(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 2019

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 co-generation systems, 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 2018 consolidated financial statements were drawn up on February 28, 2019 and approved at the General Shareholders' Meeting held on April 12, 2019.

The consolidated interim financial statements for the first half of 2019 have not been audited.

2. Basis of preparation

The individual accounts for first half of 2019 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 equity and financial situation of Viscofan, S.A. 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 2019, 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 2018. 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 2018.

The consolidated accounts for the first half of 2019, 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 2019, 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 2018 with the exception of the regulations that have entered into force in the current year and that were not applicable as of December 31, 2018. 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 2019

Applicable standards for the years commencing 1 January 2019 are the following:

a) IFRS 16 Leases

The Viscofan Group has adopted the new accounting standard IFRS 16 "leases" since January 1st 2019 applying the modified retrospective method without modifying comparative figures from the previous year.

This norm modifies the previous treatment of leases that were considered as operative (IAS 17), and compel for those contracts in which the Group acts as lessee to record future obligations of lease payments in the Consolidated Statement of Financial Position as "right-of-use" with the corresponding debt, in like manner to financial leases.

In the consolidated Statement of Income, costs of operational leases become classified depreciation expense.

The right-of-use of an asset is initially measured up to cost and then after is valued up to cost minus the accumulated depreciation and impairment loses. Right-of-use assets are depreciated linearly during the shortest period between the leasing period or the underlying asset's life span. If the Group obtains the underlying asset property at the end of the leasing period, depreciation will be based upon the lifespan of the asset.

Lease liabilities are valued upon net present value of future lease payments. Afterwards, liability increases to reflect interest over the lease liability and is reduced for the payments made. To capture any later change or evaluation are again assessed.

The lease term of the different contracts has been determined as the non-cancellable period of each of the leases considering options to prorogue whenever a reasonable assurance of executing those operations exists.

The most meaningful impact for the Group in the application of the new standard has been the acknowledgement as of June 30th in the Statement of Financial Position of net assets under the "Tangible assets" epigraph for an amount of 17,535 thousand euro; and right-of-use liabilities valued at 15,335 thousand euros under "Other financial liabilities" epigraph of non-current liabilities and 2,272 thousand euro under the "Other financial liabilities" epigraph of current liabilities.

In the Statement of Consolidated Results, 2,094 thousand euro is registered as depreciation of assets corresponding to the accrual for leasing.

Regarding the statement of cash flows, cash payments for the principal portion of the lease liability are classified as financing activities.

The activities of the Group as lessor are not material and, therefore, there is no significant impact on the Consolidated Annual Accounts.

Comparison of information

Comparative information in the interim financial statements refers to the six-month periods ended June 30, 2019 and 2018, except for the consolidated statement of financial position which compares information at June 30, 2019 and at December 31, 2018.

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 interim 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 2018. 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

In 2019:

a) Gamex, C.B. s.r.o.

On 1 June 2019 the merger of Gamex, C.B. s.r.o. and Viscofan CZ s.r.o. was carried out with retroactive effect from 1 January 2019.

In 2018:

a) Transform Pack Inc:

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.

b) Vector UK Ltd

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

c) Globus

In November 2018, the Viscofan Group acquired 100% of the Globus companies in Australia and New Zealand, which were added to the consolidation perimeter of the Viscofan Group on 1 December 2018 using the full consolidation method.

The Business combination is disclosed in Note 8 of the consolidated financial statements at 31 December 2018.

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 the profitability in 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 and is measured consistently with operating profit 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 energy cost 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:

30/06/2019	Spain	Other Europe and Asia-Pacific	North America	South America	Eliminations and other	Consolidated
	Thousands of euros					
Revenue from external customer	50,114	178,096	119,305	62,375	-	409,890
Revenue from inter-segment	45,178	123,963	39,507	14,894	(223,542)	-
Total revenue	95,292	302,059	158,812	77,269	(223,542)	409,890
Segment profit before taxes	444	35,889	3,228	20,230	(2,302)	57,489
Total assets	245,640	495,385	265,637	167,319	(96,619)	1,077,362
Total liabilities	147,238	156,776	96,958	22,343	(109,440)	313,875
Acquisition of assets	14,532	4,819	1,671	1,921	-	22,943

30/06/2018	Spain	Other Europe and Asia-Pacific	North America	South America	Eliminations and other	Consolidated
	Thousands of euros					
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

7. Capital changes by Group companies

As of February 6th 2019 and June 18th 2019 Viscofan S.A. has acquired 1,250 shares of Nanopack Technology & Packaging, S.L. for a nominal amount of 125 thousand euro. In the period from January to June 2019, Viscofan S.A. has signed 100% of the share capital increase carried out in Nanopack Technology & Packaging, S.L. Amounting 2,300 thousand euro and made by cash contribution and credit compensation, the aim of this share capital increase is to provide the subsidiary with the necessary capital structure for the development and commercialisation of new products. After such operation, Viscofan S.A. has a direct participation of 98.0% in this subsidiary.

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

In the first half of 2019 investments were made in property, plant and equipment and intangible assets for a total of €22,943 thousand (€30,227 thousand in the first half of 2019). 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, 2019 investment commitments were €15,795 thousand (€4,850 thousand in December 31, 2018).

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.

9. Inventories

Details of inventories at June 30, 2019 and December 31, 2018 are as follows:

	Thousand of euros	
	30/06/2019	31/12/2018
Goods for resale	3,662	9,808
Raw materials and other supplies	78,062	74,199
Semi-finished products	55,668	61,342
Finished products	154,411	134,666
Greenhouse gas emission allowances	1,296	2,610
Prepayments to suppliers	2,860	1,716
Total Inventories	**295,959**	**284,341**

Expenses incurred during the first half of 2019 related to impairment and the obsolescence of inventories amounted to €2,630 thousand (€1,011 thousand in the first half of 2018).

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

10. Trade and other receivables

The breakdown for "Trade and other receivables" at June 30, 2019 and December 31, 2018 is as follows:

	Thousand of euros	
	30/06/2019	31/12/2018
Trade receivables	158,028	153,015
Other receivables	3,193	1,804
Advances to employees	205	237
Provisions for bad debts	(3,307)	(3,264)
Public Administrations	18,065	20,741
Total trade and other receivables	**176,184**	**172,533**

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, 2019 and December 31, 2018 is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2019	57,040	73,510	624	20,516	3,614	8,803	12,077	**176,184**
31/12/2018	58,599	62,173	625	28,735	3,087	8,661	10,653	**172,533**

11. Cash and cash equivalents

Cash and cash equivalents at June 30, 2019 and December 31, 2018, comprise with balances in cash and in 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
30/06/2019	10,175	15,077	5	2,751	1,782	23,315	1,920	**55,025**
31/12/2018	9,010	9,788	896	1,245	1,549	6,370	2,192	**31,050**

12. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2019 and 2018 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2019 the parent's share capital consisted of 46,500,000 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The total value of capital amounts to 32,550 thousand euros.

At its meeting of 24 January 2019, the Board of Directors of Viscofan S.A. agreed to execute a capital reduction for a nominal amount of 72,577.40 euros, through the amortisation of the 103,682 own shares in the portfolio acquired under the authorisation granted by the General Shareholders' Meeting held on 25 May 2018 under item five of the agenda.

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, 2019, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% holding
Shareholder	**30/06/2019**
Corporación Financiera Alba, S.A.	13.03%
APG Asset Management N.V.	10.09%
Norges Bank	5.68%
Angustias y Sol S.L.	5.26%
Marathon Asset Management LLP	4.94%
Wellington Management Group LLP	3.22%

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

At 30 June 2019, Viscofan did not hold any treasury shares.

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

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

On 31 December 2018, Viscofan S.A. hold 103,682 own shares, 0.22% of the voting rights acquired at a total price of 5,289 thousand euros.

Subsequently, in January 2019, the Board approved the execution of a capital reduction for a nominal amount of €72,577.40, through the redemption of the 103,682 existing shares.

Dividends paid in January-June 2019

As per the distribution of profit from 2018 approved by the General Shareholders' Meeting, in June 2019 the final dividend of €0.95 per share was paid (total of €44,175 thousand), 3.3% more than in the previous year.

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

13. Current and non-current provisions

The breakdown of these headings of the Consolidated Statement of Financial Position is as follows:

	Thousand of euros	
	30/06/2019	31/12/2018
Defined benefit	18,142	18,012
Other employee benefits	3,599	3,566
Provisions for other litigation	228	312
Others	2	74
Total non-current provisions	**21,971**	**21,964**
Total current provisions	**7,457**	**5,745**

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 2019 remain unchanged with respect to 31 December 2018. Detailed information is disclosed in Note 17 of the Consolidated Annual Report.

During the first half of 2019 no significant litigation involved the Group, see Section 17. Contingent assets and liabilities included in these Notes to the financial statements

In addition, during the first half of 2019 there were not provisions or changes to provisions linked with restructuring costs.

14. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at June 30, 2019, is as follows:

	Thousands of euros					
	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	40,376	24,309	60,138	3,000	127,823	127,823
Accrued interest payable	208				208	208
Lease payables	528	1,751	11,612	3,724	17,615	17,615
Derivative financial instruments	75	102	74		251	251
Measured at fair value with changes in OCI	*75*	*102*	*74*		*251*	*251*
Measured at fair value with changes in P&L	-	-	-	-		
Other financial liabilities	7,112	1,831	8,917	3,453	21,313	21,313
Measured at amortised cost	*7,112*	*1,831*	*8,917*	*3,453*	*21,313*	*21,313*
Total at June 30, 2019	**48,299**	**27,993**	**80,741**	**10,177**	**167,210**	**167,210**

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2018, is as follows:

	Thousands of euros					
	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	45,400	20,843	44,203	-	110,446	110,446
Accrued interest payable	170	49	-	-	219	219
Lease payables	18	17	28	-	63	63
Derivative financial instruments	(516)	1,562	495		1,541	1,541
Measured at fair value with changes in OCI	*(658)*	*1,562*	*495*	-	*1,399*	*1,399*
Measured at fair value with changes in P&L	*142*	-	-	-	*142*	*142*
Other financial liabilities	8,039	3,912	8,828	3,417	24,196	24,196
Measured at amortised cost	*8,039*	*3,912*	*8,828*	*3,417*	*24,196*	*24,196*
Total at December 31, 2018	**53,111**	**26,383**	**53,554**	**3,417**	**136,465**	**136,465**

All current and non-current financial liabilities are included in Level 2 within the valuation hierarchies: assets and liabilities whose fair value has been determined with technical valuation techniques that use hypotheses observable in the market.

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	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2019	140,297	10,320	2,893	724	147	543	12,286	**167,210**
31/12/2018	116,558	10,413	5,681	-	-	-	3,813	**136,465**

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

The Viscofan Group has fully paid off all financial liabilities due before that date; therefore, as at 30 June 2019 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.

15. Trade, other payables and other current liabilities

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

	Thousand of euros	
	30/06/2019	31/12/2018
Suppliers	26,755	29,565
Amounts owed for services received	29,184	26,730
Customer advances	1,541	2,161
Remuneration pending payment	14,423	12,941
Public Administrations	14,628	11,074
Final balance	**86,531**	**82,471**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2019	46,152	14,637	3,801	4,313	6,241	3,154	8,233	**86,531**
31/12/2018	37,533	20,575	2,905	2,268	6,128	3,965	9,097	**82,471**

16. Tax situation

The effective tax rate from the consolidated income statement for the interim period stood at 20.5%, 18.7% in the same period of the previous year.

The difference between the theoretical tax rate for 2018 (28%) and the effective tax rate (20.5%) 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, 2019 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 directors consider that any additional liabilities that might arise would not have a significant impact on these consolidated financial statements.

17. 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

At 30 June 2019, there were a number of different legal claims filed against the Brazilian subsidiary totaling 4.47 million euros (4.47 million euros at 31 December 2018).

At 30 June 2019, a provision of 365 thousand euros was recognized (300 thousand euros at 31 December 2018 as indicated in Note 17.3 of the consolidated financial statements). In the opinion of the Group's legal advisors in Brazil, all those which are not recognised under liabilities are considered to be possible risk or which related amounts cannot be determined at the moment. Based on historic experience, the materialized amount stands below 5% for all claims classified as possible.

Also, at 30 June 2019, there were a number of ongoing lawsuits against Griffith Colombia, S.A. ("Griffith") which sold Viscofan Group products in Colombia without any change during the period. In the year ending 31 December 2012, Viscofan terminated its commercial relationship with Griffith. As a result of this termination, Griffith Colombia stopped paying invoices and, to date, Griffith owes Viscofan CZ, S.R.O. an amount acknowledged in a final ruling of approximately 800 thousand euros. On the other hand, Griffith presented a claim in Colombia against Viscofan do Brasil, Viscofan CZ and Viscofan SA claiming compensation for the termination of the contract, there have been no significant changes in the proceedings during the period. Griffith also presented a claim of unfair competition in Colombia, without specific amount, against Viscofan do Brasil, Viscofan CZ and Viscofan SA that was rejected at first instance and partially upheld on appeal. In 2018, Viscofan do Brasil, Viscofan CZ and Viscofan SA appealed the ruling handed down in the appeal before the Supreme Court, which remains outstanding, which is considered unlikely to be successful. In conclusion, and in light of the circumstances addressed, it is believed that Griffith's claims represent a remote risk of a negative impact on Viscofan'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. The process continues and is currently at the appeal stage.

In terms of the electricity sector regulation in Spain, in September 2018, Viscofan, S.A. received the combined agreement from the Treasury of Navarre rejecting the applications for the refund of revenue obtained unduly in terms of the tax on Electricity Production corresponding to 2013, 2014 and 2015 on the basis that this tax breaches different legal provisions at a European level and in the Spanish Constitution. On 31 October 2018, Viscofan, S.A., filed an administrative economic claim against this rejection before the Administrative Economic Court of Navarre and which resolution is outstanding.

In July 2018, Supralon International AG (part of the Viscofan Group) initiated arbitration proceedings against Podanfol S.A. for different breaches of a supply contract it had entered into. In these proceedings, Supralon International AG is requesting the payment of contractual penalties for the sum of 3 million euros and damages for an amount yet to be defined. The arbitrarion proceedings continue and the arbitration award is scheduled for 2020.

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.

18. 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 13 (Remuneration received by Directors and top management) and 14 (Related-party transactions).

19. 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 2018 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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018
+ 5%	3,185	6,279	(967)	(1,468)	667	999	333	710
- 5%	(2,878)	(5,681)	876	1,328	(603)	(905)	(301)	(643)

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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018
+ 5%	8,808	8,378	3,143	2,183	4,761	5,001	3,811	3,350
- 5%	(7,968)	(7,593)	(2,843)	(1,975)	(4,309)	(4,525)	(3,448)	(3,031)

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 financial cost increases and, if applicable, early termination of the agreement. At June 30, 2019, 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 manages interest rate risk by maintaining a balanced portfolio of fixed and floating rate loans and credits. The Group's policy is to hold between 50% and 85% of its loans at a fixed interest rate. To manage it, the Group receives fixed-interest loans.

The Company's exposure to interest rate risk change is mainly due to the loans and credit facilities received from financial entities at variable 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 2019 and 2018, the floating interest rates on loans are mainly linked to Euribor.

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 2018).

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	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018
+ 1%	(83)	(163)	(238)	(319)
- 1%	79	163	238	320

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 2018).

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 operating results.

	Thousands of euros	
	30/06/2019	31/12/2018
+ 10%	1,435	2,709
- 10%	(1,435)	(2,709)

20. Events after the interim balance sheet date

On 4 July 2019 Viscofan has signed with Ekolber S.L an investment agreement of 245 thousand euros by way of a capital increase in Ekolber S.L., that represents the acquisition of 24.5% of the company.

Ekolber, based in Bergara (Guipúzcoa, Spain) is a startup specialized in the production of a new thermoplastic biomaterial resulting from a mechanical treatment of collagen-rich materials that enables to obtain bio plastics through formulations to meet the needs of customers from different sectors.

No significant events in addition to the one mentioned above have taken place since the end of the interim reporting period to 30 June 2019.