(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 2017

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 of casings, mainly for use in the meat industry, as well as, to a lesser extent, the generation of electricity by any technical means, both for own consumption and for sale to third parties. Its main offices and registered address are located in Polígono Industrial Berroa, Calle Berroa nr. 15, 4ª planta, 31192 - Tajonar (Navarre).

Viscofan, S.A. is the parent of a group of companies (the Viscofan Group or the Group) which mainly carry out their activities in the food sector and in cellulose, plastic, fibrous and collagen casing sectors.

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

The Group's 2016 consolidated financial statements were drawn up on February 28, 2017 and approved at the General Shareholders' Meeting held on April 27, 2017.

2. Basis of preparation

The consolidated interim financial statements, corresponding to the six-month period ended 30 June 2017, 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 2016. 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 2016.

The consolidated accounts for the first half of 2017, 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 2017, 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 2016. However, the preparation of consolidated financial statements in accordance with IFRS-EU requires management to make significant judgements, estimates and assumptions in applying the Group's accounting policies.

The accounting principles and valuation standards applied are detailed in the Notes 3 and 4 of the consolidated annual accounts for the year ended 31 December 2016.

In this regard, it should be recalled that, since 01 January 2017, the accounting rules that have entered into force do not affect the Viscofan Group financial statements. The standards and interpretations that, although issued by the corresponding agencies, have not yet entered into force, have not been applied. In relation to this aspect, the following should be noted:

- Amendments to standards IAS7 and IAS12, as well as annual improvements to IFRSs (Cycle 2014-2016, IFRS12), shall be applied once they are approved by the European Union and are not expected to have a significant impact on the Group's accounts.

- With regard to the impact of the application of the IFRS9, which will enter into force as of 01 January 2018, and IFRS16, which will enter into force as of 01 January 2019, the company is assessing the impact on the Group's consolidated financial statements.

Interim financial statements for the first semester of 2017 have not been audited.

Preparation basis for the individual accounts of Viscofan S.A

The individual accounts for first half of 2017 were prepared in accordance with the new Chart of Accounts approved by RD 1514/2007, in order to give a true and fair view of the consolidated net assets and financial situation of Viscofan, S.A. and its subsidiaries at 30 June 2017, as well as the results of its operations, cash flows and changes in equity for the period then ended.

Comparison of information

Comparative information in the interim financial statements refers to the six-month periods ended June 30, 2017 and 2016, except for the consolidated statement of financial position which compares information at June 30, 2017 and at December 31, 2016.

Prior-period error corrections

There were no corrections recorded for prior-period errors.

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

The preparation of financial statements in conformity with EU-IFRS requires Group management to make judgments, estimates, and assumptions, and to apply relevant accounting estimates in the process of applying Group accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances.
These estimates are indicated in the notes, 3 and 4 of the Notes to the Financial Statements for the year ended 31 December 2016. 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

Changes in 2017

In the six-month period ending 30 June 2017, there were no changes in the scope of consolidation.

Changes in 2016

In October 2016, the Viscofan Group signed an agreement with a group of private investors for the 100% cash purchase of the shares in Vector USA Inc. and Vector Europe NV., including their subsidiaries in Europe (Vector Packaging Europe NV. and Vector UK Ltd.).

The acquired companies were included in the scope of consolidation of the Viscofan Group, with effect as of 1 November 2016 by the global integration method.

The acquired business generated revenues for the Group during the January-June 2017 period, amounting to €15,163 thousand and an operating profit of €1,353 thousand, which have been included in the consolidated Income Statement.

Note 5.1 of the Consolidated Annual Report for financial year 2016 details the Business Combination.

4. Materiality

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

5. Seasonality or cyclicality of interim period transactions

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

6. Segment reporting

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

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

Segment information is presented hereafter:

30/06/2017	Thousands of euros					
	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	52,144	157,005	121,509	59,641	-	390,299
Revenue from inter-segment	47,428	128,207	53,673	15,639	(244,947)	-
Total revenue	**99,572**	**285,212**	**175,182**	**75,280**	**(244,947)**	**390,299**
Depreciation and Amortization	(6,789)	(11,621)	(5,616)	(4,104)	-	(28,130)
Financial income	7	25	9	22	-	63
Financial expenses	(359)	(214)	(299)	(41)	-	(913)
Exchange differences	(1,365)	(2,832)	(66)	(609)	-	(4,872)
Segment profit before taxes	**8,607**	**46,977**	**12,647**	**14,876**	**(374)**	**82,733**
Total assets	**229,986**	**422,273**	**251,663**	**173,030**	**(100,238)**	**976,714**
Total liabilities	**129,330**	**116,883**	**87,976**	**34,618**	**(110,371)**	**258,436**
Acquisition of assets	**29,483**	**17,100**	**3,272**	**1,944**	-	**51,799**

30/06/2016	Thousands of euros					
	Spain	Other European and Asian countries	North America	South America	Eliminations and other	Consolidated
Revenue from external customer	46,144	154,550	109,135	47,047	-	356,876
Revenue from inter-segment	42,542	112,181	50,613	7,720	(213,056)	-
Total revenue	**88,686**	**266,731**	**159,748**	**54,767**	**(213,056)**	**356,876**
Depreciation and Amortization	(6,233)	(10,726)	(4,495)	(2,821)	-	(24,275)
Financial income	33	39	197	6	-	275
Financial expenses	(279)	(287)	(120)	(93)	-	(779)
Exchange differences	(261)	(387)	24	1,949	-	1,325
Segment profit before taxes	**7,216**	**44,796**	**11,847**	**13,433**	**(96)**	**77,196**
Total assets	**190,106**	**402,932**	**216,798**	**162,315**	**(103,746)**	**868,405**
Total liabilities	**89,032**	**118,198**	**66,153**	**44,518**	**(110,221)**	**207,680**
Acquisition of assets	**9,388**	**6,917**	**10,215**	**10,750**	-	**37,270**

7. Capital changes by Group companies

In the first half of 2017, any of the Viscofan Group companies increased Share Capital.

8. Assets

In the first half of 2017 investments were made in property, plant and equipment and intangible assets for a total of €51,799 thousand (€37,270 thousand in the first half of 2016). Of this amount, the main investment projects related to:

- Investment related to the construction of a new plant where fibrous capacity will be installed 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, 2017 investment commitments were €11,634 thousand (€7,460 thousand in December 31, 2016).

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

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

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

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

There were no significant write-downs to property, plant and equipment, intangible assets or other non-current assets in the current period (January – June 2017).

9. Non-current and current financial assets

In the period under review, the Company made no material acquisitions or disposals of non-current financial assets. This information has been set out in the present half-yearly financial report in part IV, Selected Financial Information, section 13.

10. Inventories

Details of inventories at June 30, 2017 and December 31, 2016 are as follows:

	Thousand of euros	
	30/06/2017	31/12/2016
Goods for resale	5,029	9,717
Raw materials and other supplies	61,738	62,859
Semi-finished products	63,464	62,654
Finished products	110,619	93,843
Prepayments to suppliers	2,987	505
Total Inventories	**243,837**	**229,578**

Expenses incurred during the first half of 2017 related to impairment and the obsolescence of inventories amounted to €997 thousand (€963 thousand in the first half of 2016).

At June 30, 2017 and December 31, 2016 there are no inventories with a reimbursement period greater than 12 months recognized in the consolidated statement of financial position.

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, 2017 and December 31, 2016 is as follows:

	Thousand of euros	
	30/06/2017	31/12/2016
Trade receivables	148,903	143,669
Other receivables	1,554	6,168
Advances to employees	113	316
Provisions for bad debts	(2,848)	(2,512)
Public Administrations	26,245	23,781
Total trade and other receivables	**173,967**	**171,422**

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, 2017 and December 31, 2016 is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2017	54,481	64,597	715	25,655	9,356	12,218	6,945	**173,967**
31/12/2016	60,138	63,662	1,011	25,246	6,900	9,190	5,275	**171,422**

12. Cash and cash equivalents

Cash and cash equivalents at June 30, 2017 and December 31, 2016, comprise cash balances with Group companies and banks, with some interest-bearing market interest rate account. The Group does not have bank overdrafts at these dates and all balances are freely distributable.

A breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2017	46,509	8,203	261	493	718	259	1,829	**58,272**
31/12/2016	24,743	9,153	1,612	898	253	4,224	4,171	**45,054**

13. Equity

The composition and movement in Equity of the Viscofan Group at June 30, 2017 and 2016 has been set out in the present half-yearly financial report in part IV, Selected Financial Information.

Share capital

At June 30, 2017 and at December 31, 2016, the parent's share capital consisted of 46,603,682 registered ordinary shares with a par value of 0.70 euros each, fully subscribed and paid in. The total value of capital amounts to 32,623 thousand euros.

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

At June 30, 2017, the parent was aware of the following shareholders with a direct or indirect stake of over 3%:

	% of Holding
Shareholders	30/06/2017
Corporación Financiera Alba S.A.	11.02%
Norges Bank	5.27%
APG Asset Management	5.17%
Angustias y Sol S.L.	5.00%
Marathon Asset Management LLP	4.93%

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

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

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

At 30 June 2017, Viscofan did not hold any treasury shares.

Dividends Paid

In December 2016, the company distributed an interim dividend for financial year 2016 amounting to €0.570 gross per share, equivalent to a total of €26,564 thousand, 9.6% more than in the previous year; subsequently, in June 2017, a final dividend payment was made of €0.870 gross per share, equivalent to a total of €40,545 thousand, 6.1% more than in the previous year.

Other payments to shareholders:

In turn, the company distributed €0.01 as a premium for attendance at the General Shareholders' Meeting held in April 2017.

As a result, the total shareholder remuneration amounted to €1.45 per share and a total of €67,575 thousand (up 7.4% compared with the previous year).

14. Current and non-current provisions

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

	Thousands of euros	
	30/06/2017	31/12/2016
Defined benefit	19,641	19,733
Other employee benefits	3,197	3,177
Provisions for other litigation	341	398
Others	8	9
Total non-current provisions	**23,187**	**23,317**
Total current provisions	**6,335**	**6,678**

The Group makes contributions to 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 2017 remain unchanged with respect to 31 December 2016. Detailed information is disclosed in Note 15.1 of the Consolidated Annual Report.

During the first half of 2017 no significant litigation involved the Group, see Section 18. Contingent assets and liabilities included in these Notes to the financial statements

In addition, during the first half of 2017 there were not provisions or changes to provisions for restructuring cost linked with restructuring costs.

15. Current and non-current financial liabilities

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at June 30, 2017, 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	7,905	2,600	49,134	17,129	76,768	76,768
Accrued interest payable	193	13			206	206
Finance lease payables	42	109	87		238	238
Derivative financial instruments	33	16			49	49
Other financial liabilities	14,194	2,846	10,221	4,256	31,517	31,517
Total at June 30, 2017	**22,367**	**5,584**	**59,442**	**21,385**	**108,778**	**108,778**

The breakdown of current and non-current financial liabilities, taking into account discounted contractual maturities at December 31, 2016, 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	1,468	9,866	34,287	7,700	53,321	53,321
Accrued interest payable	124	57	-	-	181	181
Finance lease payables	55	127	160	-	342	342
Derivative financial instruments	167	2,667	133	-	2,967	2,967
Other financial liabilities	11,570	4,017	9,918	2,669	28,174	28,174
Total at December 31, 2016	**13,384**	**16,734**	**44,498**	**10,369**	**84,985**	**84,985**

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
30/06/2017	92,581	11,702	2,106	0	0	445	1,944	**108,778**
31/12/2016	60,794	16,781	2,107	1,283	1,394	-	2,626	**84,985**

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

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

16. Trade, other payables and other current liabilities

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

	Thousands of euros	
	30/06/2017	31/12/2016
Suppliers	26,370	26,039
Amounts owed for services received	28,469	23,689
Customer advances	2,957	3,799
Remuneration pending payment	13,614	11,914
Public Administrations	13,727	10,156
Final balance	**85,137**	**75,597**

The breakdown by currency is as follows:

	Euros	US dollars	Czech crown	Brazilian real	Mexican peso	Chinese yuan	Other currencies	Total carrying amount
30/06/2017	45,908	18,276	3,150	3,923	5,500	3,399	4,981	**85,137**
31/12/2016	38,295	18,464	2,574	4,205	5,483	2,737	3,839	**75,597**

17. Tax situation

The effective tax rate from the consolidated income statement for the interim period stood at 20.0%, 22.4% in the same period of the previous year.

The difference between the theoretical tax rate for 2017 (28%) and the effective tax rate (20.0%) 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 subsidiaries.

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, 2017 the parent and subsidiaries in Spain are open to inspection of all applicable taxes to which they are liable and for which the corresponding inspection periods have yet to expire. The situation of foreign companies depends on the legislation prevailing in each country.

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

18. Contingent assets and liabilities

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

(a) Contingent liabilities

- At the end of June 2017, there were several legal claims filed against the Brazilian subsidiary for €4.2 million (€4.4 million as at 31 December 2016). In relation to this concept, as at 30 June 2017, there was a provision amounting to €0.3 million (€0.4 million as at 31 December 2016). All items unrecognised in the liability correspond to those that, in the opinion of the Group's legal advisor in Brazil, are classified as a possible risk or whose amount, in the event of being resolved, cannot be quantified at the time. By historical experience, the amount that ends up being reflected in all claims classified as possible, is less than 5%.

- Likewise, at the end of the reporting period, there were legal claims in progress with Griffith Colombia, S.A., which exclusively sold Viscofan Group products in Colombia since 2006. As a result of the termination of the business relationship in November 2012, Griffith failed to pay its invoices to two Viscofan Group companies, amounting to approximately $1.2 million, arguing its right of retention for the compensation it deemed due. Viscofan filed lawsuits for each company, claiming payment for the aforementioned invoices, achieving a favourable ruling in both Brazil and the Czech Republic. In the case of Brazil, the amount due was paid. In the Czech Republic, the ruling is being executed but the amount has not yet been paid. The appeal process

for terminating the business relationship initiated by Griffith in Colombia remains open, without any significant progress being made during the first half of 2017.

- Berkes Construcción y Montajes, S.A. and Viscofan Uruguay, S.A. filed mutual legal actions, accumulated in a single proceeding, as a result of construction agreement for the construction of the plant. Viscofan Uruguay believes there are deficiencies and non-compliances in the works carried out and has withheld amounts to force Berkes to remedy them, whilst Berkes believes that deficiencies and non-compliances are insignificant and that the amounts withheld by Viscofan Uruguay are excessive and claims payments of such amounts. The process is still in the trial period and there is a remote possibility that this will generated tangible payments that are not included in the Viscofan Uruguay, S.A. balance sheet.

- Bellota de Encino, BVBA has sued Vector Europe NV and Vector Packaging Europe NV (jointly, Vector EU) in connection with compensation due to the termination of both management services agreements for services provided by the latter through Andrew Lancaster. Vector EU is discussing the services provided during the period of validity of the agreement, as well as the calculation of the indemnities. The proceeding is in its initial stage and no significant progress is expected in 2017. The possible economic impact of an unfavourable ruling would not significantly affect the financial statements.

(b) Contingent assets

- In May 2017, the Supreme Court informed Industrias Alimentarias de Navarra, S.A.U. (IANSA) of the resolution of the extraordinary appeal for cassation due to procedural infringement, filed before the Supreme Court on 22 September 2014 against the judgement of appeal that dismissed the initial claim against Mivisa Envases, S.A. and declared the patent invalid due to lack of novelty and inventiveness. The ruling partially respected IANSA's claims. Crown filed an appeal against the ruling before the Supreme Court, alleging infringement of the fundamental right to obtain effective judicial protection. According to the agreement of sale of Industrias Alimentarias de Navarra, S.A.U., dated 10 March 2015, the compensation corresponds to Viscofan, S.A.

- Viscofan S.A. filed legal proceedings before the Commercial Court against Sayer Technologies S.L. for revealing confidential information. The procedure is in its initial stages, therefore the outcome thereof cannot be foreseen.

- On 6 June 2017, Viscofan, S.A. filed a lawsuit against its provider, Talleres Ezma, S.A., claiming damages and losses amounting to €443 thousand for the supply of faulty equipment. The process is in the phase of answering the lawsuit by Talleres Ezma, S.A.

- In relation to the regulation of the electricity sector in Spain, Viscofan S.A. filed an appeal before the Chamber for Contentious-Administrative Proceedings of the Supreme Court against Royal Decree 413/2014, of 6 June and against Order IET/1045/2014, governing the activity and approving the scope of remuneration for electricity generation installations from renewable sources. The vote and verdict on the ruling were suspended to ask the Ministry of Energy, Tourism and Digital Agenda to decide on certain aspects on which questions have been raised by the company.

- Viscofan, S.A. submitted corrections of the self-assessment of Tax on the Electricity Production Value corresponding to financial years 2013, 2014 and 2015, given that it contravenes various European legal provisions and that of the Spanish Constitution.

- Viscofan, S.A. maintains a contentious administrative appeal before the High Court of Justice of Madrid against the Resolution of 15 July 2015, of the Directorate-General of Energy Policy and Mines, determining the entry in the specific remuneration scheme register in the pre-allocation of 2,146 MW, under which it is requested that the payment of the specific remuneration scheme is made as of the date of commissioning the installation or, alternatively, as of 09 November

2014 (the date on which the it was expected to be resolved). The procedure is currently in the voting and ruling stage, which have not yet been specified.

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

19. Related-party transactions

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

20. Description of risks and uncertainties

Risk management is controlled by the Group, in keeping with policies approved by the Board of Directors. The risk control system is described in section E. Risk management and control systems of the 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 exchange rate risk, fair value interest rate risk and price 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 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 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 nonpayment 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 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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
+ 5%	1,864	3,331	(719)	(878)	608	808	987	1,761
- 5%	(1,686)	(3,013)	652	795	(549)	(730)	(892)	(1,592)

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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
+ 5%	7,139	6,453	2,633	2,117	5,217	5,455	3,544	5,033
- 5%	(6,459)	(5,838)	(2,382)	(1,915)	(4,720)	(4,935)	(3,207)	(4,553)

Liquidity risk

For some non-current loans the Group must meet with a series of conditions defined by ratios based on the consolidated financial statements. Noncompliance would involve cost increases and, if applicable, early termination of the agreement. At June 30, 2017, all the main ratios had been satisfactorily complied with and neither Viscofan, S.A. nor any of its material subsidiaries were in breach of their financial commitments or any kinds of obligation that could trigger their early redemption.

Interest rate risks in cash flows and fair value

The Group does not own significant remunerated assets.

The Company's exposure to interest rate risk is mainly due to the loans and credit facilities received from financial entities at variable interest rates. Note 18 of the Notes to the Consolidated Financial Statements for the year 2016 provides a breakdown of the hedging contracts entered into for partial mitigation of the risk represented by a possible increase in interest rates. In any case, the Viscofan Group's degree of leverage is low and, therefore, the impact of a possible rise in interest rates would not be significant.

In 2017 and 2016, the floating interest rates on loans are linked to Euribor and Libor dollar.

The Group is likewise exposed to changes in the interest rates used to calculate the pension plan obligations in Germany (Note 15.1 of the Notes to the Consolidated Financial Statements for the year 2016).

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

	Thousands of euros					
	Pension plans commitments		Financial debt			
			Euribor		Libor	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
+ 1%	(92)	(166)	(182)	(277)	(16)	(34)
- 1%	84	160	184	278	16	25

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 18.1 of the Notes to the Consolidated Financial Statements for the year 2016).

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

	Thousands of euros	
	30/06/2017	31/12/2016
+ 10%	(807)	(1,689)
- 10%	819	1,690

21. Events after the interim balance sheet date

No significant events have taken place since the end of the interim reporting period to 30 June 2017.