INFORME ANUAL 2010 ANNUAL REPORT

vidrala

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Dear shareholders,

I am writing to you to inform about the performance of the company during the year 2010 and to introduce the annual report which includes a preview of the recently published sustainability report.

The year 2010 started under specially strained circumstances after a 2009 heavily affected by the general economic deterioration. The actions we took then, aimed at adapting our structure to the ongoing business conditions and to concentrate our efforts on supporting operating margins and strengthening the balance sheet, improved Vidrala´s position.

Our first goal has been to stay close to our clients, working together in projects focused on end consumers, taking care of the product quality and to provide the best service in a market of growing requirements. The results of the latest annual survey of customer satisfaction, which gives us a grade of 8.02 over 10, maximum score obtained in our history, is the best confirmation of our commitment.

The year finished with total sales up 6% over 2009 to EUR 405.9 million. Operating income amounted to EUR 62.9 million and net profit reached a record of EUR 49.6 million, 21% above the previous year. In addition, we have demonstrated our capacity to generate cash reducing debt by 15%.

As regards to the environment, we have continued implementing investments and executing actions to improve the efficiency in the use of resources and the reduction of emissions. We remain focused on keeping a long term and global perspective in all our industrial operations; and so the different advances detailed in the sustainability report are today a core element of our management priorities.

On the issue of direct shareholder remuneration, the Board of Directors has proposed to the AGM a total dividend of EUR 0.5421 per share. Additionally, our shareholders have benefited from the free allocation of shares at the bonus share issue executed in November 2010. Overall, the amount of dividends distributed increased by 10% over the previous year, attaining as a result 18 consecutive years of dividends growth.

In conclusion, 2010 has been a year of focusing on the fundamentals of our business, diversifying sales by geographical areas and product segments, managing rigorously our production capacities, strengthening operating margins, optimizing cash and, on balance, improving the return on capital employed.

Although the trading conditions today are more stable than two years ago and glass demand for food and beverage products shows its resilience, the general economic context remains fragile. Furthermore, inflationary pressures materialize not only in energy but also in other items of our cost structure. It will be necessary to accomplish further progresses in productivity and efficiency to offset its negative impact on margins.

To allow our great potential to emerge, we will build on Vidrala´s strengths: our team and its high expertise on the product and the business, our customers and the positioning attained in the markets we serve, the industrial and technological level of our facilities and the solvency of our balance sheet. As a result, I am confident we are able to achieve new and higher goals for our company.

On behalf of the Board of Directors and of all the people who work in our group, I thank you, the shareholders of Vidrala, for your trust.

Carlos Delclaux
Chairman

VIDRALA GROUP

vidrala
www.vidrala.com

SHAREHOLDERS' OFFICE

E-mail: atencion_al_inversor@vidrala.com
+34 946 71 97 50

SALES CONTACT

Barrio Munegazo, 22
01400 LLODIO (SPAIN)
E-mail: comercial@vidrala.com
+34 946 71 97 10

FRANCE: Bureau commercial
La Porte de Bègles 1, Quai Wilson
33130 Bordeaux-Bègles (FRANCE)
E-mail: commercial.france@vidrala.com

ITALIA: Uffici commerciali
Via Alzaia Trieste 45
20094 Corsico, Mi (ITALIA)
E-mail. commerciale@corsico.vidrala.com

SITES

AIALA VIDRIO
BARRIO MUNEGAZO, 22
01400 LLODIO. SPAIN

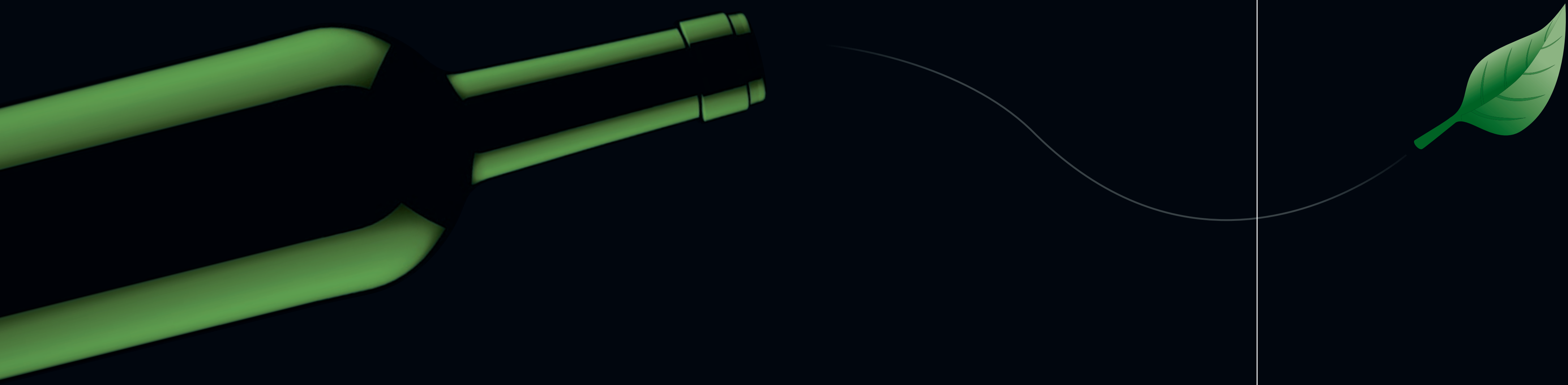
CRISNOVA VIDRIO
POLÍGONO LOS VILLARES S/N
02660 CAUDETE. SPAIN

CASTELLAR VIDRIO
BERGUEDÁ, 67
08211 CASTELLAR DEL VALLÉS. SPAIN

GALLO VIDRO
RUA VIEIRA DE LEIRIA, 1
2430-300 MARINHA GRANDE. PORTUGAL

CORSICO VETRO
VIA ALZAIA TRIESTE, 45
20094 CORSICO. ITALY

MD VERRE
RUE DES AYETTES, 2
7011 GHLIN. BELGIUM



MAIN FIGURES

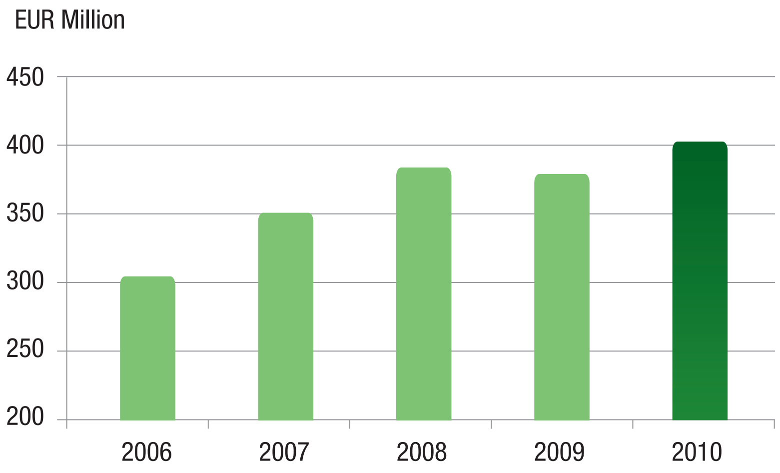
Relevant business figures

EUR Million	2006	2007	2008	2009	2010
Net Sales	306.7	353.6	387.2	382.4	**405.9**
Operating Income · EBIT	42.5	51.0	59.6	55.0	**62.9**
Net Profit	29.3	38.6	40.6	40.9	**49.6**
Total Assets	543	605	688	698	**699**
Shareholders Equity	171	200	226	252	**287**
Net Debt	195	211	251	257	**219**

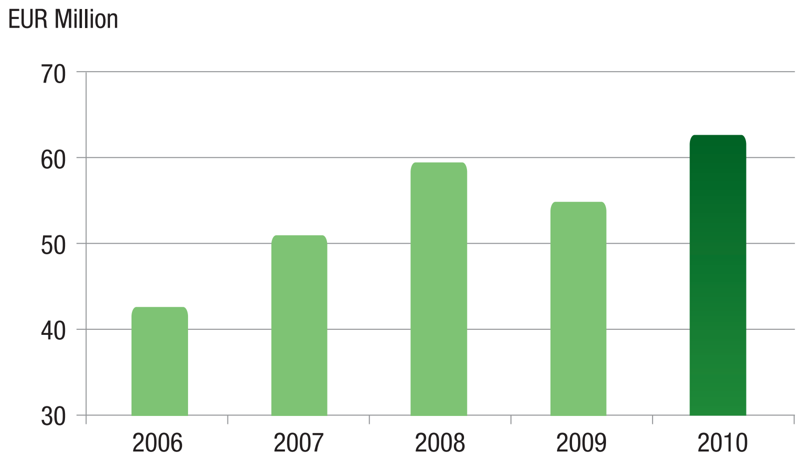
Relevant share figures

	2006	2007	2008	2009	2010
Share closing price	22.10	25.25	15.48	18.85	**21.40**
Shares Outstanding	21,682,500	22,766,625	22,766,625	22,766,625	**23,904,957**
Market cap (EUR Million)	479.2	574.9	352.4	429.2	**511.6**
Earnings per share (Euros)	1.35	1.69	1.79	1.80	**2.12**
Dividends per share (EUR)	0.454	0.468	0.492	0.516	**0.542**
AGM attendance bonus (EUR)	0.026	0.026	0.028	0.028	**0.028**

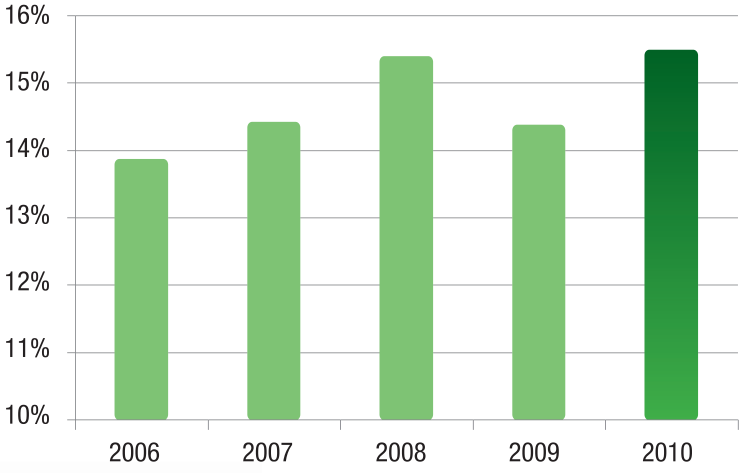
Net Sales



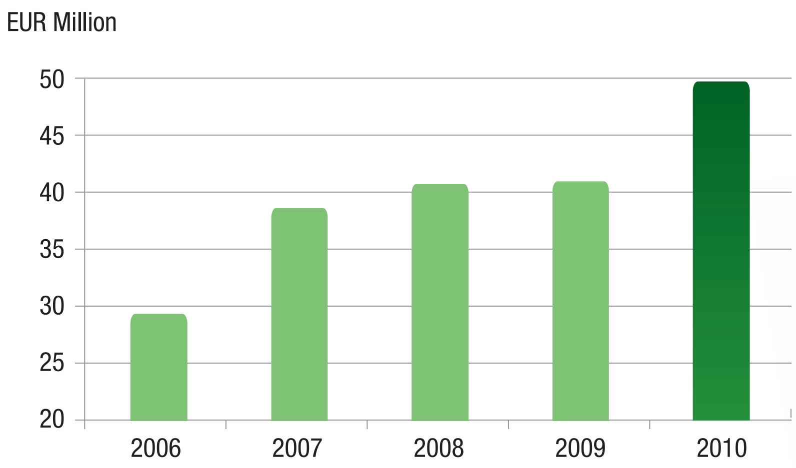
Operating Income (EBIT)



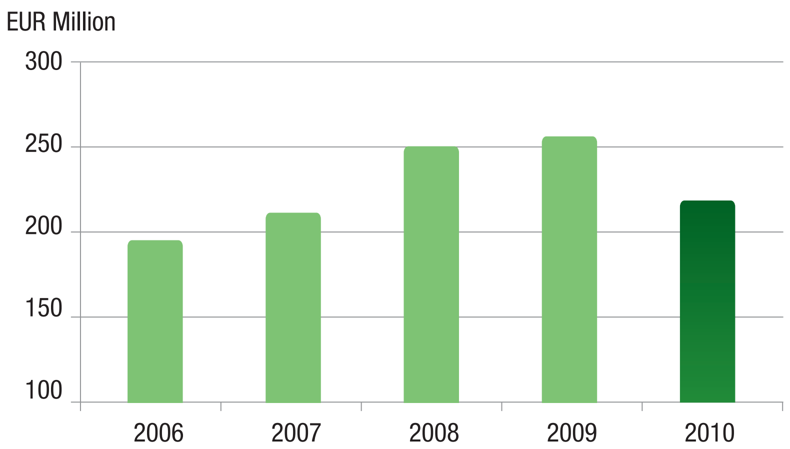
EBIT Margin



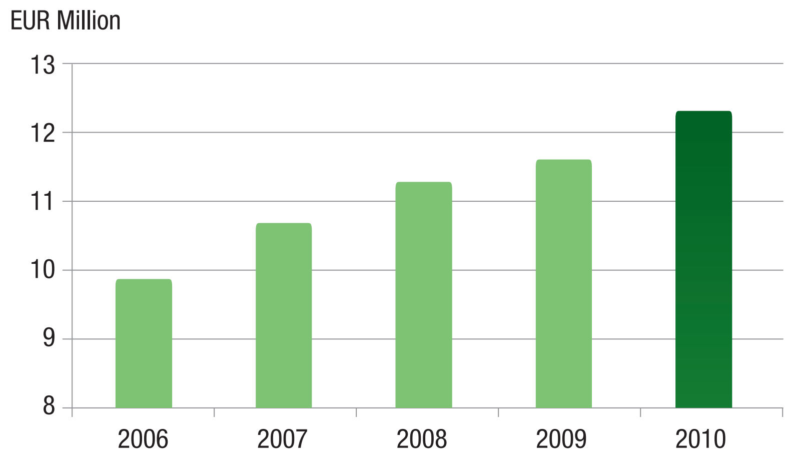
Net Profit



Net Debt



Total remuneration



Earnings per share

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ANNUAL ACCOUNTS

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 Spanish-language version prevails)

To the Shareholders of
Vidrala, S.A.

We have audited the consolidated annual accounts of Vidrala, S.A. (the Parent company) and subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2010, 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. As specified in note 2 to the accompanying consolidated annual accounts, in accordance with International Financial Reporting Standards adopted by the European Union and legislation governing financial information applicable to the Group, preparation of the annual accounts is the responsibility of the Parent 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 prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2010, and the consolidated results of its operations and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards adopted by the European Union and with the applicable legislation governing financial information.

The accompanying consolidated directors' report for 2010 contains such explanations as the Directors of the Parent company 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 2010. 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 the original in Spanish)</u>

Juan José Llorente

24 February 2011

Consolidated Balance Sheets • 31 December 2010 and 2009 (Expressed in thousands of Euros)

	Note	2010	2009
ASSETS			
Non-current assets			
Property, plant and equipment	5	**351,745**	359,793
Goodwill	6	**59,233**	59,233
Other intangible assets	6	**12,663**	13,905
Other financial assets		**7**	7
Deferred tax assets	8	**41,749**	45,322
Derivative financial instruments	7	**49**	178
Other non-current assets	26	**1,428**	1,809
		466,874	**480,247**
Current assets			
Inventories	9	**106,156**	114,797
Trade and other receivables	10	**100,564**	85,652
Current tax assets		**525**	-
Other current assets	11	**25,198**	14,479
Cash and cash equivalents		**40**	2,448
		232,483	217,376
Total assets		**699,357**	**697,623**

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

Consolidated Balance Sheets • 31 December 2010 and 2009 (Expressed in thousands of Euros)

EQUITY AND LIABILITIES	Note	2010	2009
Equity	12		
Share capital		24,383	23,222
Other reserves		6,206	7,367
Retained earnings		276,684	238,018
Own shares		(9,667)	(7,911)
Other comprehensive income		(1,138)	(670)
Interim dividend		(9,278)	(8,438)
Equity attributable to equity holders of the Parent		287,190	251,588
Non-current liabilities			
Deferred income	13	31,875	29,537
Loans and borrowings	14	130,299	180,987
Derivative financial instruments	7	1,581	931
Deferred tax liabilities	8	26,132	26,022
Provisions	18	25,018	26,205
Other non-current liabilities		-	40
		214,905	263,722
Current liabilities			
Loans and borrowings	14	88,587	78,061
Derivative financial instruments	7	-	857
Trade and other payables	15	92,520	81,723
Current tax liabilities	8	5,856	7,146
Provisions	18	-	4,382
Other current liabilities	11	10,299	10,144
		197,262	182,313
Total liabilities		412,167	446,035
Total equity and liabilities		699,357	697,623

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

Consolidated Income Statements for the years ended 31 December 2010 and 2009 (Expressed in thousands of Euros)

	Nota	2010	2009
Revenue	21	**406,592**	383,607
Other income	21	**10,292**	13,517
Change in inventories of finished goods and work in progress		**(10,294)**	6,617
Self-constructed non-current assets		**706**	912
Merchandise, raw materials and consumables used		**(122,828)**	(128,392)
Employee benefits expense	23	**(91,222)**	(91,351)
Amortisation and depreciation	5 and 6	**(37,643)**	(34,863)
Other expenses	22	**(92,672)**	(95,064)
Finance income	24	**1,453**	1,815
Finance expenses	24	**(5,281)**	(10,016)
Profit from continuing operations, net of income tax		**59,103**	46,782
Income tax expense	8	**(9,525)**	(5,858)
Profit for the year from continuing operations		**49,578**	40,924
Profit for the year		**49,578**	40,924
Profit for the year attributable to equity holders of the Parent		**49,578**	40,924

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

Consolidated Statements of Comprehensive Income for the years ended 31 December 2010 and 2009
(Expressed in thousands of Euros)

	Note	2010	2009
Profit for the year		**49,578**	40,924
Other Comprehensive Income:			
Cash flow hedges	12	**(650)**	(762)
Tax effect	12	**182**	214
Other comprehensive income, net of income tax		**(468)**	(548)
Total comprehensive income for the year		**49,110**	40,376
Total comprehensive income attributable to equity holders of the Parent		**49,110**	40,376

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

Consolidated Statements of Changes in Equity for the years ended 31 December 2010 and 2009
(Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent						
					Other comprehensive income		
	Share capital	Other reserves	Retained earnings	Own shares	Cash flow hedges	Interim dividend	Total equity
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 redeemed	-	-	-	(4,533)	-	-	(4,533)
Own shares sold	-	-	-	878	-	-	878
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
Total comprehensive income for the year	-	-	49,578	-	(468)	-	49,110
Share capital increase	1,161	(1,161)	(42)	-	-	-	(42)
Own shares redeemed	-	-	-	(4,876)	-	-	(4,876)
Own shares sold	-	-	589	3,120	-	-	3,709
Distribution of 2009 profit							
Dividends	-	-	(11,578)	-	-	8,438	(3,140)
Interim dividend on account of 2010 profit	-	-	-	-	-	(9,278)	(9,278)
Other movements	-	-	119	-	-	-	119
Balances at 31 December 2010	24,383	6,206	276,684	(9,667)	(1,138)	(9,278)	287,190

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

Consolidated Statements of Cash Flows for the years ended 31 December 2010 and 2009
(Indirect method)

	Note	2010	2009
Cash flows from operating activities			
Profit for the year		49,578	40,924
Adjustments for:			
Amortisation and depreciation	5 y 6	37,643	34,863
(Reversal of) impairment losses on trade receivables		400	(418)
Impairment losses on inventories		135	1,519
Exchange (gains) / losses	24	(23)	(373)
Changes in provisions	18	714	3,645
Government grants recognised in profit or loss		(1,378)	(731)
Gain/(loss) on financial assets at fair value through profit or loss	24	(122)	691
Finance income	24	(1,308)	(548)
Finance expenses	24	5,281	8,431
Gain on sale of property, plant and equipment		(549)	(1,229)
Income tax expense	8	9,525	5,858
		99,896	92,632
Changes in working capital, excluding the effect of acquisitions and translation differences			
Inventories		8,506	(7,660)
Trade and other receivables		(21,483)	14,440
Trade and other payables		5,689	(10,584)
Application of provisions		(4,929)	(947)
Cash generated from operating activities		87,679	87,881
Interest paid		(6,442)	(9,712)
Income tax paid		(10,261)	(9,919)
Net cash from operating activities		70,976	68,250

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

continued →

Consolidated Statements of Cash Flows for the years ended 31 December 2010 and 2009 (Indirect method)

	Note	2010	2009
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,031**	1,318
Proceeds from sale of intangible assets		**126**	1,456
Proceeds from sale of financial assets		**721**	1,010
Interest received		**268**	548
Acquisition of subsidiaries, net of cash and cash equivalents		**-**	(3,090)
Acquisition of property, plant and equipment		**(25,716)**	(59,870)
Acquisition of intangible assets		**(154)**	(1,300)
Acquisition of financial assets		**-**	(1,119)
Net cash used in investing activities		**(23,724)**	(61,047)
Cash flows from financing activities			
Proceeds from issue of own shares and own equity instruments		**3,709**	878
Proceeds from loans and borrowings		**54,007**	47,054
Proceeds from loans, donations and bequests		**1,611**	-
Payments relating to redemption of own shares and other own equity instruments		**(4,876)**	(4,533)
Payments relating to loans and borrowings		**(92,570)**	(37,770)
Dividends paid		**(11,479)**	(11,106)
Other		**(62)**	(19)
Net cash used in investing activities		**(49,660)**	(5,496)
Net increase/(decrease) in cash and cash equivalents		**(2,408)**	1,707
Cash and cash equivalents at 1 December		**2,448**	741
Cash and cash equivalents at 31 December		**40**	2,448

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

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 2010 and 2009 and the address and activity of each one which 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)	100%	Vidrala, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
INVERBEIRA, SOCIEDAD DE PROMOCIÓN DE EMPRESAS, S.A.	Llodio (Alava)	100%	Vidrala, S.A.	Fully consolidated	Promotion and development of companies	KPMG (**)
AIALA VIDRIO, S.A.U.	Llodio (Alava)	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)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (*)
CÓRSICO VETRO, S.R.L.	Córsico (Italia)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Manufacture and sale of glass containers	KPMG (**)
MD VERRE, S.A.	Ghlin (Bélgica)	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 (Bélgica)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Real estate	Not subject to statutory audit
INVESTVERRE, S.A.	Ghlin (Bélgica)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fully consolidated	Holding company	Not subject to statutory audit
CD VERRE, S.A.	Burdeos (Francia)	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 set at Euros 3,509 thousand. The adjustment with respect to the initially recognised cost of the business combination entailed reducing the full carrying amount of goodwill and recognising income of Euros 77 thousand in 2009.

There have been no changes to the consolidated group in 2010 and 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 2010 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 2010, as well as the consolidated financial performance and changes in consolidated equity and cash flows for the year then ended.

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

The Parent's directors consider that the consolidated annual accounts for 2010, authorised for issue on 24 February 2011, will be approved without changes by the shareholders at their annual general meeting.

(A) BASIS OF PREPARATION OF THE ANNUAL ACCOUNTS

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

(B) COMPARATIVE INFORMATION

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

(C) RELEVANT ACCOUNTING ESTIMATES, 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 cost of capital 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 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 2010 will be immaterial.

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

(ii) Change in accounting estimate

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2010, future events may take place requiring these estimates to be modified in subsequent years. The effect 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 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

This revised standard includes a new definition of related parties which reinforces the concept of symmetry, and consequently, new instances of related parties have arisen while others are no longer applicable under the new definition.

The Group will assess potential the impact of this revised standard on 2011 and the first year in which it becomes effective.
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 will assess the impact of this standard for the first year in which it becomes effective.

3. Significant Accounting Principles

(a) Subsidiaries

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

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from 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 purchase 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.

For business combinations after 1 January 2004 and prior to 1 January 2010, the Group applied IFRS 3 prevailing at the time using the purchase method. The acquisition date is the date on which the Group obtains control of the acquiree.

The cost of business combinations 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, and any 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 excess of the consideration transferred over the net identifiable assets is recognised as goodwill.

The Group recognises the call options of non-controlling interests on investments in subsidiaries at the date of acquisition of a business combination as an advance purchase of the investments, 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 profit or loss, 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 investments to non-controlling interests.

(c) Property, plant and equipment

Initial recognition

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

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

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

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

Depreciation

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

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

	Estimated useful life
Buildings	**20 - 30**
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 property, plant and equipment in line with the criteria described in section (e).

(d) Intangible assets

(i) Goodwill

Goodwill is determined using the criteria described for business combinations.

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

(ii) Internally generated intangible assets

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

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

The Group has technical studies that demonstrate the feasibility of the production process.

The Group has undertaken a commitment to complete production of the asset to make it available for sale (or internal use).

The asset will generate sufficient future economic benefits as, according to management's best estimates, a market exists that will absorb production or the internal use of the asset.

The Group has sufficient technical and financial resources to complete development of the asset (or to use the asset internally) and has devised budget control and cost accounting systems that enable monitoring of budgetary costs, modifications and the expenditure actually attributable to the different projects.

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

(iii) 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 allocated, 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 (e).

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

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

The 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 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 profit or loss.

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 costs to sell, its value in use and zero.

(f) 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 upon inception 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.

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.

(g) Financial instruments

(i) Classification of financial instruments

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

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.

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

(ii) Offsetting principles

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

(iii) 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 which are classified or which have been designated 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 2010 and 2009 the Group has entered into floating-to-fixed interest rate swaps on borrowings. It has also signed emission rights swap contracts, but has no currency insurance at 31 December 2010 and 2009 for the exchange rate at which the transactions are carried out.

(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) 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, based on ageing, monitoring, and third party data and reports on the economic circumstances of the debtors. When impairment and uncollectibility are considered irreversible as all avenues for collecting the debt, including the courts, have been exhausted, the carrying amount is written off with a charge to the allowance account. 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 or loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised. Impairment reversals are recognised against the allowance account.

(vi) 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.

(vii) Derecognition of financial assets

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

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

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

(vii) Derecognition of financial liabilities

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

The Group has contracted reverse factoring 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, providing the Group remains responsible for settling the debt.

(h) Hedge accounting

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

The Group has cash flow hedges.

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

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

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 benchmark 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.

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

(i) Parent own shares

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

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

(j) Distribution to shareholders

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

(k) Inventories

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

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

The 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 or loss when cost exceeds the net realisable value.

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

(l) Cash and cash equivalents

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

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

(m) Government grants

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

(i) Capital grants

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

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

(ii) Operating grants

Operating grants are recognised under other income.

(iii) Interest-rate grants

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

(n) Employee benefits

(i) Pension commitments

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

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

(ii) Other commitments with employees

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(o) Provisions

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

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

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

(i) Provision for emission 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

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced 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.

(p) Revenue recognition

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

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

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

Interest is recognised using the effective interest method.

(q) Income tax

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

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

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

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

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases.

(ii) 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.

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

(iii) Measurement

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

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

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

(iv) Offset and recognition

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

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

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

(r) Segment reporting

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

(s) Environmental issues

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

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

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

(t) Foreign currency transactions and balances

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

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

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

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

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

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

4. Segment Reporting

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

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

At 31 December 2010 and 2009 the Group comprises the following operating segments:

Spain
European Union

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

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

	Thousands of Euros	
	2010	2009
Spain	**248,218**	229,175
European Union	**158,374**	154,432
	406,592	**383,607**

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

Thousands of Euros

	2010		2009	
Area/location	Profit before income tax from continuing operations	Profit after income tax	Profit before income tax from continuing operations	Profit after income tax
Spain	**51,111**	**42,974**	45,156	39,198
European Union	**7,992**	**6,604**	1,626	1,726
	59,103	**49,578**	46,782	40,924

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

Thousands of Euros

	2010		2009	
Area/location	**Expenses**	**Income**	Income	Income
Spain	**4,794**	**1,451**	9,288	1,771
European Union	**487**	**2**	728	44
	5,281	**1,453**	10,016	1,815

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

	2010		2009	
Area/location	**Spain**	**European Union**	Spain	European Union
Impairment (reversal) of receivables	**406**	**(6)**	19	-
Impairment of inventory	**989**	**(34)**	123	-
Changes in provisions	**250**	**(3,530)**	756	2,321
	1,645	**(3,570)**	898	2,321

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

Thousands of Euros

	2010			2009		
Area/location	**Assets**	**Liabilities**	**Investments during the year**	Assets	Liabilities	Investments during the year
Spain	**412,094**	**125,969**	**16,044**	404,755	134,118	44,574
European Union	**186,274**	**41,180**	**13,635**	188,299	27,061	9,943
	598,368	**167,149**	**29,679**	593,054	161,179	54,517

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

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

Investments for 2010 and 2009 correspond to additions of property, plant and equipment (see note 4) and intangible assets (see note 5) and do not reflect the value of emission rights allocated for the year (see note 5).

Impairment losses and amortisation and depreciation by segments for 2010 and 2009 are as follows:

Thousands of Euros

	2010		2009	
	Amortisation and depreciation			
Area/location	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Spain	20,011	1,086	17,167	989
European Union	16,531	15	16,695	12
	36,542	1,101	33,862	1.001

5.Property, Plant and Equipment

Details of property, plant and equipment and movement during 2010 and 2009 are as follows:

Thousands of Euros

2010	Balances at 31,12,09	Additions	Disposals	Transfers	Balances at 31,12,10
Cost					
Land and buildings	190,797	1,765	(39)	-	192,523
Plant and machinery	413,969	15,890	(12,203)	8,484	426,140
Moulds	35,931	5,443	(2,746)	-	38,628
Furniture	6,017	206	(513)	52	5,762
Other assets	5,769	142	(301)	-	5,610
Property, plant and equipment under construction	7,118	6,079	-	(8,536)	4,661
	659,601	**29,525**	**(15,802)**	**-**	**673,324**
Depreciation					
Land and buildings	52,796	4,289	(38)	-	57,047
Plant and machinery	217,971	28,220	(12,035)	-	234,156
Moulds	21,884	3,340	(1,898)	-	23,326
Furniture	4,842	437	(513)	-	4,766
Other assets	2,315	256	(287)	-	2,284
	299,808	36,542	(14,771)	-	321,579
Carrying amount	**359,793**				**351,745**

Thousands of Euros

2009	Balances at 31,12,08	Additions	Disposals	Transfers	Balances 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
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 8.4 million and Euros 3.6 million at 31 December 2010 and 2009, respectively (see note 13).

(b) Commitments

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

	Thousands of Euros	
	2010	2009
Plant and machinery	13,871	6,292

(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 21 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 42/1990 of 27 December 1990, subsequently developed in Royal Decree 19/1991 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 4/1997 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 7/1996 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 2010 and 2009 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 recognised under shareholders' equity.

(e) Fully depreciated assets

At 31 December 2010 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 114 million (Euros 116 million in 2009).

(f) Finance leases - lessee

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

	Thousands of Euros	
	2010	2009
Cost	**2,179**	2,179
Accumulated depreciation	**(1,951)**	(1,603)
Carrying amount	**228**	576

Lease instalments payable at 31 December 2010 and 2009 amount to Euros 55 thousand and Euros 310 thousand, respectively (see note 14).

6. Intangible Assets

Details of intangible assets and movement during 2010 and 2009 are as follows:

2010	Thousands of Euros					
	R&D expenses	Goodwill	Emission rights	Software	Work in progress	Total
Cost						
Balances at 31 December 2009	1.037	59.233	7.425	7.884	7	75.586
Additions	84	-	7.006	70	-	7.160
Disposals	-	-	(7.301)	-	-	(7.301)
Balances at 31 December 2010	1.121	59.233	7.130	7.954	7	75.445
Amortisation						
Balances at 31 December 2009	(203)	-	-	(2.245)	-	(2.448)
Additions	(140)	-	-	(961)	-	1.101)
Balances at 31 December 2010	(343)	-	-	(3.206)	-	(3.549)
Carrying amount						
At 31 December 2009	834	59.233	7.425	5.639	7	73.138
At 31 December 2010	778	59.233	7.130	4.748	7	71.896

2009	Thousands of Euros					
	R&D expenses	Goodwill	Emission rights	Software	Work in progress	Total
Cost						
Balances 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)
Balances at 31 December 2009	1.037	59.233	7.425	7.884	7	75.586
Amortisation						
Balances at 31 December 2008	(117)	-	-	(1.361)	-	(1.478)
Additions	(117)	-	-	(884)	-	(1.001)
Disposals	31	-	-	-	-	31
Balances at 31 December 2009	(203)	-	-	(2.245)	-	(2.448)
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

(a) Emission rights

In 2010 an amount of Euros 7,102 thousand (Euros 10,928 thousand in 2009) has been paid to public entities with a charge to the provision for emission rights (see note 18).

The cost of emission rights for 2010, which have been recorded against the corresponding provision (see note 18), amounted to Euros 6,203 thousand (Euros 6,959 thousand in 2009) and corresponds mainly to the estimated consumption of emission rights for 2010 of 466,092 tonnes (436,373 tonnes in 2009).

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:

	No, of rights
2009	542,832
2010	542,832
2011	542,832
2012	542,832

Movement in the number of rights during 2010 and 2009 is as follows:

	Free of charge
Balances at 01 January 2009	36,577
Additions	542,832
Estimated emissions 2009	(436,373)
Adjustments	5,741
Sales	(100,000)
Balance at 31 December 2009	48,777
Additions	542,832
Estimated emissions 2010	(466,092)
Adjustments	(20,680)
Sales	(30,000)
Balance at 31 December 2010	74,837

(b) Impairment and allocation of goodwill to CGUs

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

		Thousands of Euros	
Cash generating unit	Country	2010	2009
Gallo Vidro	Portugal	20,799	20,799
Castellar	Spain	26,155	26,155
Córsico Vetro	Italy	12,279	12,279

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

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

	Growth rate	Discount rate before tax
Gallo Vidro	1.5%	12.53%
Castellar	1.5%	12.15%
Córsico Vetro	1.5%	11.26%

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

Based on the recoverable amounts resulting from the analysis carried out, goodwill is not impaired at 31 December 2010 and 2009. According to the sensitivity analyses performed, if the discount rate applied to the cash flows and the average estimated growth rate were increased and decreased by 10%, respectively, goodwill would remain unimpaired and no impairment losses would have to be recognised on either goodwill or property, plant and equipment.

7. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Derivatives held for trading				
Interest rate swaps	-	-	-	857
Emission right swaps	49	-	178	-
	49	-	178	857
Hedging derivatives				
Interest rate swaps	-	1.581	-	931
Total	49	1.581	178	1.788

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 2010 the notional amount of interest rate swap contracts comprised Euros 57,500 thousand in hedging derivatives. The equivalent amounts in 2009 were Euros 98,333 thousand in hedging derivatives and Euros 81,666 thousand in derivatives held for trading.

Derivatives held for trading

Derivatives held for trading in 2009 corresponded 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, a floating rate.

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 57,500 thousand at 31 December 2010 (Euros 98,333 thousand in 2009). 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)	2010	2009
Interest rate swaps		
Finance expenses	**(1,250)**	(1,319)

Cash flow hedges taken to other comprehensive income amounted to Euros 600 thousand (Euros 557 thousand in 2009) 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

	2010				
			Occurrence of cash flows		
	Carrying amount	Expected cash flows	2011	2012	2013
Interest rate swaps	(1,581)	(1,606)	(756)	(746)	(104)

Thousands of Euros

	2009					
			Occurrence of cash flows			
	Car-rying amount	Expect-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 CO2. However, although they have equivalent underlying values, their market price is not the same.

The 2008-2012 National Allocation Plan provides for the possibility of delivering CERs instead of EUAs in order to comply with annual delivery obligations based on emissions generated up to a maximum of 7.9% 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 2010 is Euros 49 thousand (Euros 178 thousand in 2009).

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 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
	830	(492)	(161)	(101)	34	110
At 31 December 2010	**4,887**	**15,191**	**2,162**	**301**	**3,591**	**26,132**

Deferred tax assets	Tax loss carryforwards	Provisions for personnel	Tax deductions and credits	Financial liabilities	Other	Total
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 other comprehensive income	-	-	-	213	-	213
At 31 December 2009	8,529	1,453	31,803	260	3,277	45,322
Transfer	(675)	-	675	-	-	-
Debit/(credit) to income statement	1,134	(1,090)	(2,553)	-	(1,246)	(3,755)
(Debit)/credit to other comprehensive income	-	-	-	182	-	182
At 31 December 2010	**8,988**	**363**	**29,925**	**442**	**2,031**	**41,749**

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	
	2010	2009
Deferred tax assets	37,994	36,475
Deferred tax liabilities	(26,132)	(25,465)
	11,862	11,010

Deferred taxes on items taken directly to other comprehensive income during 2010 and 2009, corresponding to cash flow hedges, amounted to Euros 182 thousand and Euros 213 thousand, respectively.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2010	2009
Current tax expense		
Present year	9,719	10,040
Prior year adjustments	(1,272)	(74)
Deferred tax liabilities		
Source and reversal of temporary differences	3,865	(1,321)
Deferred income taken to income tax (note 13)	(2,787)	(2,787)
Total	9,525	5,858

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

	Thousands of Euros	
	2010	2009
Profit for the year from continuing operations, net of income tax	59,103	46,567
Tax calculated at the tax rate of each country	15,403	12,559
Deferred taxes from consolidation adjustments	1,236	(745)
Capitalisation of deductions for shortfall in income tax	(2,762)	-
Prior year adjustments	(1,559)	(2,468)
Deferred income taken to income tax (note 13)	(2,787)	(2,787)
Other	(6)	(701)
Income tax expense	9,525	5,858

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 2010 the Company and its Spanish subsidiaries have open to inspection by the taxation authorities all main applicable taxes since 31 December 2005. 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 2010 consolidated annual accounts taken as a whole.

9. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2010	2009
Raw materials	**10,182**	9,385
Auxiliary and production materials	**24,727**	23,871
Finished goods and work in progress	**75,113**	85,272
	110,022	118,528
Valuation allowance	**(3,866)**	(3,731)
	106,156	114,797

At 31 December 2010 and 2009, 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	
	2010	2009
Trade receivables	**104,707**	89,237
Personnel	**1,579**	1,923
Other loans	**399**	191
Less valuation allowances for uncollectibility	**(6,121)**	(5,699)
Total	**100,564**	**85,652**

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 2010 and 2009 trade and trade receivables discounted at banks amount to Euros 7,452 thousand and Euros 4,550 thousand, respectively (see note 14).

At 31 December 2010, personnel includes Euros 119 thousand (Euros 245 thousand in 2009) relating to loans to management personnel which mature in 2011 (see note 26 b).

11. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros	
	2010	2009
Public entities		
VAT	**20,128**	13,989
Grants	**4,997**	-
Other	**73**	490
	25,198	14,479

Details of other current liabilities are as follows:

	Thousands of Euros	
	2010	2009
Public entities		
VAT	**5,848**	5,030
Withholdings and payments on account	**2,623**	2,729
Social Security	**1,561**	1,642
Other	**267**	743
	10,299	10,144

12. Equity

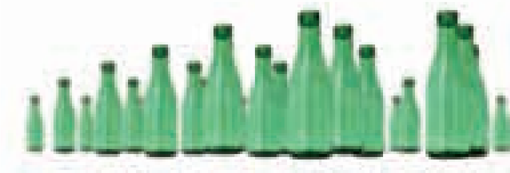
Details of equity and movement during the year are shown in the statement of changes in equity.

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 2010 and 2009 is as follows:

	Number of shares outstanding	Thousands of Euros		
		Ordinary shares	Own shares	Total
At 31 December 2008	22,522,185	23,222	(4,256)	18,966
Acquisition of own shares	(277,892)	-	(4,533)	(4,533)
Sale of own shares	47,941	-	878	878
At 31 December 2009	22,292,234	23,222	(7,911)	15,311
Share capital increase	1,138,332	1,161	-	1,161
Acquisition of own shares	(281,800)	-	(4,876)	(4,876)
Sale of own shares	188,938	-	3,120	3,120
At 31 December 2010	**23,337,704**	**24,383**	**(9,667)**	**14,716**



At 31 December 2010 the share capital of Vidrala, S.A. is represented by 23,904,957 ordinary shares (22,766,625 in 2009) 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.

As agreed by the shareholders of Vidrala, S.A. at their annual general meeting held on 17 June 2010, the Company increased its share capital by Euros 1,161 thousand with a charge to freely distributable reserves.

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 own 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 granted by the shareholders at their general meeting on 21 June 2007, and reduce share capital to redeem own 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 17 June 2010, the shareholders agreed to authorise the directors to carry out a derivative acquisition of own shares either directly or indirectly through group companies in accordance with article 75 of the Spanish Companies Act, thus rendering null and void the authorisation granted by the shareholders at their annual general meeting held on 18 June 2009, and reduce share capital to redeem own shares.

In 2010 and 2009, 281,800 and 277,892 Parent company shares, respectively, were acquired on the organised market for Euros 4,876 thousand and Euros 4,533 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.

At the annual general meeting of Vidrala, S.A. held on 17 June 2010, the shareholders agreed to authorise the directors to carry out a derivative acquisition of own 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 granted by the shareholders at their annual general meeting held on 18 June 2009, and reduce share capital to redeem own shares.

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 2010 the strategy has not changed compared to 2009, and the ratios for 2010 and 2009 have been determined as follows:

	Thousands of Euros	
	2010	2009
Total equity	**287,190**	251,588
Total equity and liabilities	**699,357**	697,623
Total equity/total equity and liabilities	**41.06%**	36.06%

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

This calculation was performed as follows:

	Thousands of Euros	
	2010	2009
Net financial debt	**218,884**	256,600
Equity	**287,190**	251,588
Debt ratio	**0.76**	1.02

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

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

As these reserves are freely distributable, the Company transferred an amount of Euros 1,161 thousand to share capital in 2010 (Euros 1,106 thousand in 2008).

(c) Legal reserve

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

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

(d) Reserves in fully consolidated companies

Details of reserves in fully consolidated companies at 31 December 2010 and 2009 are as follows:

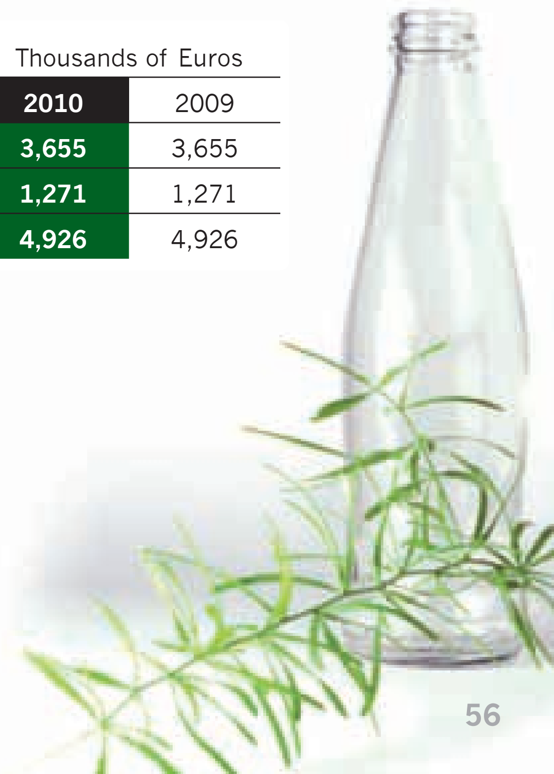
	Thousands of Euros	
	2010	2009
Company or subgroup		
Crisnova Vidrio, S.A.	**42,031**	41,637
Inverbeira, Sociedad de Promoción de Empresas, S.A.	**11,541**	11,232
Gallo Vidro, S.A.	**22,699**	18,994
Aiala Vidrio, S.A.	**4,960**	4,276
Castellar Vidrio, S.A.	**2,183**	(2,309)
Córsico Vetro, S.r.l.	**(2,218)**	(2,689)
MD Verre, S.A.	**(284)**	(1,903)
Investverre, S.A.	**(1,022)**	1,064
Oméga Inmobiliere et Fináncière, S.A.	**(3,789)**	411
CD Verre	**68**	(26)
	76,169	70,687

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

	Thousands of Euros	
	2010	2009
Legal reserve	**10,559**	8,425
Revaluation reserves	**4,926**	4,926
Goodwill reserve	**2,499**	375
	17,984	13,726

Revaluation reserves correspond to the following:

	Thousands of Euros	
	2010	2009
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 2010 and 2009, 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 2008	(169)	47	(122)
Income and expenses generated during the year	(1,319)	369	(950)
Reclassification to profit or loss	557	(155)	402
Balances at 31 December 2009	(931)	261	(670)
Income and expenses generated during the year	(1,250)	350	(900)
Reclassification to profit or loss	600	(168)	432
Balances at 31 December 2010	**(1,581)**	**443**	**(1,138)**

(f) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders during 2010 amounted to Euros 11,578 thousand (Euros 11,106 thousand in 2009), which is equivalent to Euros 0.5163 per share (Euros 0.4917 per share in 2009). The dividends reflect the distribution of 2009 profit and interim dividends.

The distribution of company profits and reserves for the year ended 31 December 2009, approved by the shareholders at their annual general meeting held on 17 June 2010, was as follows:

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

On 21 December 2010, the directors agreed to distribute an interim dividend of Euros 0.3973 per share to shareholders, totalling Euros 9,278 thousand and payable on 15 February 2011.

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

The proposed distribution of 2010 profit and other Parent company reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

Basis of allocation	Thousands of Euros
Profit for the year	38,084
Distribution	
Legal reserve	232
Other reserves	25,195
Interim dividend	9,278
Dividend	3,379
	38,084

The proposed distribution of dividends is equivalent to a dividend of Euros 0.5421 per share.

13. Deferred Income

Details of the balance of this caption are as follows:

	Thousands of Euros	
	2010	2009
Capital grants (note 5(a))	**8,436**	3,566
Tax credits for investments	**23,122**	25,909
Other	**317**	62
	31,875	29,537

During 2010 the Group incorporated additional capital grants amounting to Euros 6,248 thousand (Euros 420 thousand in 2009), of which Euros 1,378 thousand was taken to income during the year (Euros 731 thousand in 2009) (see note 21).

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 2010 and 2009, respectively (see note 8).

14. Loans and Borrowings

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

	Thousands of Euros			
	2010		2009	
	Non-current	Current	Non-current	Current
Loans and borrowings	**121,429**	**80,785**	179,367	71,617
Discounted notes pending maturity (note 10)	**-**	**7,452**	-	4,550
Other financial liabilities	**8,870**	**-**	1,574	-
Finance lease payables (note 5)	**-**	**55**	46	264
Interest accrued	**-**	**295**	-	1,630
	130,299	**88,587**	180,987	78,061

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

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

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

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

Some of these contracts contain financial covenant clauses. At 31 December 2010 and 2009 the Group complies with these ratios.

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

On 1 July 2010 a contract was signed with a financial entity whereby the Group sold it emission rights for an amount of Euros 7,086 thousand. Simultaneously, a forward contract maturing on 25 December 2010 was signed with the same entity to repurchase these rights for Euros 7,659 thousand. The financial liability on this transaction has been recognised under other non-current financial liabilities for an amount of Euros 7,195 thousand, which corresponds to the amounted obtained on the sale plus the effective interest accrued on the transaction.

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2010	2009
Between 1 and 2 years	56,483	53,789
Between 2 and 5 years	66,990	102,102
More than 5 years	6,826	25,095
	130,299	180,987

The average effective interest rates on bank loans and borrowings at the consolidated balance sheet are approximately 1.84% and 2.29% APR for 2010 and 2009, 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 366 million and Euros 338 million at 31 December 2010 and 2009, respectively, while discounted notes are limited to Euros 22 million and Euros 15 million.

15. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2010	2009
Trade payables	66,134	62,404
Salaries payable	12,280	10,070
Dividends to shareholders	9,278	8,438
Fixed asset suppliers	4,095	31
Other payables	733	780
	92,520	81,723

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

16. Information on Deferred Payments to Suppliers. Third Additional Provision of Law 15/2010 of 5 July 2010: "Reporting Obligation"

Balances payable under Law 15/2010 of 5 July 2010 which at the 2010 reporting date are past due by more than the period provided for in this Law, amount to Euros 316 thousand, which is equivalent to 0.3% of total accumulated balances payable at the reporting date to suppliers subject to this Law.

17. Risk Management Policy

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

Operational risk

The Company carries out process-intensive industrial activity which is subject to inherent risks linked to routine operations. In 2010, work on the review, evaluation and definition of business risks defined as operational and documented in a risk map, initiated in 2009, was intensified. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimize their potential adverse effects.

Financial risk

Additionally, the global business environment in which the Group operates and the growing scale of its activities are exposed to potentially destabilising elements of an external nature. These financial risks mean explicit control mechanisms must be implemented each year in our business risk management policies.

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

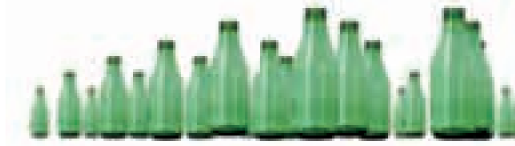
The most relevant financial risks identified are as follows:

Currency risk

The Group operates at international level, and is therefore exposed to currency risk on foreign currency operations. Nevertheless, our currency risk is limited to future commercial transactions, mainly the supply of raw materials contracted in US Dollars, the amounts of which may be affected by currency fluctuations. Financial management monitors currencies and takes decisions on hedging exchange rates in order to limit the potentially adverse effect that fluctuations could have on forecast results. 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, the Group uses derivative instruments, principally forward foreign exchange contracts.

As regards total forecast imports of raw materials in US Dollars for 2011, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately -0.3%.

As the interest rate hedges are only used to hedge purchases of specific raw materials at pre-determined amounts, the disclosures recommended by accounting standards which affect the balance sheet, and which would contribute relevant information for those who have assets subject to this risk, are not detailed.



Interest rate risk

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

The Group's financing policy is to focus its borrowings on floating rate instruments. The Group manages interest rate risks in cash flows through floating-to-fixed interest rate swaps. These interest rate swaps convert floating interest rates on borrowings to fixed interest rates. Generally the Group obtains long-term borrowings with floating 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 and floating interest with other financial entities. The difference is calculated based on the contracted notional amount. The effectiveness of these swaps as regards fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates during 2010 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.4% lower due to the higher borrowing costs of variable rate debt. The sensitivity of consolidated profit after income tax to fluctuations in interest rates is lower in 2010 than in 2009 due to the reduction in the Group's total 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 in order to minimise the risk of default. This control process involves ongoing solvency analysis, setting specific, assumable limits for each customer considering variables such as the segment or geographical area in which they operate and preparing detailed individual ratings typical of credit control systems.

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

Aged, non-impaired receivables at 31 December 2010 amount to Euros 13.8 million, of which Euros 1.2 million is past due by over 90 days (Euros 9.6 million and Euros 1.8 million, respectively, at 31 December 2009).

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 financing through undrawn credit facilities. At 31 December 2010 the Group had Euros 164 million in immediately available, undrawn credit, representing more than 70% of total debt.

Details of the Group's exposure to liquidity risk at 31 December 21010 and 2009 are shown below. The tables reflect an analysis of financial liabilities by contractual maturities:

Thousands of Euros

	2010					
	1 year	2 years	3 years	4 years	5 years	There-after
Loans and borrowings	95,312	63,800	39,533	29,133	10,767	3,042
Trade and other payables	92,520	-	-	-	-	-

Thousands of Euros

	2009					
	1 year	2 years	3 years	4 years	5 years	There-after
Loans and borrowings	86,744	61,500	64,933	39,533	24,367	3,875
Trade and other payables	81,723	-	-	-	-	-

Price risk in supplies of energy and raw materials

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

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

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

18. Provisions

The movement in provisions during 2010 is as follows:

	Thousands of Euros			
	Emission rights	Personnel	Other provisions	Total
At 31 December 2009	6,988	1,998	17,219	26,205
Charge against profit and loss	6,203	714	-	6,917
Payments	(7,102)	(547)	-	(7,649)
Write-offs	(73)	-	-	(73)
Transfers	-	(284)	(98)	(382)
At 31 December 2010	**6,016**	**1,881**	**17,121**	**25,018**

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 recognised for the amounts payable to the workers under the commitments, which were based on actuarial studies. This provision amounted to Euros 252 thousand and Euros 268 thousand at 31 December 2010 and 2009, respectively. Additionally, at 31 December 2010 and 2009, the provision for personnel included Euros 1,379 thousand and Euros 1,445 thousand, respectively, for commitments with personnel from other group companies in accordance with the legal requirements of the country of origin (see note 3.n). The provision for this last item was calculated based on an actuarial study, the most important assumptions of which are as follows:

	2010	2009
Annual discount rate	3.70%	3.90%

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

The provision for emission rights includes the estimated consumption of emission rights in 2010 and 2009 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		
	2009	**Payments**	**2010**
Provision for claims	872	(872)	-
Other provisions	3,500	(3,500)	-
Other	10	(10)	-
	4,382	**(4,382)**	-

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

19. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 9,094 thousand (Euros 4,194 thousand in 2009). These guarantees mainly comprise those extended to public entities for commitments assumed. The Group's directors do not expect any significant liabilities to arise from these guarantees.

20. Environmental Information

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

The total cost of initiatives taken by the Vidrala Group in 2010 to comply with the Kyoto Protocol and emissions analysis amounted to Euros 129 thousand (Euros 90 thousand in 2009).

Environmental expenses mainly related to waste management incurred during 2010 totalled Euros 820 thousand (Euros 661 thousand in 2009).

Environment-related plant investments came to Euros 5,724 thousand (Euros 6,612 thousand in 2009).

21. Revenue and Other Income

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

Details of other income are as follows:

	Thousands of Euros	
	2010	2009
Insurance compensation	**-**	65
Operating grants	**541**	847
Capital grants taken to income (note 13)	**1,378**	731
Grants for emission rights	**6,886**	8,639
Surplus of unapplied provisions	**-**	1,249
Reversals of losses from uncollectable trade and other receivables (note10)	**100**	1,347
Other income	**1,387**	639
	10,292	13,517

22. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2010	2009
External services	**18,155**	18,586
Electricity	**19,957**	20,989
Sales expenses	**40,426**	36,433
Emission rights (note 18)	**6,203**	6,959
Taxes	**1,272**	1,254
Impairment and uncollectibility of trade and other payables (note 10)	**500**	929
Provisions (note 18)	**-**	4,603
Other operating expenses	**6,042**	4,783
Losses on sale of property, plant and equipment	**117**	528
	92,672	95,064

23. Employee Benefits

EDetails of employee benefits during 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	2009
Wages and salaries	**72,098**	72,198
Contributions to defined contribution plans	**256**	669
Other employee benefits	**18,154**	17,910
Contributions to other long-term employee benefits (note 18)	**714**	574
	91,922	91,351

The average headcount of the Group during 2010 and 2009, distributed by category, is as follows:

	Average headcount	
	2010	2009
Senior management	**33**	33
Middle management	**195**	196
Clerks	**256**	267
Operatives	**1,420**	1,456
	1,904	1,952

24. Finance Income and Expenses

Details of finance income and expenses are as follows:

	Thousands of Euros	
Finance income	**2010**	2009
Finance income from assets carried at amortised cost	**-**	75
Other finance income	**1,308**	473
Derivative financial instruments held for trading:		
Emission right swaps	**122**	45
Interest rate swaps	**-**	849
Exchange gains	**23**	373
Total finance income	**1,453**	**1,815**

	Thousands of Euros	
Finance expenses	**2010**	2009
Interest on loans and borrowings	**3,734**	7,153
Derivative financial hedging instruments	**600**	557
Derivative financial instruments held for trading:		
Interest rate swaps	**-**	1,374
Foreign currency forwards	**-**	211
Other finance expenses	**947**	721
Total finance expenses	**5,281**	**10,016**

25. Earnings Per Share

(a) Basic

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

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

	2010	2009
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	**49,578**	40,924
Weighted average of ordinary shares outstanding (thousands)	**23,388**	23,431
Basic earnings per share (Euros per share)	**2.12**	1.75

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

	2010	2009
Ordinary shares outstanding at 1 January	**22,292,234**	22,522,185
Effect of own shares	**(42,875)**	(229,681)
Free issue	**1,138,332**	1,138,322
Weighted average number of ordinary shares outstanding at 31 December	**23,387,691**	23,430,836

(b) Diluted

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

26. Balances and Transactions with Related Parties

(a) Trade operations

During 2010 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. 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 1,347 thousand and Euros 119 thousand, respectively (Euros 1,667 thousand and Euros 245 thousand in 2009).

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

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

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

The members of the board of directors and any individuals related to them 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 2010	2009
Salaries and other current remuneration paid to employees, management and directors	**4,880**	5,488

During 2010 directors and senior management numbered 46 in total (44 in 2009).

(e) Remuneration of the directors of VIDRALA

The Company has not extended any amounts to the members of the board of directors in respect of guarantees, advances or loans or any pension-related rights. Total remuneration accrued by the board during the year, including salaries, allowances and other items, amounted to Euros 924 thousand (Euros 894 thousand in 2009).

27. Audit Fees

The firm auditing the annual accounts of the Group have accrued net fees for professional services during the years ended 31 December 2010 and 2009 as follows:

	Thousands of Euros 2010	2009
Audit services	**119**	117
Other services	**4**	4
	123	**121**

These amounts include all fees for services rendered during 2010 and 2009, irrespective of the date of invoice.

Other companies of the KPMG Europe, LLP group have invoiced the Group net fees for professional services during the years ended 31 December 2010 and 2009 as follows:

	Thousands of Euros 2010	2009
Audit services	**34**	34
Other services	**44**	13
	78	**47**

Other entities affiliated to KPMG International have invoiced the Group fees for professional audit services during the years ended 31 December 2010 and 2009 amounting to Euros 60 thousand (Euros 60 thousand in 2009).

During 2010, other auditors have invoiced the Group fees of Euros 42 thousand (Euros 41 thousand in 2009) for professional services, mainly audit services.

ANNUAL REPORT 2010
MANAGEMENT REPORT

Introduction: Economic background

2010 has corroborated the slow but sure global economic recovery initiated in the second half of 2009. As in this latter period, worldwide growth has been driven by cyclical demand in emerging economies, particularly in the BRIC quartet, from which other major developed economies such as the USA or Germany have benefitted.

This is reflected in the gradual, although as yet unsustained upturn in corporate results, which at any rate continues to benefit more from efficiencies achieved through cost control or successful sales diversification strategies than from a marked resurgence in end demand.

Nonetheless, events such as disputes over currency devaluations to stimulate the competitiveness of certain economies or, in particular, the sovereign debt crisis in Europe, made for an especially difficult year in macroeconomic terms.

While the global economy marched on the road to recovery, the euro zone was thrown into turmoil. Doubts over the health of the financial sector and the sustainability of public accounts in certain countries, coupled with the initial lack of firm institutional decisions to resolve the sovereign debt crisis, created unprecedented tensions in the financial markets. As an initial response, a substantial rescue package for EU economies in financial difficulties was approved in May. Faced with no other alternative, Greece duly sought aid from this package. In the second phase, rolled out in the last quarter amid a deteriorating financial sector and renewed doubts over governments' effectiveness at tackling the problem, Ireland also requested a bail out. The obvious difficulties faced by certain governments such as Portugal in meeting their fiscal consolidation targets, or attaining sufficient growth rates to service their debt, such as Spain, Italy and possibly other member states, meant aggressive plans had to be adopted based on public spending cuts and raising tax revenue.

Nonetheless, even though tensions in the European financial markets worsened as the year progressed, the green shoots of recovery began to appear in all regions, thus demonstrating the gap between actual economic and financial activity. In effect, the fifteen members of the euro zone recorded a combined annual economic growth of 1.7% during 2010. As was to be expected, the most solid performance was seen in central Europe, with GDP in Germany up 3.6%, followed by Belgium with 2.0%, France 1.6%, Portugal 1.2%, Italy 1.1%, while Spain ultimately managed to limit its drop in GDP to -0.1%. In all cases, the tone was positive during the year and in line with global trends.

World economic growth
(real GDP, YoY 2010/2009)

World	**3.9%**
Developed countries	**2.8%**
Emerging countries	**7.0%**
Euro area (15)	**1.7%**

Source: World Bank, Eurostat

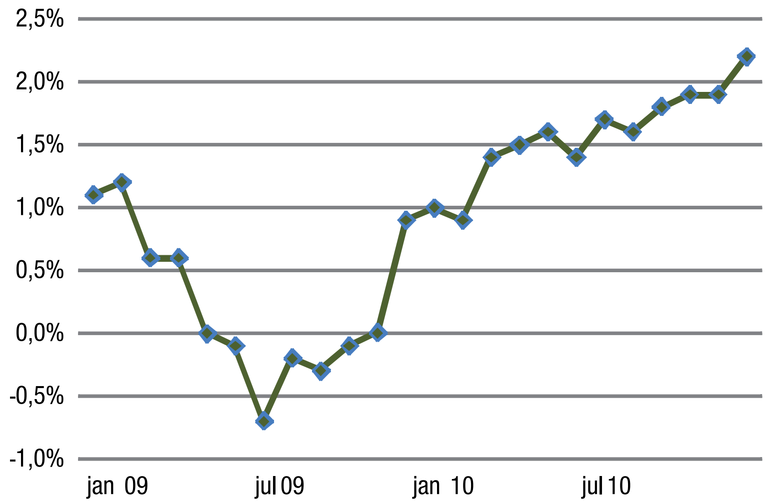
Healthy consumer spending contributed to this growth. Although unemployment remains high, 9.9% in December 2010 in the euro zone, consumer spending was strong, with private expenditure up 0.7% in the region. Even the weakest areas from a macroeconomic perspective saw increased spending, with Spain and Portugal up 0.6% and 0.5%, respectively.

The gradual rise in inflation took countries by surprise. Prices of raw materials and basic foodstuffs began to creep upwards in the second half of the year, driven by demand from emerging economies and their short-term appeal as financial assets as a result of unprecedented global liquidity conditions. Energy prices also suffered, with the barrel of Brent crude rising by 22% during the year to USD 95 in December. This was gradually reflected in general price indicators, which by December had far outstripped the modest economic growth. Although the year-on-year consumer price index (CPI) for the euro zone as a whole had risen by 2.2% in December, countries such as Spain and Portugal experienced higher rises of 3.0% and 2.5% respectively, which could hamper the recovery of competitiveness in these economies.

Analysing currency fluctuations, the lack of internal demand in certain developed countries meant monetary policies favouring currency depreciation had to be adopted, particularly in the US and Japan, which triggered instability in the currency markets. Tensions over the sustainability of the European financial system inevitably affected the Euro, which dropped 3% against the Pound Sterling, 19% against the Japanese Yen and 7% against the US Dollar, ultimately ending the year at USD 1.33 having dipped to USD 1.20 midyear. The effect of the depreciation of the European currency is twofold: higher imported inflation for European manufacturers, while also benefitting its markets thanks to the greater competitiveness of end exports.

The outlook for 2011 is that the slow but sure growth of the last 12 months should gradually bring activity levels back to normal in 2011and 2012.

Oil prices
Brent in USD per barrel. 2009-2010.



CPI of the euro zone
Monthly year-on-year variation. 2009-2010.

While emerging economies, driven by domestic demand, have paved the way for recovery, most developed countries have been playing catch up and are now facing a period of moderate growth with certain weaknesses, mainly due to the high level of unemployment, the effects of austerity measures and the as yet incomplete restructuring of the financial sector.

In the euro zone, the key could be to identify the extent to which economies having to make the greatest adjustments to overcome internal imbalances are able to absorb their effects and boost recovery.

Nonetheless, the outlook is undoubtedly better than one year ago, and 2011 should see continued growth across all regions of Western Europe. The IMF has predicted growth of 1.7% for the fifteen members of the euro zone, which is similar to 2010, on the back of greater consumer spending and investment, and a cut in public expenditure across the board, including France and Germany.

Finally, Europe should continue benefitting from external demand. Greater competitiveness, coupled with a stronger than expected Euro and the geographical diversification of certain companies, should permit sufficient growth to create employment in the medium term. In any event, the threat of inflation must not be allowed to hamper the upturn in corporate competitiveness. In order for the recovery measures to take full effect, access to credit, currently restrictive and expensive, must be made available once restructuring of the banking sector has concluded.

Vidrala, S.A. in 2010

In line with the global economic recovery, Vidrala's operating and financial indicators have also improved in all areas of activity, with profitability up on levels prior to the waning global recession.

A summary of the most relevant events during 2010 is as follows:

- **Improved sales volumes, with consolidation of market shares in European countries**
- **Restriction of production capacity based on prevailing demand**
- **Substantial improvement in our industrial efficiency indicators**
- **Recovery of Belgian operations to normal levels after conclusion of the restructuring process**
- **Modernisation and incorporation of the latest technologies for one of the three fusion furnaces of Aiala Vidrio, S.A.**
- **Occupational safety certification (OSHAS) of our Aiala Vidrio and Crisnova Vidrio production plants**
- **Food safety certification of our MD Verre and Corsico Vetro plants, meaning all our plants now have this certification**
- **Higher operating profit, with the best margins for the last 5 years**
- **Significant generation of net cash flows, allowing us to reduce bank debt by Euros 40.16 million to 2.2 times EBITDA for the year**

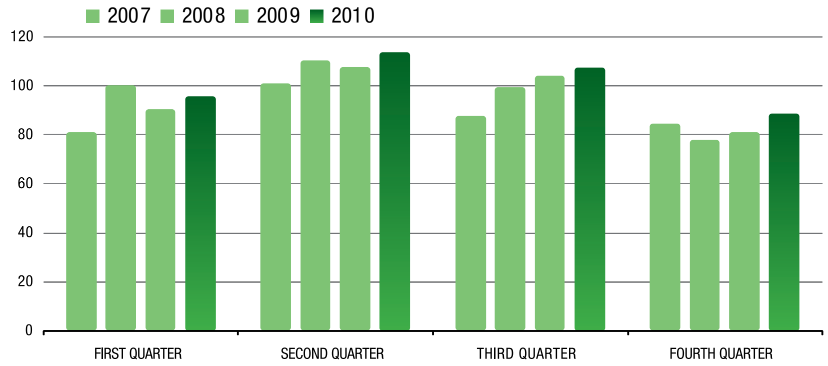
Commercial activity

Turnover is up 6.15% on the prior year, which is the best indicator of the healthy state of our business and proof of the determination with which we have weathered the last two years of economic slowdown. It is evident that the benefits of the internationalisation strategy implemented in recent years have been the main driver behind these results.

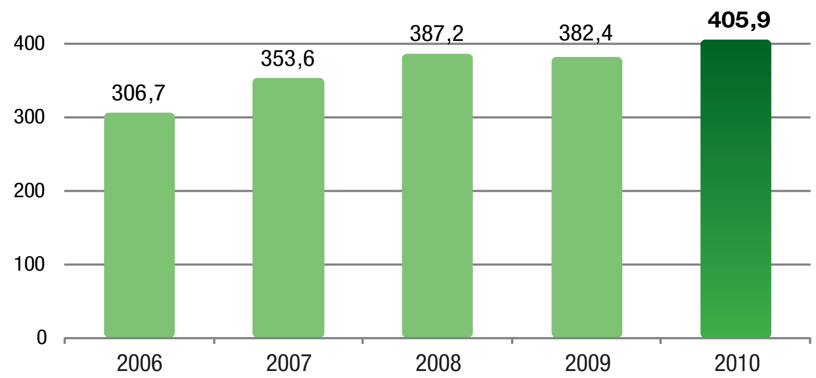
Accumulated sales for 2010 amounted to Euros 405.9 million (Euros 382.4 million in 2009). Growth has been fed by the upturn in sales volumes, as sales prices have been maintained on account of the general economic climate, and contained average inflation of the cost of production inputs last year.

As regards market share, turnover from companies outside Spain and Portugal accounted for 40% of total growth for the year, with 83.2% attributable to markets outside Spain and Portugal in line with the better economic recovery of these countries.

SALES
QUARTERLY SINCE 2007
In millions of Euros



SALES
ACCUMULATED ANNUAL SALES SINCE 2007
In millions of Euros



Industrial activity

2010 saw a considerable increase in Group production levels. The volume of tonnes produced rose by 5.75% compared to 2009, of which 4.91% is attributable to improvements in the plant utilisation efficiency ratio. In this regard, the Catalonia and Belgian plants have reported the best figures compared to 2009 as they are still immersed in the convergence and integration process to bring them into line with standard group production levels.

During the year we limited our production capacity to 85%, when in 2008 we operated at almost full capacity. However, the upturn in demand confirmed during the year means we can be optimistic and consider returning to full capacity in the medium term.

Contrary to what happened to us in 2009, production costs behaved well during the first half of the year, but deteriorated towards the end of the year, mainly due to the higher energy prices referred to in the macroeconomic section of this report.

Nonetheless, the necessary adaptation of production to below installed capacity in line with actual demand prevented operating margins from improving even further due to the leveraging of overheads.

In light of the above-mentioned, industrial management has focused on the following:

- **Improving productivity ratios (pack to melt) of the least efficient plants**

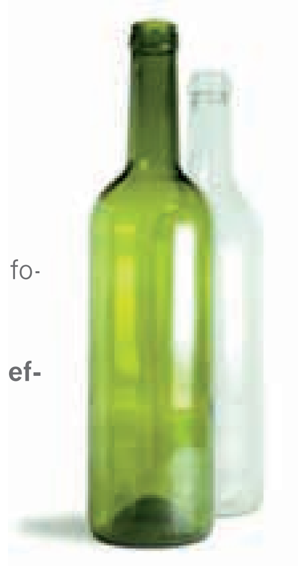
- **Reducing the consumption of inputs**

- **Converging plants based on best practices**

- **Greater control of the investment plan**

- **Optimally adapting staff to industrial resources, with considerable improvements in productivity**

- **Detailed planning of unused production capacity start up for the coming years**



In these times in which competitiveness and productivity are two key factors which could signal the way out of the crisis, our R&D strategy plan, drawn up in 2009, is more relevant than ever. Innovation work has continued on the type of products we want to offer the market (with the launch of 14 new products), and developments have focused on making containers lighter and more versatile. **New developments include a new container line called Natura.**

112 projects have been developed this year in the area of product design, of which 47 have been approved. Numerous changes have also been made to existing models, 99 in total, in order to improve container performance and satisfy the increasing quality demands of our customers.

The design and implementation of the Industrial Systems Plan to complement the SAP management system has been ongoing, and has involved and will continue to involve substantial time and resources. With this we intend to give industrial management a significant boost through full, and above all flexible integration, thus enabling us to anticipate and adapt ourselves to sales, quality and other requirements.

On a final note, during the year we modernised one of the furnaces at our Aiala Vidrio plant. We have taken advantage of these investments to install the latest available technologies to obtain significant energy cost savings and reduce our impact on the environment, thus ensuring a sustainable future (implementation of leading primary technology to reduce gas emissions and continuous emissions measurement, to name but a few), the latter of which is always associated with our sector.

Investments entering into service during the year amounted to Euros 29.6 million.

R&D&i

Development continued on our strategic innovation plan 2008-2011, although this year has been particularly difficult with the sudden demise of our Innovation Director Alex Uriarte.

Despite his poignant passing, work continued on significant improvement projects in the following four main areas:

Technological monitoring: whether integrated in processes similar to ours or fundamental technology that can be incorporated into new developments.

Plant participation: involvement of plants in the search for new solutions, generating the conditions necessary to promote innovation stemming from and developed within the plants.

Incubation of ideas/projects: concerning process technology.

Promotion of Solutions: prepare a catalogue of technological products and solutions “by Vidrala”.

Within the above-mentioned areas of innovation development, emphasis has been placed on projects focused on:

Ergonomics and labour conditions

- Optimised layouts
- More intelligent, reliable and safe installations
- Automation of repetitive tasks

Energy efficiency

- More efficient installations
- Monitoring and warning of energy consumption in each phase of our production process

Glass/product

- Promote research into the physical/chemical properties of glass
- Improve end product quality
- Make products lighter
- Make products more impact resistant
- New designs
- Traceability

Profitability

- Investment solutions with a faster rate of return to promote creativity and contribute ideas
- Optimise the cost/benefit ratio of all projects for development

Productivity

- Enhance product quality and plant performance
- Search for best practices within the different production centres of the Group
- Seek different practices in industrial sectors
- Monitor different consumption patternss

The cost of investment in innovation during 2010 amounted to approximately Euros 3.5 million, which is similar to 2009.

Environment

This year we have prepared our sustainability report for 2010.

This supplementary report documents and assesses the results of our demanding and effective environmental management policy. The complete document can be found at our website **www.vidrala.com.**

Quality

In 2009, in the full throes of recession, we noticed a patent, significant increase in the demand for quality from our customers, and from consumers in general, in all segments at which our products are aimed. This led us to make quality management one of our focal points as regards competitiveness.

Initiatives launched the previous year had a positive impact on 2010 results, with a 17% drop in customer complaints compared to the prior year, despite the ever increasing requests from customers for non quality-related costs of all production processes to be eliminated.

The internal survey conducted to measure the level of satisfaction of our customers and their perception of the competition resulted in the best ratings ever, and we were in fact rated above our competitors.

The improved awareness and visibility of all our operating areas towards quality, coupled with the quality and food safety certifications obtained by all the Group's plants, are the key factors behind this improved rating.

Work continued during the year on adapting our plants to the requirements which guarantee the quality and safeness of our containers for the food industry. In 2010, Corsico Vetro was awarded ISO 22000 certification, while the systems ensuring that products manufactured at our MD Verre plant are safe for use by the food industry received ISO 9001 and ISO 22000 certification.

Finally, our Quality Management System must be based on an adequate policy of constant improvement and we should strive to eliminate all defects from our products. From an analysis of problems in 2010, 90% would not occur if our quality culture (following established procedures and implementing improvements to previously identified problems) were duly observed, and there is obviously considerable room for improvement which lies in our hands.

Human resources

As mentioned in the section on the environment, the main indicators related to personnel management in 2010 are included in our sustainability report.

In any event, a summary of the main initiatives taken in this area is as follows:

Labour relations:

- Conclusion of the process for adapting human resources to MD Verre, S.A.'s production capacity, with the loss of 69 jobs. The restructuring process has been carried out satisfactorily, as routine manufacturing and sales activity were not affected and all pre-negotiation targets (number of workers affected, cost of the process, better working environment) were met.
- Negotiation of the Castellar Vidrio S.A., collective labour agreement, which was successfully concluded at the end of the year.
- Negotiation of the MD Verre, S.A., collective labour agreement, which was successfully concluded in the last quarter.
- Other important projects:
    - Internal benchmarking to establish optimal workforces in the Group's production units
    - Special plan to reduce absenteeism from work

Training and development:

- Development of the first two phases of the Job Analysis and Description project. This project will entail people's skills being optimally adapted to the requirements of the function they are required to perform. This will enable training programs to be better designed to improve each person's performance in their role and will ultimately guide them along their career paths within the organisation
- Publishing of the technical process manual, resulting in better organisation of the knowledge and know how of our technical and production personnel
- Development of the press and blow method training plan for workers at the MD Verre plant and successful implementation of this production process at the plant
- There has been a flurry of activity aimed at focusing all our subsidiaries towards two basic objectives: the generation of a common culture and identity, thus facilitating communication and the exchange of ideas, and, based on this, the application of effective benchmarking to allow the most efficient practices to be implemented in the Group as a whole. This has essentially involved obtaining standard technical equipment to support the standardisation strategy for Industrial and Quality processes. This initiative required an investment of 81,560 hours throughout the year, which is 15.5% more than the prior year, and equivalent to over 45 hours per group worker.

Health and safety in the workplace:

OSHAS-18000 certification of our Aiala Vidrio and Crisnova Vidrio plants, in acknowledgement of the fact that the model implemented in the Group reflects a demanding organisation and our firm commitment to safety in the workplace.

Organisation and communication:

Drafting of a Group Internal Communication Plan covering a series of developments in different formats in order to inform all workers of what is happening in our organisation.

Design of the new Control and Access Plan to our plants, which will be implemented during 2011.

Improvement of Attendance Control at our work centres in Italy and Belgium.

Corporate social responsibility:

- For the first time, we have included a specific section in our sustainability report related to social responsibility initiatives.
- Open days were held at our plants in Portugal and Italy for workers and their families. These events continue to be highly rated by group personnel and significantly reinforces their sense of belonging to our project.

Information systems:

- Work has continued on developing and implementing the new operating and industrial activity management platform, due for completion in 2012.
- The permanent workforce at year end numbered 1,724 employees.

Economic Activity

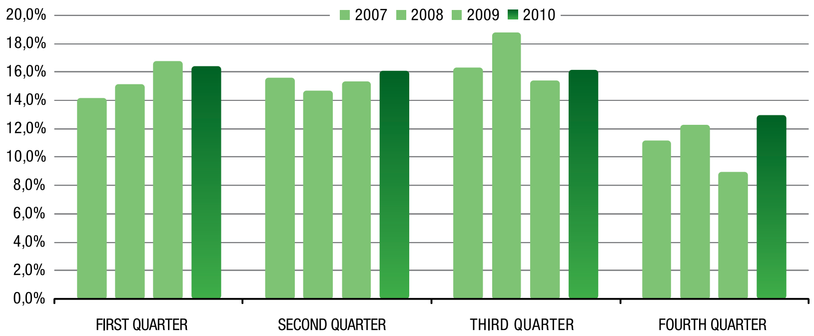
Our targets for 2010 were based on the following assumptions:

- Recover market growth, above economic growth in general
- Improve productivity
- Offset the decline in margins due to undercapacity with improved operating efficiency

In order to achieve this, we set ourselves three goals:

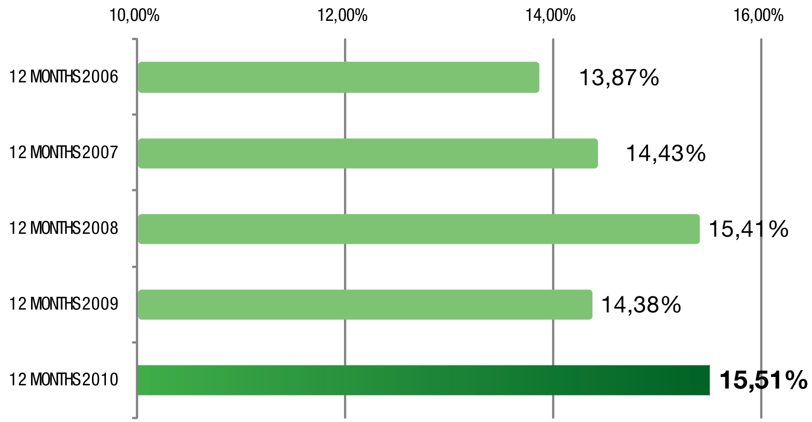
- Improve operating margins
- Generate net cash flow to reduce our reliance on external financing
- Improve the return on capital employed (ROCE)

OPERATING MARGINS
QUARTERLY SINCE 2007
Operating profit (EBIT) as a percentage of sales



In the analysis of sales and industrial activity, we already mentioned the progress and improvements which have enabled us to achieve the three targets of business growth, productivity and efficiency, with result that net operating profit (EBIT) has risen by 14.46% to Euros 62.9 million (Euros 55 million in 2009).

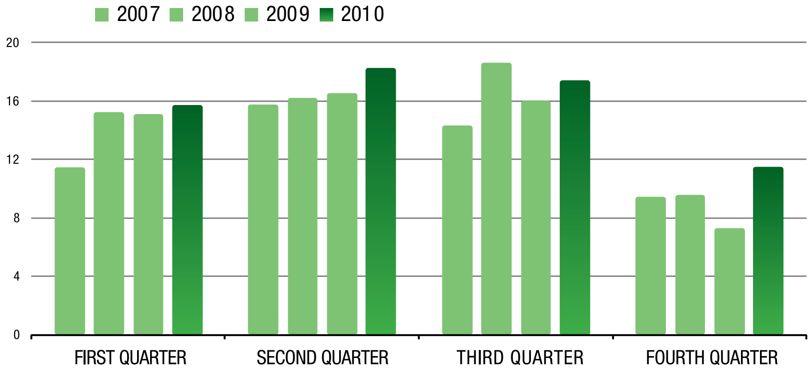
OPERATING MARGINS
ANNUALLY SINCE 2006
Operating profit (EBIT) as a percentage of sales



These operating results entail a sales margin of 15.51%, the highest in the last five years and 104 basis points up on the prior year.

These results from operating activity show the strength and less cyclical nature of our business in the face of exceptionally harsh economic environments.

OPERATING PROFIT (EBIT)
QUARTERLY SINCE 2007
In millions of Euros

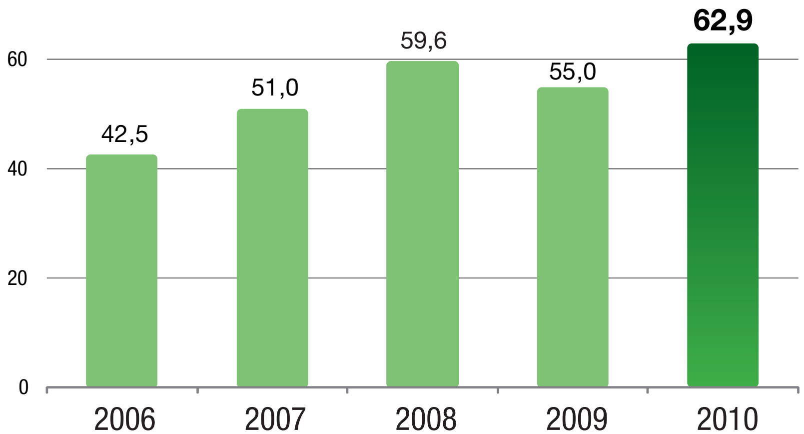


These operating results combined with low interest rates and the significant effort in cleaning up our balance sheet through contained investment, resulted in profit net of income taxes of Euros 59.1 million, which is 26.3% up on 2009.

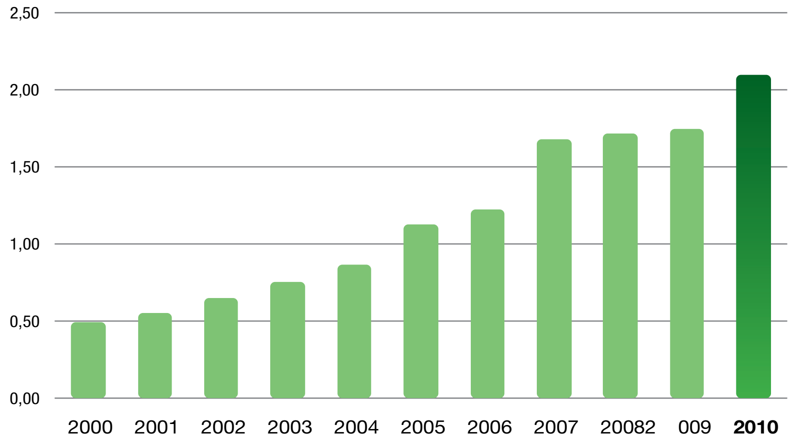
Finally, disciplined and efficient tax management has enabled us to post net profits of around Euros 49.578 million (Euros 40.92 million in 2009), a new record for the Group. Plants immersed in integration processes which achieved historic efficiency rates played a key role.

Dividends have risen constantly over the past decade, despite the deterioration in the economy and the substantial efforts to consolidate corporate growth.

OPERATING PROFIT (EBIT)
ANNUAL ACCUMULATED SINCE 2007
In millions of Euros



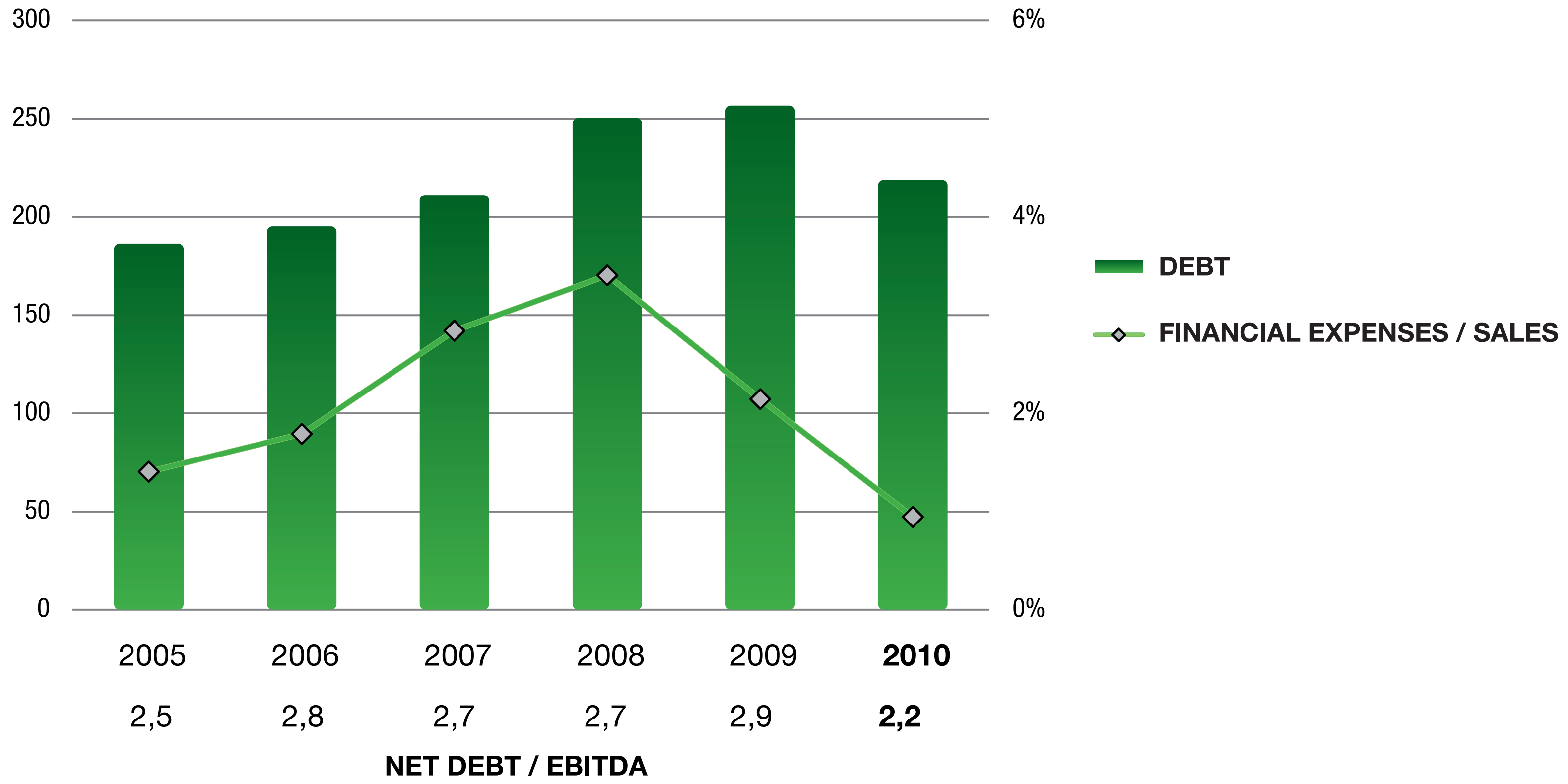
EARNINGS PER SHARE. SINCE 2000
In Euros per share



As mentioned in this analysis of economic activity, we had set ourselves significant cash flow targets to enable us to reduce our reliance on bank financing and improve the return on capital employed.

In relation to managing financial debt, we ended the year with a net debt of Euros 218.8 million (Euros 256.6 million at 31 December 2009) as a result of generating free cash flow, net of dividends and own share transactions, of Euros 50.8 million (Euros 5.2 million in 2009).

NET DEBT in millions of Euros
FINANCIAL RESULT as a percentage of SALES
Since 2005



The average cost of financial debt during 2010 was 1.84%, aided by low interest rates and spreads applied to borrowings.

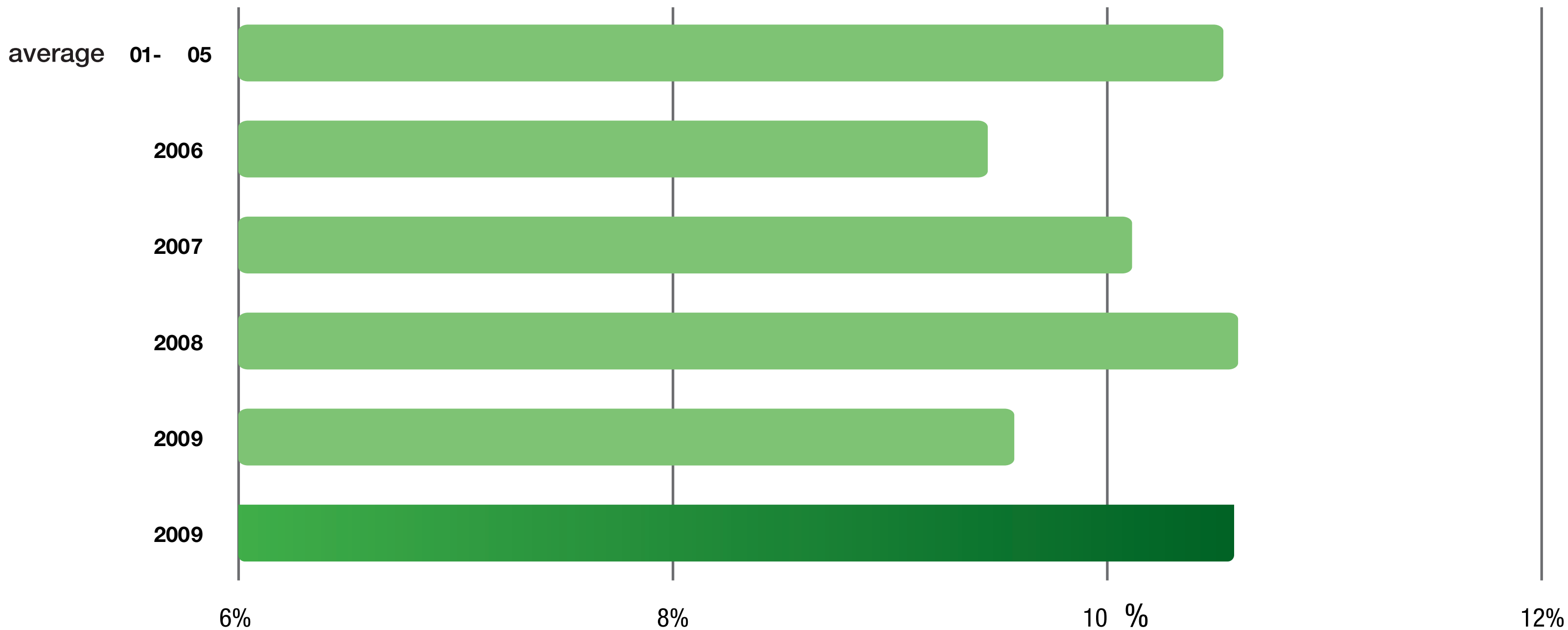
Solvency indicators have improved considerably compared to the prior year, meaning the Group's future opportunities can be analysed with a certain degree of calm.

Leverage / Solvency Ratios	dec. 2010
Net Debt / EBITDA	2.18 X
Net Debt / Equity (Gearing)	0.76 X

As is customary, throughout 2010 we upheld our policy of hedging liquidity risk, based on maintaining sufficient, immediately available financing. At 31 December 2010, the Group had Euros 164 million in available credit facilities.

Concerning the return on capital employed, we achieved our target of exceeding recent years' rates of return, with a ROCE of 10.5% in 2010.

ROCE



Risk Management

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

Operational risk

The Company carries out process-intensive industrial activity which is subject to inherent risks linked to routine operations. In 2010, work on the review, evaluation and definition of business risks defined as operational and documented in a risk map, initiated in 2009, was intensified. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimize their potential adverse effects.

Financial risk

Additionally, the global business environment in which the Group operates and the growing scale of its activities are exposed to potentially destabilising elements of an external nature. These financial risks mean explicit control mechanisms must be implemented each year in our business risk management policies.

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

The most relevant financial risks identified are as follows:

Currency risk

The Group operates at international level, and is therefore exposed to currency risk on foreign currency operations. Nevertheless, our currency risk is limited to future commercial transactions, mainly the supply of raw materials contracted in US Dollars, the amounts of which may be affected by currency fluctuations. Financial management monitors currencies and takes decisions on hedging exchange rates in order to limit the potentially adverse effect that fluctuations could have on forecast results. 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, the Group uses derivative instruments, principally forward foreign exchange contracts.

As regards total forecast imports of raw materials in US Dollars for 2011, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately -0.3%.

Interest rate risk

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

The Group's financing policy is to focus its borrowings on floating rate instruments. The Group manages interest rate risks in cash flows through floating-to-fixed interest rate swaps. These interest rate swaps convert floating interest rates on borrowings to fixed interest rates. Generally the Group obtains long-term borrowings with floating 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 and floating interest with other financial entities. The difference is calculated based on the contracted notional amount. The effectiveness of these swaps as regards fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates during 2010 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.4% lower due to the higher borrowing costs of variable rate debt. The sensitivity of consolidated profit after income tax to fluctuations in interest rates is lower in 2010 than in 2009 due to the reduction in the Group's total 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 in order to minimise the risk of default. This control process involves ongoing solvency analysis, setting specific, assumable limits for each customer considering variables such as the segment or geographical area in which they operate and preparing detailed individual ratings typical of credit control systems.

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

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 financing through undrawn credit facilities. At 31 December 2010 the Group had Euros 164 million in immediately available, undrawn credit, representing 75% of total debt.

Price risk in supplies of energy and raw materials

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

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

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

Debt and solvency

At year end the Company had a net debt Euros 218.8 million, 15% lower than the previous year. Solvency indicators are well within acceptable ranges, with a debt to equity ratio of 0.8, and debt equivalent to 2.2 times EBITDA (defined as gross operating profit) for the year.

The Shares

The financial markets remained highly unstable in 2010. Nonetheless, Vidrala's share price has managed to weather the storm, in line with the positive trend in results mentioned in previous sections.

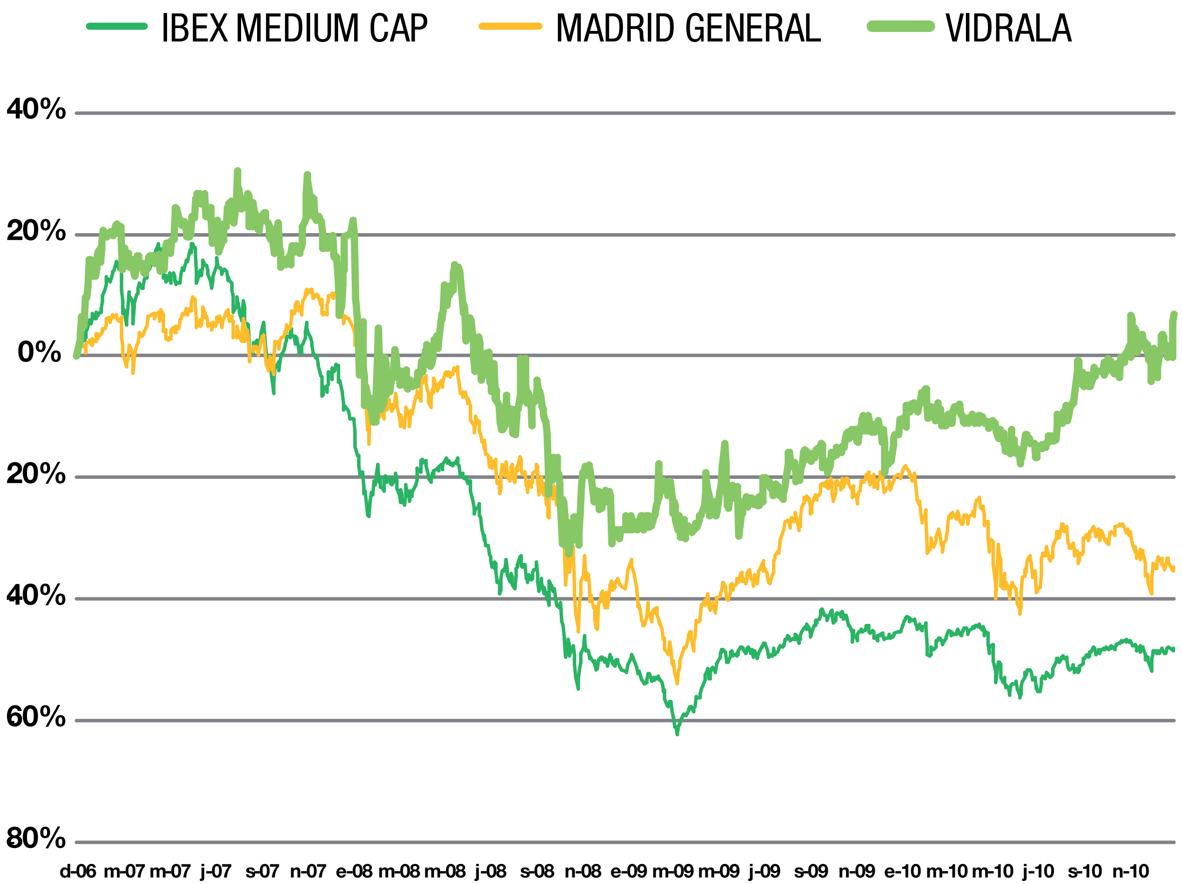
Vidrala´s share price at the end of 2010 was Euros 21.40, equivalent to a market capitalisation of Euros 511.6 million and up 19.20% on the prior year. In the same period, the Madrid Stock Market General Index dropped 18.24%, the Ibex Medium Cap 5.06% while the Stoxx Europe 600 index rose 10.85%.

Considering total dividends and bonuses distributed during the year (54.42 euro cents per share) and the free 1x20 capital increase carried out in November, total shareholders return amounted to 22.09%.

4,002,193 shares were traded on the stock market during the year, 8.1% up on the prior period, which is equivalent to Euros 77.9 million, 25.5% higher than in 2009.

At 31 December 2010, own shares, numbering 567,251 in total, represented 2.38% of share capital.

Share price. Percentages compared.
Since 2007



Shareholder remuneration

54.42 euro cents per share was distributed during the year in respect of dividends and the annual general meeting attendance bonus, a 5% increase on the prior year.

In November a capital increase was carried out whereby each shareholder was given one new share for free for every 20 existing shares held.

Once again, this is a reflection of the Company's firm commitment to a solid and mounting dividend policy in conjunction with other measures for optimising shareholder remuneration.

At their board meeting held on 21 December 2010, the directors agreed to distribute an initial gross interim dividend on account of 2010 profit of 39.73 euro cents per share, which was paid on 15 February 2011. All shares outstanding were entitled to the dividend, including the new shares given for free to shareholders in the capital increase carried out in November 2010. This initial dividend was 10% higher than that paid out the previous year.

Post-balance sheet events and outlook for 2011

The macroeconomic outlook for 2011 is growth at least similar to the prior year, which should help to clear up certain uncertainties which appeared to have become entrenched in the previous two years.

Despite this moderate optimism, both inflation and price trends in the economy as a whole were dismal for the last quarter of 2010. With such high levels of inflation, there is little hope of interest rates remaining low, which could mean a further obstacle to forecast growth in consumer spending.

Our major concern is thus to beat the effects of inflation by improving productivity, and consolidate growth in the natural markets with a view to returning to full production capacity, our main means for improving operating margin in the medium term.

As regards 2011, the board's Audit Committee will undertake a series of initiatives to supervise the effectiveness of the Internal Control and Financial Reporting systems in line with best practices and prevailing legislation.

Finally, the directors at their board meeting held on 21 December 2010 agreed to distribute a gross interim dividend of 39.73 euro cents per share on account of 2010 profit, which was paid on 15 February 2011.

vidrala

SUSTAINABILITY REPORT 2010

CONTENTS

Good Corporate Governance

- **Capital increase** by issuing new shares of cost-free allocation, reaching a resulting capital stock of 24,383,056.14 Euros.
- **Compliance with the principle "One share, one vote"**.
- Guarantee of **lack of parasocial agreements** or conflicts of interest**.**
- **Annual publication of Corporate Governance Reports**.

FINANCIAL GOALS MET:

- **6.1% sales increase compared to previous year, reaching a total of 405.9 millions of Euros.**
- **Increase in operating results by 14.5%, and up to 62.9 millions, with a 15.5% turnover margin.**
- **Net income during fiscal year of 49.6 millions of Euros, showing a 21.1% increase since last year.**
- **Generation of Cash Flow materialized in a 15% decrease in net debt.**

ENVIRONMENTAL GOALS MET:

- **7.4% increase in cullet consumption.**
- **2% increase in the reuse rate of electrostatic filter dusts.**
- **2% reduction in CO2 emissions by tonne melted glass.**
- **6% reduction in direct consumption of primary energy.**
- **Preparation of the 2010 Materiality Report.**
- **20% reduction of average water consumption by tonne of melted glass.**

SOCIAL GOALS MET:

- **Completion of certification of all its plants in ISO Standard 22000:2005.**
- **Implementation of a occupational risk management system according to OSHAS 18001:2007.**
- **Consolidation of policy for social activities development.**
- **1% absence rate reduction since last year.**
- **Consolidation of local employment policy (95%).**
- **12% increase in total training hours.**

2. VIDRALA'S PROFILE

2.1. Introducing Vidrala Group

History of VIDRALA GROUP

VIDRALA'S ORIGINS. The origins of the current Vidrala Group are linked to **Vidrerías de Álava, S.A.**, a company that started in Llodio, in 1965. From the very beginning, it specialized in manufacturing glass containers for several industries, and for the food and farming industry (bottles and jars) in particular. In 1981 the corporate name was changed to Grupo Vidrala, S.A.

COMPANY CONSOLIDATION. After a business restructuring and going public in the stock market in 1985, the company faced an energy reform demanded by the 1970s crisis. In 1989 **Crisnova Vidrio** was created in Albacete. During this time, and until the first decade of 2000, the Group experienced a sustained growth process that ushered it into the new century with new hope and trust in the development of the sector. In 2001, a Strategy Plan was defined to outline the future of the group.

GROUP EXPANSION. In 2003, the company acquired **Gallo Vidro**, in Portugal, which would become the first plant acquired outside of Spain. Afterwards came **Corsico Vetro**, in Milan, Italy, and **Castellar Vidrio**, in Castellar del Vallés, Barcelona.

NEW CHALLENGES. Motivated by the advances in the sector and the search of business excellence, the group experienced a new period of growth, business reflection and business model, that culminated in the acquisition of the Belgian plant **MD Verre** in 2007.

LOOKING TOWARDS THE FUTURE. Even today Vidrala Group maintains a strong commitment to leading and growing the sector in the South of Europe, supported by 6 plants distributed in 4 European countries, 12 functioning furnaces that generate more than 1,000,000 tons of glass a years, and above all a **consolidated team of more than 1800 employees.**

ORGANIZATION PROFILE

Vidrala, S.A., headquartered in Llodio, Álava (País Vasco, Spain), has become one of the main glass container manufacturers not only in the domestic market but also in the international one. The annual production is over 3.5 billion containers in six different plants, located in 4 countries: Spain, Portugal, Italy and Belgium.

GEOGRAPHIC DISTRIBUTION

COUNTRY	PLANTS
Spain	Aiala Vidrio Castellar Vidrio Crisnova Vidrio
Italy	Corsico Vetro
Portugal	Gallo Vidro
Belgium	MD Verre

ORGANIZATION

Each of the plants that composed Vidrala Group is managed through an **internal central structure divided in Functional Areas, and led directly by** the Executive Directors of each Area.

The hierarchic model of each production Plant is comprised of a Plant Director that reports to the Vidrala Group Operations Director. There are two great areas in this hierarchy: the first one is directly related to Manufacturing, and the second one is dedicated to Maintenance Activities.

In those plants (specially outside Spain) where regulations require the presence of certain professionals, the plant has a Staff and Management structure that provides direct support to the management of production.

Each department, in each plant has a dual reporting hierarchic and functional relationship. On one hand, it depends on the Management within each plant, and on the other hand, there is an obvious dependency on functional areas of Vidrala, which define and dictate response guidelines.

Regarding external performance of the Vidrala Group, Llodio's Production Unit has been **separated and constituted as an independent company as part of the reorganization process** in the way Vidrala Group works. Since January 1, 2006, Vidrala S.A. began to exist as a sales entity for customers. The new Vidrala Group, after acquiring the Ghlin plant in 2007, followed the organization outline below.

EVOLUTION OF PLANT ORGANIZATION AND INTRODUCTION

One of the Group maxims has always been to acquire for its facilities the latest technologies to manufacture and control the final product. This issue associate to the location of the facilities close to important logistic points, **makes the Vidrala Group a reference in its sector**.

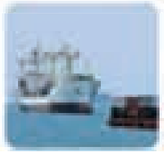
Proof of the commitment that the Group has done in the continuous effort for achieving the distinction of its glass containers is its exclusive quality label , guaranteed by:

- **ISO 9001:2008 IQNET**
- **ISO 14001:2004**
- **ISO 22000:2005 IQNET**
- **OSHAS 18001:2007**
- **Certificate of glass for food purposes, according to Regulation (EC) 1935/2004 and RD 397/1990.**

1965
Creation of Vidrieras de Álava, S.A.

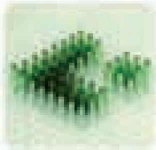
The start of production activities is launched with one furnace and two machines with a capacity of 25,000 annual tonnes and a dozen models.

1967
Start of the first exports



Álava Vidrieras begins its presence in the international market.

1977
Start of production in pressing



Production begins in pressing - bottle blowing, allowing Vidrala to become a technology leader domestically, reducing the average weight of its containers.

1981
Transformation of the furnaces

Vidrala reaches 130,000 tonnes per year, while beginning the furnace transformation process, which resulted in energy savings of 50 %, maintaining the productive capacity. The corporate name is changed to VIDRALA, S.A.

1985
Trading on stock markets

Vidrala successfully begins trading in the securities markets of Madrid and Bilbao.

1989
Crisnova, starts operations

Crisnova, 100% subsidiary of Vidrala, started its operations in Caudete (Albacete) with one furnace and production capacity of 95,000 tonnes per year. Vidrala Group now has an annual capacity of 225,000 tonnes, with 3 melting furnaces.

1995
Commissioning a new furnace

A third furnace at Aiala Vidrio is commissioned, increasing its production capacity by 11,000 tonnes, for a Group total of 340,000 tonnes per year.

1998
Second furnace at Crisnova

A second furnace is commisioned in Crisnova, as a result the group reaches on a yearly production of 450,000 tonnes.

2001
The Group's Strategic Plan

Approving the Group's strategic plan, which will mark its future growth.

2003
Acquisition of the Gallo plant

Acquisition o Ricardo Gallo, and Vidrio de Embalagem, a Portuguese company, over 100 years old, located in Marinha Grande; this starts the group's international operations.
Production capacity is increased to 610,000 tonnes annually.

2005
Acquisition of two new plants

Acquisition of the Castellar del Valles (Spain) and Corsico (Italy) plants, echa with two furnaces, reaching a production capacity of 850,000 end 950,000 tonnes respectively.

2006
Creation od Vidrala as head of the Group

Creation of Vidrala as head of the Group, consisting of the Aiala Vidrio, Crisnova Vidrio, Castellar Vidrio, Gallo Vidrio and Corsico Vetro glass production plants, and launch of the new corporate image.

2007
Acquisition of Manufacture du Verre S.A.

Acquisition and launch of Manufacture du Verre S.A., which has two furnaces, with a production capacity of 135,000 tonnes annually. The group's total exceeds 1,000,000 tonnes.

2011
Presentation of the Sustainability Report

Vidrala Group, as a demostration of its commitment to sustainable production and dialogue with its shakeholders Sustainability Report.

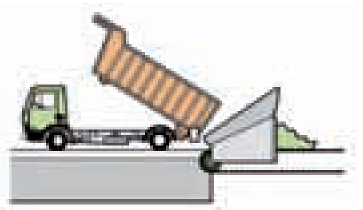
Figure 2.1.2. Evolution of the organization (1965-2011).

ENVIRONMENTAL COMMITMENT

All containers manufactured by Vidrala Group are composed in a high percentage of recycled glass, cullet, which constitutes a significant reduction in natural resources consumption and results in a more rational energy use. **The Vidrala Group is committed to a Sustainable Development, creating a future for all without neglecting the present, because it is possible to carry out an industrial activity successfully from an honest social commitment with nature.**

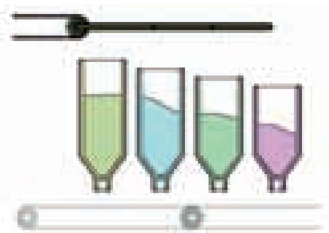
MANUFACTURING PROCESS FOR GLASS CONTAINERS IN VIDRALA

1 Raw maperials acceptance and control



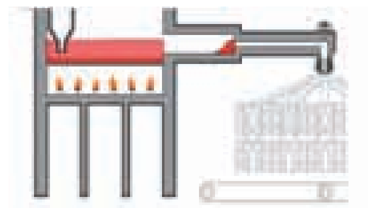
Sands, limestone and recycled glass. These major components, along with other auxiliary materials are the starting point for the glass production.

2 Glass composition



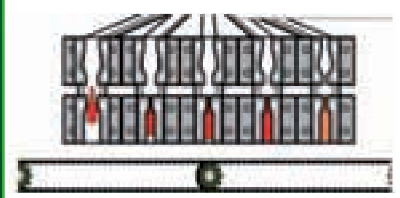
The common properties of glass depend on the nature od raw materials, and the chemical composition of te product.

3 Glass melting



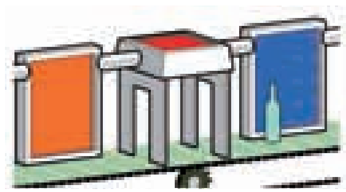
Automatically fed to the furnace, which melts the glass at the temperature of 1,500° C. The glass is refined at 1,600° C and extracted at 1,100° C.

4 Glass moulding process



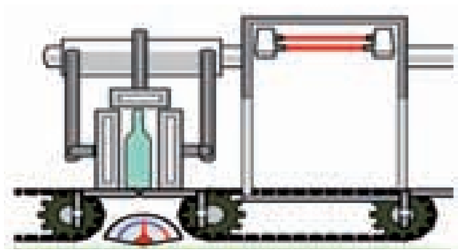
Glass is treated from its molten state to obtain different shapes through a blow-blow or press-blow process.

5 Hot Surface Treatment /Annealing lehr /Cold Surface Treatment



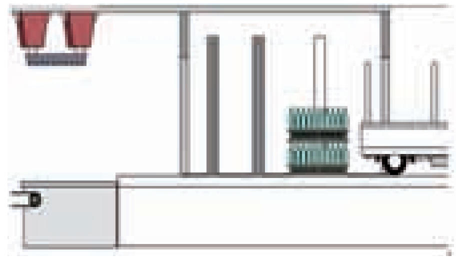
The loss of resistance may be caused by several factors, but the greatest losses are caused by micro cracks and/or scratches on the glass surface. The hot surface treatment, based on tin, eliminates this problem.
After annealing at 600° C, a surface treatment is carried out on the cold surface of the container, which prevents scratches in subsequent precesses.

6 Quality Control



It automatically performs a strict control, by usong machinery to inspect packaging units, eliminating bottles that do not meet the set parameters, as required by the customer.

7 Packaging and transport



Prior to shipment, the glass container is submmited to an automated process for packaging, avoiding any personal contact with the finished product.

Figure 2.1.3 Production process of glass containers in Vidrala.

2.2. The Vidrala Group bases its corporate model on good business governance

VIDRALA, S.A.›s corporate governance regulation is contained in its Bylaws, in the Regulations of the General Meeting of Shareholders, in the Regulations of the Board of Directors and in the Rules of Conduct related to the stock market. These documents are available to shareholders and investors at Company›s headquarters and on its website (**www.vidrala.com**).

The company also broadcasts each year, during the publication of its Annual Financial Report, a Corporate Governance Report which details the most significant questions regarding this subject, and assesses the degree of follow-up on the recommendations that the National Securities Market Commission (CNMV) approved for Good Corporate Governance.

The Board of Directors: Composition and functioning

The highest governing body is the Board of Directors. Currently, the Board of Directors is composed of ten Directors, seven are Proprietary Directors (including the Chairman of the Board of Directors) and three are Independent Directors.

Accordingly, Vidrala´s Group chief executive is not part of the Board of Directors. This figure of the non-executive Chairman establishes a differentiation between management and leadership roles in the company (leadered by the Director General as Chief Executive) and the supervision and direction of the Board, obtaining independence and control capability.

In order to achieve greater efficiency and transparency carrying out its duties, the Board of Directors has established three committees with executive and advisory powers: the Audit and Compliance Committee, the Nomination and Remuneration Committee, and the Strategy and Investments Committee.

Transparency

In order to encourage shareholder participation in General Meetings, the Company has established a set of measures aimed to achieve this goal.

As a result of implementing these measures, universal and non-discriminatory policies have been launched to encourage voting throught the offer of cash premiums for attending the Meetings.

There are also specific measures regarding transparency, in order to prevent the occurrence of conflicts of interest within the governing members of the Company. The Regulations of the Board of Directors, consistent with laws, sets out a number of mechanisms for the administrators to disclose potential direct or indirect conflicts of interest.

Regarding the transparency principle for the information reported by the Vidrala Group, various communication channels have been defined and developed, depending on the targeted interest groups. The Vidrala Group website has become the main tool for processsing information / communication, and for participation.

2.3. Developing Sustainability from a business activity.

The Group›s trip towards sustainability has begun and there is no going back. After seeing all the progress made in the last years of using a sustainable business management model in three areas (financial, environmental and social), all employees have no doubt that this is the only lasting organization model possible.

Several companies, some of them in the glass container manufacturing sector, have made public their environmental, social and/or financial performance. However, Vidrala has been patient and has decided to work hard during this time to consolidate a sustainable business management model.

After a long and intense process of internal reflection, Vidrala Group has considered **2010 to be the right time to make public all the work done in the last few years**, with emphasis 2009 and 2010.

Once this decision was made, and keeping in mind that the preparation process for the Sustainability Report should be supported by a prestigious organization,

the Global Reporting Initiative (GRI) has been chosen as the model to follow for the design of the new external communication policy of the Group. Trusting the good work done by all companies within the Vidrala Group, the company **declares itself to be an «A» application level in the GRI scale**, which implies the profile information reports, the management approach and the Performance Indicators.

2010 Vidrala Group Sustainability Report: an example of Sustainable Publication.

The Group›s performance report, transparency and calculation of environmental, social and financial indicators needs to include the publication of a Report whose wording, edition, printing and publication meets all the reference environmental criteria for this type of products.

Vidrala has taken special care to apply the exposed criteria throughout all the stages of the reporting process. It is worth mentioning the innovative character of this publication, which **divides information according to materiality levels** for the organization. Thus, the complete printed document will only be needed in those cases in which an stakeholder requires a complete inquiry of all the information related to one of the three pillars.

Some of the sustainable initiatives started during the preparation and publication of this Report are listed below:

- Development of meetings and information exchange through digital media (conference calls, e-mail,...) with the purpose of avoiding unnecessary travel and thus reducing CO2 emissions related to transportation.
- Printed publication of a very limited version of the Sustainability Report, minimizing use of resources (paper), as well as substance consumption (ink).
- Publication of a complete version of Vidrala Group 2010 Sustainability Report in digital format, available in the parent company Website (Vidrala), as well as each of the plants of the Group.
- Use of recycled material for all publications in a non-digital format.

3. An organization open to dialog.

Currently, any organization that wishes to succeed and persist in time cannot remain ignorant of the necessities of its social environment. Therefore, it is very important for an organization to contribute to the quality of its social environment.

The dialog between an organization and its environment must be one of the basic pillars of the business model of any business activity. Therefore, Vidrala Group considers its Sustainability Report an effective tool to provide relevant information regarding its activities and their impact on creation of wealth in the environment, as well as involvement in improving quality of life in that environment.

However, as reflected in every public document related to communication between organizations in the Sustainability framework, it is extremely important to set the foundation to fix the scope of the information adapting it to the needs of those seeking it.

Often, it is not easy to identify those agents that show sensitivity for such activity and therefore they expect answers to their concerns. These agents are known as the **stakeholders of an organization**.

As a way to identify such concerns, new materiality studies were born, integrating this concept to those aspects that, if ignored, could cause misunderstandings, and therefore, it is fundamental to take them in account in dialogs with stakeholders.

Communication with society regarding material aspects of an entity shows, not only transparency and quality reporting, but also the willingness that an organization has to inform its environment of what the society demands from it.

Then, once the material aspects have been identified, the organization is able to direct all its efforts to improve them and meet the expectations of the stakeholders.

3.1. Vidrala's dialog: a commitment to its stakeholders.

The Vidrala Group has prepared, for the first time ever, the **2010 Materiality Study**, which has informed the Group of, not only about risk issues related to its own organization, including all its plants, but also the main agents interested in the organization.

In the figure shown in this page, as a conclusion to the work done in this area, the stakeholders with high interest appear in the dark green areas (see Figure 3.1.) Shareholders and investors are in a prominent place, and together with employees show an extremely high interest in first-hand information about the organization.

Vidrala is aware of the importance that its customers have in the future of its activities, and a lasting presence in the market, and therefore, customers are in the higher rank of the materiality scale of the stakeholders. This assessment is the answer to the new Vidrala initiative that attempts to work with customers in matters of Sustainability.

On the other hand, and mostly due to the high degree of cooperation of Vidrala with the **Public Administrations**, they also have a prominent place in the scale. A relevant example is the Aiala Vidrio plant that participated in the framework of the Local Agenda 21 in the municipality of Llodio. This shows the degree of initiative and open dialog held with the Public Administrations.

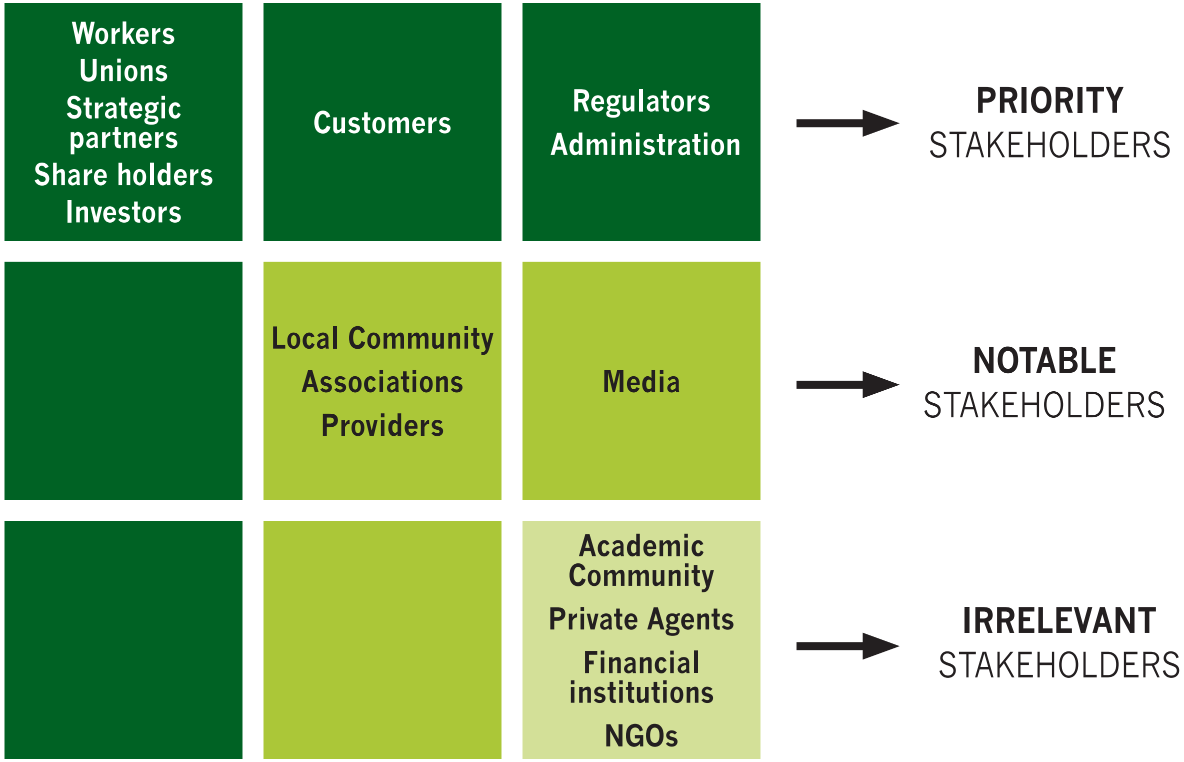


Figure 3.1. Vidrala Group 2010 Materiality Report Conclusions: Identifying stakeholders.

In the last few years, the Group has opened **several communication channels that have allowed it to exchange experiences, spread good environmental practices, or even face new challenges in regulations** for the Group as a whole.

The 2010 Materiality Study has also researched risk issues for Vidrala, that are shown in detail in their corresponding sections of this Report (Financial, Environmental and Social Performance).

4. Creating value for the future

Financial aspects are extremely relevant to the future of the VIDRALA Group. They constitute the pillar that guarantees this Group›s contribution to the economic and social development in the future. Positive effects in this area results in benefits to the economy creating value, internally for the stakeholders, and externally for the local, regional, national and international environment.

The general environment has been conditioned by the precarious situation of the economy, and this has motivated the Group to consider strictly "material" the economic development in 2010. Therefore, all indicators related to the economic pillar are considered «material», i.e., essential, in this Sustainability Report. The events that took place in the financial sector in 2008 impact on the rest of the financial agents and also affected food and drink products, which are the main customers of the glass container industry. The fact that this difficult global economic situation has continued for the last three years, jeopardizes the survival of many companies and jobs. That is why economic issues are key targets for communication and transparency for the Vidrala Group.

Vidrala Group has faced changes with caution and responsibility, securing its value, ensuring viability of business and obtaining a net result of 49.6 millions of Euros in 2010, which represents 21.1% more than the previous year.

The profits of the commercial strategy towards internationalitation have been the base for achieving business rates higher than the demand organic growth rates.

Simultaneously, efficiency levels show progression and development in productivity. As a result of it, the operations management allowed the compensation of the preliminary negative effect in margins caused by a lower production capacity under the optimal one.

	2010	2009	Varitation %
Net Sales	405.9	382.4	+6.1%
Operations Results (BAIT)	62.9	55.0	+14.5%
Net Result	49.6	40.9	+21.1%

Figure 4.1. Vidrala Group main figures for 2010 (millions of Euros).

The operation results for 2010, BAIT, have increased in 14.5%, up to 62.9 millions of Euros. This represents a sales margin of 15.5%, 100 basic points more than 2009.

The operation results, with the added benefit of the reduction of the financial spending, have yielded results of 59.1 millions of Euros before taxes, 26.3% more than 2009.

Finally, tax efficiency has yielded a net benefit of 49.6 millions of Euros, 21.1% more than 2009.

Debt has been reduced by 15% since 2009, as a consequence of the generation of cash, before dividends and treasury stock operation of 50,8 millions of euros, equivalent to 12,5% of sales.

These results encourage stakeholders and allow to keep their trust in VIDRALA Group. However, they may be considered less relevant for those who are outside of the company. Society demands another type of information, and wants to know how our financial activities impact development sustainability.

Through this Report, Vidrala wishes to show proof of its contributions towards a Local and Global Sustainable Development. For this reason, the Group›s policy favors a business model based on the balance between social, economic and environmental sustainability.

4.1.1. Financial Situation

The 2010 operation results are 62.9 millions of Euros and the net benefit, favored by the efficient management of financial expenses and the optimization of fiscal burdens, has reached up to 49.6% millions of Euros, the higher figure in the history of the company.

The evolution of the European glass container market in 2010 has confirmed its process of gradual normalization after a prior period characterized by weak demand. In 2010 sales grew 6.1% compared to the previous years, adding a total of 405.9 millions of Euros.

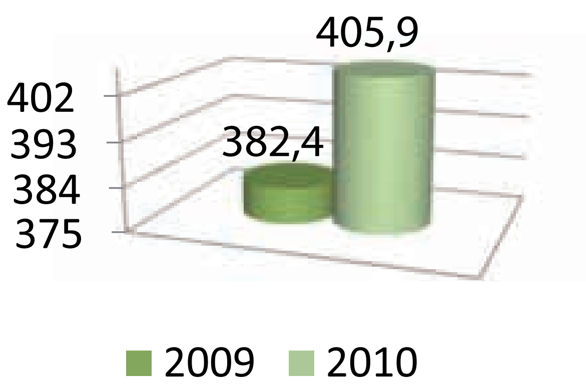


Figure 4.1.1.1. Evolution of annual accumulated sales (millions of Euros)

Unlike the prevailing trend in 2009, production costs, after an initial moderated situation, have deteriorated throughout the year, mostly as a consequence of the higher energy prices. Although the overall balance is positive.

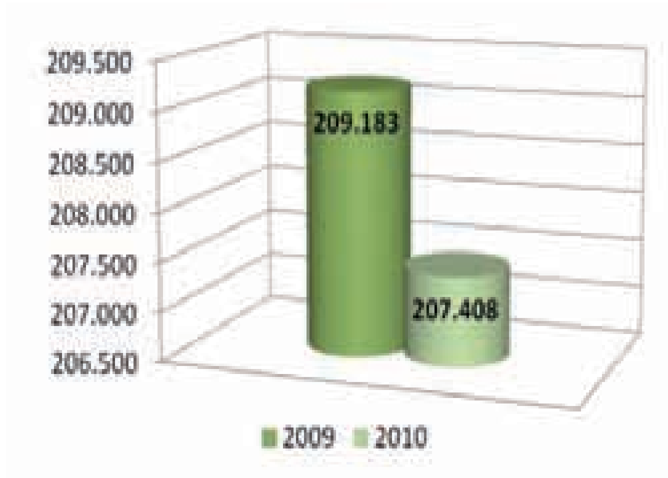


Figure 4.1.1.2. Evolution of operation costs (thousands of Euros)

These positive impacts have allowed consolidating the participation levels of employees in the distribution of wealth achieved in 2009, when salaries and social benefits for employees were increased.

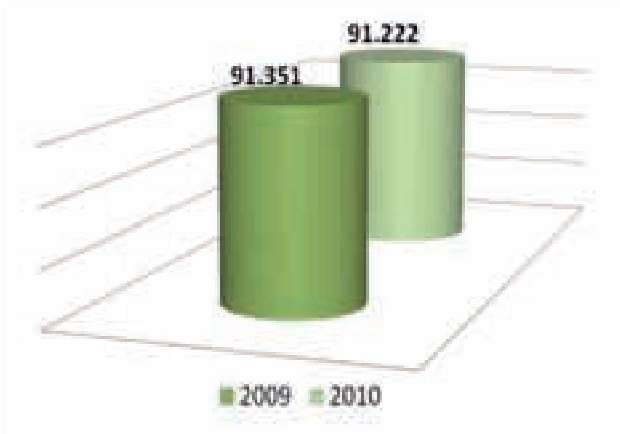
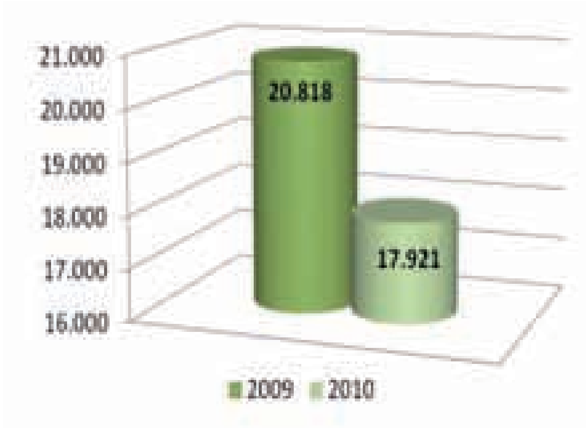


Figure 4.1.1.3. Evolution of salaries and social benefits for employees (thousands of Euros).

Payments to fund providers have been reduced annually. Consequently, the Company continues to hold a strong commitment to maintain a solid and growing dividend policy combined with additional optimization measures for shareholder remuneration. Total revenue distributed to each shareholder has been 5% higher than 2009. In addition, in November there was a bonus issue of capital stock, at a rate of one new share for twenty existing shares distributed among all shareholders for free.

Simultaneously, the company has been able to progressively pay lower interest to loan providers.

Figure 4.1.1.4. Evolution of payments made to fund providers (thousands of Euros).



The positive results yielded from the efforts made in times like this have benefited the general economy through payments made to governments, trough direct taxes, in compliance with tax duties.

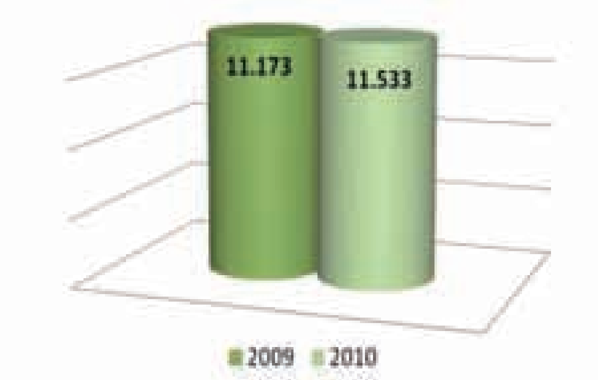


Figure 4.1.1.5. Evolution of payments made to governments (thousands of Euros).

Admittedly, community investments have been adjusted, mainly the contributions to nonprofit entities.

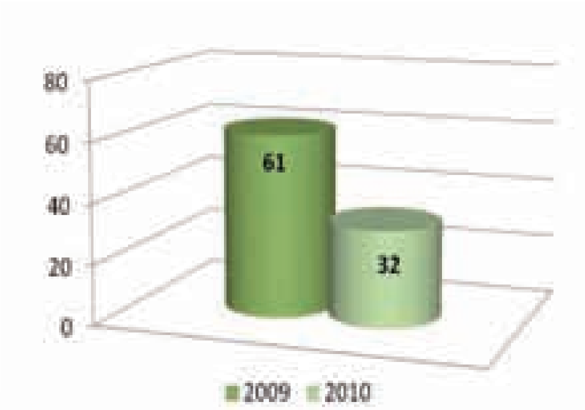


Figure 4.1.1.6. Evolution of community investments (thousands of Euros).

Glass production requires significant energy consumption levels, affecting climate change considerably. This is a **critical challenge** for the company's activities.

For the purposes of limiting greenhouse gases emissions, Vidrala has developed its own policy to fight against climate change, making energy efficiency and less contaminant fuels, two of the main action plans.

On the other hand, Research and Development has played an important role in the Vidrala Group in the fight against climate change, since it has directed its efforts to the use of raw materials with lower levels of greenhouse effect gases emissions. This is achieved through changes in the composition of glass production.

Vidrala's policy is completely in tune with international policies supported by the United Nations (Cancun Summit) and the European Union. It is worth mentioning the adoption of the STOP CO2 EUSKADI initiative by the mother company, by which 9 compromises have been undertaken, including the preparation of a management plan for annual emissions.

With the next scenario in mind, Vidrala will participate in the European emission rights trade, and it is preparing for the new distribution of emission rights beginning in 2013, when free assignations will be reduced.

For 2020, the Guideline that regulates emissions trade will set the goal of reducing 21% of emissions with 2005 as a reference. This constitutes an important challenge, since the glass sector is very advanced in the application of best available techniques, and the reduction will be a consequence of increasing glass cullet consumption, which requires active policies in the European Community, its States and Autonomous Regions to encourage glass recycling and separating it by colors.

In 2009 and 2010 the Group began the renovation works programmed for two of the furnaces used to melt glass in Aiala Vidrio, Llodio, Álava; and one of the furnaces in Crisnova Vidrio, in Caudete, Albacete. Through this investment, the plants have adopted the **available technical improvements intended to reduce energy consumption and optimize environmental management**.

Public Administration does not take part in the shareholding structure of the organization. However, Vidrala Group receives subsidies, benefits from deductions and obtains interest credits for the company with zero-rate.

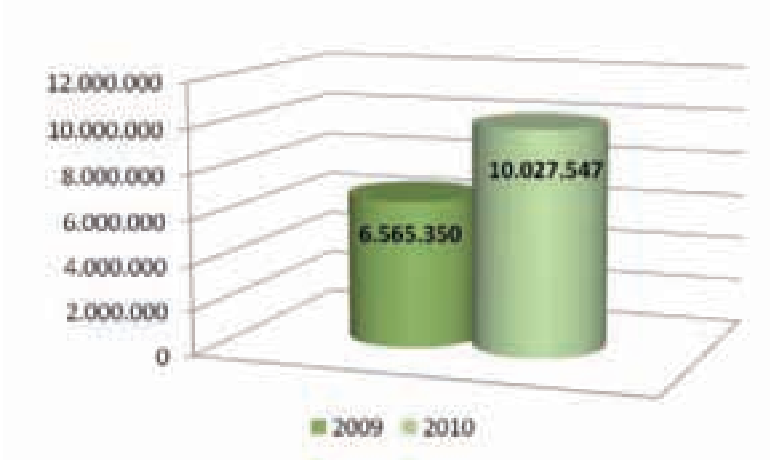


Figure 4.1.1.7. Financial aid (Euros).

In the information presented, we have considered on one hand, the total direct revenues in results by subsidies of each company within the Group; and on the other hand, the credit principal with zero-rate. Lastly, the total fiscal deductions for 2010 have been estimated.

4.1.2. Market Presence

The well being of our people and the development of those countries in which we operate are at the core of our policy.

Regarding the relationship between the minimum starting wage and the local minimum wage in those countries where the Group operates, statistics reflect a solid position, showing an average of 72% higher than the minimum interprofessional wage.

		SPAIN	
2009	Minimum Interprofessional Wage	8,736.00	100%
	Minimum Stating Wage	15,122.27	173%
2010	Minimum Interprofessional Wage	8,866.20	100%
	Minimum Stating Wage	15,588.98	176%

		PORTUGAL	
2009	Minimum Interprofessional Wage	6,300.00	100%
	Minimum Stating Wage	10,787.00	171%
2010	Minimum Interprofessional Wage	6,650.00	100%
	Minimum Stating Wage	10,864.00	163%

		ITALY	
2009	Minimum Interprofessional Wage	9,147.60	100%
	Minimum Stating Wage	20,916.00	229%
2010	Minimum Interprofessional Wage	9,240.00	100%
	Minimum Stating Wage	21,252.00	230%

		BELGIUM	
2009	Minimum Interprofessional Wage	16,644.00	100%
	Minimum Stating Wage	19,341.92	116%
2010	Minimum Interprofessional Wage	16,980.00	100%
	Minimum Stating Wage	19,864.15	117%

Figure 4.1.2.1. Minimum Interprofessional Wage Ratio vs. Minimum Stating Wage. Regional Breakdown (2008-2010).

VIDRALA Group's activities in those countries where it operates contributes to wealth generation through introduction and development of economic relationships with local providers.

Vidrala considers as “local providers” all those located in those countries where it operates, that is, Spain, Portugal, Italy and Belgium. The percentage of local providers that work for Vidrala is shown on the table below:

	Total Volume	Local Purchases	%
Vidrala	40,829,538.83	34,856,399.60	85.37
Aiala V.	48,142,533.00	41,605,301.00	86.42
Crisnova V.	39,174,271.44	29,807,955.23	76.09
Castellar V.	42,336,224.79	39,825,818.47	94.07
ESPAÑA	**170,482,568.06**	**146,095,474.30**	**85.70**
Gallo V.	36,447,486.33	25,329,603.27	69.50
Vidrala PT	11,159,865.98	7,755,678.27	69.50
PORTUGAL	**47,607,352.31***	**33,085,281.54**	**69.50**
Corsico V.	34,036,166.00	31,893,871.00	93.71
Vidrala IT	52,433,502.00	52,422,819.00	99.98
ITALIA	**86,469,668.00**	**84,316,690.00**	**97.51**
MD Verre	22,895,698.61	17,385,242.73	75.93
Vidrala BE	42,374,056.32	37,922,141.24	89.49
BÉLGICA	**65,269,754.93**	**55,307,383.97**	**84.74**
Source: Data obtained through VAT indicators			
(*)Estimated data according to the same % of purchases made by Gallo Vidro			

Figure 4.1.2.2. Percentage of Vidrala Group’s local providers (2010).

VIDRALA Group Management team considers that hiring local personnel should follow a few basic principles of non-discrimination and equal opportunity, so that human resources selection may not depend on race, religion, age or gender, but on merits and abilities.

On the other hand, professional development of those involved in Vidrala’s project is considered essential. Therefore, there is a policy of internal promotion that tends to promote staff through career paths from the lower levels of qualification to Management positions.

This internal promotion policy is based on the professional classification system based on job descriptions and existing professional profiles.

Accordingly, the human resources philosophy is characterized by a desire to cooperate with the social development of the environment where the production plants are located. Currently, new cooperation agreements are being developed with different organizations and institutions to facilitate the incorporation of qualified employees to our personnel, with the goal of integrating culture and values of the environment in the business project of the Group.

In this regard, the picture of this policy reflects that **nearly 95% of management staff comes from the local community, while the remaining 5% is made up of temporarily** displaced staff until local management staff is hired.

4.3. Indirect economic impact

Although it is true that Vidrala Group developed important investments in 2010 that had a direct impact on future financial benefits, it is also true that in many occasions such investments have other indirect benefits such as reducing the environmental impact. The environmental results obtained with these investments may be considered to have an indirect positive economic impact, since without these actions, it would be necessary to invest large parts of the budget to recover the affected environment. Vidrala explains in the environmental section of this Report the main environmental investments made in 2010, with their corresponding social benefits to the environment.

2010 BUSINESS PROGRESSION

- **Business expansion due to developments in sales volumes, based on strengthening market shares in Europe.**
- **Restraint in using 85% of production capacity and consequently optimizing inventory levels.**
- **Enhancement in industrial productivity indicators.**
- **Operations standardization in the Belgian plant after the restructuration process.**
- **Increase of the operation margins, reaching the highest levels of the last 5 years.**
- **Solid cashflow dedicated to reducedebt.**

5. Respecting the environment.

It doesn't matter if it is for wine, champagne or beer. Glass is considered a food and drink container that not only helps to keep product properties intact, but also meets all the necessary conditions to respect the environment in its manufacturing process.

The Vidrala Group bases its activities on this material, sure that has found in sustainability, not just a declaration of intent, but the working way.

The environmental issue united to the economic and to the social areas completes the triangle that covers the concept of Sustainable Development.

Based on guidelines provided by the Global Reporting Initiative (GRI), Vidrala Group works in this area from those indicators related to Environmental Performance (EN).

Vidrala Group›s environmental commitment, a matter of principle.

From workers to top management, in Vidrala Group we have achieved a business management model supported strongly by respect for the environment. That is the reason why Vidrala's environmental policy is becoming more and more ambitious, trying to improve every year.

This premise has allowed us to reach certain goals that have made Vidrala become a new company where integrating the environment in all organization areas is one of the most important policies for this business.

Among these goals it is worth mentioning all the plants of the Group have obtained the Integrated Environmental Authorization.

Environmental Management.

In 2010, Vidrala Group began, for the first time, a project based on identification and assessment of main risk issues related to its organization: **the Materiality Study**. Led by the Environmental Department, environmental matters have been incorporated in the same scope as economic and social matters and have received the same degree of attention.

Despite knowing the important environmental aspect first-hand through the Environmental Management System, Vidrala has considered that could be interesting a new identification of these aspects according to two criterias: intrinsic relevance of these aspects and control exerted by the Group. In this way, Critical Potential Risks for the Group have been identified.

Results obtained through this research and analysis process are shown below:

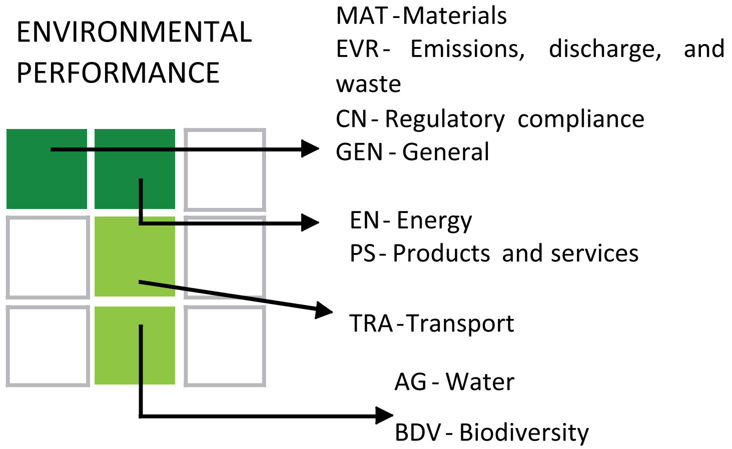


Figure 5.1. Evaluation of Materiality of Environmental Risk Issues for Vidrala Group. 2010 Materiality Report.

Environmental Critical Risk or Material issues for the Group that have risen from the analysis are the following:

- **Material consumption (both raw and auxiliary materials).**
- **Energy Consumption.**
- **Waste Generation.**
- **Air emissions.**
- **Regulatory Compliance.**
- **Initiatives geared towards reducing impact of its products and environmental investment impact.**

Vidrala Group has established goals, related to Material Issues, to continue investing efforts and resources every year.

This Sustainability Report contains these Environmental Matters in the section "Material Environmental Performance".

The reality of a sector; a committed task.

All the details of the critical or material risk factor section, related to the environment, would not have the same meaning without raising awareness about the glass sector: readers of this Report must be aware that glass is a material that requires a meticulous, complex treatment under very specific conditions.

Manufacturing glass containers requires **high levels of energy and raw material consumption**. Furthermore, a complex infrastructure must be in place in order to melt, shape and finish glass according to client's specifications. And this is one of the peculiarities of the sector. **Furnaces used to melt glass are continually working, 24 hours, 365 days a year,** and due to constant wear, **every 10 to 12 years they need to be completely rebuilt** And this is no easy task: we are talking about investments of nearly 20 million Euros that interrupt production and business activities. However, improvements made in energy efficiency and reducing environmental impact, by rebuilding furnaces, do not count as expenses, but as investments: financial benefits and specially environmental benefits deserve the hard work.

Material Environmental Issues	Non-material Environmental Issues
Materials	*Water*
Emissions	*Biodiversity*
Discharges	
Waste	
Energy	
Regulatory Compliance	

Figure 5.2. Identifying Risk Environmental Issues for Vidrala.

Environmental Policy Rules, certificates and commitments.

For the Management tea, of Vidrala Group , the progressive implantation of certified Environmental Management Systems has been one of the priorities in environmental matters. This guarantees the implementation of a management methodology that is more sustainable, and relevant to all processes in the Group, with the goal of a continue optimization of material, economic and human resources management.

The beginning of the certification process for the environmental management system took place in 2003, when the first plant within the Group was certified: CRISNOVA VIDRIO. In 2006 all plants within the Iberian Peninsula were certified according to the ISO Standard 14.001:2004. Aiala Vidrio, Crisnova Vidrio, Castellar Vidrio and Gallo Vidro, besides the central company, Vidrala. Five years later, in 2009, the Management system was recertified and its scope was expanded, including the plant located in Italy: Corsico Vetro. At that time five of the plants, plus the mother company, were included in the scope of the Environmental Management System and were assessed periodically by an independent external entity. **The last plant to be acquired by Vidrala Group, MD Verre, will be certified in 2011.**

Vidrala consolidates, in a progressive and constant manner, its environmental management in order to work beyond the existing certificates in this area.

Therefore, starting in 2009, Vidrala is developing an internal analysis to define and specify all strategies that allow to include and tackle environmental matters in a more stable way in the organization.

The Group has determined two lines of work to be developed in the next few years:

- Analyzing all existing areas in the organization, defining environmental goals for all those areas and developing action plans to achieve goals, reaching complete integration of the environmental factor in such areas. And the decisions that arise from them.
- Promoting an integrated vision of all areas in favor of the collective environmental benefit, through a strong team dedicated to developing all environmental aspects that affect the Group. In the next few years, this team will lead and propel sustainability in all activities, processes and decisions within the company.

VIDRALA'S ENVIRONMENTAL POLICY:

BELIEVING IN SUSTAINABLE DEVELOPMENT;

CREATING WEALTH IN BALANCE WITH THE ENVIRONMENT

- *In VIDRALA we create glass containers that hold and shape their contents, keeping intact and pure flavors and aromas;* **clear containers that show what they hold inside with all transparency***.*
- *In VIDRALA we are glass, we are nature, in essence, respectful of the environment. Glass, the* **only material that is completely and indefinitely recyclable***: from a glass bottle another one can be made, exactly identical, keeping all its properties and qualities.*
- *In VIDRALA we believe in our future, which is only possible if there is* **balance between technology and meeting human needs, between growth and respect for nature.**
- *In VIDRALA we know our environmental limitations: energy consumption, atmosphere emissions and waste generation; however, we understand them to be* **opportunities to improve***, challenges to overcome in our path towards progress and sustainability.*
- *In VIDRALA we walk towards preventing pollution and we set documented goals that are systematically assessed and that not only show our strong commitment to comply with laws and regulations, but also to* **improve the environment continually***.*
- *In VIDRALA,* **all of us are part of this industrial project and hold to this statement of principles***, We, the employees, and those who helps us, clients, providers, Administration..., gather a valuable knowledge of our work to guarantee that improving the environment is an ongoing process, that does not have an end.*

- *In VIDRALA* **we are committed to a Sustainable Development***, creating a future for all without neglecting the present, because it is possible to carry out an industrial activity successfully from an honest social commitment with nature.*

5.1. Environmental Performance

The consolidation of an unprecedented environmental task force, implemented in 2010, to cover all the Vidrala´s Group production plants, as well as the parent company, has helped to achieve environmental objectives of great importance for the company. These objectives are translated, amongst other aspects into Vidrala›s firm decision to communicate their environmental, social and economic performance development through this Report.

The strong belief, of the management team of the good environmental management carried out in all plants, has made this new step possible towards the Group›s business excellence.

5.1.1. Consumption of materials.

The sustainability of the glass containers lies in an increase of glass with origin in a selective collection in its production process; goal that the Group Vidrala tries to overcome everyday.

Glass is a material that, in general, uses a significant amount of raw materials: sand, soda, and limestone, among others. During 2010, the Vidrala Group has increased its production globally in its six plants, resulting in an increase in the overall figures for consumption of raw materials.

However, in parallel, **Vidrala works hard to make its bottles more sustainable.** This involves increasing progressively the cullet inclusion ratios in the formulas it uses.

To facilitate understanding of the environmental data provided in Vidrala's Sustainability Report, it is necessary to define the "**total cullet**". concept. In furnaces for manufacturing Vidrala's glass containers, glass cullet is incorporated from two sources. On one hand, glass coming from selective collection (known as *external cullet*). And on the other hand, the rejection of glass generated in the production process itself (known as *internal cullet*). Is the sum of these two types of cullet that is commonly known as *total cullet*.

It must be noted that in this sense, **the Group has increased its rate of incorporation of total and external cullet in their furnaces**, which reflects the sustainability of a glass container.

Thanks to this glass recycling, natural resources are saved and the destruction of lands is avoided due to the lack of extractions. Thus, the glass of 3,000 bottles avoids the consumption of one ton of raw material.

In 2010, the total cullet consumption has reached up to 690,966 tonnes, representing an increase of 7.4% over 2009 consumption.

In order to assess improvement over the years, and compare performance between companies in the same sector, the **tonne of melted glass** (for its name in Spanish tvf) has been implemented as a reference unit. Translating the consumption data of the total cullet reflected in this reference unit in the chart above, confirms the positive trend in the incorporation of total cullet to the process.

The reuse capabilities are growing but are submited to the furnaces› technical requirements, to the productions that are made and, above all, to the quality of the recovered cullet. This is the main factor in glass recycling.

The figures highlight the importance of having efficient waste management systems, guaranteeing an effective selective collection cycle to ensure supply.

Vidrala can ensure that it is working with a totally recyclable product, as attested by the recyclability certificate delivered by the Glass Department of the Institute of Ceramics and Glass, of the Council for Scientific Research, held since 2002: **"Glass is a TOTALLY RECYCLABLE material and the production and recycling cycle can be repeated in perpetuity without causing changes in the material or its properties".**

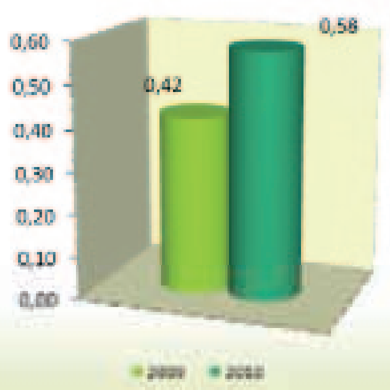
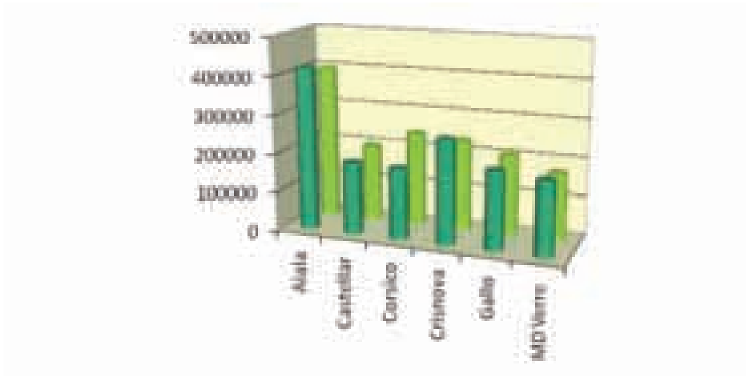


Figure 5.1.1.1. Ratio of total cullet consumption (t/tvf)



	Aiala	Castellar	Corsico	Crisnova	Gallo	MD Verre
2010	419.220	184.407	180.842	267.677	201.195	190.076
2009	397.873	197.203	242.219	233.832	206.463	172.622

Figure 5.1.1.2. Total amount of raw materials consumed (t[1])

As reflected in the data shown, in overall figures, 2010 was a year of increased consumption compared to 2009, with the exception of plants in Portugal and Italy, where the trend was reversed.

With respect to the auxiliary materials, Vidrala works to minimize the consumption of this type of materials, as well as to prioritize their reuse.

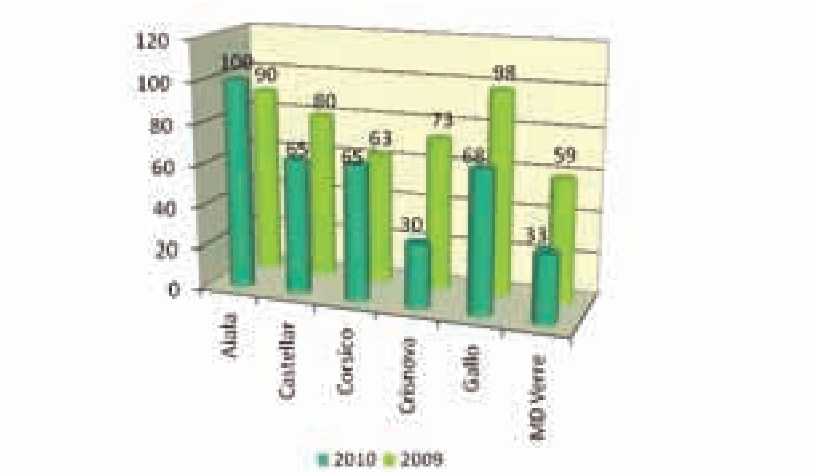


Figure 5.1.1.3. Total amount of auxiliary materials consumed, broken down by plants (t)[2]*.*

The relative weight of auxiliary materials consumed becomes relevant when compared with the total glass production of the Group. This figure is considerably lower against 2009, which increases the efficiency ratios, a constant focus point for the company.

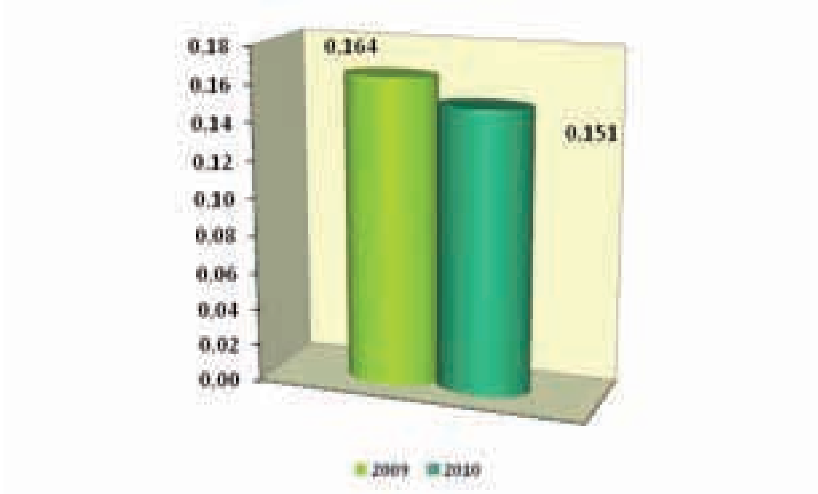


Figure 5.1.1.4. Total amount of consumed auxiliary materials (kg/tvf)

As in the case of cullet, in Vidrala **sulphate is recovered from the waste gas cleaning systems** derivatives from the activities that generate them, especially the melting furnaces. The percentage of dust recovery from waste gas cleaning systems experienced a marked increase in the year 2010. This difference reflects the amount of electrostatic powder recovered at the plants in Castellar del Vallés and Gallo Vidro in 2010.

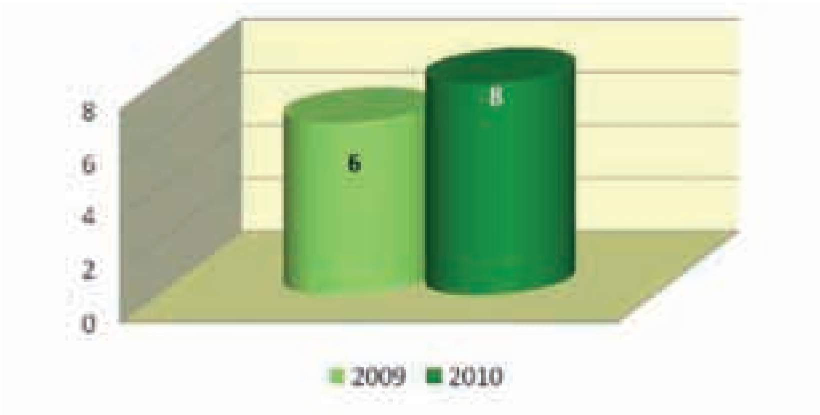


Figure 5.1.1.5. Percentage of sulphate that has been recovered in Vidrala. (%.)

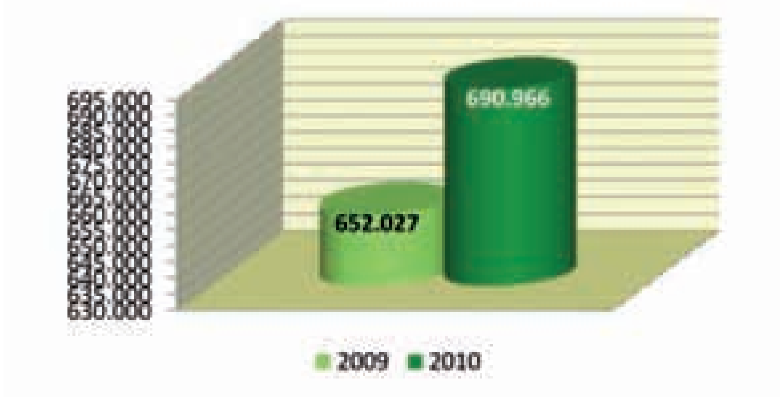


Figure 5.1.1.6. Amount of total cullet added to the furnaces of the Group›s plants (t).

Based on the analysis carried out on the recovery of materials used in the Vidrala Group plants, it is necessary to identify resources included in this item. The materials for which recovery programmes are currently defined are the following:

- **total cullet**
- **electrostatic dust**

Overall, the total increase in the percentage of recovered materials is increasing significantly from year to year, as shown in the trend followed on environmental issues and effective implementation of Vidrala›s environmental policy.

5.1.2. Energy consumption

As mentioned earlier, the reality of the glass industry in environmental performance is strongly influenced by a key issue: energy consumption.

Glass container manufacturing is energy intensive; therefore, this aspect is critical in assessing the environmental performance of the sector itself. **Most of the direct consumption is linked to natural gas**, used as fuel in the glass melting stage. Environmentally speaking, the use of this fuel is revealed as the most sustainable option, especially when compared to fuels that prevailed in earlier times in this type of process. This fuel substitution has led to significant reductions in related emissions and in the overall environmental impact associated with this type of plant.

Indirectly[3], the energy consumed is electric power, all linked to the set of processes that glass undergoes prior to its shipment to customers.

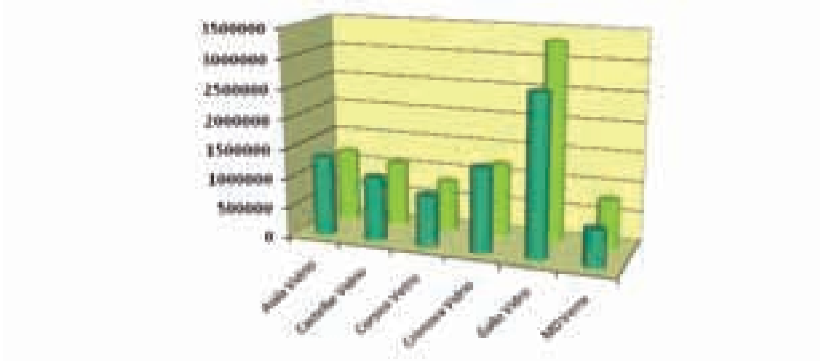
The Vidrala Group is aware of the direct and indirect impact of energy consumption on the environment, and therefore, focuses its main reduction objectives on this issue. Not only is this an issue associated with the direct economic benefit resulting from reduced consumption, but it also seeks to reduce the emissions associated with it, thereby improving air quality in the immediate environment.

In this sense, it is important to highlight the benefits of the introduction of cullet as a substitute material for natural resources. Thus, **in the glass melting stage, it is estimated that for every 10% of raw material that is replaced, energy consumption is reduced by 2.5%**. This is because cullet can be melted at temperatures lower thanthose required for raw materials. How does this translate? **With the same energy intensity, Vidrala is capable of producing more glass.**

The analysis of the figures associated with energy consumption must take into account the severe global economic situation in recent years, specifically in 2009.

During that year, the difficult economic environment resulted in a considerable reduction in energy intensity associated with the furnaces. It was necessary to reduce production, but impossible to stop furnaces (the structural damage caused by these circumstances can disable them for future startups, rendering them inoperable and requiring their subsequent rebuilt). This situation required keeping the heat in the furnaces, by recirculating the glass they produced as raw material, which, although consumed energy in smaller amounts than in previous years, did not result in glass production and therefore, penalised the overall ratios of specific consumption.

In 2010, after a mild global economic recovery, the trend was reversed. The overall figures for the Group's sales increased by around 6% compared with 2009, resulting proportionately, in general terms, in a higher consumption data, yet in line with other years of stable economy.



	Álava Vidrio	Castellar Vidrio	Corsico Vetro	Crisnova Vidrio	Gallo Vidrio	MD Verre
2010	[illegible]	1.075.340	855.[illegible]	1.410.454	[illegible]	[illegible]
2009	1.204.422	1.075.380	940.217	1.222.507	3.325.756	[illegible]

Figure 5.1.2.1. Direct consumption of total primary energy (GJ)

Having analysed the total direct energy consumption per plant is necessary to reflect the reality of the market that supplies the Gallo Vidrio plant. In recent years, there has been a change in the most requested beverage containers, becoming the smallers containers the most popular. The manufacture of these containers joined to the ageing suffered by the furnaces, makes the energy consumption of this plant comparatively higher.

Nonetheless, **Vidrala has improved its energy efficiency data, reducing energy consumption per tonne of melted glass**.

This figure is a reflection of the commitment referred in the beginning of this section: achieving a product as sustainable as possible.

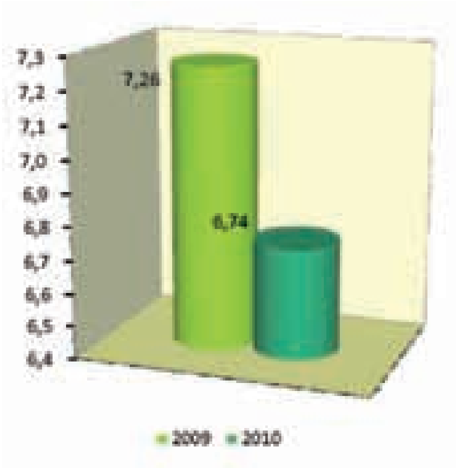
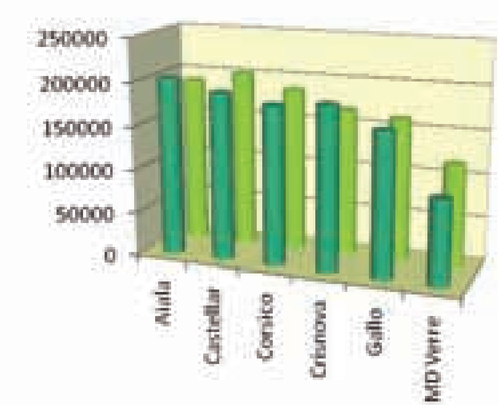


Figure 5.1.2.2. Evolution of the direct consumption of primary energy for the Vidrala Group (GJ/tvf)

Such a positive result in 2010 is due mainly to the **rebuild of the furnaces executed during 2009 and 2010**, at Aiala Vidrio and Crisnova Vidrio plants. This has reduced significantly the energy intensity due to the improved energy efficiency of the new furnaces (more detailed information is available in the section on environmental investments carried out by the Vidrala Group).

The primary energy that Vidrala consumes indirectly is linked to electric power. In this case, the trends reflect the same as situation natural gas consumption. In 2009, less production, and in 2010 increase in terms of production and consumption.

Electricity consumption is associated with all production processes: pre-treatment of materials, melting, moulding, surface treatment, quality control and placement in pallets, while the furnaces are consuming less than 5% of the total energy used for glass melting.



	Aiala	Castellar	Corsico	Crisnova	Gallo	MD Verre
2010	203027	190852	181471	186834	163999	96105
2009	189653	201522	186546	167807	162444	116766

Figure 5.1.2.3. Indirect consumption of total primary energy (electrical energy) (GJ)

In reference to the origin of the energy consumed by Vidrala, the total current production comes from the supply that different companies offer. The origin of energy sources is listed below:

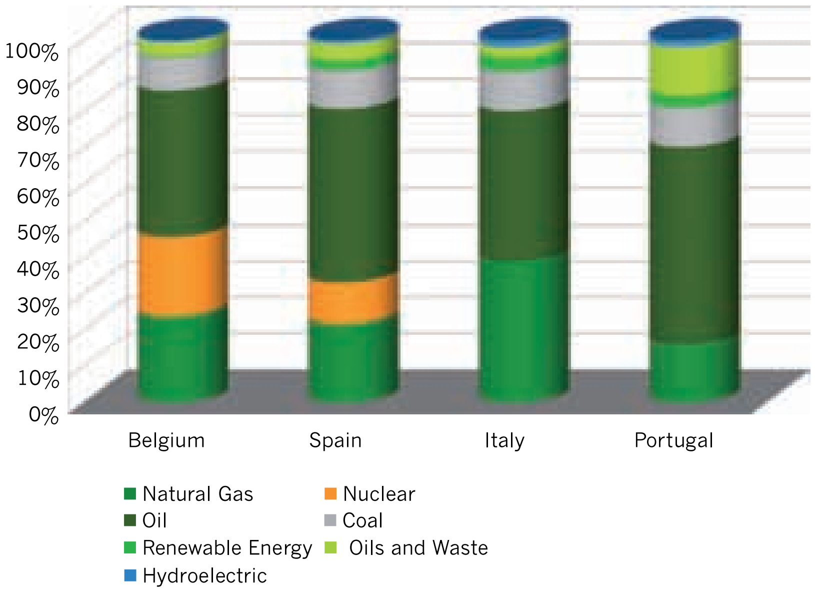


Figure 5.1.2.4.: Percentage of total primary energy supply for 2008; Source: International Energy Agency

The optimisation of energy consumption has been linked to the improvements In the mechanical transformations of the glass containers in the post-melting stages.

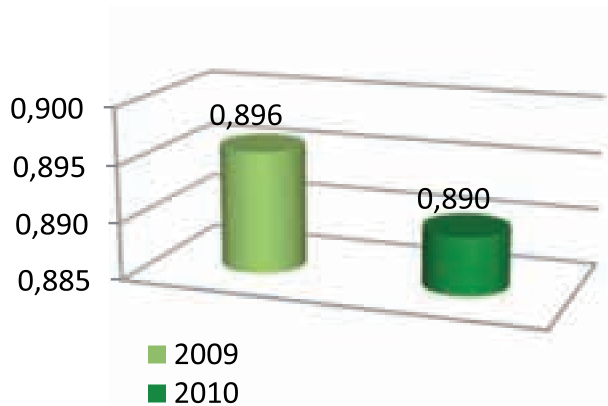
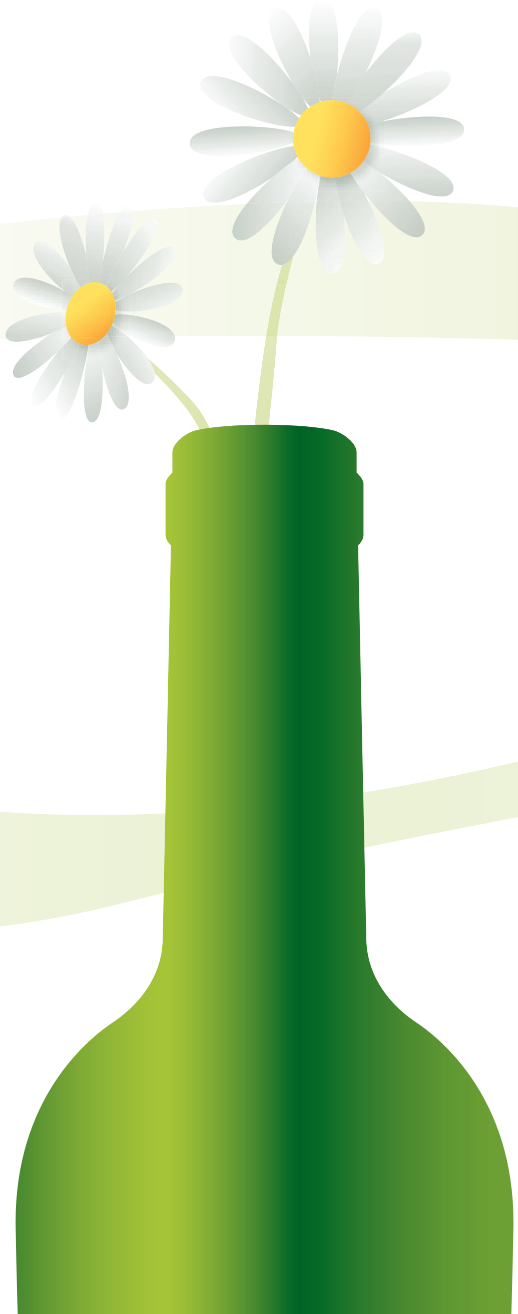


Figure 5.1.2.5. Changes in indirect energy consumption of the Group (GJ/tvf).

The incidence of furnace consumption reduction, the improvement of productive capacities and the gradual increase of the percentage of cullet as a raw material have allowed, although there was a worldwide crisis context good results in the energy field.

Overall, the Vidrala Group has reduced by 6% the direct consumption of primary energy.



5.1.3. CO_2 emissions

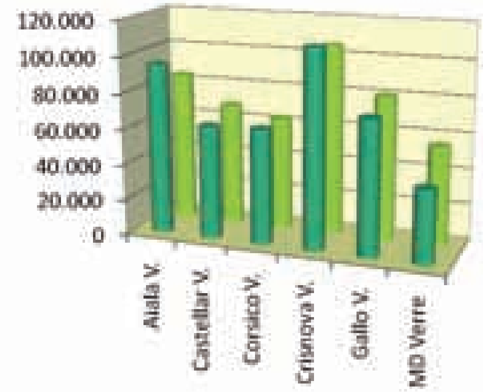
Direct emissions.

In terms of emissions, and given the high dependence on fossil fuels, a sector such as glass production faces a major challenge: increasing output while reducing emissions to the extent that the best available techniques allow.

Vidrala Group is subject to restrictions on emission allowances for Greenhouse Gas, resulting from the come into force of the Kyoto Protocol in 2004. During 2009 and 2010, emissions were reduced per tonne of glass melted in the second period 2008-2012 of Kyoto protocol frame. Currently, the “Post-Kyoto Protocol” is being developed, drafting the requirements to be included in the trading policies emissions for the 2013-2020 period.

Vidrala is proud to have had the opportunity to contribute with its knowledge and experience in the field of glass manufacturing. Providing information on each of its plants facilitated the drafting of documents which have allowed the European Commission to define the glass manufacturing sector as one of those susceptible to carbon leakage risk, that is, the increase in costs for the purchase of CO2 can increase Europe’s potential for outsourcing in lower-cost countries. In this regard, when a sector is considered at risk of carbon leakage, it is **entitled to free CO2 allowances by 2013.**

In this context, the Vidrala Group invests considerables technical and economic resources in the **main source of these direct emissions, the melting furnaces**.



	Aiala V.	Castellar V.	Corsico V.	Crisnova V.	Gallo V.	MD Verre
2010	95.102	63.362	64.231	109.986	75.465	40.924
2009	83.907	68.438	62.980	105.804	80.475	55.449

Figure 5.1.3.1. Direct CO_2 emissions per plant (CO_2 t)

In 2009, Aiala Vidrio and Crisnova Vidrio rebuilt their furnaces and as a result of it, their absolute CO_2 emissions were affected by these shutdowns during the ones these furnaces did not operate. Aiala Vidrio was also affected in 2010 by a shorter shutdown. This was the reason for the changes in the amounts of CO_2 emitted in 2010 compared to 2009. For its part, the increase in the Corsico Vetro plant's emissions is due mainly to the ageing of the furnaces.

In contrast, Gallo Vidro and Castellar Vidrio plants continued the downward trend, which in terms of emitted CO_2 quantities, results in a significant reduction.

For the specific case of MD Verre, we must also point out the closure in 2009, of one of their furnaces, which helped to minimize the total emissions from the plant.

The fact that Vidrala achieved consecutively the reduction in total emissions of one of the major gases contributing to global warming, is a positive note. That, joined to the increase of production achieved this year, allows reaching a smaller figure than expected on the total emission of melted glass.

In this chapter of the report it is also described in detail the investments that Vidrala has carried out in terms of improving the glass production technology and its consequent reduction of associated direct emissions.

Eventhough the increased overall production of the Group, **the figures in tonnes of greenhouse gases emitted based on the glass production generated highlight the reductions achieved**.

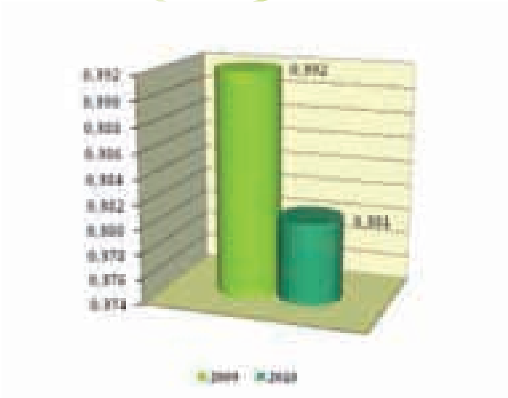


Figure 5.1.3.2. Ratio of direct CO_2 emissions (t/tvf)

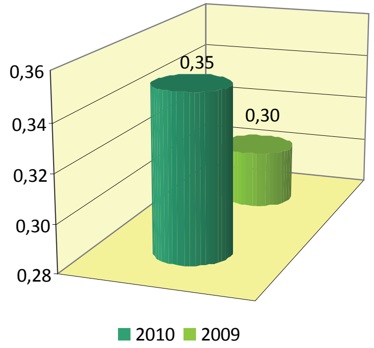


Figure 5.1.3.3. Ratio of total indirect CO_2 emissions (t/tvf)

Indirect emissions.

Linked to the previously exposed, it should be mentionedthat the glass manufacturing process is not the only source of CO_2 emissions. These are known as direct emissions and transport of the finished product and personnel travel compose the Group's indirect emissions.

In 2009, the market characteristics joined to the location of the plants and the existing alternatives of distribution of the finished product made difficult to reduce the greenhouse gas emissions in the same way as the ones associated with furnaces. Glass, especially when travelling under container shape (bottles), allows a maximum limit of space optimization and it is inevitable to increase spenses and emissions related to transport.

The magnitude of transporting the product, when analysed in conjunction with other sources of indirect CO2 emissions from Vidrala, place them in second place: the rest of indirect emissions of the Vidrala Group are mostly linked with business travel by airplane or by road. In any case, compared to the emissions potential of transporting the product, they can be considered as minor.

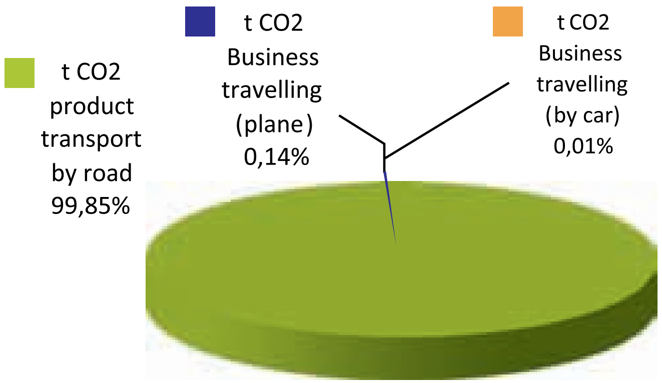


Figure 5.1.3.4. Distribution of indirect CO_2 emissions by source (%).

Regarding emissions of substances that damage the ozone layer (CFC - chlorofluorocarbons substances, and halons), it must be noted that, even for decades were used usually as refrigerants and propellants in the Vidrala Group plants, today they can only be considered in an insignificant way with presence in specific extinguishing and air conditioning equipment in offices, meeting all management regulations and complying with the inspection programmes according to current legislation on the subject. They only pose a leakage hazard in emergency situations.

Likewise, as they are substances subject to international conventions, Vidrala's policy is to avoid their presence completely in its various plants.

Other significant air emissions.

Air quality and the impact it has on the environment in which Vidrala's production plants are located, is an issue that Vidrala's managers have been controlling for years. Therefore, **along with CO_2 emissions, NOx, SOx and dust emissions, are the three parameters that benefit mainly from the implementation of the technologies that the Group operates.**

In this sense, along 2009, different treatment systems of dust and SOx were installed progressively in the Group's facilities. Likewise, this year, NOx emissions were increased by the need of continuing maintaining the temperature of the out-of-production furnace (NOx emissions are tied to the combustion processes, so that if gas consumption remains and is not used to produce melted glass, NOx increases in relative terms). Already in 2010, once the level of production was able to increase, the emissions data show an improvement in their behaviour.

Moreover, Vidrala monitors strictly the compliance of the emissions limit values according to the regulation applied. For this purpose, an Automatic Measurement System (AMS) has been installed in Corsico Vetro, Gallo Vidro, Castellar Vidrio plants, and in January 2011 in Crisnova Vidrio.

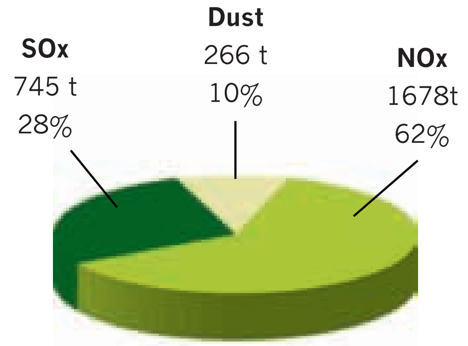


Figure 5.1.3.5. Other significant air emissions for the year 2010 (tonnes and %)

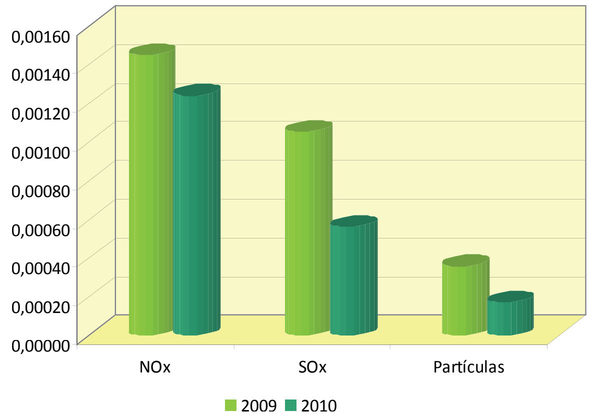


Figure 5.1.3.6. Evolution of pollutant atmospheric emissions (t/tvf)

The main measures implemented by the Vidrala Group for reducing air emissions are based, amongst other, on the following processes:

- The application of an electrostatic precipitation system with prior desulphurisation, which achieves the removal of the potentially contaminating load from the exhaust air flow of the stacks, and generates an industrial product capable of being used internally in the same plants.
- To reduce NOx emissions several primary techniques are available to optimize resource consumption, improving process efficiency: electrical energy is used to substitute for the fossil fuel part; improvements are applied in the design of furnace and in their operating conditions, or burners are used whose NOx emission rates are the lowest, amongst others.

5.1.4 Waste Generation

Glass may be, without doubt, one of the few residues that are 100% recycled an indefinite number of times. Consistently, **the Vidrala Group wants to increase the sustainability provided by a container manufactured in glass through the strong commitment that all containers are produced with a high percentage of recycled glass**, which saves a significant amount of natural resources and involve a rational energy use.

In addition, the Group adopts measures aimed to strengthen the hierarchy of waste treatment. In compliance to the European Directive 2008/98/EC on waste management, every year, the Vidrala Group has been fully dedicated to manage its own waste, choosing the **recovery for its use in other processes avoiding discharging them in landfills**, where is technically and economically feasible.

Following this procedure, 39% of waste generated in 2010 was recovered.

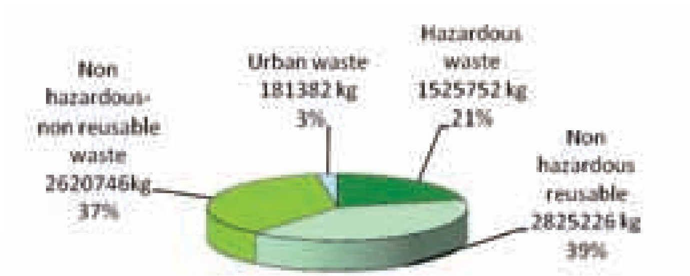


Figure 5.1.4.1. Total generation by waste type in the Vidrala Group (2010[4])

The amount of waste generated by the Vidrala Group during 2010, amounts to a total of 7,153,106 Kg, which includes waste from furnace demolitions. The specific generation for each type of waste shows how a breakthrough in specific waste minimisation has been achieved: **Vidrala has been able to increase production and generate less waste.**

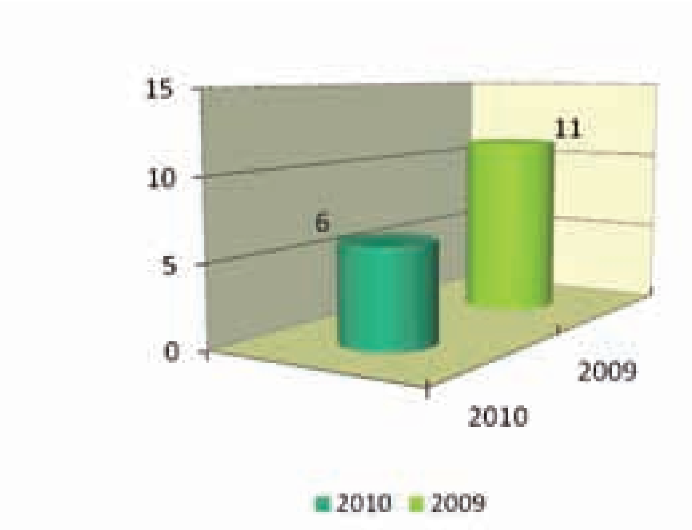


Figure 5.1.4.2. Ratio of the amount of waste generated v. the amount of melted glass. Period 2009-2010 (kg/tvf).

The ratio of waste generated over the tonnes of melted glass has declined compared to 2009. This decline is caused by a greater control and quantification of waste generated, that allows the identification and implementation of actions to improve its reduction.

Reused waste in Vidrala plants is composed by those corresponding to wood (pallets) and plastic (toggles). The results obtained during 2010 in terms of reuse of this waste have been very positive compared to 2009.

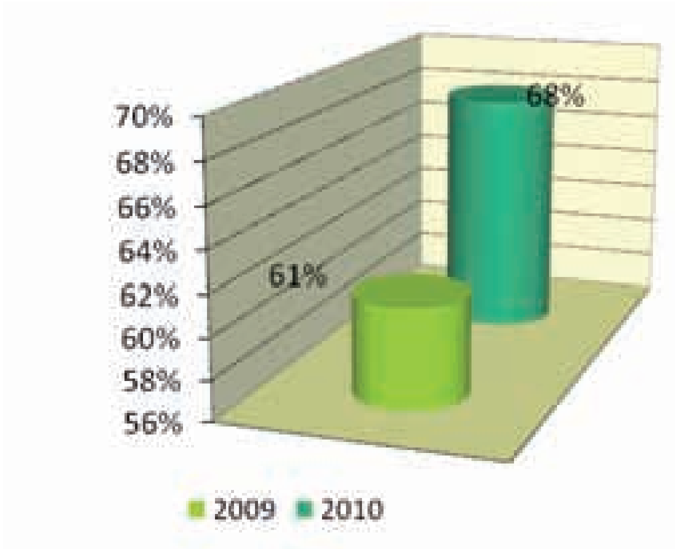


Figure 5.1.4.3 Change in percentage of the Vidrala Group's waste reuse (%.).

In addition, as discussed in paragraph 5.1.1., Vidrala places value on glass rejection from its production process, which is directed back to the furnace as a raw material. This rejection is about 10% of the melted glass production.

5.1.5. Regulation Compliance

The degree of legal compliance that an organisation has, represents a cross indicator providing a fairly accurate idea of its environmental performance. Given that European environmental standards are extensive and complex, the Vidrala Group has established a series of Systems for Quality, Environmental Management and Prevention offering procedures that assist, not only to comply with applicable regulations, but also to engage continuous improvements.

Furthermore, periodically, Vidrala implements the monitoring and control systems necessary to ensure the application of these systems, and compliance with the limits set by the relevant regulators (audits, controls, and so forth).

In 2010, the **Vidrala Group did not receive any relevant non-monetary fine or penalty** related to environmental regulations.

5.1.6 Environmental investments and profits

Regarding the iniciatives to reduce emissions of greenhouse gases, and as explained in the introduction of the environmental issues, the Vidrala Group is working very hard in terms of environmental investments.

The actions are focused basically on rebuilding furnaces carried out in the Crisnova Vidrio plant (Albacete), in 2009, and the Aiala Vidrio plant in 2009 and 2010, with a budget breakdown, included exclusively in "environmental" investments in furnaces, as follows:

YEAR 2009	Inversión
Crisnova Vidrio, furnace 1	7,492,878 €
Aiala Vidrio, furnace 2	6,323,422 €
YEAR 2010	**Inversión**
Aiala Vidrio, furnace 1	5,108,959 €
Total	**18,925,259 €**

Table 5.1.6.1. Environmental investments carried out in the rebuilds of furnaces.

Due to the high cost of the investments necessaries required each time a furnace has to be repaired, the Vidrala Group makes the most to optimize it, aiming not only for the pursuit of financial profitability, but for energy and environmental efficiency.

Thus, the Vidrala Group, each time that it reconditions a furnace, includes all environmental measures leading to reduce the impact of the glass manufacturing process. The glass melting process is the main source of all critical issues that can impact the environment, and at the same time, it is the field in which progress can be achieved best to benefit from its two most significant environmental issues: energy and atmospheric emissions.

During the rebuilds carried out in the past two years, primary measures have been introduced in the furnace design to minimize the mentioned environmental issues. In particular, **the chosen furnace technology**, regenerative loop furnace with primary measures to minimize the emission of NOx and reducing energy consumption, **is considered by the container glass sector as the best available melting process technique**. Similarly, the installation of gas cleaning systems, and electrostatic filter with prior desulphurisation is getting a clear **reduction in emissions of dust and sulphur oxides** contained in the exhaust gases of furnaces.

In 2010, at the Crisnova Vidrio plant an investment was performed for the installation of electrostatic filter exceeding the amount of 3,300,000 Euros.

Therefore, the regenerative loop furnaces with electrostatic filter and the inclusion of primary measures for reducing NOX become the best environmental technology economically viable for the glass melting process. According to Vidrala's own experience, in the best of situations, the benefits achievable through this type of furnace along with the aforementioned primary measures can be reflected in the attached figure.

(mg/Nm³ dried at 8% of O_2)	OLD FURNACE	NEW FURNACE	REDUCTION
Dust	269	226	**-15.99%**
NOx	2,308	878	**-61.96%**
SO_2	716	584	**-18.44%**
Natural Gas (kWh/t.v.f.)	1433	1043	**-13%**
CO_2 (t./t.v.f.)	0.349	0.258	**-36%**

TTable 5.1.6.2. Maximum expected profits after rebuilding a furnace.

The Vidrala´s Group environmental performance is not limited to the production processes. It goes further, integrating it from the knowledge and the daily work performance..

In this regard, together with the investments in furnaces already described, two types of investments/expenses are generated that are realised on an annual basis and that, therefore, are also covered by this report:

Short-term investments: smaller projects with direct involvement in impact reduction (see figure 5.1.6.3.)

Operating expenses: expenses derived from environmental management of different plants (see Figure 5.1.6.4.)

The group has asided in 2010, a total of 614,757 Euros in short-term investments for environmental management.

Short-term investments in environmental management

	2009	2010
Spain	200,138	**348,219**
Portugal	71,165	**11,500**
Italy	778,852	**191,547**
Belgium	120,062	**41,159**
Vidrala	30,932	**22,331**
Vidrala Group	**1,201,149**	**614,757**

Table 5.1.6.3. Short-term investments in environmental management, by country (Euros).

In 2010, short-term investments were reduced as a result of Vidrala's hard work in recent years to implement environmental infrastructures in all its plants, in order to improve environmental performance and minimize their environmental impact. These short-term investment decline as improvements materialize.

In addition, Vidrala has carried out operating expenses in prevention and environmental management issues, as reflected in the table below.

Operating expenses for prevention and environmental management

	2009	2010
Landfill Management	34,445	**32,195**
Emissions management	75,448	**119,426**
Waste management	660,892	**556,088**
Maintenance facilities with environmental impact	779,082	**470,184**
Environmental audit and consultancy	48,454	**105,003**
Total	**1,598,321**	**1,282,896**

Table 5.1.6.4. Operating expenses dedicated to prevention and environmental management issues (Euros)

The maintenance costs in facilites with environmental impact have been reduced due to the investments in their renewal, which has minimized the need for maintenance.

In 2010, there have been no expenses associated with CO_2 emission allowances. This is because, during this period, the Vidrala Group has not consumed the total quantity of allocated allowances, not being necessary resort to the CO_2 emissions trading market.

Additionally, other environmental improvements were recorded that despite they do not have the quantification as those analysed, they have an important bearing on the overall benefit of the environment:

Using **high-quality refractory material** significantly increases the life of the furnace, generating lower production of solid waste in the maintenance and refurbishing.

Less wear is produced on the furnace, minimising losses due to deficiencies in glass quality. This reduces significantly the amount of rejections being recirculated and fed back to the furnace as a raw material. The reduction of rejected containers results in a decrease in energy consumption per mass unit of final glass produced, and consequently a reduction in emission gases linked to energy production.

Currently, **the Vidrala Group is operating a system for recycling pallets and toggles**. This significantly lowers the consumption of the former carton toggles, replacing them with reusable ones. Today, 100% of the plastic toggles are under this integrated management system. Similarly, the pallet recycling rate is up from 61% (2009) to 68% (2010). This increase is the result of policy implementation on waste reduction and the reuse of all materials that allow it; through everyone's involvement (employees, suppliers and customers) a more sustainable behaviour is achieved.

5.2. Environmental Performance

Looking for balance, and therefore, the application of its own sustainability criteria, Vidrala's management has developed its 2010 Sustainability Report with a clearly innovative approach. Following the work performed earlier this year regarding the materiality of the risk issues for the organisation and the stakeholders involved, it was taken the decision ofapplying the results to the development and dissemination of the report.

Thus, the material environmental information has already been reflected in paragraph 5.1 "Material Environmental Performance," and the risk issues considered less relevant for the Group are set out in this section, achieving a double objective:

Facilitate reading and consultation of the report, exposing the important information continuously[5].

Incorporate additional information with high specialisation in a particular subject, which may be important to the stakeholders.

This section lists those environmental issues with less material relevancy for the organisation, divided into two main topics:

Water Consumption and Discharges

Biodiversity

Although in 2010, water, biodiversity, and material environmental areas were not considered materials for Vidrala, it is true that they represent two areas of focus and control by the Group's environmental team. Therefore, we cannot say that Vidrala has no interest in these areas, rather, that in 2010, no meaningful improvement targets were set as they did not represent a critical risk.

5.2.1 Water Consumption and Discharges

Water consumption

In the manufacturing plants, the main use of water is in the **refrigeration processes** for the different circuits and in the cooling the rejection that occurs in hot glass. In addition to this, **the main discharges originate from the purge processes of these refrigeration systems operating in closed circuit** and those from toilets and showers.

Overall, the trend is clear in the optimisation of the resource, through the implementation of corrective measures in the production process. This has achieved **a 78% in water reuse and recycling,** mainly through the filtration and treatment processes for general circulation, and for cutting oils and hot glass cooling circuits.

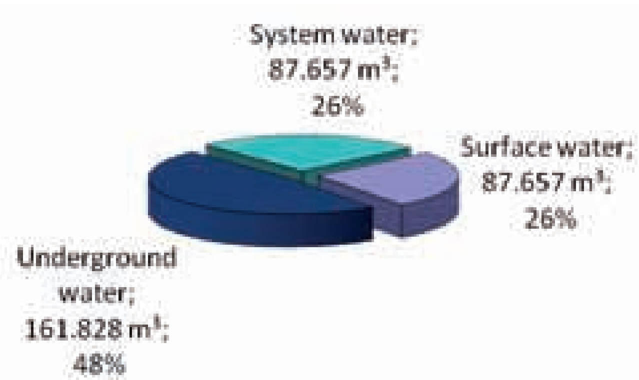


Figure 5.2.1.1. Vidrala Group›s total water intake by source. Year 2010 (m³).

All water used in Vidrala plants comes from the network supply, from underground wells or surface channels, all with proper acquisition authorization, pursuant to current legislation in different countries.

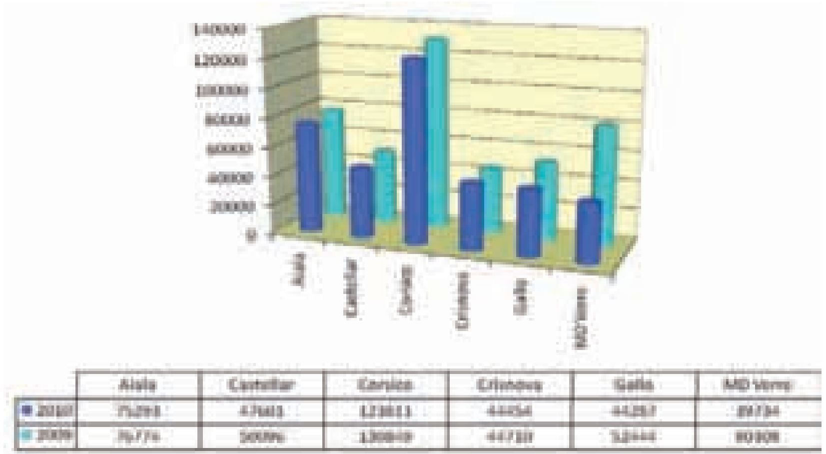


Figure 5.2.1.2 Evolution of the total consumption of water for the Vidrala Group (m³).

In particular, for Corsico Vetro, Castellar Vidrio and MD Verre plants, improvements have been carried out in the refrigeration systems, aimed at transforming them into closed circuits, resulting in a significant reduction in water use. These efficiency measures have allowed consumption in relative terms, the ratio of m³/tvf is considerably less than that experienced in the previous year.

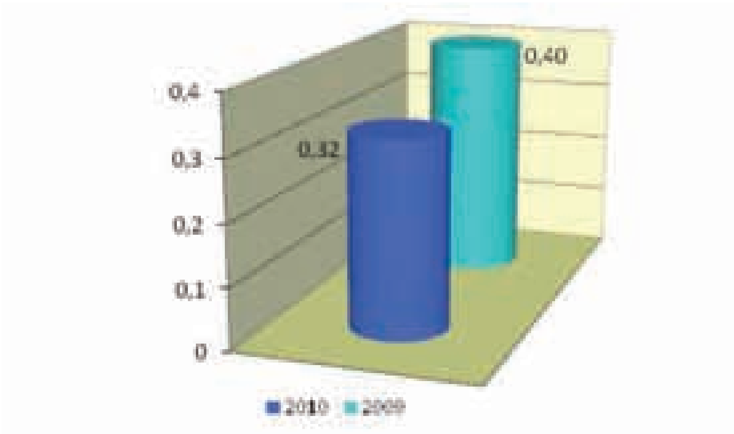


Figure 5.2.1.3. Evolution of water consumption for the Vidrala Group (m^3/t.v.f)

Discharges

With regard to wastewater discharge, it should be noted that the Group's plants produce a high percentage of water reuse, since the processes that are mainly accountable for water consumption operate normally in closed circuit. In the event that maintenance operations or other reasons should require drawing water from any point on the circuit and discharging it in the environment, this shall always **be conducted pursuant to the terms and modalities authorised by the discharge allowed in each plant. Overall, in 2010, a total of 25,206 cubic meters was discharged.** Additionally, Vidrala guarantees the proper treatment of these discharges, in order to meet the internal objectives set by the organisation and the legal limits for discharges that govern the different plants.

In 2010, accidental spills detected in the Vidrala Group plants have amounted to a total of about 2 m^3, resulting from **15 spills considered significant.** A very high percentage of these are related spills caused by trucks that operate in the plants. Nevertheless, these figures do not represent a significant impact in terms of magnitude or scope, as they have all been treated according to established procedures for these situations.

It must be noted that, in 2010, Vidrala, **has not detected any impact on ecosystems, habitats or resources** on which the different plants have influence.

5.2.2 Biodiversity

Vidrala has 6 plants in four countries of the European Union: France, Italy, Portugal and Spain.Only **Castellar Vidrio, located in the village of Castellar del Valles in the Barcelona province, is near a protected natural environment.** Specifically, it is located at a distance of approximately 5 km from the Natural Park of Sant Llorenç del Munt i Serra de l'Obac.

Therefore, it is the only plant that could potentially have a major impact on the environment. In this regard, the Group is committed to strict compliance with all legal requirements that are applicable in protecting the natural environment, biodiversity and landscape.

Moreover, since 2008, this same plant has an **Action Plan** in progress designed to minimize potential discharge risks to public waterways, which includes, amongst other:

- **Installing a new industrial wastewater treatment plant.**
- **Creating an emergency deposit with extraction pumps connected to the sewage outfall to collect any overflow from the treatment plant.**
- **Diverting water from the fuel vat's oil separator, connecting it to the treatment plant.**
- **Diverting to the treatment plant all storm networks susceptible to contamination, the cullet storage, and any areas for transferring raw materials.**
- **Diverting the faecal sewage connections, susceptible to contamination, to the industrial wastewater network connected to the treatment plant: Maintenance workshop and Quality Laboratory.**

6. Caring for its people

The social aspect from a purely business point of view is becoming a strategic and vital issue in the survival of organisations. It is in these difficult economic times, when companies that have established strong ties with their workers, find new opportunities for the development of the activity in this two-way commitment.

Along with economic and environmental issues, the social aspect completes the triangle that covers the Sustainable Development concept, referring to the social impact of an organisation both, externally and internally.

Based on the guidelines set by the Global Reporting Initiative (GRI) the Vidrala Group is working in this aspect from the following angles:

Occupational life quality and worker well-being: *Labour Practices and Decent Work (LA).*

Contribution to community well-being of society in general: *Society (SO)*.

Business ethics (human rights protection, transparency, integrity and justice): *Human Rights (HR)*

Product liability (health and consumer safety, advertising): *Product Responsibility (PR).*

Social Management

Since its birth in 1965 as Vidrierías de Alava, S.A., the VIDRALA GROUP has based its business model on its workers and their nearest local environment.

The promotion of certain values such as dialogue, equality and occupational health have turned this business group into a benchmark for loyalty and commitment among shareholders, investors and workers.

Throughout 2010, the glass manufacturer Group led a project based on the identification and assessment of major risk issues associated with their organisation. Without hesitation, the social aspects were incorporated within the scope and worked at the same level as financial and environmental issues.

One of the objectives targeted by this project was to identify those issues considered as "social," which by their intrinsic relevance or by the Group's control over them, are considered as Critical Potential Hazards.

The results of this research and analysis process are reflected below:

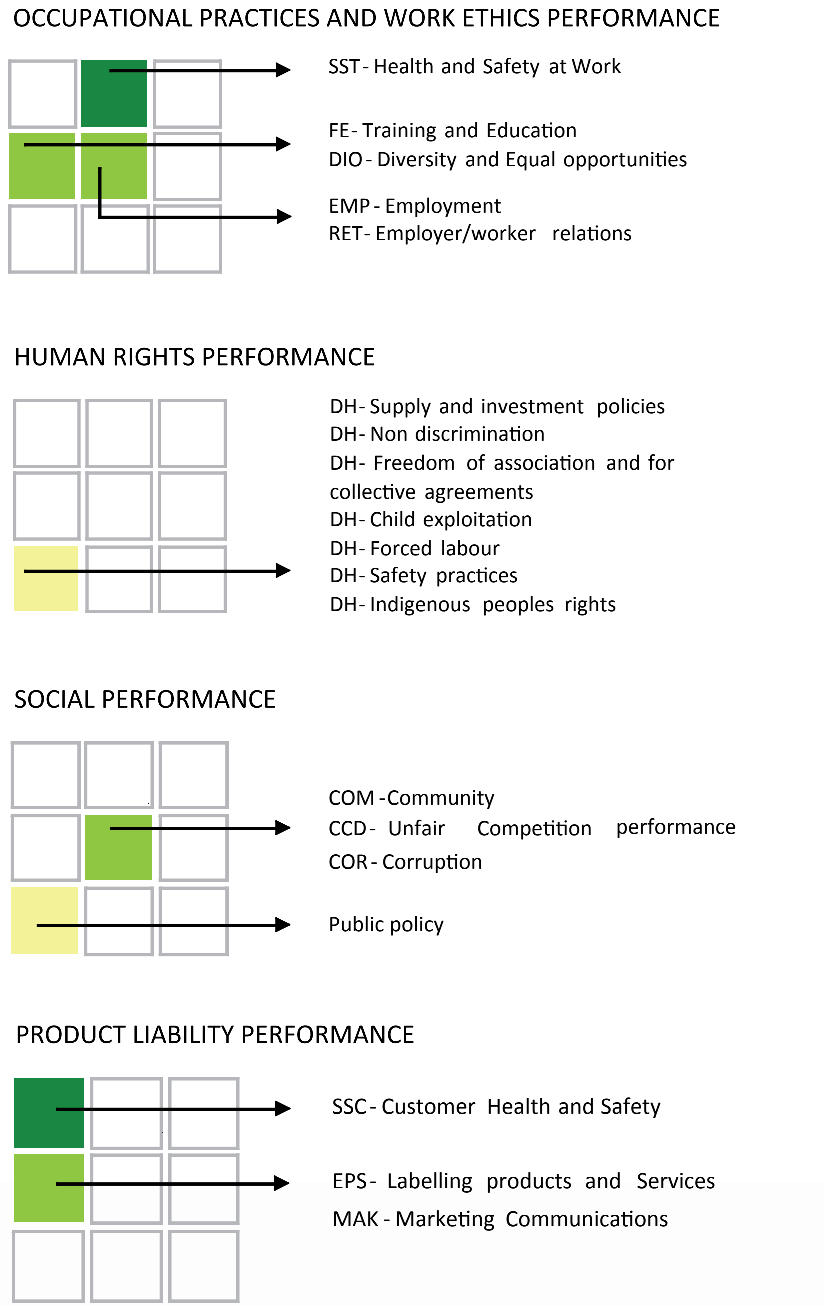


Figure 6.1. Assessing the materiality of Social Risk Issues for the Vidrala Group. 2010 Materiality Report.

Health and Safety at Work and for the Customer are positioned as the two Critical Hazard Social Issues for the Group (dark green), thus rendering them as the two clear goals to work on throughout the year.

However, hazard issues related to the performance of Human Rights and Public Policy in terms of social performance, are presented as issues of low relevance to the organisation (yellow) and therefore, are not considered material.

Regarding "Moderate" level Hazard Issues (light green), the Vidrala Group remains committed to its employees and customers to improve control over them and report information to cover any interest of some of its stakeholders.

6.1. Material Social Performance

Powered by the Human Resources Department, although with the involvement and commitment of all departments, the Vidrala Group has initiated throughout 2010, an unprecedented initiative, aimed at **creating a New Culture shared by the entire Group.** Based on the successful experience of the Aiala Vidrio and Crisnova Vidrio plants and the contributions of the new plants that have been incorporated into the Project, once again this glass Company **continues with firm steps toward a management model based on teamwork, enrichment by diversity and the creation of value through synergies.**

It is through these types of initiatives where the role of workers and the commitment between employer-employees acquire their maximum expression.

6.1.1. Health and Safety at Work.

The implementation in all VIDRALA GROUP plants of an Occupational Health and Safety Management System based on OHSA 18001:2007 standard provides an international recognised management framework.

As reflected in the Group's Occupational Safety and Health policy, for its Management department, the three pillars on which the project is founded are: the creation and fair distribution of wealth, the creation of a future, and abiding to ethics as a point of reference for their achievement.

Understanding that the most important wealth in any case is the LIFE and HEALTH of people, especially those that integrate the payrolls of different group companies, drives the **firm intention to place Safety and within it, Prevention of Occupational Risks in the maximum level amongst the strategic priorities of the group**, creating a proprietary management system, articulated in appropriate policies and objectives, and facilitating the necessary means to achieve them.

Vidrala, the parent company, along with the Aiala Vidrio and Crisnova Vidrio plants have their corresponding certification, while the Castellar del Vallés plant is currently in the process of obtaining a certification for its system. The Group has established a work plan to achieve certification for all plants.

All of the Group's employees are represented on the Health and Safety Committees, with management-worker participation to help monitor and advice on health and safety programmes at work. This representation is carried out through safety representatives, with a "work place" application scope.[6]

The **Occupational Safety and Health Committee (CSSL for its name in Spanish)** is the joint and collegiate participation body dedicated to the consultation of the company operations on risk prevention, and is constituted according to the legal regulation.

The essential function of this comittee is to promote initiatives on methods and procedures for risk prevention and to participate in the planning, implementation and evaluation of preventive policy. In the CSSL, worker representatives are elected by and from amongst their representatives in Company Committees.

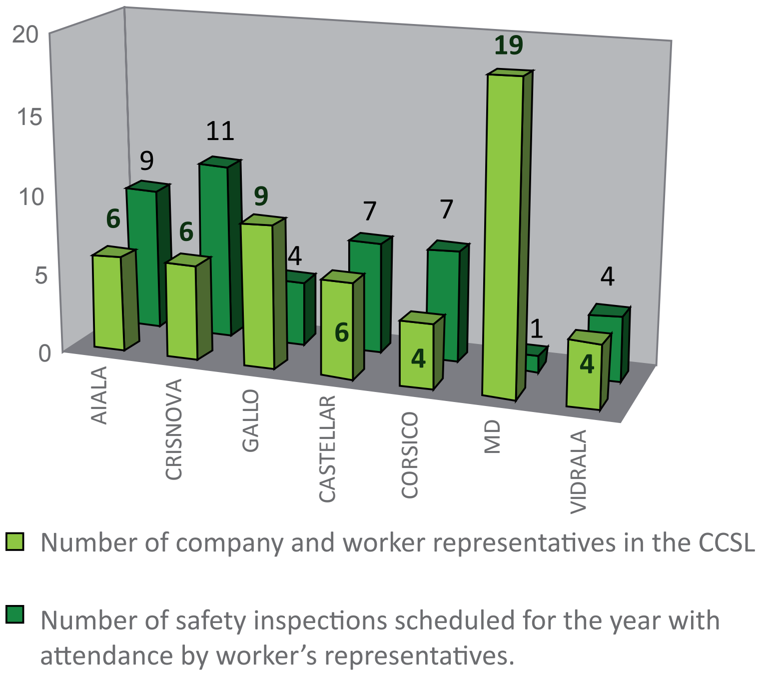


Figure 6.1.1.1. Comparison between the company and worker representation in the CSSL and safety inspections.

CSSL meetings are usually held every three months, unless legally required or agreed otherwise. In some of the plants, the Group's commitment to its employees meets or exceeds the frequency set by the implementing legislation.

Furthermore, the Vidrala Group, as part of the *National Association of Automated Glass Packaging Production Companies* (ANFEVI for its name in Spanish) has worked with the majority of trade unions to agree on the safety conditions or elements that must protect some of its facilities, as well as in the development of training and information documents for all workers in the container glass sector.

Preventive actions in the areas of Health and Safety of workers reflect the Vidrala Group's commitment to maintaining strict control of the evolution of the ratios related to the safety of its personnel, establishing measures to prevent recurrence, which are described in the PS-03 procedure: "Communication and Investigation of Accidents."[7]

Accidents and absenteeism

	2009	2010
No. of accidents	495	**416**
With death	0	**0**
With loss	266	**198**
Without loss	229	**218**
No. days lost	5,286	**4,985**
Absenteeism (%)	5.73	**4.72**

Figure 6.1.1.2. Data for the 2009-2010 period related to accidents and absenteeism in the Group.

The data shows the rate of accidents and illnesses together, considering that illnesses account for less than 1%.

Similarly, accidents requiring only first aid are not considered as a loss (for each "non-loss" accident, two hours of lost work are calculated, which will increase the total number of lost working days).

Regarding the lost working days, they are counted from the time when the accident occurs.

As reflected in the data provided, Vidrala Group has achieved recording **no fatal accidents** while conducting its business, a figure that makes the team especially proud. On the other hand, the last two years have experienced a decline in accidents in the organisation, a trend that the Group has set as target for 2011.

Some figures are shown below by plants, to appreciate the effort implemented by each plant on improving the prevention of occupational risks:

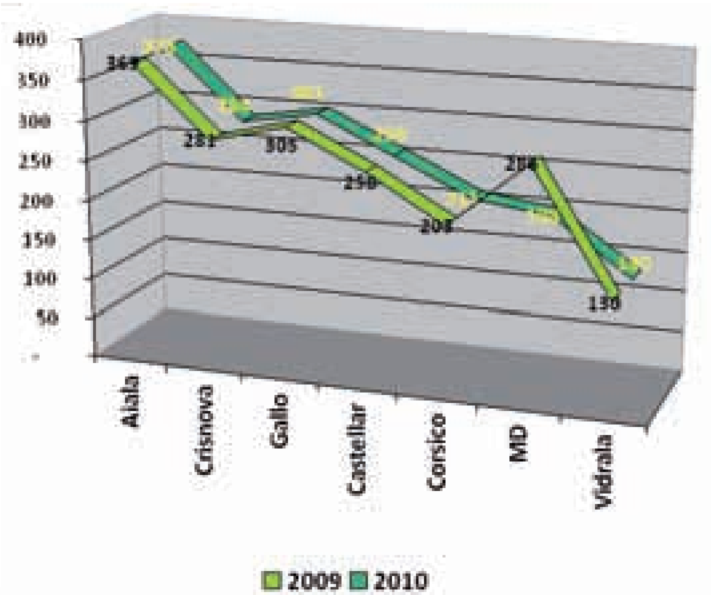


Figure 6.1.1.3. Number of workers in each Vidrala Group plant. Years 2010-2009

In recent years, despite the global economic downturn, **Group plants have managed to maintain almost a stable workforce**. Only the MD Verre plant has required a major adjustment.

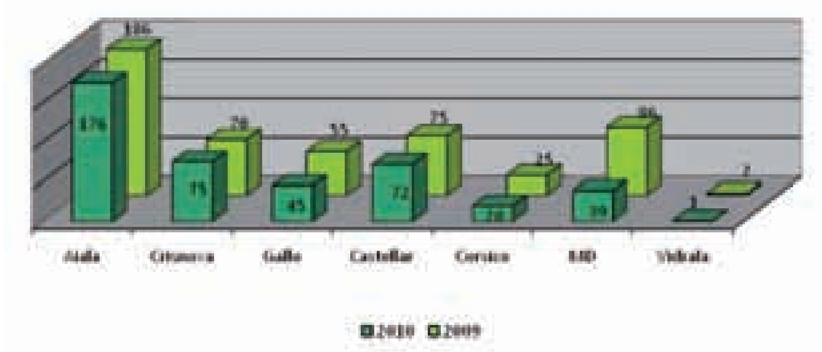


Figure 6.1.1.4. Total number of accidents recorded in each of the Group›s plants.

In 2010, all the Group's plants have the implementation of a management system for the prevention of occupational risks pursuant to OHSA 18001:2007. **The Vidrala Group has set this standard as a benchmark for the proper performance of its health and safety issues at work.**

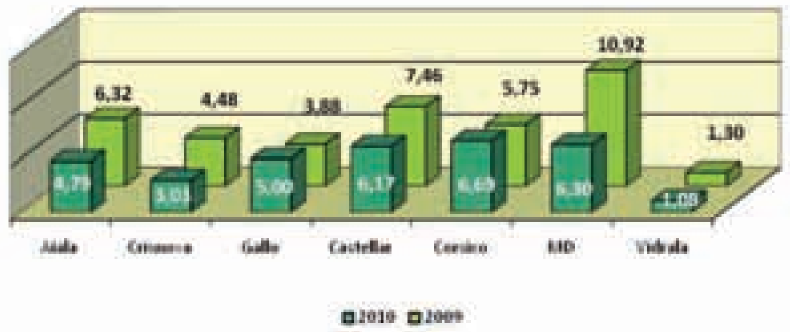


Figure 6.1.1.5. Recorded rate of absenteeism in each of the Group›s plants.

The **average recorded absenteeism** in 2010 for the Vidrala Group is **4,72%**, reflecting a 1.% decrease compared to 2009, the year when the mean was 5.73%.

Being aware of the importance of education and training exercises on the habits of people, in particular, its impact on minimising risks to workers, the Group has launched numerous health campaigns.

- **Campaigns for the protection against noise.**
- **Campaigns for protection against certain chemical contaminants.**
- **Classes to prevent exposure to chemical agents at work.**
- **Training for proper use of respiratory and hearing protection.**

These campaigns are a consequence of the results obtained in the monitoring and health surveillance of workers, which is carried out by internal means, or by hiring certified third party Prevention Services. The medical protocols applied in health examinations are carried out depending on the risks that may affect workers as a result of the work they perform.

Likewise, in 2010, a psychosocial risk assessment was carried out in the three Spanish plants, according to legal requirements. The results were positive in all cases; no serious situations were detected that required urgent care, except for some areas that are listed below:

- **Analyse in depth and respond accordingly to certain behaviours in specific groups.**
- **Outsource the care for specific personal injuries detected during the assessment.**

As part of the active collaboration with workers in the prevention of risks, Vidrala compliments their training provision related to illnesses and risks associated with industrial activity, by launching other types of campaigns. Throughout 2010, and in order to mitigate the impact of other illnesses not directly related to industrial activity the following actions are in place:

- **Vaccination campaigns against flu.**
- **Activities for the detection and control of diabetes, alcoholism and obesity.**

6.1.2. Customer Health and Safety.

Since late 2010, aware of the right to health and safety of end users, Vidrala has a Food Safety certification capable of handling the current and future requirements of its customers.

Vidrala Group, a producer of glass containers for food use, has successfully completed its project for **certification of all its factories in ISO 22000:2005 in 2010,** as the first standard in food safety certification with worldwide recognition. This certificate attests the establishment of an autonomous quality assurance system for food safety management incompliance with all related regulatory requirements.

In 2007, Gallo Vidro obtained the certificate, becoming not only the first plant of the Group to be certified, but also the first company to achieve this recognition. The year 2008 saw the transfer of the food safety system to the Crisnova Vidrio facilities, becomingit the first certified plant in Spain to become certified. In 2009, the Aiala Vidrio and Castellar Vidrio plants followed, leaving for 2010, the completion of the certification project of the Group with Corsico Vetro and MD Verre plants.

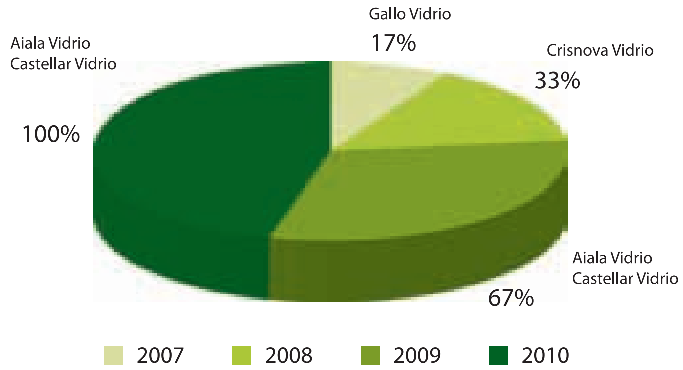


Figure 6.1.2.1. Evolution of the certification process in the Vidrala Group for Standard 22000:2005 on Food Safety.

As reflected in the chart above, in 2009, the Group achieved certification for 67% of its plants, reaching 100% in 2010 (6 plants).

The implementation of the system involves the analysis of potential risks throughout the production stage to establish an effective combination of control measures and risk prevention, good manufacturing and hygiene practices, strengthening the requirements for providers regarding the safety of consumables in contact with containers during the manufacturing process and, finally, the improvement of systems for traceability of their products. All this was documented through the **General Food Safety Procedures, PG-106/07.**

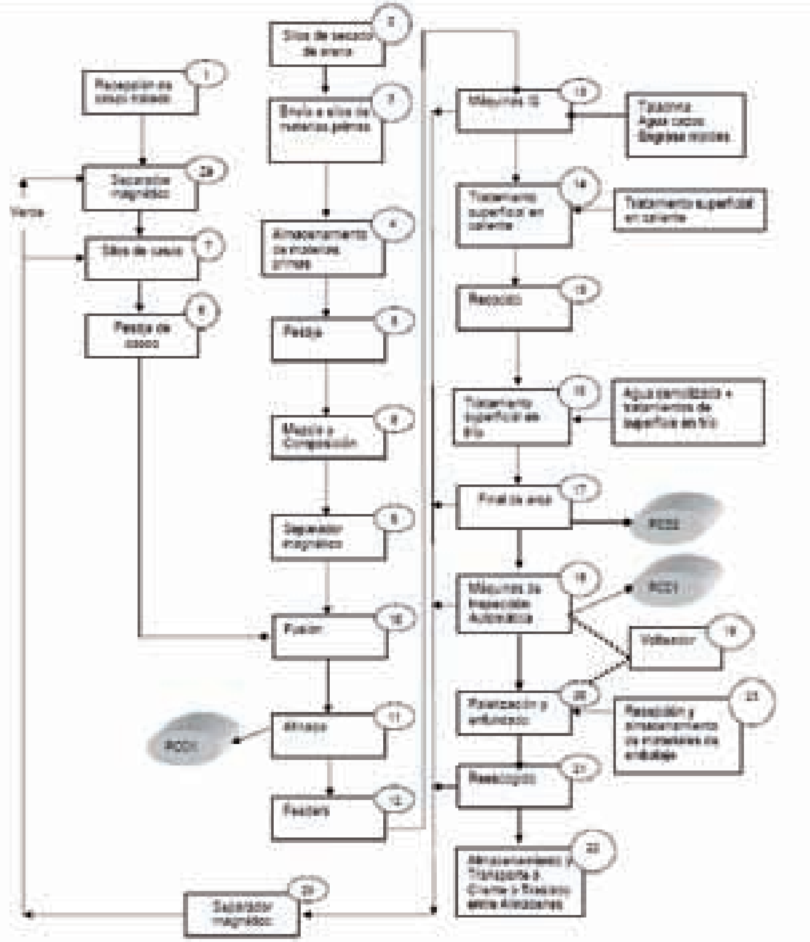


Figure 6.1.2.2. Flowchart and for identification of the Operating Control Points or Prerequisites Operational (PCO) and Critical Control Points (CCP)

The Vidrala Group's Control Plan focuses around 3 control points related to different stages of the process:

PCO1: Burst bubbles inside the bottle's opening and inner surface due to poor refining. **Refining.**

PCO2: Wounds or ingestion of glass particles by the presence of critical defects and inspection failures in Cold Zone. **End of Annealing Lehr.**

PCC1: Wounds or ingestion of glass particles by the presence of critical defects and inspection failures

Cold Zone. Automatic Inspection Machines.

Internal and external audits monitor periodically the implementation and practical application of self-management plan to ensure that activities and results comply with the provisions of the documentary procedure and are suitable for achieving the goal of producing safe food, setting appropriate remedial actions according to findings of the audit.

Customers must have access to information impacting the sustainability of products and services they consume, the truth is that in the case of glass container manufacturers, this issue is relatively out of their reach because the next step in the manufacturing process of the end product (the filler/bottler), is the one responsible for affixing the label that is accessed by the consumer.

Regarding Vidrala's responsibility on marking their final product, i.e., the glass container provided to the fillers, it is important to note that all products supplied to its clients comply with all requirements specified by regulation in force on product labelling and glass containers.

No accident has been recorded in 2010 or previously in this regard.

In 2010, the Vidrala Group had no record of any incidents caused bynon-compliance with regulations, or voluntary codes, relating to the impacts of products and services on health and safety during their life cycle, as well as other issues not addressed in the EN28 indicator. A quick detection of critical defects related to food safety, at the Group facilities or as per customers complaints avoid incidents on the final consumer.

Furthermore, in relation to customer safety, all Vidrala Group's companies ensure compliance with the content of Organic Law 15/1999, on Personal Data Protection . For this purpose, after the required bi-annual audits and the necessary diagnostic tests and analyses, the plant is promoting an action programme to ensure compliance with proper management of data privacy on each plant, properly recording all operations.

At the same time, all the relevant files on personal data have been registered with the **Data Protection Agency**, for their proper identification and recording.

The Vidrala Group, in compliance with Law 15/1999, records all inquiries, requests for amendment, and/or deletions, by using a computer system and an email address (lopd@vidrala.com) enabled for this purpose. During 2010, there has been no request or complaint of improper management of personal data held by the group.

The Vidrala Group has participated during 2010, through the **European Container Glass Federation (FEVE)**, in a project based on the **Glass Life Cycle Analysis**, and following the "Cradle to Cradle" methodological approach. . The results obtained from this study further reinforce the idea that glass is a safe, healthy and environmentally responsible material.

- "One of the few materials that are participating in a closed integral system infinitely.
- 100% recyclable.
- Potential to become a packaging material with zero waste generation.
- An industry that controls its impacts.
- A model for local industry.
- • Reduces CO_2 to avoid contribution of raw materials from natural resources (replacement of natural raw materials with cullet)."

6.2. Social Action

The Vidrala Group is aware that, in the context in which it operates, there are responsibilities that go beyond the internal scope of the company. In this sense, Vidrala is not only attentive to the importance of the social environment in which it operates, but it places great emphasis on responding to the expectations of the communities surrounding the production facilities.

This principle is reflected in the added value that a company as Vidrala contributes to its product, which is based on the creation of wealth and its fair distribution, on ethics and the belief in the collective work for a better and more sustainable future.

In this context, the Group governs its social context actions and unites the environment through common social projects, whether local or international.

SO1

Vidrala Group has established a policy for the development of social activities aiming to strengthen the feeling of belonging for Vidrala's workers and promoting their participation in various projects supported by the group.

6.2.1. Local Social Action

In this context, the Group promotes activities orcultural or sports projects locally in each of the plants, which are created based on local strategic objectives. This aims to strengthen the union with its closest stakeholders, promoting Vidrala's position as a company rooted in the environment.

In this line of action social communication and collaboration policies are implemented with local governments which involve mainly:

- Procedures for transmitting Company plans.
- Communication and open door drives.
- Regular contacts with governing bodies and the establishment of firm listening policies and opinion analysis.

These procedures are developed in all group facilities. Likewise, Vidrala adopts social policies to promote the development of the environment: **local employment is favoured and economic development is stimulated through provision contracts with local suppliers.**

6.2.2. International Social Action

For the past three years, the Vidrala Group has been conducting an ambitious **International Solidarity Project**. With this, the Group has decided to extend the scope of their engagement beyond the strictly local level, working with projects of international interest, through organizations that work actively for people with fewer resources or facing emergency situations.

The experience prior to 2009 served as proof of the commitment of the people working at Vidrala with social action: the project developed in 2008 was a major success, thanks to the contribution of the workers and the company. It managed to raise almost € 39,000, for the Village of Agadir (Morocco).

The year of 2009 witnessed the re-launch of the cooperation with SOS Children's Villages, which focuses on the Village of Agadir. For this purpose, a double contribution was targeted for:

- On the one hand, the Group's companies spend an initial contribution of 10 Euros per worker, coupled with voluntary workers contributions.
- In addition, the Group is committed to granting an extra contribution for each of the Group's companies, so that for every Euro contributed by the worker, the company multiplies that amount.

2009 - Initiative: 'We can achieve more together.'

«In the Agadir village, I do not lack anything; the house is very well equipped. The children can stay in the kitchen with me and I can perform my chores easily».

Khadijda, 30 year,
SOS mothers of the Agadir
Village (September 2009)

For the year 2010, the Initiative, "Vidrala, builder of the future," is created, establishing a partnership with **SOS Children Villages,** to direct all its efforts to support all the projects that this NGO has carried out in **Haití** following the events that took place.

Thanks to the collaboration of all, Vidrala has donated € 48,940 to this project.

2010 VIDRALA GROUP'S SOCIAL ACTION: COLLABORATION WITH SOS CHILDREN VILLAGES TO DEVELOP PROJECTS IN HAITI.

6.3. Social Performance

In the search for balance, and therefore, the application of its own sustainability criteria, Vidrala management has developed its 2010 Sustainability Report with a clearly innovative approach. Following the work performed earlier this year regarding the essential aspect of the risk issues for the organisation and the stakeholders involved, a decision was taken for applying the results to the development and dissemination of the report.

Thus, the material information is reflected in the first section of this document, while the risk issues considered less relevant for the Group are set out in this second part, in order to achieve two objectives:

Facilitate reading and consultation of the report, exposing the important information continuously.[10]

Incorporate additional information with high specialisation in a particular subject that may be important to the stakeholders.

Applying this principle to the social base of the Report, and after all the material social information related to Vidrala is reported, this section will gather those social issues less relevant to the organisation, divided into two main topics:

- **Internal Scope: The company and its workers.**

- **External scope: The company and its social environment.**

The inner scope gathers the actions undertaken during 2010 by the Vidrala Group, related primarily to the following topics:

- **Employment**
- **Diversity and Equal Opportunities**
- **Training and Education**

Similarly, the outer scope gathers information about other equally important topics but that does not involve short-term strategic objectives:

- **Human Rights**
- **Corruption**
- **Public Policy**
- **Marketing Communications**

6.3.1. The company and its workers.

Vidrala employees are the conglomeration for which the Group conducts its biggest gamble and commitment. They are the foundation of its business, the real power behind the growth of each and every one of the plants that cover the Group.

It is for this reason that the Vidrala Group pays special attention to their employees, trying to generate wealth in their immediate environment through job creation, posting, at the same level, policies to bolster employment and supporting the training of its workers.

Vidrala Group's Management believes it is crucial, for its human resources management, to develop policies that promote, within the context of the private industrial enterprise and the applicable legal framework, the implementation of social benefits, voluntary early retirement plans, and measures to reconcile professional and personal life as well as other similar measures.

Today, people working in the Vidrala Group can benefit - while respecting the legal and social framework of each country - from the respective social policies that have been implemented. Amongst them, we should note the reconciliation measures **of professional and personal life** (flexible working hours, paid leaves, leaves of absence, reduced working hours, etc.), welfare systems, social benefits, flexible remuneration policies, etc."

In 2010, the number of employees has decreased compared with 2009, reflecting a decrease of 3.3%, yet retaining over 1,800 workers. The main reason for this decline is focused on the Verre MD plant (Belgium), whose inclusion in the Group was closed in 2007, requiring reorganisation in 2009-2010.

By contrast, the same year has seen an increase in the number of employees located in the three plants in Spain and Italy.

		SPAIN	PORTUGAL	ITALY	BELGIUM	FRANCE	GROUP
	Executives	29	4		1		34
	Management	117	27	29	24	3	200
	Employees	166	22	13	60	3	264
	Workers	798	289	161	202		1,450
	Total	**1,110**	**342**	**203**	**287**	**6**	**1,948**
2010	Executives	27	4	1	1		33
2010	Management	119	25	29	18	3	194
2010	Employees	166	23	17	44	3	253
2010	Workers	814	289	164	136		1,403
2010	**Total**	**1,126**	**341**	**211**	**199**	**6**	**1,883**

Table 6.3.1.1. Regional breakdown of employees based on performance.

For Vidrala Group's Management, the professional development of the individuals involved in the Vidrala project are pillars of its human resources management. Therefore, there is a **policy of internal promotion aimed to boost the employment of people in the workforce through career paths, from workers to management functions.**

This internal promotion policy is based on the classification system developed from the existing job descriptions and job profiles.

Similarly, the Human Resources philosophy is marked by the clear intention to cooperate in the development of the social environment in which production facilities are located. Partnerships have been developed with different agencies and institutions to facilitate the incorporation of qualified personnel to the workforce, with the clear objective of integrating the culture and values of the environment in the Vidrala Group's business plan.

Currently about 95% of the managers come from the local community. The remaining 5% corresponds to personnel moved temporarily to the location and integration of management personnel from the local community.

The Vidrala Group **applies the collective agreement to 100% of its employees**, independently of the host country, or the professional group to which they belong, or the contractual arrangement they perform.

Currently, there is no regulation on a minimum term for formal communication of organisational changes that occur in the Group's companies. However, there is an internal communication policy set in place to control and ensure communications to all conglomerations of the Group of any organisational change, circumstance or news of interest. Such communications are carried out in sufficient time to ensure proper response with the due guarantees and thus meet, where appropriate, the time limits established by law.

A business indicator reflecting the degree of commitment and loyalty of their workers is related to their turnover. The Group's plants have **low turnover levels, and their numbers guarantee the good policy on people management in years of severe economic difficulties worldwide**.

		SPAIN		PORTUGAL		ITALY		BELGIUM		FRANCE		GROUP	
		H	M	H	M	H	M	H	M	H	M	H	M
2009	High	22	85	0	13	0	14		13	0	0	22	125
	Low	21	90	1	18	0	12	2	28	0	0	24	148
	Mean workforce	82	1,028	35	310	10	194	9	278	6	6	142	1.816
	% Turnover	**1.2%**	**-0.5%**	**-2.9%**	**-1.6%**	**0.0%**	**1.0%**	**-22.2%**	**-5.4%**	**0.0%**	**0.0%**	**-1.4%**	**-1.3%**
2010	High	27	78	3	6	0	6	2	2	0	0	**32**	**92**
	Low	24	60	0	14	0	7	1	90	0	0	**25**	**171**
	Mean workforce	81	1,046	38	303	10	201	9	191	6	6	**144**	**1,747**
	% Turnover	**3.7%**	**1.7%**	**7.9%**	**-2.6%**	**0.0%**	**-0.5%**	**11.1%**	**-46.1%**	**0.0%**	**0.0%**	**4.9%**	**-4.5%**

Table 6.3.1.2. Breakdown of employees and average turnover per region

Vidrala Group's Management, in line with the aforementioned, believes that ethics in all areas of its activity, and the highest regard for people as the foundation of its project are the pillars of its management practices. Therefore, **equal treatment and non discrimination are part of the VIDRALA project as basic principles of the human resources corporate policy.**

Thus, the entire **compensation policy is based on objective evaluation criteria** resulting in wages per job. Therefore, the salary level is linked to the position held by the person, never the worker gender. Consequently, Vidrala can ensure that there is no percentage difference between the base salary of women and men in each job category.

WORKFORCE COMPOSITION (as of 31/12/2010)

		SPAIN				PORTUGAL				ITALY				BELGIUM				FRANCE			
		D	M	E	O	D	M	E	O	D	M	E	O	D	M	E	O	D	M	E	O
2009	**Total No.**	**29**	**111**	**164**	**797**	**4**	**27**	**22**	**292**	**1**	**29**	**13**	**161**	**1**	**24**	**60**	**202**	**0**	**3**	**3**	**0**
	No. of Men	26	101	115	782	4	26	11	269	1	28	8	158	1	21	54	202	0	3	0	0
	No. of Women	3	10	49	15	0	1	11	23	0	1	5	3	0	3	6	0	0	0	3	0
	Average Age	45	40	44	43	41	42	48	44	34	38	43	39	37	39	50	40	-	41	28	-
	Mean Seniority	14.0	11.6	17.2	13.5	13.8	15.0	24.0	14.8	3.0	2.6	2.7	3.0	3.0	3.0	7.0	6.1	-	2	2	-
2010	**Total No.**	**27**	**116**	**164**	**813**	**4**	**25**	**23**	**289**	**1**	**29**	**17**	**164**	**1**	**18**	**44**	**136**	**0**	**3**	**3**	**0**
	No. of Men	24	106	116	797	4	24	11	264	1	28	11	161	1	16	37	136	0	3	0	0
	No. of Women	3	10	48	16	0	1	12	25	0	1	6	3	0	2	7	0	0	0	3	0
	Average Age	46	41	44	43	42	43	48	44	37	39	43	40	38	40	46	41	-	42	30	-
	Mean Seniority	14.4	11.7	17.9	13.6	14.8	15.8	23.9	15.4	4.0	3.4	3.7	3.8	4.0	4.5	6.8	7.0	-	3	3	-

D = Administrators, M = Managers, E = employees, O =workers.

Table 6.3.1.3. Workforce composition by position and region

Vidrala Group workers: a team in continuous training.

The Vidrala Group is actively working to ensure all workers, regardless of their position, are able to perform their work in the best possible way. For this purpose **it has implemented a training policy that covers all jobs and job categories**. The main objective is to ensure that every employee gets the most skills for their job task.

Annual Training Programme

Based on the analysis and detection of training needs and the information derived from strategic analysis and previous training programmes, Vidrala develops an Annual Training Programme, which includes both internal and external training.

The Group carries out the Annual Training Programme gathering the objectives to be attained in the training, the methodology for providing such training and identifying the training needs and establishing an evaluation system.

The Training Programme is submitted for approval to the HR Department and the General Management Department of the Company. For the plants' training programmes, the validation is given initially by the Director of the plant. The training manager is the person responsible for ensuring that Vidrala Group's professional profiles are aligned with the business needs and respond to the strategy of the company, directing and leading the advancement of these training and development programmes.

Training outside the Annual Programme

In general, the policy of the organisation is that most of the major training needs derive from the Annual Training Programme that the Group provides. For this, the communication channels are driven between personnel and those heading the training, allowing optimal detection of needs. In addition, and as a result of daily work, of experienced growth dynamics, of changes in functions and/or responsibilities, or new requirements, non-identified training needs can be generated, which are covered by these specific actions, which are incorporated subsequently into the contents of the Annual Training Programme.

Awareness Training

Additionally to the already exposed opportunities, the Vidrala Group provides options to develop personnel awareness, aimed at addressing issues of Quality, Environment, Health and Safety, and so forth, by developing specific outreach campaigns, institutional membership campaigns, poster contests, and more.

Skills management and continued training

The Vidrala Group works continuously in the training of its employees, serving the needs planned periodically, as well as those that might arise as a result of sporadic specific needs.

To this end, Vidrala has specific mechanisms in place, available for each company, ensuring the contribution to progress in the theoretical and technical knowledge of its people:

- **Continuous internal and external training programme.**
- **Training outside the internal and external training programme.**
- **External training is not required in the job.**

During 2010, the most important actions undertaken in this area have been the following:

- **Delivery of specific training:**
  - **Training for shift managers,** establishing the learning processes in two promotions for this rank, with a total of seven hired workers This action has involved the delivery of 4,903 hours of training, with a total investment of € 345,000.
  - **Training for new hires**, as well as machine operators working at the plant.
  - **Training for new projects**: We have designed a training programme focused on the PS project at MD Verre.
- **Programme standardisation**: We proceeded to mix the different incorporation programmes for all jobs at the plants that make up the group.
- **Technical competence**: Documentation has been prepared on the various technical skills that are defined in the Analysis and Description of Jobs. (ADPT for its name in Spanish)
- **Skills analysis**: The gaps in the technical profiles of workers in all plants have been analysed, in comparison with the applied level of technical expertise. Thus, the Panel can identify training needs with direct involvement in the professional performance of workers.

In total, the subsidised credit that the Group achieved in 2010 was € 104,219.27[11].

This training policy was reflected in 2010 by an **increase in the total training hours delivered to the Group's workers, over the 12.7% from the previous year** (total 2010 training hours: 79551 hours).

Considering the ratio of training hours per employee, **in 2010, the Vidrala Group has obtained a ratio of 45.6 hours per employee** against 39.9 for the previous year. **These figures translate into a 14.26% increase compared to the 2009 ratio.**

6.3.2. The company and its social environment.

Each of the bottles that Vidrala outputs, is manufactured without exploitation, discrimination or forced labour.

The glass container manufacturing sector, in which the Vidrala Group operates, has very specific characteristics that renders the development of their business conditioned to the immediate environment in which they locate their production facilities.

Glass production requires a continuous and almost constant supply of raw material, which creates a strong bond with its local environment. Consequently, almost all Vidrala distributors and contractors belong to the European region. This results in the absence of links with countries beyond those in which the Group has located its production facilities, and therefore, it does not carry out any operations in developing countries where fair working conditions are not always guaranteed.

Therefore, the Vidrala Group, in regard to Human Rights, can fully guarantee that its operations do not infringe **applicable law in this area.**

For all these reasons, the Group's management has not considered it necessary to sign investment agreements that include human rights clauses, and has no evidence that any of its suppliers has been audited for this issue.

In 2010, **Vidrala did not record any incident** alleging infringement of human rights. Similarly, no complaints have been received from persons or entities outside the company in relation to these issues.

Vidrala also has an introductory training which, from the outset, provides awareness for personnel in Vidrala's culture and in this series of the basic issues mentioned herein. It has also been developed a manual on rules of conduct, with a 100% reach for the workers, which identifies the basic rules of conduct within the group and ensures a respectful relationship between all (considering social issues, environmental issues, prevention of occupational hazards, and so forth).

With regard to freedom of association and welcoming conventions, as discussed above, each plant making up the Vidrala Group, and the Group's headquarters have their own collective agreement. As for their environment, no activities are known to be carried out by companies linked to the Group, deemed to jeopardize the right to freedom of association, to comply with collective agreements or any breaches of the most basic rights such as child exploitation or forced labour.

The Vidrala Group has established internal procedures governing their position against fraud or any other possible form of corruption.

Vidrala develops its work in a framework of respect for human rights, it does not believe that its activities are likely to be subject to corruption-related activities, fraud or bribery.

In this sense, it works to eliminate this aspect in all its manifestations, such as provided from a higher decision-making level, by incorporating the principle listed below in the statutes governing the operation of the Board of Directors: *«Under the vision and values of the Company, of the established policies, of the commitment to work against fraud in all its forms, including extortion and bribery, and developing for these purposes policies and impact action programmes, the Board of Directors has established internal procedures governing this area».*

Vidrala maintains a policy of intensive engagement with industry associations, both European and domestic, in countries where the Group is located, with the aim of finding common lines of action for continuous improvement in our industry and work proactively with the various Competent authorities in the search for positive solutions to the application of increasingly stringent regulatory frameworks.

Commercial communications are designed to influence purchasing decisions. Vidrala Group's business strategies always comply with the accepted values of ethical and cultural standards, and neither interfere in the privacy of lobbyists nor influence vulnerable conglomerations.

The Vidrala Group is aware that not only the direct contact of its stakeholders generates communication, and that communication must be bidirectional. Thus, for years, it develops various types of communication campaigns aimed at the general public, using various communication channels.

Vidrala Group's presence through "Friends of Glass": Vidrala is active in FEVE (*The European Container Glass Federation*), a Federation in which it participates through financial contributions and participation in the communication committees, in the bodies responsible for defining and approving the strategy for advertising campaigns related to glass as packaging. Annually, these campaigns are evaluated, reoriented and redesigned in the light of new needs to be transmitted.

The Vidrala Group's presence in "You Tube": Through its marketing department, the group manages a channel with which it tries to promote the company with multi-language videos. Initially, official corporate videos of the company have been included, as well as the Director General's participation in different media. Vidrala allowed comments on the videos, as well as the suggestion of other videos of interest to visitors who are related to recycling, or to the "**Friends of Glass**" channel.

Presence on the Web: The Group is aware that its website is an important medium to provide information. Currently, the website is available in three languages and includes a corporate section in which the Group promotes the company, shows financial data, the share price, the catalogue of available products, its quality and environmental certificates, and information on the industrial process of glassmaking through interactive animations.

There is also another section for customer access, restricted by password, which can be used to manage orders, shipments, invoices and stock.

Currently, the Vidrala Group is working on developing a new website that will become operational in 2011, and that will divide the information into a corporate section with general information, and other more specialised customer-focused section to meet their needs.

In connection with these marketing campaigns in which Vidrala is involved, it should be noted that the Group meets and complies with the laws regulating these business areas.

BEHIND EVERY GLASS BOTTLE MANUFACTURED IN VIDRALA THERE ARE OVER 1,800 WORKERS THAT ARE PROUD OF IT.

APPENDIX: Approach to the 2010 Sustainability Report of the Vidrala Group.

PROFILE, SCOPE AND COVERAGE OF THE ANNUAL REPORT

Vidrala's 2010 Sustainability Report is the communication tool by which it aims to convey, in the most reliable and objective manner, the financial, environmental and social performance of its plants and of the parent company. Thus, 2010 becomes the first year that this glass manufacturing group develops and publishes a document of this nature.

The Vidrala Group prepared this report following the principles defined by the **Global Reporting Inititative** [12], (GRI) in its eagerness to work on models renown internationally. Consequently, the structure, content, scope and coverage of this document are shared in Corporate Social Responsibility reports. Through this model, the stakeholders are allowed to compare the performance of different organisations, ensuring the quality of the information reported.

The performance indicators shown in this report cover Vidrala's operations for 2010. In line with the guidelines of the reference model, information about 2009 is incorporated, so the reader can get an idea of the latest developments experienced by the organisation.

The **degree of coverage** of the information shown is extended to all the Group's production plants and to the parent company. Therefore, the countries included are Belgium, Spain, Italy and Portugal. In this first edition, it was not considered relevant to report information associated with its distribution and marketing entities.

For the preparation of Vidrala's 2010 Sustainability Report, the GRI principles have been taken into account. These principles are classified into two groups. The first set of principles refers to the contents of the report and is designed to ensure a fair and balanced view of organisational performance. The second set seeks to define the quality in the preparation of the reports. It is the quality of information that allows the stakeholders to conduct a proper and reasonable assessment of the performance, and to take appropriate action.

PRINCIPLES ORIENTED TO DEFINING THE REPORT CONTENT

Materiality

To Vidrala, the principle of materiality has been the backbone along the process of drafting the Report. Consequently, the structure of the publication clearly differentiates the material from the non-material issues, giving stakeholders access to information based on their needs.

The identification of both, the stakeholders and the reputational risk issues was performed based on the 2010 Vidrala materiality study. The main conclusions related to each issue (economic, environmental and social) have been reflected in the different sections related to the performance of the organisation (Material Financial Performance, Material Environmental Performance, and Material Social Performance).

Similarly, the preparation of 2010 materiality study also took into account each and every one of the categories grouping the various performance indicators contained in the GRI. This ensured the maximum degree of coverage in the identification and assessment of potential risk issues for the organisation.

The characterisation of the stakeholders and the risk issues was classified in three levels: critical, moderate and not relevant. Only the critical issues are incorporated in the Material Performance of this Report. For their part, the moderate and non-relevant issues have their place in the present report, since in the future, they could become critical. The main reason is that in the context of sustainability, external factors intervene that can lead to changes in the characterizations of these issues.

Stakeholder participation

As in the previous case, Vidrala's 2010 Materiality Study becomes the instrument used to identify the critical stakeholders. In paragraph *3.1.- Dialogue at Vidrala: a commitment to its stakeholders information can be accessed on the relationship between the Vidrala Group and its stakeholders*.

Sustainability Context

The reporting organisation must submit its performance within the broader context of sustainability. In this sense, Vidrala seeks, through its report, explaining its contribution to improving the trends, advances and economic, environmental and social conditions in each of the countries where it performs its main activity.

Aware of the importance of spreading the message of conservation and environmental protection, of the quality of life of the citizens, and the creation of value in the local environment, Vidrala has positioned itself as a proactive organisation, committed to this goal.

Completeness

The concept of completeness covers essentially the scope, coverage and time, also being able to refer to the information collection practices and to determine whether the reporting is reasonable and appropriate. In preparing the report, Vidrala has internalised this principle as one more, relying on the direct involvement of numerous technicians from each of its plants with special dedication to the information gathering process. Similarly, Vidrala has attempted to respond to all relevant information which might influence or provide information to the stakeholders in their decisions and assessments.

ORIENTED PRINCIPLES DEFINING THE QUALITY OF REPORTING

Balance

The contents of the report aim to achieve a rational distribution between the positive and negative aspects for the organisation. In this sense, Vidrala has accurately portrayed the events occurring in the course of 2010, providing information on those areas where difficulties have arisen to provide continuous improvement in specific aspects.

Comparability

Since this is the first publication of the report, the integration of data was prioritised with a two-year time range, as a way to ensure the highest possible reliability and traceability. In future publications, a better analysis of the evolution of the organisation could be applied, incorporating at least a temporary period of three years.

Based on the needs of the sector, the data shown required, other than the absolute figures, the incorporation of relative data. As reflected throughout the report, a tonne of melted glass emerges as the unit of reference for the sector, providing information that truly reflects the performance of a glass manufacturing business.

Accuracy

Given that the information contained in the report must be accurate and sufficiently detailed for the stakeholders to assess the performance of the reporting organisation, Vidrala has prioritised the quantitative information based on measurements, compared to the qualitative or estimated data. Vidrala's objective has been to achieve the highest level of application (A), not being able to respond to certain indicators when they could not be applied or were unavailable.

Periodicity

Vidrala acquires a firm commitment to publish its Sustainability Report annually. This information will be available on the website of the company and available at any of its plants.

Clarity

In order to facilitate understanding for the stakeholders on the information contained in the report, it was decided to publish company-wide information, and provide segregated plant data only in those cases where the analysis thereof represents an individualised interest. With this same objective, non-technical language has been used, accessible and therefore easy to understand.

Reliability

Although the report has not been verified by a third party, the data collected are backed by documentation, and internal and external checks that Vidrala has carried out.

Contact

This Sustainability Report is available on the website at: **www.vidrala.com.** For more information, a digital form has been enabled to contact the organisation and request relevant information.

vidrala

www.vidrala.com