(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 2020

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 2019 consolidated financial statements were drawn up on February 27, 2020 and approved at the General Shareholders' Meeting held on April 24, 2020.

The consolidated interim financial statements for the first half of 2020 have not been audited.

2. Basis of preparation

The individual accounts for first half of 2020 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 2020, 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 2019. 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 2019.

The consolidated accounts for the first half of 2020, 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

2020, 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 2019 with the exception of the regulations that have entered into force in the current year and that were not applicable as of December 31, 2019. 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 and modified accounting standards

Standards in force since 1 January 2020

Applicable standards for the financial years commencing 1 January 2020 are the following:

a) IFRS 3 "Business Combinations" in its definition of "Business"

With respect to the modification made by the IASB on the definition of "Business" in IFRS 3, the purpose of said clarifications is to facilitate the identification of a business within the framework of a business combination, or conversely if the operation corresponds to an acquisition of a set of assets.

The previous definition determined that a business is a set of activities and assets whose purpose is to provide a return in the form of dividends, lower costs and economic benefits directly to investors. According to the new definition, we can consider that a business exists when we are faced with a set of activities and assets capable of providing goods or services to consumers, generating income from property (either through dividends or interest), or generating other income from ordinary activity.

This new definition of business incorporates the reference to the production of goods and services, compared to the lower costs on which the previous definition was based.

b) IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" in its definition of "Materiality"

With respect to the modification made by the IASB on the definition of "Materiality" included in IAS 1 and IAS 8, the objective is to clarify what is considered material for inclusion in the financial statements. Consequently, the definition of material would be as indicated below:

"The information is material if its omission, inaccuracy or concealment could reasonably be expected to influence the decisions that the main users of financial information make based on the financial statements"

This new definition of materiality incorporates the reference to information concealment which equates to the omission or inappropriate expression of financial information.

c) IFRS 16 – Leases.

On 28 May 2020, the International Accounting Standards Board (IASB) approved, under IFRS 16 Leases, authorising lessees to not account for rent concessions as modifications of the lease if they are a direct consequence of COVID-19 and they meet certain conditions.

This standard is yet to be adopted by the EU.

Comparison of information

Comparative information in the interim financial statements refers to the six-month periods ended June 30, 2020 and 2019, except for the consolidated statement of financial position which compares information at June 30, 2020 and at December 31, 2019.

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 2019. The main items are referred to:

- Taxes.
- Pension benefits.
- Provisions for litigation and contingent assets and liabilities.
- Fair value of share-based remuneration.
- 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

Performed in 2020

- No changes

Performed in 2019

- Nitta Casings Inc. (USA) and Nitta Casings (Canada) Inc.: On 19 December 2019, the Viscofan Group acquired 100% of Nitta Casings Inc. in the U.S. and 100% of Nitta Casings (Canada) Inc. in Canada from the Japanese Group Nitta Gelatin Inc. The companies acquired were included in the Viscofan Group consolidation perimeter from 31 December, 2019 under the full consolidation model.
- Nanopack Technology and Packaging S.L.U.: As of 31 December 2019, the Group holds 100% of the shares in Nanopack Technology and Packaging S.L.U.
- Transform Pack Inc: In August 2019, Transform Pack Inc. in Canada was wound up after the sale of its assets, liabilities, rights and obligations to Viscofan Canada Inc.
- Viscofan (Thailand) Co. Ltd.: In July 2019, this company was established in Thailand.
- Gamex, C.B. s.r.o.: With effect on 1 January 2019, Gamex C.B. s.r.o. was taken over by Viscofan CZ, s.r.o. in the Czech Republic.

The Business combination is disclosed in Note 8 of the consolidated financial statements at 31 December 2019.

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. COVID-19 impact on first half financial statements

Given the situation caused by the COVID-19 pandemic, the Viscofan Group has focused on three main areas: protecting the health of workers, ensuring the supply of our products to the food chain and contributing to preventing and combating the expansion of COVID-19 and its effects.

In protecting health, hygiene measures have been reinforced, the mandatory use of face masks, distance measures and the frequency of cleaning and disinfection has increased. In addition, health services have been increased, frequent temperature measurements have been made, teleworking has been implemented when possible and close communication has been maintained with the staff.

These measures, together with the commitment of the professional team working at Viscofan are enabling the Group to fulfil its greatest responsibility as an essential food company. In this regard, all plants have maintained production, thus ensuring supply to all our customers around the world, and even allowing us to meet certain increases in demand that are occurring in some countries.

In an environment of uncertainty and volatility, which has affected consumer behaviour around the world, there has been a global increase in demand for casings.

In this respect, the COVID-19 pandemic has not entailed changes in the strategic orientation, or revision of objectives, operations, financial results, economic situation and cash flows that put at risk the objectives presented to the market for the year as a whole.

Additionally, protection material has been purchased for our employees around the world, and more than 200,000 masks have been donated to various institutions to protect people who may be more exposed to this new virus and food donations for the most vulnerable groups.

7. 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:

	Thousands of euros					
30/06/2020	Spain	Other Europe and Asia-Pacific	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	54,260	186,062	140,436	66,270	-	447,028
Revenue from inter-segment	60,665	151,411	49,129	21,620	-282,825	-
Total revenue	114,925	337,473	189,565	87,890	-282,825	447,028
Segment profit before taxes	5,893	44,684	12,917	31,181	-18,727	75,948
Total assets	284,301	498,095	276,636	149,854	-118,247	1,090,639
Total liabilities	161,735	166,754	124,419	28,806	-127,220	354,494
Acquisition of assets	6,803	4,428	2,710	1,177	-	15,118

	Thousands of euros					
30/06/2019	Spain	Other Europe and Asia-Pacific	North America	South America	Eliminations and other	Consolidated
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

8. Capital changes by Group companies

In the period from January to June 2020, the share capital of Viscofan (Thailand) Co. Ltd. (wholly owned by Viscofan S.A.) increased by 237 thousand euros. This company was incorporated in July 2019 to reinforce Viscofan's position in the Southeast Asia area.

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

In the first half of 2020 investments were made in property, plant and equipment and intangible assets for a total of €15,118 thousand (€22,943 thousand in the first half of 2019). Of this amount, the main investment projects related to:

- Investments aimed at technology upgrade in the collagen casings production plant in New Jersey (US) that was acquired on December 2019.
- Investments related to capacity and process improvement in cellulose, fibrous, plastics and collagen.
- Investments to improve energy efficiency.
- Investments in several Group plants to improve the safety conditions..

The current situation of uncertainty caused by COVID-19 and restrictions on the mobility of people is slowing down the execution of the main investment projects planned for the year as a whole. The objective of investing €54 million is maintained in 2020 subject to the progress of the pandemic. However, the possible delays will not significantly affect the expected results for the year as a whole in a context where the investment needs in absolute terms are lower than in previous years in line with the plan foreseen in the second phase of the MORE TO BE period (2019-2020) after the significant investment made in the first phase of the plan (2016-2018).

Arising from the investment plan, at June 30, 2020 investment commitments were €15,542 thousand (€1,598 thousand in December 31, 2019).

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, sale or disposals through 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.

10. Inventories

Details of inventories at June 30, 2020 and December 31, 2019 are as follows:

	Thousand of euros	
	30/06/2020	31/12/2019
Raw materials and other supplies	75,777	71,311
Semi-finished products	58,082	60,673
Finished products	141,322	134,377
Goods for resale	5,786	4,330
Greenhouse gas emission allowances	5,940	4,972
Prepayments to suppliers	3,449	1,727
Total Inventories	**290,356**	**277,390**

Expenses incurred during the first half of 2020 related to impairment and the obsolescence of inventories amounted to €4,256 thousand (€2,630 thousand in the first half of 2019).

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, 2020 and December 31, 2019 is as follows:

	Thousand of euros	
	30/06/2020	31/12/2019
Trade receivables	165,900	171,135
Other receivables	2,383	3,175
Advances to employees	251	209
Provisions for bad debts	(2,552)	(3,821)
Public Administrations	14,471	12,127
Total trade and other receivables	**180,453**	**182,825**

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, 2020 and December 31, 2019 is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
30/06/2020	50,596	76,261	787	27,166	3,661	10,979	11,003	***180,453***
31/12/2019	60,627	71,173	1,056	24,950	696	12,154	12,169	***182,825***

12. Cash and cash equivalents

Cash and cash equivalents at June 30, 2020 and December 31, 2019, 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*
30/06/2020	25,265	36,198	10	5,141	1,759	17,611	2,584	***88,568***
31/12/2019	5,448	21,053	14	4,138	3,260	15,077	2,380	***51,370***

13. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2020 and 2019 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2020 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.

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, 2020, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% holding
Shareholder	30/06/2020
Corporación Financiera Alba, S.A.	13.03%
APG Asset Management N.V.	10.09%
Angustias y Sol S.L.	5.02%
Marathon Asset Management LLP	4.94%
Setanta Asset Management Limited	3.96%
Wellington Management Group LLP	3.22%

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

During the interim period of 2020, 10,767 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Thus, at 30 June 2020, the company had 139,233 treasury shares representing 0.30% of the voting rights acquired at a total price of 6,031 thousand euros. At 31 December 2019, Viscofan S.A. held a total of 150,000 treasury shares that represented 0.32% of the voting rights, acquired at a total price of 6,487 thousand euros. These securities were acquired within the framework of the Company's Incentives Plan under the protection of the authorisation granted by the General Shareholders' Meeting of 25 May 2018.

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.

Dividends paid in January-June 2020

As per the distribution of profit from 2019 approved by the General Shareholders' Meeting, in June 2020 the final dividend of €0.96 gross per share was paid (total of €44,506 thousand).

In addition, the company distributed €0.01 as a premium for attendance at the General Shareholders' Meeting celebrated on April 2020.

14. Current and non-current provisions

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

	Thousand of euros	
	30/06/2020	31/12/2019
Defined benefit	32,082	29,995
Other employee benefits	6,211	3,298
Provisions for other litigation	243	307
Others	2	2
Total non-current provisions	**38,538**	**33,602**
Total current provisions	**8,319**	**8,959**

The Group has defined benefit plans. The most relevant plans are based in the United States and Canada through the subsidiaries Viscofan Collagen USA Inc and Viscofan Collagen Canada Inc., and in Germany through the Naturin Viscofan GmbH subsidiary.

Actuarial hypothesis used in the interim period January-June 2020 remain unchanged with respect to 31 December 2019. Detailed information is disclosed in Note 18 of the Consolidated 2019 Annual Report. In addition, during the interim period ended June 30, 2020, there have been no significant changes in the assets subject to the plans in the US and Canada. In the case of Germany, there are no assigned assets.

Conversely, during the first half of 2020 no significant litigation involved the Group, see Section 19. Contingent assets and liabilities included in these Notes to the financial statements. In addition, there were not provisions or changes to provisions linked with restructuring costs.

15. Trade, other payables and other current liabilities

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

	Thousand of euros	
	30/06/2020	31/12/2019
Suppliers	34,331	29,961
Amounts owed for services received	32,081	26,021
Customer advances	1,338	2,624
Remuneration pending payment	17,956	15,937
Public Administrations	15,268	11,404
Final balance	**100,974**	**85,947**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
30/06/2020	55,427	21,518	3,111	4,983	4,781	2,879	8,275	***100,974***
31/12/2019	41,668	17,993	3,370	5,303	4,847	4,200	8,566	***85,947***

16. Non-current and current financial liabilities

The breakdown of non-current and current financial liabilities, taking into account discounted contractual maturities at June 30, 2020, 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	62,333	15,669	53,128	1,000	*132,130*	*132,130*
Accrued interest payable	143	51	0	0	*194*	*194*
Lease payables	508	3,438	10,294	2,652	*16,892*	*16,892*
Other financial liabilities	3,831	1,618	12,584	4,161	*22,194*	*22,194*
Measured at amortised cost	*3,831*	*1,618*	*12,584*	*4,161*	*22,194*	*22,194*
Total at June 30, 2020	**66,815**	**20,776**	**76,006**	**7,813**	***171,410***	***171,410***

The three-month maturity debts with credit institutions correspond mainly to lines of credit arranged with the aim of improving access to liquidity as a risk mitigating measure in the current environment affected by COVID 19.

The breakdown of non-current and current financial liabilities, taking into account discounted contractual maturities at December 31, 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	17,111	21,392	54,234	1,000	*93,737*	*93,737*
Accrued interest payable	115	64	-	-	*179*	*179*
Lease payables	505	4,398	10,968	3,424	*19,295*	*19,295*
Other financial liabilities	8,646	3,100	10,612	6,063	*28,421*	*28,421*
Measured at amortised cost	*8,646*	*3,100*	*10,612*	*6,063*	*28,421*	*28,421*
Total at December 31, 2019	**26,377**	**28,954**	**75,814**	**10,487**	***141,632***	***141,632***

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*
30/06/2020	146,488	9,714	1,401	331	146	494	12,836	***171,410***
31/12/2019	114,178	11,261	1,991	546	187	529	12,940	***141,632***

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 2020 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.

17. Derivative financial instruments

The detail of the balances at 30 June 2020 and at 31 December 2019 comprising the valuation of the financial instruments is as follows:

	Thousand of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carring amount*	*Fair value*
Non-current derivatives	0	0	*0*	*0*
Current derivatives	363	518	*881*	*881*
Total financial assets at June 30, 2020	**363**	**518**	***881***	***881***
Non-current derivatives	0	(2,318)	*(2,318)*	*(2,318)*
Current derivatives	(162)	(3,152)	*(3,314)*	*(3,314)*
Total financial liabilities at June 30, 2020	**(162)**	**(5,470)**	***(5,632)***	***(5,632)***

	Thousand of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carring amount*	*Fair value*
Non-current derivatives	0	96	*96*	*96*
Current derivatives	47	2,721	*2,768*	*2,768*
Total financial assets at December 31, 2019	**47**	**2,817**	***2,864***	***2,864***
Non-current derivatives	0	0	*0*	*0*
Current derivatives	(85)	(40)	*(125)*	*(125)*
Total financial liabilities at December 31, 2019	**(85)**	**(40)**	***(125)***	***(125)***

Derivatives are only used for economic hedging purposes and not as speculative investments. However, when derivatives do not meet the test to be treated as accounting hedges, they are classified as "held for trading" for accounting purposes and are carried at fair value through profit and loss.

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18. Tax situation

The effective tax rate from the consolidated income statement for the interim period stood at 24.5%, compared with 20.5% in the same period of the previous year.

The difference between the theoretical tax rate for 2020 (28%) and the effective tax rate (24.5%) 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, 2020 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.

19. 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

As of June 30 2020, there have been no significant variations in the legal claims against Group subsidiaries (Note 18.7 of the consolidated report of the annual accounts for the year ended December 31, 2019), except for the following indications.

In relation to the Brazilian subsidiary Viscofan do Brasil Sociedade comercial e Industrial Ltda., as of June 30, 2020, there are several labour and tax related claims amounting 3.5 million euros (3.7 million euros at December 31, 2019; Note 18.7 of the consolidated report) in which, due to historical experience, the materialization does not usually exceed 5% of said amount.

In relation to the accident ocurred on September 2019 at the Viscofan S.A. production plant in Cáseda (Navarre), the competent court continues with the pre-trial phase, although intermediate agreements on civil liability have been reached between the insurance company and certain relatives of the deceased. No economic impact is foreseen to date in terms of the economic responsibilities that are still pending to be determined.

(b) Contingent assets

In relation to contingent assets, at 30 June, there have been no significant variations in the legal claims made by the Group companies against third parties (Note 18.7 of the consolidated report of the annual accounts for the year ended 31 December 2019).

In relation to (i) the demand made by Viscofan S.A. against Sayer Technologies S.L. due to unfair competition, the process continues in the appeal phase before the Provincial Court of Navarre; (ii) in relation to the regulation of the electricity sector in Spain, the requests for refund of undue income submitted by Viscofan S.A. in relation to the Tax on the Value of Electricity Production corresponding to 2013, 2014 and 2015 continue their course in different procedural and process stages. The claims in administrative economic channels have been extended to 2016, 2017 and 2018, and (iii) in relation to the arbitration procedure initiated by Supralon International AG in Liquidation (a subsidiary in Liechtenstein belonging to the Group) against the Polish company Podanfol S.A. due to various breaches of a supply contract that they had signed, the proceedings have continued, although the times of the proceedings have been affected (as in general in all legal proceedings) by the COVID-19 health crisis.

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.

20. 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).

21. Description of risk 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 2019 Annual Corporate Governance Report from the parent company, listing those risks 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, interest rate risk in cash flows and Fuel price risk (gas and other oil derivatives). 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 a credit policy, with exposure risk managed as part of its normal course of business. Credit evaluation of customers is performed in all cases where amounts exceed a set limit. It is habitual practice of Group companies to partially cover non-payment risk through contracting loan guarantee and sureties covering approximately 90% of each customer’s debt. For countries at risk, coverage is reduced to 80%. In countries without insurance coverage, guarantees such as advances and deposits on account are mandatory.

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 at 30 June 2020 there were no significant assets that could be impaired with respect to their net carrying amount.

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 are formalized at the time the yearly budget is prepared; EBITDA forecasts are 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 interim 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:

	Thousand euros			
	30/06/2020		31/12/2019	
	+ 5%	- 5%	+ 5%	- 5%
US dollars	3,613	(3,261)	6,467	(5,845)
Czech crown	(971)	879	(1,634)	1,478
Brazilian real	1,123	(1,016)	1,451	(1,314)
Chinese yuan Renmimbi	879	(795)	803	(728)

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:

	Thousand euros			
	30/06/2020		31/12/2019	
	+ 5%	- 5%	+ 5%	- 5%
US dollars	10,503	(9,724)	9,661	(8,740)
Czech crown	3,198	(2,894)	3,141	(2,841)
Brazilian real	4,220	(3,819)	4,910	(4,442)
Chinese yuan Renmimbi	3,580	(3,462)	3,211	(2,905)

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, 2020, 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.

In 2020 and 2019, 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 the United States, Canada and Germany (Note 18 of the Notes to the Consolidated Financial Statements for the year 2019).

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

	Thousand euros			
	Pension plans commitments		Financial debt Euribor	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
+ 1%	(151)	(186)	(251)	(413)
- 1%	155	200	253	410

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 21.1 of the Notes to the Consolidated Financial Statements for the year 2019).

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.

	Thousand euros	
	30/06/2020	31/12/2019
+ 10%	954	2,874
- 10%	(954)	(2,874)

22. Events after the interim balance sheet date

On 7 July 2020, there was a fire at the company Koteks Viscofan d.o.o. that affected the office area of the company's facilities in Novi Sad (Serbia) and as a result, we have to mourn the tragic death of two of our workers. Investigative measures have been initiated; however, it has not been possible to identify the cause of the fire to date. Currently, there is no assessment of the possible financial impact of said claim, although it is not considered material because the Viscofan Group's risk management system has insurance policies that cover damage associated with the claim.

There are no notable events in addition to the one mentioned above, from the end of the interim period to the date of approval of this report.