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

V. Notes to the financial statements of the Viscofan Group in the period from January to June 2018

1. Description and Principal Activities

Viscofan, S.A. (hereinafter the Company or the parent) was incorporated with limited liability on October 17, 1975 as Viscofan, Industria Navarra de Envolturas Celulósicas, S.A. At a meeting held on June 17, 2002 the shareholders agreed to change the name of the Company to the current one.

Its statutory and principal activity consists of the manufacture and sale of casings and films, for food and other applications, collagen-based products for food and bioengineering, as well as, the generation of electricity by any technical means, both for own consumption and for sale to third parties. Its main offices and registered address are located in Polígono Industrial Berroa, Calle Berroa nr. 15, 4ª planta, 31192 - Tajonar (Navarre).

Viscofan, S.A. is the parent of a group of companies (the Viscofan Group or the Group) which mainly carry out similar activities than the parent company.

The entirety of Viscofan S.A.'s shares have been listed since 1986, and are quoted on the Spanish electronic trading platform (mercado continuo).

The Group's 2017 consolidated financial statements were drawn up on February 28, 2018 and approved at the General Shareholders' Meeting held on May 25, 2018.

The consolidated interim financial statements for the first half of 2018 have not been audited.

2. Basis of preparation

The individual accounts for first half of 2018 were prepared in accordance with the new Chart of Accounts approved by RD 1514/2007, in order to give a true and fair view of the consolidated net assets and financial situation of Viscofan, S.A. and its subsidiaries at 30 June 2018, as well as the results of its operations, cash flows and changes in equity for the period then ended.

The consolidated interim financial statements, corresponding to the six-month period ended 30 June 2018, were prepared based on the Viscofan, S.A. accounting records and on the companies included in the Group and are presented in accordance with IAS 34 on Interim Financial Reporting.

In accordance with the provisions of IAS 34, the interim financial report is prepared solely with the intention of updating the content of the Group's latest consolidated annual accounts, highlighting new activities, events and circumstances occurring during the half-year and not duplicating the information previously published in the consolidated annual accounts for financial year 2017. In this sense, in order to properly understand the information included in these interim consolidated financial statements, the latter must be read in conjunction with the consolidated annual accounts for the Group for the year ended 31 December 2017.

The consolidated accounts for the first half of 2018, were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU), in order to give a true and fair view of the consolidated equity and financial position of Viscofan, S.A. and its subsidiaries as at 30 June 2018, as well as the consolidated results of its operations, consolidated cash flows and changes in consolidated equity for the period then ended.

The accounting policies applied are consistent with those for the year ended 31 December 2017. However, the preparation of consolidated financial statements in accordance with IFRS-EU requires management to make significant accounting estimates and assumptions, estimates and hypotheses in applying the Group's accounting policies.

New accounting standards

Standards in force since 1 January 2018

Applicable standards for the years commencing 1 January 2018 are the following:

a) IFRS 9 Financial Instruments

The Group plans has adopted the new standard on the required date of application.

The identified accounting effects of the first application are:

- It simplifies the current financial asset valuation model and establishes three main categories: amortised cost, at fair value through profit or loss and at fair value with changes in other comprehensive income, based on the business model and the characteristics of the contractual cash flows.

  Loans and trade receivables are held for contractual cash flow, and it is expected that these will be solely used to pay principal and interest. Therefore, the Group applies amortised cost in accordance with IFRS 9.

- It introduces a new model of impairment losses on financial assets, the expected credit loss model, which replaces the current model of loss incurred.

- It introduces a new, less restrictive accounting recording model for hedges, requiring an economic relationship between the hedged item and the hedging instrument and requiring the same coverage ratio as that applied by the entity for its risk management. The new standard also modifies the criteria for documenting hedging relationships.

Based on the analysis of the new criteria, the main changes focus on documenting cash flow hedging policies and strategies and estimating the expected impairment loss on financial assets and its timing, although the Group has not recorded any significant changes in the impairment provisions recorded.

b) IFRS 15 Revenue from customer contracts

In May 2014, the IASB and FASB issued a joint, converged standard on the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer gains control of the good or service sold, i.e. when the customer is able to decide its use as well as benefit from the good or service. This IFRS includes new guidance to determine whether revenue must be recognised over time or at a specific moment in time. IFRS 15 demands ample information about recognised revenue as well revenue that is expected to be recognised in the future as regards existing contracts. It also requires quantitative and qualitative information on significant assessments made by management to determine the revenue to be recognised and on any changes to these assessments.

In April 2016, the IASB amended the standard so as to clarify its most complex aspects without changing its key principles.

Applicable for the years commencing 1 January 2018, this standard has been amended in order to:

- Clarify guidance on identifying performance obligations, accounting for intellectual property licenses, and principal vs. agent evaluation (net versus gross regular income submission).
- Include new and modified illustrative examples for each of these areas of the guide.

- Provide additional practical resources related to the transition to the new standard.

These amendments do not change the fundamental principles of IFRS 15, but they do clarify some of the more complex aspects of this standard.

The Group has not identified any significant potential impact on its financial statements beyond the new disclosures to be provided in accordance with the requirements introduced by the Standard.

Standards not in force for the current financial year:

a) IFRS 16 Leases

Applicable for years beginning on or after 1 January 2019, the Group plans to adopt the new standard on the required date of application and intends to apply the simplified transition approach and will not restate the comparative figures for the year prior to the first adoption.

Under the new standard, most leases will have to be recorded on the balance sheet as an asset for the right of use and a liability for the amounts payable. The only exceptions are short-term, low-value leases.

In 2018, the Group is assessing the potential effect of IFRS 16 on its consolidated financial statements. In relation to the change in the definition of the lease term and the different treatment of variable lease payments and extension and termination options. Therefore, it is not yet possible to estimate the amount of the leasing assets and lease liabilities that will have to be recognised when the new standard is adopted and how this may affect the group's profit or loss and the classification of future cash flows. However, management does not believe that the impact on its consolidated financial statements will be material.

Comparison of information

Comparative information in the interim financial statements refers to the six-month periods ended June 30, 2018 and 2017, except for the consolidated statement of financial position which compares information at June 30, 2018 and at December 31, 2017.

Prior-period error corrections

There were no corrections recorded for prior-period errors.

Relevant accounting estimates, assumptions and judgments used when applying accounting policies

The preparation of financial statements in conformity with EU-IFRS requires Group management to make judgments, estimates, and assumptions, and to apply relevant accounting estimates in the process of applying Group accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates are indicated in the notes, 3 and 4 of the Notes to the Financial Statements for the year ended 31 December 2017. The main items are referred to:

- Taxes.
- Pension benefits.
- Provisions for litigation and contingent assets and liabilities.
- Assessment of possible impairment losses on certain assets.
- Useful life of property, plant, and equipment and intangible assets
- Measurement of derivative financial instruments

Reporting currency

Interim financial statements have been expressed, unless otherwise indicated, in thousand euros.

3. Changes in the scope of consolidation

Acquisitions in 2018

In February 2018, the Viscofan Group signed a SPA agreement with a group of private investors and the province of New Brunswick (Canada) for the cash purchase of 100% of Transform Pack Inc for 2 million US$.

The company was included in the Viscofan Group consolidation scope as of March 1, 2018 using the full consolidation method.

In April 2018, the liquidation of Vector UK Ltd. was carried out. Its business had been transferred previously to other Group companies.

Acquisitions in 2017

In November 2017, the Viscofan Group signed a SPA agreement with a group of private investors for the cash purchase of 100% of Supralon International AG, Supralon Verpackungs AG and their subsidiaries: Supralon Produktions und Vertriebs GmbH and Supralon France SARL.

After the acquisition of the share capital of these companies for a total price of €12 million, Viscofan Group mainstreamed all the assets of these companies on a bank debt free basis.

The subsidiaries were included in the Viscofan Group consolidation scope as of December 1, 2017 using the full consolidation method.

The Business combination is disclosed in Note 8.1 of the consolidated financial statements at 31 December 2017.

4. Materiality

When determining the information to be disclosed in the notes to the interim financial statements regarding the various headings in the financial statements or other matters, the Group has taken into account their materiality with respect to the summarized interim consolidated financial statements, in accordance with IAS 34.

5. Seasonality or cyclicality of interim period transactions

The business of the various Viscofan Group companies engaged in the casings activity, valued overall and for a six-month period, is not subject to significant seasonality or cyclicality and therefore operating profits perform consistently in that time frame with the exception of sporadical increases in capacity that may occur in some interim period.

6. Segment reporting

The Group's management bases its decisions on the assignment of resources and performance evaluations according to manufacturing structure and the markets in which it operates; with four segments identifying the main geographical areas: Spain, Europe and Asia, North America, and South America. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss on the consolidated financial statements.

The Group also carries out production-related activities through its co-generation plants in Spain, Mexico, and Germany. These co-generation activities have three aims: to decrease the cost of electricity while remaining self-sufficient, and at the same time reducing CO_2 emissions. Although the plants located in Spain and Mexico sell part of the energy produced to third parties, these activities are not organized as business segments, nor are they contemplated as business units to be reported on per se.

Segment information is presented hereafter:

	Thousands of euros					
30/06/2018	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	56,612	164,179	109,444	55,457	-	385,692
Revenue from inter-segment	42,318	133,438	40,235	15,476	(231,467)	-
Total revenue	**98,930**	**297,617**	**149,679**	**70,933**	**(231,467)**	**385,692**
Segment profit before taxes	**20,249**	**38,961**	**6,275**	**17,126**	**(1,781)**	**80,830**
Total assets	**239,697**	**440,863**	**252,709**	**163,240**	**(84,077)**	**1,012,431**
Total liabilities	**127,383**	**135,254**	**90,557**	**29,859**	**(104,449)**	**278,605**
Acquisition of assets	**12,647**	**12,906**	**2,699**	**1,975**	**-**	**30,227**

	Thousands of euros					
30/06/2017	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	52,144	157,005	121,509	59,641	-	390,299
Revenue from inter-segment	47,428	128,207	53,673	15,639	(244,947)	-
Total revenue	**99,572**	**285,212**	**175,182**	**75,280**	**(244,947)**	**390,299**
Segment profit before taxes	**8,607**	**46,977**	**12,647**	**14,876**	**(374)**	**82,733**
Total assets	**229,986**	**422,273**	**251,663**	**173,030**	**(100,238)**	**976,714**
Total liabilities	**129,330**	**116,883**	**87,976**	**34,618**	**(110,371)**	**258,436**
Acquisition of assets	**29,483**	**17,100**	**3,272**	**1,944**	**-**	**51,799**

7. Capital changes by Group companies

In the first half of 2018, any of the Viscofan Group companies increased Share Capital.

8. Property, plant and equipment, and intangible assets.

In the first half of 2018 investments were made in property, plant and equipment and intangible assets for a total of €30,277 thousand (€51,799 thousand in the first half of 2017). Of this amount, the main investment projects related to:

- Investments to install capacity of the viscose-based casings new technology in Cáseda (Spain).
- Investments related to capacity and process improvement in cellulose, fibrous, plastics and collagen.
- Investments to improve energy efficiency.
- Investments at a number of Group plants to improve the safety conditions of the facilities.

Arising from the investment plan, at June 30, 2018 investment commitments were €11,316 thousand (€7,000 thousand in December 31, 2017).

The consolidated Group has contracted insurance policies to cover the risks related with the items of property, plant and equipment. The coverage of these policies is considered sufficient.

Acquisitions, disposals or other uses of property, plant and equipment

There were no significant acquisitions, disposals or other uses of property, plant and equipment in the interim reporting period.

Write-downs to property, plant and equipment, intangible assets and other non-current assets

There were no significant write-downs to property, plant and equipment, intangible assets or other non-current assets in the current period (January – June 2018).

9. Non-current and current financial assets

In the period under review, the Company made no material acquisitions or disposals of non-current financial assets. In accordance with the amendment of IFRS 9 of Financial Instruments and which has come into force as of January 1, 2018, the breakdown of non-current financial assets is as follows:

	Thousands of euros	
	30/06/2018	31/12/2017
Non-current financial assets	**3,053**	**8,827**
a) At Fair value through profit or loss	266	266
Of which *"Designated on initial recognition"*	266	266
b) At Fair value through other comprehensive income	-	-
Of which *"Designated on initial recognition"*	-	-
c) At amortised cost	2,787	8,561
Non-current derivative financial instruments	**663**	**322**
a) Hedging	663	322
b) Others	-	-
TOTAL non-current	**3,716**	**9,149**
Current financial assets	**3,636**	**790**
a) At Fair value through profit or loss	3,624	778
Of which *"Designated on initial recognition"*	3,624	778
b) At Fair value through other comprehensive income	-	-
Of which *"Designated on initial recognition"*	-	-
c) At amortised cost	12	12
Current derivative financial instruments	**1,786**	**2,767**
a) Hedging	1,786	2,767
b) Others	-	-
TOTAL current	**5,422**	**3,557**

10. Inventories

Details of inventories at June 30, 2018 and December 31, 2017 are as follows:

	Thousand of euros	
	30/06/2018	31/12/2017
Goods for resale	4,783	5,609
Raw materials and other supplies	68,746	64,995
Semi-finished products	60,517	58,730
Finished products	128,431	107,678
Prepayments to suppliers	2,324	1,518
Total Inventories	**264,801**	**238,530**

Expenses incurred during the first half of 2018 related to impairment and the obsolescence of inventories amounted to €1,011 thousand (€997 thousand in the first half of 2017).

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

11. Trade and other receivables

The breakdown for "Trade and other receivables" at June 30, 2018 and December 31, 2017 is as follows:

	Thousand of euros	
	30/06/2018	**31/12/2017**
Trade receivables	155,985	143,673
Other receivables	9,986	3,454
Advances to employees	109	343
Provisions for bad debts	(3,340)	(3,388)
Public Administrations	22,717	24,217
Total trade and other receivables	**185,458**	**168,300**

Trade receivables do not carry interest, and generally payment conditions range from 45 to 90 days.

The breakdown by currency for “Trade and other receivables” at June 30, 2018 and December 31, 2017 is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2018	71,831	69,282	746	24,271	3,658	8,138	7,532	**185,458**
31/12/2017	65,299	62,021	736	22,910	5,319	7,151	4,864	**168,300**

12. Cash and cash equivalents

Cash and cash equivalents at June 30, 2018 and December 31, 2017, comprise cash balances with Group companies and banks, with some interest-bearing market interest rate account. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

A breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2018	18,144	10,965	621	2,194	1,534	2,849	1,492	**37,799**
31/12/2017	11,953	5,904	615	1,505	610	4,309	3,247	**28,143**

13. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2018 and 2017 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2018 the parent's share capital consisted of 46,603,682 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The total value of capital amounts to 32,623 thousand euros.

All shares bear the same voting and dividend rights and obligations, and are listed on the official Stock Exchange Markets of Madrid, Barcelona, and Bilbao under the automatic quotation system (Mercado continuo). All shares are freely distributable.

At June 30, 2018, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of Holding
Shareholders	**30/06/2018**
Corporación Financiera Alba, S.A.	11.87%
APG Asset Management N.V.	5.17%
Angustias y Sol S.L.	5.05%
Marathon Asset Management, LLP	4.96%
Norges Bank	3.24%

Issues, buybacks and redemptions of the Company's debt or equity securities

The companies in the Viscofan Group have not issued, bought back or redeemed any debt securities.

Viscofan S.A. has a direct treasury share management policy. It has not signed any market-making agreement with any financial institution and is not in the process of formalising any agreement of this kind.

At 30 June 2018, Viscofan did not hold any treasury shares.

Dividends Paid

On 22 March 2018, the Viscofan Group paid out an extraordinary dividend of €0.13 per share, a total amount of €6,058 thousand, which corresponds to the contribution net profit of the year 2018 of the one-off gain from the Supreme Court ruling in the action brought by Industrias Alimentarias de Navarra S.A.U. against Mivisa Envases S.A.U. (now Crown Food España S.A.U.) for the infringement of a patent which.

The company distributed €0.01 as a premium for attendance at the General Shareholders' Meeting held in May 2018.

As per the distribution of profit from 2017 approved by the General Shareholders' Meeting, in June 2018 the final dividend of €0.92 per share was paid (total of €42,875 thousand), 5.7% more than in the previous year.

14. Current and non-current provisions

The breakdown of this caption of the Consolidated Statement of Financial Position is as follows:

	Thousands of euros	
	30/06/2018	**31/12/2017**
Defined benefit	18,509	18,361
Other employee benefits	3,321	3,277
Provisions for other litigation	198	554
Others	35	43
Total non-current provisions	**22,063**	**22,235**
Total current provisions	**6,135**	**4,999**

The Group has defined benefit plans. The most relevant plans are based in Germany through Naturin Viscofan GmbH subsidiary.

Actuarial hypothesis used in the interim period January-June 2018 remain unchanged with respect to 31 December 2017. Detailed information is disclosed in Note 17 of the Consolidated Annual Report.

During the first half of 2018 no significant litigation involved the Group, see Section 18. Contingent assets and liabilities included in these Notes to the financial statements

In addition, during the first half of 2018 there were not provisions or changes to provisions linked with restructuring costs.

15. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at June 30, 2018, is as follows:

	Thousands of euros					
June 30, 2018	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than five years**	**Total carrying amount**	**Total fair value**
Bank borrowings	38,741	3,254	58,855	6,678	107,529	107,529
Accrued interest payable	179	26	-	-	205	205
Finance lease payables	40	58	16	-	114	114
Other financial liabilities	5,546	2,773	9,539	2,439	20,296	20,296
Total financial liabilities	**44,506**	**6,110**	**68,410**	**9,117**	**128,143**	**128,143**
Derivative financial instruments	485	696	-	-	1,181	1,181
Total financial liabilities and derivatives	**44,990**	**6,807**	**68,410**	**9,117**	**129,324**	**129,324**

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2017, is as follows:

	Thousands of euros					
December 31, 2017	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than five years**	**Total carrying amount**	**Total fair value**
Bank borrowings	2,418	3,768	55,968	6,678	68,832	68,832
Accrued interest payable	206	22	-	-	228	228
Finance lease payables	38	119	33	-	190	190
Other financial liabilities	7,363	5,429	8,617	3,039	24,448	24,448
Total financial liabilities	**10,025**	**9,338**	**64,618**	**9,717**	**93,698**	**93,698**
Derivative financial instruments	3	20	1	-	24	24
Total financial liabilities and derivatives	**10,028**	**9,358**	**64,619**	**9,717**	**93,722**	**93,722**

The carrying amount of financial liabilities agrees with the fair value as the long-term debt corresponds to financing obtained in recent years under similar conditions to those currently obtainable in the market.

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Mexican peso	Other currencies	Total carrying amount
30/06/2018	111,578	10,334	4,974	0	2,438	**129,324**
31/12/2017	80,371	10,091	1,393	21	1,846	**93,722**

Default or other loan agreement non-compliance not yet corrected on the balance sheet date.

The Viscofan Group has fully paid off all financial liabilities due before that date; therefore, as at 30 June 2017 no past due amounts were included under financial liabilities. In addition, none of the companies in the Viscofan Group had failed to comply with any financial obligations as of that date.

16. Trade, other payables and other current liabilities

The breakdown of "Trade, other payables and other current liabilities" is as follows:

	Thousands of euros	
	30/06/2018	31/12/2017
Suppliers	30,402	28,445
Amounts owed for services received	30,104	27,474
Customer advances	2,002	2,663
Remuneration pending payment	13,738	13,287
Public Administrations	16,198	10,785
Final balance	**92,444**	**82,654**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2018	53,786	17,860	3,261	4,619	5,519	3,288	4,111	**92,444**
31/12/2017	43,414	18,119	2,618	4,703	4,158	4,802	4,840	**82,654**

17. Tax situation

The effective tax rate from the consolidated income statement for the interim period stood at 18.7%, 20.0% in the same period of the previous year.

The difference between the theoretical tax rate for 2018 (28%) and the effective tax rate (18.7%) is basically due to the different taxes paid by non-resident subsidiaries in Navarre (Viscofan S.A. tax domicile) which pay tax in all of the countries in which they operate, applying the corporate (or similar) tax rate in force on profits for the period and tax allowances or tax credits associated with investments in Group companies.

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the tax authorities or the inspection period of four years has elapsed, that in Spain is 4 years, nowadays. At June 30, 2018 the parent and subsidiaries in Spain are open to inspection of all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

Due to the different possible interpretations of prevailing legislation, additional liabilities could be identified in the event of inspection. Nonetheless, parent management considers that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

18. Contingent assets and liabilities

Viscofan S.A. and its Group companies are parties in various litigation cases or proceedings currently being heard in jurisdictional, administrative or arbitration bodies in the various countries where the Viscofan Group is present.

(a) Contingent liabilities

- On 30 June 2018, there were several legal claims filed against the Brazilian subsidiary (31 December 2017: 4.0 million euros). On 30 June 2018 a 0.3 million euros provision was recognised (31 December 2017: 0.4 million euros). In the opinion of the Group's legal advisors in Brazil, all those which are not recognised under liabilities are considered to be possible risks, or that possible related amounts cannot be determined at the moment. Based on historic experience, the related amounts of all possible claims are under 5%.

- At the end of the interim period there a number of ongoing lawsuits against Griffith Colombia, S.A., which held exclusive sales rights for Viscofan Group's products in Colombia since 2006. As a result of the end of its business relationship in November 2012, Griffith Colombia stopped paying invoices, which were guaranteed by bills of exchange, to two Viscofan Group companies (Viscofan do Brasil Sociedade Comercial e Industrial Ltda. and Viscofan CZ, s.r.o.) amounting to approximately 1.2 million US$, arguing a right to retention because of the indemnity it considered due. The two Group companies concerned started legal proceedings against Griffith in their respective countries seeking to enforce the bills of exchange. In Brazil, Viscofan do Brasil won its lawsuit and received the amounts owed. In the Czech Republic, a ruling in favour of Viscofan CZ was also issued, in February 2017. However, Griffith does not have any assets in that country allowing the ruling to be enforced. As of the date of this report, no alternative has been found for enforcement. The claims process for terminating the sales relationship started by Griffith in Colombia is still open, with no relevant advances taking place.

- On 15 June 2017, lawsuits were filed against Vector Europe NV and Vector Packaging Europe NV by Bellota de Encino BVBA ("Bellota") seeking compensation and damages for the termination of their respective management agreements. Vector Europe NV and Vector Packaging Europe NV rejected the claims, arguing, among other things, that the nature and quality of the services effectively provided did not match what was established in the agreements and that the calculation of the compensation was incorrect, among others. This year, the Hasselt division of Antwerp's Court sentenced Vector Europe and Vector Packaging to pay Bellota a joint amount of €513 thousand. A second hearing is to be held as regards the claim against Bellota.

- Berkes Construcción y Montajes, S.A. and Viscofan Uruguay, S.A. have filed lawsuits against each other, combined in a single proceeding, as a result of the agreement for the construction of the plant. Viscofan Uruguay believes there are deficiencies and non-compliance in the works carried out, and has withheld amounts so as to force Berkes to remedy them, while Berkes believes that the deficiencies and non-compliance are insignificant, and that the amounts withheld by Viscofan Uruguay are excessive and claims payments of the amounts. The ruling at first instance accepted Viscofan Uruguay, S.A.'s claims, but determined a smaller amount for the deficiencies and noncompliance by Berkes Construcciones y Montajes, S.A. than claimed. Viscofan Uruguay, S.A. has appealed the ruling, although the difference in the estimated amounts would not have a significant impact on Viscofan Uruguay, S.A.'s financial statements.

(b) Contingent assets

- Viscofan S.A. filed legal proceedings before the Mercantile Court against Sayer Technologies S.L. for revealing confidential information.

- In relation to the regulation of the electricity sector in Spain, Viscofan, S.A. maintains its appeal before the Chamber of the Supreme Court against the ruling of the Directorate General of Energy Policy and Mining on 15 July 2015, which determined the registration of the pre-assigned remuneration of 2.146 MW, requesting the specific remuneration scheme commence from the installation's startup date, or subsidiarily as of 9 November 2014, (the date upon which this should have been resolved). Currently the procedure is pending voting and ruling.

- Viscofan S.A. also filed amendments for the tax returns or self-assessments on the Electricity Production Value corresponding to 2013, 2014, and 2015, as it considered that it violates different European legal precepts and the Spanish constitution.

- On 6 June 2017 Viscofan, S.A. filed a lawsuit against its supplier Talleres Ezma, S.A. for defects in products supplied to Viscofan Uruguay, S.A., which also caused quality problems in its collagen casings, amounting to 0.4 million euros. The action is currently pending the first-instance ruling after the court session on 13 March 2018.

It is reasonable to consider that these litigation cases will have no material effect on the solvency of the Viscofan Group, even in the event of an unfavourable outcome to any of them.

19. Related-party transactions

The aggregate information on transactions with related parties has been set out in the present interim financial report in part IV, Selected Financial Information, sections 16 (Remuneration received by Directors and top management) and 17 (Related-party transactions).

20. Description of risks and uncertainties

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The risk control system is described in section E. Risk management and control systems of the 2017 Annual Corporate Governance Report from the parent company, listing those that might affect the achievement of objectives, and response and supervision plans.

The Group's activities are exposed to various financial risks: market risk (including foreign currency risk, interest rate risk in fair value, and prices risk), credit risk, liquidity risk and interest rate risk in cash flows. The Group's global risk management program focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability. Certain risks are hedged by derivative instruments.

Risk is managed by the Group in accordance with policies approved by the Board of Directors, with Audit Committee supervision, and is supported by several Committees composed by Viscofan Group employees.

Credit risk

The Viscofan Group's main financial assets are cash balances, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk.

The Group's credit risk relates mainly to trade receivables. Amounts reflected on the consolidated balance sheet, net of insolvency provisions, estimated based on experiences gleaned from prior years, age, and valuation in the current economic environment. This would be the maximum amount of exposure to this type of risk.

There is no significant concentration of credit risk within the Group; its exposure is spread among different countries, a large number of counterparties and customers. No customers or associated group companies represented sales and amounts receivable higher than 10% of total risk.

The Group has credit insurance contracts which cover the collection of the greater portion of its customer balances. Customers that are not covered are subject to additional analysis measures that result in requesting advance payments or determining levels of internal risk which the Group can assume.

Credit risk arising from liquid funds and derivative financial instruments is limited due to the fact that counterparties are banking institutions with high credit ratings assigned by international agencies.

The Directors consider that during the interim period, there were no significant assets which might be impaired as concerns their net realizable value.

Exchange rate risk

As the Group operates internationally, it is exposed to variations in exchange rates, particularly the US Dollar. The exchange rate risk arises from future commercial transactions, recognized assets and liabilities and net investments abroad.

The risk management policy of the Group is to cover assets and liabilities in currencies other than the functional currency with the most risk. Therefore, forward currency contracts were formalized at the time the yearly budget was prepared; EBITDA forecasts were used as the basis for the following year, the degree of exposure, and the degree of risk the Group is willing to assume.

The following table shows the sensitivity of consolidated net profit to a possible change in the exchange rate of certain currencies of countries where the Group conducts business, keeping the rest of variables constant:

	Thousands of euros							
	US Dollar		Czech crown		Brazilian real		Chinese yuan Renmimbi	
	30.06.18	**31.12.17**	**30.06.18**	**31.12.17**	**30.06.18**	**31.12.17**	**30.06.18**	**31.12.17**
+ 5%	4,664	5,631	(894)	(1,522)	524	696	325	1,016
- 5%	(4,053)	(5,094)	810	1,378	(474)	(630)	(293)	(920)

The following table shows the impact on consolidated equity of changes in the exchange rates of certain currencies of countries where the Group conducts business:

	Thousands of euros							
	US Dollar		Czech crown		Brazilian real		Chinese yuan Renmimbi	
	30.06.18	**31.12.17**	**30.06.18**	**31.12.17**	**30.06.18**	**31.12.17**	**30.06.18**	**31.12.17**
+ 5%	7,928	7,031	2,362	2,562	4,578	4,926	3,153	3,048
- 5%	(7,173)	(6,360)	(2,137)	(2,317)	(4,142)	(4,456)	(2,853)	(2,757)

Liquidity risk

For some non-current loans the Group must meet with a series of conditions defined by ratios based on the consolidated financial statements. Noncompliance would involve cost increases and, if applicable, early termination of the agreement. At June 30, 2018, all the main ratios had been satisfactorily complied with and neither Viscofan, S.A. nor any of its material subsidiaries were in breach of their financial commitments or any kinds of obligation that could trigger their early redemption.

Interest rate risks in cash flows and fair value

The Group does not own significant remunerated assets.

The Company's exposure to interest rate risk is mainly due to the loans and credit facilities received from financial entities at variable interest rates. Note 20 of the Notes to the Consolidated Financial Statements for the year 2017 provides a breakdown of the hedging contracts entered into for partial mitigation of the risk represented by a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

In 2018 and 2017, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in Germany (Note 17 of the Notes to the Consolidated Financial Statements for the year 2017).

The following table shows the sensitivity of profit (loss) for the year to a possible 1% variation in discount and/or interest rates:

	Thousands of euros					
	Pension plans commitments		Financial debt			
			Euribor		Libor	
	30.06.18	31.12.17	30.06.18	31.12.17	30.06.18	31.12.17
+ 1%	(79)	(164)	(178)	(171)	0	(16)
- 1%	87	176	177	169	0	16

Fuel price risk (gas and other oil derivatives)

The Viscofan Group is exposed to variations in Brent prices, which is the main indicator affecting the price of gas and other fuels used in producing its casings.

The Group policy is to set the prices for main fuels, through the arrangement of one-year-long contracts with suppliers, or by using hedging policies (Note 20.1 of the Notes to the Consolidated Financial Statements for the year 2017).

It thus attempts to mitigate the impact of Brent variations on the consolidated income statement. The following table reflects the sensitivity to a possible Brent price fluctuation on 10% of result.

	Thousands of euros	
	30.06.18	31.12.17
+ 10%	1,340	2,614
- 10%	(1,353)	(2,625)

21. Events after the interim balance sheet date

No significant events have taken place since the end of the interim reporting period to 30 June 2018.