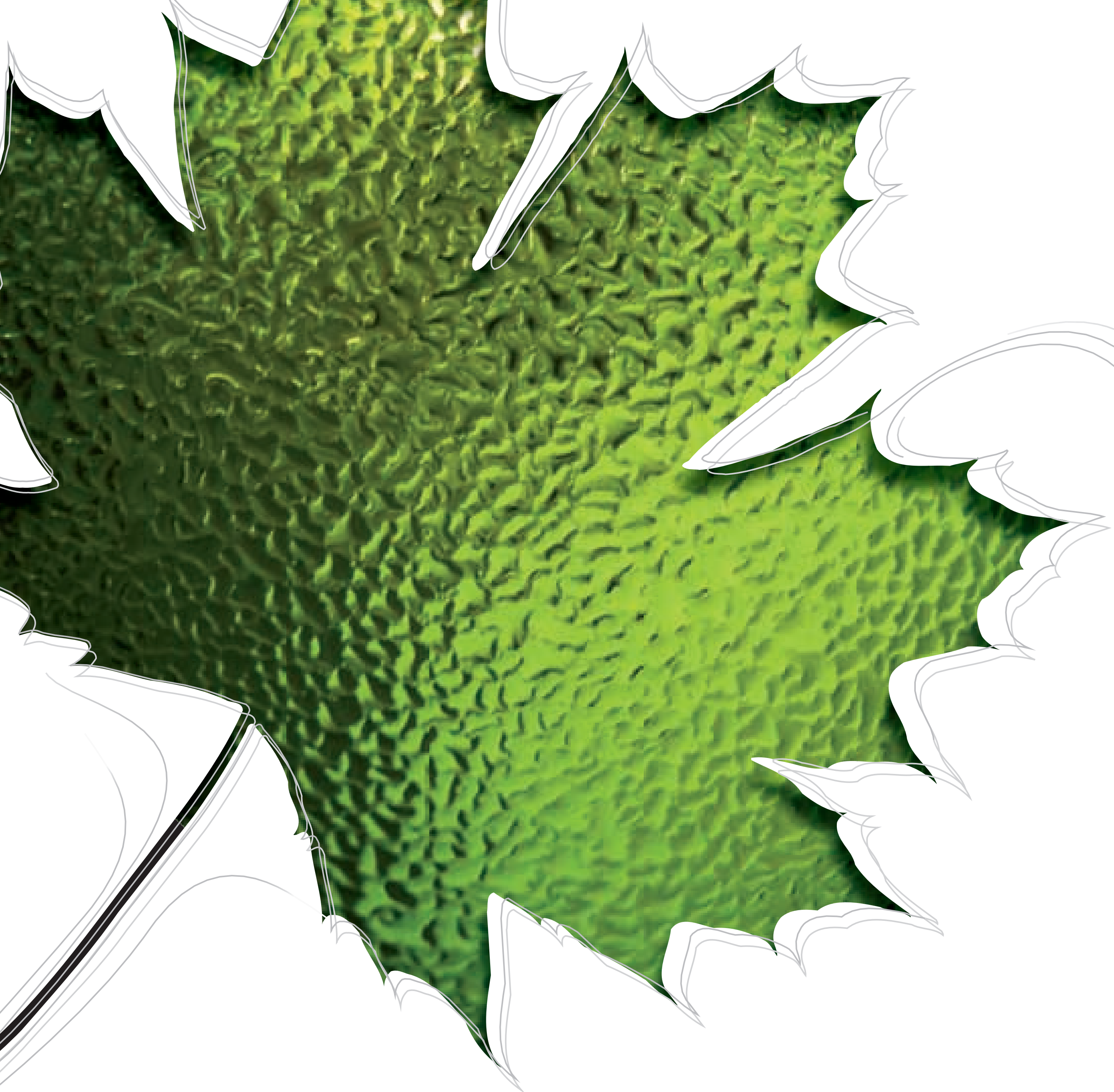

ANNUAL REPORT 09

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CHAIRMAN'S LETTER

Dear Shareholders,

I'm writing to inform you about the most relevant facts of the year and to introduce the 2009 Annual Report.

The general context has been conditioned by the serious deterioration of the economy. The events suffered by the financial sector at the end of 2008 rapidly affected all economic agents, including the food and beverage products for which the glass packaging industry is a supplier. All this, amplified by the prevailing credit restrictions and our customers´ planning uncertainties, resulted in a drop in demand. Notwithstanding the progressive moderation of decline throughout the year, 2009 ended up with a negative balance compared to the previous 2008. This context has interrupted the trend of growth of Vidrala, after sixteen consecutive years of advances in turnover.

In face of the slowdown Vidrala has taken a prudent approach to the business, and we were able to consolidate the value of the Group and to obtain profits similar to those of the previous year.

The benefits derived from the diversification of our sales –basis of our recent strategic positioning– combined with the commercial discipline focused on assuring the value of our product, have enabled us to offset the decline in demand. Therefore, our annual turnover reached EUR 382.4 million, merely 1.3% below the previous year's figure.

Under the same guidelines, we have managed to align the production and stocks taking into account the demand situation. And all this considered, despite producing under full capacity, our operating margins remained at satisfactory levels. That has been the consequence of our efforts towards the implementation of the best available technologies, a stringent cost control and our positioning on favorable markets.

Operating income was EUR 55 million; and after an efficient management of financial expenses and the optimization of tax charges, the net profit reached EUR 40.9 million, the highest figure in our history.

These results and all the information and data of the Annual Report, confirm the strength of our business structure and our balance sheet. Vidrala has concluded in the year 2009 an ambitious investment plan with a complete overhaul of its productive assets; and we expect 2010 to mark the beginning of a new period of value creation arising from those investments, showing the cash flow generation capabilities of Vidrala.

According to the above, we maintain our solid shareholder remuneration policy, including a total dividend that will be 5% higher than the previous year's. And as usual in our company, a cash attendance bonus to the AGM will be added to it.

In summary, I am convinced that the extremely complex 2009 has proved the resilience of our business model, the strengths of our strategic approach and its potential for value creation.

In the name of the Board of Directors, I would like to thank you, the shareholders of Vidrala, as well as our customers and our Group´s entire human team, for your trust and involvement in our company and the project we share.

Carlos Delclaux
Chairman

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Relevant business figures

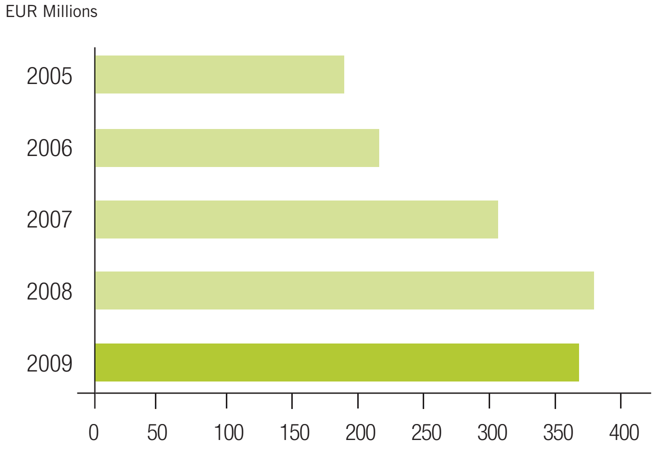
EUR Millions	2005	2006	2007	2008	2009
Net Sales	293.8	306.7	353.6	387.2	382.4
Operating Income (EBIT)	43.2	42.5	51.0	59.6	55.0
Net Profit	27.1	29.3	38.6	40.6	40.9
Dividends and bonuses paid during the year	9.3	9.8	10.6	11.2	11.5
Total Assets	507	543	605	688	698
Shareholders Equity	153	171	200	226	226
Net Bank Debt	187	195	211	251	257

Relevant share figures

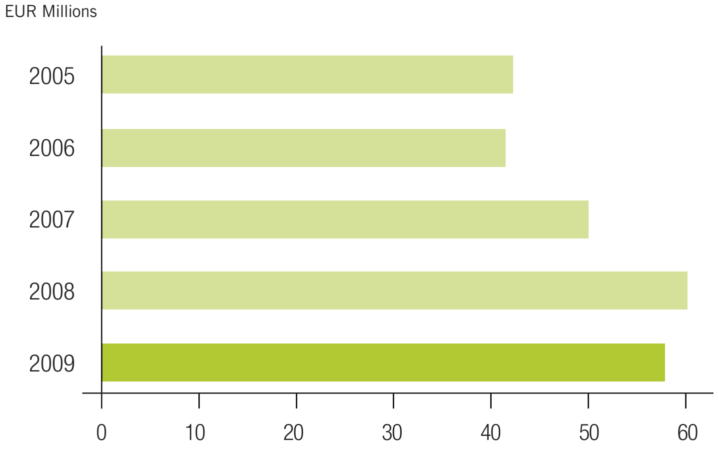
	2005	2006	2007	2008	2009
Shares Outstanding	20650000	21682500	22766625	22766625	22766625
Share closing price (Eur)	18.42	22.10	25.25	15.48	18,85
Market cap (EUR Millions)	380.4	479.2	574.9	352.4	429,2
Earnings per share (Eur)	1.31	1.35	1.69	1.79	1,80
Remuneration per share against profits of the year (Eur)*	0.479	0.479	0.494	0.520	0,544

* Includes dividends and cash attendance bonus to the AGM.

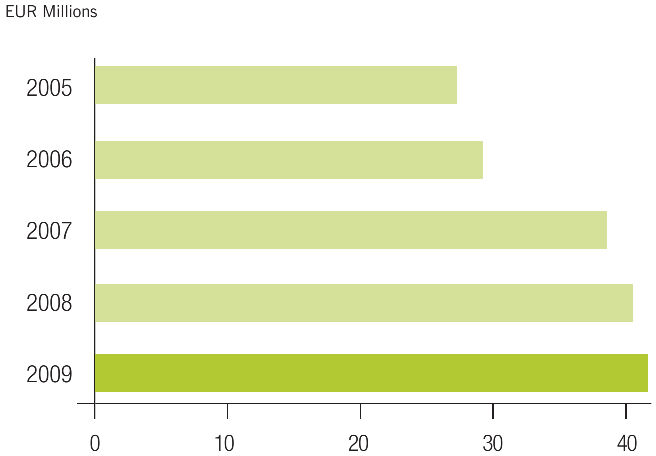
Net Sales



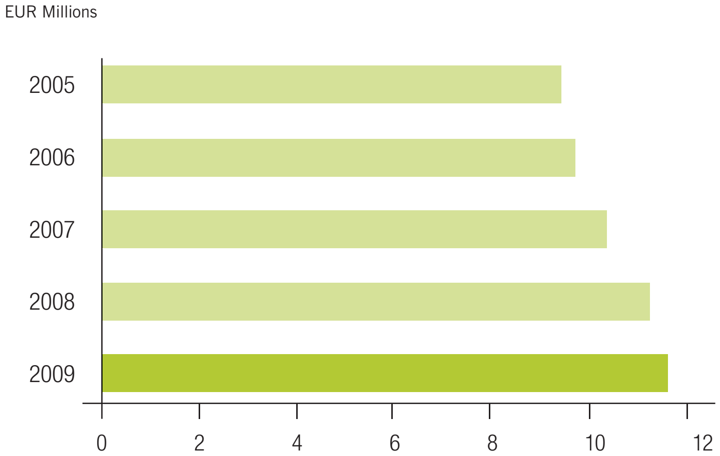
Operating Income (EBIT)



Net Profit



Dividends and bonuses paid during the year



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Introduction: economic context

2009 began in the throes of economic decline. The financial crisis was at its worst, the activity was declining in an unprecedented pace and the work market began to deteriorate seriously. An unavoidable transfer to the rest of economic agents soon followed the events suffered in the financial sector, showing the decline of the main activity indicators. The collapse of credit and the consequent pressure on corporate and household debts, coupled with bleak forecasts, forced businesses to adjust their activity which, in consequence, affected the employment and the consumption rates. The world economy was debating between recession and depression, and an unprecedented, forceful and coordinated response from all the public systems was required to avoid the worst scenario.

The immediate effect of these extraordinary monetary and fiscal stimulation policies, allowed to show the first signs of pause in the process of deterioration in the second quarter. From this moment on, the recovery rate was strengthened, lead by the great economies such as the U.S., China or Germany, showing that the global recession had reached its floor during the first half of 2009.

The strength of the emerging economies has been crucial in the development of the global economic outlook during 2009. Are the cases of China, that ended 2009 with a growth of over 8% as a direct consequence of the investment incentive policies; India whose economy grew nearly 7% or Brazil that continues to strengthen its role as a tractor in Latin America, supported by an expanding industry and an economy that has kept away from inflationary pressures. These countries sustained the global external demand which specially benefited exports in big developed economies with few structural defects such as the U.S. or Germany.

In the Eurozone, within an obvious steady improvement , the indicators have been weaker than expected relative to other large economic areas. On the positive side, Germany acted as the European engine during the second half of the year thanks to an investment-driven economy, as a consequence of the implemented stimulus, and export figures benefited from the demand of the emerging economies and the consolidation of the traditional German competitiveness. On the negative side lies the burden of the weaker economies such as Greece, Ireland, Portugal or Spain, subject to the weakness of the employment market (the region's unemployment rate was above 10% at the end of the year) and the deficit in their public accounts which created doubts with regard to the fiscal sustainability of some of these countries. In all, the GDP of the Eurozone has suffered in 2009 an annual contraction of -3.9%, the worst figure of the monetary union's history.

With regard to the performance of the domestic economies in our main sales markets, France was one of the first countries to abandon the recession in the second half of 2009 and it was one of the least affected economies. However, France ended 2009 with a contraction of its GDP of -2.3%, the greatest drop since World War II. During the past years, and in 2009, the country has based its growth on a solid internal demand, with a private consumption showing a greater strength than its European counterparts, ending 2009 with positive growth. In this context, consumer confidence shows good perspectives for domestic demand which, however, is conditioned to the challenge of an unemployment that is reaching 10%. External demand, on the other hand, has been burdened by the late recovery of two of its main trading partners, the United Kingdom and Spain. This has affected the industrial activity figures, depressing its productive capacity levels which will hinder the recovery of private investments in which the government has placed its goal.

Italy, on the other hand, emerged from the recession in the third quarter of 2009 after suffering one of the greatest falls in the G-7 economies, second only to Japan. The country ended 2009 with a decline of -4.8% of its Gross Domestic Product, with a generalised and homogeneous final recovery in the different GDP components, including consumption. However, the structural weakness of the Italian economy prevails, hindering its growth. This is proven by the low confidence indicators, mainly due to the uncertainties regarding unemployment and the stagnation of the exports due to loss of competitiveness which limits the industrial activity. The heavy indebtedness acquired by the Italian government will not compensate these deficiencies by means of greater consumer spending; therefore, it is still imperative to strengthen structural improvements.

The Portuguese economy has suffered the recessionary environment of 2009 entangled in its own structural crisis. The macroeconomic imbalance, high inflation and the exaggerated deficit generated during their expansion period (1995-2000) created a tough situation that still remains. The context of global crisis has only lead to further aggravation of the public deficit; while the growth of the expenses has not been stopped yet the fiscal income has slowed. The contraction of its GDP in 2009 reached -2.7%. As warned by the International Monetary Fund, the Portuguese authorities must address urgently their economy's permanent imbalances. Low productivity, competitive weakness and, especially, high debt, among others, are key factors to reduce vulnerabilities and increase the country's long-term potential growth. However, outside the momentary global recovery, certain beneficial elements and even signs of natural adjustments are beginning to show. Greater price restraints than in the rest of the Eurozone countries, a significantly higher saving rate and a decrease in business and household indebtedness leave room for the improvement of consumption and the containment of the current account deficit which will have reached less than 10% of the GDP.

Lastly, the Spanish economy also showed throughout the year a trend towards moderation in its decline pace, benefiting from the overall state of the international economy. The fragile improvement symptoms of the domestic demand, boosted by the significant help plans that have been implemented, were combined with a growing demand in export supported by the increased strength of some of the importing countries. This explains the gradual recovery in industrial production and the lower decline in business investment. However, the process of overcoming the recession is significantly slower than in the rest of the developed countries. This is shown by the change in the GDP that, after suffering annual drops of over -4%, closed with a negative variation of -3.6%. The underlying problems remain and are due to an economy excessively dependent on a few key sectors. And what is even more significant, the exponential unemployment growth, exceeding a rate of 19% at the end of the year, withholds demand deriving in the containment of expenditure. While the consumer confidence indicator began to stabilise in a level above the minimum reached in the first half of 2009, it remains lower than the historical average. Similarly, the economic stimulus plans, which have had a positive effect, eroded the public accounts limiting further support. Thus, the pressure to conduct deeper reform compounds fears of an increase in public expenditure, the decrease of tax revenues and the deficit levels that reflect the uncertainties of the international financial markets regarding the economy's strength.

Interest rates and credit markets

The Central Banks were forced to adjust quickly to the current situation by means of extraordinarily expansive monetary policies.

This has been reflected in the reduction of the reference interest rates, reaching historical minimums. Such is the case of the European Central Bank, that situated the intervention rate at 1% at the end of the year or the U.S. Federal Reserve that stayed in near-zero rates. This monetary ease was coupled with significant injections of liquidity, especially at the beginning of the year, seeking to unblock the monetary system.

As a reflection of this, benchmark interest rates have remained low all year. Therefore, the six-month Euribor rate ended the year in the 0.70% level, after registering an average slightly above 1.3% throughout the year. The twelve-month Euribor ended in 1.25%.

Concerns about a weak economic recovery and the lack of inflationary pressure have led, as declared by the monetary authorities, that we should expect lower interest rate for a long period of time. However, the improvement of the economic conditions and the concerns about draining the excess liquidity will lead, when the circumstances allow, to an increase of the interest rates which could be as aggressive as their drop. This can be seen in the curve shape at the end of 2009, with the forward rates implicit in the Euribor 12 month discounted at the start of 2011 in levels close to 2%.

Concerning the credit market, while the stabilising measures solved the interbank market's collapse, the blocked access to finance has been relieved progressively in a context that is still restrictive. Similarly, the confirmation of the economic recovery which, more or less is extending to the different sectors, has reduced the spreads to levels prior to Lehman Brothers' bankruptcy. This reflects in the overall improvement of the corporate debt ratings by the agencies and the large volume of transactions executed by European corporate issuers during the last period of the year.

Prices and Commodities

After a period of over eight months registering negative year-on-year variation rates, the price indicators recovered in the last quarter, closing the year with positive results in all the Eurozone reference areas. This upward shift, confirming the market's expectations, was especially driven by the energy factor and is explained by the low comparison basis at the end of 2008. Thus, the Eurozone recorded in December 2009, an annual variation of the overall consumer price index of +0.9%, after recording drops reaching the level of -1.0% at the middle of the year.

The commodities price indexes have moved in this general pattern. The energy factors are of special importance, expressed by the performance of the oil prices, and they showed a very deflationary start of the year due to the recessionary context, the doubts over the sustainability of the demand and the repeated speculation factors. Progressively prices started to reflect the stabilisation, followed by the recovery of the economic climate and the demand especially supported by the strength of the great Asian economies.

In any case, the price of the commodities remained, at the end of the year, in levels far from the historical highs registered in mid 2008 and the outlook is marked by the evolution of the global demand that is still limited by the general context.

Euro/Dollar exchange rate

Consistent with the progress of the economic context, the U.S. dollar exchange rate that started the year at 1.39 USD per Euro was depreciated to levels higher than 1.5 in November 2009. The large public and trade deficit accumulated by the American economy and the differential of the interest rates accounted for this performance.

During the last period of the year, the improvement of the U.S. macroeconomic indexes, relatively better than those of the Eurozone, and especially the growing uncertainties as regards the fiscal sustainability of some of the European economies, catalysed a depreciation of the European currency reaching the level of 1.44 USD per Euro at the end of the year which situated the Euro's revaluation at +3.6% during the year.

VIDRALA, S.A. IN 2009

The following list should be considered as a summary of the most important events in 2009:

- Adaptation of our production capacity to the existing demand levels by implementing action plans that minimise the market retraction effect on our operational margins.
- Actions to ensure a financial position that strengthens our solvency requirements.
- Implementation of operational improvement projects arising from the opinions and contributions of the workers from all of the plants of the Group.
- Beginning of the implementation of the first projects established in the R&D Strategic Plan, drafted in 2008.
- Negotiation and signing of the collective labour agreement for our subsidiary Crisnova Vidrio S.A.
- Modernisation and incorporation of the best available technologies for one furnace at Aiala Vidrio S.A. and one at Crisnova Vidrio S.A.
- Design of the standardisation and modularisation of the training plan and industrial knowledge, applicable to the entire Group's production staff and to be implemented in the following years.
- Obtaining the integrated environmental authorisations related to IPPC for all of our productive facilities.
- Obtaining the food safety certifications for all the plants of our Group in Spain and Portugal.
- Completion of an intensive investment plan over the years 2005-2009 amounting to investments of more than EUR 300 million and EUR 54.5 million in 2009.

These actions above, together with the specific measures we have been implementing since 2006 within our current Strategic Plan, have allowed us to reach positive results in an extraordinarily complex business environment.

Another milestone in 2009 we would like to highlight is the granting to our General Manager Mr. Javier Gutierrez of the Phoenix Award, the highest award presented by the worldwide glass industry. This award is granted to the person of greatest significance in the development and support of glass and the industries that work with it.

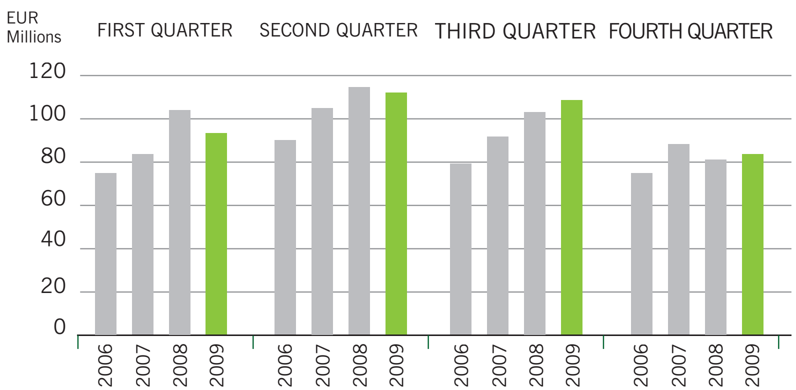
COMMERCIAL ACTIVITY

The context of this economic crisis has resulted in a year subject to extremely complex business conditions and the glass container markets in our commercial areas and sales segments have not be unaffected by it.

Despite the above, the strategy towards internationalization implemented over the last years has enabled us to maintain turnover figures in line with the previous year. Accumulated sales in 2009 amounted to EUR 382.4 million, a decrease of 1.3% over the previous year. The results of the global crisis' effects on the demand for packaging products, which began to show during the last quarter of 2008, have been partially offset by an adequate sales pricing management. In any event, the effects of global recession over consumption patterns, and consequently over demand of glass containers, affected our markets deeper than expected. This situation prevented us from maintaining our natural trend of turnover enhancement.

It is furthermore to be mentioned the erratic performance of demand exhibited along the year. After an unprecedented weak first part of the year, pressured by global economic uncertainties and credit restrictions, our demand evolved favourably especially noticed in the recovery of our markets outside the Iberian Peninsula.

NET SALES: quarterly figures since 2006



Furthermore, the progressive transition by our customers towards lighter models, encouraged by the optimisation of environmental impact and costs, has meant that, although we have maintained the demand in similar levels as in previous years, the total volume of sold tonnage has been directly affected.

The associations comprising the different glass container manufacturers in Spain (ANFEVI) and in Portugal (AIVE) show in their annual reports a decrease in the volumes of tons sold of -6.9% and -7.4%, respectively.

As far as prices are concerned, the international expansion, optimisation of the customer/product mix and the commercial discipline in the active management of profitability, have produced a positive result, cushioning the turnover drop, in spite of the decrease of volume.

The year 2010 seems even more complex and subject to uncertainties, especially sensitive during the first half of the year. We expect the year's progress to speed up during the second half of the year following the pace of the economies' recovery. This, in the complete year, we expect will maintain a modest progress of the consumption rates, especially in Spain where the recovery appears to be slower. In any case, new growth opportunities will arise in the external markets and we have strengthened the sales team in order to exploit these chances.

Industrial activity

It is obvious that in an environment of an unpredictable demand, as experienced in 2009, the production activity must be aligned with a greater flexibility to give timely response without detriment to service and product quality. This has forced us to, for the first time in our business history; limit our capacity utilization rate to 85%, when traditionally we have managed to run at levels nearing full capacity.

At the same time, the threats present at the beginning of the year regarding the credit access hardships or the significant inventory build-ups levels, as a result of the markets' slowdown, has forced us to design different scenarios to use only those productive resources that adapt to the real demand at every moment.

Despite the prevailing economic context, the cost inflation continued to affect us, especially during the first half of the year. In any case, it is obvious that the pressure of the previous years regarding energy costs, particularly electricity and natural gas, has reduced in coherence with the general economic decline. At the same time, the tension in the prices of certain commodities has progressed towards moderation in line with the current situation after a disordered start. However, the necessary adaptation of our production below our installed capacity to keep up with the real demand has hindered, as a consequence of the leverage of our business' fixed costs, an improvement of our operational margin.

The year 2009 has been managed by adapting the original budget to the prevailing market conditions: lower demand, more stringent quality requirements - as a result of increased competition and general uncertainty - and lack of visibility in the medium term. However, it has been clear for us since the beginning that 2009's management must not condition our future; thus, balance was necessary to adapt to the needs of the present without affecting our future.

The question we had to ask ourselves was "Can the Crisis help us lay the foundation for the future, with a view perhaps considered but not endured, and strengthen our Group in the following years?"

- With this in mind we have based our short-term management on:
- Cost control.
- Benchmarking between plants based on Best Practices.
- Adaptation of the Investment Plan.
- Increased efficiency control (energy consumption, maintenance policy, environmental control, etc.).
- Willingness to maintain jobs.
- Readiness for the future focused on promoting innovation.

In these times in which competitiveness and productivity are two key words that can impulse our exit from this crisis, our goals included in our R&D Strategic Plan - drafted last year - are even more important now than ever. Along this line, we have worked on it in several aspects regarding the innovation of our process (mainly in the moulding area), as well as the innovation of the type of products we want to market (by launching 37 new products to the market).

Ambitious innovations have been introduced in the moulding area (a new generation of moulding machines) which, although they will involve short-term implementation and training costs, are, one way or another, inevitable investments. Another example of important developments has been the participation in the European project "Edefu" on ecological melting.

We have launched an ambitious industrial systems plan, completing the current management system (SAP), which has occupied most of our time and human resources and will continue to do so during 2010. With it we intend to give the industrial management a large impulse allowing for a complete and agile integration that will enable us to anticipate and adapt to the sales, quality, etc., requirements.

In terms of prevention and safety at work, we have published, in collaboration with the government, the trade unions and other packaging companies the "rules and instructions for risky activities in the glass container sector handbook".

As planned, we have added new professionals in those areas we are committed to: the technical area, product development, training, R&D&i, etc. Specifically in the training area we have created the position of coordinator for industrial training, whose labour is vital for the integration and solid growth of the last plants incorporated in the Group.

Finally, during this year we have proceeded with the modernisation of one of the furnaces of our Aiala Vidrio factory and another in Crisnova Vidrio. We have used these investments to install the best available technologies in order to obtain significant savings in the energy consumption, thus improving our environmental impact and ensuring sustainability- a concept inherently identified with our activity (e.g. installation of electrofilters to reduce particle emissions, provision of the best primary technologies to reduce gas emissions, on-line emission measurements, etc.).

Investments put into operation during 2009 have reached a total consolidated level of EUR 54.9 million.

With these investments we closed our ambitious 2005-2009 plan, which has led us to invest over EUR 300 million in adapting all our production facilities to the new production challenges, reducing energy consumption, improving safety and ensuring an environmentally friendly sustainable future. The latter allows us to face the future confidently since we will be prepared to confront this difficult economic recovery without the need for additional financial or technological resources to be competitive and profitable.

R&D&I Activity

We continue with the development of the 2008-2011 innovation strategic plan.

As reflected in our current strategic plan, Vidrala is clearly committed to innovation and keeps its firm decision, although our turnover and our profitability have been affected by the global consumption crisis. We are convinced that this is the engine for our business and a differentiation element with regard to our competitors (within and outside the glass industry).

We remain convinced that the key to success is in the people forming Vidrala with their experience in the sector and their innovative contributions. During 2009 we have developed different projects (generation of ideas, creativity, enhanced operations), focused on gathering innovative ideas from our staff. People from different plants and functional areas have been involved in these projects. Of all the contributions we have selected the most profitable and these are being implemented.

On the other hand, we have increased our participation in worldwide associations focused on technological innovation (IPGR, TNO, GMIC...) and we are currently establishing new relationships with technological and research centres to develop new projects.

Energy efficiency has been one of the aspects we have been most concerned with this year. We have launched a great amount of actions focused on the reduction of energy consumption and this has been one of the key aspects to be considered in the aggressive investment plan we have undertaken.

The most significant points of interest in the two main lines of activity in the innovation area in 2009 are as follows:

Process technologies

In the past years we have experienced a growing concern on safety and the improvement of the labour conditions in our plants. We try to mitigate the "burdensome" tasks by means of automatization. Tasks such as changing the moulds, moving them or changing mechanisms have been made easy thanks to the use of handlers, having recently installed the first prototypes.

Another clear goal that we intend to address from the innovation standpoint is the elimination of the need to lubricate the moulds. Right now we have various projects focusing on eliminating it by means of different techniques (materials, coatings, treatments), or alternatively, automatization of this process.

We still work on stabilising and controlling the manufacturing process. We are working on improving the delivery, measurement and control of the moulds' temperatures. These and other measures will help to further control the manufacturing process and, therefore, the quality of our products.

This year we have approved the introduction of a technology that will provide us with greater flexibility to produce different coloured glass, thus allowing us to better position ourselves with our customers.

Another area of interest is the increase in resistance linked to lightening the product. With the development of this project, we will improve the quality of the relevant products and we will reduce the weight in those products in which the packaging price affected its competitiveness.

Product development

We have created a new product innovation and design department which is integrated and reinforces the old mould design department. This department has skilled staff in different areas: moulding, mould design and R&D. The department serves all of the Group's plants and it has a direct relationship with our clients, therefore we hope to improve in both directions.

We have included parametric design experts in this department. The use of this design concept will give us a greater response capacity as regards to new designs or modifications in our existing designs, which significantly improves Vidrala's image and the relationship / understanding between Vidrala and our clients.

This year we have developed the largest number of new models in Vidrala's history. Developing a total of 87 projects of which 37 have been approved. We have also numerous changes in the current models, 77 in total, to improve the current product features and thus, to satisfy our clients' growing quality demands.

We continue to strengthen our production simulation programmes to anticipate the results in the machine's moulding process, thus predicting how these new designs will work without the need for building prototypes. This type of analysis has continued to increase, as has the complexity of the simulation programmes, by using fluid-dynamics simulations to represent the elements involved in, for example, the cooling of moulds or glass-moulding equipment. We consider that these types of tools are necessary to move forward in improving the quality and reliability of our products.

The use of our simulation tool as an aid in the design of new models and in the identification of problems in existing models continues to grow.

Lastly, we have made progress in our model lightening process while meeting our clients' quality requirements.

Environment

This year, continuing with an initiative launched last year, we have elaborated and published our environmental report for the year 2009.

This supplementary report seeks to document and analyse in detail the results of our demanding and effective environmental management policy. The complete document is available on our company's Web site: (www.vidrala.com).

Quality

In 2009 quality management has been essential to avoid the deterioration of our turnover, as a result of working in a generalised period of market complexity which has fostered a clear and significant increase in our clients' demands, and those of consumers in general, in all market segments.

This situation of increased requirements, implying the elimination of non-quality costs in all production processes, has slowed the trend of the previous two years by reducing the number of customer complaints.

However, despite the worst results in our internal indicators, the customer satisfaction index has grown in all the variables measured in our annual customer satisfaction survey. This survey is of vital importance to analyse the service and quality levels of our customer services and their perception of us with respect to our competitors. In this regard, we have seen in the results of the survey that our relative position has improved significantly over our competitors.

Another positive development in the quality management department in 2009 has been the clear improvement of our technical assistance department's timely response to our customers' complaints. We have an indicator for customer response times which has been reduced by 40% in 2009, in comparison with the previous year, and we expect a greater improvement in 2010 as a result of the restructuring of this department and by considering our customers as our main priorities in all of our activities.

Throughout this year we have continued to work on the adaptation of our facilities to meet the needs defined by our quality assurance systems and the safety of our packaging for the food industry. In this sense, we have renewed throughout the year the ISO 22000 standard certification of Aiala Vidrio and Castellar Vidrio and we have guaranteed the food safety systems for the products manufactured in our Corsico Vetro and MD Verre plants. We have also implemented a quality assurance system in MD Verre which will allow us to certify all our Group's factories in the ISO 9001 and ISO 22000 standards in 2010.

The development of actions to improve product and packaging quality throughout all these years deserves a special mention. Among these actions the most significant ones started in the preceding years, as we mentioned in our previous management report, and the results in improving our products and packaging have been extremely positive.

The following implemented initiatives were particularly noteworthy:

- The training plan in all the areas and plants of our organisation, focusing particularly on quality and production;
- Standardisation and precision in recording the actions required by our quality control standard certifications;
- Our hard work in improving the different work groups on quality improvement, such as products, packaging, preventive actions, complex models, etc.;
- The development of the 2009 R&D&i plan, with special emphasis on the great number of quality and production projects;
- The projects for the application of best practices in manufacturing and control of products and processes.
- The development of new product traceability technologies, with a pilot R&D&I project that is showing some excellent results in recording the movements of each product from manufacture to its delivery at the customer's facilities.

The negative results of our internal indicators in 2009 are forcing us to make an extra effort in 2010. In addition to recovering our positive evolution trend of the years 2007 and 2008, we cannot forget that the Quality Management System should be based on a correct and constant improvement policy and we should pursue the elimination of all defects from our products.

Human resources

In times of uncertainty such as those we have experienced in 2009, the activity in the human resources and organisation area becomes crucial to stay focused and not lose sight of our main principles and business objectives.

We have ended the year with a permanent staff of 1,778 people.

The most important actions in which the different human resources and related departments have focused on are summarised in the following sections:

Labour Relations:

- Negotiation of the collective labour agreement at Crisnova Vidrio S.A., satisfactorily closed at mid-year. The labour relations framework has been established for a period of three years.
- Initiation of an adaptation process of the human resources in the production capacity of MD Verre S.A.. In late November we expressed our intention of starting a restructuring process that could affect approximately one third of our staff, as a result of the stoppage of one of our melting furnaces due to the falling demand. The negotiation process was still ongoing at the end of this year and at the time of the preparation of the annual accounts.

Training

- As in previous years, we have developed a great activity in this area, especially focusing on integrating all our subsidiaries seeking two basic goals: the creation of a common culture and identity, facilitating communication and the exchange of ideas; and, based on this, the application of effective benchmarking which can transfer the most efficient practices to the Group. This has resulted in actions focused primarily on obtaining homogeneous technical teams, supporting the process standardisation strategy in the Industrial and Quality departments. The result of our efforts has allowed us to provide approximately 65,000 training hours throughout the year.

Labour Risks Prevention:

- During this year we have made an important effort to implement effectively our integrated policy, by adapting and extending the procedures of the management system following the recommendations of the OSHAS-18000 standard. Thus, since the beginning of the year we agreed to establish our proprietary joint prevention service, common to all the companies subject to the Spanish risk prevention law, adopting the most demanding organisation model which proves our determination to fight against accidents in the workplace.

Organisation:

- This year we have worked intensely on structuring and cohesion of knowledge and organisation. In this sense we must highlight the important projects that have led to the definition of: job description handbooks, handbooks for management development functions in the plants and a library of industrial knowledge.

Corporate social responsibility:

- We have continued to work this year in the initiative of bringing the workers and their families closer to the productive arena by means of the “open days” in our Crisnova Vidrio plant. This initiative has been much appreciated by the people from the Group and it strengthens integration by giving them a sense of belonging to our project.
- We have strengthened our collaboration agreement with the NGO Aldeas Infantiles, encouraging joint company-employee participation in a project with a clear social focus.

- We have developed an important project for the participation of managing workers, by launching a channel through which they may share ideas, projects and measures for operational or social improvement in our organisation or in our business processes.

Information systems:

- Throughout this year we have worked hard on the definition and the scope of a new platform for the management of operative information and industrial activity. This would be the last phase of an ambitious project that has already achieved the coherence and integration of information management in the rest of our business areas.

Economic Activity

The analysis of 2009 earnings needs to take into account the non recurrent effects of three significant elements:

- Declining demand.
- Underutilisation of our productive capacity and its effect on the leverage of our business's fixed costs.
- Extraordinary impact of restructuring processes in some areas of our organisation which suffered from structural deficiencies to face the current context.

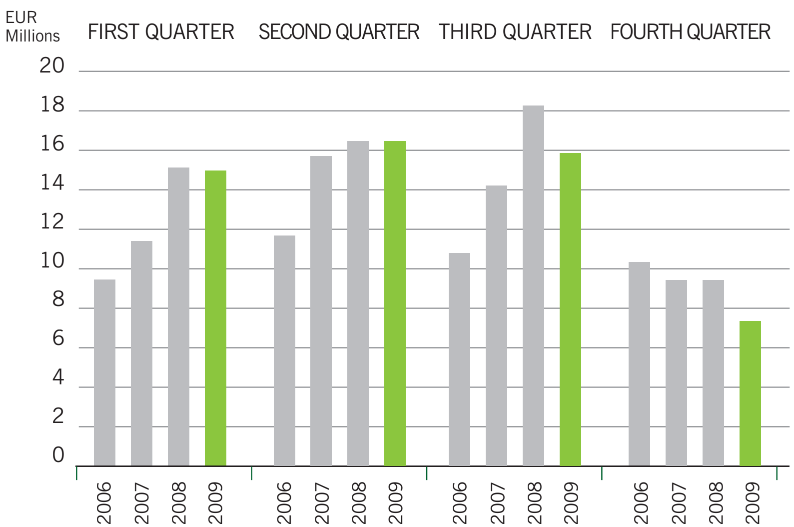
As previously indicated, as a response to the declining demand and in order to avoid an unnecessary increase of stock, we have implemented measures to adjust our production. The less than optimal utilization of our productive capacity had as an immediate consequence lower production and negative impact on our operating margins during the second half of the year.

Even so, the benefits from the extraordinary investment efforts carried out during the last five years; the integration of our current structure and the diversification of our sales towards strategic markets; have enabled us to maintain business margins at competitive levels.

Consequently, operating profit amounted to EUR 55 million as margins reached 14.4% of sales. That represents a reduction of only 100 b.p. over 2008 despite significantly less than optimal capacity utilisations and the corresponding leverage of fixed costs. We value it certainly positive under the tough business conditions faced during the year.

These operating results prove our strength and resilient nature of our business in exceptionally negative environments such as the current one.

OPERATING PROFIT (EBIT): QUARTERLY FIGURES SINCE 2006



The described operating earnings have been supported by a lower financial burden, enabled by the disciplined management of our balance sheet, and an optimisation of our tax duties. As a result, net earnings increased by 0.7% to EUR 40.9 million.

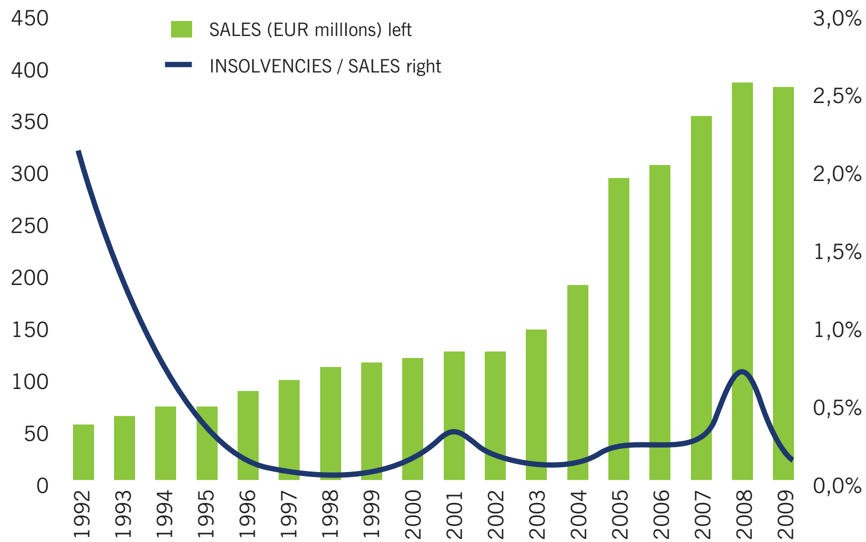
These solid results, obtained under the severe difficulties of the economic recession, validate us to feel confident about the development of our business in the next years.

Financial Management

The uncertain economic scenario imposed two priorities at the start of the year: the management of our customers' non-performing loans and strengthening our financial resources in order to maintain the necessary operating flexibility.

Our commercial management discipline and the strengthening of our risk management systems for customer credit has allowed us to maintain low insolvency levels, similar to those of the previous years, before the beginning of this financial crisis cycle. Thus, the amount of materialised insolvencies during the year 2009 has reached EUR 520.9 thousand, equivalent to 0.13% of the accumulated turnover of the year.

INSOLVENCIES PERFORMANCE



As regards to financial debt management, we closed the year with a net debt of EUR 256.6 million.

The average cost of interest bearing debt during 2009 has been 3.2%, thanks to the downward trend of the reference rates and the cost containment applied to our resources.

The solvency indicators have remained in similar ranges as in the previous years, which are comfortable considering our business model and especially after an extraordinarily aggressive capex period.

Leverage / Solvency Ratios	2009
Net Debt / EBITDA	2,8 X
Net Debt / Equity (Gearing)	1,0 X
EBITDA / Financial Charges	11,1 X

As a consequence of our policy for hedging liquidity risk, based on assuring enough immediate financing availabilities, at 31 December 2009, the Group had EUR 84 million in available credit facilities. With this active management we have given a positive response to the potential uncertainties we foresaw at the beginning of the year.

The free cash flow recorded during the year, despite being a year characterised by significant investments as has been already explained, has been positive amounting to EUR 5.2 million.

Risk Management

Risk management in Vidrala covers the coordination of the procedures from the administration and management bodies which are transferred to every operating area in the organisation.

Operational risks

The company develops an intense and continuous industrial activity that is subject to internal risks associated with daily operations. In this regard, throughout 2009, we have developed tasks of revision, evaluation and definition of business risks defined as operational, which have allowed us to update our traditional risks map. The goal is to learn, with perspective, the impact and the possibility of the concurrence of each of the identified risks, to establish a risk hierarchy and to link them to each operating area and business process, identifying the appropriate control and monitoring systems in order to minimise their potential impact.

Financial risks

Additionally, the business environment, subject to increasing volatility, and a greater growth dimension in which the Group carries out its activities are exposed to a number of potentially financial risks that, each year, force us to increase our strict control over business risk management policies.

Thus, the management tasks of these risks are focused on identifying, analysing and monitoring the natural market fluctuations in those factors that directly affect our profit and loss account. To reduce volatility in our operating results, the Group uses derivative instruments, detailed in the Annual Report, which allow us to minimise the potential impact of certain risks.

We can list the following as our most relevant potential risks:

Currency exchange risk

The Group operates on an international scale and is therefore exposed to exchange rate risk in currency operations. Nevertheless, our currency exchange risk is almost exclusively limited to future commercial transactions, derived from purchasing raw materials, contracted in US Dollars which may be somewhat affected by currency fluctuations. The finance department monitors the currencies and takes decisions on hedging exchange rates in order to minimise the potentially adverse effect that these fluctuations could have on the Group's results. The Group's risk management policy is to hedge the expected transactions (imports) in relation to their cost and their expectations for the following 12 months. To control currency exchange risk, the Group's companies use derivative instruments, mainly forward foreign exchange contracts.

As regards total forecast transactions of imports of raw materials in U.S. Dollars for 2010, if the Euro were depreciated by 10% compared to the U.S. Dollar, while keeping all other variables constant, our consolidated profit would be affected by approximately -0.6%.

Understanding that hedging exchange rate instruments are solely used to hedge purchases of specific pre-established amounts of commodities, the tables recommended by the accounting standards that affect the balance sheet have not been included, due to their lack of materiality in our case.

Interest rate risk

The interest rate affects the cost of interest bearing financial resources. Thus, the external resources subscribed at floating interest rates expose the Group to fluctuations in the interest rates and, hence, the expected cash flows.

The Group's current financing policy concentrates, mostly, on financial credit facilities referenced to floating interest rate. The Group hedges cash flow interest rate risk by means of variable-to-fixed-rate swaps. These interest rate swaps have the economical effect of changing the borrowed funds, with floating-rate costs, into fixed-rate costs. The Group generally obtains long-term financing facilities at floating rates and swaps them into fixed-interest rates which are usually lower than those available in the case that the Group had obtained the funds directly at fixed rates. By using interest rate swaps, the Group undertakes to regularly exchange with financial entities the difference between fixed and variable interest rates calculated in accordance with the main contracted notional amounts. The effectiveness of these swaps is analysed and documented in detail, based on methods included in the relevant accounting standards.

For the purposes of sensitivity analysis, if the interest rates - in the 2009 average - had been 10 basis points higher while keeping all other variables constant, our consolidated profit - after tax- would have been 0.5% lower. The sensitivity of consolidated profit after tax to fluctuations in interest rates was greater in 2009 than in 2008 due to the increase in the Group's floating-rate debt over the last year.

Credit risks

As per the customers' credit risk, for possible irrecoverable amounts, Vidrala develops specific policies to control that the sales are made to customers with a good payment record and an adequate rating of solvency. This analysis and monitoring process is developed by a specific department within the financial area that produces documented solvency analysis and tracks the concentration of risks, establishing specific limits to acceptable risks with customers by developing detailed specific rating algorithms, typical of credit control systems. Furthermore, and due to the current economic climate, the Group combines customer credit controls with credit insurance policies through external insurance companies, thus limiting the impact of bad debt in our profit and loss accounts.

Other credit risks: The financing operations, the subscribed derivative instruments and cash operations are only formalised with financial entities with acknowledged high credit ratings.

Liquidity risk

The Group maintains a conservative policy as regards to liquidity risks, based on assuring an acceptable margin of immediately available cash. Thus, at 31 December 2009, the Group had EUR 84 million immediately available under its credit facilities which represent over 33% of its total debt.

Price risk in supplies of energy and raw materials

Energy consumption, mainly fuel (natural gas and fuel oil) and electricity, represents a significant purchase volume and is an inherent cost in most intensive-production industries. Similarly, purchases of raw materials represent an equally significant cost for the Group's activities.

Volatility in the variables that affect the formation of their prices can affect, more or less, the profitability of a business. Therefore, adequate management based on the analysis and follow-up of market conditions and prices by means of the evaluation of different price hedging strategies are key factors in achieving the desired results.

Similarly, the Group's supply department combines the aforementioned methods with a continuous analysis, with the optimal purchasing agreement conditions, while ensuring alternative supply sources to cover eventual stock shortages.

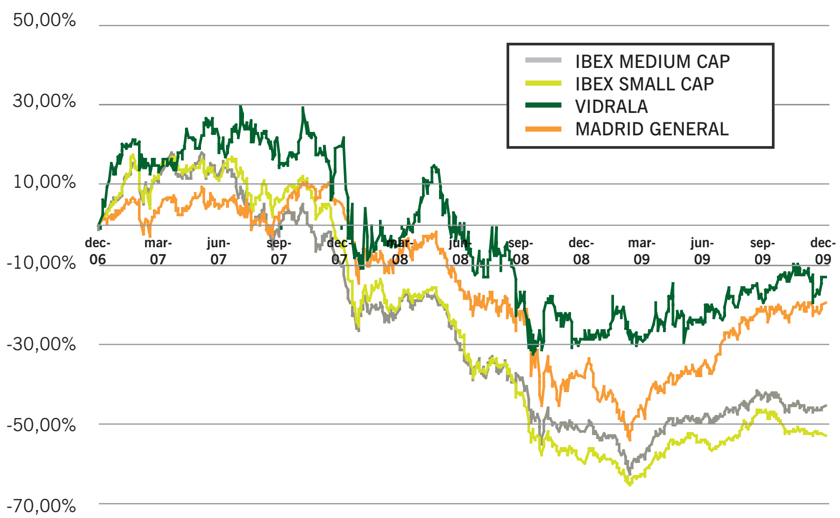
Shares

Although the financial markets are still subject to high volatility as a consequence of the uncertainties in the macroeconomic context, they have progressed well throughout 2009. Therefore, after a negative start of the year, the improvement of the stock market indicators was notable, as the fear of worst case global scenarios began to dissipate. The threat of a financial collapse or a great economic depression disappeared as the year continued to unfold and at the end of the year the investment climate was very different from the one twelve months back. This greater stability in the markets has allowed Vidrala's shares to begin to reflect, more coherently, the actual performance of the business.

The share ended the year at EUR 18.85 representing an increase during the period of 21.77%. Main general indexes showed a positive performance in 2009 after the significant decreases suffered in the previous year. Thus, the Ibex Medium Cap, in which Vidrala is included, the Ibex Small Cap and the General Madrid Stock Exchange index showed increases of 13.8%, 17.6% and 27.2%, respectively.

SHARE PRICE PERFORMANCE. COMPARATIVE IN PERCENTAGE TERMS.

Since 2007. Excluded dividends.



Trading volumes of Vidrala shares accumulated along the year amounted to EUR 62.05 million, 3,701,964 shares.

The balance of Vidrala's treasury shares at 31 December amounted to 2.08% of the share capital with 474,391 shares.

Vidrala S.A. has been included, since 2 January 2009, in the selective Ibex Medium Cap index.

Shareholder remuneration

Dividends paid during the year amounted to EUR 49.17 cents gross per share. Along with the AGM's attendance bonus offered to all the Shareholders, the accumulated remuneration distributed during the ended year reached EUR 51.97 cents gross per share, more than 5% above the previous year. Remuneration paid is equivalent to an annual return of 3.1% compared to the average share price during the year.

The Board of Directors, at its meeting held on 17 December 2009, approved an interim dividend against 2009 results of EUR 37.84 cents per share which was paid on 15 February 2010. The Company usually distributes its annual dividend in two payments. The second will be paid after approval at the Annual General Meeting to be held in June.

Subsequent events and forecasts for 2010

The relevant economies face 2010 in better conditions than those of the previous year. The last part of the year 2009 has confirmed the gradual recovery of economic activity data, showing an improvement in the conditions made evident by confidence surveys. Increasingly, consumers are beginning to recover reasonable confidence levels and companies and individuals are increasing consumption and reconsidering investments. Business results have progressed along the same line and have, in any case, benefited m ore from disciplined cost controls than from actual increase of their turnover figures.

However, although it seems that we have left the most severe times of the worst recession suffered in decades and that the indicators foretell the end of the global crisis, leaving it behind still poses considerable demands in some cases of urgent need.

Along with the improvement expectations, there are still some elements that will limit growth during 2010. The fragility of the determining consumption factors, particularly unemployment, will limit Europe's internal demand throughout 2010, although the expected global improvement could overcome our forecast.

In any case, the most sensitive issue will be the effects of the withdrawal of the financial aid that has slowed down the deterioration of the economies in 2009. Their impact in terms of deficit and debt make them unviable in the future. The eventuality of the incentives shows that the recovery in 2009 has a transitory nature; their premature withdrawal could provoke a new drop while keeping them could feed a new liquidity bubble.

Another matter worth special consideration is the divergent starting point of the different economies. While the financial situation recovers on a global level, pending adjustments in some economies - and particularly relevant to our company in Spain and Portugal - condition their recovery.

Thus, the global outlook shows a moderate growth in 2010, being the starting point of the emerging countries and the great developed economies characterised by their structural and more solid competitiveness. In any case, the expected continuation of the trend toward economic improvements should allow the second half of the year to record positive economic growth in all our areas of significance. More importantly, this recovery will come accompanied, not only by the external sector's contribution, but from the revival of consumption.

Although the recovery process will be slow and it is impossible to rule out relapses, if the response of the main countries and Central Banks continues to rise to the occasion, the shift in the global economy throughout the second half of 2009 shows that there is room for optimism.

After what we have lived throughout 2009 and in light of the context we have described, our highest priority is to manage our productive capacity with discipline to adapt it to the modest demand levels.

In any case, the year that has just ended has taught us to focus our efforts, even more if possible, in maximising our operating efficiency that together with our unaltered efforts in innovation and harnessing the potential value of the relevant investments developed along the past five years, will allow us to impulse our business margins and drive the progression of our size in the medium term.

Likewise, the completion of our substantial investment plan coupled with our increased efficiency in the management of our resources should lead us to significant reductions in our current debt levels without losing competitiveness while respecting the traditional policy of increasing our shareholders' remuneration.

We must highlight two significant events occurred after 31 December:

The Board of Directors at its meeting held on 19 December 2009 agreed a payment of an interim dividend against the results of the year 2009 of EUR cents 37.84 gross per share. This payment was made on 15 February 2010.

Throughout the months of January and February 2010 we have continued to work on the procedures and the negotiations with the trade unions to reach an agreement in terms of the restructuration in our Belgian subsidiary, MD Verre, S.A.. These negotiations began on 25 November 2009 by mutual agreement between the trade union delegations and Management. On 4 February 2010 the first agreement was signed with the trade union representatives establishing that 73 staff members will be affected by this restructuring process.

Finally, we would like to draw attention to the campaign for glass as a packaging material promoted by the European Glass Container Federation (FEVE) called "friends of glass". Its goals are the promotion of glass as the best choice for packaging and encouraging recycling. We kindly invite you to visit the web site: www.friendsofglass.com for further information on the characteristics of a unique material and to participate in this initiative.

3 ANNUAL ACCOUNTS 2009

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Consolidated Balance Sheets 31 December 2009 and 2008 (Expressed in thousands of Euros)

	Note	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	359,793	342,277
Goodwill	*6*	59,233	59,492
Other intangible assets	*6*	13,905	17,351
Other financial assets		7	7
Deferred tax assets	*8*	45,322	44,314
Derivative financial instruments	*7*	178	809
Other non-current assets	*25*	1,809	690
		480,247	**464,940**
Current assets			
Inventories	*9*	114,797	108,656
Trade and other receivables	*10*	85,652	102,063
Other current assets	*11*	14,479	11,670
Cash and cash equivalents		2,448	741
		217,376	**223,130**
Total assets		**697,623**	**688,070**

EQUITY AND LIABILITIES	*Note*	2009	2008
Equity	*12*		
Share capital		23,222	23,222
Other reserves		7,367	2,723
Retained earnings		238,018	212,868
Treasury shares		(7,911)	(4,256)
Other comprehensive income		(670)	(122)
Interim dividend		(8,438)	(8,117)
Equity attributable to equity holders of the Parent		**251,588**	**226,318**
Deferred income	*13*	**29,537**	**32,668**
Non-current liabilities	*14*	180,987	158,121
Loans and borrowings	*7*	931	-
Derivative financial instruments	*8*	26,022	26,838
Deferred tax liabilities	*17*	26,205	31,757
Provisions		40	-
Other non-current liabilities		**234,185**	**216,716**
Current liabilities			
Loans and borrowings	*14*	78,061	93,014
Derivative financial instruments	*7*	857	169
Trade and other payables	*15*	81,723	101,326
Current tax liabilities	*8*	7,146	6,810
Provisions	*17*	4,382	101
Other current liabilities	*11*	10,144	10,948
		182,313	**212,368**
Total liabilities		**416,498**	**429,084**
Total equity and liabilities		**697,623**	**688,070**

Consolidated Income Statements for the years ended 31 December 2009 and 2008

(Expressed in thousands of Euros)

	Note	2009	2008
Revenue	*20*	383,607	387,890
Other income	*20*	13,517	17,111
Change in inventories of finished goods and work in progress		6,617	20,712
Self-constructed non-current assets		912	-
Goods for resale, raw materials and consumables used		(128,392)	(143,882)
Employee benefits expense	*22*	(91,351)	(84,837)
Amortisation and depreciation	*5 y 6*	(34,863)	(32,469)
Other expenses	*21*	(95,064)	(104,871)
Finance income	*23*	1,815	2,634
Finance expenses	*23*	(10,016)	(15,818)
Profit/(loss) before tax from continuing operations		**46,782**	**46,470**
Income tax expense	*8*	(5,858)	(5,821)
Profit/(loss) for the year from continuing operations		**40,924**	**40,649**
Profit/(loss) for the year		**40,924**	**40,649**
Profit/(loss) for the year attributable to equity holders of the Parent		**40,924**	**40,649**
Profit/(loss) for the year attributable to equity holders of the Parent - Basic		**1,83**	**1,80**

Consolidated Statements of Comprehensive Income for the years ended 31 December 2009 and 2008 (Expressed in thousands of Euros)

	2009	2008
Profit for the year	40,924	40,649
Other Comprehensive Income:		
Cash flow hedges	(762)	(169)
Tax effect	214	47
Other comprehensive income, net of taxes	**(548)**	**(122)**
Total comprehensive income for the year	**40,376**	**40,527**
Total comprehensive income attributable to equity holders of the Parent	**40,376**	**40,527**

Consolidated Statements of Changes in Equity for the years ended 31 December 2009 and 2008
(Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent						
					Other comprehensive income		
	Share capital	Other reserves	Retained earnings	Treasury shares	Cash flow hedges	Interim dividend	Total equity
Balances at 31 December 2007	**22,116**	**3,829**	**182,992**	**(1,451)**	**-**	**(7,787)**	**199,699**
Total comprehensive income for the year	-	-	40,649	-	(122)	-	40,527
Share capital increase	1,106	(1,106)	-	-	-	-	-
Own shares acquired	-	-	-	(2,805)	-	-	(2,805)
Distribution of 2007 profit							
Dividends	-	-	(10,621)	-	-	7,787	(2,834)
Interim dividend on account of 2008 profit	-	-	-	-	-	(8,117)	(8,117)
Other movements	-	-	(152)	-	-	-	(152)
Balances at 31 December 2008	**23,222**	**2,723**	**212,868**	**(4,256)**	**(122)**	**(8,117)**	**226,318**
Total comprehensive income for the year	-	-	40,924	-	(548)	-	40,376
Own shares acquired	-	-	-	(3,655)	-	-	(3,655)
Distribution of 2008 profit							
Reserves	-	139	(139)	-	-	-	-
Dividends	-	-	(11,106)	-	-	8,117	(2,989)
Interim dividend on account of 2009 profit	-	-	-	-	-	(8,438)	(8,438)
Other movements	-	4,505	(4,529)	-	-	-	(24)
Balances at 31 December 2009	**23,222**	**7,367**	**238,018**	**(7,911)**	**(670)**	**(8,438)**	**251,588**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2009 AND 2008 (INDIRECT METHOD)

(Expressed in thousands of Euros)

	2008	2009
Cash flows from operating activities		
Profit for the year	40.924	40.649
Adjustments for:		
Amortisation and depreciation	34.863	32.469
Changes in provisions	4.746	980
Government grants recognised in profit or loss	(731)	(723)
Profit on financial assets at fair value through profit or loss	691	2.602
Finance income	(921)	(2.288)
Finance expenses	8.431	12.670
Proceeds from sale of property, plant and equipment	(1.229)	(546)
Income tax	5.858	5.821
	92.632	91.634
Changes in working capital, excluding the effect of acquisitions and translation differences		
Inventories	(7.660)	(26.482)
Trade and other receivables	14.440	(1.074)
Trade and other payables	(10.584)	8.629
Application of provisions	(947)	-
Financial assets and financial liabilities held for trading	-	1.853
Cash generated from operating activities	87.881	74.562
Interest paid	(9.712)	(15.014)
Income tax paid	(9.919)	(5.195)
Net cash from operating activities	68.250	54.353
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1.318	1.827
Proceeds from sale of intangible assets	1.456	-
Proceeds from sale of financial assets	1.010	-
Interest received	548	2.140
Acquisition of subsidiaries, net of cash and cash equivalents	(3.090)	-
Acquisition of property, plant and equipment	(59.870)	(82.383)
Acquisition of intangible assets	(1.300)	(1.581)
Acquisition of financial assets	(1.119)	-
Net cash from investing activities	(61.047)	(79.997)
Cash flows from financing activities		
Proceeds from issue of treasury shares and own equity instruments	878	-
Proceeds from loans and borrowings	47.054	76.825
Payments relating to redemption of treasury shares and other own equity instruments	(4.533)	(2.805)
Payments relating to loans and borrowings	(37.770)	(36.803)
Dividends paid	(11.106)	(10.951)
Other	(19)	(152)
Net cash (used in)/from financing activities	(5.496)	26.114
Net increase/(decrease) in cash and cash equivalents	1.707	470
Cash and cash equivalents at 1 January	741	271
Cash and cash equivalents at 31 December	2.448	741

vidrala

1. NATURE, ACTIVITIES AND COMPOSITION OF THE GROUP

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

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

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2009 and 2008 and the location and activity of each company that forms part of the consolidated group are as follows:

Company	Location	Investment	Company holding investment	Consolidation method	Activity	Auditor
Crisnova Vidrio, S.A.	Caudete (Albacete, Spain)	100%	Vidrala, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
Inverbeira, Sociedad de Promoción de Empresas, S.A.	Llodio (Alava, Spain)	100%	Vidrala, S.A.	Fully consolidated	Promotion and development of companies	KPMG (**)
Aiala Vidrio, S.A.U.	Llodio (Alava, Spain)	100%	Vidrala, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
Gallo Vidro, S.A.	Marinha Grande (Portugal)	99.99%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
J. Ferreira da Silva, Ltda.	Marinha Grande (Portugal)	100%	Gallo Vidro, S.A.	Fully consolidated	Transport services	KPMG (**)
Castellar Vidrio, S.A.	Castellar del Vallés (Barcelona, Spain)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
Córsico Vetro, S.R.L.	Corsico (Italy)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (**)
MD Verre, S.A.	Ghlin (Belgium)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (**)
Omèga Immobilière et Financière, S.A.	Ghlin (Belgium)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Real estate	Not subject to statutory audit
Investverre, S.A.	Ghlin (Belgium)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Holding company	Not subject to statutory audit
CD Verre, S.A.	Bordeaux (France)	100%	Investverre, S.A.	Fully consolidated	Commercialisation	Not subject to statutory audit

(*) KPMG Auditores, S,L,

(**) Limited review of the financial statements carried out by KPMG Auditores, S,L, On 4 September 2007 the Company acquired 51,76% of the share capital of Omega Immobilière et Financiére, S,A, and a purchase option agreement was established on the remaining 48,24%, exercisable between 1 January 2009 and 31 December 2014, On 31 March 2009 this purchase option was exercised for an amount of Euros 1,500 thousand,

On 4 September 2009 the definitive cost of the acquisition of MD Verre, S,A, by Inverbeira, Sociedad de Promoción de Empresas, S,A, was determined at Euros 3,509 thousand, The adjustment with respect to the initially recognised business combination entails the reduction of the full carrying amount of goodwill and the recognition of income of Euros 77 thousand,

There have been no changes to the consolidated group in 2009,

2. BASIS OF PRESENTATION

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Vidrala, S,A, and of the consolidated companies, The consolidated annual accounts for 2009 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Vidrala, S,A, and subsidiaries at 31 December 2009, as well as the consolidated results of its operations and changes in consolidated equity and cash flows for the year then ended,

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

The Parent's directors consider that the consolidated annual accounts for 2009 prepared on 25 February 2010 will be approved without changes by the shareholders at their annual general meeting,

(a) Basis of preparation of the annual accounts

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

(b) Comparative information

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

In accordance with the amendments established in IAS 1 Presentation of Financial Statements, the Group has decided to present separately an income statement and a statement of comprehensive income, The consolidated annual accounts have been prepared applying IAS 1 (Revised) and comparative information has been restated, As this change only affects presentation, it has no impact on earnings per share,

The composition of the Group's segments, which should be reported on in accordance with IFRS 8 Operating Segments, which replaces IAS 14 Segment Reporting, has not changed and the information corresponding to the previous year has not been restated,

Some amounts from 2008 have been disclosed in the same manner as in the accompanying consolidated annual accounts in order to facilitate their comparison, The most significant disclosure corresponds to the amounts recognised in 2008 under "Current assets" and "Current liabilities" in the consolidated balance sheet, The figures recognised in these captions in 2008 include amounts receivable from and payable to public entities in respect of VAT and personal income tax, which have been included in the accompanying consolidated balance sheet under "Other current assets" and "Other current liabilities", respectively,

(c) **Relevant accounting estimates, assumptions and judgements used when applying accounting principles**

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

(i) Relevant accounting estimates and assumptions

- Goodwill impairment:

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

- Useful lives of plant and equipment:

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

- Calculation of the fair value of derivatives and financial instruments:

  The fair value of financial instruments used by the Group, mainly currency options and interest rate swaps, is based on reports from the financial entities which extended the instruments, This information is then verified by group financial management through historical analyses of the instruments in question,

- Valuation allowances for bad debts

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

- Income tax

  The Group files income tax returns in numerous jurisdictions, Tax legislation applicable to certain group companies means that certain calculations have to be estimated, Any differences between the final tax calculation and the amount initially recognised have an effect on the profit or loss for the period in question,

Group management estimates that any differences arising from the use of assumptions and judgements in estimating income tax for 2009 will be immaterial,

- Capitalised tax credits

  The Group evaluates the recoverability of capitalised tax credits based on whether estimated future taxable income will be sufficient to offset them,

(ii) Change in accounting estimate

Although estimates are calculated by the Company's directors based on the best estimate available at 31 December 2009, future events may take place requiring these estimates to be modified in subsequent years, The effects on the consolidated annual accounts of modifications resulting from adjustments to be made in subsequent years are recognised prospectively,

(d) Standards and interpretations issued and not applied

The IASB has issued new accounting standards (IFRS) and interpretations (IFRIC) which are due to become effective for accounting periods beginning on or after 1 January 2010, Details of the nature of the changes in accounting policy and a summary of group management's assessment of the impact of these new standards are as follows:

IAS 24 (revised): Related party disclosures – issued November 2009 (pending adoption by the European Union)

This amendment to IAS 24 exempts an entity from having to disclose balances and transactions with the board of directors when the board exercises control, joint control or significant influence over the entity,

The Group does not engage in these types of transactions and thus considers that application of this standard will not have an effect on its consolidated annual accounts,

Amendment to IAS 32: Classification of rights issues- issued October 2009

The IASB has amended IAS 32 to establish that financial instruments which give shareholders the option to acquire a fixed number of own equity instruments in exchange for a fixed amount of cash in a currency other than the issuing entity's functional currency should be classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's equity instruments, This amendment is effective for periods beginning on or after 1 January 2011,

The Group does not engage in these types of transactions and thus considers that application of this amendment will not have an effect on its consolidated annual accounts,

Amendment to IAS 39: Items that can be classified as hedges

This amendment, effective for periods beginning on or after 1 July 2009, clarifies the application of existing criteria to determine which risks or cash flows can be designated as a hedged item, The Group will assess the impact of this amendment for the first year in which it becomes effective,

IFRS 1 (revised): First-time adoption of IFRS - issued November 2008

This is a restructuring of the format of IFRS 1, without modifying its technical content, with a view to improving understanding, This amendment is effective for periods beginning on or after 1 January 2010,

As the Group is not a first-time adopter of IFRS, this has no impact on the consolidated annual accounts,

Amendment to IFRS 1: Additional exemptions for first-time adopters of IFRS- issued July 2009 (pending adoption by the European Union)

In order to facilitate transition to IFRS for the oil and gas sectors, this amendment incorporates new exemptions for the allocation of costs attributed to exploration and evaluation assets and assets in the development and construction phases

As the Group is not a first-time adopter of IFRS, this amendment has no impact on the consolidated annual accounts,

Amendments to IFRS 1: Limited exemption from comparative IFRS 7 disclosures for first-time adopters - issued January 2010 (pending adoption by the European Union)

This amendment establishes that entities which already prepare their financial reporting under IFRS are not required to provide comparative information for the disclosures required by the amendments, prior to the IFRS 7 amendments becoming effective,

As the Group is not a first-time adopter of IFRS, this amendment has no impact on the consolidated annual accounts,

Amendment to IFRS 2: Group cash-settled share-based payment transactions - issued June 2009 (pending adoption by the European Union)

This amendment incorporates guidance previously included in IFRIC 8 and IFRIC 11, which have been withdrawn, and determines the accounting treatment of cash-settled share-based payments between group companies in the individual financial statements of each group entity participating in the transaction,

The Group does not engage in these types of transactions and thus considers that application of this amendment will not have an effect on its consolidated annual accounts,

IFRS 3 (revised) Business combinations and IAS 27 (amended) Consolidated and separate financial statements - issued January 2008

These revised and amended standards are effective for periods beginning on or after 1 July 2009 and some of the main changes are as follows:

- Partial acquisitions, Non-controlling interests (formerly called minority interests) are measured either at fair value (which involves recognising all goodwill regarding non-controlling interests) or as their proportionate interest in the fair value of the net identifiable assets (which is the original IFRS 3 requirement),

- Step acquisitions: once goodwill is determined at the acquisition date, the fair value of any investment in the business held before the acquisition is measured at fair value through profit or loss,
- Transaction costs related to business combinations are recognised as expenses,
- Contingent consideration must be recognised and measured at fair value at the acquisition date, Subsequent changes in fair value are recognised in profit or loss rather than by adjusting goodwill,
- Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions,
- Entities must attribute a portion of the accumulated losses of a subsidiary corresponding to non-controlling interests, even if this results in a debtor balance in the non-controlling interests,

The Group does not foresee any material impact arising from adoption of this amendment,

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

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

The Group does not foresee any material impact arising from adoption of this amendment,

Annual IFRS improvement project - issued April 2009 (pending adoption by the European Union)

The annual improvement project introduces changes or clarifications which affect a range of standards and whose impact is generally not significant,

The Group does not foresee any material impact arising from adoption of this amendment,

Amendment to IFRIC 14: Prepayment of a minimum funding requirement - issued November 2009 (pending adoption by the European Union)

This amendment determines the accounting treatment to be applied to prepayments when there are also minimum funding requirements,

The Group does not foresee any material impact arising from adoption of this amendment,

IFRIC 12: Service concession agreements - issued November 2006

This interpretation, effective for periods beginning on or after 27 March 2009, addresses how service concession operators should apply IFRS when the contract involves a public sector entity (grantor) and a private sector entity (operator) which constructs infrastructure that is used to provide a public service over a specified period of time in exchange for a consideration,

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts,

IFRIC 15: Agreements for the construction of real estate - issued July 2008

This interpretation, effective for periods beginning on or after 1 January 2010, develops the accounting treatment for the recognition of revenue by real estate developers, although the agreements can be extrapolated to other types of similar contracts,

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts,

IFRIC 16: Hedges of a net investment in a foreign operation- issued July 2008

This interpretation, effective for periods beginning on or after 30 June 2009, establishes which types of exchange differences of a foreign operation qualify for hedge accounting and which entities within the Group can hold hedging instruments,

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts,

IFRIC 17: Distributions of non-cash assets to owners- issued November 2008

IFRIC 17, effective for periods beginning on or after 1 November 2009, provides guidance on the accounting treatment of distributions of non-cash assets in which all shareholders are treated equally, but does not apply to common control transactions,

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts,

IFRIC 18: Transfers of assets from customers- issued January 2009

This interpretation provides guidance on how to account for assets received from customers in order to connect them to a supply of electricity or water, This interpretation is generally applicable to regulated sectors such as electricity, water or other utility providers, and is effective for periods beginning on or after 1 November 2009,

The Group does not engage in these types of transactions and thus considers that application of this interpretation will not have an effect on its consolidated annual accounts,

IFRIC 19: Extinguishing financial liabilities with equity instruments- issued November 2009 (pending adoption by the European Union)

This interpretation determines the accounting treatment to be applied to transactions in which financial liabilities are extinguished or partially extinguished through the issue of equity instruments to the creditor, also called debt for equity swaps,

The Group does not foresee any material impact arising from adoption of this interpretation,

3. SIGNIFICANT ACCOUNTING PRINCIPLES

(a) Subsidiaries

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

Information on subsidiaries forming the consolidated group is included in note 1,

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from the date of acquisition, which is when the Group takes control, until the date that control ceases,

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

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

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

(b) Business combinations

As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to EU-IFRS, using the acquisition method, Entities acquired prior to that date were recognised in accordance with generally accepted accounting principles prevailing in Spain at that time, taking into account the necessary corrections and adjustments at the transition date,

The Company applies the purchase method for business combinations, The acquisition date is the date on which the Company obtains control of the acquiree,

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree, plus any costs directly attributable to the business combination, Any additional consideration contingent on future events or the fulfilment of certain conditions is included in the cost of the combination provided that it is probable that an outflow of resources embodying economic benefits will be required and the amount of the obligation can be reliably estimated,

The Group recognises call options from minority interests on interests in subsidiaries at the date of acquisition of a business combination as an advance purchase of the interests, recognising a liability at the present value of the best estimate of the payable, which forms part of the cost of the business combination,

In subsequent years any variation in the liability due to the effect of the discount is recognised as a finance expense in the consolidated income statement, while the remainder is recognised as an adjustment to the cost of the business combination, If the options are ultimately not exercised, the transaction is recognised as a sale of interests to minority shareholders,

(c) Foreign currency transactions and balances

Functional and presentation currency

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

Foreign currency transactions, balances and cash flows

Transactions in foreign currency are translated at the foreign exchange rate prevailing at the date of the transaction,

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

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

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

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

(d) 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, The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories, The production cost is capitalised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement,

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 some items of property, plant and equipment acquired prior to that date,

Spare parts for use in installations, equipment or 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 is more than one year, and are depreciated depending on quantities produced therein, *Depreciation*

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

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

	Estimated useful life
Buildings	20 – 30
Plant 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 assets	8 - 12

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

Subsequent costs

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

Impairment

The Group evaluates and determines impairment losses and reversals of impairment losses on intangible assets in line with the criteria described in section (f),

(e) Intangible assets

(i) Goodwill

Goodwill generated on business combinations after the transition date (1 January 2004) is initially recognised as the excess of the cost of the business combination over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired and assumed, respectively,

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

(ii) Internally generated intangible assets

Expenditure on research is recognised as an expense when it is incurred, Costs associated with development activities relating to the design and testing of new and improved products are capitalised to the extent that:

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

Costs incurred in the course of activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised in the consolidated income statement,

(iii) Emission rights

Emission rights are recognised when the Group becomes entitled to such rights and are measured at cost, less accumulated amortisation and impairment losses, Rights 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 rights at the beginning of the relevant calendar year, The excess between this value and, where applicable, the payment made for the right is recognised as a credit to government grants under deferred income, Amounts recognised under government grants are taken to profit and loss in accordance with the emissions made as a percentage of total emissions forecast for the entire period for which they have been assigned, irrespective of whether the previously acquired rights have been sold or impaired,

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

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

(iv) Other intangible assets

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

(v) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite, An intangible asset is regarded by the Group as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows, 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 software and, in the case of development expenses, the period over which profit is expected to be generated from the start of the commercial production of the product,

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

(vi) Impairment

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 tests non-financial assets subject to depreciation or amortisation for impairment with a view to verifying whether their carrying amount exceeds their recoverable amount,

The Group tests goodwill and intangible assets that are not yet ready to enter service for potential impairment at least annually, irrespective of whether there is any indication that the assets may be impaired,

The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use, An asset's value in use is measured based on the future cash flows the Group expects to derive from use of the asset, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the Group expects to derive from the asset,

Negative differences resulting from comparison of the carrying amounts of the assets with their recoverable amount are recognised in the consolidated income statement,

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs,

Impairment losses recognised for CGUs are initially allocated to reduce, where applicable, the goodwill attributed to the CGU and then to the other non-current assets of the CGU pro rata on the basis of the carrying amount of each of the assets, which is limited to the highest of its fair value less selling costs, its value in use and zero,

(g) Leases

- *Lessee accounting records*

The Group has rights to use certain assets through lease contracts,

Leases in which the Group assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases,

- *Finance leases*

  At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments, Initial direct costs are added to the asset's carrying amount, Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, Interest is expensed using the effective interest method, Contingent rents are recognised as an expense when it is probable they will be incurred,

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

- *Operating leases*

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

(h) Financial instruments

(i) Classification of financial instruments

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

Financial instruments are classified into the following categories: financial assets and financial liabilities at fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities at amortised cost, The Group classifies financial instruments into different categories based on the nature of the instruments and management's intentions on initial recognition,

The Group recognises financial instruments when it becomes party to the contract or legal transaction, in accordance with the terms set out therein,

Regular way purchases or sales of financial assets, understood as those in which the reciprocal obligations of the parties must be consumed within the time frame established generally by regulation or convention in the marketplace concerned and cannot be settled by differences, are recognised by type of asset at trade date, However, a contract which can be settled by differences is recognised as a derivative financial instrument,

(ii) Offsetting principles

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

(iii) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those classified as held for trading on initial recognition, Derivatives are classified in this category, except those designated as effective hedging instruments,

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred,

After initial recognition, they are recognised at fair value through profit or loss, Fair value is not reduced by transaction costs incurred on sale or disposal,

The Group does not reclassify financial assets or liabilities to or from this category while they remain on the consolidated balance sheet, unless due to a change in the classification of derivative hedging instruments

At 31 December 2009 and 2008 the Group has entered into floating-to-fixed interest rate swaps on borrowings, Additionally, the Group has exchange rate insurance contracts to hedge against exchange rate fluctuations on purchases of raw materials and also has emission right swap contracts,

(iv) Loans and receivables

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

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

(v) Financial assets measured at cost

Investments in equity instruments whose fair value cannot be reliably estimated are measured at cost, Nonetheless, if the financial assets can be reliably measured subsequently, they are accounted for at fair value and any gain or loss is recognised in accordance with their classification,

(vi) Fair value

The fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, The Group generally applies the following systematic hierarchy to determine the fair value of financial assets and financial liabilities:

- Firstly, the Group applies the quoted prices of the most advantageous active market to which the entity has immediate access, adjusted where appropriate to reflect any differences in counterparty credit risk between instruments traded in that market and the one being valued, The quoted market price for an asset held or liability to be issued is the current bid price and, for an asset to be acquired or liability held, the asking price, If the Group has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or asking price to the net open position as appropriate,

- If market prices are unavailable, the price of recent transactions is used, adapted to current conditions,

- Otherwise, the Group applies generally accepted measurement techniques using market data as much as possible and, to a lesser extent, specific group data,

(vii) Impairment and uncollectibility of financial assets

The Group recognises impairment losses and uncollectibility of loans and other receivables and debt instruments through use of an allowance account for financial assets, When impairment and uncollectibility are considered irreversible, the carrying amount is written off with a charge to the allowance account, Reversals of impairment are also recognised against the allowance account,

Impairment of financial assets carried at amortised cost

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

Impairment of financial assets carried at cost

The amount of the impairment loss on assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, Such impairment losses cannot be reversed and are therefore recognised directly against the value of the asset and not as an allowance account,

(viii) Financial liabilities at amortised cost

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

(ix) Derecognition of financial assets and financial liabilities

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

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised in equity, Transaction costs are recognised in profit and loss using the effective interest method, The Group has contracted payables discounting facilities with various financial entities to manage payments to suppliers, Trade payables settled under the management of financial entities are recognised under trade and other payables until they have been settled, repaid or have expired,

(i) Derivatives and hedging operations

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

The Group has cash flow hedges,

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

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

The structure of hedges in all cases is as follows:

- Hedged item: floating-rate financing received,
- Hedging instrument: Interest rate swaps (IRS) in which the Group pays a fixed rate and receives a floating rate, These are forward start swaps, which means that the flows of the hedged item are only hedged from the time the IRS comes into effect,
- Hedged risk: changes in the cash flows of the hedged item (interest payments) in the event of changes in reference interest rates,

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

(j) Parent treasury shares

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated balance sheet as a reduction in equity, regardless of the motive of the purchase, No result is recognised in transactions made with own equity instruments,

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

(k) Distribution to shareholders

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

(l) Inventories

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

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

The formula applied by the Group for determining the cost of each type of inventory is as follows:

a, Raw materials are measured 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 and loss when cost exceeds the net realisable value,

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

(m) Cash and cash equivalents

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

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

(n) Government grants

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

(i) Capital grants

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

The accounting treatment of grants related with emission rights is described in section (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 emission costs of the financial liability and the amount received, is recognised as an official grant based on the nature of the grant awarded,

(o) Employee benefits

(i) Pension commitments

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

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

(ii) Other commitments with employees

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or implicit) 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 rights

Provision is systematically made for expenses related to the emission of greenhouse gases, This provision is maintained until the obligation is cancelled, through the conveyance of the corresponding rights,

(ii) Provisions for restructuring costs

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or is imminent or has been announced publicly, Restructuring provisions only include the direct expenditures arising from the restructuring which are not associated with the ongoing activities of the Group,

(q) Recognition of revenue

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

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

Interest is recognised using the effective interest method,

Dividends from investments in equity instruments are recognised when the Group is entitled to receive them,

(r) Income tax

Income tax represents the sum of the tax currently payable and deferred tax,

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

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 balance sheet date,

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

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases,

(ii) Deductible temporary differences

Deductible temporary differences are recognised provided that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable income,

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

Deferred tax assets derived from tax credits for loss carryforwards and tax credits and deductions are recognised to the extent that it is probable they will be offset against future taxable profits, 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 substantially 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,

At year end the Group reviews the fair value of deferred tax assets to write down the balance if it is not probable that sufficient taxable income will be available to apply the tax asset,

Deferred tax assets which do not meet the above conditions are not recognised in the consolidated balance sheet, At year end the Group assesses whether deferred tax assets which were previously not recognised already meet the conditions for recognition,

(iv) Offset and recognition

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

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,

(s) 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,

(t) Environmental issues

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

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

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

4. SEGMENT REPORTING

As described below, the Group is organised internally into operating segments, which are strategic business units, The strategic business units have the same products and services and are managed separately because they require different market strategies,

The information used at management and board of director level and for third parties is broken down geographical location,

At 31 December 2009 and 2008 the Group comprises the following operating segments:

- Spain
- European Union

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

Details of group sales and services rendered by geographical location of production companies are as follows:

	Thousands of Euros	
	2009	2008
Spain	229,175	215,266
European Union	154,432	172,624
	383,607	**387,890**

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

	Thousands of Euros			
	2009		2008	
Area/location	Profit before tax from continuing operations	Profit after tax	Profit before tax from continuing operations	Profit after tax
Spain	45,156	39,198	38,982	33,695
European Union	1,626	1,726	7,488	6,954
	46,782	**40,924**	**46,470**	**40,649**

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

	Thousands of Euros			
	2009		2008	
Area/location	Expenses	Income	Expenses	Income
Spain	9,288	1,771	13,982	2,581
European Union	728	44	1,836	53
	10,016	**1,815**	**15,818**	**2,634**

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

	Thousands of Euros			
	2009		2008	
Area/location	Spain	European Union	Spain	European Union
Impairment (reversal) of receivables	19	-	2,702	-
Impairment of inventory	123	-	-	-
Changes in provisions	756	2,321	60	377
	898	**2,321**	**2,762**	**377**

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

	Thousands of Euros					
	2009			2008		
Area/ location	Assets	Liabilities	Investments during the year	Assets	Liabilities	Investments during the year
Spain	404,755	134,118	44,574	428,571	154,080	46,206
European Union	188,299	27,061	9,943	155,693	29,699	41,341
	593,054	**161,179**	**54,517**	**584,264**	**183,779**	**87,547**

Segment assets mainly include property, plant and equipment, intangible assets, inventories, accounts receivable and operating cash flow, Deferred tax assets and goodwill are not included, Segment liabilities comprise non-current and operating liabilities and exclude deferred tax liabilities and liabilities,

Investments for 2009 and 2008 correspond to additions of property, plant and equipment (see note 5) and intangible assets (see note 6) and do not reflect the value of emission rights allocated for the year (see note 6),

Impairment losses and amortisation and depreciation by segments for 2009 and 2008 are as follows:

	Thousands of Euros			
	2009		2008	
	Amortisation/Depreciation			
Area/location	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Spain	17,167	989	14,89 8	732
European Union	16,695	12	16,827	12
	33,862	**1,001**	**31,725**	**744**

5. PROPERTY, PLANT AND EQUIPMENT

Details of property, plant and equipment and movement during 2009 and 2008 are as follows:

	Thousands of Euros				
2009	**Balance at 31,12,08**	**Additions**	**Disposals**	**Traspasos Transfers**	**Balance at 31,12,09**
Cost					
Land and buildings	189,900	1,121	(1,077)	853	190,797
Plant and machinery	382,344	40,353	(16,248)	7,520	413,969
Moulds	32,209	4,242	(520)	-	35,931
Furniture	4,810	137	(81)	1,151	6,017
Other assets	5,031	60	(45)	723	5,769
Property, plant and equipment under construction	10,054	7,311	-	(10,247)	7,118
	624,348	53,224	(17,971)	-	659,601
Depreciation					
Land and buildings	48,546	4,318	(88)	20	52,796
Plant and machinery	209,279	25,422	(15,608)	(1,122)	217,971
Moulds	18,788	3,404	(308)	-	21,884
Furniture	3,815	429	(82)	680	4,842
Other assets	1,643	289	(39)	422	2,315
	282,071	33,862	(16,125)	-	299,808
Net carrying amount	**342,277**				**359,793**

2008	Balance at 31,12,07	Additions	Disposals	Transfers	Balance at 31,12,08
	Thousands of Euros				
Cost					
Land and buildings	189,900	1,121	(1,077)	853	190,797
Plant and machinery	382,344	40,353	(16,248)	7,520	413,969
Moulds	32,209	4,242	(520)	-	35,931
Furniture	4,810	137	(81)	1,151	6,017
Other assets	5,031	60	(45)	723	5,769
Property, plant and equipment under construction	10,054	7,311	-	(10,247)	7,118
	624,348	53,224	(17,971)	-	659,601
Depreciation					
Land and buildings	48,546	4,318	(88)	20	52,796
Plant and machinery	209,279	25,422	(15,608)	(1,122)	217,971
Moulds	18,788	3,404	(308)	-	21,884
Furniture	3,815	429	(82)	680	4,842
Other assets	1,643	289	(39)	422	2,315
	282,071	33,862	(16,125)	-	299,808
Impairment	359	-	(359)	-	-
Net carrying amount	**342,277**				**359,793**

(a) Government grants received

Deferred income includes government grants received for investments in property, plant and equipment, Income pending recognition from these grants amounts to Euros 3,6 million and Euros 3,9 million at 31 December 2009 and 2008, respectively (see note 13),

(b) Commitments

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

	Thousands of Euros	
	2009	2008
Plant and machinery	6,292	1,018

(c) Insurance

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

Note 20 shows details of the amount of insurance compensation received by the Group in relation to property, plant and equipment,

(d) Revaluations

As permitted by Alava Regional Authority Local Law 42 of 27 December 1990, subsequently developed in Royal Decree 19 of 22 January 1991 of the Alava Congress of Deputies, which approved the regulations for restating balances, the Company increased its reserves by Euros 3,3 million, At 31 December 1996 Vidrala revalued its property, plant and equipment in accordance with Alava Regional Authority Local Law 4 of 7 February 1997, the net effect of which amounted to Euros 3,8 million,

At 31 December 1996 Crisnova Vidrio, S,A, revalued its property plant and equipment in accordance with Royal Decree Law 7 of 7 June 1996, the net effect of which totalled Euros 3,8 million,

As permitted by various legal provisions in its country of origin, Gallo Vidro, S,A, has restated balances by a total amount of Euros 4 million, The estimated effect of these restatements on the depreciation charge for 2009 and 2008 attributable to the consolidated group is not material,

As permitted by IFRS 1, the Group revalued certain land on 1 January 2004, the date of first-time adoption of IFRS, based on independent expert appraisals and its market value, The revaluation gains, net of the corresponding deferred tax, equivalent to Euros 8,683 thousand, were recorded under shareholders' equity,

(e) Fully depreciated assets

At 31 December 2009 the restated cost of fully depreciated property, plant and equipment still in use amounts to Euros 116 million (Euros 128 million in 2008),

(f) Finance leases - Lessee

Property, plant and machinery include the following amounts corresponding to finance lease payments made by the Group:

	Thousands of Euros	
	2009	2008
Cost	2,179	2,379
Accumulated depreciation	(1,603)	(1,260)
Net carrying amount	**576**	**1,119**

Lease instalments payable at 31 December 2009 and 2008 amount to Euros 310 thousand and Euros 611 thousand, respectively (see note 14),

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6. INTANGIBLE ASSETS

Details of intangible assets and movement during 2009 and 2008 are as follows:

2009	R&D expenses	Goodwill	Emission rights	Software	Work in progress	Total
	Thousands of Euros					
Coste						
Balance at 31 December 2008	785	59,492	11,170	6,874	-	78,321
Additions	283	-	7,404	1,010	7	8,704
Disposals	(31)	(259)	(11,149)	-	-	(11,439)
Balance at 31 December 2009	1,037	59,233	7,425	7,884	7	75,586
Amortisation						
Balance at 31 December 2008	(117)	-	-	(1,361)	-	(1,478)
Additions	(117)	-	-	(884)	-	(1,001)
Disposals	31	-	-	-	-	31
Balance at 31 December 2009	(203)	-	-	(2,245)	-	(2,448)
Net carrying amount						
At 31 December 2008	668	59,492	11,170	5,513	-	76,843
At 31 December 2009	834	59,233	7,425	5,639	7	73,138

2008	R&D expenses	Goodwill	Emission rights	Software	Total
	Thousands of Euros				
Coste					
Balance at 31 December 2007	1,080	59,492	3,123	5,693	69,388
Additions	402	-	11,559	1,155	13,116
Disposals	(696)	-	(3,512)	(7)	(4,215)
Transfers	(1)	-	-	33	32
Balance at 31 December 2008	785	59,492	11,170	6,874	78,321
Amortisation					
Balance at 31 December 2007	(753)	-	-	(671)	(1,424)
Additions	(48)	-	-	(696)	(744)
Disposals	696	-	-	2	698
Transfers	(12)	-	-	4	(8)
Balance at 31 December 2008	(117)	-	-	(1,361)	(1,478)
Net carrying amount					
At 31 December 2007	327	59,492	3,123	5,022	67,963
At 31 December 2008	668	59,492	11,170	5,513	76,843

(a) Emission rights

In 2009 an amount of Euros 10,928 thousand (Euros 3,106 thousand in 2008) has been paid to public entities with a charge to the provision for emission rights (see note 17),

The cost of emission rights for 2009, which have been recorded against the corresponding provision (see note 17), amounted to Euros 6,959 thousand (Euros 10,979 thousand in 2008) and corresponds to the estimated consumption of emission rights for 2009 of 436,373 tonnes,

Derivative financial instruments contracted in relation to emission rights are detailed in note 7,

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

	2009	2008
2008	-	526,979
2009	542,832	526,979
2010	**542,832**	**526,979**

Movement in the number of rights during 2009 and 2008 is as follows:

	Free of charge
Balances at 1 January 2008	42,183
Additions	526,442
Estimated emissions 2008	(471,865)
Payments	(42,183)
Sales	(18,000)
Balance at 31 December 2008	36,577
Additions	542,832
Estimated emissions 2009	(436,373)
Adjustments	5,741
Sales	(100,000)
Balance at 31 December 2009	**48,777**

(b) Impairment and allocation of goodwill to CGUs

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

Cash generating unit	Country	Thousands of Euros	
		2009	2008
Gallo Vidro	Portugal	20,799	20,799
Castellar	Spain	26,155	26,155
Córsico Vetro	Italy	12,279	12,279
MD Verre	Belgium	-	259

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

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

	Growth rate	Discount rate before tax
Gallo Vidro	1,5%	7,98%
Castellar	1,5%	9,91%
Córsico Vetro	1,5%	8,08%
MD Verre	1,5%	7,98%

The Group has determined budgeted gross margins based on past experience and forecast market development, Average weighted growth rates are coherent with the forecasts included in industry reports, The discounts used are before tax and reflect specific risks related to the relevant segments,

Based on the recoverable amounts resulting from the analysis carried out, goodwill has not suffered any impairment at 31 December 2009 and 2008, From the sensitivity analyses carried out, it can be deduced that if the discount rate applied to the cash flows and the average estimated growth rate were increased and decreased by 10%, respectively, goodwill impairment would still not have to be recognised and it would not be necessary to reflect any losses therein or in property, plant and equipment,

7. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading				
Forward exchange contracts	-	-	213	-
Interest rate swaps	-	857	463	-
Emission right swaps	178	-	133	-
	178	**857**	**809**	**-**
Hedging derivatives				
Interest rate swaps	-	931	-	169
Total	**33,862**	**1,001**	**31,725**	**744**

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

Interest rate swaps

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

At 31 December 2009 the notional amount of interest rate swap contracts comprised Euros 98,333 thousand in hedging derivatives and Euros 81,666 thousand in derivatives held for trading, The equivalent amounts in 2008 were Euros 35,000 thousand and Euros 105,000 thousand, respectively,

Derivatives held for trading

Derivatives held for trading correspond to interest rate swaps formalised in 2005 for an initial notional amount of Euros 140,000 thousand, effective as of January 2006 for a period of four years, for which VIDRALA pays fixed interest of between 2,10% and 3,4% and the counterparties, variable interest,

Hedging derivatives

The Group has interest rate swap contracts which it accounts for using hedge accounting,

These hedging instruments, contracted between 2008 and 2009, have an accumulated nominal of Euros 98,333 thousand at 31 December 2009 (Euros 35,000 thousand in 2008), Under these contracts, effective until 2013, Vidrala will pay a fixed interest rate of between 1,75% and 3,64%,

The total amount of cash flow hedges recognised in equity is as follows:

	Thousands of Euros Income/(Expenses)	
	2009	2008
Interest rate swaps		
- Finance expenses	(1,319)	(169)

Cash flow hedges taken to other comprehensive income amounted to Euros 557 thousand and are recognised under finance expenses,

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 2009					
	Carrying amount	Expected cash flows	Occurrence of cash flows			
			2010	2011	2012	2013
Interest rate swaps	(931)	(1,159)	(702)	(115)	(303)	(39)

Emission right swaps

In 2008, certain consolidated group companies signed emission right swaps with banks involving basically an exchange, with a counterparty, of emission rights (EUAs) for carbon credits (CERs), Both emission rights (EUAs) and carbon credits (CERs) have the same nominal value, i,e,, they represent the right to emit one tonne of CO_2, However, although they have equivalent underlying values, their market price is not the same,

The 2008-2012 National Allocation Plan provides for the possibility of delivering CERs instead of EUAs in order to comply with annual delivery obligations based on emissions generated up to a maximum of 7,9% of the annual allocation,

The formalised contracts are based on the above-mentioned criteria, In other words, 7,9% of EUA allocations have been exchanged for group CERs, taking advantage of the price difference at the date the agreements were signed, The fair values of emission rights swaps were determined by direct reference to publicly quoted prices in active markets, The fair value of these instruments at 31 December 2009 is Euros 178 thousand (Euros 133 thousand in 2008),

Foreign currency forwards

In order to manage its exposure to currency risk, the Group contracted forward operations in 2008 for the main foreign currencies in which it operates, which were settled in 2009, The fair value of these instruments at 31 December 2009 was Euros 213 thousand and changes were recognised through profit or loss,

8. INCOME TAXES

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

Thousands of Euros

Deferred tax liabilities	Goodwill	Property, plant and equipment	Depreciation and amortisation	Financial assets	Other	Total
At 31 December 2007	2,558	17,061	3,024	832	3,726	27,201
Debit (credit) to income statement	669	(708)	(421)	(287)	384	(363)
At 31 December 2008	3,227	16,353	2,603	545	4,110	26,838
Debit (credit) to income statement	830	(670)	(280)	(143)	(555)	(816)
At 31 December 2009	4,057	15,683	2,323	402	3,557	26,022

Deferred tax assets	Tax loss carry-forwards	Provisions for personnel	Rights to tax deductions and credits	Financial liabilities	Other deductions	Total
	Thousands of Euros					
At 31 December 2007	**8,635**	**345**	**36,476**	**45**	**1,517**	**47,018**
(Debit) credit to income statement	(1,222)	(79)	(2,740)	(45)	1,335	(2,751)
(Debit) credit to equity	-	-	-	47	-	47
At 31 December 2008	**7,413**	**266**	**33,736**	**47**	**2,852**	**44,314**
Transfer	289	-	-	-	-	289
(Debit)/ credit to income statement	827	1,187	(1,933)	-	425	506
(Debit) credit to equity	-	-	-	213	-	213
At 31 December 2009	**8,529**	**1,453**	**31,803**	**260**	**3,277**	**45,322**

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

	Thousands of Euros	
	2009	2008
Deferred tax assets	36,475	40,039
Deferred tax liabilities	(25,465)	(26,118)
	11,010	**13,921**

Deferred taxes on items taken directly to other comprehensive income during 2009 and 2008, corresponding to cash flow hedges, amounted to Euros 213 thousand and Euros 47 thousand, respectively,

Details of the income tax expense are as follows:

	Thousands of Euros	
	2009	2008
Current tax expense		
Present year	10,040	7,485
Prior year adjustments	(74)	(1,265)
Deferred tax liabilities		
Source and reversal of temporary differences	(1,321)	2,388
Deferred income taken to income tax (note 13)	(2,787)	(2,787)
TOTAL	**5,858**	**5,821**

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

	Thousands of Euros	
	2009	2008
Profit for the year from continuing operations, before income tax	**46,567**	**46,470**
Tax calculated at the tax rate of each country	12,559	14,267
Deferred taxes from consolidation adjustments	(745)	(1,586)
Capitalisation of deductions for shortfall in income tax	-	(2,544)
Prior year adjustments	(2,468)	(1,087)
Deferred income taken to income tax (note 13)	(2,787)	(2,787)
Other	(701)	(442)
Income tax expense	**5,858**	**5,821**

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

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

In accordance with current legislation in Spain, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed, At 31 December 2009 the Company and its Spanish subsidiaries have open to inspection by the taxation authorities all main applicable taxes since 31 December 2004, 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 2009 consolidated annual accounts taken as a whole,

9. INVENTORIES

Details of inventories are as follows:

	Thousands of Euros	
	2009	2008
Raw materials	9,385	9,926
Auxiliary and production materials	23,871	23,806
Finished goods and work in progress	85,272	77,136
	118,528	**110,868**
Valuation allowance	(3,731)	5,821
	114,797	**108,656**

At 31 December 2009 and 2008, there are no inventories with a recovery period of more than 12 months from the consolidated balance sheet date,

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

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

10. TRADE AND OTHER RECEIVABLES

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2009	2008
Trade receivables	89,237	100,849
Personnel	1,923	4,959
Other loans	191	2,372
Less: valuation allowances due to uncollectibility	(5,699)	(6,117)
Total	**85,652**	**102,063**

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

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

At 31 December 2009 and 2008 trade and other receivables discounted at banks amount to Euros 4,550 thousand and Euros 8,015 thousand, respectively (see note 14),

Other loans at 31 December 2008 included Euros 2,000 thousand corresponding to a fiduciary deposit as security for compliance with the contractual conditions of the business combination carried out in prior years, This amount has been recovered in full in 2009,

At 31 December 2009, personnel includes Euros 245 thousand (Euros 2,925 thousand in 2008) relating to loans to management personnel which mature in 2010 (see note 25(b)),

11. OTHER CURRENT ASSETS AND LIABILITIES

Details of other current assets are as follows:

	Thousands of Euros	
	2009	2008
Public entities		
VAT	13,989	10,795
Grants	-	3
Other	490	872
	14,479	**11,670**

Details of other current liabilities are as follows:

	Thousands of Euros	
	2009	2008
Public entities		
VAT	5,030	4,837
Withholdings and payments on account	2,729	3,168
Social Security	1,642	2,579
Other	743	364
	10,144	**10,948**

12. EQUITY

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

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

(a) Share capital

Movement of shares outstanding in 2009 and 2008 is as follows:

	Number of shares outstanding	Thousands of Euros		
		Ordinary shares	Treasury shares	TOTAL
At 31 December 2007	21,605,261	22,116	(1,451)	20,665
Share capital increase	1,084,125	1,106	-	1,106
Acquisition of treasury shares	(167,201)	-	(2,805)	(2,805)
At 31 December 2008	22,522,185	23,222	(4,256)	18,966
Acquisition of treasury shares	(277,892)	-	(4,533)	(4,533)
Sale of treasury shares	47,941	-	878	878
At 31 December 2009	22,292,234	23,222	(7,911)	15,311

At 31 December 2009 and 2008 the share capital of Vidrala, S,A, is represented by 22,766,625 ordinary shares represented by book entries of Euros 1,02 par value each, fully paid and listed on the Spanish organised stock market, No company directly or indirectly holds more than 10% of share capital,

These shares are freely transferable,

In accordance with article 153, 1,b) of the Spanish Companies Act, at their annual general meeting held on 21 June 2005 the shareholders of Vidrala, S,A, agreed to authorise the board of directors to increase share capital, one or more times, up to a maximum amount of Euros 10,5 million, as deemed appropriate, without having to previously consult the shareholders, These increases must be carried out through monetary contributions within a maximum of five years,

Similarly, the shareholders of Vidrala, S,A, at their annual general meeting held on 21 June 2007, agreed to increase share capital by Euros 1,106 thousand with a charge to freely distributable reserves, through the issue of 1,084,125 shares of Euros 1,02 par value each, This capital increase was carried out on 15 January 2008,

At the ordinary general meeting of Vidrala, S,A, held on 19 June 2008, the shareholders authorised the board of directors to carry out a derivative acquisition of treasury shares either directly or indirectly through group companies in accordance with article 75 of the Spanish Companies Act, thereby rendering null and void the authorisation given by the shareholders at their general meeting on 21 June 2007, and reduce share capital to redeem treasury shares, At the same meeting, the board of directors were authorised to increase share capital up to the limits established in article 153,1 b) of the Spanish Companies Act and empowered to exclude the preferential subscription right, pursuant to article 159,2 of the Spanish Companies Act, The board of directors were also authorised for a period of five years as of that date to issue exchangeable and/or convertible bonds for shares in the Company and warrants up to a maximum limit of Euros 500 million, and to exclude the preferential subscription right of shareholders and holders of convertible securities,

At the annual general meeting of Vidrala, S,A, held on 18 June 2009, the shareholders agreed to authorise the directors to carry out a derivative acquisition of treasury shares either directly or indirectly through group companies in accordance with in accordance with article 75 of the

Spanish Companies Act, thus rendering null and void the authorisation given by the shareholders at their annual general meeting held on 19 June 2008, and reduce share capital to redeem treasury shares,

In 2009 and 2008, 277,892 and 167,199 Parent company shares, respectively, were acquired on the organised market for Euros 4,533 thousand and Euros 2,085 thousand,

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

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

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

During 2009 the ratios for 2008 and 2009 determined under this strategy, which has not changed compared to 2008, are as follows:

	Thousands of Euros	
	2009	**2008**
Total equity	251,588	226,318
Total equity and liabilities	697,623	688,070
Total equity/total equity and liabilities	36,06%	32,89%

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

According to the guidelines set out in the current Strategic Plan, the Group is required to manage its financing requirements with a debt ratio not exceeding 1,5,

This calculation was performed as follows:

	Thousands of Euros	
	2009	**2008**
Net financial debt	256,600	251,135
Equity	251,588	226,318
Debt ratio	**1,02**	**1,11**

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

(b) Revaluation reserves

The balance of revaluation reserves corresponds to the following revaluations carried out by the Parent:

Revaluation Local Law 42/1990

This reserve at 31 December 2008 corresponds to the net gains arising from the revaluation carried out in accordance with Alava Regional Authority Local Law 42 of 27 December 1990, This reserve is freely distributable, *Revaluation Local Law 4/1997*

As permitted by Alava Regional Authority Local Law 4 of 7 February 1997, Vidrala revalued its property, plant and equipment in 1996 by a net amount of Euros 3,8 million,

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

As these reserves are freely distributable, the Company transferred an amount of Euros 1,106 thousand to share capital in 2008,

(c) Legal reserve

The legal reserve has been appropriated in compliance with article 214 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital,

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

At 31 December 2009, the Company has appropriated to this reserve the minimum amount required by law,

(d) Reserves in fully consolidated companies

Details of reserves in fully consolidated companies at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	2008
Company or subgroup		
Crisnova Vidrio, S,A,	41,637	38,080
Inverbeira, Sociedad de Promoción de Empresas, S,A,	11,232	10,381
Gallo Vidro, S,A,	18,994	13,970
Aiala Vidrio, S,A,	4,276	613
Castellar Vidrio, S,A,	(2,309)	(3,781)
Córsico Vetro, S,r,l,	(2,689)	(3,665)
MD Verre, S,A,	(1,903)	(380)
Invesverre, S,A,	1,064	7
Oméga Inmobiliere et Finánciere, S,A,	411	27
CD Verre	(26)	-
	70,687	**55,252**

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

	Thousands of Euros	
	2009	2008
Legal reserve	8,425	7,049
Revaluation reserves	4,926	4,926
Goodwill reserve	375	-
	13,726	**11,975**

Revaluation reserves correspond to the following:

	Thousands of Euros 2009	2008
Crisnova Vidrio, S,A,	3,655	3,655
Gallo Vidro, S,A,	1,271	1,271
	4,926	**4,926**

The balance corresponding to Crisnova Vidrio, S,A, may not be distributed until the gain (depreciation or sale of the revalued assets) is realised, The Gallo Vidro, S,A, balance is restricted and may only be applied to offset prior years' losses,

(e) Other comprehensive income

Movement in accounts under other comprehensive income during 2009 and 2008, corresponding to cash flow hedges and their tax effect, is as follows:

	Thousands of Euros		
	Cash flow hedges	Tax effect	Net
Balance at 31 December 2007	-	-	-
Income and expenses generated during the year	(169)	47	(122)
Balance at 31 December 2008	(169)	47	(122)
Income and expenses generated during the year	(1,319)	369	(950)
Reclassification to profit and loss	557	(155)	402
Balance at 31 December 2009	**(931)**	**261**	**(670)**

(f) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S,A, to shareholders during 2009 amounted to Euros 11,106 thousand (Euros 10,621 thousand in 2008), which is equivalent to Euros 0,4917 per share (Euros 0,4432 per share in 2008), The dividends reflect the distribution of 2008 profit and interim dividends,

The distribution of company profits and reserves for the year ended 31 December 2008, approved by the shareholders at their annual general meeting held on 18 June 2009, was as follows:

	Thousands of Euros
Basis of allocation	
Profit for the year	28,677
	28,677
Distribution	
Legal reserve	140
Other reserves	17,432
Dividends	2,989
Interim dividend	8,117
	28,677

DOn 17 December 2009, the directors agreed to distribute an interim dividend of Euros 0,3784 per share to shareholders totalling Euros 8,438 thousand and payable on 15 February 2010,

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 216 of the Revised Text of the Spanish Companies Act,

The proposed distribution of 2009 profit and other Parent company reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

	Thousands of Euros
Basis of allocation	
Profit for the year	29,324
Distribution	
Other reserves	17,746
Interim dividend	8,438
Dividend	3,140
	29,324

The proposed distribution of dividends is equivalent to a dividend of Euros 0,5163 per share,

The distribution of dividends will have an impact of Euros 11,578 thousand,

13. DEFERRED INCOME

Details of the balance of this caption are as follows:

	Thousands of Euros	
	2009	2008
Capital grants (note 5(a))	3,566	3,877
Tax credits for investments	25,909	28,695
Other	62	96
	29,537	**32,668**

During 2009 the Group incorporated additional capital grants amounting to Euros 420 thousand (Euros 931 thousand in 2008), of which Euros 731 thousand was taken to income during the year (Euros 723 thousand in 2008) (see note 20),

Tax credits capitalised in the consolidated balance sheet in 2004 and 2005 were recorded as deferred income and taken to profit and loss in line with the depreciation of the financed assets, or the recovery of the investments in the case of business combinations, Euros 2,787 thousand and Euros 2,787 thousand were taken to profit and loss as a reduction in income tax in 2009 and 2008, respectively (see note 8),

14. LOANS AND BORROWINGS

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

	Thousands of Euros			
	2009		2008	
	Non-current	Current	Non-current	Current
Loans and borrowings	179,367	71,617	156,667	81,240
Discounted notes pending maturity (note 10)	-	4,550	-	8,015
Other financial liabilities	1,574	-	1,145	210
Finance lease payables (note 5)	**46**	**264**	**309**	**302**
Interest accrued	-	1,630	-	3,247
	180,987	**78,061**	**158,121**	**93,014**

In January 2005 Vidrala contracted credit facilities with various banks for a combined amount of Euros 140 million to meet payments on new business combinations, During 2008 Vidrala contracted credit facilities with various financial entities for a combined amount of Euros 75 million, Repayment of these credit facilities, which accrue annual interest indexed to Euribor, falls due between 2007 and 2016,

In 2009, the Company contracted new credit facilities totalling Euros 63,3 million, The limit on these facilities will be reduced between 2009 and 2013,

Some of these contracts contain clauses stipulating compliance with certain financial ratios, At 31 December 2009 and 2008 the Group complies with these requisites,

Other financial liabilities include various interest-free loans from public entities,

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2009	2008
Between 1 and 2 years	53,789	23,851
Between 2 and 5 years	102,102	106,277
More than 5 years	25,095	27,993
	180,987	**158,121**

The average effective interest rates on bank loans and borrowings at the consolidated balance sheet are approximately 2.29% and 5.27% APR for 2009 and 2008, respectively.

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

Group financial liabilities are measured in Euros.

The credit facilities included under loans and borrowings have a combined limit of Euros 338 million and Euros 302 million at 31 December 2009 and 2008, respectively, while discounted notes are limited to Euros 15 million and Euros 16.5 million.

15. TRADE AND OTHER PAYABLES

Details of trade and other payables are as follows:

	Thousands of Euros	
	2009	2008
Trade payables	62,404	74,863
Salaries payable	10,070	8,435
Dividends to shareholders	8,438	8,117
Payables on business combinations	-	3,426
Fixed asset suppliers	31	6,376
Other payables	780	109
	81,723	**101,326**

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

16. RISK MANAGEMENT POLICY

Risk management in the Vidrala Group involves procedures coordinated by the directors and management which are transferred to every operating area in the organisation.

Operational risk

The Group carries out process-intensive industrial activity which is subject to internal risks linked to routine operations. A review, evaluation and definition of operational business risks were thus carried out in 2009, enabling us to update our traditional risk map. The aim was to gain a perspective on the impact and probability of occurrence of each of the risks identified, establish a risk hierarchy and link them to each area of operations and business process, identifying adequate control and monitoring systems in order to minimize their potential impact.

Financial risk

The increasingly volatile business environment coupled with the larger scale on which the Group carries out its activities, mean it is exposed to financial risks that oblige us each year to intensify control over the risk management policy.

Managing these risks focuses on the identification, analysis and monitoring of natural market fluctuations in items which have a direct effect on the income statement. With a view to reducing the volatility of operating profits, the Group uses derivative instruments to minimise the potential impact of certain risks.

The following are the most relevant potential risks identified:

1. **Currency risk**

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

As regards total forecast imports of raw materials in US Dollars for 2010, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately -0.6%.

As foreign currency hedges are only used to hedge purchases of pre-determined amounts of specific raw materials, the disclosures recommended by accounting standards which affect the balance sheet have not been included as their effect in this case is immaterial.

2. Interest rate risk

Interest rate risk affects the cost of borrowings used to finance the Group. 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 current financing policy is to focus its borrowings on variable rate instruments. The Group manages interest rate risks in cash flows through variable to fixed interest rate swaps. These interest rate swaps convert variable interest rates on borrowings to fixed interest rates. Generally the Group obtains non-current borrowings with variable interest rates and swaps these for fixed interest rates. These are generally at lower rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to periodically exchange the difference between fixed interest and variable interest with other parties. The difference is calculated based on the contracted notional principal. The effectiveness of these swaps is assessed and documented in detail using accepted methodologies under applicable accounting legislation.

If average interest rates during 2009 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been Euros 0.5% lower. The sensitivity of consolidated profit after income tax to fluctuations in interest rates is greater in 2009 than in 2008 due to the increase in the Group's variable rate debt over the last year.

Credit risk

As regards credit risk, the Vidrala Group has policies to ensure that sales are only made to customers with adequate credit records and solvency. This analysis and monitoring process is carried out by a specific department within the finance area, which conducts documented solvency analyses and monitors risk concentration, sets specific, assumable limits for each customer and prepares detailed individual rating algorithms typical of credit control systems. Furthermore, and in light of the current economic climate, customer credit control is being combined with external credit insurance policies to limit the impact of bad debts on our income statement. Aged, non-impaired receivables at 31 December 2009 amount to Euros 9.6 million, of which only Euros 1.8 million is past due by over three months.

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

Liquidity risk

The Group manages liquidity risk based on a prudent policy of maintaining sufficient cash and financing through credit facilities. At 31 December 2009 the Group had Euros 84 million in immediately available, undrawn funds, representing more than 33% of total debt.

Price risk in supplies of energy and raw materials

Energy consumption, principally fuel (natural gas and fuel oil) and electricity, represents a significant volume of purchases inherent to most production-intensive industries. Raw materials are an equally significant cost for the Group.

Instability in the variables which affect price setting have a bearing on the profitability of a business. Therefore, adequate analysis and monitoring of market conditions and prices and control through the evaluation of different price hedging strategies are key factors in achieving the desired results.

17. PROVISIONS

The movement in provisions during 2009 is as follows:

	Thousands of Euros			
	Emission rights	Personnel	Other provisions	Total
At 31 December 2008	10,979	2,495	18,283	31,757
Charge against profit and loss	6,959	574	99	7,632
Payments	(10,928)	(887)	-	(11,815)
Write-offs	(22)	(184)	(1,163)	(1,369)
At 31 December 2009	**6,988**	**1,998**	**17,219**	**26,205**

During 2004 the Group reached agreements with the workforce of one of its production plants whereby previously established pension commitments were rescinded, and a provision was thus recognised for the amounts payable to the workers under the commitments, which were based on actuarial studies. This provision amounted to Euros 268 thousand and Euros 617 thousand at 31 December 2009 and 2008, respectively. Additionally, at 31 December 2009 and 2008, the provision for personnel included Euros 1,445 thousand and Euros 1,541 thousand, respectively, for commitments with personnel from other group companies in accordance with the legal requirements of the country where the company is located (see note 3.o). The provision for this last item was calculated based on an actuarial study, the most important assumptions of which are as follows:

	2009	2009
Annual discount rate	3,90%	4,30%

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

The provision for emission rights includes the estimated consumption of emission rights in 2009 and 2008 measured at the grant date, as described in note 3.

Other provisions in the table at the beginning of this note basically include provisions for tax credits applied in prior years which are being questioned by the tax authorities.

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

	Thousands of Euros				
	2008	Payments	Charges	Write-offs	2009
Provision for claims	60	(60)	1.093	(221)	872
Other provisions	-	-	3.500	-	3.500
Other	41	-	10	(41)	10
	101	**(60)**	**4.603**	**(262)**	**4.382**

Other provisions in the table above correspond to the estimated costs in relation to the formal workforce restructuring plan of the subsidiary MD Verre, S.A. initiated before 31 December 2009.

18. CONTINGENCIES

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 4,194 thousand (Euros 13,236 thousand in 2008). 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.

19. ENVIRONMENTAL INFORMATION

In 2009, the Group was granted all integrated environmental authorisations under the IPPC Directive governing the control and prevention of pollution, in recognition of its ongoing efforts to improve the environment.

The total cost of steps taken by the Vidrala Group in 2009 to comply with the Kyoto Protocol and emissions analysis amounted to Euros 90 thousand.

Environmental expenses mainly related to waste management incurred during 2009 totalled Euros 661 thousand.

Environment-related plant investments came to Euros 6,612 thousand.

20. REVENUE AND OTHER INCOME

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

Details of other income are as follows:

	Thousands of Euros	
	2009	2008
Insurance compensation	65	690
Operating grants	847	990
Capital grants taken to income	731	723
Grants associated with emission rights	8,639	11,802
Proceeds from sale of property, plant and equipment	-	546
Surplus of unapplied provisions (note 17)	1,249	752
Surplus of provision for bad debts (note 10)	1,347	-
Other income	639	1,608
	13,517	**17,111**

21. OTHER EXPENSES

Details of other expenses are as follows:

	Thousands of Euros	
	2009	2008
External services	18,586	24,745
Electricity	20,989	22,596
Sales expenses	36,433	36,722
Emission rights (note 17)	6,959	10,979
Taxes	1,254	878
Impairment and uncollectibility of trade and other payables (note 10)	929	3,593
Provisions (note 17)	4,603	-
Other administrative income	4,783	5,358
Losses on sale of property, plant and equipment	528	-
	95,064	**104,871**

22. EMPLOYEE BENEFITS

Details of employee benefits during 2009 and 2008 are as follows:

	Thousands of Euros	
	2009	2008
Wages and salaries	72,198	61,884
Contributions to defined contribution plans	669	702
Other employee benefits	17,910	21,662
Contributions to other long-term employee benefits (note 17)	574	589
	91,351	**84,837**

The average headcount of the Group during 2009 and 2008, distributed by category, is as follows:

	Number	
	2009	2008
Senior management	33	251,135
Middle management	196	226,318
Clerks	267	264
Operatives	1,456	1,457
	1,952	**1,937**

23. FINANCE INCOME AND EXPENSE

Details of net finance expense are as follows:

	Thousands of Euros 2009	2008
Ingresos financieros		
Finance income from assets carried at amortised cost	75	417
Other finance income	473	1,730
Derivative financial instruments held for trading:		
Emission right swaps	45	133
Foreign currency forwards	-	213
Interest rate swaps	849	-
Exchange gains	373	141
Total finance income	**1,815**	**2,634**
Finance expenses		
Interest on loans and borrowings	7,153	12,165
Derivative financial hedging instruments	557	-
Exchange losses	-	359
Derivative financial instruments held for trading:		
Interest rate swaps	1,374	2,948
Foreign currency forwards	211	-
Other finance expenses	721	-
Total finance expenses	**10,016**	**15,818**

24. EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on dividing the profit for the year attributable to the equity holders of the Parent company by the weighted average number of ordinary shares outstanding throughout the year, excluding treasury shares (see note 12).

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

	2009	2008
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	40,924	40,649
Weighted average of ordinary shares outstanding (thousands)	22,293	22,639
Basic earnings per share (Euros per share)	**1,83**	**1,80**

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

	2009	2008
Ordinary shares outstanding at 1 January	22,522,185	21,605,261
Effect of treasury shares	(229,681)	(49,943)
Free issue	-	1,084,125
Weighted average number of ordinary shares outstanding at 31 December	**22,292,504**	**22,639,443**

(b) Diluted

Diluted earnings per share are calculated by adjusting the profit for the year attributable to equity holders of the Parent and the weighted average number of ordinary shares outstanding for the inherent diluting effects of potential ordinary shares. The Company has no potentially diluted ordinary shares.

25. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Trade operations

During 2008 and 2009 the Group has not carried out any transactions with related parties as regards the sale or purchase of goods or the rendering of services.

(b) Balances with related parties

During 2009, the Group extended interest-free loans to management personnel totalling Euros 1,104 thousand which fall due in 2014 (2011 in 2008). These loans, together with unmatured loan balances from prior years, have been included at their present value under other non-current assets and trade and other receivables for Euros 1,667 thousand and Euros 245 thousand, respectively (Euros 650 thousand and Euros 2,925 thousand in 2008).

(c) Article 127. ter, paragraph 4, of the Companies Act

The members of the board of directors of Vidrala also comprise the board of directors of Crisnova Vidrio, S.A., but hold no positions in the remaining group companies, with the exception of chairman of the board of Vidrala, S.A., who holds the following positions in other group companies:

Company	Position
Gallo Vidro, S,A,	Board member
Inverbeira Sociedad de Promoción de Empresas, S,A,	Chairman
Córsico Vetro, S,R,L,	Chairman
MD Verre, S,A,	Board member
Investverre, S,A,	Chairman
Omega Inmobiliere et Financiere	Chairman

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

(d) Remuneration of key management personnel and directors

Details are as follows:

	Thousands of Euros	
	2009	2008
Salaries and other current remuneration paid to employees, management and directors	5,488	3,865

During 2009 directors and senior management numbered 44 in total (36 in 2008).

(e) Remuneration of the directors of Vidrala

The Company has not extended any amounts to the members of the board of directors in respect of guarantees, advances or loans or any pension-related rights. Total remuneration accrued during the year, including salaries, allowances and other items, amounted to Euros 894 thousand (Euros 882 thousand in 2008).

26. AUDIT FEES

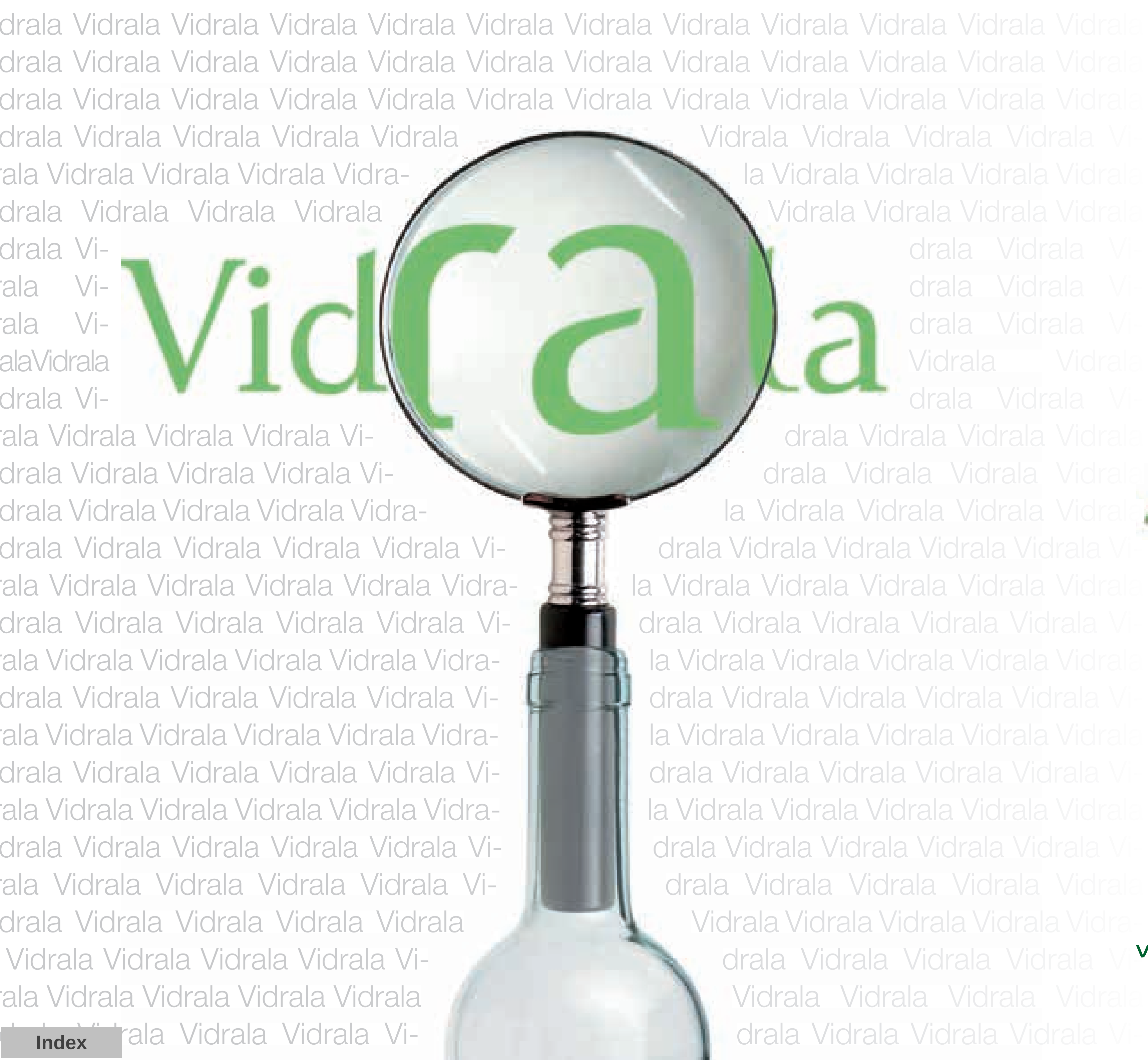
The firm auditing the consolidated annual accounts of the Group and other related companies as defined in the fourteenth additional provision of legislation governing the reform of the financial system have accrued net fees for professional services during the year ended 31 December 2009 as follows:

	Thousands of Euros
Audit services	216
Audit-related services	13
	229

These amounts include all fees for services rendered during 2009, irrespective of the date of invoice.

Details of Reserves and Retained Earnings and Movement for the years ended 31 December 2009 and 2008 (Expressed in thousands of Euros)

	Revaluation reserves	Legal reserve	Voluntary reserves	Reserves in fully consolidated companies	Profit for the year	Total
At 31 December 2007	3,829	**4,505**	**89,066**	**50,863**	**38,558**	**179,034**
Share capital increase	(1,106)	-	-	-	-	(1,106)
Distribution of 2007 profit Reserves	-	-	23,396	4,541	(27,937)	-
Dividends	-	-	-	-	(10,621)	(10,621)
Other movements	-	-	-	-	(10,621)	(10,621)
Profit for 2008	-	-	-	(152)	-	(152)
At 31 December 2008	**2,723**	**4,505**	**112,462**	**55,252**	**40,649**	**215,591**
Distribution of 2008 profit Reserves	-	139	13,921	15,483	(29,543)	-
Dividends	-	-	-	-	(11,106)	(11,106)
Other movements	-	-	24	(48)	-	(24)
Profit for 2009	-	-	-	-	40,924	40,750
At 31 December 2009	**2,723**	**4,644**	**126,407**	**70,687**	**40,924**	**245,385**



4 AUDITOR'S REPORT

Index

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

<u>Auditors' Report on the Consolidated Annual Accounts</u>

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

To the Shareholders of
Vidrala, S.A.

We have audited the consolidated annual accounts of Vidrala, S.A. (the Company) and subsidiaries (the Group or the Vidrala Group), which comprise the consolidated balance sheet at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating their overall presentation, as well as the appropriateness of the accounting principles used and the reasonableness of accounting estimates made.

In accordance with prevailing Spanish legislation, these consolidated annual accounts for 2009 also include, for each individual caption in the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes thereto, comparative figures for the previous year. These figures differ in presentation from those in the approved consolidated annual accounts for 2008 as a result of the first-time application of International Accounting Standard 1 (Revised), Presentation of Financial Statements, as described in note 2 to the accompanying consolidated annual accounts. We express our opinion solely on the consolidated annual accounts for 2009. On 26 February 2009 we issued our unqualified audit report on the consolidated annual accounts for 2008.

In our opinion, these consolidated annual accounts present fairly, in all material respects, the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2009 and the consolidated results of their operations, changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding in accordance with International Financial Reporting Standards as adopted by the European Union, which have been applied on a basis consistent with that used in the preparation of the figures and information for the previous year, which have been incorporated into the consolidated annual accounts for 2009 for comparative purposes.

The accompanying consolidated directors' report for 2009 contains such explanations as the Directors of Vidrala, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2009. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Vidrala, S.A. and subsidiaries.

KPMG Auditores, S.L.

<u>*(Signed on original in Spanish)*</u>

Juan José Llorente
Partner

25 February 2010

5 ENVIRONMENTAL REPORT 2009

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INTRODUCTION

One of VIDRALA's main environmental management objectives during 2009 was to concentrate much more on the concept of sustainability and to analyse the path which an organisation such as ours should follow to achieve this,

We believe that the main aim of a sustainable company should be to have a lasting impact, thus ensuring that it can continue to improve the natural and social environments in which it operates,

From an environmental point of view, we consider VIDRALA to be a sustainable company on the basis of the following considerations:

- *Manufacture of a sustainable product:* not only do we undertake our industrial and economic activity with a firm commitment to pollution prevention and continual improvement but the product we manufacture, namely glass containers, is widely recognised to be the most sustainable packaging material, In this context, we consider product innovation - weight reduction, reduced energy consumption, increased use of recycled glass as raw material, etc, - to be a key aspect in order to create value for society and thereby contribute to the sustainability of our planet,

- *Openness and sensitivity to our surroundings:* we maintain an open dialogue with different stakeholders to promote the integration of their environmental expectations into our company,

- *A common company-wide vision:* we have defined an environmental strategy that brings us together internally around a common project and which encourages us to dedicate all our knowledge, ability and experience to achieving our stated environmental objectives,

In the following sections of this report we will describe those aspects which set us apart as a sustainable company in greater detail,

GLASS CONTAINERS: A SUSTAINABLE PRODUCT

VIDRALA's industrial activity involves the manufacture of glass containers - bottles and jars - mainly for the food industry,

The main role of these containers is to preserve the product contained within them, Glass has been used for the preservation of food and drink for more than 3000 years and is nowadays considered to be the most natural and healthiest packaging material available by the vast majority of consumers,

Glass is the best material available as its offers the following unique combination of benefits:

- It is a perfect, inert barrier which preserves the product contained within it, including its taste, smell and other properties,

- It protects consumer health - there is no leaching of impurities from the glass into the product,

- It maintains the products fresher for longer once the container has been opened,

- It is stylish, transparent and is available in an almost limitless variety of shapes and colours,

- This transparency allows the colour and texture of the product it contains to be seen, thus encouraging the consumer to try it,

From a consumer point of view, the benefits listed above make glass containers a socially responsible product and the most appropriate for health protection,

On the other hand, and in the current climate of a strong social awareness of the need to preserve the environment, glass containers are also recognised to be the healthiest for the planet,

Indeed, glass containers are made from some of the most abundant raw materials on the planet, namely sand, soda and limestone, therefore there is no need to synthesise petroleum-based chemicals or indeed any other chemicals in order to manufacture glass, Furthermore, and perhaps more importantly, glass has a unique characteristic with a highly positive environmental impact: it is 100% recyclable,

Glass can be recycled an unlimited number of times, without losing any of its qualities, for the manufacture of new glass containers with the same quality and properties, This means that glass is the only packaging material that can be recycled from "cradle to cradle", In other words, glass is the only material that can be produced in a closed cycle and which can be recycled again and again to make new bottles and jars, It should therefore never be sent to landfill as it never loses it properties no matter how many times it is recycled,

Of the enormous number of pollution-prevention and -improvement initiatives implemented by countries throughout Europe, glass recycling is by far and away one of the most successful, The strong cooperation that has developed between consumers, government and the glass packaging industry has resulted in very high recycling rates in the majority of European countries,

And this in turn has led to significant positive environmental effects arising from the use of recycled glass by our industry, including:

- Reduced energy consumption during the glass melting process: every 10% of raw material replaced by recycled glass in the furnaces results in a 2,5% reduction in energy consumption, Recycled glass, also known as glass cullet, melts at a lower temperature than the raw materials used in the glass-making process, which means that more glass can be melted using the same amount of energy,

- This reduces the atmospheric emissions from the melting furnaces, particularly CO_2,

- A reduction in the amount of quarried raw materials (sands, limestones, dolomites, etc,) required, thereby helping to preserve the countryside,

- A reduction in the amount of urban waste sent to landfill as it is a prime raw material for the packaging industry,

The only main drawback with the use of glass cullet for the production of new packaging is the amount of cullet available from the selective separation undertaken in our towns and cities, and its quality and availability in the different colours required,

In order to show that these statements regarding the environmental friendliness of glass containers can be quantified, in 2009 VIDRALA participated actively in a Europe-wide study to analyse the life-cycle of glass containers, The results of this study will be published in 2010 and will undoubtedly highlight the positive environmental impact arising from the use of glass as a packaging material,

OPENNESS AND SENSITIVITY TOWARDS OUR SURROUNDINGS

A sustainable strategy cannot be effective if it is designed in isolation from the expectation of stakeholders,

In 2009 VIDRALA performed a study to try to identify, group together and prioritise the special-interest groups with whom we maintain a relationship in order to design and implement discussion frameworks with each one that will allow us to understand their expectations and integrate those which could be considered critical to the success of our action plans,

This analysis allowed us to prioritise the following special-interest groups: shareholders, clients, suppliers, regulatory bodies, social organisations (NGOs, environmental groups, local groups, study centres, universities, society in general, etc,) and business associations,

The activities described in more detail below were undertaken in 2009 in order to incorporate the environmental expectations of these special-interest groups into VIDRALA's environmental management programme,

Shareholders

VIDRALA's environmental management programme was presented to its Board of Directors in March 2009, This presentation covered the company's main lines of environmental action, including a description of the company's main environmental impacts, an explanation of the legislation applicable to these impacts, the environmental management strategies implemented to control them and minimise their effects, the investment planning strategy designed to undertake this activity within the framework of our commitment to sustainability, etc,

Approval of this approach by the Board of Directors has helped to increase the awareness of our shareholders of the absolute need to undertake environmental improvement actions in order for the company to progress in the long term, Our Environmental Department was also able to discover the Board's own worries in this respect and to take them into account when planning future environmental management programmes,

Customers

Various customer-training and -awareness workshops were held during 2009 during their visits to our installations, During these workshops, our clients were able to see for themselves the actions we have taken to minimise our environmental impact, especially the use of glass cullet as raw material and the implementation of the best available technologies,

Another of our client-related actions has been to adopt a much more proactive approach when answering any environment-related queries (surveys, doubts, evaluation questionnaires, etc,) they may have, The main subject which the majority of our clients have raised with us concerns CO2 emissions, ranging from the emission ratios we generate per product type to those due to transport of the finished product to their installations,

Suppliers

2009 has become a starting point for our long-term supplier environmental awareness programme, This year we have begun to work actively with those service suppliers who work at our site and who could generate an environmental impact, To this end we have organised training activities prior to the commencement of the work in order to clearly explain the practices which should be implemented at our site, and we have also undertaken regular checks to ensure correct application of the instructions given,

This aspect was put into particular practice during repair of our furnaces, Given the scale of the work involved and the large number of service suppliers currently working at our site, the environmental impact they could generate is especially relevant, which is why particular attention is being paid to this aspect, Thus, all such suppliers have been provided with specific instructions regarding environmentally responsible behaviour, and a number of control and audit activities have been undertaken to ensure the correct environmental management of this repair work,

Regulatory bodies

During 2009 we have strengthened our relationship with the appropriate regulatory bodies, We have maintained our commitment to transparency, as can be seen from our strict compliance with all acquired environmental commitments and the fluidity of our communications,

Social organisations

We have undertaken numerous activities to promote glass recycling in the form of open days for primary and secondary schools, universities, town halls, etc, so that they can see for themselves the environmental benefits of glass recycling and the need to maintain society’s efforts towards selective separation,

Business associations

The environmental projects undertaken in 2009 in the framework of the business associations of which VIDRALA is an active member (FEVE ANFEVI, AIVE, ASSOVETRO, FIV) include the following:

- *Life-cycle analysis:* the life-cycle analysis for glass packaging has been completed, Complete information has been submitted for all the VIDRALA group’s six plants and an in-depth analysis performed, Final publication of this analysis is expected to take place sometime in 2010,

- *BREF document:* the company has collaborated with the drafting of the glass BREF through our participation in the working groups of each of the business associations of which VIDRALA is a member, This new BREF describes the best and most environmentally friendly techniques available for the manufacture of glass packaging in much greater detail and also establishes more limited emission levels as a result of the advancement of these techniques,

- *Post-Kyoto protocol:* we have participated in the development of requirements for CO2 emissions trading directives for the period 2013-2020, Thus, VIDRALA has provided the appropriate information for all its plants to formulate the reasoning which has allowed the EC to define the glass sector as one which is exposed to a risk of carbon leakage, In other words, the costs incurred by this sector when purchasing CO2 allowances could lead to its exit from Europe and subsequent installation in lower-cost countries, Any sector which is considered to be at risk of carbon leakage will be allocated a greater number of free emission allowances from 2013,

A SHARED VISION

At VIDRALA we have maintained our commitment to sustainable development, which we see as a balance between technology and satisfying human needs, between growth and respect for nature, from the very beginning,

Our sustainable development strategy drives the creation of opportunities to contribute to environmental conservation thanks, above all, to its search for efficient resource use and its promotion of innovation for the development of cleaner technologies,

A major step forward towards this sustainability was taken in 2004 when our first plant operating an Environmental Management System obtained ISO 14001 certification, We re-certified this Environmental Management System in 2009 according to ISO 14001:2004 and incorporated a new plant in Corsico Vetro (Italy), to make a total of five, as well as the headquarter, that are now fully certified and undergo regular inspections by an external and independent body, In 2010 we fully intend to implement this system in the only recently purchased plant that is not yet certified - MD Verre (Belgium),

As well as consolidating the implementation of our Environmental Management System, in 2009 we have initiated an in-depth internal analysis to identify the strategies that need to be followed to better incorporate the environment as a variable throughout our organisation,

The results of this analysis have allowed us to identify two clear lines of action:

- To strengthen the environmental team by clearly defining its roles and to create a mission and vision for this team to drive its work forward,
- To analyse the different areas within the company in order to identify each area's environmental goals and to establish improvement actions that will lead to the introduction of the environment as a variable in all their decisions,

The environmental team's mission, vision and strategy

During 2009 VIDRALA has strengthened its environmental team to ensure a centralised environmental management aimed at minimising the company's environmental impact,

This team is headed by the Group's Environmental Division, which represents management in all environment-related matters and whose chief responsibilities involve leading, promoting and implementing the integration of the environment in all the company's activities, processes and decisions by way of the tools established within the Environmental Management System and, within the framework of the environmental policy set out by General Management, ensuring continual improvement in the company's pollution prevention strategy,

Each plant also has an Environment Representative whose responsibilities include enacting environmental policy in that plant with the authority and resources needed to ensure full compliance with the requirements established by the Environmental Management System and integration of the environment in all that plant's activities, processes and decisions,

2009 has also seen a significant internal effort to consolidate this team by way of regular meetings which have promoted synergies between its members through problem sharing and solving, proposals for improvements and agreed lines of action that can be expanded to cover all the group's plants, The environmental team has worked extremely hard in these meetings to create its own mission, vision and strategy to act as a reference and drive the group's work:

MISSION	WHO ARE WE?
A TEAM FORMED TO PROMOTE THE ENVIRONMENT IN ALL ACTIVITIES, PROCESSES AND DECISIONS	

,,,,,,we can improve

VISION	HOW WILL WE BE?
A TEAM INTEGRATED IN ALL ACTIVITIES, PROCESSES AND DECISIONS	

,,,,,,we want to improve

STRATEGY	HOW WILL WE ACHIEVE THIS?
A STRONG AND WELL-PREPARED TEAM	
UP-TO-DATE KNOWLEDGE	
RESPONSIBILITIES DEFINED AT ALL LEVELS WITHIN THE COMPANY	
OBJECTIVES FOR CONTINUAL IMPROVEMENT	
COLLABORATION IN DECISION-MAKING	
TEAMWORK	
A CAN-DO ATTITUDE	

,,,,,,we must improve

Integration in all areas of the company

These group meetings have allowed the team to consider the best strategy to be followed in order to effectively include the environment as a variable in all the company's areas,

The results of this analysis have allowed the main environmental objectives for each area to be identified and action plans for 2010 to be defined with the aim of promoting the integration of the environment during decision-making,

Human resources

The aim of sustainable human resource management is to align the company's employees with the environmental vision, mission and strategy established and achieve their maximum commitment and involvement in meeting these environmental objectives,

The actions established for 2010 include promoting training plans by way of talks, communication campaigns, leaflets and other written material that increase environmental awareness throughout the company and lead to the progressive and active incorporation of the environment,

R&D&I

The aim of sustainable innovation management is to incorporate eco-efficiency, Eco-efficiency is defined as the supply of competitively priced goods and services that satisfy human needs and bring quality of life while progressively reducing environmental impacts of goods and resource intensity throughout the entire life-cycle to a level at least in line with the Earth's estimated carrying capacity, The main actions for 2010 aimed at increasing eco-efficiency include the use of greater amounts of glass cullet in our furnaces and a reduction in energy consumption,

Materials consumed

The aim of sustainable supply-chain management is to extend environmental awareness to our suppliers by incorporating environmental criteria into our purchasing policies,

For 2010 we have defined a set of environmental purchasing requirements for all our product and/or service suppliers which must be met before a contract is signed,

Finance department

The aim of sustainable financial management is to incorporate environmental criteria into investment processes and to establish transparent management and information control systems that allow the economic risks and impacts arising from environmental aspects to be identified, managed, evaluated and considered within the framework of strategic plans,

For 2010 we have defined, for a five-year period, the environment-related investments that will allow us anticipate future environmental requirements, such as those derived from publication of the new BREF document,

Sales

The aim of sustainable sales management is to inform and communicate to our clients the company's environmental values and those of the products we manufacture,

For 2010 we have established the development of a communication tool that will allow us to inform our clients of the environmental benefits derived from the use of glass containers,

Industrial

The aim of sustainable production management is to integrate into the company those good environmental practices and techniques that will allow us to reduce our impact on our surroundings,

For 2010 we have established a quantitative reduction in those environmental impacts found to be significant during our environmental impact assessment,

ENVIRONMENTAL MANAGEMENT

General objectives 2009

These are on top of the objectives established for each plant, which are specific to each one and aim to improve certain individual aspects, From a Group-wide viewpoint, the objectives for 2009 were primarily characterised by the following:

- Integration of the environment into all areas of the company, The progress of this objective has been described in detail above,
- Implementation of the Integrated Pollution Prevention and Control (IPPC) permits,
- Environmental improvements related to work on the furnaces at AIALA VIDRIO and CRISNOVA VIDRIO,

Implementation of the IPPC permits

Once all the IPPC permits regulated by current pollution prevention and control legislation had been obtained, 2009 saw the company start out on the difficult path to implementing all the operational and monitoring requirements established in these permits, It should be remembered that the sea-change introduced in environmental management by this European legislation represents a major transformation in the concept of the environmental behaviour of an industrial site, Under this legislation, the environment is not simply limited to some areas of the company, normally the environmental department, but extends to all employees, who must now perform their duties by taking the environment into account,

The steps we have taken during 2009 to achieve our objective of incorporating IPCC requirements into our day-to-day activities are described below:

- Identification of the established requirements and a timetable for their implementation,
- Assessment of the degree of compliance,
- Establishment of action plans that will allow us to comply with these requirements in the expected time frame,
- Modification of environmental management system documentation to include all operational, control and monitoring methods that allow these commitments and time frames to be met,
- Company-wide training and awareness-raising as regards a change of habits and the introduction of new operating procedures,

Furnace reconstruction

As is always the case when a furnace needs to be rebuilt, VIDRALA takes the opportunity to introduce any environmental measures which could reduce its environmental impact, It should be remembered at this point that the glass melting process has the highest environmental impact during the manufacture of glass containers, therefore any structural improvements that can be made during these rebuilding works should result in improvements to two fundamental aspects of this process, namely energy consumption and atmospheric emissions,

During 2009, and despite the unfavourable economic climate, we have maintained our commitment to introduce primary measures into the design of our furnaces in order to minimise the above-mentioned environmental aspects,

In particular, the furnace technology selected, namely a regenerative loop furnace with primary measures to minimise NOx emissions and reduce energy consumption, is widely considered to be the best available for the melting process in the container-glass industry,

Likewise, the installation of gas scrubbers, in this case an electrofilter with prior desulfurisation, has resulted in a major reduction in particulate and sulfur oxide emissions in the furnace exhaust gases,

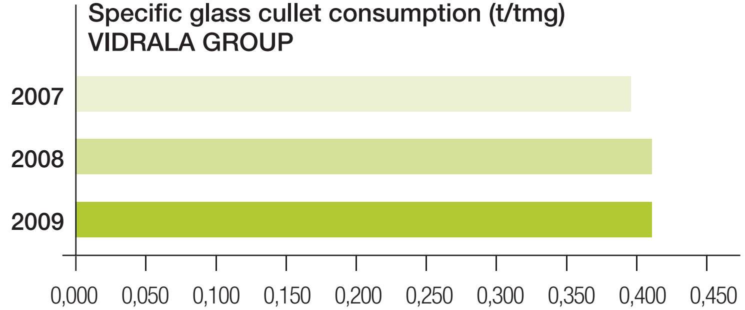
Evolution of environmental aspects

The management system at VIDRALA allows us to monitor a series of indicators which help us to assess our company's environmental behaviour, The following sections present the evolution of our most important environmental aspects, *Cullet consumption*

VIDRALA has steadily increased the consumption of glass cullet in its furnaces as a result of its increasing availability and quality, thus contributing to a reduction on the environmental impact of our processes,

Evolution of glass cullet consumption by the VIDRALA GROUP

Year	2007	2008	2009
Total consumption (t cullet)	505,498	541,477	507,206
Production (t molten glass)	1,251,494	1,260,483	1,178,286
Specific consumption (t/tmg)	0.399	0.418	0.417



It can be seen from the table and graph above that VIDRALA has maintained its cullet consumption ratio despite the drop in production due to the current economic crisis, which has meant a reduction in the production of molten glass, and, possibly more importantly, decreased cullet consumption.

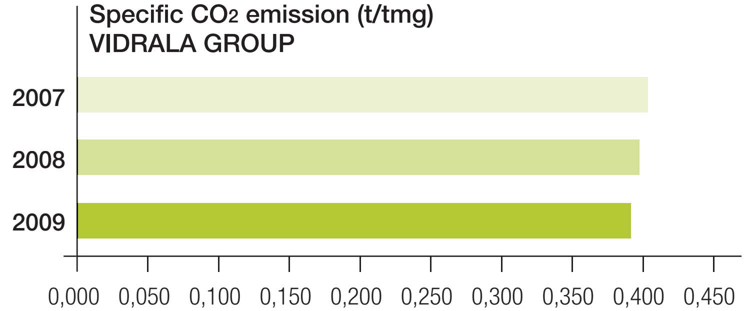
Carbon dioxide emissions

This year (2009) was the second in the 2008-2012 stage of the Kyoto protocol. Carbon dioxide emissions per tonne of molten glass dropped for the third consecutive year, thereby demonstrating that the company's actions when reconstructing its furnaces are having a positive effect and are therefore suitable for minimising our environmental impact.

Indeed, the table and graph below clearly show the steady reduction achieved with the actions implemented.

Evolution of CO_2 emissions

Year	2007	2008	2009
SPECIFIC CO_2 emission (t/tmg)	0.404	0.394	0.390



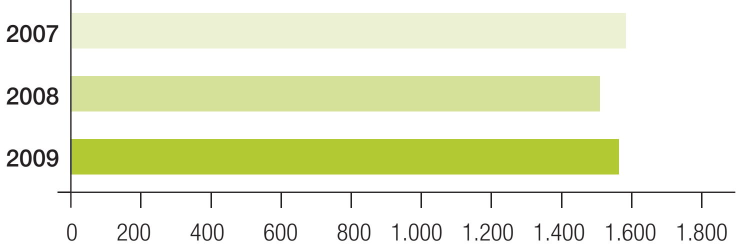
Energy consumption

Energy consumption by our furnaces in 2009 has been seriously affected by the economic crisis. The need to reduce production and the inability to shut them down completely due to the structural damage that they may suffer, which would prevent them from being started up again and would result in their demolition and subsequent reconstruction, has meant that the furnaces have had to be kept hot, recirculating the glass they produce as raw material. This results in an energy consumption that is not reflected in production volumes and therefore has negatively affected the specific consumption ratios.

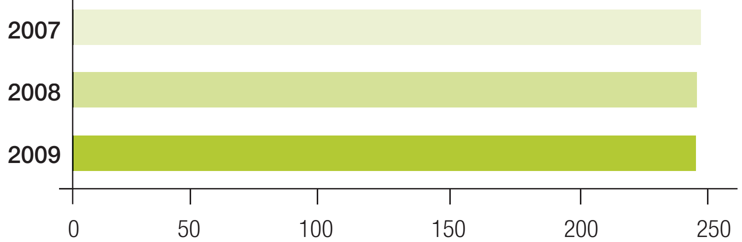
Evolution of energy consumption

Year	2007	2008	2009
Specific fossil energy consumption (kWh/tmg)	1,566	1,492	1,538
Specific electricity consumption (kWh/tmg)	246	244	245

Specific fossil energy consumption (Kwh/tmg)
VIDRALA GROUP



Specific electricity consumption (Kwh/tmg)
VIDRALA GROUP



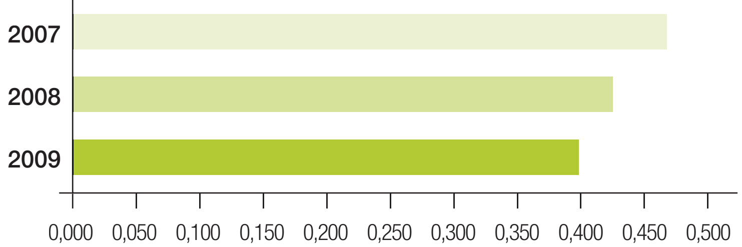
Water consumption

The improvements to the cooling systems carried out at CASTELLAR VIDRIO and MD VERRE during 2008, in order to convert these systems into closed circuits, have resulted in a significant reduction in water use, as can be seen from the table and graph below.

Evolution of water consumption

Year	2007	2008	2009
Specific water consumption (m^3/tmg)	0.471	0.424	0.398

Specific water consumption (m^3/tmg)
VIDRALA GROUP



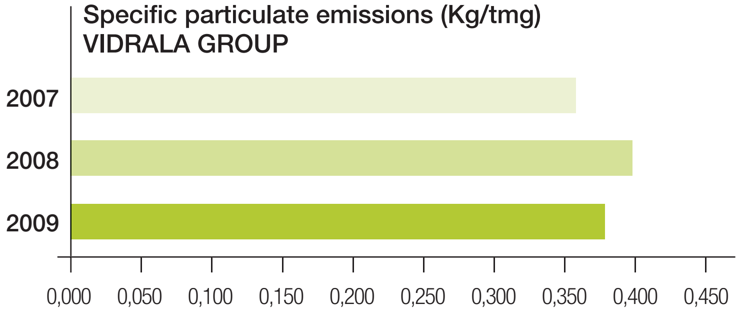
Atmospheric emissions

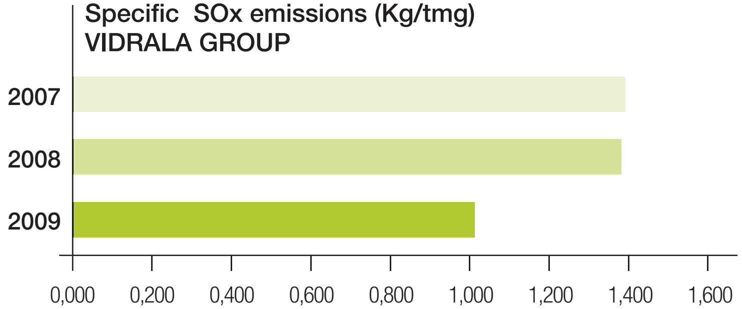
The beneficial effect of installing particle and SOx scrubbers at our sites can be seen in 2009. Indeed, the table and graph below clearly show the steady reduction in the emission of both these pollutants.

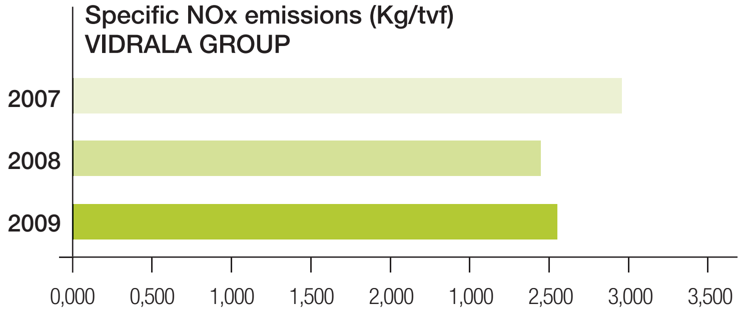
As was the case for energy consumption, NOx emissions have been negatively affected by the need to keep the furnaces hot without any resulting production. NOx emissions are closely linked to combustion processes, therefore if gas consumption remains at the same, or similar, levels but does not result in the production of molten glass, NOx emissions increase in relative terms.

Evolution of atmospheric emissions

Year	2007	2008	2009
Specific particulate emissions (Kg/t v,f,)	0.366	0.396	0.329
Specific SOx emissions (Kg/tmg)	1.391	1.374	1.042
Specific NOx emissions (Kg/tmg)	2.931	2.401	2.563







Waste generation

The amount of waste generated per tonne of molten glass has increased somewhat with respect to 2008, although not to any significant extent. This indicator is strongly influenced by furnace repair, where waste production, especially inert waste such as refractory bricks, metallic structures, packaging, etc., has increased significantly. Two of the Group's furnaces have been repaired in

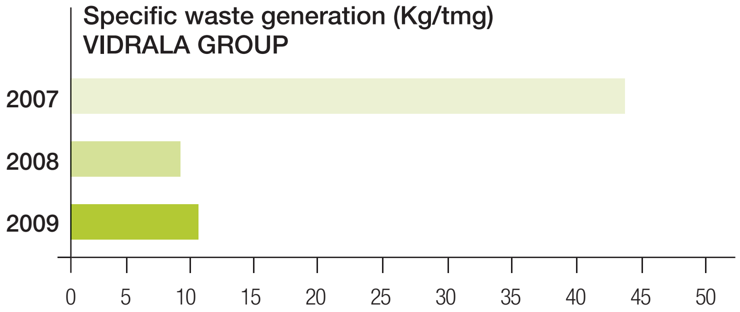
2009, and these repairs have had a notable effect on the relative increase of this indicator.

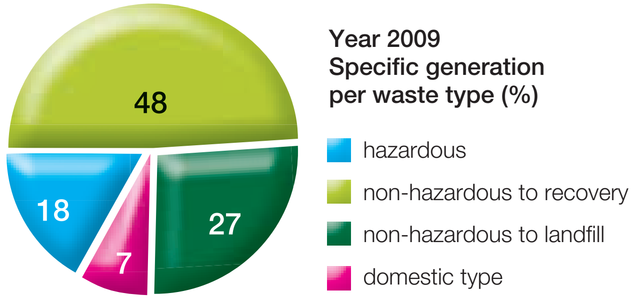
It should also be noted that 48% of all the waste generated was sent for recovery. We have made a major effort to find waste-management companies whose activities include waste recovery for use in other processes, thereby avoiding it been sent for landfill.

Evolution of waste generation

Year	2007	2008	2009
Specific waste generation (Kg/tmg)	44	9	11

(*)This definition of waste does not include internal glass cullet, which is a by-product of our production process, or externally sourced cullet.





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