vidrala

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Dear shareholder,

2013 has been a year of progress in our activity and performance. The focus on competitiveness and continued capital management discipline has helped us strengthen the position of Vidrala within the food and beverage packaging industry.

As a result, under difficult economic conditions, earnings per share grew 13.4% up to EUR 2.20. Throughout the year we have delivered cost optimization initiatives to respond to higher requirements of competitiveness, maintaining a firm commitment to our ambitious cash generating targets. Overall, the profitability of the business has progressed and the capital structure of the Group has been reinforced, as is reflected in the returns on capital employed.

Customers remain the first priority of all of Vidrala´s activities. In order to address their expectations and enable a common success, the company's focus centers on the design and quality of its glass containers as well as its on-time delivery and fast response.

In terms of manufacturing we have developed new programs aimed towards innovation and flexibility. Additionally, we have continued to further improve efficiency, productivity, quality and safety in all production sites.

Despite the prevailing uncertainties in demand derived from economic disruptions, we believe the future prospects for glass packaging remain solid. Modern lifestyles require efficient and flexible supply chains, and packaging for food and beverage products plays an essential role in the process of distribution. Without packaging, a number of products we consume daily would not be available. Glass stands out as a guarantee for health thanks to its inert nature, hence dominating the market for high quality products and those that require special preservation conditions. Consequently, glass is the preferred packaging material for consumers around the world, and it helps the brand owner promote its products and boost its image. Finally, glass is sustainable in nature and fully recyclable, which distinguishes it from other packaging materials.

Looking ahead, we are aware of the challenges associated with the uncertain macroeconomic environment. Nonetheless, we count on the strong relationship, loyalty and business expertise of our customers. We feel confident of our people and the business model we are developing. We are creating value and will continue to do so in 2014 and going forward. .

The board of directors has proposed a cash dividend pay-out charged to the results for the financial year 2013 of EUR 65.46 cents per share. In addition, a premium for attendance to the general shareholder's meeting of EUR 3 cents per share will be offered. This proposal is coherent with the dividend policy implemented over the last years, based on the gradual growth of cash remuneration to shareholders. Moreover, Vidrala will continue to asses and implement additional shareholder's remuneration mechanisms which are deemed appropriate from time to time.

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

Carlos Delclaux
Chaiman

Vidrala Group

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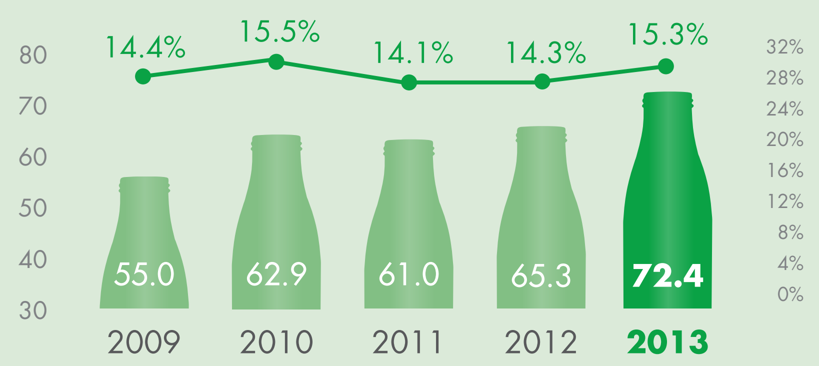
Main Figures

SALES

EUR Millions

OPERATING INCOME (EBIT) AND EBIT MARGIN

EUR million and % of sales



NET DEBT AND NET DEBT / EBITDA

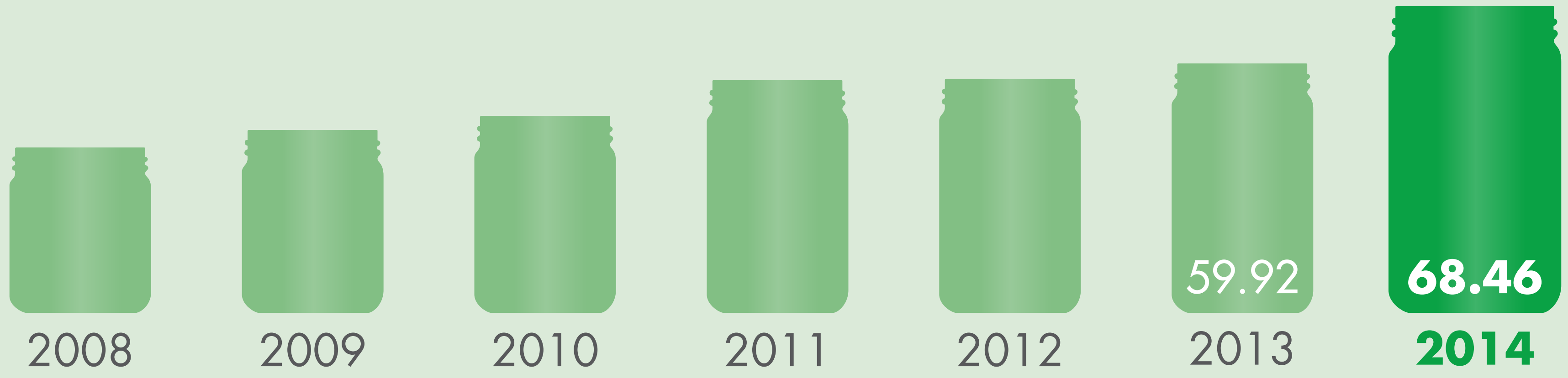
EUR Millions

EARNINGS PER SHARE

EUR/share

CASH DIVIDENS INCLUDES AGM ATTENDANCE BONUSES

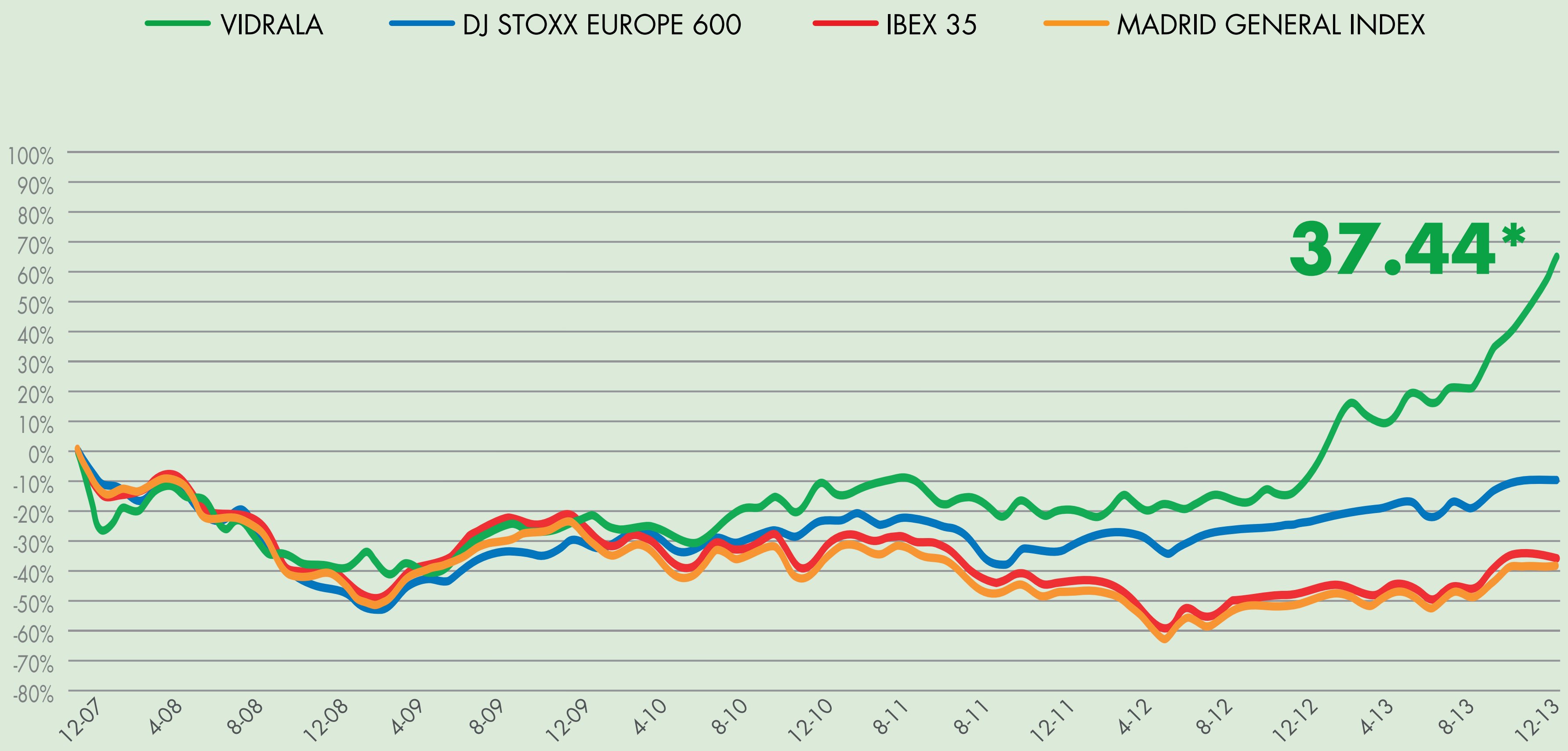
EUR cents/share



RELEVANT FIGURES

EUR Millions	2009	2010	2011	2012	2013
Net Sales	382.4	405.9	433.3	456.9	**472.9**
Operating Profit	55.0	62.9	61.0	65.3	**72.4**
Net Profit	40.9	49.6	43.7	46.5	**52.3**
Total Assets	698	699	697	695	**700**
Shareholders' Equity	252	287	312	338	**375**
Net Debt	257	219	189	160	**118**
Market cap	429.2	511.6	456.1	502.0	**825.6**
Earnings per share	1.67	2.03	1.80	1.94	**2.20**

SHARE PRICE. COMPARED IN PERCENTAGE TERMS. SINCE 2008



* Share closing price at 31/12/2013

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

Auditors' Report on the Consolidated Annual Accounts

(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 Company) and subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2013, 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 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 2013 present fairly, in all material respects, the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2013, 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 2013 contains such explanations as the Directors of Vidrala, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2013. 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.

(Signed on original in Spanish)

Juan José Llorente

27 February 2014

CONSOLIDATED BALANCE SHEETS

31 December 2013 and 2012 (Expressed in thousands of Euros)

	Note	2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	5	**331,542**	345,312
Goodwill	6	**59,233**	59,233
Other intangible assets	6	**11,469**	12,349
Other financial assets		**8**	8
Deferred tax assets	8	**41,041**	39,082
Derivative financial instruments	7	**393**	274
Other non-current assets		**67**	139
		443,753	**456,397**
Current assets			
Inventories	9	**126,464**	112,627
Trade and other receivables	10	**106,092**	96,900
Current tax assets		**1,532**	802
Other current assets	11	**22,031**	27,899
Cash and cash equivalents		**116**	863
		256,235	**239,091**
Total assets		**699,988**	**695,488**

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

CONSOLIDATED BALANCE SHEETS

31 December 2013 and 2012 (Expressed in thousands of Euros)

EQUITY AND LIABILITIES	Note	2013	2012
Equity	12		
Share capital		**24,452**	24,452
Other reserves		**5,605**	5,605
Retained earnings		**363,066**	322,527
Treasury stock		**(6,125)**	(2,748)
Other comprehensive income		**(1,060)**	(1,412)
Interim dividend		**(11,411)**	(9,952)
Equity attributable to equity holders of the Parent		**374,527**	**338,472**
Non-current liabilities			
Deferred income	13	**26,784**	27,752
Loans and borrowings	14	**72,389**	94,293
Derivative financial instruments	7	**1,472**	1,815
Deferred tax liabilities	8	**37,942**	26,277
Provisions	18	**6,052**	5,851
		144,639	**155,988**
Current liabilities			
Loans and borrowings	14	**45,635**	66,129
Derivative financial instruments	7	**-**	146
Trade and other payables	15	**104,786**	107,658
Current tax liabilities		**3,712**	5,245
Provisions	18	**1,307**	2,654
Other current liabilities	11	**25,382**	19,196
		180,822	**201,028**
Total liabilities		**325,461**	**357,016**
Total equity and liabilities		**699,988**	**695,488**

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

CONSOLIDATED INCOME STATEMENTS

31 December 2013 and 2012 (Expressed in thousands of Euros)

	Note	2013	2012
Revenue	21	**473,645**	457,826
Net sales		472,900	456,900
Other services		0,700	0,900
Other income	21	**5,610**	8,575
Change in inventories of finished goods and work in progress		**13,879**	7,827
Merchandise, raw materials and consumables used		**(170,961)**	(164,278)
Employee benefits expense	23	**(99,980)**	(99,768)
Amortisation and depreciation	5 and 6	**(38,092)**	(38,135)
Impairment of non-current assets	5	**(3,518)**	(1,046)
Provision surplus		**24**	-
Other expenses	22	**(108,253)**	(105,674)
Finance income	24	**36**	204
Finance costs	24	**(4,904)**	(6,369)
Profit before income tax from continuing operations		**67,486**	59,162
Income tax expense	8	**(15,178)**	(12,620)
Profit for the year		**52,308**	46,542
Profit for the year attributable to equity holders of the Parent		**52,308**	**46,542**
Earnings per share (EUR/share) - Basic and diluted		**2.20**	1.94

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

31 December 2013 and 2012 (Expressed in thousands of Euros)

	Note	2013	2012
Profit for the year		**52,308**	46,542
Other Comprehensive Income:			
Entries for reclassification to profit or loss Cash flow hedges	12	**488**	524
Tax effect		**(136)**	(147)
Total comprehensive income for the year		**52,660**	46,919
Total comprehensive income attributable to equity holders of the Parent		**52,660**	46,919

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

31 December 2013 and 2012 (Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent						
					Other comprehensive income	Interim dividend	
	Share capital	Other reserves	Retained earnings	Treasury stock	Cash flow hedges	paid during the year	Total equity
Balances at 31 December 2011	**25,013**	**5,247**	**298,666**	**(5,737)**	**(1,789)**	**(9,620)**	**311,780**
Total comprehensive income for the year	-	-	46,542	-	377	-	46,919
Capital reductions	(561)	-	(9,364)	9,925	-	-	-
Own shares redeemed	-	-	-	(8,233)	-	-	(8,233)
Treasury stock	-	-	124	1,270	-	-	1,394
Distribution of 2011 profit							
Dividends	-	-	(13,126)	-	-	9,620	(3,506)
Interim dividend on account of 2012 profit	-	-	-	-	-	(9,952)	(9,952)
Other movements	-	358	(315)	27	-	-	70
Balances at 31 December 2012	**24,452**	**5,605**	**322,527**	**(2,748)**	**(1,412)**	**(9,952)**	**338,472**
Total comprehensive income for the year	-	-	52,308	-	352	-	52,660
Own shares redeemed	-	-	-	(6,498)	-	-	(6,498)
Own shares sold	-	-	1,502	3,137	-	-	4,639
Distribution of 2012 profit							
Dividends	-	-	(13,577)	-	-	9,952	(3,625)
Interim dividend on account of 2013 profit	-	-	-	-	-	(11,411)	(11,411)
Other movements	-	-	306	(16)	-	-	290
Balances at 31 December 2013	**24,452**	**5,605**	**363,066**	**(6,125)**	**(1,060)**	**(11,411)**	**374,527**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

31 December 2013 and 2012 (Indirect method) (Expressed in thousands of Euros)

	Note	2013	2012
Cash flows from operating activities			
Profit for the year		**52,308**	46,542
Adjustments for:			
Amortisation and depreciation	5 and 6	**38,092**	38,135
Impairment of non-current assets	5	**3,518**	1,046
(Reversal of) impairment losses on trade receivables		**635**	77
(Reversal of) impairment losses on inventories		**1,408**	(737)
Exchange (gains) / losses	24	**68**	17
Changes in provisions	18	**5,744**	5,885
Government grants recognised in the income statement		**(7,406)**	(4,945)
Finance income	24	**(36)**	(204)
Finance costs	24	**4,836**	6,352
(Gain)/loss on sale of property. plant and equipment		**-**	-
Income tax	8	**15,178**	12,620
		62,037	104,788
Changes in working capital. excluding the effect of acquisitions and translation differences			
Inventories		**(15,245)**	(9,934)
Trade and other receivables		**(3,959)**	3,900
Trade and other payables		**5,950**	22,700
Application of provisions		**(434)**	(18,086)
Other current liabilities		**-**	(11,016)

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

Continued on next page ▶

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Indirect method) (Expressed in thousands of Euros)

	Note	2013	2012
Cash (used in)/generated from operating activities		**(13,688)**	92,352
Interest paid		**(4,836)**	(6,347)
Interest received		**36**	-
Income tax paid		**(10,135)**	(4,200)
Other amounts received		**290**	-
Net cash from operating activities		**86,012**	81,805
Cash flows from investing activities			
Proceeds from sale of property. plant and equipment		**883**	1,938
Proceeds from sale of intangible assets		**41**	-
Proceeds from sale of financial assets		**72**	137
Interest received		**-**	204
Acquisition of property. plant and equipment		**(28,292)**	(32,620)
Acquisition of intangible assets		**(1,510)**	(1,555)
Acquisition of financial assets		**(119)**	(274)
Net cash used in investing activities		**(28,925)**	(32,170)

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

Continued on next page ▶

CONSOLIDATED STATEMENTS OF CASH FLOWS
31 December 2013 and 2012 (Indirect method) (Expressed in thousands of Euros)

	Note	2013	2012
Cash flows from financing activities			
Proceeds from issue of treasury shares and own equity instruments		**4,639**	1,394
Proceeds from loans and borrowings		**39,100**	48,000
Payments relating to redemption of treasury shares and other own equity instruments		**(6,498)**	(8,233)
Payments relating to loans and borrowings		**(81,498)**	(76,861)
Dividends paid		**(13,577)**	(13,126)
Other		**-**	(22)
Net cash used in financing activities		**(57,834)**	(48,848)
Net increase/(decrease) in cash and cash equivalents		**(747)**	787
Cash and cash equivalents at 1 January		**863**	76
Cash and cash equivalents at 31 December		**116**	863

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 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 2013 and 2012 and the address and activity of each one which forms part of the consolidated group, are as follows:

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

(*) Limited review of the financial statements by KPMG

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

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 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial information reporting framework applicable to the Group, to present fairly the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2013, as well as the consolidated financial performance and changes in consolidated equity and cash flows for the year then ended.

The Group adopted IFRS-EU on 1 January 2004 and applied IFRS 1 “First-time adoption of International Financial Reporting Standards”.

The Parent’s directors consider that the consolidated annual accounts for 2013, authorised for issue on 27 February 2014, 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

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Group’s accounting principles to prepare the consolidated annual accounts in conformity with IFRS-EU. A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, are as follows:

(i) Relevant accounting estimates and assumptions

Goodwill impairment:

The Group tests goodwill for impairment 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 cash flows take into consideration past experience and represent the best estimate of future market performance. The key assumptions used to determine value in use include growth rates, the weighted average cost of capital and tax rates indicated in note 6. The estimates, including the methodology used, could have a significant impact on values and impairment.

Useful lives of plant and equipment:

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

Valuation allowances for bad debts

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

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 2013 will be immaterial.

Capitalised tax credits

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

(ii) Changes in accounting estimates

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2013, future events may require changes to these estimates in subsequent years. The effect on the consolidated annual accounts of modifications resulting from adjustments to be made in subsequent years are recognised prospectively.

(d) Standards adopted early

The Group has early adopted the amendments introduced in IAS 36 - disclosure of the recoverable amount of non-financial assets.

(e) Standards and interpretations issued and not applied

Standards effective for periods beginning on or after 1 January 2013 have not entailed any changes in the Group›s accounting policies. The IASB has issued new accounting standards (IFRS) and interpretations (IFRIC) which are due to become effective for accounting periods beginning on or after 1 January 2014. Details of the nature of the changes in accounting policy and a summary of group management's assessment of the impact these new standards could have on the Group›s financial statements are as follows:

IFRS 9 Financial instruments – issued October 2010 (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.

This standard is ready to be applied immediately, but is pending adoption by the EU.

IFRS 10 Consolidated Financial Statements – issued May 2011

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

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

This standard is effective for periods beginning on or after 1 January 2014.

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

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

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

This standard is effective for periods beginning on or after 1 January 2014.

Annual improvements to IFRSs project – 2010-2012 Cycle - issued December 2013 (pending adoption by the European Union)

The annual improvements project introduces amendments or clarifications that affect a wide range of standards.

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

These improvements are effective for periods beginning on or after 1 July 2014.

Annual improvements to IFRSs project – 2011-2013 Cycle - issued December 2013 (pending adoption by the European Union)

The annual improvements project introduces amendments or clarifications that affect a wide range of standards.

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

These improvements are effective for periods beginning on or after 1 July 2014.

3. Significant Accounting Principles

a) Subsidiaries

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

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

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

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

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

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

b) Property, plant and equipment

Initial recognition

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

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

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

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

Depreciation

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

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

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

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

Subsequent costs

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

Impairment

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

(d) Intangible assets

(i) Goodwill

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

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

(ii) Internally generated intangible assets

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

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

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

Expenditure on activities for which costs attributable to the research phase are not clearly distinguishable from costs associated with the development stage of intangible assets are recognised in profit or loss.

(iii) CO_2 emission allowances

Emission allowances are recognised when the Group becomes entitled to them and are measured at cost, less accumulated 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 credited to government grants under deferred income. Amounts recognised under government grants are taken to profit or loss in accordance with the emissions made as a percentage of total emissions forecast for the entire period for which they have been allocated, irrespective of whether the previously acquired allowances have been sold or impaired.

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

Emission allowances recognised as intangible assets are not amortised but written off against the corresponding provision upon delivery to the authorities to cancel the obligations assumed. The Group derecognises emission allowances at weighted average cost.

(iv) Other intangible assets

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

(v) Useful life and amortisation rates

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

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

(vi)Impairment

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 of non-financial assets subject to amortisation or depreciation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount. The recoverable amount of the assets is the higher of their fair value less costs to sell and their value in use, based on expected future cash flows.

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

(f) Leases

- **Lessee accounting records**

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

- **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 economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 “Financial Instruments: Presentation”.

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

(ii) Offsetting principles

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

(iii) Loans and receivables

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

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

(iv) Impairment and uncollectibility of financial assets

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

Impairment of financial assets carried at amortised cost

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

(v) Financial liabilities at amortised cost

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

(vi) Derecognition of financial assets

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

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

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

(vi) Derecognition of financial liabilities

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

The Group has contracted reverse factoring facilities with various financial entities to manage payments to suppliers. Trade payables settled under the management of financial 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 the different cases is as follows:

Interest rate hedges

- Hedged item: financing received at variable rates.
- Hedging instrument: the Group manages interest rate risks in cash flows through floating-to-fixed interest rate instruments (swaps) or interest rate call options (caps). These derivative hedging instruments convert variable interest rates on borrowings to fixed interest rates (swaps) or limit the cost of variable rate borrowings (caps). In some cases, these are forward start instruments, 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) as a result of changes in the index interest rate.

Energy price hedges

- Hedged item: variable price of energy indexed to certain fuels.
- Hedging instrument: contracting of call options (caps) whereby the Group acquires the right to receive regular future settlements when the variable portion of certain fuels payable by the entity with which the financial instrument is contracted exceeds a preset value (strike).
- Hedged risk: changes in the cash flows of the hedged item as a result of changes in the index fuel price.

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 forecast hedged transaction affects profit or loss and in the same caption of the consolidated income statement.

(i) Parent Treasury stock

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. Any gains or losses on transactions with own equity instruments are not recognised.

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

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

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

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

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

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

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

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

(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 used in operating activities. Dividends received are classified under investing activities and dividends paid under financing activities.

(m) Government grants

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

(i) Capital grants

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

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

(ii) Operating grants

Operating grants are recognised under other income.

(iii) Interest rate grants

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

(n) Employee benefits

(i) Defined contribution plans

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 are recognised when the Group is unable to withdraw the offer or when the restructuring costs in respect of the termination benefits have been recognised, whichever occurs first.

When employees accept an offer of termination benefits, the Group is considered to be unable to withdraw the offer when the employees accept the offer or when a restriction on the Group's ability to withdraw the offer comes into effect, whichever occurs first.

For voluntary redundancy termination benefits, the Group is considered to be unable to withdraw the offer when it has notified the employees affected or trade union representatives of the plan and the actions necessary to complete the plan; there are unlikely to be significant changes in the plan; the number of employees affected, their job category or functions, their place of work, and the expected redundancy date have been identified, and the termination benefits to be received by the employees are established in sufficient detail for the employees to be able to determine the type and amount of compensation they will receive upon termination of their contract.

(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) Provisions for emission allowances

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

(p) Revenue recognition

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

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

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

(q) Income tax

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

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 substantially enacted at the reporting date.

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

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

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.

Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

Temporary differences arising from the elimination of profits and losses on transactions between tax group companies are allocated to the company which recognised the profit/loss and are valued using the tax rate of that company.

A reciprocal credit and debit arises between the companies that contribute tax losses to the consolidated Group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other consolidated Group companies, these tax credits for loss carryforwards are recognised as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

The Parent of the Group records the total consolidated income tax payable (recoverable) with a debit (credit) to receivables (payables) from/to Group companies and associates.

The amount of the debt (credit) relating to the subsidiaries is recognised with a credit (debit) to payables (receivables) to/from Group companies and associates.

(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.

Tax planning opportunities are only considered when assessing 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 classification

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

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

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

(r) Segment reporting

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

(s) Environmental issues

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

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

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

(t) Foreign currency transactions and balances

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

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

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

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

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

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

4. Segment Reporting

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

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

At 31 December 2013 and 2012 the Group comprises the following operating segments:

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

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

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

	Thousands of Euros	
	2013	**2012**
Spain	**286,012**	291,121
European Union	**187,633**	166,705
	473,645	**457,826**

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

Non-current assets attributed to foreign countries and Spain amount to Euros 182,471 thousand and Euros 263,527 thousand, respectively (Euros 169,402 thousand and Euros 286,995 thousand, respectively, at 31 December 2012).

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			
	2013		**2012**	
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	**58,277**	**46,063**	53,450	42,192
European Union	**9,209**	**6,245**	5,712	4,350
	67,486	**52,308**	**59,162**	**46,542**

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

	Thousands of Euros			
	2013		2012	
Area/location	Costs	Income	Costs	Income
Spain	**4,160**	**25**	5,607	170
European Union	**744**	**11**	762	34
	4,904	**36**	**6,369**	**204**

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			
	2013		2012	
Area/location	Spain	European Union	Spain	European Union
Impairment (reversal) of receivables	**292**	**208**	331	-
Impairment of inventory	**-**	**232**	22	113
Changes in provisions	**(97)**	**(44)**	(308)	-
	195	**396**	**45**	**113**

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

	Thousands of Euros					
	2013			2012		
Area/location	**Assets**	**Liabilities**	**Investments during the year**	Assets	Liabilities	Investments during the year
Spain	**398,531**	**133,559**	**16,927**	388,570	115,650	8,231
European Union	**206,206**	**43,268**	**11,979**	208,603	54,667	25,944
	604,737	**176,827**	**28,906**	597,173	170,317	34,175

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 2013 and 2012 correspond to additions of property, plant and equipment (see note 4) and intangible assets (see note 5) and do not reflect the value of emission allowances allocated for the year (see note 5).

Impairment losses and amortisation and depreciation by segments for 2013 and 2012 are as follows:

Thousands of Euros

	Amortisation and depreciation			
	2013		**2012**	
Area/ location	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Spain	**22,297**	**1,589**	20,535	1,325
European Union	**17,356**	**8**	16,265	10
	39,653	**1,597**	36,800	1,335

5. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2013 and 2012 are as follows:

	Thousands of Euros				
2013	Balances at 31.12.12	Additions	Disposals	Transfers	Balances at 31.12.13
Cost					
Land and buildings	196,220	621	-	154	196,995
Technical installations and machinery	464,253	7,242	(632)	8,032	478,895
Moulds	47,334	3,269	(692)	-	49,551
Furniture	6,401	374	-	-	6,775
Other property, plant and equipment	3,537	48	(58)	-	3,527
Under construction	18,308	15,842	(821)	(8,096)	25,233
	736,053	**27,396**	**(2,203)**	**90**	**761,336**
Depreciation					
Land and buildings	65,784	4,721	-	-	70,505
Technical installations and machinery	285,041	27,363	(210)	-	312,194
Moulds	29,778	3,887	(692)	-	32,973
Furniture	5,507	282	-	-	5,789
Other property, plant and equipment	2,540	242	(58)	-	2,724
	388,650	**36,495**	**(960)**	**-**	**424,185**
Impairment					
Moulds	2,091	3,518	-	-	5,609
	2,091	**3,518**			**5,609**
Carrying amount	**345,312**				**331,542**

	Thousands of Euros				
2012	Balances at 31.12.11	Additions	Disposals	Transfers	Balances at 31.12.12
Cost					
Land and buildings	195,800	417	-	3	196,220
Technical installations and machinery	455,866	8,510	(607)	484	464,253
Moulds	42,650	4,684	-	-	47,334
Furniture	6,056	317	-	28	6,401
Other property. plant and equipment	5,849	456	-	(2,768)	3,537
Under construction	313	18,236	(1,713)	1,472	18,308
	706,534	**32,620**	**(2,320)**	**(781)**	**736,053**
Depreciation					
Land and buildings	61,302	4,482	-	-	65,784
Technical installations and machinery	257,299	27,969	(382)	155	285,041
Moulds	26,040	3,738	-	-	29,778
Furniture	5,164	343	-	-	5,507
Other property. plant and equipment	2,453	268	-	(181)	2,540
	352,258	**36,800**	**(382)**	**(26)**	**388,650**
Impairment					
Moulds	-	1,046	-	1,045	2,091
	-	1,046	-	1,045	2,091
Carrying amount	**354,276**				**345,312**

a) Government grants received

Deferred income in the consolidated balance sheet includes government grants received for investments made by Group companies in property, plant and equipment. Income pending recognition from these grants amounts to Euros 10,978 thousand at 31 December 2013 (Euros 9,682 thousand at 31 December 2012) (see note 13).

b) Commitments

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

	Thousands of Euros	
	2013	**2012**
Technical installations and machinery	**16,112**	12,810

c) Insurance

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

(d) Fully depreciated assets

At 31 December 2013 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 160 million (Euros 140 million at 31 December 2012).

6. Intangible Assets

Details of intangible assets and movement during 2013 and 2012 are as follows:

	Thousands of Euros					
2013	R&D expenditure	Goodwill	Emission allowances	Computer software	Under construction	Total
Cost						
Balances at 31 December 2012	1,961	59,233	5,349	10,313	853	77,709
Additions	301	-	4,512	658	551	6,022
Transfers	81	-	-	-	(171)	(90)
Disposals	(57)	-	(5,174)	-	(1)	(5,232)
Balances at 31 December 2013	2,286	59,233	4,687	10,971	1,232	78,409
Depreciation						
Balances at 31 December 2012	(704)	-	-	(5,423)	-	(6,127)
Additions	(269)	-	-	(1,328)	-	(1,597)
Disposals	17	-	-	-	-	17
Balances at 31 December 2013	(956)	-	-	(6,751)	-	(7,707)
Carrying amount						
At 31 December 2012	1,257	59,233	5,349	4,890	853	71,582
At 31 December 2013	1,330	59,233	4,687	4,220	1,232	70,702

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

a) Emission allowances

In 2013 an amount of Euros 3,383 thousand (Euros 6,819 thousand in 2012) has been paid to public entities with a charge to the provision for emission allowances (see note 18).

The cost of emission allowances for 2013, which have been recorded against the corresponding provision (see note 18), amounted to Euros 2,332 thousand (Euros 3,555 thousand in 2012) and corresponds primarily to the estimated consumption of emission allowances for 2013 of 525,723 tonnes. (510,539 tonnes in 2012).

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

	No. of allowances
2009	542,832
2010	542,832
2011	554,347
2012	**566,883**

Movement in the number of allowances during 2013 and 2012 is as follows:

	Free of charge
Balance at 31 December 2011	631,206
Additions	556,883
Deliveries	(498,796)
Balance at 31 December 2012	689,293
Additions	352,859
Purchases	218,816
Estimated consumption	(479,732)
Balance at 31 December 2013	781,236

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	**2013**	**2012**
Gallo Vidro	Portugal	**20,799**	20,799
Castellar	Spain	**26,155**	26,155
Vidrala Italia	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:

		Discount rate before tax	
	Growth rate	**2013**	**2012**
Gallo Vidro	1.5%	**11.35%**	11.35%
Castellar	1.5%	**11.41%**	11.41%
Vidrala Italia	1.5%	**11.05%**	11.05%

The Group determines budgeted gross margins based on past experience and forecast market performance. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are pre-tax values and 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 2013 and 2012. There are deemed to be no reasonably possible changes in the key assumptions which would result in the carrying amount of the CGU exceeding its recoverable amount, thus giving rise to impairment. The sensitivity analyses were performed by stressing the discount rate by +/-5% and the perpetuity growth rate by +/-2.5%, and goodwill would remain unimpaired. No impairment losses would thus have to be recognised on either goodwill or property, plant and equipment.

7. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Interest rate swaps	-	1,472	-	1,961
Interest rate caps	182	-	64	-
Energy price caps	211	-	210	-
Total	**393**	**1,472**	**274**	**1,961**

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

Interest rate swaps and caps

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

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

The Group applies hedge accounting to interest rate swaps.

These hedging instruments, contracted between 2011 and 2013, have an accumulated nominal of Euros 80,000 thousand at 31 December 2013 (Euros 74,500 thousand in 2012). Under these contracts, effective until 2015, Vidrala will pay a fixed interest rate of between 0.49% and 3.4%.

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

	Thousands of Euros Income/(Expenses)	
	2013	2012
Other comprehensive income	**(328)**	(187)
Reclassification to finance costs	**816**	711
	488	**524**

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			
	2013			
			Occurrence of cash flows	
	Carrying amount	Expected cash flows	2014	2015
Interest rate swaps	(1,472)	(1,483)	(863)	(620)

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

8. Income Tax

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

	Thousands of Euros					
Deferred tax liabilities	Goodwill	Property, plant and equipment	Depreciation and amortisation	Financial assets	Other	Total
At 31 December 2011	5,718	14,685	1,964	157	3,643	26,167
Debit (credit) to income statement	531	(402)	(34)	(145)	160	110
At 31 December 2012	6,249	14,283	1,930	12	3,803	26,277
Debit (credit) to income statement	12,111	(490)	-	-	44	11,665
At 31 December 2013	**18,360**	**13,793**	**1,930**	**12**	**3,847**	**37,942**

	Thousands of Euros					
Deferred tax assets	Tax loss carryforwards	Provisions for personnel	Rights to tax deductions and credits	Financial liabilities	Other	Total
At 31 December 2011	8,420	418	26,500	696	1,359	37,393
(Debit)/ credit to income statement	379	189	1,044	-	224	1,836
Debit/(credit) to other comprehensive income	-	-	-	(147)	-	(147)
At 31 December 2012	8,799	607	27,544	549	1,583	39,082
(Debit)/ credit to income statement	(820)	(27)	(2,360)	-	5,302	2,095
Debit/(credit) to other comprehensive income	-	-	-	(136)	-	(136)
At 31 December 2013	**7,979**	**580**	**25,184**	**413**	**6,885**	**41,041**

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

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	
	2013	**2012**
Deferred tax assets	**38,205**	34,670
Deferred tax liabilities	**(37,254)**	(25,591)
	951	29,598

Deferred taxes on items debited/(credited) directly to other comprehensive income during 2013, corresponding to cash flow hedges, amounted to Euros (136) thousand and Euros (147) thousand at 31 December 2012.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2013	**2012**
Current tax		
Present year	7,510	15,260
Prior years' adjustments	362	1,350
Deferred tax		
Source and reversal of temporary differences	9,570	(1,726)
Deferred income taken to income tax (note 13)	(2,264)	(2,264)
Total	**15,178**	**12,620**

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

	Thousands of Euros	
	2013	**2012**
Profit for the year before income tax from continuing operations	**67,485**	59,162
Tax calculated at the tax rate of each country	**15,966**	16,676
Deductions for the year	**(95)**	(1,173)
Capitalisation of deductions for shortfall in taxable income	**(336)**	(2,463)
Prior years' adjustments	**362**	1,332
Deferred income taken to income tax (note 13)	**(2,264)**	(2,264)
Permanent differences	**1,545**	512
Income tax expense	**15,178**	12,620

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

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

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 2013 all main applicable taxes since 31 December 2008 are open to inspection by the taxation authorities. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the directors do not consider that any such liabilities that could arise would have a significant effect on the 2013 consolidated annual accounts taken as a whole.

9. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2013	**2012**
Raw materials	**5,205**	6,354
Auxiliary and production materials	**33,703**	32,623
Finished goods and work in progress	**95,367**	77,722
	134,275	116,699
Impairment	**(7,811)**	(4,072)
	126,464	**112,627**

At 31 December 2013 and 2012, there are no inventories with a recovery period of more than 12 months from the consolidated balance sheet date.

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

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

10. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2013	**2012**
Trade receivables	**110,723**	101,622
Personnel	**220**	980
Other loans	**884**	920
Less impairment due to uncollectibility	**(5,735)**	(6,622)
Total	**106,092**	96,900

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 2013 the Company has no trade and other receivables discounted at banks (Euros 13,009 thousand in 2012) (see note 14).

At 31 December 2013, personnel includes Euros 153 thousand (Euros 232 thousand in 2012) relating to loans to management personnel (see note 26(b)).

11. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros	
	2013	**2012**
Public entities		
Value added tax	**19,097**	23,366
Grants	**2,804**	4,395
Other items	**130**	138
	22,031	**27,899**

Details of other current liabilities are as follows:

	Thousands of Euros	
	2013	**2012**
Public entities		
Value added tax	**18,676**	10,328
Withholdings and payments on account	**4,667**	6,446
Social Security	**1,475**	2,342
Other	**564**	80
	25,382	**19,196**

12. Equity

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

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

a) Capital

Movement of issued and outstanding shares in 2013 and 2012 is as follows:

		Thousands of Euros		
	Number of shares outstanding	Ordinary shares	Own shares	Total
At 31 December 2011	24,212,760	25,013	(5,737)	19,276
Capital reduction	-	(561)	9,925	9,364
Acquisition of own shares	(429,610)	-	(8,233)	(8,233)
Sale of own shares	70,874	-	1,297	1,297
At 31 December 2012	23,854,024	24,452	(2,748)	21,704
Acquisition of own shares	(236,069)	-	(6,498)	(6,498)
Sale of own shares	167,356	-	3,121	3,121
At 31 December 2013	**23,785,311**	**24,452**	**(6,125)**	**18,327**

At 31 December 2013 and 2012 the share capital of Vidrala, S.A. is represented by 23,972,705 ordinary shares represented by book entries of Euros 1.02 par value each, fully paid and listed on the Spanish organised stock market. No company directly or indirectly holds more than 10% of share capital.

These shares are freely transferable.

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

At their annual general meeting held on 13 June 2013 the shareholders of Vidrala, S.A. agreed to authorise the board of directors, for a period of five years, to issue simple bonds and other fixed-income securities for a maximum amount of Euros 700 million. The directors were also authorised to carry out a derivative acquisition of own shares, either directly or indirectly through Group companies, in accordance with articles 146 and 509 of the Spanish Companies Act, and, where appropriate, reduce share capital in order to redeem own shares.

In 2013 and 2012, 236,069 and 429,610 Parent shares, respectively, were acquired on the organised market for Euros 6,498 thousand and Euros 8,233 thousand.

The Group manages its capital with the aim of safeguarding its capacity to remain trading as a going concern, so as to continue providing shareholder remuneration and benefiting other stakeholders, while maintaining an optimum capital structure to reduce the cost of capital.

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

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

During 2013 the strategy has not changed compared to 2012, and the ratios for 2013 and 2012 have been determined as follows:

	Thousands of Euros	
	2013	**2012**
Total equity	**374,527**	338,472
Total equity and liabilities	**699,988**	695,488
Total equity/total equity and liabilities	**53.5%**	48.7%

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

This calculation was performed as follows:

	Thousands of Euros	
	2013	**2012**
Net financial debt	**117,908**	159,559
Equity	**374,527**	338,472
Debt ratio	**0.31**	0.47

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

As a result, solvency indicators are well within acceptable ranges, with a debt-to-equity ratio of 0.31, and debt equivalent to 1.03 times EBITDA (defined as gross operating profit) for the year.

b) Revaluation reserves

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

This revaluation was inspected and agreed by the taxation 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.

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 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Company or subgroup		
Crisnova Vidrio. S.A.	**42,941**	42,541
Inverbeira. Sociedad de Promoción de Empresas. S.A.	**25,065**	12,075
Gallo Vidro. S.A.	**29.885**	29,688
Aiala Vidrio. S.A.	**5,471**	5,471
Castellar Vidrio. S.A.	**12,950**	9,521
Vidrala Italia. S.R.L.	**2,348**	1,482
MD Verre. S.A.	**(2,071)**	(2,177)
Investverre. S.A.	**764**	168
Oméga Immobiliere et Fináncìere. S.A.	**(3,904)**	(3,904)
CD Verre. S.A.	**65**	68
	113,514	**94,933**

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

	Thousands of Euros	
	2013	**2012**
Legal reserve	15,914	13,802
Goodwill reserve	5,248	4,998
	21,162	**18,800**

(e) Other comprehensive income

Movement in accounts under other comprehensive income during 2013 and 2012, corresponding to cash flow hedges and their tax effect, is as follows

	Thousands of Euros		
	Cash flow hedges	Tax effect	Net
Balances at 31 December 2011	(2,485)	696	(1,789)
Income and expenses generated during the year	(187)	52	(135)
Reclassification to profit or loss	711	(199)	512
Balances at 31 December 2012	(1,961)	549	(1,412)
Income and expenses generated during the year	(328)	92	(236)
Reclassification to profit or loss	816	(228)	588
Balances at 31 December 2013	**(1,473)**	**413**	**(1,060)**

(f) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders during 2013 amounted to Euros 13,577 thousand (Euros 13,126 thousand in 2012), which is equivalent to Euros 0.5692 per share outstanding (Euros 0.5421 in 2012). The dividends reflect the distribution of 2012 profit.

The distribution of company profits and reserves for the year ended 31 December 2012, approved by the shareholders at their annual general meeting held on 13 June 2013, was as follows:

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

On 19 December 2013, the directors agreed to distribute an interim dividend of Euros 0.4798 per share to shareholders, totalling Euros 11,411 thousand, which was paid on 14 February 2014.

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

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

	Thousands of Euros
Forecast distributable profit for 2013	
Projected profit after income tax to 31.12.2013	49,001
Forecast cash flow for the period 21 December 2013 to one year later	
Cash and cash equivalents at the date of the agreement	
Credit facilities available at the agreement date	53,744
Projected operating collections and payments (net)	61,744
Projected cash and cash equivalents one year from date of agreement	115,488
Credit facilities available (one year later)	79,207

The proposed distribution of 2013 profit and other Parent reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

Basis of allocation	Euros
Profit for the year	49,000,663.04
Distribution	
Other reserves	33,399,241.49
Interim dividend	11,410,992.72
Dividend	4,190,428.83
	49,000,663.04

The proposed distribution of dividends is equivalent to a dividend of Euros 0.6546 per share outstanding at the reporting date.

13. Deferred Income

Details of this caption are as follows:

	Thousands of Euros	
	2013	**2012**
Capital grants (note 5(a))	**10,978**	9,682
Tax credits for investments	**15,806**	18,070
	26,784	**27,752**

During 2013 the Group incorporated additional capital grants amounting to Euros 3,087 thousand (Euros 3,722 thousand in 2012), of which Euros 1,612 thousand was taken to income during the year (Euros 1,311 thousand in 2012) (see note 21).

Tax credits capitalised in 2004 and 2005 were recorded as deferred income and taken to the income statement in line with the depreciation of the financed assets, in the case of property, plant and equipment, or the recovery of the investments in the case of business combinations. Euros 2,264 thousand was taken to profit or loss as a reduction in income tax in 2013 and 2012 (see note 8).

14. Loans and Borrowings

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

	Thousands of Euros			
	2013		**2012**	
	Non-current	Current	Non-current	Current
Loans and borrowings	**63,202**	**44,932**	88,917	52,845
Discounted notes pending maturity (note 10)	**-**	**-**	-	13,009
Other financial liabilities	**9,187**	**411**	5,376	-
Interest accrued	**-**	**292**	-	275
	72,389	**45,635**	**94,293**	**66,129**

Some of these contracts contain financial covenant clauses. At 31 December 2013 and 2012 the Group complies with these ratios.

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

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2013	**2012**
Between 1 and 2 years	**47,259**	51,345
Between 2 and 5 years	**20,440**	30,537
More than 5 years	**4,690**	12,411
	72,389	**94,293**

The credit facilities included under loans and borrowings have a combined limit of Euros 194 million and Euros 255 million at 31 December 2013 and 2012, respectively, of which Euros 86 million and Euros 113 million, respectively, were available for drawdown at those dates. A discounted notes facility of Euros 22 million was also available in both years, of which Euros 13 million was used in 2012 and none in 2013.

The average effective interest rates on loans and borrowings at the consolidated balance sheet are approximately 2.74% and 2.91% APR for 2013 and 2012, respectively.

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

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

Group financial liabilities are measured in Euros.

15. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2013	**2012**
Trade payables	**76,550**	78.718
Salaries payable	**11,107**	11,953
Dividends to shareholders	**11,411**	9,964
Suppliers of fixed assets	**4,238**	5,494
Other payables	**1,480**	1,529
	104,786	**107,658**

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

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

At 31 December 2013 the balance payable to suppliers for which the maximum legal payment period under Law 15/2010 of 5 July 2010 has been exceeded is Euros 1,451 thousand (Euros 1,011 thousand in 2012).

Details of late payments to suppliers for the years ended 31 December 2013 and 2012 are as follows:

	Payments made and outstanding at the reporting date	
	2013	
	Thousands of Euros	%
Within maximum legal period	**350,140**	**75.91**
Other	**111,147**	**24.09**
Total payments for the year	**461,287**	
Weighted average late payment days	**24.93**	

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

17. Risk Management Policy

Business risks

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

Potential operating risks include the following:

Operational risk

The Group carries out process-intensive industrial manufacturing activity which is subject to inherent risks linked to routine operations. In 2013, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimize their potential adverse effects.

i. Environmental risks

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

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

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this, all of the Group's production installations availed of ISO 14001:2004 certification in 2013. Group as a whole thus operates under the guidelines of a global and recognised environmental management system

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

ii. Occupational health and safety

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

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

iii. Supply chain risk

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

Management initiatives taken to mitigate supply and customer service risks include identifying and strengthening relations with strategic suppliers and developing reliable additional alternatives in all relevant areas

With regard to inventory risk, internal measures were introduced in 2013 to optimise controls over the volume of inventories, their quality, ageing and rotation. These controls resulted in the implementation of new automated stock monitoring processes and the subsequent application of specific measures.

Financial risk

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

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

The most relevant financial risks identified are as follows:

Currency risk

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

As a result of this risk control policy, at the 2013 close the Group has forward US Dollar exchange contracts (import insurance) for a volume of Euros 6.9 million.

As regards total forecast imports of raw materials in US Dollars for 2014, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately 0.1%.

Interest rate risk

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

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

As a result of this risk control policy, it is expected that approximately 70% of debt to be serviced in 2014 will be covered by interest rate hedging instruments.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates during 2013 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.2% lower due to the higher borrowing costs of variable rate debt.

Credit risk

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

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

The impact of bad trade debts and credit insurance premiums on the income statement in 2013 was Euros 0.5 million (0.7 million in 2012), equivalent to 0.17% (0.13% in 2012) of turnover.

Aged, non-impaired receivables at 31 December 2013 amount to Euros 16.5 million, of which Euros 1.7 million is past due by over 90 days (Euros 8.8 million at 31 December 2012 of which Euros 1.4 million was past due by over 90 days).

At year end the Group has obtained official external certification for its credit management processes This will allow for independent expert verification of the validity, effectiveness and efficiency of the system in place, and will require formal audits, dynamic monitoring and ongoing improvements, while at the same time resulting in insurance savings through enhanced risk management

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

Liquidity risk

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

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

At 31 December 2013 the Group had Euros 86 million in immediately available, undrawn credit, representing 73% of total debt.

Details of the Group's exposure to liquidity risk at 31 December 2013 and 2012 are shown below. The following tables reflect the analysis of financial liabilities by contractual maturity date:

	Thousands of Euros					
	2013					
	1 year	2 years	3 years	4 years	5 years	Other
Loans and borrowings	**46,123**	**33,274**	**14,911**	**11,581**	**9,357**	**5,149**
Trade and other payables	**104,786**	-	-	-	-	-

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

i. Debt and solvency

At year end the Company had a net debt of Euros 117.9 million, 26.1% lower than the previous year.

As a result, indicators of financial solvency have improved, with a debt-to-equity ratio of 0.31, and debt equivalent to 1.03 times EBITDA (defined as gross operating profit) for the year.

Price risk in purchases of energy and raw materials

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

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

18. Provisions

Movement in provisions in 2013 and 2012 was as follows:

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
At 31 December 2012	3,555	1,852	444	5,851
Charge against profit or loss	2,332	728	-	3,060
Payments	(3,383)	(780)	(40)	(4,203)
Cancellations	-	-	-	-
Transfers	1,344	-	-	1,344
At 31 December 2013	**3,848**	**1,800**	**404**	**6,052**

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
At 31 December 2011	7,003	1,217	17,121	25,341
Charge against profit or loss	3,555	579	-	4,134
Payments	(6,819)	(232)	(16,675)	(23,726)
Cancellations	(184)	-	(2)	(186)
Transfers	-	288	-	288
At 31 December 2012	**3,555**	**1,852**	**444**	**5,851**

In 2004 the Group reached agreements with the workforce of one of its production plants whereby previously established pension commitments were rescinded. Consequently, a provision for the amounts payable to the workers under the commitments was recognised based on actuarial studies. This provision amounted to Euros 211 thousand and Euros 215 at 31 December 2013 and 2012, respectively. Additionally, at 31 December 2013 and 2012, current and non-current provisions for personnel included Euros 780 thousand and Euros 1,025 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:

	2013	2012
Annual discount rate	**3.17%**	4%

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

The provision for emission allowances includes the estimated consumption of emission allowances in 2013 and 2012 measured at the grant date, as described in note 3.

Other provisions were mainly applied in 2012, and the difference between the existing provision and the amount ultimately settled was recognised under other expenses in the consolidated income statement for that year.

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				
	2012	Charges	Transfers	Applications/ reversals	**2013**
Provisions for personnel	1,384	225	-	(1,519)	90
Other items	1,270	1,191	-	(1,244)	1,217
	2,654	**1,416**	**-**	**(2,763)**	**1,307**

19. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 26,329 thousand (Euros 7,174 thousand in 2012). 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 2013 to comply with the Kyoto Protocol and emissions analysis amounted to Euros 120 thousand (Euros 152 thousand in 2012).

Environmental expenses mainly related to waste management incurred during 2013 totalled Euros 878 thousand (Euros 976 thousand in 2012).

Environment-related plant investments came to Euros 564 thousand (Euros 1,223 thousand in 2012).

21. Revenue and Other Income

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

Details of other income are as follows:

	Thousands of Euros	
	2013	**2012**
Operating grants	**186**	160
Capital grants taken to income (note 13)	**1,612**	1,311
Grants for emission allowances	**1,839**	3,897
Reversals of losses from uncollectable trade and other receivables (note10)	**97**	254
Other income	**1,876**	2,953
	5,610	**8,575**

22. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2013	**2012**
External services	**19,716**	18,915
Electricity	**26,279**	23,749
Sales expenses	**51,423**	49,984
Emission allowances consumed (note 18)	**2,332**	3,555
Taxes	**1,715**	1,994
Impairment and uncollectibility of		
trade and other payables (note10)	**732**	331
Other operating expenses	**6,056**	7,146
	108,253	**105,674**

23. Employee Benefits Expense

Details of employee benefits expense during 2013 and 2012 are as follows:

	Thousands of Euros	
	2013	**2012**
Salaries and wages	**77,322**	77,307
Contributions to defined contribution plans	**715**	854
Other employee benefits	**21,215**	21,028
Contributions to other long-term employee benefits (note 18)	**728**	579
	99,980	**99,768**

The average headcount of the Group in 2013 and 2012, distributed by category, is as follows.

	Average headcount	
	2013	**2012**
Senior management	**31**	33
Middle management	**184**	196
Administrative staff	**240**	246
Operatives	**1,436**	1,455
	1,891	**1,930**

At the 2013 and 2012 year end, the distribution by gender of Group personnel and the members of the board of directors is as follows:

	Number			
	2013		**2012**	
	Female	Male	Female	Male
Board members	**1**	**10**	1	10
Management	**2**	**29**	2	31
Middle management	**20**	**163**	19	177
Administrative staff	**71**	**168**	80	166
Operatives	**46**	**1,390**	48	1,407
	140	**1,760**	**150**	**1,791**

24. Finance Income and Costs

Details of finance income and costs are as follows:

	Thousands of Euros	
Finance income	**2013**	**2012**
Other finance income	**36**	204
Total finance income	**36**	**204**

	Thousands of Euros	
Finance costs	**2013**	**2012**
Interest on loans and borrowings	**3,514**	4,761
Hedging derivatives	**816**	711
Exchange losses	**68**	17
Other finance costs	**506**	880
Total finance costs	**4,904**	**6,369**

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:

	2013	2012
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	**52,308**	46,542
Weighted average number of ordinary shares outstanding (thousand)	**23,824**	24,031
Basic earnings per share (Euros per share)	**2.20**	1.94

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

	2013	2012
Ordinary shares outstanding at 1 January	**23,854,024**	24,212,760
Effect of own shares	**(30,309)**	(181,879)
Weighted average number of ordinary shares outstanding at 31 December	**23,823,715**	24,030,881

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. Related Party Balances and Transactions

a) Trade operations

During 2013 and 2012 the Group has not carried out any transactions with related parties as regards the sale or purchase of goods or the rendering of services.

b) Related party balances

The Group has extended interest-free loans to management personnel which fall due in 2014. These loans have been included at their present value under other non-current assets and trade and other receivables in 2013 and 2012 for Euros 153 thousand and Euros 232 thousand, respectively.

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

The members of the board of directors of Vidrala, S.A. or their related parties do not hold 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
Vidrala Italia, S.R.L.	Chairman
MD Verre, S.A.	Board member
Investverre, S.A.	Chairman
Omega Inmobiliere et Financiere, S.A.	Chairman
Vidrala Desarrollos, S.L.U.	Chairman
Crisnova Vidrio, S.A.	Chairman

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

(d) Remuneration of key management personnel and directors

Details are as follows:

	Thousands of Euros	
	2013	**2012**
Salaries and other current remuneration paid to employees, management and directors	**4,876**	4,186

During 2013 directors and senior management numbered 42 in total (44 in 2012).

(e) Remuneration of the directors of Vidrala

The Company has not extended any amounts to the members of the board of directors of the Parent in respect of guarantees, advances or loans or any pension-related rights. Total remuneration accrued by the board during the year, including salaries, allowances and other items, amounted to Euros 1,106 thousand (Euros 1,098 thousand in 2012).

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 2013 and 2012 as follows:

	Thousands of Euros	
	2013	**2012**
KPMG Auditores, S.L.		
Audit services	**158**	122
Other services	**9**	9
	167	**131**
Other companies affiliated with KPMG International		
Audit services	**27**	97
Other services	**-**	7
	27	104
Total KPMG	**194**	**235**

These amounts include all fees for services rendered during 2013 and 2012, irrespective of the date of invoice.

During 2013, other auditors have invoiced the Group audit fees of Euros 69 thousand (Euros 73 thousand in 2012).

DETAILS OF OTHER RESERVES AND RETAINED EARNINGS AND MOVEMENT

31 December 2013 and 2012 (Indirect method) (Expressed in thousands of Euros)

	Revaluation reserves	Legal reserve	Voluntary reserves	Reserves in fully consolidated companies	Profit for the year	Total
At 31 December 2011	371	4,876	169,042	85,925	43,699	303,913
Capital reduction	-	-	(9,364)	-	-	(9,364)
Distribution of 2011 profit						
Reserves	-	358	21,207	9,008	(30,573)	-
Dividends	-	-	-	-	(13,126)	(13,126)
Treasury stock sold	-	-	124	-	-	124
Other movements	-	-	43	-	-	43
Profit for 2012	-	-	-	-	46,542	46,542
At 31 December 2012	371	5,234	181,052	94,933	46,542	328,132
Distribution of 2012 profit						
Reserves	-	-	14,384	18,581	(32,965)	-
Dividends	-	-	-	-	(13,577)	(13,577)
Treasury stock sold	-	-	1,502	-	-	1,502
Other movements	-	-	306	-	-	306
Profit for 2013	-	-	-	-	52,308	52,308
At 31 December 2013	371	5,234	197,244	113,514	52,308	368,671

This appendix forms an integral part of note 12 to the consolidated annual accounts, in conjunction with which it should be read.

vidrala

Annual Report 2013

Management Report

2013 business performance

MAIN FIGURES
EUR millions

	Sales	Operating Profit (EBIT)	Earnings per share (EPS)	Free cash flow
2013	**472.9**	**72.4**	**2.20**	**56.7**
2012	456.9	65.3	1.94	49.9
Change 2013/2012	**+3.5%**	**+10.8%**	**+13.4%**	**+13.6%**

- Sales grew **3.5%** during **2013** to **eur 472.9 million.**
- **Operating profit** amounted to **eur 72.4 million,** representing an operating margin of **15.3%.**
- **Full year net** was **eur 52.3 million** reaching earnings per share of **eur 2.20,** an **increase of 13.4% from 2012.**
- **Free cash flow** generated during the year accumulated **eur 56.7 million.** financial position strengthened by a **26% debt reduction** from the previous year.

Vidrala 2013 performance

Highlights:

- **PROGRESS IN TURNOVER AND CONSOLIDATION OF THE COMMERCIAL POSITIONING UNDER A TOUGH DEMAND ENVIRONMENT.**
- **RECOVERY IN OPERATING MARGINS SUPPORTED IN INTERNAL ACTIONS AND EFFICIENCY GAINS.**
- **SOLID GENERATION OF FREE CASH FLOW, REALIZING A CASH CONVERSION ABOVE 100% OF EARNINGS.**
- **STRENGTHENING OF THE FINANCIAL POSITION IMPROVING SOLVENCY RATIOS TO 1.0 TIMES 2013 EBITDA.**
- **IMPROVEMENT IN RETURN ON CAPITAL EMPLOYED (ROCE), SUPPORT OF THE MANAGEMENT PRIORITIES TOWARDS BUSINESS COMPETITIVENESS, PROFITABILITY AND FUTURE.**

Market review

Economic climate during 2013 remained characterised by uncertainty. Along Europe, economic deterioration has eroded disposable incomes impacting consumption patterns, including those of food and beverages products.

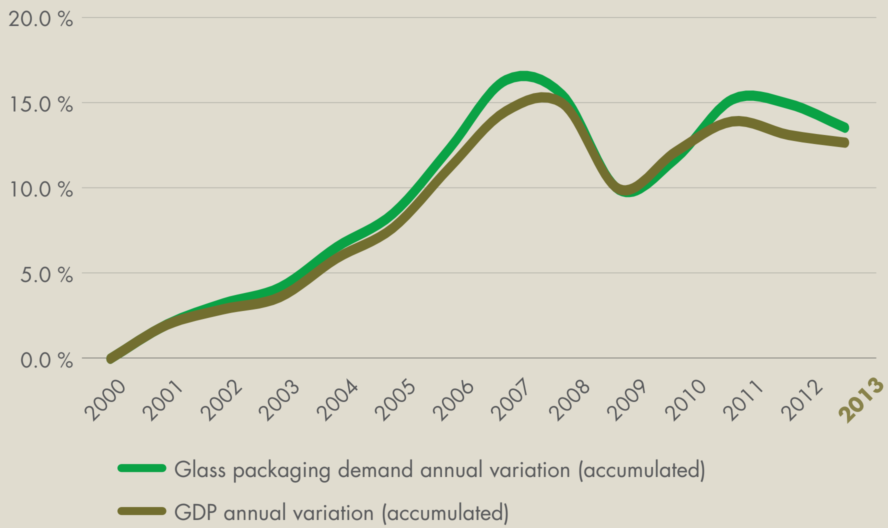
Unavoidably influenced by the business context, demand for glass containers stagnated.

Notwithstanding that, the progressive development of exports in specific ranges of products where glass is the prevalent packaging material and the solid base of internal demand for value added products, has enabled to mitigate the negative effects of the long period of recession.

The long term fundamentals of demand for food and beverages products remain intact. Modern lifestyles and developed social structures require efficient supply chains, where packaging plays an essential role. The container protects the product, preserves it and enables an efficient distribution. Glass as a packaging material is a relevant part of this value chain, proving its primacy in ranges of quality products that are influential for the geographical regions where they are produced.

Glass is increasingly associated with premium products. Market reports prove that consumers perceived glass positively identifying it as a natural, attractive and quality material.

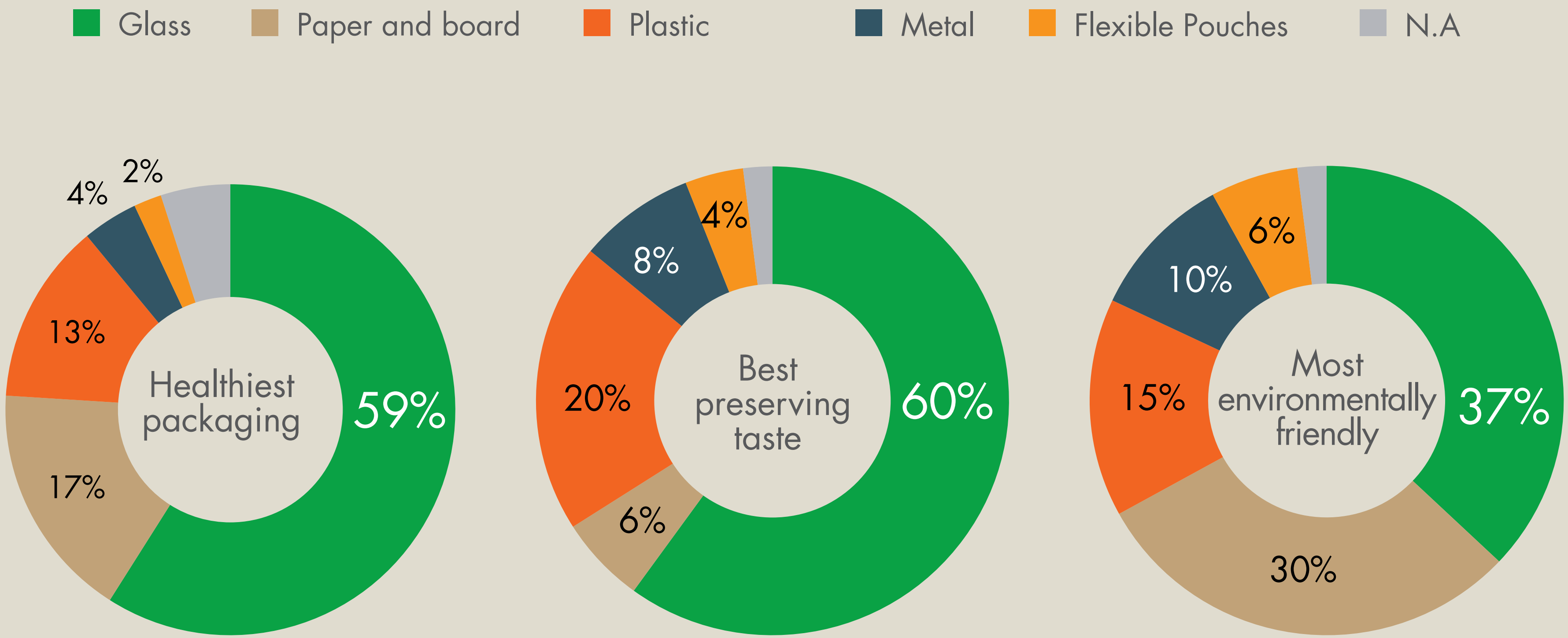
EVOLUTION OF DEMAND FOR GLASS PACKAGING IN EUROPE
IN PERCENTAGE TERMS SINCE 2000



Source: Eurostat, FEVE and internal estimates.

GLASS VERSUS OTHER PACKAGING MATERIALS

SURVEY ABOUT PREFERRED PACKAGING MATERIAL FOR FOOD AND BEVERAGES.



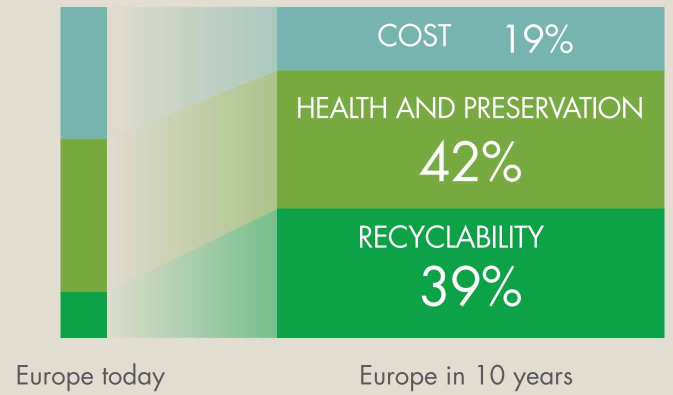
Source: Consumer trends report. 2012.

Therefore, in developed or mature economies like Europe, the socioeconomic structures drive consumer preferences towards products of higher quality in healthy packages able to assure the best preservation conditions and offer an attractive image of the product inside.

In recent years, reduction in disposable income has increased the need of a cost-efficient balance between price and terms of preservation to avoid product caducity or loses. Regarding sustainability, glass is proved as a unique material, fully recyclable an unlimited number of times. Moreover, the increasing amount of available information in matters of food safety and health confirms the exclusive benefits of glass in comparison with alternative materials.

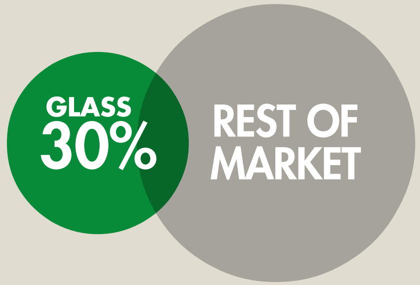
In the foundations of this demand structure, glass packaging demonstrates its resilience. Glass is the essential part of a solidly developed distribution network for food and beverages products, that connects brand owners with customers all along the market.

TRENDS DRIVING CONSUMER PACKAGING PREFERENCES
EUROPE TODAY AND IN TEN YEARS



Source: Packaging World and Future Trends. 2012. Dupont.

GLASS SHARE IN RIGID PACKAGING FOR FOOD AND BEVERAGES IN WESTERN EUROPE. YEAR 2013



GLASS SHARE IN RIGID PACKAGING FOR TOP* BEVERAGES IN WESTERN EUROPE. YEAR 2013

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

Operational review

Sales for 2013 increased by 3.5% from the previous year amounting to EUR 472.9 million.

Under tough market conditions, revenues growth was grounded on the Group´s international footprint and the consolidation of market shares in strategic customers and sales segments.

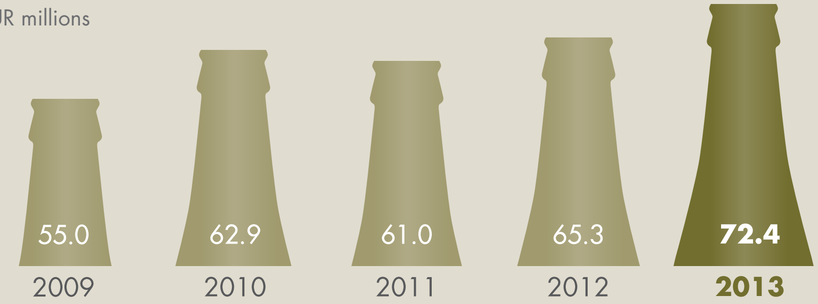
SALES
ANNUAL ACCUMULATED SINCE 2009
EUR millions

Operationally, the packaging industry remained widely affected amid a long inflationary period in manufacturing costs that, under the difficult market conditions, has not been proportionately reflected in sales prices.

Vidrala´s progressive recovery in operating results stands on the effects of internal actions implemented to improve production efficiency and adapt the cost structure along the business.

As a result, operating profit, EBIT, amounted to EUR 72.4 million, up 10.8% from 2012. It represents a margin over sales of 15.30%.

OPERATING PROFIT (EBIT)
ANNUAL ACCUMULATED SINCE 2009
EUR millions



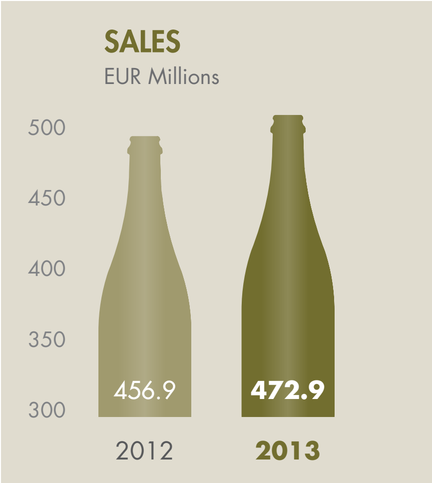
EBIT MARGIN
ANNUAL ACCUMULATED SINCE 2009
EBIT as a % of sales

EUR millions (except margins as a percentage of sales)

	2013	2012
Sales	**472.9**	456.9
Gross Operating Profit (EBITDA)	**114.0**	103.5
EBITDA Margin	**24.1%**	22.6%
Operating ptofit (EBIT)	**72.4**	65.3
EBIT Margin	**15.3%**	14.3%

Financial review

As mentioned above, turnover evolved through the Group's commercial positioning. Additionally, internal actions enabled the recovery of operating margins. As a result, sales grew by 3.5% and net profit was 10.8% higher than the previous year.



Financial expenses in 2013 amounted to1.0% of sales meaning an annual effective interest rate of 2.7%. Tax rate stood at 22.5%.

As a result, net profit for the year reached EUR 52.3 million. Equivalent earnings per share was EUR 2.20. It represents an increase of 13.4% from the previous year.

EUR millions (except EPS in EUR/share)

	2013	2012
Operating Profit (EBIT)	**72.4**	65.3
Profit Before Tax	**67.5**	59.2
Net Profit	**52.3**	46.5
EPS	**2.20**	1.94

Regarding the financial position, debt was reduced by 26% versus the previous year down to EUR 117.9 million. It represents a leverage ratio of 1.0 times the EBITDA of the last twelve months and a gearing ratio of 31%.

That is the result of a free cash flow generation of EUR 56.7 million that was allocated as follows: EUR 41.7 million to reduce debt and EUR 15.0 million to return cash to shareholders through dividends and share buybacks.

DEBT EVOLUTION

Since 2009

EUR millions

EUR millions (except ROCE in %)

	2013	2012
Free Cash Flow	**56.7**	49.9
ROCE	**11.4%**	10.3%

EUR millions

	2013	2012
Debt	**117.9**	159.6
Shareholders' Equity	**374.5**	338.5
Fixed Assets	**443.8**	456.4

As a conclusion of the results achieved during the year, growth in operating profit, solid cash flow generation and the subsequent stronger capital structure, resulted in improved return on capital employed. As a reference, ROCE stood at 11.4% at December 2013.

RETURN ON CAPITAL EMPLOYED (ROCE)*

SINCE 2009

*EBIT after taxes /capital employed as at year-end

Business outlook

The modest demand conditions observed in recent years along main European markets influences business outlook for 2014. Notwithstanding that, the Group's international footprint and the proved solid commercial positioning achieved in strategic areas and customers of strong business fundamentals, should enable the company to consolidate turnover figures.

Overall, a long standing business context of inflationary pressures and lower demand, has aggravated the competitive landscape. As a response, internal actions should be focused on adapting the cost structure to the more demanding business requirements. In terms of operations, the sustained improvement of efficiency levels and the progressive integration within the different manufacturing units should enable the Group to improve margins and ensure sustainable profitability levels. In particular, there will be intensified specific internal efforts focused on assuring best in class customer service, developing new products and models and, consequently, encouraging glass packaging demand.

In any case, during 2014 management will remain firmly committed to improving return on capital levels as a guarantee of competitiveness, profitability and future. It will be founded on cost and operational efficiency, a tight control of working capital, a disciplined approach to capital allocation and, consequently, a strict focus on cash realization.

Relevant information for shareholders

Shareholder remuneration policy

Vidrala’s remuneration policy is based on a gradual growth in cash dividends as a means of distributing profits and securing the loyalty of shareholders. Annual payments are typically supplemented through attendance bonuses to the shareholders´ annual general meeting.

In addition to cash remuneration, Vidrala uses share buy backs in a selective way, based on the company´s cash generation pattern and the share price performance.

Consistent with that policy, dividends and attendance bonuses paid during the year 2013 amounted to EUR 59.92 cents per share. As a result, cash distribution to shareholders increased by 5.1% from the previous year, representing a pay-out of 31%.

CASH SHAREHOLDER REMUNERATION (DIVIDENDS AND ATTENDANCE BONUSES)

SINCE 2002

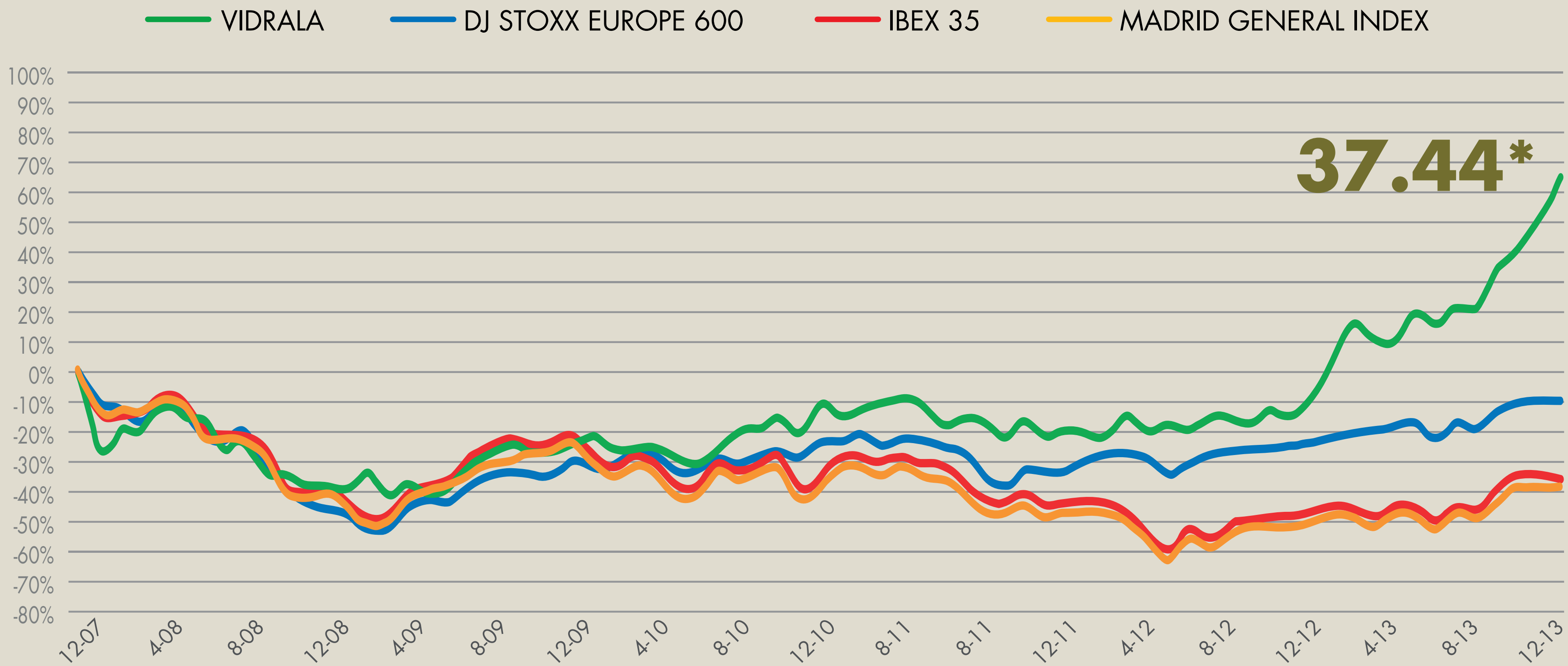
EUR millions

Shares

Vidrala´s share price at the end of 2013 was EUR 37.44, equivalent to a market cap of EUR 898 million. This represents, ex - dividends, a revaluation of 78.8% during 2013.

A total of 3,754,905 shares were traded on the stock exchange during the year which is equivalent to EUR 106.8 million.

CASH SHAREHOLDER REMUNERATION (DIVIDENDS AND ATTENDANCE BONUSES) SINCE 2008



* Share closing price at 31/12/2013

Events after the reporting period

The Board of Directors, at its meeting held on 19 December 2013, agreed the payment of a first interim cash dividend from 2013 results of EUR 47.98 cents per share, which was paid on 14 February 2014.

Business risks

Risk management in 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 manufacturing activity which is subject to inherent risks linked to routine operations. In 2013, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

Potential operating risks include the following:

I. Environmental risks

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

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

One of the Group's strategic guidelines is the implementation of environmental management systems. As a result, all of the Group's production sites are ISO 14001:2004 certified. The Group as a whole thus operates under the guidelines of a global, verified and recognised environmental management system.

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

II. Occupational health and safety

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

With the aim to prevent labour-related accidents, Vidrala develops ongoing staff training and awareness plans.

III. Supply chain risk

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

Initiatives for mitigating supply risks include identifying and strengthening relations with strategic suppliers as well as developing reliable additional alternatives in all relevant areas.

With regard to inventory risk, internal measures were introduced in 2013 to optimise controls over the volume of inventories, their quality, aging and rotation. These controls resulted in the implementation of new automated stock monitoring processes and the subsequent application of specific measures which in 2013 have led to adjustments in the value of inventories reflected in the Group's income statement.

Financial risk

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

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

The most relevant financial risks identified are as follows:

I. Currency risk

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

As a result of this risk control policy, at the end of 2013 the Group has forward US Dollar exchange contracts (import insurance) for a volume of EUR 6.9 million.

As regards total forecast imports of raw materials in US Dollars for 2014, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would vary by approximately 0.1%.

II. Interest rate risk

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

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

As a result of this risk control policy, it is expected that approximately 70% of debt to be serviced in 2014 will be covered by interest rate hedging instruments.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates during 2013 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.2% lower due to the higher borrowing costs of variable rate debt.

III. Credit risk

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

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

The impact of bad trade debts on the income statement in 2013 was EUR 0.5 million, equivalent to 0.11% of the turnover.

At year end the Group has obtained official external certification for its credit management processes. This will allow for independent expert verification of the validity, effectiveness and efficiency of the system in place, and will require formal audits, dynamic monitoring and ongoing improvements, while at the same time resulting in insurance savings through enhanced risk management.

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

IV. Liquidity risk

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

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

At 31 December 2013 the Group had EUR 86 million in immediately available, undrawn credit, representing 73% of total debt.

V. Debt and solvency

At year end the Company had a net debt of EUR 117.9 million, 26.1% lower than the previous year.

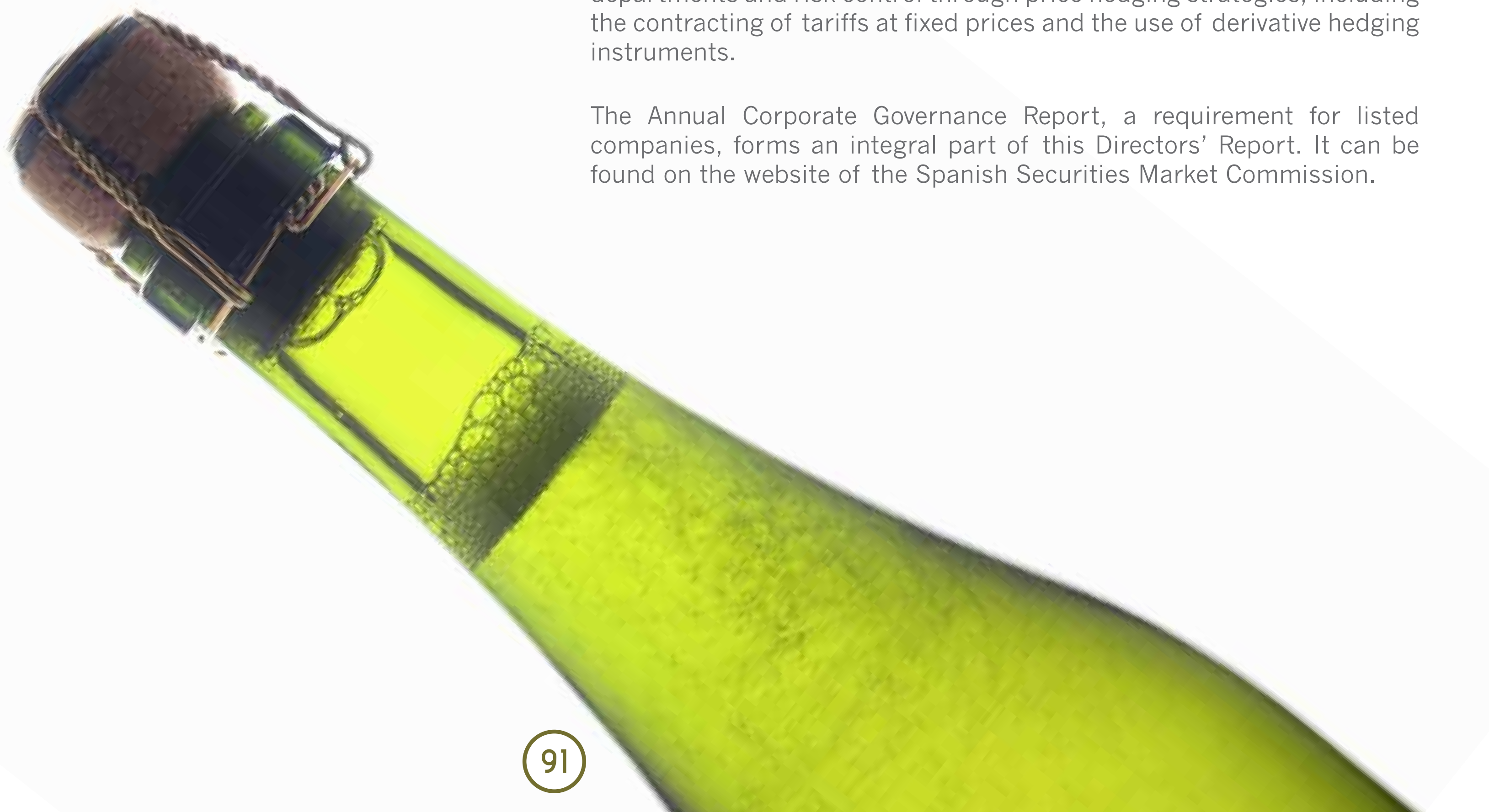
As a result, indicators of financial solvency have improved, with a debt-to-equity ratio of 0.31, and debt equivalent to 1.03 times EBITDA (defined as gross operating profit) for the year.

VI. Price risk in purchases of energy and raw materials

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

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

The Annual Corporate Governance Report, a requirement for listed companies, forms an integral part of this Directors' Report. It can be found on the website of the Spanish Securities Market Commission.



vidrala

Sustainability Report 2013

IN VIDRALA, WE ARE GLASS, RESPECT FOR THE ENVIRONMENT IS AT THE HEART OF WHAT WE ARE.

GLASS, THE ONLY MATERIAL THAT IS COMPLETELY AND INFINITELY RECYCLABLE:
FROM ONE GLASS BOTTLE ANOTHER ONE IS PRODUCED, EXACTLY THE SAME ONE, CONSERVING ALL OF ITS PROPERTIES AND QUALITIES.

A SUSTAINABLE VALUE CHAIN

CLOSING THE LOOP

UPSTREAM

Every player who makes it possible to manufacture glass in a sustainable way: suppliers of energy and raw materials, such as recycled glass (cullet).

CORE PRODUCTION

Managing an organization with the utmost care for the natural environment and social aspects related to the Group's professional staff.

DOWNSTREAM

Always work thinking in our clients and in the social environment of our production sites, to make our contribution to a better community.

Vidrala Group, the recognition and responsibility for a well done job

Presenting this Sustainability Report for the year 2013 is for Vidrala Group a moment to share the outstanding aspects of a financial year in which a model of management with an international presence has been consolidated.

The quality of the bottles and jars we produce is supported by the trust that our customers place on us. The quality of our workforce is borne out by the positive figures, among others, that show a reduction in accident rates and the consolidation in a secure working environment. This is illustrated by a recent audit in terms of Corporate Social Responsibility (referred to henceforth as 'CSR') conducted for Vidrala, in which the company was given a positive rating better than that of other organizations in the sector, and highlighting in particular aspects related to Quality Management and PRL, the consolidation of environmental management and the management of the Group's human and technical resources. Furthermore, Vidrala has been certified by the auditing company in terms of all CSR requirements.

This confirmation of our hard work looking for quality means that we can look to the future as an opportunity to break through barriers and enhance the efficiency of the glass packaging manufacturing process. A process in which Vidrala, as it shows year after year, is able to combine the tradition and experience of its workers with the innovation and speed of the most advanced technology.

The raw materials we use are basically silicate sand, soda ash and limestone, all of which are plentiful in nature and simple to extract.

Glass is classified under international law as inert and non-toxic for humans thanks to its exceptionally stable inorganic structure. This characteristic is what makes it uniquely safe when it comes into contact with food.

Glass delivers both quality and guarantee, ensuring long-lasting optimal preservation of the original properties of the food. It does not change the properties of the products they contain, nor does it alter their taste, smell or composition.

Glass is chemically inert on contact with food: it does not rust; it is completely hermetic, impermeable to all gases and does not require any additives to conserve the food, nor any internal plastic coatings. Glass packaging does not suffer from the phenomenon known as 'migrations' – of monomers and additives – on the content, common with other types of packaging.

When it is recycled, a used glass container can be converted into other new one with no loss in quality or quantity endlessly. This process, known as total recycling, permits significant energy savings, lower emissions of contaminants and a reduction in the carbon footprint because of the lower consumption of raw materials and energy.

European consumers regard glass as the healthiest of all container materials. 75% of consumers prefer glass containers for conserving food and beverages, and also believe that they contribute to a healthy life style.

We believe in glass

Proactive in our sector

Vidrala has always supported the glass packaging sector solidly and decisively, as we are convinced that this sector is a source of wealth and employment.

During the last year, the Group was represented at a number of technical forums, strengthening its relations and enriching its knowledge about the latest news in the sector.

A technical One-Day Event was held during the month of May, organized by the glass section of the Spanish Glass and Ceramics Society, in which, among other topics, the current regulations on emissions and the European BREF (Best Available Techniques) document on the glass packaging industry were discussed, as well as emission levels in the industry and the improvements achieved. Environmental legislation and the mandatory compliance with gas and particulate emission levels are vital issues for the glass packaging industry, which consumes energy intensively. The reduction of these emissions levels through energy-saving measures and environmental efficiency are therefore a top priority for this sector.

Likewise, Vidrala supported ANFEVI in the publication of its first Report on the Sector. The report highlights the major efforts that have been made by the industry and its achievements to date. The report includes the first Materiality Study conducted by the sector (*which Vidrala Group has been conducting since the year 2010*), whose aim is to identify those issues related to corporate responsibility that are "material" or of greater importance for the association and for the companies in the sector. This will help to orientate future CSR-related initiatives by taking account of the characteristics and unique features of the sector.

Besides national organizations, such as ANFEVI, Vidrala is represented in the *International Commission on Glass (ICG),* a non-profit international organization formed by 37 national organizations focused on glass science and technology. The ICG promotes cooperation between experts on glass through participation in the Technical Committees and conferences. Currently, VIDRALA is a participant in the Technical Committees on energy efficiency and materials for furnaces, and plans to join the ICG's environmental-related group.

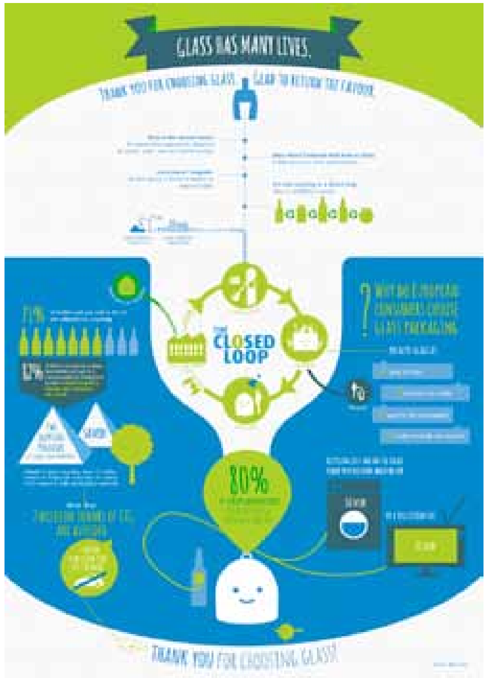
The closed loop, the european commitment to a more sustainable environment

"Promoting an economy that uses resources more effectively, that is greener and more competitive" is one of the priorities of the Europe 2020 Strategy, which aims to create smart, sustainable and inclusive growth. Vidrala endorses the commitment to sustainable growth that serves to develop an economy that uses resources more effectively.

FEVE
The European Container Glass Federation

As the European Container Glass Federation -FEVE– has correctly stated, the transition to a circular economy is the best opportunity Europe has to strengthen its competitiveness. It is necessary to adopt measures to support those industries that have made progress in the recycling of waste – such as the glass packaging sector – and to prevent outsourcing - the relocation of plants outside Europe. As far as the glass container manufacturing industry is concerned, the more glass is recycled, the more resources become available for new production, and the lower the environmental impact, as well as lower costs and more jobs created, both directly and indirectly. At the moment, in Europe more than 70% of glass used is recycled; nevertheless, the glass manufacturing sector has set itself the target of capturing the remaining 30% for the production cycle.

VIDRALA'S COMMITMENT: "All our containers are manufactured with a high percentage of cullet (recycled glass), which means a considerable saving in natural resources and a more rational use of energy."



© Image: FEVE

The closed loop

Glass containers once used can be deposited in any of the containers that are located in towns and cities. The glass packaging industry is a pioneer in Spain in the implementation of an Integrated Management System (IMS) of containers, with the collaboration of manufacturers and governments, but not feasible without the involvement of the general public. This allows a new lifecycle, turning the waste package into a new bottle or jar. This process, called TOTAL RECYCLING, contributes to protecting the environment, since replacing virgin raw materials with glass makes it possible to achieve significant savings in raw materials and energy: which also contributes to reducing the carbon footprint of the manufacturing process.

Vidrala: a sustainable value chain

One of the main challenges the industry faces is the management of sustainability throughout its supply chain, since the dependency relationships with other companies influence or can influence the performance and reputation of the rest of the agents. Actions of suppliers or customers may affect the environmental and social performance of the organization in question. Hence, Vidrala looks at its operations from an integrated approach, one which includes social, environmental and commercial aspects, taking into account all of the stages of its value chain, both *“upstream”* and *“downstream”.*

From all these agents, food and beverage packagers stand out (both jointly and individually), since this relationship is formed directly and allows the concerns of end users to be conveyed to glass container manufacturers. Additionally, the food sector is showing signs of its proactivity in terms of sustainability and food safety with regard to the products that are put on the market (beverages, dairy, oils, preserves, etc.), as is reflected in its *“Environmental Sustainability Vision Towards 2030 “*

Therefore, Vidrala aims to align its strategy with the challenges accepted by the main agents of its value chain. In this framework, customers convey their concerns to the organization regarding the quantifying and reduction of the carbon footprint of the products they put on the market (wine, cava, cider and sparkling wine, spirits, oils and vinegars, preserves and olives, juices etc.), thereby illustrating clearly the principle of shared responsibility in the management of containers. This calculation must consider not only the product being marketed but also its container, and therefore close cooperation is needed between the customer and the supplier (such as Vidrala).

VIDRALA GROUP'S responsible management through a sustainable value chain:

SUPPLIERS OF RAW MATERIALS

Includes suppliers of raw materials (mainly silica sand and carbonates) and other ancillary materials, as well as utility companies that supply electricity, natural gas and other fuels).

ORGANIZATION

VIDRALA's environmental strategy in terms of energy, emissions and waste.

PACKAGERS (CUSTOMERS)

This group includes companies that are VIDRALA's customers from the food and beverages sector. The concerns of these organizations are conveyed 'upstream' to their suppliers, requesting information about the organization's work with regard to the environment, and the impact of used glass packaging in order to position their products in the market.

UPSTREAM	PRODUCTION	DOWNSTREAM
Suppliers of raw materials		Packagers
Glass container recyclers	Workforce	The local community

GLASS CONTAINER RECYCLERS

The use of glass cullet, as a substitute for virgin raw materials, is fundamental for glass packaging companies. Included in this group is the integrated system that handles the management of waste containers from local Council sorted waste (Ecovidrio, Eco-emballages, Sociedade Ponto Verde and Coreve), as well as all companies that handle and process glass cullet.

WORKFORCE

The organization's performance in terms of social responsibility and how these issues impact directly on the workforce.

LOCAL COMMUNITY

Both consumers of products packaged in glass containers who convey their demands to the party responsible for putting the product on the market (the owner of the brand) as well as the Public Authorities and organizations in the local environment with which Vidrala cooperates.

Upstream management

Suppliers: the source of glass

Vidrala Group is committed to promoting economic development and the environment where it operates. The organization contributes to the generation of wealth not only through the creation of employment but also through the economic relationships it establishes with local suppliers, those found in the regions in which Vidrala operates. Of these, more than 80% are local, which demonstrates the importance of the activity of the organization for the economic development of the regions where it is located.

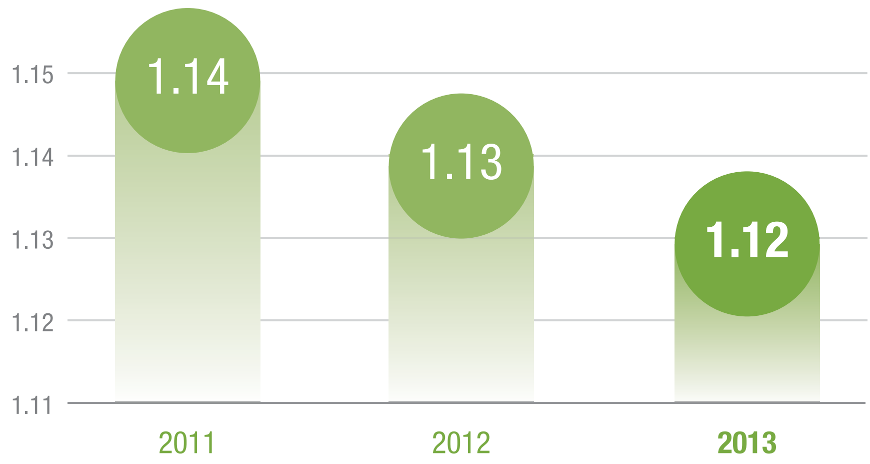
Apart from the economic and social benefits, the local profile of the suppliers has an impact on reducing the environmental impact of emissions (CO_2 and others) associated with transport activities, contributing significantly to the life cycle of the product. All of this makes possible the reduction of the carbon footprint.

With regard to the data associated with the consumption of raw and ancillary materials, Vidrala Group's efforts in research and development have allowed it to fine-tune compositions and increase the amount of glass cullet used.

These two achievements result in a progressive reduction, year after year, of the amount of raw and ancillary materials used in the production process.

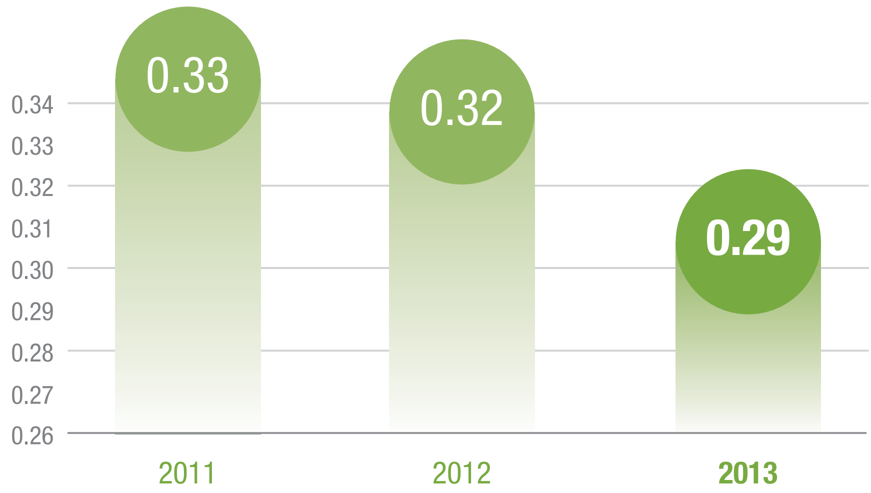
RAW MATERIALS CONSUMED (t/t.m.g.)*

*ton/ton of molten glass



ANCILLARY MATERIALS CONSUMED (kg/t.m.g.)*

*kg/ton of molten glass



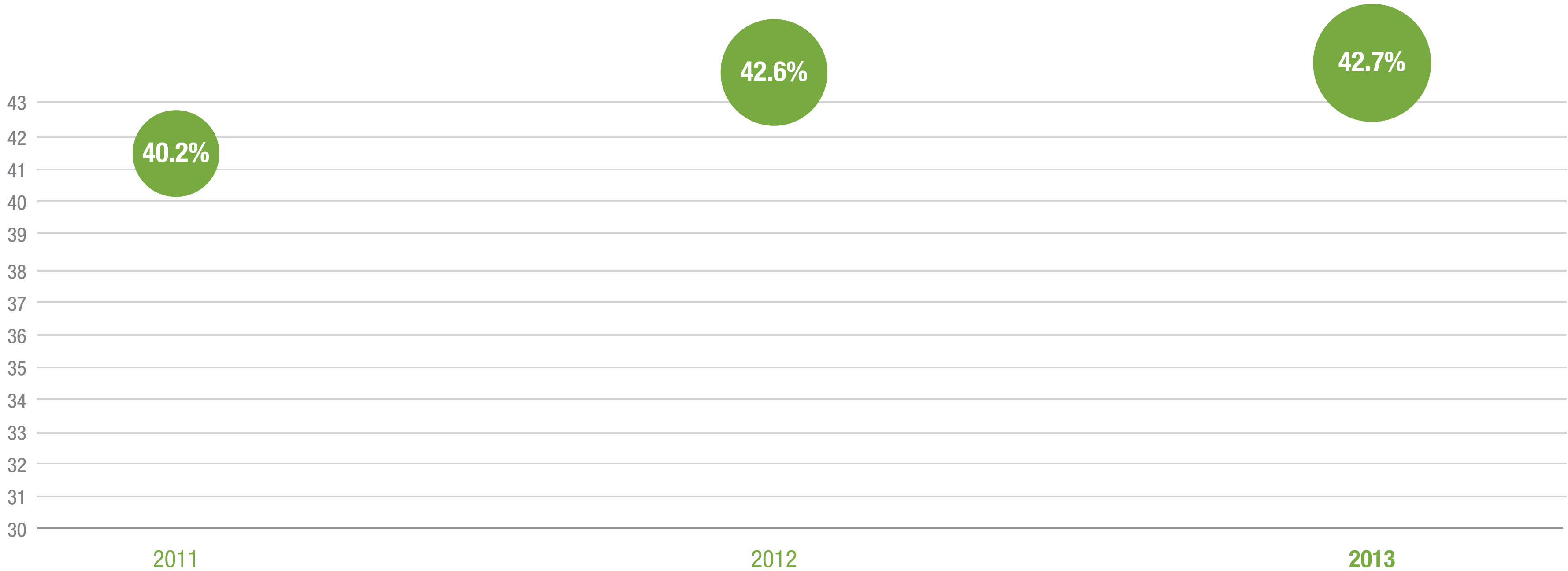
Recyclers: closing the loop

The process of recycling glass containers is quite simple. The bottles and jars produced in the glass packaging factory are transported to the packagers, where they are filled with food and beverages products. Once packaged, they pass through distribution channels. Afterwards, the packaged products are purchased, either directly by the consumer or by the hotel and catering sector.

An activity shared by the hotel and catering industry and consumers, is the placing of bottles and jars in recycling igloos once they have completed their cycle of use. At this point begins the process of recycling, collecting these containers, separating any mixed waste, thus obtaining the so-called "glass cullet".

This material, like any other raw material, is melted with the rest of materials: sand, soda ash and limestone for the manufacture of identical glass containers, so that the bottles and jars that incorporate cullet are always new. Glass is 100% recyclable, able to withstand an infinite recycling cycle without losing any of its properties.

% OF GLASS CULLET USED BY VIDRALA GROUP



The advantages of including cullet in the production process are both economic and environmental. Economic, as they result in savings of raw and ancillary materials, as already seen above. And environmental, as they suppose a reduction in energy and emissions, both directly in the production process, and indirectly derived from "non-consumption" of raw and ancillary materials.

It is important to note that the percentages of glass cullet used are growing but are subject to requirements of various kinds: the capacity of furnaces to handle cullet (to maintain the quality of the molten glass they produce), productions carried out *(increasingly, containers of different types and colours are made, meaning constant changes in compositions)* and, above all, the quality of available glass cullet (in Spain, for example, collection is not by separating colours at source; so to make transparent glass, for example, it is necessary to ue virgin raw materials). But, above all, currently the main factor in the recycling of glass is the particular situation of the glass market. Spain is a case in point, as it is a country with a net balance of exported containers of glass (including empty and full containers), which means that the amount of cullet glass that is available for recycling is less than in other European countries. This means that not all the glass that is manufactured can be returned to the Spanish recycling cycle, which is an obstacle for the reductions of CO_2 associated with the use of cullet compared to virgin raw materials.

Production in Vidrala Group: respect for the environment and best practice

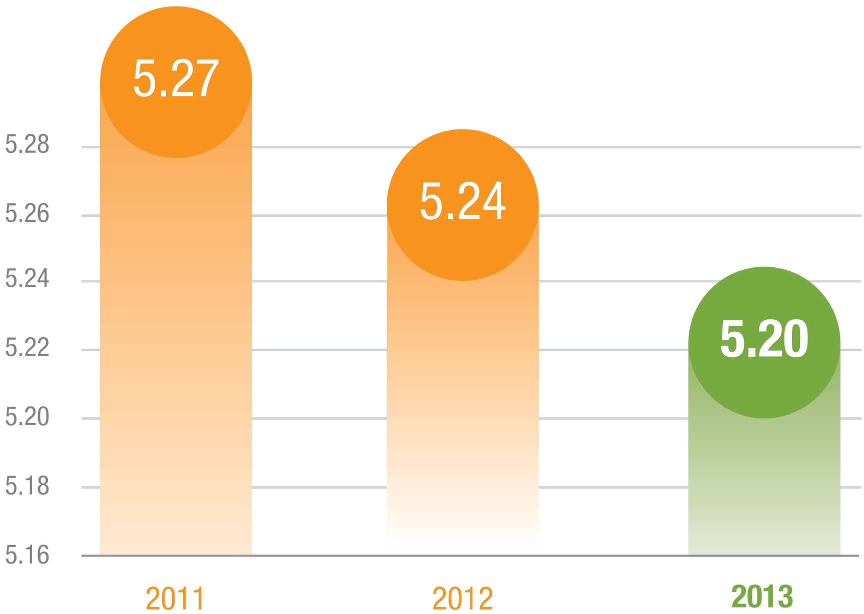
Energy use in Vidrala.

Achieving energy efficiency is a matter of developing a good management system combined with the experience accumulated year after year by the Group's professionals. Thanks to this, it has been possible to reduce the ratio of energy consumption during recent years, optimizing and rationalizing energy sources. Lower consumption means lower costs and CO_2 emissions, improving efficiency in the operations of the Group and the trust in the organization.

DIRECT PRIMARY ENERGY CONSUMED

(GJ/t.m.g.)*

*Gigajoule/ton of molten glass

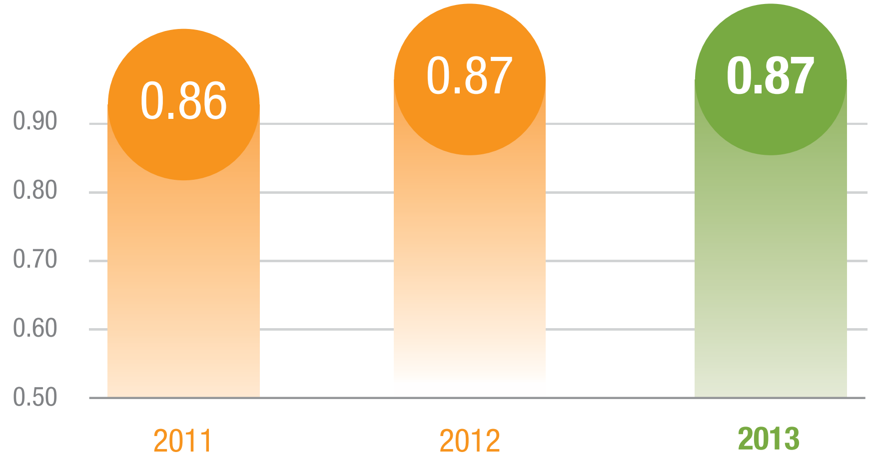


In 2013, the direct energy consumption of the Group (mainly associated with the process of melting glass) stood at 5.20 GJ per ton of molten glass. A significant reduction from previous years, which illustrates the Group's determination to make more containers with less energy.

INDIRECT PRIMARY ENERGY CONSUMED

(GJ/t.m.g.)*

*Gigajoule/ton of molten glass



Meanwhile, indirect consumption remained at 0.87 GJ/ton of molten glass This figure, considering the increase in 2013 of the number of containers manufactured, demonstrates the improvement in overall numbers in the context of successful reduction of the associated energy consumption.

Currently, with the aim of improving the energy performance of its plants, Vidrala Group is implementing the ISO 50001 Standard at its Crisnova plant. This specifies the requirements for establishing, implementing, maintaining and improving an energy management system.

Contributing to minimizing global climate change

The production plants of the Group are affiliated to the European trading system of CO_2 Emissions (EU ETS). This is a flexible EU system, which allows companies to develop new and cleaner technologies, motivated by the benefits arising from emitting below the emission limits set for each organization. Vidrala Group is proud to be situated once again below its permitted limits.

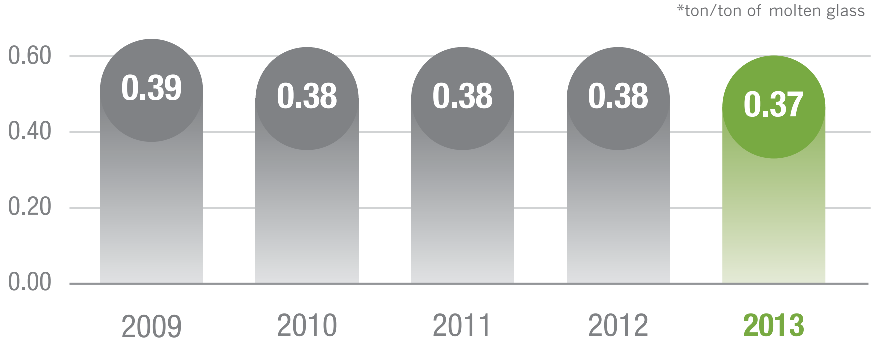
An outstanding development in 2013 was that Vidrala Group completed the implementation both in Aiala Vidrio and in its holding company, Vidrala, of ISO Standard 14064, an international standard whereby greenhouse gas emission reports are verified on a voluntary basis.

Meeting the requirements for emissions means continued work for the Group to improve environmental management of all elements involved in the process, knowing that every improvement, no matter how small, is of great importance. This is demonstrated if we compare accumulated emissions over the past five years, in which we can observe the decrease in levels by tons of molten glass since 2009.

Behind these figures are three main reasons why these targets on emissions were achieved:

EVOLUTION OF GREENHOUSE GAS EMISSIONS OF VIDRALA GROUP

(t/t.m.g)*



1. The use of cullet glass, from the selective collection of rejected containers from the plants themselves; 2. Successive improvements and environmental investments that have been implemented in Vidrala's plants; 3. The development and application of an energy management system implemented in the furnaces of all of the Group's plants, which has enabled us to maintain our energy consumption stable during the last two years.

In short, all of this has contributed to improving one of the aspects that has the greatest impact on the manufacturing of glass containers. This is demonstrated by a comparison between the extent of CO_2 emissions according to the type of container produced. The comparison of this data point with the average for the sector shows a reduction of 10% in the emissions rate.

COMPARISON BETWEEN THE SECTOR AND VIDRALA GROUP IN TERMS OF CO_2 EMISSIONS

[1]Figure calculated on the basis of glass in stock, that is to say, taking into account productivity, and refers to the standard glass container sold by companies that are members of ANFEVI, with an average weight of 327 grams an average capacity of 531 millilitres.

AT VIDRALA WE MONITOR ALL PLANTS CAREFULLY, TO ENSURE COMPLIANCE WITH ENVIRONMENTAL PERMITS ISSUED TO EACH OF THEM. IN ADDITION, VIDRALA SYSTEMATICALLY IMPLEMENTS CONTINUOUS ENVIRONMENTAL IMPROVEMENTS, WHICH IS GUARANTEED THROUGH THE CERTIFICATION OF ITS CENTRES TO STANDARD ISO 14001.

Vidrala is aware that its activities can generate other atmospheric emissions. Therefore, it also acts to minimize their impact by investing the financial and technical resources for this.

Regarding emissions of other air pollutants, Vidrala Group has in the past made significant investments in the installation of electrostatic precipitators, achieving very significant reductions in emissions ratios. Thus, the dust emissions from the year 2009 have been reduced from 0.31 kg / t.m.g. to 0.17 kg in 2013. In addition to this improvement, the company has an electrostatic (technology recognized as the Best Available Technique – in the European glass sector BREF document) means that we can re-use part of the sulphate removed from the air flow as a source material, recycled in the furnaces, provided that the composition of the glass permits it. These investments in electrostatic filters may involve figures close to 6 million euros, so Vidrala bears the cost and installation in those plants that undergo refurbishing works from time to time.

THANKS TO THE TECHNOLOGIES APPLIED TO REDUCTION OF ENERGY CONSUMPTION, THE USE OF RECYCLED GLASS IN THE COMPOSITIONS AND THE INVESTMENTS MADE IN THE PAST, VIDRALA HAS ACHIEVED A BETTER ENVIRONMENTAL PERFORMANCE IN TERMS OF CONTAMINATING EMISSIONS.

Diffuse emissions

In addition to those described thus far, the transport to the customer of the finished product, causes diffuse emissions of greenhouse gases, mainly CO_2, which the Group also tries to minimize. Most of the containers are transported on trucks by road, which is the main source of these diffuse emissions: 99.7% on average. A smaller percentage of diffuse emissions is associated with shipping (just 0.08% on average of the total) and by rail (0.03%) as well as those relating to Group staff travel (0.12% of diffuse emissions on average, including any means of transport used for this purpose).

Less waste, less impact

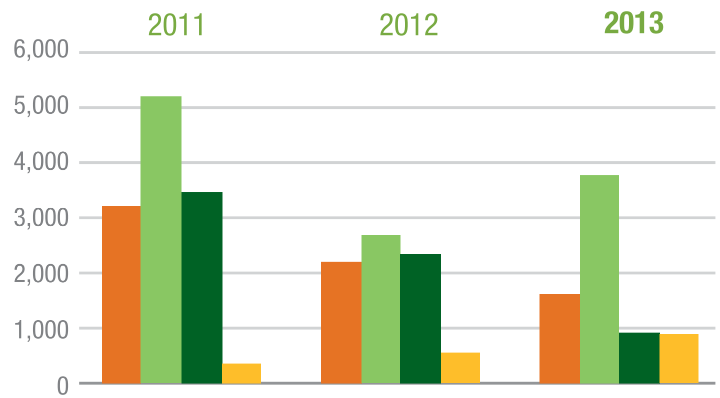
The data associated with the generation of waste at Vidrala show how the efforts to reduce the volume of these materials that cannot be utilized in Vidrala's activities have produced positive results.

Thus, we have achieved a 33% reduction in the generation of waste classified as hazardous.

Overall, thanks to the continued environmental improvement work on the manufacturing process, Vidrala Group succeeded in reducing by 47% the amount of waste generated per ton of molten glass in the period 2011-2013.

GENERATION OF WASTE

BY TYPE OF WASTE AND YEAR (tons)



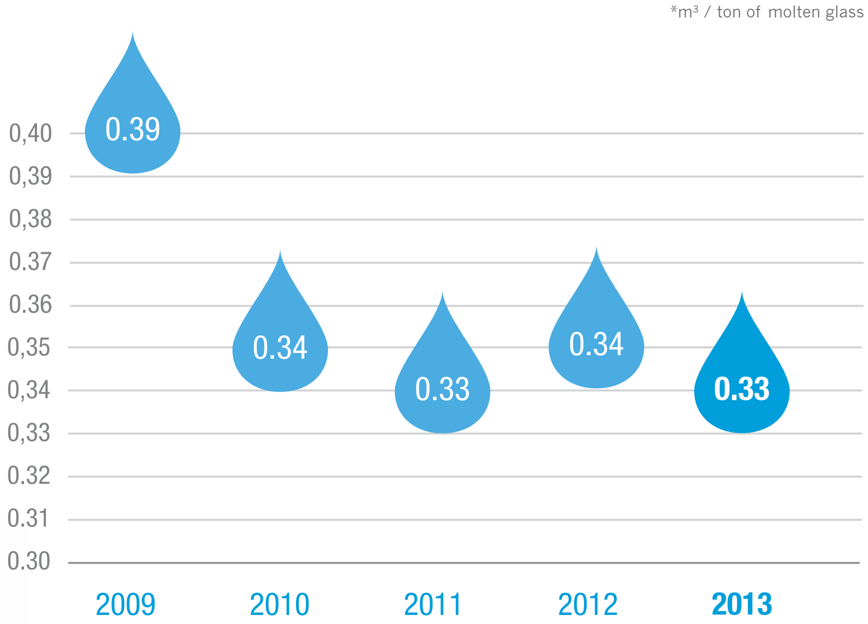
	2011	2012	**2013**
Total DW (tons) (Dangerous Waste)	3,171	2,117	**1,640**
Total RNDW (tons) (Recoverable Not Dangerous Waste)	5,135	2,656	**3,706**
Total NRNDW (tons) (Not Recoverable Not Dangerous Waste)	3,454	2,305	**846**
Total USW (tons) (Urban Solid Waste)	377	467	**855**

The Group is constantly evolving, and strives to manage its own waste whenever it is technically and economically viable. If it is not, Vidrala looks for other solutions for processing any waste that serve as raw materials in processes other than glass packaging manufacturing. In this way, we can minimize the environmental impact both internally and externally of how we manage our waste.

Vidrala's use of water

Vidrala Group is aware that its activity can potentially impact the amount of water available. Since water is such a scarce resource, the group pays special attention to minimizing its use. Thus Vidrala is pleased to observe the encouraging evolution of water consumed for each ton of molten glass, in which the increase in output has not been accompanied by an increase in water consumption.

TOTAL WATER CONSUMPTION (m^3/t.m.g.)*



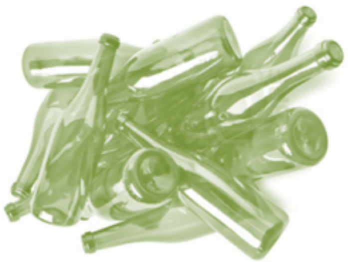
With regard to how the water consumed is used, the Group recirculates more than half of the water it consumes. All of the water resources supplied to its plants are strictly controlled by the various authorities that regulate water resources in the four countries where Vidrala operates. Whatever the region might be, the source of the water is the general supply network as well as any wells or channels near the plants, in all cases in strict compliance with the regulations covering exploitation and control of the resource set out in the relevant permits.

Investing in sustainability

Besides working towards best practice, it is necessary to periodically invest in environmental-related issues, which mean that the Group significantly enhances its performance in terms of protecting the environment.

When referring to figures, Vidrala includes both current expenses associated with the environmental management in the Group's sites and the projects that have a positive repercussion on their environmental impact, which we refer to as environmental 'investments'. In any case, all of these contribute to the benefit of the community and enhance the condition of the surrounding environment.

1. We would point out that it is only technically possible to incorporate improved techniques of energy efficiency and reduction of air emissions in the refurbishment phases of furnaces.



Human resources in Vidrala

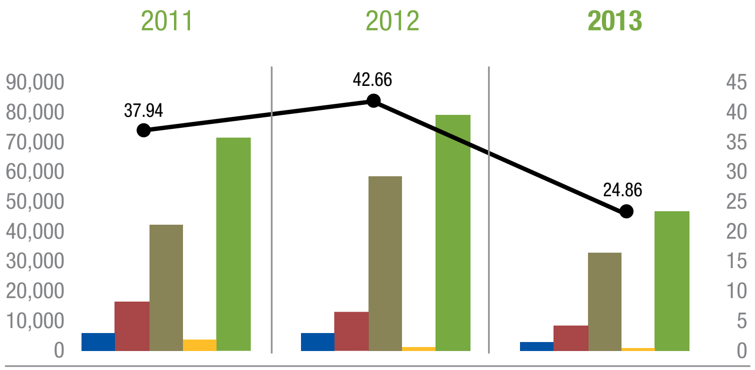
During 2013, Vidrala Group has maintained its employment figures similar to those of previous years, aware that the Group's success is intertwined with its commitment to its human capital. This is why, in terms of human resources, and for a series of other reasons, the Group has a Code of Conduct in the Plant, which is communicated and explained to all personnel, with related monitoring and evaluation procedures; as well as an Equality Policy, which has been rolled out and is fully functional, as a procedure for the prevention of harassment in the workplace.

Development and internal training, a constant feature of Vidrala Group

Matching the right person to the right role, flexibility, multi-tasking and the pursuit of excellence are intrinsic to Vidrala Group's human resource policies.

In general terms, the Group has made a continuous commitment over recent years to training activities, which have averaged above 20 hours per worker per year, as shown in the year-on-year trend below:

TRAINING HOURS PER EMPLOYEE AND YEAR. TOTAL AND AVERAGE FIGURES



	2011	2012	**2013**
Total number of hours	70,566	79,353	**46,246**
Top Management	3,913	1,765	**1,486**
Managers	17,495	13,143	**8,057**
Employees	5,243	4,560	**3,635**
Blue Collar Workers	43,915	59.885	**33,067**
Average hours of training	37.94	42.66	**24.86**

In 2013, we should highlight the following projects in training and development:

- Driving technical training linked to specific plans for improvement.
- Design and delivery of tailor-made online training in the area of food safety, within the framework of policy to strengthen orientation to quality.
- Industrial training linked to organizational standardization plans.
- Consolidation of the process of the professional development interview between Directors and Managers, backed up with specific training in skills and diagnosing as part of this process any individual training needs.

Vidrala's commitment in this area remains firm: to invest in developing people, both through internal and external training and development initiatives, aimed at achieving results and enhancing productivity and competitiveness in the Group.

Promoting safe and quality employment

Vidrala Group fosters a culture of prevention intended to guarantee the highest levels of safety, health and welfare, implementing additional measures in terms of safety, thereby achieving a gradual reduction in accident rates and absenteeism.

The commitment to workplace health and safety extends from the board of directors and plant managers to the whole organization and all persons working on its behalf, which could not be otherwise in a Group whose plants are all certified to OHSAS Standard 18001 for Management Systems.

The technical staff in the risk prevention team work with innovative applications and tools to detect and evaluate risks at all levels of the organization. As well as the audits, both mandatory by law and voluntary, safety and security inspections constitute a way of identifying areas for possible improvement and assessing adopted measures. In 2013, no fewer than 191 safety and security inspections were carried out.

HEALTH AND SAFETY INTERNAL AUDIITS

Additionally, Vidrala Group carries out intensive surveillance of the workforce's health, in order to detect as early as possible any illness related to working conditions.

With regard to absenteeism, the Group has a special anti-absenteeism plan. In addition, workers are represented to high degree in the various Health and Safety Committees.

Equality

In addition, equality of treatment and the principle of non-discrimination are values that form an essential part of how Vidrala believes it must run its business, differentiating the Group's activities and being valued positively by shareholders and professionals alike.

This commitment takes concrete form in the recruitment and selection processes, since the Group's Directors believe that when hiring personnel it is vital to respect basic principles of non-discrimination and equal opportunities. Hence, the selection of human resources must be solely and exclusively based on reasons of merit and ability. For this reason, the Group has developed a series of Equality Plans.

Corporate volunteering policy

Workers are at the centre of Vidrala Group´s social strategy by bringing our plants closer to the community with "open doors" days, while the company and the staff work jointly alongside non-profit organisations.

During 2013, "Open Doors" days were held at the Crisnova and MD Verre plants.

The company-staff joint project was, for the second year running, in support of the fight against cancer. While a global cause was chosen, resources were directed to the nearest anti-cancer organization in the case of each individual plant.

Jointly, including contributions from employees and from the Group, the total raised for the fight against cancer was almost €25,000 in 2013.

In addition, necessary steps have been taken to enable the staff to donate blood, with the Llodio plant having played host to the Euskadi Blood Donation unit on two occasions in 2013.

Downstream management

The customer as end-user of innovation

Faced with a new reality, more social, more complex and in permanent change, Vidrala Group has not lost the vision of its business: to meet the needs and desires as fully as possible of its customers. To this end, the team of professionals who work at Vidrala have the firm conviction that working more closely to the customer, which is what makes us different from our competitors, is the real value in which our customers place their trust.

Anticipating customer needs is a challenge that means having to accept continuous change. It is thanks to this that the Group has been able to tailor its actions more and more to the requirements of Vidrala's direct customers and those of the final consumers, so that producing a glass container is an activity that is ever more responsible.

This is why INNOVATION is a strategic line of action for Vidrala, since it contributes an additional means of differentiating ourselves. This innovation is translated into concrete projects such as those related to: conducting Life Cycle Analysis (LCAs) of glass containers, calculating the carbon footprint of containers, use of eco-design in some of the bottles that the Group manufactures, drawing up the Environmental Product Declaration for a new type of bottle named "Natura" and the creation of exclusive containers for particular customers.

Glass containers and carbon footprint

As explained earlier in this report, minimizing the effects of climate change is a challenge towards which Vidrala does not remain indifferent. Glass is 100% recyclable, which makes it unique reducing its environmental footprint.

In addition to the work done in each of its plants, the Group maintains forms of close collaboration beyond the factory walls. In this respect, in recent years Vidrala Group has been developing technological innovations that reduce the weight of containers without affecting their qualities or characteristics. Thanks to a reduction in the glass that shapes each bottle or jar, its associated carbon footprint (i.e. the CO_2 emissions associated with that bottle) has been reduced. In order to contribute to the scope of the footprint and to identify those aspects where it is possible to improve the environmental performance of its containers, during 2013 Vidrala collaborated with several of its customers on how to measure this footprint.

An illustration of how firm is the company's commitment to lightening their containers and reducing their footprint is Vidrala's Natura Range in which all the containers are more environmentally friendly than their conventional counterparts. On average, these containers reduce their environmental footprint by almost 12%, which results in lower consumption of energy and natural resources, lower emissions and reduction of waste generated. **Each year new entries are added to this catalogue in the different product families (wine, champagne, spirits, etc.).**

Giving form to innovation

Thinking of its customers, Vidrala has created Bahía, a new bottle for spirits, in which the Group demonstrates how to work with a new product mind-set, conceived using the latest information technology to meet the most recent demands of the market. Bahía is the newest addition to the catalogue of lighter bottles which are therefore more sustainable.

The commitment to our customers is as unalterable as glass itself and this is borne out by the surveys that the Group conducts every year. Once again, this year our customers have confirmed their trust in the company: 86% of our customers would recommend Vidrala as a trusted supplier. It is noteworthy that 70% of clients rate us highly for the Group's commitment to sustainability.

It is a source of special pride that the most valued attribute among those surveyed was the "attitude: treat with kindness and courtesy." A trait that has become Vidrala's hallmark and cause for satisfaction. A new feature this year was the incentive for participation informing customers of the contribution to a social project that Vidrala makes for each completed survey received. The total amount raised was used to support the cause SOS Children's Villages in Spain.

Another example of packaging manufactured on the sustainability principle is the largest bottle created for the Damm brewing group, whose new beer *"Damm Original"* is bottled in a container manufactured exclusively by Vidrala following the criteria of customized innovation and greater eco-friendliness.

Vidrala Group also has its consumers in mind

Food safety

Throughout last year, and as habitual in recent times, the requirements of the market and the sector in which Vidrala's customers operate has led to even greater rigour and surveillance in monitoring compliance with the Food Safety benchmark standards set by the Group.

In a context of a demanding market and a general concern within the food supply chain for the safety of containers on the market, Vidrala Group remains firm on its commitment towards food safety through the internationally recognized standard of the GFSI (Global Food Safety Initiative) BRC/IoP Global Standard for Packaging and Packaging Materials of the British Retail Consortium.

This year, the result of the audits has been a perfect score: Grade A for Aiala Vidrio, Crisnova Vidrio and Gallo Vidro plants. All of the production facilities retained their UNE-EN-ISO 22000:2005 certification, and continue to make progress in improving towards BRC certification in those plants which have yet to reach that standard.

Currently, work continues hand in hand with some of the most important customers to upgrade the system continuously, including Cía. de Bebidas PepsiCo, S.A., certified to AIB standard for food manufacturing (AIB: the American Institute of Baking).

Also with regard to customers, a number of visits and audits by potential customers are under way, which may lead to new methods of quality control that are even more demanding in order to develop new skills going forward with a view to the future of the sector as suppliers renowned for excellence in terms of Quality and Food Safety.

Communication and awareness raising

Following the approach in previous years, Vidrala Group in 2013 continued to work alongside associations and organizations in the sector as part of its work of communicating and raising awareness of the importance of glass.

As stated above, Vidrala Group has collaborated with the National Association of Glass Container Producers -Anfevi- in drafting its Annual Report, with data from each of its plants. It has also contributed to distributing the report to Government Authorities and Agencies, clients, consumers associations and other interest groups. .

The Group collaborates actively with Anfevi, Ecoglass, and Friends of Glass, and has been officially represented or given its support in trade fairs and exhibitions, such as Enomaq and Expoliva. In all these cases, our aim has been to ensure that as many people as possible learn about the advantages of glass as a material for containers.

As well as maintaining and updating the corporate website of Vidrala Group, through joint initiatives with Friends of Glass in 2013 we continued to promote interaction with consumers using social networks to provide information, promote competitions, collect public opinion and raise awareness.

Notably, the campaign created by ANFEVI for Friends of Glass Spain won the first Ecoglass Journalism Award in the category 2.0. This is recognition of the best awareness initiative, about recycling in general and in particular the recycling of glass, generated through social networks (known as “citizen journalism”) whose results were that it succeeded in having an impact on citizens.

During the International Exhibition of Machinery and Equipment for Wineries and Bottling, Vidrala won an award with a special mention from the jury for the decoration and design of stands. On this occasion, the Group wanted to be present at this important forum in the sector and went for a new image, in which the profiles of the glass bottles were enhanced in harmony with the light in a very special way.

Environmental education project in Castellar Vidrio

Castellar Vidrio plant has launched an environmental education project pioneer in the Group in collaboration with the Town Hall of Castellar del Vallés in Catalonia with the objective of spreading the Group's activity in the local surroundings, creating awareness of glass recycling among the teaching community and working alongside the Board of Education and local county government.

This project consisted of the holding of educational talks with schoolchildren aged 6 to 10. In a total of 6 weekly visits, we explained to them what glass packaging manufacturing and recycling is as well as broader related concepts such as energy use. Through our collaboration with Friends of Glass and Ecoglass, the educational visits were complemented with a laboratory working practice, in which the schoolchildren could learn in a more practical way all about the aspects associated with the life-cycle of glass.

Other projects

During 2013, Vidrala Group sponsored the 25th anniversary of the Association of Oenologists of the Rioja and Aragon, an association with over 400 members, whose members come from an area that covers the Autonomous Communities of the Rioja, Navarre and the Basque Country.

Other contacts with the local environment

Direct contributions

Vidrala Group, aware of the importance of its integration with the socio-economic environment, and of the need for its plants to develop jointly with their surroundings, dedicates financial resources every year to the sponsorship and funding of sports, cultural and social activities in its immediate surroundings.

Each of the Group's plants has a budget allocated to this purpose, which is distributed among the requests received and proposals made by employees, under the supervision of the managing director of each site. In 2013, the Group allocated almost €25,600 to initiatives of this kind.

Among them, Vidrala Group has also worked closely with the initiative entitled *Walk On Project* (the picture shows the project's mascot). This initiative comes from the Basque Country and sets out to publicize, create awareness and support research into 'rare' neurodegenerative diseases.

Visits

As well as the "Open Doors" days, aimed at staff and their families, Vidrala Group's plants receive annually a large number of visits from different social groups with an interest in the glass packaging manufacturing industry. In 2013, we welcomed, among others, secondary schools, university students and researchers, oenology schools and a range of associations.

VIDRALA'S INTENTION IN THIS REPORT HAS BEEN TO PROVIDE THE MOST SIGNIFICANT FACTS AND FIGURES RELATING TO ITS SUSTAINABLE MANAGEMENT, THIS IS A JOINT EFFORT ON THE PART OF ALL OF THE LINKS IN THE CHAIN THAT ARE INVOLVED IN THE MANUFACTURING OF GLASS AND TO WHICH VIDRALA GROUP STRIVES UNSTINTINGLY TO ADD VALUE IN ORDER TO MAKE IT MORE SUSTAINABLE AND RESPONSIBLE WITH REGARD TO THE ENVIRONMENT.

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