

FROM  
INDUSTRY...  
...to Service

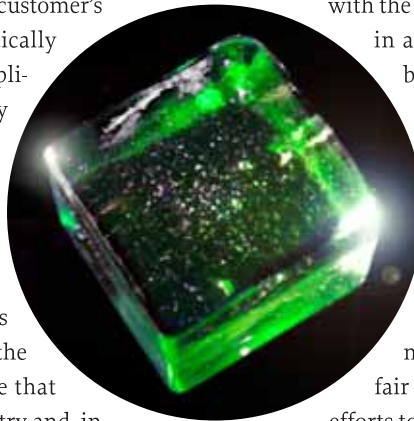


BA



To all *stakeholders*,

2009 was a difficult year. The economic recession significantly affected employment throughout Europe and consumer demand withered beyond our worst expectations. Europeans changed their consumer habits and the food and beverage retail chains adapted to the new consumer paradigm, the implications of which remain unclear in certain product categories, but that show, without a doubt, an increase of white labels in the shopping baskets. It is my belief that these trends will be maintained and be accentuated in the near future. | The existing context forced the BA Group to adapt timely: a huge effort was made to respond to our customer's needs for new packaging development – which practically doubled in relation to past years – and which had implications in the expansion of our product line and, many times, in the service levels, that could have reached achieved better levels. | Additionally, an effort was made to conquer more distant markets, using the group's competitive advantage to compensate for the fall in demand registered in the Iberian Market. | Although while I write this message our competitors annual information is not yet available, judging from the information available on the last quarter, I conclude that BA had the best performance worldwide of the industry and, in this difficult year, was able to widen its lead over some of its competitors in the European Market. In light of this situation, which I am very pleased to note, I insist on the importance that everyone in the organisation follow our corporate principles (**HeART**), particularly **Humbleness** and **Rigor**, which I am sure will enable us to survive these agitated times, and simultaneously provide us with the opportunity to find new ways to create value



for our customers and for consumers. | The responsibility of being the best entails the duty to go beyond the permanent improvement that we already offer, it defies us to think of the supply chain to which we belong in a different manner, in a radically different manner, reinventing our business model and our relationships since both our business model and that of our customers may have been placed in doubt due to the changes in consumer behaviour and in their relationship with retailers brought about by the economic recession. The 2009 report shows our non-conformity with the status quo and our collective determination to do things in a different and better way, risking a new approach to business that instead of mere product suppliers would make us service providers, with a more intangible value and for that reason would promote long-term relationships. | My first words of thanks go to our customers, particularly those with whom we have developed a closer relationship and with whom we can discuss and experiment new ways of organizing the value chain. To all our customers I reaffirm BA's commitment to improve meeting their needs. | But it is also fair to thank all of those who work in BA for the enormous efforts to adapt that was demanded of them in 2009 and, despite the circumstances, achieved better results than in the previous year.

*Avintes, January 28, 2010*

Handwritten signature of the author.

TO INERT MATTER WE ADDED TECHNOLOGY, INNOVATION,  
DEVELOPMENT, KNOW-HOW, KNOWLEDGE AND SOME EMOTION  
AND WE OBTAINED A BOTTLE,  
A JAR, A CONTAINER...

FROM  
INDUST  
...to

# RY... Service

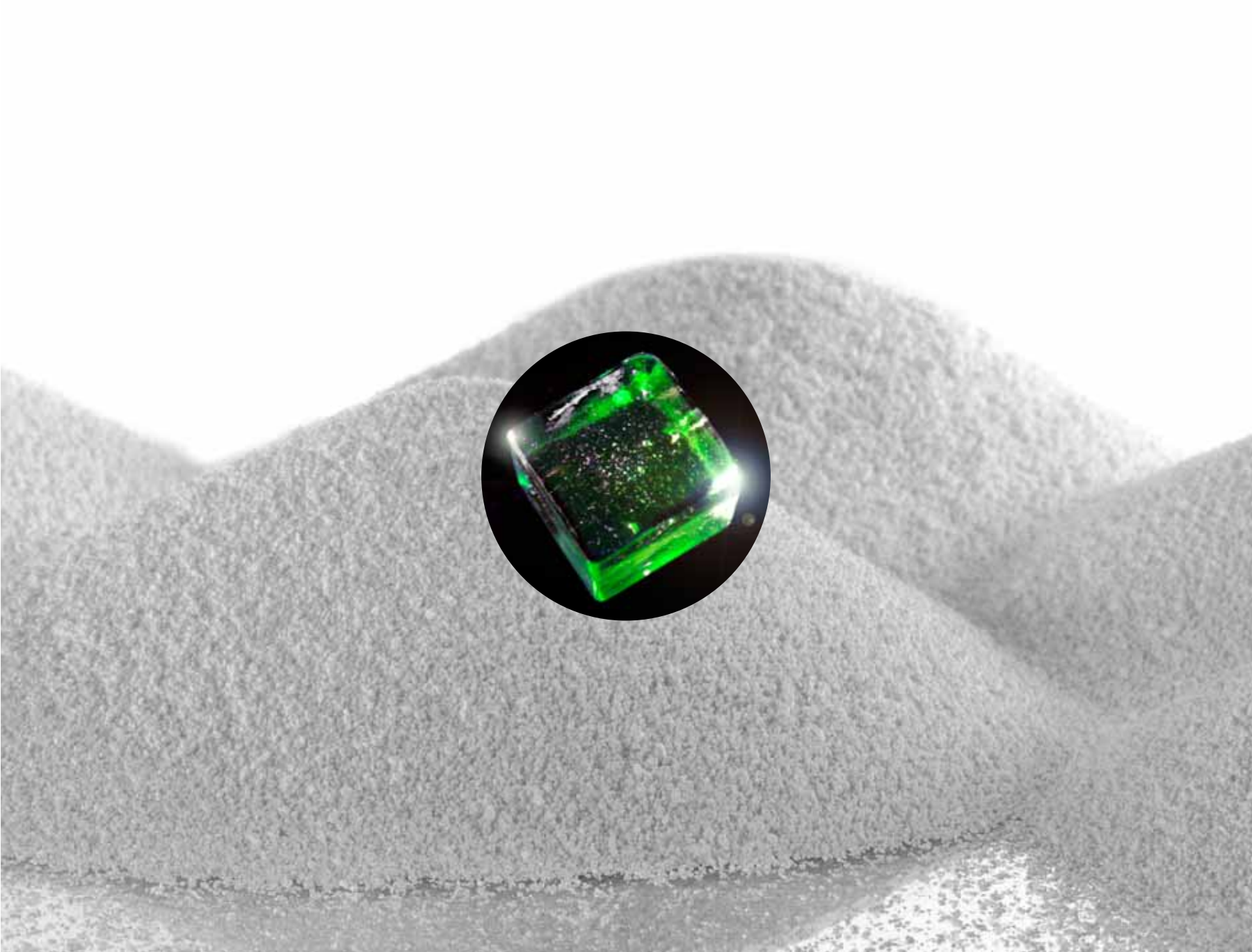


... that in assuming a form, an image, a symbol or an unique concept  
provide our clients with the possibility of offering unique products  
that meet unique expectations and demands.

# INERT MATTER

SODA





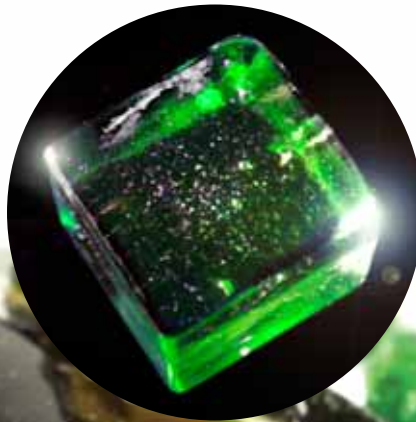






# INERT MATTER

GLASS FOR  
RECYCLING





# INERT MATTER

SAND & GLASS  
FOR RECYCLING





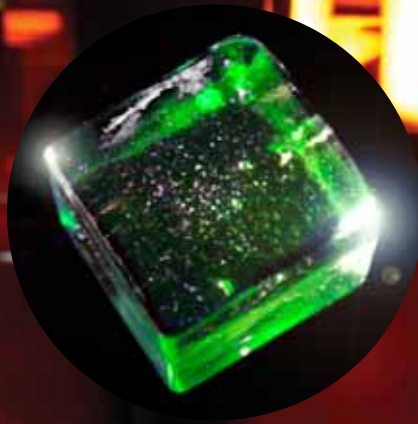




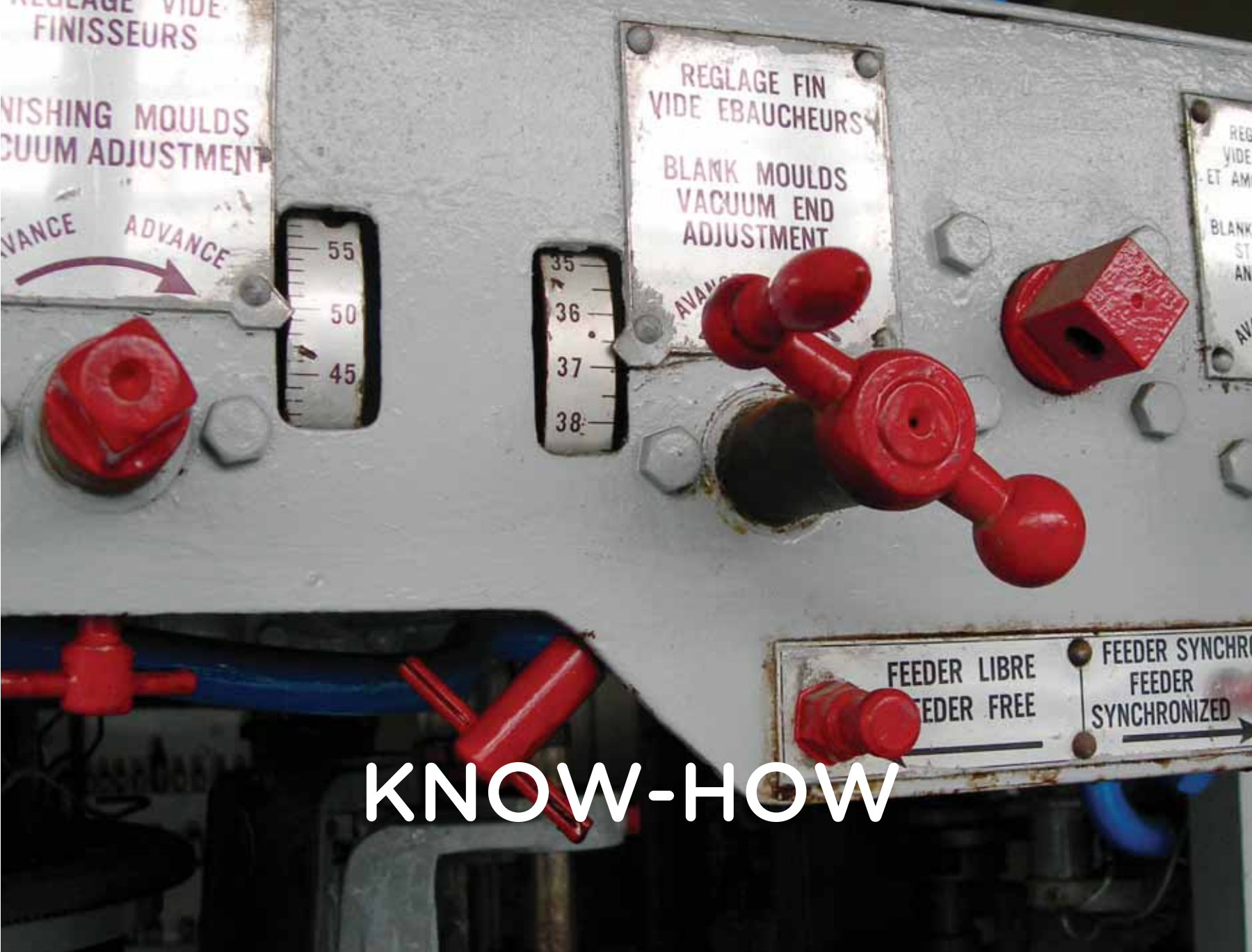


TE

# CHNOLOGY

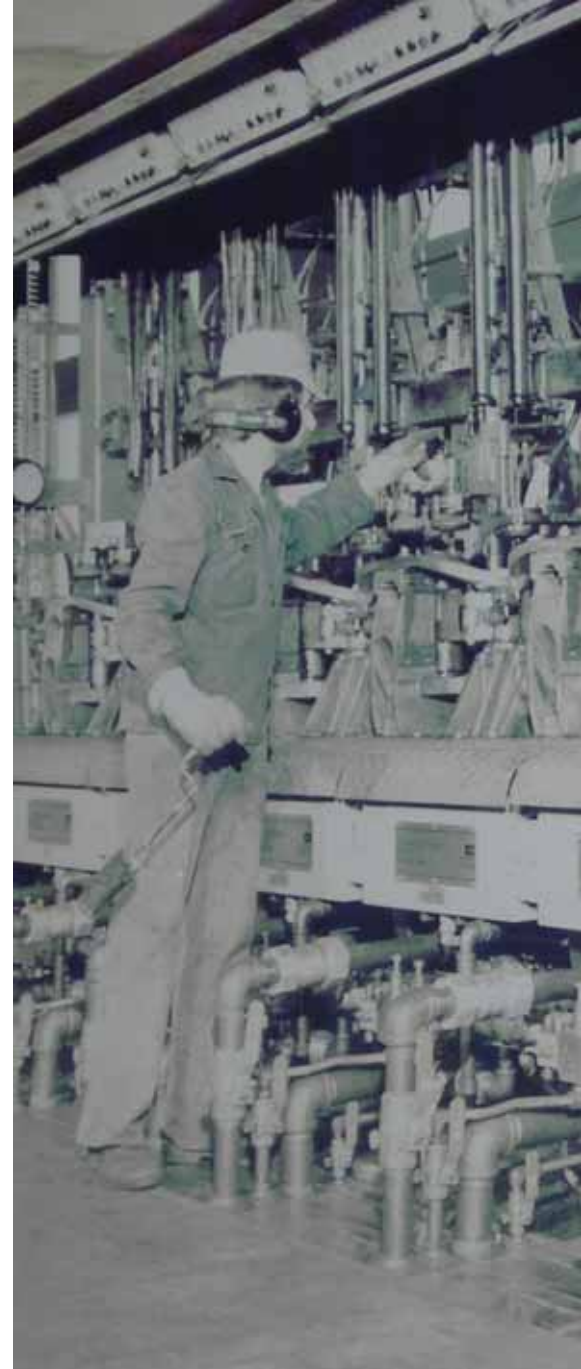
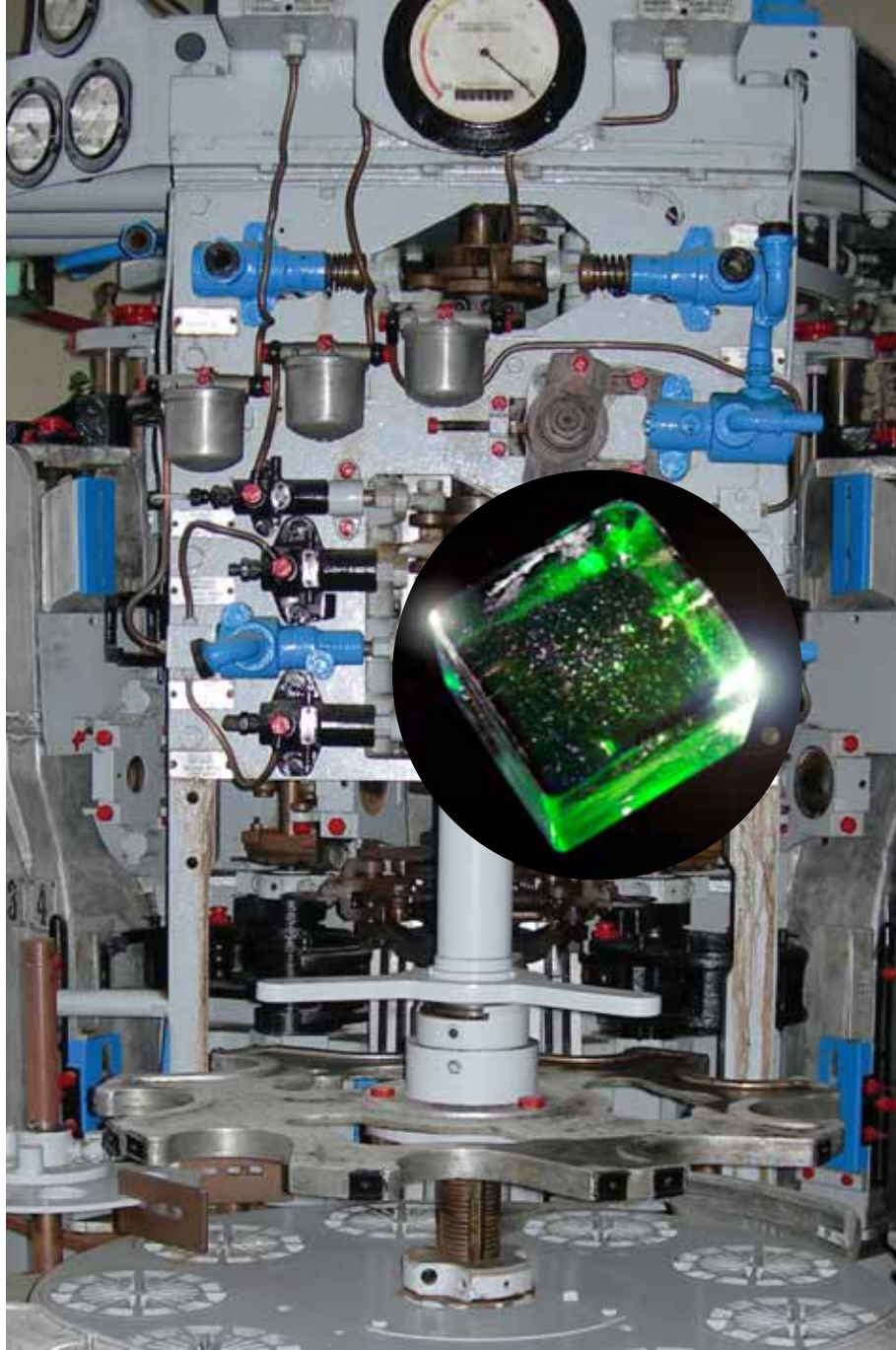






KNOW-HOW

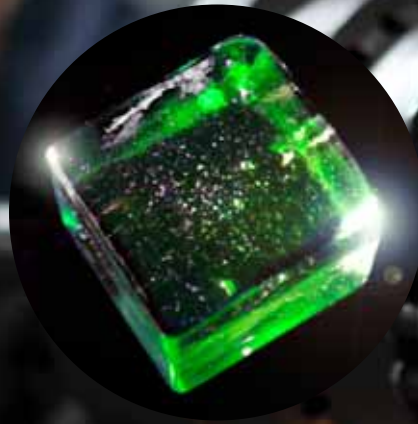








# DEVELOPMENT





KNOWLEDGE











INNOVATION







EMOTION



For

*M*

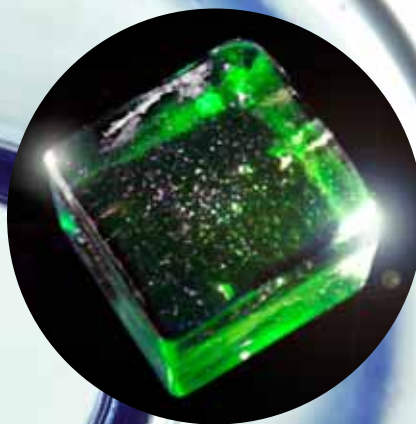




*Ima*



96



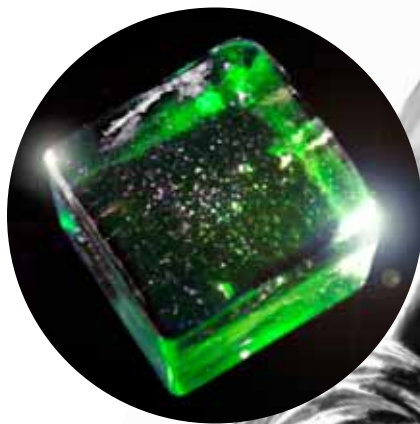


COLHEITA  
AO LUAR

AZEITE DE OLIVA  
EXTRA VIRGEM  
Colheita 2008 2009

500 ml

Symbol







F  
2



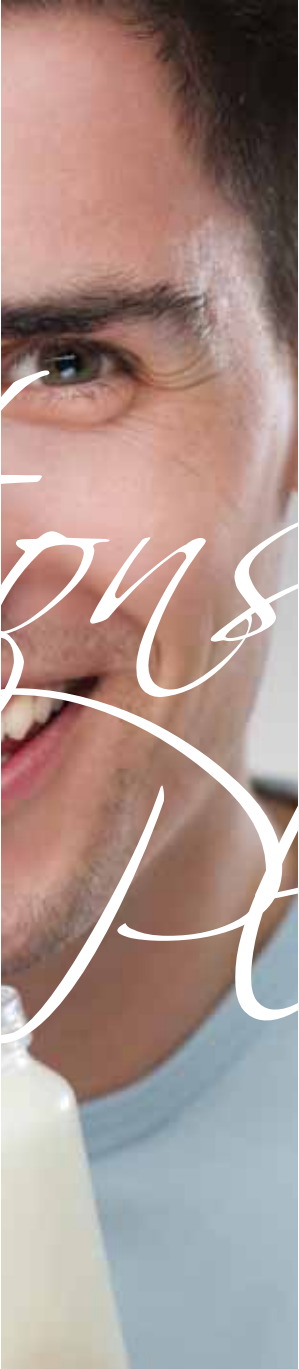


Experiences

Emotions





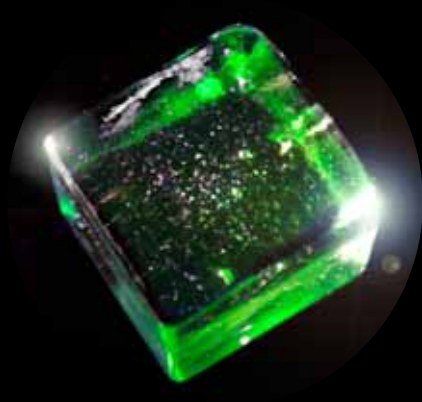


UNIQUE PRODUCTS  
AND SERVICES,  
PROVIDING  
UNIQUE EXPERIENCES,  
EMOTIONS, PLEASURE  
AND SENSATIONS ...

*Uniques*

THIS IS OUR  
CONTRIBUTION!

**BA**







# Uniqne

**2009** FINANCIAL & ACCOUNTS AND SUSTAINABILITY REPORTS

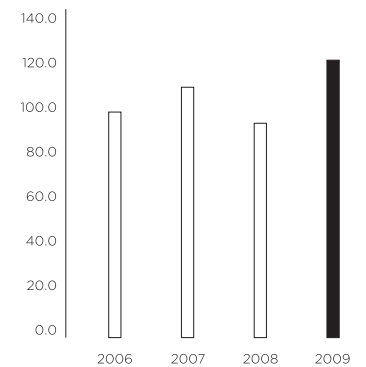


## CONSOLIDATED INDICATORS

[k€]	2009	2008
Turnover	<b>331,772</b>	290,894
Operating Results	<b>88,461</b>	76,807
Financial Results	<b>(22,117)</b>	(14,688)
Net Profit	<b>48,478</b>	44,342
Cash-flow	<b>78,428</b>	70,953
Operating cash-flow	<b>117,659</b>	102,318

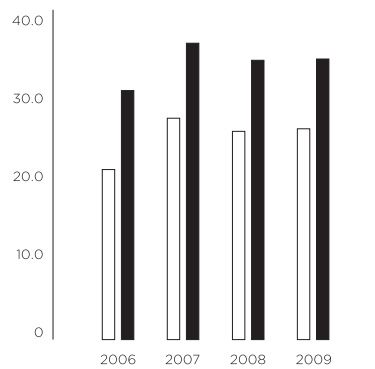
[k€]	2009	2008
Net Assets	<b>555,398</b>	516,870
Equity	<b>102,722</b>	73,494
Net Debt	<b>292,547</b>	307,230
Asset Turnover	<b>1.29</b>	1.30
Net Debt/EBITDA	<b>2.49</b>	3.00
Interest Cover Ratio	<b>10.7</b>	5.6
EBITDA/Sales	<b>35.5%</b>	35.2%
EBIT/Sales	<b>26.7%</b>	26.4%
ROE	<b>47.2%</b>	60.3%
Number of Employees	<b>1,339</b>	1,508
Sales/Employees	<b>247.8</b>	192.9

## SALES PER CAPITA [Base 100 = 2006]



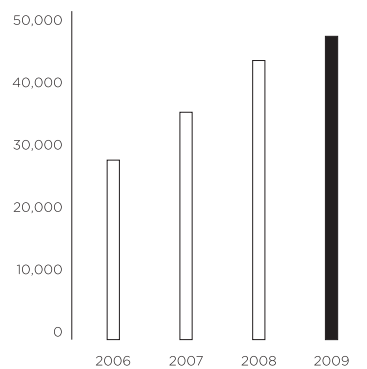


**EBIT+EBITDA / SALES [%]**

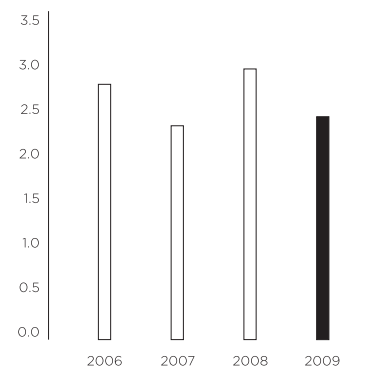


□ *EBIT / Sales*    ■ *EBITDA / Sales*

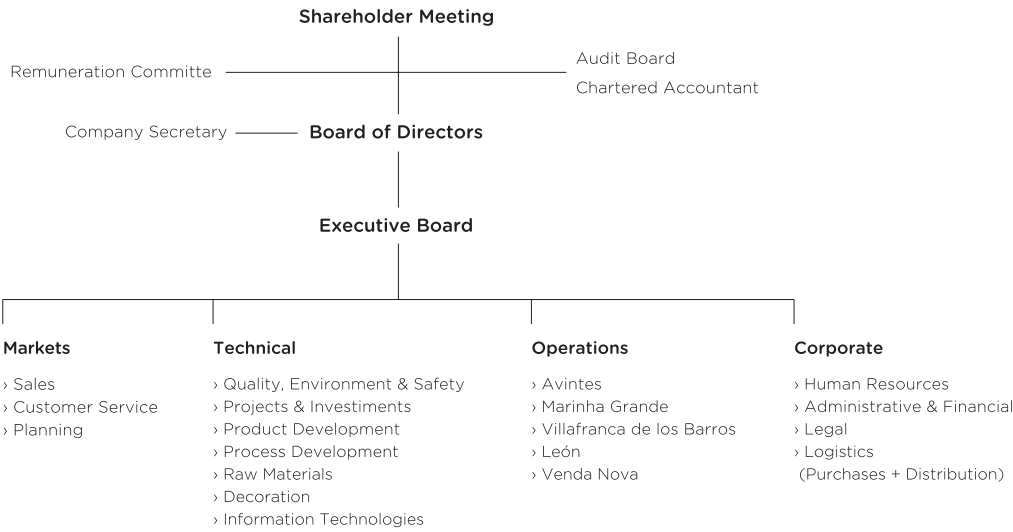
**CONSOLIDATED NET  
PROFIT [k€]**



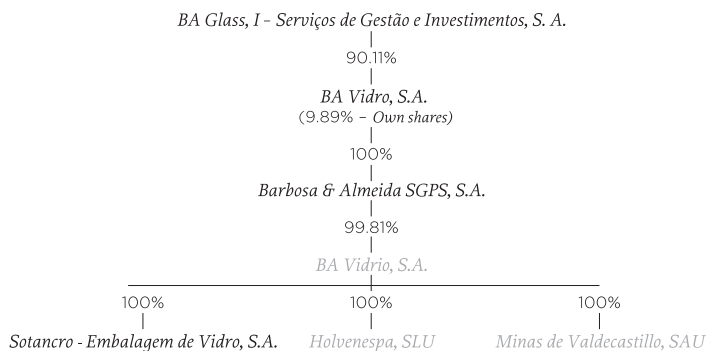
**NET DEBT/EBITDA**



# GROUP ORGANIZATIONAL CHART



## BA GLASS GROUP



■ Portuguese Companies ■ Spanish Companies

## COMPANY BODIES

### Board of Directors

Carlos Moreira da Silva (Chairman)  
 Jorge Alexandre Ferreira (CEO)  
 Álvaro Cuervo Garcia  
 António Vásquez Cardeñosa  
 Francisco Silva Domingues  
 José Ignácio Comenge  
 Mário Pereira Pinto  
 Pedro de Araújo Lopes

### General Shareholder Meeting

Mário Júlio Montalvão Machado (Chairman)  
 Eduardo Verde Pinho (Secretary)

### Supervisory Board

Rita Silva Domingues (Chairman)  
 Manuel Ortigão de Oliveira  
 Óscar Alçada da Quinta

### Chartered Accountant

Ernst & Young Audit & Associados, SROC, SA  
 Represented by João Carlos Miguel Alves

### Company Secretary

Rita Silva Domingues

### Secretary of the Subsidiary BA Vidrio, SA

Efrén Villán Sánchez

### Executive Board

Jorge Alexandre Ferreira (CEO)  
 Pedro de Araújo Lopes  
 Alfredo José de Lacerda Pereira  
 Sandra Maria Santos

### Department Directors

Ana Cristina Gonçalves  
 António Magalhães  
 António Sá Couto  
 Fernando Amílvia  
 Javier Teniente  
 Luis Cardoso  
 Pedro Belo  
 Pedro Correia  
 Rafael Corzo  
 Reinaldo Coelho  
 Vitor Matoso



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#### **Northern Delegation**

Avda. Del Pilar, 1, 1ºDtcho  
26500 Calahorra, La Rioja – Espanha  
*Tel.* +34.941.136573 *Fax* +34.941.136569

#### **Levante Delegation**

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# FINANCIAL REPORT & ACCOUNTS

*Unique*

BA

**INTRODUCTION**

COMMERCIAL ACTIVITY

**INDUSTRIAL ACTIVITY**

HUMAN RESOURCES

**INVESTMENTS**

INNOVATION AND DEVELOPMENT

**RESULTS**

PATRIMONIAL AND FINANCIAL ANALYSIS

**PERSPECTIVES**

ACKNOWLEDGEMENTS

**ALLOCATION OF EARNINGS**

ATTACHMENT TO THE REPORT OF THE  
BOARD OF DIRECTORS

# BOARD OF DIRECTORS CONSOLIDATED REPORT

*Unique*



**D**ear Shareholders,  
As determined by Portuguese law and the company's bylaws, we are pleased to present the Consolidated Financial Report and Accounts for 2009.

Financial analysts unanimously agree that 2009 was the worst year of the financial crisis that has affected the world economy in recent years.

Uncertainties regarding the evolution of the macroeconomic indicators, the volatility of the markets and the steep plunge in demand were factors that, among others, contributed to 2009 being a year of great difficulties for companies in general and, naturally, for the glass packaging industry in particular.

Economies decreased and Portugal and Spain were no exception, with a decline of 1% and of 3.1%, respectively. For the first time some European countries presented negative inflation rates, among which is Portugal with 0.8% less.

Volatility of prices and the dollar were greatly felt and varied between a maximum of 1.512 and a minimum of 1.255. Crude oil prices varied between \$34.33 and \$77.24 and the Euribor rate abruptly fell throughout the year (having started the year at 2.945% and reaching 0.993% at the end).

The glass packaging industry had a very irregular performance throughout the year; although the industry recovered towards the end, it is estimated that the sector suffered a 10% reduction in the Iberian Peninsula. This reduction was compensated by an increase of sales outside the Iberian Peninsula.

Despite the industry's described context, the group had a positive per-

formance, registering consolidated sales of 331,8 million euros in 2009.

Sales, as all other information in this report, are not directly comparable given the changes in the group's consolidation perimeter. We refer:

- The full incorporation of Sotancro in 2009 (while in 2008 only half of the year was included);
- Vidriera del Atlântico ceased to be consolidated in the group (while it had been consolidated in the second semester of 2008), since the company management filed for Administration ("*concurso de acredores*") due to the company's lack of solvency.

Due to the uncertainties generated in the market because of instability in demand, during 2009 the group's priority, as part of its improvement and permanent challenging policy, was its response to customers. This was achieved through both innovation and a flexible and quick response to customer needs.

Regarding innovation, 180 new projects were developed and 80 new products were launched on the market, an increase of 72.6% and 68.5%, respectively, in relation to the previous year.

As for the response to customer needs in light of demand volatility, the group changed its planning and logistics organization to be able to fully satisfy customers.

Various changes to the organizational structure should be pointed out and which enabled the group to continue its dynamic of personal and Professional development of its employees.

The continued efforts in process innovation and in the search for more efficient operational and organizational solutions allowed the group to improve its operational profitability: operational cash-flow



(ebitda) reached 117.6 million euros and operational results (ebit) 88.5 million euros.

The patrimonial structure shows total net assets of 555.4 million euros and financial debt of 292.5 million, well balanced to a gearing of 18.5% and a net debt/ebitda ratio of 2.5.

As a final thought on this matter, earnings before tax reached 66.3 million euros and the consolidated net results were 48.5 million euros. As for certifications, the groups integrated quality (ISO 9001:2000) and environmental (ISO 14000) certifications were renewed, which attests to the continued improvement of the adopted processes.

The ISO 22000 certification (Food Safety) was also renewed and it is expected that the Venda Nova plant will also be certified in 2010.

As decided in previous years, this publication includes a Sustainability Report where our group's vision is revealed, as well as the sustainable development principles and our performance in each area.

The group or its subsidiaries are members of AIVE – Associação dos Industriais de Vidro de Embalagem, ANFEVI – Asociación Nacional de Empresas de Fabricación Automática de Envases de Vidrio and FEVE – Fédération Européenne du Verre d'Embalage, and has remained committed to the activities pursued by these associations, particularly in promoting glass packaging and following various legislative initiatives at both the national and EU level.

2009 was a difficult year for the Iberian economy and registered an unprecedented recession in recent history, which began in late 2008.

As a result of measures taken by the government for monetary and budget stimulation and also to support the financial system, which played a key role to control the retraction of economic activity, a small recovery was registered in the second semester of 2009.

As mentioned, the Iberian market was greatly affected by the crisis; negative growth and inflation rates were registered and unemployment rates soared. Such adverse circumstances naturally impacted the group's activity in the domestic market, since the demand for glass packaging followed the general decline of the economy.

In this context, BA had a positive performance, mainly due to its timely decision to increase exports.

Consolidated sales reached 331.8 million euros, a growth of 14.1%. This growth, when compared to the previous year, is the result of the integration of the Sotancro group, since only second semester sales had been incorporated in 2008.

With the decline in demand registered in the Iberian Peninsula, it was the exports that sustained the sales volume and which represent 14% of total turnover.

The main segment of sales continues to be the food industry, with 32%, but the beer, wine and spirited drinks segment registered the greatest growth.

To continue our policy of proximity to customers - in the sense of supporting product and service innovation - and to enable the increase of exports, BA created a team of key account managers to manage the

accounts of main clients, reinforced its export team and invested in its product development capacity.

BA assumes added responsibility as the supplier of the main clients in both the Iberian and European market.

In light of the changes in demand patterns and in the perception of value to consumers, BA considers it is its responsibility to work and collaborate with its customers in the search for products and services that meet consumer needs, defend their values and provide an adequate response to an increasingly competitive consumer market.

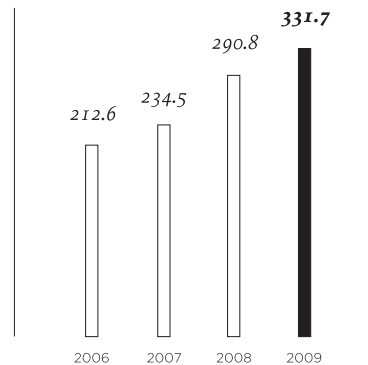
In 2009 BA developed various intervention and optimization projects in the logistics chain, to reduce costs, to improve environmental performance of the packaging and to create value for its customer's brands. BA attention focused on:

- Reducing the products' weight and secondary packaging, which allows not only for reduction in sales price, but also reduces the consumption of raw-material and packaging material;
- Optimization of transportation, both through the optimization of packaging, but also through production planning. This allows for a reduction not only in transportation costs, but also reduces the number of kilometres travelled and, consequently, in fuel consumption;
- Reduce time-to-market, to allow clients to be increasingly present on the market and to respond to the need for new experiences from consumers.

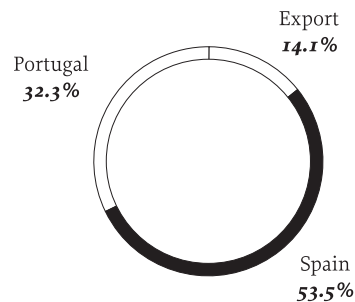
In 2009 over 180 new projects were developed by BA and over 80 new products were launched on the market, which corresponds to 1,5 new products per week.

A customer satisfaction survey was conducted once again and BA was very pleased to find that its value proposal is increasingly understood by customers, as a result of their perception of an improvement in service and quality delivered by BA, particularly when compared with BA competitors.

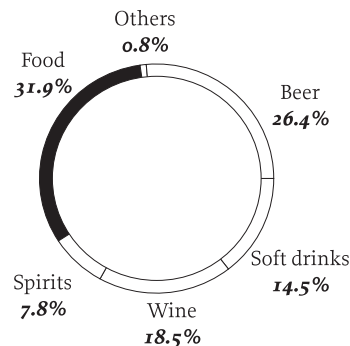
#### TURNOVER [M€]



## SALES GEOGRAPHIC REGION [%]



## SALES SEGMENTS [%]



In 2009 three furnaces were reconstructed, which represented an investment of approximately 60 million euros.

Despite this strong activity, the group did not lose sight of its rationalization measures, which enabled it to respond to customer needs more efficiently.

Various measures were concluded in the Avintes plant to consolidate operating conditions. We highlight the optimization of furnace yields and the improvement of customer service. Greater proximity in the resolution of specific problems and greater flexibility helped customers face the high volatility of demand resulting from the economic crisis.

The entire Marinha Grande structure was deeply involved in consolidating the plant's results, that significantly evolved, and in assisting the integration of the Venda Nova plant in the group.

In the Villafranca de los Barros plant the highlight of the year was the investment in the reconstruction of its only furnace. The concern in reducing energy consumption was present and the new furnace adopted energy regeneration technology instead of the previous energy recovery.

In Leon, one of the furnaces was reconstructed at the end of the year with one less production line and large investments were made in quality control. The results confirm that the measures that were taken over recent years were correct and, after the furnace reconstruction in 2010, the Leon plant will be among the best-equipped glass packaging manufacturing plants.

In Venda Nova, measures continued to be taken to integrate the plant into the group. Additionally, one of the furnaces was also recons-

trusted. The focus continued to be in improving and systematizing procedures to obtain a unique response and to be a reference for clients.

The Xinzo de Limia plant, belonging to Vidriera del Atlántico, suffered difficulties throughout the year and the financial-economic strangulation greatly impacted its activity. Thus, and due to its lack of competitiveness, product quality issues and total inability to obtain financial resources to maintain the plant, the Vidriera del Atlántico Management filed for Administration (*"Concurso de Acreedores"*) to wind-up the company. This is the reason why the company ceased to be in the group consolidation perimeter.

Overall, pursuing the strategic orientation defined long ago to improve operational performance BA continued its changes in organizational procedures, supported by internal and external benchmarking, adopting best practices and monitoring critical processes.

The wider integration of all management sub-systems continues to be one of the concerns in improving the group management model, adapted to responding to existing legislation and to the rules the company voluntarily adheres to.

In the logistics sector, measures to respond to the volatility of customer demands were increased. Thus, partnerships with suppliers were created to strengthen mutual trust and to enable efficiency gains throughout the supply chain.

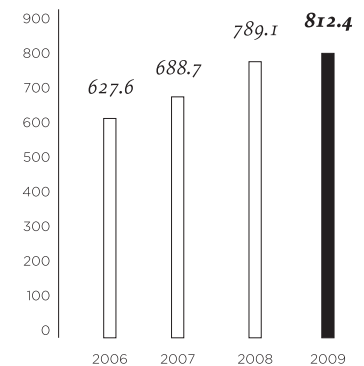
Regarding the subsidiaries, a special word should be given to the excellent performance of Minas de Valdecastillo that exploits a silicon dioxide mine in the Province of León, in Spain.

Treatment of recycled glass is also a vital aspect of the group's stra-

tegy and it is performed daily in the parent company in Portugal. In Spain, the group recently acquired a glass treatment unit in Villafranca de los Barros, to ensure the quality in treatment of recycled glass required by the growing demand of the production process.

In Herdade da Charneca (Alentejo), where the company expects to extract sand, the necessary licensing process began in 2000, however the process has stalled due to red-tape in Portugal and the company is still waiting for the respective license to be issued.

**USABLE PRODUCTION**  
[1000 Tons]





**W**ith the consolidation of the team re-dimensioning and reorganization processes that began in 2008, in 2009 a new round of discussions began concerning the organization of the various areas.

The BA group believes benchmarking is a key tool in developing an organization. Building on the synergies that were created with the integration of the new production units and mutual learning among the teams became a top priority and allowed the group to increase productivity levels and develop the entire organization.

This collective development and steps towards sustainability were only possible thanks to the dedication and co-operation of each of the 1,339 employees (937 located in Portugal and 402 in Spain) that form part of the organization. The true commitment of each employee, reflected in the daily efforts made in all areas of the company, is what allows BA to be recognised as a reference in the employment market. This commitment would not have been possible without the proper work instruments that, in various instances, were obtained by enriching the functions and the various changes made to the structure of the departments, making the employees' careers more enticing.

2009 was also the year of consolidation and extension of the performance evaluation and career development system to the Venda Nova plant and to those employees integrated in the central departments. These models are intended to create opportunities for all our senior staff, attracting and maintaining high potential employees. The performance evaluation system of operational employees was also restructured, to ensure greater involvement of everyone and greater proximity to group values.

Internal communication was again used as a tool to disseminate the group culture of transparency, very characteristic of the group, and to integrate our new employees. We highlight the actions with a global scope, although we are well aware of others, of local dimension, that were equally if not more significant to the objectives of communication referred to above:

- Quarterly publication of “Contém”, that was recently reformulated to meet our employees interests;
- Quarterly communication of the group's results;
- Senior staff annual meeting, where 124 employees were present;
- Among many other instances of more or less formal communication.

At the beginning of the year various information sessions were carried out to share with our employees the results of the organization survey conducted in late 2008. This diagnosis is intended to verify, accurately and transparently, employee opinion on matters such as strategy, commitment, work conditions, human resources policy and leadership. In addition to participating on an anonymous basis, employees were able to express themselves on the results of the diagnosis and on the action plans that were adopted.

The consolidated value of absenteeism declined, having fallen from 4.5% to 3.8%, essentially due to the changes in the consolidation perimeter that in 2008 had been heavily punished with the integration of the Xinzo de Limia plant, where the levels of absenteeism were significantly higher than in any other plant.

Regarding accidents, we registered a 35% reduction in the number of accidents within the group. Although this is an encouraging

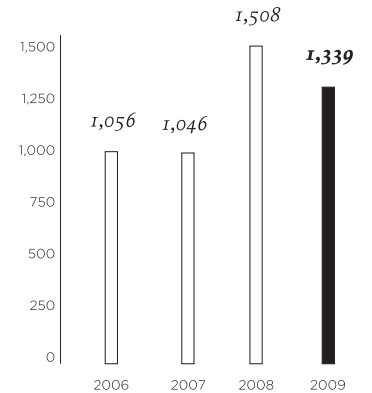
result, our goal is still to achieve “Zero Accidents”. BA will continue to concentrate efforts on the pursuit of risk prevention and analysis and resolving accident causes so that, in the short term, zero accidents will become a reality.

Investment in professional training reached 33,744 hours, the equivalent of 25 hours per employee. Prominence continued to be given to training in technical areas, as a result of investments that were made. BA's training certification in the areas of organization and promoting interventions and development of training activity in the Avintes and the Marinha Grande plants and also the Central Departments was renewed and the extension of accreditation to the Venda Nova plant was approved.

In addition to training, as a means of increasing the value of employee and team skills, BA also maintained its use of other mechanisms, such as job position swaps among its senior staff.

The BA group has increasingly strived to play a key role in the community, particularly in the development of knowledge and innovation oriented to young professionals and, as a result, the group increased its involvement in schools and universities.

#### NUMBER OF EMPLOYEES



## INVESTMENTS

The consolidated tangible investments reached 76.9 million euros, thus continuing the cycle of furnace repairs. 18.6 million were invested in Villafranca in the reconstruction of furnace D, 19.4 million in furnace 2 of Venda Nova and 15.7 million in furnace 2 of León. An amount of 6.2 million euros has already been expended for the reconstruction of furnace 4 in Avintes, which will take place in the first quarter of 2010.

These investments allowed a significant technology *upgrade* in the plants, both at the level of automatic quality inspection and also in palletization automation.

To improve warehouse conditions, investments of approximately 9.4 millions euros were made in the construction of new warehouses or in extension of existing ones. In Marinha Grande a plot of land was acquired and a new warehouse was built, 4.4 million euros of a total budget of 5.8 million have already been invested. In León a warehouse next to the plant was acquired and in Avintes the existing warehouses were enlarged by approximately 4,000m<sup>2</sup>.

We also highlight the investment made in the cullet treatment unit in Avintes, to allow colour separation and to provide flint cullet to the group's plants.

## INNOVATION AND DEVELOPMENT

19

The past year was marked by a general reduction in demand, which led customers to launch new products and diversify their offer as a means to beat the negative trend. Once again BA was there to support its customers, in a joint effort to satisfy their needs and to accompany the entire development process so the packaging placed on the market was not only innovative, but also environmental-friendly due to lighter models, for example.

During 2009 records were achieved in the main innovation and product development indicators. We point out the increase in the first productions in the BA group (127% more than in 2008), followed by an increase in executed projects (72.6% more than in the previous year) and an increase in the number of molds developed for new products (68.5% more than in 2008).

To improve the *time-to-market* demands made by the customers, throughout 2009 BA developed a project support tool integrated in Portal BApród. This tool allowed a reduction in project performance time by concentrating all required information in one information platform. Simultaneously, the tool allowed all information necessary for the production process to be shared *on-line*, thus avoiding possible errors in the first productions.

## RESULTS

20

The group's results in 2009 reflect a different consolidation perimeter than that of the previous year and with a full year of integration of Sotancro and the exclusion of Vidriera del Atlántico.

As in any other industry, BA was also greatly influenced by the crises that affected 2009 and which required new ways of handling problems.

Regarding sales, the increase was mainly due to the incorporation of Sotancro because the like-for-like growth was insignificant.

Regarding costs, the price deflation of certain production factors, together with operational improvement and the results of restructuring, enabled BA to improve the group's operational margins.

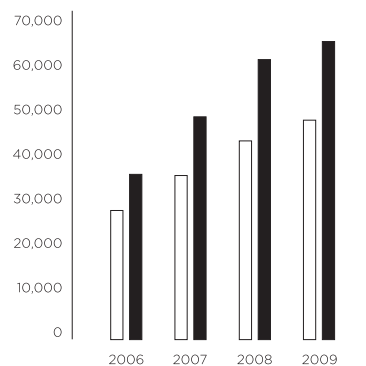
The restructuring costs, particularly in the companies acquired in 2008, still negatively affected the group's results.

Thus:

- Operational cash-flow (ebitda) remained at interesting levels, having reached 117.6 million euros, over 15.3 million euros more than in 2008 and the ebitda margin increased to 35.5% of sales, 0.3 p.p. more;
- The operational results (ebit) summed up to 88.5 million euros, representing approximately 26.7% of sales, a differential of 11.6 million euros in relation to 2008;
- The net tangible assets turnover reached 1.29, an amount very similar to 2008, as a result of the large investments made throughout the year, even though it continued to be one of the levers of the operating profits;
- Workforce productivity also grew significantly, approximately 28.5%, and reached record values due, mainly, to team restructuring;

- Consolidated financial results diminished, reaching a negative 22.1 million euros, against the negative 14.6 million euros registered in 2008. Despite the reduction of debt and of the associated costs, a provision of 12.6 million euros made to reflect the loss of the group holding of Vidriera del Atlántico generated even more negative results;
- Profits before taxes amounted to 66.3 million euros and the net profits to 48.5 million euros.

### RESULTS [k€]

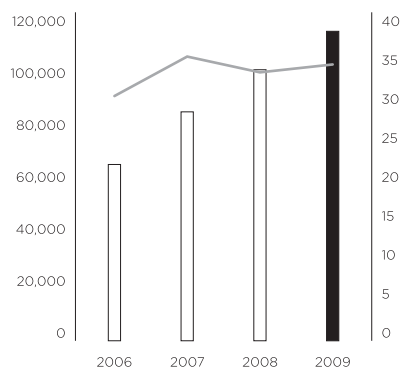


□ Profit before taxes ■ Net profit



**EBITDA**  
[k€]

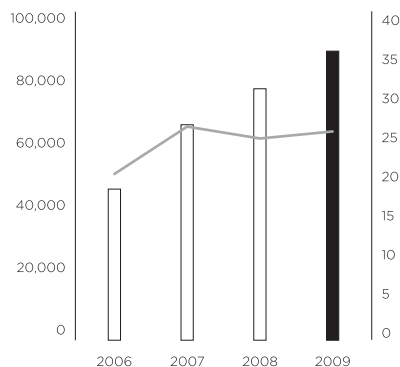
**EBITDA/SALES**  
[%]



■ EBITDA — EBITDA / Sales

**EBIT**  
[k€]

**EBIT/SALES**  
[%]



■ EBIT — EBIT / Sales

## PATRIMONIAL AND FINANCIAL ANALYSIS

21

In 2009 the consolidated assets grew approximately 7.5%, reaching 555.4 million euros, of which noncurrent assets represent 66.6%. This growth was due to yet another year of large investments in modernization of the production units, which reached 76.9 million euros.

The tight control of working capital, allowed BA to maintain values similar to those of 2008, approximately 26.6% of sales, but higher than the value prior to the financial crisis.

At the end of last year, total liabilities were 452.7 million euros and the group's net financial debt was 292.6 million euros, 14.5 million less than in 2008, long and medium term financial debt representing 71.2% of that value.

In December free reserves in the amount of 17 million euros was distributed to the mother-company, BA Glass BV, in the form of dividends.

The *net debt/ebitda* ration is less than 2.5 and the shareholders funds grew to 18.5% of its assets.

The manner in which the European, US and world economies will evolve is still unknown. No one is sure whether the serious economic crisis is coming to an end, although there have been some positive signs.

The euro/dollar exchange rates, the evolution of China and India, the expansion East European countries with all its development and the tendency of demand in the next year all make it difficult to have a clear perspective of how things will evolve.

Given the circumstances, we do not expect an increase in demand for glass packaging.

The outlook on both the Portuguese and Spanish GNPs is not very optimistic. Employment rates show no signs of improvement and, given that this is the basis of demand, could lead to a small decline or, at best, to the stagnation in the demand for glass packaging.

Despite the above, the improvement in our group competitiveness over the past years, the pursuit of product and process innovation and our determination to improve customer service, allow us to begin 2010 with moderate optimism and with the firm belief that quality leadership in the business is achieved on a day-to-day basis, thanks to the dedication and efforts of all our employees.

We will remain concerned with using greater transparency in all processes, in order to optimise the relationship with all stakeholders:

- As far as customers are concerned, we intend to achieve even higher levels of quality and trustworthiness that will help us succeed in an increasingly demanding consumer market. We hope to surpass the

current level as a mere industrial supplier, to be seen by our customers as a unique service provider;

- As for shareholders, to achieve the highest profitability levels, always based on ethical behaviour and clear corporate governance rules;
- As for our staff, we wish to consolidate the use of management tools and methodologies, so the group is recognised by its employees as the best place to work. The job quality the group provides, both at the level of stability and at the level of wealth sharing, are key to such recognition;
- As for our suppliers, we hope to further develop our partnerships in order to strengthen mutual trust and generate efficiency gains throughout the supply chain;
- As for the environment, we aim at developing the group's environmental policy, making available information on the environmental performance of our production units and maintaining an interactive relationship with public entities, local associations and organizations that benefits the community as a whole.

## ACKNOWLEDGEMENTS

Firstly the Board of Directors would like to thank all the group employees: their performance, enthusiasm and dedication were the most important contribution to the results we have achieved, both in terms of profitability as well as customer satisfaction.

We would also like to thank the governments, local and regional Authorities of Portugal and Spain, which have supported and followed our activities and projects closely. We also appreciate the cooperation of banks and other financial institutions with which we worked throughout the year.

We are also indebted to the Audit Committee and to the Auditors working in each of our companies for their permanent co-operation and spirit of positive criticism with which they have accompanied and analyzed our accounts and procedures.

Last but not least, our gratitude to our customers, whose trust, preference and demands are permanent incentives for our improvement.

## ALLOCATION OF EARNINGS

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To allocate the unconsolidated Retained and Net Earnings of “BA Glass I - Serviços de Gestão e Investimentos, SA”, which amount to EUR 33,741,472.84, we propose the following distribution:

Free Reserves	33,718,651.84 euros
Distribution of Profits among Employees	22,821.00 euros

In the BA group the amount of profit distributed among employees reached EUR 963,715.00.

Avintes, January 28, 2010

### The Board of Directors

Carlos Moreira da Silva (Chairman)

Jorge Alexandre Ferreira (CEO)

Álvaro Cuervo Garcia

António Vásquez Cardenosa

Francisco Silva Domingues

José Ignácio Comenge

Mário Pereira Pinto

Pedro de Araújo Lopes

## ATTACHMENT TO THE REPORT OF THE BOARD OF DIRECTORS

24

### Disclosure of Shareholders' Percentages

(Articleº 448.º of the Portuguese Companies Act)

#### Carlos António Rocha Moreira da Silva – Chairman of the Board of Directors

Through the fully controlled “Bar-Bar-Idade I, SGPS, SA”, he is the indirect owner of shares representing 26.30% of the share capital of “BA Glass I – Serviços de Gestão e Investimentos, SA”. (hereinafter BA Glass).

The company “Fim do Dia, SGPS, SA” (of which he is the Chairman of the Board) is the indirect owner of shares representing 47.40% of the share capital of BA Glass.

#### Francisco José Mestre Mira da Silva Domingues – Member of the Board of Directors

The company “Atanágoras, SGPS, SA” (of which he is the Chairman of the Board) is the indirect owner of shares representing 26.30% of the share capital of BA Glass.

The company “Fim do Dia, SGPS, SA” (of which he is a Member of the Board) is the indirect owner of shares representing 47.40% of the share capital of BA Glass.

#### Jorge Alexandre Tavares Ferreira – Member of the Board of Directors

The company “Fim do Dia, SGPS, SA” (of which he is a Member of the Board) is the indirect owner of shares representing 47.40% of the share capital of BA Glass.

#### Rita Mestre Mira da Silva Domingues – Chairwoman of the Supervisory Board

The company “Atanágoras, SGPS, SA” (of which she is a Member of the Board) is the indirect owner of shares representing 26.30% of the share capital of BA Glass.

Shareholders	Shares	% share capital and voting rights
BA Glass BV	50,000	100%
Company indirectly held by Carlos Moreira da Silva, by the Silva Domingues Family and by the Board Members and senior staff of BA		





**CONSOLIDATED BALANCE SHEET**

CONSOLIDATED INCOME STATEMENT

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

CONSOLIDATED CASH FLOW STATEMENT

**NOTES TO THE CONSOLIDATED CASH-FLOW STATEMENT**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

# FINANCIAL STATEMENTS

*Unique*



## CONSOLIDATED BALANCE SHEET

(Values expressed in euros)

	Notes	12/09	12/08
<b>Assets</b>			
<i>Non current Assets</i>			
Goodwill	7	82,905,050	90,948,136
Intangible assets		-	-
Tangible assets	8	257,152,261	224,535,121
Financial investments	9	1,557,779	397,359
Investment properties	10	1,648,725	1,706,097
Other non current assets	11	19,458,525	19,922,750
Deferred tax assets	12	6,965,338	6,659,963
		<u>369,687,678</u>	<u>344,169,427</u>
<i>Current assets</i>			
Inventories	13	58,145,746	62,592,626
Trade receivables	14	77,229,447	74,629,940
Other current debtors	15	9,367,134	4,035,507
Other current assets	16	200,274	648,338
Cash and short term deposits	17	40,767,949	30,794,161
		<u>185,710,550</u>	<u>172,700,573</u>
<i>Total assets</i>		<u>555,398,228</u>	<u>516,870,000</u>

Continues →



Continuation →

	Notes	12/09	12/08
<i>Equity and liabilities</i>			
Share capital	18	50,000	50,000
Reserves, retained earnings and supplementary capital	18	54,193,872	29,102,306
Net earnings		48,478,342	44,341,566
Minority interests		-	-
<i>Total equity</i>		<u>102,722,214</u>	<u>73,493,872</u>
<i>Non current Liabilities</i>			
Bank loans	19	208,269,538	199,434,322
Provisions	20	3,960,662	4,208,338
Other non current creditors	22	-	-
Deferred tax liabilities	12	9,228,630	9,247,798
		<u>221,458,830</u>	<u>212,890,459</u>
<i>Current Liabilities</i>			
Bank loans	19	125,044,930	138,589,692
Trade payables	21	47,016,895	50,625,331
Other current creditors	22	32,696,921	8,291,555
Other current liabilities	23	26,458,438	32,979,091
		<u>231,217,184</u>	<u>230,485,669</u>
<i>Total liabilities and equity</i>		<u>555,398,228</u>	<u>516,870,000</u>

## CONSOLIDATED INCOME STATEMENT

(Amounts expressed in euros)

	Notes	12/09	12/08
<i>Results from continuing operations</i>			
<i>Operating earnings</i>			
Sales and services rendered	2.17	331,771,550	290,894,464
Change in stocks of finished goods		2,124,325	8,608,347
Other operating income	24	6,756,584	10,968,726
		<u>340,652,459</u>	<u>310,471,538</u>
<i>Operating expenses</i>			
Materials consumed		109,673,033	102,536,169
Supplies and external services		67,478,405	61,586,198
Personnel expenses		44,713,485	42,433,455
Amortisations	8	29,067,941	25,232,589
Provisions		129,824	278,515
Other operating expenses	25	1,128,983	1,597,538
		<u>252,191,671</u>	<u>233,664,463</u>
<i>Operating Cash Flow (EBITDA)</i>		117,658,554	102,318,179
<i>Operating results</i>		88,460,788	76,807,074
<i>Financial results</i>	26	<u>(22,116,565)</u>	<u>(14,688,066)</u>
<i>Profit before taxes</i>		66,344,223	62,119,009
Current and deferred tax for the period	27	<u>17,113,783</u>	<u>16,677,104</u>

Continuation →

	Notes	12/09	12/08
<i>Net profit for the period</i>		49,230,441	45,441,905
<i>Profits/loss from continuing operations</i>		49,230,441	45,441,905
<i>Profit/loss from discontinued operations</i>	6	(752,099)	(1,100,338)
<i>Consolidated net profit for the period (a)</i>		48,478,342	44,341,566
<i>Other comprehensive income for the year (b)</i>		-	-
<i>Total comprehensive income for the year (a) + (b)</i>		48,478,342	44,341,566
Attributable to the shareholders		48,478,342	44,341,566
Attributable to minority interests		-	-
<i>Earnings per share</i>			
Basic		969.57	886.83
Diluted		969.57	886.83
<i>Earnings per share from continuing operations</i>			
Basic		984.61	908.84
Diluted		984.61	908.84

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts expressed in euros)



	Issued capital	Supplementary capital contributions	Shareholders' dividends
<i>As at 31 December 2008</i>	50,000	10,922,728	-
Restitution of supplementary capital contributions	-	-	-
Dividends paid	-	-	(2,250,000)
Reserves distributed	-	-	-
Allocation of earnings	-	-	2,250,000
Profit for the period	-	-	-
<i>As at 31 December 2009</i>	50,000	10,922,728	-
<i>As at 31 December 2007</i>	50,000	10,922,728	-
Restitution of supplementary capital contributions	-	-	-
Dividends paid	-	-	(16,463,112)
Reserves distributed	-	-	-
Allocation of earnings	-	-	16,463,112
Profit for the period	-	-	-
Other changes	-	-	-
<i>As at 31 December 2008</i>	50,000	10,922,728	-

Legal reserves		Other reserves and retained earnings	Profit for the period	Total Equity
9,372,293	-	8,807,285	44,341,566	73,493,872
-		-	-	-
-		-	-	(2,250,000)
-		(17,000,000)	-	(17,000,000)
1,630,009		40,461,557	(44,341,566)	-
-		-	48,478,342	48,478,342
11,002,302		32,268,842	48,478,342	102,722,214
8,468,718	-	(3,330,269)	36,241,129	52,352,306
-		-	-	-
-		-	-	(16,463,112)
-		(6,736,888)	-	(6,736,888)
903,575		18,874,442	(36,241,129)	-
-		-	44,341,595	44,341,595
-		-	(29)	(29)
9,372,293		8,807,285	44,341,566	73,493,872



## CONSOLIDATED CASH FLOW STATEMENT

(Amounts expressed in euros)

	2009	2008
<b>Operating activities:</b>		
Cash from customers	296,057,894	271,958,738
Payments to suppliers	(154,266,924)	(159,943,359)
Payroll to staff	(43,698,598)	(42,583,783)
<i>Net cash flow from operations</i>	98,092,372	69,431,595
Income tax payable/ receivable	(16,191,992)	(12,616,256)
Other payments/ receivables related to operating activities	297,387	(855,392)
<i>Net cash flow from operating activities (1)</i>	82,197,767	55,959,947
<b>Investment activities:</b>		
<i>Receivables concerning:</i>		
Financial investments	-	-
Tangible fixed assets	315,000	4,754,608
Investment subsidies	-	-
Interests and other similar earnings	-	-
	315,000	4,754,608
<i>Payments concerning:</i>		
Financial investments	(111,810)	(62,233,226)
Tangible fixed assets	(75,300,243)	(44,156,069)
	(75,412,053)	(106,389,294)
<i>Net cash flow from investment activities (2)</i>	(75,097,053)	(101,634,686)

Continuation →

	2009	2008
<b>Financing activities:</b>		
<i>Receivables concerning:</i>		
Bank loans	16,259,296	110,876,622
Increase in supplementary capital contributions	-	-
Other receivables	-	-
	<u>16,259,296</u>	<u>110,876,622</u>
<i>Payments concerning:</i>		
Bank loans	-	-
Interests and other similar costs	(11,089,562)	(12,294,390)
Dividends	(2,250,000)	(23,200,000)
Restitution of supplementary capital contributions	-	-
Others payments	-	(46,191)
	<u>(13,339,562)</u>	<u>(35,540,581)</u>
<i>Net cash flow from financing activities (3)</i>	2,919,735	75,336,041
<i>Net cash flow variation for the year (4)=(1)+(2)+(3)</i>	10,020,449	29,661,303
<i>Net cash flow variation from discontinued operations</i>	(46,661)	-
<i>Consolidated net cash flow variations for the year</i>	9,973,788	29,661,303
<i>Cash and its equivalents at the beginning of the period</i>	30,794,161	1,132,858
<i>Cash and its equivalents at the end of the period</i>	<u>40,767,949</u>	<u>30,794,161</u>

## NOTES TO THE CONSOLIDATED CASH-FLOW STATEMENT

(Amounts expressed in euros)

	2009	2008
Cash	34,449	35,101
Short term bank deposits	40,733,500	30,759,060
<i>Cash and its equivalents</i>	40,767,949	30,794,161
Negotiable bonds	-	-
<i>Availabilities</i>	40,767,949	30,794,161

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

*(All values are referred in euros)*

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## 1. General Information

BA GLASS I – SERVIÇOS DE GESTÃO E INVESTIMENTOS, S.A. was incorporated on 29 May 2003 and was initially named Bar-Bar-Idade Glass, Serviços de Gestão e Investimentos, S.A

It is a Private Limited Company, whose aims are: to provide consulting services in the areas of management, marketing and advertisement to industrial or trading companies linked to the production of glass containers; to organize events and activities to promote those companies or their sales and products; to manufacture, trade and mediate the purchase and sales of glass items, as well as to exploit commercial establishments and distribution chains; to make and manage investments in the manufacture and distribution of glass containers and glass products or in companies linked to that area of production; to make real estate investments, namely to buy and sell buildings or plots of land, to build facilities for sale or urbanization; to acquire, manage or sell shareholding interest in national or foreign companies, regardless of their corporate purpose, storage, deposit, handling, processing, recycling and commercialization of recyclable glass.

## 2. Accounting Policies

### 2.1 Presentation Basis

According to decree law nr.35/2005, of 17 February, that transposed EU Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 to Portuguese national law, these consolidated financial statements were prepared according to the International Accounting Standards and to the “International Financial Reporting Standards” (IAS/IFRS), issued by the “International Accounting Standards Board” (“IASB”) and the Interpretations issued by the “International Financial Reporting Interpretations Committee” (“IFRIC”) or by the former “Standing Interpretations Committee” (“SIC”), adopted by the EU, and which came into force on 1 January 2009.

To prepare these consolidated financial statements according to the IFRS, the Board of Directors of BA Glass group uses estimates and assumptions that affect policies and also assets and liabilities values. The actual results may differ from the estimates. The estimates and assumptions used in these financial statements are described in Note 3.

The consolidated financial statements were prepared under the assumption of operations continuity, from the accounting records of the company included in the consolidation (Note 5), which are kept according to the acquisition cost principle, except in the case of land assets, which are recorded at fair market value.

## 2.2 Consolidation Principles

### *a) Reference Dates*

The consolidated financial statements include, up to 31 December 2009, the assets, liabilities and results of the group's companies, presented in Note 5.

### *b) Participation in the group's Companies*

The group's companies are those controlled by BA Glass. There is control whenever BA Glass has direct or indirect power to run the operational and financial policies of a company, with the objective of influencing the benefits resulting from such activity. The potential right to exercise a vote is taken into account when determining the existence of control. There is control when the participation percentage is above 50% and the group controls the company assets and liabilities.

The group companies are included in the consolidation process by full consolidation method from the date that control is achieved until it is effectively terminated.

Acquisition cost is the method used to record participations in the group's subsidiaries.

Whenever the losses attributable to minorities exceed the minority's interest in the own share capital of the subsidiary, the group assumes the difference and any other additional losses, except when the minority shareholders have the obligation and are able to cover those losses. If afterwards the subsidiary is profitable, the group takes the portion of the profits necessary to recover the minority's part of the losses that had been previously assumed by the group.

The cost of an acquisition is measured by the asset's fair value, the equity instruments used and the risks incurred or assumed when the asset was bought, plus the costs directly attributable to the acquisition. The identifiable purchased assets and the assumed contingencies and risks in business deal are initially measured by the asset's fair value, regardless of the extent of any minority interest. The difference between the acquisition cost and the asset's fair value is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recorded directly in the profits & loss statement. The interests of minority shareholders are recorded according to their participation in relation to the fair value of the identified assets and liabilities.

Balances, inter-group transactions and non effective profits resulting from transactions between the group's companies are eliminated. Unrealised losses are also eliminated unless the transaction shows signs of inequality in transferred asset. The subsidiaries' accounting policies are changed whenever necessary, so as to guarantee their consistency with the group's policies.

In those situations where the group has, in substance, control over entities, even if there is not a direct shareholding, such entities are consolidated by the full consolidation method.

### *c) Other capital participations*

Those participations in which the group does not have a significant influence are recorded with the lowest value between the acquisition cost and its disposal value.

#### *d) Changes to the Perimeter*

On December 9th, 2009, Vidriera del Atlántico, headquartered in Spain, entered into Administration (“Concurso de Acreedores”) and, as determined by Spanish Law, three court receivers were appointed. As a result, the group ceased to control the company’s assets and liabilities, the reason why they were not included in the groups’s consolidated balance sheet. The company result on the date the control was lost is included in the consolidated accounts as a discontinued operation.

The consolidated statements 2008 have been restated for comparison purposes and to comply with the obligations of the IFRS 5

### **2.3 Revenue Recognition**

#### *a) Sales and Services rendered*

The income resulting from sales are recorded in the financial statements whenever the risks and advantages of owning the asset are transferred to the buyer. The income associated with the rendering of services is recorded in the financial statements whenever they are rendered, taking in consideration the proportion between the services rendered during that fiscal year and the total of services hired.

The income resulting from sales and rendering of services is not recorded when there are doubts concerning its collection.

#### *b) Government grants*

The government grants are only recorded when they are received or after the group is certain it will fulfill all the underlying conditions.

Investment subsidies are included in Other Current Liabilities and the underlying income is recognized over the course of the estimated useful life of the associated assets.

#### *c) Net Financial Results*

The net financial results essentially represent the interests of the loans minus the proceeds from interests of financial applications and exchange rate profits and losses.

The financial cost and income are recognized on an accrual basis over the period to which they refer.

#### *d) Dividends*

These earnings are recognised when the General Shareholder Meeting deliberates their distribution to the shareholders.

#### *e) Own works*

The internal costs (for example, workforce, raw materials, and transport) incurred during the production of tangible assets and inventories are capitalised only when the following conditions are met: (i) the assets are identified and quantified in a reliable manner; and (ii) there is a strong possibility that they will generate future income. We do not recognise any internally generated margins.

#### *f) Accrual Accounting*

Costs and income are recorded according the accrual accounting prin-



ciples, as revenues and expenditures are generated, regardless of the moment they are received or paid. The differences between the received and paid amounts and the corresponding revenue and expenditure are recorded in the consolidated balance sheet under the heading “Other current assets” and “Other current liabilities”, respectively.

#### **2.4 Transactions made in currencies other than euro**

The group’s operational and reporting currency is the euro.

The assets and liabilities presented in foreign currencies, in relation to which there is no fixed exchange rate, are converted to euros using the exchange rates valid at the moment the balance was carried out. The exchange rate differences, whether favourable or unfavourable, resulting from the comparison between exchange rates valid at the moment of transaction and those valid at the moment of payment or at the moment the balance sheet was done, are recorded as income and cost in the financial statements. The exception concerns the exchange rate differences resulting from the conversion of loan balances that in practice are an extension of an investment made abroad and whose return is not foreseeable in the near future, and which are recorded as equity until the investment is sold, when they are transferred to the year’s results.

The exchange rates and the conversion rates used to update the amounts payable and receivable in foreign currency at the year end were as follows:

Country	Currency	Exchange rate
North American Dollar	USD	1.441
British Pound	GBP	0.888
Canadian Dollar	CAD	1.782

#### **2.5 Financial Assets and Liabilities**

All acquisitions and sales of these investments are recognised at the time of their negotiation or on the date of signature of the respective acquisition contracts, regardless of the payment date.

At an initial stage, investments are recorded according to their acquisition value, which represents the fair value of the price paid, including transactional expenses, except for the assets whose value was updated to the fair value through results, where the transaction costs are also immediately recognised in the period’s results.

These assets are unrecognized when: (i) the group’s contractual rights to receive the cash flows expire, or (ii) the group substantially transferred all its owner’s benefits and associated risks or the control over its assets.

##### **› 2.5.1 Financial Assets**

The financial assets are classified as follows, depending on the intention the Board of Directors had at the time of purchase:

- a) Loans and receivables;
- b) Held-to-maturity investments;
- c) Investments measured at fair value through profit or loss (held for trading);
- d) Financial assets available for sale.

*a) Loans and Receivables*

This category includes non-derivative financial assets with fixed or determinable payments. The amount recorded as receivables is registered at their nominal value deducted of any loss for impairment so that they show their net collectable value.

*b) Held-to-maturity Investments*

Held-to-maturity investments are classified as non-current investments, except if they are due in less than 12 months from the date of the balance sheet. Under this heading we record the investments with a maturity date that the group is able and intends to maintain until such date. The held-to-maturity investments are recorded according to their depreciated cost, deducted from possible impairment losses.

On December 31, 2009 and 2008 the group did not hold any investments in this category

*c) Investments measured at fair value through profit or loss*

The non-derivative financial assets held for trading are recorded under this category, as are the derivatives that do not qualify for hedge accounting and are presented as current assets.

A financial asset is classified as being held for trading if:

- it is acquired or incurred mainly with the objective of being sold or re-bought in a very short period of time;
- it is part of an identified financial instruments portfolio which is managed together and for which there is evidence of short term realization of profit;

- it is a derivative security (unless it is determined as non-speculative instrument).

Gains and losses from changes in fair value of derivatives measured at fair value are included in the profits and loss statement for the period.

On December 31, 2009 and 2008 the group did not hold any financial assets in this category

*d) Financial assets available for sale*

Available-for-sale investments are non-derivatives that the group intends to hold for an indefinite period of time, or that are thus called at the time of purchase or do not fall into any of the remaining categories. They are presented as non-current assets, except if there is the intention of their disposal within 12 months of the date of the balance sheet.

After their initial recognition, these assets are estimated at fair value by reference to the market value at the date of the balance sheet, without any deduction of transaction costs that may occur until they are sold. The assets that are not quoted and that cannot be reliably measured at their fair value are kept at their acquisition cost less any impairment loss.

Profit or loss resulting from a change at the fair value of available-for-sale assets are recorded in equity, under Reserves, until the investment is sold, paid back or disposed of or until its fair value is below its acquisition cost, as long as it corresponds to an impairment loss, at which time the accumulated profit or loss is recorded in the profit & loss statement.

On December 31, 2009 and 2008 the group did not hold any financial assets in this category

### › 2.5.2 *Financial Liabilities*

Financial liabilities are classified according to their contractual nature, regardless of their legal form and are classified as follows:

- a) Financial liabilities measured at fair value through results;
- b) Bank loans;
- c) Payables.

#### *a) Financial liabilities measured at fair value through profit or loss;*

This category includes financial liabilities held for negotiation and derivatives that do not qualify for purposes of hedging and that are thus qualified at their initial value.

The gains and losses arising from a change in the fair value of the financial liabilities are registered in the profit & loss statement of the respective period.

On December 31, 2009 and 2008 there were no financial liabilities of this category.

#### *b) Bank Loans*

Bank loans are recorded under liabilities at their nominal value and the received value is net of commissions when such loans are issued. The financial charges are calculated according to the effective interest rate and recorded in the financial statement under the accrual-accounting based method, according to the company policy established in note 2.3-f).

#### *c) Trade Payables*

Payments to suppliers and other creditors are initially recorded at their

nominal value, which is considered to be at fair value, and subsequently recorded at actual cost, according to the effective interest rate method.

### › 2.5.3 *Equity Instruments*

The equity instruments are classified according to their contractual nature, regardless of their legal form. The equity instruments issued by the group's companies are recorded at received value, net of issuing costs.

### › 2.5.4 *Derivatives and Hedge Accounting*

On December 31, 2009 the company held a series of derivatives that were intended to minimise interest rate risks. All such instruments underlie operations that were contracted in previous financial years.

Contracting this kind of financial instrument is the result of a careful risk and benefit analysis and consultation of various market institutions. These operations are subject to the prior approval of the Board of Directors and require the permanent monitoring of the financial markets and of the positions held by the group. The market value (Fair Value) of these instruments is assessed regularly and periodically over the course of the year, so as to allow for their continuous evaluation and respective financial implications.

The derivatives are initially measured at fair value when they are contracted, and are later evaluated at fair value at the balance sheet date. The fair value at each balance sheet date is only recorded if there is a significant difference, as BA Glass group considers that the volatility introduced in financial statements from doing so does not contribute to a true and adequate picture of financial statements, nor does it influence the decisions for their users.

The designation of a derivative as a hedging instrument follows the classification of IAS 39. There is hedging accounting when:

- at the date of acquisition there is formal hedging documentation;
- there is expectation that this hedging will be highly efficient;
- the efficiency of the hedging may be measured with reliability;
- the hedging is continuously evaluated and is proved to be highly effective during the fiscal year;
- in comparison to a foreseen transaction, this one has to be highly probable.

The changes in the fair value of derivatives classified as hedging instruments are recognized as a financial result for the fiscal year.

The changes in the fair value of derivatives classified as cash flow's hedging are recognized in equity, in its effective component, and in the results of the period in their non-effective component. The amounts recorded as equity are transferred to the results when the hedged item also has effects on the results.

Whenever the derivatives, although entered to give economic coverage according to the group's risk management policies, no longer respect all the conditions determined in IAS 39 to be classified as hedging accounting, are then classified as derivatives available for sale and their changes in fair value is recorded in results.

Whenever there are derivatives included in other financial instruments or other types of contracts, they are treated as separate derivatives when the risk and characteristics are not closely linked to the contracts, and also when those contracts are not presented net of the gains or losses not effective on the profit & loss statement.

### › 2.5.5 *Cash and Cash Equivalents*

These include cash in hand, short term bank deposits and short-term treasury applications that are quickly drawn without a significant risk of value change.

### 2.6 *Tangible Assets*

Tangible fixed assets are recorded at their acquisition cost, net of accumulated depreciation and impairment losses (see note 2.10), except land assets that are recorded at their fair value.

Subsequent costs are included in the asset's recorded amount or recognised as separate assets when it is likely that the future economic benefits exceed the initially estimated performance of the asset, will flow to the company and the asset's cost can be reliably measured. All subsequent expenditures will be recognised as a cost in the period in which they were incurred.

### **Amortisations and depreciations**

Land is not amortized, except when used in the company's activity; while the amortization of the other assets is calculated based on the acquisition value, through the constant share method, with monthly charges. The annual rates used reflect with good certainty the asset's economic life-time.

The assets' residual value and their lifetime are re-evaluated and adjusted, when necessary, on the date of each balance sheet.

The amortization rates correspond, on average, to the following estimated life-time (years):

Land and buildings	20-50
Equipment	3-20
Transportation equipment	4-12
Tools	3-15
Administrative	3-15
Packaging	3-7
Other tangible assets	3-15

### **2.7 Investment Properties**

Investment properties include buildings and land owned to generate income, and are not used in normal business activity.

Investment properties are measured at their acquisition cost, including the transaction costs.

The investment properties are unrecognized when disposed of or when no longer used and future economic benefits are not foreseeable. Any gains or losses resulting from their unrecognition are recognized in the results of that year.

The costs incurred in investment properties under use, namely maintenance and repair costs, insurance and land taxes, are recognized in the results for the period they refer to.

### **2.8 Financial Lease Contracts**

Those lease contracts where the group assumes practically all the risks and advantages inherent to ownership of the leased asset are classified as financial lease contracts.

Financial Lease contracts are recorded on their contracting date as assets and liabilities at lowest of either the fair value of the leased asset or the current value of all future lease rents.

The assets acquired under financial lease contracts are amortized according to the company's policy for tangible fixed assets.

The rents include the financial cost and amortisation of capital. The financial costs are booked in the period of time concerning the lease term, according to a constant periodic interest rate on the lease remaining value.

The rents classified as operational leases - namely because there is no intention of buying the asset - are recorded as costs for the period.

### **2.9 Intangible Fixed Assets and goodwill**

#### **> 2.9.1 Intangible Fixed Assets**

Intangible fixed assets are recorded at acquisition cost, less accumulated depreciation and impairment losses.

The depreciation is calculated on the acquisition value, through constant share method, with monthly charges, for the duration of the useful life period.

The costs of intangible fixed assets internally generated and own brands are recorded in results as they are incurred. The research expenses, resulting from the search for new scientific or technical knowledge or for alternative solutions, are recognized as result when incurred. The development expenses are stated as soon as the developing process or product's technical feasibility is proved and the group has

the intention and capacity to complete its development and initiate its marketability or use.

### › 2.9.2 Goodwill

The goodwill represents the excess in the acquisition cost over the fair value of assets and liabilities identified at the acquisition date or at the date of the first consolidation and are stated under noncurrent assets.

Goodwill is not depreciated, but the impairment losses are deducted annually at the date of the balance sheet or every time there are indications of a possible loss of value. Any loss of value, or impairment, is stated in the period's results and may not be subsequently reversed.

### 2.10 Impairment of tangible and intangible assets (except goodwill)

Assets that do not have a limited useful life period are not subject to amortisation but are subject to annual impairment tests. Those that have a limited useful life period and are, thus, subject to amortisation, also undergo impairment tests whenever there is a change in circumstances and their book value may not be recoverable.

An impairment loss is the difference between the book value of an asset and its recoverable amount. The recoverable amount is the highest of an asset net selling price (fair value – selling costs) and its value in use, which results from future cash flows updated according to discount rates before tax reflecting the cost of capital and the specific risk of the assets.

In order to determine the recoverable value, the assets are seen individually or in a group at the lowest level that they may be identified

as separate cash flow generating units. A cash flow generating unit (CFGU) is the smallest group of assets that includes the asset and that generates cash flows from continuing use, largely independent from inflows of other assets or other groups of assets.

Everytime the book value of an asset is higher than its recoverable value, an impairment loss is stated on the profit & loss statement for that period. If this loss is later reversed, the book value of the asset is updated accordingly, but may never be higher than the value was recognized before the impairment loss. Reversal of impairment is also stated in the profit & loss statement of the period it was incurred.

### 2.11 Assets held for sale and discontinued operations

Includes assets or groups of assets whose value is convertible into cash through a sales transaction, or together, with a group, in a single transaction, and the liabilities directly associated to the asset that are also transferred under the same transaction. For this situation to be verified, it is necessary that, in addition to the group's commitment to sale, that the sale is highly probable (and expected to be materialised in less than 12 months) and that the asset is available for immediate sale under the current circumstances.

According to IFRS 5, abandoned assets (and liabilities) should be presented as discontinued operations in the financial year in which the abandonment effectively occurs.

Under these circumstances, the amortisation of assets ceases from the moment they are described as being held for sale.



### 2.12 Inventory

Inventories are recorded at the lower of cost or net realisable value. The net realizable value corresponds to the sale price less the sale costs.

Raw materials, auxiliary materials and consumables are stated at the acquisition price plus acquisition costs, which is inferior to their market value. The remaining raw materials, auxiliary materials and consumables are stated at the acquisition price plus acquisition costs until storage.

Finished products and those still in production are stated at production cost, which includes the incorporated raw materials, direct work-force, subcontracting and other fixed and variable costs.

The merchandise is stated at the average price of acquisition, including transportation costs and storage.

### 2.13 Provisions

Provisions are made in the balance sheet when the group has a present obligation (legal or implicit) as a result of past events and whenever it is likely that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. In particular:

- Restructuring: such a provision is confirmed after the restructuring operation has been approved, initiated or made public. The operational costs should not be considered in the provision value;
- Onerous contracts: a type of contract where the costs involved with fulfilling the terms and conditions of the contract are higher than the amount of economic benefit received;

- Dismantling costs, asset removal and restructuring of the site: these provisions are made when the assets start its usage and it is possible to estimate the obligation reliably. The amount of the recognised provision corresponds to the obligation's current value, and the financial update is stated as a financial cost under the "Financial results".

The provisions are reassessed and updated at the balance date in order to reflect the best estimation possible for such an obligation.

### › 2.14 Contingent Assets and Liabilities

Contingent liabilities are not stated in the consolidated financial statements and are referred in the attachments, unless the possibility of funds being used is remote, in which case they will not be mentioned.

Contingent assets are not recognised and are made known only when a future economic benefit is likely to take place.

### › 2.15 Employees benefits plans

The BA GLASS group companies, BA Vidro and Sotancro are committed to granting to some of their former and current employee's monetary assistance in the form of pensions and retirement pension complements, which takes the form of a defined benefit plan. The group's responsibilities are established according to the "Projected Unit Credit Method", using the actuary and financial principles that are most adequate to the defined plan.

The responsibilities arising from these obligations are totally covered and are stated in the balance sheet under "Provisions/Adjustments" at the present value of the obligations with the established benefit plans.

The additional responsibility created each year is recognised in the financial statement under the employee charges.

#### › 2.16 *Income tax*

The calculation of the income tax is based on the taxable earnings of the companies included in the consolidation and considers deferred taxation.

The BA Glass group is subject to consolidated tax method, which is extended to all those companies in which the group holds, directly or indirectly, at least 90% of their share capital and which are, simultaneously, located in Portugal and subject to Corporate Tax (CIT).

The other companies in which the group has interests but that are not covered by the consolidated tax method are taxed individually, according to their taxable earnings and to the applicable tax rates.

The deferred tax is calculated according to the balance responsibility method, on the temporary differences between the assets and liabilities book values and their basis for taxation. We do not take in consideration the deferred tax on the consolidation differences nor on the initial recognition of an asset or liability when that difference does not affect fiscal or accounting values. The taxable basis of the assets and liabilities is determined so as to reflect the taxing consequences of how the group hopes to recover or settle, at the balance sheet date, the booked amount of its assets and liabilities. The tax amount to be included in both: the current taxes and the deferred taxes that result from transactions or events recognized in reserves is directly stated under these same headings, and does not affect the earnings for the year.

The deferred tax assets are recognised every time there is a reasonable certainty of generation of future profits, against which the assets may be used. The deferred tax assets are annually reviewed and reduced every time it is probable that they may be used.

#### › 2.17 *Segment information*

##### *Business Segment*

The business segment is a distinguishable component of the group, committed to supply an individual service or product, and subject to different risks returns than those of other business segments. The internal organization and management structure, as well as our reporting system, are oriented to the analysis of business units.

##### *Geographical Segment*

The geographical segment is a distinguishable area of the group committed to provide products or services in a specific economic environment and subject to risks returns different from those of other areas operating in distinct economic environments. The groups has subsidiaries in Portugal and in Spain.

The group's activity is the glass industry, more specifically the glass container industry, with three plants located in Portugal and two in Spain, belonging to its subsidiaries BA Vidro, S.A., Sotancro, SA and BA Vidrio, SA.

There are no distinguishable components in the products, or in the production processes, or even in the type of clients and distribution that would justify an analysis separated by business segments.

In the same manner, we consider that there are no substantially different risks, returns, opportunities or perspectives in the units located in these countries that would require them to be stated in different geographical segments.

The sales and rendering of services for 2009 were as follows:

	<b>Iberia</b>	<b>EU countries</b>	<b>Other countries</b>	<b>Total</b>	<b>2008</b>
Glass packaging	275,614,428	36,686,921	18,811,375	331,112,724	290,187,773
Others	658,826	-	-	658,826	706,691
	276,273,254	36,686,921	18,811,375	331,771,550	290,894,464
2008	254,399,598	31,971,324	4,523,542	290,894,464	

Sales under “Others” refer to sales of sand to third parties by the subsidiary Minas de Valdecastillo, SAU.

### **2.18 Subsequent Events**

The events occurring after the balance sheet date and that produce additional information on the conditions existing on its date will be reflected in the consolidated financial statements. The events occurring after the balance date and that produce additional information on conditions existing after such date and that are materially relevant, will be reflected in the notes to the consolidated financial statements.

### 3. Accounting estimates and judgements

When preparing the consolidated financial statements according to the IFRS, the Board of Directors of BA Glass uses estimates and assumptions that affect the implementation of policies and stated amounts. The considerations and estimates are continually assessed and are based on the experience of past events and other factors, including the expectations concerning future events considered probable under the circumstances the estimations are based on or the result of acquired experience or information. The most significant accounting estimates reflected in the consolidated financial statement are as follows:

#### *(a) Analysis of goodwill impairment*

The group annually tests the goodwill with the objective of verifying whether or not it is in impairment. The recoverable amounts of cash generating units were determined by the methodology of the value in use. This method requires an estimate of future cash flows resulting from the operations of each cash generating unit and the selection of an appropriate discount rate.

#### *(b) Provisions and adjustments' recognition*

The group is involved in litigations and, based on the opinion of the company's lawyers, it judges whether or not to constitute provisions to cover the contingencies (Note 20). The adjustments for receivables are calculated mainly based on how old the receivables are, the customers' risk profile and their financial situation. The estimates related with the adjustments of receivables change from business to business.

A closer analysis of the changes made to the annual provisions clearly shows that there is almost no credit collection risk. Moreover, the group has access to the main market databases that, together with the input from its technical analysis team, allow for an evaluation and minimisation of credit risk.

#### *(c) Determining the market value of financial instruments*

The group selects an assessment valuation method that it deems appropriate for the financial instruments not rated in the active market, based on its better knowledge of the market and its assets and using the valuation techniques generally used in the market and the assumptions based on market rates.

#### *(d) Retirement Benefits*

The present amount of liabilities with retirement benefits is calculated with actuarial methods, which use actuarial assumptions. Any change to those assumptions will impact on the book value of the liabilities. The main actuarial assumptions used to calculate the liabilities with retirement benefits are described in Note 28 below.

The estimates were determined by the best information available at the time of preparing the consolidated financial statements. However, there may be subsequent situations that, because they were not predictable at the time, were not considered in those estimates. Changes to the estimates occurring after the date of the consolidated financial statement will be corrected prospectively, as determined by IAS 8.

#### 4. Changes to the accounting policies

With the exception of some changes resulting from amendments made to rules that were followed by the group, no changes were made to the group's accounting policies in 2009 in relation to those followed in the preparation of the 2008 accounts that are presented for purposes of comparison, nor were any material mistakes identified in the accounts of previous years.

Changes resulting from amendments made to rules were as follows:

- IAS 1 – presentation of financial statements (revised)  
The group chose to present the components of profit (previously shown in the Income Statement) as part of a single statement of comprehensive income. References to the income statement should be understood as components of profits and losses.
- IFRS 2 (amendment) – Share based payment
- IFRS 7 – Financial Instruments Disclosures (assessment)
- IAS 32 – Financial Instruments: presentation and IAS 1 – Presentation of financial statements relating to Puttable Instruments and Obligations Arising on Liquidation (amendment) IFRIC 9 – Reassessment of embedded derivatives and IAS 39 - Financial Instruments: Recognition and Measurement - Embedded derivatives (amendment)
- Other assessments to IFRS – year 2008

The annual process of improvement of IFRS seeks to deal with the resolution of situations that need to be improved in order to increase their general understanding, but are not of priority resolution. The IASB adopted 34 amendments, some of which result in changes in

method of accounting, others relate to issues of terminology and consistency between standards, and has minimal impact. The European Union has endorsed these amendments in January 2009.

Additionally, as a result of endorsement by the EU, the following standards and interpretations have been adopted as of January 1, 2009, although without any impact on the group financial statements:

- IFRIC 13 – Customer Loyalty programmes;
- IFRIC 15 – Agreements for the Construction of real estate;
- IFRIC 16 – Hedges of a net investment in a foreign operation;
- IFRS 8 – Operating Segments.

This rule replaces IAS 14 - Segment Reporting and fully adopts the approach followed by Management, namely through the internal reporting systems to identify, measure and disclose the results of its business segments. This is not a mandatory rule for the group

- IAS 23 – Borrowing costs (revised);

There was no impact on the group's financial statements, to the extent that the group already adopted the alternative treatment established under the previous wording of the rule.

- IAS 27 – Consolidated and separate financial statements (amendment);

This rule was amended to provide the following for the individual accounts of the parent company:

- The cost method ceases to be allowed. The distinction between profits before and after the acquisition ceases. All dividends received will be recognized in the period and subject to an impairment test to the value of participation; and
- In the case of corporate reorganizations, where a new parent com-

pany is created above the existing parent company, under certain circumstances, the cost of the subsidiaries is the book value previously recognized in its share in equity rather than its fair value.

The individual financial statements of the BA Glass are prepared in accordance with the Portuguese Accounting Plan (“Plano Oficial de Contabilidade”).

Finally, the group also did not adopt the following rules and interpretations that will only become mandatory in future years:

*Already endorsed by the EU*

- IFRS 3 – Business combinations (revised);
- IAS 27 – Consolidated and Separate Financial Statements (Amendment);
- IAS 39 – Financial Instruments: Recognition and Measurement – embedded derivatives on reclassifications of financial assets (Amendment);
- IFRIC 17 – Distributions of non-cash assets to owners;
- IFRIC 18 – Transfers of assets from customers;

*Not presently endorsed by the EU*

- IFRS 1 – First-time adoption of IFRS – Additional exemptions for First-time Adopters (Amendment);
- IFRS 2 – Share-based payments;
- IFRS 9 – Financial Instruments;
- IAS 24 – Related party disclosures (revised);
- IAS 32 – Classification of rights issues (Amendment);
- IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment);

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments;
- Other amendments to IFRS – Year 2009.

## **5. Companies included in the consolidation through the full consolidation method**

The companies included in consolidation through the full consolidation method, their headquarters and ownership stake at December 31, 2009 and 2008 is the following:



Company	Headquarter	% own	
		2009	2008
BA Glass I, Serviços de Gestão e Investimentos, S.A.	Avintes	Parent	Parent
BA Vidro S.A.	Avintes	100%	100%
Sotancro – Embalagem de Vidro, S.A.	Amadora	100%	100%
Barbosa & Almeida – SGPS, S.A.	Avintes	100%	100%
NORCASCO Reciclagem de Vidros, S.A.	Avintes	100%	100%
BA – Energia, S.A.	Avintes	100%	100%
BA – Vidrio, S.A.	León	100%	100%
Minas de Valdecastillo, SAU	León	100%	100%
BA – Vidrio Dist. Comerc Env., S.A.	Mérida	100%	100%
BA – Vidrio II Marinha Grande SGPS, S.A.	Avintes	100%	100%
Holvenespa, SL	Ourense	100%	100%
Transotancro, Lda	Benavente	100%	100%
Amptec, Lda	Amadora	100%	100%

#### 6. Companies excluded from consolidation

Company	Headquarter	% own	
		2009	2008
Artividro – Arte em Vidro, Lda	Leiria	87.50%	87.50%
Vidriera del Atlantico, SA	Xinzo de Limia	100.00%	100.00%

Artividro was not consolidated through the full consolidation method, because it is considered materially irrelevant for purposes of presenting a true and faithful image of the group's financial situation and operating results. This participation is registered under financial investments and an adjustment has been made to the participation for its entire value (Note 9).

Vidriera del Atlântico was reflected in the financial statements as a discontinued operation.

This company, acquired in June 23, 2008 within the acquisition of the Sotancro group, made sales of 16.2 M€ (9.2 M€ in the second semester of 2008) exclusively to other group companies, and registered operating profits of 16.9M€ (9.6M€ in the second semester of 2008) and total operating costs of 16.9M€ (10.7M€ in the second semester of 2008). Transactions with group companies were eliminated from the results attributable to this discontinued operation.

## **7. Goodwill**

Goodwill generated prior to the transition to IFRS (January 1, 2004) continued to be recorded at its net book value, determined according to the Portuguese Accounting Plan ("Plano Oficial de Contabilidade"), and is annually subject to impairment tests.

Goodwill has the following composition:

	Goodwill	Impairity losses	Accumulated depreciation at December 2004	Net book value at December 2009
BA Vidro, S.A.	33,744,163	-	843,604	32,900,559
BA Vidrio, S.A.	12,989,951	-	324,749	12,665,202
Minas de Valdecastillo, SAU	553,240	-	13,831	539.409
Sotancro – Embalagem de Vidro, S.A.	44,842,967	8,043,087	-	36,799,880
	92,130,321	8,043,087	1,182,184	82,905,050

The loss of impairment verified in the present year is related with Vidriera del Atlântico, a company acquired in June 2008 within the acquisition of the Sotancro group, and it was included in the financial expenses.

## 8. Tangible assets

During 2009, the changes in the cost of the tangible assets, as well as the respective amortisations and accumulated impairment losses were as follows:



	Land and natural resources	Buildings	Equipments
<b>Assets</b>			
<i>As of 1 January 2009</i>	41,203,208	122,816,534	430,297,426
Changes in consolidation perimeter	(457,175)	(5,967,709)	(18,631,354)
Additions	3,890,496	8,070,366	53,673,633
Fair value adjustments	-	-	-
Disposals	(17,309)	(47,323)	(13,931,387)
Transfers	-	251,893	4,906,850
<i>As of 31 December 2009</i>	44,619,220	125,123,761	456,315,168
<b>Amortizations and impairment losses</b>			
<i>As of 1 January 2009</i>	-	58,563,223	331,570,377
Changes in consolidation perimeter	-	(813,750)	(11,032,160)
Additions	-	4,103,175	22,865,227
Disposals	-	(37,276)	(13,524,543)
Transfers	-	-	-
<i>As of 31 December 2009</i>	-	61,815,372	329,878,902
<i>Net book value</i>	44,619,220	63,308,389	126,436,266
<i>Net book value as of 31 December 2008</i>	41,203,208	64,253,311	98,727,049

Transportation equipments	Administrative assets	Other tangible assets	Assets under construction	Total tangible assets
2,832,919	10,218,791	22,565,103	6,848,987	636,782,968
(89,291)	(426,737)	(2,760,179)	-	(28,332,444)
11,117	92,222	13,500	11,173,677	76,925,011
-	-	-	-	-
(237,943)	(2,498)	(87,890)	-	(14,324,350)
-	1,258	-	(5,160,002)	(1)
2,516,801	9,883,036	19,730,534	12,862,663	671,051,184
1,952,542	9,530,662	10,631,040	-	412,247,844
(3,865)	(303,217)	(1,396,112)	-	(13,549,104)
222,040	6,928	1,870,560	-	29,067,929
(162,721)	(2,368)	(140,840)	-	(13,867,748)
-	-	-	-	-
2,007,996	9,232,005	10,964,647	-	413,898,922
508,805	651,031	8,765,887	12,862,663	257,152,261
880,376	688,129	11,934,062	6,848,987	224,535,122

The group considers that on December 31, 2009 there were no impairment indicators in relation to its tangible assets.

## 9. Financial investments

	Investments in associates	Other financial investments	Total financial investments
<b>Asset value</b>			
<i>As of 1 January 2009</i>	1,932,842	399,546	2,332,388
Additions	14,062,304	1,162,265	15,224,569
Disposals	-	(1,793)	(1,793)
<i>As of 31 December 2009</i>	15,995,146	1,560,018	17,555,164
<b>Adjustments</b>			-
<i>As of 1 January 2009</i>	1,932,842	2,187	1,935,029
Additions	14,062,304	52	14,062,356
<i>As of 31 December 2009</i>	15,995,146	2,239	15,997,385
<b>Net book value</b>	-	1,557,779	1,557,779
<i>Net book value as of 31 December 2008</i>	-	397,359	397,359



Investments in associates concern the ownership stakes in Vidriera del Atlantico, SA. (That justifies the changes that occurred in the year as a result of the loss of control) and Artividro – Arte em Vidro, Lda. The amount in Other Financial investments includes a credit over Vidriera del Atlantico in the amount of 1,052,835€

The main indicators of these companies are discriminated as follows:

	2009		2008	
	Total net assets	Equity	Total net assets	Equity
Vidriera del Atlântico, SA	19,862,717	2,080,513	27,356,513	6,227,286
Artividro – Arte em Vidro, lda	ND	ND	1,345	(5,667)

#### 10. Investment properties

The real estate properties held for investment are buildings owned for lease and registered at their cost.

	<b>Investment Properties</b>
<i>As of 1 January 2009</i>	1,842,343
Additions	-
Disposals	-
<i>As of 31 December 2009</i>	1,842,343
<b>Amortizations</b>	
<i>As of 1 January 2009</i>	136,246
Additions	57,372
<i>As of 31 December 2009</i>	193,618
<i>Net book value</i>	1,648,725
<i>Net book value as of 31 December 2009</i>	1,706,097

#### 11. Other non current assets

This balance corresponds to the receivable from AICEP, concerning two investment subsidies granted for the accomplishment of contractual objectives between the years 2009 and 2015

#### 12. Deferred taxes

The detail of assets and liabilities resulting from deferred taxes on 31 December 2009 and 2008, according to the temporary differences originating them, were as follows:

	2009	2008
<i>Deferred tax assets</i>		
Arising from retirement benefits to employees	1,033,591	1,101,245
Previous years losses	-	3,416,862
Impairment losses on financial investments	3,789,891	-
Goodwill from BA Vidrio	2,141,856	2,141,856
	<u>6,965,338</u>	<u>6,659,963</u>
<i>Deferred tax liabilities</i>		
Amortization homogeneization	1,790,556	2,010,926
Fair value adjustments	5,063,504	5,063,504
Revaluation reserves on tangible assets	2,074,700	2,173,369
Others	299,870	-
	<u>9,228,630</u>	<u>9,247,798</u>

On December 31, 2009 and 2008, the tax rate used to calculate the deferred taxes was 26.5% for Portugal and 30.0% for Spain.

### 13. Inventories

	2009	2008
Raw materials, subsidiaries and consummables	8,044,128	7,502,597
Finished and semi finished goods	49,839,110	54,281,342
Merchandise	489,207	1,035,386
	<u>58,372,445</u>	<u>62,819,325</u>
Impairment losses / adjustments	(226,699)	(226,699)
	<u>58,145,746</u>	<u>62,592,626</u>

**14. Trade receivables**

	2009	2008
Trade receivables	72,228,300	72,396,487
Trade receivables – checks	5,435,630	2,523,413
Doubtful debts	2,252,780	2,308,937
	<u>79,916,710</u>	<u>77,228,837</u>
Impairment losses / Adjustments	(2,687,263)	(2,598,896)
	<u>77,229,447</u>	<u>74,629,940</u>

The Group's exposure to credit risk is tied to the receivables resulting from its operational activities. The amounts shown in the balance sheet are net of accumulated impairment losses for doubtful receivables, which were calculated by the group according to its experience and based on its assessment of the economic state of affairs. The Board of Directors considers the book value of the receivables to be close to its fair value. The group does not have a high concentration of credit risk, as it is spread over a wide customer basis.

**15. Other receivables**

	2009	2008
Subsidiaries and group companies	-	27,630
Public entities	5,786,245	3,131,511
Other debtors	3,580,888	876,366
	<u>9,367,134</u>	<u>4,035,507</u>
Impairment losses / Adjustments	-	-
	<u>9,367,134</u>	<u>4,035,507</u>

The amount shown under "Public Entities" refers mainly to retained taxes on profits and VAT to be recovered.

The amount relating to Other Debtors includes a debt from Vidriera del Atlántico in the amount of 2,700,000€.

**16. Other current assets**

	2009	2008
<i>Deferred costs</i>		
Financing costs	27,735	158,428
Insurance	126,252	107,949
Others	21,578	11,264
	<u>175,565</u>	<u>277,640</u>
<i>Accrued income</i>		
Interests	-	262,901
Other income	24,709	107,797
	<u>24,709</u>	<u>370,698</u>
<i>Total other current assets</i>	<u>200,274</u>	<u>648,338</u>

**17. Cash and cash equivalents**

	2009	2008
Cash	34,449	35,101
Short term bank deposits	40,733,500	30,759,060
Cash and cash equivalents	<u>40,767,949</u>	<u>30,794,161</u>

The amount of cash and cash equivalents corresponds to deposits that finish in the first quarter of 2010.

### 18. Equity

On December 31, 2009 the company's share capital, in the amount of 50,000 euros, is fully subscribed and paid up and is represented by 50,000 shares with a nominal value of 1 euro each.

On December 31, 2009 and 2008 the shareholder structure was as follows:

	2009		2008	
	Nº of shares	%	Nº of shares	%
BA Glass BV	50,000	100.00%	-	-
Fim do Dia, SGPS, S.A,	-	-	23,698	47.40%
Bar- Bar- Idade Imobiliário e Serviços, S.A,	-	-	13,151	26.30%
Atanágoras, SGPS, S.A,	-	-	13,151	26.30%
	50,000	100.00%	50,000	100.00%

### Reserves, retained earnings and supplementary capital contributions

	2009	2008
Supplementary capital contributions	10,922,728	10,922,728
Legal reserves	11,002,302	9,372,293
Other reserves and retained earnings	32,268,843	8,807,285
	54,193,872	29,102,306

### *Supplementary Capital Contributions*

Supplementary capital contributions can only be repaid to shareholders when the equity of the group is not inferior to the sum of the share capital and the legal reserve.

The supplementary capital contributions can be rewarded at an interest rate determined yearly at the general shareholders meeting

### *Legal Reserves*

Portuguese commercial law determines that at least 5% of the companies annual net income (as individual entities) should be used to reinforce the legal reserve, whereas in Spain the percentage amounts to 10%, until the legal reserves reach 20% of equity. This reserve is not free to distribution unless the group is dissolved, but can be used to absorb losses when all the other reserves have been used or can be incorporated into the equity.

### *Other reserves and retained earnings*

The companies included in the consolidation perimeter have free reserves to be distributed, in the individual accounts, amounting to 25,808,193 euros.

## **19. Bank loans**

	2009	2008
<i>Bank loans</i>		
Non current	208,269,538	199,434,322
Current	125,044,930	138,589,692
	<u>333,314,467</u>	<u>338,024,014</u>
<i>Cash and cash equivalents</i>		
Cash	34,449	35,101
Bank deposits	40,733,500	30,759,060
	<u>40,767,949</u>	<u>30,794,161</u>
	<u>292,546,518</u>	<u>307,229,853</u>
<i>Fair value of derivatives</i>	-	-
	<u>292,546,518</u>	<u>307,229,853</u>

The bank loans of the group paid interests at the Euribor rate, plus spreads contractually agreed with the financial institutions, on the payment dates, and are expressed in euros.



	Short term	Medium and long term	Total debt	2008
Medium and long term bank loans	21,441,215	91,131,817	112,573,032	102,671,895
Commercial paper	60,050,000	87,000,000	147,050,000	155,050,000
EIB loan	5,000,000	12,500,000	17,500,000	22,500,000
Overdrafts	36,585,765	-	36,585,765	41,028,749
Leasing contracts	-	17,637,721	17,637,721	13,179,208
Bank deposits	(38,800,000)	-	(38,800,000)	(27,200,000)
	84,276,980	208,269,538	292,546,518	307,229,852
Fair value of derivatives	-	-	-	-
	84,276,980	208,269,538	292,546,518	307,229,852

As referred in Note 2.5.4, the group has chosen not to state in the balance sheet the fair value of the derivative financial instruments on 31 December 2009 and 2008, which had a fair value at the closing date of minus 837 thousand euros.

The portion classified as medium and long term in 2009 has the following reimbursement plan:

Year	2009
2010	54,068,530
2011	44,505,820
2012	57,213,340
2013	32,695,744
2014 and onwards	19,786,104
	208,269,538

## 20. Provisions

	Pensions and retirement benefits (note 28)	Legal contingencies	Environmental contingencies	Total
<i>As of 1 January 2009</i>	3,957,085	-	251,253	4,208,338
Changes in the consolidation perimeter-	-	-	-	-
Additions	-	-	-	-
Disposals	247,676	-	-	247,676
<i>As of 31 December 2009</i>	3,709,409	-	251,253	3,960,662

Liabilities for pensions and retirement benefits are fully covered under a specific provision (note 28).

Minas de Valdecastillo, SAU has a legal and constructive responsibility to rebuild lands used in its operation, estimated at 251,253 euros (Note 31).

## 21. Trade payables

These debts concern the amounts payable resulting from acquisitions made during the normal operations of the group. The Board of Directors considers the book value of these debts to approximately correspond to their amortised cost.

	2009	2008
Trade payables	26,308,960	33,081,421
Trade payables – invoices pending for approval	18,569,215	17,217,693
Payables for assets acquisitions	2,138,721	326,217
	<u>47,016,895</u>	<u>50,625,331</u>

## 22. Other current creditors

	2009	2008
<i>Current</i>		
Shareholders	22,832	22,831
Public entities	13,510,605	6,376,111
Carbon emission rights to deliver	-	-
Other short term creditors	19,163,484	1,892,604
	<u>32,696,921</u>	<u>8,291,555</u>

The amount referred under the title “public entities” refers mainly to VAT tax, estimated taxes due on corporate income deducted of any anticipated payments, social security contributions and withholding of income tax. The title “Other short term creditors” includes an amount payable to BA Glass BV as a result of a Shareholder resolution to distribute 17,000,000 euros of free reserves.

### 23. Other current liabilities

	2009	2008
<i>Accrued costs</i>		
Personnel	4,298,250	7,105,748
Interests	1,283,823	3,912,760
Other services rendered	401,466	403,631
Discounts granted to costumers	1,139,468	779,982
Insurance	146,328	-
Others	2,277,473	657,354
	<u>9,546,809</u>	<u>12,859,475</u>
<i>Deferred income</i>		
Government Grants	16,911,629	20,119,616
	<u>16,911,629</u>	<u>20,119,616</u>
	<u>26,458,438</u>	<u>32,979,091</u>

The title “Government Grants” includes the amount of subsidies related to the investment projects undertaken by the group in the Avintes, Marinha Grande and Villafranca de los Barros plants.

**24. Other operating income**

	2009	2008
Government grants for the period	3,761,950	4,207,156
Income for the sale of fixed assets	461,653	2,957,473
Sale of carbon emission rights	708,500	2,389,000
Other operating income	1,042,584	779,541
Insurance indemnity	742,229	-
Contractual penalties benefits	868	421
Rents	38,800	10,405
Adjustments reversals	-	624,731
	<u>6,756,584</u>	<u>10,968,726</u>

**25. Other operating expenses**

	2009	2008
Taxes	727,627	514,139
Losses for the sale of fixed assets	106,383	3,974
Other operating costs	294,973	1,079,426
	<u>1,128,983</u>	<u>1,597,538</u>

## 26. Financial results

	2009	2008
Interestes and commissions paid	(8,387,503)	(13,681,171)
Interestes for loans granted	112,265	398,688
Discounts to receivables	(795,933)	(807,199)
Discounts from payables	88,210	102,133
Exchange rate differences	(240,621)	(299,566)
Income from financial investments	5,447	-
Imparity losses in financial investments	(12,632,971)	-
Other financial costs	(274,947)	(472,387)
Other financial income	9,490	71,436
	<u>(22,116,565)</u>	<u>(14,688,066)</u>

## 27. Income tax

The group is subject to the consolidation tax method in Portugal and Spain. The parent companies for taxation purposes are BA Vidrio (Spain) and BA Glass I - Serviços de Gestão e Investimentos, SA (Portugal).

The annual tax income statements are subject to revision and eventual adjustment by the Portuguese and Spanish Tax Authorities for a period of 4 years.

On 31 December 2009 and 2008 the heading “Taxes” was as follows:

	2009	2008
Income tax for the period	17,438,326	13,973,137
Deferred taxes	(324,543)	2,703,967
	<u>17,113,783</u>	<u>16,677,104</u>

<b>Tax reconciliation</b>	<b>2009</b>	<b>2008</b>
<i>Profit before taxes</i>	66,344,223	62,119,009
Income tax for the period	(17,438,324)	(13,973,137)
	<u>26.3%</u>	<u>22.5%</u>

#### **Deferred taxes for the period**

Tax benefits granted from investment contracts	-	(5,015,432)
Tax from losses carried forward	(3,416,862)	3,416,862
Imparity losses	3,789,891	-
Pensions and retirement benefits	(67,654)	227,371
Goodwill at BA Vidrio	-	(94,727)
Fair value adjustments	-	669,009
Revaluation reserves on tangible assets	98,669	(1,907,050)
Other deferred taxes	(79,502)	-
	<u>324,543</u>	<u>(2,703,967)</u>
<i>Total taxes</i>	<u>(17,113,782)</u>	<u>(16,677,104)</u>
	25.8%	26.8%
<b>Net earnings for the period</b>	<u>48,478,342</u>	<u>44,341,566</u>



## 28. Pension and retirement benefits

BA Vidro, SA is liable for a defined pension plan for some former and present employees, which was valued according to the “Projected Unit Credit Method”, using financial and actuarial assumptions.

The liabilities for past services and for pensioners are fully covered by a specific provision (note 21).

The actuarial studies carried out by an independent entity, at the date of the balance sheet, so as to calculate the accumulated responsibility, were based on the “Projected Unit Credit Method” and on the following assumptions and actuarial technical basis:

Mortality table	TV 88/90
Invalidity table	1,980
Retirement age	65 years
Annual salary growth rate	3.0%
Discount rate	3.0%
Annual pensions growth rate	0.0%

The calculation of the annual discount rate for pensions was based on long term income rates of bonds with a high rating at the date of the balance sheet, and with maturities comparable to those of the liabilities.

## 29. Headcount

On December 31, 2009, the average number of employees working in the various group companies was 1,370 (1,388 on December 31, 2008).

## 30. Related parties

Apart from the assets/liabilities and transactions with the companies included in the consolidation perimeter mentioned in note 5, which were eliminated in the process of preparing the consolidated financial statements, there are other assets/liabilities and transactions with related parts, namely:

Entity	Transaction	Balance
<i>BA Glass BV</i>	Short term debt	17,000,000
<i>Vidriera del Atlântico</i>	Trade payable	1,386,789
	Trade receivable	323,085

## 31. Environmental matters

The group’s activity is subject to several environment duties, which, depending on their nature, are either capitalized or recognized as a cost in the operating results of the period.

### *CO2 Emission Licenses*

The CO2 emission licences granted to the group’s plants in Portugal and Spain are covered by the European market of green house gas emissions. At the time the new PNALE (National Plan for Emission Licences) was launched, after the first period of attribution was ended (valid for the period 2005-2007), the group decided that while IASB does not define an accounting policy for this situation (after the IFRIC 3 was

removed), to adopt the method of Net Liability Approach (based on the paragraph 23 of IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance).

Under such terms, the granting and use of licenses is reflected on the financial statements the following manner:

- The emission licenses are free of cost, as well as the corresponding emissions, and do not result in any asset or liability; the acquired licenses are stated for their acquisition cost and presented in the intangible assets until they are delivered to the environmental agencies;
- When the annual CO<sub>2</sub> emissions exceed the granted licenses a liability is stated in "Other operating costs", which is measured according to the market value of the licenses at the date of the balance;
- The gains resulting from the sale of emission rights will be stated as other operating income.

Under the scope of PNALE II, valid for the period 2008-2012, the group was granted 2,337,55 tones of CO<sub>2</sub> emissions and until 31 December 2009, a total of 948,149 tones had been used.

#### *Environmental liabilities*

The company Minas de Valdecastillo, SAU has the legal and constructive responsibility to rebuild the lands used in its operations, which have been estimated at 251,253 euros (Note 31).

### **32. Commitments and contingencies**

#### *Guarantees:*

On December 31, 2009 the group maintained bank guarantees in favour of third parties in an amount of 22,454,424 euros, which includes a guarantee for the EIB financing.

BA Vidro was subject to tax inspections in 2007, regarding the 2005 fiscal year, and in 2009 concerning 2006 and 2007 which resulted in additional tax payments with corrections having been made to the taxable items. The Board of Directors deems the possibility of incurring in remote and hence no provision was made in the financial statement. Furthermore, the group has challenged these conclusions.

During the year BA Vidrio was also subject to a tax inspection concerning 2004 to 2007 which resulted in additional tax payments with corrections having been made to the taxable items. Again, no provision was made since the Board of Directors considered remote the possibility of incurring in outflows for the company. These corrections were also legally challenged by the company.

### **33. Subsequent events**

No relevant facts occurred after December 31, 2009 that can materially affect the financial statements.

**Certified accountant,**

Alberto de Sousa Araújo Soares

**The Board of Directors,**

Carlos António Rocha Moreira da Silva – *Chairman*

Jorge Alexandre Tavares Ferreira – *CEO*

Álvaro Cuervo Garcia

António Enrique Vásquez Cadeñosa

Francisco José M. M. Silva Domingues

José Ignacio Comenge Sánchez-Real

José Pedro de Araújo Lopes


Mário Pereira Pinto

**STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**  
REPORT AND OPINION OF THE STATUTORY AUDIT BOARD

# STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENT

*Unique*



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**Certificação Legal das Contas**

**Introdução**

1. Examinámos as demonstrações financeiras consolidadas anexas de BA GLASS I - Serviços de Gestão e Investimentos, S.A., as quais compreendem a Demonstração Consolidada da Posição Financeira em 31 de Dezembro de 2009 (que evidencia um total de balanço de 555.398.228 Euros e um total de capital próprio de 102.722.214 Euros, incluindo um resultado líquido de 48.478.342 Euros), a Demonstração Consolidada do Rendimento Integral, a Demonstração Consolidada dos Fluxos de Caixa e a Demonstração Consolidada das Alterações no Capital Próprio no exercício findo naquela data, e as correspondentes Notas às Demonstrações Financeiras.

**Responsabilidades**

2. É da responsabilidade do Conselho de Administração a preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira do conjunto das empresas incluídas na consolidação, o resultado consolidado das suas operações e os fluxos de caixa consolidados, bem como a adopção de políticas e critérios contabilísticos adequados e a manutenção de um sistema de controlo interno apropriado.


3. A nossa responsabilidade consiste em expressar uma opinião profissional e independente, baseada no nosso exame daquelas demonstrações financeiras.

**Âmbito**

4. O exame a que procedemos foi efectuado de acordo com as Normas Técnicas e as Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas, as quais exigem que o mesmo seja planeado e executado com o objectivo de obter um grau de segurança aceitável sobre se as demonstrações financeiras estão isentas de distorções materialmente relevantes. Para tanto o referido exame incluiu:

- a verificação de as demonstrações financeiras das empresas englobadas na consolidação terem sido apropriadamente examinadas e a avaliação das estimativas, baseadas em juízos e critérios definidos pelo Conselho de Administração, utilizadas na sua preparação;

Sociedade Anónima - Capital Social 1.025.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição n.º 9011 na Comissão do Mercado de Valores Mobiliários - Contribuinte 505 988 283 - C.B. Comercial de Lisboa sob o mesmo número - A member firm of Ernst & Young Global Limited

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2

- a verificação das operações de consolidação;
- a apreciação sobre se são adequadas as políticas contabilísticas adoptadas, a sua aplicação uniforme e a sua divulgação, tendo em conta as circunstâncias;
- a verificação da aplicabilidade do princípio de continuidade; e
- a apreciação sobre se é adequada, em termos globais, a apresentação das demonstrações financeiras consolidadas.

5. O nosso exame abrangeu também a verificação da concordância da informação financeira constante do Relatório de Gestão com as demonstrações financeiras consolidadas.

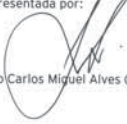
6. Entendemos que o exame efectuado proporciona uma base aceitável para a expressão da nossa opinião.

**Opinião**

7. Em nossa opinião, as demonstrações financeiras referidas apresentam de forma verdadeira e apropriada, em todos os aspectos materialmente relevantes, a posição financeira consolidada de BA GLASS I - Serviços de Gestão e Investimentos, S.A., em 31 de Dezembro de 2009, o resultado consolidado das suas operações e os seus fluxos consolidados de caixa, no exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiros (IFRS), emitidas pelo "International Accounting Standards Board" (IASB) e tal como adoptadas pela União Europeia.

Porto, 28 de Janeiro de 2010

Ernst & Young Audit & Associados - SROC, S.A.  
Sociedade de Revisores Oficiais de Contas (nº 178)  
Representada por:

  
João Carlos Miguel Alves (ROC nº 896)

## RELATÓRIO E PARECER DO CONSELHO FISCAL

Aos Acionistas da BA GLASS I – Serviços de Gestão e Investimentos, S.A.

Em conformidade com as disposições legais e estatutárias aplicáveis e com o mandato que nos foi conferido, submetemos à vossa apreciação o nosso relatório e parecer que abrange a actividade por nós desenvolvida e os documentos de prestação de contas individuais e consolidadas da BA GLASS I – Serviços de Gestão e Investimentos, S.A., relativos ao exercício findo em 31 de Dezembro de 2009, os quais são da responsabilidade do Conselho de Administração.

O Conselho Fiscal exercitou as competências formuladas no art. 420º do Código das Sociedades Comerciais, tendo designadamente acompanhado a gestão da empresa, a evolução da sua actividade e das suas participadas e efectuado reuniões com a frequência e extensão que considerou adequadas, nas quais, em regra, contou com a presença de um administrador, de um membro da direcção executiva e com o Revisor Oficial de Contas e, nas circunstâncias, sempre obteve todas as informações e esclarecimentos solicitados, nomeadamente, para a devida compreensão e avaliação da evolução dos negócios, do desempenho e da posição financeira da empresa e do universo consolidado, bem como dos sistemas de gestão de riscos e de controlo interno.

Participou ainda na reunião do Conselho de Administração que aprovou os documentos de prestação de contas individuais e consolidadas e teve acesso às actas das reuniões deste órgão, bem como a toda a documentação que considerou necessária, não tendo, no decurso destas e de outras diligências, tomado conhecimento de qualquer situação que viole as disposições legais e estatutárias.

O Conselho Fiscal acompanhou ainda o processo de preparação e de divulgação de informação financeira, bem como a revisão das contas aos documentos de prestação de contas individuais e consolidadas da empresa, tendo considerado adequado o trabalho desenvolvido; e tomou conhecimento das principais conclusões do mesmo, as quais foram objecto de análise conjunta com o Revisor Oficial de Contas e são globalmente conformes com a sua própria percepção.

Também no âmbito das suas competências, o Conselho Fiscal examinou as Demonstrações individuais e consolidadas da posição financeira (Balanços) em 31 de Dezembro de 2009, as Demonstrações individuais e consolidadas do rendimento integral (resultados), dos fluxos de caixa e das alterações no capital próprio do exercício findo naquela data e os correspondentes Anexos.

Adicionalmente procedeu à apreciação do Relatório de Gestão do exercício findo em 31 de Dezembro de 2009 emitido pelo Conselho de Administração e a Certificação Legal das Contas sobre as contas individuais e sobre as contas consolidadas emitidas

pelo Revisor Oficial de Contas, as quais mereceram o seu acordo.

Faça ao exposto, o Conselho Fiscal é da opinião que a informação constante nas demonstrações financeiras em apreço, foi elaborada em conformidade com as normas contabilísticas, legais e estatutárias aplicáveis, dando uma imagem verdadeira e apropriada do activo e do passivo, da situação financeira e dos resultados da BA GLASS I – Serviços de Gestão e Investimentos, S.A. e das empresas incluídas no perímetro de consolidação e que o Relatório de Gestão expõe fielmente a evolução dos negócios, do desempenho e da posição financeira da mesma e das empresas incluídas no perímetro de consolidação e contém uma descrição dos principais riscos e incertezas com que se defrontam.

O Conselho Fiscal manifesta o seu apreço pela colaboração recebida do Conselho de Administração, do Revisor Oficial de Contas e dos Serviços, em geral.

## Parecer

Em consequência do acima referido, o Conselho Fiscal é de parecer que estão reunidas as condições para que a Assembleia-Geral aprove:

- O Relatório de Gestão, os as Demonstrações individuais e consolidadas da posição financeira (Balanços) em 31 de Dezembro de 2009, as Demonstrações individuais e consolidadas do rendimento integral (resultados), dos fluxos de caixa e das alterações no capital próprio do exercício findo naquela data e os correspondentes Anexos;
- A proposta de aplicação de resultados apresentada pelo Conselho de Administração.

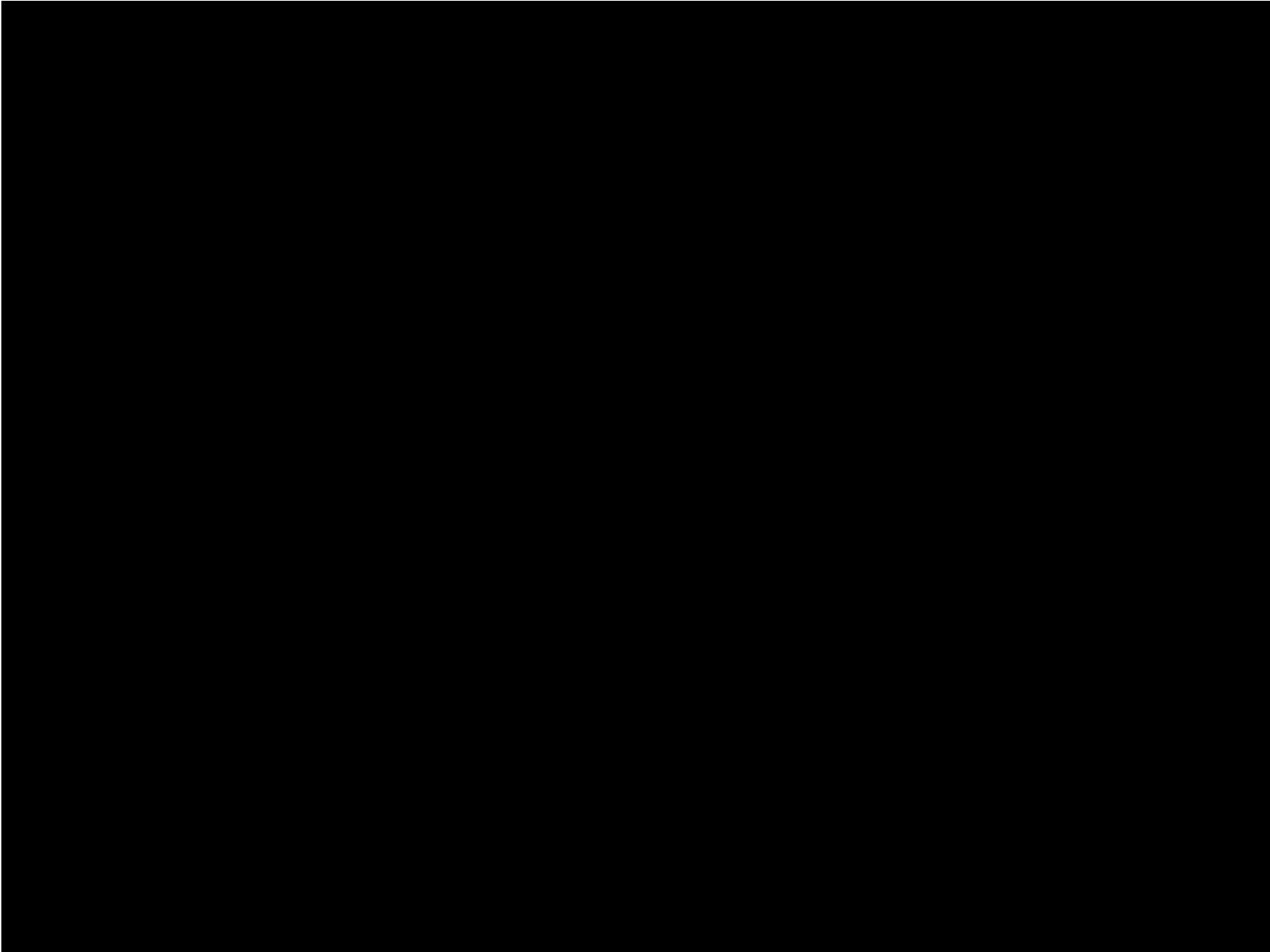
Avintes, 28 de Janeiro de 2010

O Conselho Fiscal

  
Rita Silva Domingues (Presidente)

  
Manuel Ortiga Oliveira

  
Oscar José Alcáda da Quinta





# SUSTAINABILITY REPORT

*Unique*

BA

**INTRODUCTION**  
MISSION  
**STRATEGIC VISION**  
VALUES

# MISSION, VISION AND VALUES

*Unique*



## INTRODUCTION

**T**his is the seventh sustainability report of the BA group and, as in previous years, it is published together with the company's financial reports.

This report reflects BA's principles of sustainable development, thus assuming the group's public commitment to pursuing its activity in harmony with the economic, environmental and social aspects. This balance is always supported by BA's mission, vision and values.

## MISSION

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The group mission is to develop, manufacture and sell glass packaging to the food, beverage, cosmetics and pharmaceutical industries.

## STRATEGIC VISION

The BA objective is to be the “Best among the Biggest Producers” and is based on three fundamental pillars:

- Creating value for shareholders;
- Customer satisfaction and loyalty;
- Staff motivation and satisfaction.

WE WANT TO BE THE BEST AMONG THE BIGGEST		
<i>Customer</i>	<i>Shareholder</i>	<i>Human Resources</i>
Satisfaction Levels	EBITDA	Satisfaction Assessment

The pursuit of the vision and business sustainability requires an integrated management system, supported by consistent principles, policies and goals.

## VALUES

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The group values are translated into the HeART acronym

H	<i>Humbleness</i> to seize the opportunities we are presented or have created
A	<i>Ambition</i> in establishing our goals and objectives
R	<i>Rigor</i> in our operations and tasks
T	<i>Transparency</i> in our internal and external relations
e	<i>and Emotion</i> we dedicate to each challenge

## **BA'S SUSTAINABLE DEVELOPMENT PRINCIPLES**

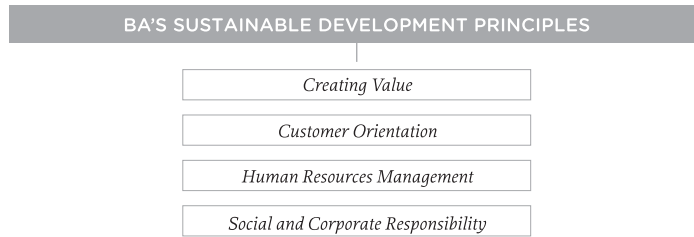
- › CREATING VALUE
- › CUSTOMER ORIENTATION
- › HUMAN RESOURCES MANAGEMENT
- › CORPORATE AND SOCIAL RESPONSIBILITY

# SUSTAINABLE DEVELOPMENT

*Unique*



## BA'S SUSTAINABLE DEVELOPMENT PRINCIPLES



BA is committed to accomplish its strategic vision and the sustainable development principles, as well as to the continuous improvement of the integrated management system. BA's success is only possible with the involvement of ambitious, accurate and qualified persons.

It is based on these principles of sustainable development – incorporated in company management and sustained by structured documental support – and on the respect for values, that BA annually defines increasingly demanding and ambitious objectives. These objectives are monitored periodically through the group performance indicators.

## CREATING VALUE

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- *Creating value for shareholders*
- *Increasing productivity and efficiency*
- *Assessing business risks*

When BA creates value for the shareholders, it is also creating value for other agents, namely for its employees, customers, suppliers and for the community in general.

As one of the pillars of the BA vision, creating value is only possible if the relationship with shareholders is based on principles of transparency, trust, accuracy, credibility and responsibility.

The Board of Directors defines the group development strategy and ensures that it is coherent with the group vision and objectives.

The group management system is result-oriented and is based on action plans that focus on continuous improvement, in order to optimise resources, reduce costs, minimise inefficiency and satisfy customer needs in an oriented manner. These objectives are continuously monitored through performance indicators that compare BA performance internally and externally.

BA has invested in the development of information systems and in changing its processes in response to growing quality, flexibility and price demands.

BA will continue to manage the inherent risks of the business, through the quality and transparency of information provided to its shareholders on all the critical points of the processes, ensuring the identification of both potentially disruptive situations and of oppor-



tunities to create value and ensuring that timely decisions are made to eliminate or to potentialize such situations.

The objective of this method is to identify, to the extent possible, all the endogenous and exogenous factors that may have an impact on business profitability and anticipate their consequences.

Based on these principles BA identifies and mitigates the following business risks:

- **Economic Risks**, through the analysis of market trends and customer feedback of satisfaction with BA products and services; in order to prepare and adopt a marketing plan with precise actions to respond to market challenges and ensure group sustainability. Benchmarking practices enable BA to challenge its teams, by comparison with the best industry practices and to position BA as a reference in the business.
- **Patrimonial Risks**, through periodical inspection of the fire detection systems, burglary protection systems and control systems in the plants. The emergency plans have been tested in fire, gas cuts and glass spillage drills in order to minimise such risks. BA also has comprehensive insurance coverage, managed by another company.
- **Financial Risks**, through the continuous risk analysis of interest and exchange rates and third party credit. Financial risk management is performed through case analysis, according to the present state of affairs and occasionally hedging interest and exchange rates and credit insurance. Maintaining the balance of our capital structure is always a concern in business and investment financing.

- **Operational Risks**, through the implementation of management practices and procedures in the plant's operations, staff management, information technology and in the supply chain. In order to minimise operational risks BA has developed preventive maintenance plans for critical equipment, and good practices for storage, handling and transportation of raw materials and potentially dangerous products. Human risks are minimised through awareness and training actions with the objective of preventing work-related accidents and their consequences. BA has also implemented measures to attenuate risks associated to information technology systems, such as data saving measures, safety copies and risk assessment of data integrity, namely audits by third-parties. In what concerns the final products, BA follows best practices in product storage, handling and transportation.

These risks and their management are described in our management procedures, particularly in "Crisis Management" where the rules and responsibilities concerning communication in exceptional circumstances are described. Moreover, all the procedures and instituted management practices are constantly reviewed and optimized, with the collaboration of all departments involved in order to minimise risks and ensure continuous improvement.

## CREATING VALUE ECONOMIC PERFORMANCE

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### *Main Consolidated Indicators*

The group's 2009 results reflect a different consolidation perimeter than that of 2008, with a full year integration of Sotancro's activity and the exclusion of Vidriera del Atlântico as a continued operation. BA's activity was also greatly influenced by the crisis that marked 2009 and that required a new approach to problems and faster and more flexible response to new market dynamics.

Operating cash-flow (ebitda) remained at interesting levels and reached 117.6 million euros, 35.5% of the turnover and the operating results (ebit) reached 88.5 million euros, 26.7% of the turnover.

2009 was yet another year of significant investment in the modernisation of our production plants and 76.9 million euros were spent in the furnace reconstruction cycle the group is now into. 60 million euros were invested in furnace reconstruction, glass production and packaging lines and approximately 9.4 million euros were spent in the construction or expansion of warehouses. BA also emphasises the investment in the cullet treatment station in Avintes, where the colour separation process was finalised and has allowed us to supply flint cullet to the group's plants.

The net debt/ebitda ratio is below 2.5 and the groups gearing ratio has increased to 18.5%.

Economic Performance (k€)	2009	2008
Turnover	331,772	290,894
Operating Cash-flow (ebitda)	117,659	102,318
Operating Results (ebit)	88,461	76,807
Financial Results	(22,117)	(14,688)
Profit before tax	66,344	62,119
Net Profit	48,478	44,342
Net Assets	555,398	516,870
Equity	102,722	73,494
Net Debt	292,547	307,230

## Customers

The Iberian market was strongly shaken by the economic crisis that led to negative growth and inflation rates and to high unemployment rates. These adverse economic conditions also affected the performance of the BA group in its domestic markets, since the demand for glass packaging followed the general decline in the economy. Even in such an adverse context, BA achieved a positive performance due to the group's timely bet on exports outside the Iberian market and which now represent 14% of total sales.

Consolidated turnover reached 331.8 million euro, representing a growth of 14.1%, and was essentially the result of a full year of integration of Sotancro, which in 2008 had only been incorporated in the second half.

The main sales segment continues to be the food industry with 32%, but those with the highest growth rate were beer, wine and spirits.

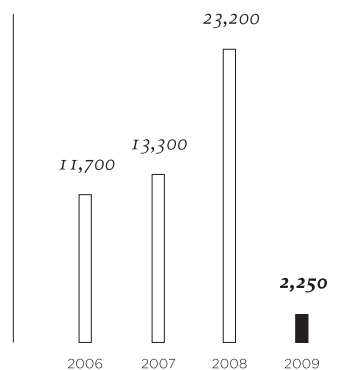
The packaging business grew at an increasingly strong pace and some assumptions of market behaviour have changed. Consumers are increasingly demanding in all areas and BA strived to differentiate itself from both its direct and indirect competitors, betting on a unique and more value added service to customers.

To continue the proximity-to-customer policy, BA created a team of key account managers to manage the accounts of main customers, reinforced its export team, invested in its internal ability to develop new products and in more flexible and agile procedures.

## Shareholders

The shareholder's structure changed in 2009 and a Dutch company, BA Glass BV, now heads the group. The former shareholders of BA Glass I – Serviços de Gestão e Investimentos, SA participated in the capital increase of BA Glass BV by subscribing with the shares they held in BA Glass I, hence maintaining indirect control of this latter company. In turn BA Glass BV now owns 100% of BA Glass I, the former head of the BA group.

### RESERVES AND EARNINGS DISTRIBUTION [k€]



## CREATING VALUE ECONOMIC PERFORMANCE

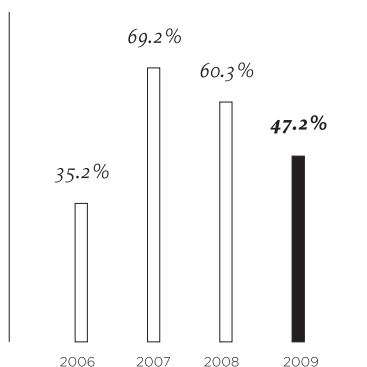
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### Shareholders

The group has had a sustainable growth with very satisfactory levels of creation of value for shareholders. The creation of value for shareholders is undoubtedly one of the group's pillars and in 2009 the Return on Equity ("ROE") reached 47% as a result of the measures and policies that have been implemented over the past years that generated significant improvement in operational productivity and efficiency and in the utilization of assets.

The 2009 dividend distribution was symbolic, as opposed to previous years, due to the strong investment plan executed over the course of the year. Shareholder support of the investments and of the measures that have been adopted ensures a sustainable basis for the group growth.

RETURN ON EQUITY [%]

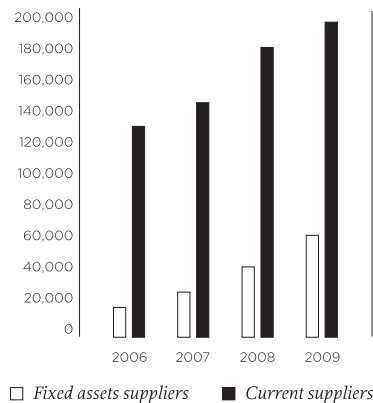


### Suppliers

In 2009 the group purchased merchandise, services and fixed assets in the amount of 254 million euros. The impact of investments in these acquisitions was significant.

BA remains concerned with energy and raw materials costs, especially soda ash, where the price rise in the last few years has had a significant impact on industrial (or production) costs. This steady price increase results from a rise in production costs, but is also due to the monopolistic control of the market. The search and use of alternative suppliers and/or products has remained a priority, as was the case of the significant growth in the use of cullet as a raw material in the BA production process.

## PURCHASES [k€]

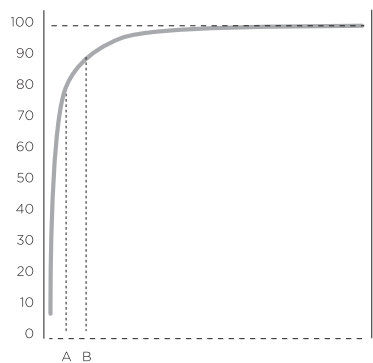


## Employees

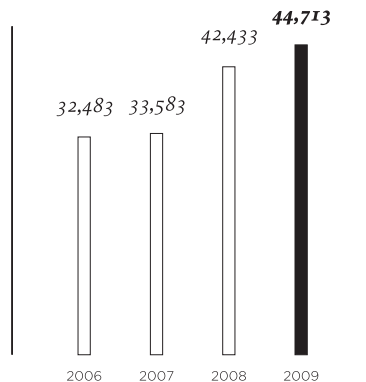
In 2009 the group expended 44.7 million euros with employees, the equivalent of 33,400 euros per capita annually.

Part of this amount was expended as follows: 203 thousand euros in insurance benefits, 102 thousand euros in training, and 2 million euros as variable bonus, the latter is attributed to all employees and is a privileged tool used by the group to share wealth and reward individual and collective merit.

## ABC SUPPLIERS [% volume of purchases]



## PERSONNEL EXPENSES [k€]



## CREATING VALUE ECONOMIC PERFORMANCE

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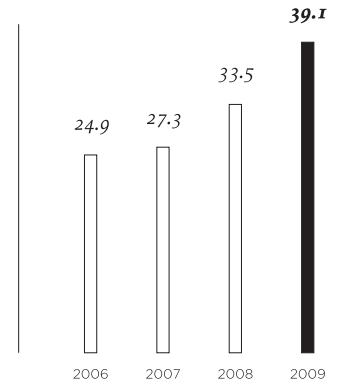
### *Community*

In the relationship with the various communities where BA interacts, the group's priority continued to be in support of education and training of young people in addition to the economic support given to social, educational, cultural and sports institutions and BA continues to privilege support to those communities in the neighbourhood of its plants.

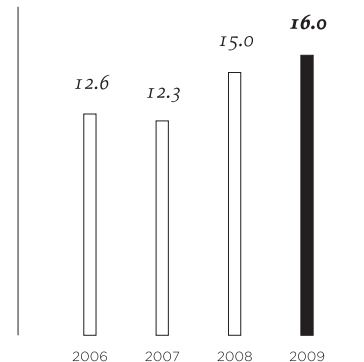
Apart from the economic support, the group creates indirect value by contributing to the education of young people, through student visits, work placements and volunteer activities by senior staff members.

The amount paid in taxes to the Portuguese and Spanish governments continues to be significant and in 2009 the amounts paid by BA in CIT (Corporate Income Taxes) and VAT reached approximately 39 million euros and amounts paid to Social Security and Withheld Income Taxes reached 16 million euros.

### TAXES PAID - VAT & CIT [M€]



### WITHHELD TAXES & SOCIAL SECURITY [M€]



- *Priority to innovation*
- *Creating value for customers*

In light of the generally adverse economic conditions, BA sought to adapt to the rapid change in demand. After integrating Sotanco and restructuring the commercial team, BA dedicated itself to strengthening ties with its customers.

Organizational restructuring was carried out, particularly:

- Creating a team of key account managers responsible for managing the accounts of main customers;
- Reinforcing the export team;
- Strengthening product development capabilities.

Proximity to customers and innovation are the pillars of BA's commercial strategy and are tools that allow BA to defy the most adverse economic conditions.

At a time of recession, consumer behaviour suffers seriously in the short-term, but long-term effects are necessarily less than they may initially seem. Some tendencies will actually be reinforced. In this quest to respond to new tendencies, BA is working along side its customers, helping them to differentiate their products from those of their competitors and creating value for consumers.

Consumers have changed their living habits due to pressures resulting from the economic crisis and scarce credit. Managing the family budget makes consumers more cautious in their choices, more price-sensitive and more sensitive to the value proposals they are presented.

The demand for white labels products has grown and promotions have gained significant importance when it comes time to choose.

However, BA believes that the main tendencies in demand – convenience, health, pleasure and sustainability – have and will continue to affect consumer attitudes and behaviour, in both medium and long-term. In the long term, they will be further developed and influenced by socio-demographic, economic, technological and environmental changes.

However, it is important not to forget that, although consumers are under growing financial pressure, they still look for products that satisfy them and that defend their values. This spirit underlies BA's cooperation with its customers.

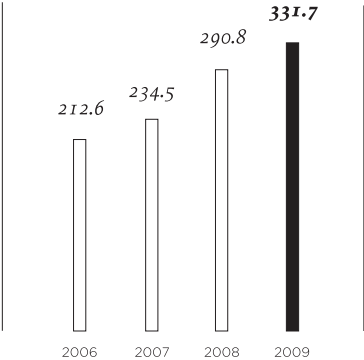
BA, focused on its customer's competitiveness and in the sustainability of its business, continues to bet on its ability to innovate and develop:

- Reducing the weight of its products and the use of secondary packaging, which enables not only a price reduction, but also a reduction in the consumption of raw-materials and in packaging materials;
- Optimising transportation, both by optimising packaging and production planning, allowing for a reduction in transportation costs and energy costs by reducing the number of kilometres travelled;
- Reducing time-to-market, to allow customers to be more present in the market and to respond to consumer's needs for new experiences.

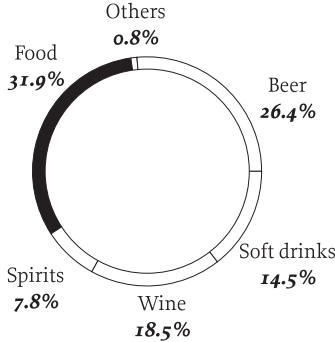
During 2009 over 180 new projects were developed and over 80 new products were launched on the market, which represents an average of 1.5 new product per week.

CUSTOMER ORIENTATION

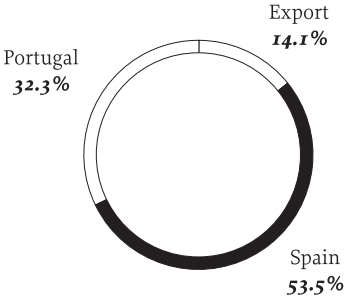
TURNOVER [M€]



SALES SEGMENTS [%]



SALES GEOGRAPHIC REGION [%]





- *Develop knowledge of the business*
- *Promote the development of individual abilities and creativity*
- *Promote the balance between professional and private life*
- *Strengthen management systems that ensure health and safety*

Being the “best among the biggest” in the management of human resources has been one of the main aims of BA’s sustainable development. Staff dedication and determination is essential for BA’s continuous improvement and will ensure that the group grows according to the required standards of quality and business profitability. But this dedication is only achieved through more efficient human resources management processes and the group has devoted itself precisely to the development and implementation of such processes.

The staff’s knowledge of BA’s business and activity is one of the most significant values added towards both individual and collective development and BA has maintained and promoted activities intended to achieve such goal. Integrating and developing new staff members remained a constant concern in 2009. The preparation of “welcome programs” involves vaster and richer experiences in different areas within the company. Before beginning work in BA and regardless of the area where they will be integrated, each new employee goes through a traineeship in all production areas and in all central departments; thus having the opportunity to fully understand the various processes.

At an internal level, BA maintained the periodic communication of the groups’ operational performance and results. Also the “Contém” newsletter continued to be published and suffered some content changes

to be more in tune with employees interests. New functionalities were added to the intranet site and the information kiosk, making more information easily available and allowing “Transparency”, one of the group’s fundamental values, to be achieved. At an external level, BA maintained its partnerships with various institutions, providing traineeships in various areas and to different academic levels, promoting study visits and making staff know-how available in debates and conferences.

The position swaps and sharing of experience among the different areas and production plants also allowed BA to expand the knowledge of business and continued to be a tool to promote career development and individual and collective abilities.

Performance and potential appraisals and career planning and succession continued to be of particular importance in a year in which the analysis and restructuring of the teams was a constant, and many employees have seen their job descriptions enriched. Operational staff evaluation procedures were altered for better alignment with the company strategy. In addition to technical aspects, which are essential in industries like that of BA, professional flexibility and the ability to adapt are highly valued. Given the market challenges, only employees who actively participate in the company and constantly strive to improve their work and search for change and who view this as a means to improve and progress in their career, will contribute to the achievement of the group’s objectives and will enable BA to continue in the market in a sustainable manner.

Initiative and creativity were promoted by rewarding individual problem-solving abilities and the quest for new solutions. The improvement

suggestions BA received from operational staff members were rewarded, by publicising the suggestions in BA internal communications and, whenever possible, by extending the use of the proposals to other production plants.

The annual staff meeting was also a moment for reflection. This year the theme was “CRIsE” (Portuguese word for CRISIS) and in a year of turbulence and market uncertainties BA staff members were challenged to eliminate the “s” from CRISE: “CRIE” (Portuguese word for CREATE). It is in difficult moments like those experienced in 2009 that great opportunities arise. The world affairs affect all companies and, therefore, the difference resides in how the companies prepare and deal with these difficult times. At the BA staff meeting participants were challenged on how to move from “CRISE: dangerous setting, decisive moment, breakage...” to “CRIE”: create, invent, promote, produce, lead...” stimulating the creativity of the BA staff.

Only motivated, committed employees, willing to face new challenges, enable an organization's growth. But for this to happen in a sustainable manner it is necessary to promote a balance between professional and private life. BA considers itself a family-responsible company and incentivates staff to freely express their views on how their profession ties in with their private lives. Similarly, human resources policies have established methodologies to allow staff members to discuss matters involving personal/professional balance, particularly matters concerning preferences for certain jobs and geographic mobility to enable BA, to the possible extent, to accommodate each person's personal situation in the overall company strategy.

Strengthening health and safety systems continues to be one of the group's top priorities. It is with great satisfaction that BA announces that the systems and procedures that have been adopted are showing favourable results and the numbers of work accidents was significantly reduced in the past year. However, this reduction is not considered a victory and BA continues to pursue the “Zero Accidents” objective. Whatever the accident, it is considered a loss for the company and, more importantly, for the staff member and his/her family. BA believes that accidents do not happen by mere chance and that all accidents can be avoided if the preventive measures and safety rules are followed; therefore, BA already has new awareness and training sessions planned for 2010.

BA continues to periodically assess and diagnose conditions, dangers and risks of each work place and maintains its effort to promote better health conditions and the overall well being of its staff members and their families. Once again BA reassessed the subcontracted medical services and sought to offer better services, as well as social benefits adequate to the health care needs of each family.

## HUMAN RESOURCES MANAGEMENT

### SOCIAL PERFORMANCE

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#### *Employment*

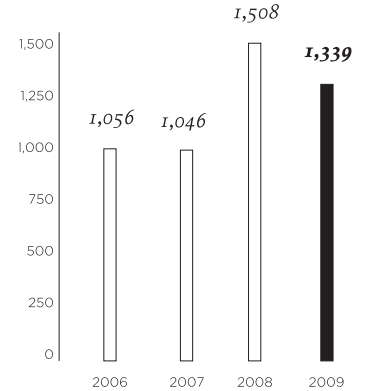
The BA group ended 2009 with 1,339 employees. When compared to 2008, the reduction in the number of employees is due to the change in the group perimeter, which went from 6 to 5 plants, and also to team restructuring. All numbers published in this report are affected by the change of the perimeter.

In 2009, the average age of employees continues to be approximately 40.6 years and remains fairly spread between the different age groups. BA employees are predominantly male (88%).

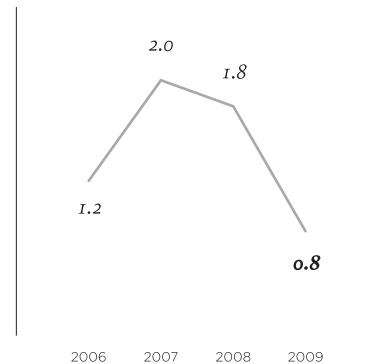
The voluntary staff rotation index remains low and with negative tendency given that the group is still an attractive employer and in 2009 received over 4,800 job applications.

In terms of education, there is a balance spread among the different education levels and BA has seen a small increase in the number of staff members with a high-school diploma; this is a result of both more demanding recruiting policies and the certification of Portuguese staff by the “Reconhecimento, Validação e Certificação de Competências” (Recognition, Validation and Ability Certification) process.

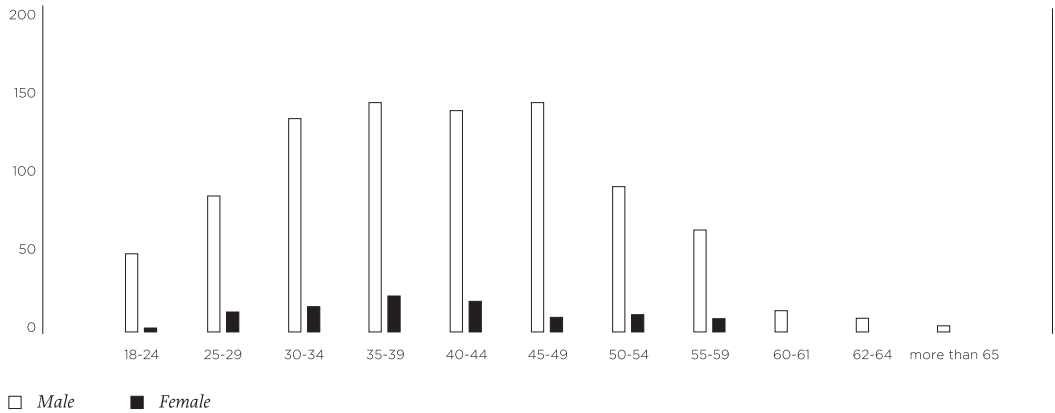
#### NUMBER OF EMPLOYEES



#### STAFF ROTATION INDEX [%]



AGE STRUCTURE [% Years]



Average seniority was 14.4 years, an increase of 0.3 in relation to 2008.

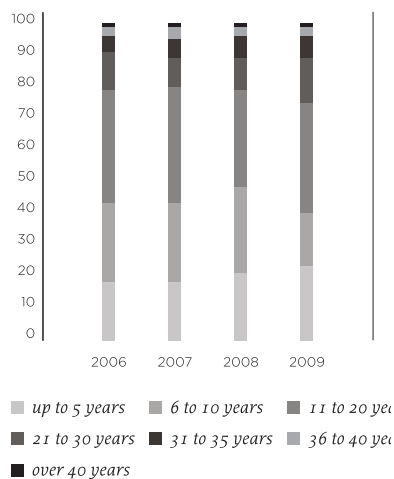
With the consolidation of synergies created with the team re-dimensioning and reorganization processes that began in 2008 with the integration of Sotancro, in 2009 a new round of team revision was initiated. The structure of several department management levels was analysed and changed because the group continues to believe that committed and motivated employees lead to greater productivity and business development.

Maintaining a space for constructive dialogue with employee representation structures was also a concern, driven by the purpose of finding principles to guide the parties in their relationship.

The group maintains its wealth-sharing policy, through precise and transparent criteria associated to the group performance, industrial efficiency and individual evaluation. The attribution of a variable bonus is an essential tool for the company's progress and for the improvement and motivation of each employee. This method has recently been extended to the Venda Nova staff members.

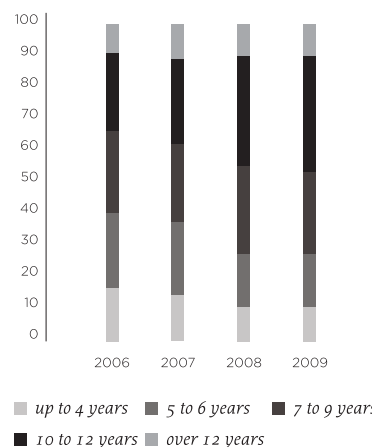
#### AVERAGE SENIORITY

[% Employees]



#### EDUCATION LEVEL

[%/Nº years of schooling]



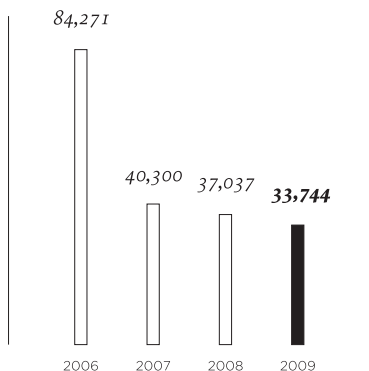
#### Training

As a result of the investments made in 2009, BA reinforced training in technical areas. Training is essential to ensure that all employees accompany technological evolution. Hence, 89% of training sessions focused on technical areas while 9% focused on quality, environment and safety and the remaining 2% on behavioural matters. Overall, the training sessions summed 33,744 hours, representing an average of 25 hours per employee. The reduction in overall training in comparison with 2008 is due to the change in the group perimeter.

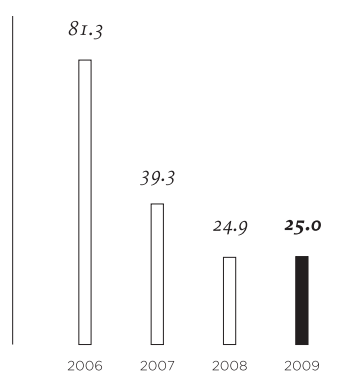
In-house training also plays a key role and BA continues to invest in improving its training processes and in optimising the ability of its in-house trainers. BA's training accreditation in the areas of organization and promotion of training activities was recently renewed and the accreditation was extended to the Venda Nova plant.

The assessment of training was very positive: 92% of our staff considered that the training session goals had been achieved.

**TRAINING VOLUME**  
[n.º Hours]



**AVERAGE TRAINING TIME**  
[hours per employee]



## Health and Safety

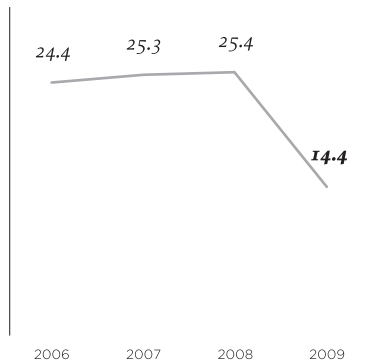
In terms of health and safety, achieving the “Zero Accidents” goal continues to be a top priority. This objective is pursued with great conviction and 2009 was no exception, having led to a 35% reduction in accidents. Preparing exhaustive listing of all risks and holding meetings to understand the causes of accidents was already a common practice in the group, but has since been extended to the Venda Nova plant and has enabled a greater understanding of the risks. Also more training sessions in the areas of health and safety were performed. These efforts

in all areas led to a significant reduction in both the frequency and seriousness of the accidents of 14.5 and 0.42, respectively. This reduction is also due to the exclusion of the Xinzo de Limia plant from the group perimeter, a plant with a particularly high accident rate.

Burns, trauma and cuts in the hands and fingers are still the main consequences of work accidents, so there was the reinforcement of the awareness for the correct use of individual protection gear remained a concern of the group.

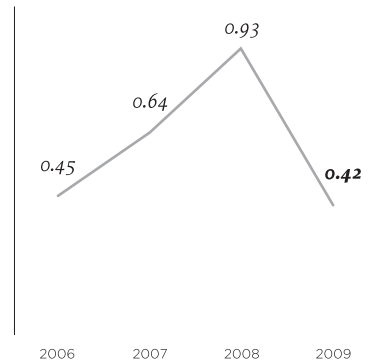
### FREQUENCY RATE

[nr. Accidents resulting in sick leave x 10<sup>6</sup>/nr. Hours effectively worked]



### SERIOUSNESS RATE

[nr. Lost working days x 10<sup>3</sup>/nr. Hours effectively worked]



### *Health and Safety*

2009 was also characterised by various training sessions concerning the H1N1 pandemic. In the glass manufacturing industry, due to 24-hour operation and the high furnace temperatures, it is essential to define the principles and minimum operating conditions for each plant in the event of high absenteeism. Hence a team was created to follow the evolution of the pandemic and to define and implement a contingency plan and reinforce hygiene measures. Both communication and training sessions were a priority throughout 2009 and, thankfully, the year has come to an end without the group having been affected by the pandemic.

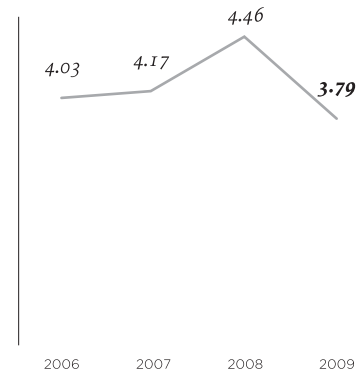
The issuing of the "Individual Safety Card" continued in 2009 for new employees. BA recalls that this measure is intended to promote:

- Validation of pro-active safety attitudes that will lead to the improvement of work quality and the reduction of accidents;
- Identification of the dangers and risks present in the equipment, substances, operations and tasks to be performed;
- Correct use of the general prevention principles, as well as the rules for the use of working equipment and individual protection gear and for the access and stay at the working premises;
- Correct conduct in emergency situations.

The overall consolidated absenteeism also registered a decline mainly due, once again, to the change in the group perimeter.

In order to protect its workers and their families, BA has not only the compulsory work accidents insurance, but also a life insurance policy for its entire staff and an accidental death and dismemberment insurance for senior managers. BA also offers its employees in Portugal the possibility of extending the health insurance policy to family members under very attractive conditions.

#### OVERALL ABSENTEEISM [%]





## *Internal Communication*

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BA's efforts to use internal communication to promote the culture of transparency only make sense if all employees are involved. Their involvement has always been a strong tool in sharing the group strategy and values. Among the internal communication efforts conducted in 2009 BA would like to emphasise the following:

- Quarterly presentation of the group's results and of the annual budget;
- Publication of the "CONTÉM" newsletter;
- Sessions to communicate the social climate assessment to all employees;
- The "Suggestions" program;
- H1N1 prevention campaigns;
- Optimization of our intranet network.

The BA annual senior staff and management meeting continues to be a privileged moment for communication. This year the theme was "CRIsE" (which is the Portuguese word for "CRISIS") and took place in Tróia, where 124 senior staff members were present.

## *Employee Assessment and Salaries*

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In most cases, the payment criteria for operational employees are established in agreements negotiated with the regional labour unions. Employment terms of the senior staff members are governed by their individual contracts.

All employees have a variable bonus, based on three components: business, indexed to group performance indicators, productivity, indexed to the team productivity indicators, and individual performance.

BA's performance assessment systems apply to all employees, with no exceptions, and allow BA to reward and distinguish the best performances. The model used for operational staff suffered some changes in 2009 to ensure better alignment with the company strategy. Various clarification sessions were held, aimed at emphasising the importance of the evaluation systems and to explain the models adopted by the group.

- *To integrate the social and environmental issues into the decision-making process*
- *To guarantee ethical behaviour in business issues*
- *To recognize and use the fundamental human rights principles*
- *To ensure compliance with legal rules and any others voluntarily adopted*

### *Social Responsibility*

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Continuing the work that began in 2008 to improve the qualifications of BA's employees and towards the development of abilities throughout their lives, 41 employees were certified in 2009 under the RVCC Program (Reconhecimento, Validação e Certificação de Competências) (Recognition, Validation and Ability Certification) as having concluded the 6th, 9th or 12th grade of schooling. The certification panel considered that the papers presented were "of great quality and originality". The certification achieved under the referred program allows for personal, social and professional improvement, but is also an opportunity to complete schooling/training.

BA has strived to play a key role in the development of young professionals, who are both knowledge and innovation oriented. For many years BA has made a point of receiving a growing number of students from both schools and universities. The integration of these young people has proven to be an excellent tool in their transition to the job market and as a means of executing innovative projects within the company. Many of these talented students remain in BA, pursuing their careers and assuming an increasingly important role in the company. In 2009 18 apprenticeships

were granted in different areas within the company. BA would also point out the beginning of the partnership with AIESEC - Associação Internacional de Estudantes de Ciências Economicas e Comerciais, and which allowed the company to receive a young engineer from Costa Rica.

As a member of the community, BA remained willing to actively participate in community activities and in 2009 various study-visits to the various plants were conducted, where BA shared good practices, namely regarding environmental matters, such as recycling. BA would also like to refer the support given to social, cultural and health institutions, as well as schools and universities, particularly to Fundação de Serralves, Casa da Música, Banco Alimentar and Futebol Clube de Gaia.

BA would like to emphasise the various activities undertaken by the group in this third year of partnership with Agrupamento Gomes Teixeira, under the "Porto de Futuro" ("Port(o) for the Future") Project. The "Porto de Futuro" project was launched by the Oporto City Hall in 2007 to "bring the corporate sector closer to the education sector so as to achieve the exchange of good practices and knowledge from the world of business to the city's schools, as well as to contribute to the promotion of a culture based on merit, creativity, innovation and entrepreneurship". Partnerships were established between the 18 school groups in the city and 18 companies located in the Oporto Metropolitan area. BA was invited to participate and its partner in this project is "Agrupamento Vertical Gomes Teixeira" that is made up by the kindergarden "Jardim de Infância do Bom Sucesso", and by primary schools "EB1 Bom Sucesso" and "EB1 Gólgota", and by the head school "E.B. 2,3 Gomes Teixeira".

In 2009 BA sought to implement activities on a wider scale, invol-

ving the entire school community, particularly parents and guardians. BA believes this objective was fully achieved and would like to highlight the following activities:

- **Cycle of Conferences** on the theme “Citizenship and Education”. Teachers, parents, students and community members filled the room in the four sessions that were held to hear key speakers Prof. Nuno Crato, Mr. António Lobo Xavier, Prof. Marcelo Rebelo de Sousa and Prof. António Barreto who generously participated in this project and were willing to debate their ideas.
- **Workshop on Strategic Reflection** which united 50 people (faculty, parents, and other non-faculty) to reflect on the strategic direction of the partnership and to gather ideas on how to build a vision, define priorities and identify further actions. Six main themes, prepared over the course of one year by a group of teachers, were presented.
- **Training to Non-Teaching Personnel**, one session concerning “Performance Evaluation” and another about “Communication, Relationships and Professional Attitude”.  
In addition to the above initiatives BA maintained other activities similar to those of previous years:
- **Merit Award Program** to reward the best student in the last year of each academic level, in other words 4th and 6th graders (laptop computers) and 9th graders (two-week program at a Summer School in England).
- **Volunteer Work in the Junior Achievement Program**: 10 volunteers participated in training programs on entrepreneurship, citizenship, ethics, financial literacy, economics and career development. Sessions were given on “**Family**” program (two 1st grade classes), “**Community**” program (three 2nd grade classes) and “**Economy for Success**” program (four 9th grade classes), and included a to-

tal of approximately 200 students. The 9th graders also visited the Avintes plant. Prior to the visit they were given a brief presentation on the company’s organisation, existing professions and recruiting process and they spoke with a member of BA staff concerning his/her personal career progress. For the first time the “Right Arm” program (“**Braço Direito**”) was carried out and this allowed 17 students to spend a day with one of BA’s 17 volunteers and experience the various areas in the company.

- **Sessions on Recycling**: 6th grade classes (120 pupils) were given awareness and informational sessions on glass recycling.
- **Coaching Sessions between BA’s Chairman of the Board of Directors and the Headmaster of the School**.

All of this was possible thanks to the involvement of 30 BA staff members who, either directly or indirectly, participated in these initiatives with great enthusiasm and also thanks to many others in the partnership schools who embraced these activities with enthusiasm and allowed us to witness, first-hand, their dedication to their students.

A word of praise to the City Hall of Oporto for bringing this initiative to life, particularly to the Pelouro da Educação Juventude e Inovação (Department of Education, Youth and Innovation) for its huge and well recognised involvement in this project.

BA is a founding member of “EPIS – Empresários pela Inclusão Social” (Managers for Social Inclusion) whose mission is to promote education, aimed mainly at fighting school dropout and failure rates by preventing and mitigating risk factors faced by students and their families. The work of the EPIS members over the 2008/2009 school year contributed to a 14% increase in the approval rates of the 6.000 high-school students it supports, rising from 63% in 2007/2008 to 77% in 2009.

### *Introduction*

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All BA plants are certified according to the ISO 14001 Standard.

In 2009 the integration of the environmental management system of the Venda Nova plant in the group's management system was concluded. The integration led to an improvement of the group environmental management system.

In 2009 the group invested seven million euros in measures to improve its environmental performance. The installation of three electrostatic precipitators filters and the adoption of more efficient burn technology improved environmental performance and contributed to compliance with legal rules.

These investments were made within the furnace reconstruction projects in Villafranca de los Barros, León and Venda Nova. In an intense capital industry, as is the case of glass manufacturing industry, furnace reconstruction are key moments for technological up-grades and enable improved efficiency, quality, productivity and environmental performance.

This is the eleventh publication of BA's environmental performance and this annual publication, which has been uninterrupted for the past eleven years, reveals the maturity of our environmental management system and its importance in BA's activity.

BA remains committed to reducing the environmental impact of its activity and to prevent pollution by promoting rational use of resources and annually defining measures to increase glass recycling, ratio-

nalise the consumption of water, electricity and raw materials and to reduce the weight of its products.

The consolidated figures presented in this report refer to the four plants prior to 2008 and the five plants thereafter, as a result of the integration of Venda Nova in the group.

### *Environmental License*

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In the context of the Integrated Pollution Prevention and Control Directive, referred to as IPPC, all the group plants hold an environmental license.

BA is currently in the process of up-dating the environmental licences of Marinha Grande, Villafranca de los Barros, León and Venda Nova as a result of the furnace reconstructions that took place in 2008 and 2009.

### *Glass Recycling*

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BA group consolidated its goal of increasing the rate of cullet incorporation in the production process of all plants, both flint cullet and mixed color cullet, hence improving the group industrial and environmental performance. The separation of flint cullet from mixed color cullet contributed towards the achievement of this objective in all plants, regardless of the glass colour in production.

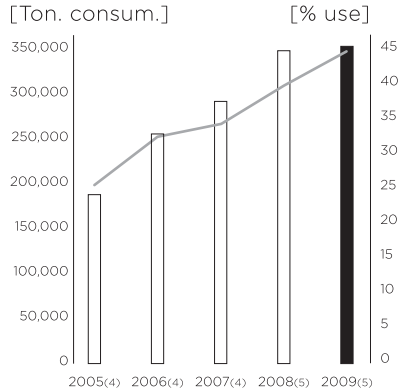
Glass recycling has been a constant concern since the use of cullet in glass production increases industrial efficiency and simultaneously preserves the environment by enabling the replacement of raw materials with cullet, hence reducing the extraction of raw materials, reducing energy consumption to melt glass and reducing the emission of greenhouse gases, such as carbon dioxide.

The cullet treatment process involves various stages: reception/classification, removal of larger contaminants (iron, non-iron, organic, ceramic, stones and others), particle separation, detection and removal of contaminants and separation of flint cullet by the use of machinery that operate through digital imaging.

BA also achieved the best recycling rate ever, increasing the use of cullet in production by almost 3 p.p. in relation to the previous year. The consolidated value for the five plants is approximately 43%.

This improvement is mainly due to the cullet treatment station in Avintes and the investments that were made there.

### RATE OF CONSUMPTION AND USE OF CULLET



□ Cons. Cullet — Rate and use of Cullet

### Consumption of Water and Energy

The improvement in the consumption of energy that was registered in 2009 is due to the furnace reconstructions in Villafranca de los Barros, Venda Nova and León that improved their energy efficiency. The replacement of two recuperative for regenerative furnaces, thus adopting the best technology, allows BA to consume less energy and reduce CO<sub>2</sub> emissions. BA expects to maintain this reduction trend next year since the effects of these investments were not fully reflected in all of 2009.

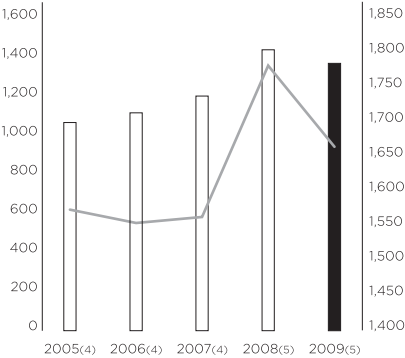
Furnace reconstruction tends to have a negative effect in water consumption since it is necessary to cool glass during the controlled emptying process that precedes the cool-down and reconstruction. Consequently, in 2009 there was an increase in water consumption.

#### Notes to consider in the graphs:

- (4) – consolidated values of four plants: Avintes, Marinha Grande, Villafranca de los Barros e León
- (5) – consolidated values of five plants: Avintes, Marinha Grande, Villafranca de los Barros, León e Venda Nova

ENERGY CONSUMPTION

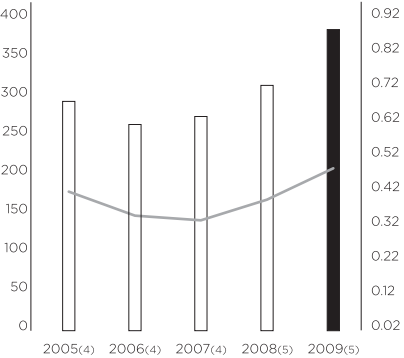
[1000 Kcal] [Kcal/Ton of melted glass]



■ 1000 Kcal — Kcal/Ton of melted glass

WATER CONSUMPTION

[1000 m³] [m³/Ton of melted glass]



■ 1000 m³ — m³/Ton of melted glass

## Waste management

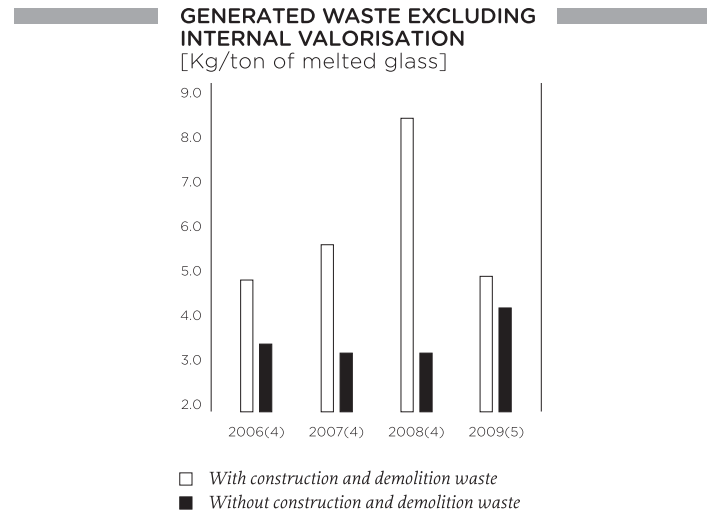
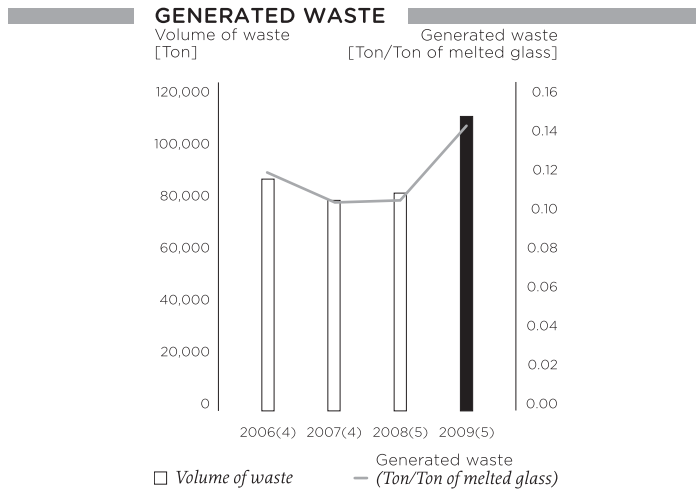
The increase in valuable waste generated internally significantly contributes to the increase in Generated Waste. This is mainly cullet generated during the emptying and re-starting of the furnaces that were reconstructed.

The rate of *Generated Waste excluding internal valorisation* decreased in relation to 2008 mainly due to the greater responsibility of the companies that intervened in the furnace reconstructions in the management of construction and demolition waste. However, these reconstructions

also resulted in more waste from cleaning and repair works.

Internal waste valorisation remains at high levels, approximately 97%, essentially due to internal recycling of cullet. Wastes generated by the electrostatic precipitators and in the residual water treatment stations are also internally valorised.

The present level of production-generated waste, excluding construction and demolition and the internally valorised waste, is 4.3 kg of waste for each ton of melted glass.





## *Emissions of Carbon Dioxide (CO<sub>2</sub>)*

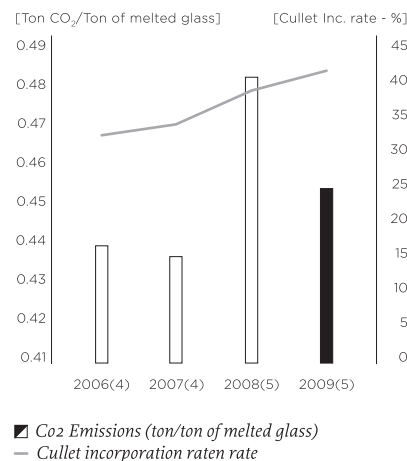
The BA plants are covered by the European Carbon Dioxide (CO<sub>2</sub>) Emissions Licences.

The verification of CO<sub>2</sub> emissions by the relevant authorities is subsequent to the preparation of this report, hence, the emission values presented herein are preliminary figures and obtained through BA's internal monitoring.

The consolidated value of the specific emission of carbon dioxide (tonnes of CO<sub>2</sub> emissions per ton of melted glass) decreased significantly in 2009 and was similar to the value registered by the group prior to the integration of the Venda Nova plant.

This improvement is due to a combination of two factors: the energy improvements resulting from reconstruction of the furnaces of Villafranca de los Barros, Venda Nova and León and the greater rate of incorporation of cullet in production, allowing a reduction in the consumption of raw materials and improving the furnaces energy efficiency by requiring less energy for melting.

### CO<sub>2</sub> EMISSIONS VS CULLET INCORPORATION RATE



## CORPORATE AND SOCIAL RESPONSIBILITY ENVIRONMENT

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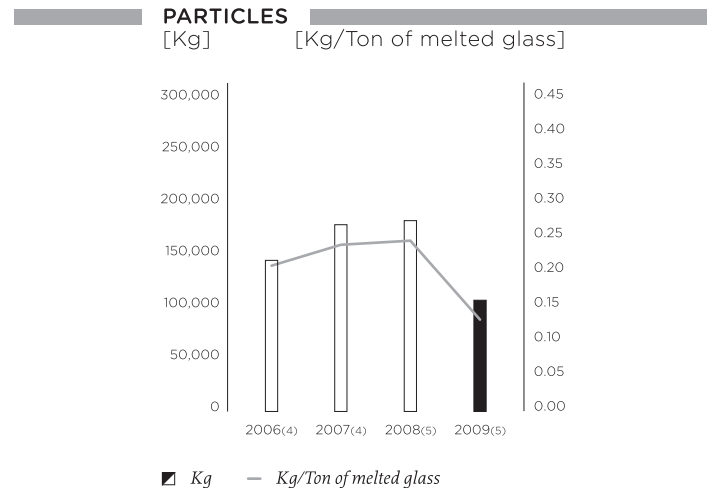
### *Emissions of particles, nitrogen oxides (NOx) and sulphur dioxide (SO<sub>2</sub>)*

In 2009 the group continued with its investment policy in the improvement of its environmental performance by adopting the best available technologies.

Thus, the furnace reconstructions and installation of three electrostatic precipitators in the Villafranca de los Barros, Venda Nova and León plants allowed the group to achieve the best results ever in relation to this pollutant – 0.13 kilograms of particles per ton of melted glass and simultaneously register the lowest absolute value ever.

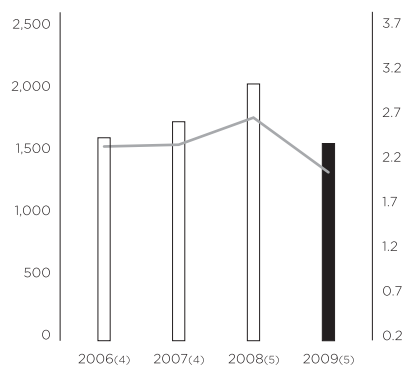
Regarding nitrogen oxides, BA operates with the best available technology, using low-NOx burners in all furnaces. In order to improve its performance in this pollutant, BA established an additional monitoring plan that allows more frequent emission measurements and BA will continue to closely monitor this pollutant to ensure the sustainability of the results achieved.

The SO<sub>2</sub> value decreased slightly, but remained within the normal range of variation. Variations of this parameter are closely associated to glass colours, with better results in “reduced” glass as opposed to “oxidized” glass.



**NITROGEN DIOXIDE**

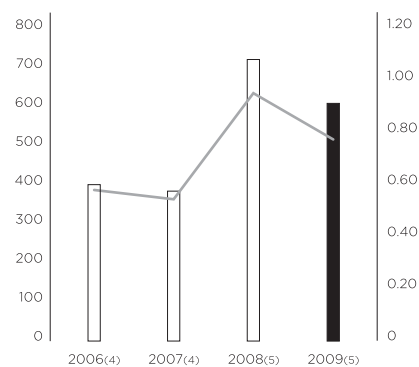
[Ton] [Kg/Ton of melted glass]



■ Ton — Kg/Ton of melted glass

**SULPHUR DIOXIDE**

[Ton] [Kg/Ton of melted glass]



□ Ton — Kg/Ton of melted glass

### **O**bservance Statement

Since BA shares are not publicly traded, the company is not bound to present a corporate governance report to the CMVM (Portuguese Securities Market Commission). However, because BA considers this to be good practice, which may be used as an internal reflection tool and at the same time promote transparency to the outside, BA maintains the habit of writing this report.

The recently published Regulation 1/2010 of the Portuguese Securities Market Commission (Regulamento 1/2010 da Comissão de Mercado de Valores Mobiliários de 07.01.2010) dated 07.01.2010 (and available at the respective website – [www.cmvm.pt](http://www.cmvm.pt)) granted listed companies the option to follow CMVM's Code of Corporate Governance or, in alternative, to follow another code published by another entity of renowned merit in these matters. Due to the short time span between the publication of the referred regulation and the preparation of the present report (20 days), BA was unable to perform the detailed analysis and assessment that must guide the possible decision of following an alternative corporate governance code. Hence, BA will continue to follow the CMVM corporate governance code and the structure of this report follows Regulation 1/2010, with the exceptions arising from the fact that it is not a listed company.

It is BA Glass, as the parent company, that formally publishes this **Corporate Governance Report**. In terms of functional organization, this report covers the entire BA group, because it is the manner that best reflects our reality as far as management and the decision-making process are concerned.

BA Glass adopts many of the recommendations of the CMVM on corporate governance. However, when that is not the case, this is expressly stated in the relevant chapter and is generally due to BA's size and to the fact that it is not a listed company and, since its incorporation in May 2003, BA Glass has never had more than 5 shareholders.

It should be referred that BA adopted a **Code of Ethics** that has been in force since January 2007 and applies to all group companies, board members and employees. BA believes that it staff has always behaved ethically, but this code clearly indicates the principles, values and conduct that are expected of all employees. These rules should be seen as important guidelines that contribute to the strengthening of the group's image and role as a reference company in its sector and to the intensification of the relationship with all stakeholders, namely its shareholders, staff, suppliers, social partners, public entities and community at large. The Code of Ethics is available on the company's website ([www.bavidro.com](http://www.bavidro.com)).

As this report is published together with the Management Report, there are cross-references between the documents to avoid unnecessary duplication of information.

### **Chapter I – General Shareholder Meeting (GSM)**

The General Shareholder Meeting is presided by a chairman and a secretary, elected in the General Shareholder Meeting. The company secretary, who, under law, is legally responsible for taking the minutes of the corporate bodies, assists these members.

**Composition of the Presiding Body of the General Shareholder Meeting (2009/2012)**

Mário Júlio Montalvão Machado	Chairman
Eduardo Verde Pinho	Secretary
Rita Silva Domingues	Company Secretary

According to the company bylaws each share is entitled to one vote.

The General Shareholder Meeting is constituted by shareholders entitled to vote, and the shares must be:

- a) Registered in their names in the company's documents;
- b) Kept in their name in the company's safe deposit boxes or in a credit institution or any other authorised financial institution, when in bearer form;
- c) Registered in book-entry form, if that is the case.

The mentioned deposit must be attested to by means of letter issued by any of the above-referred entities at least eight days prior to the General Shareholder Meeting.

The shareholders may only be present at the meeting if they state such intention in writing by letter addressed to the Chairman of the Meeting at least three days prior of the date of the meeting, unless they have sent proof of deposit of the shares as referred above.

According to the company bylaws, these rules do not apply to Universal General Shareholder Meetings.

The right to vote may be exercised, according to the law, directly (either in presence or by sending the vote by mail) or by proxy (another shareholder or a third party may be appointed).

The vote by mail may be used for all the resolutions referred in the notice of meeting, as the company bylaws do not establish any restrictions on this manner of voting.

Given that the company has never had more than five shareholders and due to the fact that all General Shareholder Meetings have always been universal – which necessarily implies the presence of representatives of the entire share capital – the shareholders have full knowledge and participation in the company's main decisions and they may, at any time, request that the company secretary provide them with any document regarding such decisions. Consequently, BA deems it unnecessary to comply with many of the duties of information regarding meeting procedures and publicity that are established in the Regulation, particularly those regarding the availability of electronic voting and in making a Mail Vote Form available online, as well as providing an extract of the minutes five days after the meeting date or an archive of all resolutions taken in the previous three years.

The General Shareholder Meeting delegated the definition of remuneration policies for the members of the company bodies on a Remuneration Committee. The Committee members are present in the General Shareholder Meeting and reserve the matter and decision on attributing employees a share in profits, as occurred in the meeting held in January 2010 that approved the decision that senior staff members share in profits.

There are no specific rules in the bylaws establishing a minimum number of shareholders to be present or for their decisions to be binding; therefore general corporate rules established in the Portuguese Companies Code apply.

## CORPORATE AND SOCIAL RESPONSIBILITY

### **CORPORATE GOVERNANCE**

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There are no defensive measures to stop the change of shareholder's control or of the constitution of the management bodies.

There are no significant agreements in which the company participates and that will come into force, or be amended changed or terminated in the event of a change of control in the company.

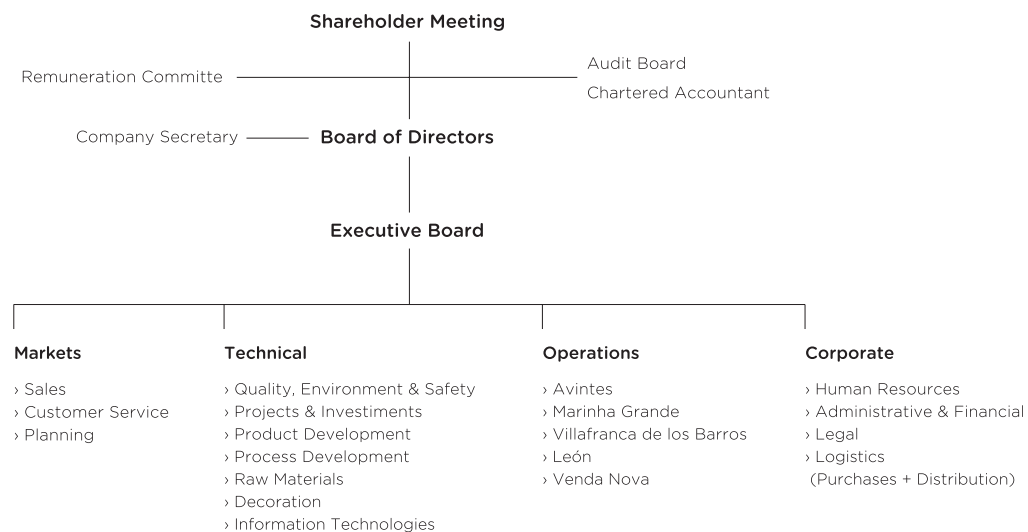
There are no agreements between the company and any board members regarding the attribution of compensations in the event of resignation, unjustified dismissal or termination of an employment contract if a change of control occurs

In 2009 the General Shareholder Meeting was held on January 28th, as a universal meeting and all three shareholders were present. In 2010 the General Shareholder Meeting met on January 28th, also as a universal meeting, and the sole shareholder was present.

## Chapter II – Management and Supervisory Bodies.

### Section I – General Matters

#### BA Group Governance and Supervision Structure / Functional Chart



Considering the company current size and structure the BA group decision-makers did not perceive the need to create specific committees to manage or supervise the company. The group considers that the Audit board, the Board of Directors of the parent company and those of the subsidiaries and the Executive Committee have the duty and responsibility to oversee the implementation and enforcement of the principles and rules related to corporate governance.

Regarding the disclosure of financial information, as reflected in the Code of Ethics, BA abides by principles of relevance and materiality of the information disclosed which should be true, transparent and accurate. As a non-listed company, information is not available to the general public through the CMVM website, but information is sent to the Board of Directors on a monthly basis and periodically transmitted to financial institutions with which BA interacts.

Since its appointment in 2007, the Audit board has deepened the knowledge of the internal control and risk management system, including the preparation process of financial reporting. The control procedures implemented in the company have been brought to the attention of the Audit board, both through the administrative and financial representative (in the regular meetings held with him) and the representative of the company's auditor, who expose and explain their monitoring procedure in a detailed manner and how they prepare and review annual accounts. The company auditor also prepares an "Annual Audit Report", which embodies possible deviations and suggestions for improvements to internal procedures. This report is sent to the Board of Directors and to the Audit Board and is carefully analysed at the meeting of these bodies.

The Audit board prepares an annual report on its monitoring activity which is published and made available on the website along with the annual accounts documentation.

The company's collegiate bodies have not produced specific internal regulations that include specific list of incompatibilities, nor have they established any maximum number of positions that may be held by the Board members in boards of other companies.



## Section II – Board of Directors

### Composition of the Board of Directors (2009/2012)

	1st appointment in BA Glass	1st appointment in the BA group	Nationality
<i>Chairman</i>			
Carlos Moreira da Silva	29.05.2003	1998	Portuguese
<i>Board Members</i>			
Jorge Alexandre Ferreira	24.01.2005	1998	Portuguese
António Vazquez Cardenosa	26.01.2007	2001	Spanish
Álvaro Cuervo Garcia	26.01.2007	2001	Spanish
Francisco da Silva Domingues	29.05.2003	1993	Portuguese
José Ignacio Comenge	26.01.2007	2001	Spanish
José Pedro de Araújo Lopes	24.01.2005	2003	Portuguese
Mário Pereira Pinto	24.01.2005	1993	Portuguese

Apart from the functions and competences established by the Portuguese Companies Code, the Board of Directors is also responsible for:

- Defining the company's and the group's global strategy and controlling its implementation, including risk analysis;
- Decisions concerning the most important strategic investments (financial and tangible);
- Approval of the annual action plan and budget;

- The approval of the organizational chart and for advising on hiring senior staff members;
- Decision on processes leading to organizational changes;
- Accompanying the operational and financial performance of all the group's operating units in.

The Board of Directors is not authorised to deliberate on capital increases.

The Board of Directors allocates its Chairman the responsibility of studying, analyzing and accompanying possible merger and acquisition processes.

The Board meets regularly every quarter and whenever necessary extraordinary meetings are convened, namely when it is necessary to discuss relevant matters for the company's strategy and activity. These meetings are held together with the management bodies of BA Vidro, SA and BA Vidrio, SA. During the December meeting the ordinary meetings for the following year will be scheduled and, in addition to the overall discussion of the company's activity, they include a specific matter that is discussed in greater detail, particularly:

- The discussion and approval of the yearly accounts (in January);
- Performance and operational strategy (in May);
- The discussion of the development and industrial strategy (in July);
- Commercial performance and marketing strategy (in October);
- The discussion and approval of the Plan and Budget for the subsequent year (in December).

The board members also accompany the performance of the parent-company and its affiliates, as well as of all plants, through a monthly

activity report, consisting of the analysis of the asset and financial evolution, the profitability indicators, financial indicators and by the operation and efficiency indicators. Apart from this information, the report also covers data concerning sales and human resources. The reports also include a comparison with the corresponding month of the previous tax year and with the budgeted figures.

In 2009 the board met seven times. All board members were present in one of the meetings and seven of the eight board members were present in the other six meetings. The minutes of the meetings were prepared by the company secretary, who was present at all meetings, and were sent to and signed by all the board members.

Sometimes, the BA department directors who are responsible for the areas in discussion are invited to attend the entire meeting or only the relevant part in order to give their direct input on the matter.

The company secretary is present in these meetings and assists the chairman in the organization of the meeting agenda and prepares the meeting minutes. Before each meeting (usually 72 hours in advance) all the necessary documents are sent to enable the preparation of all items on the meeting agenda.

The issues concerning risk management are included in the chapter on Creating Value.

### **Executive Board**

The Executive Board – although it is not a statutory body in the true sense of the term – is responsible for the daily management by determination of the Board of Directors.

#### **Composition of the Executive Board in 2009**

Jorge Alexandre Ferreira	CEO
José Pedro de Araújo Lopes	Member
Alfredo José de Lacerda Pereira	Member
Sandra Maria Santos	Member

As a collegial body, all issues are discussed and analysed together, and in practice all members play an active role in running the company's activity and business. Nevertheless there are specific assignments of some areas, according to individual's abilities and profile, as is shown below:

<b>Member of the Executive Board</b>	<b>Main Area of Responsibility</b>
<i>Jorge Alexandre Ferreira</i> (CEO)	<b>Operations, including:</b> <ul style="list-style-type: none"> <li>• The Avintes plant</li> <li>• The Marinha Grande plant</li> <li>• The Villafranca de los Barros plant</li> <li>• The León plant</li> <li>• The Venda Nova plant</li> </ul>
	<b>The following functions in the Corporate Area:</b> <ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Legal Department</li> </ul>
<i>José Pedro de Araújo Lopes</i>	<b>Markets, including:</b> <ul style="list-style-type: none"> <li>• Sales</li> <li>• Customer Service</li> <li>• Planning</li> </ul>
<i>Alfredo de Lacerda Pereira</i>	<b>Technical Area, including:</b> <ul style="list-style-type: none"> <li>• Quality, Environment and Safety</li> <li>• Projects And Investments</li> <li>• Process and Product Development</li> <li>• Raw-Materials</li> <li>• Decoration</li> <li>• Information Technology</li> </ul>
<i>Sandra Maria Santos</i>	<b>The following functions in the Corporate Area:</b> <ul style="list-style-type: none"> <li>• Administrative and Financial</li> <li>• Management Control</li> <li>• Logistics (Purchasing + Distribution)</li> </ul>

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The Executive Board meets (up to two days before the GSM) to deliberate on the agenda proposed by all its members. On that same date, the agenda is sent together with all the supporting documents necessary for the analysis and discussion of the relevant issues. In 2009, the Executive Board held 21 meetings, and the respective meeting minutes were sent to the Chairman of the Board and to the Chairman of the Audit board.

The Executive Body holds none of the charges that are lawfully assigned to the Board of Directors.

Below is a table with the management bodies of BA Glass and its affiliates, BA Vidro and BA Vidrio, with the identification of the executive and non-executive members. The composition of the company management and audit board is determined by consensus of the group's reference shareholders (or *ultimate beneficial owners*).

	<b>BOD of BA GLASS</b>	<b>BOD of BA Vidro</b>	<b>BOD of BA Vidrio</b>	<b>Executive Board of BA</b>
Carlos Moreira da Silva	Non-Executive Chairman	Non-Executive Chairman	Non-Executive Chairman	
Jorge Alexandre Ferreira	Executive	CEO	Executive Vice-Chairman	Chairman
Alfredo de Lacerda Pereira		Executive	Executive	Executive
Álvaro Cuervo García	Non-Executive			
António Vasquez Cardeñosa	Non-Executive			
Francisco Silva Domingues	Non-Executive	Non-Executive	Non-Executive	
José Ignacio Comenge	Non-Executive			
José Pedro Lopes	Executive	Executive	Executive	Executive
Mário Pereira Pinto	Non-Executive			

As for the independence of the non-executive board members in relation to the BA Glass group and according to the independence criterion referred to in nr. 5 of Article 414 of the Portuguese Companies Code, the non-executive board members, Carlos Moreira da Silva and Francisco Silva Domingues are considered “non-independent”, as they own (directly or indirectly) more than 2% of the group’s shares and they have been re-elected for more than two terms. The non-executive board member Mário Pereira Pinto is, according to the same principle, considered to be “non-independent” since 29 January 2009, when he was chosen for the third time by the shareholders at the GSM.

The Board Members annually inform the company of positions they occupy in other companies.

### *Departments*

As illustrated by the organizational chart, the group is organised by large functional areas (departments), coordinated by the Executive Board, to whom they report.

The departments actively participate, together with the Executive Board, in the preparation of the annual budget and plan, which is later analysed and approved by the Board of Directors.

Additionally, and without detriment to the organisation, coordination and control practices used by each Executive Director, to whom the departments report; there are quarterly meetings between the Departments and the Executive Board. In these meetings, as well as in the final meeting in which all the Departments participate, a critical performance assessment is carried out and the priorities for the coming quarter are established.

The following is a general overview of each department’s activities:

### *Sales, Planning and Customers Services*

Market research and identification of business opportunities, management of sales team and pre- and after- sales customer service. Establishing the plant’s production plans, based on the sales plan, finished product stocks and availability of production resources.

### *Logistics (Purchasing and Distribution)*

The entire group shares this function, and its objective is to ensure the purchasing and storage of raw-materials and any other materials necessary for internal demands. It is also responsible for the storage, transportation and distribution of the finished product.

### *Technical*

Coordination of the activities carried out during product development and the production process. Planning and control of investment projects in the infrastructures and superstructures necessary for the company to work. Coordination of the environment, safety and quality management systems. Coordination of the activities of raw-materials exploration and preparation. Coordination of information technology systems.

### *Plant*

Existing in each of the five plants and responsible for managing the means, structures and resources necessary for production and to ensure the optimization of the assets they are attributed.

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#### *Operations*

Coordinates the five factories, in the areas of production, structures and resources necessary for production and coordinates internal benchmarking to promote the implementation of best practices in each plant.

#### *Human Resources*

Planning and developing the necessary activities for recruiting, admission, integration and assessment of staff. Promoting the necessary activities to ensure the abilities and qualifications of the employees, as well as their career development. Processing of salaries and wages.

#### *Administrative and Finance*

Coordination of the general and analytical accounting, as well as supplier and customer credit. Treasury and tax management. Data processing and availability of the management information in order to guarantee a pro-active attitude from Management Control.

#### *Information Technology*

Support, maintenance, and improvement of the hardware and software necessary for the company to work. Software development on the installed basis.

#### *Legal department*

It ensures that the group complies with all its obligations, as well as providing legal and technical support in every legal matters.

#### **Section III – Audit board**

The audit board performs the functions dictated by the Portuguese law and by the company bylaws and ensures compliance with the law and the company contract, namely:

- Supervises the company management;
- Verifies the accuracy of the accounting documentation and financial reports;
- Supervises the efficiency of the risk management system;
- Supervises the process of the accounts legal review;
- Supervises the activity and independence of the company's chartered accountant.

The Audit board prepares an annual report on its supervision activity and states its opinion about the Annual Report & Accounts and the proposals presented by the Board of Directors.

#### **Composition of the Audit board (2007/2010)**

Rita Silva Domingues	Chairwoman
Manuel Ortigão de Oliveira	Member
Óscar Alçada da Quinta	Member

All the members were designated for their first term in the GSM of 26.01.2007. In 2009 the Audit board held six meetings, the representative of the chartered accountant having been present in two, and the respective meeting minutes were drawn up.

Rita Silva Domingues is considered as a non-independent member because she is a member of the Board of Directors of the “Atanógoras, SGPS, SA”, a company that has an indirect stake of 26.3% in BA Glass.

#### ***Chartered Accountant***

The group chartered accountant has the functions established by the Portuguese law and by the group’s statutes, namely:

- To verify the accounts, accounting records and all the supporting documents
- To verify whether the accounting policies and the assessment criteria used lead to the correct estimate of the group’s assets.
- To verify the accuracy of the accounting records.

#### ***Chartered Accountant (2007/2010)***

Ernst & Young Audit & Associados, SROC, represented by João Carlos Miguel Alves

### **Section IV - Remuneration and the Remuneration Committee**

The remuneration of the members of company bodies is established by a Remuneration Committee, consisting of three members, designated by the GSM. In January, immediately after approval of the company’s accounts, the committee meets to: (i) assess of the board member’s performance and deliberate on their variable bonus relating to the previous year and (ii) to establish the remunerations for the coming year. Meeting minutes are prepared and signed by all the committee members. It should be referred that the Board of Directors makes a first assessment of the performance of the executive directors.

#### **Composition of the Remuneration Committee (2007/2010)**

Carmen Mestre Mira	Designated on 26.1.2007
Carlos Moreira da Silva	Designated on 26.1.2007
Mário Pereira Pinto	Designated on 31.1.2008

#### ***Executive Board Remunerations***

The Executive Board remunerations comprise a fixed monthly component and a variable annual component, depending on achievement of the annual objectives that are established at the beginning of each year. These objectives (that include, among others, the company’s results) are established at the beginning of each fiscal year and assessed at the end. According to the CMVM recommendations, the remuneration structure of the company’s board members allows for full alignment of individual interests with the group’s interests.

In 2009 the Executive Board Members received, in aggregate 901,330.39 euros (fixed and variable amounts).

The remuneration of non-executive board members of the group’s parent-company and its affiliate BA Vidrio is done according to presence tickets, the value of which is established annually by the Remuneration Committee, and in 2009 amounted to €15,000.00.

There are no compensations determined by contracts or in any other transaction in the event of dismissal, nor are there any other payments associated to the early termination of contracts. No amounts were paid or are due to the board members for termination of their term in office. The company has not established any additional payments for early retirement pension funds of its board members. The Company does not have a stock-option plan for the board members.

The adopted policy on the disclosure of irregularities is clearly stated in the rules of conduct of the Code of Ethics. Under the title “Transparency”, it is stated “BA staff should disclose any fact concerning the company, whose disclosure may influence its economic, environmental or social situation.” The privileged channel will be the higher rank in the company, but obviously one can go directly to the Executive Board or to the Board of Directors. The Audit board also guarantees lawful behaviour and may receive notice of irregularities presented by shareholders, staff or third parties.

### Section V – Specialized Committees

Given the company size and its Board of Directors, this latter body holds all functions that would normally be delegated on specialized committees.

### Chapter III – Information and Auditing

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#### *Share Capital*

The company’s share capital, totally subscribed and paid up, is fifty thousand euros and it is divided into fifty thousand ordinary shares with a nominal value of one euro each.

The company has a sole shareholder, the vehicle **BA Glass BV**, whose reference shareholders (*ultimate beneficial owners*) are Carlos Moreira da Silva, the Silva Domingues Family and the Board Members and Senior Staff members of the BA group.

The company is unaware of any shareholders agreement. Rules for amendment of the company bylaws are those of the Portuguese Companies Code.

#### *Dividend Distribution Policy*

In the General Shareholder Meeting held on January 26th, 2006 the six shareholders deliberated to transfer 11,700,000.00 euros of the free reserves to dividends, which corresponded to a dividend of 234.00 euros per share and a *pay-out* of 40% of the consolidated results.

In the General Shareholder Meeting of January 27th, 2007 the shareholders approved the distribution of 13,300,000.00 euros, which corresponded to a dividend of 266.00 euros per share, and a pay-out of 47% of the consolidated results.

In 2008, in the General Shareholder Meeting of January 31st, the shareholders decided the net results, that amounted to 16,463,11.74 euros de entirely distributed as dividends and that 6,736,888.26 be transferred from free reserved to dividends. This amounted to a gross dividend of 464.00 per share and a *pay out* of 64% of the consolidated results.

In light of the aggressive plan for 2010, the general Shareholders Meeting held on January 29, 2009 decided on an extraordinary reduction of the pay-out to approximately 5% of the consolidated results and, consequently, 2,250,000.00 euros were distributed, corresponding to a gross dividend of 45.00 euros per share

In the General Shareholders Meeting held on December 23, 2009 the shareholders approved the distribution of free reserves in the amount of 17 million euros to the shareholders, which corresponds to a gross dividend of 340.00 euros per share and a *pay out* of 50.42% on the consolidated results of 2009.

During 2009 no business was made between the company and any member of its Board of its audit board.



***Support to Investors***

None of the BA group companies is an open capital company and was never owned by more than five shareholders, thus, in practice, there are no problems or difficulties of access to information that would justify the existence of an Office to support investors.

However, regular meetings with the financial institutions are held and either the member of the board responsible for the financial area or a member from the financial department is present. During these meetings, information on the evolution of the company activities is made available, as well as other relevant economic and financial information.

***Auditor***

In 2009 Ernst & Young was paid euros 137,192.00 as fees for the legal review of the accounts of all BA group companies.

They were additionally paid euros 10,289.00 for services other than the legal review of accounts (revision of the transfer pricing file).

# COMPANY HISTORY

1912

*Foundation of  
Barbosa & Almeida*



Foundation of Barbosa & Almeida (bottle commercialisation company) with an initial capital of 3,000 reis (former Portuguese currency).

1930

*Semi-automatic  
Technology*



Beginning of production with semi-automatic technology at the Amora factory, situated in Campanhã, Oporto. It was immediately named Fábrica de Vidros Barbosa & Almeida, Lda. (Barbosa & Almeida Glass Factory PLC).

1947

*Tecnologia  
Automática*



Introduction of automatic technology in the industrial production.

1969

*Automatic  
Technology*



Deactivation of the factory in Campanhã, Oporto. Start-up of the factory in Avintes, Vila Nova de Gaia.

1971

*Automated model  
IS Type*



Installation of the first automatic moulding machine of the IS type.

1983

*Regenerative  
Furnace*



Installation of a new regenerative furnace and a new moulding machine.

1988

*AV4 Furnace*



Construction of a new furnace, which enabled the increase in installed capacity by 40%. This expansion confirmed Barbosa & Almeida as the biggest production unit of glass containers in Portugal.

1993

*Acquisition of  
CIVE*



Acquisition of the glass production company CIVE – Companhia Industrial Vidreira, SA, located in Marinha Grande.

1995

*Merger  
CIVE and BA*



The companies CIVE and BA merged.

1998

*Plant of Villafranca  
de los Barros*



Beginning of production of BA – Fábrica de Envases de Vidrio Barbosa & Almeida, SA, built in Villafranca de los Barros, Extremadura, Spain.

1999

*Plant of León*



Acquisition of the Vidreira Leonesa, located in León, Spain, through a public takeover offer.

2001

*Plant of AV*



Beginning of reconstruction of the industrial unit of Avintes

2005

*Plant of MG*



Beginning of reconstruction of the industrial unit of Marinha Grande

2008

*Acquisition of two  
industrial units*



Acquisition of Sotancro's group

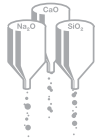
2009

*Plant of VN*



Beginning of reconstruction of the industrial unit of Venda Nova

# GLASS PACKAGE MANUFACTURING PROCESS



## STAGE 1 *Glass composition*

At this stage, all raw materials are stored, measured and mixed to create the mass composition to be vitrified, which will be brought to furnaces where fusion will take place. The basic composition of glass package is:

Silicon Dioxide ( $\text{SiO}_2$ ) 70 > 72%  
Sodium Oxide ( $\text{Na}_2\text{O}$ ) 12 > 14%  
Calcium Oxide ( $\text{CaO}$ ) 9 > 11%  
Magnesium Oxide ( $\text{MgO}$ ) 0 > 3%  
Aluminum Oxide ( $\text{Al}_2\text{O}_3$ ) 1 > 2%  
Potassium Oxide ( $\text{K}_2\text{O}$ ) 0 > 1%

This composition incorporates treated used glass, ground glass wastes from internal and/or external recycling.



## STAGE 2 *Raw materials fusion*

At the refractory furnaces, the material fusion is processed at a 1,500 to 1,600°C temperature. The liquefied glass moves along the large container under gravity action of the dropping material and goes through a "tuning" stage, where thermal homogeneity of the whole melted mass has to be guaranteed, as it is a crucial condition to obtain a product of quality.



## STAGE 3 *Glass package moulding*

There are two stages in the moulding process of a piece: in the first one, glass is introduced in the start mould located at one of the sides of the machine, where it takes its first shape (parison); in the second stage, the parison is transferred into the final mould located at the opposite side of the machine, where the final shape is given to the piece.



## STAGE 4 *Annealing and surface treatment*

During the moulding process, the glass is in contact with the mould walls, which are at relatively low temperatures. As such, the external layers of the pieces are much more colder than the internal ones, and this temperature-differential tends to be kept due to the poor conductivity of glass, therefore a thermal treatment, called annealing, is performed. This treatment consists of a thermal homogenisation of the whole glass mass, eliminating thus all tensions.



## STAGE 5 *Inspection and quality control*

After concluding the annealing procedure, the pieces are taken into automatic inspection machines that through several defect detection mechanisms dispose of faulty pieces.



## STAGE 6 *Packaging*

At the production line end, glass packages are grouped together by layers in pallets. These are covered with plastic film to protect each unit and make transport easier; these packages are then shrunk in an adequate furnace, and afterwards pallets are conveyed to the storage area.

