(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 2021

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 2020 consolidated financial statements were drawn up on February 25, 2021 and approved at the General Shareholders' Meeting held on April 23, 2021.

The consolidated interim financial statements for the first half of 2021 have not been audited.

2. Basis of presentation

The individual accounts for first half of 2021 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 2021, 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 2020. 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 2020.

The consolidated accounts for the first half of 2021, 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 dependent societies and their consolidated operation results, consolidated cash flows and the changes in the equity for the period ended 30 June 2021.

The accountable criteria have been applied consistently for the year ended December 31, 2020.

New and modified accounting standards

During the first half of 2021, no standards affecting the financial statements of the Viscofan Group have come into force.

Comparison of information

Comparative information in the interim financial statements refers to the six-month periods ended June 30, 2021 and 2020, except for the consolidated statement of financial position which compares information at June 30, 2021 and at December 31, 2020.

Prior-period error corrections

There were no corrections recorded for prior-period errors.

Relevant accounting estimates, assumptions, and judgements 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 2020. 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

Realized in 2021

- In June 2021, Viscofan Japan GK was incorporated in Tokyo (Japan), in which Viscofan S.A. directly holds a 100% stake.

Realized in 2020

- Effective January 1, 2020, the merger by absorption of Nanopack Technology and Packaging S.L.U. by Viscofan S.A. was carried out. The merger operation was designed and agreed with a view to simplifying the group and eliminating duplication of structures and material and human resources. This transaction has no impact on the consolidated financial statements.

- The company Viscofan España S.L.U., wholly owned directly by Viscofan S.A., was constituted on November 24, 2020, the date on which it became part of the Group's scope of consolidation.

Note 2.1 of the Consolidated Annual Report for 2020 provides details of the Business Combinations.

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 increases in capacity that may occur in some interim period.

6. Covid-19 impact on first half financial statements

The propagation of the COVID-19 along 2020 and 2021 has generated an uncertain environment, volatility, and a healthy and economic crisis that has affected to almost every economy in the world. Furthermore, it has had implications in the behaviors and food habits in plenty of countries. In fiscal year 2020, the casing demand had a strong acceleration in the first pandemic months as a consequence of the necessity of supply of essential ingredients of the food industry.

The Viscofan Group is focusing its management of the situation caused by the COVID-19 pandemic on three main areas:

- Guaranteeing the safety and well-being of our workers, with protection protocols that include sanitation measures, social distancing, mandatory use of face masks, cleaning and disinfection work, teleworking and increased communication.

- Ensuring global supply to all our customers by increasing and reinforcing production and logistics activity and building safety inventories.
- Contributing to limiting the spread of COVID-19 and its effects, with donations of protective gear, food, and for the purchase of medical equipment. Also, the deployment of awareness-raising campaigns.

Regarding liquidity, the company has a positive working capital[1] of 432 million euros as of June 30, 2021. No liquidity stress is anticipated for 2021 because of the expected performance of the Group, which contemplates a positive generation of cash during 2021. For those bank borrowings where compliance with certain ratios is established, there have not been, nor are they expected to be, any breaches of these ratios in 2021.

No significant signs of impairment have been identified from the analysis of the fixed assets, intangible assets, property plant and equipment, receivables, or inventory.

As a result of the market growth and the measures implemented to mitigate and control risk, the COVID-19 pandemic has not resulted in any changes to the strategic direction, operations, financial results, economic situation, and cash flows.

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, 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 plant located in Spain sell part of the energy produced to third parties, this activity is not organized as a business segment, nor it is contemplated as business unit to be reported on per se.

Segment information is presented hereafter:

	Thousands of euros					
2021.06	Spain	Other Europe and Asia-Pacific	North America	South america	Eliminations and others	Consolidated
Revenue from external customer	56,166	202,403	141,852	65,417	-	465,838
Revenue from inter-segment	58,206	151,703	47,266	18,431	(275,606)	-
Total revenue	114,372	354,106	189,118	83,848	(275,606)	465,838
Segment profit before taxes	6,810	51,493	2,962	26,837	(4,140)	83,962
Total asset	294,089	530,120	282,148	170,554	(146,261)	1,130,650
Total liabilities	123,216	176,372	144,436	31,642	(155,169)	320,497
Acquisition of assets	11,352	6,996	4,703	1,382	-	24,433

[1] Working capital = Current assets – Current liabilities

30/06/2020	Spain	Other Europe and Asia-Pacific	North America	South America	Eliminations and other	Consolidated
	Thousands of euros					
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

8. Capital changes by group companies

In the period January to June 2021, there have been no variations in the share capital of the Group companies.

9. Property, plant and equipment and intangible assets

In the first half of 2021 investments were made in property, plant and equipment and intangible assets for a total of €24,433 thousand (€15,118 thousand in the first half of 2020).

Of this amount, the main investment projects related to:

- Investments aimed at improving the capacity and process in cellulose, fibrous, plastic and collagen, emphasizing the ampliation of capacity of fibrous in Cáseda (Spain) under the new technology, and the capacity increase of collagen casings in Suzhou (China).
- Investments for the technology upgrade of the collagen casings production plant in New Jersey (EEUU), acquired in December 2019.
- Sustainability: Mainly energy optimization investments with the objective of achieving greater decarbonization of the industrial park.
- Sustainability: Investing in different Group plants to improve safety conditions.

As a result of the investment plan, at the end of June 2021, there are commitments to acquire property, plant, and equipment for an amount of 15,976 thousand euros (12,877 thousand euros on 31 December 2020).

The consolidated Group has taken out insurance policies to cover the risks to which property, plant and equipment are subject. The coverage of these policies is considered sufficient.

<u>Acquisitions, disposals or other uses of property, plant, and equipment</u>

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

<u>Write-downs to property, plant and equipment, intangible assets and other non-current assets</u>

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, 2021 and December 31, 2020 are as follows:

	Thousands of euros	
	2021.06	**2020.12**
Raw materials and other supplies	78,308	70,785
Semi-finished products	55,985	56,496
Finished products	138,504	124,265
Goods for resale	6,228	5,752
Greenhouse gas emission allowances	6,909	13,026
Prepayments to suppliers	5,508	2,869
Total inventories	**291,442**	**273,193**

Expenses incurred during the first half of 2021 related to impairment and the obsolescence of inventories amounted to €2,518 thousand (€4,256 thousand in the first half of 2020).

Group companies have contracted several 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" on June 30, 2021 and December 31, 2020 is as follows:

	Thousands of euros	
	2021.06	**2020.12**
Trade receivables	185,274	169,708
Other receivables	4,095	2,900
Advances to employees	92	137
Provisions for bad debts	(2,897)	(3,630)
Total trade debtors	**186,564**	**169,115**
Public administration	13,834	13,593
Other non-trade payables	8,145	2,435
Total other receivables	**21,979**	**16,028**
Total trade and other receivables	**208,543**	**185,143**

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, 2021 and December 31, 2020 is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
2021.06	65,000	81,037	2,048	29,343	5,582	10,456	15,077	***208,543***
2020.12	63,264	64,300	1,683	27,417	3,593	11,307	13,579	***185,143***

12. Cash and cash equivalents

The heading "Cash and cash equivalents" at June 30, 2021 and December 31, 2020, 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*
2021.06	30,225	20,793	43	14,097	2,789	23,744	3,248	***94,939***
2020.12	11,526	19,022	16	4,818	2,456	11,088	3,064	***51,990***

13. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2021 and 2020 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2021 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, 2021, the parent company was aware of the following shareholders with a direct or indirect stake of over 3%:

Shareholder	% holding 30/06/2021
Corporación Financiera Alba, S.A.	13.97%
APG Asset Management N.V.	10.09%
Angustias y Sol S.L.	5.02%
Wellington Management Group LLP	5.01%
Marathon Asset Management LLP	4.94%
Setanta Asset Management Limited	3.96%

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

During the interim period of 2021, 10,447 treasury shares were delivered to Viscofan staff within the framework of the company's variable remuneration plans. Thus, at 30 June 2021, the company had 128,995 treasury shares representing 0.28% of the voting rights acquired at a total price of 5,579 thousand euros.

At 31 December 2020, Viscofan S.A. held a total of 139,442 treasury shares that represented 0.30% of the voting rights, acquired at a total price of 6,031 thousand euros. These securities were acquired within the framework of the Company's Incentives Plan under the protection of the authorization 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 formalizing any agreement of this kind.

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

Dividends paid in the January-June period 2021

In June 2021, in accordance with the distribution of 2020 results approved at the General Shareholders' Meeting, a final dividend of €0.29 gross per share, equivalent to a total of 13,448 thousand euros, was paid in June 2021.

In addition, the company distributed €0.01 as a premium for attendance at the General Shareholders' Meeting celebrated in April 2021.

14. Current and non-current provisions

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

	Thosands of euros	
	2021.06	2020.12
Defined benefit	28,379	28,204
Other employee benefits	12,099	9,667
Provisions for other litigation	228	649
Total non-current provisions	**40,706**	**38,520**
Total current provisions	**10,400**	**11,204**

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

The actuarial assumptions used in the interim period have not changed with respect to December 31, 2020 and are described in note 14 of the consolidated annual report. In addition, during the interim period ended June 30, 2021, there have been no significant changes in the assets allocated to the USA and Canada plans. In the case of Germany there are no plan assets.

Conversely, during the first half of 2021 no significant litigation involved the Group, see Section 19. Contingent assets and liabilities included in these Notes to the financial statements.

In the current period there were not relevant 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:

	Thousands of euros	
	2021.06	2020.12
Suppliers	31,633	27,825
Amounts owed for services received	34,079	24,182
Customer advances	1,671	1,978
Remuneration pending payment	19,045	15,678
Public Administration	10,737	17,711
Final balance	**97,165**	**87,374**

The breakdown by currency is as follows:

	Euros	US dollar	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total carrying amount*
2021.06	45,109	21,838	3,805	4,454	6,231	3,427	12,301	***97,165***
2020.12	39,278	16,276	3,065	4,121	5,272	9,598	9,764	***87,374***

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, 2021, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	*Total carrying amount*	*Total fair value*
Bank borrowings	32,130	13,447	55,350	0	*100,927*	*100,927*
Accrued interest payable	65	1	0	0	*66*	*66*
Lease payments	751	3,674	8,783	2,107	*15,316*	*15,316*
Other financial liabilities	5,777	916	9,859	6,277	*22,830*	*22,830*
Measured at amortization cost	*5,777*	*916*	*9,859*	*6,277*	*22,830*	*22,830*
Total at June 30, 2021	**38,723**	**18,039**	**73,993**	**8,384**	***139,139***	***139,139***

The breakdown of non-current and current financial liabilities, taking into account discounted contractual maturities at December 31, 2020, is as follows:

	Thousands of euros					
	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	*Total carrying amount*	*Total fair value*
Bank borrowings	22,321	35,102	32,644	0	*90,067*	*90,067*
Accrued interest payable	93	47	0	0	*140*	*140*
Lease payments	1,217	3,239	8,810	2,419	*15,685*	*15,685*
Other financial liabilities	11,343	2,440	9,659	5,941	*29,384*	*29,384*
Measured at amortization cost	*11,343*	*2,440*	*9,659*	*5,941*	*29,384*	*29,384*
Total at December 31, 2020	**34,974**	**40,829**	**51,113**	**8,360**	***135,276***	***135,276***

In the interim period the Viscofan Group has signed two new bilateral loans to transform part of its traditional financing into sustainable financing with the support of BBVA and Rabobank.

The sustainability parameters established are the reduction of CO_2 emissions per km of casing produced, the reduction of m^3 of water withdrawal per km of casing produced, and the tons of waste sent to landfill per km of casing produced.

BBVA, with a €20 million loan maturing in four years, and Rabobank, through a €15 million loan maturing in three years, support the achievement of these objectives by linking the interest rate of the loan to the evolution of the aforementioned indicators with an annual review period.

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.

As we see in the previous table, 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 carrying amounts of the Group's Financial Liabilities are denominated in the following currencies:

	Euros	US dollar	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	*Total fair value*
2021.06	111,953	8,047	7,290	137	117	472	11,123	***139,139***
2020.12	108,263	12,080	1,418	165	142	445	12,762	***135,276***

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

The Viscofan Group has satisfactorily paid all the amounts of its financial debt already due, so that as of June 30, 2021 there was no amount included in the composition of the financial debt balance whose contractual maturity had taken place prior to the aforementioned date. 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 2021 and at 31 December 2020 comprising the valuation of the financial instruments is as follows:

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Carrying amount*	*Total fair value*
Non-current derivatives	765	0	*765*	*765*
Current derivatives	3,283	2,110	*5,393*	*5,393*
Total financial assets at June 30, 2021	**4,048**	**2,110**	***6,158***	***6,158***
Non-current derivatives	0	0	*0*	*0*
Current derivatives	(152)	0	*(152)*	*(152)*
Total financial liabilities at June 30, 2021	**(152)**	**0**	***(152)***	***(152)***

	Thousands of euros			
	Measured at fair value			
	With changes in P&L	With changes in OCI	*Total carrying amount*	*Total fair value*
Non-current derivatives	0	326	*326*	*326*
Current derivatives	1,620	3,088	*4,708*	*4,708*
Total financial assets at December 31, 2020	**1,620**	**3,414**	***5,034***	***5,034***
Non-current derivatives	0	(107)	*(107)*	*(107)*
Current derivatives	0	(2,159)	*(2,159)*	*(2,159)*
Total financial liabilities at December 31, 2020	**0**	**(2,266)**	***(2,266)***	***(2,266)***

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. They are presented as current assets or liabilities to the extent that they are expected to be settled within 12 months after the end of the reporting period.

18. Tax situation

The effective tax rate from the consolidated income statement for the interim period stood at 23.6%, compared with 24.5% in the same period of the previous year.

The difference between the theoretical tax rate for 2021 (28%) and the effective tax rate (23.6%) 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 four years, nowadays. At June 30, 2021 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, directors of the parent company 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

At June 30 2021, there have been no significant variations in the legal claims against Group subsidiaries (Note 14.4 of the consolidated report of the annual accounts for the year ended December 31, 2020).

b) Contingent assets

In relation to contingent assets, at June 30 2021, there have been no significant variations in the legal claims made by the Group companies against third parties (Note 14.4 of the consolidated report of the annual accounts for the year ended 31 December 2020) except for the following indications:

In relation to the regulation of the electricity sector in Spain, following the judgment handed down by the CJEU on the Value Tax on Electricity Production, Viscofan S.A. has withdrawn its requests for rectification of self-assessments filed with administrative and judicial authorities.

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 accrued by Directors and board members) and 14 (Related-party transactions).

21. 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 2020 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. The Group uses derivatives to hedge some of the above risks.

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 are 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 2021 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:

	Thousands of euros			
	2021.06		2020.12	
	+ 5%	- 5%	+ 5%	- 5%
US Dollar	3,988	(3,094)	6,568	(5,943)
Czech Crown	(817)	739	(1,744)	1,578
Brazilian Real	570	(515)	1,591	(1,439)
Chinese Yuan Renmibi	549	(497)	1,412	(1,277)

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			
	2021.06		2020.12	
	+ 5%	- 5%	+ 5%	- 5%
Us Dollar	9,432	(8,664)	8,151	(7,375)
Czech Crown	2,750	(2,618)	2,935	(2,656)
Brazilian Real	5,094	(4,739)	4,442	(4,019)
Chinese Yuan Renmimbi	5,622	(5,217)	4,603	(4,164)

Liquidity risk:

The Group manages liquidity risk prudently, based on the maintenance of sufficient cash and marketable securities, the availability of financing through a sufficient amount of committed credit facilities and sufficient capacity to liquidate market positions. Given the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in financing through the availability of contracted credit lines.

In this regard, an adequate monthly monitoring of expected collections and payments to be made in the coming months is carried out, and any deviations from the cash flows expected in the closed month are analyzed in order to identify possible deviations that could affect liquidity.

For certain long-term loans, the Group must comply with a series of ratios calculated on the basis of the consolidated financial statements. The failure to comply with these ratios would result in an increase in the financial cost and, as the case may be, in the event of early maturity of the contract. As of June 30, 2021, all the main ratios have been satisfactorily met and neither Viscofan, S.A. nor any of its significant subsidiaries is in default of its financial obligations or any type of obligation that could give rise to a situation of early maturity of its financial commitments.

During the interim period 2021 and fiscal year 2020, there have been no defaults or other non-payments of principal, interest or amortization related to debt with credit institutions. Likewise, no defaults are expected for the remainder of the 2021 financial year.

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 leverage is low.

In 2021 and 2020, the floating interest rates on loans are mainly linked to Euribor and to US Dollar Libor.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations (Note 14 of the Notes to the Consolidated Financial Statements for the year 2020).

The following table shows the sensitivity to operating results for the year to a possible 1% variation in discount and/or interest rates:

	Thousands of euros			
	Pension plan commitments		Financial debt Euribor	
	2021.06	2020.12	2021.06	2020.12
+ 1%	(117)	(215)	(324)	(381)
- 1%	118	204	321	381

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 17.1 of the Notes to the Consolidated Financial Statements for the year 2020). 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	
	2021.06	2020.12
+ 10%	(915)	(2,611)
- 10%	915	2,611

22. Events after the interim balance sheet date

There are no significant events since the end of the interim period up to the date of approval of this report.