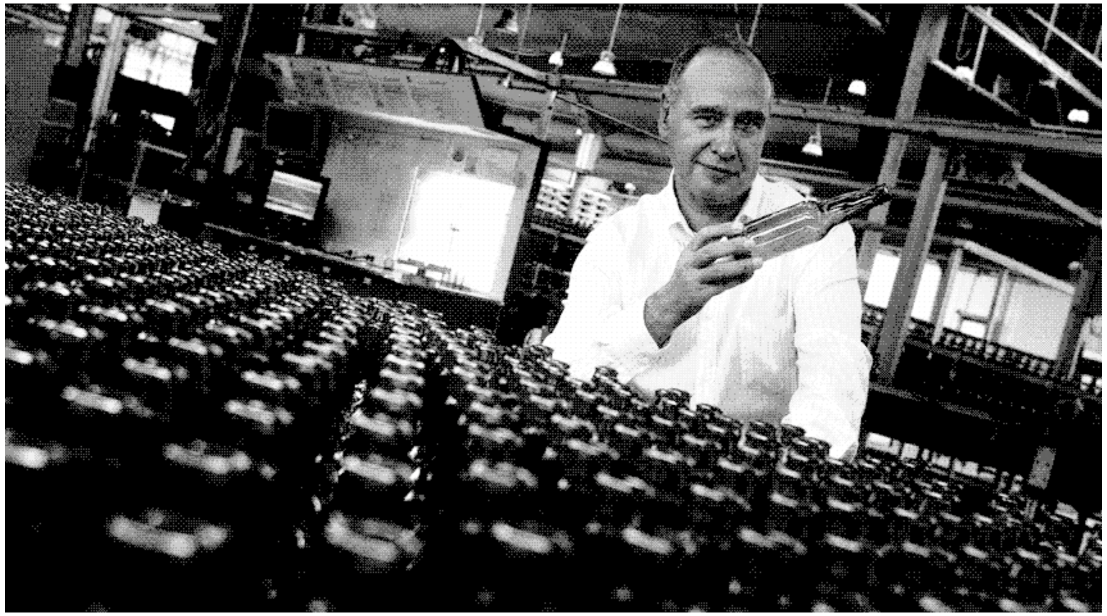
Accounts and Management & Sustainability Reports 2011



Chairman's Message

To all the Stakeholders,

In 2011, we witnessed the unfolding of the worst-case scenarios relating to the impact on Iberian companies caused by the sovereign debt crisis in the Portuguese and Spanish economies, and the consequent implications for these two countries' banking systems.

In this adverse financial context, in which the escalating difficulty in accessing finance and the attendant higher cost became a stark reality, compounded by a depression in consumption in its natural markets and by a very significant deterioration in energy costs, BA Glass once again presents an exceptional performance. This behaviour can be ascribed to stringent cost control, the continuing product and process innovation and to market diversification which permitted filling in the gap caused by the drop in demand in the Portuguese and Spanish markets. The Group grew its exports outside the Iberian Peninsula by 52% in the last two years, selling its products to more than 50 countries. Today, exports correspond to 20% of sales.

In this negative environment, the group was able to attain an EBITDA higher than that of a year ago, consolidating its world leading position in profitability terms in the glass packaging sector. Notwithstanding the better operating results, net income suffered some erosion due to the higher financial costs and to increased income taxes in the two countries.

Crystallising an aspiration announced several times in the past, BA Glass embarked on its internationalisation thrust to beyond the Pyrenees, having acquired on 2 January 2012 an 80% stake interest in the Polish Warta Glass group. This acquisition will serve as the springboard for business development in Poland and in the higher growth adjacent markets. We have drawn up a modernisation plan at the two industrial plants which we hope will contribute to an improvement in the group's earnings over the next 5 years.

As regards this acquisition, it is worth highlighting the role that our Iberian banks played in financing this operation. In a climate of widespread discredit and the high risk rates attaching to the Iberian economies, it was not possible to raise funding abroad. Hence, a special word of gratitude is due to all the Iberian banks who contributed to financing this deal for the great confidence deposited in the group and in its future expansion plans.

It is a privilege and an honour to address myself to BA Glass stakeholders in the year in which we celebrate the centenary of the formation of Barbosa & Almeida. Accordingly, I would like to take advantage of this occasion – on behalf of the group's current shareholders and employees – to express my thanks to all those who were instrumental in contributing to the company's survival over the past one hundred years, in whatever manner.

I close by extending our gratitude to our customers, who continued to deposit their trust in us, conferring on us the privilege to continue serving them with an unswerving attitude of innovation, and which I hope has contributed to improving the performance of their products in the consumer markets that have been so badly affected by the current crisis.

A final word of thanks is due to all BA Glass's employees, who continued to demonstrate through hard work the never-ending possibility of continued improvement. Accordingly, we remain the world leader in operational efficiency in the sector in which we operate, bearing testimony to our aspiration to be the "the best among the biggest".

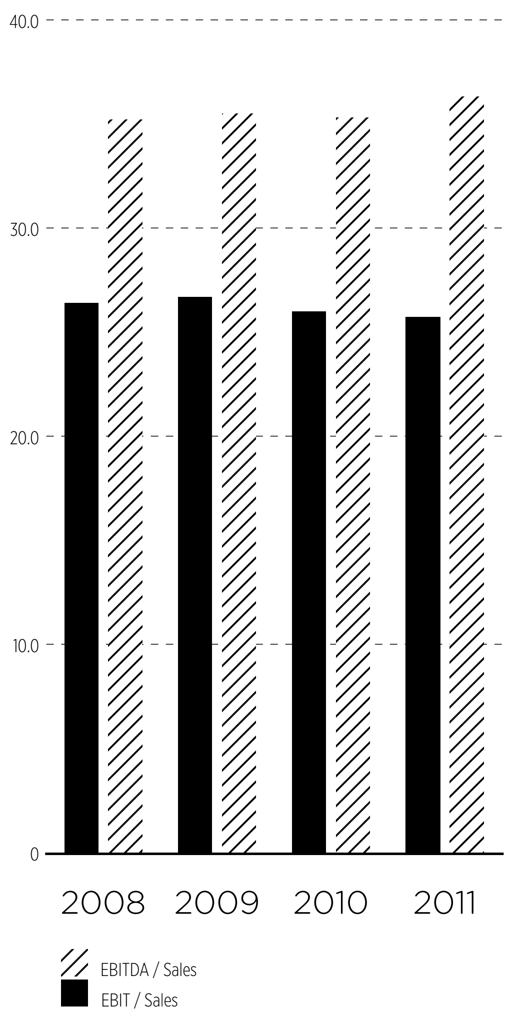
Avintes, 29 January 2012

Consolidated key figures

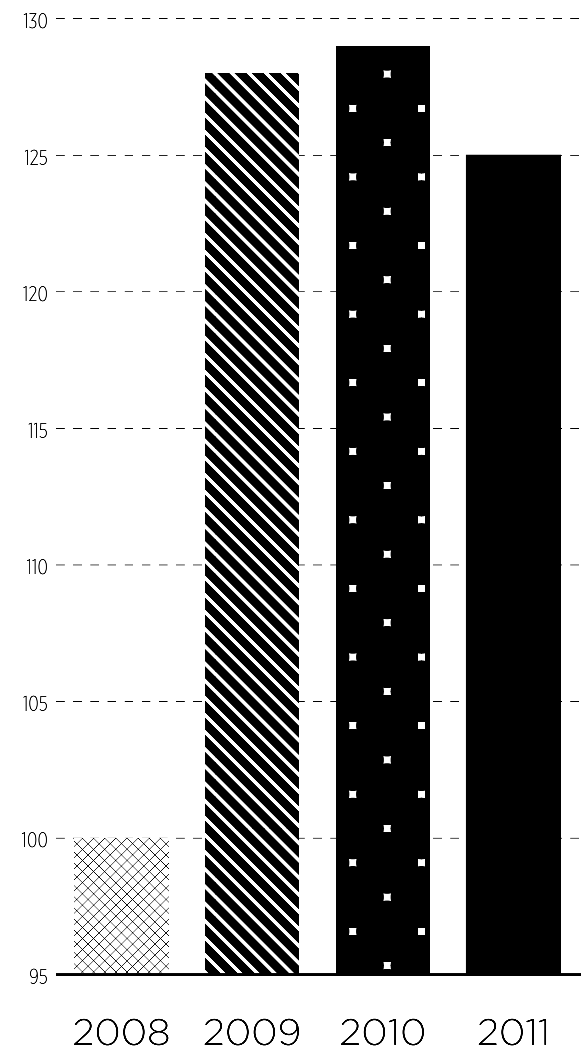
k.€	2011	2010
Turnover	353.549	351.612
Operating profit	90.897	91.422
Net financial items	-13.130	-11.552
Net income	57.168	59.105
Cash flow	94.616	91.914
Operating cash flow	128.345	124.231

k.€	2011	2010
Net total assets	589.100	553.081
Equity	75.305	74.710
Net debt	323.263	355.510
Asset turnover	1,32	1,24
Net Debt/ EBITDA	2,52	2,86
Interest cover ratio	6,1	12,5
EBITDA/Sales	36,3%	35,3%
EBIT/Sales	25,7%	26,0%
Number of employees	1.467	1.409
Sales/Employee	241,0	249,5

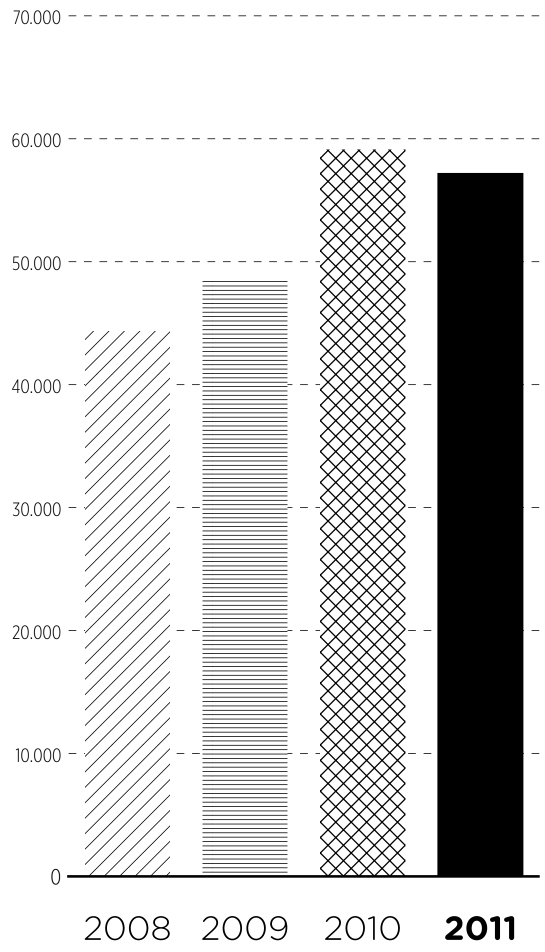
EBIT / Sales (%) + EBITDA / Sales(%)



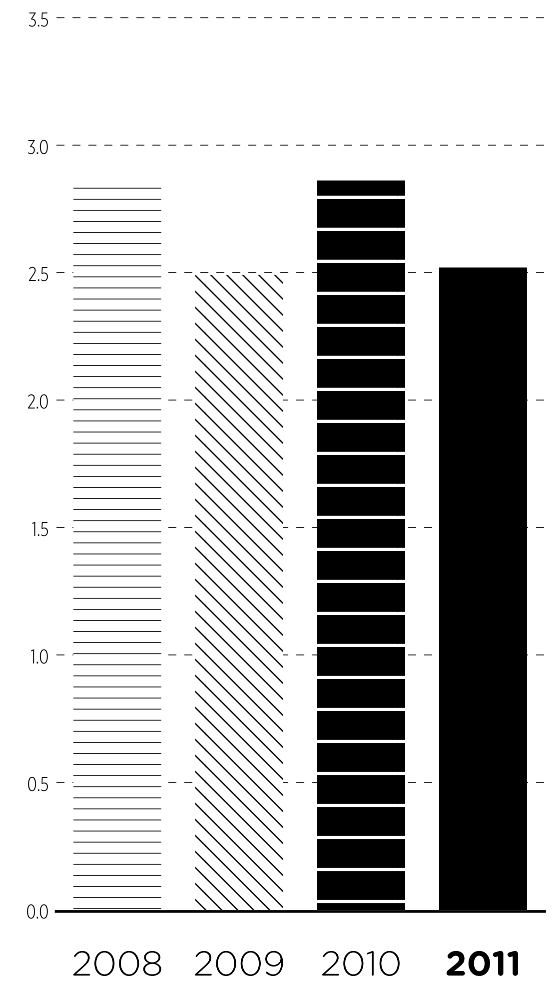
Sales *per capita*
(Base 100 = 2008)



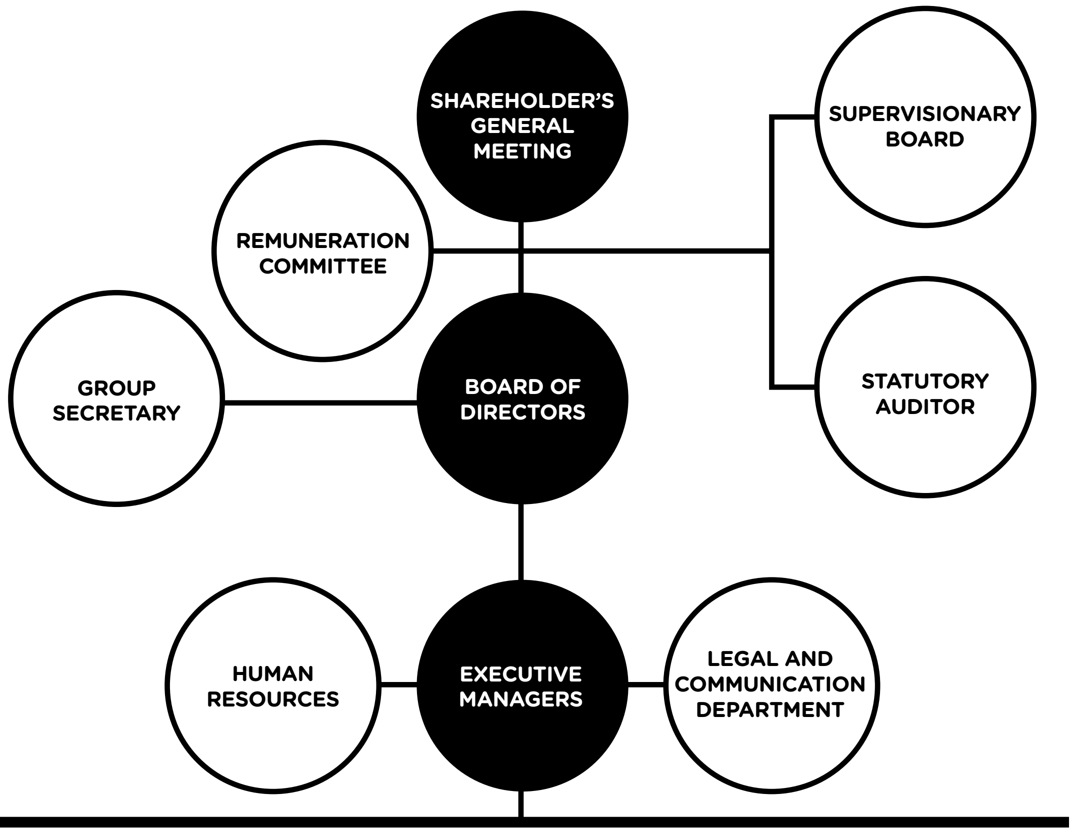
Consolidated Net Income
(k.€)



Interest-bearing Debt/ EBITDA



Organization chart



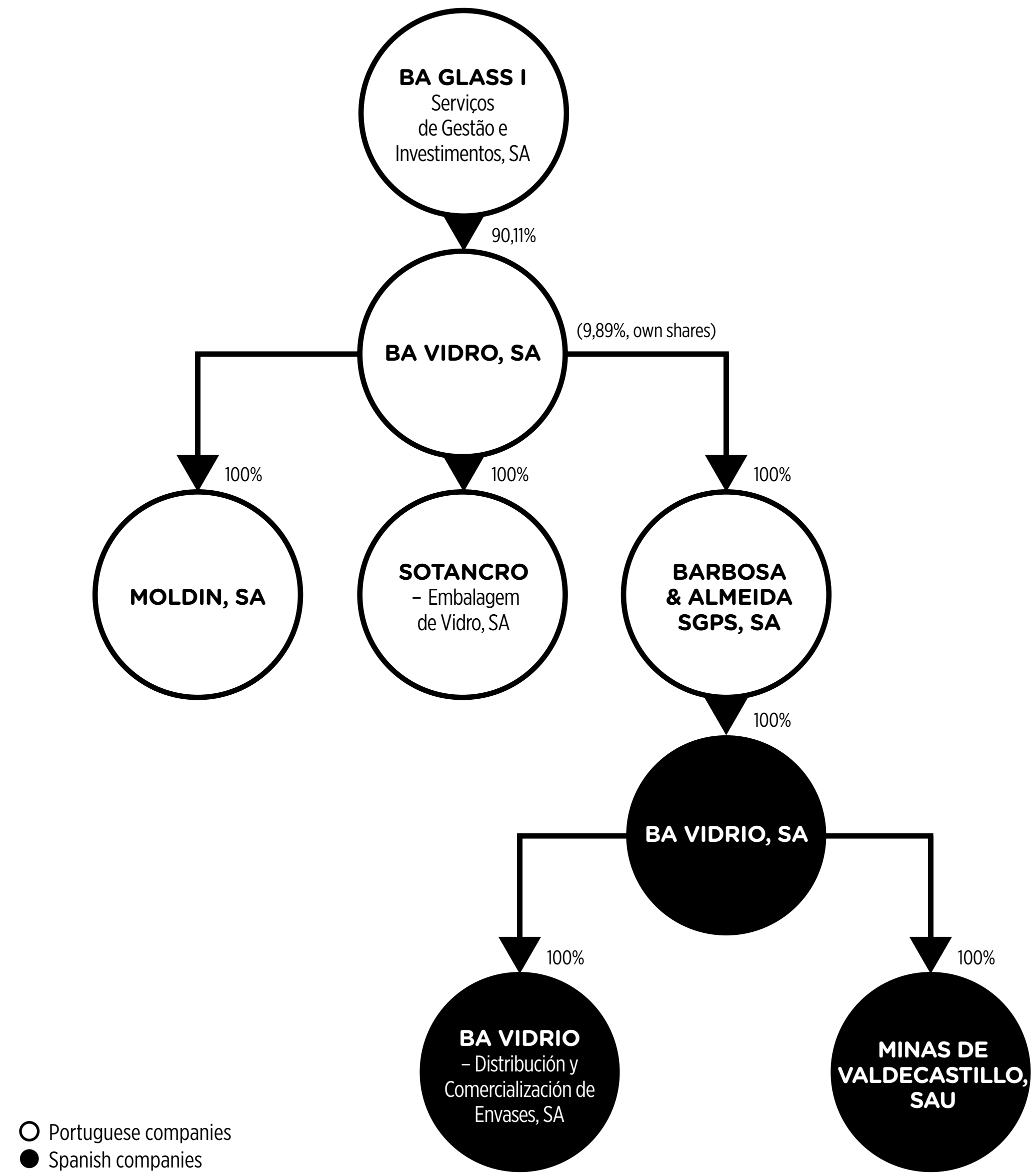
MARKET
Sales
Customer Service
Planning
Product Development
Business Development
Marketing

TECHNICAL
Information Technology
Environment, Safety and Systems Management
Projects and Investment
Product Development
Sand Mines and Cullet
Decoration
Strategy and Technical Training

OPERATIONS
Avintes
Marinha Grande
Villafranca de los Barros
León
Venda Nova
Process and Benchmarking
Quality Assurance

CORPORATE
Administration and Finance
Logistics (purchasing+ distribution)

BA Glass Group



Corporate Bodies

BOARD OF DIRECTORS

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

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Eduardo Verde Pinho
Sofia Cerqueira Serra

SUPERVISORY BOARD

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

STATUTORY AUDITOR

Ernst & Young Audit & Associados, SROC, SA
Representada por João Carlos Miguel Alves

COMPANY SECRETARY

Rita Silva Domingues

SECRETARY OF BA VIDRIO, SA

Efrén Villán Sanchéz

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

DEPARTMENT DIRECTORS

Alberto Soares
Ana Cristina Gonçalves
António Magalhães
António Sá Couto
Fernando Amílivia
Iva Rodrigues Dias
Luís Cardoso
Pedro Belo
Pedro Correia
Rafael Corzo
Reinaldo Coelho
Rita Silva Domingues
Tiago Moreira da Silva
Vítor Matoso

Accounts and Management Report

BA

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Accounts and Management Report

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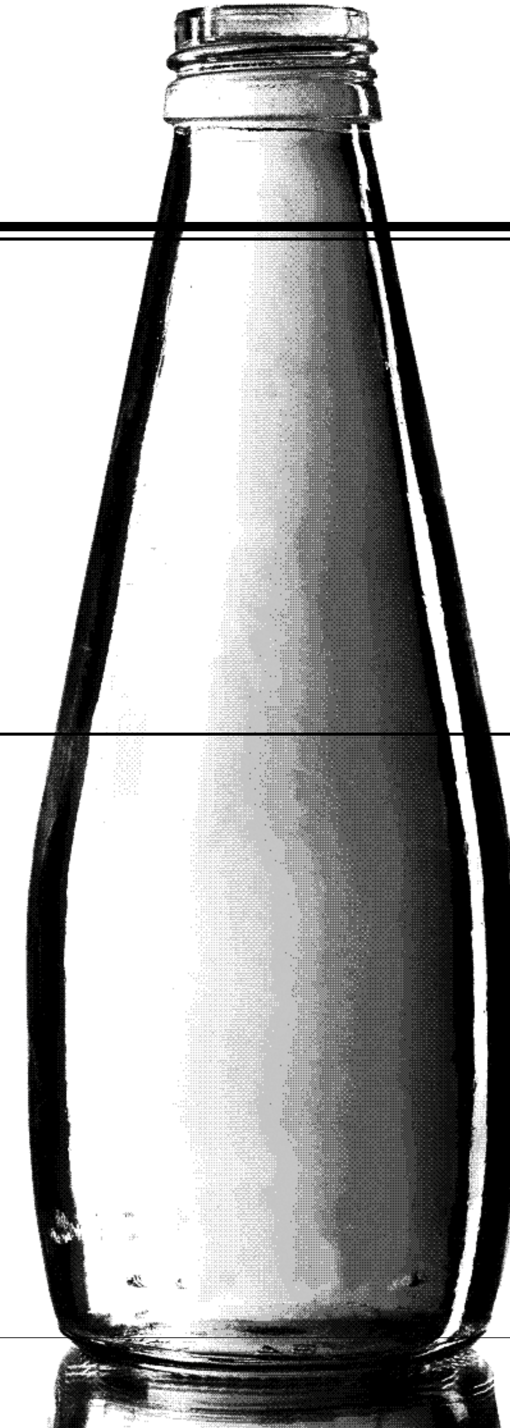
Board of Directors Consolidated Report



Introduction

**To the Shareholders,
Pursuant to the Law and the Company's statutes, we hereby submit the 2011 Group Annual Report.**

Analysts unanimously concur that the European economy experienced its most serious crisis of recent times in 2011.

The uncertainties surrounding the direction of the macroeconomic indicators, the volatility of the markets, the sovereign debt crisis and, consequently, the lack of funding to the economy were, amongst others, factors that transformed 2011 into a year marked by extreme difficulties for companies in general and, naturally, for the glass packaging sector, in particular.

The European economy is on the verge of a recession and Portugal and Spain were no exception. Meanwhile, inflation was 3.7% in Portugal and 2.4% in Spain, mainly due to the energy effect.

The volatility of energy prices and the dollar was particularly acute, having been accompanied by the scarcity of financing for the economy, which in turn led to a steep rise in production and financing costs.

The glass packaging sector turned in a highly irregular performance during the course of the year, with some recovery in the second half. It is estimated that the sector shrank between 1% and 4% in Iberia, which was offset by an increase in sales to other foreign markets.

In spite of this sectorial context, the group achieved a positive performance, with consolidated sales totalling 353.5 million euro.

During the year under review, as part of the policy of permanent improvement and challenge, the group gave priority to customers' needs, not only through innovation, but also by means of providing a flexible and fast response to customers' needs facing unstable consumption patterns in the economy.

In the innovation area, 209 new product projects were developed with 55 new products launched into the market.

In order to better respond to customers' requirements and to assist these in contending with volatile consumption, the group fine-tuned its planning and logistical organization with a view to striving to fully meet customers' new requirements.

It is worth noting several changes that took place in the organizational structure that allowed to maintain the dynamics of the personal and professional development of the group's employees. The ongoing effort aimed at the innovation of processes and the permanent quest for more effective operational and organizational solutions – always aimed at ensuring full customer satisfaction -, also opened the way for enhancing operational profitability, with operating cash flow (ebitda) amounting to 128.3 million euro and operating profit (ebit) 90.9 million euro.

The finantial structure is well balanced, presenting net total assets of 589,1 million euro. Net interest-bearing debt is 323.3 million euro (390.7 million euro gross deducting the underwriting of bonds in Brisa Investments s.p. z.o.o. in the amount of 67.4 million euro). It is also worth mentioning that, as part of the acquisition of Warta Glass which the group made in Poland, reserves amounting to 56.5 million euro were distributed.

Net financial items were significantly influenced by the higher cost of debt on the financial markets, fruit of the crisis sweeping across the markets, in particular in Portugal and Spain.

As the final outcome of all the above--mentioned events, consolidated income before tax was 77.8 million euro, while consolidated net income totalled 57.2 million euro.

Regarding certifications, the group saw its integrated quality (ISO 9001:2000), environmental (ISO 14000) and food safety certifications revalidated (ISO 22000), thus bearing out the continued improvement in implemented processes. The group is now gearing up for its corporate social accountability certification (standard SA 8000).

In line with the previous years, it was decided to include in this report a Sustainability Report which sets out the group's vision as well as the principles of sustainable development, together with the performance of each one of these operational areas.

The group or its associated companies 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, having played an active role in these associations, with particular emphasis on promoting glass as a packaging material and on accompanying national and community legislative initiatives.

During the year under review, as part of the policy of permanent improvement and challenge, the group gave priority to customers' needs, not only through innovation, but also by means of providing a flexible and fast response to customers' needs facing unstable consumption patterns in the economy.

Commercial Activity

The Iberian economy was marked by the process involving the adjustment to structural macroeconomic imbalances, in Portugal more than in Spain, with the goal of complying with the Economic and Financial Assistance Programme to which the country resorted. The contraction in economic activity – against the backdrop of de-leveraging and the private sector's increased savings, – translated itself into an unprecedented drop in domestic demand, with falls of 5.6% and 7.0% recorded in Portugal and Spain respectively.

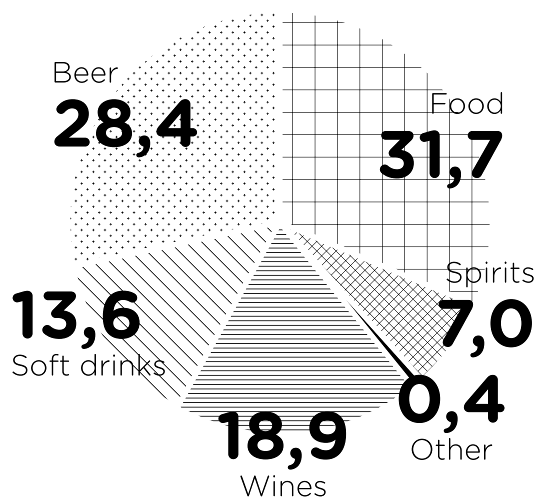
In these highly adverse conditions, the demand for glass in Iberia tracked the economy's negative behaviour.

Notwithstanding this depressed scenario, the BA group turned in a positive performance. Sales reached 353.5 million euro, up 0.6% compared to 2010. This growth is primarily attributable to exports which grew by more than 15% relative to 2010.

The main market continues to be Spain with 47% of the total tons sold, followed by Portugal with 33%. Exports now account for 20% of total sales. The drive aimed at boosting export sales continued unabated, with special emphasis placed on the French, Italian and other North African markets. In 2011, the group exported to more than 50 countries, the majority within the EU, but also to some distant destinations such as Australia, New Zealand, Costa Rica and South Africa. Special attention was paid to the "Mediterranean rim" markets such as Algeria, Egypt, Tunisia, Morocco, Israel, Lebanon or Malta. In addition, certain new destinations were added, such as Cuba, Mexico and Martinique.

The main consumption segments were food and olive oil with 32%. There was an increase in demand from large multinational customers in Portugal, Spain, France and Italy. The beer (with 28%) and wine & spirits (27%) industries are the other two major segments, followed by soft drinks with 14% of the group's sales.

Segment › Sales 2011
(%)



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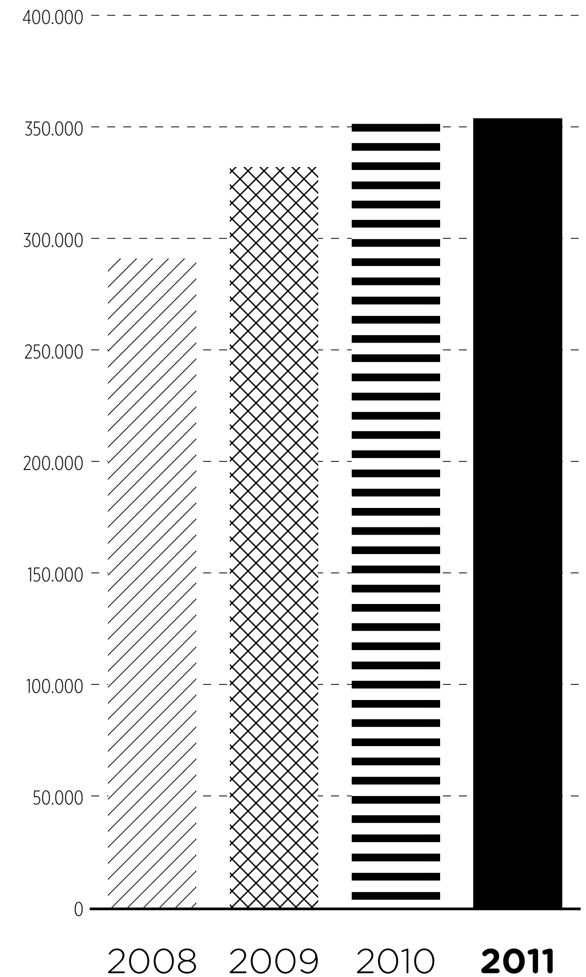
Sales
(k.€)



A customer satisfaction survey was conducted once again. We are satisfied that the BA group's value proposal is increasingly well perceived by customers, not only compared with the group's previous performance, but also when compared with competitors.

There were more than 900 active customers in 2011, while 71 of those customers accounted for 80% of sales. We observed a concentration of type A customers, although there also occurred a broadening of the small-size customer base.

In order to counteract the rise in the principal cost factors, the BA group continued to focus on the creation of value for its customers, developing several projects directed at trimming production and logistic costs – reducing the weight of articles and consumption of secondary packaging and transport optimisation – jointly participating in customers' value chain, thereby helping to improve their competitiveness and reducing the "time-to-market". In 2011, 209 new

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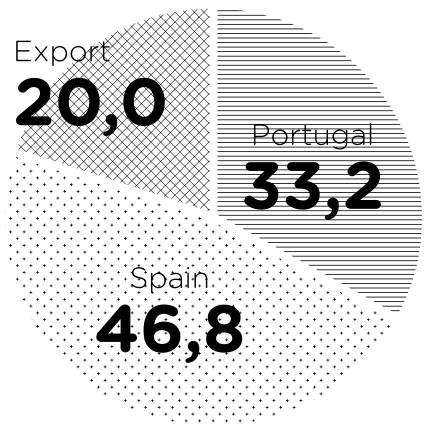
Market › Sales 2011 (%)



product projects were realised (4 projects per week), and 55 new products were launched (nearly 5 new products per month). The group concentrated on the development of lightweight packaging, having launched a new range of wine bottles.

A customer satisfaction survey was conducted once again. We are satisfied that the BA group's value proposal is increasingly well perceived by customers, not only compared with the group's previous performance, but also when compared with competitors.

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Industrial Activity

In 2011, the factories' attention was centred on improving the quality of the product delivered to our customers, and on the efficiency and flexibility in our services. In this domain, substantial investments were made in modernising production and inspection equipment in order to ensure quality.

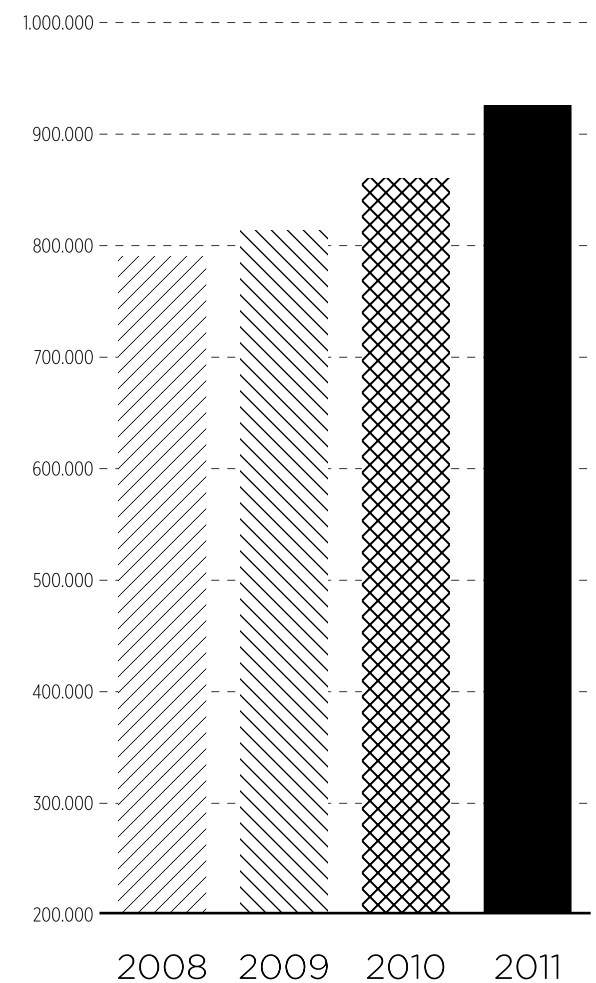
At the Avintes plant a furnace was repaired, while new technologies were incorporated for inspecting the glass containers produced. It is worth mentioning the furnace's exceptional start-up which allowed the Avintes plant to attain absolute records in the second half of the year in terms of efficiency and customer service indices.

Regarding the Marinha Grande plant, this was a year of stability and consolidation from the standpoint of operational efficiency. In terms of product quality, the factory presents very solid results and a clear orientation to enhancing customer service, with the realisation of a number of ongoing improvement projects in this area.

At the Villafranca de los Barros factory, excellent results were achieved with the increased flexibility demanded by customers. Immersed in an increasingly volatile market, the number of production changes increased drastically, although it was possible to maintain operational efficiency and product quality levels.

The León plant during this year was very centred on the consolidation of the furnace repair works carried out in recent years, while continuing with the modernisation of

Net Production
(1.000 tons)



inspection equipment, attaining an absolute record at the plant in customer service indices and presenting a very good performance throughout the year in terms of flexibility.

For the Venda Nova plant, this was the first year of normal operating capacity following the reconstruction of the furnaces in previous years. It was a period full of records in terms of efficiency and profitability indicators, which demonstrates that the factory is now on the right path. The far-reaching organizational restructurings which took place at the factory and the beginning of production directed at the wine segment were also highlights during this year.

In general and pursuing the strategy mapped out some years ago of improving operational profitability, the BA group continues to implement changes to organizational processes with the back-up of internal and external benchmarking, the adoption of better practices and the analysis and monitoring of critical processes.

In the Logistics area, with the objective of improving the response to our customers, a number of investments were made with the start of construction of a new warehouse in Avintes and the reconstruction of all the warehouses at Venda Nova.

As concerns the group's other activities, it is important to highlight the excellent operational performances of Minas de Valdecastillo, which explores a silica deposit in León province and of BA Glass and BA Distribución, companies which are dedicated to glass recycling in Portugal and Spain and which the BA group considers vital for guaranteeing the final product's quality. Finally, the company Moldin started operations during 2011, which business focus on the repairs of moulds, an activity deemed to be crucial for the manufacture of glass packaging.

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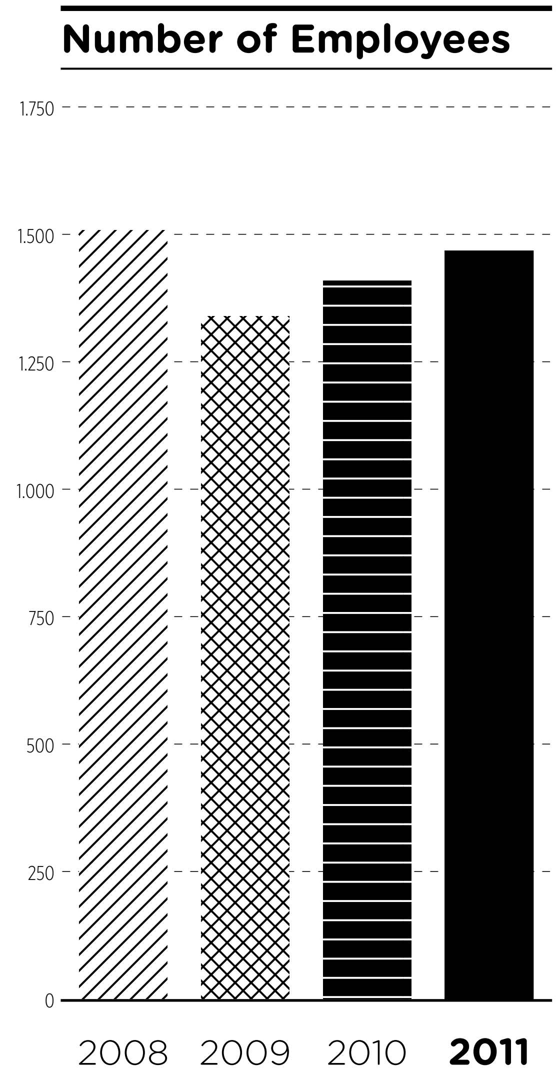
Human Resources



In 2011, the BA group pursued a human-capital management strategy aimed at, on the one hand, individual promotion, personal growth and performance, and on the other hand, each individual's commitment to the group and to the company through the sharing of common goals and targets.

In 2011, the BA group pursued a human-capital management strategy aimed at, on the one hand, individual promotion, personal growth and performance, and on the other hand, each individual's commitment to the group and to the company through the sharing of common goals and targets.

Dialogue and constant interactions with all the parties involved were fundamental for achieving the commitments in 2011. It is within this context and with satisfaction that we report that, after the collective negotiations successfully held in the past and which permitted the drafting of agreements

It is worth highlighting that in terms of accidents and despite not yet having attained the "zero tolerance accidents" goal, the past year was the one with the least number of accidents ever.

for the Spanish factories, we reached an understanding on labour matters with workers' representatives at the Portuguese plants as well. We believe that these agreements, despite not having been endorsed by the federative structures, represent a milestone and a vote of confidence by the workers' representatives in the company's management structure, and that their continuance will pave the way for a concrete and flexible approach to the issues that really concern the group's employees.

Going against the labour market trend, the BA group increased its workforce by 5%. At the end of the year, the number of group employees stood at 1,467, of whom 1,038 were located in Portugal and 429 in Spain. It is worth referring to the formation of a new company within the group specialised in the maintenance and repair of moulds for the glass industry.

Turning to the key points for the group's development, the group adhered to policies which foster:

(1) Career management and talent development; in 2011 the focus was placed on the implementation of systems which reward employees' merit, while it was also in this domain that human resources policies continued to be formulated with a view to nurturing employees' skills;

(2) Leadership training through the challenges of effective leadership; amongst others, the group maintained the already customary policy of recent years of swapping functions amongst senior staff, enlightening and enhancing the functions and the individuals;

(3) The stimulus for internal entrepreneurship in the context of risk, and the search for new talents that bring constant challenge and innovation; the BA group continued to give priority to the policy of attracting talent through the trainee practical-experience courses, having established more partnerships with various entities. The group offered practical work experience to 41 trainees during the year;

(4) The communication and pursuance of these policies; seeking to ascertain whether these are in line with employees' expectations. To this purpose, another survey was realised to evaluate the state of the organizational climate, addressing issues such as strategy, commitment, working conditions, human resources policies and leadership. The survey's results were the best ever, as was the participation rate which reached 93%. As regards communication, a number of instruments have been used for the very unique culture of all employees' involvement. The quarterly earnings disclosure, the publication of the "Contém" newsletter, and the senior staff annual meeting were maintained, with the last-mentioned having as it main theme the presentation of a new management instrument: "R.A.D.A.R. – Reconhecer e Antever Desafios para Alcançar Recordes" (i.e. recognise and anticipate challenges in order to achieve records).

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Investments

Insofar as the training area is concerned, knowledge structuring and management became a priority leading to the creation of a training academy which is still in the embryonic stage and which will be developed further during 2012. The investment in training consumed 24,489 training hours realised during the year, with special emphasis placed on training in the technical areas.

Absenteeism presented very reasonable rates, being situated at 3.8% (down 0.3 p.p relative to the previous year). It is worth highlighting that in terms of accidents and despite not yet having attained the "zero tolerance accidents" goal, the past year was the one with the least number of accidents ever. Health promotion and vigilance was also an aspect meriting ongoing action in 2011, with the holding of initiatives which we hope will have repercussions on the well-being of all our employees.

It is worth noting that during the year the BA group reviewed and implemented policies and procedures with the object of submitting for certification in 2012 the integrated management system covering corporate social accountability (standard SA 8000).

2011 saw the end of the cycle of the repairs to the BA group's furnaces, with this investment cycle having embraced all the 11 furnaces at the group's factories.

Consolidated capital expenditure on tangible assets totalled 20.0 million euro, with the investment on the Avintes furnace (6.8 million euro) representing the most significant portion, an opportunity that was taken advantage of in order to carry out the technological upgrading of the major part of the plant, machinery and equipment.

A sum of 3.5 million euro was spent on boosting productivity, quality and energy efficiency, most of which at Villafranca de los Barros.

The remaining 9.7 million euro was spent on improving warehousing conditions for the group's finished products and on investments which are directed at boosting quality and efficiency levels. These include the start of construction of a warehouse at Avintes and the various improvements effected at the Venda Nova warehouses. These investments will be finished at the beginning of 2012.

Innovation & Development

The strong commitment to the creation of realistic images for packaging, including the development of graphic aspects, enabled the customer to have a vision of the digital prototype, which transmits an image very similar to the final product.

Design is the emotional stimulus which enables the consumer to form opinions about a specific product and thus make purchase decisions in such a competitive market.

2011 was yet another year marked by the BA group's contribution to innovation in the graphic representations of our customers' brands.

We witnessed increased demand for the development and conception of new articles from the standpoint of revamping the packaging image, a task entrusted to an in-house team making up BAdesign.

The strong commitment to the creation of realistic images for packaging, including the development of graphic aspects, enabled the customer to have a vision of the digital prototype, which transmits an image very similar to the final product. Thus, it is possible to establish a process for developing the product in closer liaison with the customer, giving rise to a personalised design that is more aligned with the customer's expectations.

In this regard and relative to 2010, there was a 10.6% increase in the roll-out of new projects, making a new record of 209 new product projects since 2006.

The past year also saw studies and development undertaken with regard to the ventilation of the final moulds, implemented at the Villafranca de los Barros plant, which will allow a reduction in defects and boost efficiency.

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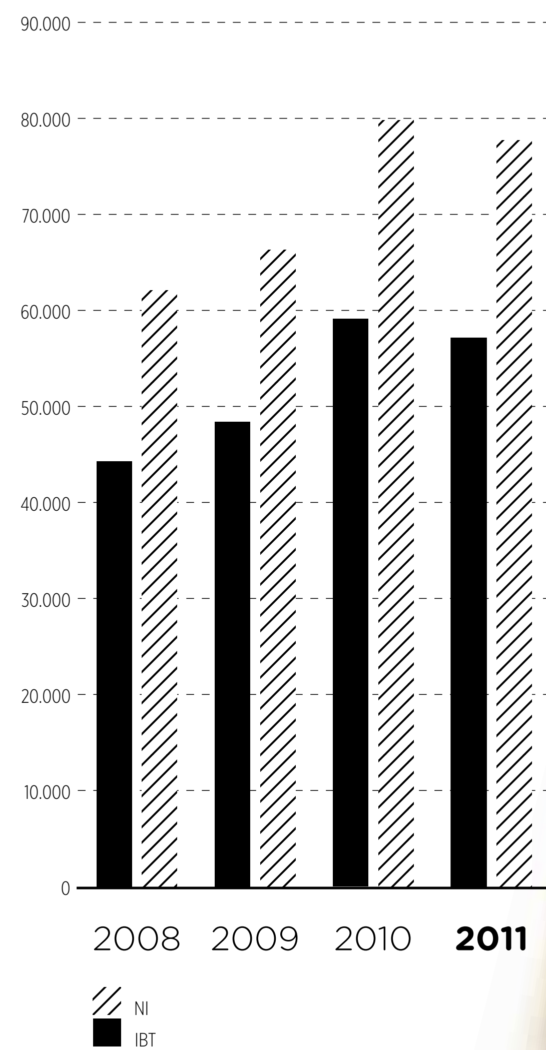
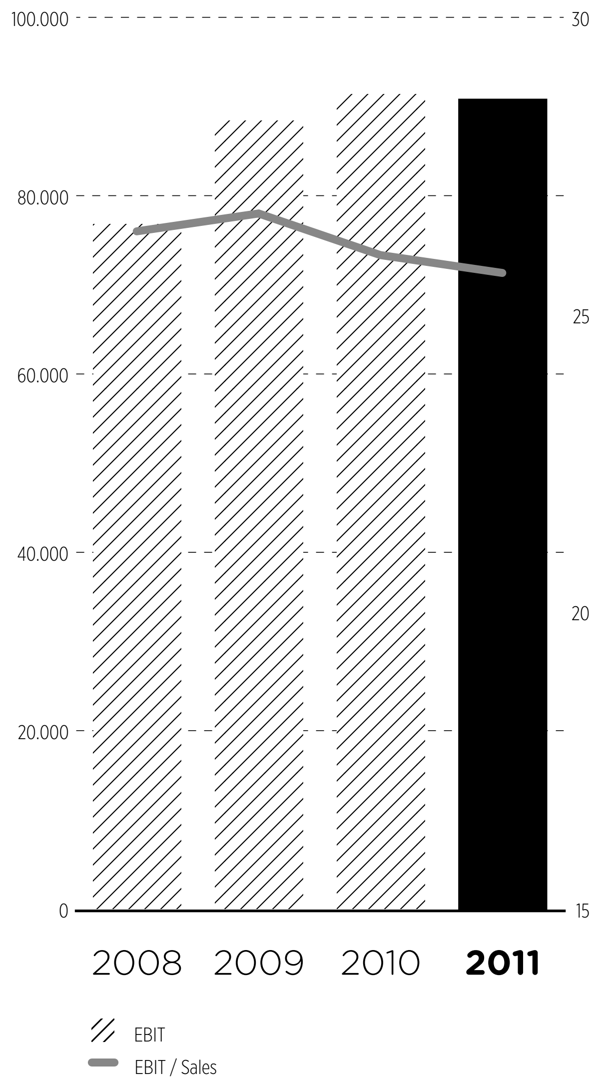
Results

Consolidated Net Income
(k.€)

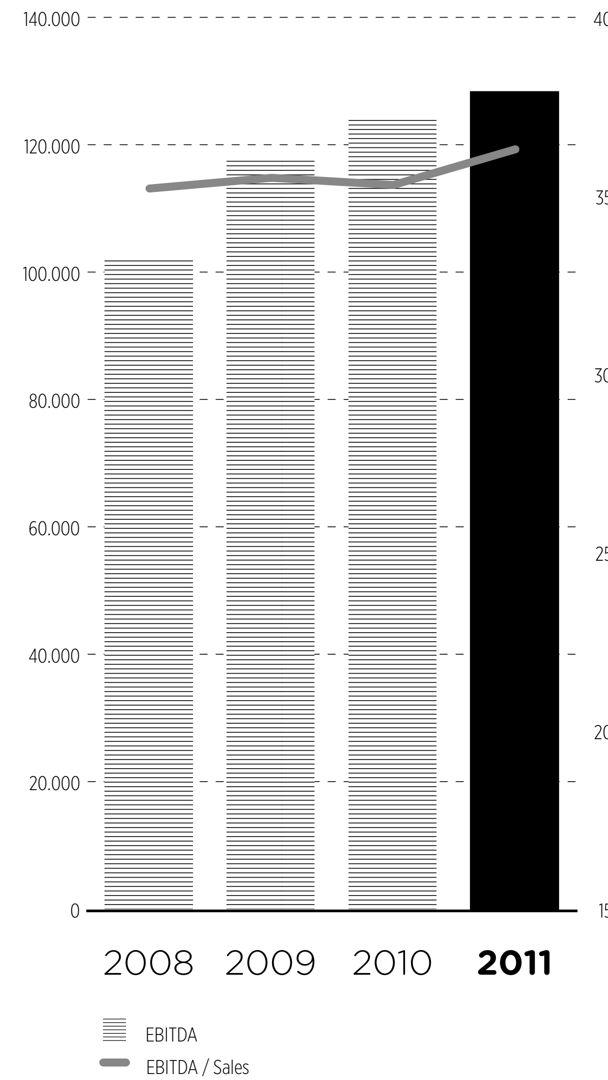


As with allother industries, the group's operations were no exception and were strongly influenced by the crisis scenario gripping the markets, thereby dictating new ways to approach problems, as well as the demise of certain established paradigms.

EBIT (k.€) EBIT/Sales (%)



EBITDA (k.€) EBITDA/Sales (%)



In 2011, the only change to the BA group's consolidation perimeter was the inclusion of Moldin, which innitiated its operations during the year.

Capital expenditure was not very significant when compared with previous years since substantial investments were made in the reconstructions of the furnaces during those years.

As with allother industries, the group's operations were no exception and were strongly influenced by the crisis scenario gripping the markets, thereby dictating new ways to approach problems, as well as the demise of certain established paradigms.

Notwithstanding the crisis environment, the search for new solutions and new markets, and the consolidation of the investments made, permitted sales growth of 0.6%, all of which in markets outside Iberia. This growth was primarily fruit of the increase in tons sold bearing in mind that the group's average selling prices increased only marginallly.

There was an increase in the prices of the principal manufacturing factors, with special impact in energy and raw materials, a trend that is expected to intensify during the course of 2012 as a result of market volatility.

Hence,

- Operating cash flow (ebitda) remained at very interesting levels, amounting to 128.3 million euro, that is, 4.1 million euro more than in 2010, while the ebitda margin climbed to 36.3% of sales, up 1.0 p.p.;
- Operating profit (ebit) was 90.9 million euro, representing some 25.7% of sales, down 525 thousand euro when compared to 2010.This decrease is attributable to the increase in depreciation as a consequence of the substantial volume of capital expenditure realised in recent years;
- The turnover of tangible assets stood at 1.32, higher than the 2010 figure and reflects the lower capital expenditure incurred during the year, as well as the positive impact of these capital investments on the group's operations;
- Labour productivity declined by about 3.4%, due chiefly to the increase in the staff headcount in order to cope with market demands, but also due to the minor growth in sales;
- Consolidated net financial items were a negative figure of 13.1 million euro, against the negative 11.6 million euro recorded in 2010, due primarily to higher interest rates;
- Income before taxation amounted to 77.8 million euro, while net income was 57.2 million euro.

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Group's Performance – operational and financial highlights

In 2011, consolidated assets increased to 589.1 million euro. In this figure, non-current assets represented 74.4%.

Despite the tight control over working capital, this amounted to 21.6% of sales, fruit mainly of the higher level of stocks, although still at a level regarded as being normal for the sector.

At the end of the year, total liabilities stood at 513.8 million euro while the group's net debt totalled 323.3 million euro, 32.2 million euro less than in 2010, thus presenting an extremely balanced structure.

The net debt/ebitda ratio was situated at 2.52 while the group's debt to equity ratio stood at 12.8% of assets.

It should be noted that within the ambit of the internationalisation process embarked on by the group and which materialised already in 2012, reserves totalling 56.5 million euro were distributed in 2011.

Outlook

World economic growth will be affected by the crisis gripping the euro zone where, in addition to countries such as Ireland, Greece and Portugal, there also exists the risk that Spain and Italy may slip into economic recession. Countering the euro zone trend could be countries such as the US, China or Brazil.

Global economic recovery could be threatened by the lack of investor confidence in the euro zone triggered by the successive cuts in the ratings attributed by the rating agencies and which limit the crucial access to the international financial markets.

A deceleration in domestic demand is forecasted to occur in Portugal and Spain, which is expected to be cushioned by the positive contribution from external demand, although this will not avert a contraction in GDP. Private consumption will be affected by the decline in households' disposable income bearing in mind that measures have already been introduced involving higher taxes in both countries, while in Portugal public-sector workers have also had their salaries reduced. This contraction in domestic demand, coupled with an increase in external demand, will lead to a positive trade balance, above all in Portugal, which is hoped will contribute to the necessary adjustment to the deficit in the public accounts, thereby contributing to an improvement in the country's economic situation.

With the goal of entering a more distant and demanding market, it will be necessary to continue innovating in our products and processes, as well as improve customer service.

In this context, we do not anticipate growth in the demand for glass packaging in the Iberian market.

Nonetheless, the BA group will continue to concentrate on its ability to respond to adverse situations and to this end, it counts upon the efforts and dedication of all its employees, thereby enabling us to begin 2012 with some optimism. With the goal of entering a more distant and demanding market, it will be necessary to continue innovating in our products and processes, as well as improve customer service. The expansion investment that the group is embarking on with the acquisition of two factories in Poland, and which opens doors to growing markets, allows us to face the coming years with greater optimism.

The introduction of greater transparency in all processes will continue to be a priority in order to optimise the relationship with all the stakeholders:

- As what concerns to customers, to attain even higher levels of quality and reliability, thereby helping them to be successful in the demanding consumer market. We want to continue overcoming the perception of being simply a predominantly industrial supplier to one in which customers view the BA group as the provider of a unique service;
- As regards the shareholders, to achieve the highest standards of profitability based on the principles of ethics and transparent and clear corporate governance rules;
- As for our employees, to consolidate the application of management methodologies and systems in such a way that the group is perceived by its employees as a place to work better and with greater security vis-à-vis other firms. The quality of the employment which the group generates from the standpoint of both stability and the sharing of the wealth created, are key factors in this recognition;
- As concerns suppliers, to promote partnership initiatives aimed at fostering mutual trust and optimising efficiency gains throughout the supply chain;
- As regards the environment, to formulate the group's environmental policy, providing public information about the environmental performance of its units and to maintain with local entities, bodies and associations an interactive relationship that benefits the community as a whole.

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Acknowledgements

The Board of Directors wishes to thank in first place the employees of the group's organic units whose hard work, enthusiasm and dedication were the most important contributions to the results achieved, not only from the viewpoint of customer satisfaction but also with respect to the return on capital employed.

We also extend our gratitude to the central, regional and local Authorities of Portugal and Spain, who monitored and supported our activities and projects. We appreciate the cooperation of the banks and other financial institutions with whom the group worked during the year.

Our appreciation is also due to the Supervisory Board and the Auditors of all the affiliated companies for their permanent collaboration and spirit of critical dialogue in monitoring and examining the companies' financial statements and processes.

Finally, our sincere gratitude is due to our customers for their preference, trust and quality-related demands, which serve as the ongoing stimulus for our quest for perfection.

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Appropriation of Net Income

We propose that BA Glass I – Serviços de Gestão e Investimentos, SA's non-consolidated net income which totalled 57,094,940.88 euro be distributed as follows:

Dividends	**1.545.000,00 €**
Free Reserves	**55.527.025,88 €**
Employees' share of profits	**22.915,00 €**

Which corresponds to a gross dividend of 30.90 euro per share and that the amount attributed to employees as their share in the profits be distributed in accordance with the criterion annexed to the present proposal.

We propose the BA Glass I – Serviços de Gestão e Investimentos, SA's retained earnings, which total 23,338.00 euro, be transferred to Free reserves.

Avintes, 30 January 2012

BOARD OF DIRECTORS

Carlos António Rocha Moreira da Silva – Chairman
Jorge Alexandre Tavares Ferreira – CEO
Álvaro Cuervo Garcia
Francisco José Mestre Mira da Silva Domingues
José Ignácio Comenge Sanchéz-Real
José Pedro de Araújo Lopes
Mário Pereira Pinto

Annex to the Annual Report

DISCLOSURE OF THE SHAREHOLDINGS OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

(Art. 447 of the Commercial Companies Code)

Carlos António Rocha Moreira da Silva – Chairman of the Board of Directors
Through the wholly-controlled company "Bar-Bar-Idade I, SGPS, SA", has an indirect shareholding representing 26.30% of BA Glass I – Serviços de Gestão de Investimentos, SA's share capital (hereinafter BA Glass I).
Fim do Dia, SGPS, SA (of which he is the Chairman of the Board of Directors) has an indirect shareholding corresponding to 47.40% of BA Glass I's share capital.

Francisco José Mestre Mira da Silva Domingues – Member of the Board of Directors
Atanágoras, SGPS, SA, of which he is a shareholder, has an indirect shareholding representing 26.30% of BA Glass I's share capital.
Fim do Dia, SGPS, SA (of which he is a member of the Board of Directors) has an indirect shareholding corresponding to 47.40% of BA Glass I's share capital.

Jorge Alexandre Tavares Ferreira – Member of the Board of Directors
Fim do Dia, SGPS, SA (of which he is a member of the Board of Directors) has an indirect shareholding corresponding to 47.40% of BA Glass I's share capital.

Rita Mestre Mira da Silva Domingues – Chairperson of the Supervisory Board
Atanágoras, SGPS, SA, of which she is a shareholder, has an indirect shareholding representing 26.30% of BA Glass I's share capital.

DISCLOSURE OF SHAREHOLDERS' HOLDINGS

(Art. 448 of the Commercial Companies Code)

Shareholders	Shares	% Share Capital and Voting Rights
BA Glass BV Company indirectly owned by Carlos Moreira da Silva, by the Silva Domingues Family and the board members and directors of the BA group	50.000	100%

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Financial Statements

Consolidated Financial Position

(Amounts expressed in euros)

	NOTES	DEC 2011	DEC 2010
ASSETS			
Non current Assets			
Goodwill	7	81.223.866	82.602.774
Intangible assets	8	256.737	-
Tangible assets	9	267.712.128	283.821.336
Financial investments	10	548.080	517.017
Investment properties	11	1.533.982	1.591.353
Other non current assets	12	77.661.573	21.726.030
Deferred tax assets	13	9.384.367	13.385.515
		438.320.732	**403.644.024**
Current Assets			
Inventories	14	51.389.993	49.211.036
Trade receivables	15	76.236.861	76.829.479
Other current debtors	16	18.787.371	14.571.997
Other current assets	17	1.735.196	272.088
Cash and short term deposits	18	2.630.028	8.552.051
		150.779.449	**149.436.651**
Total Assets		**589.100.180**	**553.080.675**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	50.000	50.000
Reserves, retained earnings and supplementary capital	19	18.086.487	15.554.696
Retained earnings		57.168.080	59.104.930
Non-controlling interests		-	-
Total Equity		**75.304.567**	**74.709.626**
LIABILITIES			
Non current Liabilities			
Interest-bearing loans and borrowings	20	318.766.579	308.572.904
Provisions	21	3.492.841	3.722.528
Other non current liabilities		-	-
Deferred tax liabilities	13	21.015.167	20.576.219
		343.274.586	**332.871.651**
Current Liabilities			
Interest-bearing loans and borrowings	20	74.537.112	55.489.263
Trade payables	22	50.847.285	52.116.422
Other current creditors	23	13.813.147	7.643.316
Other current liabilities	24	31.323.483	30.250.397
		170.521.027	**145.499.398**
Total Liabilities		**513.795.613**	**478.371.049**
Total Liabilities and Equity		**589.100.180**	**553.080.675**

Consolidated Income Statement

(Amounts expressed in euros)

	NOTES	DEC 2011	DEC 2010
RESULTS FROM CONTINUING OPERATIONS			
Operating earnings			
Sales and services rendered	2.3	353.548.914	351.611.565
Change in stocks of finished goods		2.348.340	(9.028.646)
Other operating income	25	10.403.479	4.581.994
		366.300.734	**347.164.913**
Operating expenses			
Materials consumed		106.812.403	101.723.995
Supplies and external services		82.070.904	74.102.231
Personnel expenses		46.958.309	45.153.988
Amortisations	9	36.094.464	32.383.101
Provisions		1.353.149	425.983
Other operating expenses	26	2.114.503	1.954.052
		275.403.731	**255.743.350**
Operating Cash Flow (EBITDA)		**128.344.616**	**124.230.647**
Operating results		**90.897.003**	**91.421.564**
Financial results	27	**(13.129.761)**	**(11.552.295)**
Profit before taxes		**77.767.242**	**79.869.269**
Current and deferred tax for the period	28	20.599.162	20.764.339
Net profit for the period		**57.168.080**	**59.104.930**
Now-Controlling Interests		-	-
Profits/loss from continuing operations		**57.168.080**	**59.104.930**
Profit/loss from discontinued operations	6	-	-
Consolidated net profit for the period (a)		**57.168.080**	**59.104.930**
Other compreensive income for the year (b)		-	-
Total compreensive income for the year (a)+(b)		**57.168.080**	**59.104.930**
Attributable to the shareholders		57.168.080	59.104.930
Attributable to non-controlling interest		-	-

Statement of Changes in Equity

(Amounts expressed in euros)

	Capital	Suplementary capital	Dividends	Legal reserve	Reserves and retained earnings	Net profit/ Loss for the year	Employee Bonuses	Total Equity
31 December 2010	**50.000**	**10.922.728**	**-**	**11.911.668**	**(7.279.700)**	**59.104.930**	**-**	**74.709.626**
Return of supplementary capital	–	–	–	–	–	–	–	–
Employee Bonuses	–	–	–	–	–	–	–	–
Distribution of reserves	–	–	–	–	(56.500.000)	–	–	(56.500.000)
Appropriation of net result	–	–	–	183.887	58.921.043	(59.104.930)	–	–
Net result for the year	–	–	–	–	–	57.168.080	–	57.168.080
Utilisation of revaluation reserve	–	–	–	–	–	–	–	–
Changes in consolidation perimeter	–	–	–	–	–	–	–	–
Other changes	–	–	–	–	(73.139)	–	–	(73.139)
31 December 2011	**50.000**	**10.922.728**	**-**	**12.095.555**	**(4.931.796)**	**57.168.080**	**-**	**75.304.567**
31 December 2009	**50.000**	**10.922.728**	**-**	**11.002.302**	**32.268.842**	**48.478.342**	**-**	**102.722.214**
Return of supplementary capital	–	–	–	–	–	–	–	–
Employee Bonuses	–	–	–	–	–	–	–	–
Distribution of reserves	–	–	–	–	(87.100.000)	–	–	(87.100.000)
Appropriation of net result	–	–	–	909.366	47.568.975	(48.478.342)	–	–
Net result for the year	–	–	–	–	–	59.104.930	–	59.104.930
Utilisation of revaluation reserve	–	–	–	–	–	–	–	–
Changes in consolidation perimeter	–	–	–	–	–	–	–	–
Other changes	–	–	–	–	(17.518)	–	–	(17.518)
31 December 2010	**50.000**	**10.922.728**	**-**	**11.911.668**	**(7.279.700)**	**59.104.930**	**-**	**74.709.626**

Consolidated Cash flow Statement

(Amounts expressed in euros)

	DEC 2011	DEC 2010
CASH FLOW STATEMENT – OPERATIONAL ACTIVITIES		
Receipts from customers	359.378.873	334.895.110
Payments to suppliers	(181.966.441)	(159.839.473)
Payments to personnel	(48.130.604)	(44.884.157)
Cash generated from operations	**129.281.829**	**130.171.479**
Payment/Reimbursement of corporate income tax	(15.464.040)	(18.769.382)
Other (procceds)/Payments relating to the operating activity	(5.088.949)	160.861
Cash flows from transactions (1)	**108.728.840**	**111.562.958**
CASH FLOW STATEMENT – INVESTING ACTIVITIES		
Payments related to:		
Fixed assets	(19.882.604)	(53.489.322)
Intangible assets	-	-
Financial investments	(30.072)	(20.235)
Other assets	(67.410.752)	(700.000)
Receipts from:		
Fixed assets	-	-
Intangible assets	-	-
Financial investments	-	287.898
Other assets	-	-
Investment subsidies	-	1.223.640
Interest and similar income	-	-
Dividends	-	615.264
Cash flows from investing activities (2)	(87.323.428)	(52.082.756)
CASH FLOW STATEMENT – FINANCING ACTIVITIES		
Receipts from:		
Loans	132.629.861	20.725.553
Interests received	-	395.664
Previous losses covering	-	-
Donations	-	-
Other financing activities	4.982.701	-
Payments related to:		
Loans	(109.048.974)	-
Interest and similar expense	(10.786.673)	(8.717.318)
Dividends	(44.878.456)	(104.100.000)
Capital decreases and other capital instruments	-	-
Other financing activities	(225.893)	-
Cash flows from financing activities (3)	**(27.327.433)**	**(91.696.101)**
Variance of cash and its equivalents (1+2+3)	**(5.922.021)**	**(32.215.898)**
Effect of foreign exchange differences	**-**	**-**
Cash and its equivalents at the beginning of the period	**8.552.051**	**40.767.949**
Cash and its equivalents at the end of the period	**2.630.028**	**8.552.051**

Notes to the Consolidated Financial Statements

(Amounts expressed in euros)

1. Corporate information

BA GLASS I – Serviços de Gestão e Investimentos, SA was incorporated on May 29, 2003 trading originally as Bar-Bar-Idade Glass, Serviços de Gestão e Investimentos, SA.

The Company is a private limited company and its main corporate purpose is to provide management, marketing, and advertising consulting services to companies selling or manufacturing glass containers and glass products; organizes promotional events and actions to promote such companies and their products and sales; manufactures, trades, and intermediates purchases and sales of glass products, as well as operates related trading establishments and distribution channels; invests, manages, and administers direct and indirect holdings in glass containers and glass products manufacturers and suppliers; invests in real estate, namely for purposes of buying and selling property, for own account or for resale, and of developing property for sale, urban development, and parceling; acquires, manages, and sells equity holdings in companies incorporated in Portugal and abroad, regardless of their statutory purpose; and stores, warehouses, handles, reprocesses, recycles, and sells recyclable or upgradeable waste.

The Company's shareholder is BA Glass B.V., which holds 100% of its share capital, with headquarters in Amsterdam, Netherlands.

The consolidated financial statements of the Group for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the directors on 30 January 2012.

2. Accounting Policies

2.1 BASIS OF PRESENTATION

In accordance with the provisions of Decree-Law no. 35/2005, of 17 February 2005, as amended by Decree-Law no. 158/2009, of 13 July 2009, which transcribes the provisions of regulation (CE) no. 1606/2002 of the European Parliament and Council, of 19 July 2002, to Portuguese law, these consolidated financial statements were prepared in accordance with 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 the former Standing Interpretations Committee ("SIC"), adopted per the EU, effective January 1, 2011.

These consolidated financial statements were prepared on the basis of the Company's continued operation as a going concern and are based on the accounting books and records of the consolidated companies (refer to Note 5). The carrying values of recognised assets are carried at cost, except land which is carried at fair value.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

During 2011 a new company was incorporated in the consolidation perimeter of the group – Moldin, SA. Its main corporate purpose is the maintenance and repair of moulds for glass industry with its head office located at Avintes, Vila Nova de Gaia. The company's shareholder is BA Vidro, SA, which holds 100% of its share capital and in turn is 100% indirectly held by BA Glass I.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash--generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

b) Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition date, at cost. Intangible assets generated internally, excluding capitalized development costs, are not capitalized and the cost is reflected in the income of the year in which the cost is incurred.

After the initial recognition, the assets are presented at cost net of accumulated amortization and impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

The assets with identifiable useful lives are amortized during the expected economic useful life and evaluated in terms of impairment whenever there is an indication that the asset may be in an impairment situation. For an asset with an identifiable useful life, the amortization methods, estimated useful life and residual value, are reviewed at the end of each year and the effects of the changes are treated as changes to estimates, this is the effect of the changes is treated in a prospective.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

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Impairment reversals are recognised in the income statement and are only recognised up to the limit which would result if the asset had never been subject to impairment.

Any gain or loss deriving from the derecognition of an intangible asset (calculated as the difference between the sales value minus selling expenses and the book value) is included in the result for the financial year in which the asset is derecognised.

(c.1) CO_2 Emission rights

CO_2 emission licenses granted to the Group's manufacturing plants in Portugal and Spain fall under the European greenhouse gas emissions trading scheme. Coinciding with the introduction of Portugal's new National Greenhouse Gas Emissions Trading Scheme ("PNALE"), and after having completed its first term of allocation (valid from 2005 to 2007) and for as long as the IASB fails to set out an accounting policy to cater for this issue subsequent to the removal of IFRIC 3, and based on Paragraph 23 of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, the Group decided to adopt the "net liability approach" method.

Accordingly, the allocation and usage of such emission rights is reflected in the financial statements in the following manner:

- Emission rights allocated free of charge, as well as the corresponding emissions allowed under such licenses, do not give rise to recognition of any asset or liability;
- Purchased permits are accounted for at cost and reported as intangible fixed assets;
- Should annual CO_2 emissions exceed annual emission rights, a liability is raised and set against "Other operating costs", which are then marked to the market value of such emission rights as at the reporting date;
- Gains arising from sales of emission rights are reported as other operating income.

(c.2) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

d) Tangible fixed assets

Tangible fixed assets relate to assets used in the Company's business activity and are reported at the cost of acquisition net of cumulative depreciation and impairment losses, except for land which is carried out at the fair value.

With the exception of land which is not depreciated, tangible fixed assets are depreciated over the expected economic useful lives and evaluated in terms of impairment whenever there is an indication that the asset may be under impairment.

Depreciation is calculated on a straight-line duodecimal basis as from the moment when the assets are deemed to be available to be utilised for the desired purpose.

The depreciation rates have been set so as to fully depreciate the assets until the end of their estimated useful lives. The applied depreciation rates are as follows:

Buildings and other constructions	20 – 50
Property, plant and equipment	3 – 20
Transport equipment	4 – 12
Tools	3 – 15
Administrative equipment	3 – 15
Packaging	3 – 7
Other tangible fixed assets	3 – 15

Assets acquired through finance lease are depreciated using the same rates as those for the other tangible assets, i.e. taking into account the corresponding useful life.

It is assumed that the residual value is zero; hence the amount to be depreciated, over which the depreciation is calculated, coincides with the cost.

The depreciation methods, estimated useful lives and residual value, are reviewed at the end of each year and the effects of the changes are treated as changes to estimates, this is the effect of the changes is treated in a prospective way.

The depreciation expense for the year is recognised in the income statement in "Depreciation and amortization".

Dismantling, removal and site restoration costs arising from responsibilities assumed upon the purchase of the fixed assets or as a consequence of they having being utilised during a set period of time, are recognised as a part of the cost of the corresponding fixed asset and are depreciated during the useful life of the fixed asset to which they relate to.

All current repair and maintenance costs are recognised as expense in the year when incurred.

Costs relating to substitutions and major repairs are capitalised whenever they increase the useful lives of the assets to which they relate to, and are depreciated during the remaining useful life of the corresponding fixed asset or during its own estimated useful life, if lower.

Any gain or loss deriving from the derecognition of a tangible fixed asset (calculated as the difference between the sale value net of minus selling costs and the book value) is included in the results for the financial year in which the asset is derecognised.

Tangible fixed assets in progress relate to assets which are still at the construction or installation stage and/or which are not yet available for use. These assets are measured at cost and are only depreciated when they are available for use.

Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

When evaluating whether there is an indication of impairment, the following situations are taken into account:

- During the period the market value of an asset reduced significantly more than that would be expected as a result of the passage of time or normal usage;
- During the period major alterations occurred – or will occur in the near future – with an adverse effect on the Company as regards the technological, market, economic or legal environment in which the Company operates or on the market to which the asset is dedicated;
- The market interest rates or other investment return market rates increased during the period and these increases will probably effect the discount rate used to calculate the value in use of an asset and will materially reduce the recoverable amount of the asset;
- The carrying amount of the net assets of the entity is greater than its market capitalization;
- Evidence is available of the obsolescence of or physical damage to an asset;
- Major alterations with an adverse effect on the entity occurred during the period, or it is expected they will occur in a near future to the extent that, or in the way in which, an asset is used it is expected to be used. These alterations include an asset which has become idle, plans to discontinue or restructure the operating unit to which the asset belongs, plans to dispose of an asset before the date expected previously;
- There is evidence in the internal reports that indicate that the economic performance of an asset is, or will be, worse than that expected.

Impairment reversals are recognised as a gain but are only recognised up to the limit which would result if the asset had never been subject to impairment.

e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

f) Financial investments – Other methods

The company uses the cost method to value the financial investments in other companies. According to the cost method, the financial investments are recognised initially at cost, which includes transaction costs, being subsequently decreased by impairment losses, whenever applicable.

g) Investment properties

Investment properties comprises land and buildings held for purposes of income generation or capital appreciation, or both, that are not used in the conduct of the Group's regular business.

Investment properties are measured initially at cost, including transaction costs.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

h) Financial instruments – Initial recognition and subsequent measurement

(h.1) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the income statement.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate.

As at 31 December 2011 and 31 December 2010, no financial assets classified under this category were held.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. After initial measurement, such financial assets are subsequently measured at amortised cost less impairment.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost less impairment.

Group did not have any held-to-maturity investments during the years ended 31 December 2011 and 2010.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(h.2) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognised in the income statement.

As at 31 December 2011 and 31 December 2010, no financial liabilities classified under this category were held.

Loans and borrowings

Loans are reported under liabilities at their fair value and are subsequently measured at their amortized cost per the effective interest rate method. Finance charges are calculated at effective interest rates and accounted for in the income statement in accordance with the accrual basis principle mentioned on note t).

Trade payables

Trade payables are initially recognised at the respective fair value and, afterwards are measured at amortized cost.

(h.3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts;
- and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h.4) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market.

i) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

j) Foreign currency translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (this is, translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The following currency exchange and conversion rates are used to translate receivables and payables expressed in foreign currency as at the reporting date:

Country	Currency	Exchange rate as at 31.12.2011
American Dollar	USD	1,294
British Pound	GBP	0,835
Polish Zloti	PLN	4,458

ii) Group companies

On consolidation the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

k) Cash and short-term deposits

Cash and short-term deposits comprise cash on hand and short-term bank deposits with an original maturity of three months or less, that may be immediately mobilised with insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above, net of outstanding bank overdrafts.

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l) Inventories

The measurement of inventories and the corresponding valuation methods are the following:

	Measurement	Valuation method
Goods for resale	Purchase cost (*)	Average cost
Raw and subsidiary materials	Purchase cost (*)	Average cost
Finished and semi-finished goods	Production cost (*)	Average cost
Work in progress	Production cost	Average cost

(*) – or net realizable value, the lowest of the two

The cost of the inventories includes:

- Purchasing costs (purchase price, import duties, non-recoverable taxes, freight, handling and other costs directly attributable to the purchase, less any commercial discounts, rebates and other similar items);
- Production costs (labour and production overheads);

Whenever the net realizable value is lower than acquisition or production cost, the value of inventories is decreased through the recognition of an impairment loss which is reversed when the reasons that originated the loss cease to exist.

To this end, the net realizable value is the selling price during the normal course of business less estimated completion costs and the costs required to make the sale. The estimates take into account any variations related with events occurring after the year-end insofar as the said events confirm existing conditions at the end of the year.

m) Equity items

(m.1) Share capital

All of BA Glass I SA's subscribed share capital has been totally paid.

(m.2) Supplementary capital

This item includes supplementary capital contributions paid by the shareholders, deliberated in the General Assembly and they can only be reimbursed if total shareholders' equity does not become less than the sum of issued share capital and legal reserve, after their reimbursement.

These contributions could bear interest at the annual rate approved under the General Assembly.

(m.3) Legal Reserves

According to article 295 of the CSC, at least 5% of net profit must each year be transferred to a legal reserve until this reserve equals 20% of share capital.

This legal reserve is not available for distribution and may only be utilised to increase share capital or to absorb losses after other reserves and retained earnings have been exhausted (article 296 of the CSC).

(m.4) Other capital reserves

This item includes:

- **Revaluation reserves:**
Annually, a transfer is made from "Other reserves" to "Retained earnings", based on the amounts that have become realised through the use (difference between the depreciation based on the revalued amount and the depreciation based on the original cost of the asset) or the disposal of the asset.

- **Gains not available for distribution:**
Relates to fair value gains that are not available for distribution to shareholders until they are realised.

(m.5) Retained earnings

This item relates exclusively to retained earnings available for distribution to shareholders.

n) Taxes

BA Glass Group is subject to the Special Taxation Basis for Groups of Companies, which taxation basis includes all companies in which the Group holds direct or indirect interests and which meet the applicable requirements for taxation on this basis, both in Portugal and Spain.

Companies which do not fall under the Special Taxation Basis for Groups of Companies are separately taxed based on their respective tax bases and the applicable company tax rates.

Current income tax

Current income tax is calculated based on book profit or loss adjusted in accordance with the tax legislation in place.

In accordance with current Portuguese and Spanish tax legislation, income tax returns are subject to review and correction by the tax authorities for a period of four years, or six years in the case of tax losses being carried forward or in the case where tax benefits have been granted or there are tax claims or appeals in progress where, depending on the circumstances, the period can be extended or suspended (five years for social security). Accordingly, the Company's tax returns from 2007 until 2011 may be subject to review and corrections.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets represent:
- Deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences may be offset;
- Available tax losses or unused tax credits, to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

Deductible temporary differences are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date and taking into account tax planning opportunities that are available to BA Glass that will create taxable profit in appropriate periods.

The carrying amount recognised of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities were adjusted taking in consideration new rules taxes to be effective at the beginning of the year 2012.

o) Provisions

This item reflects the Company's present obligations (legal or constructive) as a result of a past event, out of which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, with uncertainty as to timing or amount but where a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Whenever the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the value of money over time and the liability's specific risks and does not reflect risks for which future cash flow estimates have been adjusted.

Greenhouse gas emissions

The Group receives free emission rights in certain European countries as a result of the European Emission Trading Schemes. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other operating costs. Where emission rights are purchased from other parties, they are recorded at cost, and treated as a reimbursement right, whereby they are matched to the emission liabilities and remeasured to fair value. The changes in fair value are recognised in the income statement.

p) Employee Benefits

(p.1) Provisions for retirement pensions – Defined benefit plan
BA GLASS Group companies, namely BA Vidro and Sotancro, have committed to grant some of their former employees regular payments in lieu of retirement pension and supplementary pension benefits, which benefits conform to a defined benefit plan. Liabilities under defined benefit plans are annually calculated by independent actuaries according to the projected unit credit method. The present value of defined benefit plan liabilities is calculated by discounting future cash outflows at the yield of top-quality bonds denominated in the currency in which employee benefits will be paid of a similar maturity relative to the term of the liabilities in question.

Liabilities for past services and pension liabilities are fully covered and are reported in the balance sheet under “Provisions” at the present value of the liabilities arising under defined benefit plans.

Increases in such liabilities accruing during the reporting period are recognised in the income statement as personnel expenses.

(p.2) Other personnel benefits
According to labor law, employees are entitled to 25 days annual leave plus a month of holiday pay, which rights accrue over the year preceding their payment. The Group’s liabilities under these items are accounted for as and when incurred regardless of the point in time at which they’re paid and are reported under the caption “other current liabilities”.

q) Revenue recognition

Sales and services rendered are measured at the fair value of the retribution received, or to be received, net of commercial discounts or rebates.

Although revenue is recognised to the extent that it is probable that the economic benefits linked to the transaction will flow to the Company, whenever an uncertainty arises about the recoverability of an amount already included in revenue, that unrecoverable amount, or the amount whose recovery has ceased to be probable, is recognised as an impairment and not as an adjustment to the value of revenue initially recognised.

(q.1) Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- BA Glass has transferred to the buyer the significant risks and rewards of ownership of the goods;
- BA Glass retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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r) Interest and similar expenses

Financing expenses are recognised in the income statement in the period to which they relate to and include the interest paid on loans and borrowings.

s) Own works

Own costs (such as, for instance, labor, materials, and transport) incurred in the production of tangible assets and inventories are capitalized only when the following conditions are met: (i) assets are identifiable and reliably measurable; and (ii) it is highly probable that those assets will generate future economic benefits. No form of internally generated margin income is recognised.

t) Accruals

Income and expenses are reported in conformance with the timing of income and expenses principle on an accrual basis, whereby they are recognised as and when generated regardless of the point in time at which they are effectively received or paid. The differences between amounts received and paid and the corresponding income and expenses are recognised in the consolidated balance sheet under “Other current assets” and “Other current liabilities”, respectively.

u) Segment information

Business segmentation

A business segment is a distinguishable component within the Group which is engaged in providing a separate product or service subject to risks and returns that differ from those applicable to its other business segments. The Group’s internal organization and management structure and its reporting system are geared to provide business performance analysis per business segment.

Geographical segmentation
A geographical segment is a separate area of the Group that engages in promoting products or services within a particular economic environment subject to risks and returns that differ from those applicable to other areas operating in other economic environments. The Group’s subsidiaries operate in Portugal and Spain.

The Group operates in the glass industry, more specifically in the manufacturing of glass containers, owning three manufacturing plants in Portugal and two in Spain through associate companies BA Vidrio, SA (operating in Spain) and Sotancro – Embalagem de Vidro, SA and BA Vidro, SA (operating in Portugal).

No distinguishable components apply, either with reference to its products or to its manufacturing processes, nor do distinguishable components apply, either with reference to the type of customer or to distribution channels, which may warrant analysis in terms of business segmentation.

Moreover, we also consider that the risks, returns, opportunities, or prospects applicable to the units operating in the aforementioned countries do not differ to the extent that their treatment as separate reportable geographical segments is warranted.

As at 31 December 2011, sales and services rendered were broken down as follows:

	Domestic market	Intracommunity countries	Other countries	Total	2010
Glass packaging	279.685.196	63.487.678	10.364.836	353.537.710	350.819.349
Others	11.204	-	-	11.204	792.216
	279.696.400	**63.487.678**	**10.364.836**	**353.548.914**	**351.611.565**
2010	283.731.970	55.726.345	12.153.250	351.611.565	

v) Subsequent events

Events after that occur between the end of the reporting period and the date when the financial statements are authorised for issue are taking into account in the measurement and recognition of reported related assets and liabilities as of the balance sheet if those events provide evidence of conditions that existed at the end of the reporting period. Those events that are indicative of conditions that arose after the reporting period are disclosed in the notes, if material.

3. Estimates and Assumptions

In preparing its consolidated financial statements in accordance with IFRS, the Board of Directors of the BA Glass Group employs estimates and makes assumptions that affect the application of its policies and the balances it reports. Estimates and judgments are under continuous review and are based on its experience of past events and other factors, including its expectations relative to future events that are deemed likely to occur in light of the circumstances on which such estimates are based or as result of information gathered or of experience acquired. The most significant accounting estimates reflected in the consolidated financial statements are:

(a) GOODWILL'S IMPAIRMENT ANALYSIS

The Group tests goodwill for impairment on an annual basis in order to verify whether impairments arise. The recoverable balances of cash-generating units were determined based on the value-in-use methodology. In order to employ this method, estimates of future cash flows arising from the operations of each cash-generating unit are required, together with an appropriate discount rate, in accordance with IAS 36.

(b) RECOGNITION OF PROVISIONS AND ADJUSTMENTS

The Group is party to legal proceedings which are running their course on account of which it judges whether to raise a provision for contingent legal expenses based on the opinion of its legal advisors (refer to Note 21).

Adjustments to receivables are calculated based on an age analysis of such receivables, the risk profile of the clients involved, and their financial standing. Estimates related to adjustments to receivables differ from business to business.

A detailed analysis of the changes in annual provisions clearly demonstrates that there is almost no risk of collection. Moreover, the Group has access to major databases of relevant market information which, together with the experience of its technical analysts, enable it to clearly assess and minimize its credit risk.

(c) CALCULATION OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group employs assessment methodologies which it deems appropriate to calculate the fair value of financial instruments that are not traded in active markets based on its best knowledge of markets and of the assets in question and applies valuation techniques which are commonly employed in those markets based on assumptions supported by market rates.

(d) RETIREMENT BENEFITS

The present value of liabilities for retirement benefits is calculated based on actuarial methods, which methods employ certain actuarial assumptions. Any changes to these assumptions will have an impact on the book value of those liabilities. The main actuarial assumptions used to calculate the Group's liabilities for retirement benefits are described in note 29, below.

Those estimates were based on the best available information as of the date of preparation of the consolidated financial statements. However, situations may occur in subsequent periods which were not foreseeable at the time and which, as such, were not taken into account by those estimates. Changes to those estimates occurring after the reporting date of the financial statements are recognised in net income on a prospective basis, in accordance with IAS 8.

4. Changes to Accounting Policies

There were no changes to accounting policies over the course of the 2011 financial year relative to the policies considered to prepare the financial information reported to the previous year, as presented for comparison purposes.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- **IFRS 3 *Business Combinations:*** The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.
- **IFRS 7 *Financial Instruments – Disclosures:*** The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- **IAS 1 *Presentation of Financial Statements:*** The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.
- **IAS 27 *Consolidated and Separate Financial Statements***
- **IAS 34 *Interim Financial Statements***
- **IFRIC 13 *Customer Loyalty Programmes*** (determining the fair value of award credits)
- **IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments***

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STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes – Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

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IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers.*

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture in Showers Limited (see note 6) to equity accounting for this investment. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

5. Companies Consolidated on a full Consolidation Basis

The below table contains information on the subsidiaries consolidated on a full consolidation basis, together with the location of their head offices and the Group's respective percentage holdings, as at 31 December 2011 and 31 December 2010:

Subsidiary	Head Office	% Own 2011	% Own 2010
BA Glass I – Serviços de Gestão e Investimentos, SA	Avintes	Mãe	Mãe
BA Vidro, SA	Avintes	100%	100%
Sotancro – Embalagem de Vidro, SA	Avintes	100%	100%
Barbosa & Almeida – SGPS, SA	Avintes	100%	100%
Moldin, SA	Avintes	100%	–
BA Vidrio, SA	León	100%	100%
Minas de Valdecastillo, SAU	León	100%	100%
BA Vidrio Distribución Comerc. Envases, SA	Mérida	100%	100%
BA Vidro II Marinha Grande, SGPS, SA	Avintes	100%	100%
Holvenespa, SL	Ourense	100%	100%

During 2011 a new company was incorporated in the consolidation perimeter of the group, a wholly owned subsidiary – Moldin, SA.

6. Subsidiaries excluded from the Consolidation

Subsidiary	Head Office	% Own 2011	% Own 2010
Artividro – Arte em Vidro, Lda	Leiria	87,5%	87,5%
Vidriera del Atlántico, SA	Xinzo de Limia	100%	100%

Artividro was excluded from consolidation since it was not considered relevant, since it has not start any activity. This holding is reported under other equity holdings and investments and its balance was adjusted to the full extent of its value (refer to Note 9).

Vidriera del Atlántico was reported in the 2009 financial statements as a discontinued operation.

7. Goodwill

Goodwill generated is calculated in accordance with IFRS, and is subject to an annual test for impairment of value.

Goodwill is broken down as follows:

	Goodwill	Impairment losses	Accum. depreciation 01.01.2004	Net amount at 31.12.2011	Net amount at 31.12.2010
BA Vidro, SA	33.744.163	–	843.604	32.900.559	32.900.559
BA Vidrio, SA	12.989.951	–	324.749	12.665.202	12.665.202
Minas de Valdecastillo, SAU	553.240	–	13.831	539.409	539.409
Sotancro – Embalagem de Vidro, SA	43.464.059	8.345.363	–	35.118.696	36.497.604
	90.751.413	**8.345.363**	**1.182.184**	**81.223.866**	**82.602.774**

The impairment loss reported in 2009 relates to Vidriera del Atlántico, a company acquired in June 2008 within the scope of the acquisition of the Sotancro Group. This company had already been reported in the Group's 2009 accounts as a discontinued operation.

In 2011 an amount of 1.378 k€ was written-off directly to the acquisition cost of Sotancro, as a result of the closing of the acquisition contract.

8. Intangible Assets

The amount shown under this caption relates with the fair value of 38.607 CO_2 emission licenses acquired by the Group.

At the balance sheet date, the Company recognised an impairment loss of $C0_2$ thousand euros under the caption other operating costs.

9. Property, Plant and Equipment

The following table reports changes in tangible fixed assets valued at cost, together with their respective cumulative depreciation and impairment losses, for the year ending 31 December 2011.

Group considers that there are no indications of impairment to its tangible fixed assets, as at 31 December 2011.

	Land	Buildings and other construc.	Equip.	Transport equip.	Admin. equip.	Other fixed assets	Fixed assets under construc.	Total amount fixed assets
GROSS ASSETS								
Balance as at 01.01.2011	**46.934.777**	**133.103.108**	**490.103.342**	**2.192.686**	**9.128.753**	**17.349.073**	**3.365.108**	**702.176.847**
Changes in the consolidation perimeter	-	-	-	-	-	-	-	-
Additions	585.601	2.528.053	15.250.466	150.166	147.354	-	1.343.323	20.004.963
Changes in fair value	-	-	-	-	-	-	-	-
Disposals	-	-	(7.126.979)	(131.740)	-	(24.581)	-	(7.283.300)
Transfers	-	19.413	3.239.027	-	-	-	(3.258.440)	-
Balance as at 31.12.2011	**47.520.378**	**135.650.574**	**501.465.856**	**2.211.112**	**9.276.107**	**17.324.492**	**1.449.991**	**714.898.510**
DEPRECIATION AND IMPAIRMENT								
Balance as at 01.01.2011	**-**	**65.815.466**	**332.718.546**	**1.903.151**	**8.588.779**	**9.329.568**	**-**	**418.355.510**
Changes in the consolidation perimeter	-	-	-	-	-	-	-	-
Depreciation	-	4.147.945	31.321.417	192.777	170.998	261.327	-	36.094.464
Disposals	-	-	(7.107.273)	(131.740)	-	(24.581)	-	(7.263.594)
Transfers	-	-	-	-	-	-	-	-
Balance as at 31.12.2011	**-**	**69.963.411**	**356.932.690**	**1.964.188**	**8.759.777**	**9.566.314**	**-**	**447.186.380**
Net Book Value as at 31.12.2011	**47.520.378**	**65.687.163**	**144.533.166**	**246.925**	**516.330**	**7.758.179**	**1.449.991**	**267.712.130**
Net Book Value as at 31.12.2010	**46.934.777**	**67.287.642**	**157.384.796**	**289.535**	**539.974**	**8.019.505**	**3.365.108**	**283.821.337**

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10. Financial Investments

	Investment in subsidiaries	Other financial assets	Total
COST			
At 01.01.2011	15.995.146	519.308	16.514.454
Additions	-	31.115	31.115
Disposals	-	-	-
At 31.12.2011	15.995.146	550.423	16.545.569
AMORTISATION AND IMPAIRMENT			
At 01.01.2011	15.995.146	2.291	15.997.437
Additions	-	52	52
At 31.12.2011	15.995.146	2.343	15.997.489
NET BOOK VALUE	**-**	**548.080**	**548.080**
NET BOOK VALUE AT 31.12.2010	-	517.017	517.017

The balance of investments in subsidiaries reports to the participation in Vidriera del Atlántico, SA (€14,062,304) and Artividro – Arte em Vidro, Lda (€1,932,842) which balance is fully provided for.

11. Investiment Properties

	Investment Properties
GROSS ASSETS	
Balance 01.01.2011	1.842.343
Increases	-
Reductions	-
Balance 31.12.2011	1.842.343
DEPRECIATION	
Balance 01.01.2011	250.990
Increases (Current Depreciation)	57.371
Balance 31.12.2011	308.361
NET VALUE	**1.533.982**
NET VALUE AS AT 31.12.2010	1.591.353

Investment properties consist of properties valued at cost which are held for renting.

12. Other Non-Current Assets

The balance of this item comprises the following:

- Non-reimbursable subsidies awarded by the Portuguese Investment Agency, which are shown at nominal amount;
- Loan granted to Brisa Investments in the amount of 67 million euros (corresponding to 301,25 million polish zlotis) and the correspondent foreign exchange difference in the amount of 171 thousand euros. This loan should be reimbursed from 2013 till 2018 and will bear interests at the rate of Wibor 6 months.

13. Deferred Tax Assets and Liabilities

The amounts of deferred tax assets and liabilities recognised in the balance sheet for each financial year are presented in the following table:

	2011	2010
Deferred tax assets		
Provisions for retirement pensions	1.040.048	1.056.216
Allowance for bad debts	1.160.994	1.160.994
Provisions for impairment losses of financial holdings	3.855.634	4.321.668
Goodwill (Fundo de Comércio) – BA Vidrio	1.787.804	2.141.856
Tax losses	1.487.166	4.703.729
Others	52.721	1.052
	9.384.367	**13.385.515**
Deferred tax liabilities		
Uniform depreciation criteria (adjustment of useful lives)	3.832.177	2.684.193
Fair value adjustments	4.905.376	5.029.816
Revaluation reserves of tangible assets	2.438.558	2.335.157
Libertad de amortización (depreciation deduction fiscal benefit)	9.839.056	10.527.053
	21.015.167	**20.576.219**

At the reporting date, deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the year when the asset is realized or the liability is settled.

The balances of deferred tax assets arising on tax losses and of deferred tax liabilities arising on Libertad de Amortización were generated by BA Vidrio, in Spain, in both instances. The tax balances in question originated as a result of a tax allowance applicable under Spanish legislation which allows deductibility of depreciation in advance for tax purposes on all investments made during the applicable years. In order to benefit from those allowances, the company was required to comply with specific objectives through the years mentioned previously, which objectives were fully met.

14. Inventories

	2011	2010
Raw materials and subsidiaries (at cost)	7.711.687	8.017.933
Finished goods and work in progress (at cost)	43.165.584	40.823.959
Goods for resale (at cost)	739.421	595.843
	51.616.692	**49.437.735**
Impairment losses	(226.699)	(226.699)
	51.389.993	**49.211.036**

15. Trade Receivables

	2011	2010
Trade receivables	73.638.685	73.693.344
Notes receivables	3.125.174	3.585.377
Bad debts	3.894.881	2.619.995
	80.658.740	**79.898.716**
Impairment losses / allowance for doubtful accounts	(4.421.879)	(3.069.237)
	76.236.861	**76.829.479**

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients.

Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical data.

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

16. Other Current Debtors

	2011	2010
State and other entities	9.177.389	4.913.359
Shareholders	734.712	-
Other debtors	8.875.270	9.658.638
	18.787.371	**14.571.997**
Impairment losses / Adjustments	-	-
	18.787.371	**14.571.997**

The balance reported under State and other public entities comprises the following:

- Tax credit approved by tax authorities in the amount of 2.097 thousand euros. This amount relates with a fiscal incentive given to the Company in order to compensate the investments made in the past regarding the furnaces AV4 and MGA;
- Recoverable VAT totaling 123 thousand euros;
- Recoverable income tax amounting to 820 thousand euros for Portuguese companies and 6.138 thousand euros for Spain.

The balance shown under the caption "Other debtors" relates with the short-term reimbursable subsidies awarded by Portuguese and Spanish Investment Agencies, which are shown at nominal amount.

17. Other Current Assets

	2011	2010
Accrued income – Interests to be received	1.237.912	123.147
Other	497.284	148.942
	1.735.196	**272.088**

18. Cash and Short-Term Deposits

Cash and short-term bank deposits comprise the following:

	2011	2010
Cash on hand	30.214	32.987
Bank balance	2.599.814	8.519.064
Cash and short-term deposits	2.630.028	8.552.051

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Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

19. Equity

As at 31 December 2011, the Company's share capital, totaling 50,000 Euros represented by 50,000 shares of 1 Euro each, was fully subscribed and realized.

	2011		2010	
	No. of shares	%	No. of shares	%
BA Glass BV	50.000	100%	50.000	100%

Reserves and Retained Earnings

	2011	2010
Supplementary capital	10.922.728	10.922.728
Legal reserves	12.095.555	11.879.194
Other reserves and retained earnings	(4.931.796)	(7.247.225)
	18.086.487	**15.554.696**

20. Interest Bearing Loans and Borrowings

	2011	2010
Interest bearing loans and borrowings		
Non current	318.766.579	308.572.904
Current	74.537.112	55.489.263
	393.303.691	**364.062.167**
Cash and banks		
Cash	30.214	32.987
Bank deposits	2.599.814	8.519.064
	2.630.028	**8.552.051**
	390.673.663	**355.510.116**
Fair value of interest rate derivatives	–	-
	390.673.663	**355.510.116**

The Group's bank loans bear interest at the Euribor interest rate plus a spread which is contractually negotiated with a number of financial institutions, for set repayment terms, and are all denominated in euros.

	Short term	Long term	Total debt	2010
Non-current bank loans	46.829.542	137.905.349	184.734.891	160.992.492
Commercial paper programme	26.500.000	166.800.000	193.300.000	154.650.000
Bank overdrafts	–	–	–	28.396.010
Finance leasing	1.207.570	14.061.230	15.268.800	16.471.614
Bank deposits	(2.630.028)	–	(2.630.028)	(5.000.000)
	71.907.084	**318.766.579**	**390.673.663**	**355.510.116**
Fair value of interest rate derivatives	–	–	–	–
	71.907.084	**318.766.579**	**390.673.663**	**355.510.116**

The Company decided not to measure at fair value the derivative financial instruments as at 31 December 2011. Those instruments have a negative fair value of 356 thousand euros, as at year-end (2010: negative fair value of 600 thousand euros).

The detail of the long term liabilities recognised in the financial statements is presented in the table below:

Year	2011
2012	50.787.112
2013	117.161.627
2014	65.702.043
2015 and the followings years	85.115.797
	318.766.579

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21. Provisions

	Retirement pensions (note 28)	Environmental liabilities	Total
Balance at 01.01.2011	3.471.275	251.253	3.722.528
Increase	–	–	–
Utilised Amount	229.687	–	229.687
Balance at 31.12.2011	**3.241.588**	**251.253**	**3.492.841**

Liabilities to pensioners for retirement pensions are fully covered by a specific provision (refer to Note 29).

Minas de Valdecastillo, SAU carries a legal and constructive liability for restoration of land allocated to its mining operations which are estimated to an amount of 251,253 Euro (refer to Note 32.2).

22. Trade Payables

The Board of Directors believes that the book value of these liabilities (which are reported at their nominal value) constitutes a fair approximation of its amortized cost.

	2011	2010
Trade payables – Suppliers	50.488.608	50.705.530
Fixed assets suppliers	358.677	1.410.892
	50.847.285	**52.116.422**

23. Other Current Creditors

	2011	2010
Current		
Shareholders	11.621.544	–
State and other entities	566.305	6.153.180
Other creditors	1.625.298	1.490.135
	13.813.147	**7.643.316**

The balance reported under State and other entities refers to payable Value Added Tax, corporate income tax, personnel income taxes withheld and social security contributions.

The caption shareholders mainly refer to dividends distributed during 2011 and not paid to BA Glass B.V.

24. Other Current Liabilities

	2011	2010
Payroll expenses	4.164.467	4.076.629
Financial expenses	1.807.677	953.316
Other external supplies and services	310.091	839.486
Bonus granted (rappel)	1.646.409	1.577.765
Insurances	23.284	227.662
Others	449.455	545.519
Investment subsidies	22.922.099	22.030.020
	31.323.483	**30.250.397**

The balance of investment subsidies includes investment projects implemented by the Group in BA Vidro's and BA Vidrio's manufacturing plants. This balance recognised as deferred income is released to income in equal amounts over the expected useful life of the related assets (please refer to note 25).

In 2011 BA Vidro signed a contract regarding to the construction of furnaces AV4 and MGA.

There are no unfulfilled conditions or contingencies attached to these grants.

25. Other Operating Income

	2011	2010
Investment subsidies	4.641.162	3.659.292
Gain on disposal of fixed assets	317.903	195.786
Other operating income	2.296.583	628.197
Indemnities related with fixed assets (insurance claims)	3.071.379	-
Benefits from contractual penalties	4.199	30.815
Rentals	72.253	67.905
	10.403.479	**4.581.994**

26. Other Operating Expenses

	2011	2010
Taxes	981.161	889.636
Impairment loss of CO_2 emission licenses	302.293	-
Donations	81.682	105.926
Indemnities for contract termination	-	500.000
Other operating costs	749.367	458.490
	2.114.503	**1.954.052**

27. Financial Results

	2011	2010
Interest-bearing loans and borrowings	(14.388.037)	(7.310.926)
Interest earned from deposits	2.387.695	255.480
Discounts granted	(838.099)	(757.398)
Discounts obtained	38.907	41.887
Foreign exchange differences	119.257	110.708
Gains on Financial Investments	-	55.352
Impairment losses on financial investments	-	(3.869.979)
Other financial costs	(459.212)	(261.930)
Other financial income	9.728	184.511
	(13.129.761)	(11.552.295)

28. Income Tax

The Group is subject to taxation under a Special Taxation Basis for Groups of Companies, both in Portugal and Spain.

The reconciliation between the effective average tax rate and the applicable tax rate is presented in the table below:

Reconciliation corporate income tax	2011	2010
Profit / (loss) before tax	77.767.242	79.869.269
Current tax for the period	(16.278.479)	(15.836.926)
Deferred tax for the period		
Deferred tax assets – Goodwill BA Vidrio *(fundo de comércio)*	(354.051)	-
Deferred tax assets – tax losses	(3.216.563)	4.703.729
Deferred tax assets – provisions for other risks and charges	-	1.160.994
Deferred tax assets – Impairment losses	(466.034)	531.777
Deferred tax assets – pensions	16.168	22.625
Deferred tax liabilities – uniform depreciation criteria	(1.147.984)	(893.638)
Deferred tax liabilities – revaluation reserves	139.039	(260.457)
Libertad de amortización (depreciation deduction fiscal benefit)	687.997	(10.227.183)
Other deferred tax liabilities	20.747	34.740
	(4.320.681)	**(4.927.413)**
Income tax	**(20.599.162)**	**(20.764.339)**
Consolidated net profit for the period	**57.168.080**	**59.104.930**

As stated in note 13, deferred tax arising on account of tax losses and *libertad de amortización* originated from a tax allowance provided under Spanish tax legislation applicable to company investments implemented in 2009 and 2010.

As mentioned under the note 16, the current tax for the period is affected by a tax credit approved by tax authorities in the amount of 2.097 thousand euros. This amount relates with a fiscal incentive given to the Company in order to compensate the investments made in the past regarding the furnaces AV4 and MGA.

29. Post Retirement Benefits

The Group offers to actual pensioners retirement pension plans which liabilities are annually calculated based on actuarial studies conducted by independent actuaries.

The studies reported to 31 December 2011 and 31 December 2010 employed the "projected unit credit" methodology and were conducted under the following actuarial assumptions and technical bases:

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Mortality Rate	TV 88/90
Disability Rate	1.980
Retirement Age	65 years
Rate of annual increase to salary	0,0%
Discount Rate	4,6%
Rate of annual growth of pensions	0,0%

The annual discount rate applied to liabilities for pension payments is estimated based on the yields of highly rated long-term bonds of a maturity similar to the maturity of the liabilities in question.

Liabilities to pensioners are fully covered by a specific provision (refer to Note 21) calculated in accordance with the aforementioned actuarial studies.

30. Average number of Personnel

For 2011, the average number of employees in the current year was 1,432 (1,383, for 2010).

31. Related Parties

Inter-company balances and transactions reported to the companies included in the consolidation perimeter, as referred to in Note 5, were eliminated for purposes of preparing the consolidated financial statements.

In 2011 BA Glass Group acquired 100% of the share capital of a polish company "Brisa Investments S.p. z.o.o." which has two plants. This new company has the main purpose of enlarges the presence of Ba Group in international markets (namely the polish one) as well as enlarge the range of products that can be offered to its clients.

32. Environmental Matters

In the conduct of its business, the Group incurs in a variety of expenses of an environmental management nature which, depending on their characteristics, are capitalized or recognised as an operating expense in its operating results for the reporting period.

32.1 CO_2 EMISSION RIGHTS

Under the provisions of the PNALE II Programme ruling for 2008 to 2012, the Group was allocated a permit of 2,162,280 tons of CO_2 emissions, having used a total of 1.643.539 tons of CO_2 emissions, as at 31 December 2011.

32.2 ENVIRONMENTAL RESTORATION EXPENSES

Minas de Valdecastillo, SAU carries a legal and constructive liability to restore land allocated to its mining operations which is estimated to amount to 251,253 Euro (refer to Note 21).

32.3 LIABILITY FOR ENVIRONMENTAL DAMAGES

During the course of the financial year under analysis, the Group's subsidiaries which operate in Portugal raised equity reserves for purposes of meeting their responsibilities arising under the provisions of Decree-Law no. 147/2008.

33. Commitments and Contingencies

33.1 BANK GUARANTEES

As at 31 December 2011, the Group provided bank guarantees to third parties totaling 10.381.634 euros, which balance includes a bank guarantee provided to the European Investment Bank ("EIB") as security for finance.

33.2 CONTINGENCIES

In 2007, BA Vidro, SA was subject to a tax inspection of its 2005 tax returns and in 2009 it was subject to a tax inspection of its 2006 and 2007 tax returns, which inspections were conducive to additional tax liabilities arising from adjustments to its taxable income. No provision was raised in the financial statements on that account owing to the fact that the Board of Directors believes that the likelihood of the company incurring costs to settle those liabilities is remote and that the company has filed an objection to those adjustments with the courts.

In 2009, BA Vidrio, SA was subject to a tax inspection of its 2004 to 2007 tax returns, which inspection was conducive to additional tax liabilities arising from adjustments to its taxable income. No provision was raised on that account owing to the fact that the Board of Directors believes that the likelihood of the company incurring costs to settle those liabilities is remote. In turn, the company has also filed an objection to those adjustments with the courts.

In 2011 the Company Sotancro has a tax inspection concerning the year 2008, which conclusions have not been known until the date of this report.

34. Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to financial risk, interest rate risk, exchange rate risk and credit risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

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FINANCIAL RISK

The financial risk is the risk of the fair value or future cash flows of a financial instrument varying and of obtaining results other than those expected, whether these are positive or negative, changing the Company's net worth.

When carrying out its current activities the Company is exposed to a variety of financial risks liable to change its net worth which, depending on their nature, can be grouped into the following categories:

- **Market risk**
  Interest rate risk
  Exchange rate risk
  Other price risks
- **Credit risk**
- **Liquidity risk**

The management of the above mentioned risks – risks which arise largely from the unpredictability of the financial markets – requires the careful application of a series of rules and methodologies approved by Board of Directors, whose ultimate objective is the minimising of their potential negative impact on the Company's net worth and performance.

With this objective in mind, all risk management is geared towards two essential concerns:

- To reduce, whenever possible, fluctuations in the results and cash-flows subject to situations of risk;
- To limit any deviations from the forecasted results by way of strict financial planning based on multiannual budgets.

As a rule, the Company does not assume speculative positions meaning that, generally speaking, the operations carried out in the context of financial risk management are aimed at controlling already existing risks to which the Company is exposed.

Management defines principles for risk management as a whole and policies which cover specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivative or non-derivative financial instruments and the investment of excess liquidity.

The management of financial risks, including their identification and evaluation, is carried out by the finance department in accordance with policies approved by Board of Directors.

INTEREST RATE RISK

Interest rate risk is the risk of the fair value or future cash flows of a financial instrument varying due to changes to market interest rates, changing the Company's net worth.

The Company's exposure to the risk of changes in market interest rates relates to the existence of assets and liabilities negotiated with fixed or floating interest rates. In the first case, the Company faces a risk of fluctuation in the "fair value" of the assets or liabilities, due to the fact that any change in the interest market rates involves an "opportunity cost" (positive or negative). In the second case, such change has a direct impact on the amount of interest received/paid, causing cash variances.

EXCHANGE RATE RISK

The exchange rate risk is the risk of the fair value or cash flows of a financial instrument varying as a result of changes in foreign exchange rates.

The internationalization of the Company forces it to be exposed to the exchange rate risk of the currencies of various countries.

Exposure to exchange rate risk essentially derives from the Company's operating activities (in which expenses, income, assets and liabilities are denominated in currencies different from the reporting currency). However, transactions and balances in foreign currency are immaterial in the total amount of the Company's transactions, hence we consider this risk to be reduced.

CREDIT RISK

The credit risk is the risk of a third party failing to meet its obligations under the terms of a financial instrument, causing a loss.

The Company is subject to risk in credit with regards to its operating activity, namely with customers, suppliers and other accounts receivable and payable.

The management of credit risk with regard to customers and other accounts receivable is carried out as follows:

- The compliance with policies, procedures and controls established by the Company;
- The credit limits are established for all customers based on defined internal evaluation criteria;
- The credit quality of each customer is evaluated based on credit risk information received by specialized external companies;
- The outstanding debts are monitored on a regular basis and supplies to the most important customers are usually covered by guarantees.

35. Tax benefits

In the period 2009 – 2011, , the Company incurred research and development expenses (R&D) which may be eligible to be subsidised as per the Programme for Tax Benefits on Enterprise Research and Development (SIFIDE), set out in Law No. 40/2005 of August 3rd.

Under this incentive, the Company will have the possibility to benefit from deductions to income tax payable. At the balance sheet date benefits totaling 480.127,48 euros were utilised in 2011.

36. Events after the Balance Sheet Date

There are no known events after 31 December 2011 which may influence the presentation and the interpretation of the present financial statements reported at that date.

Avintes, 30 January 2012

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
Francisco José Mestre Mira da Silva Domingues
José Ignácio Comenge Sanchéz-Real
José Pedro de Araújo Lopes
Mário Pereira Pinto

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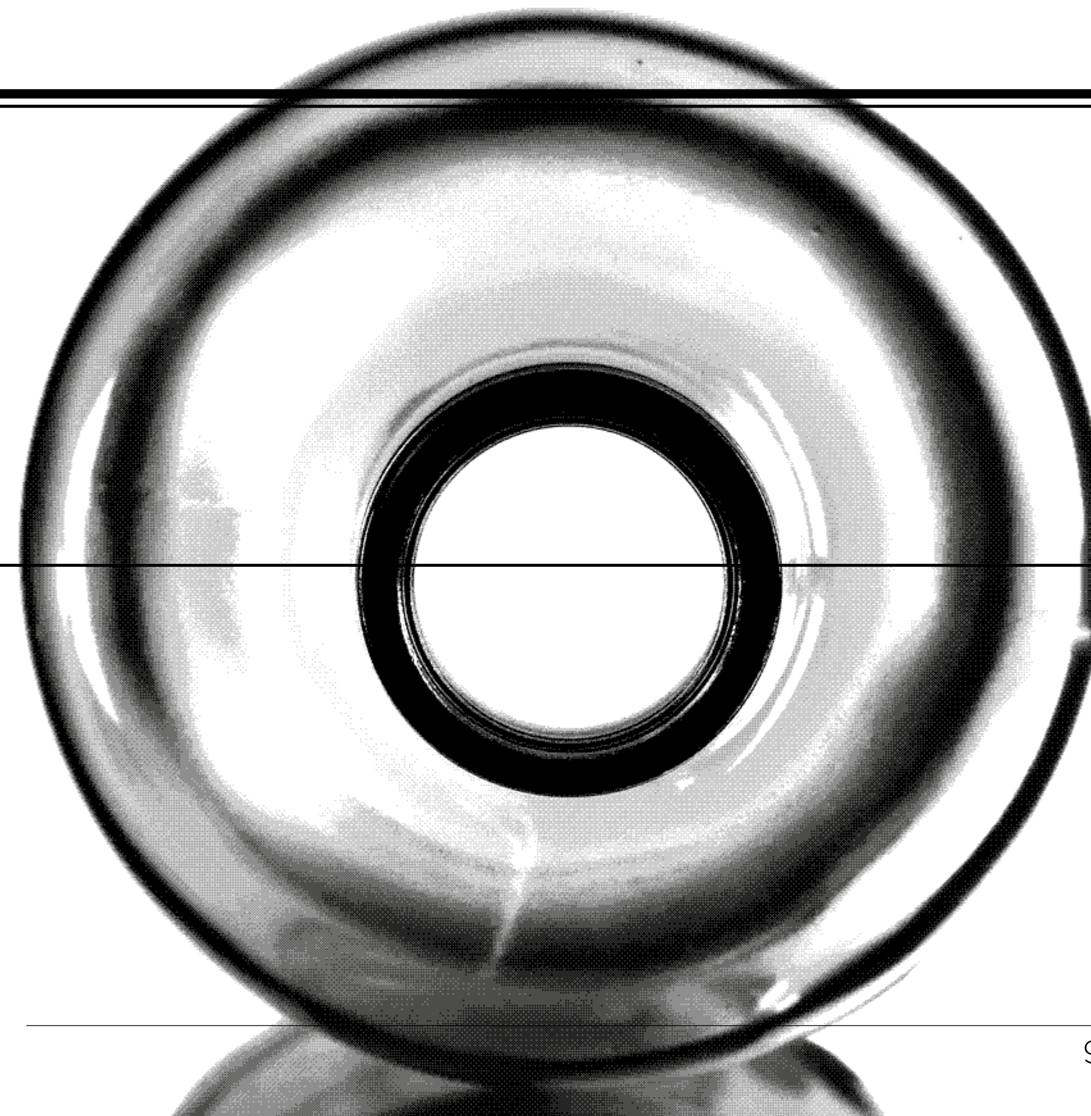
Statutory Auditor's Report



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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 2011 (que evidencia um total de balanço de 589.100.180 Euros e um total de capital próprio de 75.304.567 Euros, incluindo um resultado líquido de 57.168.080 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;

   - 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 2011, o resultado e o rendimento integral consolidado das suas operações, as alterações no seu capital próprio consolidado e os seus fluxos consolidados de caixa, no exercício findo naquela data, em conformidade com as Normas Internacionais de Relato Financeiros (IFRS), tal como adoptadas pela União Europeia.

Relato sobre outros requisitos legais

8. É também nossa opinião que a informação constante do relatório de gestão consolidado é concordante com as demonstrações financeiras consolidadas do exercício.

Porto, 30 de Janeiro de 2012

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 – CONTAS CONSOLIDADAS

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

Em cumprimento das 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 consolidadas da BA GLASS I – Serviços de Gestão e Investimentos, S.A., relativos ao exercício findo em 31 e Dezembro de 2011, 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 e 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 das empresas incluídas no perímetro de consolidação, bem como do modelo de gestão de riscos e de controlo interno. Participou ainda na reunião do Conselho de Administração que aprovou os documentos de prestação de contas consolidadas e teve acesso às actas das reuniões do Conselho de Administração, bem como a toda a documentação que considerou necessária, não tendo, no decurso destas e de outras diligências realizadas, 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 consolidada, bem como a revisão das contas aos documentos de prestação de contas consolidadas da empresa, tendo considerado adequado o trabalho desenvolvido e salvaguardada a independência do mesmo; e tomou conhecimento das principais conclusões do Revisor Oficial de Contas, que foram objecto de análise conjunta e são globalmente conformes com a sua própria percepção.

Ainda no âmbito das suas competências, o Conselho Fiscal examinou a Demonstração consolidada da posição financeira em 31 de Dezembro de 2011, as Demonstrações consolidadas do rendimento integral, dos fluxos de caixa e das alterações no capital próprio do exercicio findo naquela data e os correspondentes Anexos. Adicionalmente procedeu à apreciação do Relatório de Gestão do exercício findo em 31 e Dezembro de 2011 emitido pelo Conselho de Administração e da Certificação Legal das Contas emitida pelo Revisor Oficial de Contas sobre as contas consolidadas, que mereceram o seu acordo.

Face ao exposto, o Conselho Fiscal é da opinião que a informação constante nas demonstrações financeiras em apreço, foi elaborada em conformidade com as normas contabilisticas, 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 perimetro 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, da Direcção executiva, 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, a Demonstração consolidada da posição financeira em 31 de Dezembro de 2011, as Demonstrações consolidadas do rendimento integral, dos fluxos de caixa e das alterações no capital próprio do exercicio findo naquela data e os correspondentes Anexos.

Avintes, 30 de Janeiro de 2012

O Conselho Fiscal

Rita Silva Domingues (Presidente)

Manuel Ortigão Oliveira

Óscar José Alçada da Quinta

Sustainability Report

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Sustainability Report

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Mission, Strategic Vision and Values

Introduction

As has become the practice in recent years, the BA group publishes the Sustainability Report together with the company's Annual Report.
The present report reflects the BA group's sustainable development principles, thereby assuming a public commitment to develop or pursue its operations in a balanced manner in different perspectives – **economic, environmental and social.**
This equilibrium always takes into account the BA group's Mission, Vision and Values.

Mission

It is the group’s mis sion to develop, produce and sell gla ss containers to the food and beverages industries.

Strategic Vision

The BA group's goal is to position itself as **"The Best among the Biggest"**, founded on three fundamental pillars:

- **Creation of value for the shareholder;**
- **Customer satisfaction and loyalty;**
- **Staff motivation and satisfaction.**

The pursuance of its vision and business sustainability requires an integrated management system, based in principles, policies and consistent objectives.

WE WANT TO BE THE BEST AMONG THE BIGGEST

CUSTOMER	SHAREHOLDER	HUMAN RESOURCES
SATISFACTION LEVELS	EBITDA	SATISFACTION ASSESSMENT

Values

The group's values translate into the acronym HeART.

HUMBLENESS
eMOTION
AMBITION
RIGOR
TRANSPARENCY

Humbleness to enjoy the opportunities that we are presented or have constructed; **Ambition** in the establishment of objectives and aims; **Rigor** in operations and tasks carried out; **Transparency** in the internal and external relations; and **Emotion** that makes us commit and deliver.

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Sustainable Development

BA's Principles of Sustainable Development

SUSTAINABLE PRINCIPLES OF DEVELOPMENT

- CREATION OF VALUE
- CUSTOMER ORIENTATION
- HUMAN CAPITAL MANAGEMENT
- CORPORATE AND SOCIAL RESPONSIBILITY

Fulfilment of the strategic vision and of the sustainable development principles, as well as the continuing improvement of the integrated management system, constitutes the BA's group commitment, which its success is only possible with the involvement of qualified, hard-working and ambitious employees.
It is based on sustainable development principles – incorporated into the company's management and supported by structured documentation – and on respect for the company's values which annually are defined goals more demanding and ambitious. These goals are monitored and scrutinised on a regular basis through key performance indicators which define the group's performance.

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Creation of Value

- Create value for the shareholder
- Increase productivity and effectiveness
- Evaluate the business risks

By creating value for the shareholders, the BA group also creates value for the parties with whom it interacts, namely employees, customers, suppliers and the community in general.

As one of the principles supporting its strategic vision, the creation of value is only possible if all the relationships with stakeholders are founded on the values of transparency, trust, rigour, credibility and responsibility.

The Board of Directors is in charge of formulating the development strategy for the entire group and to ensure its coherence with the vision and goals.

The group has a results-oriented management system, founded on action plans focused on the quest for continuing improvement, in order to optimise resources, reduce costs, minimise inefficiencies and satisfy the ever-increasing demands of its customers. The goals are constantly monitored by performance indicators set annually, comparing internal and external performance, in the continuous search for best practices.

The BA group has given priority to the development of information systems and the optimisation of its processes in response to greater market expectations in the areas of quality, flexibility and speed in response to the market.

The BA group will continue to manage the risks underlying its business, through the quality and transparency of the information provided to its stakeholders regarding all the critical points of the processes, seeking to identify potential situations of value destruction or creation of value and guaranteeing that decisions are taken in a timely and appropriate manner to eliminate and boost that situations, respectively.

This methodology is intended to identify as best as possible all the endogenous and exogenous factors that could have a significant influence on business profitability, anticipating their consequences and striving to take advantage of all the opportunities identified, minimising the impact of risks and threats.

It is based on these principles that the following business risks are identified, evaluated and mitigated:

Economic risks, through the analysis of market trends and the feedback obtained from customers related with the level of satisfaction with the product sold and the service provided in order to construct and adopt a marketing plan with concrete initiatives to respond to market challenges and to guarantee the group’s sustainability. Benchmarking practices also allow testing the teams through the way of the comparison with the industry’s best practices, positioning the BA group as a key player in the sector in which it operates in all operating areas.

Property risks, through the periodic verification of security systems safeguarding against fire and theft and monitoring control at the plants. With a view to minimising these risks, emergency plans have been tested in fire, power failure and glass spillage situations by recourse to the realisation of simulated occurrences. The BA group has a portfolio of current insurance policies, which management is vested in outside parties.

Financial risks, through the continual analysis of interest and foreign exchange rates and accounts receivable. The management of financial risk is done on the basis of case-by-case analyses taking into account the prevailing economic landscape, sporadically resorting to the hedging of interest-rate and currency risks. The equilibrium of our capital structure is a constant concern, with special attention paid to the structuring of business and capital expenditure operations in a rational manner and which ensures the necessary financial equilibrium.

Operational risks, through the implementation of management procedures and good practices in plants’ operations, in personnel management, in information technologies and in the supply chain. In order to minimise operational risks, preventative maintenance plans have been developed for critical equipment and defined good practices for the storage, handling and transportation of raw materials and potentially dangerous products. Risks to people are minimised through training courses and preventative awareness initiatives with the aim of avoid work accidents and their effects. In order to minimize the risks associated with the information systems, there are disaster-recovery and risk-assessment procedures for data integrity, such as the audits carried out by external firms.

In what concerns to its products, the group uses the best practices in storage, handling and transport to its customers, with this being a point of increasing interaction between the group and its customers and one of the concerns in the definition of capital expenditure plans.

These risks and the manner to deal with them are described in management procedures, amongst which those relating to “Crisis Management”, where are specified the communication rules and responsibilities in the case of exceptional events. Indeed, all the management procedures and practices instituted are reviewed and optimised on a regular basis, relying for this purpose on the collaboration of all the areas involved in order to ensure the constant improvement of processes and the mitigation of potential risks, as well as the impact that those risks could have on the group’s activity.

ECONOMIC PERFORMANCE

KEY CONSOLIDATED INDICATORS

Key Consolidated Data (k.€)	2011	2010
Sales	353.549	351.612
Operating cash flow (EBITDA)	128.345	124.231
Operating Profit (EBIT)	90.897	91.422
Net Financial Result	-13.130	-11.552
Profit before Taxes	77.767	79.869
Net Result	57.168	59.105
Net Total Assets	589.100	553.081
Shareholders' Equity	75.305	74.710
Net Financial Debt	323.263	355.510

The glass industry, as with all other industries, was influenced by the crisis environment installed on the national and international markets, which led the group to approach problems in a different way, with the flexibility and speed of response always a key factor in keeping pace with customers' requirements.

Despite this crisis scenario, operating cash flow (**ebitda**) remained at interesting levels, amounting to 128.3 million euro, 36.3% of sales, while operating result (**ebit**) was 90.9 million euro, 25.7% of sales.

2011 saw the end of the cycle of the repairs to the furnaces, which in recent years embraced all the group's furnaces. Consolidated capital expenditure in 2011 totalled 20.0 million euro, with 10.3 million euro applied to the modernisation of the plants of Avintes and Villafranca de los Barros. It is also worth mentioning the investments made in the construction of a new warehouse at Avintes and the improvements made at the Venda Nova warehouses which totalled 9.7 million euro.

The group's debt to equity ratio at the end of the year stood at 12.8% of assets, while the net debt/ebitda ratio was situated at 2.5, revealing the group's strong capability to cope with its debt-funding level and guaranteeing access to the financial markets.

CUSTOMERS

The Iberian market continues to be strongly shaken by the crisis scenario, with unemployment levels soaring to new record highs which inevitably led to a cutback in consumption. These adverse conditions had an expressive impact on the BA group's performance in its domestic market, since the demand for glass had remained at minimal growth rates. One of the group's main concerns is focused on the very limited access to credit on the one hand by the part of companies and on the other hand by final consumers. In recent years, the group has been focused on the external market beyond Iberia in order to sustain its growth and which now accounts for 20.0% of total sales. Consolidated sales totalled 353.5 million euro, which translates into 0.6% growth relative to 2010. Despite this market diversification, credit risk was unchanged by the greater exposure to new markets, as a result of the risk-analysis policy that the group has implemented with a view to its minimisation.

The principal sales segment continues to be the food industry, with 31.7% of total sales, although the segment posting the largest growth was the beer sector.

The packaging market has suffered strong pressure in recent years as a consequence of increasingly more demanding consumers and the growing need for drinks and food producers to differentiate themselves from their competitors.

The BA group responded to the market by offering a unique and differentiated service, creating value added, distinguishing itself in this way from its direct and indirect rivals.

The preference for this business model proved to be one of the fundamental factors to the growth in markets beyond the Iberian area.

In order to maintain the policy of customer proximity, the group has a team of key account managers who manage the accounts of the main customers, and continues to invest in the internal capacity for developing new products and optimising processes, maintaining as one of its key goals flexibility and innovation for presenting new products in the market on time basis and with the necessary quality.

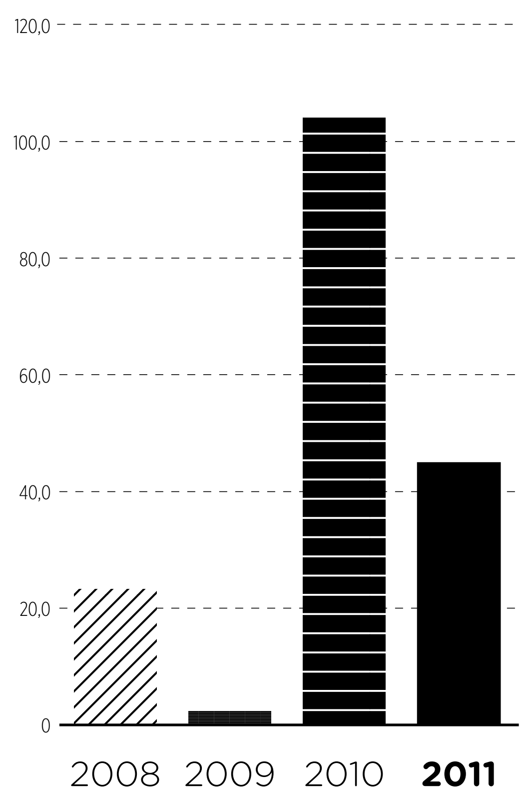
In order to provide a better service to customers, the group gave priority to its collaboration model – "Challenge to Innovation" – which in conjunction with its customers, improvements are shown along the value chain that are capable of generating advantages for both parties.

SHAREHOLDERS

The group has revealed a capacity for sustained growth, with value creation for its shareholders at very satisfactory levels, fruit of the actions and policies implemented during recent years. These in turn have generated very meaningful improvements in productivity, operational efficiency and asset utilisation which permitted minimising the impact of the prevailing negative macroeconomic scenario.

Dividends were distributed to shareholders during the year, with the group maintaining a balanced financial structure in order to meet its commitments and funding needs. The dividends paid allowed reinvestments in business expansion.

Distribution of Reserves and Net Income (k.€)



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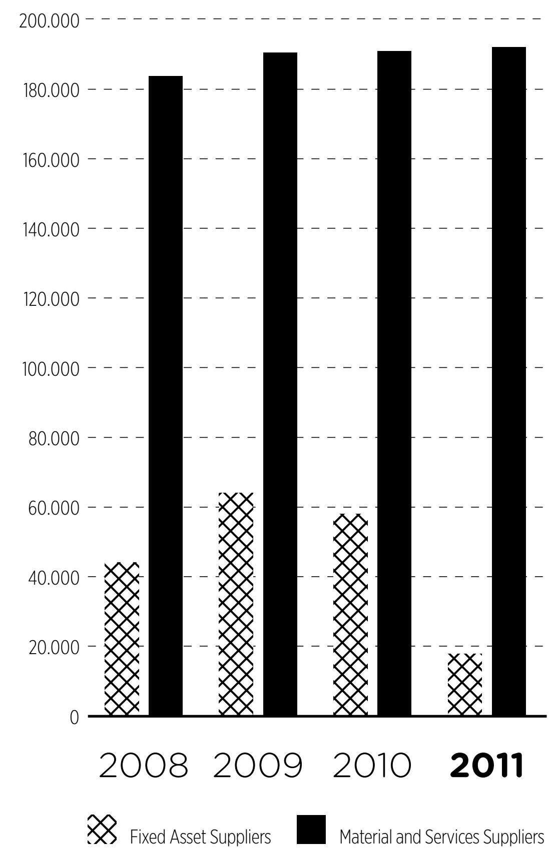
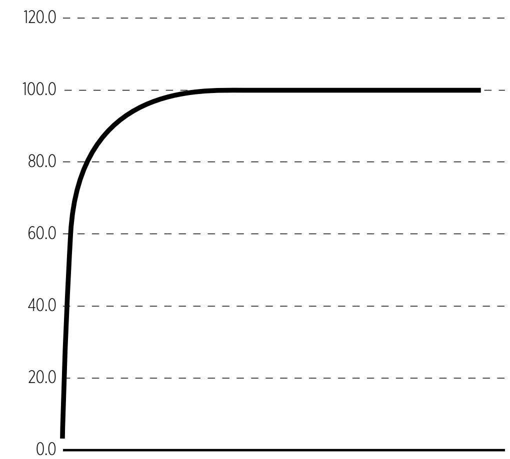
SUPPLIERS

Purchases (k.€)



ABC Suppliers (% purchases)



The relationship between the BA group and its suppliers is founded on principles of partnership and the promotion of sustainable development, seeking to take advantage of the best technical and economic solutions available on the market.

The concerns continued to centre on the energy and raw material costs, namely power and sodium carbonate, where the rise in prices in the last few years has had a major impact on production costs. These constant increases in the prices of production factors have not only been the consequence of production costs in those sectors, but also from the virtual monopolistic characteristics of the respective sectors. The demand for and use of alternative supply and/or substitute products continue to be a priority, as was the case of cullet whose utilisation as a raw material continues to grow.

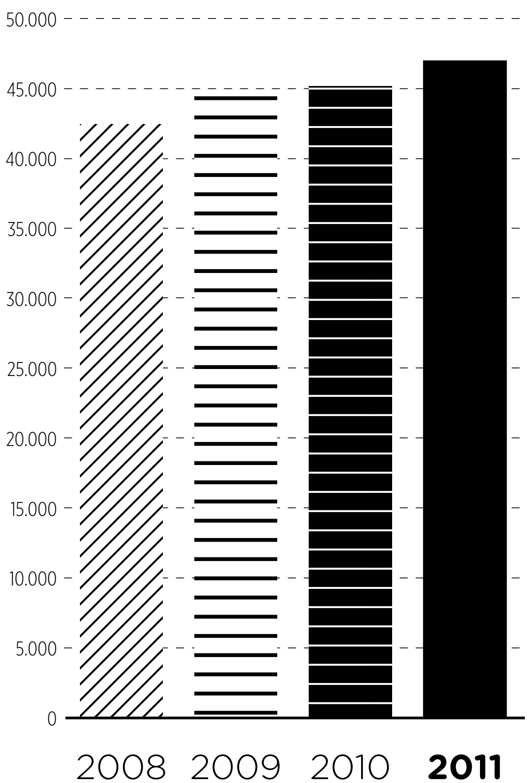
During 2011, the crude-oil price's negative trend was monitored with special attention, bearing in mind that it results in higher direct and indirect costs with a significant impact on activity, a fact which is expected to intensify during the coming year.

EMPLOYEES

In its relationship with employees, the group incurred costs of 47.0 million euro in 2011, around 4% more than in 2010, which is equivalent to an annual figure of 32 thousand euro *per capita*.

Part of this figure refers to benefits associated with insurance, 275.5 thousand euro, with training, 176.5 thousand euro, and with variable bonuses and staff profit-sharing payments, 2.9 million euro. The last-mentioned is the instrument which the group favours for sharing in the wealth generated by its business operations.

Personnel Costs (k.€)



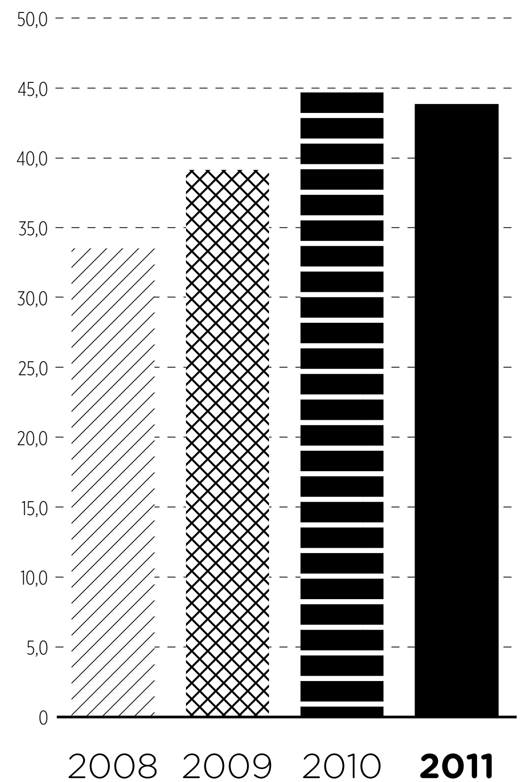
COMMUNITY

As regards the various communities with whom the BA group interacts, priority continued to be given to giving support to youth education and training, besides the economic backing to institutions involved in social, cultural and sporting activities, in particular, support to the communities the plants.

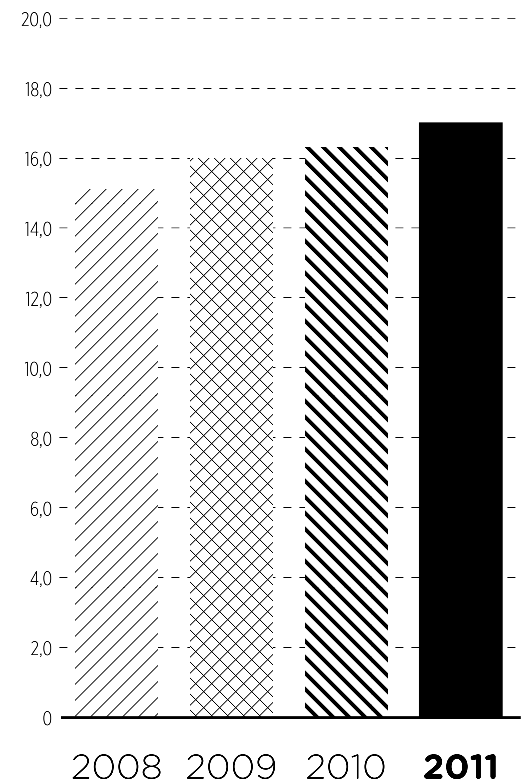
In addition to economic assistance, the group creates indirect value by contributing to the training of the younger generations through visits, practical experience internship programs, and voluntary work undertaken by senior staff members.

The amount of taxes paid to the State continues to have an expressive figure on accounts. In 2011, the amount delivered in the form of corporate (CIT) and value-added (VAT) taxes totalled some 43.8 million euro, while the contributions to the social security system and income tax withheld from employees' salaries amounted to 17.0 million euro.

Taxes paid to Governments VAT+CIT (k.€)



Withholding Taxes & Social Security (k.€)



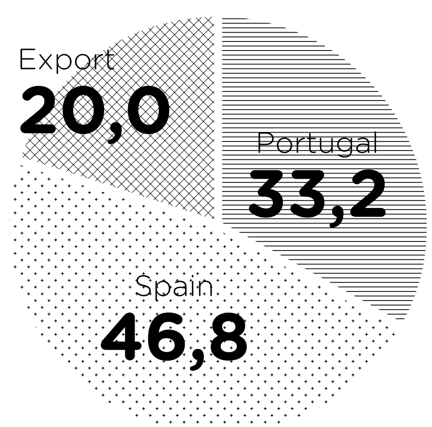
Customer Orientation

. Priority to innovation
. Creation of value for the customer

Within the context of the adjustment triggered by accumulated macroeconomic imbalances, the Iberian economies registered a strong contraction in private consumption, engendered mainly by the banking sector's de-leveraging process. Associated with the world economic crisis that the markets are now experiencing is the credit crisis which led to extremely restrictive conditions for the granting of credit. Companies and families alike are living in a recessive environment, shrouded by uncertainty about the future.

In this period of instability, the group concentrated on the optimisation of industrial infrastructure through the specialisation of the plants and the boosting of industrial efficiency. It was equally important to focus on product development and to increase industrial flexibility so as to assist customers to triumph in an increasingly demanding market, developing and offering products which respond to their preferences and which are aligned with the trends of sustainability, health and convenience. Although consumers are under ever-mounting financial pressure, they still seek products which meet their needs and defend their values.

Market › Sales 2011 (%)



It is clear that consumers have been changing their attitudes and lifestyles, becoming more cautious and informed at the moment of purchase, consuming less and saving more, thinking about the future.

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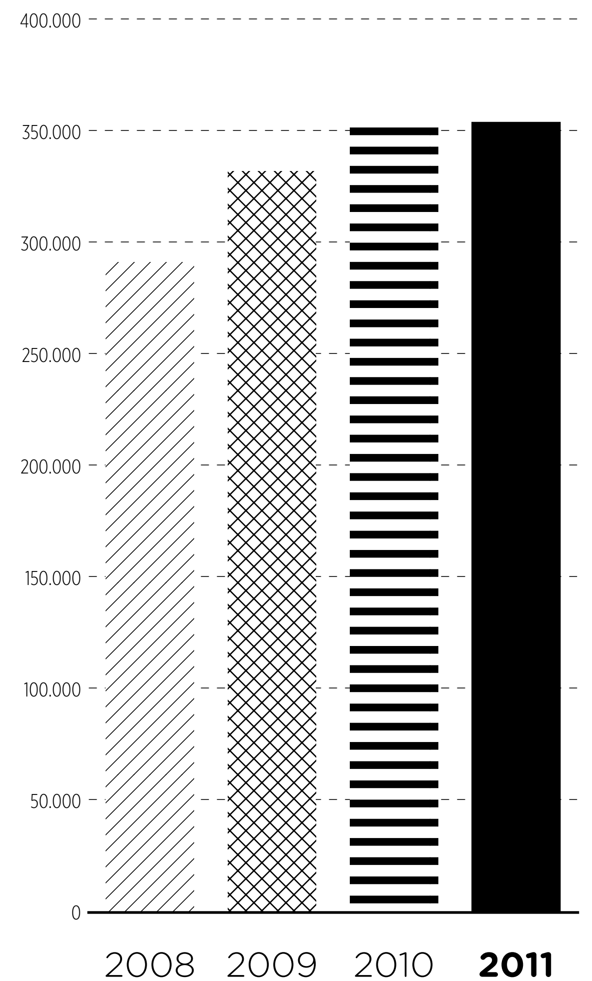
They have also become more conscious about price and the value proposals offered. It is for this reason vital to work jointly with customers, this being one of the priorities assumed by the group. Environmental-sustainability is also one of the major factors that can support the glass market at the moment of the buying decision.

Turnover
(k.€)

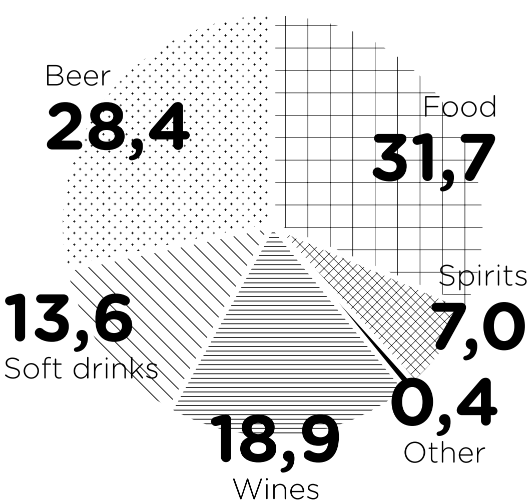


In 2011, the group developed 209 new projects (4 projects per week) and unveiled 55 new products (almost 5 new products per month).

The group's strategy has always been marked by a serious commitment to operational excellence, to absolute cost control and by an orientation to creating value for the customer. Product, process innovation and customer proximity are pillars of the commercial strategy.

The permanent orientation and availability to "listen to" and "understand" customers and their consumers were responsible for the group being amongst the first to endeavour meeting their needs. Searching for the best solutions, sharing information, promoting simplicity and efficiency and reinforcing the mutual trust, enabled the group to accompany current customers to new regions and to win over new customers.

Segment › Sales 2011
(%)



Despite the unfavourable conditions in 2011, the group posted growth in consolidated sales, thanks largely to the increase in export sales.

The commitment to new product development continues to be a priority, where growth has occurred primarily in the "Food & Oil" and "Wine & Spirits" segments. Part of the product value-added and enhancement strategy is complemented by the development of products with a larger range of decorative finishes and which are reflected in the higher sales in the "Beer" and "Soft-Drinks" segments.

Through the model which the group calls "Challenge to Innovation", a number of projects were undertaken aimed at reducing production and logistical costs – decrease in the weight of articles and the consumption of secondary packaging, and transport optimisation – intervening in customers' value chains, improving their competitiveness, cutting "time-to-market" and presenting proposals with a positive impact at economic and environmental levels.

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Human Resources Management

- To develop knowledge and understanding of the business
- To promote the development of individual skills and creativity
- To promote balance between personal and professional life
- To strengthen management systems that ensure health and safety

As a result of the social and economic changes marking 2011, human capital management assumed particular importance, not only as regards ensuring employability and working conditions for all employees, but also offering the means to develop the necessary skills so as to permit confronting the challenges of a market in constant mutation.

To this end and honouring its undertaking to respect human rights and the company's ethics principles, the BA group decided in 2011 to prepare the implementation of the SA 8000 standard, which is aimed at the confirmation by a certified entity of the social accountability policies. Accordingly, a number of awareness initiatives were carried out for the workforce with a view to transmitting to them the commitments assumed by the group in this domain and to train staff in practices related to key human rights.

As 2011 drew to a close, it was also time to survey the organizational climate, a usual group practice. By simply establishing with rigour and transparency the general level of its employees' satisfaction and motivation, it is possible to adopt measures directed at personal and corporate advancement. The strong points and improvement opportunities relating to a set of critical factors were diagnosed, such as values and culture, communication, general satisfaction, working conditions and human resources policies, and all employees had the opportunity to express themselves freely. The general average of the responses obtained was clearly positive, having attained the highest value ever while all the factors evolved positively when compared with the previous survey. Hence, the group believes that the vast majority of the measures taken during 2011 were aligned with employees' needs, and that this fact will permit the organization to develop in an increasingly sustainable manner.

Despite 2011 having been a year in which the concerns and priorities of the society in which the group is immersed underwent changes, the sustainability pillars of human capital at BA remained unchanged, with a number of measures having been taken with a view to enhancing knowledge of the business, promoting the development of individual skills and creativity, advocating a proper work-life balance and strengthening the systems which guarantee health and safety.

Knowledge of the business is unquestionably an essential competency for the development of BA employees' skills, with the result that it is a priority to undertake activities that are aimed at achieving this goal. At internal level, the focus is placed on periodic communications, whereby all data relating to the group's performance and results are made available, comparing these with market and sector trends. Another vehicle for disseminating information to all employees is the quarterly newsletter providing information about the business on the in-house website and at information kiosks installed at the factories. On the external front, special attention is paid to partnerships with teaching institutions with a view to sponsoring practical experience internship programmes, promoting study visits and fostering competitions as part of academic activities in order to inform the community more fully regarding the company's activity and helping young people become integrated into the labour market.

The monitoring and progressive induction policies of those who start a new function is equally a determinant in the process of learning about the business by new workers, with the result that the induction plans encompass experiences at several areas of the company.

The fostering of individual skills is essential for ensuring the obtainment of professional competencies in addition to those required for technical activity. The creation of proper structures for developing competencies is already a commitment assumed by the group. Performance evaluation is a fundamental stimulus for employee advancement, streamlining the process of acquiring appropriate new professional and human skills for generating the necessary efficiency and competitive levels for securing market leadership and reinforcing a merit-based culture. The promotion of creativity is equally understood as being crucial for remaining and growing in the markets, with the result that the group believes that incentive schemes which reward innovative initiatives continue to be essential. The annual gathering of senior employees in 2011 had as its main theme the presentation of a new "instrument": **"R.A.D.A.R. – Reconhecer e Antever Desafios para Alcançar Recordes"** "recognition and anticipating challenges in order to achieve records", stimulating staff creativity, anticipating innovative scenarios which permit responding to market challenges and enhancing the group's competitiveness.

Focused in advocating a proper work-life balance in the current economic context, the BA group not only guaranteed the employability of its employees, but also saw the workforce increase, the maintenance of stable labour relations, incentivised training and promoted the improvement in working conditions.

The group remains convinced that relations with its employees must take place in a climate of mutual trust, encouraging the free expression of their opinions about their professional environment as it relates to their family life. Similarly, human resource policies embrace methodologies under which employees can discuss issues relating to the personal/work balance, namely issues of suitability to a certain function and geographical mobility, so that BA strives to the extent possible to cater for each individual's personal situation within the company's development strategy.

The strengthening of management systems which guarantee the workers' health and safety is an undertaking that has always been assumed by the group. In order to achieve this goal, action was taken on a number of fronts in 2011 which increasingly draw the company's safety management system closer to the fundamental principles of Standards OSHAS 18001. In this arena, the group has the following commitments:

- To assume safety as an integral part of management, monitoring its performance by means of appropriate indicators with respect to work accidents, severity, frequency and characteristics, which translate the manner how the actions taken and the investments made were effective in minimising or eliminating the threats to safety. The goal **"Accidents: Zero tendency"** remains in force;
- To ensure a safe and healthy work environment as a factor for employee motivation and contentment, considering that there is an awareness of its importance for improving their quality of life;
- To promote training on the risk attaching to the activities of all employees, so as to ensure their awareness concerning each individual's responsibility in the prevention and elimination of the associated dangers and risks;
- To protect property, plant and equipment, ensuring proper safety conditions, acquiring equipment and making investments that permit averting the associated dangers and risks.

SOCIAL PERFORMANCE
EMPLOYMENT

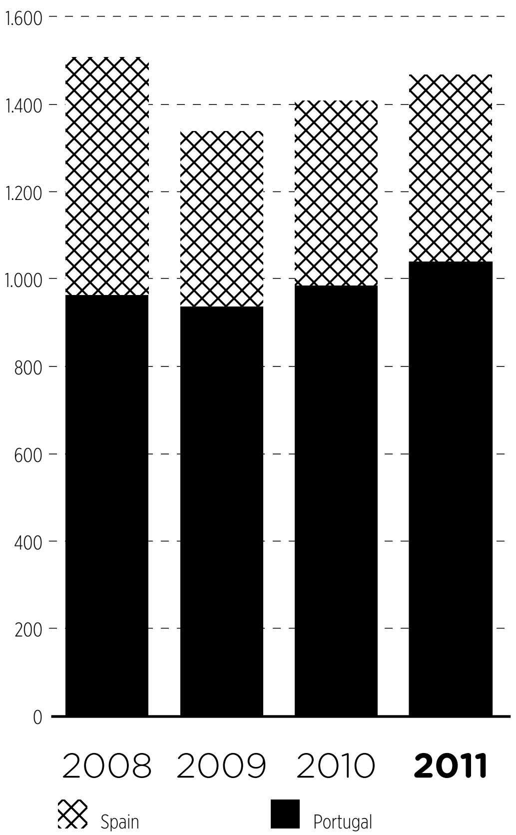
The BA group closed 2011 with 1,467 employees, 58 more than in the previous year.

Going against the market trend, the existing teams were reinforced, not to mention the hiring of a team for a new group company dedicated to the maintenance, repair and manufacture of moulds for the glass industry. The workforce continues to be composed of Portuguese and Spanish employees, the latter currently representing 30% of the headcount.

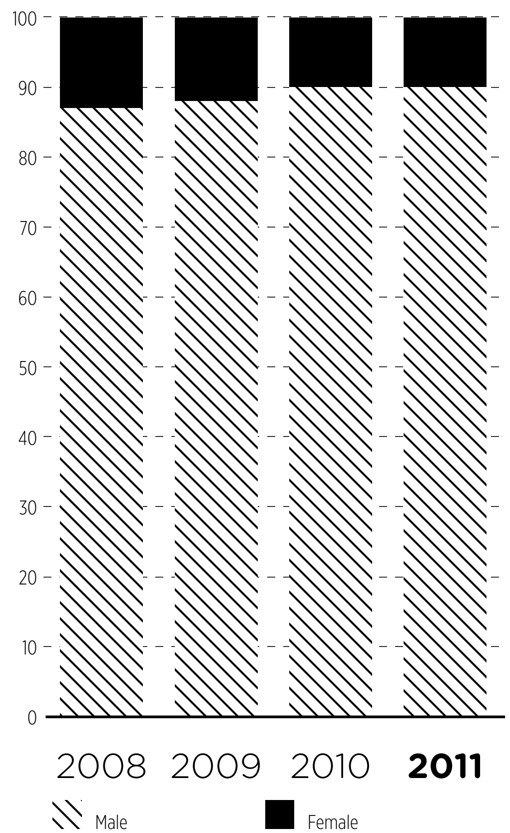
The adjustments to the staff structure resulted in a change in the average age profile, which registered a slight decline and is now situated at 40 years old, revealing a very balanced breakdown between the various age groupings.

The group is governed by non-discrimination principles which are formally laid down and communicated. However, due to the characteristics of the activities carried out and the existing work timetables, the majority of the workforce are men (around 90%). Indeed, new applications received by the company are mostly from men, indicating the lack of attractiveness in this sector for women.

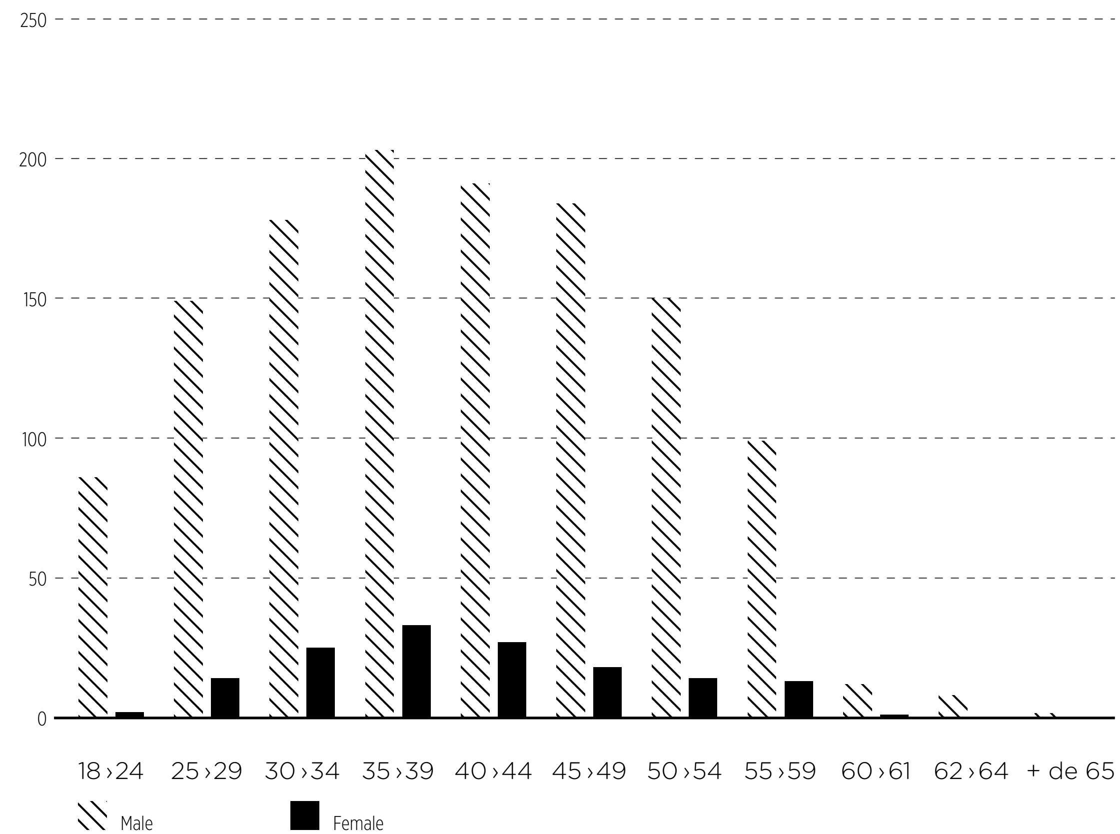
Employees by Region
(total No.)



Breakdown by Gender
(% M/F)



Age Profile
(% age)



In spite of suffering a slight increase in 2011, the rotation index remains extremely low, a consequence of both the technical profile of a greater part of their functions and the above-average remuneration which the BA group pays to its staff.

The group's attractiveness to new candidates remains high, as evidenced by the receipt of some 5,000 job applications during 2011.

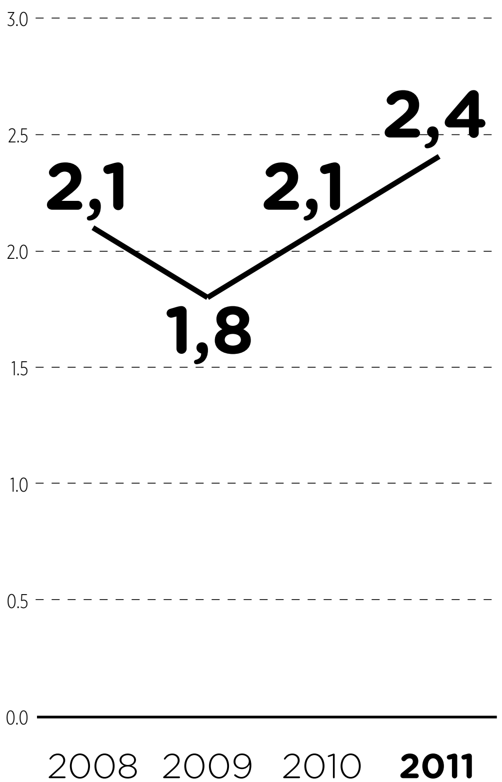
As regards education levels, there was an increase in the average level of schooling, with more than half of employees having attended school for more than 10 years.

The average length of service is 13 and a half years, remaining relatively stable in the past few years.

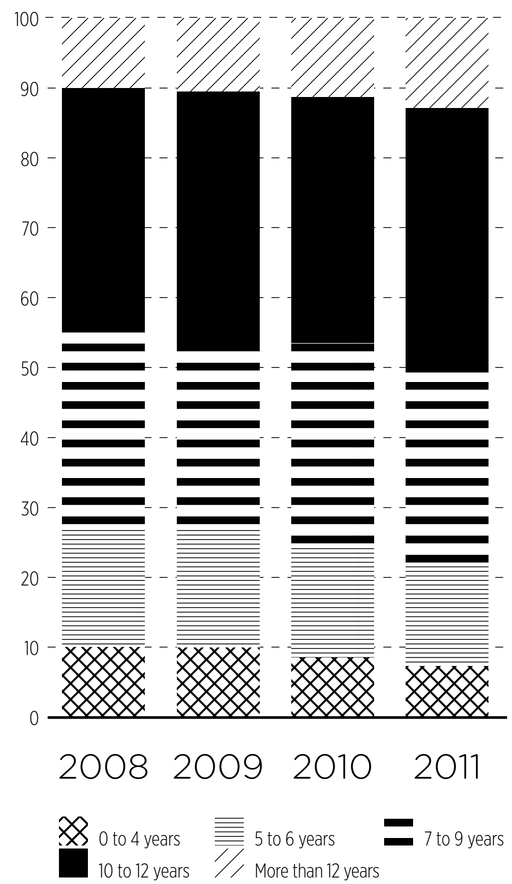
TRAINING

Notwithstanding the fact that 2011 saw a decrease in the volume of training, this continues to constitute a crucial instrument at the BA group for providing the most appropriate development of employees' skills. Training time consumed 24,489 hours, but in reality there are a significant number of

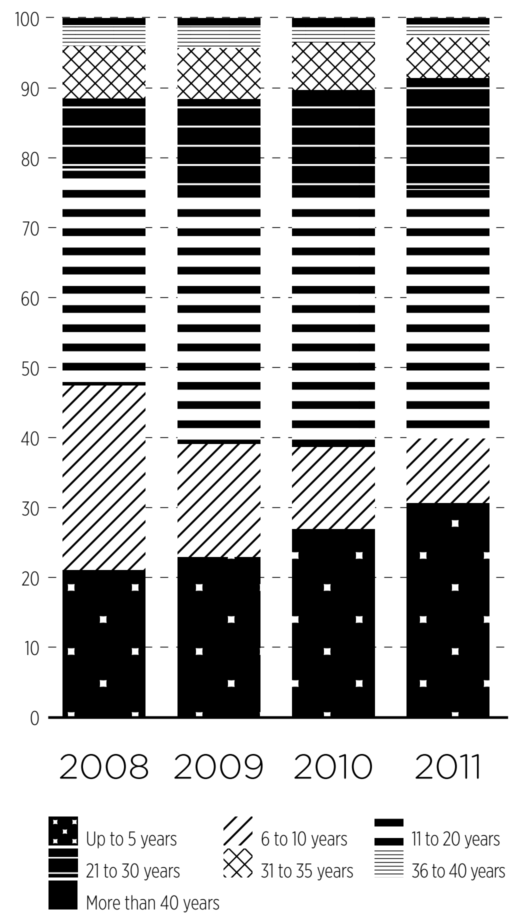
Voluntary Rotation Rate (%)



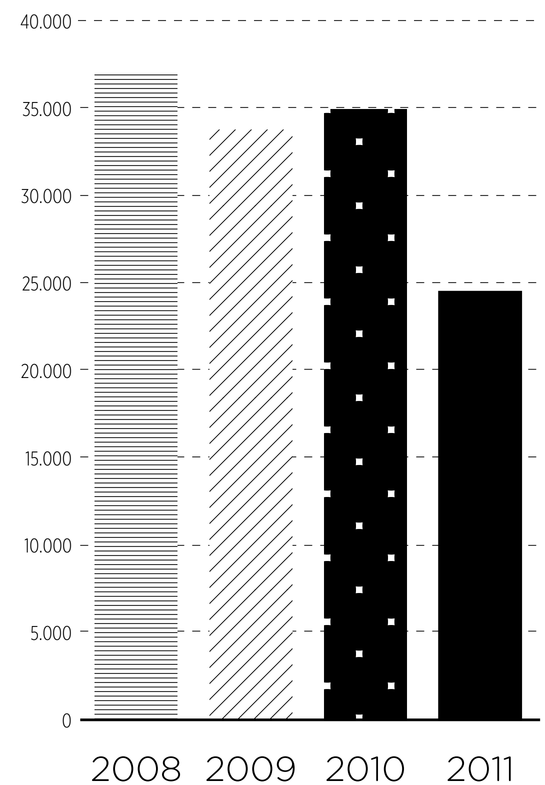
Education Level (%/No. of years schooling)



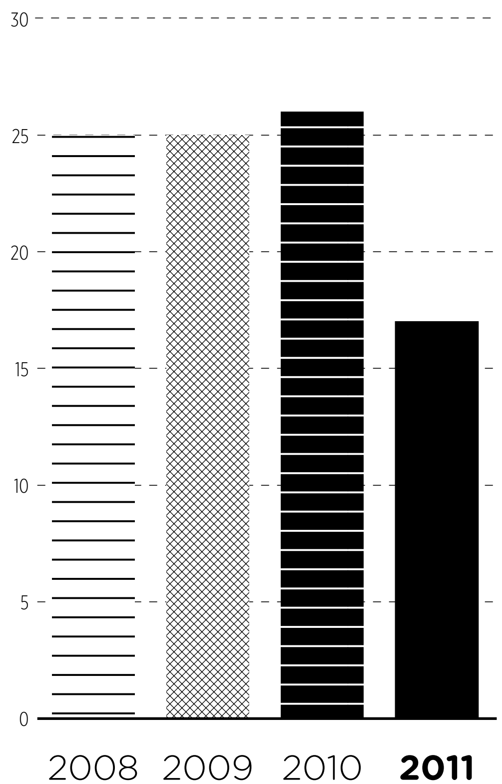
Average Length of Service (% employees)



Training (No. hours)



Average Training Time
(hours *per capita*)



hours besides those recorded and which take the form of on-the-job learning and which are viewed as inherent to the actual development of the tasks.

Due to the specifics of the glass industry, training is fundamental for guaranteeing that all employees are capable of responding to the demands of technological evolution. Thus, the majority of training was centred on technical areas, as well as on the areas of the environment, hygiene and safety.

There were also training sessions devoted to practices and policies related to human rights and social accountability. At the same time, continuity was given to incentivising programmes for the management of competencies and learning throughout one's life.

It will be recorded that the BA group is accredited in training activity in the domains of the organization and promotion of initiatives and the development of training activities for the Avintes, Marinha Grande, Venda Nova factory plants and Central Divisions.

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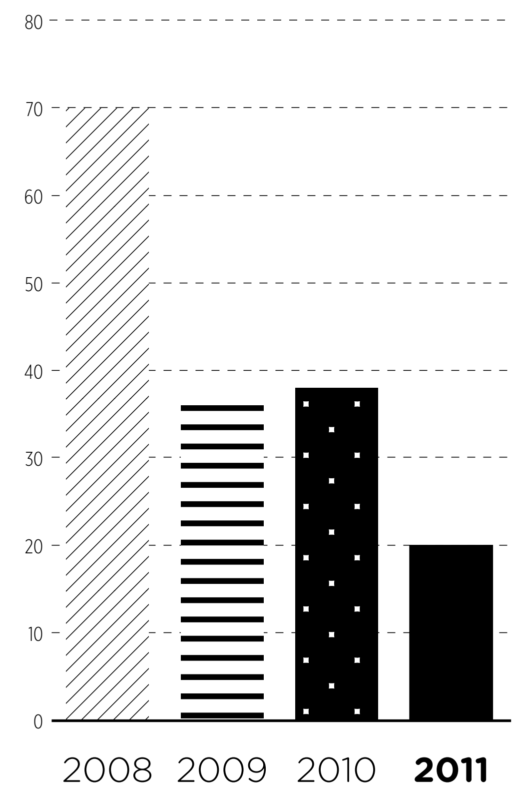
SAFETY AND HEALTH

The year 2011 was characterised by a decline in the number of accidents, having achieved a record low of 20 accidents, yet even so above the "zero accidents" objective.

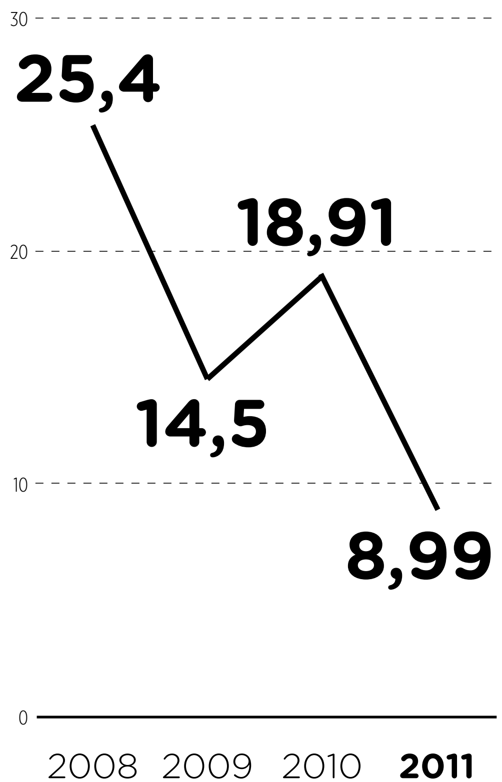
Accidents
(No.)



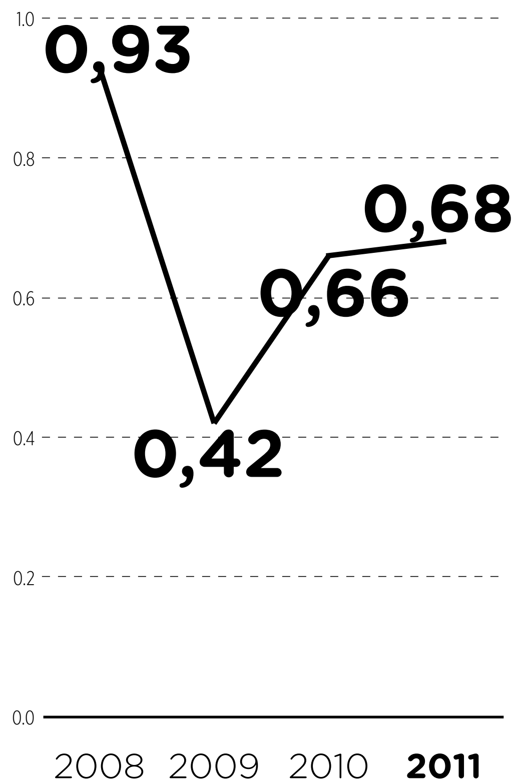
Despite the satisfaction that this decrease brings, the group will only fulfil its goal when it is possible to carry on the entire operation with ZERO accidents. This is a topic where the tolerance continues to be zero, while 2011 was characterised by the rigorous and exhaustive analysis of the causes behind all the occurrences. The majority of the accidents are related to tasks which gave rise to injuries to the hands or fingers, with the result that the measures to be taken now are specifically directed at this type of activity, in the quest to minimise their gravity.

"BA Safety Card" continues to be practice, with a view to advocating proactive attitudes towards safety which permit improving the quality of work and reducing accidents. The card aims to promote the identification of hazards and risks relating to equipment, substances, operations and tasks; the correct application of the general prevention principles, as well as the rules for utilisation of machinery and equipment and individual protection; and the correct action in case of emergency.

Frequency Index
(No. accidents with sick leave * 10^6 / No. hours effectively worked)



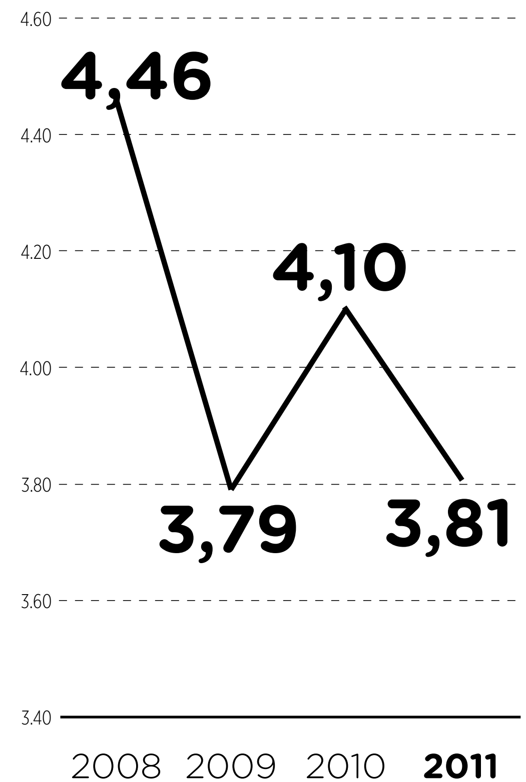
Severity Index
(No. working days lost * 10^3 / No. hours actually worked)



The occupational health area also represents one of the main concerns in the management of the BA group's business operations. In fact, the guarantee of workers' health and quality of life, protecting them from eventual risks arising from industrial activity in which the BA group operates, led to the reinforcement of medical vigilance and work station studies during 2011.

Consolidated overall absenteeism presented a figure very close to the 2009 figure, when it was the lowest ever.

Overall Absenteeism
(%)

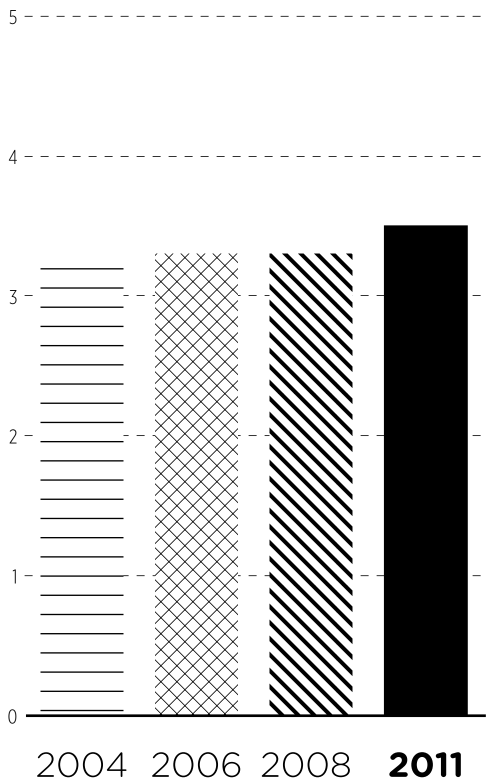


The BA group continued to offer its employees, besides the compulsory work accident insurance, life assurance and personal accidents insurance cover to the group's senior staff. The BA group also has health insurance for its employees in Portugal, which they can extend to their families under advantageous terms relative to normal market conditions.

INTERNAL COMMUNICATION

Transparency – present in the group's values – is held as a key mantra for communication within the organization. This transparency begins in internal relations, encouraging employees to express their satisfaction or concerns by means of a social climate survey.

General Satisfaction Index (%)



In the survey conducted in 2011, the participation rate was 95% of employees, which reveals their involvement in this important initiative taken by the group. Moreover, the results were very favourable and reveal a positive trend. Globally, those themes with the highest points were Commitment, Working Conditions and Leadership.

The quarterly earnings and annual budget presentations, the publication of the newsletter **"CONTÉM"**, the employee visits to the group's other manufacturing plants or to customers, and the optimisation of the internal information website and kiosks, continued to be the preferred communication channels.

The Senior Staff Meeting continues to be one of the prime communication events. Under the theme "R.A.D.A.R. – Reconhecer e Antever Desafios para Alcançar Recordes", recognition and anticipating challenges in order to achieve records, the 2011 gathering was held in Lisbon and was attended by 130 senior employees of the company.

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EVALUATION AND REMUNERATION

2011 was marked by the success of the collective negotiations. What has now become customary in the forging of accords which pave the way for the drafting of agreements for the Spanish factories, was also achieved at the Portuguese factories, reaching agreements on labour matters with workers' representatives. Hence, the definition of the remuneration of the BA group's operational employees has been agreed for the majority of the factories with each region's staff representative structures, whilst at the Villafranca de los Barros plant the agreement will regulate labour relations until the end of 2012, and at the remaining plants up till the end of 2013. Labour relations with senior staff are regulated by individual employment contracts.

It is the group's practice to share the wealth generated with all employees, with the criterion for its distribution being defined by the Board of Directors and the Shareholders General Meeting.

Social and Corporate Responsibility

- Integrate the environmental and social aspects into the decision-making process
- Guarantee ethical standards in the conduct of business
- Recognise and apply the Fundamental Principles of Human Rights
- Guarantee compliance with legal regulations and others to which it subscribes voluntarily

SOCIAL RESPONSIBILITY

The BA group believes that the daily concerns with efficiency or economic growth cannot be dissociated from unimpeachable ethical conduct.

In addition to the application of quality, environmental, safety and food safety management principles, the BA group assumed in 2011 a commitment to implement a system of social accountability based on the international standard SA 8000 and which aims to solidify its contribution to the community as a socially responsible company.

In 2012, it will be subjected to an audit by an external entity with the object of verifying the policies implemented in order to obtain the SA 8000 certification for the group's factories.

BA has pursued a management policy committed to the development of its employees and the company, with its relations being governed by principles advocating accountability and transparency. In this fashion, the group interacts with the surrounding communities, promoting initiatives aimed at education and fostering a mentality of citizenship and sustainability.

The group adopts a social responsibility policy and undertakes to act accordingly, complying with the principles which conform to all the standards enshrined in SA 8000. BA recognises the fundamental and universal human rights embodied in International Conventions and Treaties, namely the United Nations Universal Declaration of Human Rights and the pronouncements by the International Labour Organization, and other national legislation or other applicable regulations, namely, the international conventions relating to working hours, forced labour, freedom of association, right of organization and collective bargaining, equal remuneration for men and women for similar work, discrimination, fixing of the minimum salary, worker representation, minimum working age, health and occupational safety, vocational rehabilitation and employment for handicapped persons and maternity protection.

Notwithstanding having always been current practice at the BA group, in 2011 the organization set out in writing and made public the commitment to the following principles:

a) Child labour

The BA group companies do not employ, neither are they involved directly or indirectly in and repudiate practices involving child labour nor do they accept suppliers resorting to such practices. It is a practice assumed by the group that the minimum admission age for employees is 18. There are written procedures aimed at ensuring observance of this principle, as well as procedures that guarantee the definition of actions for mitigating the consequences of child labour in any situation occurring at the premises of the BA group or of its suppliers and sub-suppliers, and of which BA becomes aware.

b) Forced and compulsory labour

The BA group companies do not resort, neither are they directly or indirectly involved in and repudiate practices which resort to forced or compulsory labour, nor do they accept suppliers resorting to such practices. The company will never retain original personal documents nor will it become involved in any other situation that could force the employee to remain at the company against his/her will. The company furthermore undertakes not to become involved in or support the traffic of human beings, their arbitrary detention or torture.

c) Health and safety

The promotion of safety and health amongst its employees is regarded by BA as being its overriding priority. Accordingly, BA undertakes to guarantee the necessary conditions for ensuring a healthy and safe work environment for the entire group's workforce, safeguarding against health and safety risks to employees, as well as all other persons who enter its premises, be they customers, suppliers, members of the community or any other entity.

All employees should be aware of, comply with and make others comply with the workplace hygiene and safety rules, regardless of whether they are internal rules, legal requirements, national and community regulations or legislation, and must also report any infringements detected. To this end, the group undertakes to provide regular training to all the company's employees. In the event of grave and imminent danger, employees are entitled to vacate the area concerned without the prior authorisation from the group companies.

d) Freedom of association and right to collective bargaining

The group companies are in favour of pacific freedom of organization and association, ideological and religious freedom, as well as the freedoms of expression and opinion. BA will not interfere in the exercise of workers' rights relating to membership of a trade union and to their rights to collective bargaining, with the company making available the means necessary for exercising that right. Under no circumstances will trade union representatives be subjected to any form of discrimination.

e) Discrimination and equality of opportunities

The group repudiates discriminatory practices, with the result that it undertakes not to become involved in or support any situation that does not uphold the principle of non discrimination based on race, gender, nationality, language, birth, sexual orientation, marital status, physical handicap, religion, political convictions, religion, trade union membership, family responsibilities, as well as the principle of equal opportunities amongst all its employees, and shall not accept as supplier entities which adhere to such practices, whether they be in contracting activities, remuneration, access to training, promotion, termination of contract or any other activity.

f) Disciplinary practices

BA shall treat all employees with dignity and respect, not becoming involved or tolerating the use of corporal or mental punishment or physical and verbal intimidation of employees. Violence, harassment and abuse of power are strongly repudiated, so that any suspicion of such practices must be immediately brought to the attention of the group's management.

g) Working hours

The company's working hours are in conformity with applicable laws and industry standards. Overtime work is done voluntarily and cannot exceed 12 hours per week unless in unforeseen exceptional circumstances.

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h) Remuneration

BA undertakes to remunerate employees fairly, in conformity with what is provided for in the law and with the employee's work performance. The group is committed to offer the remuneration which is sufficient to ensure the employees' basic needs, as well as providing them some discretionary income so as to ensure a dignified life. All employees are provided every month with detailed, clear and perceptible information about the composition of their salaries.

In 2011, Jorge Alexandre Ferreira, Chairman of the Executive Committee, was appointed top management's representative for social responsibility, ensuring that all the requirements under standard SA 8000 are met and undertaking to analyse and respond, where necessary, to all the concerns and complaints lodged by employees.

The BA group will periodically review in a critical manner the appropriateness, relevance and continuing efficacy of the social accountability policy, as well as the procedures and results stemming there from, and will implement whenever appropriate, alterations and improvements to the system.

All the necessary measures will be taken to ensure that the social accountability policy is properly documented, effectively implemented and maintained, communicated and widely accessible to all employees, be they directly contracted, subcontracted or represent the group in any other manner.

Moreover, BA undertakes to make this policy available in an effective manner to interested parties, whenever requested.

Turning to initiatives in the educational area in 2011, involvement with schools and universities was reinforced, resulting in the number of practical training internships increasing to 41.

Besides the concern with contributing to the training of these young people, their integration into the company is always analysed, with these internships being an excellent means for students to enter the job market. In addition, the recognition, validation and certification of employees' competencies continues to be of great importance for BA, with the result that in 2011 it continued to act as partner with organizations in order to promote the development of new certification initiatives within the firm. The company continued to organise the now customary visits to the factory units, where good practices are disseminated, namely, with respect to environmental considerations, such as is the case with recycling.

As concerns the support and donations given to other institutions dedicated to social cultural and health activities, as well as schools and universities, the highlights in 2011 were the support for the Fundação de Serralves, EPIS – Empresários para a Inclusão Social, Banco Alimentar, Ajudaris, Associação Bagos d'Ouro, Fundação Museu do Douro and to the fire brigades Bombeiros Voluntários de Avintes and Amadora.

Due to its importance, involvement and commitment, mention is made of the **"Porto de Futuro"** *("Oporto of the Future") – a project unveiled by the Oporto Municipal Council in 2007, which seeks to "bring the business sector closer to the education sector with a view to conveying the business world's good practices and knowledge to the city's schools, as well as the contribution to the promotion of a culture based on merit, creativity, innovation and entrepreneurship."*

Partnerships were established between groupings comprising the city's schools and companies based in the Greater Oporto region, with BA's partner being the "Agrupamento Infante D. Henrique". 2011 saw the continuity of already recurring initiatives, namely the awarding of merit prizes to 9th year pupils (2 summer course prizes of two weeks in England), 6th and 4th years (portable computer); voluntary work by BA employees in the Junior Achievement association programme, with the participation of **(i)** 12 volunteers in various training programmes for students in the entrepreneurship, citizenship, ethics, financial literacy, economy and career development grouping, encompassing a total of some 230 pupils and **(ii)** 14 BA volunteers in the "Right Hand" programmes which enables 14 pupils to spend the working day with 14 BA employees from the organization's most diverse areas, in their work environment and to take part in their daily activities; the running of a training course in "Performance evaluation systems for non-teaching personnel ". Of the initiatives implemented in 2011, the most noteworthy were the partnership with the *Escola Secundária do Infante* (Infante high school) – as part of the Technical Training of young people – with the object of training 15 youngsters in blacksmith and welding crafts, for future integration within the company; the granting of a 4 month vocational internship at the Information Technologies Division; the participation in the "Oporto of the future with Rugby" which involved 46 pupils from the infants and beginners grades and the staging of awareness sessions for recycling to the 6th year classes, and this year extended to 7 classes from other groupings.

BA is associate founder of EPIS – *Empresários pela Inclusão Social* (businessmen for social inclusion), an association whose primary mission is education, namely, the fight against school abandonment and failure and which since 2007 analysed more than 30,000 pupils and assisted more than 9,000. In 2011 and as part of the EPIS initiative "Follow the Master", BA welcomed at its premises 62 School Directors and Employees from the regional education divisions, at which the CEO made a presentation about BA's history, drawing a parallel with school management.

In 2011, BA became a partner of *Associação Bagos d'Ouro*, created in 2010 with the aim of assisting disadvantaged children from the Douro region with excellent school grades, but who are victims of family instability and problems stemming from alcohol abuse.

ENVIRONMENT

INTRODUCTION

BA's industrial operations have as their prime mission the manufacture of glass packaging, essentially destined for food and drink products.

The BA group regards the environmental aspect as an integral part of its overall management. For this purpose, it has a Environmental Management System in accordance with ISO 14001 implemented and certified at the group's five plans.

This management system is founded on the commitment to:

- Utilize natural resources in an effective manner, promoting amongst others the reduction in energy and water consumption;
- Manufacture and develop products with the least environmental impact possible, guaranteeing compliance with the legal requirements applicable to the operations;
- Constantly improve its environmental performance, with the involvement of the entire workforce, not only in actions taken towards continual improvement, but also in the attainment of periodically-set environmental targets;
- Implement environmental training and awareness programmes for its employees, making sure that they remain not only professionally prepared, but also conscious of their individual and collective responsibilities in protecting the environment and consequent improvement in the quality of life;
- Minimise the production of waste through effective management, having the primary goal the search for recovery solutions;
- Prevent the occurrence of environmental accidents and to maintain a state of operational readiness to confront any emergencies of an industrial nature;
- Assume criteria for the selection of suppliers, materials, means of transport and consumables which guarantee the minimisation of the associated environmental impacts.

INVESTMENT IN TECHNOLOGIES AND APPROPRIATE ENVIRONMENTAL PROCESSES

2011 was the year of consolidation of the capital investments made in the previous years at the group's factories and which permitted continuing the environmental performances at its industrial plants. This situation was mainly mirrored in the reduction in energy consumption and in the decrease in the emission of atmospheric pollutants, notably in dust emissions.

The cullet treatment plant at Villafranca de Los Barros, which commenced operations in 2010, contributed very positively to increasing the rate of glass recycling at BA.

INTEREST PARTIES' CHALLENGES: CUSTOMERS AND CONSUMERS

The presentation of appealing products to the market while ensuring their minimal environmental impact continues to represent an ongoing challenge to the BA group's capacity for product and process innovation.

Even though the product's environmental aspect today plays a major role in the selection of packaging on the part of customers and consumers, no less important is ensuring that the safety and preservation of food products.

BA regards glass containers as being one of the packages that best perform these functions and is committed to improving its performance in these areas, assuming as principal guidelines:

- **in production**, having at its disposal the best process technologies which permit optimising the manufacture of glass containers and respective weight;
- **in product conception**, exploring the optimal form of packaging so as to maximise its production and transportation, thus contributing to minimising the direct and indirect environmental impacts;
- **in product development** presenting the customer the best solution between the least possible weight and the highest resistance, ensuring that the packaging is suitable for its usage;
- **adopting the best practices recognised for Food Safety**, as is the case with the certification of the factories under Standard ISO 22000 and the implementation in progress of Standard PAS 223.

BA also believes that it is fundamental to inform and promote amongst customers and consumers the advantages of using glass containers.

Accordingly, in addition to its own initiative or the participation in studies requested by customers, BA also takes part in initiatives organised by national or European sector organizations.

CHALLENGE OF INTERESTED PARTIES: OFFICIAL AND COMMUNITY ENTITIES

BA regards as very important the cooperation with the competent entities which prescribe the legal requirements applied to BA's activity.

A posture of transparency and collaboration with the authorities has enabled BA to make known its industrial reality, ensuring compliance with its legal obligations and maintaining an open relationship with the interested parties.

In 2011, up-dated environmental permits were issued for the plants at Avintes (BA Vidro, SA), Marinha Grande (BA Vidro, SA), Venda Nova (Sotancro – Embalagens de Vidro, SA) and León (BA Vidrio, SA). Also within the ambit of the Avintes factory's environmental permit, a waste-management permit was issued by the CCDR-Norte – *Centro de Coordenação e Desenvolvimento regional do Norte*, for the cullet treatment station at this plant.

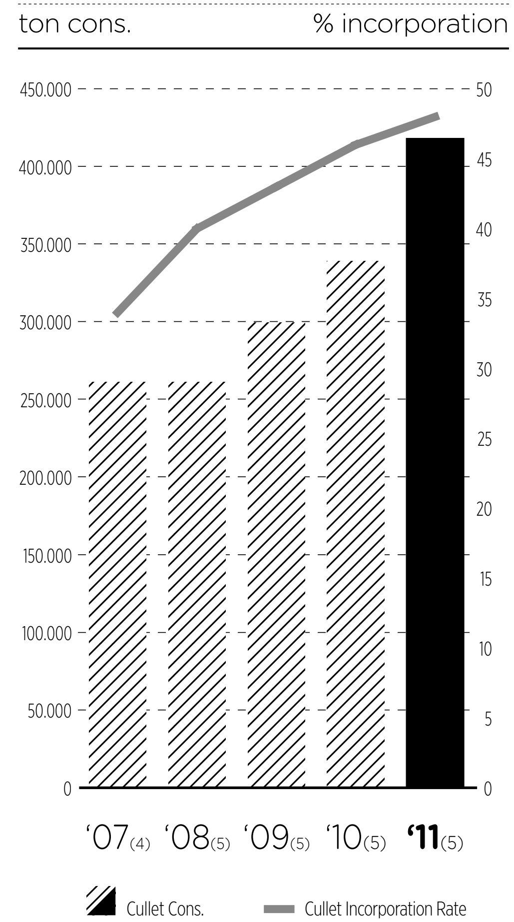
In the coming years, the group's challenge will be to adapt to the requirements of the Industrial Emissions Directive, the new rules for the allocation of greenhouse gas emission permits and to the new BREF's for glass (Reference Document on Best Available Techniques).

The consolidated data presented throughout the report refer to the four factories in the period prior to 2008 and to the five factories thereafter, following the integration of the Venda Nova plant into the group.

GLASS RECYCLING

Glass recycling has been a major concern for the group over the years. The incorporation of recycled glass (cullet) into production enables energy consumption to be improved and helps to preserve the environment given that it substitutes cullet for the raw material, thereby reducing the consumption of raw materials.

Cullet Consumption and Incorporation Rate



Glass recycling has the following advantages:

- At sector level, recycling constitutes a differentiating factor vis-à-vis other competing packaging materials. Glass is capable of total recycling and always with the possibility of being used for food purposes, which no other material can claim in its entirety;
- in terms environmental impact, it reduces the usage of natural resources, both in terms of raw materials and from the energy perspective;
- it contributes to curbing greenhouse gas emissions, such as CO_2;
- it reduces the dumping of solid urban waste into landfills.

In 2011, the group continued to increase its rate of cullet incorporation into production, as evidenced by the following chart.

The consolidated figure for the five factories was situated at 48%, which represents in increase of approximately 5 pp relative to the preceding year. The BA group's cullet treatment plants contributed significantly to this increase.

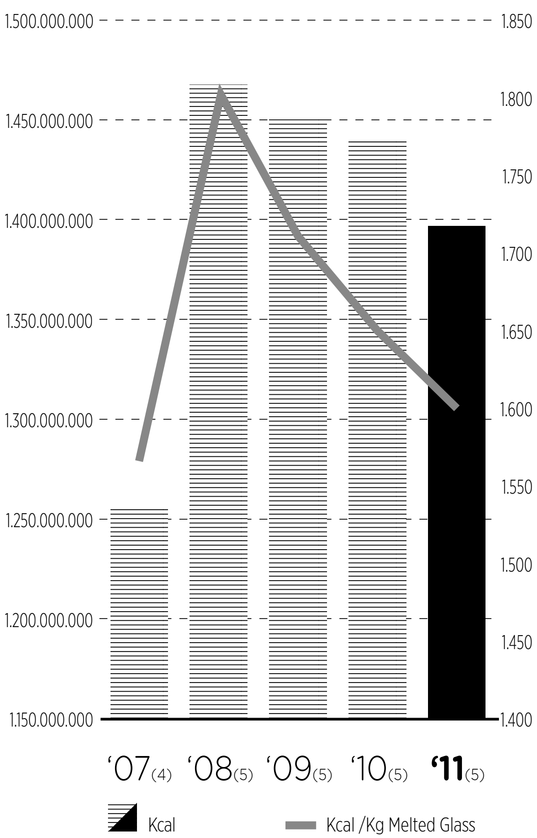
WATER AND ENERGY CONSUMPTION

2011 was the year of consolidation following the investments made in the reconstruction of the furnaces, which translated into their enhanced energy efficiency.

One of BA's major concerns has been to lower water consumption at its plants, having been successful in the last three years due to the investments made, as well as to the water consumption management systems implemented at all the factories.

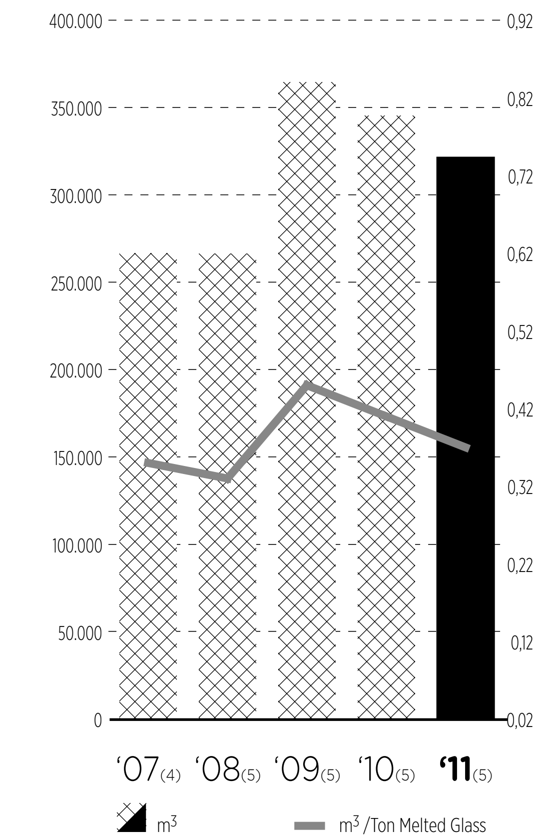
Energy Consumption

kcal   Kcal/ton MG



Water Consumption

m³   m³/ton MG



WASTE MANAGEMENT

After the period dedicated to reconstructing the furnaces, there has been a stabilisation in the production of waste generated between 2010 and 2011.

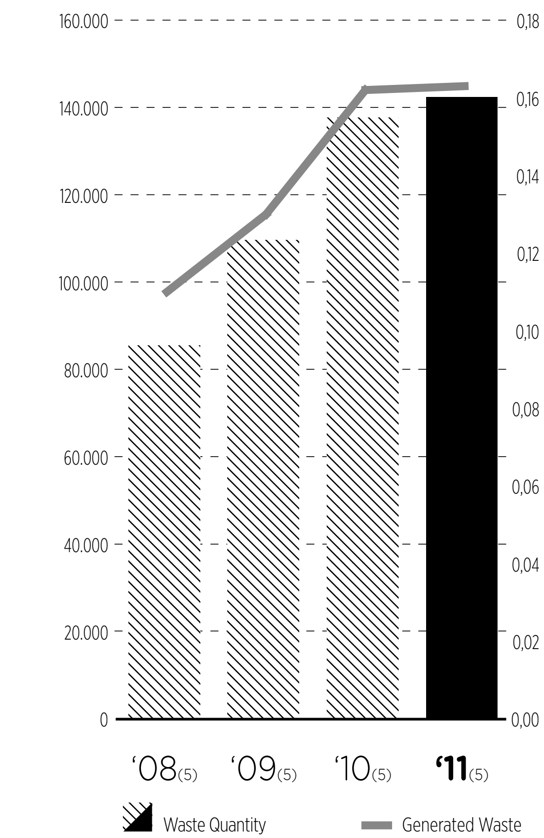
The biggest contribution to the total waste generated stems from the own production of cullet, which is recovered internally. Besides this, the waste generated by the electrostatic precipitators and at the industrial wastewater treatment facilities are also recovered internally.

The rate of internal waste recovery is situated at a high value of around 98%.

The higher rate of waste generated stemming from manufacturing activity (excluding internal recovery) was due to the fact that some maintenance/cleaning operations took place at the plants which gave rise to recoverable and non-recoverable waste.

Generated Waste

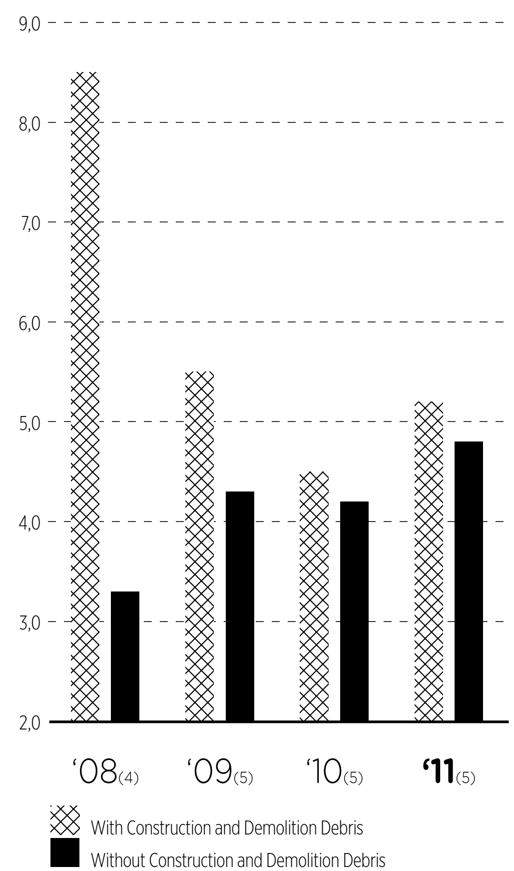
ton   ton waste /ton MG



Generated Waste

excluding internal recovery

(kg waste/ton MG)



ATMOSPHERIC EMISSIONS

Carbon dioxide emissions (CO_2)

BA's plants are covered by the European Union Emission Trading Directive for reducing industrial greenhouse gas emissions.

With a view to complying with the above-mentioned Directive, the group implemented an in-house management system for optimising the values of CO_2 emissions presented here.

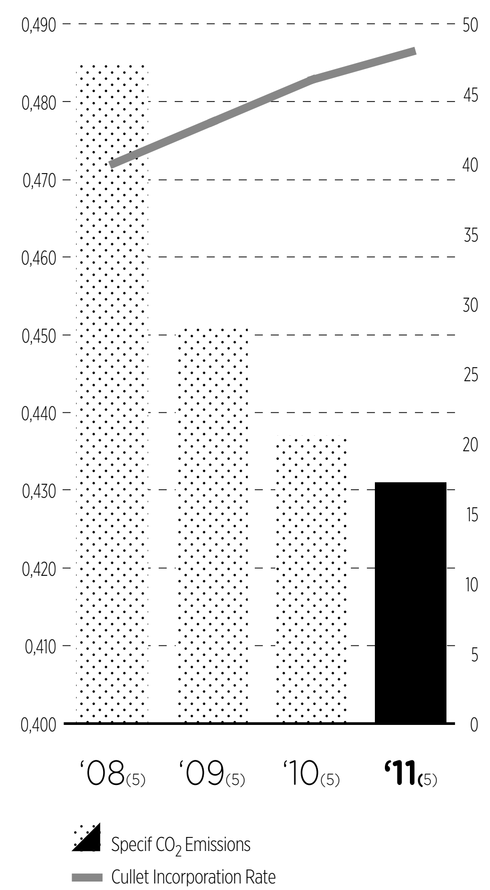
In 2011, there was a downward trend in the consolidated value of specific carbon dioxide emission (CO_2 emitted per tons of melted glass).

This decreasing trend is essentially due to the improved energy efficiency resulting from the capital expenditure incurred in repairing the furnaces in recent years, and to the higher incorporation of cullet in production.

The consolidated cullet incorporation rate climbed to 48%.

Specific CO_2 Emissions vs Rate of Cullet Incorporation

ton CO_2/ton MG | % incorporation



Emissions of particulates, nitrogen oxides (NO_x) and sulphur dioxide (SO_2)

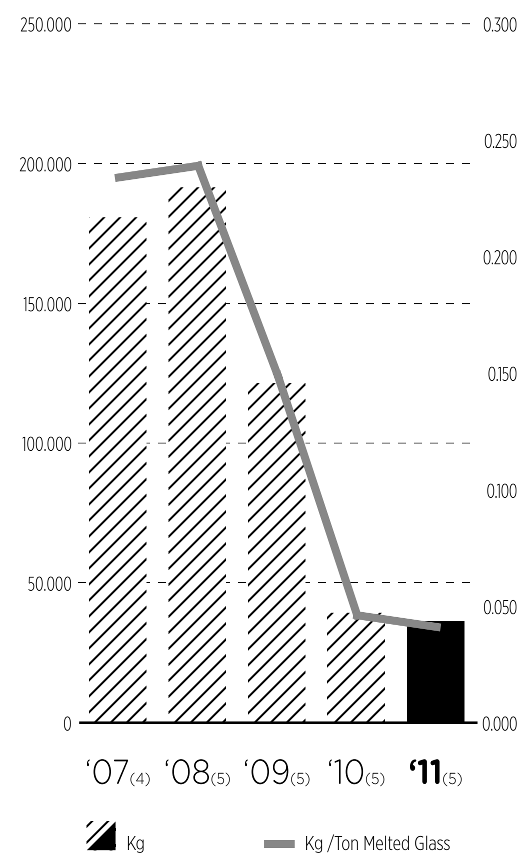
BA carries out periodic measurements of gaseous emissions in accordance with the environmental permits for each industrial plant.

In 2011, continuous monitoring equipment was installed for measuring NO_x at the Marinha Grande and Venda Nova factories.

The investments made in recent years by BA have always included the adoption of the available state-of-the-art technologies so as to guarantee the continued improvement in gas emissions, amongst which:

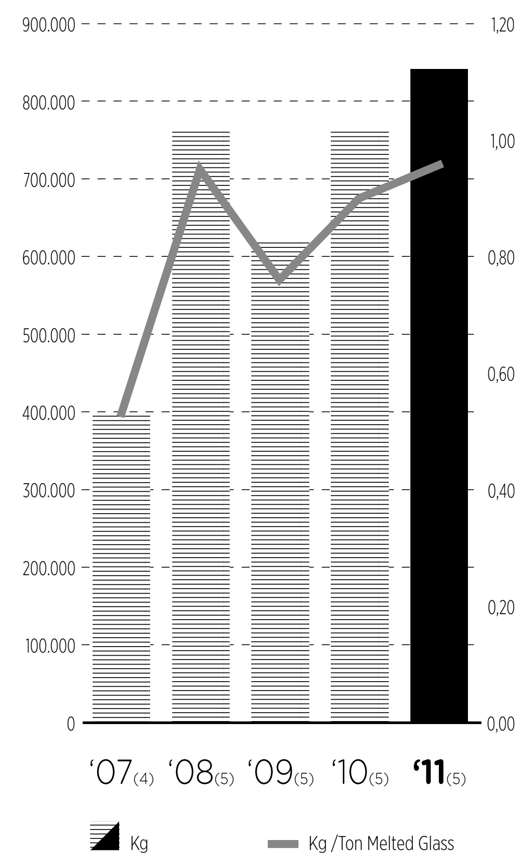
Particles

kg | kg/ton MG

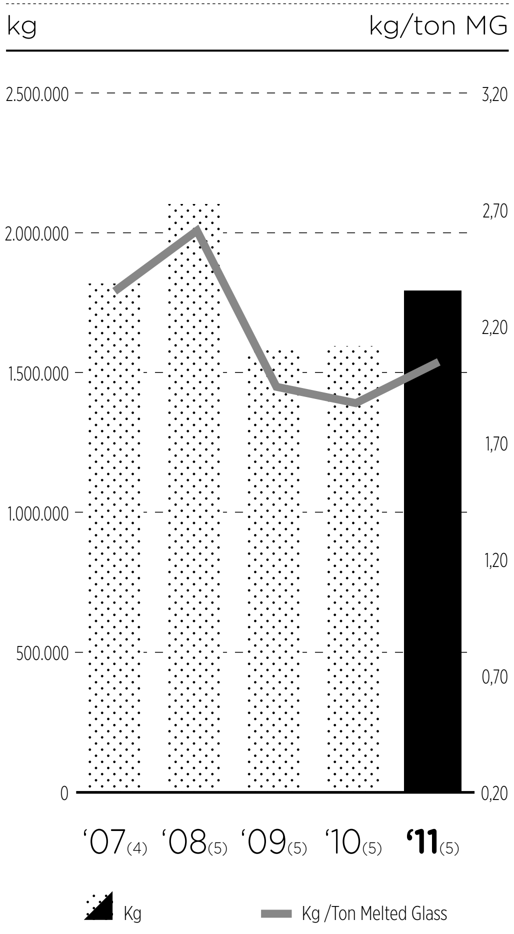


Nitrogen Dioxide

kg | kg/ton MG



Sulphur Dioxide



- positive results in the consolidated figure for particulate emissions, fruit of the investment made by the group in recent years in particulate-emission treatment systems (electrostatic precipitators);
- SO_2 values compatible with the coloured glass produced associated with market demand. In reality, the coloured glass produced in each furnace affects this pollutant's emission, with the result that their results are closely associated with the colour mix produced;
- heavy investment in the monitoring of NO_x which is associated with the previous investments made in the low NO_x content burners; the investment made in periodic and continuous monitoring will allow maintaining the additional monitoring plan initiated in 2010 and to investigate the causes and variables which most affect this pollutant, so as to define corrective action that ensures the sustainability of the results achieved.

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CORPORATE GOVERNANCE
BA GROUP GOVERNANCE

STATEMENT OF COMPLIANCE

Given the fact that BA Glass is a privately held limited liability company, it is not obliged to adopt a Corporate Governance Code which entails the publication of a detailed report on its corporate governance structure and practices.

Nevertheless, it is BA's conviction that the preparation of the report constitutes an important instrument for in-house reflection and an excellent tool for transparency in governance.

The Portuguese Securities Market Commission Regulation 1/2010 (Comissão de Mercado de Valores Mobiliários – CMVM) of 07.01.2010 (available on the respective website) permitted listed companies to opt between adhering to the CMVM's Corporate Governance Code or alternatively a Code issued by another institution of acknowledged merit in this matter. BA opted to continue adopting the CMVM's governance code, with the result that the structure of the present report is the one recommended by the aforesaid Regulation 1/2010, with the exceptions and/or adaptations stemming from the fact that it is not a listed company.

As the parent company, it is BA Glass who formally publishes the Corporate Governance Report. It should be noted that from the functional organization viewpoint, the material now being published embraces the entire BA group as it believes that this best reflects the reality of the group's management and decision-making process

BA Glass adopts a large part of the CMVM's Recommendations on public companies' corporate governance. The non-adoption of certain Recommendations is explained in the relevant chapter, with the majority of cases being justified by the company's size and/or by the fact that it is not quoted on the stock exchange and never having had since its incorporation in May 2003 more than five shareholders.

In 2011 the Code of Ethics was revised by the Board of Directors after having approved and renamed the Code of Ethics and Business Conduct, applicable to the group companies and to all their directors and employees. This revision essentially entailed making various social responsibility practices more explicit to which the group has always subscribed and practised, but which it sought to detail in greater depth in the Code, namely, the non involvement and the repudiation of child and forced and compulsory labour, the promotion of health and safety, the freedom of association and the right to collective bargaining, the non discrimination and equality

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of opportunities, transparency and regulation of disciplinary practices, the respect for working hours and equity in the fixing of remuneration. There is a conviction that BA employees' work and actions are governed by ethically desirable standards. Meanwhile, the existence of a Code of Ethics and Business Conduct paves the way for ensuring transparency of principles, values and conducts whose adoption is deemed to extend to the organization's members. There is an expectation that the reformulated Code of Ethics and Business Conduct continues to serve as a guide of conduct contributing to the consolidation of BA's image and role as a key sector player and to further the relationships with all the interested parties, that is, its shareholders, employees, customers, suppliers, social partners, public entities and the community in general. The Code of Ethics and Business Conduct is available at the company's website (*www.bavidro.com*).

Since the present report is included in the same publication as the Directors' Report, references are sometimes made to the latter with the aim of avoiding unnecessary duplications.

CHAPTER I – GENERAL SHAREHOLDERS MEETING

The General Shareholders Meeting is composed of a Chairman and a Secretary elected in General Meeting. The members of the Presiding Board are assisted by the company Secretary, whose duty under the law is to act as secretary at the meetings of the governing bodies.

Composition of the General Shareholders Meeting (four-year term 2009/2012)	
Eduardo Verde Pinho	Chairman
Sofia Cerqueira Serra	Secretary of the Presiding Board
Rita Silva Domingues	Company Secretary

Pursuant to the company's articles of association, each share corresponds to one vote.

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

a) registered in their name in the company's registers;

b) deposited in their name in the company's safe or with a credit institution or any other y authorised financial institution in terms of the law, when in bearer form ;

c) registered in a dematerialised share account where they are not in certificate form.

The abovementioned deposit must be confirmed by way of a letter issued by any of the above entities and must be received by the company at least eight days prior to the meeting.

Shareholders may only attend a General Shareholders Meeting if they communicate to the Chairman of the Meeting this intention at least three days prior to its taking place, unless they have proved the abovementioned deposit.

Furthermore, according to the articles of association, these rules shall not apply in the case of Universal General Shareholders Meetings.

The right to vote can be exercised, in terms of the law, either directly (in person or by postal vote) or by proxy (by other shareholders or third parties). The vote by mail may be used for all the resolutions referred in the notice of meeting, as the company articles of association do not establish any restrictions on this manner of voting.

Given that the company has never had more than five shareholders, and the General Shareholders Meetings have always been held in the form of universal meetings – which necessarily implies the presence of the shareholders representing all the share capital –, there is complete knowledge and shareholder participation in the company's major decisions, while shareholders may request any and all relevant documentation from the company secretary.

Consequently, compliance with many of the information duties relating to the procedures and publicity connected with the General Shareholders Meeting and envisaged in the regulations is deemed to be unnecessary. In particular, compliance with the following information duties is waived: 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 Shareholders Meeting has delegated the definition of remuneration policies relating to the governing bodies to a Remuneration Committee – whose members are present at the General Shareholders Meetings – reserving for itself the right to deliberate on any profit sharing by employees. As regards the 2010, 2011 and 2012 financial years, the General Meeting approved a resolution that the company's employees may share in profits.

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

There are no defensive measures which are aimed at impeding a change in shareholder control or changes in the composition of the company's management body.

There are no significant agreements to which the company is a party and which come into force, are altered or cease to apply in the event there is a change in the company's control.

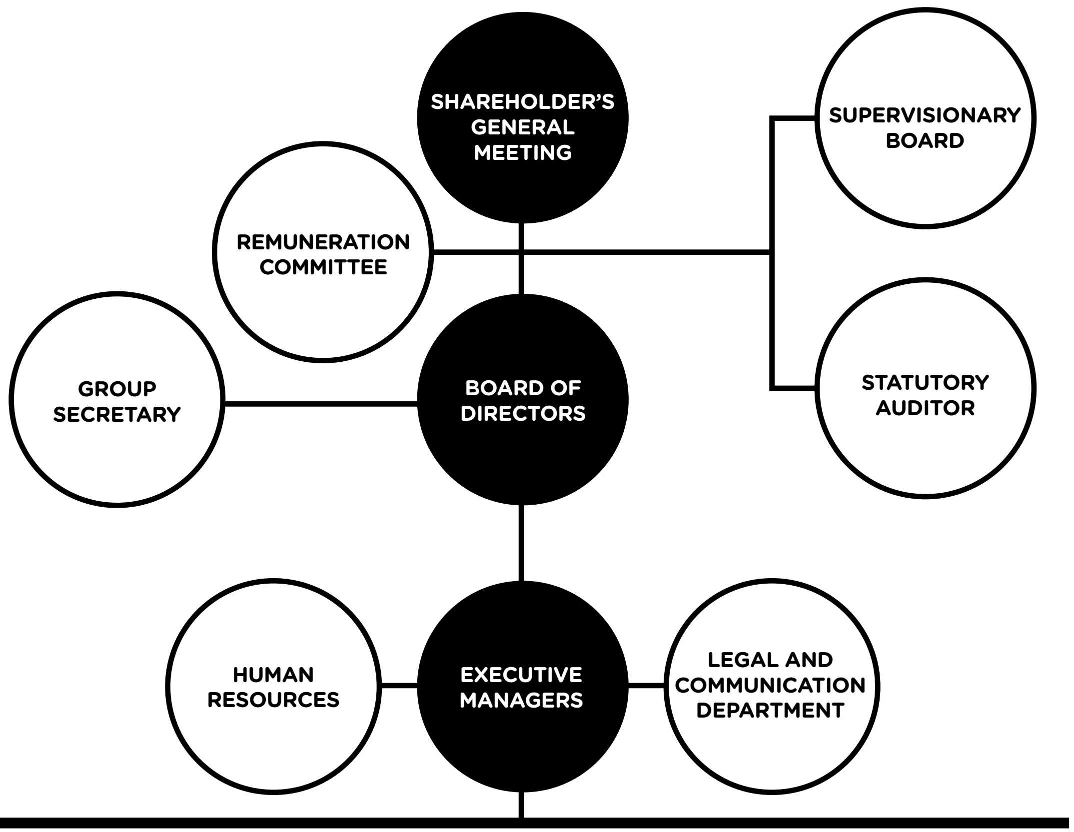
No agreements have been entered into between the company and the members of the management board for the awarding of compensation in the case of resignation, unjustified dismissal or termination of employment in the event of change in the company's control.

The ordinary general shareholders Meeting was held on 28 January 2011 in the form of a universal meeting at which the company's sole shareholder was present. In 2012 the universal shareholders meeting was held on 30 January at which the sole shareholder was present.

CHAPTER II – MANAGEMENT AND SUPERVISORY BODIES

Section I – General Matters

The BA Group Governance and Supervision Structure / Functional Chart



MARKET
Sales
Customer Service
Planning
Product Development
Business Development
Marketing

TECHNICAL
Information Technology
Environment, Safety and Systems Management
Projects and Investment
Product Development
Sand Mines and Cullet
Decoration
Strategy and Technical Training

OPERATIONS
Avintes
Marinha Grande
Villafranca de los Barros
León
Venda Nova
Process and Benchmarking
Quality Assurance

CORPORATE
Administration and Finance
Logistics (purchasing+ distribution)

Considering the company's size and organizational structure, the BA group's decision-making bodies do not consider that there is a need to create specific committees for undertaking the company's management or supervise. The group believes that it is the Supervisory Board, the Board of Directors of the parent company and its subsidiaries, as well as the Executive Committee, who are charged with the duty and responsibility to oversee the implementation and compliance with the principles and rules relating to the company's governance.

As regards the process of financial information disclosure, and as contemplated in the Code of Ethics and Business Conduct, BA undertakes to observe the principles of relevance and materiality of the information disclosed which must be **true, transparent and accurate.**

Not being a listed company, such information is not available to the public in general on the CMVM site, but instead it is sent monthly to the Board of Directors and periodically transmitted to the financial institutions with which BA has business relations.

Since its constitution and first appointment in 2007, the Supervisory Board has been furthering its knowledge of the internal control and risk management systems, including the process of financial information preparation. The control procedures implemented at the company have been transmitted to the Supervisory Board either by the Administrative and Finance Manager (at regular meetings) or by the representative of the external auditors who explains in a detailed manner their control procedures and how they prepare and audit the annual financial statements. The external auditor issues an annual audit report which sets out any deviations and recommendations for improving the internal procedures. This report is sent to the Board of Directors and the Supervisory Board, and is carefully studied at meetings with these bodies. The Supervisory Board compiles an annual report on its monitoring activity, which is published and made available on the website together with the annual financial statements.

The company's collegial bodies have not drafted specific internal regulations which include a specific list of disqualifications, neither has a maximum limit of cumulative positions of directors on the management bodies of other companies been established.

Section II – Board of Directors

Composition of the Board of Directors (four-year term 2009/2012)

	1st Appointment at BA Glass	1st Appointment at BA Group Company	Nationality
Chairman			
Carlos Moreira da Silva	29.05.2003	1998	portuguese
Board Members			
Jorge Alexandre Ferreira	24.01.2005	1998	portuguese
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

In addition to the functions and duties attributed under the Portuguese Companies Code, the Board of Directors' is also responsible for:

- formulating the company's and the group's overall strategy and overseeing its implementation, including risk analysis;
- making decisions relating to the most important strategic investments (tangible and financial);
- approving the annual operating plan and budget;
- approving the organization chart and advising on hiring senior staff members;
- deciding on processes leading to organizational changes;
- monitoring the operational and financial performance of the entire group's operating units.

The Board of Directors does not have powers to increase the share capital.

The Board of Directors has assigned to its Chairman the responsibility for studying, analysing and monitoring possible merger and acquisition operations.

The Board of Directors meets in ordinary session every quarter and whenever necessary extraordinary meetings are convened, namely to discuss particular matters of special relevance to the company's business and strategy. Such meetings are held together with the boards of the subsidiaries BA Vidro, SA and BA Vidrio, SA. At the October meeting, a timetable is drawn up for the following year's ordinary meetings which in addition to monitoring the group's activity include on the agenda a specific topic for more in-depth review, namely:

- discussion and approval of the annual accounts (in January);
- operational performance and strategy (in May);
- discussion of industrial strategy and development (July);
- business performance and marketing strategy (in October);
- discussion and approval of the Plan and Budget for the following year (in December).

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The members of the Board of Directors also monitor the performance of the parent and group companies, as well as of each one of the plants, by means of a monthly activity report encompassing the analysis of balance sheet and financial trends, profitability indicators, financial indicators, and by the operation and efficiency indicators. Besides this information, the report includes data concerning sales and human resources. The report also includes a comparison with the corresponding month of the previous tax year with budgeted figures.

The Board met ten times in 2011 (in person or by conference call) and with the exception of two meetings all the company's directors were present. The Company Secretary, who was present at all the meetings, prepared the relevant minutes and circulated these to all the directors, who then signed them.

Occasionally BA's managers responsible for the areas to be reviewed are invited to attend and/or participate in some or all of the Board meetings so as to contribute by means of their direct input. Likewise, the company Secretary attends the Board meetings, assisting the Chairman in organising the routine work and drafting the minutes. Prior to each Board meeting and within a reasonable period (usually 72 hours) all the necessary documentation is sent for reviewing the matters appearing on the agenda.

Matters pertaining to risk management are included in the chapter dealing with Value Creation.

Executive Committee

The group's Executive Committee – not being a statutory body in the strict meaning of the term – is nonetheless the body that is responsible by express delegation from the Board of Directors for the day-to-day operational management.

Composition of the Executive Committee in 2011	
Jorge Alexandre Tavares Ferreira	Chairman
José Pedro de Araújo Lopes	Member
Alfredo José de Lacerda Pereira	Member
Sandra Maria Soares Santos	Member
Javier Teniente	Member

Javier Teniente, Factory Manager of the Villafranca de los Barros plant since 2007, was appointed an Executive Director in October to take charge of the Operations, Process & Benchmarking and Quality Guarantee areas.

Being a collegial body, all issues are discussed and analysed together, while in practice all the members play an active role in the conduct of the company's activity and business. There is however a specific allocation of some areas according to the individual profiles and expertise, as described below:

Member of Executive Committee	Main Areas of Responsibility
JORGE ALEXANDRE FERREIRA (CHAIRMAN)	**The following Corporate area functions:** Human resources Legal advice
JOSÉ PEDRO DE ARAÚJO LOPES	**Markets area which encompasses the functions:** Sales Customer service Planning Product development Business development Marketing
ALFREDO DE LACERDA PEREIRA	**Technical area which encompasses the functions:** Information technologies Environment, Systems and Safety Projects and Investments Product development Sand and cullet Decoration Strategy and technical training
SANDRA MARIA SANTOS	**The following Corporate area functions:** Administration and Finance Management Control Logistics (Purchases + Distribuition)
JAVIER TENIENTE	**Operations area which covers:** Avintes plant Marinha Grande plant Villafranca de los Barros plant Léon plant Venda Nova plant Process & Benchmarking Quality guarantee

The Executive Committee meets to deliberate on the points on the order of business included by its various members up to two days before the meeting. On the same date, the agenda is sent together with the supporting documents for review and discussion of the matters to be dealt with. In 2011, the Executive Committee met 22 times, with the relevant minutes having been drafted and sent to the Chairman of the Board of Directors and the Supervisory Board Chairman.

The Executive Committee is barred from undertaking the functions entrusted by law to the Board of Directors.

Below is a table showing the composition of BA Glass's and its subsidiaries BA Vidro and BA Vidrio management bodies, distinguishing between executive and non-executive members. The composition of the management and supervisory bodies is decided by consensus amongst the group's key shareholders (or ultimate beneficial owners).

	Board of BA GLASS	Board of BA Vidro	Board of BA Vidrio	BA's Executive Committee
Carlos Moreira da Silva	Non-Executive Chairman	Non-Executive Chairman	Non-Executive Chairman	
Jorge Alexandre Ferreira	Executive	Executive Chairman	Executive Vice-Chairman	Chairman
Alfredo de Lacerda Pereira		Executive	Executive	Executive
Álvaro Cuervo Garcia	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			
Sandra Maria Santos		Executive	Executive	Executive

As regards the independence of the non-executive directors in relation to BA Glass and according to the independence criterion set out in article 414(5) of the Portuguese Companies Code, the non-executive directors Carlos Moreira da Silva and Francisco Silva Domingues are regarded as non independent given that they hold directly or indirectly more than 2% of the company's capital and were re-elected for more than two terms. The non-executive director Mário Pereira Pinto is, in the light of the same precept, also regarded as being non independent since 2009, year in which the general Meeting re-elected him for a third term.

The Board members annually inform the company of the positions they hold in other companies.

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Departments

As can be seen from the chart above, the BA group is organized by major functional areas (Departments) coordinated by the Executive Committee, to which they report.

The Departments actively participate, together with the Executive Committee in the process of compiling the Annual Plan and Budget which is subsequently reviewed and approved by the Board of Directors.

In addition and without prejudice to the forms of organization, coordination and control practices used by each Executive Director, to whom the Department reports quarterly business meetings are held by each Department with the Executive Committee. At those meetings, as well as at the final meeting in which all the Departments participates, a critical review is conducted of the period's performance and the priority actions to be taken in the following quarter are defined.

The following is a description in general terms of the activity carried on by each Division:

- **Marketing, Sales, Customer Service, Planning and Business Development**
  Preparation and monitoring of the marketing and sales plan, with market prospecting, identification of value-added business opportunities for BA, management of the sales force and customer service team in their pre- and after-sales components. Definition of pricing policy and product innovation functions. Formulation of production plans for the factories based on the sales plan, stock of finished goods and availability of plant and machinery.

- **Technical**
  Coordination of product development activities. Planning and control of infrastructure and superstructure investment projects required for the company's functioning. Coordination of the quality, environment and safety management systems. Coordination of raw material exploitation and preparation activities. Coordination of the information systems.

- **Manufacturing**
  At each one of the group's five plants. Management of the means, structures and resources required for production and ensuring the optimisation of the assets allocated to it.

- **Operations, Process & Benchmarking and Quality Guarantee**
  Coordination of the five plants in the areas of production, structure and resources needed to manufacture products which meet customers' requirements.
  Challenge the factories in the areas of production, control over the quality, structure and resources needed to manufacture the product and coordination of internal and external benchmarking in the implementation of best practices with a view to revolutionising the know-how, optimising resources and anticipating customers' requirements.

- **Administration and Finance**
  Coordination of the cost and general accounting functions, and credit control over customers and suppliers. Treasury management. Data processing and provision of management information so as to ensure a proactive approach to management control.

- **Logistics (Procurement and Distribution)**
  Function transversal to the organization with the object of buying and storing raw materials and materials needed for satisfying customers' requirements. It is also responsible for the storage, expedition and distribution of the finished product.

- **Information technologies**
  Servicing, maintenance and improvement of the hardware and software needed to run the company. Software development on the installed base.

- **Human resources**
  Planning and carrying out of the activities needed for the recruitment, admission, job specification and evaluation of employees. Promotion of the necessary steps to be taken to ensure the skills and qualifications of human resources, as well as development of their careers. Processing of salaries and other remuneration.

- **Legal matters and Communication**
  Overseeing compliance with the company's obligations and lending technical-legal support in all matters within the legal domain. Coordination of institutional communication and the external social responsibility initiatives.

Section III – Supervisory Board

The Supervisory Board performs the functions dictated by the Portuguese law and by the articles of association and ensures the compliance with the law and the company contract, namely: Overseeing the company's management;

- Checking the accuracy of the annual financial statements and the proper application of accounting policies;
- Overseeing the effectiveness of the risk management system;
- Overseeing the conduct of the statutory audit;
- Overseeing the statutory auditors' activity and independence.

Composition of the Supervisory Board (four-year term 2011/2014)	
Rita Silva Domingues	Chairman
Manuel Ortigão de Oliveira	Member
Óscar Alçada da Quinta	Member

In 2011 all the members were re-elected for a second term. The Supervisory Board met 6 times, always with the presence at the end of each meeting with the Chairman of the Executive Committee and/or the Executive Director in charge of finance, outlining the most salient points of their activity in the period under review, giving clarifications and exchanging views on issues pertaining to the company. The statutory auditor was present in one of the meetings. In 2011, the Supervisory Board carried out a brief review of the most recent risk management methodologies, which was subsequently discussed with the Executive Committee Chairman.

Rita Silva Domingues is considered to be a non independent member owing to the fact that she is a member of the Board of Directors of "Atanágoras, SGPS, SA", a company which has an indirect interest of 26,3 % in BA Glass.

Statutory auditor

The statutory auditor's functions are contemplated in the law and in the Statutes, namely:

- To verify the proper state of the books, accounting records and supporting documents;
- To examine whether the accounting policies and valuation criteria used result in a true and fair presentation of the company's financial position;
- To attest to the accuracy of the financial statements.

Statutory Auditors (four-year term 2011/2014)	
Ernst & Young Audit & Associados, SROC	João Carlos Miguel Alves

Section IV – Remuneration and Remuneration Committee

The remuneration paid to the members of the governing bodies is fixed by a Remuneration Committee composed of three members appointed by the General Shareholders Meeting. In January and immediately after the previous year's annual financial statements are approved, this Committee meets for the purpose of (i) assessing the performance of the directors, deliberating on the variable bonus relating to the year just ended and (ii) to establish the remuneration for the coming year. The Committee's meetings are recorded in minutes signed by all those present. It should be noted that the Board of Directors makes a preliminary assessment of the executive directors' performance.

In 2011 all the members were re-elected.

Composition of the Remuneration Committee (four-year term 2011/2014)	
Carmen Mestre Mira	Date of first appointment: 26.01.2007
Carlos Moreira da Silva	Date of first appointment: 26.01.2007
Mário Pereira Pinto	Date of first appointment: 31.01.2008

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Executive Board remuneration

The compensation paid to the group's executive directors has a fixed monthly component and an annual variable component depending on adherence to the objectives fixed annually at the beginning of each financial year (including here, amongst others the company's results) and evaluated at year's end. In line with the CMVM's recommendations, the structure of directors' compensation permits a complete alignment of individual interests with those of the company.

In 2011 the directors with executive functions at the group earned from all the group companies an aggregate remuneration (fixed and variable portions) totalling 1.102.908,54 Euro. The group's non-executive directors received from all the group companies overall remuneration (fixed and variable portion) of 428.900,00 euro.

No compensation is negotiated by contract or by transaction in the case of dismissal nor other payments linked to the early termination of contracts. No amounts are due to former directors nor were there indemnities paid for termination of employment. The company has not provided for the awarding of supplementary pension schemes for the early retirement of its directors. The company has no plans to grant stock options.

With regard to the communication policy adopted relating to irregularities, this is expressly contemplated in the rules of conduct embodied in the Code of Ethics and Business Conduct where under the heading "Transparency", its states that "BA employees must report the existence of any fact relating to the company which if disclosed is capable of influencing its economic, environmental or social situation." The preferred channel shall be the direct hierarchy, while it is always possible to contact the Executive Committee and/or the Board of Directors directly. The Supervisory Board is also one of the guarantors of the company's legality, and may receive notification of irregularities presented by shareholders, employees or third parties.

Section V – Special committees

Considering the company's size and that of its Board of Directors, the latter assumes all the functions normally assigned to specialised committees.

CHAPTER III – INFORMATION AND AUDITING

Share Capital

The fully subscribed and paid-up share capital is fifty thousand euro, and is represented by fifty thousand ordinary shares with a nominal value of one euro each.

The company's sole shareholder is BA Glass BV, a vehicle company, whose key shareholders (ultimate beneficial owners) are Carlos Moreira da Silva, the Silva Domingues family, and BA group directors and certain senior staff.

The company is not aware of the existence of any shareholder agreement. The rules relating to the amendment of the statutes are laid down in the Portuguese Companies Code.

Dividend Policy

At the General Meeting held on 23 December 2009 it was decided to distribute free reserves to the shareholders in the amount of 17.0 million euro, which corresponds to the distribution of a gross dividend of 340,00 euro per share.

At the General Meetings of 15 July and 6 December 2010, it was decided to distribute free reserves in the amount of respectively 51.1 million euro and 36.0 million euro, which corresponds to the payment of a gross dividend of 1.742,00 Euro per share.

At the General Meetings of 1 July and 19 December 2011 it was decided to distribute free reserves amounting to respectively 29.5 million euro and 27.0 million euro, which corresponds to a gross dividend payment of 1.130,00 Euro per share.

At the General Meeting of 30 January 2012, it was decided to distribute dividends of 1.545 million euro which corresponds to a gross dividend of 30,90 euro per share.

During 2011 no business was transacted between the company and members of its management and supervisory bodies.

Investor support

None of the group companies has the status is an open capital company , and since there has never been more than five shareholders, the problems and difficulties associated with access to information that justify the existence of a investor relations office are not pertinent here.

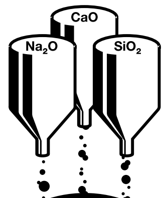
It is worth mentioning however that regular meetings are held with financial institutions and which are attended by the CFO and/or the responsible for the Finance Department, at which information is furnished concerning the company's affairs, as well as aspects of an economic and financial nature.

Auditor

In 2011 Ernst & Young were paid fees amounting to euro 85.073 relating to the provision of statutory audit services to all the group companies.

In addition Ernst & Young Corporate Finance S.p.zoo (Poland) was paid 161.766,84 euro for audit and financial and tax consulting services rendered to the Polish group Warta Glass (control of which the group acquired in 2012).

Glass Packaging Manufacturing Process

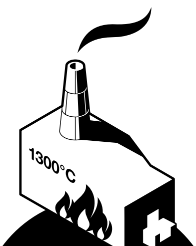


STAGE 1
—
Glass composition

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:

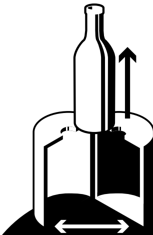
Silicon Dioxide (SiO_2)	70 › 72%
Sodium Oxide (Na_2O)	12 › 14%
Calcium Oxide (CaO)	9 › 11%
Magnesium Oxide (MgO)	0 › 3%
Aluminium Oxide (Al_2O_3)	1 › 2%
Potassium Oxide (K_2O)	0 › 1%

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



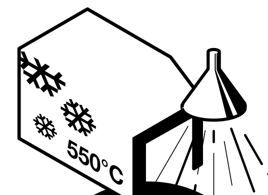
STAGE 2
—
Raw materials fusion

At the refractory furnaces, the material fusion is processed at a 1,500 to 1,600ºC 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

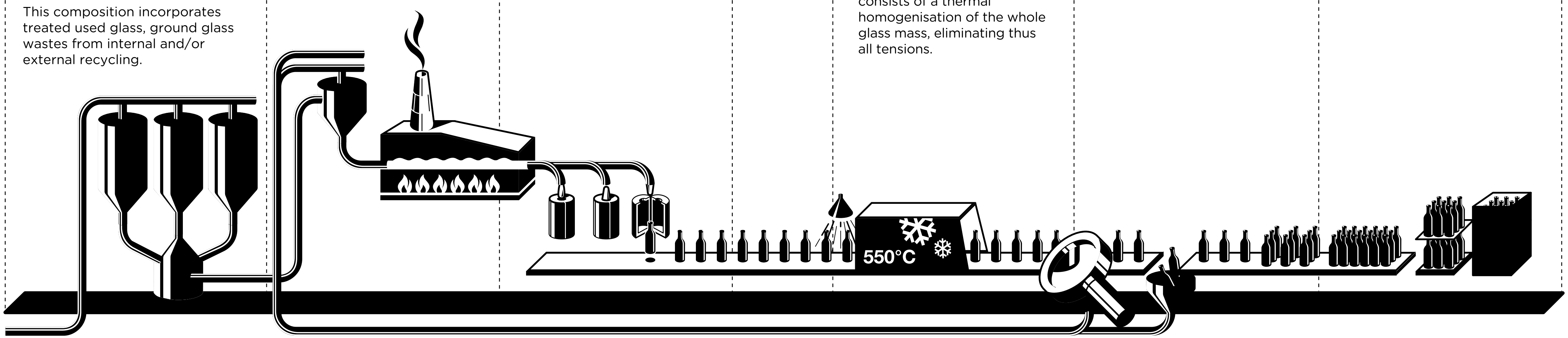
During the moulding process, the glass is in contact with the mould walls, which are at relatively low temperatures. As such, the external layers of the pieces are much more colder than the internal ones, and this temperature differential tends to be kept due to the poor conductivity of glass, therefore 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 shrinked in an adequate furnace, and afterwards pallets are conveyed to the storage area.



‹ CONTENTS

Company's 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 — Automatic Technology

Introduction of automatic technology in the industrial production.

1969 — Plant of Avintes

Deactivation of Campanha's factory, 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 + 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.

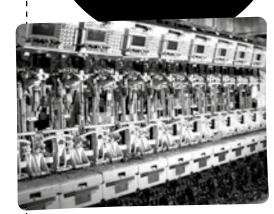
1999 — Plant of León

Acquisition of the Vidreira Leonesa, located in Léon, 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.

2012 — Poland

Acquisition of Warta.

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DESIGN AND CONCEPT **GODESIGN**

BA Reports
2011

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Legal Deposit 340907/12 **ISSN** 48/2012