



REPORT PRESENTED BY THE BOARD OF DIRECTORS OF VIDRALA, S.A. FOR THE PURPOSES ENVISAGED IN ARTICLE 286 OF THE SPANISH COMPANIES' LAW ("LEY DE SOCIEDADES DE CAPITAL") IN RELATION TO THE RESOLUTION REFERRED TO IN ITEM FIVE OF THE AGENDA FOR THE ANNUAL GENERAL MEETING.

1.- OBJECT OF THIS REPORT.

Section 286 of the current Spanish Companies' Law ("*Ley de Sociedades de Capital*") states that to validly pass any resolution amending the articles of association the directors must submit a written report justifying the aforementioned amendment that, together with the complete text of the proposed amendment, must be made available to the shareholders in due time and form pursuant to the aforementioned law.

In turn section 318 of the Spanish Companies' Law ("*Ley de Sociedades de Capital*") establishes that the share capital reduction must be resolved by the General Meeting pursuant to the requirements for amending the articles of association.

The purpose of this report is to comply with the aforementioned rules. It has been prepared by the Board of Directors of Vidrala, S.A. ("**Vidrala**" or the "**Company**") to justify the RESOLUTION — which is submitted for the approval of the Company's General Meeting to be held on 28 May 2019 at 12 PM on first call and on 29 May 2019 at the same time on second call under agenda item five.

2.- JUSTIFICATION FOR THE RESOLUTION.

Sections 144 *et seq.* of the Spanish Companies' Law ("*Ley de Sociedades de Capital*"), which regulate the regime regarding treasury share transactions, effectively permit the acquisition of treasury shares complying with the requirements, among others, arising from section 146 of the aforementioned Act.

To that end, a resolution is made to the General Meeting to pass a resolution that, rendering null and void that not executed in relation to the resolution passed by last year's Annual General Meeting, grants authorisation, with the requirements and limits established under the law, so that the Company, either directly, or through group companies, may acquire its treasury shares or, in the latter case, shares issued by the parent.

However, for treasury shares acquired derivatively, there are various mechanisms established under the law to reduce or dispose of the treasury shares of the Company that have been acquired. Therefore, it could opt to retire the aforementioned shares or dispose of them in the market. In the case of a company with securities admitted to trading on a secondary market, it is impossible to determine, *a priori*, what procedure should be used to reduce or retire the treasury shares acquired to protect the Company's interests. It is impossible to predict market conditions at a specific time that could be favourable or unfavourable with respect to a single, pre-established procedure.



As a result, the Company's Board of Directors should assess the circumstances at any given time and then decide what system is ideal.

If the decision is made to retire the treasury shares acquired a share capital reduction resolution must be passed. However, since the assessment of the suitability and appropriateness of a financial transaction of this nature must be passed based on the market circumstances at a specific time, this Board of Directors believes that it must resolve the General Meeting to pass a share capital reduction resolution delegating to it the powers necessary to carry it out, including the power to determine the amount of the reduction and whether the aforementioned amount should be allocated to a restricted or unrestricted reserve, in which case, naturally, the requirements established under the law guaranteeing creditors must be fulfilled.

Ultimately, the intention of this share capital reduction resolution is to provide the Company with an instrument that is ideal with regard to its interests and those of its shareholders.

3.- COMPLETE TEXT OF THE RESOLUTION SUBMITTED TO THE GENERAL MEETING.

"FIVE.- Authorise the Board of Directors to derivatively acquire treasury shares, directly or through group companies in accordance with sections 146 and 509 of the Spanish Companies' Law ("Ley de Sociedades de Capital"), rendering null and void the authorisation granted by the General Meeting held on 29 May 2018; share capital reduction to, where applicable, retire treasury shares, delegating to the Board the powers necessary for such a reduction to be carried out.

1.- *Rendering null and void the resolution passed in the General Meeting of 29 May 2018 with regard to that not executed, authorise the Company to, directly or through any subsidiaries and during a maximum period of five (5) years from the date on which this Meeting is held, acquire, at any time and as many times as it considers necessary, shares of VIDRALA, S.A., by any of the means permitted under law, including with a charge to profit for the year and/or unrestricted reserves, as well as to subsequently dispose or retire them, all in accordance with section 146 et seq. of the Spanish Companies' Law ("Ley de Sociedades de Capital").*

2.- *Approve the conditions of these acquisitions, which will be the following:*

(a) *That the nominal value of the shares acquired directly or indirectly, in addition to those that the acquiring company and its subsidiaries already hold and, where applicable, the parent and its subsidiaries, may not be more than ten percent (10%) of the share capital of VIDRALA, S.A., respecting, in all cases, the limits established on the acquisition of treasury shares by the regulatory authorities of the markets where VIDRALA, S.A. shares are admitted to listing.*

(b) *That the acquisition, including the shares that the Company, or person acting in their own name but on behalf of the Company, acquired prior thereto and holds, does not result in the equity being less than the share capital plus the reserves restricted by the law or articles of association.*



To that end, equity will be considered the amount classified as such according to the criteria for preparing the financial statements, less the profit allocated directly thereto, and plus the subscribed uncalled share capital, as well as the nominal amount and the share premium of the subscribed share capital recognised for accounting purposes as a liability.

- (c) That the acquisition price is not less than the nominal value nor greater than ten percent (10%) of the market price of the shares on the date of acquisition or, with regard to derivatives, on the date of the contract that gives rise to the acquisition. The treasury share acquisition transactions will comply with the rules and practices of the securities markets
 - (d) That a charge equal to the amount of the treasury shares recognised under assets be established as a restricted reserve recognised under equity. This reserve must be maintained until the shares are disposed of.
- 3.- Express authorisation is granted so that the shares acquired by subsidiaries of VIDRALA, S.A. when exercising this authorisation may be delivered in full or in part to workers, employees or directors of the Company, when there is a recognised right, either directly or as a result of exercising their purchase rights, for the purposes envisaged in the last paragraph of section 146, section 1 (a) of the Spanish Companies' Law ("Ley de Sociedades de Capital").
- 4.- Reduce share capital, with the aim of retiring such treasury shares of VIDRALA, S.A. as might be held on its balance sheet, with a charge to profit or unrestricted reserves, for the amount considered appropriate or required at any given time, up to the maximum of the treasury shares existing at any given time.
- 5.- Delegate to the Board of Directors the implementation of the above-mentioned resolution to reduce share capital, which may be carried out at one or various times within a maximum period of five years from the date of this General Meeting, performing such formalities, taking such steps and obtaining such authorisations as might be necessary or required by the Spanish Companies' Law ("Ley de Sociedades de Capital") and other applicable provisions. In particular, the Board of Directors is authorised to, by the deadline and with the aforementioned limits, set the date or dates for the share capital reduction or reductions, based on the advisability and appropriateness of the reduction taking into account the market conditions, the market price, the Company's financial position, its cash, reserves and performance and any other matter that affects the aforementioned decision; establish the amount of the reduction and where the amount of the reduction is to be allocated, either to a restricted reserve or to unrestricted reserves, providing such guarantees as might be required and complying with the related legal requirements; amend article 5 of the Articles of Association to reflect the new share capital amount; apply for the de-listing of the retired shares; and, in general, pass such resolutions as might be necessary for the purposes of the retirement of these shares and the concomitant share capital reduction, designating the persons who may participate in its formalisation.

Llodio, 16 April 2019