The interest rate applicable to the syndicated financing structure can be reviewed every six months based on the evolution of the "Net debt / Consolidated EBITDA" ratio.

The abovementioned ratio, as it appears in the financing contract, does not include the effect of IFRS 16, which implies an increase of 45.4 million euros in the heading "Debts with credit institutions" and of 5.9 million euros in Consolidated Ebitda (2.4 and 0.6 million euros, respectively, in the 2022 financial year).

The contract contains clauses with commitments linked to certain financial stipulations (covenants), customary in contracts of this nature, the non-fulfilment of which could give rise to a situation of early maturity of the financing.

At the date of authorisation for issue of these financial statements, these covenants had been met, with the following indicators having been certified as at 31 December 2023:

Net financial debt / consolidated EBITDA: 1.08x

Consolidated EBITDA / consolidated net finance cost: 21.11x

The financing contract, because of its sustainable nature, includes certain commitments by the Vidrala Group to improve its environmental performance. The agreed margin applicable to drawdowns of any tranche will change in accordance with carbon dioxide emissions:

CO_2 emissions = Tonnes of CO_2 emitted by the Group/tonnes of glass containers (palletized and labelled).

The emission ranges will impact the margin, applying an increase or decrease of up to 0.015%.

In addition to the sustainable syndicated financing structure and the promissory note programme described above, Vidrala S.A. has a long-term loan from the European Investment Bank "EIB" for an initial amount of EUR 45 million and due on 23 October 2029 signed on 17 July 2018 on the occasion of the investment plan in the Italian production plant. According to the agreed repayment schedule, the current debt of this financing at 31 December 2023 is EUR 27 million, of which during 2023 there will be a repayment of 10% of the principal of this loan amounting to EUR 4.5 million.

Vidrala S.A. also has a fixed interest rate loan of EUR 25 million formalized on 19 July 2022 with maturity in 2024. In addition, during the year 2022 Vidrala formalized three new loans amounting to EUR 17.5 million, 20 and 40 million euros respectively, and maturities between 2027 and 2032, fully arranged. Also, on February 24, 2022, the extensions of the limits of a loan and a credit subscribed by Vidrala S.A., extending the amount of previous 25 million to 40 million euros, extending its maturity from 2023 to 2027; the loan being arranged. Finally, on March 29, 2022, Vidrala agreed to the maturity extension of an existing credit for a nominal of EUR 50 million, from 2024 to the year 2027.

In May 2023, Vidrala formalized a new long-term loan for EUR 25 million, due in May 2028, partially arranged for an amount of EUR 20 million.

In addition, the companies of the Crisnova Vidrio Group, S.A. and Castellar Vidrio, S.A.U. have two commercial leasing contracts worth 40 million euros, 20 million euros in each case, formalized on February 7, 2022, with maturity in the year 2027. Likewise, the Company of the Aiala Vidrio Group, S.A., has a commercial lease agreement of 20 million, formalized on November 17, 2022 with maturity in 2027.

At 31 December 2023, the Group's consolidated loans and borrowings included an amount in Brazilian reais equivalent to Euros 176 million for the debt held by the Vidroporto subsidiary locally in Brazil which the Group consolidated after completing the acquisition of this company in December 2023.

This debt in Brazilian reais comprises mainly the outstanding balance payable of the 4th and 5th issues of debentures, which were paid in 2022 and 2023, respectively, and at the reporting date have outstanding nominal balances of approximately Euros 101 million and Euros 56 million, respectively, with maturities between 2024 and 2028. There are also bilateral financing facilities in varying formats and structures amounting to approximately Euros 19 million with maturities between 2024 and 2025.

The concept of loans and credit facilities with banks has, as a whole, including all bank financing structures detailed above, ceilings granted as at 31 December 2023 of EUR 847 million (31 December 2022: EUR 660 million). As a result, undrawn and immediately available bank financing balances were available at 31 December 2023 in the amount of EUR 319 million (EUR 378 million at 31 December 2021), and in addition cash balances in the amount of EUR 81 million (EUR 154 million at 31 December 2022).

The average effective interest rates at the balance sheet date for the group's financing as a whole were 1.52% and 0.77% APR for the financial years 2023 and 2022, approximately and respectively.

The category of financial liabilities included under this heading corresponds to payables and payables, carried at amortized cost.

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

The carrying amount of the Group's financial liabilities is denominated entirely in euro.

17. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2023	2022
Trade payables	292,343	270,900
Salaries payable	31,079	15,070
Dividends to shareholders (Note 15)	32,844	27,199
Suppliers of fixed assets	14,750	71,426
Other payables	12,064	2,184
	383,080	**386,779**

The balance of fixed assets suppliers reflects the Group’s significant investments in fixed assets.

"Salaries Payable" caption includes EUR 13 million pending severance payments.

The carrying value of commercial and other accounts payable balances recorded does not differ significantly from the fair value of those balances.

18. 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 2023 and 2022 is as follows:

	Days	
	2023	2022
Average supplier payment period	49.87	51.44
Transactions paid ratio	52.25	53.87
Transactions payable ratio	26.81	38.27

	Amount (Thousands of Euros)	
Total payments made	311,241	433,586
Total payments outstanding	32,099	80,184
Total amount invoices paid	311,241	433,586
Amount invoices paid within the legal deadline	192,316	263,998
%	62%	61%
Total number of invoices paid	23,828	26,295
Number of invoices paid within the legal deadline	9,621	7,019
%	40%	27%

19. Provisions

Movement in provisions in 2023 and 2022 is as follows:

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
At 31 December 2022	**71,485**	**262**	**791**	**72,538**
Charge against profit or loss	70,658	1,562	-	72,220
Actuarial gains and losses on changes in financial assumptions	-	197	10,872	11,069
Reversion	-	(56)	(1,101)	(1,157)
Payments	(71,485)	-	-	(71,485)
Other	-	2,390	(2,390)	-
At 31 December 2023	**70,658**	**4,355**	**8,172**	**83,185**

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
At 31 December 2021	**62,541**	**6,342**	**10,208**	**79,091**
Charge against profit or loss	71,485	-	-	71,485
Actuarial gains and losses on changes in financial assumptions	-	(3,520)	88	(3,432)
Reversion	-	(705)	(4,869)	(5,574)
Payments	(62,541)	(3,995)	(2,536)	(69,032)
Other	-	2,100	(2,100)	-
At 31 December 2022	**71,485**	**262**	**791**	**72,538**

The provision for emission allowances includes the estimated surrender of emission allowances in 2023 and 2022 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 3,378 thousand (Euros 4,638 thousand in 2022). 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

The continuous improvement in the environmental area is recorded in detail in the annual report of sustainability and recognized in the positive results have been obtained in the ISO 14001/2015 certification which guarantee the correct environmental performance of the organization.

The total cost of initiatives taken by the Vidrala Group in 2023 to comply with the Kyoto Protocol and emissions analyses amounted to Euros 1,777 thousand (Euros 1,511 thousand in 2022).

Environmental expenses mainly related to waste management incurred during 2023 totalled Euros 3,584 thousand (Euros 2,750 thousand in 2022).

Environment-related plant investments came to Euros 58,744 thousand (Euros 8,741 thousand in 2022).

The present figure for sustainable investments refers to EU Taxonomy-eligible investments as specified in the Commission Delegated (EU) Regulation 2021/2178. These refer to renovation of existing buildings; installation, maintenance and repair of energy efficiency equipment; installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings; installation, maintenance and repair of renewable energy technologies; construction, extension and operation of water collection, treatment and supply systems; RD&I; and repair, refurbishment and remanufacturing of production contributing to the circular economy.

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	
	2023	**2022**
Capital grants taken to income (note 15)	7,504	5,372
Other income	19,963	21,945
	27,467	**27,317**

23. Merchandise, raw materials and consumables used

Details of Merchandise, raw materials and consumables used are as follows:

	Thousand euros	
	2023	2022
Net purchases	(787,664)	(782,827)
Change in inventories	13,494	15,793
Impairment	1,440	20
	(772,730)	**(767,014)**

24. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2023	2022
External services (note 24.a)	(72,747)	(54,233)
Sales expenses (note 24.b)	(126,867)	(129,083)
Taxes	(7,473)	(3,005)
Impairment and bad debt of trade and other payables (note 12)	788	514
Other operating expenses	(14,870)	(9,032)
	(221,169)	**(194,839)**

24.a External services

The detail of “External services” is as follows:

	Thousand euros	
	2023	2022
Repair and maintenance	(38,141)	(33,647)
Independent profesional services	(3,196)	(1,861)
Insurance	(6,569)	(5,328)
Supplies	(1,312)	(965)
Other services	(23,529)	(12,432)
	(72,747)	**(54,233)**

24.b Sales expenses

The amount broken down under that heading corresponds mainly to expenses for the provision of logistics services (storage and transportation) and other marketing expenses.

25. Employee Benefits Expense

Details of the employee benefits expense in 2023 and 2022 are as follows:

	Thousands of Euros	
	2023	**2022**
Salaries, wages and similar	207,691	175,328
Contributions to defined contribution plans	4,488	3,073
Other employee benefits	56,954	35,627
	269,133	**214,028**

The average headcount of the Group in 2023 and 2022, distributed by category, is as follows:

	Average headcount	
	2023	**2022**
Senior management and proxies	47	47
Junior management	547	469
Administrative staff	570	461
Operators	2,988	2,696
	4,152	**3,673**

As of 31 December 2023 and 2022 the distribution by gender of Group personnel and directors is as follows:

	Number			
	2023		**2022**	
	Female	**Male**	**Female**	**Male**
Board members	4	7	4	7
Management	2	48	2	45
Junior management	130	472	98	371
Administrative staff	263	428	180	281
Operators	256	3,366	250	2,446
	655	**4,321**	**534**	**3,150**

26. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	Thousands of Euros	
Finance income	2023	2022
Exchange gains	131	1,475
Other finance income	8,352	1,344
Total finance income	**8,483**	**2,819**

	Thousands of Euros	
Finance costs	2023	2022
Interest on loans and borrowings	(16,265)	(3,401)
Hedging derivatives	(72)	(314)
Other finance costs	(98)	(80)
Exchange losses	-	-
Total finance costs	**(16,435)**	**(3,435)**

27. 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 14).

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

	2023	2022
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	233,395	153,685
Weighted average number of ordinary shares outstanding (thousands)	32,263	30,942
Basic earnings per share (Euros per share)	7.23	4.97

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

	2023	2022
Ordinary shares outstanding at 1 January	32,263,115	30,726,777
Effect of own shares	-	(215,394)
Weighted average number of ordinary shares outstanding at 31 December	**32,263,115**	**30,942,171**

The profit per share for the 2023 financial year, adjusted for the effect of the increase of released capital carried out in December 2023, would amount to 4.71 euros per share.

(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.

28. Related Party Balances and Transactions

(a) Commercial transactions

During 2023 and 2022 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	
	2023	**2023**
Salaries and other current remuneration paid to employees, management and directors	4,669	3,719

During the year 2023, incentives of 3,572 thousand euros have accrued (EUR 4,855 thousand in 2022).

The number of directors as of December 31, 2023 has amounted to 13 people (12 number of people in 2022).

As of December 31, 2023 and 2022, there are no credits granted to senior management.

During the fiscal year of 2023, the controlling company has paid insurance premiums for civil liability of the administrators for damages caused in the performance of their duties amounting to 44 thousands of euros (41 thousands of euros in 2022).

(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 1,703 thousand (Euros 1,535 thousand in 2022).

During 2023, no amounts have been accrued for incentives, with an amount of 455 thousands of euros having been accrued in 2022.

29. Audit Fees

The firm auditing the annual accounts of the Group has accrued net fees for professional services during the years ended 31 December 2023 and 2022 as follows:

	Thousands of Euros	
	2023	**2022**
Ernst&Young, S.L.		
Audit services	514	376
Other services	75	36
Total EY	**589**	**412**

These amounts include all fees for services rendered during 2023 and 2022, irrespective of the date of invoice.

During 2023 and 2022, other auditors have invoiced the Group audit fees of Euros 38 and 57 thousand for auditing fees.

30. Events after the reporting period

On 27 February, the Vidrala Group, through its subsidiary Inverbeira Sociedad de Promoción de Empresas, S.A., entered into an agreement with Verallia for the sale of its Italian subsidiary Vidrala Italia S.r.l. for Euros 230 million euro, subject to the standard adjustments for similar transactions. The pre-tax gain recognised attributable to this transaction will amount to approximately Euros 100 million. In 2023, Vidrala Italia reported revenue of Euros 131 million and EBITDA of Euros 33 million. It has a single production facility located in the north of Italy where it handles approximately 3% of demand for glass packaging for food and beverages in that country. The disposal came after an in-depth strategic reflection. It will allow the Vidrala Group to refocus on its core regions and unlock the value created in Italy. Verallia has a long track record of operating in the Italian market. The acquisition of our business will enable it to broaden its product range, thereby benefiting its customers. Completion of the transaction, which is expected to come by the end of the third quarter of 2024, is subject to the standard approvals, including from Italy's anti-trust authorities. If the transaction is ultimately completed according to the agreed terms, part of the proceeds are expected to be earmarked to repay debt, further strengthening the Company's financial position, and part to remunerating shareholders in the form of an extraordinary dividend. The Board of Directors would submit a proposal for the dividend for approval by shareholders in General Meeting.

NOTE. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

The original Annual Accounts prepared in Spanish were signed by the Company's Members of the Board in accordance with applicable legislation.

VIDRALA, S.A. AND SUBSIDIARIES

Detail of the Movement of Other Reserves and Accumulated Earnings
for the years ended
31 December 2023 and 2022

(Expressed in thousands of Euros)

Details of the Movement of Other Reserves and Accumulated Earnings for the annual fiscal years ended on December 31, 2023 and 2022 (Expressed in thousands of euros)	**Revaluation reserves**	**Legal reserve**	**Voluntary reserves**	**Reserves in fully consolidated companies**	**Profit for the year**	**Total**
At January 1 2022	**2,311**	**5,798**	**605,209**	**223,140**	**145,157**	**918,615**
Distribution of 2021 profit						
Reserves	-	290	98,306	11,954	(110,550)	-
Dividends	-	-	-	-	(34,607)	(34,607)
Share capital increase	-	-	(1,492)	-	-	(1,492)
Share capital decrease	-	-	(40,422)	-	-	(40,422)
Profit for 2022	-	-	-	-	153,686	153,686
Other	-	-	-	-	-	-
At December 31 2022	**2,311**	**6,088**	**661,601**	**235,094**	**153,686**	**1,058,780**
Distribution of 2022 profit						
Reserves	-	180	133,378	(17,423)	(116,135)	-
Dividends	-	-	-	-	(37,551)	(37,551)
Share capital increase	-	-	(1,567)	-	-	(1,567)
Share capital decrease	-	-	-	-	-	-
Profit for 2023	-	-	-	-	233,395	233,395
Other	-	-	-	-	-	-
At December 31 2023	**2,311**	**6,268**	**793,412**	**217,671**	**233,395**	**1,253,057**

This appendix forms an integral part of note 13 to the consolidated annual accounts, in conjunction with which it should be read.