

**REPORT BEING SUBMITTED BY THE BOARD OF DIRECTORS OF THE COMPANY VIDRALA, S.A., FOR THE PURPOSES ESTABLISHED UNDER SECTION 286 OF THE SPANISH CORPORATE ENTERPRISES ACT, IN RELATION TO THE RESOLUTION REFERRED TO IN AGENDA ITEM SIX FOR THE ANNUAL GENERAL MEETING.**

**1. PURPOSE OF THIS REPORT.**

Section 286 of the Corporate Enterprises Act, as currently in force, contains requirements that include, among others, one stating that in order to validly pass a resolution to amend Articles of Association, the directors must produce a written report containing justification for that amendment, which along with the full text of the proposed amendment, must be made available to the shareholders in the time and manner established in that section.

Also, section 318 of the Corporate Enterprises Act states the General Meeting must pass a resolution to allow performance of a capital reduction, to comply with the requirements on amending Articles of Association.

The purpose of this report is to comply with the provisions from those sections. It has been produced by the Board of Directors of Vidrala, S.A. ("**Vidrala**" or the "**Company**") in order to justify the proposal that will be submitted to the Company's General Meeting for its approval, as agenda item six, at the meeting called for 2 July 2020 at 12.00 p.m. on first call and for the same time the next day, 3 July 2020, on second call.

**2. JUSTIFICATION OF THE PROPOSAL.**

Sections 144 *et seq.* of the Corporate Enterprises Act regulate transactions a company performs involving its own shares, and they allow acquisition of such shares provided that the requirements from section 146 of that legislation are met, among others.

For that purpose, a proposed resolution is being submitted to the General Meeting, which will supersede any unperformed parts of the resolution passed by last year's Annual General Meeting, granting authorisation to the Company to, in compliance within the requirements and limits established by law, and either directly or through companies from its group, acquire its own shares or, in the latter case, shares issued by the parent company.

Once repurchasing of such shares has occurred, there are various mechanisms established by law that will allow the number of shares held to be reduced, such as by opting to retire or cancel them, or they can also be resold on the market. In the case of a company with shares that are admitted to trading on a secondary market, it is impossible to determine *a priori* which procedure would be more appropriate, in terms of the Company's interests, for reducing the number of repurchased shares held as treasury shares. It is impossible to foresee the market conditions that will exist

at a specific time, which could turn out to be favourable or unfavourable with respect to a single procedure established in advance.

For this reason, it is considered appropriate for the Company's Board to assess the circumstances existing at the relevant time, then to decide upon which system would be most suitable.

If the Board decides to cancel the treasury shares acquired, this will result in the need to pass a resolution to reduce the share capital. Because that assessment of the appropriateness and timeliness of a financial operation of that type should be based on the market circumstances existing at a specific time, this requires the Board of Directors to use its judgment and make a proposal to the General Meeting to pass a capital reduction resolution, also granting the Board of Directors the powers necessary for its implementation. These include the power to determine the amount of the capital reduction and to decide whether that amount should be allocated to a restricted or unrestricted reserve, also with the need to ensure that the requirements established by law to protect creditors will be met.

In short, this capital reduction resolution is intended to provide the Company with an appropriate instrument to be used in the interests of the Company and its shareholders.

### **3. FULL TEXT OF THE PROPOSED RESOLUTION BEING SUBMITTED TO THE GENERAL MEETING.**

**"SIX.** ***Authorisation for the Board of Directors to repurchase shares, whether directly or through companies from the group, in accordance with sections 146 and 509 of the Corporate Enterprises Act, superseding the authorisation granted at the General Meeting held on 28 May 2019; and to reduce the share capital, as necessary, in order to cancel shares, with delegation of powers to the Board as necessary to carry out these acts.***

1. *Voiding of any unperformed parts of the resolution passed by the General Meeting held on 28 May 2019; and authorisation of the Company, either directly or through any of its subsidiaries and for a maximum period of five (5) years from the date of this General Meeting, to acquire, at any time and as many times as it considers appropriate, shares in VIDRALA, S.A., by any means permitted by law, including by charging against earnings from the financial year and/or against unrestricted reserves, also with authority for their subsequent disposal or cancellation, all in accordance with section 146 and related provisions of the Corporate Enterprises Act.*
2. *Approval of the following terms and conditions for such acquisitions:*
  - (a) *That the nominal value of the shares directly or indirectly acquired, when added to the value of those already owned by the acquiring company and its subsidiaries, and if applicable, by the parent*

company and its subsidiaries, does not exceed ten percent (10%) of the share capital of VIDRALA, S.A., respecting in all cases the limitations established on acquisition by companies of their own shares as imposed by the regulatory authorities for the markets where the shares of VIDRALA, S.A. are admitted to trading.

- (b) That the acquisition, when including any shares that have been previously acquired by the Company, or by any person acting in their own name but on behalf of the Company, and being held as treasury shares, does not cause the equity to be less than the share capital plus the statutory reserves and the reserves restricted under the Articles of Association. For these purposes, equity will be considered to be the amount classified as such in accordance with the criteria used to prepare the financial statements, less the amount of the profits allocated directly to equity, plus the amount of the uncalled share capital and the nominal amount and share premiums of any subscribed capital recorded in the books as a liability.
  - (c) That the acquisition price is not less than the nominal value of the shares or more than ten percent (10%) above their value based on the quoted price on the acquisition date, or in the case of derivatives, on the date of the contract producing that acquisition. Transactions involving acquisition of the Company's own shares must comply with the rules and practices of the securities markets.
  - (d) That a restricted reserve is established in the equity section equivalent to the amount of the treasury shares recorded as assets. That reserve must be maintained until the shares are disposed of.
3. For the purposes established in the last paragraph of section 146.1(a) of the Corporate Enterprises Act, express authorisation is granted for shares acquired by VIDRALA, S.A. [or its] subsidiaries in use of this authorisation to be fully or partially delivered to the Company's workers, employees, managers, or directors when there is a recognised right in relation to this, either directly or as a result of exercise of option rights they hold.
  4. Reduction of the share capital so that any treasury shares VIDRALA, S.A. maintains on its balance sheet can be cancelled, by charging to earnings or unrestricted reserves and in the amount appropriate or necessary at any time, up to the maximum amount of treasury shares existing at any time.
  5. Delegation to the Board of Directors of authority to carry out the capital reduction described above, which it may perform as one or more transactions and within a maximum period of five years from the date of this General Meeting, by performing all steps, procedures, and authorisations that are necessary or that are required by the Corporate Enterprises Act and all other applicable provisions, and in particular, with delegation of authority to the

*Board so that, within the deadlines and limits established for such performance, it can establish the date(s) of the specific capital reduction(s) by considering their timeliness and appropriateness, and taking into account market conditions, share price, the Company's economic and financial situation, cash position, reserves, and ongoing business situation, along with any other factors relevant to that decision; to specify the amount of the capital reduction; to determine how the amount of the reduction will be allocated, either to restricted reserves or unrestricted reserves, and establishing the necessary guarantees as appropriate and complying with the requirements established by law; to amend Article 5 of the Articles of Association to reflect the new share capital amount; to request delisting of the cancelled shares; and in general, to pass any resolutions necessary for the purposes of that cancellation and the resulting capital reduction, including appointment of the persons participating in their formalisation.*

**In Llodio, on 28 May 2020**