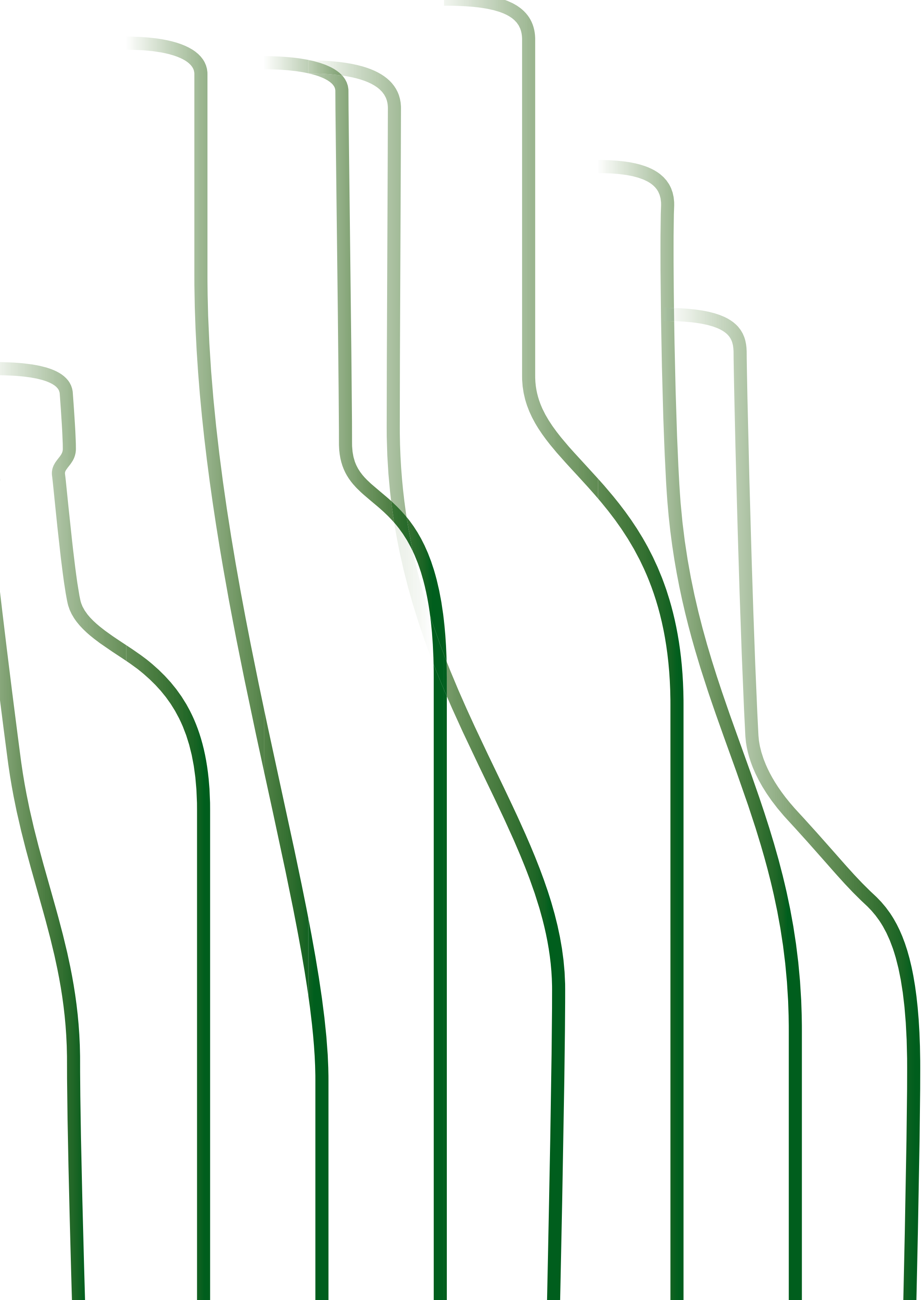

Informe Anual **2015** Annual Report

Informe Anual **2015** Annual Report

Chairman's letter

Dear shareholders,

I am writing to you to introduce the 2015 annual report.

Amid a year in which Vidrala celebrated its fiftieth anniversary, turnover exceeded EUR 800 million and earnings per share grew 18%. Free cash generation allowed us to maintain a strong financial position, thus absorbing the assumed debt commitments to finance the largest acquisition of our history, Encirc Limited, completed at the start of the year.

The results achieved during 2015, under a highly competitive business context and the internal integration of Encirc, showed the continuous development of our company based on our strategic priorities.

Vidrala's footprint has been diversified into broader markets in the United Kingdom and Ireland, while customer relationships have been strengthened and service capacity adapted to demand trends. All in, sales in 2015 amounted to EUR 802.6 million, 71.4% higher than last year, representing an annual increase of 5.0% on a comparable structure basis.

At the same time, we continued with our focus on organic cash generation through disciplined capital management and the balanced implementation of long term investment plans. As a result, since the acquisition of Encirc, debt has decreased steadily, thus strengthening the balance sheet to a leverage ratio of 2.5 times accumulated EBITDA.

Operationally, we faced a period of general pressure on margins whilst keeping our strategic priorities on customers, costs and cash. Despite these challenges, net profit for the year increased 18.0% from the previous year, reaching EUR 2.46 per share. Regarding shareholder remuneration, cash dividends and attendance bonuses paid during the year 2015 increased by 5.0% over the previous year. For 2016 the board of directors announced a dividend proposal that implies a 10.0% increase versus the previous year. This proposal is coherent with Vidrala´s remuneration policy, oriented towards long-term stability and the sustained improvement of cash dividends.

In conclusion, during 2015 Vidrala broadened its position within the European glass packaging market, establishing itself as a larger and strategically diversified multinational supplier, with a determined commitment towards the development of long-term commercial relationships with our customers, who are vital to our success.

The packaging industry for food and beverages evolves dynamically, as shown by the trends of consumption preferences, the development of demand and the progress and globalisation process of our customers. The new dimension of the group, the strength and scope of our commercial positioning, the expertise and involvement of our team, the technological quality of our assets and the determination of our long-term strategy, all of them shape a company that is prepared to take advantage of new challenges and opportunities.

On behalf of the board of directors and all the staff of the group, I thank you, the shareholders of Vidrala, for your trust in our company.

Carlos Delclaux
Presidente

Vidrala Group

vidrala

Vidrala Group
vidrala

Plantas

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Barrio Munegazo, 22
01400 Llodio.
Spain

Crisnova Vidrio
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Spain

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Spain

Gallo Vidro
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Portugal

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20094 Corsico.
Italy

Md Verre
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7011 Ghlin.
Belgium

Encirc (Elton)
Ash Road Elton Cheshire
CH2 4LF
England

Encirc (Derrylin)
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Tonymore,
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Shareholders' Office

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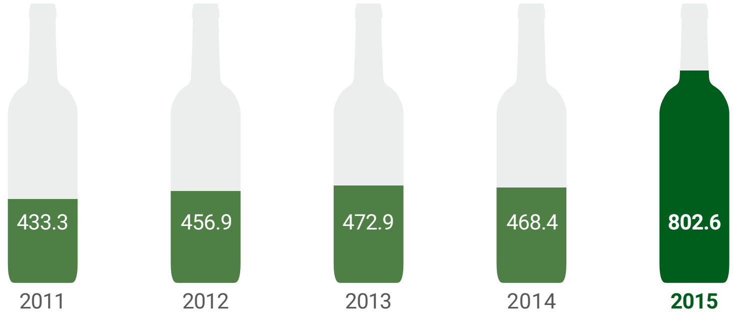
Main Figures

Main Figures

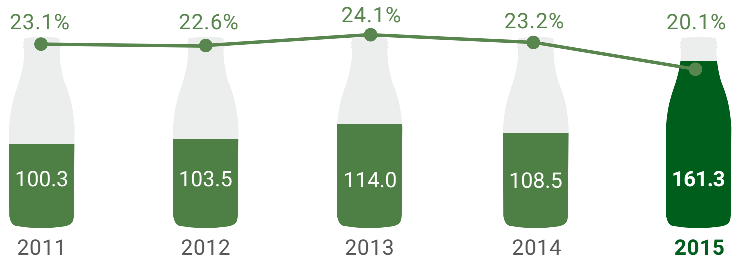
SALES

EUR Million



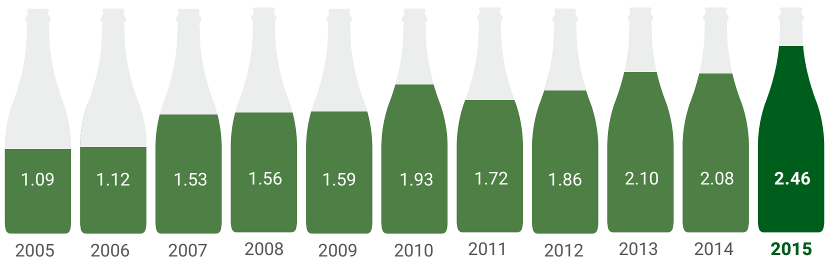
OPERATING INCOME (EBITDA) AND EBITDA MARGIN

EUR millions and percentage of sales



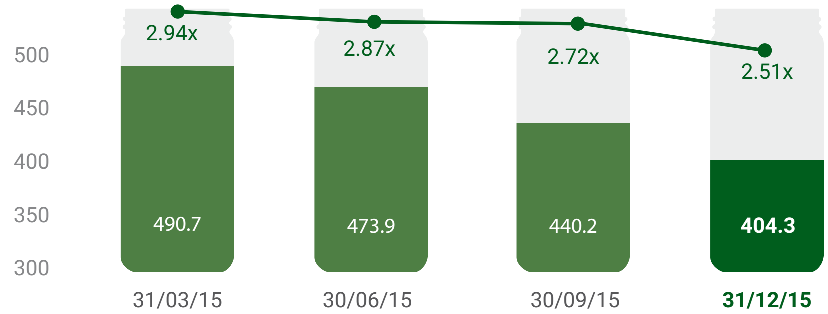
EARNINGS PER SHARE

EUR/share



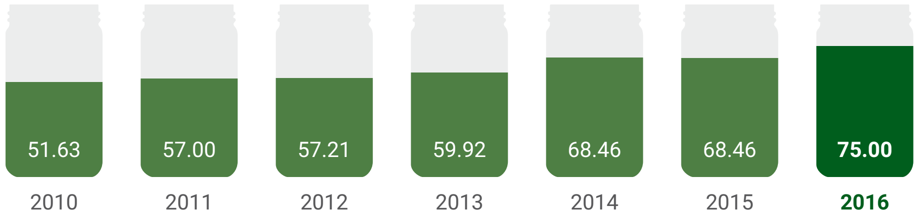
NET DEBT AND NET DEBT / EBITDA

EUR million and times EBITDA



CASH DIVIDENS (INCLUDES AGM ATTENDANCE BONUSES)

EUR cents/share



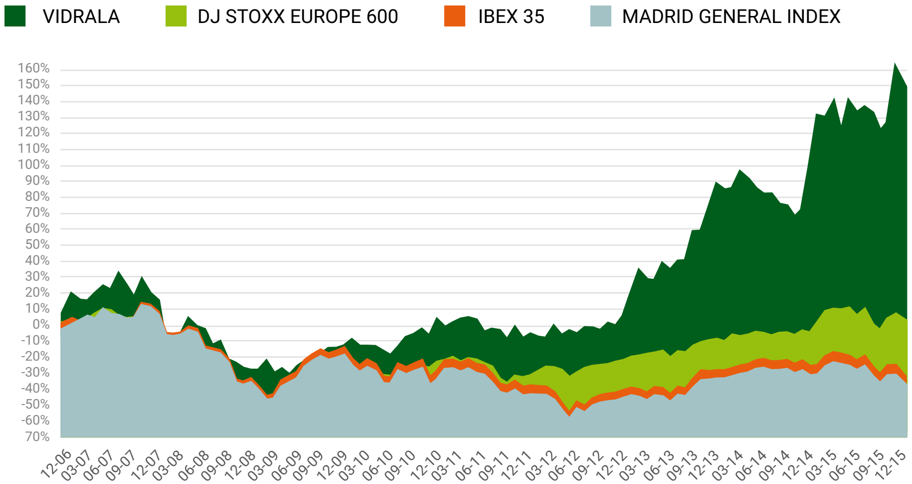
Main Figures

RELEVANT FIGURES

EUR Millions	2011	2012	2013	2014	2015
Net Sales	433.3	456.9	472.9	468.4	**802.6**
Gross Operating Profit (EBITDA)	100.3	103.5	114.0	108.5	**161.3**
EBITDA Margin	23.1%	22.6%	24.1%	23.2%	**20.1%**
Operating Profit (EBIT)	61.0	65.3	72.4	69.5	**86.8**
EBIT Margin	14.1%	14.3%	15.3%	14.8%	**10.8%**
Net Profit	43.7	46.5	52.3	51.6	**60.9**

Market cap	456.1	502.0	897.5	942.2	**1,154.2**
Earnings per share (EUR per share)	1.72	1.86	2.10	2.08	**2.46**

SHARE PRICE. COMPARED IN PERCENTAGE TERMS. Since 2007



Annual report

vidrala

Annual accounts

vidrala

KPMG Auditores S.L.
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Independent Auditor's Report on the Consolidated Annual Accounts

To the Shareholders of

Vidrala, S.A.

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Vidrala, S.A. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

Directors' responsibility for the consolidated annual accounts

The Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of Vidrala, S.A. and subsidiaries, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control that they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

KPMG Auditors S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
Tax identification number (N.I.F.): B-78510153

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Torre Iberdrola
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48009 Bilbao

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2015 and of their financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2015 contains such explanations as the Directors of Vidrala, S.A. consider relevant to the situation of the Group, its business performance 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 2015. 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.

Cosme Carral López-Tapia

24 February 2016

Financial statements

Consolidated Balance Sheets

31 December 2015 and 2014 (Expressed in thousands of Euros)

	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	656,638	325,906
Goodwill	7	59,233	59,233
Other intangible assets	7	7,013	9,030
Other financial assets		8	8
Deferred tax assets	9	41,860	32,548
Derivative financial instruments	8	1,556	247
Other non-current assets		102	63
		766,410	427,035
Current assets			
Inventories	10	201,010	123,669
Trade and other receivables	11	205,278	105,854
Current tax assets		5,049	2,255
Other current assets	12	6,736	10,477
Cash and cash equivalents		15,720	62
		433,793	242,317
Total assets		1,200,203	669,352

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

Financial statements
vidrala

Consolidated Balance Sheets

31 December 2015 and 2014 (Expressed in thousands of Euros)

	Note	2015	2014
EQUITY AND LIABILITIES			
Equity	13		
Share capital		25,290	25,290
Other reserves		5,234	5,234
Retained earnings		431,780	386,581
Own shares		-	(236)
Other comprehensive income		27,813	(513)
Interim dividend distributed during the year		(13,086)	(11,891)
Equity attributed to equity holders of the Parent		476,536	404,465
Non-current liabilities			
Deferred income	14	33,663	23,308
Loans and borrowings	15	415,832	37,572
Derivative financial instruments	8	5,638	-
Deferred tax liabilities	9	47,402	39,070
Provisions	19	3,771	5,387
Other non-current liabilities		2,604	-
		508,910	105,337
Current liabilities			
Loans and borrowings	15	4,050	30,438
Derivative financial instruments	8	6,399	713
Trade and other payables	16	167,721	99,877
Current tax liabilities		7,039	5,947
Provisions	19	-	335
Other current liabilities	12	29,548	22,240
		214,757	159,550
Total liabilities		723,667	264,887
Total equity and liabilities		1,200,203	669,352

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

Financial statements
vidrala

Consolidated income statements

31 December 2015 and 2014 (Expressed in thousands of Euros)

	Note	2015	2014
Revenues	22	**803,365**	468,828
Other income	22	**9,892**	5,282
Changes in inventories of finished goods and work in progress		**(14,713)**	(4,447)
Merchandise, raw materials and consumables used		**(289,159)**	(159,973)
Employee benefits expense	24	**(166,115)**	(96,287)
Amortisation and depreciation	6 & 7	**(75,062)**	(38,972)
Impairment of non-current assets	6	**90**	27
Other expenses	23	**(182,011)**	(104,921)
Finance income	25	**1,650**	91
Finance costs	25	**(12,314)**	(3,472)
Profit before income tax from continuing operations		**75,623**	**66,156**
Income tax expense	9	**(14,763)**	**(14,549)**
Profit for the year from continuing operations		**60,860**	**51,607**
Profit for the year		**60,860**	**51,607**
Profit for the year attributable to equity holders of the Parent		**60,860**	**51,607**
Earnings per share (expressed in Euros)			
Basic and diluted		2.46	**2.08**

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

Financial statements

Consolidated statements of comprehensive income

31 December 2015 and 2014 (Expressed in thousands of Euros)

	Note	2015	2014
Profit for the year		**60,860**	**51,607**
Other Comprehensive Income:			
Translation differences		**34,853**	-
Items to be reclassified in profit or loss			
Cash flow hedges	13	**(9,753)**	760
Tax effect		**2,731**	(213)
Other comprehensive income, net of income tax		**27,831**	**547**
Total comprehensive income for the year		**88,691**	**52,154**
Profit for the year attributable to equity holders of the Parent		**88,691**	**52,154**

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

Financial statements

Consolidated statements of changes in equity

31 December 20145 and 2014 (Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent							
					Other comprehensive income			
	Share capital	Other reserves	Retained earnings	Own shares	Cash flow hedges	Translation differences	Interim dividend paid during the year	Total equity
Balances at 31 December 2013	**24,452**	**5,605**	**363,066**	**(6,125)**	**(1,060)**	**-**	**(11,411)**	**374,527**
Total comprehensive income for the year	-	-	51,607	-	547	-	-	52,154
Own shares redeemed	-	-	-	(10,051)	-	-	-	(10,051)
Own shares sold	-	-	1,564	2,428	-	-	-	3,992
Share capital increase	1,222	(371)	(851)	-	-	-	-	-
Share capital reduction	(384)	-	(13,148)	13,532	-	-	-	-
Distribution of 2013 profit								
Dividends	-	-	(15,602)	-	-	-	11,411	(4,191)
Interim dividend on account of 2014 profit	-	-	-	-	-	-	(11,891)	(11,891)
Other movements	-	-	(55)	(20)	-	-	-	(75)
Balances at 31 December 2014	**25,290**	**5,234**	**386,581**	**(236)**	**(513)**	**-**	**(11,891)**	**404,465**
Total comprehensive income for the year	-	-	60,860	-	(7,022)	34,853	-	88,691
Own shares redeemed	-	-	-	(6,498)	-	-	-	(6,498)
Own shares sold	-	-	497	6,734	-	-	-	7,231
Share capital increase	-	-	-	-	-	-	-	-
Share capital reduction	-	-	-	-	-	-		-
Distribution of 2014 profit							-	-
Dividends	-	-	(16,225)	-	-	-	11,891	(4,334)
Interim dividend on account of 2015 profit	-	-	-	-	-	-	(13,086)	(13,086)
Other movements	-	-	67	-	-	-	-	67
Balances at 31 December 2015	**25,290**	**5,234**	**431,780**	**-**	**(7,535)**	**34,853**	**(13,086)**	**476,536**

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

Consolidated statements of cash flows

31 December 2015 and 2014 (Expressed in thousands of Euros)

	Note	2015	2014
Cash flows from operating activities			
Profit for the year		60,860	51,607
Adjustments for:			
Amortisation and depreciation	6 & 7	75,062	38,972
Impairment of non-current assets	6	(346)	(29)
(Reversal of) impairment losses on trade receivables		522	500
(Reversal of) impairment losses on inventories		5,171	2,065
Exchange (gains)/losses	25	(637)	12
Changes in provisions	19	-	3,222
Government grants recognised in the income statement		(6,937)	(3,847)
Finance income	25	(1,650)	(91)
Finance costs	25	11,677	3,460
Income tax	9	14,763	14,549
		97,625	58,813
Changes in working capital			
Inventories		(1,440)	730
Trade and other receivables		(44,770)	11,292
Trade and other payables		37,440	(4,964)
Application of provisions		3,188	(1,392)
Cash (used in)/generated from operating activities		(5,582)	5,666
Interest paid		(10,313)	(3,460)
Interest received		1,650	91
Income tax paid		(5,790)	(5,893)
Other amounts received		67	(75)
Net cash from operating activities		138,517	106,749

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

Continued on next page ▶

Financial statements

Consolidated statements of cash flows

31 December 2015 and 2014 (Expressed in thousands of Euros)

	Nota	2015	2014
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		223	289
Proceeds from sale of intangible assets		10	6
Proceeds from sale of financial assets		1,358	4
Acquisition of property, plant and equipment		(58,931)	(34,540)
Acquisition of intangible assets		(569)	(1,033)
Acquisition of financial assets		-	146
Investments in Group companies, associates and jointly controlled entities (notes 3 and 5)		(403,191)	-
Net cash used in investing activities		(461,100)	(35,128)
Cash flows from financing activities			
Proceeds from issue of treasury shares and own equity instruments		7,231	1,564
Proceeds from loans and borrowings		440,000	-
Payments to redeem own shares and other own equity instruments		(6,498)	(7,623)
Payments of loans and borrowings		(89,492)	(50,014)
Dividends paid		(16,750)	(15,602)
Grants, donations and bequests received		3,750	-
Net cash from/(used in) financing activities		338,241	(71,675)
Net increase/(decrease) in cash and cash equivalents		15,658	(54)
Cash and cash equivalents at 1 January		62	116
Cash and cash equivalents at 31 December		15,720	62

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

1. Nature, Principal Activities and Composition of the Group

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

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

On 14 January 2015 the Group company Inverbeira Sociedad de Promoción de Empresas, S.A. acquired Encirc Limited, which in turn owns Encirc Distribution Limited (see note 5).

As a result of this acquisition, in addition to the manufacture of glass containers, the Group now carries out beverage packaging activities and offers integrated logistical services for packaged food products within the United Kingdom.

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2015 and the location and activity of each company that forms part of the consolidated group are as follows:

Denominación Social	Location	Investment	Shareholder	Activity
Crisnova Vidrio, S.A.	Caudete (Albacete)	100%	Vidrala, S.A.	Fabricación y venta de envases de vidrio
Inverbeira, Sociedad de Promoción de Empresas, S.A.	Llodio (Alava)	100%	Vidrala, S.A.	Promoción y fomento de empresas
Aiala Vidrio, S.A.U.	Llodio (Alava)	100%	Vidrala, S.A.	Fabricación y venta de envases de vidrio
Gallo Vidro, S.A.	Marinha Grande (Portugal)	99,99%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fabricación y venta de envases de vidrio
J. Ferreira da Silva, Ltda.	Marinha Grande (Portugal)	100%	Gallo Vidro, S.A.	Servicios de transporte
Castellar Vidrio, S.A.	Castellar del Vallés (Barcelona)	100%	Vidrala Desarrollos, S.L.U.	Fabricación y venta de envases de vidrio
Vidrala Italia, S.R.L. (antes Corsico Vetro, S.R.L.)	Córsico (Italia)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fabricación y venta de envases de vidrio
MD Verre, S.A.	Ghlin (Bélgica)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Fabricación y venta de envases de vidrio
Omèga Immobilière et Financière,S.A.	Ghlin (Bélgica)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Propiedad inmobiliaria
Investverre, S.A.	Ghlin (Bélgica)	100%	Inverbeira, Sociedad de Promoción de Empresas, S.A.	Tenencia de participaciones e inversiones
CD Verre, S.A.	Burdeos (Francia)	100%	Investverre, S.A.	Comercialización
Vidrala Desarrollos S.L.U.	Llodio (Alava)	100%	Vidrala, S.A.	Promoción y Fomento de empresas
Encirc Limited	Derrylin (Irlanda del Norte)	100%	Vidrala, S.A.	Fabricación de envases de vidrio, envasado y servicios logísticos
Encirc Distribution Limited	Ballyconnell (República de Irlanda)	100%	Vidrala, S.A.	Servicios logísticos

(*) Limited review of the financial statements by KPMG

Financial statements

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 2015 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 2015, 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 2015, authorised for issue on 23 February 2016, 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.

Financial statements

(c) Relevant accounting estimates and relevant assumptions and judgements in the application of the accounting policies

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, is as follows:

(i) Relevant accounting estimates and assumptions

- Goodwill impairment:

The Group tests for impairment of goodwill on an annual basis. The calculation of the recoverable amount of a cash generating unit to which goodwill has been allocated requires the use of estimates. The recoverable amount is the higher of fair value less costs to sell and value in use. The Group uses cash flow discounting methods to calculate these values. Cash flow discounting calculations are made considering that the activity of cash generating units has an infinite life and free cash flow projections are made based on financial projections approved by management. Cash flows beyond the budgeted period are extrapolated using estimated growth rates (see note 7). The flows take into consideration past experience and represent management's best estimate of future market performance. The key assumptions used to determine value in use include growth rates, the weighted average cost of capital and tax rates indicated in note 7. The estimates, including the methodology used, could have a significant impact on values and impairment.

- Useful lives of property, plant and equipment:

Group management determines the estimated useful lives and depreciation charges for its installations. These estimates are based on the historical and projected life cycles of the assets according to their characteristics, available technology and estimated replacement requirements. This could change as a result of technical innovations and initiatives adopted by the competition in response to 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 require a high degree of judgement by management and a review of individual balances based on customers' credit ratings, market trends, and historical analysis of bad debts at an aggregated level.

Financial statements

• 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 2015 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 2015, 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.

Financial statements

(d) Standards and interpretations issued and not applied

The standards effective as of 1 January 2014 have not given rise to 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 are 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.

Annual improvements to IFRSs project – 2010-2012 Cycle – issued December 2013

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.

This standard is effective for periods beginning on or after 1 February 2015.

Annual improvements to IFRSs project – 2011-2013 Cycle – issued December 2013

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.

This standard is effective for periods beginning on or after 1 January 2015.

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3. Significant Accounting Principles

(a) Subsidiaries

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

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

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

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

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

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

(b) Business combinations

The Group applies the acquisition method for business combinations.

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

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

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

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

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(c) Property, plant and equipment

Initial recognition

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

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

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

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

Depreciation

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

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

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

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

Subsequent costs

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

Impairment

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

(d) Intangible assets

(i) Goodwill

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

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

(ii) 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.

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(iii) CO_2 emission allowances

Emission allowances are recognised when the Group becomes entitled to such allowances and are measured at cost, less accumulated impairment losses. Allowances acquired free of charge or at a price substantially lower than fair value are carried at fair value, which generally coincides with the market value of the allowances at the beginning of the relevant calendar year. The excess between this value and, where applicable, the payment made for the allowance is credited to government grants under deferred income. Amounts recognised under government grants are taken to profit or loss in accordance with the emissions made as a percentage of total emissions forecast for the entire period for which they have been allocated, irrespective of whether the previously acquired allowances have been sold or impaired.

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

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

(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

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

Financial statements vidrala

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

(vi) Impairment

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

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

The Group tests non-financial assets subject to depreciation or amortisation for impairment with a view to verifying whether their carrying amount exceeds their recoverable amount. The recoverable amount of assets is the higher of their fair value less costs to sell and their value in use determined based on estimated future cash flows.

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

(f) Leases

Lessee accounting

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.

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(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 or loss using the effective interest method.

(vii) Derecognition of financial liabilities

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

The Group has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables only if the Group has transferred management of the payment to the financial institutions but retains primary responsibility for settling the debt with the trade creditors.

(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.

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

Interest rate hedges

- Hedged item: variable-rate financing received.
- Hedging instrument: the Group manages interest rate risks in cash flows through derivative instrument swaps or interest rate caps. These derivative hedging instruments convert variable interest rates on borrowings to fixed interest rates (swaps) or limit the cost of variable rate borrowings (caps). In some cases, these are forward start instruments, which means that the flows of the hedged item are only hedged from the time the hedging instrument comes into effect.
- Hedged risk: changes in the cash flows of the hedged item (interest payments) in the event of changes in benchmark interest rates.

Energy price swaps

- Hedged item: variable price of energy referenced to certain fuels.
- Hedging instrument: derivative instrument swaps or purchase option caps through which the Group converts the variable purchase cost of certain fuels to a fixed cost (swaps) or limits the variable cost to a maximum price (caps).
- Hedged risk: changes in the cash flows of the hedged item in the event of changes in benchmark fuel prices.

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

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

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(i) Parent own shares

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

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

(j) Distribution to shareholders

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

(k) Inventories

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

The 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.

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

a. 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.

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(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 in the balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(i) Capital grants

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

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

(ii) Operating grants

Operating grants are recognised under other income.

(iii) Interest-rate grants

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

(n) Employee benefits

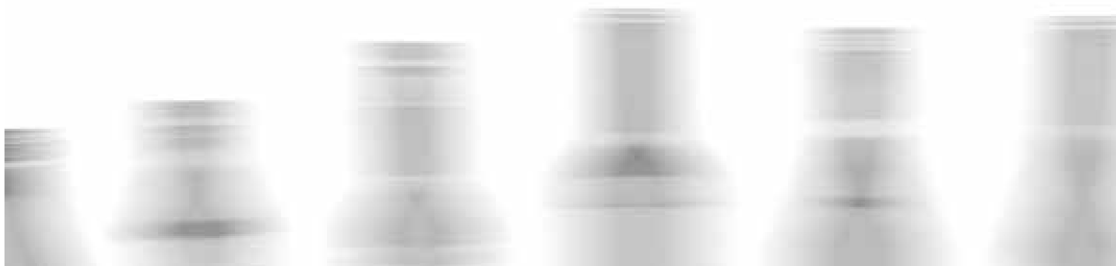
(i) Defined contribution plans

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.



Financial statements

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

For termination benefits payable as a result of an employee's decision to accept an offer of benefits, the time when the Group can no longer withdraw the offer of termination benefits is the earlier of when the employee accepts the offer and when a restriction on the Group's ability to withdraw the offer takes effect.

For termination benefits payable as a result of involuntary redundancy, the Group can no longer withdraw the offer when: it has communicated the termination plan to the affected employees or their trade union representatives; the actions required to complete the plan indicate that it is unlikely that significant changes will be made to the plan; the plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations and the expected completion date; the plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

(iv) Short-term employee benefits

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

(o) Provisions

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

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

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

(i) Provision for emission 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.

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

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

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. 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 differences between the carrying amount of an asset or liability and its 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.

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(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 sufficient taxable income will be available against which the deductible temporary differences can be utilised.

Tax planning opportunities are only considered when assessing the recoverability of deferred tax assets if the Group intends to use these opportunities or it is probable that they will be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductions to the extent that it is probable that future taxable profits will be available against which they can be utilised. Certain deductions for investments in property, plant and equipment or business acquisitions are applied in line with the depreciation period of the assets or business plan of the acquired activities which generated the tax credits with a credit to deferred income (see note 13).

(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.

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(iv) Offsetting and classification

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

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

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

(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.

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(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, which are principally the manufacture and sale of glass containers. These are managed separately, by geographical markets, as they require different market strategies. The bottling and logistics services provided by Encirc (note 1) do not entail a separate segment.

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

At 31 December 2015 the Group comprises the following operating segments:

Spain and Portugal

United Kingdom

Rest of European Union

The comparative figures for 31 December 2014 do not include figures for the United Kingdom segment, as this did not form part of the consolidated group at that date.

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

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

	Thousands of Euros	
	2015	**2014**
Spain and Portugal	**250,660**	231,104
United Kingdom	**323,863**	-
Rest of European Union	**228,842**	237,724
	803,365	468,828

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

Non-current assets a 31 December are as follows:

	Thousands of Euros	
	2015	**2014**
Spain and Portugal	**316,855**	335,126
United Kingdom	**345,240**	-
Rest of European Union	**104,315**	91,909
	766,410	427,035

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			
	2015		2014	
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 and Portugal	54,713	46,242	73,563	60,588
United Kingdom	27,776	19,258		-
Rest of European Union	(6,866)	(4,640)	(7,407)	(8,981)
	75,623	**60,860**	**66,156**	**51,607**

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

	Thousands of Euros			
	2015		2014	
Area/location	Costs	Income	Costs	Income
Spain and Portugal	11,100	1,650	2,979	84
United Kingdom	949		-	-
Rest of European Union	265	-	493	7
	12,314	**1,650**	**3,472**	**91**

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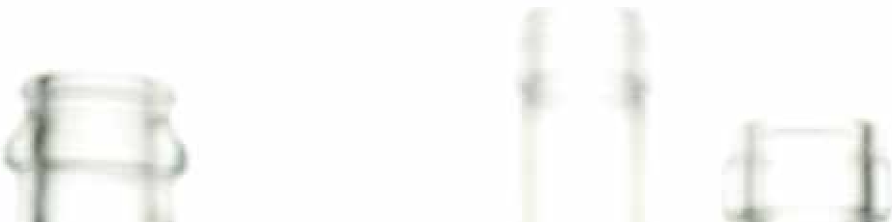
Finance costs for the Spain and Portugal segment include Euros 7,283 thousand in financing obtained for the acquisition of Encirc Limited (note 15).

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					
	2015			2014		
Area/location	Spain and Portugal	United Kingdom	Rest of European Union	Spain and Portugal	United Kingdom	Rest of European Union
Impairment (reversal) of receivables	(7)	729	(200)	500	-	-
Impairment of inventory	(3,113)	-	(404)	67	-	260
Changes in provisions	(1,724)	-	(227)	(22)	-	-
	(4,844)	**729**	**(831)**	**545**	**-**	**260**



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

	Thousands of Euros					
	2015			2014		
Area/location	Assets	Liabilities	Investments made	Assets	Liabilities	Investments made
Spain and Portugal	443,638	137,159	24,722	441,141	123,435	32,518
United Kingdom	524,537	89,669	18,346	-	-	-
Rest of European Union	130,935	30,310	16,432	136,430	34,372	4,691
	1,099,110	**257,138**	**59,500**	**577,571**	**157,807**	**37,209**

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 2015 and 2014 comprise additions of property, plant and equipment (see note 6) and intangible assets (see note 6) and do not reflect the value of emission allowances allocated for the year (see note 6).

The sum of impairment losses and amortisation and depreciation by segments for 2015 and 2014 is as follows:

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	Thousands of Euros			
	Depreciation/amortisation			
	2015		**2014**	
Area/location	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Spain and Portugal	28,948	1,503	22,798	1,739
United Kingdom	31,352	-	-	
Rest of European Union	13,108	61	14,429	8
	73,408	**1,564**	**37,227**	**1,747**

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5. Business combinations

On 14 January 2015 the Group acquired 100% of the share capital of Encirc Limited through its subsidiary Inverbeira Sociedad de Promoción de Empresas, S.A.

Encirc Limited is registered in Northern Ireland (UK) and its principal activity is the manufacture of glass containers for food and beverage products, the bottling of beverages and the rendering of logistics services for the packaging of food products mainly targeted at the UK and Ireland markets. The main reason for this business combination was to enhance the positioning of the Vidrala Group in the European glass container market and to diversify towards markets considered to be strategic.

The acquired business generated revenue and consolidated profit before tax of Euros 323,863 thousand and Euros 27,776 thousand, respectively, between the acquisition date and the date of these annual accounts.

If the acquisition had been made on 1 January 2015, the Group's revenue and consolidated profit for the year ended 31 December 2015 would not have changed significantly compared to the aforementioned amounts.

The Company valued the acquired business at Euros 408.6 million (enterprise value). Additionally, adjustments were made in accordance with the agreed 'locked box' mechanism that raised the amount of cash paid to Euros 415.1 million and made it possible to fully assume the acquiree's existing cash at the payment date, which amounted to Euros 11.9 million. Consequently, the net cash outflow for the acquisition came to Euros 403.2 million.

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

	Fair value
Property, plant and equipment (note 6)	317,027
Deferred tax assets	10,964
Other current assets	1,397
Inventories	81,072
Trade and other receivables	51,435
Cash and cash equivalents of the acquiree	11,885
	473.780
Total assets	
Trade and other payables	53,715
Provisions (note 19)	1,299
Deferred tax liabilities (note 9)	3,690
Total liabilities and contingent liabilities	58,704
Total net assets acquired	415,076
Cash paid	415,076
Cash and cash equivalents of the acquiree	(11,885)
Cash outflow for the acquisition	403,191

The above amount, which was fully paid through new financing obtained for the acquisition (see note 15), comprises the price of the assets and the assumption of all debt (payable by the acquiree exclusively to its former shareholder).

6. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2015 and 2014 are as follows:

Thousands of Euros

2015	Balances at 31.12.2014	Additions consolidated group	Additions	Disposals	Translation differences	Transfers	Balances at 31.12.2015
Cost							
Land and buildings	198,982	105,636	200	(306)	6,833	143	**311,488**
Technical installations and machinery	504,864	199,959	39,479	(18,300)	15,818	1,610	**743,430**
Moulds	55,202	10,749	10,072	-	795	-	**76,818**
Furniture	7,260	683	1,260	(2)	45	181	**9,427**
Other property, plant and equipment	3,541	-	3	-	-	3	**3,547**
Work in progress	17,792	-	13,694	-	-	(1,736)	**29,750**
	787,641	317,027	64,708	(18,608)	23,491	201	**1,174,460**
Depreciation							
Land and buildings	74,808	-	6,594	(4)	151	-	**81,549**
Technical installations and machinery	334,944	-	54,944	(18,379)	1,180	-	**372,689**
Moulds	37,145	-	9,499	-	146	-	**46,790**
Furniture	6,276	-	2,268	(2)	10	-	**8,552**
Other property, plant and equipment	2,953	-	27	-		-	**2,980**
	456,126	-	73,332	(18,385)	1,487	-	**512,660**
Impairment							
Moulds	5,609	-	725	(1072)		-	**5,262**
Carrying amount	**325,906**						**656,638**

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			Thousands of Euros		
2014	Balances at 31.12.2013	Additions	Disposals	Transfers	**Balances at 31.12.2014**
Cost					
Land and buildings	196,995	745	-	1,242	**198,982**
Technical installations and machinery	478,895	21,490	(5,229)	9,708	**504,864**
Moulds	49,911	5,348	(57)	-	**55,202**
Furniture	6,775	453	(58)	90	**7,260**
Other property, plant and equipment	3,527	14	-	-	**3,541**
Work in progress	25,233	3,536	(201)	(10,776)	**17,792**
	761,336	31,586	(5,545)	264	**787,641**
Depreciation					
Land and buildings	70,505	4,303	-	-	**74,808**
Technical installations and machinery	312,194	27,979	(5,229)	-	**334,944**
Moulds	32,973	4,229	(57)	-	**37,145**
Furniture	5,789	487	-	-	**6,276**
Other property, plant and equipment	2,724	229	-	-	**2,953**
	424,185	37,227	(5,286)	-	**456,126**
Impairment					
Moulds	5,609	-	-	-	**5,609**
Carrying amount	**331,542**				**325,906**

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(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 22,385 thousand at 31 December 2015 (Euros 9,766 thousand at 31 December 2014) (see note 14).

(b) Commitments

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

	Thousands of Euros	
	2015	**2014**
Technical installations and machinery	18,583	5,160

(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 2015 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 159 million (Euros 162 million at 31 December 2014).

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7. Intangible Assets

Details of intangible assets and movement during 2015 and 2014 are as follows:

	Thousands of Euros					
2015	R&D expenditure	Goodwill	Emission allowances	Computer software	Work in progress	Total
Cost						
Balances at 31 December 2014	2,425	59,233	3,231	11,722	1,104	77,715
Additions	2		3,129	197	430	3,758
Transfers	26	-	-	(364)	137	(201)
Disposals	-	-	(3,834)	-	(10)	(3,844)
Balances at 31 December 2015	2,453	59,233	2,526	11,555	1,661	77,428
Amortisation						
Balances at 31 December 2014	(1,283)	-	-	(8,169)	-	(9,452)
Additions	(335)	-	-	(1,395)	-	(1,730)
Disposals	-	-	-	-	-	-
Balances at 31 December 2015	(1,618)	-	-	(9,564)	-	(11,182)
Carrying amount						
At 31 December 2014	**1,142**	**59,233**	**3,231**	**3,552**	**1,104**	**68,263**
At 31 December 2015	**835**	**59,233**	**2,526**	**1,991**	**1,661**	**66,246**

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2014	R&D expenditure	Goodwill	Emission allowances	Computer software	Work in progress	Total
	Thousands of Euros					
Cost						
Balances at 31 December 2013	2,286	59,233	4,687	10,971	1,232	78,409
Additions	3	-	2,011	285	746	3,031
Transfers	136	-	-	466	(866)	(264)
Disposals	-	-	(3,467)	-	(8)	(3,475)
Balances at 31 December 2014	2,425	59,233	3,231	11,722	1,104	77,715
Amortisation						
Balances at 31 December 2013	(956)	-	-	(6,751)	-	(7,707)
Additions	(327)	-	-	(1,420)	-	(1,747)
Disposals	-	--	-	2	-	2
Balances at 31 December 2014	(1,283)	-	-	(8,169)	-	(9,452)
Carrying amount						
At 31 December 2013	1,330	59,233	5,687	4,220	1,232	71,582
At 31 December 2014	**1,142**	**59,233**	**3,231**	**3,552**	**1,104**	**68,263**

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(a) Emission allowances

In 2015 Euros 3,955 thousand (Euros 3,467 thousand in 2014) has been paid to public entities with a charge to the provision for emission allowances (see note 19).

The cost of emission allowances for 2015, which have been recorded against the corresponding provision (see note 19), amounted to Euros 3,278 thousand and mainly consists of the estimated consumption of emission allowances for 2015 of 487,614 tonnes (474,078 tonnes in 2014).

Movement in the number of allowances in 2015 and 2014 is as follows:

	Free of charge
Balance at 31 December 2013	781,236
Additions	346,533
Purchases	100,000
Deliveries	(521,469)
Balance at 31 December 2014	**706,300**
Additions	340,336
Purchases	150,000
Deliveries	(491,347)
Balance at 31 December 2015	**705,289**

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(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 that generated the cash, as follows:

		Thousands of Euros	
Cash Generating Unit	Country	**2015**	**2014**
Gallo Vidro	Portugal	**20,799**	20,799
Castellar Vidrio	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 pre-tax discount rates used were 8.52% for Gallo Vidrio, 8.47% for Castellar Vidrio and 8.81% for Vidrala Italia (8.49%, 8.94% and 9.51%, respectively, in 2014), and the growth rate was 1.5% per annum for all CGUs.

The key assumptions used were sales and gross margin.

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.

Sensitivity analysis

The Group has performed a sensitivity analysis on the main key assumptions, considering variations in these based on differences between the estimations made in the prior year and actual figures.

This analysis reflects no impairment in any of the aforementioned CGUs.

Based on the recoverable amounts resulting from the analysis carried out, goodwill is not impaired at 31 December 2015 and 2014. 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.

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8. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Interest rate swaps		3,029	-	713
Interest rate caps		-	40	-
Energy price caps	1,556	9,008	207	-
Total (note 13)	1,556	12,037	247	713

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

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 2014 and 2015, have an accumulated nominal of Euros 405,000 thousand at 31 December 2015 (Euros 90,000 thousand in 2014). Under these contracts, effective until 2021, Vidrala will pay a fixed interest rate of between 0.1% and 0.25% (between 0.255 and 3.4% in 2014).

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

	Thousands of Euros Income/(Expenses)	
	2015	**2014**
Other comprehensive income	(11,204)	67
Reclassification to finance costs	1,451	693
	(9,753)	760

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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

	2015							
	Carrying amount	Expected cash flows	Occurrence of cash flows 2016	2017	2018	2019	2020	2021
Interest rate swaps	(3,029)	(3,102)	(978)	(948)	(373)	(643)	(83)	(77)
Energy price caps	(7,452)	(7,452)	(5,421)	2,031)	-	-	-	-

Thousands of Euros

	2014				
	Carrying amount	Expected cash flows	Occurrence of cash flows 2015	2016	2017
Interest rate swaps	(713)	(726)	(646)	(27)	(53)

9. 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 2013	18,360	13,793	1,930	12	3,847	37,942
Debit (credit) to income statement	1,132	-	(288)	-	284	1,128
At 31 December 2014	**19,492**	**13,793**	**1,642**	**12**	**4,131**	**39,070**
Debit (credit) to income statement	1,132	4,916	-	-	(1,930)	4,118
Additions to consolidated group		3,690				3,690
Translation differences	-	524	-	-	-	524
At 31 December 2015	**20,624**	**22,923**	**1,642**	**12**	**2,201**	**47,402**

	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 2013	7,979	580	25,184	413	6,885	41,041
(Debit) credit to income statement	(1,108)	(283)	(8,241)	-	1,352	(8,280)
Debit (credit) to other comprehensive income	-	-	-	(213)	-	(213)
At 31 December 2014	**6,871**	**297**	**16,943**	**200**	**8,237**	**32,548**
(Debit) credit to income statement			(5,126)		(138)	(5,264)
Debit (credit) to other comprehensive income				2,731		2,731
Additions to consolidated group					10,964	10,964
Translation differences	-		-	-	881	881
At 31 December 2015	**6,871**	**297**	**11,817**	**2,931**	**19,944**	**41,860**
Diferencias de conversión	-		-	-	881	881
Al 31 de diciembre de 2015	**6.871**	**297**	**12.698**	**2.931**	**19.063**	**41.860**

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

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	
	2015	2014
Deferred tax assets	32,797	21,234
Deferred tax liabilities	(40,460)	(38,351)
	(7,663)	(17,117)

Deferred taxes on items debited/(credited) directly to other comprehensive income in 2015, corresponding to hedging operations, amounted to Euros 2,731 thousand and Euros (213) thousand at 31 December 2014.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2015	2014
Current tax		
Present year	16,522	9,150
Prior years' adjustments	305	(1,745)
Deferred tax		
Source and reversal of temporary differences	3,403	5,108
Expense for reduction in deferred tax assets	-	5,125
Income from reduction in deferred tax liabilities	(1,048)	-
Prior years' adjustments	(2,155)	(825)
Deferred income taken to income tax (note 14)	(2,264)	(2,264)
Total	**14,763**	**14,549**

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

	Thousands of Euros	
	2015	2014
Profit for the year before income tax from continuing operations	75,623	66,157
Tax calculated at the tax rate of each country	19,087	17,858
Deductions for the year	(711)	(761)
Capitalisation of deductions for shortfall in income tax	-	-
Prior years' adjustments	(1,963)	(2,570)
Expense for reduction in deferred tax assets	-	5,125
Income from reduction in deferred tax liabilities	(1,048)	-
Deferred income taken to income tax (note 14)	(2,264)	(2,264)
Permanent differences	1,662	(2,839)
Income tax expense	14,763	14,549

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

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

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

In accordance with applicable tax regulations, the Company has applied a 60% reduction to income deriving from the temporary transfer of intangible assets developed by the Company to third parties for an amount of Euros 3,931 thousand.

The Company has applied a reduction of 10% of the amount of the increase in its equity for tax purposes compared to the average for the two prior periods for an amount of Euros 3,000 thousand. In this regard, it has apportioned an amount equal to non-distributable reserves for a minimum period of five years, except for the portion of the increase that is incorporated into capital.

In accordance with current legislation in Spain, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2015 all main applicable taxes since 31 December 2010 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 2015 consolidated annual accounts taken as a whole.

10. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2015	2014
Raw materials	14,512	5,375
Auxiliary and production materials	72,522	35,338
Finished goods and work in progress	120,335	92,832
	207,369	133,545
Impairment	(6,359)	(9,876)
	201,010	**123,669**

At 31 December 2015 and 2014 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.

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11. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros 2015	2014
Trade receivables	202,391	110,910
Personnel	6	103
Other loans	9,638	1,076
Less impairment due to uncollectibility	(6,757)	(6,235)
Total	205,278	105,854

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 a large number of customers worldwide.

At 31 December 2015 and 2014 the Company has no trade and other receivables discounted at financial institutions.

12. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros 2015	2014
Public entities		
Value added tax	6,624	7,811
Grants	-	2,427
Other items	112	239
	6,736	10,477

Details of other current liabilities are as follows:

	Thousands of Euros 2015	2014
Public entities		
Value added tax	17,446	14,559
Withholdings and payments on account	9,960	6,647
Social security	1,730	1,006
Other	412	28
	29,548	22,240

13. Equity

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

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

(a) Capital

Movement in outstanding shares in 2015 and 2014 is as follows:

		Thousands of Euros		
	Number of shares outstanding	Ordinary shares	Own shares	Total
At 31 December 2013	23,785,311	24,452	(6,125)	18,327
Acquisition of own shares	(307,070)	-	(10,051)	(10,051)
Sale of own shares	483,243	-	2,408	2,408
Share capital increase/decrease	821,636	838	13,532	14,370
At 31 December 2014	**24,783,120**	**25,290**	**(236)**	**25,054**
Acquisition of own shares	(151,386)		(6,498)	(6,498)
Sale of own shares	162,607		6,734	6,734
At 31 December 2015	**24,794,341**	**25,290**	**-**	**25,290**

At 31 December 2015 the share capital of Vidrala, S.A. is represented by 24,794,341 ordinary shares (24,794,341 in 2014), represented by book entries of Euros 1.02 par value each, fully paid and listed on the Madrid and Bilbao stock exchanges. No company directly or indirectly holds more than 10% of share capital.

These shares are freely transferable.

At the Vidrala, S.A. annual general meeting held on 26 May 2015, the shareholders authorised and granted the board of directors the necessary powers to carry out a derivative acquisition of own shares, either directly or indirectly through Group companies, and to reduce share capital, if appropriate, in order to redeem own shares.

In 2015 and 2014, 151,386 and 307,070 Parent shares were acquired on the organised market for Euros 6,498 thousand and Euros 10,051 thousand, respectively. Similarly, 162,607 and 483,243 Parent shares were sold for Euros 7,231 thousand and Euros 3,992 thousand, respectively.

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

To maintain and adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, repurchase or sell own shares, reducing capital if necessary by redeeming own shares, reimburse capital, issue shares or dispose of assets to reduce debt.

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

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In 2015, despite the increase in debt due to the extraordinary financing assumed for the acquisition of Encirc Limited (see note 15), the Group has not changed its policy, as shown by the following capitalisation ratios for 2015 and 2014:

	Thousands of Euros	
	2015	2014
Total equity	476,536	404,465
Total equity and liabilities	1,201,033	669,352
Total equity/total equity and liabilities	39.68%	60.42%

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	
	2015	2014
Net financial debt	404,162	67,948
Equity	476,536	404,465
Debt ratio	0.85	0.17

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

In conclusion, year-end solvency indicators for the Group show a debt-to-equity ratio of 0.85 and debt equivalent to 2.51 times EBITDA for 2015. The interest coverage ratio, measured as EBITDA for the year divided by the consolidated net finance cost, is 15.1.

(b) Other reserves

- Revaluation reserves

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

- Legal reserve

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

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

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(c) Other comprehensive income

Movement in accounts under other comprehensive income in 2015 and 2014, comprising cash flow hedges and their tax effect, is as follows:

	Thousands of Euros		
	Cash flow hedges	Tax effect	Net
Balances at 31 December 2013	**(1,473)**	**413**	**(1,060)**
Income and expenses generated during the year	67	(19)	48
Reclassification to profit or loss	693	(194)	499
Balances at 31 December 2014	**(713)**	**200**	**(513)**
Income and expenses generated during the year	(11,204)	3,137	(8,067)
Reclassification to profit or loss	1,451	(406)	1,045
Balances at 31 December 2015	**(10,466)**	**2,931**	**(7,535)**

(d) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders in 2015 amounted to Euros 16,225 thousand (Euros 15,602 thousand in 2014), which is equivalent to 65.46 euro cents per share outstanding (65.46 euro cents in 2014). The dividends reflect the distribution of 2014 profit.

The distribution of Company profits and reserves for the year ended 31 December 2014, approved by the shareholders at their annual general meeting held on 26 May 2015, was as follows:

Basis of allocation	**Euros**
Profit for the year	56,033,668,96
Distribution	
Legal reserve	-
Other reserves	39,808,677,17
Dividend	4,334,050,81
Interim dividend	11,890,940,98
	56,033,668,96

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On 17 December 2015 the directors agreed to distribute an interim dividend on 2015 profit of 52.78 euro cents per share to shareholders, totalling Euros 13,086 thousand, which was paid on 15 February 2016.

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 2015:	
Projected profit after income tax to 31.12.2015	
Interim dividend distributed	16,225
Forecast cash flow for the one-year period from 17 December 2015	
Cash and cash equivalents at agreement date	
Credit facilities available at agreement date	74,733
Projected operating receipts and payments (net)	34,972
Projected cash and cash equivalent balances one year from agreement date	**109,706**
Credit facilities available (one year later)	**106,020**

The proposed distribution of 2015 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	36,980,147,56
Distribution	
Legal reserve	-
Other reserves	19,127,279,85
Dividend	4,767,455,89
Interim dividend	13,085,411,82
	36,980,147,56

The proposed distribution of dividends is equivalent to a total unit dividend, including the interim dividend paid, of Euros 0.7200 per share outstanding at the reporting date.

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14. Deferred Income

Details of this caption are as follows:

	Thousands of Euros	
	2015	2014
Capital grants (note 6(a))	**22,385**	9,766
Tax credits for investments	**11,278**	13,542
	33,663	**23,308**

In 2015 the Group incorporated additional capital grants amounting to Euros 3,750 thousand (Euros 2,195 thousand in 2014), of which Euros 3,278 thousand was taken to income during the year (Euros 1,836 thousand in 2014) (see note 22).

Tax credits capitalised in 2004 and 2005 were recorded as deferred income and taken to the income statement in line with the depreciation of the financed assets, in the case of property, plant and equipment, or the recovery of the investments in the case of business combinations. Euros 2,264 thousand was taken to profit or loss as a reduction in income tax in 2015 and 2014 (see note 9).

15. Loans and Borrowings

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

	Thousands of Euros			
	2015		2014	
	Non-current	Current	Non-current	Current
Loans and borrowings	409,129	3,099	33,935	29,870
Other financial liabilities	6,703	405	3,637	397
Accrued interest	-	546	-	171
	415,832	**4,050**	**37,572**	**30,438**

Some of these contracts contain financial covenant clauses. At 31 December 2015 and 2014 the Group complies with these requirements.

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

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

Type	Extended	Maturity	Limit extended/ nominal amount	Thousands of Euros Current	Non-current
Loan	2015	2021	440,000	-	394,037
Loan	2014	2018	15,000	-	15,000
Credit facility	2010	2018	7,500	-	92
Credit facility	2010	2018	12,500	-	-
Credit facility	2010	2018	30,000	-	-
Other short-term credit facilities	2015	2016	52,000	3,099	-
				3,099	409,129

Non-current loans and borrowings mature as follows

	Thousands of Euros 2015	2014
Between 1 and 2 years	37,820	889
Between 2 and 5 years	216,101	34,734
More than 5 years	161,911	1,949
	415,832	37,572

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

With a view to structuring its non-current defined financing model, on 13 March 2015 Vidrala cancelled the aforementioned agreement, refinancing it entirely through a single new non-current syndicated financing agreement with a group of nine financial institutions for an amount of Euros 465 million. The new financing agreement comprised a non-current loan of Euros 440 million, with maturity on 21 March 2021, and a revolving credit facility of up to Euros 25 million. Several Group companies acted as guarantors of the loan: Inverbeira Sociedad de Promoción de Empresas, S.A.; Aiala Vidrio, S.A.U.; Crisnova Vidrio, S.A.; Castellar Vidrio, S.A. and Vidrala Italia S.R.L.

On 16 June 2015 the Company cancelled the revolving credit facility tranche. On 13 March 2015 the Company made an early repayment of Euros 40 million of the non-current loan. Additionally, on 10 December 2015 Vidrala agreed with all of the financial institutions to renew the loan, changing the applicable interest rate. As a result, the balance of the non-current syndicated loan at year end is Euros 400 million. The applicable interest rate on the loan is a variable rate equivalent to Euribor plus a spread of 1.5%, reviewed on an annual basis by tranche based on the evolution of the net debt/consolidated EBITDA ratio. The maturity of the loan remains at 21 March 2021. In 2016 the loan will be in a grace period and as such the Company has no obligation to repay the principal. The first repayment of the principal falls due on 13 March 2017 for an amount of Euros 20 million.

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

At the date of authorisation for issue of these annual accounts, these commitments have been complied with, as reflected by the results of the following indicators at 31 December 2015:

Net financial debt / consolidated EBITDA: 2.5

Consolidated EBITDA / consolidated net finance cost: 15.1

The credit facilities included under loans and borrowings have a combined limit of Euros 557 million and Euros 166 million at 31 December 2015 and 2014, respectively, of which Euros 146 million and Euros 103 million, respectively, were available for drawdown at those dates. Furthermore, in 2015 and 2014 the Company has a limit of Euros 20 million for the use of discounted notes, none of which was used in 2015 and 2014.

The average effective interest rates on loans and borrowings at the consolidated reporting date are approximately 1.95% and 2.41% APR for 2015 and 2014, respectively.

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

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

Group financial liabilities are measured in Euros.

16. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2015	2014
Trade payables	138,049	76,085
Salaries payable	9,374	10,524
Dividends to shareholders	13,086	11,891
Suppliers of fixed assets	385	1,284
Other payables	6,827	93
	167,721	99,877

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

Financial statements

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

Information on the average supplier payment period for 2015 is as follows:

	Days
Average supplier payment period	6.55
Transactions paid ratio	8.96
Transactions payable ratio	8.43
Amount	(thousands of Euros)
Total payments made	208,518
Total payments outstanding	33,431

18. Risk Management Policy

Business risks

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

Operational risk

Vidrala, through eight production centres, carries out a continuous production-intensive industrial manufacturing activity that is subject to inherent risks linked to routine operations. In 2015, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and, principally, to link each area of operations and each business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

Financial statements

Potential operating risks include the following:

i. Environmental risks

The Vidrala Group declares itself firmly committed to protecting the environment. In order to minimise the impact on the environment, Vidrala implements specific action plans in relation to emissions in the atmosphere, dumping, waste, the consumption of raw materials, energy, water and noise.

Glass manufacturing is an energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. As a consequence of the industrial process, one of the primary management objectives is to reduce contaminating emissions. In order to do this, specific investments are made to upgrade factory facilities and adapt them to the most efficient technological systems for reducing environmental impacts. Additionally, operating priorities are focused on the growing use of recycled products as the main raw material for manufacturing glass, which not only avoids the consumption of natural raw materials but also contributes to reducing energy consumption and emissions volumes.

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this commitment, all the Group's production facilities have ISO 14001:2004 certification, demonstrating that Vidrala operates under the guidelines of a global, verified and recognised environmental management system. Furthermore, in line with its undertaking to continuous improvement, the implementation and certification of new environmental standards has begun, such as ISO 14064:2012, related to the voluntary declaration of CO2 emissions, or the ISO 50001:2011 energy management system standard, both of which, CO2 emissions and energy, are of clear environmental significance in our industrial process.

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

Financial statements

ii. Occupational health and safety

The Vidrala Group is committed to establishing occupational health and safety measures. Evidence of this is the gradual implementation and certification by a prestigious independent entity of an occupational health and safety management system based on the internationally recognised OSHAS 18001:2007 standard.

With a view to preventing labour-related accidents, Vidrala implements specific and systematic ongoing staff training and awareness plans.

iii. Supply chain risk

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

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

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

Concerning inventory risk, the Group systematically carries out specific and periodic control measures to ensure the quality of finished products in the warehouse, and optimise ageing and rotation so that stocks, both in volume and value, are balanced to sales forecasts. These controls have resulted in the implementation of automated stock monitoring processes and the subsequent application of specific adaptation, physical and valuation measures, which in 2015 have given rise to inventory impairment adjustments in the Group's income statement.

Financial risk

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

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

Financial statements

The most relevant financial risks identified are as follows:

i. Currency risk

The Group operates at international level and is therefore exposed to currency risk on foreign currency operations. Currency risk affecting the Group's present structure is divided between commercial transactions in currencies other than the Euro, mainly imports, and the risks inherent in the global expansion of the Group after the incorporation of Encirc Ltd. in 2015, whose business is largely conducted in Pounds Sterling.

Regarding commercial transactions in currencies other than the Euro, risks in 2015 are concentrated in the supply of raw materials contracted in US Dollars, which may be affected by fluctuations in this currency against the Euro, becoming more expensive in the event the Dollar appreciates in value. Financial management continuously monitors the currency markets 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.

For currency risk arising on the integration of Encirc Ltd. and the new business combinations denominated in Pounds Sterling, a risk inherent in the transaction was identified due to a payment to be made for the acquisition originally denominated in Pounds Sterling. Appreciation of the Pound Sterling could have increased the equivalent value in Euros, thus raising the price of the transaction. However, this risk was eliminated on 14 January 2015 when full payment was made at an exchange rate of Euros 1.2611 to the Pound. There are no additional risks associated with the payment in respect of future fluctuations in either currency. Structural risk has also been identified, which we have called translation risk. This is the risk of translating cash generated by the acquired business in Pounds Sterling to Euros, to repay a debt that was acquired in Euros. The depreciation of the Pound Sterling against the Euro could reduce its equivalent value in Euros, thus reducing cash. The policy for managing this risk is to hedge forecast transactions (translating cash in Pounds Sterling to Euros) based on business forecasts, for the next 24 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 2015 reporting date the Group has forward US Dollar exchange contracts (import insurance) for a volume of Euros 0.5 million.

Quantifying currency risk based on 2015 data. For transactions involving imports of raw materials in US Dollars, if the US Dollar appreciated by an average of 10% over a year, without considering any hedging or insurance instruments, and the remaining variables remained constant, consolidated profit would vary by approximately 0.6%. For cash generated in Pounds Sterling, if the Pound Sterling depreciated against the Euro by an average of 10% over a year, without considering any hedging or insurance instruments, and the remaining variables remained constant, annual cash flow would fall by 2.3% and debt at the reporting date would rise by 0.5%.

Financial statements

ii. Interest rate risk

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

The Group's financing policy is to focus its borrowings on variable rate instruments. The Group manages interest rate risks in cash flows through interest rate swaps or caps. These instruments convert variable-rate borrowings to fixed-rate in the case of swaps, or limit the cost of variable interest rates in the case of caps. Generally the Group obtains long-term variable rate borrowings and swaps them for fixed interest rates. This normally give better rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to periodically exchange the difference between fixed and variable interest with other financial entities. The difference is calculated based on the contracted notional amount. Under interest rate caps the Group has the right, and the counterparty the obligation, to settle the difference between the variable interest rate and the established rate if this is positive. The effectiveness of these instruments as regards fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

As a result of this risk control policy, and the hedging instruments contracted during 2015, it is expected that all of the debt to be serviced in 2016 will be covered by interest rate hedging instruments.

For the purposes of a sensitivity analysis, without considering any hedging or insurance instruments, if average interest rates during the year had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have varied by 0.7% due to higher borrowing costs.

Financial statements

iii. Credit risk

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

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

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

As a result, the impact of bad trade debts in 2015 was Euros 0.3 million, equivalent to 0.04% of turnover.

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

iv. Liquidity risk

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

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

At 31 December 2015 the Group had Euros 159.5 million in immediately available, undrawn credit, representing 39% of total debt.

Financial statements

v. Debt and solvency

At the 2015 reporting date, Vidrala's consolidated debt amounted to Euros 404.3 million. The variation in debt compared to the prior year is basically attributable to the payment made to acquire Encirc Ltd. on 14 January 2015, which was financed through external debt and paid in full.

The acquisition aside, debt has fallen thanks to organic cash generation of an accumulated Euros 72.2 million in 2015, equivalent to a reduction in the first year of 15% of debt existing at 14 January 2015 after the transaction. The financial solvency indicators at the closing date reflect a debt equivalent to 2.5 times accumulated EBITDA for the last twelve months, and an interest coverage ratio - EBITDA/consolidated net finance cost - of 15:1.

The financing contracts contain certain covenants, mainly in relation to the net debt to EBITDA ratio. All these covenants had been met at 31 December 2015.

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. Supplies of other raw materials are an equally relevant cost for the Group.

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

At the 2015 closing date, Vidrala had contracted energy commodity derivatives to hedge the price of 31.8% of its annual forecast energy consumption for 2016.

Financial statements

19. Provisions

Movement in provisions in 2015 and 2014 was as follows:

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
At 31 December 2014	**3,158**	**1,776**	**453**	**5,387**
Charge against profit or loss	3,278	-	-	3,278
Payments	(3,955)	(824)	(115)	(4,894)
At 31 December 2015	**2,481**	**952**	**338**	**3,771**

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
At 31 December 2013	3,848	1,800	404	6,052
Charge against profit or loss	2,464	805	49	3,318
Payments	(3,154)	(829)	-	(3,983)
At 31 December 2014	**3,158**	**1,776**	**453**	**5,387**

The provision for emission allowances includes the estimated consumption of emission allowances in 2015 and 2014 measured at the grant date, as described in note 3.

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				
	2014	Charges	Transfers	Applications/ reversals	**2015**
Provisions for personnel	11	-	-	(11)	-
Other items	324	-	-	(324)	-
	335	-	-	(335)	-

20. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 16,611 thousand (Euros 25,596 thousand in 2014). These guarantees mainly comprise those extended to public entities for commitments assumed. The Group's directors do not expect any significant liabilities to arise from these guarantees.

21. Environmental Information

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

The total cost of initiatives taken by the Vidrala Group in 2015 to comply with the Kyoto Protocol and emissions analyses amounted to Euros 107 thousand (Euros 117 thousand in 2014).

Environmental expenses mainly related to waste management incurred during 2015 totalled Euros 875 thousand (Euros 905 thousand in 2014).

Environment-related plant investments came to Euros 13,937 thousand (Euros 1,492 thousand in 2014).

22. Revenue and Other Income

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

Details of other income are as follows:

	Thousands of Euros	
	2015	2014
Operating grants	224	118
Capital grants taken to income (note 14)	3,278	1,836
Grants for emission allowances	3,659	1,816
Other income	2,731	1,512
	9,892	5,282

Financial statements

23. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2015	**2014**
External services	**37,981**	19,121
Electricity	**46,801**	21,972
Sales expenses	**79,889**	53,180
Emission allowances consumed (note 19)	**3,278**	2,464
Taxes	**5,493**	1,915
Impairment and uncollectibility of trade and other payables (note 11)	**522**	500
Other operating expenses	**8,047**	5,769
	182,167	**104,921**

Financial statements

24. Employee Benefits Expense

Details of the employee benefits expense in 2015 and 2014 are as follows:

	Thousands of Euros 2015	Thousands of Euros 2014
Salaries and wages	**142,502**	72,931
Contributions to defined contribution plans	**246**	395
Other employee benefits	**23,367**	22,156
Contributions to other long-term employee benefits (note 19)	**-**	805
	166,115	**96,287**

El número medio de empleados del Grupo durante los ejercicios 2015 y 2014, desglosado por categorías, es como sigue:

	Average headcount 2015	Average headcount 2014
Senior management	40	31
Middle management	362	187
Administrative staff	280	247
Operatives	2,370	1,398
	3,052	**1,863**

The average headcount of the Group in 2015 and 2014, distributed by category, is as follows:

	Number			
	2015		**2014**	
	Female	Male	Female	Male
Board members	3	8	2	8
Management	2	37	2	29
Middle management	56	338	24	163
Administrative staff	117	254	68	180
Operatives	204	2,059	43	1,354
	382	**2,696**	**139**	**1,734**

Financial statements

25. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	Thousands of Euros	
Finance income	2015	2014
Other finance income	1,650	91
Total finance income	1,650	91

	Thousands of Euros	
Finance costs	2015	2014
Interest on loans and borrowings	8,578	2,362
Hedging derivatives	1,451	693
Exchange losses	637	12
Other finance costs	1,648	405
Total finance costs	12,314	3,472

Financial statements

26. Earnings per Share

(a) Basic

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (see note 13).

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

	2015	2014
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	60,860	51,607
Weighted average number of ordinary shares outstanding (thousands)	24,787	24,776
Basic earnings per share (Euros per share)	2,46	2,08

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

	2015	2014
Ordinary shares outstanding at 1 January	24,776,281	23,823,715
Effect of own shares	11,221	952,566
Weighted average number of ordinary shares outstanding at 31 December	24,787,502	24,776,281

(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.

Financial statements

27. Related Party Balances and Transactions

(a) Trade operations

During 2015 and 2014 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 no related party balances.

(c) Conflicts of interest concerning the directors

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

(d) Remuneration of key management personnel and directors

Details are as follows:

	Thousands of Euros	
	2015	2014
Salaries and other current remuneration paid to employees, management and directors	6,784	4,992

During 2015 directors and senior management numbered 50 in total (41 in 2014).

(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 1,111 thousand (Euros 1,063 thousand in 2014).

Financial statements

28. Audit Fees

The firm auditing the annual accounts of the Group has accrued net fees for professional services during the years ended 31 December 2015 and 2014 as follows:

	Thousands of Euros	
	2015	**2014**
KPMG Auditores, S.L.		
Audit services	**180**	171
Other services	**26**	9
	206	180
Other companies affiliated with KPMG International		
Audit services	**-**	28
Other services	**-**	-
	-	28
Total KPMG	**206**	**208**

These amounts include all fees for services rendered during 2015 and 2014, irrespective of the date of invoice.

During 2015, other auditors have invoiced the Group audit fees of Euros 148 thousand (Euros 79 thousand in 2014).

Details of Other Reserves and Retained Earnings and Movement for the years ended

31 December 2015 and 2014 (Indirect method) (Expressed in thousands of Euros)

	Revaluation reser-ves	Legal reserve	Voluntary reserves	Reserves in fully con-solidated companies	Profit for the year	Total
At 31 December 2013	371	5,234	197,244	113,514	52,308	368,671
Share capital increase	(371)	-	(852)	-	-	(1,223)
Share capital decrease	-	-	(13,148)	-	-	(13,148)
Distribution of 2013 profit Reserves	-	-	31,870	4,836	(36,706)	-
Dividends	-	-	-	-	(15,602)	(15,602)
Own shares sold	-	-	1,564	-	-	1,564
Other movements	-	-	(55)	-	-	(55)
Profit for 2014	**-**	**-**	**-**	**-**	**51,607**	**51,607**
At 31 December 2014	**-**	**5,234**	**216,623**	**118,350**	**51,607**	**391,814**
Share capital increase	-	-				
Share capital decrease	-	-				
Distribution of 2014 profit Reserves	-	-	39,809	(4,427)	(35,382)	-
Dividends	-	-			(16,225)	(16,225)
Own shares sold	-	-	497			497
Other movements	-	-	68			68
Profit for 2015	**-**	**-**			**60,860**	**60,860**
At 31 December 2015	**-**	**5,234**	**256,997**	**113,923**	**60,860**	**437,014**

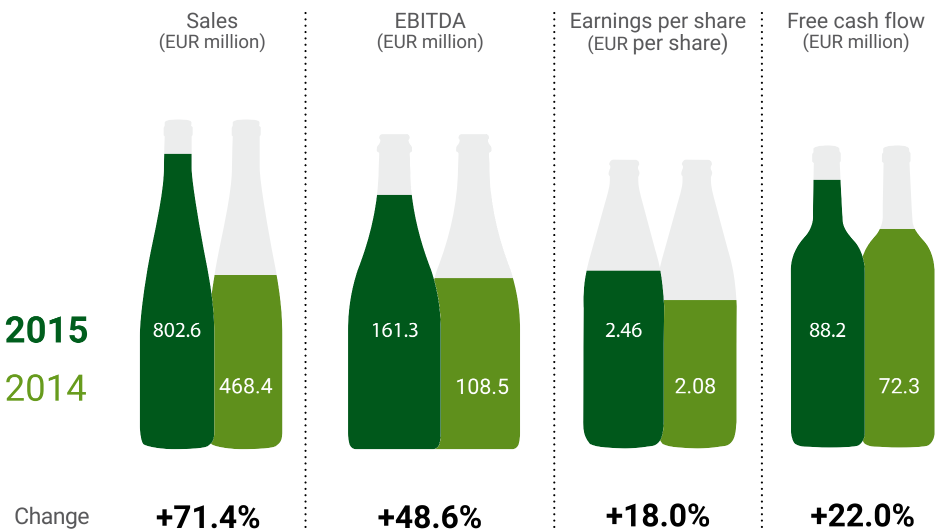
This appendix forms an integral part of note 12 to the consolidated annual accounts, in conjunction with which it should be read.

Directors’ report

Directors' report

2015 Business performance

MAIN FIGURES



Financial information related to 2015 includes the full consolidation of Encirc Ltd, acquired at the start of the year.

- Sales reported for the full year 2015 increased by 71.4% to EUR 802.6 million. On a comparable structure basis, sales grew 5.0% over the same period of the previous year.
- Operating profit, EBITDA, was EUR 161.3 million representing an operating margin of 20.1%.
- Earnings per share rose 18.0% over the same period last year reaching EUR 2.46.
- Free cash flow generated during the year accumulated EUR 88.2 million. As a result, net debt was reduced down to EUR 404.3 million or 2.51 times last twelve months EBITDA.

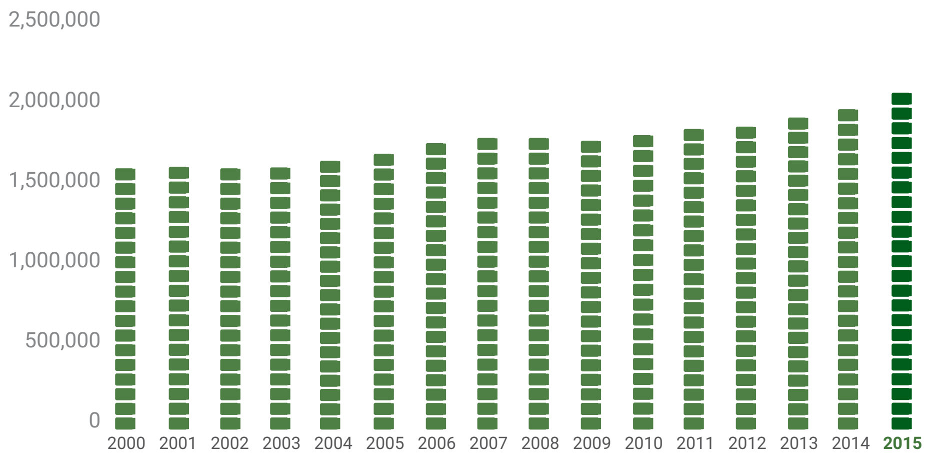
Market review

Global demand for food and beverage packaged products progressed steadily. This is explained by the gradual evolution of consumption habits, the development of modern trading patterns and the general sociodemographic progress.

Globally, estimated annual growth of food products contained in rigid packaging was 4%, representing nearly 5% of global GDP. These figures prove the consistency of sustained growth.

WORLDWIDE SALES OF PRODUCTS SOLD IN RIGID CONTAINERS

Evolution in annual million units



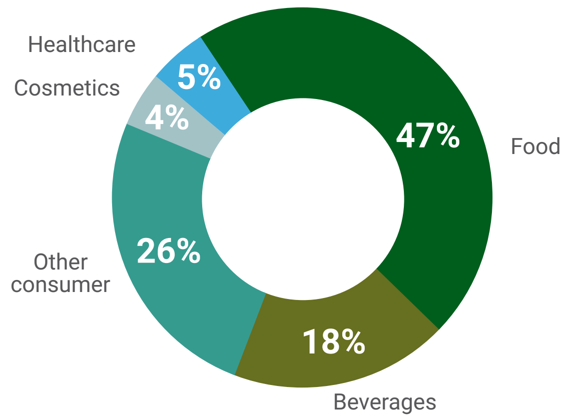
Directors' report

Globalisation of trading systems and the development of consumption habits make packaging play an essential role. The rapid expansion of food and beverage trading is partially sustained on the existence of a sustainable chain of product packaging, preservation and distribution. In fact, there is a gradual trend of consuming packaged products versus products in bulk. It is the result of the efforts implemented to develop efficient distribution channels, to reduce loss of perishable products and to guarantee final consumption in the best possible conditions.

Amidst this progress, glass is perceived as the preferred packaging material. Consumers worldwide increasingly demand healthy packaging solutions, able to preserve the product, environmentally friendly, able to show it through an attractive design and to improve the consumption experience. Research on food matters proves glass to be the healthiest material. Glass guarantees the best packaging conditions, preserving the product fresh and healthy, minimizing expiration and reducing waste from spoilage. From an environmental point of view glass is a unique material, fully recyclable an unlimited number of times. Furthermore, glass packaging helps the brand owner to promote its products, inform end users of the content and boost its image.

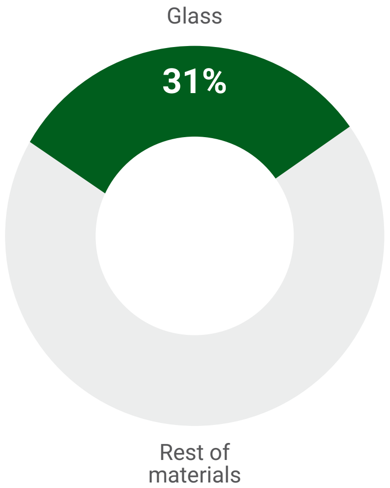
GLOBAL PACKAGING INDUSTRY
PACKAGING END-USES

Year 2015



RIGID PACKAGING FOR FOOD AND BEVERAGES GLASS SHARE

Year 2015

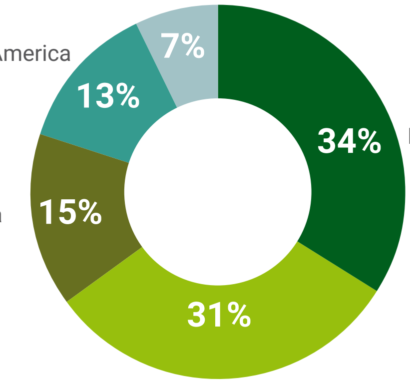


Directors' report

Geographically, Western Europe remains the biggest area for consumption of glass containers globally. Western Europe is a region represented by largely developed economies where demographic and social features increasingly address consumption preferences towards premium products, individually packaged. Furthermore, Europe concentrates, due to its special cultural features, on different areas of production, packaging and subsequent export of products increasingly demanded by consumers worldwide.

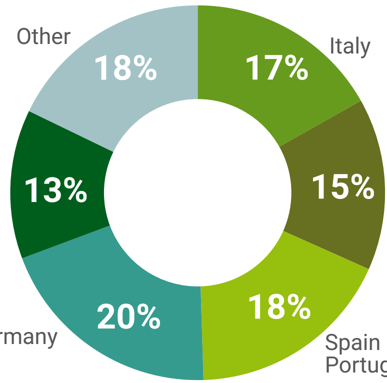
GLOBAL GLASS PACKAGING INDUSTRY FOR FOOD AND BEVERAGES
BREAKDOWN BY GEOGRAPHIC REGION

Year 2015



EUROPEAN GLASS PACKAGING MARKET FOR FOOD AND BEVERAGES
BREAKDOWN BY COUNTRY

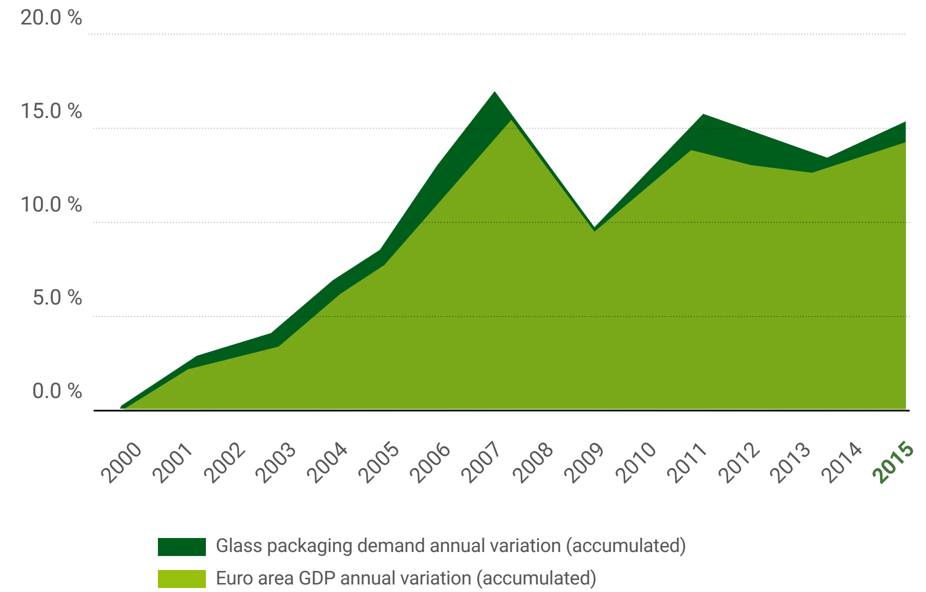
Year 2015



Under the general economic context and the consumption trends observed during 2015, glass packaging demand for food and beverage products in Europe remained stable, showing modest signs of recovery.

EVOLUTION OF DEMAND FOR GLASS PACKAGING IN WESTERN EUROPE

In percentage terms since 2000



Source: Eurostat, FEVE and internal estimates.

Directors' report

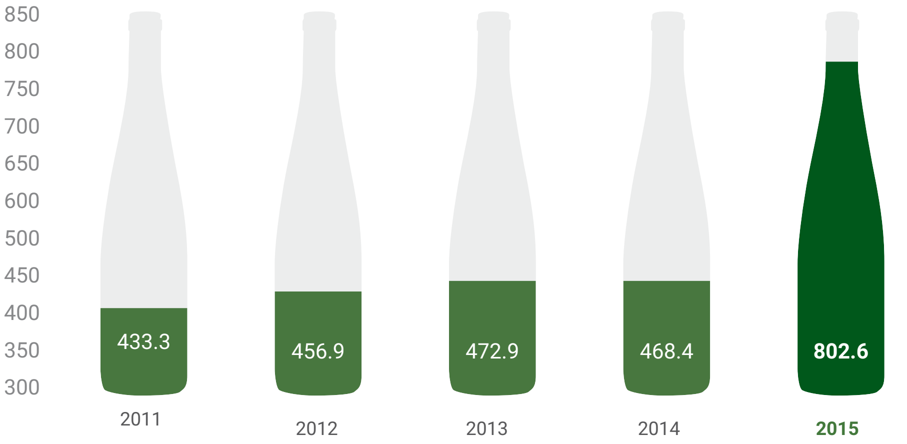
All mentioned above proves the solid market fundamentals in which Vidrala develops its activity. On a long-term perspective, demand for glass containers will remain conditioned by aspects such as demographic evolution and social development, private consumption growth and progressive development of consumption habits towards premium products. In this context, Vidrala´s commercial positioning is based on its international footprint, its diversification between economically stable regions, and primarily the solid internal priority towards consolidating current commercial relationships and delivering the customer a first class service.

Directors' report

2015 Operational review

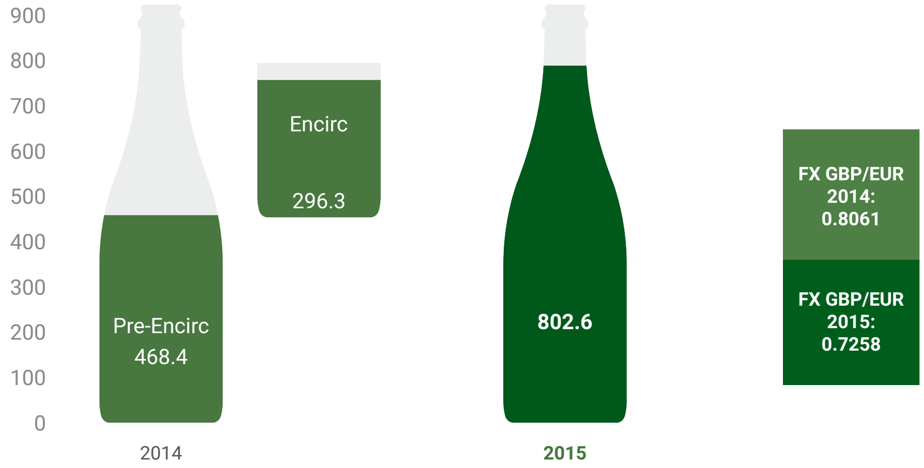
Net sales registered by Vidrala during the year 2015 amounted to EUR 802.6 million, representing an increase of 71.4% over the previous year.

SALES
Annual Accumulated Since 2011
EUR in millions

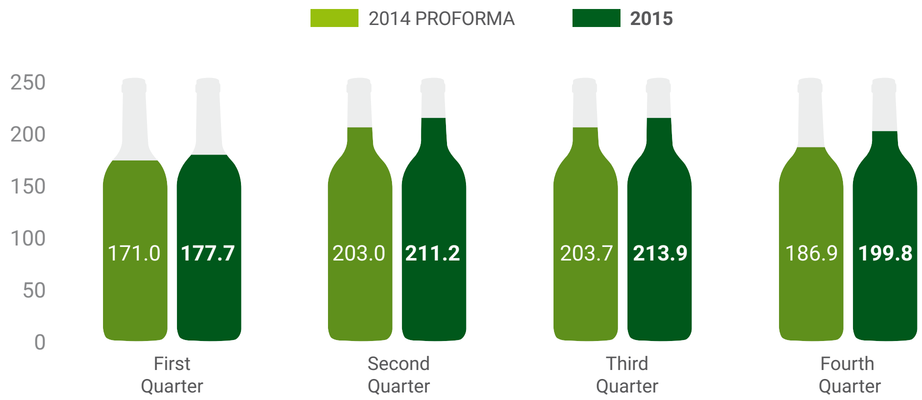


On a comparable structure basis, including Encirc figures within the previous year, sales grew 5.0% annually thanks to a favorable currency translation effect and to increased sales volumes.

SALES
YEAR OVER YEAR CHANGE
EUR in millions



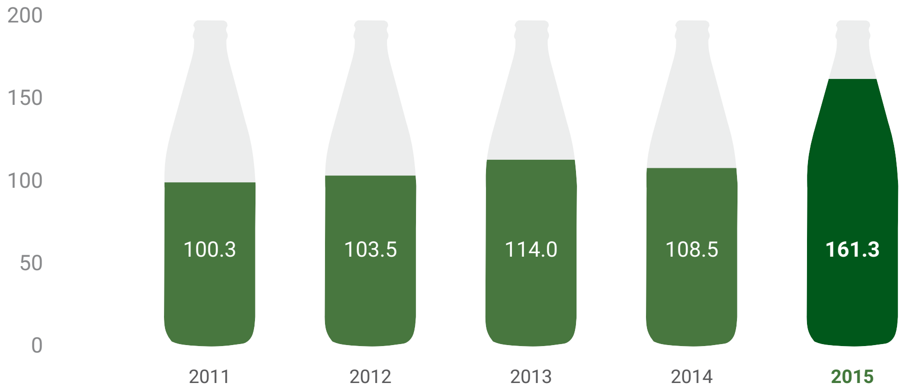
SALES
Quarter by quarter 2014 proforma vs 2015
EUR in millions



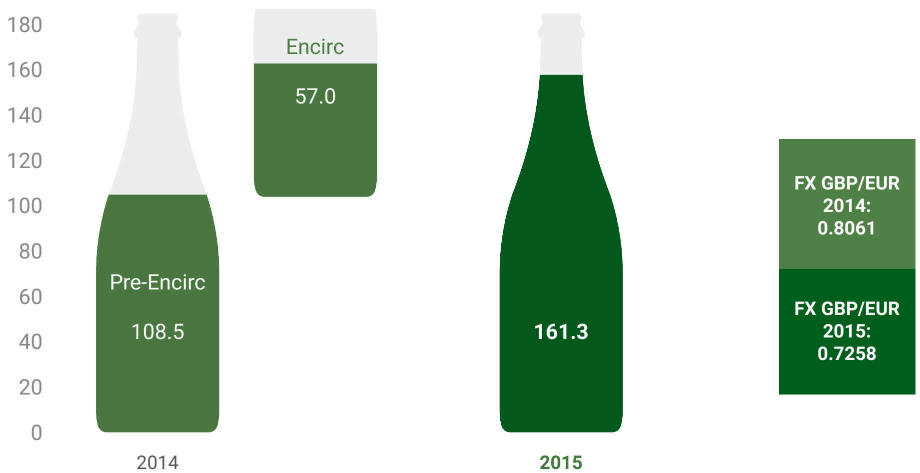
Directors' report

Operating profit, EBITDA, generated during the period reached EUR 161.3 million, representing a margin over sales of 20.1%.

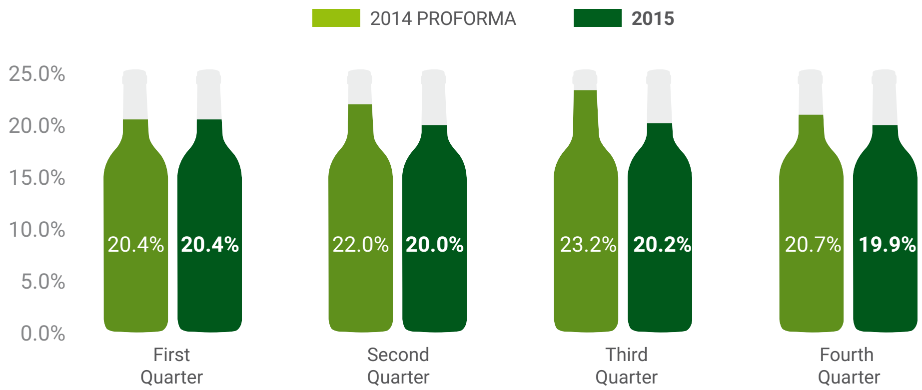
EBITDA
Annual Accumulated Since 2011
EUR in millions



EBITDA
YEAR OVER YEAR CHANGE
EUR in millions



OPERATING MARGINS (EBITDA)
QUARTER BY QUARTER 2014 proforma vs 2015
As a percentage of sales



EUR in millions (except margins as a percentage of sale)	2015	2014
Sales	802.6	468.4
Gross Operating Profit (EBITDA)	161.3	108.5
EBITDA Margin	20.1%	23.2%
Operating Profit (EBIT)	86.8	69.5
Net Profit	10.8%	14. 8%

Net profit during the year 2015 reached EUR 60.9 million. This incorporates an effective annual cost of debt of 1.3% of sales and a tax rate of 19.5%.

As a result, earnings per share over 2015 amounted to EUR 2.46. This represents an increase of 18.0% over the previous year.

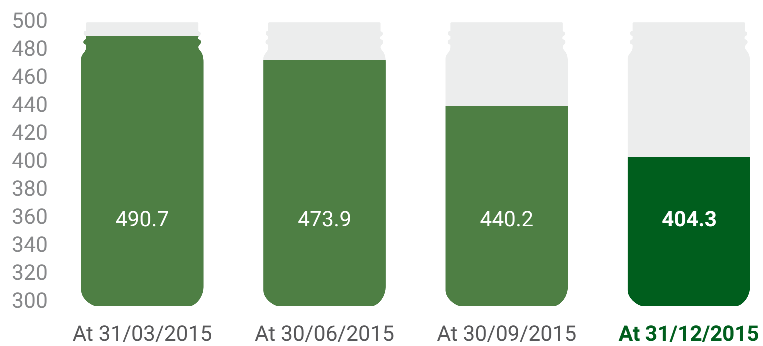
EUR in millions (except EPS in EUR/share)	2015	2014
Operating Profit (EBIT)	86.3	49.6
Operating before TAX	75.6	66.2
Net Profit	60.9	51.6
EPS	2.46	2.08

The free cash flow generated during 2015, excluding the payment for the acquisition of Encirc, amounted to EUR 88.2 million (11% of sales). This represents an increase of 22% over the previous year or a cash conversion ratio of 145%. It is the result of a disciplined long-term capex plan execution and a progressive optimisation of working capital requirements.

The cash generated was mainly allocated to reducing net debt which was reduced down to EUR 404.3 million, equivalent to 2.5 times accumulated EBITDA.

DEBT
QUARTERLY EVOLUTION 2015

EUR in millions



DEUDA/EBITDA	2.94x	2.87x	2.72x	2.51x

Directors' report

Conclusions

In the context of a particularly tough year due to pressured operating margins and the financial leverage assumed for the acquisition of Encirc, earnings per share growth proved the solid business profile and the accretive value of the new perimeter.

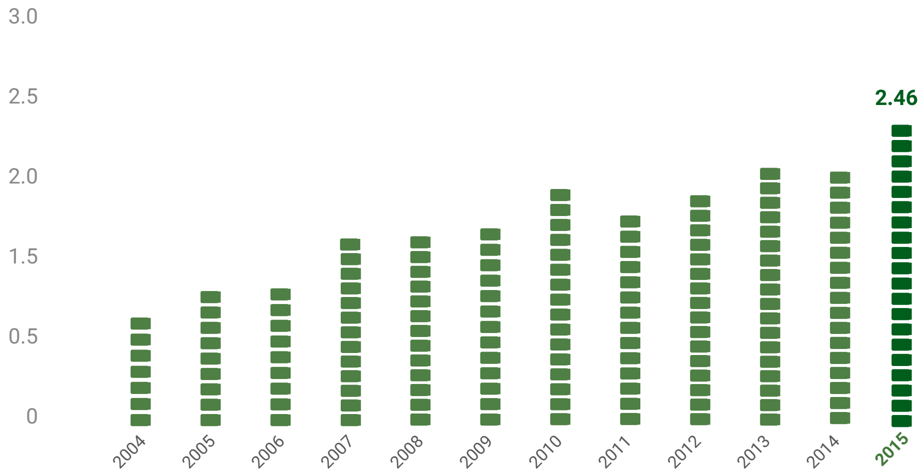
At the same time, organic cash generation allowed the strengthening of business solvency ratios.

As a result, during 2015 Vidrala widened its footprint in the European glass packaging market, as a broader company, multinational, strategically diversified, supplier of reference within the packaging industry and with an endorsed vocation towards developing long term customer relationships. Full year 2015 results confirm the solid business structure and should be considered as the starting point of the future to come.

EARNINGS PER SHARE (ADJUSTED)

Since 2004

EUR per share



Outlook

Consumption of food and drinks products show general signs of recovery which should continue in 2016 regarding growth prospects along main European regions. In this context, demand for glass containers should keep on increasing benefited by a growing preference for this material by packagers and final consumers. Vidrala's sales evolution will reflect the market environment sustained on the previously proven solid business profile.

Operationally, margins throughout the packaging industry remain affected under a context in which increasing competition is pressurising sales prices downwards. The gradual normalisation of previous levels should be a priority. In this context, Vidrala will keep on implementing internal actions focused on ensuring cost competitiveness, targeted levels of quality and customer service and reinforcing business operating profitability.

In any case, long-term priorities will remain firmly focused on the strategic targets of customer service, cost competitiveness and cash generation, as an undeniable source of value creation.

Relevant Information For Shareholders

Shareholder remuneration policy

The shareholder remuneration policy implemented by Vidrala is based on the gradual growth in cash dividends as the main way of distributing benefits. Annual payments are typically increased by attendance bonuses to the shareholders´ annual general meeting. In addition, Vidrala develops complementary remuneration measures considered efficient and coherent with the business fundamentals.

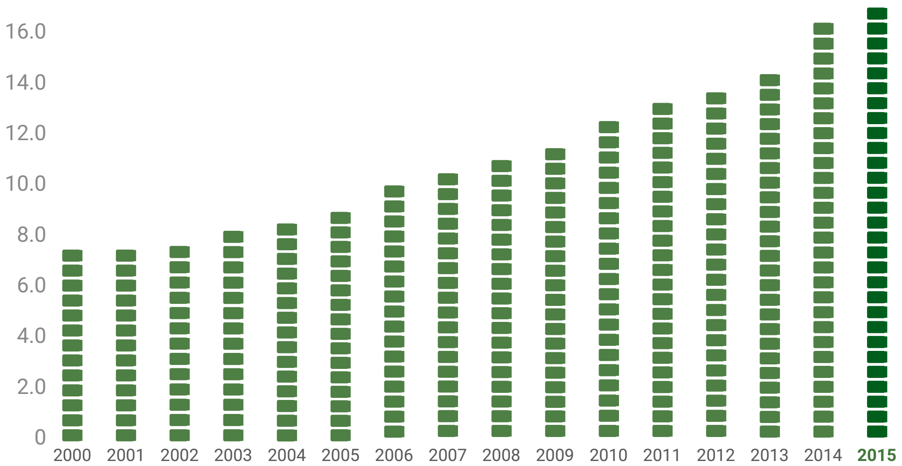
Consistent with that policy, cash dividends and attendance bonuses paid during the year 2015 amounted to EUR 68.46 cents per share, increased by 5.0% over the previous year, considering all shares offered in the bonus share issue executed at the end of 2014 were entitled to receive these economic rights.

Regarding 2016 shareholder remuneration, Vidrala announced a results distribution proposal that implies a 10% increase on its dividend versus the previous year. This first interim payment was paid on February 15, 2016.

Directors’ report

CASH DIVIDENDS (INCLUDES AGM ATTENDANCE BONUSES)

EUR in millions
Since 2000



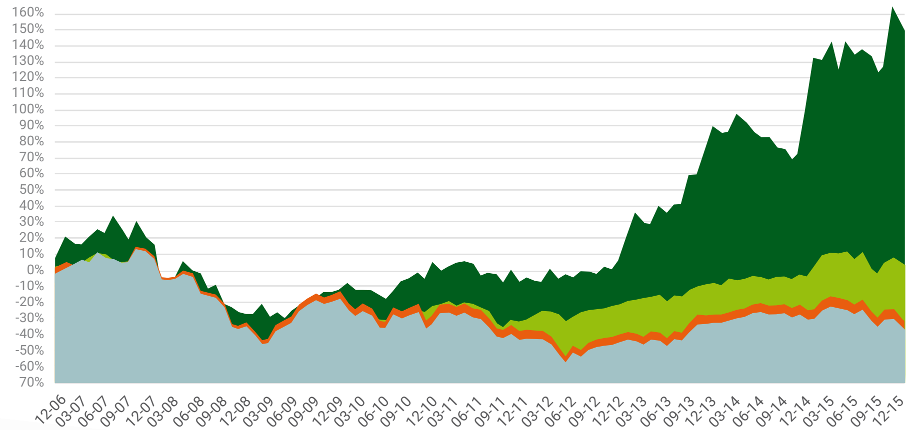
The Share

Vidrala´s share price at the end of 2015 stood at EUR 46.55 euros, equivalent to a market cap of EUR 1,154 million. This represents an increase, not considering dividends, of 22.5% for the year 2015.

A total of 4.3 million shares were traded on the stock exchange during the year which was equivalent to EUR 188.0 million.

SHARE PRICE. COMPARED IN PERCENTAGE TERMS. Since 2007

VIDRALA DJ STOXX EUROPE 600 IBEX 35 MADRID GENERAL INDEX



Directors' report

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

Vidrala, through eight production centres, carries out a continuous production-intensive industrial manufacturing activity that is subject to inherent risks linked to routine operations. In 2015, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and principally, to link each area of operations and each business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

Potential operating risks include the following:

i. Environmental risks

Vidrala Group declares itself firmly committed to protecting the environment. In order to minimise the impact on the environment, Vidrala implements specific action plans in relation to emissions in the atmosphere, dumping, waste, the consumption of raw materials, energy, water and noise.

Glass manufacturing is an energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. As a consequence of the industrial process, one of the primary management objectives is to reduce contaminating emissions. In order to do this, specific investments are made to upgrade factory facilities and adapt them to the most efficient technological systems for reducing environmental impacts. Additionally, operating priorities are focused on the growing use of recycled products as the main raw material for manufacturing glass, which not only avoids the consumption of natural raw materials but also contributes to reducing energy consumption and emissions volumes.

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this commitment, all the Group's production facilities have ISO 14001:2004 certification, demonstrating that Vidrala operates under the guidelines of a global, verified and recognised environmental management system. Furthermore, in line with its undertaking to continuous improvement, the implementation and certification of new environmental standards has begun, such as ISO 14064:2012, related to the voluntary declaration of CO^2 emissions, or the ISO 50001:2011 energy management system standard, both of which, CO^2 emissions and energy, are of clear environmental significance in our industrial process.

Directors’ report

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

ii. Occupational health and safety

Vidrala Group is committed to establishing occupational health and safety measures. Evidence of this is the gradual implementation and certification by a prestigious independent entity of an occupational health and safety management system based on the internationally recognised OSHAS 18001:2007 standard.

With a view to preventing labour-related accidents, Vidrala implements specific and systematic ongoing staff training and awareness plans.

iii. Supply chain risk

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

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

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

Concerning inventory risk, the Group systematically carries out specific and periodic control measures to ensure the quality of finished products in the warehouse, and optimise ageing and rotation so that stocks, both in volume and value, are balanced to sales forecasts. These controls have resulted in the implementation of automated stock monitoring processes and the subsequent application of specific adaptation, physical and valuation measures, which in 2015 have given rise to inventory impairment adjustments in the Group’s income statement.

Directors’ report

Financial risk

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

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

The most relevant financial risks identified are as follows:

i. Currency risk

The Group operates at international level and is therefore exposed to currency risk on foreign currency operations. Currency risk affecting the Group’s present structure is divided between commercial transactions in currencies other than the Euro, mainly imports, and the risks inherent in the global expansion of the Group after the incorporation of Encirc Ltd. in 2015, whose business is largely conducted in Pounds Sterling.

Regarding commercial transactions in currencies other than the Euro, risks in 2015 are concentrated in the supply of raw materials contracted in US Dollars, which may be affected by fluctuations in this currency against the Euro, becoming more expensive in the event the Dollar appreciates in value. Financial management continuously monitors the currency markets 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.

Directors’ report

For currency risk arising on the integration of Encirc Ltd. and the new business combinations denominated in Pounds Sterling, a risk inherent in the transaction was identified due to a payment to be made for the acquisition originally denominated in Pounds Sterling. Appreciation of the Pound Sterling could have increased the equivalent value in Euros, thus raising the price of the transaction. However, this risk was eliminated on 14 January 2015 when full payment was made at an exchange rate of Euros 1.2611 to the Pound. There are no additional risks associated with the payment in respect of future fluctuations in either currency. Structural risk has also been identified, which we have called translation risk. This is the risk of translating cash generated by the acquired business in Pounds Sterling to Euros, to repay a debt that was acquired in Euros. The depreciation of the Pound Sterling against the Euro could reduce its equivalent value in Euros, thus reducing cash. The policy for managing this risk is to hedge forecast transactions (translating cash in Pounds Sterling to Euros) based on business forecasts, for the next 24 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 2015 reporting date the Group has forward US Dollar exchange contracts (import insurance) for a volume of Euros 0.5 million.

Quantifying currency risk based on 2015 data. For transactions involving imports of raw materials in US Dollars, if the US Dollar appreciated by an average of 10% over a year, without considering any hedging or insurance instruments, and the remaining variables remained constant, consolidated profit would vary by approximately 0.6%. For cash generated in Pounds Sterling, if the Pound Sterling depreciated against the Euro by an average of 10% over a year, without considering any hedging or insurance instruments, and the remaining variables remained constant, annual cash flow would fall by 2.3% and debt at the reporting date would rise by 0.5%.

ii. Interest rate risk

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

The Group’s financing policy is to focus its borrowings on variable rate instruments. The Group manages interest rate risks in cash flows through interest rate swaps or caps. These instruments convert variable-rate borrowings to fixed-rate in the case of swaps, or limit the cost of variable interest rates in the case of caps. Generally the Group obtains long-term variable rate borrowings and swaps them for fixed interest rates. This normally give better rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps the Group undertakes to periodically exchange the difference between fixed and variable interest with other financial entities. The difference is calculated based on the contracted notional amount. Under interest rate caps the Group has the right, and the counterparty the obligation, to settle the difference between the variable interest rate and the established rate if this is positive. The effectiveness of these instruments as regards fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

As a result of this risk control policy, and the hedging instruments contracted during 2015, it is expected that all of the debt to be serviced in 2016 will be covered by interest rate hedging instruments.

For the purposes of a sensitivity analysis, without considering any hedging or insurance instruments, if average interest rates during the year had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have varied by 0.7% due to higher borrowing costs.

Directors' report

iii. Credit risk

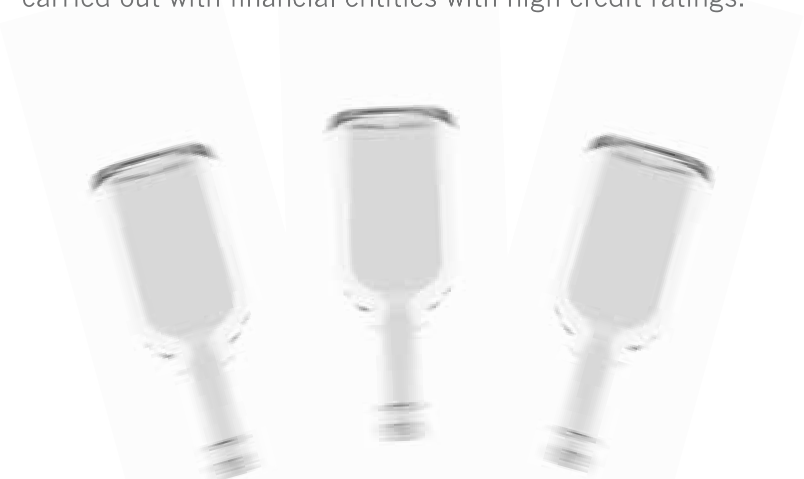
Vidrala Group has policies to ensure that sales are only made to customers with adequate credit records and solvency in order to minimise the risk of default. This control process involves ongoing solvency analysis, setting specific, assumable risk limits for each customer considering variables such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

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

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

As a result, the impact of bad trade debts in 2015 was Euros 0.3 million, equivalent to 0.04% of turnover.

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



iv. Liquidity risk

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

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

At 31 December 2015 the Group had Euros 159.5 million in immediately available, undrawn credit, representing 39% of total debt.

v. Debt and solvency

At the 2015 reporting date, Vidrala's consolidated debt amounted to Euros 404.3 million. The variation in debt compared to the prior year is basically attributable to the payment made to acquire Encirc Ltd. on 14 January 2015, which was financed through external debt and paid in full.

The acquisition aside, debt has fallen thanks to organic cash generation of an accumulated Euros 72.2 million in 2015, equivalent to a reduction in the first year of 15% of debt existing at 14 January 2015 after the transaction. The financial solvency indicators at the closing date reflect a debt equivalent to 2.5 times accumulated EBITDA for the last twelve months, and an interest coverage ratio - EBITDA/net finance cost - of 15:1.

The financing contracts contain certain covenants, mainly in relation to the net debt to EBITDA ratio. All these covenants had been met at 31 December 2015.

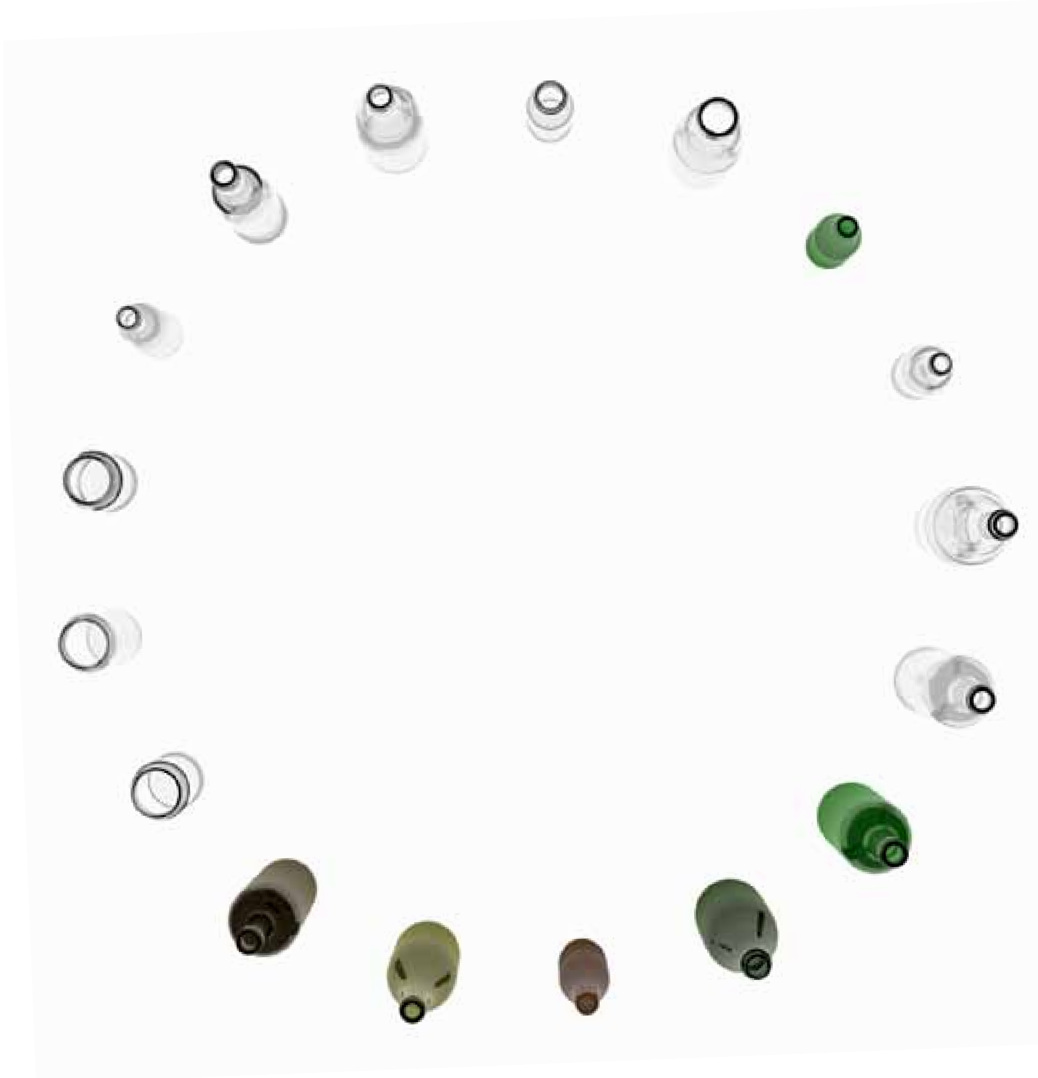
Directors' report

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. Supplies of other raw materials are an equally relevant cost for the Group.

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

At the 2015 closing date, Vidrala had contracted energy commodity derivatives to hedge the price of 31.8% of its annual forecast energy consumption for 2016.



2015
SUSTAINABILITY
REPORT

vidrala

2015 Sustainability report

2015 Sustainability report

Introduction to the report

Current and future needs mean that we need to make the transition to an economy that is more sustainable, in the direction of a circular model. This is a new business model, one which Vidrala Group has advocated for 50 years; in which the value of products, materials and resources are kept in the economy for as long as possible. Vidrala Group believes that this is an opportunity to transform the glass sector, generating new competitive and sustainable advantages for the industry.

A sector which, in the case of Spain, generated last year over 3,000 jobs, of which 93% were indefinite contracts. Thanks to this level of employment, the economic impact in one year in terms of social welfare contributions has generated a figure of over 100 million Euros. One characteristic of the sector is the important role that glass containers production plants play in the local economy. 90% of the raw materials required by the sector in 2014 were sourced in the domestic market. These figures indicate the trend in the sector in which Vidrala Group operates and which contribute to responding to the current and future challengesin terms of sustainability.

Through this Report, Vidrala Group not only wishes to publicise the main features of its performance in terms of sustainability; but also it wishes to go beyond this and move in new directions. With this report, the reader will be able to acquire a greater awareness of the impact that the Group's glass containers plants generate, as well as the benefits they bring in economic and social terms.

In 2015, Vidrala celebrated two major events: the celebration of its 50th anniversary and the acquisition of Encirc Group, with two plants located in Northern Ireland and England. In terms of sustainability, these acquisitions have enabled Vidrala Group to consolidate its vision: to produce glass in the best possible way.

In this Report, therefore, we present, analyse and highlight the most important events in Vidrala's work over the last 12 months. We do this with the firm intention to consolidate our reputation as a company committed to sustainable development and social responsibility.

2015 Sustainability report

Vidrala Group: 50 years growing

Vidrala Group celebrates its 50th anniversary. A business enterprise that, during all this time, has proven itself able to grow and develop on the basis of effort, innovation and quality.

Since 1966, when the recently founded Vidrierías de Álava began to produce its first designs, until today, Vidrala Group has always set as its primary goal to put the customer at the heart of its decisions. Conscious that the glass container is the healthiest and most environmentally friendly option, Vidrala Group has progressively developed in parallel to society as a whole. To build a project that can deliver maximum satisfaction to its customers and its shareholders while at the same time providing satisfaction to its employees and contributing to the welfare of society in general.

Although 50 years have passed, Vidrala Group retains its vision of being a leading firm in the food container industry, of creating a future and staying ahead of the curve, based on the solid foundation of a highly skilled workforce and the power of innovation.

After five decades of development, the Group has attained a position that enables it to consolidate economic growth as well as environmental and social sustainability. This is what we at Vidrala mean by responsibility: to create value for all our stakeholders.

The Group recently reached a very important milestone in its history: in 2015 the acquisition was completed of the two plants of Encirc Limited in the UK, one in Derrylin, Northern Ireland and the other one in Elton, England. The Group now has eight production plants with a presence in five European countries. Thus a new chapter begins for Vidrala Group, in which it will be able to expand still further into new markets and gaining new customers. A process of growth that will not, however, forget the importance of sustainability as a key factor to safeguard the future.

2015 Sustainability report

Glass and the circular economy

Why is it important for Vidrala Group to pursue a model of a circular economy?

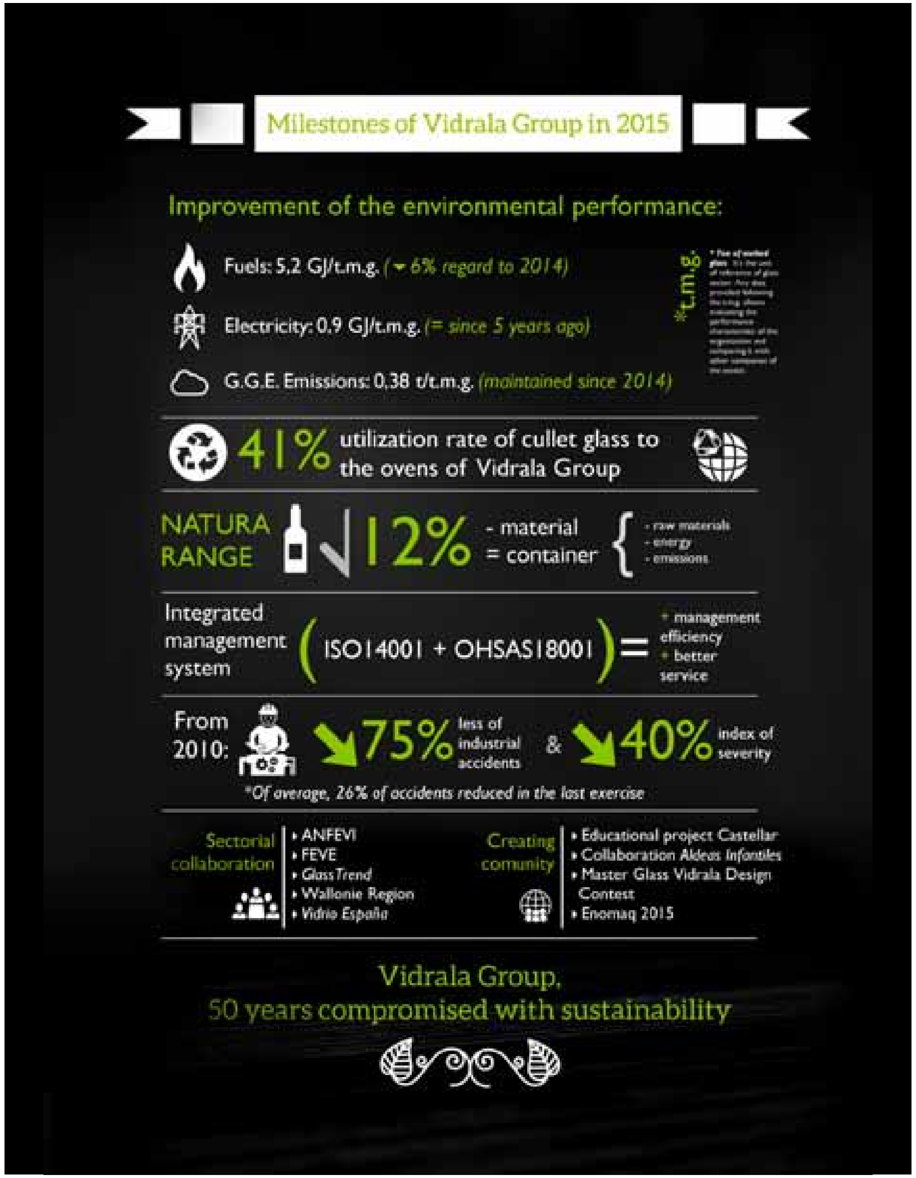
Its importance lies not only in that it is a driver of a new economy, but also that it means consolidating a strategy that will also permit development to continue into future decades. The glass container production industry is a sector that has proven that it strives to achieve economic profitability as well as ensuring environmental and social protection. This is why the recently approved package of measures to boost the circular economy at the European level has been warmly welcomed by manufacturers that, like Vidrala Group, help to close the loop of materials used in container production.

It is no mere coincidence. Glass plays a crucial role in the circular economy. It is a material that is 100% recyclable endlessly without losing any of its properties, provided it is retrieved in a selective manner. Thanks to the maturity of glass recycling in Europe, 73% of the glass containers on the European market can be recovered.

This is why this system of production, sales and marketing, collection and recycling is a clear model of the direction in which European production processes need to be headed. This loop, on which Vidrala Group bases its whole operation, must constitute the essence of the European economy in the years to come, and the glass container production sector is ready to continue consolidating it. Moreover, the glass sector is an example of how collaboration between the manufacturing industry, packagers and end customers can generate a value chain with a major impact on and commitment to sustainability. With the close cooperation of local authorities, waste management companies and consumers, glass is at the forefront of the transition to a new model of economic growth.

Nevertheless, Vidrala Group, as well as continuing to manage sustainability, will continue with its fellow glass producers to push for raising the awareness of the general public to achieve an increase in the ratio of selective sorting. Thus, we will be closer to achieving the new recycling targets set by the European Union. This is a task that calls for the cooperation of public agencies and private organizations to ensure that the glass industry is competitive, that it generates value and respects the environment. These are all values that this Report presents and quantifies, as a response to Vidrala's Group commitment to contributing to the glass industry's sustainable future.

The circular economy develops an integrated vision of the product life cycle from a perspective of sustainability.. The glass container design phase and the processes of production and post-production impact on the sourcing and use of materials and on the generation of waste throughout the product life cycle.



Environmental sustainability in glass production

Achieving the right balance between manufacturing glass containers and respecting the environment is one of the key missions that Vidrala Group takes on. Vidrala stresses this integrated vision of the environment in the production process at all of its plants. One of the principal milestones in the environmental scope in 2015[1] was to successfully complete the implementation of the Integrated Management System for the Prevention of Occupational Risks and Environmental Protection (according to standards ISO14001 and OHSAS18001) in the plants that the group owns in Spain, Belgium, Italy and Portugal. Standard ISO14001 has also been implemented at the plants located in Northern Ireland and England. This process is the culmination of an important phase in the Group, which has meant not only the renewal of all the certifications of each plant according to ISO14001, but also the adoption of a new culture in the company, one that is much more efficient and has a more integrating vision of the environmental and social benefits.

This certification is the outcome of the work done in Vidrala every day to improve every detail, every element of the production chain. All of these efforts enable us to optimize the environmental performance of each of our plants. The goal is to offer the customer an increasingly eco-friendly product.

Commitment to the environment calls for the deployment of resources in terms of expenditure and investment. Vidrala has achieved major environmental improvements in its plants, which affect a range of different elements in the production process: from the fusion furnace (one of the key points in glass manufacturing) to the processes that lead up to and follow the bottle moulding. All of the foregoing with the aim of implementing the best available techniques that have proven to be viable.

1. *A note on methodology: in this Report, the historical data shown for the period 2010-2014 are inclusive of the plants located in Spain, Portugal, Italy and Belgium and the Group's central services. The data for 2015 also include the plants in Northern Ireland and England.*

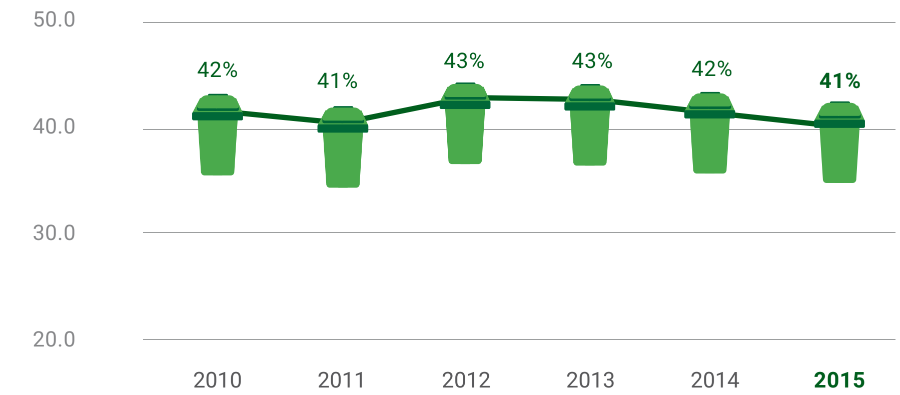
2015 Sustainability report

Glass recycling

Vidrala Group works to increase the rates of use of glass cullet (this material comes from selective sorting). To this cullet is added all of the rejects from each plant's production process. In any event, improving the proportion of recycled glass reused is a clear objective for Vidrala Group as it contributes to improving the outcome from an environmental perspective. However, there are factors beyond our control that affect the amount of cullet we can use. Mostly, this has to do with the availability of cullet in the volumes we need, as countries like Spain are net glass exporters; hence part of the production does not come back into the glass recycling loop. At the same time, the customer's colouration requirements condition the inclusion of recycled glass (coloured glass cannot be used in the production of white flint glass).

With a more mature sorting system, the proportion of glass recycling could be increased. The European-wide target for this is 75% by 2025 and 85% by 2030 (according to the revised Directive on Containers and Container Waste in the framework of the Circular Economy Package). At present, with the integrated management system in place in the countries where Vidrala Group is present, the organization continues to strive to improve its glass cullet utilization ratios.

RATE OF GLASS CULLET (%)



What benefits does recycling glass cullet bring?

- The energy used to melt glass is reduced (glass cullet melts at a lower temperature than the source raw materials)
- This means a reduction in the amount of resources of natural origin
- This reduces the quantity of waste that ends up in landfills or incinerators
- As less energy is needed, the greenhouse gas emissions are reduced
- According to the European Federation of Glass and Eco-friendly glass Containers, for each tonne of glass recycled, the consumption of 1.2 tonnes of raw materials is avoided Furthermore, the emission of 670 kg of CO² is avoided per tonne of cullet.

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Materials requirements

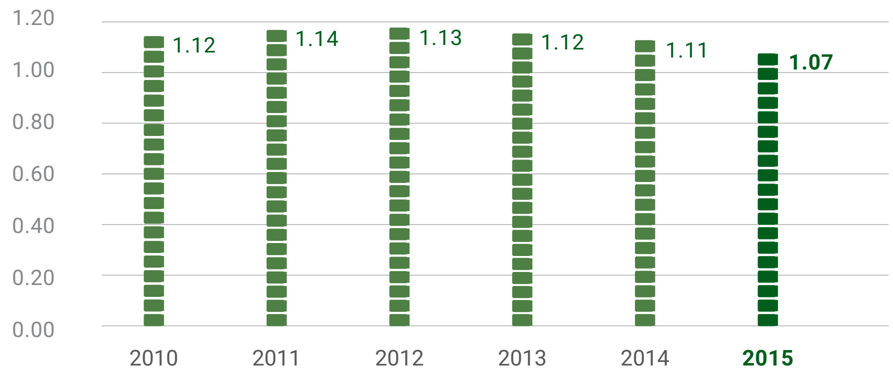
Working for maximizing the capacity to make more with less, in order to offer the same level of quality with the lowest possible consumption of materials. This will contribute to making every glass container produced by Vidrala more sustainable.

Even with all of the technological innovations that Vidrala Group has incorporated in its production process, glass production is an activity that needs a significant use of energy. This is why we concentrate our efforts on improving, year on year, the efficiency ratios in the consumption of material and energy resources.

The raw materials used by Vidrala Group are dependent on the needs of production required by our customers. In the last decade we have implemented the most advanced technologies to improve these consumption levels.

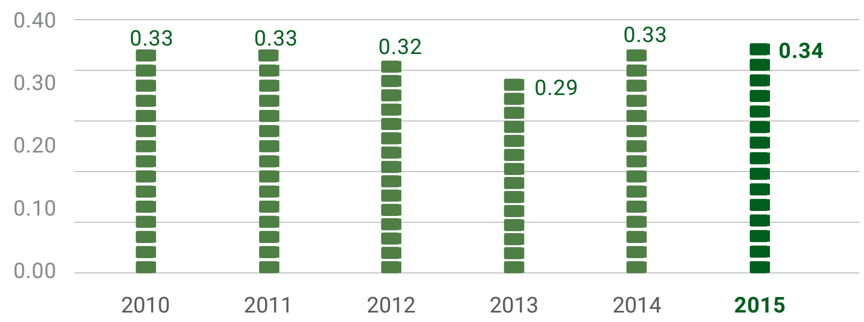
RAW MATERIALS CONSUMED (t/t.m.g)*

*tonne/tonne of molten glass



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

*kg/tonne of molten glass



Regarding water consumption in production plants it is regulated by the various authorizations and permits, e.g. for water capture; in all cases Vidrala complies strictly with the stipulations made by the competent authorities. The sources may vary depending on the geographical location of each plant. but the water is always captured via the grid, from water courses or our own well supplies.

The ratio of water consumed to glass produced has been kept at levels that are consistent with those of previous years. Vidrala's efforts to enhance its efficiency has also enabled the consumption of water to be moderated.

In addition to moderating consumption, the technology used by the Group has allowed it to achieve an average figure of 65% of water recirculated or reutilized in its plants.

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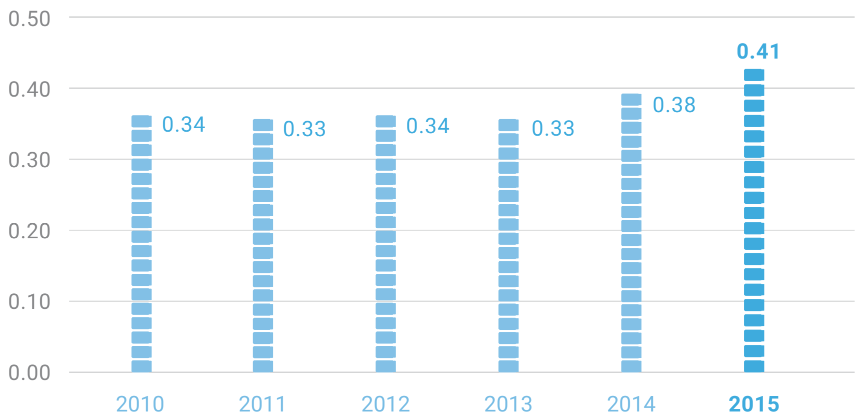
TOTAL WATER CONSUMPTION (m³/t.m.g.)*

*m³/tonne of molten glass



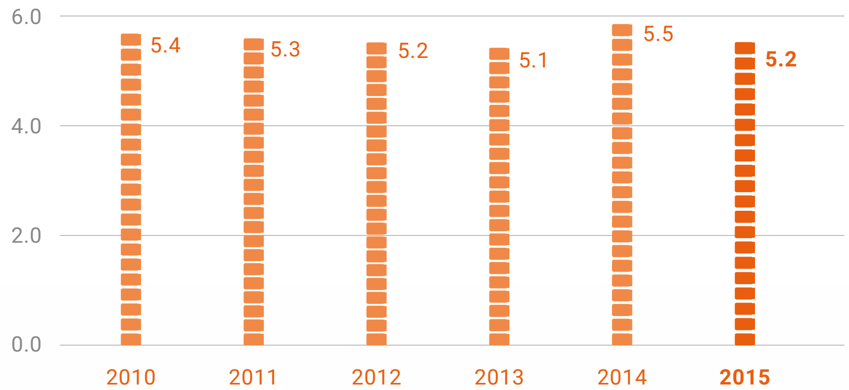
Energy needs

Vidrala Group's goal is to be as efficient as current technology will allow. This is not a simple task; indeed it is the biggest constraint on the production of glass.

The key element in the glass manufacturing process is the energy consumed in the melting furnaces. Aware of this, Vidrala aims to optimize its use to the maximum. For Vidrala Group, efficiency means being able to make more with less. Energy consumption is tightly controlled in Vidrala. This is not only due to the economic implications it has, but also because key factors such as the melting process and the quality of the glass are affected by energy management in each plant. Hence, one of the most solid commitments is the efficient use of and management of energy.

PRIMARY DIRECT ENERGY CONSUMED (GJ/t.m.g.)*

*Gigajouls/tonne of molten glass



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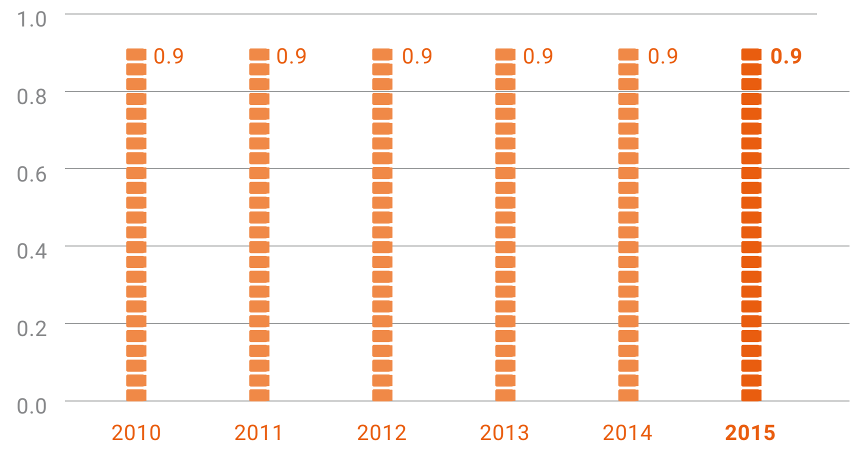
Direct energy consumption is linked to energy of all forms that come directly from fossil fuels, mainly natural gas.

The glass melting furnace is the element that consumes the most energy in the production chain, as it operates on a continuous basis (24 hours, 365 days per year). Furthermore, albeit to a lesser extent. there are other uses that require an energy contribution, such as feeders, annealing boxes, heating elements, etc.

PRIMARY INDIRECT ENERGY CONSUMED (GJ/t.m.g.)*

*Gigajouls/tonne of molten glass



Indirect energy consumption in Vidrala Group is associated with the electrical energy supplied by the various companies operating in the countries in which the Group is present. This type of consumption is also constant and is distributed throughout the glass container production chain. Vidrala Group conducts exhaustive checking of the energy consumptions, both direct (fossil fuels) and indirect (electricity). As evidence of this commitment to efficiency, in the year 2014 the Crisnova Vidrio plant achieved ISO50001 certification.

This standard is intended to implement energy management systems, so that all elements of the processes and products that involve the use of energy are fully integrated. Furthermore, in Vidrala Group, integration of standard UNE-EN ISO 14064 has also been initiated, for the quantification and reporting of emissions and removals of greenhouse gases. It is currently implemented and certified in Aiala Vidrio plant and in Vidrala's head offices, and will be extended to the rest of the Spanish plants operated by the Group in the coming months.

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Energy management

During 2015, in fulfilment of the Directive 2012/27/EU, regarding energy efficiency, Vidrala Group has successfully completed energy audits in its plants located in Spain, Italy, Portugal and Belgium. Thanks to these audits, a full profile has been obtained of each plant's energy demands, enabling them to implement improvements in terms of energy efficiency.

In addition to these audits, Vidrala Group, as part of its continuous improvement plan for energy efficiency in non-melting processes, has made significant process in the year 2015 in its Energy Policy in its production plants.

Major steps have been taken in this regard aimed at the monitoring of consumption levels and investments have been made to improve efficiency, prioritizing those with a major impact on running costs.

The results achieved have been highly positive, especially in those production plants in which technical shutdowns have been conducted during the year, in order to upgrade their installations. This is the fruit of applying best practices, identified within the Group by benchmarking and the best practices available on the market.

The goal for the next few years is to achieve higher levels of maturity in energy management, strengthening the monitoring of consumption levels, communication and management reports. All of the above is aimed at converging towards efficiency levels, defined as optimal in the glass production process, in all of the Group's plants.

Collaboration between Vidrala Group and its customers to achieve reductions in emissions of CO^2.

From its inception, the Group has worked with its customers in mind, working closely with them to produce a more sustainable glass container. Vidrala Group is well aware of its role within the value chain of the products that its customers put on the market, and so every improvement in the environmental impact of Vidrala's activities has a positive knock-on effect on the overall environmental footprint of the product sold in a glass container.

A recent example of this collaboration is the partnership we have built up with a leading winery. This organization extends its commitment to reducing CO^2 emissions to its entire supply chain. Following several years of close collaboration with grape suppliers, the winery has initiated a strategy of collaboration with all materials suppliers. The aim is to design specific plans to reduce the carbon footprint in order to achieve the target for 2020: to emit 30% less greenhouse gas per bottle than in 2008.

A further example is the Encirc plant in England, which has received four distinctions in the prizes awarded by the English Glass Industry. One of these prizes highlighted the efforts made to reduce the carbon footprint in the value chain, involving suppliers and maintaining a high commitment to quality with respect to the customers. Last year, in this plant, the reduction in the transport needs and the improvement in logistics management have enabled it to cut its atmospheric emissions by 1.7 million kg of CO^2.

Vidrala Group, both in its Aiala Vidrio plant and in Vidrala headquarters, is ISO 14064 certified for voluntary verification of greenhouse gas emissions reporting. Furthermore, Vidrala will soon extend this certification to other plants in the Group.

Atmospheric emissions

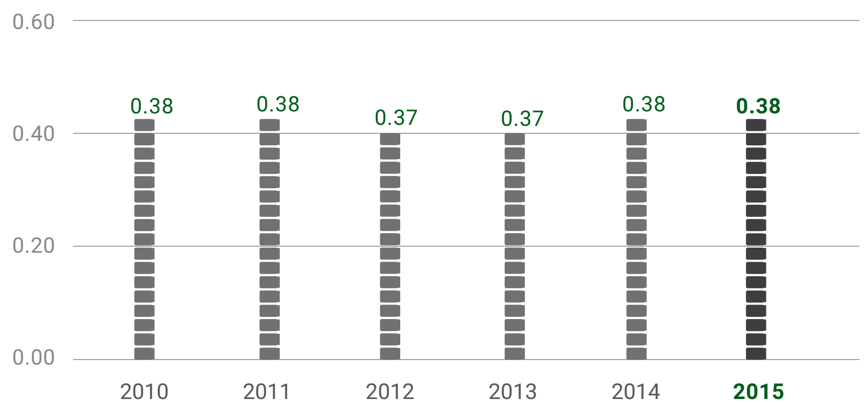
The Climate Change challenge has moved beyond the realm of uncertainty and is now an integral part of the agenda of any firm or government. For Vidrala, this is a crucial issue. The Group intends to contribute to improving this situation in the decades to come by integrating emission reduction targets in its corporate strategy.

The modifications to the climate change parameters that have been made in recent decades will have the power to determine the availability of material resources or water capacity, trade routes and even people's eating habits. All of this impacts, directly or indirectly, on Vidrala Group's business. As a multi-national and globalized corporation, it cannot remain aloof from the fresh challenges that emerge in terms of adapting to and mitigating climate change. Controlling emissions is one of the most direct ways in which we can contribute to improving the situation.

This year once again, Vidrala Group has succeeded in maintaining the Greenhouse Gas emission levels at those measured over recent years. This is one more objective achieved, which permits us to reconcile business development with sustainability in the production process.

GREENHOUSE GAS EMISSIONS (GGES) (t/t.m.g.)*

*tonne/tonne of molten glass



The plants that make up Vidrala Group, including the two most recent acquisitions in England and Northern Ireland, are subject to the rules of the directive on Emissions Trading Rights for the reduction of Greenhouse Gases present in the atmosphere. The most efficient methods are used, from the start of the process with the addition of glass cullet, through the strict control of the glass melting, to the final stages. All of Vidrala's production plants have emission levels that are below the permitted threshold for every level of emission.

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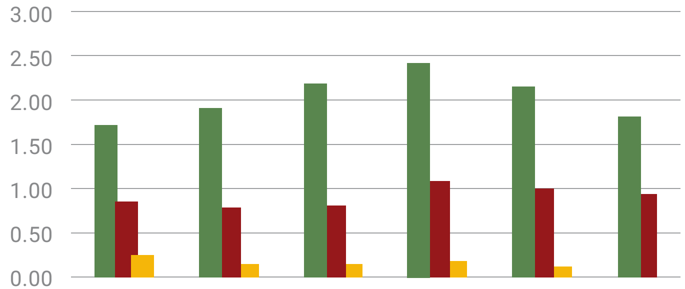
NOX, SOX AND OTHER SIGNIFICANT EMISSIONS (kg/t.m.g.)*

*kg/tonne of molten glass



	2010	2011	2012	2013	2014	**2015**
Emisiones NOx (kg/t.v.f.)	1.71	1.91	2.21	2.43	2.17	**1.81**
Emisiones SOx (kg/t.v.f.)	0.83	0.78	0.81	1.08	1.00	**0.93**
Emisiones partículas (kg/t.v.f.)	0.22	0.14	0.14	0.17	0.12	**0.08**

Likewise, the control of emissions applies not only to CO^2. Elements such as particles, nitrogen oxides and sulphur oxides are also top-priority substances that must be tightly controlled and managed correctly.

The source of the NOx is in the processes of combustion, which are unavoidable in the production of glass containers. In each of the Group's plants there are continuous monitoring systems that supervise the compliance with the emission levels, in accordance with the current legal and regulatory framework.

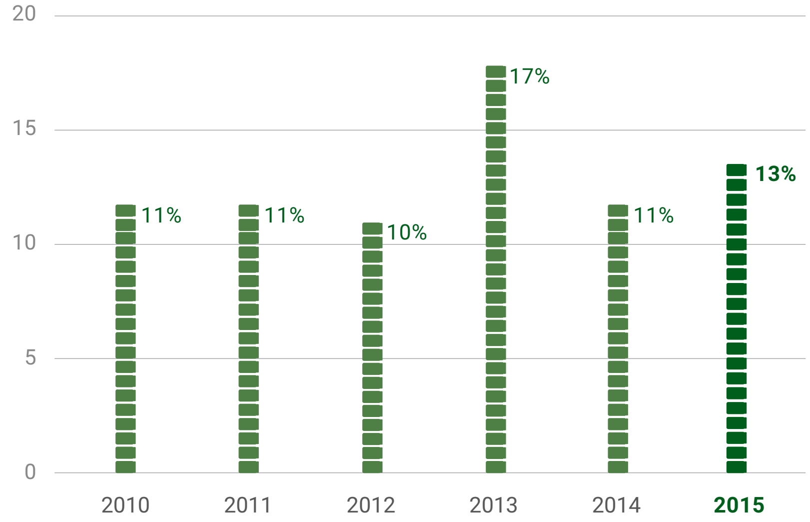
From the design phase of the new melting furnaces, the need to reduce nitrogen oxide emissions is factored in, and this is backed up with other primary measures, such as: the use of low NOx burners, combustion control, electrical boosting, etc. All of these measures have thus contributed in 2015 to a continuation of the downward trend in NOx emissions in the Group's plants.

Likewise, the contaminating burden associated with particles has continued to decline, and has reached the lowest relative level in recent years. This is clear evidence that Vidrala's environmental policy is effective, as it achieves quantifiable results year after year.

Turning now to sulphur oxides, one of the principal measures used to minimize the contaminating burden of air emissions are electro-static precipitators. This system enables the quantity of SOx to be reduced in the production plants' emissions, thanks to pre-desulphurization.

2015 Sustainability report

SULPHATE RECOVERED (%)



If the sulphate can be a monetized by-product for Vidrala this is thanks to the existence of these electro-filters. The particles that are captured in the gas scrubbing system account for 98% of the sulphates that can be re-utilized in the production process to replace raw materials, specifically, the sodium sulphate used as a refining agent. This re-use in the production process can be carried out provided the technical conditions of the facility and the characteristics of the glass to be produced permit. With this target, in 2015, the Belgian MD Verre plant made an investment to improve sulphate recovery from air emissions. With the investment made, sulphate recovery and its reuse in the glass container production cycle are improved. Vidrala Group continues its intense efforts in the search for new formulae and techniques that enable the contaminating content in its emissions to be cut. To this end, in 2015, a series of tests and trials were conducted using newly introduced reagents and formulae to adjust emissions further downward still. For all those who work for Vidrala, it is a primary objective to periodically improve their environmental performance, and so experimental projects such as this one enable us to continue making progress towards this goal in the short, medium and long term.

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Waste management

In a context of ever-increasing concern with the management of waste products, any advance to achieve zero waste is a major achievement. Glass can be positioned as a key material to move forward in reducing the volume of waste generated.

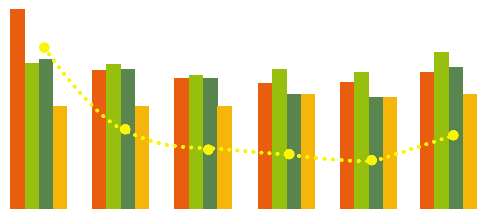
In Vidrala Group, it is as important to reduce the consumption of materials and energy as it is to manage the waste products appropriately. While the principles of the circular economy advance, it is necessary to remain vigilant to ensure that existing waste products are managed in the best possible way. With this aim in mind, Vidrala separates all its waste into categories and uses the most efficient management system possible for each type of waste. We use four categories:

- Hazardous waste: their management is outsourced to third-party waste management service providers, who ensure that they are isolated and minimize any possible impact on the environment.
- Non-hazardous monetized waste: this is waste that can be re-used as by-products or sent for recycling.
- Non-hazardous, non-monetized waste: this is waste that, due to its composition or characteristics, cannot be managed as new materials, and so the authorized waste management operator guarantees that they will be treated up to the end of their useful life..
- Assimilable to urban waste: this is waste whose composition is determined by the general public, and hence it is collected and treated following conventional methods by the municipal authorities.

In terms of waste generation figures, their volume has increased, among other reasons, on account of the inclusion in the overall total of waste from the rebuilding of furnaces and other significant improvements.

WASTE GENERATION

By waste type and year (tonne)



	2010	2011	2012	2013	2014	**2015**
Total HW (in tonnes)(Hazardous Waste)	115,136	3,171	2,117	1,640	1,615	**3,032**
Total NHRW (in tonnes) (Non Hazardous Recoverable Waste)	5,538	5,135	2,656	3,706	2,944	**9,751**
Total NHNRW (in tonnes) (Total Non-Hazardous, Non-Recoverable Waste)	6,975	3,454	2,305	846	736	**4,428**
Total USW (in tonnes) (Total Urban Solid Waste)	404	377	467	855	722	**881**
Total (t/t.m.g) (tonne/tonne of molten glass)	0.1085	0.0096	0.0057	0.0051	0.0043	**0.0087**

2015 Sustainability report

The importance of design in Vidrala

Good design has the capability to create more durable products and can help to save valuable resources. Vidrala Group's design department's primary concern is the needs of customers, but this does not mean losing sight of the needs of users and producers.

One example is the Natura Range. launched five years ago and visible proof of how to bring together environmental goals, product quality and customer service. This is a collection of bottles that are lighter than their equivalent models on the market. On average, the bottles in the Natura range contain12% less glass for the same type of bottle, which means a reduced need for raw materials, water and energy.

CO2 emissions are thus reduced, as as well as other contaminants associated with their production. This is just one way of retaining the same qualities and functionality of glass containers, protecting the environment at the same time.

Eco-friendly design makes no sense unless the production process continues to fulfil the task of reducing the environmental impact. The primary raw materials (such as sand and carbonates) as well as the renewable materials (such as the glass cullet from selective sorting) play a vital role in the glass bottle production process, even more so from the perspective of the circular economy.

In this regard, Vidrala Group pays special attention to the environmental and social repercussions of its production, undertaking specific commitments in terms of the sustainability of the sources and of their value chain.

VIDRALA GROUP'S 'NATURA'

Fostering the sustainable development of glass containers

	WINE	CHAMPAGNE	SPARKLING WINE	CIDER	JUICE
Standard weight	450g	900g	600g	600g	390g
Natura weight	350g	800g	425g	540g	360g

Comparison of different bottle designs and the reduction in materials and energy consumed achieved by the Natura Range of bottles.

*Encirc named 'sustainable manufacturer of the year' in the 2015 mx awards.

Encirc has been awarded the first prize in the category of sustainable manufacturing. The panel of judges highlighted the company's innovative focus and its commitment to minimizing its environmental impact.

In the last 12 months, Encirc has optimized the logistics of its product distribution and has made changes to the storage facilities to provide more useful space. All of this has enabled it to cut the use of plastic wrapping by 146,000 kg, thus eliminating the need to send waste containers to landfill. Encirc has also implemented the "Trees for me" scheme. This is a scheme designed to offset CO^2, emissions by planting over 1,500 trees in Elton.

Fiacre O'Donnell, Encirc's Head of Strategic Development and Sustainability, explained that "Sustainability is applied with a 360º field of vision oriented to our customers. We have taken sufficient steps to drive efficiency and reduce energy consumption in our facilities. Not satisfiedwith this, we have launched new initiatives so that next year our own environmental impact will be reduced still further, thus being able to offer our customers a reduction in their Carbon Footprint at the same time."

In addition, Encirc's innovation model was highlighted in terms of the products and production processes, aimed at supplying a more sustainable product that is more in line with customers' expectations. This prize has placed the emphasis on the active involvement of company representatives in the leadership of sustainability in its sector and in the region, while also driving biodiversity programmes forward that involve employees and the local community.

Environmental investments

In Vidrala Group. a significant proportion of the investments made are aimed at improving the environmental performance of all of our plants. In total, in the year2015, the Group allocated almost 14 million Euro to items directly related to the sustainability of its production facilities: rebuilding furnaces and applying new designs, the implementation of new energy efficiency measures, improvements in processes, emissions reductions, waste management, audits etc.

One of the most important investments undertaken during 2015 in the Group was the Gallo Vidro plant, in Portugal. In total almost 1.5 million Euros were invested in renewing the advanced primary measures in one of its furnaces. This reconstruction has enabled us to incorporate new technologies and measures aimed at increasing energy efficiency and reducing emissions of contaminating gases.

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Our people

Vidrala Group wants to consolidate the progress already made in the promotion and driving of Social Responsibility. To achieve this, we have put together a solid team, grounded in the mutual respect among our workforce and all of the persons with a relationship to the Group.

For Vidrala Group, the social perspective of our responsibility as an organization has been a key element in our daily work throughout the five decades of our existence. Hence, we pay close attention to all impacts on our social environment, both external and internal. Vidrala Group devotes special care to all stakeholders: both employees and the local community. We maintain a firm commitment to all interest groups to achieve development from a perspective of responsibility.

In Vidrala, the human factor is one of the firm's principal strategic tools. One of the elements that permit Vidrala Group to have a team of professionals in each of its plants is their training and continuous professional development. There is no room for doubt: investing in a highly-trained workforce is the key to creating a team of top-level professionals. In this way, each of the factories is geared up to respond to the changing demands of the market.

The management of teams and training are indicators that configure Vidrala Group's strategy to create value from within. Investment in training is not just a way of being more competitive, but also to motivate people and improve performance in all areas of the company. For this reason, the training programmes conducted in the Group involve all of the people in all of the teams across the eight production plants, as well as our central services.

One of the most outstanding aspects has been the training of all of the team leaders and line managers in each plant as internal auditors for Vidrala so that they have the competencies required to carry out audits in the integrated system. Thanks to the new Integrated System for the Prevention of Occupational Risks and Environmental Protection, all of the supporting documentation has been integrated: it is now more flexible and more effective. In addition, the integration process has been completed by providing training sessions to all personnel in all plants, as well as the regular training scheduled in each of the Group's plants.

In the course of 2015, we have met the overall objective of increasing the ratio of hours of training per person, which is now 27.4 hrs per person per annum. These data reflect Vidrala Group's commitment to providing the most appropriate training, in terms of content and time, thus meeting the training needs identified from time to time.

2015 Sustainability report

A safe working environment

To have personnel with the right skills and training it is crucial to invest in safe facilities in which all operations can be conducted with the utmost safety and assurance. Vidrala Group has implemented its integrated system in all of its plants throughout Spain, Portugal, Belgium and Italy, which means implementing the standard OHSAS 18001 for health and safety in the workplace. An effective form to ensure that the requirements are met so that the manufacturing of glass containers is safe at all times. The fruit of this policy of safety in the workplace is that accidents have declined steadily over the last five years. The figures speak for themselves: Since the year 2010[1], accidents resulting in sick leave have fallen by 75% and their level of seriousness has fallen by 40%. Moreover, in the last financial year, the average shows that the number of accidents has fallen by 26%. This trend is entirely positive in terms of the effectiveness of the accident and incident prevention system. These figures have been possible thanks to a range of measures implemented throughout the year, which have made it possible to meet the objectives we have set ourselves. Principally, Vidrala Group has implemented and consolidated the Integrated System for Environmental Protection and the Prevention of Occupational Risks.

The scope of the system and its consolidation are vital for improving in terms of occupational risk prevention. Likewise, in order to have the right people with the knowledge and skills to implement the IMS, in Vidrala we provide specific training in this area to a total of 67 professionals from the Group's Head Office. An operational documentation development plan has also been drawn up that consists in the design and management of new working procedures and instructions for specific operations with associated risks. In parallel with this, we will continue to invest in safety and in healthcare and medical services. In terms of prevention, Vidrala Group sets ambitious targets and continues to strive to continue improving in all aspect of workplace safety, year after year.

Vidrala also works closely with partners in the sector on projects concerned with health and safety in the workplace. In 2015, together with the National Association of Glass Container Manufacturers (ANFEVI) a study was developed on the effect of heat stress on workers. This is a research project in which Vidrala has played an important part through its plants in Spain, with a view to acquiring knowledge and improving on the organization's performance. Together with this, other actions have contributed to reducing the emergence of risks associated with the company's operations.

As well as strengthening inspections to eradicate still further the occurrence of accidents and incidents, a Guide to Workplace Hygiene Analysis and Measurement has been drawn up, with which the Group's employees can familiarize themselves with and carry out their work in the safest possible way for everyone concerned.

1. *Average data for the plants located in Spain, Portugal, Italy and Belgium, and for Vidrala HQ*

2015 Sustainability report

Fostering quality employment

Vidrala Group is committed not only to having a workforce with a solid knowledge base and training, but also to establishing a stable environment as a key element in quality employment. For this reason, we are firmly committed to hiring our workers with indefinite contracts of employment (in 2015 the figure hit 95%) in order to offer them the most stable situation possible. The average seniority in the Company was 13.77 years in the last financial year. In addition, the vast majority of Vidrala Group's staff have a full working day, thereby providing a higher degree of quality of employment. In any event, Vidrala Group is always ready to consider any request it receives from its staff with a view to achieving an ideal work-life balance. In addition to job security, Vidrala Group fosters equality and non-discrimination as indisputable elements of its human resource policy.

The mission: to maximize customer satisfaction

Vidrala Group has been monitoring the level of satisfaction among its customers for a decade. Only in this way can it improve the services it provides year on year, detecting areas for growth and development. These satisfaction surveys are of great interest for Vidrala, as they are the most direct channel to detect the aspects that are most highly rated as well as those that are deemed less satisfactory. A new version of the satisfaction survey was launched in 2015. On this occasion, the results have shown a similar level of satisfaction to last year's, rated as "very good". In addition, this year saw a record number of responses, as well as the involvement of our VIP customers. The satisfaction survey is an indispensable tool for Vidrala Group in a management that is at the same time efficient and in harmony with the wishes of its customers.

Vidrala Group is committed to the quality of its products and is equally committed to fostering a close customer relationship that is a differential value. Getting closer to our customer means meeting new demands or particular needs more swiftly and effectively. As an example of this, our Spanish plants source on average 88% of their raw materials within the national territory. Of this figure, 66% are sourced from within a radius of less than 300 km, which means a shorter journey to the point of use, thereby reducing the environmental footprint.

2015 Sustainability report

Food safety: creating value

Year after year, in line with the needs of the market and our customers' requirements and expectations, Vidrala Group continues to solidify its commitment to Food Quality and Safety.

Throughout 2015 at Gallo Vidro plant (a pioneer in the Group in this respect) a Food Defence Plan has been implemented, with the aim of establishing the necessary measures to minimize the risk of malicious product contamination by personnel within our facilities or outside them. This amounts to a quantum leap from Food Safety, which counters possible accidental product contaminations, to Food Defence, which counters deliberate contaminations.

In line with this progression, in the following months we will be taking the first steps to roll out the Food Defence Plan in our Aiala Vidrio, Crisnova Vidrio and Castellar Vidrio plants. Vidrala Group will continue this drive to continuous improvement through the creation of synergies with its key customers, establishing joint specific requirements in the area of Food Safety and taking the necessary steps to create value in this respect.

Likewise, Vidrala Group has taken the first steps towards the effective implementation, in its Castellar Vidro plant, of the Global Standard BRC for Packaging & Packaging Materials. Both the Plant Management and the whole Food Safety team have demonstrated their strong commitment to the project, which will undoubtedly mean a major improvement in Castellar Vidrios' production process and installations.

2015 Sustainability report

Customer-focused innovation

Vidrala Group maintains its commitment to innovation and devotes significant resources to RDI projects. With the aim of adding quality to our customers' products. and, at the same time, ensuring that the process is more stable and controlled, we have developed the Delphos project, which consists of dimensional control at the hot end of the process. Within the context of this project, using technologies developed in-house by the Group, access is permitted to information that is not available via the standard tools on the market, which constitutes a comparative advantage in terms and quality and control of the process. The common denominator of all investments in RDI is the need to ensure the sustainability of the activity across all domains. This is why a large part of the projects undertaken in 2015 are related to improving energy efficiency, tighter process control, reducing production inefficiencies and developing innovative products that are increasingly adapted to the needs to today's society. Among other things, activities have been developed to reduce consumptions in annealing boxes and machine ventilators, which has had a significant impact.

As an example of the work the Group does to upgrade and modernize its furnaces is the shooting of a time-lapse video that shows the process of upgrading the furnace at the Crisnova plant, showing the work carried out during the entire period.

In addition to this video, a business film was short, aimed at the Italian market, with a view to promoting Vidrala Group there. The firm is presented with a focus on its role as solutions provider for glass containers, for both multi-nationals and small producers. The film was shot in collaboration with the small winery Il Paradiso de Frassina, famous for its use of music therapy in its vineyards. Both videos can be seen on Vidrala Group's channel on YouTube.

Innovation in the Vidrala Group is also integrated through new technologies applied to marketing and communications. In the course of 2015, we launched the internal project :Focus on the Customer". An infotainment video was shot and this was combined with a number of communications actions and a specific training event.

Thinking about the new emerging markets in the beverages sector, Vidrala Group has set up a micro-site (microcerveza.com) targeting the microbrewery sector with the launch of the Abbey bottle (33 cl.). Thanks to the positioning effort on Google, this puts it on the first page of results for many search terms related to beer.

With the addition of Encirc to the Group, the customer focus has become even more positioned as a differentiating factor of Vidrala. The UK plants have developed the Encirc Academy. This is global service to the customer, one that integrates specialized training, support and consulting focused specifically on the glass container industry. The Encirc Academy offers a tailor-made service that enables us to optimize the quality of the product and the efficiency of the plant, as well as the costs of production. Although as originally conceived, the Encirc Academy was set up to respond to the internal training needs, it has evolved into a new project that offers support to customers, enables them to develop their teams and promotes greater efficiency through the business relationship.

2015 Sustainability report

New models in the glass bottle segment

Vidrala Group continues to innovate to offer new designs of glass containers. In terms of new models, 2015 saw the launch of 106 potential projects of which 34 reached completion and 20 entered production. The project design - production series conversion rate was very high in 2015. Highlights:

- New designs for oil (such as the 'Quartz' model) mainly for the Italian market.
- The development of new designs, working with customers such as Borges, Deoleo, Mahou-San Miguel, Diageo, and Esporao, to name a few.
- The Licor 43 range has been completely renewed; we have been working in tandem with this company in its publicity and communications launch campaigns.

Celebrating our 50th birthday

In 2015, Vidrala celebrates its 50th year of existence since it was founded in the town of Llodio. As part of the 50th birthday celebrations, a number of publicity events were held with a view to sharing the marking of this milestone with some of Vidrala's major stakeholders.

As well as creating a commemorative logo, to be used in all of the Group's communications, a book was published that looks back on the history of Vidrala Group. Written by Fernando Rodriguez, a specialist in corporate history, it covers the most significant developments and events in the last five decades. The book is now on sale and has been distributed to shareholders and to all of the company's employees. It has also been circulated among economists and has been translated into English, French, Portuguese and Italian.

Among these initiatives with various interest groups, specific celebrations were held with customers, suppliers and staff. A highlight at the institutional level was the visit of the Basque Parliament First Minister and the Head of the Economic Development and Competitiveness Department of the Basque Autonomous Regional Government to Vidrala Group's Head Office in November, 2015.

2015 Sustainability report

Partnerships in the sector

Asociación nacional de fabricantes de envases de vidrio – the national association of glass container manufacturers (anfevi)

In 2015, ANFEVI took on the task of measuring the glass industry's annual impact. The association presented a report on the glass container industry's contribution to the environment, society and the economy in Spain, in collaboration with Vidrala Group, which supplied data for the study from its production plants. Among the figures, the study found that 672 million Euros were invested by the sector in the decade 2004-2014 in cleaner and more efficient technologies, reducing the environmental impact of glass container manufacturing.

Thanks to the study it emerged that, even in periods of economic downturn, the sector was able to increase turnover by 27% in the decade 2004-2014.

Glass technology research & new developments (glass trend)

Last April, Vidrala Group hosted the seminar on Glass Melting Furnace Technologies and Energy Efficiency, which was held in Bilbao. The purpose of the seminar was to bring together at the same venue the glass industry and the Technical Committee of the International Glass Commission, to exchange information, analyse needs and identify synergies in terms of energy efficiency in furnaces and innovative melting technologies.

Sector agreements in terms of energy and co² emissions in the region of wallonia (belgium).

The MD Verre plant, located in Ghlin, Belgium, participates through the Fédération de l'Industrie du Verre (FIV) in the second sector-wide agreement signed between the Wallonia regional government and the glass sector, with the aim of increasing energy efficiency and reducing the related emissions of CO^2. These agreements consist in drawing up a contract on a voluntary basis between the region of Wallonia and a number of industrial sectors, represented by the companies with the largest energy consumptions, through the federation (in this case, the FIV). The industry thus commits to improving its energy efficiency and reducing its CO^2 emissions within a definite timeframe; in the case of this second agreement, this covers the period 2014-2020. Agreements like this provide benefits for both companies and regional authorities. On the one hand, companies can avail of financial advantages and support from official agencies (e.g. part of the cost of carrying out an energy use audit) which enables them to improve their energy efficiency and, therefore, their competitiveness. On the other hand, public authorities can ensure that the industry concerned undertakes to make an additional effort, measured in objective terms, to reduce its consumption of energy and its CO^2 emissions.

With agreements of this kind, companies can leverage the analysis of the energy: CO^2 ratio of their products' life-cycles and of their carbon footprint.

2015 Sustainability report

European Container Glass Federation (FEVE)

The European Container Glass Federation (FEVE) represents the glass container industry at the European level. It is the principal forum for the sector in which the concerns and challenges facing the sector are examined. It also serves the purpose of maintaining an on-going dialogue with European institutions and environmental bodies. Vidrala Group, which has a presence in five European countries, believes that membership of this Federation is essential, as it is the ideal framework in which to explain the organization's performance and defend the glass sector in a united manner. In 2015, Vidrala continued as an active participant in FEVE, promoting initiatives and actions that bring glass and its benefits closer to all European citizens.

More specifically, through a range of actions that FEVE has set in motion as part of the campaign "Friends of Glass", in 2015 a total of 117 impacts was obtained on communications media, with almost 250 million users interacting with these actions. These figures demonstrate the sector's communications capacity to stress the value of the glass container industry.

Vidrio España

Last November in Madrid, a working day was held with the participation of the Ministry of Agriculture, Food and the Environment, coordinated by Vidrio España ["Glass Spain"] in which Vidrala Group was present. The aim of the session was to present the challenges of implementing emissions regulations, identifying case studies and defining practical instruments that will make it easier to implement the regulations. The value of the working day resides in the publication of the Conclusions on the Best Available Techniques (BATs Conclusions) for glass manufacturing in 2012, which established a series of operational, technical, economic and environmental challenges for which the sector must brace itself before they come into effect in March 2016. This framework of implementation will determine to a large extent the design of investment programmes in glass production plants and the scope of activity monitoring and control programmes.

Vidrala Group remains committed to adopting the best available techniques whenever they prove to be technically and economically viable, and so it collaborates on a regular basis in sector-wide forums of this kind with official agencies.

2015 Sustainability report

Our social commitment

Vidrala Group's social commitment is articulated through permanent, active and open dialogue with all interest groups in the local communities where the Group is present.

This commitment takes concrete form in many actions, all of which share a common feature: the constructive relationship with all stakeholders.

Vidrala Group has always built bridges wherever it has had its production facilities. The relationship has deep roots and is mutually beneficial. The community gains employment, investment potential and growth, while the Group can carry on its activities and build up a local workforce. This involvement has been progressively consolidated as the years have rolled by. The Group has always been alert to the needs of the regions in which it operates, striving to minimize any negative impacts that might derive from its activities. Collective satisfaction and personal well-being are key elements in Vidrala Group's management that must be safeguarded at all costs.

The social actions that Vidrala Group implements are all aimed at strengthening ties and reinforcing the feeling of pride and loyalty to the organization. New actions and initiatives are launched every year, covering a host of activities: culture, sport, social events, etc., always in conjunction with the local community.

But it is not just a matter of carrying out actions to complement our business activities. The greatest contribution that Vidrala Group can make is the benefits of our belonging in the community. These include promoting economic development, generating benefits for local employment and promoting contacts with local suppliers.

There are many different channels through which we can direct the Group's commitment to the local environment. Above all, this calls for a constant dialogue with the local official agencies, holding open days, and listening to all of the opinions and concerns that may arise in relation to the performance of each and every production plant.

Castellar vidrio educational project

Vidrala Group promotes the adoption of more sustainable behaviours by raising awareness of the benefits associated with recycling glass containers. Consistent with this action, for several years now at the Castellar Vidrio plant we have been carrying on an educational project that is a pioneering initiative within the Group. The student body we work with come from local schools and colleges (primary, secondary, final year and vocational schools and colleges) as well as groups of persons with intellectual disabilities and retired persons. During 2015, we have hosted 7 visits, with a total of 142 persons who have been able to tour the facility and learn about its installations. In total, this amounts to almost 20 hours during which we have been able to bring the plant in Castellar del Valles closer to the local community.

This initiative has the backing of the schools and colleges themselves, the Castellar del Valles Town Council and the organizations Ecovidrio and Friends of Glass. During tours of the plant, topics of discussion include energy consumption and the use and recycling of glass.

2015 Sustainability report

Social work with Aldeas Infantiles

Aldeas Infantiles is an international organization to help young people, whose mission focuses on childhood development, to ensure that they develop as self-sufficient individuals who are fully integrated in society. Once again last year, Vidrala Group worked together with this NGO to carry out its project. As on previous occasions, an international social action campaign was set in motion.

On this occasion, Vidrala donated €10 for each staff member, encouraging its employees to make their own personal donation.

Thanks to this close partnership with Vidrala Group, and especially the commitment of our workers, a total of €22,217 was contributed to the project that Aldeas Infantiles is carrying out with refugees from Syria.

To this global project, in which the entire Vidrala Group is involved, we should add the local contributions made by each of the Group's plants. In total, these contributions amounted to €27,782 in 2015 that was allocated entirely to social actions and projects with a local focus. A further benefit in addition to the economic and social development generated by the location of Vidrala's production plants in each country where it has a presence.

Master glass Vidrala design contest

For the first time, on the occasion of its 50th birthday, Vidrala organized a contest to design glass containers.

Aimed at stimulating innovation, originality and fresh ideas in designing glass containers, an open contest was launched for young creative industrial designers, engineers and graphic artists in the Basque Country. With three different categories: wine bottles, pots for preserves/sauces, and small bottles for soft drinks, beers and ales, we are looking for winning design that is both original and viable and that will be sustainable and eco-friendly.

Enomaq 2015

As is our custom, Vidrala is present at the main trade fairs and forums in the glass sector. At the last edition of the Enomaq Trade Fair (International Show of Winery and Bottling Machinery and Equipment), the Group won recognition for its track record in the industry and the year in which it celebrated its 50th birthday with an honorific diploma. Held every two years, Enomaq is a leading trade fair in Europe specializing in ancillary industries to the wine industry, and is attended by professionals from all over the world.

Forotech 2015

In March, Vidrala contributed as a sponsor in the "Forotech" of the Universidad de Deusto, in which Vidrala's R&D Manager took part in a round table devoted to industrial manufacturing and new technologies.

2015 Sustainability report

Bottling solutions for mass consumption

Last June (2015) Vidrala Group participated as a keynote speaker in the event entitled :"Container Solutions for Mass Consumption". Organized by Alimarket, this forum attracted over 150 professionals who discussed a number of keynote addresses and shared ideas about the world of containers and packaging.

At the meeting, a number of senior executives of packaging product manufacturers and the container industry gave their points of view, emphasising the importance of customer satisfaction.

With the slogan "New challenges to seduce the consumer" we have highlighted the overriding importance of new technologies for innovation in glass containers, underlining the consideration that companies must have for the environment in order to reach the end customer.

Future challenges and prospects

Vidrala Group is an organization that, in its five decades of history, has built a corporate reputation on the basis of core values in the 21st century: profitability, sustainability, and wealth creation.

50 years of experiences, events and growth. Our track record in sustainability has enabled us to lay the foundations of a production model for innovative glass products. Placing the customer at the centre of decision-making has meant that we can fully take on board the public's growing concern with preserving the environment and the communities in which we work.

The challenges to be faced by Vidrala Group in the near future are no different than those faced by the glass industry as a whole: to continue generating economic value while progressively reducing the needs for materials and the environmental impact. Consolidating a model of a circular economy will enable glass containers to be still more sustainable. It is not a simple task, since it will be necessary to increase the ratios of selective sorting to increase the addition of glass cullet. Similarly, with the progressive updating of furnaces, Vidrala Group's production plants will continue to implement the best available techniques.

Prospects for the future depend on the continued collaboration between private enterprise, government agencies and the local community. To sum up, Vidrala Group will continue to contribute to the community with solid achievements: capable of continuing for at least another 50 years of sustainable successes.

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