

# Vidrala, S.A. and Subsidiaries

## **Consolidated Annual Accounts**

31 December 2019

## **Consolidated Directors' Report**

2019

(With Independent Auditor's Report Thereon)

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

## **INFORME DE AUDITORÍA DE CUENTAS ANUALES CONSOLIDADAS EMITIDO POR UN AUDITOR INDEPENDIENTE**

A los accionistas de Vidrala, S.A.:

### **Informe sobre las cuentas anuales consolidadas**

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#### **Opinión**

Hemos auditado las cuentas anuales consolidadas de Vidrala, S.A. (la Sociedad dominante) y sus sociedades dependientes (el Grupo), que comprenden el balance a 31 de diciembre de 2019, la cuenta de pérdidas y ganancias, el estado del resultado global, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2019, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

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#### **Fundamento de la opinión**

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

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#### **Cuestiones clave de la auditoría**

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales consolidadas del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

### *Deterioro de valor de fondos de comercio*

**Descripción** A 31 de diciembre de 2019, el epígrafe “Fondo de comercio de consolidación” del balance consolidado del Grupo Vidrala incluye un importe de 209.890 miles de euros. El valor recuperable de estos activos está condicionado a la existencia de posibles deterioros, cuya determinación depende del resultado de estimaciones complejas que requieren la aplicación de criterios, juicios e hipótesis por parte de la Dirección del Grupo. Hemos considerado esta materia una cuestión clave de nuestra auditoría por la significatividad de los importes, por la complejidad inherente a la asignación de valor a las hipótesis clave consideradas y por la variación de tales asunciones. El Grupo realiza una prueba anual para evaluar la potencial existencia de deterioros sobre los fondos de comercio, utilizando métodos de descuento de flujos de efectivo para determinar dichos valores. Los cálculos de descuento de flujo de efectivo se realizan considerando que la actividad de las unidades generadoras de efectivo tiene una vida útil ilimitada realizándose las proyecciones de flujos de caja libre en base a los presupuestos financieros aprobados por la Dirección. La información relativa a los criterios aplicados por la Dirección del Grupo y las principales hipótesis utilizadas en la determinación del valor recuperable de dichos fondos de comercio se encuentra recogidas en la Nota 7 de la memoria consolidada adjunta.

#### **Nuestra respuesta**

En relación con esta cuestión, nuestros procedimientos de auditoría han incluido, entre otros, los siguientes:

- ▶ Entendimiento de los criterios aplicados y revisión de los procesos establecidos por la Dirección del Grupo en la determinación de los deterioros de valor de los fondos de comercio.
- ▶ Revisión del modelo utilizado por la Dirección del Grupo, en colaboración con nuestros especialistas en valoraciones, cubriendo, en particular, la coherencia matemática del modelo, la razonabilidad de los flujos de caja proyectados, de las tasas de descuento y de las tasas de crecimiento, así como de los resultados de los análisis de sensibilidades realizados por la Dirección del Grupo.
- ▶ Revisión de los desgloses incluidos en la memoria consolidada.

### *Valoración y registro de instrumentos financieros derivados*

**Descripción** El Grupo utiliza instrumentos financieros derivados con el fin de eliminar o reducir el riesgo de variaciones en los tipos de interés, tipos de cambio y precio de commodities. Los derivados se valoran por su valor razonable en la fecha de las cuentas anuales consolidadas. La estimación del valor razonable y la clasificación del instrumento derivado requieren de un elevado nivel de juicio por parte de la Dirección del Grupo y puede tener un impacto significativo en el balance de situación consolidado así como en el estado del resultado global consolidado. La descripción de las normas para el tratamiento contable de los instrumentos derivados y la información económica sobre los derivados contratados por el Grupo se encuentran recogidos en las Nota 3 (h) y 8 de la memoria consolidada adjunta.

#### **Nuestra respuesta**

En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros, los siguientes:

- ▶ Entendimiento de los procesos y controles establecidos por el Grupo para asegurar la adecuada valoración y tratamiento contable de los instrumentos derivados.
- ▶ Realización de procedimientos de confirmación de terceros sobre la existencia y valoración de los instrumentos derivados.

- ▶ Con el apoyo de nuestros especialistas en instrumentos financieros derivados hemos realizado procedimientos del contraste de valor razonable y análisis de la correcta clasificación contable.
- ▶ Revisión de los desgloses incluidos en la memoria consolidada de conformidad con el marco normativo de información financiera que resulta de aplicación al Grupo.

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#### **Otra información: Informe de gestión consolidado**

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2019, cuya formulación es responsabilidad de los administradores de la Sociedad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre la información contenida en el informe de gestión consolidado se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

- ▶ Un nivel específico que resulta de aplicación al estado de la información no financiera consolidado, así como a determinada información incluida en el Informe Anual de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión, o en su caso, que se ha incorporado en éste la referencia correspondiente al informe separado sobre la información no financiera en la forma prevista en la normativa, y en caso contrario, a informar sobre ello.
- ▶ Un nivel general aplicable al resto de la información incluida en el informe de gestión consolidado, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en el informe de gestión consolidado y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2019 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

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#### **Responsabilidad de los administradores de la Sociedad dominante y de la comisión de auditoría en relación con las cuentas anuales consolidadas**

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales consolidadas.

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### **Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas**

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- ▶ Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- ▶ Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.
- ▶ Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.
- ▶ Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.

- ▶ Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.
- ▶ Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la comisión de auditoría de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría de la Sociedad dominante, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

## Informe sobre otros requerimientos legales y reglamentarios

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### Informe adicional para la comisión de auditoría de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Sociedad dominante de fecha 26 de febrero de 2020.

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### Periodo de contratación

La Junta General Ordinaria de Accionistas celebrada el 30 de mayo de 2017 nos nombró como auditores del Grupo por un período de 3 años, contados a partir del ejercicio finalizado el 31 de diciembre de 2017.

**AUDITORES**  
INSTITUTO DE CENSORES JURADOS  
DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

2020 Núm. 03/20/00952  
96,00 EUR

SELLO CORPORATIVO:  
Informe de auditoría de cuentas sujeto  
a la normativa de auditoría de cuentas  
española o internacional

ERNST & YOUNG, S.L.  
(Inscrita en el Registro Oficial de Auditores  
de Cuentas con el Nº S0530)



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Alberto Peña Martínez  
(Inscrito en el Registro Oficial de Auditores  
de Cuentas con el Nº 15290)

26 de febrero de 2020

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>6</b>	692,399	684,114
Right-of-use assets	<b>2.d</b>	1,672	-
Goodwill	<b>7</b>	209,890	209,890
Other Intangible assets	<b>7</b>	27,986	25,136
Other financial assets		28	28
Deferred tax assets	<b>9</b>	36,726	38,695
Derivative financial instruments	<b>8</b>	27	319
Other non-current assets		305	180
		<b>969,033</b>	<b>958,362</b>
<b>Current assets</b>			
Inventories	<b>10</b>	194,617	185,147
Trade and other receivables	<b>11</b>	248,534	219,086
Current tax assets		656	426
Derivative financial instruments	<b>8</b>	5,646	8,623
Other current assets	<b>12</b>	10,580	13,018
Cash and cash equivalents		28,795	22,673
		<b>488,828</b>	<b>448,973</b>
<b>Total assets</b>		<b>1,457,861</b>	<b>1,407,335</b>

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets

31 December 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

<b><u>EQUITY AND LIABILITIES</u></b>	<b><u>Note</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>Equity</b>	<b>13</b>		
Share capital		27,883	26,555
Other reserves		7,622	7,622
Retained earnings		757,213	644,609
Own shares		(21,386)	(4,874)
Other comprehensive income		(25,154)	(44,015)
Interim dividend distributed during the year		(22,819)	(19,899)
		<b>723,359</b>	<b>609,998</b>
Equity attributed to equity holders of the Parent			
<b>Non-current liabilities</b>			
Deferred income	<b>14</b>	12,024	17,838
Loans and borrowings	<b>15</b>	231,906	394,887
Derivative financial instruments	<b>8</b>	4,708	5,246
Deferred tax liabilities	<b>9</b>	52,603	51,146
Provisions	<b>19</b>	29,024	24,653
Other non-current liabilities		1,008	1,810
		<b>331,273</b>	<b>495,580</b>
<b>Current liabilities</b>			
Loans and borrowings	<b>15</b>	131,787	38,880
Derivative financial instruments	<b>8</b>	1,189	6,433
Trade and other payables	<b>16</b>	225,988	206,260
Current tax liabilities		9,681	6,909
Provisions	<b>19</b>	6,234	11,956
Other current liabilities	<b>12</b>	28,350	31,319
		<b>403,229</b>	<b>301,757</b>
<b>Total liabilities</b>		<b>734,502</b>	<b>797,337</b>
<b>Total equity and liabilities</b>		<b>1,457,861</b>	<b>1,407,335</b>

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Income Statements  
for the years ended  
31 December 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy,  
the Spanish-language version prevails)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Revenues	<b>4 &amp; 22</b>	1,010,833	955,426
Services rendered		104	-
Other income	<b>22</b>	16,837	21,991
Changes in inventories of finished goods and work in progress		7,753	(2,069)
Merchandise, raw materials and consumables used	<b>23</b>	(332,694)	(323,635)
Employee benefits expense	<b>25</b>	(197,543)	(190,581)
Amortisation and depreciation	<b>6 &amp; 7</b>	(91,088)	(88,178)
Impairment of non-current assets	<b>6</b>	(6,003)	(4,105)
Other expenses	<b>24</b>	(230,651)	(221,767)
Finance income	<b>26</b>	1,004	3,491
Finance costs	<b>26</b>	(6,595)	(10,149)
Impairment and result from disposals of financial instruments	<b>5</b>	(5,977)	-
<b>Profit before income tax from continuing operations</b>		<u>165,980</u>	<u>140,424</u>
Income tax expense	<b>9</b>	(22,705)	(24,466)
<b>Profit for the year from continuing operations</b>		<u>143,275</u>	<u>115,958</u>
<b>Profit for the year</b>		<u>143,275</u>	<u>115,958</u>
<b>Profit for the year attributable to equity holders of the Parent</b>		<u>143,275</u>	<u>115,958</u>
<b>Earnings per share (expressed in Euros)</b>			
- Basic	27	<b>5.27</b>	<b>4.47</b>
- Diluted	27	<b>5.27</b>	<b>4.25</b>

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income  
for the years ended  
31 December 2019 and 2018

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy,  
the Spanish-language version prevails)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
<b>Profit for the year</b>		<b><u>143,275</u></b>	<b><u>115,958</u></b>
Other comprehensive income:			
Translation differences	<b>13</b>	16,674	(3,753)
Remeasurements of defined benefit plans	<b>13</b>	392	(623)
Items to be reclassified in profit or loss			
Cash flow hedges	<b>8</b>	2,513	(5,533)
Tax effect	<b>9</b>	<u>(718)</u>	<u>1,383</u>
<b>Other comprehensive income, net of income tax</b>		<b><u>18,861</u></b>	<b><u>(8,526)</u></b>
<b>Total comprehensive income for the year</b>		<b><u>162,136</u></b>	<b><u>107,432</u></b>
<b>Profit for the year attributable to equity holders of the Parent</b>		<b><u>162,136</u></b>	<b><u>107,432</u></b>

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity  
for the years ended  
31 December 2019 and 2018  
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Equity attributable to equity holders of the Parent								
	Other comprehensive income						Interim dividend paid during the year	Total equity	
	Share capital	Other reserves	Retained earnings	Own shares	Cash flow hedges	Translation differences	Defined benefit plans		
Balances at 31 December 2017	25,290	7,545	551,362	(3,347)	2,058	(36,601)	(946)	(17,225)	528,136
Adjustments for initial application of New accounting standards (note 2)	-	-	1,312	-	-	-	-	-	1,312
Balances at 1 January 2018	25,290	7,545	552,674	(3,347)	2,058	(36,601)	(946)	(17,225)	529,448
Total comprehensive income for the year	-	-	115,958	-	(4,150)	(3,753)	(623)	-	107,432
Own shares redeemed	-	-	-	(2,852)	-	-	-	-	(2,852)
Own shares sold	-	-	1,103	1,325	-	-	-	-	2,428
Share capital increase	1,265	77	(1,342)	-	-	-	-	-	-
Distribution of 2017 profit									
Dividends	-	-	(23,784)	-	-	-	-	17,225	(6,559)
Interim dividend on account of 2018 profit	-	-	-	-	-	-	-	(19,899)	(19,899)
Balances at 31 December 2018	26,555	7,622	644,609	(4,874)	(2,092)	(40,354)	(1,569)	(19,899)	609,998
Total comprehensive income for the year	-	-	143,275	-	1,795	16,674	392	-	162,136
Own shares redeemed	-	-	-	(16,512)	-	-	-	-	(16,512)
Share capital increase	1,328	-	(1,328)	-	-	-	-	-	-
Distribution of 2018 profit									
Dividends	-	-	(27,471)	-	-	-	-	19,899	(7,572)
Interim dividend on account of 2019 profit	-	-	-	-	-	-	-	(22,819)	(22,819)
Other movements	-	-	(1,872)	-	-	-	-	-	(1,872)
Balances at 31 December 2019	27,883	7,622	757,213	(21,386)	(297)	(23,680)	(1,177)	(22,819)	723,359

VIDRALA, S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows  
for the years ended  
31 December 2019 and 2018  
(Indirect Method)

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy,  
the Spanish-language version prevails)

	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit for the year		143,275	115,958
<i>Adjusted for:</i>			
Amortisation and depreciation	6 & 7	91,088	88,178
Impairment of non-current assets	6	6,003	4,105
(Reversal of) impairment losses on trade receivables		655	466
(Reversal of) impairment losses on inventories	10	4,916	9,262
Exchange (gains) / losses	25	(1,002)	(2,393)
Changes in provisions	19	(1,351)	16,053
Government grants recognised in the income statement		(3,428)	(10,391)
Result from sales and disposals of financial instruments	5	5,977	-
Finance income	25	(2)	(1,098)
Finance costs	25	6,595	10,149
Income tax	9	22,705	24,466
		<b>132,156</b>	<b>138,797</b>
<b>Changes in working capital</b>			
Inventories		(14,386)	(4,580)
Trade and other receivables		(30,103)	(13,171)
Trade and other payables		7,971	(12,074)
Application of provisions		-	(649)
Other current liabilities		16,705	6,849
Effect of translation differences on operating assets and liabilities of foreign operations		1,607	(1,919)
<b>Cash used in operating activities</b>		<b>(18,206)</b>	<b>(25,544)</b>
Interest paid		(4,450)	(7,917)
Interest received		1,004	877
Income tax paid		(26,431)	(19,405)
<b>Net cash from operating activities</b>		<b>227,348</b>	<b>202,766</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		(103,622)	(99,541)
Acquisition of property, plant and equipment		(3,547)	(2,245)
Acquisition of intangible assets		-	13
<b>Net cash used in investing activities</b>		<b>(107,169)</b>	<b>(101,773)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of treasury shares and own equity instruments		-	2,428
Proceeds from loans and borrowings		41,698	25,000
Proceeds from other debts	15	100,000	-
Payments to redeem own shares and other own equity instruments	13	(16,512)	(2,852)
Payments of loans and borrowings		(211,772)	(121,155)
Dividends paid	13	(27,471)	(23,784)
<b>Net cash from/(used in) financing activities</b>		<b>(114,057)</b>	<b>(120,363)</b>
Net increase/(decrease) in cash and cash equivalents		6,122	(19,370)
Cash and cash equivalents at 1 December		22,673	42,043
<b>Cash and cash equivalents at 31 December</b>		<b>28,795</b>	<b>22,673</b>

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

## VIDRALA, S.A. AND SUBSIDIARIES

### Notes to the Consolidated Annual Accounts

#### **1. Nature, Principal Activities and Composition of the Group**

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

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

Details of the companies comprising the Vidrala Group, the interest held by the Parent (direct and/or indirect) at 31 December 2019 and 2018 and the location and activity of each company that forms part of the consolidated group are as follows:

**VIDRALA, S.A. AND SUBSIDIARIES**

**Notes to the Consolidated Annual Accounts**

Company	Location	Investment		Activity
		2019	2018	
Crisnova Vidrio, S.A.	Caudete (Albacete)	100%	100%	Manufacture and sale of glass containers
Inverbeira, Sociedad de Promoción de Empresas, S.A.	Llodio (Álava)	100%	100%	Promotion and development of companies
Aiala Vidrio, S.A.U.	Llodio (Álava)	100%	100%	Manufacture and sale of glass containers
Gallo Vidro, S.A.	Marinha Grande (Portugal)	100%	99,99%	Manufacture and sale of glass containers
Vidrala Logistics, Ltda.	Marinha Grande (Portugal)	100%	100%	Logistic services
Castellar Vidrio, S.A.	Castellar del Vallés (Barcelona)	100%	100%	Manufacture and sale of glass containers
Vidrala Italia, S.r.l.	Córsico (Italia)	100%	100%	Manufacture and sale of glass containers
MD Verre, S.A.	Ghlin (Bélgica)	(*)	100%	Manufacture and sale of glass containers
Omega Immobilière et Financière, S.A.	Ghlin (Bélgica)	(*)	100%	Real estate
Investverre, S.A.	Ghlin (Bélgica)	100%	100%	Holding company
CD Verre, S.A.	Burdeos (Francia)	100%	100%	Commercialisation
Vidrala Desarrollos, S.L.U.	Llodio (Álava)	100%	100%	Promotion and development of companies
Encirc Limited	Derrylin (Irlanda del Norte)	100%	100%	Manufacture of glass containers, packaging and logistical services
Encirc Distribution Limited	Ballyconnell (Irlanda)	100%	100%	Logistical services
Santos Barosa Vidros, S.A.	Marinha Grande (Portugal)	100%	100%	Manufacture and sale of glass containers

(\*) Company sold in 2019 (see note 5)

## **2. Basis of Presentation**

The consolidated annual accounts for 2019 have been prepared based on Vidrala, S.A. and descendants financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), and other provisions of the financial information reporting framework applicable to the Group, to present fairly the consolidated equity and consolidated financial position of Vidrala, S.A. and subsidiaries at 31 December 2019, as well as the consolidated financial performance and changes in consolidated equity and cash flows for the year then ended.

The Parent's directors consider that the consolidated annual accounts for 2019, authorised for issue on 26 February 2020, will be approved without changes by the shareholders at their Shareholders' Annual General Meeting.

**(a) Basis of preparation of the annual accounts**

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

**(b) Comparative information**

The accounting criteria used in preparing these consolidated annual accounts have been applied consistently for the two years presented, except for the application of IFRS 16 set forth in note 2.

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

Accounting estimates, judgements and assumptions sometimes have to be made to prepare the consolidated annual accounts in conformity with IFRS-EU. A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, is as follows:

*i) Relevant accounting estimates and assumptions*

- Goodwill impairment:

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

- Useful lives of property, plant and equipment:

Group management determines the estimated useful lives and depreciation charges for its installations. These estimates are based on the historical and projected life cycles of the assets according to their characteristics, available technology and estimated replacement requirements. This could change as a result of technical innovations and initiatives adopted by the competition in response to pronounced cycles.

- Income tax

The Group files income tax returns in numerous jurisdictions. Tax legislation applicable to certain group companies means that certain calculations have to be estimated.

Any differences between the final tax calculation and the amount initially recognised have an effect on the profit or loss for the period in question.

Group management estimates that any differences arising from the use of assumptions and judgements in estimating income tax for 2019 will be immaterial.

- Capitalised tax credits

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

## *(ii) Changes in accounting estimates*

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2019, future events may require changes to these estimates in subsequent years. Any effect on the consolidated annual accounts of adjustments to be made in subsequent years would be recognised prospectively.

## **(d) Standards and interpretations approved by the European Union first-time application in the reporting period**

The accounting policies used in the preparation of the accompanying consolidated financial statements are the same as those used in the consolidated financial statements for the year ended 31 December 2018, except for the following standards applied for the first time in 2019:

- IFRS 16 – Leases;
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs, 2015-2017 Cycle;
- Amendments to IAS 19 – Employee benefits;
- Amendments to IFRS 28 – Investments in Associates and Joint Ventures
- Amendments to IFRS 9 – Financial Instruments;

When applying these standards, interpretations and amendments, the only one with a significant impact on the consolidated financial statements is IFRS 16.

## **IFRS 16 Leases**

The Group has made the transition to IFRS 16 using the modified retrospective method, which eliminates the need to restate comparative information. It requires recognising the effective of adoption of IFRS 16 on 1 January 2019, measuring the right-of-use asset at an amount equal to the lease liability. The Group has applied the standard to arrangements identified as leases when applying IAS 17 and IFRIC 4. Therefore, The Group has not applied the standard to arrangements not identified previously as leases when applying IAS 17 and IFRIC 4.

Lessor accounting under IFRS 16 is substantially unchanged.

### Right-of-use assets

The Vidrala Group recognises a right-of-use asset at the inception of the lease. At the commencement date, the cost of the right-of-use asset comprises the lease payments to be made, any initial direct costs, any lease payments made at or before the commencement date, and any costs for dismantling the underlying asset. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement or modification of the lease.

The Group has applied the exemptions provided in the standard to leases for which the lease term ends within 12 months from the date of initial application and for leases for which the underlying asset is of low value. The Group leases certain office equipment (e.g. personal computers, printers, and photocopiers) considered to be of low value.

Right-of-use assets are depreciated over the shorter of the useful life of the underlying asset and the lease term.

### Lease liabilities

At the commencement date of the lease, the Vidrala Group recognises a lease liability at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Lease payments include:

- Fixed payments or in-substance fixed lease payments less any lease incentive received from the lessee.
- The variable payments that depend on an index or a rate.
- The amounts the lessee expects to pay for any residual value guarantees of the underlying asset.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments for terminating lease if the lease terms include early termination.

The financial liability is subsequently increased by the interest on the lease liability and reduced by the payments made. The liability is remeasured if there are changes in the amounts expected to be payable or in the lease terms.

## Presentation

Vidrala has classified right-of-use assets and lease liabilities under “Right-of-use assets”, “Non-current financial liabilities” and “Current financial liabilities” in the consolidated balance sheet.

The impact for the Vidrala Group of applying IFRS 16 from 1 January 2019 is as follows:

<b>(Thousands of Euros)</b>	<b>2019</b>
<b>Assets</b>	
Right-of-use assets	1,638
<b>Total Assets</b>	<b>1,638</b>
<b>Non-current Liabilities</b>	<b>1,114</b>
Non-current financial liabilities	1,114
Lease financial liabilities	1,114
<b>Current Liabilities</b>	<b>524</b>
Current financial liabilities	524
Lease financial liabilities	524
<b>Total Liabilities</b>	<b>1,638</b>
<b>Impacto neto en Patrimonio neto</b>	<b>-</b>

The following table provides a reconciliation of lease liabilities arising from application of IFRS 16 and the amount recognised in the prior year for future minimum payments under non-cancellable operating leases:

<b>(Thousands of Euros)</b>	<b>2019</b>
<b>Commitments for operating leases as of December 31, 2018</b>	<b>1,828</b>
Weighted average discount rate as of January 1, 2019	-
<b>Discounted operating lease commitments as of January 1, 2019</b>	<b>1,828</b>
<b>Minus</b>	
Commitments for immaterial leases	(28)
Other	(162)
<b>Liabilities as of January 1 2019</b>	<b>1,638</b>

Set out below is a summary of the impact of IFRS 16 on the consolidated balance sheet as at 31 December 2019 and the consolidated income statement for the year ended 31 December 2019.

Consolidated Balance Sheet:

<b>(Thousand of Euros)</b>	<b>2019</b>
<b>Assets</b>	
Right-of-use assets	1,672
<b>Total Assets</b>	<b>1,672</b>
<b>Non-current Liabilities</b>	<b>924</b>
Non-current financial liabilities	924
Lease financial liabilities	924
<b>Current Liabilities</b>	<b>748</b>
Current financial liabilities	748
Lease financial liabilities	748
<b>Total Liabilities</b>	<b>1,672</b>
<b>Net impact on the Consolidated Balance Sheet</b>	<b>-</b>

Consolidated Income Statement:

<b>(Thousand of Euros)</b>	<b>2019</b>
Other expenses	(1,690)
Non-current assets amortisation	1,672
<b>Operating income</b>	<b>(18)</b>
Financial expenses	28
<b>Financial result</b>	<b>28</b>
<b>Profit before income tax</b>	<b>10</b>
Income Tax	(2)
<b>Net impact on the Consolidated Income Statement</b>	<b>8</b>

Details of right-of-use assets and lease liabilities and movement during 2019 are as follows:

<b>(Thousands of Euros)</b>	<b>Technical installations and other tangible assets</b>
<b>At January 1 2019</b>	<b>1,638</b>
Additions	705
Disposals	(150)
Amortisation expense	(522)
<b>At December 31 2019</b>	<b>1,672</b>

<b>(Thousands of Euros)</b>	<b>Lease liability</b>
<b>At January 1 2019</b>	<b>1,638</b>
New contracts	705
Contract disposals	(150)
Payments	(493)
Financial expenses	(28)
<b>At December 31 2019</b>	<b>1,672</b>

Lastly, the total amount of rentals under leases not affected by IFRS 16 is Euros 190 thousand.

**(e) Standards and interpretations issued by the IASB, but not effective in the reporting period**

<b>Standard, interpretation or amendment</b>	<b>Date of adoption by the EU</b>	<b>Date of application in the EU</b>	<b>Effective date of the IASB</b>
Revised version of the IFRS conceptual framework	December 6 2019	January 1 2020	January 1 2020
Amendments to IAS 1 and IAS 8 – Materiality definition	December 10 2019	January 1 2020	January 1 2020
<i>IFRS 17 Insurance Contracts</i>	Pending	Pending	January 1 2022(*)
<i>Amendments to IFRS 3 – Business combinations</i>	Pending	Pending	January 1 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Reform on reference interest rate	January 16 2019	January 1 2020	January 1 2020

(\*) Considering ED/2019/4, which delays the effective date

The Group intends to adopt the standards, interpretations and amendments to standards issued by the IASB applicable to it when they become effective in the EU. Although the Group is currently assessing their impact, based on the analysis performed to date, the Group estimates that their initial application will not have a significant impact on the consolidated financial statements.

### **3. Significant Accounting Principles**

#### **(a) Subsidiaries**

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

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

The income, expenses and cash flows of subsidiaries are included in the consolidated annual accounts from their acquisition date, which is the date on which the Group

obtained effective control of the subsidiaries. Subsidiaries are no longer consolidated once control is lost.

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

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

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

## **(b) Business combinations**

The Group applies the acquisition method for business combinations.

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

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

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

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

## **(c) Property, plant and equipment**

### **Initial recognition**

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

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

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

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

### Depreciation

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

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

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

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

### Subsequent costs

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

### Impairment

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

## **(d) Leases**

### Group as a lessee

The Group is lessee of different kinds of machinery for its production activity. It applies a single recognition and measurement approach for all leases in which it is lessee except for short-term leases and leases of low-value assets.

#### **• Right-of-use assets**

The Group recognises right-of-use assets at the commencement date, i.e. the date on which the underlying asset is available for use. Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the related lease liabilities. The initial cost of right-of-use assets includes the amount of recognised lease liabilities, any initial direct costs and any lease payments made at or before the commencement date of the lease. Any incentives received are deducted from the initial cost.

Right-of-use assets are depreciated over the shorter of the estimated useful life and the lease term.

However, where the Group considers it reasonably certain that it will obtain ownership of the leased asset at the end of the lease term or that it will exercise any purchase option, the right-of-use assets are depreciated over the useful life of the underlying asset. Right-of-use assets are tested for impairment.

The Group's leases do not include obligations to dismantle assets or restore sites.

Right-of-use assets are presented in separate line item in the balance sheet.

#### • **Lease liabilities**

At the commencement date of the lease, the Group recognises the lease liabilities at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of an option to purchase the underlying asset. The liability is also increased if there is a change to future lease payments resulting from a change in an index or rate used to determine such lease payments.

#### • **Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

#### • **Judgements made in determining the lease term of contracts with renewal option**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. Also included are any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

### Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging 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.

### **(e) Intangible assets**

#### *(i) Goodwill*

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

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

#### *(ii) Customer portfolio*

“Other intangible assets” includes the allocation of the purchase price related to the acquisition of Santos Barosa Vidros, S.A. in 2017 attributable to customer acquisition in the business combination, which is amortised in 4 years over the estimated period in which the cash flows generated are received.

#### *(iii) Internally generated intangible assets*

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

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

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

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

(iv) CO2 emission allowances

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

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

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

(v) Other intangible assets

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

(vi) Useful life and amortisation rates

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

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

(vii) Impairment

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

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

The Group assesses the existence of indications of potential impairment of the non-financial assets subject to amortisation and depreciation, in order to check whether carrying amount exceeds recoverable amount. The recoverable amount of assets is the

higher of their fair value less costs to sell and their value in use determined based on the expected future cash flows.

The cash-generating units (CGUs) identified by the Group correspond to its production subsidiaries and directly equate to the Group's production plants, except for Encirc Ltd, which includes two inter-related production plants.

Each CGU corresponds to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

The discount rate used is obtained through assessments based on the assumptions used by the company. The result is consistent with the discount rates used in independent external financial research on Vidrala. If specific items of property, plant and equipment within a CGU are detected that will not generate future cash inflows, an impairment is recognised.

Measurements to quantify value in use are based on assessing value in use of the production plants identified according to predictive business models and a valuation methodology based on discounted future cash flows.

Negative differences between assets' carrying amount and their recoverable amount are recognised in profit or loss.

#### **(g) Financial instruments**

##### **(i) Classification of financial instruments**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

##### **(ii) Offsetting principles**

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

(iii) Financial assets

Since January 1, 2018 financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

At initial recognition, the Group measures financial assets at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets measured at fair value through profit or loss are also recognised in profit or loss.

Subsequent measurement depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. After initial recognition, financial assets are classified into three categories:

- *Financial instruments at amortised costs*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the asset is derecognized.

- *Financial assets at fair value through other comprehensive income*

These are financial assets measured initially at fair value if they are managed within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The initial recognition at fair value includes transaction costs that are directly attributable to the transaction. In subsequent periods, these assets are measured at fair value, with any gain or loss recognised in the statement of other comprehensive income, although accrued interest is recognised in profit or loss. Amounts recognised in the statement of comprehensive income are recycled to profit or loss upon derecognition of the financial assets.

- *Financial assets at fair value through income (debt instruments)*

These are assets acquired for the purpose of selling them in the near term. Derivatives are classified in this category unless they are designated as hedging instruments. These assets are measured both initially and subsequently at fair value, with any changes in fair value recognised in consolidated profit or loss for the year.

Equity instruments classified in this category are recognised at fair value with any gains or losses arising from changes in fair value and proceeds from the sale included in consolidated profit or loss.

The fair values of quoted investments are based on quoted prices (Level 1). For investments in unquoted companies, fair value is based on valuation techniques, including the use of recent arm's length transactions between knowledgeable, willing parties, references to other instruments that are substantially the same and discounted cash flow analysis (Levels 2 and 3). If insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range, the investments are measured at cost less any impairment losses.

(iv) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Bank loans make up the Group's most important financial liabilities. They are recognised initially at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The accounting policies for derivatives and hedging instruments are described below in section (h) hedge accounting.

(v) Impairment of financial assets

The Group recognises a loss allowance for impairment losses on financial assets and the uncollectability of loans and other receivables. The recognition criteria followed by the Group is based on the age of the debtors, and the monitoring, knowledge and third-party reports on the debtors' financial situation. When the impairment or uncollectability are considered irreversible because the Group has exhausted all means of claims, including legal, the carrying amount of the asset is eliminated against the loss allowance. Reversals of impairment losses are also recognised against the amount of the allowance account.

Under IFRS 9, the general model requires recognition of 12-month or lifetime expected credit losses, depending on the performance of the financial asset's credit risk since initial recognition in the balance sheet. Under the simplified approach, lifetime expected credit losses are recognised based on the information available about past events (such as customer payment behaviour), current conditions and forecasts (macroeconomic factors, such as GDP trends, unemployment, inflation, interest rates) that may affect the credit risk of Vidrala's debtors.

(vi) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(h) Hedge accounting**

Financial derivatives are initially recorded at their acquisition cost in the consolidated balance sheet and, subsequently, the necessary valuation adjustments are made to reflect their fair value. Profits or losses arising from fluctuations in this fair value are recorded in the consolidated income statement, unless the derivatives in question forms part of a cash flow or foreign investment hedge relationship.

The Group has cash flow hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

#### Interest rate hedges

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

#### Energy price swaps

- Hedged item: variable price of gas used as fuel at production plants tied to Brent prices and the euro/dollar exchange rate.
- Hedging instrument: derivative instrument swaps or purchase option caps through which the Group converts the variable purchase cost of certain fuels to a fixed cost (swaps) or limits the variable cost to a maximum price (caps).
- Hedged risk: changes in the cash flows of the hedged item in the event of changes in benchmark fuel prices.

The Group also enters into agreements to hedge risks arising from changes in exchange and inflation rates.

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

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

### **(i) Parent own shares**

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

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

**(j) Distribution to shareholders**

Dividends are recognised as a reduction in equity when approved by the General Meeting of Shareholders.

**(k) Inventories**

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

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

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

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

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

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

**(l) Cash and cash equivalents**

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

**(m) Government grants**

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

**(i) Capital grants**

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

The accounting treatment of grants related to emission allowances is described in note 3.e.

(ii) Operating grants

Operating grants are recognised under other income.

(iii) Interest-rate grants

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

**(n) Employee benefits**

(i) Defined benefit plans

The Group includes plans financed through the payment of insurance premiums under defined benefit plans where a legal or constructive obligation exists to directly pay employees the committed benefits when they become payable or to pay further amounts in the event that the insurance company does not pay the employee benefits relating to employee service in the current and prior periods.

Defined benefit liabilities recognised in the consolidated statement of financial position reflect the present value of defined benefit obligations at the reporting date, minus the fair value at that date of plan assets.

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. Remeasurements of the net defined benefit asset or liability are recognised in other comprehensive income, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

The present value of defined benefit obligations is calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate of the net defined benefit asset or liability is calculated based on the yield on high quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligations. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high-quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

(ii) Defined contributions

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

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

(iii) Other commitments with employees

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

(iv) Termination benefits

Under current labor legislation, the Group is required to pay termination benefits to employees terminated under certain conditions.

(v) Short-term employee benefits

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

**(o) Provisions**

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

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

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

(i) Provision for emission allowances

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

(ii) Provision for defined benefit plans

Income or expense related to defined benefit plans is recognised as employee benefits expense and is the sum of the net current service cost and the net interest cost of the net defined benefit asset or liability. Remeasurements of the net defined benefit asset or liability are recognised in other comprehensive income, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

(iii) Provision for taxes

Vidrala recognises a provision for taxes arising from ongoing litigation with the taxation authorities based on the best information available at the date of authorisation for issue of these consolidated financial statements (see Note 19).

**(p) Revenue recognition**

Revenue from contracts with customers should be recognised with accordance with satisfaction of the performance obligations with customers.

Ordinary revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which Vidrala expects to be entitled in exchange for those goods and services.

A five-step model is established for recognising revenue

1. Identifying the contract(s) with a customer.
2. Identifying the performance obligations.
3. Determining the transaction price.
4. Allocating the transaction price to performance obligations.
5. Recognising revenue according to satisfaction of each obligation.

Based on this recognition model, sales of goods are recognised when the products have been delivered to and accepted by the customer, even if they have not been invoiced or, where applicable, the services have been rendered and collection of the receivables is reasonably assured.

Discounts for early payment, volume or other, are recognised as a reduction. Revenue is presented net of value-added tax and any other amount or tax whose substance relates to amounts received by third parties.

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

**(q) Income tax**

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

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

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

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

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

Also Crisnova Vidrio, S.A. and Castellar Vidrio, S.A. taxed on a consolidated tax return basis as of January 1, 2015.

(i) Recognition of deferred tax liabilities

Deferred tax liabilities are recognized for all temporary differences, except those derived from the initial recognition of goodwill, as well as those associated with investments in subsidiaries, associates and entities under joint control in which Vidrala can control the reversal of these and is likely not to revert in the foreseeable future.

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets, provided that it is probable that sufficient taxable income will be available against which they can be utilised.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductions to the extent that it is probable that future taxable profits will be available against which they can be utilised. Certain deductions for investments in property, plant and equipment or business acquisitions are applied in line with the depreciation period of the assets or business plan of the acquired activities which generated the tax credits with a credit to deferred income (see note 14).

(iii) Measurement

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

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces them to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

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

*(iv) Offsetting and classification*

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

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

**(r) Segment reporting**

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

**(s) Environmental issues**

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

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

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

**(t) Foreign currency transactions and balances**

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

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

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

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

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

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

#### **4. Segment reporting**

As described below, the Group is organised internally into operating segments, defined as strategic business units. The different strategic business units have similar products and services (the manufacture and sale of glass containers), which are managed separately and aggregated by geographical market as they require different market strategies. The bottling and logistics services provided in the United Kingdom (note 1) do not entail a separate segment in that they are considered a complementary service to the manufacture and sale of glass containers. The ordinary income generated by these services represents less than 10% of the Group's total ordinary income.

In accordance with its location, each plant produces for a specific geographical market through a unified commercial structure designed for that market.

Plants in Spain, Portugal and Belgium produce products marketed under the Vidrala brand name, through the Parent mostly for the Iberian Peninsula, France, Belgium and Germany. UK plants produce products marketed under the Encirc brand name, through the company of the same name, mostly for the UK and Ireland. Lastly, the Italian plant produces products marketed under Vidrala Italia brand name, through the company of the same name, mostly for Italy.

This segmentation coincides with the lowest level, or the most detailed level, of information used by management and the board of directors, which have information on production activity and manufacturing costs per production plant, and on sales, operating profit or loss, and margins for the identified segments.

In 2019, after the disposal of the manufacturing activity in Belgium carried out in December, the Group redefined the segmentation structure and determined the following reportable operating segments:

- UK and Ireland
- Italy
- Iberian Peninsula and rest of Europe

Segment performance is measured based on profit or loss before tax. Segment profit is used as a performance measure since the Group considers this information to be the most relevant in assessing the results of certain segments compared to other groups operating in those businesses.

Segment information related to the consolidated income statements for the years ended 31 December 2019 and 2018:

2019				
(Thousands of Euros)	Iberian Peninsula & Other	Italy	United Kingdom & Ireland	Consolidated Financial Statements
Revenues	596,934	62,720	351,283	1,010,937
Other income	10,704	521	5,612	16,837
Changes in inventories of finished goods and work in progress	8,033	(159)	(121)	7,753
Merchandise, raw materials and consumables used	(187,636)	(24,020)	(121,038)	(332,694)
Employee benefits expense	(111,550)	(12,348)	(73,645)	(197,543)
Amortisation costs	(49,311)	(8,991)	(32,786)	(91,088)
Impairment of non-current assets	(5,657)	(346)	-	(6,003)
Other expenses	(142,429)	(14,660)	(73,562)	(230,651)
Finance income	234	(1)	771	1,004
Finance costs	(6,554)	(28)	(13)	(6,595)
Impairment and result from disposals of financial instruments	(5,977)	-	-	(5,977)
<b>Profit before income tax from continuing operations</b>	<b>106,791</b>	<b>2,688</b>	<b>56,501</b>	<b>165,980</b>
Income Tax	(14,804)	1,307	(9,208)	(22,705)
<b>Profit for the year from continuing operations</b>	<b>91,987</b>	<b>3,995</b>	<b>47,293</b>	<b>143,275</b>

2018				
(Thousands of Euros)	Iberian Peninsula & Other	Italy	United Kingdom & Ireland	Consolidated Financial Statements
Revenues	567,063	53,876	334,487	955,426
Other income	8,754	2,240	10,997	21,991
Changes in inventories of finished goods and work in progress	610	3,214	(5,893)	(2,069)
Merchandise, raw materials and consumables used	(178,900)	(24,285)	(120,450)	(323,635)
Employee benefits expense	(109,417)	(12,963)	(68,201)	(190,581)
Amortisation costs	(50,589)	(7,251)	(30,338)	(88,178)
Impairment of non-current assets	(3,834)	(271)	-	(4,105)
Other expenses	(141,396)	(13,643)	(66,728)	(221,767)
Finance income	906	(25)	2,610	3,491
Finance costs	(9,991)	(58)	(100)	(10,149)
<b>Profit before income tax from continuing operations</b>	<b>83,206</b>	<b>834</b>	<b>56,384</b>	<b>140,424</b>
Income Tax	(17,755)	2,361	(9,072)	(24,466)
<b>Profit for the year from continuing operations</b>	<b>65,451</b>	<b>3,195</b>	<b>47,312</b>	<b>115,958</b>

Non-current assets allocated at 31 December 2019 and 2018:

	Thousands of Euros	
	2019	2018
Iberian Peninsula & Other	519,657	538,630
Italy	131,829	132,617
United Kingdom & Ireland	317,547	287,115
	<b><u>969,033</u></b>	<b><u>958,362</u></b>

Information of key line items in the consolidated financial statements by geographical areas according to the location of the production assets:

Location	Thousands of Euros					
	2019			2018		
	Assets	Liabilities	Investments	Assets	Liabilities	Investments
Iberian Peninsula & Other	766,822	567,579	56,371	772,212	659,208	33,310
Italy	190,419	30,555	6,003	174,051	29,910	27,958
United Kingdom & Ireland	<u>500,620</u>	<u>136,368</u>	<u>49,818</u>	<u>461,072</u>	<u>108,219</u>	<u>35,858</u>
	<b><u>1,457,861</u></b>	<b><u>734,502</u></b>	<b><u>112,192</u></b>	<b><u>1,407,335</u></b>	<b><u>797,337</u></b>	<b><u>97,126</u></b>

Investments in 2019 and 2018 in the preceding table include additions to property, plant and equipment (see Note 6) and intangible assets (see Note 7) and do not reflect the value of emission rights allocated for the year (see Note 7).

## 5. Disposal of the production activity in Belgium

On December 1, 2019, the Group sold its glass container manufacturing business in Belgium to the French group Saverglass. This activity was carried out through MD Verre, S.A. and Omega Immobilieré et Financieré, S.A.

The sale of the Belgium manufacturing activity is part of Vidrala's strategy of focusing on competitive and strategic production sites.

The impact of the transaction on the consolidated income statement for the year ended 31 December 2019 was a non-operating loss of Euros 5,977 thousand recognised under "Impairment and result from disposals of financial instruments" in the consolidated income statement.

## 6. Property, Plant and Equipment

Details of property, plant and equipment and movement during 2019 and 2018 are as follows:

	Thousands of Euros					
<u>2019</u>	<u>Balances at 12.31.18</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Translation differences</u>	<u>Balances at 12.31.19</u>
<u>Cost</u>						
Land and buildings	336,914	3,701	(14,979)	342	5,740	331,718
Technical installations and machinery	848,068	43,205	(99,702)	23,848	14,587	830,005
Moulds	97,929	12,136	(5,281)	-	1,452	106,237
Furniture	10,922	157	(1,457)	278	18	9,919
Other property, plant and equipment	3,431	470	(3,739)	714	-	875
Work in progress	42,627	48,976	(1,321)	(25,182)	493	65,593
	<b>1,339,891</b>	<b>108,645</b>	<b>(126,479)</b>	<b>-</b>	<b>22,290</b>	<b>1,344,347</b>
<u>Amortisation</u>						
Land and buildings	(102,036)	(8,749)	6,101	-	(917)	(105,601)
Technical installations and machinery	(464,561)	(64,738)	87,584	-	(7,771)	(449,486)
Moulds	(67,970)	(9,339)	3,003	-	(1,122)	(75,429)
Furniture	(7,642)	(302)	1,441	-	(202)	(6,705)
Other property, plant and equipment	(832)	(2,081)	2,475	-	-	(437)
	<b>(643,041)</b>	<b>(85,209)</b>	<b>100,604</b>	<b>-</b>	<b>(10,012)</b>	<b>(637,658)</b>
<u>Impairments</u>						
Moulds	(12,736)	(4,109)	2,555	-	-	(14,290)
<u>Carrying amount</u>	<b>684,114</b>					<b>692,399</b>

	Thousands of Euros					Balances at 12.31.18
	Balances at 12.31.17	Additions	Disposals	Transfers	Translation differences	
<b><u>2018</u></b>						
<b><u>Cost</u></b>						
Land and buildings	324,868	6,743	(1,227)	(866)	7,396	336,914
Technical installations and machinery	811,559	50,654	(39,758)	(2,118)	27,731	848,068
Moulds	97,237	10,341	(10,665)	(216)	1,232	97,929
Furniture	11,212	20	(3)	(3)	(304)	10,922
Other property, plant and equipment	3,764	2,564	(4,530)	-	1,633	3,431
Work in progress	57,874	22,826	(228)	(157)	(37,688)	42,627
	<b>1,306,514</b>	<b>93,148</b>	<b>(56,411)</b>	<b>(3,360)</b>	<b>-</b>	<b>1,339,891</b>
<b><u>Amortisation</u></b>						
Land and buildings	(92,925)	(9,781)	532	138	-	(102,036)
Technical installations and machinery	(442,681)	(58,929)	35,364	981	704	(464,561)
Moulds	(65,778)	(11,785)	9,396	197	-	(67,970)
Furniture	(10,426)	(153)	2,655	3	279	(7,642)
Other property, plant and equipment	(3,037)	(2,064)	5,252	-	(983)	(832)
	<b>(614,847)</b>	<b>(82,712)</b>	<b>53,199</b>	<b>1,319</b>	<b>-</b>	<b>(643,041)</b>
<b><u>Impairments</u></b>	(8,631)	(4,306)	201	-	-	(12,736)
<b><u>Carrying amount</u></b>	<b>683,036</b>					<b>684,114</b>

Main additions for 2019 correspond to the investment plans for the complete update of the production plants located in Portugal (Euros 20,250 thousand) and the United Kingdom (Euros 44,247 thousand).

Likewise, main decreases recorded during 2019 correspond to the sale of the manufacturing activity in Belgium, which has generated Euros 20,096 thousand net disposals.

#### **(a) Government grants received**

Deferred income in the consolidated balance sheet includes government grants received for investments made by Group companies in property, plant and equipment. Income pending recognition from these grants amounts to Euros 8,303 thousand at 31 December 2019 (Euros 11,731 thousand at 31 December 2018) (see note 14).

#### **b) Commitments**

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

	Thousands of Euros	
	2019	2018
Technical installations and machinery	<u>23,384</u>	<u>9,484</u>

#### **(c) Insurance**

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

#### **(d) Fully depreciated assets**

At 31 December 2019 the restated cost of fully depreciated property, plant and equipment in use amounts to Euros 408 million (Euros 362 million at 31 December 2018).

## 7. Intangible Assets

Details of intangible assets and movement during 2019 and 2018 are as follows:

Thousands of Euros								
	R&D expenditure	Emission allowances	Computer software	Work in progress	Other Intangible assets	Customer portfolio	Goodwill	Total
<b>2019</b>								
<b><u>Cost</u></b>								
Balances at December 31 2018	<u>3,538</u>	<u>6,651</u>	<u>21,654</u>	<u>359</u>	<u>296</u>	<u>13,237</u>	<u>209,890</u>	<u>255,625</u>
Additions	189	22,147	3,348	-	10	-	-	25,694
Transfers	-	-	(462)	462	-	-	-	-
Disposals	(90)	(16,643)	(43)	(821)	(6)	-	-	(17,603)
Translation differences	-	233	272	-	-	-	-	505
Balances at December 31 2019	<u>3,637</u>	<u>12,388</u>	<u>24,769</u>	<u>-</u>	<u>300</u>	<u>13,237</u>	<u>209,890</u>	<u>264,221</u>
<b><u>Amortisation</u></b>								
Balances at December 31 2018	<u>(2,744)</u>	-	<u>(12,733)</u>	-	<u>(31)</u>	<u>(5,091)</u>	-	<u>(20,599)</u>
Additions	(179)	-	(1,604)	-	(23)	(4,073)	-	(5,879)
Disposals	87	-	46	-	-	-	-	133
Balances at December 31 2019	<u>(2,836)</u>	-	<u>(14,291)</u>	<u>-</u>	<u>(54)</u>	<u>(9,164)</u>	-	<u>(26,345)</u>
<b><u>Carrying amount</u></b>								
At December 31 2018	<u>794</u>	<u>6,651</u>	<u>8,921</u>	<u>359</u>	<u>265</u>	<u>8,146</u>	<u>209,890</u>	<u>235,026</u>
At December 31 2019	<u>801</u>	<u>12,388</u>	<u>10,478</u>	<u>-</u>	<u>246</u>	<u>4,073</u>	<u>209,890</u>	<u>237,876</u>

Thousands of Euros								
	R&D expenditure	Emission allowances	Computer software	Work in progress	Other Intangible assets	Customer portfolio	Goodwill	Total
<b>2018</b>								
<b><u>Cost</u></b>								
Balances at December 31 2017	<u>3,057</u>	<u>3,195</u>	<u>18,378</u>	<u>359</u>	<u>285</u>	<u>13,237</u>	<u>209,890</u>	<u>248,401</u>
Additions	126	14,645	3,841	-	11	-	-	18,623
Transfers	355	-	(355)	-	-	-	-	-
Disposals	-	(11,187)	(180)	-	-	-	-	(11,367)
Translation differences	-	(2)	(30)	-	-	-	-	(32)
(Balances at December 31 2018)	<u>3,538</u>	<u>6,651</u>	<u>21,654</u>	<u>359</u>	<u>296</u>	<u>13,237</u>	<u>209,890</u>	<u>255,625</u>
<b><u>Amortisation</u></b>								
Balances at December 31 2017	<u>(2,505)</u>	-	<u>(11,625)</u>	-	<u>(9)</u>	<u>(1,018)</u>	-	<u>(15,157)</u>
Additions	(239)	-	(1,132)	-	(22)	(4,073)	-	(5,466)
Disposals	-	-	24	-	-	-	-	24
Balances at December 31 2018	<u>(2,744)</u>	-	<u>(12,733)</u>	<u>-</u>	<u>(31)</u>	<u>(5,091)</u>	-	<u>(20,599)</u>
<b><u>Carrying amount</u></b>								
At 31 December 2017	<u>552</u>	<u>3,195</u>	<u>6,753</u>	<u>359</u>	<u>276</u>	<u>12,219</u>	<u>209,890</u>	<u>233,244</u>
At 31 December 2018	<u>794</u>	<u>6,651</u>	<u>8,921</u>	<u>359</u>	<u>265</u>	<u>8,146</u>	<u>209,890</u>	<u>235,026</u>

### (a) Impairment and allocation of goodwill to CGUs

The CGUs identified by the Group correspond to its production subsidiaries and directly equate to the Group's production plants, except for Encirc Ltd, which includes two inter-related production plants.

Each CGU corresponds to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

Accordingly, the Group's CGUs are:

- Aiala Vidrio (integrated under Aiala Vidrio, S.A.)
- Castellar Vidrio (integrated under Castellar Vidrio, S.A.)
- Crisnova Vidrio (integrated under Crisnova Vidrio, S.A.)
- Vidrala Italia (integrated under Vidrala Italia, S.R.L.)
- Santos Barosa (integrated under Santos Barosa Vidros, S.A.)
- Gallo Vidro (integrated under Gallo Vidro, S.A.)
- MD Verre (integrated under MD Verre, S.A.)
- Encirc, Derrylin and Elton plants (integrated under Encirc Limited)

For impairment testing purposes, goodwill has been allocated to the Group's cash-generating units (CGUs) based on the production unit that generated the cash, as follows:

Cash Generating Unit	Country	Thousand of euros	
		2019	2018
Gallo Vidro	Portugal	20,799	20,799
Castellar Vidrio	Spain	26,155	26,155
Vidrala Italia	Italy	12,279	12,279
Santos Barosa Vidros	Portugal	150,657	150,657

All Group CGUs are tested for impairment, irrespective of any goodwill allocated, annually or more frequently if there is any indication of a potential loss in the value of the asset. CGUs tested for impairment represent 97% of the value of the group's non-current assets.

Measurements to quantify value in use are based on assessing value in use of the production plants identified according to predictive business models and a valuation methodology based on discounted future cash flows.

The sales growth forecasts are based on the combination of the annual change expected in the general consumer price indexes of each region, as the best reference of forecast changes in selling prices, plus 1% expected annual growth in sales volumes. The growth in sales volume is consistent with prudent forecasts for growth in demand and the estimated increase in production capacity of each plant based on investment figures - 8% of sales- considered in the models. This level is considered sufficient to keep the production facilities current and meet the expected market growth. The figures for the change in sales -prices and volumes- and capex required for sustainability are consistent with the business' historical figures.

In calculating EBITDA, production costs increase in line with the annual change in the general CPI forecast for each CGU tested, in line with the estimated change in selling prices. Given the importance of energy costs in production plants' cost structure and the particular variability of energy tariffs, specific assumptions are used for changes in energy costs in response to estimated oil prices as the best indicator.

The estimated annual growth rate in all valuation models is 1.5%. This assumption is consistent with long-run industry growth and the macroeconomic outlooks for the

geographical regions in which the Vidrala Group operates. It is considered reasonable in light of the stable, mature and reasonably predictable demand typical of the developed economies in which Vidrala carries out its business.

Average growth in sales and EBITDA for the forecast period is 2.1% and 3.1%, respectively (2018: 2.7% and 4.3%, respectively), which the Group considers reasonable in current market circumstances.

The discount rate used is obtained through assessments based on internal assumptions and the result is consistent with the discount rates used in independent external financial research on Vidrala. They also reflect the specific risks of each GCU.

The pre-tax discount rate and the annual growth rate considered for each CGU after the projection period are as follows:

	2019	2018
Cash Generating Unit	Discount rate	Discount rate
Aiala Vidrio	6.8%	6.8%
Crisnova Vidrio	6.7%	6.7%
Castellar Vidrio	6.8%	6.8%
Gallo Vidro	7.0%	7.0%
Vidrala Italia	6.9%	6.9%
Santos Barosa Vidros	7.0%	7.0%
MD Verre	-	6.1%

The following assumptions are used to obtain the discount rates in the preceding table:

- The risk-free rate of the related GCU's country, which ranges from 1.6% to 2.6% (unchanged from 2018)
- A 6.5% risk premium (the same as in 2018).
- A beta for the related GCU's country, which ranges from 0.94 to 1.01 (unchanged from 2018)
- A fixed liability structure of 1/3 debt, 2/3 equity (the same as in 2018)

The rest of the key assumptions used in the impairment tests performed are as follows:

- Changes in consumer price index

	Estimated in 2019	Estimated in 2018
Spain	1.1%	1.7%
Portugal	1.1%	1.7%
Italy	0.9%	1.7%
Belgium	-	1.9%

- Estimated Brent barrel price, in euros:

	2019	2020	2021	2022	2023	2024
<b>Estimated in 2019</b>	-	48.63	48.84	48.34	47.76	47.76
<b>Estimated in 2018</b>	47.62	48.19	48.38	47.47	47.93	-

The Vidrala Group has performed a sensitivity analysis on the key assumptions, considering variations in sales and EBITDA of +/- 2%.

Historical analysis of variation in Vidrala's profit or loss on a like-for-like basis (i.e. excluding the effects of acquisitions and disposals) shows average variability, measured as standard deviation, in both sales and margins of less than 2% p.a. The data are consistent with the nature of Western European manufacturing and sale of glass containers for food and beverages, characterised by mature, reasonably stable and predictable demand. Vidrala's production performance shows limited fluctuations at the expense of the recurring capex captured in the valuation models.

In analysing sensitivity of DCF valuations, variations in sales and EBITDA of +/-2% each year are analysed. The gross margin indicator (i.e. sales less variable costs) was considered for 2018 and prior years' financial statements in sensitivity analysis, but it was replaced in the 2019 financial statements by EBITDA, a alternative performance measure (APM) used by both the Group and third parties to assess business performance.

Mainly, real sales prices may perform differently than considered in the valuation models, which is linked to general inflation indicators. In this case, there would also be a proportionate increase or decrease in production costs, thereby mitigating the impact on EBITDA to a certain extent. Real production costs could also perform differently than considered in the valuation models, which is linked to general inflation indicators and the estimate of future oil prices. However, in this case, there would also be a proportionate movement in selling costs, thereby mitigating the impact on EBITDA to a certain extent. This sensitivity analysis of sales and EBITDA should also capture the impact in these circumstances. Lastly, depending on the stage in the industrial use cycle where each facility is located, capex each year could be higher or lower than the levels included in the valuation models. Nevertheless, the rate used is considered to be a sound reference for a normalised annual average rate.

In all cases, this change in assumptions would not indicate the existence of impairment for any CGU.

The Vidrala Group does not consider that there are any reasonably possible changes in key assumptions, including discount rates, that would result in the recognition of an impairment loss of any of its CGUs.

**(b) Fully amortised assets**

At 31 December 2019, there were fully amortised items of intangible assets still in use with an updated cost of Euros 15 million (Euros 15 million at 31 December 2018).

**8. Derivative Financial Instruments**

Details of derivative financial instruments are as follows:

	Thousands of Euros			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Interest rate swaps	-	4,717	-	3,132
Inflation swaps	27	36	92	51
Currency swaps	374	-		
Energy price options	<u>5,272</u>	<u>1,144</u>	<u>8,850</u>	<u>8,496</u>
Total	<u>5,673</u>	<u>5,897</u>	<u>8,942</u>	<u>11,679</u>

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

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The derivatives, primarily swaps to convert variable prices to fixed prices on interest rates and underlying energy prices, are valued using valuation techniques which employ the use of observable market data. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations (discounted cash flows). The models incorporate various inputs including the credit quality of counterparties, US dollar foreign exchange spot and forward rates, euro yield curves, and forward oil (Brent), gas (NBP and TTF) and electricity (OMIE) prices. All of the contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk.

**Swaps and options**

The Group uses swaps and options on interest rates, inflation, foreign currencies and energy prices to manage its exposure to fluctuations in these variables.

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

The Group applies hedge accounting to these swap and option contracts.

Interest rate hedging instruments contracted between 2016 and 2018 have an accumulated nominal of Euros 436 million at December 31, 2019 (Euros 458 million at December 31, 2018). At 31 December 2019, Euros 356 million became effective, with Euros 101 million reaching expiry and a further Euros 80 million have become effective in 2020. Under these contracts, effective until 2025, the Group will pay a fixed interest rate of between (0.335)% and 0.535%.

The inflation hedging instruments contracted, recorded a cumulative nominal as of December 31, 2019 of 30 million euros for the period covered until 2020, 20 million euros for the period covered until 2021 and 20 million euros for 2022. Through these contracts, the Group guaranteed a maximum salary increase in certain costs related to the variation of the Spanish consumer price index that will be between 1.62% and 1.75%.

Energy price hedging instruments have an accumulated nominal of Euros 63 million at December 31, 2019 (Euros 71 million at December 31, 2018). As a result of these contracts, effective until 2023, the Group estimates that it has hedged approximately 21% of its expected exposure to fluctuations in energy markets over the aforementioned period.

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

	Thousands of Euros Income/(Expenses)	
	2019	2018
Other comprehensive income	6,128	(3,075)
Reclassification to finance costs	<u>(3,615)</u>	<u>(2,458)</u>
	<u><b>2,513</b></u>	<u><b>(5,533)</b></u>

The classification of cash flow hedges by reporting periods in which the cash flows are expected to occur, which coincides with those expected to impact the consolidated income statement, is as follows:

		Thousands of Euros					
		2019					
	Carrying Amount	Expected Cash flows	Occurrence of cash flows				
			2020	2021	2022	2023	2024
Interest rate swaps	<u>(4,717)</u>	<u>(4,838)</u>	<u>(1,997)</u>	<u>(1,683)</u>	<u>(727)</u>	<u>(315)</u>	<u>(106)</u>
Inflation swaps	<u>(9)</u>	<u>(9)</u>	<u>(9)</u>	=	=	=	=
Currency swaps	<u>374</u>	<u>374</u>	<u>374</u>	=	=	=	=
Energy price options	<u>4,128</u>	<u>4,503</u>	<u>2,975</u>	<u>1,390</u>	<u>138</u>	=	=

  

		Thousands of Euros					
		2018					
	Carrying amount	Expected cash flows	Occurrence of cash flows				
			2019	2020	2021	2022	2023
Interest rate swaps	<u>(3,132)</u>	<u>(3,205)</u>	<u>(1,572)</u>	<u>(1,096)</u>	<u>(588)</u>	<u>35</u>	<u>16</u>
Inflation swaps	<u>41</u>	<u>41</u>	<u>41</u>	=	=	=	=
Energy price options	<u>354</u>	<u>354</u>	<u>2,241</u>	<u>(1,062)</u>	<u>(825)</u>	=	=

## 9. Income Tax

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

Deferred tax assets	Miles de euros					Total
	Loans for losses to be offset	Provisions for personnel	Rights to tax deductions and credits	Financial liabilities	Other	
<b>At 31 December 2017</b>	<b>1,548</b>	<b>730</b>	<b>8,139</b>	<b>1,416</b>	<b>23,470</b>	<b>35,304</b>
(Debit) credit to income statement	1,235	7	(3,315)	-	3,073	1,000
Debit (credit) to other comprehensive income	-	-	-	2,418	-	2,418
Translation differences	-	-	-	-	(27)	(27)
<b>At 31 December 2018</b>	<b>2,783</b>	<b>737</b>	<b>4,824</b>	<b>3,834</b>	<b>26,516</b>	<b>38,695</b>
(Debit) credit to income statement	2,488	-	(2,209)	-	(1,146)	(867)
Debit (credit) to other comprehensive income	-	-	-	(1,102)	-	(1,102)
Translation differences	-	-	-	-	-	-
<b>At 31 December 2019</b>	<b>5,272</b>	<b>737</b>	<b>2,615</b>	<b>2,732</b>	<b>25,370</b>	<b>36,726</b>

Deferred tax liabilities	Thousands of Euros				Total
	Goodwill	Property, plant and equipment	Financial assets	Other	
<b>At 31 December 2017</b>	<b>11,975</b>	<b>28,008</b>	<b>1,916</b>	<b>3,677</b>	<b>45,576</b>
Debit (credit) to income statement	3,465	3,558	-	(2,346)	4,677
Debit (credit) to other comprehensive income	-	-	990	-	990
Translation differences	-	(97)	-	-	(97)
<b>At 31 December 2018</b>	<b>15,440</b>	<b>31,469</b>	<b>2,906</b>	<b>1,331</b>	<b>51,146</b>
Debit (credit) to income statement	4,520	(2,933)	-	(462)	1,125
Debit (credit) to other comprehensive income	-	-	(522)	52	(470)
Translation differences	-	802	-	-	802
<b>At 31 December 2019</b>	<b>19,960</b>	<b>29,338</b>	<b>2,384</b>	<b>921</b>	<b>52,603</b>

“Other” of “Deferred tax assets” includes mainly the temporary differences arising from the acquisitions of Santos Barosa Vidros, S.A. in 2017 and Encirc Limited and Encirc Distribution Limited in 2015, and the tax effect of adjusting intragroup margins at year-end amounting to Euros 7,100 thousand (2018: Euros 7,559 thousand).

The Parent's directors consider that recovery of all deferred tax assets is assured with the current level of profits.

“Property, plant and equipment” under “Deferred tax liabilities” includes mainly the tax effect of the accelerated depreciation of various fixed assets.

“Goodwill” relates mainly to the accumulated effect of the tax deductibility applied to goodwill allocated to Santos Barosa Vidros, S.A.

Deferred taxes on items debited/(credited) directly to other comprehensive income in 2019, corresponding to hedging operations, amounted to Euros (718) thousand (Euros 1,383 thousand at 31 December 2018).

Details of the income tax expense are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
Present year	27,626	21,188
Prior year adjustments	<u>(626)</u>	<u>(253)</u>
Deferred tax		
Source and reversal of temporary differences	3,831	3,913
Application on capitalized deductions	1,281	3,088
Adjustments for change type of tax	(120)	(1,877)
Expense for reduction of assets for taxes deferred	(692)	376
Prior year adjustments	(651)	206
Other	(5,412)	357
Deferred income taken to income tax (note 14)	<u>(2,532)</u>	<u>(2,532)</u>
Total	<b><u>22,705</u></b>	<b><u>24,466</u></b>

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

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Profit for the year before income tax from continuing operations	<u>165,980</u>	<u>140,424</u>
Compensation of negative tax bases from previous years	<u>(885)</u>	<u>(1,184)</u>
Tax calculated at the tax rate of each country	36,072	30,392
Carry forward of unused tax losses	2,433	-
Deductions for the year	(170)	(587)
Prior year adjustments	(1,379)	(48)
Adjustments for changes in tax rate	(140)	(1,877)
Expense for reduction in deferred tax assets	(692)	376
Other adjustments	(6,355)	-
Deferred income taken to income tax (note 14)	(2,532)	(2,532)
Permanent differences	<u>(4,532)</u>	<u>(1,258)</u>
<b>Income tax expense</b>	<b><u>22,705</u></b>	<b><u>24,466</u></b>

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

The years open to inspection by the taxation authorities vary for the different companies of the consolidated tax group between four and five years for those located in Spain and between three and four years for those located out of Spain.

“Other adjustments” includes mainly the use of the provision set aside for tax risk arising on a corporate transaction and the tax treatment of the resulting goodwill, for Euros 11,738 thousand, and the recognition of a provision for potential liabilities arising in connection with the inspection being carried out, amounting to Euros 6,145 thousand.

Permanent differences arise from the application of the tax rate to non-taxable income, which mainly consists with applicable tax regulations. The Company has applied a 60% reduction to income deriving from the temporary transfer of intangible assets developed by the Company to Group companies for an amount of Euros 6,262 thousand at December 31, 2019 (Euros 5,809 thousand at December 31, 2018).

The Company applied in 2018 a reduction of 10% of the amount of the increase in its equity for tax purposes compared to the average for the two prior periods for an amount of Euros 11,000 thousand. In this regard, it has apportioned an amount equal to non-distributable reserves for a minimum period of five years, except for the portion of the increase that is incorporated into capital.

In accordance with current legislation in Spain, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the inspection period of five years has elapsed. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any event, the directors do not consider that any such liabilities that could arise would have a significant effect on the 2019 consolidated annual accounts taken as a whole.

## 10. Inventories

Details of inventories are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Raw materials	15,871	13,138
Auxiliary and production materials	80,041	76,870
Finished goods and work in progress	123,822	118,172
Supplier down payments	<u>2,832</u>	-
	222,566	208,180
Impairment	<u>(27,949)</u>	<u>(23,033)</u>
	<b><u>194,617</u></b>	<b><u>185,147</u></b>

At 31 December 2019 and 2018 there are no inventories with a recovery period of more than 12 months from the consolidated balance sheet date.

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

Impairment on finished goods amounted to Euros 6,696 thousand (2018: Euros 7,001 thousand), and on auxiliary and production materials to Euros 21,253 thousand (2018: Euros 16,032 thousand).

Decreases in the value and reversals of impairment of inventories are recognised with a credit to "Changes in inventories of finished goods and work in progress" in the consolidated income statement for finished goods and work in progress; and "Merchandise, raw materials and consumables used" in the consolidated income statement for the remaining inventories.

## **11. Trade and Other Receivables**

Details of trade and other receivables are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Trade receivables	253,252	224,080
Personnel	298	-
Other loans	2,752	2,119
Less impairment due to uncollectibility	<u>(7,768)</u>	<u>(7,113)</u>
Total	<b><u>248,534</u></b>	<b><u>219,086</u></b>

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

As explained in the note on risks in the directors' report, the level of actual recoverability of matured loans in the past is significant, thus bringing actual uncollectibility to below the aforementioned percentage.

There is no concentration of credit risk as regards trade receivables as the Group has a large number of customers worldwide.

At 31 December 2019 and 2018 the Company has no trade and other receivables discounted at financial institutions.

## **12. Other Current Assets and Liabilities**

Details of other current assets are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Public entities		
Value added tax	9,143	12,903
Other items	<u>1,437</u>	<u>115</u>
	<b><u>10,580</u></b>	<b><u>13,018</u></b>

Details of other current liabilities are as follows:

	Thousands of Euros	
	2019	2018
Public entities		
Value added tax	17,292	20,942
Withholdings and payments on account	2,795	2,594
Social Security	4,247	3,643
Other	4,016	4,140
	<b><u>28,350</u></b>	<b><u>31,319</u></b>

### 13. Equity

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

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

#### (a) Capital

Movement of issued and outstanding shares in 2019 and 2018 is as follows:

	Number Of shares outstanding	Thousand of euros		
		Ordinary shares	Own shares	Total
<b>At December 31 2017</b>	<b>24,727,841</b>	<b>25,290</b>	<b>(3,347)</b>	<b>21,943</b>
Acquisition of own shares	(34,244)	-	(2,852)	(2,852)
Sale of own shares	25,000	-	1,325	1,325
Share capital increase	1,236,429	1,265	-	1,265
<b>At December 31 2018</b>	<b>25,955,026</b>	<b>26,555</b>	<b>(4,874)</b>	<b>21,681</b>
Acquisition of own shares	(205,791)	-	(16,512)	(16,512)
Share capital increase	1,301,702	1,328	-	1,328
<b>At December 31 2019</b>	<b>27,050,937</b>	<b>27,883</b>	<b>(21,386)</b>	<b>6,497</b>

The movement on own shares is the following:

	Number of own shares	
	2019	2018
<b>At January 1 2019</b>	<b>79,033</b>	<b>69,789</b>
Acquisition of own shares	205,791	34,244
Sale of own shares	-	(25,000)
<b>At December 31 2019</b>	<b>284,824</b>	<b>79,033</b>

At 31 December 2018 the share capital of Vidrala, S.A. is represented by 26,034,059 ordinary shares represented by book entries of Euros 1.02 par value each, fully paid and listed on the Madrid and Bilbao stock exchanges.

At the Annual General Meeting of Vidrala, S.A. held on 28 May 2019, approval was given to increase share capital by a specific amount according to the terms of the resolution via the issuance of 1,301,702 new ordinary shares with par value of one euro and 2 cents (Euros 1.02) each, without a share premium, all of the same class and series as those outstanding, with a charge to unrestricted reserves. The objective was to allocate them freely to Company shareholders in the proportion of one (1) new share for every twenty (20) existing shares.

In addition, at the Annual General Meeting of Vidrala, S.A., shareholders gave the Board of Directors authorisation for the derivative acquisition of treasury shares, directly or through group companies, and for a reduction of share capital, as appropriate, to cancel the treasury shares, conferring the necessary powers to the Board of Directors to execute them.

Under this authorisation, at its meeting of 19 December 2019, the Board of Directors decided to reduce capital by Euros 274 thousand through the cancellation of 268,710 treasury shares. This concluded the share buyback programme agreed on 20 December 2018. After placing the share capital reduction on file with the companies register, Vidrala, S.A.'s share capital will amount to Euros 27,608 thousand, divided up into 27,067,051 shares of one euro and two euro cents (Euros 1.02) par value each.

Also at the 19 December 2019 meeting, the Board of Directors decided to launch a new share buyback programme. Under this programme, the Company intends to repurchase shares representing up to 1% of share capital on the market. As the Company expects to acquire up to a maximum of 270,000 shares, for a maximum cash amount of Euros 27 million. The share buyback programme will last up to twelve (12) months, although the Company reserves the right to end it before then if it reaches the maximum cash amount or the maximum number of shares authorised by the Board of Directors, or if other circumstances warrant.

In 2019 and 2018, a total of 205,791 and 34,244 shares, respectively, were acquired on the market, for a total amount of Euros 16,512 thousand and Euros 2,852 thousand, respectively.

All the shares, except for treasury shares, have the same voting and dividend rights. Voting rights of treasury shares have been suspended. Dividend rights, except for the right to the free allocation of new shares, are attributed in proportion to the remaining shares, as provided for Article 148 of the Corporate Enterprises Act.

All of the Company's shares are admitted to trading on the Bilbao and Madrid stock exchanges. There are no restrictions on the free transferability of the shares. No shareholder has an ownership interest equal to or greater than 10%.

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

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

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

In 2019, the Group's capital ratios increased, as shown in the following ratios for 2019 and 2018:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Total equity	723,359	609,998
Total equity and liabilities	1,457,861	1,407,335
Total equity/total equity and liabilities	<u>49.6%</u>	<u>43.3%</u>

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

This calculation was performed as follows:

	<b>Thousands of euros</b>	
	<b>2019</b>	<b>2018</b>
Net financial debt	334,898	411,094
Equity	723,359	609,998
Debt ratio	<u>0.46</u>	<u>0.67</u>

Net financial debt is understood as the sum of current and non-current loans and borrowings, less cash and cash equivalents in the accompanying consolidated balance sheet.

In conclusion, year-end solvency indicators for the Group have strengthened, showing a debt-to-equity ratio of 0.46 (0.67 at the 2018 close) and debt equivalent to 1.22 times accumulated EBITDA (1.72 at the 2018 close). The interest coverage ratio, measured as EBITDA for the year divided by the consolidated net finance cost, is 59.47 (35.75 at the 2018 close).

**(b) Other reserves**

- **Revaluation reserve Provincial Law 4/1997**

This revaluation reserve comprises the revaluation carried out by the Parent as permitted by “*Norma Foral de Alava 4/1997*” of 7 February 1997, whereby Vidrala revalued its property, plant and equipment in 1996 by a net amount of Euros 3.8 million.

- **Revaluation reserve Decree Law 66/2016**

In fiscal year 2019 no movements have been recorded under this heading.

- **Capitalisation reserve**

The capitalisation reserve was allocated in accordance with Article 51 of Regional Law 37/2013, of 13 December, on Corporate Income Tax in Alava, which requires allocation of the reserve in the amount eligible for deduction from the tax group's taxable income for the year.

Taxpayers may deduct from the tax base an amount equal to 10% of the increase in equity net of the related tax effect from the previous year. In these cases, they must earmark the increase to a non-distributable reserve for a minimum period of five years starting from the end of the tax period in which the deduction was taken, except for the portion of the increase included in capital. During this five-year period, the amount of the Company's equity net of the related tax effect must remain unchanged or increase, except in the event of a reduction caused by accounting losses. The increase in equity net of the related tax effect arising from the allocation to legal or bylaw-stipulated reserves is not eligible for applying this article.

At December 31, 2019 the Group has included a non-distributable capitalisation reserve of Euros 320,671,076.11 (Euros 210,671,076.11 at December 31, 2018) within voluntary reserves.

- **Legal reserve**

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

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

**(c) Other comprehensive income – Cash flow hedges**

Movement in cash flow hedges and the tax effect, is as follows:

	Thousands of Euros		
	Cash flow hedges	Tax effect	Net
<b>Balances at December 31 2017</b>	<b>2,858</b>	<b>(800)</b>	<b>2,058</b>
Income and expenses generated during the year	(3,075)	768	(2,307)
Reclassification to profit or loss	(2,458)	615	(1,843)
<b>Balances at December 31 2018</b>	<b>(2,675)</b>	<b>563</b>	<b>(2,092)</b>
Income and expenses generated during the year	6,128	(1,751)	4,377
Reclassification to profit or loss	(3,615)	1,033	(2,582)
<b>Balances at December 31 2019</b>	<b>(162)</b>	<b>(135)</b>	<b>(297)</b>

**Translation differences**

Translation differences fully comprise the effect of converting the financial statements of the subsidiary Encirc, the functional currency of which is the Pound Sterling, giving a

positive impact for the year of Euros 16,149 thousand (Euros 3,753 thousand negative in 2018) deriving from the appreciation of the euro against the pound.

### **Defined benefit plans**

These fully comprise the cost of defined benefit plans for pensions and other post-employment medical benefits for the subsidiary Encirc, the impact of which on other comprehensive income is Euros 392 thousand (see note 19).

### **(d) Dividends and restrictions on distribution of dividends**

Total dividends distributed by Vidrala, S.A. to shareholders in 2019 amounted to Euros 27,471 thousand (Euros 23,784 thousand in 2018), which is equivalent to 1.0581 euro per share outstanding (0.9619 euro in 2018). The dividends reflect the distribution of 2018 profit.

The amount paid as an attendance bonus to the General Shareholders' Meeting during the financial year 2019 amounted to Euros 936 thousand (Euros 867 thousand in 2018).

The distribution of Company profits and reserves for the year ended 31 December 2018, approved by the shareholders at their annual general meeting held on May 28, 2019, was as follows:

<u>Basis of allocation</u>	<u>Euros</u>
Profit for the year	83,104,310.27
<u>Distribution</u>	
Other reserves	55,633,352.54
Dividend	7,571,600.18
Interim dividend	<u>19,899,357.55</u>
	<b><u>83,104,310.27</u></b>

On 20 December 2019 the directors agreed to distribute an interim dividend on 2019 profit of 0.8430 euro per share to shareholders, totalling Euros 22,819 thousand, which was paid on February 14, 2020.

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

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

	<u>Thousands of Euros</u>
Forecast distributable profit for 2019	
Projected profit after income tax to 12.31.2019	
Interim dividend distributed	22,819
Forecast cash flow for the one-year period from December 19, 2019	
Cash and cash equivalents at agreement date	555
Credit facilities available at agreement date	216,301
Projected operating receipts and payments (net)	73,823
Other cash disbursements	<u>(33,233)</u>
<b>Credit facilities available (one year later)</b>	<b><u>257,446</u></b>

The proposed distribution of 2019 profit and other Parent reserves to be submitted to the shareholders for approval at their annual general meeting is as follows:

<u>Basis of application</u>	<u>Euros</u>
Profit for the year	144,824,712.78
<u>Distribution</u>	
Legal reserve	210,730.36
Other reserves	113,115,812.75
Dividend	8,680,645.68
Interim dividend	<u>22,817,523.99</u>
	<b><u>144,824,712.78</u></b>

The proposed distribution of dividends is equivalent to a total unit dividend, including the interim dividend paid, of Euros 1.1639 per share outstanding at the reporting date.

#### **14. Deferred Income**

Details of this caption are as follows:

	<u>Thousands of Euros</u>	
	<u>2019</u>	<u>2018</u>
Capital grants (note 6(a))	8,303	11,731
Tax credits for investments	<u>3,721</u>	<u>6,107</u>
	<b><u>12,024</u></b>	<b><u>17,838</u></b>

During 2019, the Group has not added any additional capital grants (662 thousand euros in 2018), being the gross allocation during 2019 to the consolidated profit and loss account amounting to 3,428 thousand euros (4,250 thousand euros in 2018) (see note 22).

Tax credits capitalised in 2004 and 2005 were recorded as deferred income and taken to the income statement in line with the depreciation of the financed assets, in the case of property, plant and equipment, or the recovery of the investments in the case of business combinations. In this regard, during fiscal year 2019 and 2018, 2,532 thousand

euros, both years, have been charged to the profit and loss account as a lower amount of the income tax item (see note 9).

## 15. Debt with Financial Institutions

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

	Thousands of Euros			
	2019		2018	
	Non-current	Current	Non-current	Current
Loans and borrowings	186,089	30,260	346,787	36,234
Finance Lease	41,352	748	40,916	-
Other financial liabilities	4,465	100,532	7,184	2,370
Accrued interest	-	247	-	276
	<b><u>231,906</u></b>	<b><u>131,787</u></b>	<b><u>394,887</u></b>	<b><u>38,880</u></b>

Non-current loans and borrowings mature as follows:

	Thousands of Euros	
	2019	2018
Between 1 and 2 years	71,476	77,509
Between 2 and 5 years	137,930	289,442
More than 5 years	22,500	27,936
	<b><u>231,906</u></b>	<b><u>394,887</u></b>

Some of these contracts contain financial covenant clauses. At 31 December 2019 and 2018 the Group complies with these requirements.

On 26 July 2019, the Group Parent company, Vidrala S.A., placed a commercial paper programme on the Spanish Alternative Fixed Income Market (MARF), with a maximum limit of Euros 100 million. The programme is for one year, renewable annually. Through this programme, the Company may issue commercial paper with terms of between 3 and 730 days. Rates will be set according to supply and demand upon issuance, which will depend on market conditions, the time structure of the yield curve, and the investor appreciation or interest in the issuer's credit rating. Interest rates on the Company's commercial paper issued in 2019 ranged from 0.00% to 0.16% p.a., excluding the placement fee. Commercial paper issued as at 31 December 2019 amounted to Euros 100 million and related to four issues carried out between September and December 2019 and maturing between January and June 2020. In these conditions, the Company expects to meet the maturities of these issues in 2020 via the issuance of new securities, gradually attempting to optimise the term and interest rate structure and further diversifying its funding sources. The Group had sufficient liquidity at year-end 2019 in the form of immediately available, undrawn long-term bank borrowings to meet all its maturities.

"Other financial liabilities" includes the commercial paper due on 31 December 2019 issued under the commercial paper programme described above, and interest-free loans from various official bodies.

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

<u>Type</u>	<u>Extended</u>	<u>Maturity</u>	<u>Limit extended/ nominal amount</u>	<u>Thousands of Euros</u>	
				<u>Current</u>	<u>Non-current</u>
Loan	2015	2024	80,000	-	78,613
Credit facility	2015	2023	180,000	-	-
Loan	2018	2021	15,000	-	15,000
Credit facility	2018	2021	15,000	-	5,976
Loan	2018	2021	25,000	-	25,000
Loan	2017	2029	45,000	4,500	40,500
Credit facility	2010	2021	30,000	-	21,000
Other short-term credit facilities	2018	2020	107,750	<u>25,760</u>	-
				<b><u>30,260</u></b>	<b><u>186,089</u></b>

The following table presents changes in liabilities from financing activities in compliance with the required disclosures of IAS 7:

	<u>Thousands of Euros</u>				
	<u>1 January 2019</u>	<u>Cash flows</u>	<u>Changes in fair value</u>	<u>Other</u>	<u>31 December 2019</u>
Current loans and borrowings	38,880	(7,045)	-	99,952	131,787
Non-current loans and borrowings	394,887	(162,981)	-	-	231,906
Dividends payables	19,899	(19,899)	-	22,819	22,819
<b>Total liabilities from financing activities</b>	<b><u>453,666</u></b>	<b><u>(189,925)</u></b>	<b><u>-</u></b>	<b><u>122,771</u></b>	<b><u>386,512</u></b>

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

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

On December 10, 2015 Vidrala agreed with all of the financial institutions to renew the loan, changing the applicable interest rate.

On November 14, 2016, Vidrala agreed with the financial institutions to further renew the loan, changing the applicable interest rate, the repayment period and maturity date.

On October 11, 2017 and for the acquisition of Santos Barosa Vidros, S.A. paid out on October 13, 2017 through the subsidiary Inverbeira Sociedad Promoción de Empresas, S.A, this loan was again renewed as agreed previously between Vidrala and the financial institutions on 1 August 2017. The applicable interest rate was maintained, but there were changes to the repayment period and maturity, which was extended to September

13, 2023. The amount was also increased by Euros 150 million, Euros 50 million in a long-term loan and Euros 100 in a revolving credit facility. As the terms of the new loan are not substantially different from the previous one (the percentage difference between the present value of the cash flows of the new financial liability compared to the amended one is 0.1%), it is considered an amendment of the previous loan, rather than an exchange of liabilities.

On 21 June 2019, Vidrala, S.A. entered into a novation agreement of its syndicated facility, effective 15 July 2019, adapting it to a sustainable financing structure. With principal of Euros 260 million, the facility comprises a Euros 80 million loan and a Euros 180 million revolving credit line, with maturities between 2023 and 2024 including optional extensions to 2025. Financing cost will be equivalent to adding an initial margin of 0.75% p.a. to the Euribor reference rate, which may be reduced up to 0.585%. The terms did not imply a substantial modification, so it was considered a modification of the previous agreement.

As a result, at 31 December 2019, the long-term syndicated loan amounted to Euros 80 million. The revolving credit line is unused and fully available.

The interest rate applicable to the syndicated facility in 2019 was 0.75% for the loan tranche, which remained unchanged from the effective date of the novation of 15 July 2019. The interest rate applicable to the revolving credit line was 0.75% up to the date of novation and 0.50% plus a drawn down fee ranging from 0.10% to 0.25% from then. These percentages may be revised by the financial institutions every six months based on the performance of "Consolidated net debt/EBITDA" ratio.

2020 will feature a grace period for the loan, during which the Company not have to make any principal payments. The average total duration of the Group's funding at year-end 2019 was approximately four years.

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

At the date of authorisation for issue of these annual accounts, these commitments have been complied with, as reflected by the results of the following indicators at December 31, 2019:

Net financial debt / consolidated EBITDA: 1.22x

Consolidated EBITDA / consolidated net finance cost: 59.47x

The financing contract, because of its sustainable nature, includes certain commitments by the Vidrala Group to improve its environmental performance. The agreed margin applicable to drawdowns of any tranche will change in accordance with carbon dioxide emissions:

CO2 emissions = Tonnes of CO2 emitted by the Group/tonnes of glass containers (palletized and labelled).

The emission ranges will impact the margin, applying an increase or decrease of up to 0.015%.

In addition to the syndicated financing and existing commercial paper programme, the Vidrala Group took out a long-term loan from the European Investment Bank (EIB) of Euros 45 million, maturing on 23 October 2029. It signed the loan on 17 July 2018 as part of an investment plan for the production plant in Italy. According to the agreed repayment schedule, 10% of the loan principal, amounting to Euros 4.5 million, will be repaid in 2020.

Rounding off the Group's funding structure, new bilateral long-term financing lines were arranged in 2018 for an aggregate amount of Euros 40 million. These lines mature in three years, with the possibility of extending the maturity by 1-2 years. No new bank financing lines were arranged in 2019. Lastly, on 12 December 2018, Group companies Aiala Vidrio, S.A. and Crisnova Vidrio, S.A. entered into commercial leasing agreements for assets with an aggregate amount of Euros 40 million, i.e. Euros 20 million in each case. The underlying assets of the leases are specialist machinery at each production plant. Total rents will be paid on expiry of the leases, in 2022 and 2023, respectively, after which the Group companies may exercise the purchase options on the leased assets.

Loans and borrowings, including the financing facilities and loans described above, have a combined limit of Euros 529 million and Euros 610 million at December 31, 2019 and 2018, respectively. Consequently, Euros 301 million and Euros 199 million, respectively, were available for draw down at those dates. Furthermore, a limit of Euros 20 million was available in discounting lines in 2019 and 2018, with no amounts having been used at either of the year-end closes.

The average effective interest rates (APR) at the reporting dates for bank borrowings were approximately 0.98% and 1.1% in 2019 and 2018, respectively.

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

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

Group financial liabilities are measured in Euros.

## **16. Trade and Other Payables**

Details of trade and other payables are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Trade payables	180,103	163,793
Salaries payable	15,301	14,179
Dividends to shareholders	22,818	19,899
Suppliers of fixed assets	4,695	6,769
Other payables	341	1,620
	<b><u>225,988</u></b>	<b><u>206,260</u></b>

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

**17. Average Supplier Payment Period. “Reporting Requirement”, Third Additional Provision of Law 15/2010 of 5 July 2010**

Information on the average Spanish supplier payment period by the Spanish companies in 2019 and 2018 is as follows:

	Days	
	2019	2018
Average supplier payment period	62.01	68.61
Transactions paid ratio	66.22	74.17
Transactions payable ratio	40.82	38.63
	Amount (Thousands of Euros)	
	2019	2018
Total payments made	235,208	219,484
Total payments outstanding	46,752	41,578

**18. Risk Management Policy**

**Business risks**

Risk management at Vidrala involves procedures drawn up by management, overseen by the directors and implemented in the daily running of the organisation.

**Operational risk**

The Vidrala Group's manufacturing and sales activity, carried out through nine industrial centres, is continuous, intensive and subject to inherent risks linked to routine operations.

In 2019, work continued on the identification, evaluation and monitoring of business risks defined as operational. The aim is to identify potential risks, through continuous review, gain a perspective on their impact and probability of occurrence and, principally, to link each area of operations and each business process to adequate control and monitoring systems in order to minimise their potential adverse effects.

i. **Environmental risks**

The Vidrala Group declares itself firmly committed to protecting the environment. With this objective in mind, Vidrala implements specific action plans in relation to emissions in the atmosphere, dumping, waste, the consumption of raw materials, energy, water and noise.

Glass manufacturing is an inherently energy-intensive process as melting furnaces are in operation 24 hours a day, 365 days a year. Given the industrial nature of the process, one of management's objectives is to reduce the associated environmental impact. In order to achieve this, specific investments are made to upgrade factory facilities and adapt them to the most efficient technological systems for reducing environmental impacts. Additionally, operating priorities are focused on intensifying the growing use of recycled products as the main raw material for manufacturing glass, the effect of which is twofold as it not only avoids the consumption of natural raw materials, but also contributes to reducing fossil fuel consumption and the resulting pollution.

One of the Group's strategic guidelines is the implementation of environmental management systems. In line with this commitment, all the Group's production facilities have ISO 14001:2015 certification, demonstrating that Vidrala operates under a global,

externally verified and recognised environmental management system. Furthermore, in keeping with its undertaking to continuous improvement, the implementation and certification of new environmental standards has begun, such as ISO 14064:2018, related to the voluntary declaration of CO2 emissions.

In addition, Vidrala has a specific commitment to invest in minimising the potential polluting effect of its facilities. Of particular relevance during 2017 in this regard was the conclusion of a major project to install special atmospheric emissions purification systems, called electrostatic precipitators or electrofilters, in all production centres. These installations, which have cost the Group more than Euros 20 million over the last eight years, are aimed exclusively at reducing emissions of particulate pollutants, and are recognised under European legislation as the best currently available technology in this regard. Electrofilters work by attracting and retaining particles generated during the melting process through electrical fields, and reduce typical melting furnace emissions by more than 90%. The electrofilters installed in Vidrala have been accompanied by systems for purifying SOx emissions, desulfurizers, which have considerably reduced the emission of this pollutant.

As proof of our environmental commitment, Vidrala's advancement towards environmental efficiency is documented in detail in its annual sustainability report published on the Company's website as well in the statement of non-financial information contained in the Management report of the consolidated annual accounts of Vidrala Group.

ii. Occupational health and safety

Vidrala's daily activity is carried out by some 3,700 employees, the majority of whom work in an industrial or manufacturing environment.

Consequently, the Vidrala Group remains committed to establishing the soundest occupational health and safety measures. This commitment is endorsed by the gradual implementation of occupational health and safety management systems based on OSHAS 18001:2007, which are certified by independent entities accrediting the existence of an internationally recognised management framework. In addition, in anticipation of the expiration of OHSAS certificates next March 2021, during the year 2019 we have taken the first steps towards the migration of OHSAS 18001: 2007 to ISO 45001: 2018.

With a specific view to preventing labour-related accidents, Vidrala implements specific and systematic ongoing staff training and awareness plans. The sustainability report, attached to this report, details the progress of occupational health and safety management indicators. These plans are developed and distributed among all agents involved in the organisation, allowing health and safety trends to be objectively measured and documented, and enabling the actual effectiveness of the processes and controls implemented to be observed, and whether additional corrective measures are needed.

iii. Supply chain risk

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

As regards supply risk affecting key products, materials, installations or technologies for the production process, management initiatives include the continual and specialised search for supply sources and strengthening ties with suppliers, diversifying and forging

long-term relationships, establishing ongoing audit and standardisation processes and developing supply alternatives in all relevant areas.

Steps taken to address customer service and product quality risks include the development of a specific departmental area separate from the rest of the organisational areas dedicated exclusively to quality.

There is a specific investment project nearing completion that aims to guarantee product quality targets and optimise product quality control through the implementation of state of the art technology across all the Group's facilities.

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

### **Tax risk**

The Vidrala Group operates on a multinational level through companies that do business in Spain, Portugal, the UK, Ireland, Italy and France, and subject to different tax regulations.

Vidrala's tax policy is designed to comply with applicable regulations in all tax jurisdictions where the Group operates, in line with the activity carried out in each. This principle of compliance with tax laws is consistent with the purpose of the business to create sustained value for shareholders, avoid tax risks and seek tax efficiencies in the execution of its business decisions.

Tax risks are understood as the risks arising from the application of tax laws, their interpretation in the framework of the Group's corporate structure or adaption to amendments in tax legislation.

Vidrala has a comprehensive risk management system that includes the main tax risks and control mechanisms. In addition, the Board of Directors' powers include oversight of the tax strategy.

To include these principles of control in the corporate tax planning, Vidrala's practices include:

- Prevention, taking decisions on taxes based on a reasonable and advised interpretation of regulations, avoiding potential disputes in interpretation by using instruments created by the related authorities, such as prior consultation or tax agreements, evaluating investments or transactions with special tax features before performing them and, above all, avoiding the use of opaque or contrived structures, or dealings with companies resident in tax havens or any others designed to avoid paying taxes.
- Cooperation with taxation authorities to find resolutions regarding tax practices in the countries where the Vidrala Group operates, providing information and tax documentation as requested by the taxation authorities promptly and completely, promoting agreement and, ultimately, fostering ongoing dialogue with tax

administrations to reduce tax risks and prevent conduct that could give rise to them.

- Reports to the Board of Directors through the Audit and Compliance Committee, providing information on tax policies and criteria applied and on tax implications where material.

## **Financial risk**

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

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

The most relevant financial risks are as follows:

### **i. Currency risk**

Vidrala operates at international level and is therefore exposed to currency risk on transactions in currencies other than the euro.

The current business structure's exposure to currency risk is concentrated mainly in subsidiary Encirc Limited, which operates in the UK and Ireland. With 32.66% of sales and 36.16% of operating profit, or EBITDA, generated in pounds sterling, reporting in euros is exposed to translation risks arising from fluctuations in sterling's exchange rate vis-à-vis the euro. There is also risk in translating cash generated from business in the UK in sterling, as depreciation by the pound could reduce the equivalent value in euros, thereby reducing the cash generated by the business.

To quantify the sensitivity to currency risk, taking 2019 data, average depreciation by sterling of 5% in a full year, *ceteris paribus*, and assuming the absence of currency hedges, would have an impact of approximately 2% on the Group's consolidated profit and a reduction of approximately 4% in its annual cash flow.

Vidrala manages its foreign currency risk by using derivative instruments, mainly forward sales and currency put options. In line with its risk control described, at year-end 2019 Vidrala had put options on pound sterling expiring in 2020 for an accumulated equivalent amount of Euros 24 million. This is equal to approximately 25% of the cash generated in pound sterling in 2019.

### **ii. Interest rate risk**

Borrowings contracted at variable interest rates expose Vidrala to the risk of interest rate fluctuations, which in turn affects and in the expected cash payments.

The Group's financing policy is to focus its borrowings on variable rate instruments. Vidrala manages interest rate risks in cash flows through interest rate swaps or caps. These derivative hedging instruments convert variable interest rates on borrowings to fixed interest rates (swaps) or limit the cost of variable rate borrowings (caps). Generally

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

On account of this risk control policy, at the 2019 reporting date Vidrala has interest rate swaps for an accumulated equivalent of Euros 436 million, which start and expire progressively until 2023. As a result, it is expected that practically the entire cost to be assumed by the group in the form of interest on the debt during the year 2020 will be insured against fluctuations in the interest rate markets.

### iii. Credit risk

The Vidrala Group boasts a highly diversified customer base, made up of a combination of large owners of widely recognised global consumer brands, local and regional packaging companies, and container distributors. No single customer represents more than 10% of revenue. The top 10 customers represent approximately 30% of revenue, while the top 27 customers make up the 50th percentile of sales.

The Vidrala Group has specific policies to mitigate the credit risk of receivables. The procedure begins with developing systemised sales authorisation processes for customers with adequate credit records and solvency in order to minimise the risk of default. This control process involves ongoing solvency analysis, setting specific, assumable risk limits for each customer, analysing variables such as specific credit metrics, the segment or geographical area in which they operate and preparing individual classifications of ratings typical of evolved credit control systems. In summary, the procedure is done through the creation and maintenance of an internal customer credit rating system.

Furthermore, control of collection risk is intensified with a second level of control involving credit insurance policies with external insurance entities. The aim of these credit insurance policies is to cover the economic impact of eventual situations involving significant amounts where the internal system is ineffective in predicting a risk of default.

In order to demonstrate the collection risk system implemented, Vidrala has subjected the quality of its processes to official external certification. Obtaining this certification, and the resolve to periodically renew it, will guarantee the validity, effectiveness and efficiency of the system in place, and will require formal audits, dynamic monitoring and ongoing improvements.

As a result of these control procedures, the actual impact of impaired trade receivables in 2019 and 2018 was just 0.03% of sales.

Regarding other credit risks, financing transactions, derivative instruments and spot transactions are only entered into with financial institutions with high credit ratings.

iv. Liquidity risk

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

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

At 31 December 2018 the Vidrala Group had Euros 301 million in immediately available, external undrawn credit, representing 92% of total debt.

v. Debt and solvency

As of December 31, 2019, Vidrala had a consolidated net financial debt of 334.9 million euros, which represents a reduction of 76.2 million euros compared to the end of the precedent year.

As a result, the financial solvency indicators at the end of 2019 reflect an indebtedness equivalent to 1.2 times the EBITDA operating result of the last twelve months, evidencing the financial capacity of the business and the stability of Vidrala's equity position.

The long-term syndicated financing agreement entered into with a syndicate of nine banks, with an available amount at year-end of Euros 260 million, makes up the bulk of the financing structure. The loan falls due on 13 September 2024, and is gradually repayable from 13 September 2023. There is a grace period on repayment in 2020, with no obligations to repay principal. The information contained in note 15 "Financial Debts" of the annual accounts reflects the Company's best estimate of the amortization of principal of loans and loans received. The average duration of the Group's total financing at the end of 2019 stood at around four years.

This loan has certain covenants requiring the Group to meet certain financial targets, which are typical in these types of contracts. At the reporting date, all the covenants were being met, as shown by the following solvency indicators:

Net financial debt / consolidated EBITDA 1.22x

Consolidated EBITDA / consolidated net finance cost 59.47x

vi. Price risk in energy purchases

Energy consumption, principally natural gas and electricity, represents a significant source of operating costs inherent in Vidrala's glass production and manufacturing activity. Fluctuations in the variables that determine their prices, represented in the natural volatility of the global energy commodities markets, has a bearing on the profitability of the business.

In order to manage the potential impact of this risk, the Group employs specific control processes to mitigate potential unexpected effects on operating margins that would arise in the event of inflationary tendencies in the market.

These measures involve implementing adapted price-setting formulas, continuous monitoring of market variables through dedicated management and control departments and risk control through price hedging strategies, including the contracting of tariffs at fixed prices and the use of derivative hedging instruments.

As a result of this risk control policy, at the 2019 reporting date Vidrala has hedging derivatives on energy commodities for a nominal equivalent of Euros 63 million. As a result of the existence of such contracts, effective until 2023, the Group estimates that it has approximately 21% of its expected exposure to changes in the energy markets during the mentioned period.

vii. Other risks. Result of the Brexit referendum

Vidrala has strategic business interests in the UK and Ireland through its Encirc Limited division, acquired at the beginning of 2015. Encirc is a manufacturer of glass containers aimed at the domestic food and drinks market in Ireland and the UK, where it operates two plants. It offers a complete range of services, from the manufacture of glass containers to state of the art packaging processes and logistics services.

As a whole, Encirc is eminently domestic, producing glass containers in the UK for sale throughout the British Isles, including the Republic of Ireland, and the volume of exports outside these regions is immaterial.

The UK held a referendum on 23 June 2016 on whether to remain in the European Union. The votes were in favour to exit. The country's exit was agreed on 31 January 2020, initiating a transitional period of negotiations that will determine future relations.

One immediate effect of the referendum was sterling depreciation against the euro, whose impacts and control measures are outlined in the section on foreign currency risk. Long term, the structural fundamentals of glass packaging demand in the UK remain sound, supported by the region's level of socio-demographic development, the ongoing shift in consumer preferences towards quality products and inherently limited elasticity of demand for food and beverage products. Encirc optimises these market fundamentals thanks to its business positioning, underpinned by the relationships forged with world class customers, a stable market share, a strong competitive positioning backed by cutting-edge industrial facilities and the added value they lend to packaging services, whose unique competitive advantages have been strengthened for owners wishing to export in bulk towards growing demand in the UK.

## 19. Provisions

Movement in provisions in 2019 and 2018 is as follows

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
<b>At 31 December 2018</b>	<b><u>18,636</u></b>	<b><u>6,021</u></b>	<b><u>11,952</u></b>	<b><u>36,609</u></b>
Charge against profit or loss	23,380	337	6,227	29,944
Reversion	-	-	(11,733)	(11,733)
Payments	(17,922)	-	-	(17,922)
Translation differences	-	(114)	-	(114)
Other	(2,143)	-	617	(1,526)
<b>At 31 December 2019</b>	<b><u>21,951</u></b>	<b><u>6,244</u></b>	<b><u>7,063</u></b>	<b><u>35,258</u></b>

	Thousands of Euros			
	Emission allowances	Personnel	Other provisions	Total
<b>At 31 December 2017</b>	<b><u>5,387</u></b>	<b><u>6,352</u></b>	<b><u>12,597</u></b>	<b><u>24,336</u></b>
Charge against profit or loss	17,563	123	-	17,686
Actuarial gains and losses due to changes in financial assumptions	-	(477)	-	(477)
Payments	(4,314)	-	(649)	(4,963)
Translation differences	-	23	-	23
Transfer	-	-	4	4
<b>At 31 December 2018</b>	<b><u>18,636</u></b>	<b><u>6,021</u></b>	<b><u>11,952</u></b>	<b><u>36,609</u></b>

The provision for emission allowances includes the estimated surrender of emission allowances in 2019 and 2018 measured at the grant date, as described in note 3.

The personnel provision reflects defined benefit plans and other obligations with employees. The Group makes contributions to a defined benefit plan in the UK, which consists of ensuring a pension for retired employees and post-retirement medical coverage. The plan is managed separately from the Company, and defined benefit plans are valued by an independent expert, Xafinity Consulting Limited, pursuant to IAS 19.

“Other provisions” includes mainly the use of a provision recognised in relation to a tax liability amounting to Euros 11,738 thousand, which expired in 2019 (see Note 9), and a provision of Euros 6,145 thousand (2018: Euros 0) relating to certain obligations that will be covered by the Company, recognised based on the best possible estimate at the date of authorisation for issue of these financial statements.

## 20. Contingencies

The Group has contingent liabilities for bank and other guarantees related to routine business operations amounting to Euros 3,848 thousand (Euros 3,916 thousand in 2018). These guarantees mainly comprise those extended to public entities for commitments assumed. The Group’s directors do not expect any significant liabilities to arise from these guarantees.

## **21. Environmental Information**

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

The total cost of initiatives taken by the Vidrala Group in 2019 to comply with the Kyoto Protocol and emissions analyses amounted to Euros 1,478 thousand (Euros 1,070 thousand in 2018).

Environmental expenses mainly related to waste management incurred during 2019 totalled Euros 3,869 thousand (Euros 2,271 thousand in 2018). These expenses are related to waste management.

Environment-related plant investments came to Euros 4,219 thousand (Euros 1,580 thousand in 2018).

## **22. Revenue and Other Income**

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

Details of other income are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Capital grants taken to income (note 14)	3,428	4,250
Grants for emission allowances	9,037	6,141
Other income	<u>4,372</u>	<u>11,600</u>
	<b><u>16,837</u></b>	<b><u>21,991</u></b>

## **23. Merchandise, raw materials and consumables used**

Details of Merchandise, raw materials and consumables used are as follows:

	<b>Thousand euros</b>	
	<b>2019</b>	<b>2018</b>
Net purchases	(321,569)	(310,965)
Change in inventories	(5,904)	(4,909)
Impairment	<u>(5,221)</u>	<u>(7,761)</u>
	<b><u>(332,694)</u></b>	<b><u>(323,635)</u></b>

## 24. Other Expenses

Details of other expenses are as follows:

	Thousands of Euros	
	2019	2018
External services (note 24.1)	(45,338)	(46,108)
Electricity	(50,954)	(54,366)
Sales expenses (note 24.2)	(95,522)	(87,944)
Surrender of emission allowances (note 19)	(23,380)	(17,563)
Taxes	(4,968)	(6,330)
Impairment and uncollectibility of trade and other payables (note 11)	(655)	(466)
Other operating expenses	(12,834)	(8,990)
	<b><u>(230,651)</u></b>	<b><u>(221,767)</u></b>

### 24.1 External services

The detail of "External services" is as follows:

	Thousand euros	
	2019	2018
Repair and maintenance	(31,167)	(37,100)
Independent professional services	(1,560)	(1,226)
Insurance	(3,742)	(3,331)
Supplies	(965)	(978)
Other services	(7,904)	(3,473)
	<b><u>(45,338)</u></b>	<b><u>(46,108)</u></b>

### 24.2 Sales expenses

The amount broken down under that heading corresponds mainly to expenses for the provision of logistics services (storage and transportation) and other marketing expenses.

## 25. Employee Benefits Expense

Details of the employee benefits expense in 2019 and 2018 are as follows:

	Thousands of Euros	
	2019	2018
Salaries, wages and similar	156,735	153,864
Contributions to defined contribution plans	2,722	1,612
Other employee benefits	38,086	35,105
	<b><u>197,543</u></b>	<b><u>190,581</u></b>

The average headcount of the Group in 2019 and 2018, distributed by category, is as follows:

	<b>Average headcount</b>	
	<b>2019</b>	<b>2018</b>
Senior management and proxies	48	46
Junior management	395	395
Administrative staff	495	466
Operators	<u>2,828</u>	<u>2,825</u>
	<b><u>3,766</u></b>	<b><u>3,732</u></b>

At 31 December 2019 and 2018 the distribution by gender of Group personnel and directors is as follows:

	<b>Number</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>
Board members	3	8	3	7
Management	1	43	3	43
Junior management	64	311	63	332
Administrative staff	161	290	160	314
Operators	<u>272</u>	<u>2,398</u>	<u>283</u>	<u>2,581</u>
	<b><u>501</u></b>	<b><u>3,050</u></b>	<b><u>512</u></b>	<b><u>3,277</u></b>

## 25. **Finance Income and Finance Costs**

Details of finance income and finance costs are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
<u>Finance income</u>		
Exchange gains	1,002	2,393
Other finance income	<u>2</u>	<u>1,098</u>
Total finance income	<b><u>1,004</u></b>	<b><u>3,491</u></b>

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
<u>Finance costs</u>		
Interest on loans and borrowings	(4,787)	(6,618)
Hedging derivatives	(1,751)	(2,944)
Other finance costs	<u>(57)</u>	<u>(587)</u>
Total finance costs	<b><u>(6,595)</u></b>	<b><u>(10,149)</u></b>

## 26. **Earnings per Share**

### (a) **Basic**

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

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

	<u>2019</u>	<u>2018</u>
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	143,275	115,958
Weighted average number of ordinary shares outstanding (thousands)	<u>27,174</u>	<u>25,966</u>
Basic earnings per share (Euros per share)	<u>5.27</u>	<u>4.47</u>

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

	<u>2019</u>	<u>2018</u>
Ordinary shares outstanding at 1 January	27,335,761	26,034,059
Effect of own shares	<u>162,015</u>	<u>67,858</u>
Weighted average number of ordinary shares outstanding at 31 December	<u><b>27,173,746</b></u>	<u><b>25,966,201</b></u>

The profit per share for the 2018 financial year, adjusted for the effect of the increase of released capital carried out in December 2019, would amount to 4.25 euros per share.

#### **(b) Diluted**

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

### **27. Related Party Balances and Transactions**

#### **(a) Commercial transactions**

During 2019 and 2018 the Group has not carried out any transactions with related parties vis-à-vis the sale or purchase of goods or the rendering of services.

#### **(b) Related party balances**

The Group has no related party balances.

#### **(c) Conflicts of interest concerning the directors**

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

**(d) Remuneration of key management personnel and directors**

Details are as follows:

	<b>Thousands of Euros</b>	
	<b>2019</b>	<b>2018</b>
Salaries and other current remuneration paid to employees, management and directors	<u>3,161</u>	<u>3,382</u>

Likewise, during 2019, incentive payments were made for an amount of Euros 1,040 thousand (Euros 1,732 thousand in 2018).

The number of directors as of December 31, 2019 has amounted to 12 people (13 number of people in 2018).

Loans to senior managers at 31 December 2019 amounted to Euros 321 thousand (Loans to senior managers at 31 December 2018 amounted to Euros 458 thousand).

**(e) Remuneration of the directors of Vidrala**

The Company has not extended any amounts to the members of the board of directors of the Parent in respect of guarantees, advances, loans or any pension-related rights. Total remuneration accrued by the board during the year, including salaries, allowances and other items, amounted to Euros 1,387 thousand (Euros 1,313 thousand in 2018).

Likewise, during 2019 no incentive payments have been made (Euros 348 thousand in 2018).

**28. Audit Fees**

The firm auditing the annual accounts of the Group has accrued net fees for professional services during the years ended 31 December 2019 and 2018 as follows:

	<b>Thousand euros</b>	
	<b>2019</b>	<b>2018</b>
Ernst&Young, S.L.		
Audit services	260	222
Other services	<u>44</u>	<u>52</u>
	<b><u>304</u></b>	<b><u>274</u></b>
Total EY		

These amounts include all fees for services rendered during 2019 and 2018, irrespective of the date of invoice.

During 2019, other auditors have invoiced the Group audit fees of Euros 98 thousand (Euros 121 thousand in 2018), for auditing fees.

### **30. Events after the reporting period**

No events with a significant impact on the accompanying consolidated financial statements took place between the reporting date and the date of authorisation for issue of the consolidated financial statements.

	Revaluation reserves	Legal reserve	Voluntary reserves	Reserves in fully consolidated companies	Profit for the year	Total
<b>At December 31 2017</b>	<b>2,311</b>	<b>5,234</b>	<b>311,699</b>	<b>150,517</b>	<b>89,146</b>	<b>558,907</b>
Adjustments for initial application of new accounting standards (note 2)	-	-	1,312	-	-	1,312
<b>At January 1 2018</b>	<b>2,311</b>	<b>5,234</b>	<b>313,011</b>	<b>150,517</b>	<b>89,146</b>	<b>560,219</b>
Distribution of 2017 profit						
Reserves	-	-	97,869	(32,507)	(65,362)	-
Dividends	-	-	-	-	(23,784)	(23,784)
Own shares sold	-	-	1,103	-	-	1,103
Share capital increase	-	77	(1,342)	-	-	(1,265)
Profit for 2018	-	-	-	-	115,958	115,958
<b>At December 31 2018</b>	<b>2,311</b>	<b>5,311</b>	<b>410,641</b>	<b>118,010</b>	<b>115,958</b>	<b>652,231</b>
Distribution of 2018 profit						
Reserves	-	-	55,633	32,854	(88,487)	-
Dividends	-	-	-	-	(27,471)	(27,471)
Share capital increase	-	-	(1,328)	-	-	(1,328)
Profit for 2019	-	-	-	-	143,275	143,275
Other	-	-	(1,872)	-	-	(1,872)
<b>At December 31 2019</b>	<b>2,311</b>	<b>5,311</b>	<b>463,074</b>	<b>150,864</b>	<b>143,275</b>	<b>764,835</b>