



Informe Anual **2014** Annual Report





vidrala

2014

Informe Anual
Annual Report

Dear shareholder,

I am writing to you to introduce the 2014 annual report.

Amid demanding business conditions, sales during 2014 reached EUR 468.4 million and earnings per share stood at EUR 2.08, 1% below the previous year. Free cash generation amounted to EUR 72.3 million, 28% higher than in the prior year, enabling a continued debt reduction that has accumulated a 75% decrease over the last five years.

With regard to shareholder remuneration, cash distribution per share during 2014 was 14.3% higher than in the previous year. Additionally, a 1.5% of the share capital previously repurchased as treasury stock was cancelled. Besides cash payments and share buy backs, a bonus share issue was granted to all outstanding shareholders in a proportion of one new and free common share for every twenty existing shares. As a whole, the measures implemented in 2014 confirmed the long standing policy implemented by Vidrala based on the gradual and sustainable improvement in shareholder remuneration.

Overall, in the midst of a tough business context, the results obtained in 2014 confirmed our firm commitment to the strategic priorities. We developed our commercial positioning and relationships with customers as the fundamental basis of our business. We managed costs as an unavoidable priority to remain competitive under a more demanding environment. We focused our financial targets on cash generation and allocated capital following a disciplined capex plan with the aim of building the best future for the company.

Right after the start of 2015, on January 14, Vidrala took a relevant strategic step announcing the acquisition of Encirc Limited, in a movement that represents the largest transaction in our history. Encirc is a leading manufacturer of glass packaging solutions with operations in the United Kingdom and Ireland. The acquisition will enlarge Vidrala's position in the packaging industry extending our operations towards strategic areas, adding scale, diversification and future to a business profile of proven strength. Encirc has been since its inception a company distinguished by its ambitious investments, its wide range of services offered and its growing market share.

In the year of our 50th anniversary, the firm originally founded as Vidrierías de Álava is consolidated as a packaging supplier of multinational relevance. Vidrala grows firmly, loyal to its foundations, strengthened by the wide business expertise obtained over the years. We make glass bottles and jars as efficiently and sustainably as possible to profitably serve the needs of our customers. With this aim, our investment decisions are firmly taken on the basis of a long term vision.

Today, the strength and wideness of our commercial positioning, the skills and determination of our people and the quality of our assets shape the basis over which we build our future.

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



Carlos Delclaux
Presidente



VIDRALA GROUP



Sites

Aiala Vidrio

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Spain

Crisnova Vidrio

Polígono Los Villares S/N
02660 Caudete.
Spain

Castellar Vidrio

Berguedá, 67
08211 Castellar del Vallés.
Spain

Gallo Vidro

Rua Vieira de Leiria, 1
2430-300 Marinha Grande.
Portugal

Vidrala Italia

Via Alzaia Trieste, 45
20094 Corsico.
Italy

Md Verre

Rue Des Ayettes, 2
7011 Ghlin.
Belgium

Encirc (Elton)

Ash Road Elton Cheshire
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England

Encirc (Derrylin)

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Shareholders' Office

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**SALES CONTACT
MAIN OFFICES**

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PORTUGAL: Escritório comercial

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ITALIA: Uffici commerciali

Via Alzaia Trieste 45
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UK & Ireland: Sales and marketing

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MAIN FIGURES

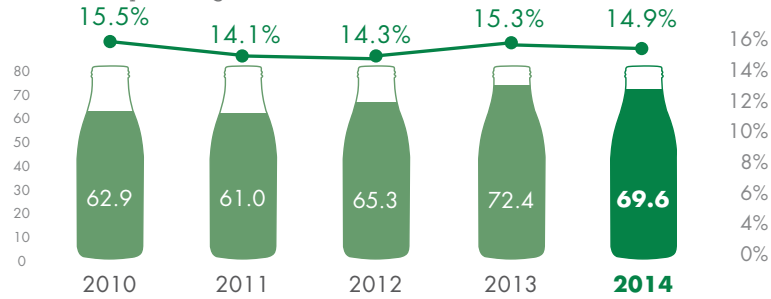
SALES

EUR Million



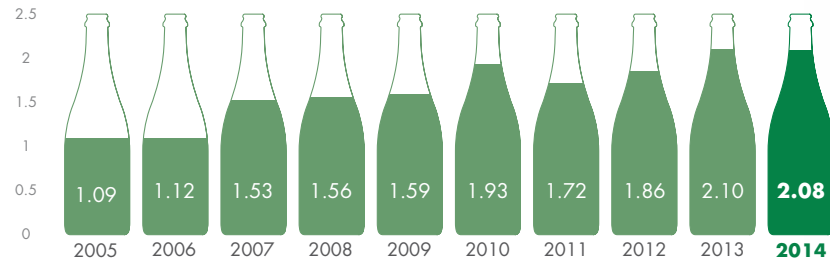
OPERATING INCOME (EBIT) AND EBIT MARGIN

EUR million and percentage of sales



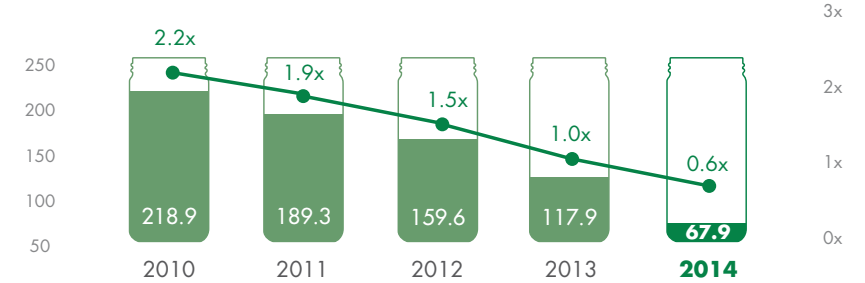
EARNINGS PER SHARE

EUR/share



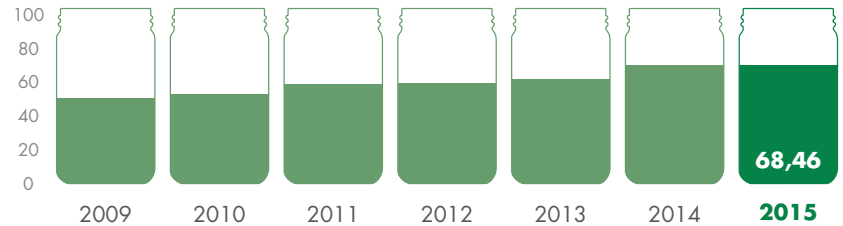
NET DEBT AND NET DEBT / EBITDA

EUR million and times EBITDA



CASH DIVIDENDS (INCLUDES AGM ATTENDANCE BONUSES)

EUR cents/share

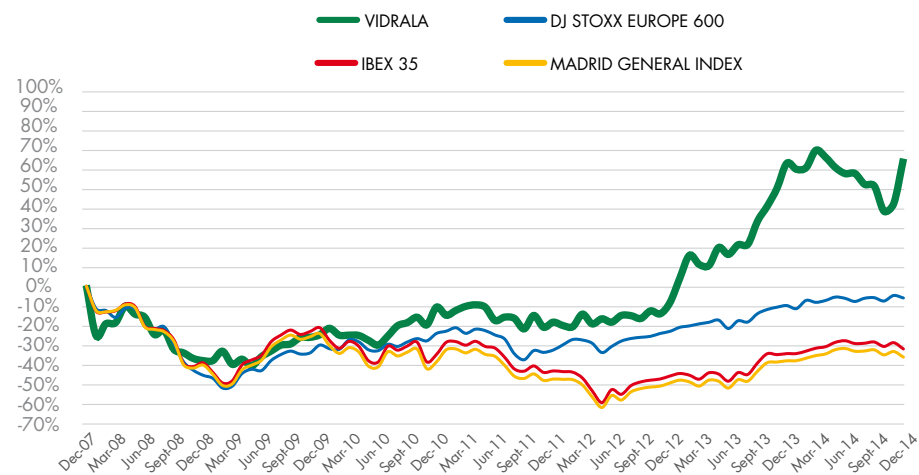


RELEVANT FIGURES

EUR Million	2010	2011	2012	2013	2014
Net Sales	405.9	433.2	456.9	472.9	468.4
Operating Profit (EBIT)	62.9	61.0	65.3	72.4	69.6
Net Profit	49.6	43.7	46.5	52.3	51.6
Total Assets	699	697	695	700	669
Shareholders' Equity	287	312	338	375	404
Net Debt	219	189	160	118	68
Market cap	511.6	456.1	502.0	897.5	942.2
Earnings per share (EUR per share)	1.93	1.72	1.86	2.10	2.08

SHARE PRICE.
COMPARED IN PERCENTAGE TERMS.

Base 2008





ANNUAL REPORT





KPMG Auditores S.L.
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Planta 7^a
48009 Bilbao

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 subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto.

Directors' responsibility for the consolidated annual accounts

The Directors are responsible for preparing the accompanying consolidated annual accounts in such a way that they present fairly 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 measures as are considered 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 the accompanying 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 that we 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 the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual accounts taken as a whole.

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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 present fairly, in all material respects, the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2014, and 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 (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2014 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 2014. 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

19 February 2015

CONSOLIDATED BALANCE SHEETS

31 December 2014 and 2013 (Expressed in thousands of Euros)

	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	5	427.0	443.8
Goodwill	6	325.9	331.5
Other intangible assets	6	59.2	59.2
Deferred tax assets	6	9.0	11.5
Derivative financial instruments	8	32.5	41.0
Other non-current assets	7	0.2	0.4
		0.1	0.1
Current assets			
Inventories	9	242.3	256.2
Trade and other receivables	10	123.7	126.5
Current tax assets		105.9	106.1
Other current assets		2.3	1.5
Cash and cash equivalents	11	10.5	22.0
		0.1	0.1
Total assets		669.4	700.0

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

CONSOLIDATED BALANCE SHEETS

31 December 2014 and 2013 (Expressed in thousands of Euros)

	Note	2014	2013
EQUITY AND LIABILITIES			
Shareholders' Equity	12	404.5	374.5
Share capital		25.3	24.5
Other reserves		5.2	5.6
Retained earnings		386.6	363.1
Treasury stock		-0.2	-6.1
Other comprehensive income		-0.5	-1.1
Interim dividend		-11.9	-11.4
Non-current liabilities			
		105.3	144.6
Deferred income	13	23.3	26.8
Loans and borrowings	14	37.6	72.4
Derivative financial instruments	7		1.5
Deferred tax liabilities	8	39.1	37.9
Provisions	18	5.4	6.1
Current liabilities			
		159.6	180.8
Loans and borrowings	14	30.4	45.6
Derivative financial instruments	7	0.7	0.0
Trade and other payables	15	99.9	104.8
Current tax liabilities		5.9	3.7
Provisions	18	0.3	1.3
Other current liabilities	11	22.2	25.4
Total shareholders' equity and liabilities		669.4	700.0

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

CONSOLIDATED INCOME STATEMENTS

31 December 2014 and 2013 (Expressed in thousands of Euros)

	Note	2014	2013
Revenue	21	468,828	473,645
Other income	21	5,282	5,610
Change in inventories of finished goods and work in progress		(4,447)	13,879
Merchandise, raw materials and consumables used		(159,973)	(170,961)
Employee benefits expense	23	(96,287)	(99,980)
Amortisation and depreciation	5 y 6	(38,972)	(38,092)
Impairment of non-current assets	5	27	(3,518)
Provision surpluses		-	24
Other expenses	22	(104,921)	(108,253)
Finance income	24	91	36
Finance costs	24	(3,472)	(4,904)
Profit before income tax from continuing operations		66,156	67,486
Income tax expense	8	(14,549)	(15,178)
Profit for the year from continuing operations		51,607	52,308
Profit for the year		51,607	52,308
Profit for the year attributable to equity holders of the Parent		51,607	52,308
Earnings per share (expressed in Euros)			
Basic and diluted		2,08	2,20

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

31 December 2014 and 2013 (Expressed in thousands of Euros)

	Note	2014	2013
Profit for the year		51,607	52,308
Other Comprehensive Income:			
Entries for reclassification to profit or loss			
Cash flow hedges	12	760	488
Tax effect		(213)	(136)
Other comprehensive income, net of income tax		547	352
Total comprehensive income for the year		52,154	52,660
Total comprehensive income attributable to equity holders of the Parent		52,154	52,660

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



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

31 December 2014 and 2013 (Expressed in thousands of Euros)

	Equity attributable to equity holders of the Parent						Total equity
	Share capital	Other reserves	Retained earnings	Own shares	Cash flow hedges Other comprehensive income	Interim dividend paid during the year	
Balances at 31 December 2012	24,452	5,605	322,527	(2,748)	(1,412)	(9,952)	338,472
Total comprehensive income for the year	-	-	52,308	-	352	-	52,660
Own shares redeemed	-	-	-	(6,498)	-	-	(6,498)
Own shares sold	-	-	1,502	3,137	-	-	4,639
Distribution of 2012 profit							
Dividends	-	-	(13,577)	-	-	9,952	(3,625)
Interim dividend on account of 2013 profit	-	-	-	-	-	(11,411)	(11,411)
Other movements	-	-	306	(16)	-	-	290
Balances at 31 December 2013	24,452	5,605	363,066	(6,125)	(1,060)	(11,411)	374,527
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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

31 December 2014 and 2013 (Expressed in thousands of Euros)

	Note	2014	2013
Cash flows from operating activities			
Profit for the year		51,607	52,308
Adjustments for:			
Amortisation and depreciation	5 y 6	38,972	38,092
Impairment of non-current assets	5	(29)	3,518
(Reversal of) impairment losses on trade receivables		500	635
(Reversal of) impairment losses on inventories		2,065	1,408
Exchange (gains)/losses	24	12	68
Changes in provisions	18	3,222	5,744
Government grants recognised in the income statement		(3,847)	(7,406)
Finance income	24	(91)	(36)
Finance costs	24	3,460	4,836
(Gain)/loss on sale of property, plant and equipment		-	-
Income tax	8	14,549	15,178
		58,813	62,037
Changes in working capital, excluding the effect of acquisitions and translation differences			
Inventories		730	(15,245)
Trade and other receivables		11,292	(3,959)
Trade and other payables		(4,964)	5,950
Application of provisions		(1,392)	(434)
Other current liabilities		-	-
Cash (used in)/generated from operating activities		5,666	(13,688)
Interest paid		(3,460)	(4,836)
Interest received		91	36
Income tax paid		(5,893)	(10,135)
Other amounts received		(75)	290
Net cash from operating activities		106,749	86,012

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

Continued on next page ►

CONSOLIDATED STATEMENTS OF CASH FLOWS

31 December 2014 and 2013 (Expressed in thousands of Euros)

	2014	2013
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	289	883
Proceeds from sale of intangible assets	6	41
Proceeds from sale of financial assets	4	72
Interest received	-	-
Acquisition of property, plant and equipment	(34,540)	(28,292)
Acquisition of intangible assets	(1,033)	(1,510)
Acquisition of financial assets	146	(119)
Net cash from operating activities	(35,128)	(28,925)
Cash flows from financing activities		
Proceeds from issue of own shares and own equity instruments	1,564	4,639
Proceeds from loans and borrowings	-	39,100
Payments relating to redemption of own shares and other own equity instruments	(7,623)	(6,498)
Payments relating to loans and borrowings	(50,014)	(81,498)
Dividends paid	(15,602)	(13,577)
Other	-	-
Net cash used in financing activities	(71,675)	(57,834)
Net increase/(decrease) in cash and cash equivalents	(54)	(747)
Cash and cash equivalents at 1 December	116	863
Cash and cash equivalents at 31 December	62	116

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



1. Nature, Activities and Composition of the Group

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

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

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2014 and 2013 and the address and activity of each company that forms part of the consolidated group, are as follows:

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

(*) Limited review of the financial statements by KPMG

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 2014 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 2014, 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 2014, authorised for issue on 19 February 2015, will be approved without changes by the shareholders at their annual general meeting.

(a) Basis of preparation of the annual accounts

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

(b) Comparative information

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



(c) Relevant accounting estimates 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, are as follows:

(i) Relevant accounting estimates and assumptions

- Goodwill impairment:

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

- 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.



-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 2014 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 2014, future events may require changes to these estimates in subsequent years. The effect on the consolidated annual accounts of modifications resulting from adjustments to be made in subsequent years are recognised prospectively.



(d) Standards 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 is based on the entity's business model and the characteristics of the financial asset's contractual cash flows.

The Group will assess the impact of this standard for the first year in which it becomes effective.

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

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



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 are considered as indicative of impairment of the transferred assets.

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

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

(b) 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

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

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

Subsequent costs

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

Impairment

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



(d) Intangible assets

(i) Goodwill

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

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

(ii) Internally generated intangible assets

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

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

- The Group has technical studies that demonstrate the feasibility of the production process.
- The Group has undertaken a commitment to complete production of the asset to make it available for sale (or internal use).

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

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

(iii) CO₂ emission allowances

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



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

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

(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.

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 records

The Group has the right 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 substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument set out in IAS 32 Financial Instruments: Presentation.

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

(ii) Offsetting principles

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

(iii) Loans and receivables

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

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

(iv) Impairment and uncollectibility of financial assets

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

- **Impairment of financial assets carried at amortised cost**

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

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.



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

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

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



(l) Cash and cash equivalents

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

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

(m) Government grants

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

(i) Capital grants

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

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

(ii) Operating grants

Operating grants are recognised under other income.

(iii) Interest-rate grants

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

(n) Employee benefits

(i) Defined contribution plans

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

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

(ii) Other commitments with employees

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



(iii) Termination benefits

Termination benefits are recognised 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.

(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.

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

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

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

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

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases.

(ii) Deductible temporary differences

Deductible temporary differences are recognised provided that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

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

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

(iii) Measurement

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

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

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

(iv) 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.

(t) Foreign currency transactions and balances

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

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

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

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

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

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



4. Segment Reporting

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

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

At 31 December 2014 and 2013 the Group comprises the following operating segments:

- Spain
- European Union

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

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

	Thousands of Euros	
	2014	2013
Spain	231,104	286,012
European Union	237,725	187,633
	468,828	473,645

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

Non-current assets attributed to foreign countries and Spain amount to Euros 171,219 thousand and Euros 255,816 thousand, respectively (Euros 182,471 thousand and Euros 263,527 thousand, respectively, at 31 December 2013).

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

Area/location	Thousands of Euros			
	2014		2013	
	Profit before income tax from continuing operations	Profit after income tax	Profit before income tax from continuing operations	Profit after income tax
Spain	71,926	59,688	58,277	46,063
European Union	(5,770)	(8,081)	9,209	6,245
	66,156	51,607	67,486	52,308

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

Area/location	Thousands of Euros			
	2014		2013	
	Costs	Income	Costs	Income
Spain	2,902	84	4,160	25
European Union	570	7	744	11
	3,472	91	4,904	36

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:

Area/location	Thousands of Euros			
	2014		2013	
	Spain	European Union	Spain	European Union
Impairment (reversal) of receivables	500	-	292	208
Impairment of inventory	67	260	-	232
Changes in provisions	(22)	-	(97)	(44)
	545	260	195	396

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

Area/location	Thousands of Euros					
	2014			2013		
	Assets	Liabilities	Investments during the year	Assets	Liabilities	Investments during the year
Spain	378,342	109,309	30,620	398,531	133,559	16,927
European Union	199,229	48,498	6,589	206,206	43,268	11,979
	577,571	157,807	37,209	604,737	176,827	28,906

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 2014 and 2013 comprise additions of property, plant and equipment (see note 4) and intangible assets (see note 5) and do not reflect the value of emission allowances allocated for the year (see note 5).

The sum of impairment losses and amortisation and depreciation by segments for 2014 and 2013 is as follows:

Area/location	Thousands of Euros			
	2014		2013	
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets
Spain	22,798	1,739	22,657	1,589
European Union	14,429	8	17,356	8
	37,227	1,747	40,013	1,597

5. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2014 and 2013 are as follows:

2014	Thousands of Euros				Balances at 31.12.14
	Balances at 31.12.13	Additions	Disposals	Transfers	
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
Under construction	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

Continued ►

Thousands of Euros

2013	Balances at 31.12.12	Additions	Disposals	Transfers	Balances at 31.12.12
Cost					
Land and buildings	196,220	621	-	154	196,995
Technical installations and machinery	464,253	7,242	(632)	8,032	478,895
Moulds	47,334	3,269	(692)	-	49,911
Furniture	6,401	374	-	-	6,775
Other property, plant and equipment	3,537	48	(58)	-	3,527
Under construction	18,308	15,842	(821)	(8,096)	25,233
	736,053	27,396	(2,203)	90	761,336
Depreciation					
Land and buildings	65,784	4,721	-	-	70,505
Technical installations and machinery	285,041	27,363	(210)	-	312,194
Moulds	29,778	3,887	(692)	-	32,973
Furniture	5,507	282	-	-	5,789
Other property, plant and equipment	2,540	242	(58)	-	2,724
	388,650	36,495	(960)	-	424,185
Impairment					
Moulds	2,091	3,518	-	-	5,609
Carrying amount	345,312				331,542

(a) Government grants received

Deferred income in the consolidated balance sheet includes government grants received for investments made by group companies in property, plant and equipment. Income pending recognition from these grants amounts to Euros 9,766 thousand at 31 December 2014 (Euros 10,978 thousand at 31 December 2013) (see note 13).

(b) Commitments

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

	Thousands of Euros	
	2014	2013
Technical installations and machinery	5,160	16,112

(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 2014 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 162 million (Euros 160 million at 31 December 2013).



6. Intangible Assets

Details of intangible assets and movement during 2014 and 2013 are as follows:

Thousands of Euros						
2014	R&D expenditure	Goodwill	Emission allowances	Computer software	Under construction	Total
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

Continued ►

Thousands of Euros

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

(a) Emission allowances

In 2014 an amount of Euros 3,467 thousand (Euros 3,383 thousand in 2013) has been paid to public entities with a charge to the provision for emission allowances (see note 18).

The cost of emission allowances for 2014, which have been recorded against the corresponding provision (see note 18), amounted to Euros 2,464 thousand and mainly consists of the estimated consumption of emission allowances for 2014 of 474,078 tonnes (525,723 tonnes in 2013).

Movement in the number of allowances in 2014 and 2013 is as follows:

	Free of charge
Balance at 31 December 2012	689,293
Additions	352,859
Purchases	218,816
Deliveries	(479,732)
Balance at 31 December 2013	781,236
Additions	346,533
Purchases	100,000
Deliveries	(521,469)
Balance at 31 December 2014	706,300

(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:

Cash Generating Unit	Country	Thousands of Euros	
		2014	2013
Gallo Vidro	Portugal	20,799	20,799
Castellar	Spain	26,155	26,155
Vidrala Italia	Italy	12,279	12,279

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

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

Growth rate	Discount rate before tax		
	2014	2013	
Gallo Vidro	1.5%	8.49%	11.35%
Castellar	1.5%	8.94%	11.41%
Vidrala Italia	1.5%	9.51%	11.05%

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

Based on the recoverable amounts resulting from the analysis carried out, goodwill is not impaired at 31 December 2014 and 2013. There are deemed to be no reasonably possible changes in the key assumptions which would result in the carrying amount of the CGU exceeding its recoverable amount, thus giving rise to impairment. The sensitivity analyses were performed by stressing the discount rate by +/-5% and the perpetuity growth rate by +/-2.5%, and goodwill would remain unimpaired. No impairment losses would thus have to be recognised on either goodwill or property, plant and equipment.

7. Derivative Financial Instruments

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Interest rate swaps	-	713	-	1.472
Interest rate caps	40	-	182	-
Energy price caps	207	-	211	-
Total	247	713	393	1.472

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 interest rate instruments are determined by direct reference to observable market interest rate curves at the measurement date.

The Group applies hedge accounting to interest rate swaps.

These hedging instruments, contracted between 2011 and 2014, have an accumulated nominal of Euros 90,000 thousand at 31 December 2014 (Euros 80,000 thousand in 2013). Under these contracts, effective until 2017, Vidrala will pay a fixed interest rate of between 0.25% and 3.4%.

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

	Thousands of Euros Income/(Expenses)	
	2014	2013
Other comprehensive income	67	(328)
Reclassification to finance costs	693	816
	760	488

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

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



8. Income Tax

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

Deferred tax liabilities	Thousands of Euros					
	Goodwill	Property, plant and equipment	Depreciation and amortisation	Financial assets	Other	Total
At 31 December 2012	6,249	14,283	1,930	12	3,803	26,277
Debit (credit) to income statement	12,111	(490)	-	-	44	11,665
At 31 December 2013	18,360	13,793	1,930	12	3,847	37,942
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

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



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	
	2014	2013
Deferred tax assets	21,234	38,205
Deferred tax liabilities	(38,351)	(37,254)
	(17,117)	951

Deferred taxes on items debited/(credited) directly to other comprehensive income in 2014, corresponding to cash flow hedges, amounted to Euros (213) thousand and Euros (136) thousand at 31 December 2013.

Details of the income tax expense are as follows:

	Thousands of Euros	
	2014	2013
Current tax		
Present year	9,150	7,510
Prior years' adjustments	(1,745)	362
Deferred tax		
Source and reversal of temporary differences	5,108	9,570
Expense for reduction in deferred tax assets	5,125	-
Prior years' adjustments	(825)	-
Deferred income taken to income tax (note 13)	(2,264)	(2,264)
Total	14,549	15,178

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

	Thousands of Euros	
	2014	2013
Profit for the year before income tax from continuing operations	66,157	67,485
Tax calculated at the tax rate of each country	17,858	15,966
Deductions for the year	(761)	(95)
Capitalisation of deductions for shortfall in income tax	-	(336)
Prior years' adjustments	(2,570)	362
Expense for reduction in deferred tax assets	5,125	-
Deferred income taken to income tax (note 13)	(2,264)	(2,264)
Permanent differences	(2,839)	1,545
Income tax expense	14,549	15,178

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 5,003 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 1,352 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.

Prior years' adjustments mainly consist of deductions capitalised in the final income tax return, as well as the aforementioned 60% reduction in taxable income for 2013, which was not taken into account in the estimation of income tax in the 2013 annual accounts.

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 2014 all main applicable taxes since 31 December 2009 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 2014 consolidated annual accounts taken as a whole.



9. Inventories

Details of inventories are as follows:

	Thousands of Euros	
	2014	2013
Raw materials	5,375	5,205
Auxiliary and production materials:	35,338	33,703
Finished goods and work in progress	92,832	95,367
	133,545	134,275
Impairment	(9,876)	(7,811)
	123,669	126,464

At 31 December 2014 and 2013, there are no inventories with a recovery period of more than 12 months from the consolidated balance sheet date.

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

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

10. Trade and Other Receivables

Details of trade and other receivables are as follows:

	Thousands of Euros	
	2014	2013
Trade receivables	110,910	110,723
Personnel	103	220
Other loans	1,076	884
Less impairment due to uncollectibility	(6,235)	(5,735)
Total	105,854	106,092

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 customers worldwide.

At 31 December 2014 and 2013 the Company has no trade and other receivables discounted at financial institutions.

At 31 December 2013 personnel included Euros 153 thousand in loans to management personnel (see note 26(b)).



11. Other Current Assets and Liabilities

Details of other current assets are as follows:

	Thousands of Euros	
	2014	2013
Public entities		
Value added tax	7,811	19,097
Grants	2,427	2,804
Other items	239	130
	10,477	22,031

Details of other current liabilities are as follows:

	Thousands of Euros	
	2014	2013
Public entities		
Value added tax	14,559	18,676
Withholdings and payments on account	6,647	4,667
Social Security	1,006	1,475
Other	28	564
	22,240	25,382

12. Equity

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

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

(a) Capital

Movement of issued and outstanding shares in 2014 and 2013 is as follows:

	Thousands of Euros			
	shares outstanding	Ordinary shares	Own shares	Total
At 31 December 2012	23,854,024	24,452	(2,748)	21,704
Acquisition of own shares	(236,069)	-	(6,498)	(6,498)
Sale of own shares	167,356	-	3,121	3,121
At 31 December 2013	23,785,311	24,452	(6,125)	18,327
Acquisition of own shares	(307,070)	-	(10,051)	(10,051)
Sale of own shares	483,243	-	2,553	2,553
Share capital increase/decrease	821,636	-	13,387	13,387
At 31 December 2014	24,783,120	24,452	(236)	24,216

At 31 December 2014 the share capital of Vidrala, S.A. is represented by 24,794,341 ordinary shares (23,972,705 in 2013), represented by book entries of Euros 1.02 par value each, fully paid and listed on the Spanish organised stock market. No company directly or indirectly holds more than 10% of share capital.

These shares are freely transferable.

At the Vidrala, S.A. annual general meeting held on 29 May 2014, the shareholders agreed to authorise the directors to carry out a derivative acquisition of own shares, either directly or indirectly through Group companies, in accordance with articles 146 and 509 of the Spanish Companies Act, thus rendering null and void the authorisation granted to the directors by the shareholders at their annual general meeting held on 13 June 2013 to reduce share capital in order to redeem own shares.

By virtue of the powers delegated by the shareholders at their annual general meeting held on 29 May 2014, at the meeting held on 25 September 2014 the directors agreed to increase the Company's share capital by Euros 1,223 thousand, equivalent to 1,198,636 shares of Euros 1.02 par value each, with a charge to freely distributable reserves. Furthermore, at the meeting held on 10 December 2014 the directors agreed to reduce the Company's share capital by Euros 384 thousand through the redemption of 377,000 own shares with a par value of Euros 1.02 each.

In 2014 and 2013, 307,070 and 236,069 Parent shares were acquired on the organised market for Euros 10,051 thousand and Euros 6,498 thousand, respectively.

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

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

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

During 2014 the strategy has not changed compared to 2013, and the ratios for 2014 and 2013 were determined as follows:

	Thousands of Euros	
	2014	2013
Total equity	404,465	374,527
Total equity and liabilities	669,352	699,988
Total equity/total equity and liabilities	60,42%	53,50%

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	
	2014	2013
Net financial debt	67,948	117,908
Equity	404,465	374,527
Debt ratio	0,17	0,31

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

As a result, year-end solvency indicators show a debt-to-equity ratio of 0.17 and debt equivalent to 0.63 times EBITDA for 2014. The interest coverage ratio, measured as EBITDA for the year divided by interest expenses, is 31.2.

(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.

(c) Other comprehensive income

Movement in accounts under other comprehensive income during 2014 and 2013, comprising cash flow hedges and their tax effect, is as follows

	Thousands of Euros		
	Cash flow hedges	Tax effect	Net
Balances at 31 December 2012	(1,961)	549	(1,412)
Income and expenses generated during the year	(328)	92	(236)
Reclassification to profit or loss	816	(228)	588
Balances at 31 December 2013	(1,473)	413	(1,060)
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)

(d) Dividends and restrictions on distribution of dividends

Total dividends distributed by Vidrala, S.A. to shareholders in 2014 amounted to Euros 15,602 thousand (Euros 13,577 thousand in 2013), which is equivalent to Euros 0.6546 per share outstanding (Euros 0.5692 in 2013). The dividends reflect the distribution of 2013 profit.

The distribution of Company profits and reserves for the year ended 31 December 2013, approved by the shareholders at their annual general meeting held on 29 May 2014, was as follows:

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

On 10 December 2014 the directors agreed to distribute an interim dividend of Euros 0.4798 per share to shareholders, totalling Euros 11,891 thousand, which was paid on 13 February 2015.

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 2014	
Projected profit after income tax to 31.12.2014	
Interim dividend distributed	15,602
Forecast cash flow for the period 10 December 2014 to one year later	
Cash and cash equivalents at the date of the agreement	
Credit facilities available at the agreement date	69,294
Projected operating receipts and payments (net)	37,010
Projected cash and cash equivalents one year from date of agreement	106,304
Credit facilities available (one year later)	85,333

The proposed distribution of 2014 profit and other Parent company reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

Basis of allocation	Euros
Profit for the year	56,033,668.96
Distribution	
Other reserves	39,808,677.17
Interim dividend	11,890,940.98
Dividend	4,334,050.81
	56,033,668.96

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

13. Deferred Income

Details of this caption are as follows:

	Thousands of Euros	
	2014	2013
Capital grants (note 5(a))	9,766	10,978
Tax credits for investments	13,542	15,806
	23,308	26,784

In 2014 the Group incorporated additional capital grants amounting to Euros 2,195 thousand (Euros 3,087 thousand in 2013), of which Euros 1,836 thousand was taken to income during the year (Euros 1,612 thousand in 2013) (see note 21).

Tax credits capitalised in 2004 and 2005 were recorded as deferred income and taken to the income statement in line with the depreciation of the financed assets, in the case of property, plant and equipment, or the recovery of the investments in the case of business combinations. Euros 2,264 thousand was taken to profit or loss as a reduction in income tax in 2014 and 2013 (see note 8).

14. Loans and Borrowings

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

	Thousands of Euros			
	2014		2013	
	Non-Current	Current	Non-Current	Current
Loans and borrowings	33,935	29,870	63,202	44,932
Other financial liabilities	3,637	397	9,187	411
Interest accrued	-	171	-	292
	37,572	30,438	72,389	45,635

Some of these contracts contain financial covenant clauses. At 31 December 2014 and 2013 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:

Tipo	Año de concesión	Año de vencimiento	Límite concedido/ valor nominal	Thousands of Euros	
				Corriente	No corriente
Préstamo	2014	2018	15,000	-	15,000
Crédito	2014	2017	15,000	-	14,935
Crédito	2010	2018	10,000	-	4,000
Crédito	2008-2013	2015	5,000	-	-
Crédito	2008	2016	10,000	-	-
Crédito	2010	2018	37,500	-	-
				-	33,935

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2014	2013
Between 1 and 2 years	889	47,259
Between 2 and 5 years	34,734	20,440
More than 5 years	1,949	4,690
	37,572	72,389

The credit facilities included under loans and borrowings have a combined limit of Euros 166 million and Euros 194 million at 31 December 2014 and 2013, respectively, of which Euros 103 million and Euros 86 million, respectively, were available for drawdown at those dates. Furthermore, in 2014 and 2013 the Company has a limit of Euros 20 million and Euros 22 million for the use of discounted notes, none of which was used in 2014 and 2013.

The average effective interest rates on loans and borrowings at the consolidated reporting date are approximately 2.41% and 2.74% APR for 2014 and 2013, 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.

15. Trade and Other Payables

Details of trade and other payables are as follows:

	Thousands of Euros	
	2014	2013
Trade payables	76,085	76,550
Salaries payable	10,524	11,107
Dividends to shareholders	11,891	11,411
Suppliers of fixed assets	1,284	4,238
Other payables	93	1,480
	99,877	104,786

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



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

At 31 December 2014 the balance payable to suppliers for which the maximum legal payment period under Law 15/2010 of 5 July 2010 has been exceeded is Euros 3,879 thousand (Euros 1,451 thousand in 2013).

Details of late payments to suppliers for the years ended 31 December 2014 and 2013 are as follows:

	Payments made and outstanding at the reporting date	
	2014	
	Thousands of Euros	%
Within the maximum legal period	355,233	76.71
Other	107,419	23.29
Total payments for the year	462,652	
Weighted average late payment days	25,94	

	Payments made and outstanding at the reporting date	
	2013	
	Thousands of Euros	%
Within the maximum legal period	350,140	75.91
Other	111,147	24.09
Total payments for the year	461,287	
Weighted average late payment days	24,93	



17. Risk Management Policy

Business risks

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

Operational risk

The Company carries out process-intensive industrial manufacturing activity that is subject to inherent risks linked to routine operations. In 2014, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

Potential operating risks include the following:

i. Environmental risks

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

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

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this, all of the Group's production installations availed of ISO 14001:2004 certification in 2014. The Group as a whole thus operates under the guidelines of a global, verified and recognised environmental management system.

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

ii. Occupational health and safety

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

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

iii. Supply chain risk

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

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

With regard to inventory risk, internal measures continued to be implemented in 2014 to optimise controls over the volume of inventories, their quality, ageing and rotation. These controls resulted in the implementation of new automated stock monitoring processes and the subsequent application of specific measures, which in 2014 have given rise to adjustments in the value of inventories in the Group's income statement.

Financial risk

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

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

The most relevant financial risks identified are as follows:

i. Currency risk

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

As a result of this risk control policy, at the 2014 close the Group has forward US Dollar exchange contracts (import insurance) for a volume of EUR 4.0 million.

As regards total forecast imports of raw materials in US Dollars for 2014, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would not vary.

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 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). The Group generally obtains long-term variable rate borrowings and swaps these for fixed interest rates or limits variable interest on borrowings. These are normally at lower rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps, the Group undertakes to periodically exchange the difference between fixed and variable interest with other financial entities. The difference is calculated based on the contracted notional amount. Under interest rate caps the Group has the right, and the counterparty the obligation, to settle the difference between the variable interest rate and the stipulated rate if this is positive. The effectiveness of these instruments at fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

As a result of this risk control policy, it is expected that approximately 80% of debt to be serviced in 2015 will be covered by interest rate hedging instruments.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates in 2014 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.1% lower due to the higher borrowing costs of variable rate debt.

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 limits for each customer considering variables such as the segment or geographical area in which they operate and preparing detailed individual ratings typical of credit control systems, using a proprietary rating system.

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

The impact of bad trade debts and credit insurance premiums on the income statement in 2014 was Euros 0.85 million (Euros 0.84 million in 2013), equivalent to 0.18% of turnover (0.17% in 2013).

Aged, non-impaired receivables past due by more than 90 days at 31 December 2014 amount to Euros 1.6 million (Euros 1.7 million at 31 December 2013).

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

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



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 2014 the Group had Euros 103 million in immediately available, undrawn credit, representing 152% of total debt.

Details of the Group's exposure to liquidity risk at 31 December 2014 and 2013 are shown below. The following tables reflect the analysis of financial liabilities by contractual maturity date:

Thousands of Euros						
2014						
	1 year	2 years	3 years	4 years	5 years	Other
Loans and borrowings	30,143	737	3,130	32,133	695	1,904
Trade and other payables	99,877	-	-	-	-	-

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



v. Debt and solvency

At year end the Company had a net debt of Euros 67.9 million, 42.4% lower than the previous year.

As a result, indicators of financial solvency have improved, with a debt-to-equity ratio of 0.17, and debt equivalent to 0.63 times EBITDA (defined as gross operating profit) for the year. The interest coverage ratio, measured as EBITDA for the year divided by interest expenses, is 31.2.

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.

18. Provisions

Movement in provisions in 2014 and 2013 was as follows:

	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

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

In 2004 the Group reached agreements with the workforce of one of its production plants whereby previously established pension commitments were rescinded. Consequently, a provision for the amounts payable to the workers under the commitments was recognised based on actuarial studies. This provision amounted to Euros 211 thousand and Euros 215 at 31 December 2014 and 2013, respectively. Additionally, at 31 December 2014 and 2013, current and non-current provisions for personnel included Euros 748 thousand and Euros 780 thousand, respectively, for commitments with personnel from other Group companies in accordance with the legal requirements of the country of origin (see note 3.n). The provision for this last item was calculated based on an actuarial study, the most important assumptions of which are as follows:

	2014	2013
Annual discount rate	2.00%	3.17%

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

The provision for emission allowances includes the estimated consumption of emission allowances in 2014 and 2013 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
	2013	Charges	Transfers	Applications/ reversals	
Provisions for personnel	90	147	(43)	(183)	11
Other items	1,217	15	-	(908)	324
	1,307	162	(43)	1,091	335

19. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 25,596 thousand (Euros 26,329 thousand in 2013). These guarantees mainly comprise those extended to public entities for commitments assumed. The Group's directors do not expect any significant liabilities to arise from these guarantees.

20. Environmental Information

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

The total cost of initiatives taken by the Vidrala Group in 2014 to comply with the Kyoto Protocol and emissions analyses amounted to Euros 117 thousand (Euros 120 thousand in 2013).

Environmental expenses mainly related to waste management incurred during 2014 totalled Euros 905 thousand (Euros 878 thousand in 2013).

Environment-related plant investments came to Euros 1,492 thousand (Euros 564 thousand in 2013).

21. Revenue and Other Income

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

Details of other income are as follows:

	Thousands of Euros	
	2014	2013
Operating grants	118	186
Capital grants taken to income (note 13)	1,836	1,612
Grants for emission allowances	1,816	1,839
Reversals of losses from uncollectible trade and other receivables (note 10)	-	97
Other income	1,512	1,876
	5,282	5,610



22. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2014	2013
External services	19,121	19,716
Electricity	21,972	26,279
Sales expenses	53,180	51,423
Emission allowances consumed (note 18)	2,464	2,332
Taxes	1,915	1,715
Impairment and uncollectibility of trade and other payables (note 10)	500	732
Other operating expenses	5,769	6,056
	104,921	108,253

23. Employee Benefits Expense

Details of the employee benefits expense in 2014 and 2013 are as follows:

	Thousands of Euros	
	2014	2013
Salaries and wages	72,931	77,322
Contributions to defined contribution plans	395	715
Other employee benefits	22,156	21,215
Contributions to other long-term employee benefits note 18)	805	728
	96,287	99,980

The average headcount of the Group in 2014 and 2013, distributed by category, is as follows:

	Average headcount	
	2014	2013
Senior management	31	31
Middle management	187	184
Administrative staff	247	240
Operatives	1,398	1,436
	1,863	1,891



At the 2014 and 2013 year end, the distribution by gender of Group personnel and the members of the board of directors is as follows:

	Number			
	2014		2013	
	Female	Male	Female	Male
Board members	2	8	1	9
Management	2	29	2	29
Middle management	24	163	20	163
Administrative staff	68	180	71	168
Operatives	43	1.354	46	1.390
	139	1,734	140	1,759

24. Finance Income and Finance Costs

Details of finance income and finance costs are as follows:

	Thousands of Euros	
	2014	2013
Finance income		
Other finance income	91	36
Total finance income	91	36

	Thousands of Euros	
	2014	2013
Finance costs		
Interest on loans and borrowings	2,362	3,514
Hedging derivatives	693	816
Exchange losses	12	68
Other finance costs	405	506
Total gastos financieros	3,472	4,904



25. Earnings per Share

(a) Basic

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

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

	2014	2013
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	51,607	52,308
Weighted average number of ordinary shares outstanding (thousands)	24,776	23,824
Basic earnings per share (Euros per share)	2,08	2,20

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

	2014	2013
Ordinary shares outstanding at 1 January	23,823,715	23,854,024
Effect of own shares	952,566	(30,309)
Weighted average number of ordinary shares outstanding at 31 December	24,776,281	23,823,715

(b) Diluted

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

26. Related Party Balances and Transactions

(a) Trade operations

During 2014 and 2013 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 had extended interest-free loans to management personnel which fell due in 2014. These loans were included at their present value under other non-current assets and trade and other receivables in 2013 for Euros 153 thousand.

(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	
	2014	2013
Salaries and other current remuneration paid to employees, management and directors	4,992	4,876

During 2014 directors and senior management numbered 41 in total (41 in 2013).

(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 1,063 thousand (Euros 1,106 thousand in 2013).

27. Audit Fees

The firm auditing the annual accounts of the Group have accrued net fees for professional services during the years ended 31 December 2014 and 2013 as follows:

	Thousands of Euros	
	2014	2013
KPMG Auditores, S.L.		
Audit services	171	158
Other services	9	9
	180	167
Other companies affiliated with KPMG International		
Audit services	28	27
Other services	-	-
	28	27
Total KPMG	208	194

These amounts include all fees for services rendered during 2014 and 2013, irrespective of the date of invoice.

During 2014, other auditors have invoiced the Group audit fees of Euros 79 thousand (Euros 69 thousand in 2013).



28. Events after the Reporting Period

On 14 January 2015 the Vidrala Group, through its subsidiary Inverbeira Sociedad de Promoción de Empresas, S.A., acquired 100% of the share capital of Encirc Limited. The amount paid for this acquisition was Euros 408.6 million, which was paid in full at the transaction date.

DETAILS OF OTHER RESERVES AND RETAINED EARNINGS MOVEMENT

31 December 2014 and 2013 (Indirect method) (Expressed in thousands of Euros)

	Revaluation reserves	Legal reserve	Voluntary reserves	Reserves in fully consolidated companies	Profit for the year	Total
At 31 December 2012	371	5,234	181,052	94,933	46,542	328,132
Distribution of 2012 profit						
Reserves	-	-	14,384	18,581	(32,965)	-
Dividends	-	-	-	-	(13,577)	(13,577)
Own shares sold	-	-	1,502	-	-	1,502
Other movements	-	-	306	-	-	306
Profit for 2013	-	-	-	-	52,308	52,308
At 31 December 2013	371	5,234	197,244	113,514	52,308	368,671
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

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



2014 Business performance

MAIN FIGURES

EUR million

	Sales	Operating Profit (EBIT)	Earnings per share (EPS)	Free cash flow
2014	468.4	69.6	2.08	72.3
2013	472.9	72.4	2.10	56.7
Change 2014/2013	-1.0%	-3.9%	-1.0%	+27.5%

- Sales amounted during **2014** to **EUR 468.4 million**.
- **Operating profit** was **EUR 69.6 million**, representing an operating margin of 14.9%.
- Earnings per share reached **EUR 2.08**, down -1% from 2013.
- **Free cash flow** generated during the year **accumulated EUR 72.3 million, 28% higher** than the previous year.

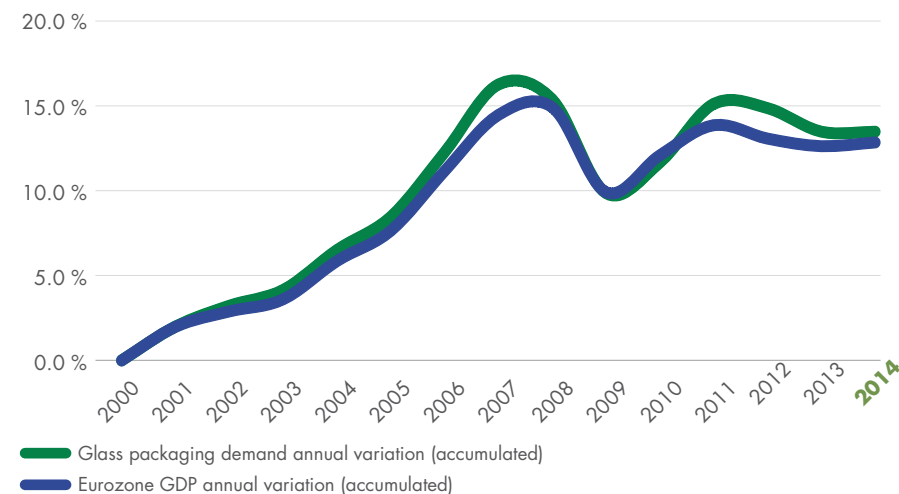
Market review

The general economic environment during 2014 evolved conditioned by previous years' disruptions. All over Europe, the economic deterioration started in 2008 has gradually turned into a more stable situation that should enable to foresee a cycle of recovery in the upcoming years.

The uncertain economic climate had an impact on internal demand, including the levels of consumption of food and beverages products for which Vidrala supplies packaging. Amidst the more normalized context observed in 2014, demand for glass packaging for food and beverages 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.

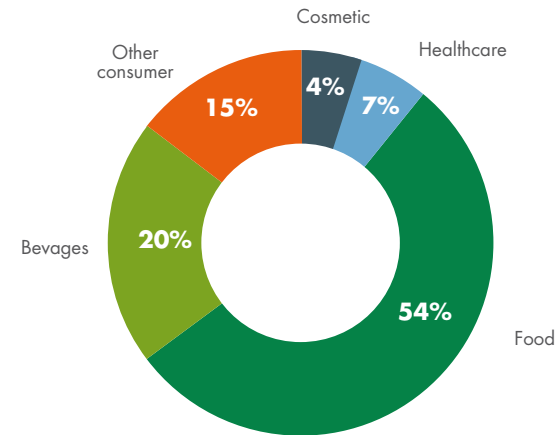
On a long-term perspective, the demand fundamentals for glass packaging remain solid. Modern lifestyles require efficient supply chains for food and beverages for which packaging plays an essential role. The container protects the product, preserves it and enables an efficient distribution. Furthermore, glass packaging helps the brand owner to promote its products, inform end users of the content and boost its image.

Consumers worldwide increasingly demand healthy packaging solutions, able to preserve the product and to show it through an attractive and recyclable design. As a result, glass is perceived as the preferred packaging material.

Global glass packaging production represents a dynamic and evolving industry. Worldwide, during 2014 more than 2 trillion of rigid containers for food and beverages were sold, representing an annual increase of c.4%. The main part of these containers is made of glass, the rest being made of plastic, cardboard and metal.

GLOBAL CONSUMER PACKAGING INDUSTRY BREAKDOWN BY END-USES

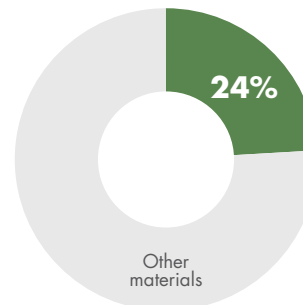
YEAR 2014



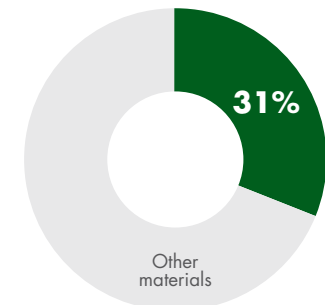
GLASS SHARE IN RIGID PACKAGING FOR FOOD AND BEVERAGES

YEAR 2014

Worldwide



In Western Europe

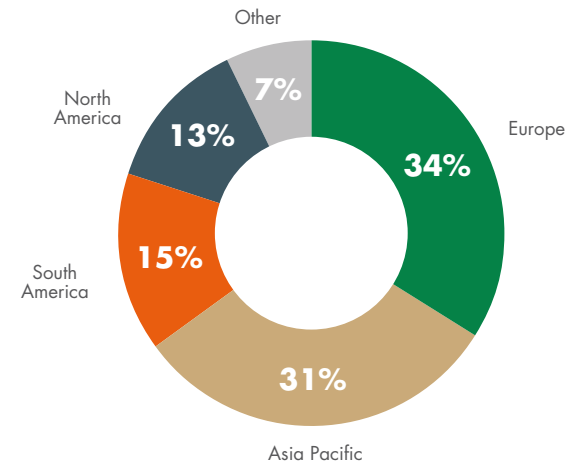


Glass guarantees the best packaging conditions, preserving the product fresh and healthy, minimizing expiration and reducing waste from spoilage making an essential contribution to a sustainable society. From an environmental point of view, glass is a unique material, fully recyclable an unlimited number of times. Furthermore, researches on health issues prove its unique properties of inertity.

In this global context, Western Europe remains the biggest area for consumption of glass containers. Western Europe is a region represented by largely developed economies where demographic and social features increasingly address consumption preferences towards premium products.

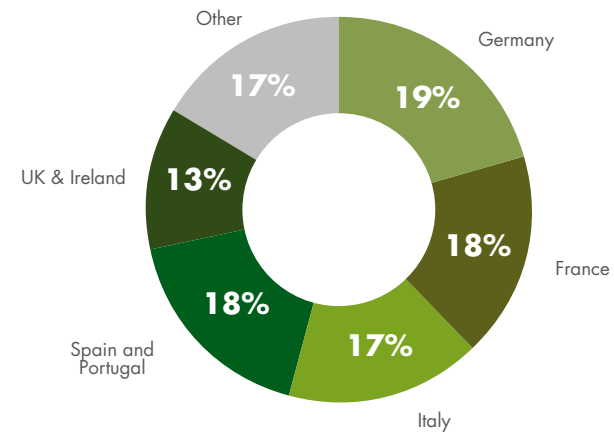
**GLOBAL GLASS PACKAGING INDUSTRY FOR FOOD AND BEVERAGES
BREAKDOWN BY GEOGRAPHIC REGION**

YEAR 2014



**EUROPEAN GLASS PACKAGING MARKET FOR FOOD AND BEVERAGES
BREAKDOWN BY COUNTRY**

YEAR 2014



Within this market structure, Vidrala firmly develops a solid value chain that starts with intensive capital investment efforts combined with the purchasing of raw materials, among which recycled products stand out, and continues with a complex industrial process of glass melting and moulding that finishes in the supply of quality glass containers with the aim of providing the highest levels of service for our customers, assuring supply on time and remaining responsive to their requests.

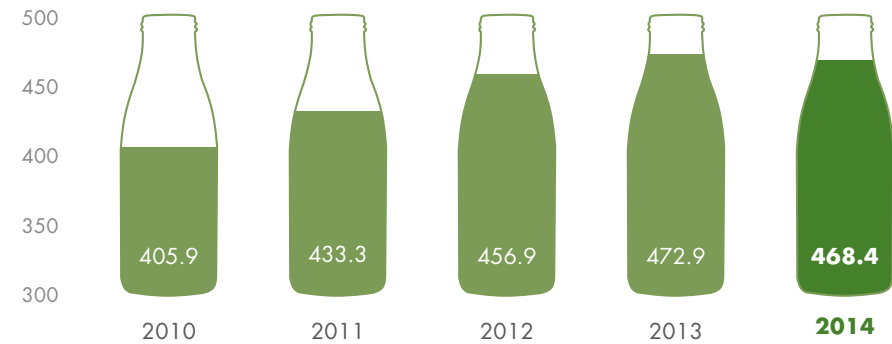


Operational review

Sales during 2014 amounted to EUR 468.4 million, down -1% from the previous year.

SALES ANNUAL ACCUMULATED SINCE 2010

EUR millions



Overall, the glass packaging industry remained conditioned by a weak market performance affecting profitability levels within the sector.

Vidrala's stable operating margins stand on the effects of internal actions implemented to secure cost competitiveness and operational efficiency.

As a result, operating profit, EBIT, during 2014 reached EUR 69.6 million, representing a margin over sales of 14.9%.

EBIT MARGIN ANNUAL ACCUMULATED SINCE 2005

EBIT as a percentage of sales



EUR in millions (except margins as a percentage of sales)

	2014	2013
Sales	468.4	472.9
Gross Operating Profit (EBITDA)	108.5	114.0
EBITDA Margin	23.2%	24.1%
Operating profit (EBIT)	69.6	72.4
EBIT Margin	14.9%	15.3%

Financial review

Financial expenses in 2014 amounted to 0.7% of sales. Tax rate stood at 22.0%. As a result, net profit amounted to EUR 51.6 million or EUR 2.08 per share.

EARNINGS PER SHARE (EPS ADJUSTED) SINCE 2004

EUR per share



EUR millions (except EPS in EUR/share)

	2014	2013
Operating Profit (EBIT)	69.6	72.4
Profit Before Tax	66.2	67.5
Net Profit	51.6	52.3
EPS	2.08	2.10

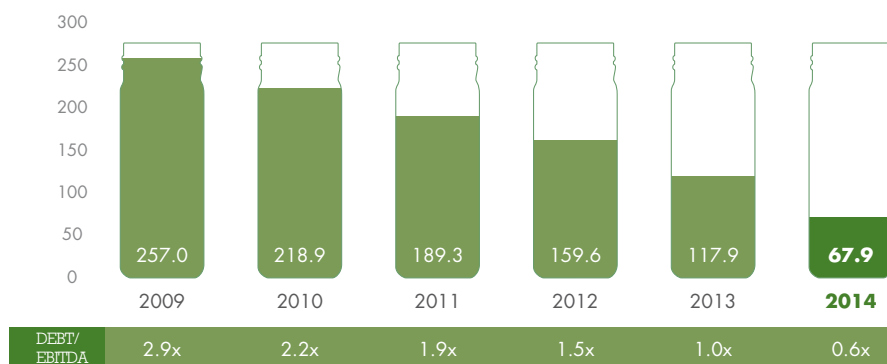
Free cash flow generated during 2014 reached EUR 72.3 million. The cash conversion ratio was 140% of net profit, founded on a disciplined capex plan and a tight control of working capital.

The generated cash was directed to remunerating shareholders through dividends and attendance bonuses (EUR 16.2 million) and share buybacks (EUR 6.1 million).

The remaining cash, amounting to EUR 50 million, was allocated to reduce debt, down to EUR 67.9 million. It represents a leverage ratio of 0.6 times the EBITDA of the last twelve months and a gearing ratio of 17%.

DEBT EVOLUTION

EUR in millions. Since 2009



As a conclusion, the achieved operating result combined with increasing cash flow generation and the subsequent stronger capital structure, resulted in improved return on capital employed. As a reference, ROCE stood at 11.5% at December 2014.

RETURN ON CAPITAL EMPLOYED (ROCE)*

Since 2009



*EBIT after taxes for the year/capital employed for the year

EUR millions (except ROCE in %)

	2014	2013
Free cash flow	72.3	56.7
ROCE	11.5%	11.4%

EUR in millions

	2014	2013
Debt	67.9	117.9
Shareholders' Equity	404.5	374.5
Non-current assets	427.0	443.8
Working capital	113.9	121.0

Relevant facts after the year end. The acquisition of Encirc Ltd.

As an evidence of the dynamic development of the business, days after the end of the year, Vidrala announced a relevant step in its long term corporate strategy. On January 14, the Company made effective the acquisition of Encirc Limited, the biggest deal in the Group's history.

Encirc Limited is a leading manufacturer of glass containers that supply packaging solutions for a solid base of customers within the food and beverage markets in Ireland and the United Kingdom. Operations comprise two sites, Derrylin, Ireland, and Elton, Cheshire, from which offer a full range of services that include, in addition to glass manufacturing, filling capabilities and logistic services.

The acquisition will enlarge Vidrala's existing position within the European glass containers industry enabling a leading access towards strategically important markets as the United Kingdom and Ireland. The new business will contribute with a solid market share that has demonstrated profitability growth in recent years supported in modern facilities, competitiveness and strong customer relationships. As a result of the acquisition, Vidrala will enhance its status in the European packaging industry adding scale, diversification and future to a business structure of proven strength.

The Board of Directors and the management team of Vidrala have been admiring Encirc since its beginning, an industrial player recognized by its ambitious investment plans, the extent and attractiveness of the services offered, and its solid market share growth. Adding this accretive business to our network will result in compelling benefits for both customers and shareholders. In the year of its 50th anniversary, the original 'Vidrierías de Álava' consolidates itself as a multinational company, supplier of reference in the packaging industry, with leading positions within the main European markets that will be supplying more than 6bn units annually between a broad range of customers whose confidence is our raison d'être.



Plant in Derrylin, Northern Ireland



Plant in Elton, England



Business outlook

The signs of recovery in some European economies, after a long period of deterioration, should enable to preview an overall stable demand context for glass containers in 2015.

The recent phase of demand difficulties has created a more challenging market landscape increasing competitive pressures. Under this business context, Vidrala's internal priorities will keep the focus on reassuring the competitiveness of the cost structure and improving customer service levels.

Notwithstanding that, Group's results expected for 2015 will show the new dimension created by the recently acquired business, proving the benefits of a more international business profile, with relevant presence in complementary markets of solid strategic fundamentals, that places Vidrala under improved conditions of capturing the expected recovery cycle.

In any way, long term targets will be kept firmly committed to improving customer service and creating value controlling costs, optimising cash and enhancing return on capital.

For 2015, the increased turnover figures resulting from the consolidation of the new business combined with the constant focus on cost and industrial efficiency and a reassured discipline in capex allocation and working capital management, will result in higher generation of free cash flow and growing earnings per share.

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 to dividends and bonuses paid in cash, Vidrala returns profits to shareholders buying back shares in a selective way, based on the company's cash generation pattern and the share price performance.

Consistent with that policy, cash dividends and attendance bonuses paid during the year 2014 amounted to EUR 68.46 cents per share, increased by 14.3% from the previous year.

Additionally, during 2014 the Company repurchased EUR 6.1 million in shares increasing by 38% the distribution paid in cash.

Furthermore, during the year the Company offered a bonus share issue, granted to all existing shareholders, in a proportion of a new common share for every 20 existing shares.

As a whole, the combination of shareholder remuneration mechanisms executed during the year 2014, verifies the defined long standing policy implemented by Vidrala based on the gradual and sustainable improvement in total return to shareholders.

**CASH DIVIDENDS
(INCLUDES AGM ATTENDANCE BONUS)**

Base = 2000

EUR in millions

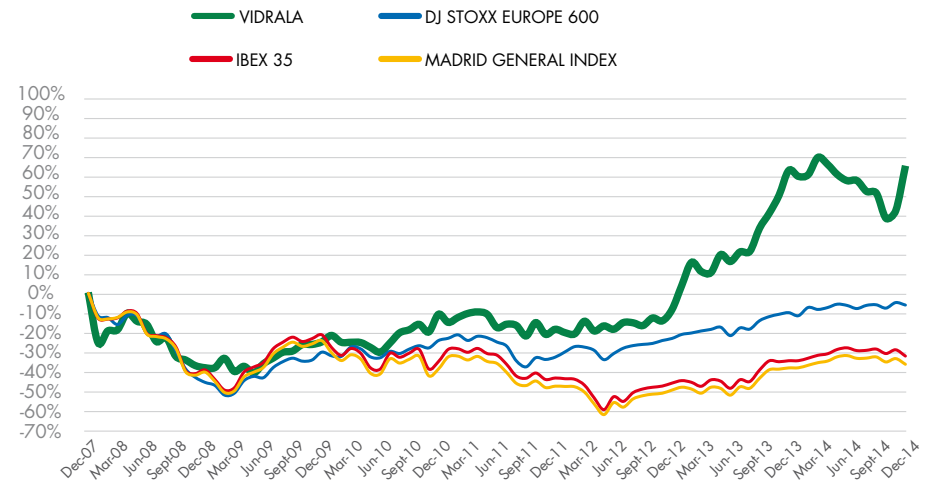


The share

Vidrala’s share price at the end of 2014 stood at EUR 38.00, equivalent to a market cap of EUR 942.2 million. This represents an increase of 6.6% for the year 2014.

A total of 4.9 million shares were traded on the stock exchange during the year which was equivalent to EUR 177.9 million.

**SHARE PRICE.
COMPARED IN PERCENTAGE TERMS.** Base 2008



Business risks

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

Operational risk

The Company carries out process-intensive industrial manufacturing activity that is subject to inherent risks linked to routine operations. In 2014, work continued on the review, evaluation and definition of business risks defined as operational and documented in a risk map. The aim was to engage in a dynamic process to identify potential risks, gain a perspective on their impact and probability of occurrence and link each area of operations and business process to adequate control and monitoring systems in order to minimise their potential adverse effects. Potential operating risks include the following:



i. Environmental risks

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

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

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

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

ii. Occupational health and safety

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

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

iii. Supply chain risk

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

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

With regard to inventory risk, internal measures continued to be implemented in 2014 in order to optimise controls over the volume of inventories, their quality, ageing and rotation. These controls resulted in the implementation of new automated stock monitoring processes and the subsequent application of specific measures, which in 2014 have given rise to adjustments in the value of inventories in the Group's income statement.



Financial risk

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

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

The most relevant financial risks identified are as follows:



i. Currency risk

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

As a result of this risk control policy, in 2014 the Group has forwarded US Dollar exchange contracts (import insurance) for a volume of EUR 4.0 million.

Regarding total forecast imports of raw materials in US Dollars for 2014, if the Euro depreciated by 10% compared to the US Dollar, and the remaining variables remained constant, consolidated profit would not vary.

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 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). The Group generally obtains long-term variable rate borrowings and swaps these for fixed interest rates or limits variable interest on borrowings. These are normally at lower rates than had the financing been obtained directly with fixed interest rates. Through interest rate swaps, the Group undertakes to periodically exchange the difference between fixed and variable interest with other financial institutions. 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 stipulated rate if this is positive. The effectiveness of these instruments at fixing the interest rate of contracted financing is assessed and documented using accepted methodologies under applicable accounting legislation.

As a result of this risk control policy, it is expected that approximately 80% of debt to be serviced in 2015 will be covered by interest rate hedging instruments.

Considering the proportion of borrowings hedged at a fixed rate of interest, if average interest rates in 2014 had been 10 basis points higher, and had the remaining variables remained constant, consolidated profit after income tax would have been 0.1% lower due to the higher borrowing costs of variable rate debt.



iii. Credit risk

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

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

The impact of bad trade debts and credit insurance premiums on the income statement in 2014 was Eur 0.85 million (Eur 0.84 million in 2013), equivalent to 0.18% of turnover (0.17% in 2013).

Aged, non-impaired receivables past due by more than 90 days at 31 December 2014 amounted to Eur 1.6 million (Eur 1.7 million at 31 December 2013).

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

Other credit risks: financing, derivative and cash operations are only carried out with financial institutions 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 2014 the Group had Eur 103 million in immediately available, undrawn credit, representing 152% of total debt.



v. Debt and solvency

At year end the Company had a net debt of Eur 67.9 million, 42.4% lower than the previous year.

As a result, indicators of financial solvency have improved, with a debt-to-equity ratio of 0.17, and debt equivalent to 0.63 times EBITDA (defined as gross operating profit) for the year. The interest coverage ratio, measured as EBITDA for the year divided by interest expenses, is 31.2.



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.



SUSTAINABLE MATERIALS

GLASS: A SUSTAINABLE MATERIAL
POSITION IN THE EUROPEAN GLASS PACKAGING INDUSTRY

*The recycling loop
The circular economy and packaging
Towards «zero waste»*

RESPONSIBILITY IN OUR PROCESS	RESPONSIBILITY TO PEOPLE
<p>APPLICATION OF THE BEST AVAILABLE TECHNIQUES</p> <p>INNOVATION</p> <ul style="list-style-type: none"> • ICG Committees <i>(International Commission on Glass)</i> <p>USE OF RESOURCES</p> <ul style="list-style-type: none"> • Water consumption <p>ENERGY EFFICIENCY</p> <ul style="list-style-type: none"> • ISO 50001 Certification <p>EMISSIONS REDUCTION</p> <ul style="list-style-type: none"> • Greenhouse Effect Gases (GEGs) • Emissions: particles, NOx and SOx • ISO 14064 Certification 	<p>WORKFORCE</p> <ul style="list-style-type: none"> • Safety • Training and awareness-raising • Close collaboration: company-workforce <p>CLIENTS</p> <ul style="list-style-type: none"> • Product development • Customer-focused innovation • Commitment to specific sectors • Carbon Footprint and Environmental Footprint • Food certification <p>CONSUMERS</p> <ul style="list-style-type: none"> • Food safety <p>SOCIETY</p> <ul style="list-style-type: none"> • Commitment to the local community • Communication and awareness-raising

GLASS, A SUSTAINABLE MATERIAL

This sustainability report is, once again this year, the best opportunity to express how we understand our mission in managing our company; how we put into effect our commitment to achieving growth that is socially, environmentally and economically sustainable. This report is also the best way to promote the special characteristics of glass as one of the most sustainable materials for containers.

Glass is a sustainable and 100% recyclable material which contributes to the welfare of consumers and reduces environmental impact. Choosing glass means knowing how to combine the experience of glass-making tradition with the technologies and consumers' demands for quality of the 21st century.

It is a material which represents the values of the circular economy and the optimization of resources, since **in the glass sector we are making increasing efforts to reduce its impact on the environment and to increase efficiency.**

Vidrala is known by its technical know-how which is supported by a broad customer base that relies on the Group as their trusted supplier of glass containers. Vidrala is strongly committed to quality, both in the glass manufacturing process and in the final product, glass containers for food and beverages. This means the commitment of the whole team. Involvement in the social environment in which industrial activities are conducted and respect for the environment are the hallmarks of every container that Vidrala makes.



POSITION OF THE EUROPEAN GLASS PACKAGING SECTOR

The economic environment has undergone adversity in recent years, to which the glass container industry has not been immune. Nevertheless, the sector has been able to strengthen its important contribution to the economy in the Eurozone as a whole.

It should be considered that the European glass packaging industry accounts for **over 40.000¹ direct jobs**; apart from jobs created indirectly.

The glass packaging industry is renowned across Europe as an example of contribution to the regional economies in which it operates. There are few other sectors that contribute as much to the trade balance, reducing imports of containers from other continents, driving exports of bottled products, generating value chains in the distribution process, creating direct and indirect quality employment and reducing the ecological footprint as few others can do. These are the key reasons to ensure that the glass packaging sector will continue to be an important driver of the economic growth in Europe.

¹ The European Container Glass Federation (FEVE) "Environmental, social and economic contribution of the Container Glass sector in Europe", final report (November 2014)

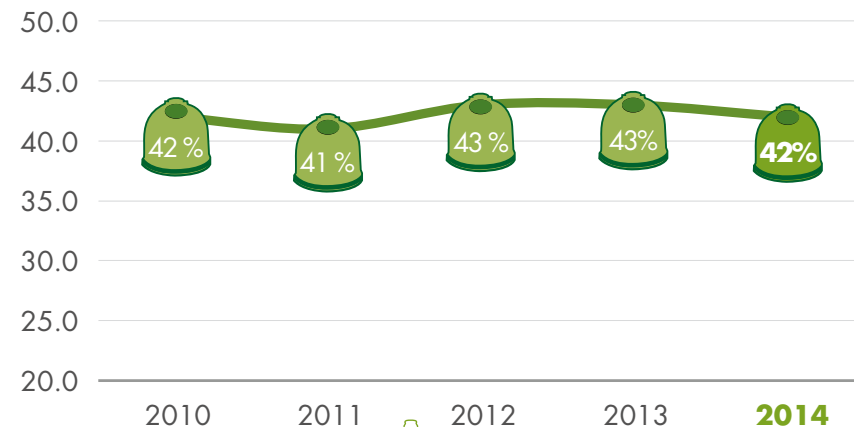
The recycling loop

Why is it said that glass has a recycling loop? Because of the characteristic that makes this material unique: it can be recycled endlessly without losing any of its properties. The increase in the recycling rate generates a virtuous circle that helps to reduce the consumption of raw materials, cutting CO₂ emissions and contributing effectively to sustainable development.

In this loop, the role of Vidrala as a glass container manufacturer is key as it incentivises the use of recycled materials, prioritizing the purchasing of cullet (recycled glass) rather than other raw materials and transforming it through a complex industrial process into new bottles.. Thanks to its economic model, in which recycling plays a fundamental role, the glass packaging industry in Spain has been able to achieve high recycling rates.

The glass cullet within Vidrala comes from two sources: 'external glass cullet' (glass from selective collection) and 'internal glass cullet' (glass rejected from our own production process) . The sum of these two categories is commonly known as **total glass cullet**. In the case of Vidrala, the rate of glass cullet used in 2014 was **42%**.

RATE OF GLASS CULLET (%)

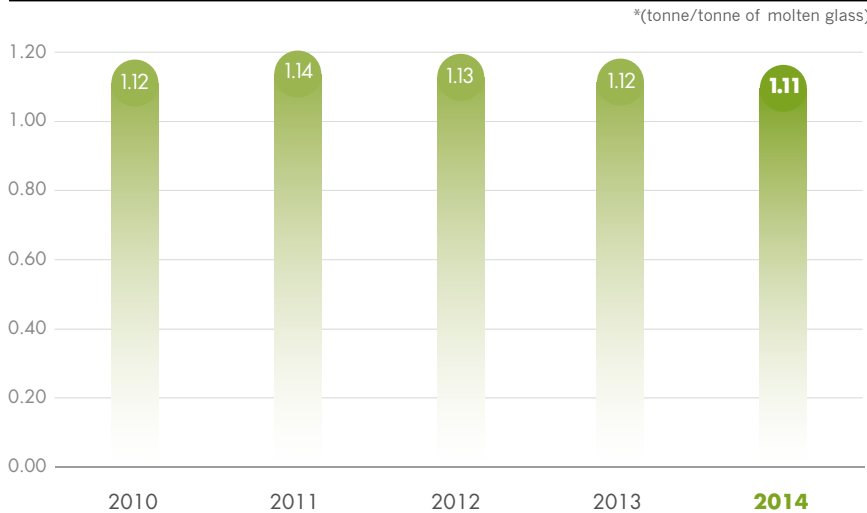


'The Circular Economy Package'

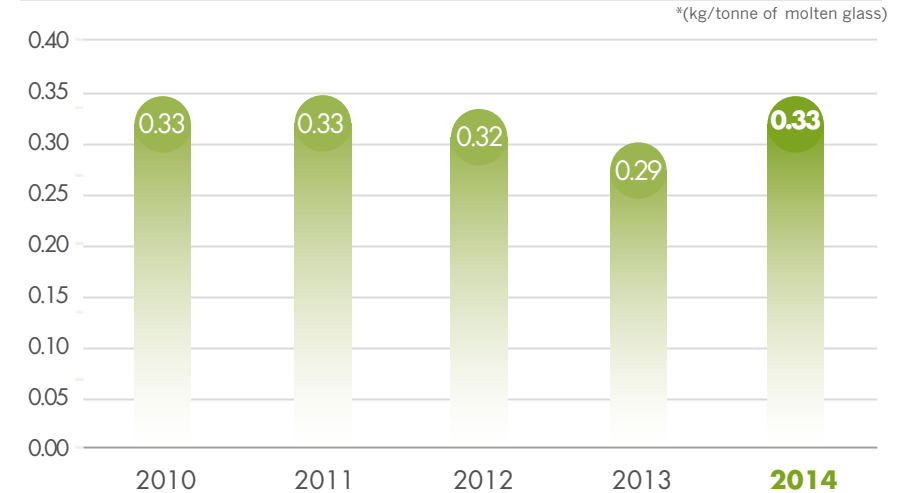
There is ever-increasing awareness of the need for growth and material wealth not to grow at same rates. Only in this way can the health of the environment be sustained, and to do this the circular economy needs to be a real alternative. The idea basically is to prevent the natural resources from being exhausted, promoting new forms or business organization and management. Vidrala is part of an industry that can claim to exemplify this concept.

The use of materials in Vidrala continued to diminish during the year 2014 despite the fact that the availability and quality of recycled glass has declined and the commercial requirements towards a wider range of colours of glass have made the process much more complex.

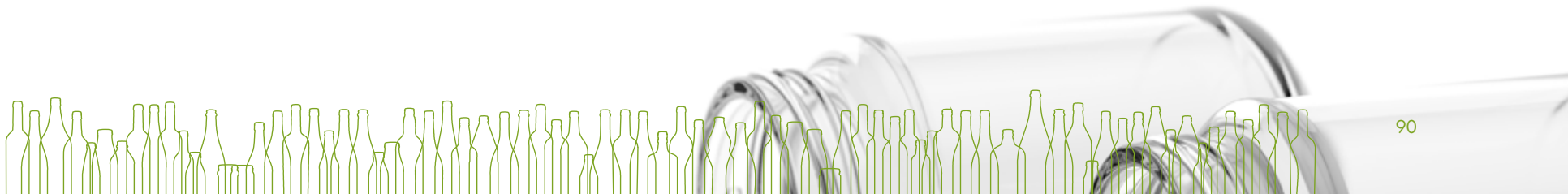
RAW MATERIALS CONSUMED (t/t.m.g.)*



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



The consumption of raw materials refers to all of the materials required to produce the glass container itself (such as sands and sulphates) while the ancillary materials are those that enable the manufacturing process to work (such as machine lubricants or mould greasing parts). Vidrala is working to ensure that the recycling of all these materials, their reuse and efficiency will be the norms in the use of natural resources.



Towards “zero waste”

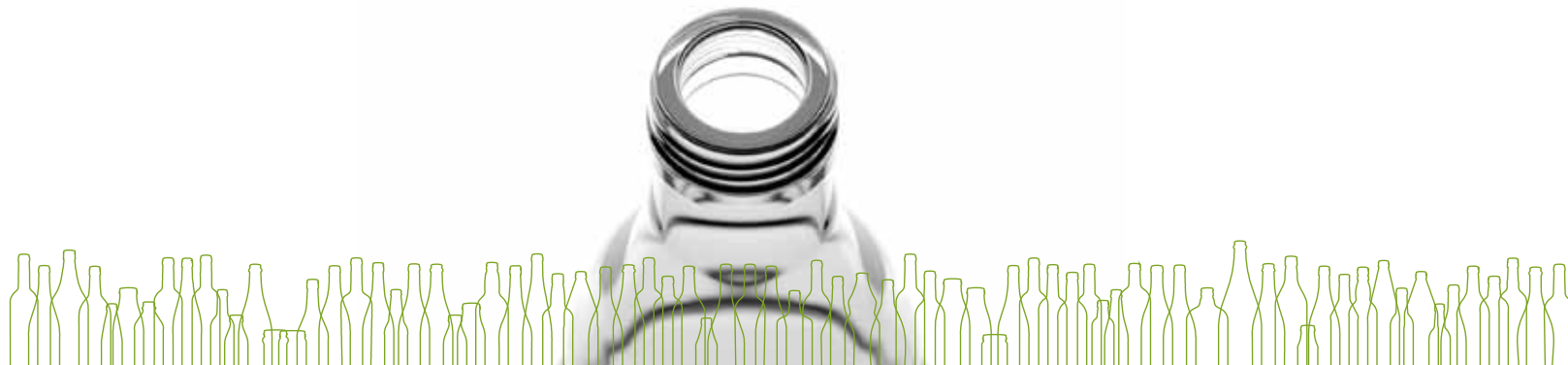
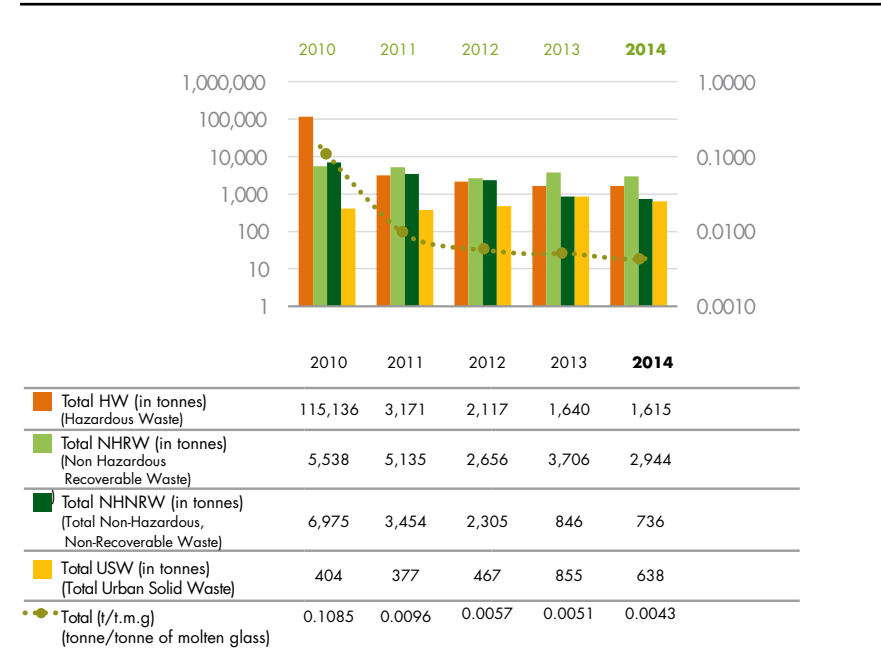
Vidrala is aware that reducing the rate of waste production is a direction from which there is no turning back. It is not just a question of recycling but of eliminating the production of waste. Achieving the ideal of “zero waste”. To reach this point, new technological developments will be needed, but it is possible to begin implementing behaviours within companies to make this possible.

The management and control of solid waste is a top priority in Vidrala to which great economic, material and technical efforts are dedicated; both to prevent the generation of waste and to ensure that it is properly managed, as well as to identify ways in which it can be monetized.

In view of the recent figures, Vidrala Group can be seen as a business able to continue growing while at the same time reducing its production of waste. For the sixth consecutive year, since Vidrala first published its Sustainability Report, the trend in waste produced has been downward. These data show how the Quality, Environmental Management and Risk Prevention systems are producing reliable results and enable us not only to comply with regulations but also contribute to processes of continuous improvement. Ultimately, this means that the environmental impact is ever smaller.

WASTE GENERATION

BY WASTE TYPE AND YEAR (tonne)

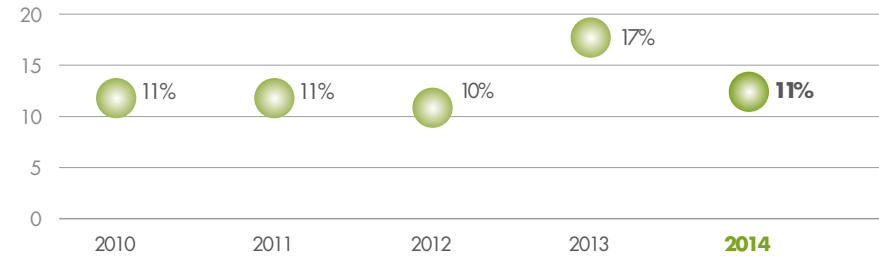


In terms of how this waste is managed, Vidrala does not only manage internally those forms of waste for which recycling is viable, but also collaborates with its partners to monetize all waste once all uses for it have been exhausted in our plants; this way we ensure that all applicable regulations are complied with in all of the countries where we operate. Hazardous waste (HW) is managed by those authorized to do so (for example, contaminated waste from demolition or toxic substances); non-hazardous recoverable waste (NHRW) is waste that can be utilized by the Group itself or by other parties (this includes wood, cardboard, etc.). Non-hazardous, non-recoverable waste such as inert waste or urban solids (USW) is managed by authorized firms, who are responsible for its collection.

In 2014, Vidrala reduced total waste generation by 15% compared to the previous year. The strict control applied to environmental parameters means that we can implement measures to reduce the production of waste in our plants.

In addition, with regard to the atmospheric emission purification systems, in Vidrala Group, among other measures, we eliminate all sulphur-based compounds using filters, so that the sulphur is retrieved and reused if the technical conditions allow so.

SULPHATE RECOVERED (%)



During 2014, the rate of sulphur recovered was lower than last year's, although the average level for the organization as a whole has remained the same. This rate is an indicator of how the application of good technical practices can reduce raw material consumption and reduce the amount of atmospheric contaminants.



RESPONSIBILITY IN OUR PROCESS

APPLICATION OF THE BEST AVAILABLE TECHNIQUES

For Vidrala, making use of the most advanced technology is a constant effort that applies to all processes, both those directly related to the manufacturing of containers and those relating to design, transport, storage or logistics. The first of these has a greater impact on the surroundings and contributes to an ever-healthier environment, but the others make Vidrala's value chain more sustainable.

One example is the significant, periodic investment in the refurbishment of glass melting furnaces. Vidrala makes a clear commitment to first-line measures as opposed to secondary or end-of-the-line measures. First-line measures are the most beneficial from the environmental point of view because they prevent the impact from being generated in the first place, whereas secondary measures seek to reduce the impact after it has already occurred. First-line measures must be adopted when refurbishing furnaces and affect the design of new ones.

Vidrala's responsibility is, therefore, to combine the development of the organization with shared value creation, which means that we have to be scrupulous in the control of the various environmental vectors. The use of the best techniques and certified management systems of its facilities means that Vidrala can justly claim that the individual actions of each member of the Group will not interfere with the welfare of the environment.

INNOVATION

In Vidrala Group, innovation is a constant driver and the basis of our growth. Applied to any element of the value chain, innovation is the main driver of the change, which is led by our own R&D department. Innovation is materialized thanks to this team of professionals; as well as through the raw materials control installations and the controls over the finished product, which enable us to manage the quality of the process to the utmost extent possible.

In addition, on a continuous basis, Vidrala invests in aspects such as the improvement of statistical control analysis, new designs, better treatments and the improvement of production capacity in the plants. All of this is geared to improving the service we provide to our customers through the best solutions available on the market.



ICG Committees

The **International Commission on Glass, ICG** is a non-profit international association comprising 37 national organizations, based on the science and technology of glass. Much of the value of the ICG stems from its various technical committees. These committees help to investigate about new techniques, conduct studies and draft thematic guides that allow the sector to advance and improve glass manufacturing.



There are currently over 20 specialized committees that cover a wide range of subjects. Vidrala is currently active in two of these, both of which are of prime importance. These are the **Energy Efficiency Committee and the Refractory Materials Committee**.

Among other tasks, the **Refractory Materials Committee** is currently drafting a Guide, which will include tests and practical case studies on product quality management according to the needs of the glass produced, and the behaviour or corrosion of the materials used. For its part, the **Energy Efficiency Committee** identifies those stages which can potentially prove most beneficial in terms of efficiency improvements. Work is also carried out on the selections of impact technologies, in the setting in motion of pilot projects to develop these technologies, the generation of R&D and the organization of technical conferences on the subject of energy efficiency.

Taking part in these committees enables Vidrala to be at the forefront of expertise on the world of glass and its manufacture, as well as knowing which are the most useful technologies for the development of the organization. It also gives us the opportunity to share experiences, success stories and tools for improvement that result in a collective benefit for the sector as a whole; from which manufacturing firms and all of the interest groups related with them ultimately benefit.

VIDRALA CASE STUDIES PHASED COMBUSTION IN VIDRALA ITALY

In a sector like glass container manufacturing that is so energy-intensive, reducing fuel and electricity consumption, mainly associated with the melting process, as well as with other ancillary processes (heat treatment, etc.) is fundamental for optimal operation, from an environmental and economic point of view. Thanks to these reductions, the associated greenhouse gas emissions can also be controlled.

In this case, Vidrala's plant in Italy was selected to conduct tests at the industrial level of a **new phased combustion technique**, which aims to reduce **nitrogen oxides emissions (NOx)** to a greater extent.

The aim is, then, to be able to control NOx emissions in accordance with the regulations that apply to glass manufacturing.



USE OF RESOURCES

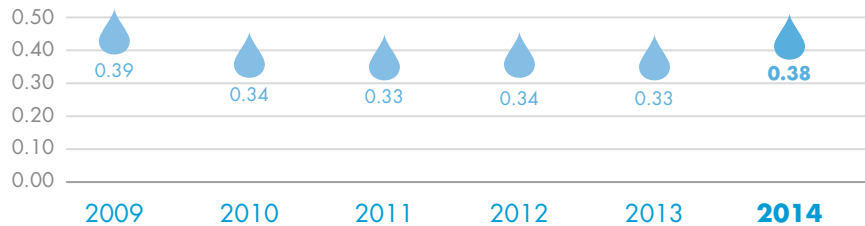
Water consumption

Most industrial processes require the use of water. Conscious of its scarcity, importance, and cost, with the aim of developing an optimal consumption industrial process and bearing in mind the complex management that water requires, Vidrala endeavours to optimize water use in its facilities. To do this, Vidrala's plants have re-use and re-circulation systems in place that increase the options available for water use as much as possible. As a result, more than half of the water consumed is re-used. For example, our plant in Belgium, MD Verre, reduced in 2014 its water consumption by 24% compared to last year.

Despite this, due to the increase in production of some plants, the average ratio of Vidrala Group total consumption was higher than in the preceding period. Nevertheless, it remains within the optimum range of use. Vidrala is working to optimize these ratios, so that the glass packaging industry will be increasingly sensitive to the environment. In all of the plants, water use protocols are complied with and regulated strictly, and the sources of water capture (whether these are wells, nearby water courses or the water supply network itself) are not affected.

TOTAL WATER CONSUMPTION (m³/t.m.g.)*

*m³ / tonnes of molten glass



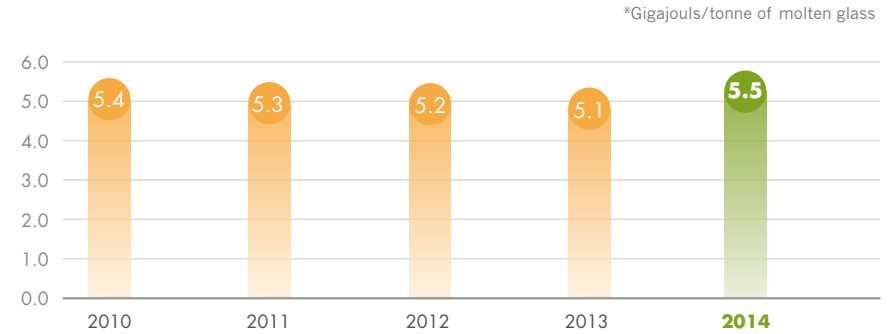
ENERGY EFFICIENCY

Energy management is one of the most important aspects for Vidrala and is a key element in glass manufacturing. Throughout the entire process, there are many diverse elements on which we are working to improve energy efficiency: controlling combustion, furnace conditions or the fusion process, for instance.

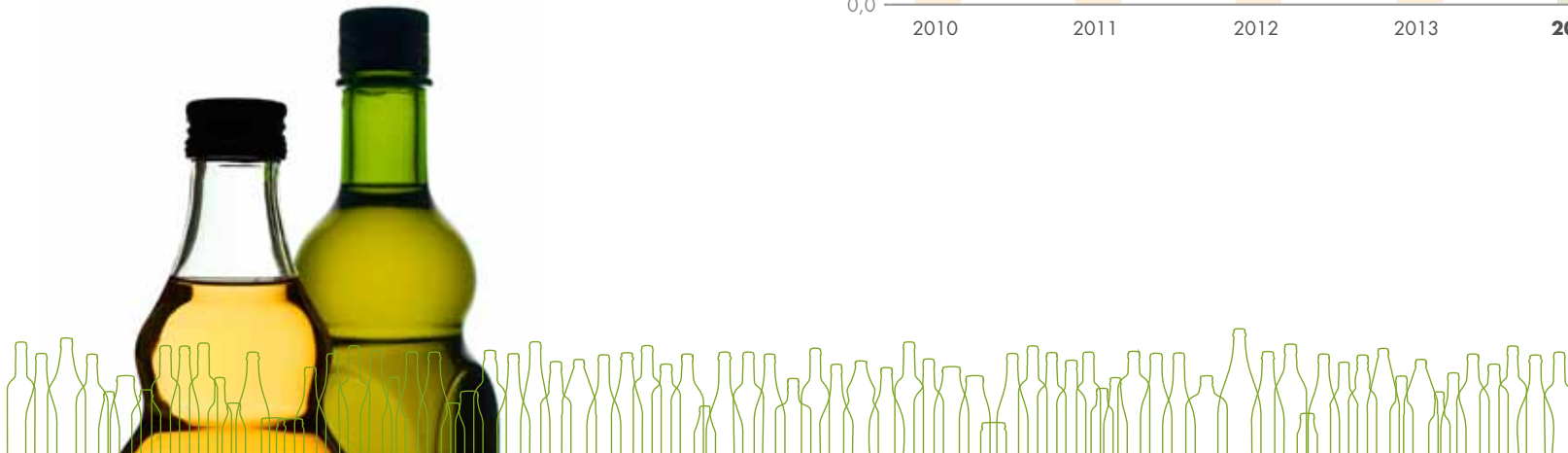
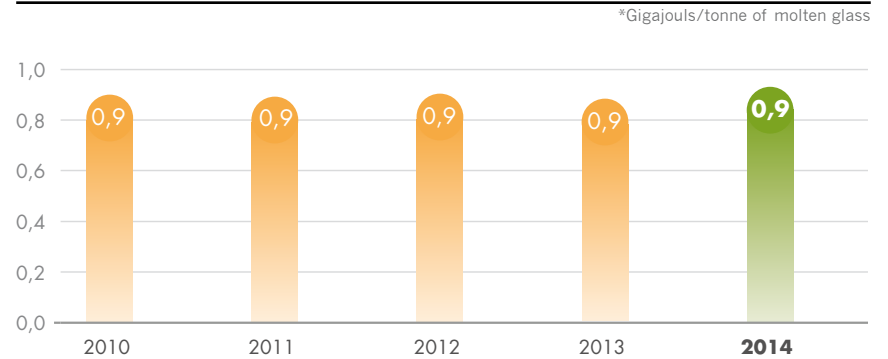
Energy efficiency can thus be said to be the cornerstone of Vidrala’s operational priorities, which involves optimizing the costs of glass production and reducing greenhouse gas emissions.

It is not a simple matter to maintain the results of previous years, taking into account that the energy aspects associated with the industrial sector have undergone significant changes due to circumstances beyond the control of Vidrala Group and its daily operations. This fact jeopardizes the competitiveness of the glass container market itself in the current context. Despite these circumstances, in recent years, Grupo Vidrala has made large investment projects a priority to make our furnaces as efficient and in particular, as energy efficient as possible, according to each case.

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



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



ISO 50001 Certification

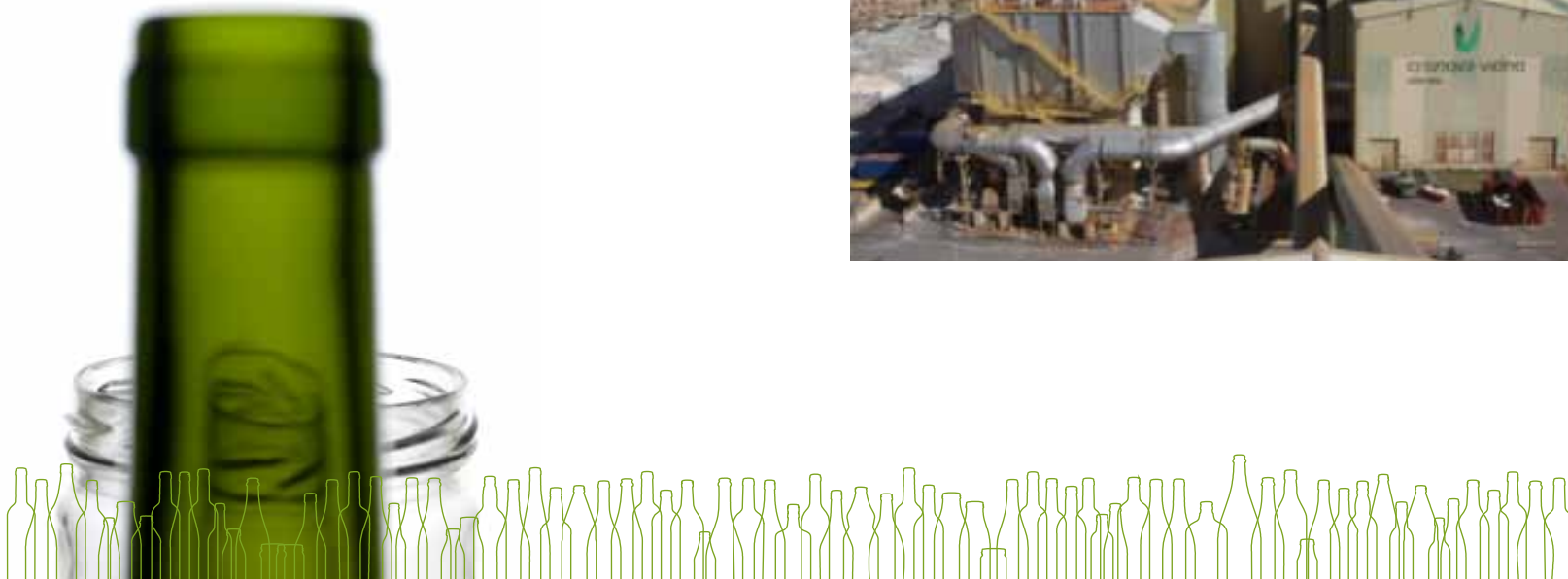
An illustration of the importance that Vidrala places on the management of efficiency and energy sustainability-related aspects of its activities is the priority of external certification that guarantees that our internal systems are disciplined and evaluated by independent third-party assessors. Thus, Vidrala has initiated the certification process according to ISO 50001 standard for Energy Management.

The first of the Group's facilities to obtain this certificate was Crisnova Vidrio plant in Albacete.

VIDRALA CASE STUDIES ENERGY MANAGEMENT IN CRISNOVA VIDRIO

ISO STANDARD 50001 is a global standard for energy management, which is based on the following aspects: establishing an energy policy with concrete objectives, determining a baseline for energy use, identifying critical areas and having a periodic forecast of energy use, which enables the operation to plan investments and improvements.

Crisnova Vidrio plant has successfully completed its first year of certification to the ISO 50001 standard. Following this period, it can be said that the reduction in energy consumptions, both in absolute and relative terms, is effective, related to aspects of melting and other complementary stages of the manufacturing process.



EMISSION REDUCTIONS

In the glass container manufacturing sector, potentially contaminating emissions are originated from a number of different stages of the process. Firstly, there is the extraction of the raw materials followed by their use; their melting in the furnace, which produces emissions from the materials themselves as well as those associated with the combustion process and the indirect emissions that stem from the use of electricity.

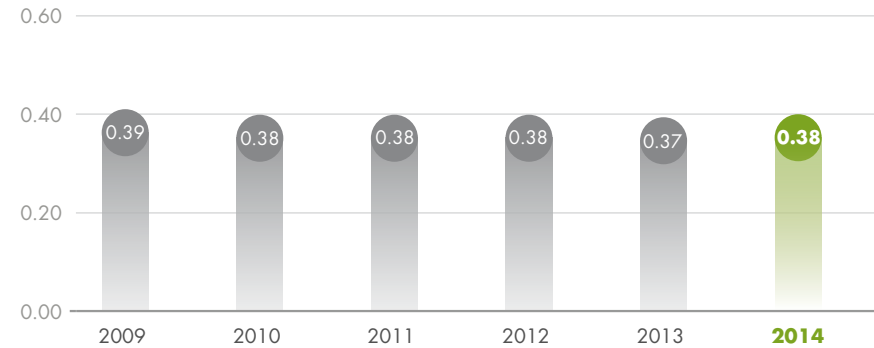
All of Vidrala's plants are subject to the European Directive on emissions of CO₂. Vidrala has been working for years on reducing this type of emission. The main focus of effort is on reducing the needs of fuels for the melting furnaces, as they are the main source of direct emissions into the atmosphere, in the form of carbon dioxide, nitrous oxides, sulphur oxides and particles. In addition, we also try to optimize the consumption of electricity as much as possible to increase efficiency and to reduce indirect emissions. Finally, another key factor is the use of recycled glass from selective recovery, always provided that this is available and that the requirements of the manufacturing process allow to use it.

Greenhouse Gas Emissions (GGEs)

As a result of all of these efforts, Vidrala has succeeded in keeping the Greenhouse Gas Emissions (GGEs) figure at the same level as in recent years, which shows how the effort to improve energy and environmental efficiency has delivered tangible results.

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

*tonnes /tonne of molten glass



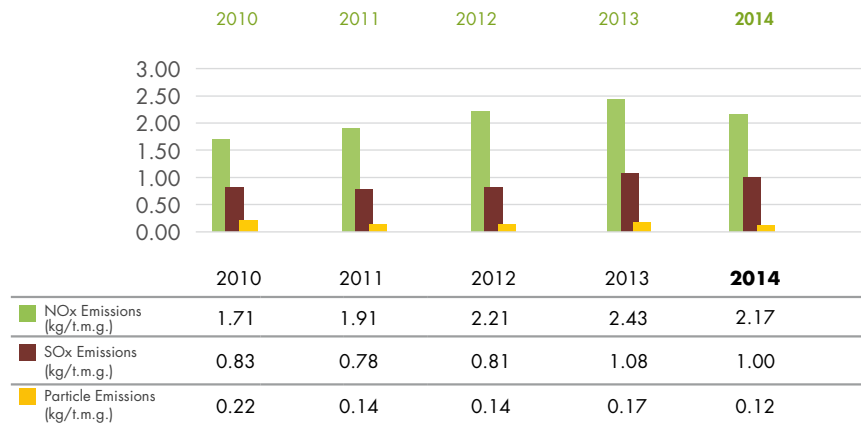
Emissions: particles, NOx and SOx

NOx is a contaminant produced during the processes of combustion, which comes from the fuels used (mostly natural gas) and from the process itself. On a permanent basis, Vidrala's plants monitor and adjust the various parameters according to requirements in order to comply with the relevant environmental codes and regulations for each facility.

During last year, we were able to reduce the production of nitrogen oxides and particles, with levels among the lowest of recent years.

NOx, SOx AND OTHER SIGNIFICANT EMISSIONS (kg/t.m.g.)*

*kg /tonne of molten glass



Among the many measures implemented by Vidrala to control atmospheric emissions are the electrostatic precipitation systems with prior de-sulphuring (to reduce the production of SOx in stack discharges) as well as additional measures: furnace design and control, the use of burners with lower rates of NOx emission and the replacement of some of the fossil fuels with electricity.



New furnace installed at Crisnova Vidrio.

An example of this large investment made during 2014 was the complete refurbishment of one of the furnaces and production lines at Crisnova Vidrio plant, an installation which has allowed both to improve production levels and to reduce nitrogen oxide emissions. This new furnace has become a benchmark for Vidrala Group and indeed for the whole glass packaging industry in terms of reducing gas contaminants. Thanks to the modifications introduced in the new furnace design; parameters such as the supply of raw materials, the use of burners, the sensors installed and the balance between fossil fuels and electricity, can be managed in a faster, more modern and more efficient way.



ISO 14064 Certification

Obtaining certification based on internationally recognized management systems is not just a way of managing the organization but also the way in which Vidrala Group backs up its commitment to sustainability. Meanwhile, our commitment to certifications makes it possible for the value chain to be increasingly responsible and disciplined, with a voluntary binding commitment to regular evaluation by third-party assessors.

In terms of emissions, ISO 14064 is one of the most widely-used international standards, based on which Greenhouse Gas Emissions (GGEs) reports are voluntarily verified.

As Vidrala Group has progressed in its commitment to the management, reporting and verification of Greenhouse Gas Emissions (GGEs), it has become necessary to establish a framework in order to implement these tracking processes and report our emissions in an independent and objective manner. To do this, we have placed our trust in ISO standard 14064. Thanks to this certification, Vidrala Group has a benchmark on which to develop tools and programs that enable us to reduce greenhouse gas emissions and the internal organization of gas trading plans.

Vidrala is keenly aware of the importance of advancing confidently in the struggle against climate change, which is why it has expressed its willingness to follow the roadmap set out by the initiative Stop CO₂ Euskadi in which we are participating through our activities of design, R&D, and in the management and merchandising of glass containers.

To summarize, certification is one more step along the way to realize the twin aims of transparency and credibility in our reporting.

VIDRALA CASE STUDIES 14064 CERTIFICATION IN AIALA VIDRIO

In 2014, Aiala Vidrio production plant in Llodio (Álava) and Vidrala headquarters have issued the “Declaration of compliance with the greenhouse gas inventory”, following the guidelines of international standard UNE ISO 14064-1 2006.

On this occasion, Aiala Vidrio has included the production plant itself as part of the GGE inventory, as well as the management of the product delivery to the customer, the transportation of raw materials used, the daily commute of staff and the business trips by air and train.

When making inventory of emissions sources, the fuel used in the melting process (natural gas) was factored in, as well as emissions caused by the decarbonisation of raw materials, electricity consumption and that of the fuel used by forklifts, the delivery of glass containers to customers, raw materials transportation, leased vehicles, staff commuting, business trips and emissions due to leaks of coolant.

Achieving this certification is one of the goals set out in Vidrala Group Plan, a broader one, with the aim of continuing to be active agents for change, of remaining committed to development in sustainability, improving the productivity and efficiency of glass container manufacturing processes.



RESPONSIBILITY TO PEOPLE

OUR WORKFORCE

For Vidrala, the following commitments to the people who are an integral part of our enterprise are key:

- The health of all persons who work in Vidrala Group is a core value.
- We promote professional development, initiative, and equal opportunities.

Safety

Life and health are the most precious commodities we possess, especially those of the workforce at Vidrala Group.

This is why **safety, which includes the prevention of occupational risks, ranks among the highest level of Vidrala's strategic priorities.**

This focusing of priorities has enabled all of Vidrala's plants to achieve OHSAS certification 18001:2007 in Health and Safety Management in the Workplace during the year 2014. The plant which most recently obtained this accreditation was MD Verre in Belgium.

The trend of the main indicators of accident rates has been very positive, and is clear evidence of the efforts made by all in terms of occupational health and safety.

Since 2009, the Accident Frequency Rate* has fallen by more than 70%, and the Serious Injury Rate** has been cut in almost half.

During this year there has also been continued commitment to the evaluation of the work carried out. Thus, there have been 223 safety inspections, and the 3 plants in Spain have been officially audited in terms of risk prevention, with successful outcomes in every case.

* Accident frequency rate: $\text{number of accidents} \times 1.000.00 / \text{number of hours worked}$

** Serious injury rate: $\text{number of working days lost} \times 1.000.00 / \text{number of hours worked}$



VIDRALA CASE STUDIES
MD VERRE CERTIFIES ITS MANAGEMENT SYSTEM ACCORDING
TO OHSAS 18001:2007

During 2014, one of the most significant developments in terms of Occupational Health and Safety in Vidrala Group was the certification to the standard OHSAS 18001:2007 of the management system implemented in MD Verre plant in Belgium.

The plant was already being run according to Vidrala Group's own guidelines and procedures for some time prior to this. Among these guidelines and procedures were those derived from a system that is certifiable according to an international standard.

Finally, in 2014, following an evaluation of the original situation and the work that had been carried out, it was decided to move towards certification by an independent body. Before achieving this certification, it was necessary to:

- Integrate Prevention, by implementing the procedures that make up the Management System.
- Update the Risk Assessment in accordance with the criteria used by Vidrala Group.
- Update the Crisis Management Plan.
- Improve the working conditions, (for example repairing the barriers in the hot zone and the protective fittings to inspection machines and cold zone lines).



Training and Awareness-raising

Once again this year Vidrala Group has maintained its commitment to training and professional development, with an average of 21.28 hours of training per worker in the year 2014.

This real commitment to training is only possible if the training is of the highest quality. This is shown by the average rating given to the training events conducted, which was around 3.2 points out of a possible 4. This rating is encouraging and inspires us on to continued improvement in our quest for excellence.

In 2014, Vidrala Group focused its efforts on the quest for continuous improvement and professional development managed in an individualized way. For instance, the following projects were carried out:

- Extension of the Professional Development Assessment to the whole collective of Directors, Managers and personnel in supporting roles.
- Development of greater content in the "Vidrala Campus" through which on-line training events are conducted on an individualized basis. In 2014 specific training events were added that focus on Occupational Risk Prevention and the Environment.

The goal and the challenge in 2014 was to guide training towards the improvement and establishment of existing projects.



Close company-workforce collaboration



Vidrala in the fight against Cancer

For the third year in a row, Vidrala's social responsibility programme was focused on the struggle against cancer. The project has been managed in a global manner across all of our plants, but the proceeds have been channelled to the cancer associations in each area where the plant is located. A point worth highlighting is that **during 2014 MD Verre plant in Belgium joined the programme.**

This year we have achieved an increase of almost **8%** in the workforce's contribution, which together with Vidrala Group's contribution, amounted to **over 25,000 euros donated to the cause.**



CUSTOMERS

Vidrala Group commitment to its customers is to provide them with glass containers that meet the agreed requirements of usefulness and quality.

Vidrala Group joins its customers in the quest for solutions to their needs, from two perspectives:

- We work closely with our customers on a routine basis, developing customized products.
- We forecast future trends in the best selling glass container categories.

This commitment and dedication to the customer is reflected in the surveys conducted every year by Vidrala. **More than 80% of the customers surveyed recommend Vidrala as a leading supplier.** These are the best results in the 9 years in which we have been conducting this survey.

The survey, as in previous years, was incentivized with a donation by Vidrala to the NGO Aldeas Infantiles in Spain for each customer satisfaction survey completed and received.



Product development

2014 has been an outstanding year for regarding Vidrala's design team, for the number of new developments carried out.

This is an unstoppable market trend. The product life cycle is becoming ever shorter and glass containers are no exception to this phenomenon. Our clients want their customers to have a better perception of the product, they want a container that does not alter the product and that in addition offers the firmest guarantee of hygiene and health; one of the most effective ways of doing this is by improving the packaging.



This is why the product ranges of bottles and jars are being renewed more and more often. All of this is down to the fact that **glass is the material that brings the most original and authentic design to a product.** It is a material that adds quality, style and the best possible conservation.



During 2014, over 100 new models were launched, **30% more than the new models developed in 2013.** In terms of categories or segments, most of these are models created for the wine sector (41%) followed by spirits (16%) and olive oils (16%).

In 2014 the following were the major new launches:

- The Quartz range, aimed at the olive oil sector.
- Restyling for Smirnoff vodka.
- The 33 cl Carolina model (shown in the illustration) produced for PepsiCo aimed at the Hotel, Restaurant and Catering segments ("Horeca").

Customer-focused innovation

Vidrala continues to be committed to innovation and dedicates significant resources to R&D. 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 technologies such as "Visense" (patent pending). This device is able to measure the capacity of bottles while hot, ensuring less variance in the process and enabling a better adjustment of the filling process, thereby reducing shortfalls.

A common denominator of all investments in R&D is the need to **guarantee the sustainability** of the activity in many respects, which is why many of the projects conducted in 2014 have been developed with a view to improving energy efficiency, better control of the process, reduced production inefficiencies and development of innovative products, increasingly consistent with the needs of society today.



Commitments to specific sectors

2014 has been another year of intense work with the sectors with which Vidrala shares interests:

- **Cava:** we took part in the 3rd solidarity dinner with the Cava Fraternity, the proceeds of which were donated to Caritas.
- **Wine:** Grupo Vidrala attended the trade fair Vinitech in Bordeaux with our own stand.
- **Oil:** in 2014, we also took part in the campaign “Adopt an Olive Tree”. This is a project that brings together youth, entrepreneurship, the countryside and sustainability. Vidrala Group, sharing the values of the project, participated by supplying the glass containers which are filled with the olive oil harvested from the olive trees that have been adopted.

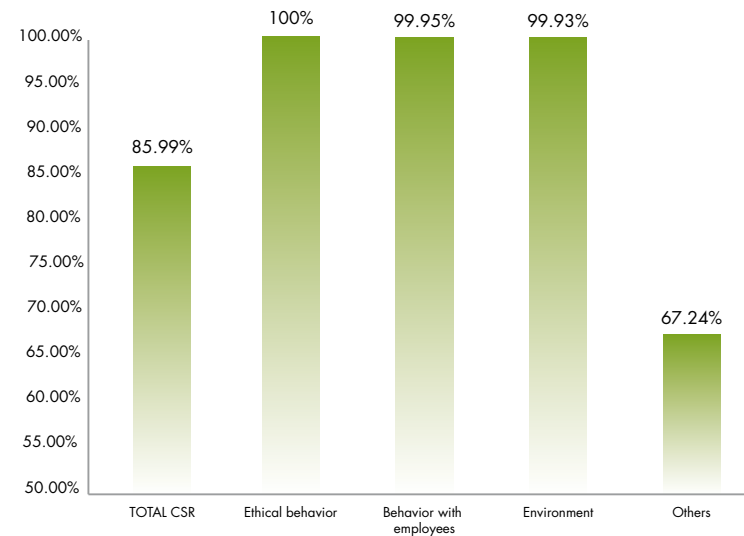


Also related to the wine sector, Vidrala has participated in the first **Corporate Social Responsibility (CSR) Study of the wine cluster**, carried out by experts from the Francisco de Vitoria University (Madrid), and commissioned by “Wine Markets and Distribution” (MDV). Over a thousand surveys were conducted with wineries, distribution companies and the wider industry.

The CSR report follows a management model based on three-fold accounting of results: economic, social and environmental. The final measure is comprehensive due to the social importance of this activity, both inside and outside the company, and according to the corresponding activity with the environment.

Vidrala is among the top 20 in the ranking with a score of 85.99% which is an optimal score according to MDV (“Mercados del Vino y la Distribución” - Wine Markets and Distribution).

CSR SURVEY



In terms of initiatives launched by the sector, Vidrala Group continues to play an active part in **ANFEVI – the National Association of Glass Manufacturers-** and **FEVE –The European Glass Container Federation-** driving activities and projects to raise awareness of the virtues of glass as a packaging material for food and beverages.



This year FEVE presented a report at a European level on food safety in which the views of 8,000 members of the general public were collected, of ages ranging from 25 to 64 from 11 European countries.

Present at the presentation was Miquel Porta, a prestigious Spanish scientist and expert in toxicology and Professor of Preventive Medicine and Public Health of the Autonomous University of Barcelona.

FEVE has also launched the new communications campaign “*Look beyond the label*”.

ANFEVI, for its part, has conducted events related to food safety and glass, such as its Twitter-based campaign *#YoElijoVidrio - I Choose Glass*.



Carbon Footprint and Environmental Footprint

Europe’s consumers are entitled to know what are the repercussions on the environment throughout the product life-cycle of all products that they intend to buy, and demand information so that they can easily identify the option that is really sustainable. For this reason, it is essential to have reliable and accurate measurements and information on the environmental behaviour of products and organizations.

In this frame of reference, it is essential that business organizations measure the environmental behaviour of the products they manufacture throughout their life-cycle, and offer information on the environmental behaviour to any interested party in the private sector, public sector or society as a whole.

Vidrala believes that the objective and consistent calculation of the Environmental Footprint is a vital element for the development of sustainable products and processes of improvement. In line with this, we are working with some of our customers to identify in detail the Carbon and Environmental Footprints of their products.

In addition, Vidrala has maintained its commitment in 2014 to reducing the footprint of glass containers manufactured in its plants and of the products stored in glass containers by its customers, by keeping its “Natura” product line in its product catalogue. This line, designed to reduce the consumption of raw materials and energy, leaves a smaller Environmental and Carbon Footprint than all of the other products in the catalogue.



The strategy adopted and set in motion by Vidrala in this regard is entirely consistent with that set out in the *Recommendation of the European Commission, of 9 April 2013, on the use of common methods to measure and report on the environmental behaviour of products and organizations throughout the life-cycle.*



During 2014, one of the pilot projects was started which are led by the Commission to develop the **Product Environmental Footprint for wine**, in which FEVE - The European Glass Container Federation - is participating.



The effort made in sustainability and climate change is acknowledged by customers, of whom over 70% say that Vidrala Group is strongly committed to sustainability.

Food certification

In 2014, Vidrala Group remained true to its commitment to **Food Quality and Safety**, which has meant another year of successful certifications in both areas:

- UNE-EN-ISO 9001:2008 for Quality;
- UNE-EN-ISO 22000:2005 at the Group level
- Global Standard BRC for Packaging & Packaging Materials Grade A



CONSUMERS

Food safety

According to the study mentioned earlier - The European Packaging Study - Spanish consumers confirm the qualities of our products and see glass as a safe material for food and beverage containers, that it is good for health and environmentally friendly.

Vidrala's commitment extends beyond its direct customers and guarantees the safety of its glass containers for the health of end customers. Hence, in an economic and market context in which continuous improvement is an indisputable factor, and in view of the constantly higher demands and expectations of our customers, Vidrala Group has taken its first steps to Food Defense, as evidenced in its involvement in Food Safety.

VIDRALA CASE STUDIES FOOD DEFENSE PILOT PROJECT IN GALLO VIDRO

While Food Safety in our production environment is mainly geared towards the manufacturing of safe glass containers (guarantees that there is no food risk for the health of the end user) against the natural or accidental contamination of the product, the aim of Food Defence is to supply products that are safe against intentional contamination of the product, either by internal personnel or by persons unrelated to the organization.

For this reason we are going to draw up an Integrated Food Defense Plan in the plant, in which malicious contamination threats of any kind (physical, chemical and or microbiological) are eliminated or, if not feasible, minimized, at all stages of the production process and all activities related thereto.

This is the background against which Gallo Vidro, our plant in Portugal, as a pilot plant, began to take the first steps to implement its Food Defense Plan in the last quarter of 2014. Following the initial presentation of the project by the Food Quality and Safety Management of the Group, and with the support of the plant's food safety team, the first steps have been taken in phase 1 of the project, which will continue its development throughout 2015.



SOCIETY

Commitment to the local community

An organization like Vidrala makes no sense without its social dimension, without the people who make it up and give it its personality, as well as the environment that hosts them. For this reason, Vidrala remained committed in 2014 to the development of the environments nearby its facilities, participating in social and cultural activities organized by entities of many different kinds. In line with our social responsibility policy, the firm has worked with almost 30 entities, among which are sports clubs, NGOs with a social purpose, cultural associations and residents associations. In total, the funds allocated to organizations of this kind amount to over 23,000 euros.

Communication and awareness raising

A key element to be able to continue fulfilling the commitment to manufacturing environmentally-friendly containers is to promote recycling in society in general. For this reason, Vidrala remains committed to environmental education, as the basis of a society with a greater awareness of its responsibility to the environment.

One outcome of this commitment has been the development over a number of years of a joint project between Castellar Vidrio plant, the Town Council of Castellar del Valles, Friends of Glass and the Ecodivrio association.



VIDRALA CASE STUDIES

ENVIRONMENTAL EDUCATION PROJECT IN CASTELLAR VIDRIO

Vidrala Group believes that education plays a fundamental part in the understanding, prevention and resolution of environmental problems. The sooner this education takes place, the more deeply the habits and customs among the future adult population will remain.

In line with this approach, at **Castellar Vidrio** plant an **environmental education project has been carried on for several years**, a pioneering project in Vidrala Group, both in terms of the target audience (pupils of schools and colleges) and the format, in collaboration with the schools themselves and with Castellar del Valles Town Council and the organizations Ecovidrio and Friends of Glass.

Tours of the plant are organized for the local school population (at first we worked with primary school pupils but currently this has been extended to secondary school and technical college students) who visit the plant and work on topics such as energy use and the use and recycling of glass.

Vidrala Group rates this project as one that has been and continues to be successful. **In 2014, we welcomed visitors from 6 different education centers, with a total of over 120 students.**





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