BONDALTI
EVOLVING CHEMISTRY

BONDALTI CHEMICALS
CONSOLIDATED ANNUAL REPORT

FOR

2019

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FOREWORD

Dear Shareholders

The year 2019 proved to be of crucial importance for the future of the company. In November, we started operations at Torrelavega, Spain, by giving the go-ahead for work to begin at the Chlor-Alkali Production Plant, which is the culmination of a project involving almost two years of hard work by Bondalti technicians and hired teams and a total investment of 60 million euros.

It also represents a clear reflection of Bondalti's positioning as the largest producer in the chlor-alkali segment on the Iberian Peninsula. After having implemented a new trademark and corporate name - "Bondalti" - in 2018, the opening of the plant constituted another step on the strategic course outlined for the company, which envisages growth and the broadening of horizons.

Our enthusiasm and motivation are the hallmarks of a company that invests in new challenges and its capacity to overcome them. We approach these targets with the confidence afforded us by the relationships of trust we enjoy with our partners and the local community, by our continuous focus on innovation and sustainability, as well as the empowerment and professionalism of our human resources.

2019 SUMMARY

€276 M
Turnover

€44 M EBITDA

€16 Net earnings

1.480.000 t
Total handled at the Estarreja Site

340 000 t
Total handled by Bondalti at Portuguese ports

121.593 t
Total chlorine gas produced

216 441 t
Total hydrochloric acid produced

148.958 t
Total sodium hypochlorite produced

178.359 t
Total aniline produced

302 Employees
Of the total among the group companies

€230 000
Total investment in safety

18 R&D partnerships,
mainly with Portuguese universities

23 Scholarships
and internships
Of which 7 doctorate scholarships

MANAGEMENT REPORT FOR 2019

01 MACRO ECONOMIC ENVIRONMENT

In 2019 the Portuguese economy maintained the slow down pace of the past few years, growing by 2,2% (as compared to 2,4% in 2018 and 2,8% in 2017), though still above Eurozone growth, which stood at merely 1,0%.

According to the latest Bulletin of Banco de Portugal (December 2019), the economic slowdown in 2019 reveals continued internal demand, with Gross Fixed Capital Formation accelerating across all institutional sectors. Exports decreased on the back of declining world trade, due to increasing protectionist measures and political uncertainty, which took a toll on investment and industrial activity.

By end 2019 fiscal deficit was slightly below projections - 0,3% of GDP (dropping by 1,1% over 2018), and 0,5% below the Government's projection. This performance was driven by an increase in revenues, which was higher than the increase in expenses (respectively, 4,3% and 2,3%) and increase in tax and contributory revenue. As far as expenses are concerned, it is worth noting the drop in interest rates and considerable rise in personnel expenses and current transfers.

Inflation in Portugal in 2019 was the lowest within the Euro area, standing at 0,3%, down from 1,0% in 2018 and 1,6% in 2017, conversely to what happened in the Euro area, where inflation at the end of the year was 1,3%, spiking against a minimum level of 0,7% recorded in October.

As far as the labour market is concerned, it continued to evolve favourably with the unemployment rate at close to 6,5% by year end, as compared to 7,0% one year earlier. In 2019 job creation increased by 1,0% (as against 2,3% in 2018) driven by the services sector, which remained immune to the economic slowdown.

Abroad, the year was marked by instability fuelled by US/China trade wars, Brexit and slowdown in global growth (from 3,6% in 2018 to an estimated 3,0% in 2019) and the return to monetary easing policies by central banks. Notwithstanding, major stock markets ended the year with significant gains of close to 30% in advanced economies and 15% in emerging economies.

Oil prices ended 2019 increasing by 24% over the previous year, standing close to US$ 67, in a year marked by some volatility in commodities markets, rising tensions between the US and Iran in the last quarter of the year, and OPEP's decision to cut crude production as from January 2020.

As far as 2020 is concerned, the impact of the Covid19 Pandemic on the Portuguese economy is still unknown, though scenarios point to strong recession, a spike in deficit thus offsetting the fiscal surplus that had been achieved, and rising unemployment. The sharp slowdown at world level at the end of the first quarter of 2020 led to a crash in financial markets and a steep fall in the price of commodities and raw materials.

02 HIGHLIGHTS FOR THE YEAR

As far as the business is concerned, 2019 was a relevant year for Bondalti Chemicals, which posted positive business indicators, namely EBITDA of €M 43.8 and net profit of €M 16.2M.

The beginning of 2019 was marked by the programmed stoppage for maintenance purposes of the industrial equipment and plants in Estarreja. This was a coordinated stoppage performed jointly with the companies of the Chemical Complex of Estarreja, working together in an integrated way. Programmed stoppages are carried out every 30 months. Programmed stoppages have normally a relevant impact as production is interrupted for approximately one month, resulting in lower production and sales. During these programmed stoppages, safety measures are considerably strengthened given the relevant coming and going of service providers in the industrial facilities, in the numbers of 450. It is also a favoured period for the implementation and testing of new solutions, which can only be implemented during such phases.

In relation to the remaining investments made by Bondalti, which totalled €M 9.0, they were lower than previously budgeted (€M 11,0), thus offsetting the slight rise recorded due to the Cantabria investment. A total of €M 2.4 was invested in the reactivation of the HCl and NaCl electrolyse elements, a multi annual investment started in previous years.

As far as Estarreja operations are concerned, it should be said that production units performed quite well, in particular the chlor-alkalis unit, which operated at higher levels than usual to cover supply needs to Spain, following the deactivation of Elnosa's unit in Pontevedra, and also to account for the production that will soon start in the new unit of Torrelavega, while taking advantage of favourable raw material and commodities prices, such as electricity and salt, and better sale price of hypochlorite, all together having a very favourable impact on results.

During 2019 engineering and construction works of the new Chlor-alkalis production unit in Torrelavega have proceeded. Total expenditure with this project amounted to €M 60, accounting for two years of intense work developed by Bondalti teams and external teams. The start-up of this new unit occurred at the end of November. Bondalti is presently the major producer in the chlor-alkalis segment in Iberia. In addition to the production unit, the project also contemplated the construction of all supporting structures in this new geography. Seventeen former employees of Elnosa have joined the new project.

The refinancing of debt strengthened Bondalti's financial solidity and provided additional capacity for the future development of sustained growth projects.

With a view to simplify the Group's corporate structure, companies AP and SGPAMAG were merged into Bondalti Chemicals.

03 EVOLUTION OF KEY INDICATORS

	Unit	2015	2016	2017	2018	2019
Turnover	M€	296	266	323	336	276
Operating Cash Flow (EBITDA)	M€	37	39	46	52	44
Operating Results (EBIT)	M€	19	22	24	35	26
Operating Results /Sales	%	6,5	8,1	7,4	10,4	9,4
Financial costs	M€	3,8	3,3	2,9	2,6	6,9
Profit before tax	M€	16	18	21	30	21
Net profit	M€	11	13	16	23	16
Cash Flow (NP+Amort.+Provisions)	M€	29	31	38	41	35
Equity	M€	87	85	89	99	85
Net Assets	M€	236	217	234	235	324
Financial liabilities	M€	92	77	65	55	165
Net financial liabilities	M€	61	53	34	19	130
Financial liabilities/EBITDA	Number of x	2,5	2,0	1,4	1,1	3,8
Net financial liabilities / EBITDA	Number of x	1,7	1,3	0,7	0,4	3,0
Equity/Assets Ratio (Equity/Assets)	%	37	39	38	42	26
Average no. of employees	nr.	326	319	315	273	302
Sales per employee	M€	907	832	1024	1231	914

04 COMPANIES INCLUDED IN THE CONSOLIDATION

Companies	Equity Holding	Consolidation method
Bondalti Chemicals, SA	100%	Full consolidation
Elnosa - Eletroquimica del Noroeste, S.A.U.	100%	Full consolidation
Nutriquim - Produtos Químicos, SA	100%	Full consolidation
Renoeste - Valorização de Recursos Naturais, SA	100%	Full consolidation
Bondalti Cantábria, SA	80%	Full consolidation
Miralcalis - Activos de Produção de Cloro, SA	80%	Full consolidation
A.Q.P. - Aliada Química de Portugal, SA	49,9%	Equity method

05. ACTIVITIES AND RESULTS OF BONDALTI CHEMICALS, S.A.

5.1. MARKETING ACTIVITY

In 2019 we saw a small decrease in sales volume as against budgeted figures, which was due to the extension of the programmed stoppage at Estarreja following a failure occurred in the nitric acid plant at the end of the year.

In the organic products segment:

As the programmed stoppage had to be extended this affected the supply of mononitrobenzene to our second largest client for this product.

The situation was similar as far as Aniline supply was concerned, though the ordered amounts which could not be supplied in the year due to the reasons above will be supplied in 2020.

In what concerns the MDI market, prices continued to fall, leading to some pressure in orders. The remaining aniline markets (rubber additives and aramid fibres) have remained stable.

In the inorganic products segment:

Sodium hypochlorite: Production remained high and prices have improved.

Soda Prices started to fall continuously: the excess of soda supply in Central Europe (which is entering Portugal through Aveiro and Setúbal (and Spain through Ferrol, Bilbao, Barcelona, ...) is causing this decrease in prices in the Iberian Peninsula.

In what concerns hydrochloric acid, we have sold more than we had foreseen thanks to a favourable trend in the domestic market and an aggressive export policy.

5.2. INDUSTRIAL ACTIVITY

5.2.1. PRODUCTION OF ORGANIC PRODUCTS

In 2019 aniline production amounted to 178,350 tons, falling by 4% in relation to 2018.

The MNB unit produced 263,619 tons, decreasing by 11% over the previous year.

The nitric acid plant reduced annual production by 13%, to 207,331 tons.

The sulphanilic acid plant saw a 13% rise in production in relation to the previous year, recording a total annual production of 2,207 tons.

Production of cyclohexylamine amounted to 531 tons, shrinking by 39% in relation to 2018.

Production of Cyclohexanol fell by 53%, totalling 284 tons.

The programmed stoppage of the Complex for maintenance purposes carried in January/February explains the decrease in amounts produced.

In June the 7th aniline reactor started operating, allowing better management of hydrogen production and temperature controls, resulting in reduction of specific consumption.

June also saw the integration of SGPAMAG (Aveiro harbour) into Bondalti Chemicals. Here, it is worth pointing out the revalidation process of the protection plan of the facilities, according to ISPS code.

The major challenge in this area continues to be the rejuvenation of the staff allocated to these operations. During 2019 eleven new employees started the training process.

5.2.2. PRODUCTION OF INORGANIC PRODUCTS

In 2019 total production of chlorine gas in sodium chloride and hydrochloric acid electrolyses stood at 121,593 tons, less 3,3% in relation to the previous year and less 1,5% than initially estimated. This decrease was mainly due to the programmed stoppage of the facilities in January/February, causing a significant impact on sales of main products.

Production of hydrochloric acid totalled 216,441 tons, less 0,4% than in the previous year, but 4,6% more than foreseen in the budget.

Total production of sodium hypochlorite fell by 13,4% in relation to the previous year, standing 2,6% below estimated figures, with 148,958 tons produced.

Production of caustic soda (@50%) totalled 59,259 tons, less 5,1% than in the previous year and less 4,6% than initially estimated.

Individual specific consumption of electrochemical energy in both electrolyses were as expected, with flat variations in relation to the budget. Specific consumption of salt, on the other hand, reached a historic low of 1,675kg/tCl_2, as brine produced in Renoeste ceased to be used.

5.2.3. MINING ACTIVITY

During 2019 the amount of rock salt extracted from Campina de Cima mine and sold totalled 2,600 tons.

Sales of brine totalled 2,400 tons in 2019. The main markets for this product were the road sector (2,447 tons) and the animal feed industry (2,938 tons).

As of August 1, Bondalti assigned its position in the concession contract for Loulé salt mine, including all rights and obligations associated thereto.

5.2.4. MAINTENANCE

In what concerns industrial maintenance and stock management of parts, activities evolved in line with efficiency goals set forth for 2019, in accordance with the best international practices. As already mentioned, the programmed stoppage of the units for maintenance purposes lasted for approximately one month. This shutdown took place 30 months following the last general stoppage, in line with the strategy established with Bondalti partners in the Estarreja chemical complex.

In 2019, with regard to the maintenance activity of Bondalti, we highlight the following:

- Overall maintenance costs stood 9% above the budget, mainly due to additional costs arising from extraordinary activities that had to be carried out before and during the programmed stoppage.

- The availability of production units recorded a slight increase by 1,1% over 2018, ending the year with a record availability of 98,2%, in average terms. This significant rise in average availabilities of production units is mainly explained by the improvement of this KPI in the Aniline production unit. In overall terms, this figure is in line with the World-Class level of our international benchmark.
- We continued the transmittal of knowledge to the younger staff, despite difficulties in recruiting and withholding qualified technical staff.
- Investment in advanced reliability and asset management tools was reinforced, namely the use of the RCM2 (Reliability Centred Maintenance) and RCFA2.0 (Root Cause and Failure Analysis) methodologies, whilst banking on predictive technologies in several critical assets.

5.2.5. LOGISTICS

The shipping of Bondalti's final products is made by pipeline to clients in the industrial complex; by sea - for large volumes and long distances; by road, in case of short distances; by multimodal transport, in case of low volumes and long distances.

During 2019 at the Estarreja complex, Bondalti Chemicals handled over 1.48 million tons, 10,6% less than in 2018. This decrease was expected and was due to the programmed stoppage resulting in lower productive activity, with impact on the expedition of finished products and reception of raw materials:

- Transfers via pipeline of 347 thousand tons, declined by 2,2% over 2018.
- Bondalti handled 340 thousand tons covering 94 vessels, of which 64 vessels concerned the unloading of raw-materials (benzene and salt) and 30 the loading of finished products (aniline and MNB) Total volume handled decreased by 17%.
- The volume handled by railway totalled 40 thousand tons, specifically of Ammonia coming from the Lavradio plant, corresponding to a decrease by 16% over the previous year.
- The handling of cargo transported by road in 2019 totalled 744 thousand tons, decreasing by 9% over 2018.

In 2019 fifteen thousand tons of final products were shipped to clients through multimodal means, accounting for a decrease in this type of transport by over 53% in relation to 2018.

Variable expenses of units sold stood below the budget in 2019.

5.2.6. TECHNICAL AREA

The Technical Area followed action lines around the company's strategic pillars, namely "Reinforcement of the Core", "Promotion of Sustainability" and "Continuous Investment in Innovation". The main goal of this area is to create value by developing projects to reduce costs of both energy and raw material and increase efficiency and safety in industrial processes. Additionally, measures are taken to improve environmental protection and ensure the sustainability of water resources, promoting innovation.

In most cases, projects carried out by the Technical Department are developed and managed internally, involving the different technical areas in their organisation and implementation. The use of multidisciplinary and over-arching teams has contributed to a more efficient management of the projects.

In 2019 three major initiatives are worth mentioning on account of their size and the resources involved:

- Continuity of the ALTAMIRA project - construction of chlor-alkalis units at the new company Bondalti Cantábria, SA, in Torrelavega/Spain, where production started at the end of November.
- PG2019 – programmed stoppage for maintenance and improvements in the different processing units.
- The completion of the new aniline reactor, with start-up at end of April.

5.2.6.1. Analytical Control

In addition to the analytical control of productive processes, Bondalti labs developed the following relevant tasks:

- Installation of two new analysing equipment
  - One Total Organic Carbon (TOC) Analysers, permitting greater reliability and precision in determining TOC in hydrochloric acid.
  - One High Performance Liquid Chromatograph (HPLC) permitting the optimization of the methods of analysis for impurities in organic products, namely nitrophenols in MNB and aniline in sulphanilic acid;
- Analytical support to several projects developed by the DTEPD, namely tests to the optimizations introduced in the MNB unit and tests viewing the definition of the coating for the dissolutor of the salt primary treatment project.

5.2.6.2. SHA (Safety, Hygiene and Environment) & Quality

Safety, Hygiene and Health

Bondalti Safety Area was involved in the preparation, planning and control of the programmed stoppage of the Estarreja Chemical Complex viewing to reduce to the minimum any accident during this period. Approximately 450 service providers from 34 different companies were present in the facilities. No serious accident occurred throughout the 75,000 hours/man worked.

Banking on the reinforcement of preventive actions, we started the Matriosca 2 project, focused on the improvement of safe behaviours and massive and correct use of PPE.

Investment in safety in 2019 totalled approximately €230 thousand and viewed the reduction of industrial accidents and higher efficiency of mitigation means.

No serious industrial accident has occurred in 2019. Only four occupational accidents occurred leading to sick leaves.

Environment

Emphasis was given to internal environmental audits, viewing to identify situations that were likely to be improved.

Several improvement actions have been carried out which translated in a decrease in the amount of hazardous waste sent for treatment and the recovery of energy and decrease in GHG emissions.

No environmental accident occurred.

Quality

2019 was also marked by the implementation of a new standard viewing the certification of Bondalti's energy management system according to NP EN ISO 50001 - Energy management system, and the implementation of a new risk management model, under the guidance of the Internal Audit and Risk Management Division. We also started the transition to the new ISO 45001 standard in the field of occupational safety and health.

5.2.6.3. Development and Technology (DTEDP)

Actions developed by the DTEPD are of three types mainly: 1) Involvement in Research & Development (R&D) projects and/or Industrial Implementation projects; 2) Technical support to the different areas; 3) Processing/technological supervision.

Industrial Implementation Projects

During 2019 various project were implemented (most of which were designed in-house), in a total amount of 1 million Euro, resulting in added energy efficiency, safety and strength of operations in both the PAD and PCA units, whilst reducing the environmental impact.

Amongst the various industrial projects implemented the most relevant in terms of size and impact were the following:

- Project for adapting the effluent thermal oxidation unit, viewing the valuation of intermittent diffuse gaseous emissions;
- Development of network for collecting intermittent diffuse gaseous emissions (Phase 1);
- Reinforcement of the emergency unit to reduce gas emissions in the nitrobenzene production unit.
- Completion of the project for improving efficiency in the conversion of nitrobenzene into aniline;
- Concentration and incineration of heavy effluent from aniline, reducing waste production;
- Consolidation of the condensed steam recovery unit (PAD and PCA).

Research & Development Projects

Several R&D projects are under way at Bondalti, including a number of projects associated with PhDs developed in partnership with major Portuguese chemical engineering schools.

The 3 PhDs under way on the aniline production field view to optimise hydrogenation reaction, improve purifying operations and recover the by-products originated from the process.

The company intends to continue R&D activity associated to the development of a disruptive technology, allowing the production of aniline through direct amination of benzene. Two PhDs are under way in this area.

Research work is being developed concerning MNB production, such as nitration reaction viewing the control of decomposition reactions and the reduction of sub-products (two PhDs in this field) but also in the mitigation of any emissions in emergency situations (internship).

A PHD thesis is being prepared concerning the electrolysis of brine and the conditions of electrodes, to allow deciding on their replacement at the right time. This research should result in improved energy consumptions and lower maintenance costs.

Technical Support

During 2019 the DTEPD continued to support technically the production areas (PAD and PCA) in the fields of Maintenance, Safety, Health and the Environment, Project Engineering and Analytical Control.

Additionally, technical support is provided on a regular basis in technological and process surveillance activities, following up energy consumptions, specific consumptions, process reliability and the explanation of anomalous malfunctions.

5.2.6.4. Design Engineering Area

À semelhança dos anos anteriores, este Departamento manteve, em 2019, o seu foco no apoio técnico e na gestão de projetos relativos a investimentos estratégicos e a melhorias e/ou modificações das unidades existentes.

Support to BONDALTI'S Internationalisation Strategy

In what concerns the support to Bondalti's internationalization, namely in the chlor-alkalis area, the department monitored and completed the works relating to the installation of the new Membrane Cell Electrolysis facility and associated units in Spain (Torrelavega/ Cantabria).

Optimisation of Operations

The department gave technical support in the development and implementation of projects viewing the optimisation of the PAD and PAC units. Amongst the various industrial projects implemented the most relevant in terms of size and impact were the following:

- Project for the replacement of ammonia racking pumps.
- Project for changing the circuit of cold water in the PAC unit carried out during the programmed stoppage of 2019, .
- Installation of sea salt treatment unit: Starting of detailed project for a new sea salt treatment unit, which is expected to start up in 2020;
- Coating of the Northern Dissolutor: Research for an efficient and lasting solution. Full coating of the dissolutor.

In the industrial safety field, several projects were carried out to improve safety in the units, including the following:

- Continuing of the phased project for the installation of safety valves in each of the liquid chlorine tanks: during the programmed stoppage of 2019, safety valves were installed in two tanks and all required infrastructure was prepared to install valves in remaining tanks; connection to DCS is in project phase.
- Licensing of PED lines: identification of lines of the nitric acid unit and ammonia storage unit to be licensed and inspection works and hydraulic tests were carried out during the 2019 programmed stoppage.
- PAD fire network pumping: completion during the 2019 programmed stoppage of the installation of pumping group, consisting of electro pump, motor pump and jockey pump.

Continuing the gradual improvement of social equipment, construction works of shower rooms for the PAD shift teams were started and should be completed in the first quarter of 2020.

5.2.6.5. Control and Industrial Automation Systems (CIAS)

Industrial Automation

The year under review was marked by the programmed stoppage activities and development of the control system for the Altamira project.

- **Altamira project:**
  - Development of the entire control system, from architecture, specifications, procurement of equipment, detail engineering and software, and finally testing and installation.
  - Project and installation of redundant control networks, using new safety technologies, ensuring reliability and safety.

- **2019 Programmed Stoppage**
  - Implementation of state-of-the art processors and increase in capacity to improve the performance of control and safety systems.
  - Upgrading of active network equipment for DCS, installing state-of-the-art switches, provided with monitoring and safety functions and cluster of safety firewalls.
  - Reorganization of major network equipment.
- Implementation of new supporting logics for the control of industrial projects, with emphasis to the new aniline reactor.
- Study and implementation of new CCTV solution based on IP network with video analysis and automatic warning system.
- Study and analysis of solutions viewing the development of security project for the industrial complex.

5.2.6.6. SIAP Software Suite

The SIAP software suite started a migration process towards an updated tool (SIAP. NET). New functionalities were introduced to the SIAP suite, namely a Logistics Support module, focused on user-friendliness and reliability of information, aimed to achieve productivity gains.

5.3. PROCUREMENT

In 2019 the Procurement Department negotiated a total amount of € 219 million in purchases.

The structure according to lead category allows to manage resources and provides a better knowledge of the business, with positive results despite volatility and increasingly shorter cycles.

Additionally, the Procurement Department was actively involved in the Cantabria project. We have widened our portfolio of suppliers and made inquiries at Iberia level for the supply of consumables.

In December 2019 Bondalti's procurement division won the 10th Edition of the European Institute of Procurement Management International Award, in the 'Transformation with Sustained Results' category, in recognition of the undeniable value it generates for the Organization but also for its clients and the society in general, in full alignment with sustainability and risk management.

These awards recognize procurement organizations throughout the world, for their practices and for being considered role models. Promoted by the European Institute of Procurement Management, an agency known worldwide.

Regulatory themes (REACH, biocides and other)

During 2019 the relevant Belgium agency started the assessment of the dossier of chlorine as biocide product. Further information had to be provided, some of which provided by clients. Regarding the dossier of hypochlorite as biocide, we continue to provide support to our clients.

Within the scope of REACH, we are committed to CEFIC action plan viewing the improvement of REACH dossiers. The kick-off of the program has already happened and 2020 should see further developments.

Within the scope of emerging chemical regulations, the Russian regulation was assessed. The process concerning aniline is under way so that we may continue to supply the market.

Concerning exports to India, the certification of aniline according to local specifications was required. The certification process should be completed in 2020 following inspection of our facilities by the relevant Indian entity.

We continue to follow the development of Brexit and other relevant geographies.

5.4. HUMAN RESOURCES

In 2019 the goals set forth in the Strategic Axes of Human resources continued to be pursued, viewing the development of the staff and the organisation, namely:

HUMAN RESOURCES STRATEGIC AXES	PROJECTS DEVELOPED IN 2019
OVERALL MANAGEMENT [Ensure the global management of Bondalti employees]	• Talent management and career planning introduced in the 4Learn digital platform. • HR policies and instruments aligned with those of Bondalti Cantábria and Elnosa.
CONTINUOUS DEVELOPMENT [Enhance leaderships and teams, developing critical skills to achieve goals]	• Matriosca Safety • Construction of contents to feed the ALL4LEARN platform
COHESION AND WELL-BEING [strengthen Bondalti's identity and culture]	• Consolidation of FRC measures, including audits with a view to respective certification.
REJUVENATION [of Bondalti's human capital, ensuring the growing of knowledge and intergenerational experience sharing]	• 4x4 Training • Implementation of the defined rejuvenation plan

TALENT MANAGEMENT PROJECT AND CAREER PLANNING INTRODUCED IN THE 4LEARN DIGITAL PLATFORM

In 2019 we started the Talent Management project, with the design of our Talent Model in order to support the identification, management and development of employees who mostly contribute to the success of the organization. Several meetings were held with the Executive Committee to design this model, and workshops were carried out with a representative mix of Bondalti's Universe to collect inputs for the model, process and instruments under definition. The Talent Management process contemplated digitalisation of Human Resources to which Bondalti has given particular emphasis. The 4Learn Platform was the system chosen to host the process and instruments. As the definition of the Talent Management Model was completed, it was introduced in the platform in the last quarter of the year. At the end of 2019 we started the qualification of users, with 1st and 2nd line training. In 2020 we will continue to follow the qualification and communication plan, until the April/May, when the first Talent Assessment Cycle will begin. The implementation of the Career Plan will take place as from the 2nd quarter of 2020.

CONSTRUCTION OF CONTENTS TO FEED ALL4LEARN PLATFORM

As from 2018 the Human Resources team has banked on feeding the 4Learn platform with contents either purchased from external suppliers or developed internally. This bet views to:

- Boost the dynamics of the ALL4LEARN platform, providing new and updated contents;
- Create conditions to gather the knowledge existing across the organisation, transforming such knowledge into attracting contents.

In 2019 the Human Resources team in collaboration with DECIS and the legal area, developed e-learning contents on the new "Ethics Code", which must be followed by all employees.

CONSOLIDATION OF THE FAMILY RESPONSIBLE COMPANY (FRC) MEASURES

The Family Responsible Company certification procedure was started in 2017 and promoted and consolidated in 2018. The company is therefore committed to ensuring the reconciliation of the personal, family, and professional life of its employees.

Within this scope, the following measures stand out:

- Systematisation, standardisation, mainstreaming and follow-up of reconciliation measures;
- Awareness-raising to the FRC model, with training of leaders and face-to-face sessions with all employees;
- Listening of employees about the use and satisfaction of FRC measures and assessment of results;
- Audits within the scope of Certification according to FRC 1000-1 standard.

The FRC project as a whole views an active collaboration of all employees and the involvement of the entire hierarchic structure, buttressed on the commitment of top management.

5.4.1. PERFORMANCE ASSESSMENT

The annual performance evaluation was carried out covering all employees, based on the Performance Management System adopted by the company.

5.4.2. STAFF

a) Average number of employees

Company	2019
Bondalti Chemicals, SA	248
Renoeste - Valorização de Recursos Naturais, SA	4
Nutriquim - Produtos Químicos, SA	1
Elnosa - Eletroquimica del Noroeste, S.A.U	11
Bondalti Cantábria, SA	38
	302

(Except directors)

Staff of Elnosa and Cantábria at 31/12/2019

b) Pensioners

Pensioners: The number of pensioners fell by 6,25%.

5.4.3. DEVELOPMENT OF SKILLS BASED ON PROFESSIONAL TRAINING:

In 2019 we continued to invest in the development and training of our employees, namely:

QUALITY, SECURITY AND ENVIRONMENT

- Internal Emergency Plan
- Continuous training in safety, covering various subjects
- Beginner's training in firefighting and control of accidents with hazardous materials
- Continuous training for second intervention line teams (reinforcement of the firefighting training provided in the previous year)
- Hazards to health caused by Bondalti's chemical products
- Hazards to health caused by biological risks
- Safety in manoeuvring and operating rolling stock
- Transport of hazardous materials
- Training within the scope of Matriosca Safety

CROSS-DISCIPLINARY TRAINING

- FRC-related training (management of reconciliation)
- Cycle of workshops on financial matters
- Workshop on "The importance of digital communication and new trends - Linkedin"
- Spanish
- Meetings, Fairs, Conferences, Symposiums, amongst which the following:
  - Global Chlor-Alkali Conference 2019
  - Argus Olefins & Aromatics Seminar
  - Argus Chlor-Alkali 2019 Conference
  - Mononitrobenzene & Dinitrotoluene Safety Conference
  - ANNA Conference
  - World Business Forum
  - Salt 2019
- E-learning contents on the Code of Ethics made available

PRODUCTIVE PROCESSES

Production technicians received training viewing the improvement in productive processes, provided in real work context, namely:

- Continuous training to production technicians in new workstations, viewing the promotion of flexibility and multi-skills

3rd edition of the 4x4 training programme in real work context, viewing future integration of trainees.

MAINTENANCE

The Maintenance Area promoted training as a tool for continuous development, putting particular emphasis on safety issues. By way of example, we point out the training provided in "Safety in manoeuvring and operating rolling stock"

5.4.4. TRAINEESHIPS AND SCHOLARSHIPS

Within the scope of the strategic relationship entered with secondary schools and universities, the company continued to promote internships/ and scholarships (23), involving students and recently graduated students:

- 7 (seven) PhD Research scholarships (BDE) (2);
- 7 (seven) Curricula internships
- 4 (four) IEFP internships (1)
- 3 (three) internships introducing to professional life (1)
- 1 (one) post-curricula internship
- 1 (one) summer traineeship

Integration within the workforce of 7 young trainees (1) integrating on-the-job training project and 1 BDE scholarship (2) to hire in 01/01/2020

5.5. INFORMATION SYSTEMS

The start-up of production at Bondalti Cantabria was one of the highlights of the year, also as far as the information department is concerned. The department was active in setting up a safe infrastructure capable of safeguarding Bondalti's policies, while sharing Solvay spaces and resources. We installed remote communications, local networks; we purchased equipment which required configuration and installation. We had to ensure processing adjustments with all that this implies at system level, adjusting them to the circumstances of their operation. In this light, SAP software had to be configured to allow its safe use by external people but also to be part of processes and be used by Bondalti employees in other companies and geographies.

The Department also provided on the job training and prepared manuals for the different workstations.

Emphasis continued to be given to safety. Within this scope, we identified all critical assets of the organisation, and assessed them in terms of maturity in the face of potential hazard. Following this diagnosis, at information and operation technology levels and at safety level in a broader sense, we produced a roadmap of initiatives and proposed a governance model. The theme of safety of information and related assets and resources is on the radar of Bondalti's critical initiatives and is an ongoing project.

Bearing this in mind, several projects were already carried out across the Bondalti group, namely in terms of segregation of networks, monitoring or atypical events or prevention of risk behaviours.

With a view to demateralisation, scalability, availability as well as ubiquity and safety, Bondalti opted to move its main workloads to the cloud, and in 2019 it started preparing this migration, which should occur in 2020 in a controlled and safe way.

Simultaneously, the Information Department continued to provide services to other companies of the José de Mello Group, but not exclusively.

5.6. INNOVATION AND SUSTAINABILITY

INNOVATION

During 2019 the Innovation Area gave emphasis to the development and improvement of the Research, Development & Innovation Management System implemented and certified at Bondalti Chemicals according to the Portuguese 4457:2007 standard since 2013.

In April the department started a project for reviewing and improving procedures and tools used in the management of Research, Development and Innovation, while ensuring respective alignment with remaining management systems implemented in the Organisation. This project is being developed by the Innovation Team, assisted by users of the system, forming a multi disciplinary team, which is supported by the Centre for Innovation, Technology and Entrepreneurship of INESC TEC.

As far as the Colombo program is concerned, activity was quite reduced as teams were mostly focused on the Programmed Stoppage at the beginning of the year and the start-up of the new industrial unit of Bondalti Cantábria, in Torrelavega. However, in line with previous years, we held the Colombo Open Day to reward ideas approved in 2018. The winning idea was an “Autonomous starting system for critical equipment”, consisting of creating a top layer to maintain agitators working, preventing reaction problems. The employee who submitted this idea thus saw his effort and work recognised by Bondalti’s top management.

Key indicators for 2019 show that Bondalti’s expenditure in RD&I totalled €M 1.8, of which 45% were allocated to innovation and the remaining to Research & Development. In terms of people, 41 employees were allocated to RD&I activities, accounting for 17% of the total.

During 2019 the number of RD&I projects under way at Bondalti Chemicals totalled 29, of which 41% were developed in partnership with other entities. The majority of the projects developed aimed at creating new solutions and/or improving existing ones to increase efficiency at all levels.

The number of partnerships in the field of R&D projects totalled 18, developed mainly with Portuguese universities - Engineering Faculty of Universidade do Porto, Sciences and Technology Faculty of Universidade de Coimbra, Universidade de Aveiro, Sciences and Technology Faculty of Universidade Nova de Lisboa and Instituto Superior Técnico of Universidade de Lisboa. Within the scope of these partnerships with Universities, in 2019 Bondalti Chemicals had 7 PhD students, 1 Master in Science student and 4 other students carrying out other types of traineeships.

Every partnership relation which Bondalti establishes is assessed annually, taking into consideration the performance of partners in terms of pro activity and contribution to results as well as commitment level and interaction. In 2019 the average score obtained in this assessment was 3.2 out of 4, for the 25 partnerships identified.

SUSTAINABILITY

During 2019 the Sustainability Area developed some relevant projects, additionally to its usual activity. In terms of sharing of financial and non financial information, results for the year were presented to all Bondalti employees, in sessions hosted by the Human Resources Division, in addition to the Integrated Report which was published as usual.

In the field of stakeholder management, among the several initiatives carried out we point out the alignment of practices to the AA1000AP 2018 – Stakeholders Management standard, the review of critical stakeholders and surveys to stakeholders.

In 2014 Bondalti defined its first matrix of stakeholders, where it assessed the relative importance of each group of stakeholders, considering the impact of each group in the Organisation and vice-versa. In 2019 Bondalti reviewed the identification and prioritization of its main groups of stakeholders, with the purpose of optimizing this management, namely with regard to involvement methodologies. In this exercise, the groups of stakeholders were assessed according to their influence in Bondalti, their dependence in relation to the Organisation (and vice-versa), as well as the Organization's responsibility towards them. This reviewing process of the stakeholder matrix was carried out by a multi disciplinary team, in five different steps, and involved all managers of Bondalti. The final result was validated by the Executive Committee. Based on the new matrix of Stakeholders and specific selection criteria according to stakeholder group, we have identified the most relevant entities as far as Bondalti is concerned.

Every two years, Bondalti surveys its relevant stakeholders viewing to assess their perception of the performance of the Organization in its different strands of action, as well as their needs and expectations. This listening to stakeholders carried out at the end of 2019, is very important from both strategic and continued improvement points of view.

The joint development with the Procurement Area of a Purchase Policy, to be implemented jointly with General Conditions of Purchase, was another relevant initiative carried out during the year. Its purpose is to ensure greater business, environmental and social responsibility. It also views to foster best practices with our suppliers.

At the end of 2019 Bondalti Chemicals made an assessment of its social responsibility practices through EcoVadis, scoring 72 points out of 100, thus renovating its Gold recognition. As compared to the previous assessment, Bondalti improved its score and continues to lead in an outstanding position in relation to the average assessment of its peer companies, thus gaining a more competitive positioning and confirming its identity as responsible and ethical corporation.

Em 2019, a concretização da reestruturação financeira e da reorganização societária do Grupo Bondalti alteraram substancialmente a estrutura de Balanço da Bondalti Chemicals.

06 ECONOMIC AND FINANCIAL ANALYSIS

In 2019 the financial restructuring and corporate re-organization of the Bondalti Group changed considerably the balance sheet structure of Bondalti Chemicals.

At the end of June 2019 Bondalti completed the refinancing of its entire debt through a syndicated bank facility involving 8 banks, with total debt remaining centralised at Bondalti Chemicals.

The different credit lines subscribed totalled € 210 million, having permitted Bondalti to reduce its cost of debt service, extend debt maturity and create the conditions to finance new investments. With overall debt subject to fixed interest rate, financial risk was also mitigated.

The company continues to post a solid economic and financial situation, having posted net profit for the year of €M 16.3.

Turnover totalled €M 276, which is €M 60 less than what was achieved in the previous year, this being due to the programmed stoppage at the beginning of 2019.

At the end of the year a one-off failure in the nitric acid plant affected units downstream, resulting in a negative deviation of production for all organic products.

The chlor-alkalis business segment outperformed estimates as a result of better raw-material and commodities prices, namely electricity and salt, and better selling price of hypochlorite. Soda prices declined gradually throughout the year, with a slightly negative impact on results as against budget figures.

As a result of the reasons described above, 2019's results were lower than 2018's, though they remained in line with the budget.

Results were also affected by those of its associates:

- Renoeste and Nutriquim, which were inactive in 2019, posted negative net results of €151 thousand and € 111 thousand, respectively.
- At Bondalti Cantábria, net results were negative by €M 2,061, with expenditure in construction and start-up of operations completed during the year.
- At APQ net profit for the year totalled €710 thousand.
- Elnosa posted net profit of €M 1,410 from trading operations in chlorine and its by-products.

Following the financial restructuring, which concentrated total debt with Bondalti Chemicals, gross debt at the end of 2019 totalled €M 165.

Gearing came down to 26%, with large part of financial debt being medium and long term.

The Net financial liabilities / EBITDA ratio stood at 3, reflecting the concentration of financial debt and decrease in EBITDA over 2018.

Risk exposure to benzene prices, which bears considerable weight on Bondalti's operation, is mitigated by hedging contracts with suppliers.

Still with the purpose of reducing exposure to market risks, the company contracted hedging operations on the prices of other raw materials, the cost of which is included in financial results.

07 ACTIVITY OF ASSOCIATES

ELNOSA – ELECTROQUÍMICA DEL NOROESTE, S.A.U.

In 2019 Elnosa remained focused in trading products produced by other companies, namely Bondalti Chemicals, with turnover in this area reaching €M 31.1, falling by €M 7.3 over 2018, against a background of lower soda prices, partly offset by an increase in the price of hypochlorite.

Net profit totalled €M 1,410, considerably above previous year's figures, as in 2018 provisions had to be set up to face the shut-down in production activity.

RENOESTE – VALORIZAÇÃO DE RECURSOS NATURAIS, S.A.

Over the last few years, Renoeste's activity relied on the supply of brine by REN, which derived from the extraction of salt needed for the construction of gas storage caverns. The construction of new caverns stopped, and the supply of brine was suspended.

Despite the efforts made, the Group could not find a partner with experience in the production and marketing of salt to resume its operation nor any company interested in purchasing the company or assets allocated to the operation.

Failure to attract investors to this operation determined the shut-down of the business, with impairment losses recorded on all equipment and buildings and the setting up of impairments on the value of the land in 2017. In 2018 impairment losses were recorded on all inventories.

In 2019 the company had 3 employees.

The company posted net losses of approximately € 151.2 thousand.

AQP – ALIADA QUÍMICA DE PORTUGAL, S.A.

Aliada Química de Portugal operated at regular pace in 2019. There were no accidents nor operating incidents. Production amounted to over 33,000 tons, falling by 6% over the previous year due to competition from foreign producers.

Sales also fell by 6%, affected by competition from Spain, leading to a decline in prices.

Raw material prices (namely hydrate) are under pressure, affecting sales price in Portugal. Results for the year decreased in relation to the previous year pressured by competition, affecting prices and amounts sold.

In 2019 the company's posted net profit of € 710.3 thousand.

NUTRIQUIM – PRODUTOS QUÍMICOS, S.A.

The company stopped production in May 2012. The relevant authority (APA) approved the dismantling of the facilities in July 2017.

At the end of 2018, the whole industrial area had been dismantled, except for the reactors building and Dorr I.

In order to complete the dismantling of the buildings in the dicalcium phosphate facilities, in

February 2019 an extension of the dismantling licence was requested to the Barreiro Municipal Council and the Environment Agency (APA).

APA raised several questions concerning the waste and residues arising from the demolition of the buildings and equipment, which were answered by Nutriquim in due time.

Nutriquim sent its plan for the demolition and removal of dried sludges, covering the various issues raised by APA.

In October APA sent notice of its authorisation subject to several requirements. We plan to begin these works in March 2020 and complete them by July.

In 2019 Nutriquim posted net losses of €110,5 thousand.

BONDALTI CANTÁBRIA, S.A.

The project for the installation of an Electrolysis Membrane Cell Unit was practically completed at the end of 2019, corresponding to a total investment of €M 58.7, of which €M 26 occurred in 2018.

Start-up tests started in November continuing through the beginning of 2020. In the first months of the year the process of personnel selection was completed, with a team made up of 38 employees, including 1 coming from Elnosa.

Following the refinancing of loans of all Bondalti companies, the syndicated medium and long term loan contracted in Spain was paid up and replaced by partners' loans in the same amount, brought in by Bondalti Chemicals.

Net Results for 2019 were negative by €M 2,061.

MIRALCALIS - ACTIVOS DE PRODUÇÃO DE CLORO, S.A.

Portuguese company MIRALCALIS - Activos de Produção de Cloro, S.A., which is 80% held by Bondalti Chemicals was set up following the conversion of Bondalti Cantábria's chlor-alkali unit to membrane cell technology.

At the beginning of 2018, fulfilling its first purpose, this company acquired 20% of Bondalti Cantábria, S.A.

In 2019 the company recorded net losses for the year of € 413.5 thousand, reflecting the stake in Bondalti Cantábria, S.A.

08 OUTLOOK FOR 2020

As industrial operations in Estarreja have resumed following the Programmed Stoppage, and production in Torrelavega has started, the outlook for 2020 would be for an increase in production. However, the Covid19 Pandemics we are presently going through has brought many uncertainties.

Context costs, in particular energy costs, remain a major concern in an increasingly competitive market. We will continue our efforts to contribute to possible changes in this regard.

We will maintain a vigilant watch, taking into account the technological changes introduced during the downtime, viewing to optimize specific consumptions in all industrial units.

The Covid19 lockdown in force since March 2020 (date of this Report) will certainly have a negative impact on the goals set forth for this year. There is still great uncertainty as to the duration, extension and impact deriving from this exceptional circumstance. At Bondalti, we will keep production going as long as it is possible to maintain the health and safety of our plant employees, as our products are required for the treatment of potable water, waste water and for disinfection purposes.

As for expenditure , we foresee continuing to invest significantly in our production units in Estarreja, though the current plan should be adjusted in view of the impact on the business caused by the pandemic. Our priority will always be ensuring the safety of our people and facilities and the normal operation of production units.

09 PROPOSAL FOR THE APPROPRIATION OF NET INCOME

The Board of Directors proposes to appropriate the net profit for the year in the amount of € 16,319,639.60 as follows:

- Dividends.. 8 000 000,00 Euros
- Retained earnings .... 8 319 639,60 Euros

10 FINAL NOTE

We convey our thanks to all employees, remaining stakeholders, supervisory bodies and financial institutions for their commitment, collaboration and contribution to the results achieved in the year.

Porto Salvo, 30 March 2020

The Board of Directors,

João Maria Guimarães José de Mello – Presidente

André Cabral Côrte-Real de Albuquerque – Administrador

João Jorge Gonçalves Fernandes Fugas – Administrador

Luís Augusto Nesbitt Rebelo da Silva – Administrador

Luís Henrique Marcelino Alves Delgado – Administrador

CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

01 CONSOLIDATED BALANCE SHEET

HEADINGS	Notes	31/12/2019	31/12/2018
Assets			
Non current assets			
Tangible fixed assets	6	138 731 591	110 257 459
Investment property	7	18 783 837	19 687 298
Intangible assets	8	2 295 611	3 772 632
Equity holdings - eq. method Equity	9	971 250	1 136 989
Equity holdings - other methods	9	9 533	9 228
Other financial assets	13.5	61 192 964	8 545
Deferred tax assets	28	3 377 958	3 556 185
		225 362 743	**138 428 336**
Current assets			
Inventories	10.1	19 356 370	19 394 974
Clients	13.1	38 768 910	34 698 298
State and other public entities	11	937 138	1 628 015
Other accounts receivable	13.1	1 872 293	1 959 446
Deferrals	12.1	2 444 332	243 086
Cash and bank deposits;	4	35 400 848	36 120 833
		98 779 891	**94 044 652**
Total assets		**324 142 634**	**232 472 988**
Equity and Liabilities			
Equity			
Subscribed share capital	16.1	30 550 000	30 500 000
Share premium	16.2	661 000	-
Legal reserves	16.2	6 101 994	6 100 000
Other reserves	16.2	17 528 153	18 047 597
Results brought forward	16.2	19 453 442	13 770 893
Adjustments and other changes in equity	16.3	(6 320 229)	7 294 590
Net Profit/(Loss) for the year		16 319 640	22 632 409
Non controlling interests	16.4	201 369	288 037
Total equity		**84 495 369**	**98 633 526**
Liabilities			
Non current liabilities			
Provisions	14	6 938 863	5 974 496
Borrowings	13.4	140 000 000	45 126 590
Liabilities for post-employment benefits	15.1	2 993 889	3 512 136
Deferred tax liabilities	28	3 471 244	3 948 195
Other debts payable	13.3	7 485 502	7 700 000
		160 889 498	**66 261 417**
Current liabilities			
Suppliers	13.2	33 285 216	35 284 385
Cash receipts from clients		132 888	122 964
State and other public entities	11	2 328 592	480 220
Borrowings	13.4	25 000 000	10 062 500
Other debts payable	13.3	17 448 621	21 031 576
Deferrals	12.2	562 450	596 400
		78 757 767	**67 578 045**
Total Liabilities		**239 647 265**	**133 839 462**
Total equity and liabilities		**324 142 634**	**232 472 988**

02 CONSOLIDATED PROFIT AND LOSS STATEMENT BY NATURE

INCOME AND EXPENSES	Notes	31/12/2019	31/12/2018
Sales and services	18	276 652 924	336 211 094
Operating subsidies	17	7 334	181 337
Gains/losses of subsidiaries and associates Joint Undertakings	19	354 450	520 189
Product stock variation	10.2	954 651	(1 033 337)
Work for own entity	20	1 957 609	892 825
Cost of goods sold	10.3	(167 824 442)	(210 893 494)
Supplies and Services	21	(59 111 441)	(63 703 241)
Staff costs	15.4	(13 747 452)	(12 632 311)
Impairment of inventories (Losses/Reversals)	10.4	-	(310 206)
Impairment of receivables (Losses/Reversals)	13.1	6 036	(12 464)
Provisions (Increase/Decrease)	14	(1 657 180)	(2 537 412)
Increase/decrease in fair value		-	2 596
Other income	22	8 883 571	6 844 896
Other expenses	23	(2 577 072)	(1 570 887)
Results before Depreciation, Financial Expenses and Tax		**43 898 988**	**51 959 583**
Expenses/Reversal of Depreciation and Amortisation	25	(17 808 170)	(16 810 380)
Impairment of depreciable inventories	25	-	-
Operating Result (before Financial Expenses and Tax)		**26 090 818**	**35 149 203**
Interest and similar income	26	2 435 579	46 432
Interest and similar expenses	27	(7 388 023)	(5 378 215)
Profit/(Loss) before tax		**21 138 374**	**29 817 420**
Income tax for the year	28	(4 901 354)	(7 195 431)
Net profit/(loss) for the year		**16 237 021**	**22 621 989**
Net profit for the year attributable to:			
- Parent company shareholders		16 319 640	22 632 409
- Non-controlling interests	16.4	(82 619)	(10 421)
		16 237 021	**22 621 989**

03. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018

Description	Subscribed share capital (Note 16.1)	Share premium	Legal Reserves (Note 16.2)	Other Reserves (Note 16.2)"	Adjustments/ Other changes in equity (Note 16.3)	Retained Earnings (Note 16.2)	Net profit for the period (Note 16.2)	Total	Non-controlling interests (Note 17.5)	Total equity
Position at Beginning of 201 1	**30 500 000**	**-**	**5 807 840**	**18 384 726**	**6 290 592**	**11 318 715**	**16 407 209**	**88 709 083**	**300 000**	**89 009 083**
Changes in the Period										
Revaluation surplus of tangible and intangible assets and respective changes	-	-	-	(435 005)	-	435 005	-	-	-	-
Adjustments for deferred tax	-	-	-	97 876	35 568	(97 876)	-	35 568	-	35 568
Hedging derivatives	-	-	-	-	1 132 421	-	-	1 132 421	-	1 132 421
Subsidies	-	-	-	-	(1 609 916)	-	-	(1 609 916)	-	(1 609 916)
Adjustments to non controlling interests	-		-	-	-	-	-	-	(1 543)	(1 543)
Emission allowances	-	-	-	-	1 451 835	-	-	1 451 835	-	1 451 835
Other changes recognised in equity	-	-	-	-	(5 911)	-	-	(5 911)	-	(5 911)
2	-	-	-	(337 129)	1 003 997	337 129	-	1 003 997	(1 543)	1 002 455
Net Profit/(Loss) For the Year 3							**22 632 409**	**22 632 409**	**(10 421)**	**22 621 989**
Comprehensive Result 4 = 2 + 3							**22 632 409**	**23 636 407**	**(11 963)**	**23 624 443**
Operations with Equity Holders During the Year										
Distributions	-		-			(14 000 000)	-	(14 000 000)		(14 000 000)
5	-	-	-	-	-	(14 000 000)	-	(14 000 000)	-	(14 000 000)
Appropriation of Results										
Set up of Legal Reserve	-		292 160	-	-	-	(292 160)	-		-
Transfer of results for the year to Retained Earnings	-		-	-	-	16 115 049	(16 115 049)	-		-
6	-	-	292 160	-	-	16 115 049	(16 407 209)	-	-	-
Position at End of 2018 7=1+2+3+5+6	**30 500 000**	**-**	**6 100 000**	**18 047 597**	**7 294 590**	**13 770 893**	**22 632 409**	**98 345 489**	**288 037**	**98 633 526**
Position at Beginning of 2019 7	**30 500 000**	**-**	**6 100 000**	**18 047 597**	**7 294 590**	**13 770 893**	**22 632 409,06**	**98 345 489**	**288 037**	**98 633 526**
Changes in the Period										
Revaluation surplus of tangible and intangible assets and respective changes	-	-	-	(1 049 805)		1 049 805	-	-	-	-
Adjustments for deferred tax	-	-	-	236 206	78 429	(236 206)	-	78 429	-	78 429
Hedging derivatives	-	-	-	-	2 869 263	-	-	2 869 263	-	2 869 263
Subsidies	-	-	-	-	(3 217 837)	-	-	(3 217 837)	-	(3 217 837)
Adjustments to non controlling interests	-	-	-	-	-	-	-	-	(4 049)	(4 049)
Other changes recognised in equity	50 000	661 000	1 994	294 155	(13 344 674)	1 536 541	-	(10 800 984)	-	(10 800 984)
8	50 000	661 000	1 994	(519 444)	(13 614 819)	2 350 140	-	(11 071 129)	(4 049)	(11 075 177)
Net Profit/(Loss) for the Year 9							**16 319 640**	**16 319 640**	**(82 619)**	**16 237 021**
Comprehensive Result 10=8+9							**16 319 640**	**5 248 511**	**(86 668)**	**5 161 843**
Operations with Equity holders During the Year										
Distributions						(19 300 000)		(19 300 000)	-	(19 300 000)
11	-	-	-	-	-	(19 300 000)	-	(19 300 000)	-	(19 300 000)
Appropriation of Results										
Set up of Legal Reserve	-		-	-	-	-	-	-	-	-
Transfer of results for the year to Retained Earnings	-		-	-	-	**22 632 409**	**(22 632 409)**	-	-	-
12	-	-	-	-	-	**22 632 409**	**(22 632 409)**	-	-	-
Position at End of 2019 13=8+9+11+12	**30 550 000**	**661 000**	**6 101 994**	**17 528 153**	**(6 320 229)**	**19 453 442**	**16 319 640**	**84 294 000**	**201 369**	**84 495 369**

04 CONSOLIDATED CASH FLOW

Headings	Notes	31/12/2019	31/12/2018
Cash flow from operating activities - direct method			
Cash receipts from clients		330 003 396	397 151 314
Cash paid to suppliers		(260 779 091)	(302 579 718)
Cash paid to personnel		(14 118 740)	(20 808 391)
Flows generated by operations		**55 105 565**	**73 763 205**
Income tax received/paid		(1 253 814)	(983 752)
Other cash received/paid		(20 155 413)	(17 723 319)
Net cash from operating activities (1)		**33 696 337**	**55 056 134**
Cash flows arising from investing activities			
Cash payments relating to:			
Tangible fixed assets		(41 398 868)	(18 668 809)
Investment property		(22 849)	(734 009)
Intangible assets		(8 178)	-
Financial investments		(78 189 840)	(6 953)
Other assets		(10 538 250)	(14 820 946)
		(130 157 985)	**(34 230 717)**
Cash receipts relating to:			
Tangible fixed assets		496 014	4 488
Investment property		3 067 933	821 015
Intangible assets		1 025 310	1 362 400
Financial investments		-	2 820
Other assets		-	6 502 418
Investment subsidies		4 874	-
Interest and similar income		2 433 549	37 941
Dividends		520 189	453 465
		7 547 870	**9 184 548**
Cash flows arising from investing activities (2)		**(122 610 115)**	**(25 046 169)**
Cash flows arising from financing activities			
Cash receipts relating to:			
Loans		190 468 104	6 257 327
Other financing operations		-	-
		190 468 104	**6 257 327**
Cash payments relating to:			
Loans		(77 799 969)	(14 687 500)
Interest and similar costs		(5 174 341)	(2 425 112)
Dividends		(19 300 000)	(14 000 000)
Other financing operations		-	-
		(102 274 310)	**(31 112 612)**
Cash flows arising from investing activities (3)		**88 193 793**	**(24 855 284)**
Variation in cash and cash equivalents (1+2+3)		**(719 985)**	**5 154 680**
Effect of foreign exchange differences			
Cash and cash equivalents at the beginning of the year	4	36 120 833	30 966 152
Cash and cash equivalents at the end of the period	4	35 400 848	36 120 833

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

01 THE COMPANY

The Bondalti Chemicals Group ("Group") called after Bondalti Chemicals, S.A. (former CUF - Químicos Industriais, S.A.) has its head-office and plant in Estarreja. The Company was incorporated on 30 December 1977 and its corporate object is the industrial production and marketing of organic and inorganic chemical products.

The parent company Bondalti SGPS, S.A. has its head-office in Lisbon.

02. BASES OF PREPARATION OF THE FINANCIAL STATEMENTS

The Group prepares its accounts according to the Accounting and Financial Reporting Standards (NCRF) which form an integral part of the SNC (Portuguese accounting system).

There were no derogations to providing a true and appropriate image.

Financial statements were prepared using principles consistent with those used in the previous year, therefore all balance sheet and profit and loss captions are comparable with those of the previous year.

03 MAIN ACCOUNTING POLICIES

3.1 MEASUREMENT BASES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS:

The financial statements were prepared on the ongoing concern and accrual basis of accounting, consistency of presentation, materiality and aggregation, offsetting and comparative information.

Based on provisions in the NCFR, the accounting policies followed by the Company were as follows:

(a) TANGIBLE FIXED ASSETS

Tangible fixed assets refer to assets used in production, services or for administrative purpose.

The Group adopted the deemed cost in the measurement of tangible fixed assets as of 1 January 2009 (date of transition to the NCRF), pursuant to the exemption provided in NCFR 3 - First time adoption of NCFR. The Group adopted as deemed cost the amount recorded in the former financial statements prepared according to the former accounting standards (POC), which included revaluation reserves carried out pursuant to various decree-laws that took into account currency devaluation coefficients.

Except for the Land that is not depreciable, depreciation of Tangible Fixed Assets is provided over their estimated useful lives and assessed for impairment whenever there is an indication that the asset may be impaired. Depreciation is determined on a twelfth basis as of the moment the assets become available for their intended use, in accordance with the straight-line method. Depreciation rates used are as follows:

	2019	2018
Buildings and other constructions		2,00 - 33,33
Basic equipment		5,00 - 50,00
Transport equipment		6,25 - 25,00
Administrative equipment		5,88 - 50,00
Other tangible fixed assets		12,5 - 20,00

Depreciation costs are recognized on the Profit and Loss Statement under the heading "Depreciation and amortization (Expenses/Reversal)".

Costs with the dismantling and removal of property from tangible fixed assets and the cost of restoring the sites where these are located, which is an obligation incurred when the goods are purchased or for having been used during a certain period for purposes other than production, are part of the cost of the corresponding tangible fixed asset and are depreciated in the year of useful life of the assets they concern.

Current maintenance and repair costs are recognised as expenses in the period they occur.

Replacement and major repair costs are capitalized, provided that they increase the useful life of the fixed asset to which they relate and are depreciated over the remaining useful life period of the fixed asset or its own useful life period, if shorter.

Any gain or loss resulting from the derecognition of a tangible asset (calculated as the difference between the sale price, less the costs of sale and accounting value) is included in the profit and loss account of the financial year during which the asset is derecognized.

Tangible fixed assets in progress concern goods which are still under construction or development and are measured at acquisition cost, and they can only be depreciated when they will become available for use.

At the end of each year the company assesses any possible impairment in assets, which if any, will be recognised in the profit and loss statement for the year.

(b) INVESTMENT PROPERTY

The Group adopted deemed cost in the measurement of tangible fixed assets referring to 1 January 2009 (transition to the NCRF), under the terms of the exemption provided in NCRF 3 – First Adoption of the NCRF.

Deemed cost resulted from an assessment made as of the said date by independent and qualified auditors. Subsequently, the Group adopted the cost model in the measurement of investment property.

Depreciation is determined on a twelfth basis as of the moment the assets become available for their intended use, in accordance with the straight-line method. Depreciation rates used are as follows:

	2019	2018
Buildings and other constructions	5,00 - 10,00	5,00 - 10,00

(c) INTANGIBLE ASSETS

Intangible assets acquired separately are measured at cost on the initial recognition date.

Internally generated costs of intangible assets, excluding development costs under certain circumstances, are considered as an expense and are shown on the profit and loss accounts for the year during which the expense is incurred

After initial recognition, intangible assets are presented at cost less accumulated amortization and accumulated impairment losses

The useful lives of intangible assets are assessed as finite or indefinite. Intangible assets with indefinite life are not amortised but tested annually for impairment, whether or not there is evidence that they are impaired. Intangible assets with finite useful lives are amortized over the expected economic life span, and they are assessed for impairment whenever there is an indication that the asset may be in impairment. Amortisation of Intangible Assets is recorded in the Income Statement by Nature in line “Gains/Reversal of Depreciation and Amortisation”.

Amortizations are calculated on a twelfth basis, using the straight-line method. The following amortization rates are used:

	2019	2018
Development projects	20,00 - 33,33	20,00 - 33,33
Industrial property	20,00 - 33,33	20,00 - 33,33
Other intangible assets	20,00 - 33,33	20,00 - 33,33

Any loss or gain arising on de-recognition of an intangible asset (calculated as the difference between the net disposal proceeds minus sale costs and the carrying amount) is included in the profit and loss account for the year the asset is de-recognised.

Some specific aspects relating to each type of intangible asset are shown below.

(c.1) Development projects

Research costs are recognised as expenses in the period they occur.

Development costs of an individualized product are recognized as intangible assets when the Group can demonstrate the following:

- The technical feasibility of completing the intangible asset, such that it is available for use of sale;
- Its intention to complete the intangible asset and ensure that its meets the conditions for its usage or sale;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The capacity to reliably measure expenditure during development.

(c.2) Industrial Property

This heading shows patents registered in the names of companies included in the consolidation, for which exclusive usage rights are held..

Amortization is calculated during the exclusive usage period of each patent.

(c.3) Emission rights

CO2 licences attributed to the Group pursuant to the National Allocation Plan for CO2 Emissions Allowances are recognised according to NCRF 26 , i.e. under Intangible Assets through Other Changes in Equity - Subsidies and Donations, for their market value as of allocation date.

Acquired licenses are recognized under Intangible Assets charged against the corresponding account payable or availability account.

Based on FIFO criteria, for its CO2 emissions the Group recognises a depreciation and amortisation cost through Cumulative Depreciation of Intangible Assets and, simultaneously transfers to Other Income, through Subsidies and Donations, an amount equivalent to the share of corresponding allowance.

Whenever the Group produces CO2 emissions without holding respective allowances, a provision is recognised under the terms of NCRF 21 – Provisions, Contingent Liabilities and Contingent Assets for the amount corresponding to the best price estimate for obtaining it, added of the estimated penalties incurred for CO2 emissions without allowance.

The sale of allowance rights gives rise to gains or losses determined between the carrying amount and respective acquisition cost, being recorded under Other Income - Income and Gains on Non Financial Investments or other Expenses - Expenses and Losses on Non Financial Investments, respectively.

As there is an active market for emission rights, they are re-valued at market value at the end of each period, and the Equity - Subsidies and Donations or the profit and loss account is adjusted simultaneously, depending on whether the licenses are granted or acquired, respectively.

(d) EQUITY HOLDINGS – EQUITY METHOD

Investments in associates are valued according to the equity method.

On the investment acquisition date, the difference between the cost of the investment and the Group's share in the identifiable fair value of the assets, liabilities and contingent liabilities of the acquired investment was accounted for in accordance with NCRF 14 - Concentrations of Business Activities. Therefore:

- Associated goodwill was included in the recorded amount of the investment.
- The excess of the Group's share of net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities over the cost of the acquisition was not included in the recorded amount of the investment and was included as income in the profit and loss statement for the period of the acquisition.

After the acquisition date, the carrying value of the investments:

- Was increased or decreased to recognize investee shares in results after the date of acquisition;
- Was decreased by the earnings distribution received;
- Was increased or decreased to reflect, against Equity, changes to the Group's proportional interest in stakes resulting from changes in the equity of the stakes in question that were not recognized in the respective income statement. These changes include, amongst other situations, those resulting from the reassessment of tangible fixed assets and currency translation differences.

The following provisions regarding the application of this method were also followed when measuring these investments:

- The financial statements of the investees had been prepared, or adjusted outside the accounts, in order to reflect the Group's accounting policies before being used to determine the effects of the equity method;
- The investee financial statements used to determine the equity method effects are reported on the same date as those of the Group or, if different, there is a difference of no more than three months from those of the Group;
- Results from "ascending" and "descending" transactions are only recognized to the extent that they correspond to the interests of other investors in the associate, unrelated to the investor.

- When the value of an investment is reduced to zero, additional losses are taken into account by recognising a liability whenever the Company incurs into legal or constructive obligations. If the investees subsequently report profits, the Group only recommences their recognition once its share in the profits equals the unrecognized share of the losses.

(e) EQUITY HOLDINGS – OTHER METHODS

The group uses the cost model for financial investments in non-listed entities, to which the equity method does not apply

According to the cost model, financial stakes are initially recognized at acquisition cost, including transaction costs. Their value is subsequently decreased by impairment losses, whenever they occur.

(f) INCOME TAX

(f.1) Deferred tax assets and liabilities

Deferred tax assets and liabilities result from determining the time differences between the accounting bases and tax bases of the Group's assets and liabilities

Deferred tax assets reflect:

- Deductible time differences, to the extent that future taxable gains are likely to exist, with regard to which the deductible difference may be used;
- Unused tax losses and unused tax credits, to the extent that it is likely that future taxable gains will be available, against which they may be used.

Deferred tax liabilities reflect taxable time differences.

The Group does not recognise deferred tax relating to temporary differences associated to investments in associates and joint ventures as it considers that the following conditions are simultaneously met:

- The Group is able to control the timing of the reversal of the time difference; and
- It is likely that the time difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities:

- Is made at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
- Measurements reflect tax consequences arising from the way in which the Group, on the balance sheet date, expects to recover or settle the carrying value of its assets and liabilities.

(f.2) Income tax for the year

Income tax for the year includes current and deferred taxes from the financial year.

Current tax is determined based on the accounting profit and loss, adjusted in accordance with current tax legislation to which each of the companies included in the consolidation is subject.

The parent company and direct or indirect subsidiaries in which at least 90% of the respective capital is held, which are resident in Portugal and taxed under Income Tax and are taxed under the scope of the Special Taxation Regime for Groups of Companies at a rate of 21%, plus the surcharge up to the maximum rate of 6.5% of Taxable Income, resulting in a maximum aggregated rate of 27.5

Income tax relating to the rest of the companies included in the consolidation is calculated at the current rates in the countries where the respective headquarters are located:

Country	2019 Tax	2018 Tax
Income tax	21,0%	21,0%
Municipal surcharge	1,5%	1,5%
State surcharge	3% - 5%	3% - 5%
Income tax	25,0%	25,0%

Under the terms of the current legislation in the different jurisdictions in which the companies included in the consolidation carry out their activities, the corresponding tax returns are subject to review by the tax authorities for a period that varies from between four to five years, which may be prolonged under certain circumstances, specifically

when there are tax losses or inspections, claims or challenges are in progress.

The Board of Directors, based on the positions of its tax advisers, and considering the recognized responsibilities, understand that any possible reviews of these tax returns will not result in material corrections to the consolidated financial statements.

(g) INVENTORIES

The assessment of inventories and respective costing methods are as follows:

	Valuation	Valuation methods
Goods	Acquisition cost (*)	Average cost
Raw materials, subsidiary materials and consum.	Acquisition cost (*)	Average cost
Finished and semi finished products	Production cost (*)	Average cost
Works in progress	Production cost (*)	Average cost
(*) Or net realizable value, whichever the lower		

The cost of inventories includes:

- Average acquisition cost of the raw materials that are incorporated;
- Purchase costs (purchase price and transport costs)

Whenever the net realizable value is lower than the purchase or conversion cost, the value of the inventories is reduced by recognizing an impairment loss, which is reversed when the reasons that led to it cease to exist.

For this purpose, the net realizable value is the estimated selling prices during the ordinary course of the business activity, less the estimated costs of finishing and the costs required to make the sale. Estimates consider changes related to events occurring after the end of the period.

(h) OTHER FINANCIAL ASSETS

Financial assets are recognized when the companies included in the consolidation become a party to the respective contractual relationship.

Financial assets not included in previous items, and that are not valued at fair value, are valued at cost or at amortized cost net of impairment losses, where applicable.

The group assesses the impairment of these assets at the end of the year. Whenever an objective evidence of impairment existed, the Group recognised an impairment loss in the statement of comprehensive income.

Objective evidence that a financial asset or group of assets could be in impairment takes into account observable data that can call attention to the following loss events:

- The debtor being in significant financial difficulty;
- Breach of contract, such as non-payment or default on interest payments or repayment of debt;
- For economic or legal reasons related to the debtor's financial difficulty, the companies included in the consolidation offer concessions to the debtor that they would not otherwise consider.
- The debtor is likely to become bankrupt or subject to any other financial reorganisation;
- Observable information indicating that has been a measured decrease in future cash flow estimates of a group of financial assets, since their initial recognitions.

Individually significant financial assets were assessed individually for the purposes of impairment. All other financial assets were assessed based on similar credit risk characteristics.

Some specific aspects relating to each type of financial asset are shown below:

(h.1) Trade receivables

Accounts receivable are initially measured according to measuring criteria for Sales and Services described in sub-paragraph q) and subsequently measured at amortised cost minus impairment.

Impairment is determined based on criteria defined in line h).

(h.2) Other accounts receivable

Other accounts receivable are valued as follows:

- Personnel - at cost less impairment;
- Receivables from accrued income - at cost;
- Other receivables - cost minus impairment.
- Loans to shareholders do not bear interest or have any implicit interest rate, so they are presented at their respective nominal value, less impairment losses, where applicable.

In both cases, impairment is determined based on criteria defined in line h).

(h.3) Cash and bank deposits

The amounts included in this item correspond to the amounts of cash and other deposits, which mature in less than three months and can be mobilized immediately with an insignificant risk of change in value.

These balances are measured as follows:

- Cash - at cost;
- Deposits without defined maturity - at cost;
- Other deposits with defined maturity - at amortized cost, determined based on the effective interest rate method.

For the purposes of the cash flow statement, the “Cash and cash equivalents” caption includes any bank overdrafts included under the “Loans” caption, as well as cash and bank deposits”.

(i) GOVERNMENT AND OTHER PUBLIC BODIES

The active and passive balances of this item are ascertained based on current legislation.

No impairment whatsoever was recognized for assets, as it is not considered to apply due to the specific nature of the relationship.

(j) DEFERRED ASSETS AND LIABILITIES

This item reflects transactions and other events whose full recognition in the profit and loss of the year in which they occur is not appropriate, but that should be recognized in the profit and loss of future years.

(l) EQUITY CAPTIONS

(l.1) Legal Reserves

According to article 295 of the CC, at least 5% of annual net profit must be appropriated to a legal reserve until the reserve equals at least 20% of share capital.

This reserve is not available for distribution except upon liquidation of the company, but can be used to absorb losses once the other reserves have been exhausted, or to increase capital (art. 296 of the CC).

(l.2) Other reserves

This caption includes revaluation reserves made under the terms of the former GAAP (Generally Accepted Accounting Principles) and those made on transition date, net of corresponding deferred tax, which are recorded in caption Revaluation Surpluses as the company adopted the considered cost method on the date of conversion to the SNC.

Revaluation reserves made by law, according to the legislation in question, are only available to increase capital or to cover losses incurred up until the date on which the reappraisal is reported, and only after being paid in (for use or sale).

This also includes reserves resulting from a reappraisal on the transition date, which will only be available for distribution after being paid in (for use or for sale).

(I.3) Retained earnings

This caption includes earnings available for distribution to shareholders and gains deriving from increase in the fair value of derivative financial instruments, financial investments and investment property which, according to paragraph 2 of article 32 of the CC, will only be available for distribution when the respective underlying elements or rights will be sold, exercised, extinguished or settled.

(I.4) Other changes in equity

This caption includes adjustments to fair value of financial assets such as derivatives used to manage interest rate, exchange rate or commodity risks already contracted or having a high probability of being transacted in the future which, according to paragraph 2 of article 32 of the CC, will only be available for distribution when the respective underlying elements or rights will be sold, exercised, extinguished or settled.

This also includes adjustments concerning the application of the equity method, specifically the appropriation of changes to the equity of investees and unallocated profits.

Other changes in equity include:

(I.4.1) Investment subsidies

Non-refundable subsidies are recognized under this caption, net of deferred taxes, which are related to tangible and intangible assets.

Subsidies are recognized when there is reasonable certainty that the Group has complied/will comply with the associated conditions and that the subsidy will be received.

This account is reduced following the initial recognition as follows:

- In what concerns subsidies relating to depreciable tangible fixed assets and intangible assets with a definite useful life, by their allocation, on a systematic basis, to income during the periods necessary to offset the subsidies with related expenses.
- Tangible fixed assets not subject to depreciation, and intangible assets with an indefinite useful life are reduced by allocation to revenue during any year where it is necessary to compensate for any impairment loss recognized regarding the assets in question.

These subsidies are not available for distribution until they are assigned to revenue during the periods necessary to: (i) balance the subsidies with related expenses which they are intended to offset, i.e. depreciation and amortisation and/or (ii) any impairment loss recognised in relation to such assets.

(l.4.2) Emission rights

These reserves, corresponding to Emission Rights given and recognised as provided in sub-paragraph c.4) above are transferred to Other income and gains as the corresponding CO2 emissions are made by the group companies.

According to sub-paragraph 2 of article 32 of the CC, these reserves will only be available for distribution when the underlying rights will be sold, exercised, extinguished or liquidated.

(m) PROVISIONS

This caption reflects the Group's legal and constructive obligations arising from past events, whose liquidation is expected to result in an outflow of resources from the entity, including economic benefits, with uncertain timing and amounts, but whose value can be reliably estimated

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at balance sheet date. Whenever the time value of money is significant, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation and which does not reflect risks in relation to which estimated future cash flows have been adjusted.

(n) POST-EMPLOYMENT BENEFIT AND STAFF COST RESPONSIBILITIES

Staff costs are recognized when the service is provided by employees, regardless of their payment date.

Some specific aspects relating to each benefit are shown below:

(n.1) Post-employment benefits

The group has the post-employment benefit plans indicated on the following table:

Empresa	Name of plan	Type	Addressees	Location
Bondalti Chemicals	Retirement pension plans	Defined benefit - complementary pension for old age, disability and survival	of some of the former and present employees	Portugal
Bondalti Chemicals	Medical benefits	Defined benefit - medical benefits without provided fund	of some of the former and present employees	Portugal

Under the terms of the Social Benefits Regulation in force in the group, certain employees on the permanent workforce are entitled, after retirement, to a share of health care expenses and a pension supplement for old age, disability or survival. Years of service are considered when calculating these supplements and contributions, as well as their perks in the company that originally employed them.

In the defined benefit plans, responsibilities are recognized and measured in accordance with NCRF 28 - Employee Benefits.

Under these terms, the cost of providing benefits is determined as follows:

- Separately for each plan;
- Using the projected credit unit method;
- Based on actuarial assumptions in force in Portugal.

The cost of past services of current employees is recognised: (i) immediately, as concerns the share already due, and (ii) on a straight-line basis over the remaining period of service, as concerns the share not yet due.

(n.2) Holiday Pay and Holiday Bonus

According to the law in force, employees are entitled to holiday pay and holiday bonus in the following year to which the service is provided. Hence, the company recognised in the profit and loss statement for the year an amount payable in the following year, which is recorded in caption “Other Debts Payable”.

(o) FINANCIAL LIABILITIES

Financial liabilities are recognised when the companies included in the consolidation become a party to the contractual relationship.

(o.1) Loans

Loans covered by variable interest rate hedges are recorded at amortised cost determined based on the effective interest rate. According to this method, loans are initially recognised as liabilities at the amount received, net of issuing costs, which corresponds to the respective fair value at that date. Subsequently, loans are measured according to the amortized cost method, which includes all financial expenses calculated according to the effective interest rate method.

Other loans are measured at cost, and recognised as liabilities at their nominal value.

(o.2) Suppliers, Advances from Clients and Other Debts Payable

Accounts payable to suppliers are measured at cost.

(o.3) Shareholders

Shareholders loans do not accrue interest or involve any type of interest, therefore they are stated at respective nominal value, in caption “other debts payable”, minus any impairment loss where applicable, determined based on the criteria provided in sub-paragraph p)

(p) EFFECT OF CHANGES IN EXCHANGE RATE

Foreign currency transactions are translated into Euro at the date of transaction.

Balances due at the end of the period are translated at closing rate and the difference is recognised in the income statement.

(q) SALES AND SERVICES

Sales and rendered services are measured at the fair value of the consideration received or receivable, minus the amounts relating to trade discount for multiple purchase/orders.

Where the selling price of products/services includes an identifiable amount of subsequent services, such amount is deferred and recognised as revenue in the period in which the service is provided.

Although revenue is only recognised when it is probable that any future economic benefit associated with the item of revenue will flow to the company, when there is doubt as to the recoverability of an amount already recognised as revenue, the irrecoverable amount, or the amount unlikely to be recovered, will be recognised as impairment and not as an adjustment to the revenue amount initially recognised.

The recognition of sales and rendered services is subject to specific features, amongst which the following:

(q.1) Sales

Revenue arising from the sale of goods should be recognised when all of the following criteria have been satisfied:

- The seller has transferred to the buyer the significant risks and rewards of ownership;
- The seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the seller, and
- The costs incurred or to be incurred in respect to the transaction can be measured reliably.

(q.2) Rendered Services

Revenue arising from rendered services is recognised when the result of the transaction can be reliably estimated, which occurs when all of the following criteria are met:

- The amount of revenue can be reliably measured ;
- It is likely that the economic benefits associated to the transactions will flow to the Group;
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably;

The stage of completion is determined based on the proportion of the costs incurred so far on total estimated costs of services (relating to rendered services or services to be rendered).

When the outcome of a contract cannot be estimated reliably, the Group recognises it according to the nil profit method. According to this method, total costs incurred are recognised as expenses for the period combined with equivalent revenues, and no profit is recognised.

Progressive payments and cash receipts from clients are not taken into account for determining the completion percentage, not even according to the null profit method.

(r) OPERATING SUBSIDIES

This caption recognizes non repayable subsidies not related to assets and only when there is reasonable certainty that the Group will comply with the conditions required for them to be granted.

(s) INTEREST AND SIMILAR EXPENSES

Financing costs are recognised in the income statement for the period to which they relate and include:

- Interest paid determined based on the effective interest rate method;
- interest of interest rate hedging instruments and raw-materials (swaps);

Costs incurred on loans obtained directly to finance the acquisition, construction or production of tangible fixed assets are capitalised as part of the cost of the assets. Such costs are capitalised as from the beginning of the preparation for construction or development of the assets and end upon termination of the production or construction of the asset or when the project in question is suspended.

(t) HEDGING INSTRUMENTS

Only the effective part of derivatives designated as such are considered as financial hedging instruments, when the entity expects that the changes to the fair value or cash flows of the hedged item, attributable to the hedged risk, will practically compensate for changes to the fair value or cash flows of the hedging instrument.

In the absence of detailed directives in NCRF 27 - Financial Instruments on how to test and substantiate the effectiveness of the hedging, companies included in the consolidation follow provisions in IAS 39 - Financial instruments.

Changes to the fair value of derivative instruments to hedge fixed interest rate risks, or the risk of price of goods that are held, as well as changes to the fair value of the asset or liability subject to that risk, are recognized in the profit and loss accounts under the “Fair value increases/reduction” caption.

Changes in the fair value of derivative instruments of floating interest rate risk, foreign exchange risk, commodity price risk resulting from firm commitment or highly probable transaction are recognised in equity under caption "adjustments to financial assets" as concerns their effective part and in the income statement in caption "Increase/decrease at fair value" as concerns their ineffective part.

Hedge accounting is discontinued when the hedging instrument matures, is sold or exercised, or when the hedging relationship ceases to comply with the requirements NCRF 27 - Financial Instruments, under the terms specified in of IAS 39 - financial instruments.

The effective part of the hedging instruments are recorded in the balance sheet in caption "other financial assets" or in "Borrowings", as they are receivable or payable or as current or non current depending on the caption where respective hedged instruments are recorded in the balance sheet.

(u) CONTINGENT ASSETS AND LIABILITIES

A contingent asset is a possible asset arising from past events the existence of which will depend on whether some uncertain future event will occur which are not entirely under company's control and therefore are not recognised. However, they are disclosed when a future inflow is likely to occur.

A Contingent Liability is:

- A possible obligation arising from past events the existence of which will depend on whether some uncertain future event occurs which are not entirely under the company's control; or
- A present obligation as a result of past events but which is not recognized as:
  - An outflow of resources is not likely to be required to settle the obligation; or
  - The amount of the obligation cannot be reasonably quantified;

Contingent liabilities are not recognised. However, they are disclosed when there is a probability of future outflows which is not remote.

(v) SUBSEQUENT EVENTS

Events that occur after the balance sheet date that provide additional information on conditions that existed as of the balance sheet date are reflected in the consolidated financial statements. Events that occur after the balance sheet date that provide information on conditions that exist after the balance sheet date, if relevant, are disclosed in the notes to the consolidated financial statements.

3.2 CONSOLIDATION BASES

The corporate universe of the Group is made up of the subsidiaries listed in Note 5.

Joint ventures are included in the financial statements according to the proportional consolidation method, combining, line by line, the share in each item of assets, liabilities, income and gains and expenses and losses of the jointly controlled ventures with the similar items of the Groups financial statements.

In compliance with provisions in article 6 of Decree-law 158/2009, of 15 July, as amended by Decree-Law No. 98/2015, of 2 June, which approved the SNC, the entity prepares consolidated accounts of the Group composed by itself and all the subsidiaries in which:

- Irrespective of the capital ownership, one of the following occurs:
  - It can exercise or effectively exercises a controlling influence;
  - It governs the business policies of both companies as though they constituted a single entity;
- As holder of share capital:
  - It holds the majority of voting rights, except if it is proven that such rights do not confer control;
  - It has the power to appoint or remove the majority of the members of the governing body of the other entity with powers to govern the financial and operating policies of such entity;
  - It exercises a controlling influence over the other entity, by virtue of a contract entered with such entity or any other clause in the said entity's memorandum of association;
  - It holds at least 20% of the voting rights and the majority of the members of the governing body of the other entity with the powers to govern the financial and operating policies of such entity who have held office during the year to which the consolidated financial statements refer, or in the preceding year until the moment these are prepared, were exclusively appointed as result of the exercise of its voting rights;
  - It holds, alone or by virtue of an agreement with other capital holders of the other entity, the majority of the voting rights of the holders of this entity's share capital.

The existence and effect of potential voting rights that can currently be exercised or converted are considered when an appraisal is made as to whether or not control exists.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Accounting policies followed by the subsidiaries and joint ventures for preparing their separate financial statements were altered, where necessary, to ensure consistency with the policies adopted by the Group.

The purchase method is used for accounting business combinations. The cost of an acquisition is measured at the fair value of the delivered assets, capital instruments issued and liabilities incurred or assumed on the acquisition date plus costs directly attributed to the acquisition.

The excess of the acquisition cost over the share of the Group in the fair value of the identifiable assets, liabilities and contingent liabilities purchase is recognised as Goodwill.

If the acquisition cost is lower than the said fair value, the difference is recognised directly in the income statement for the year it is determined, after reassessing the identification process and measuring of the fair value of the liabilities and contingent liabilities.

In the consolidation process, transactions, balances and non realised gains in intra-group transactions and dividend distributed amongst group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of loss through the impairment of the assets being transferred.

Provisions in NCRF 25 - Income Tax were applied for temporary differences arising from the elimination of results deriving from intra-group transactions.

Equity and net profit of subsidiaries which are held by other than the Group are recorded in Non Controlling Interests captions of the Balance Sheet (separately under equity) and in the consolidated income statement, respectively. On the date of each business combination, the amounts attributable to Non Controlling Interests are determined using the shareholding percentage held by them at the fair value of the identifiable net assets and contingent liabilities acquired.

Where losses attributed to minority shareholders exceed non controlling interests in shareholders' equity of the subsidiary, the Group absorbs such excess and any additional losses, except where the non controlling interests are required to and can cover such losses. Where the subsidiary subsequently reports profits, the Group appropriates them up to the amount of the losses absorbed by the Group.

3.3 MAIN JUDGEMENTS AND ESTIMATES USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

In the preparation of the consolidated financial statements according to the ASS, the Board of Directors of the Group uses judgements, estimates and assumptions which affect the application of policies and reported amounts.

Estimates and judgements are continuously assessed and are based on experiences of past events and other factors, including expectations regarding future events considered likely due to the circumstances, where estimates are based on or are the result of acquired information or experience. Real effects may differ from the judgements and estimates that are made, specifically regarding the impact of costs and profits that actually occur.

The most significant accounting estimates reflected in the consolidated financial statements are as follows:

(a) USEFUL LIFE OF TANGIBLE AND INTANGIBLE FIXED ASSETS

The useful life of an asset is the estimated period of during which an asset subject to depreciation is judged to be productive in a business and should be reviewed at least at the end of each economic year.

The amortisation/depreciation method applicable and estimated losses arising from replacing the equipment before the end of their useful life, due to technology obsolescence, is crucial to determine the effective life of an asset.

These parameters are defined according to the management's best estimate for the assets and businesses concerned, considering the practices adopted by companies in the sector where the Company operates.

(b) DEFERRED TAX ASSETS

Deferred tax assets are recognised for all recoverable losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Taking into account the effect that this may have on future results, the Board of Directors must make a judgement to determine the amount of deferred tax assets that can be recognized, taking the following into account:

- Probable date and amount of future tax profits; and
- Future tax planning strategies.

(c) PROVISIONS FOR TAX

The Group, based on the opinion of its tax consultants and taking into account recognised liabilities, believes that any possible reviews of these tax returns will not result in material corrections to the consolidated financial statements that would require the constitution of any provisions for tax.

(d) FAIR VALUE OF FINANCIAL INSTRUMENTS

When the fair value of financial assets and liabilities at the date of the consolidated balance sheet cannot be determined on active markets, it will be determined based on valuation techniques including discounted cash flows and other adequate techniques under the circumstances. The inputs for these techniques will be withdrawn, where possible, from market variables, but if not possible, a certain degree of judgement will be required to determine the fair value, including considerations on the liquidity risk, credit risk and volatility.

(e) POST-EMPLOYMENT BENEFITS

The assessment of responsibilities for retirement and health benefits granted to company employees is conducted on an annual basis, using actuarial studies drawn up by independent experts, based on actuarial assumptions associated with economic and demographic indicators. All indicators used are specific to the countries where the benefits are attributed and include, among others:

- Salary Growth Rate, Fund Yield Rate and Technical Interest Rate;
- Mortality tables available for Portugal;
- Future salary and pension increases based on expected future inflation rates for Portugal.

Changes in these assumptions may have a significant impact on liabilities.

(f) DEVELOPMENT COSTS

Development costs are capitalised according to the accounting policy described in Note 3. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised the Board of Directors makes assumptions regarding the expected cash flows which will be generated by the project, discount rates to be applied and the expected period of benefits.

(g) IMPAIRMENT OF ACCOUNTS RECEIVABLE

The credit risk of balances of accounts receivable is assessed on the date of each report, taking into account the debtor's historical information and risk profile, as mentioned in paragraph 3.1.

Accounts receivable are adjusted by the assessment made to estimated collection risks existing at balance sheet date, which may differ from the effective risk to incur in the future.

(h) PROVISIONS

The recognition of provisions includes determining the probability of future outflows and its reliable measurement

These factors are often dependent on future events which are not always under the Group's control, hence they may lead to significant adjustments in the future, via change in the assumptions used or the future recognition of provisions previously recorded as contingent liabilities.

(i) PROVISIONS DISMANTLING AND RESTORING SITES

Provisions for dismantling and removal of goods from the tangible fixed asset and for restoring the site depend on assumptions and estimates that make them sensitive to:

- Expected cost to be incurred;
- Foreseeable date for the occurrence of the costs;
- Discount rate used in the discount of expected outflows.

3.4 CHANGES IN ACCOUNTING POLICIES

Following the transposition into the domestic legal order of Directive 2013/34/UE, of the European Parliament and of the Council of 26 June 2013, enacted by Decree-law 98/2015 of 2 June, the following changes occurred in the Accounting Normalization System (SNC) the implementation of which is mandatory for financial years beginning at or after 1 January 2016. The application of these standards and interpretations has no significant impact on the Group's financial statements.

3.5 MAIN EVENTS IN THE YEAR

With a view to simplify the Group's corporate structure, SGPAMAG and AP were merged into Bondalti Chemicals, the first through incorporation, as the latter was already 100% held by B Chemicals.

04 CASH FLOWS

Caption Cash and Cash Equivalents in the Cash Flow Statement is made up as follows:

	31/12/2019	31/12/2018
Cash	14 622	11 447
Demand deposits	35 386 226	36 109 386
	35 400 848	**36 120 833**

05 RELATED PARTIES

5.1 GROUP ENTITIES

The Company is 100% held by Bondalti SGPS, S.A., which in turn is 100% held by Bondalti Capital, S.A..

Bondalti Capital, S.A. also discloses consolidated financial statements.

The companies included in the consolidation, their head offices and the proportion of capital held in them at 31 December 2019 and 2018 are as follows:

Subsidiaries	Location	% held	Effective control 2019	Effective control 2018
Renoeste - Valorização de Recursos Naturais, S.A. ("Renoeste")	Estarreja	100%	100%	100%
Elnosa - Electroquímica del Noroeste, S.A. ("Elnosa")	Pontevedra	100%	100%	100%
Nutriquim - Produtos Químicos, S.A. ("Nutriquim")	Barreiro	100%	100%	100%
Bondalti Cantábria, S.A. ("B Cantábria")	Torrelavega	80%	96%	96%
Miralcalis - Activos de Produção de Cloro, S.A. ("Miralcalis")	Oeiras	80%	80%	80%

Regarding Renoeste, despite efforts made in 2016 and 2017 it was neither possible to find a partner with experience in salt production and commercialization, which would have allowed the company to return to normal operations, nor an entity interested in acquiring the company or assets involved in its operation.

Bondalti Cantabria is already producing, although with some stoppages along the way to allow for the necessary adjustments.

These subsidiaries were fully consolidated according to the criteria described in Note 3.2.

Associates	Location	% held	2019	2018
AQP - Aliada Quimica Portugal, Lda ("AQP")	Estarreja	49,9%	49,9%	49,9%

5.2 TRANSACTIONS WITH RELATED PARTIES:

Transactions with related parties occurred in the years ended 31 December 2019 and 2018 were as follows:

	2019			
Companies	**Sales and services**	**Services purchased**	**Other income**	**Other expenses**
Bondalti SGPS, SA	-	21 108	-	-
Bondalti Capital, SA	-	4 096 686	-	-
AQP Aliada Quimica Portugal, Ld	655 919	-	-	-
INNOVNANO - Materiais Avançados, SA	1 097	-	-	-
	657 016	**4 117 794**	-	-

	2018			
Companies	**Sales and services**	**Services purchased**	**Other income**	**Other expenses**
Bondalti SGPS, SA	-	21 108	-	-
Bondalti Capital, SA	-	3 828 954	-	-
AQP Aliada Quimica Portugal, Ld	663 549	-	43 041	-
AP Amoniaco de Portugal, SA	-	17 260 725	-	443 320
INNOVNANO - Materiais Avançados, SA	1 637	-	-	-
SGPAMAG, S.A.	6 544	1 437 271	90 103	-
	671 729	**22 548 059**	**133 143**	**-**

As of 31 December 2019 and 2018, balances with these entities were made up as follows:

	31/12/2019			
	Assets		Liabilities	
Companies	**Clients (Note 13.1)**	**Other accounts receivable (Note 13.1)**	**Suppliers (Note 13.2)**	**Other debts payable (Note 13.3)**
Bondalti SGPS, SA	955	234 200	798 839	4 230 806
Bondalti Capital, SA	-	-	6 491	-
AQP Aliada Quimica Portugal, Ld	138 867	-	-	-
INNOVNANO - Materiais Avançados, SA	5 914	-	7 182	-
	145 736	**234 200**	**812 511**	**4 230 806**

	31/12/2018			
	Assets		Liabilities	
Companies	Clients (Note 13.1)	Other accounts receivable (Note 13.1)"	Suppliers (Note 13.2)	Other debts payable (Note 13.3)
Bondalti Capital, SA	4 257	324 861	66 137	5 217 422
Bondalti SGPS, SA	-	50 000	8 654	6 000 000
AQP Aliada Quimica Portugal, Ld	49 352	-	-	-
AP Amoniaco de Portugal, SA	111 207	-	1 963 201	-
INNOVNANO - Materiais Avançados, SA	7 702	-	-	-
SGPAMAG, S.A.	16 107	-	553 518	-
	188 626	**374 861**	**2 591 511**	**11 217 422**

In line with previous years, the balance of Other debts payable with Bondalti Capital concerns changes occurred within the scope of the special taxation regime for company groups (RETGS).

06 TANGIBLE FIXED ASSETS

The gross recorded amount and any cumulative depreciation and impairment losses and the reconciliation of the recorded amount for the beginning and end of the period, separately showing increases, revaluations, disposals, assets held for sale, depreciation, impairment losses and respective reversals and other changes, are specified in the following table:

	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other fixed assets	Investments in progress	Advances	Total financial assets
Cost:									
01 January 2018	**1 184 675**	**35 649 522**	**287 385 989**	**675 742**	**2 838 274**	**2 261 376**	**2 488 878**	**10 039 598**	**342 524 054**
Increases	-	143 894	2 899 067	-	19 317	59 648	21 551 168	-	24 673 093
Transfers	-	3 701 019	1 907 376	-	-	51 663	(2 014 543)	(3 666 592)	(21 077)
Disposals	-	-	(1 764)	-	-	-	-	-	(1 764)
Write-downs	-	-	-	-	-	(214 695)	-	-	(214 695)
31 December 2018	**1 184 675**	**39 494 434**	**292 190 668**	**675 742**	**2 857 590**	**2 157 992**	**22 025 503**	**6 373 007**	**366 959 611**
Increases	-	64 339	5 963 803	59 625	57 852	75 033	33 667 934	-	39 888 586
Merger group companies	-	75 676	11 560 605	-	2 989	106 613	-	-	11 745 883
Transfers	-	25 343	4 804 679	-	17 463	133 923	943 465	(5 819 730)	105 143
Disposals	(45 599)	(1 171 843)	(2 059 158)	(37 658)	(3 990)	(6 877)	-	-	(3 325 124)
31 December 2019	**1 139 076**	**38 487 950**	**312 460 597**	**697 709**	**2 931 904**	**2 466 685**	**56 636 902**	**553 277**	**415 374 100**

	Land and natural resources	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other fixed assets	Investments in progress	Advances	Total financial assets
Amortization and Impairment:									
01 January 2018	**219 308**	**30 540 617**	**205 141 151**	**593 277**	**2 704 178**	**1 929 461**	**-**	**-**	**241 127 992**
Depreciation (Note 25)	-	675 201	14 975 015	21 080	33 895	126 273	-	-	15 831 465
Transfers	-	-	(18)	-	-	-	-	-	(18)
Write-downs	-	-	(31 400)	-	-	(214 695)	-	-	(246 095)
Impairment	-	-	(11 191)	-	-	-	-	-	(11 191)
31 December 2018	**219 308**	**31 215 818**	**220 073 557**	**614 357**	**2 738 073**	**1 841 039**	**-**	**-**	**256 702 152**
Depreciation (Note 25)	-	652 046	16 036 561	27 982	40 267	155 928	-	-	16 912 785
Merger group companies	-	48 304	5 929 513	-	1 748	89 193	-	-	6 068 758
Disposals	-	(1 023 644)	(1 969 018)	(37 658)	(3 990)	(6 877)	-	-	(3 041 186)
31 December 2019	**219 308**	**30 892 525**	**240 070 613**	**604 681**	**2 776 099**	**2 079 282**	**-**	**-**	**276 642 508**
Net carrying amount:									
As of 31 December 2019	**919 767**	**7 595 425**	**72 389 984**	**93 028**	**155 806**	**387 403**	**56 636 902**	**553 277**	**138 731 591**
As of 31 December 2018	**965 366**	**8 278 616**	**72 117 112**	**61 385**	**119 517**	**316 953**	**22 025 503**	**6 373 007**	**110 257 459**
As of 01 January 2018	**965 366**	**5 108 905**	**82 244 838**	**82 465**	**134 096**	**331 915**	**2 488 878**	**10 039 598**	**101 396 062**

As shown in table above, depreciation for the period totalled € 16,913 thousand (2018: EUR 15,820 thousand) and cumulative depreciation at the end of the period totalled EUR 276,643 thousand (2018: € 256,702 thousand).

Depreciation for the period was not included as part of the cost of other assets and was fully recognised in the income statement under caption Depreciation and Amortisation Expenses/ Reversals.

Caption Advances concerns the total amount of the advance made to the main supplier of the reconversion of the chlor-alkalis plant of Bondalti Cantabria, located in Torrelavega.

07 INVESTMENT PROPERTY

Investment property is property held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independent from the other assets held by the entity, which are whether occupied by Group companies or held for use in the production or supply of goods or services, or determined as for short-term sale in the ordinary course of business.

As described in paragraph 3.1-b), the Company adopts the cost model to evaluate its investment property.

The gross recorded amount and any cumulative depreciation and impairment losses and the reconciliation of the recorded amount for the beginning and end of the period, separately showing increases, revaluations, disposals, assets held for sale, depreciation, impairment losses and respective reversals and other changes, are specified in the following table:

	Land and natural resources	Buildings and other constructions	Total Investment property
Cost:			
01 January 2018	**18 727 770**	**2 488 139**	**21 215 909**
Increases	734 009	-	734 009
Disposals	(239 425)	(149 800)	(389 225)
31 December 2018	**19 222 354**	**2 338 339**	**21 560 693**
Increases	1 984	-	1 984
Disposals	(858 856)	-	(858 856)
31 December 2019	**18 365 482**	**2 338 339**	**20 703 822**

	Land and natural resources	Buildings and other constructions	Total Investment property
Amortization and Impairment:			
01 January 2018	**-**	**1 924 353**	**1 924 353**
Depreciation (Note 25)	-	68 220	68 220
Disposals	-	(119 178)	(119 178)
31 December 2018	**-**	**1 873 396**	**1 873 396**
Depreciation (Note 25)	-	46 589	46 589
31 December 2019	**-**	**1 919 985**	**1 919 985**
Net carrying amount:			
As of 31 December 2019	**18 365 482**	**418 355**	**18 783 837**
As of 31 December 2018	**19 222 354**	**464 944**	**19 687 298**
As of 01 January 2018	**18 727 770**	**563 786**	**19 291 556**

As shown in table above, depreciation for the period totalled € 47 thousand (2018: EUR 68 thousand) and cumulative depreciation at the end of the period totalled EUR 1,920 thousand (2018: € 1,873 thousand).

08 INTANGIBLE ASSETS

The gross recorded amount and any cumulative amortisation and the reconciliation of the recorded amount for the beginning and end of the period, separately showing increases, disposals, assets held for sale, amortisation, impairment losses and other changes, are shown in the following table:

	Development projects	Software	Industrial property	Emission allowances	Total intangible assets
Cost:					
01 January 2018	**1 986 490**	**638 981**	**155 246**	**2 239 127**	**5 019 843**
Acquisitions	-	95 552	-	-	95 552
Use of emission allowances	-	-	-	(266 666)	(266 666)
Changes in fair value	-	-	-	2 844 366	2 844 366
Transfers	-	1 144	-	(49 142)	(47 998)
31 December 2018	**1 986 490**	**735 677**	**155 246**	**4 238 585**	**7 115 997**
Acquisitions	-	78 257	36 823	-	115 080
Use of emission allowances	-	-	-	(765 007)	(765 007)
Changes in fair value	-	-	-	152 233	152 233
Disposals	-	-	(134 594)	(943 020)	(1 077 614)
31 December 2019	**1 986 490**	**828 210**	**57 475**	**2 682 791**	**5 554 966**

	Development projects	Software	Industrial property	Emission allowances	Total intangible assets
Amortization and Impairment:					
01 January 2018	**1 883 197**	**638 981**	**15 790**	**246 077**	**2 784 044**
Amortisation (Note 25)	52 071	715	8 054	861 046	921 886
Write-downs	-	-	-	(362 565)	(362 565)
31 December 2018	**1 935 268**	**639 696**	**23 844**	**744 558**	**3 343 365**
Amortisation (Note 25)	26 724	9 840	8 168	804 064	848 797
Other reclassifications	-	2 776	-	-	2 776
Disposals	-	-	(25 254)	-	(25 254)
Write-downs	-	-	-	(910 329)	(910 329)
31 December 2019	**1 961 992**	**652 312**	**6 758**	**638 293**	**3 259 356**
Net carrying amount:					
As of 31 December 2019	**24 497**	**175 898**	**50 717**	**2 044 498**	**2 295 611**
As of 31 December 2018	**51 222**	**95 981**	**131 402**	**3 494 027**	**3 772 632**
As of 01 January 2018	**103 293**	**-**	**139 456**	**1 993 050**	**2 235 799**

As shown in table above, depreciation for the period totalled € 849 thousand (2018: € 922 thousand) and cumulative depreciation at the end of the period totalled € 3,259 thousand (2018: € 3,343 thousand).

09 EQUITY HOLDINGS

The Group's equity holdings at 31 December 2019 and 2018 are made up as follows:

	31/12/2019	31/12/2018
Equity method		
Investments in associates (Note 9.1)	971 250	1 136 989
	971 250	**1 136 989**

	31/12/2019	31/12/2018
Other methods		
Investment in other companies		
Non listed shares (Note 9.2)	9 533	9 228
	9 533	**9 228**

9.1 INVESTMENTS IN ASSOCIATES

Associated companies consolidated according to the equity method, their head offices and the proportion of capital held in them are as follows:

		Financial information at				
	Location	Equity	Net result	%	31/12/2019	31/12/2018
Equity method						
AQP	Estarreja	2 278 536	354 450	49,90	971 250	1 136 989

Changes occurred during the year in subsidiaries measured by the equity method are as follows:

	Balance at 01 January 2019	Net profit (Note 19)	Dividend distribution	Balance at 31 December 2019
AQP	1 136 989	354 450	(520 189)	971 250

	Balance at 01 January 2018	Net profit (Note 19)	Dividend distribution	Balance at 31 December 2018
AQP	1 070 266	520 189	(453 465)	1 136 989

9.2 EQUITY HOLDINGS – OTHER METHODS

	31/12/2019	31/12/2018
Erase - Emp. Recovery of water and soils at Estarreja	9 228	9 228
Other	13 705	13 400
	22 933	**22 628**
Amortization and provisions for losses in securities and other applications	(13 400)	(13 400)
	9 533	**9 228**

10 INVENTORIES

10.1 INVENTORIES

The total carrying value of inventories, and the carrying value in appropriate classifications, are shown on the following table:

	31/12/2019	31/12/2018
Gross value		
Goods	0	0
Raw materials, subsidiary materials and consum.	14 512 920	16 094 817
Finished and semi finished products	5 754 059	4 210 766
	20 266 979	**20 305 583**
Impairment losses		
Raw materials, subsidiary materials and consum.	(442 962)	**(442 962)**
Finished and semi finished products	(467 648)	(467 648)
	(910 610)	**(910 610)**
	19 356 370	**19 394 974**

The amounts of inventories recognised as expenses for the period are as follows:

10.2 VARIATION IN PRODUCTION

	Finished and semi finished products
Balance at 01 January 2018	6 103 906
Adjustments	(859 803)
Increase/decrease for the year	(1 033 337)
Balance at 31 December 2018	**4 210 766**
Balance at 01 January 2019	**4 210 766**
Adjustments	588 643
Increase/decrease for the year	**954 651**
Balance at 31 December 2019	**5 754 059**

10.3 COST OF GOODS SOLD

	Goods	Raw materials, subsidiary materials and consum.	Total
Balance at 01 January 2018	22 955	14 511 241	14 534 197
Procurement	2 978 729	209 125 409	212 104 138
Correction of inventories	-	(92 984)	(92 984)
Balance at 31 December 2018	0	15 651 856	15 651 856
	3 001 683	207 891 811	210 893 494
Balance at 01 January 2019	0	15 651 856	15 651 856
Procurement	1 610 062	164 406 851	166 016 913
Correction of inventories	-	225 631	225 631
Balance at 31 December 2019	0	14 069 958	14 069 958
	1 610 062	**166 214 380**	**167 824 442**

10.4 IMPAIRMENT OF INVENTORIES

Inventory adjustment and reversal amounts recognized as expenses during the period and as expense reductions during the period are shown on the following table:

	2019	2018
Impairment losses		
Raw materials, subsidiary materials and consum.	-	(60 042)
Finished and semi finished products	-	(250 164)
Reversal of impairment losses:		
Finished and semi finished products	-	-
	-	**(310 206)**

Impairment losses on raw materials, subsidiary materials and consumables concern subsidiary Renoeste.

11 STATE AND OTHER PUBLIC ENTITIES

At 31 December 2019 and 2018 this caption was made up as follows:

	31/12/2019	31/12/2018
Balance receivable		
Income tax	63 689	-
VAT	873 449	1 628 015
	937 138	**1 628 015**
Balances payable		
Income tax		
Tax estimate	-	129 442
Income tax withheld	177 477	138 699
VAT	1 893 250	-
Payments to Social Security	257 866	212 078
	2 328 592	**480 220**

12 DEFERRALS

12.1 EXPENSES TO RECOGNISE

At 31 December 2019 and 2018 the expenses to be recognized had the following breakdown:

	31/12/2019	31/12/2018
Expenses to be recognised		
Insurance	132 428	91 728
Financial expenses	2 298 314	-
Other	13 590	151 358
	2 444 332	**243 086**

Financial expenses concern amortised cost with the new investment.

12.2 INCOME TO RECOGNISE

EAt 31 December 2019 and 2018 recognisable income is made up as follows:

	31/12/2019	31/12/2018
Income to be recognized		
Surface Rights	562 450	596 400
	562 450	**596 400**

13 FINANCIAL INSTRUMENTS

Measurement bases and other accounting policies used in the accounting of financial statements that are relevant for an understanding of the financial statements are described in sub-paragraphs h) and o) of paragraph 3.1.

13.1 CLIENTS AND OTHER RECEIVABLES

Financial assets with recognised impairment losses, specifying separately for each category i) the carrying amount resulting from the measuring at amortised cost, and ii) cumulative impairment, are as follows:

	31/12/2019			31/12/2018		
	Gross amount	Cumulative impairment	Net amount	Gross amount	Cumulative impairment	Net amount
Clients						
Clients c/a	37 584 656	-	37 584 656	31 881 455	-	31 881 455
Clients - securities receivable	1 009 881	-	1 009 881	1 213 613	-	1 213 613
Group clients and other related parties (Note 5.2)	145 736	-	145 736	1 574 593	-	1 574 593
Doubtful receivables	2 361 975	(2 333 338)	28 637	2 375 852	(2 347 215)	28 637
	41 102 248	**(2 333 338)**	**38 768 910**	**37 045 513**	**(2 347 215)**	**34 698 298**
Other accounts receivable						
Other accounts receivable c/a	1 481 475	-	1 481 475	1 379 402	-	1 379 402
Other doubtful receivables	269 316	(269 316)	-	269 316	(269 316)	-
Other debtors - Group (Note 5.2)	234 200	-	234 200	324 419	-	324 419
Personnel	1 644	-	1 644	3 009	-	3 009
Advances to suppliers	154 974	-	154 974	252 616	-	252 616
	2 141 608	**(269 316)**	**1 872 293**	**2 228 762**	**(269 316)**	**1 959 446**

The amount of impairment losses recognised for each class of financial assets is as shown in the following tables:

31/12/2018	Opening balance	Impairment (P&L)	Used and corrected	Closing Balance
Financial assets measured at cost minus impairment;				
Clients				
General clients	(2 347 215)	-	7 841	(2 333 338)
Other accounts receivable - current				
Other accounts receivable c/a	(269 316)	-	-	(269 316)
	(2 616 531)	**-**	**7 841**	**(2 602 654)**

31/12/2018	Opening balance	Impairment (P&L)	Used and corrected	Closing Balance
Financial assets measured at cost minus impairment;				
Clients				
General clients	(2 354 496)	(12 464)	19 745	(2 347 215)
Other accounts receivable - current				
Other accounts receivable c/a	(2 038 770)	-	1 769 454	(269 316)
	(4 393 266)	**(12 464)**	**1 789 199**	**(2 616 531)**

13.2 TRADE PAYABLES

As at 31 December 2019 and 2018, caption Accounts Payable is made up as follows:

	31/12/2019	31/12/2018
Suppliers		
Trade payables c/a	24 041 365	26 571 941
Suppliers - securities payable	1 793 392	3 218 718
Suppliers of the Group (Note 5.2)	452 207	3 722 259
Invoices expected or being checked	6 998 252	1 771 450
Exchange gains - suppliers	-	16
	33 285 216	**35 284 385**

Caption invoices being checked includes sums relating to electricity for December, in the amount of € 2,039 thousand.

13.3 OTHER DEBTS PAYABLE

As of 31 December 2019 and 2018, caption Other Trade Payable was made up as follows:

	31/12/2019	31/12/2018
Other debts payable		
Non current		
Suppliers of investment a/c	2 785 502	-
Other debts payable (Note 5.2)	-	3 000 000
Other debts payable	4 700 000	4 700 000
	7 485 502	7 700 000
Current		
Suppliers of investment a/c	1 500 331	7 028 764
Personnel	26 766	7 137
Increase for holiday pay and holiday bonus	1 063 224	892 332
Other increase	8 970 558	1 167 474
Other debts payable	1 656 936	5 091 972
Other debts payable (Note 5.2)	4 230 806	6 843 897
	17 448 621	**21 031 576**

Other debts payable - non current, in the amount of € 4,700 thousand concerns the amount transferred by external entities as partners' loans in Miralcalis.

Caption Suppliers of Capital Goods (non current) includes a debt of -b Cantabria, which will only be repaid within more than a year.

The balance of caption Other Accruals for 2019 comprises payments in advance of water and effluent treatment taxes, and other municipal taxes, the advance payment of a credit note which will only be issued in January, in the amount of €M 1, stemming from the assignment of the Salt Mining operation in Loulé, which will be settled against invoice for the works agreed to in the concession contract.

Caption Other debts payable comprises a balance of € 1,615 thousand and € 2,014 thousand in 2019 and 2018 respectively, deriving from the amount of deferred taxation on subsidies.

13.4 LOANS OBTAINED

Caption Loans as of 31 December 2019 and 2018 is made up as follows:

	31/12/2019		31/12/2018	
	Current	Non current	Current	Non current
Bank loans at cost	25 000 000	140 000 000	10 062 500	45 126 590
	25 000 000	**140 000 000**	**10 062 500**	**45 126 590**

Bank loans measured at amortised cost (current and non current) are as shown in the following table:

	31/12/2019	31/12/2018
Loans payable		
Non current		
Bank loans		
EIB	-	17 280 000
Retail banking	140 000 000	24 977 327
Floating interest rate swaps	-	2 725 419
Raw material swap	-	143 844
	140 000 000	**45 126 590**
Current		
Bank loans		
EIB	-	4 830 000
Retail banking	25 000 000	5 232 500
	25 000 000	**10 062 500**
	165 000 000	**55 189 090**

In 2019 Bondalti restructured its financial debt through a syndicated long term loan with 8 banks, which allowed to refinance all its loans and set out conditions for new investments in the next few years.

13.5 OTHER FINANCIAL ASSETS

Financial assets with recognised impairment losses, specifying separately for each category i) the carrying amount resulting from the measuring at cost or at amortised cost, and ii) cumulative impairment, are as follows:

	31/12/2019			31/12/2018		
	Gross amount	Cumulative impairment	Net amount	Gross amount	Cumulative impairment	Net amount
Non current assets						
Other financial assets						
Loans to other related parties	61 180 000	-	61 180 000	-	-	-
Other	12 964	-	12 964	8 545	-	8 545
	61 192 964	**-**	**61 192 964**	**8 545**	**-**	**8 545**

Other Investments and Loans to group companies concern the subscription of bonds issued by José de Mello Capital, S.A., in the amount of €61,180,000. These bonds have a 10-year maturity and accrue interest at normal interest rates.

14 PROVISIONS

The accounting policies followed to recognise Provisions are described in the following sub-paragraph m) of paragraph 3.1.

14.1 PROVISIONS

The change occurred in provisions, according to provision, is as follows:

	Provisions for Environmental Mat.	Other provisions	TOTAL
As of 01 January 2018	**-**	**4 351 480**	**4 351 480**
Used in the year	-	(914 397)	(914 397)
Reversals in the year (Note 29.1)	-	(80 000)	(80 000)
Increases for the year	-	2 617 412	2 617 412
As of 31 December 2018	**-**	**5 974 496**	**5 974 496**
As of 01 January 2019	**-**	**5 974 496**	**5 974 496**
Used in the year	-	(692 812)	(692 812)
Reversals in the year (Note 29.1 + PL)	-	(37 100)	(37 100)
Increases for the year	150 000	1 544 280	1 694 280
As of 31 December 2019	**150 000**	**6 788 863**	**6 938 863**

Subsidiary Elnosa has set up a provision in the amount of € 2,692 thousand relating to its facilities located on a site subject to a concession agreement for a 50-year period, which ended in 2018 and an additional provision in the amount of € 581 thousand for the dismantling of facilities.

Various cleaning and dismantling works were carried out during the year. Elnosa is currently awaiting Government approval to undertake the decontamination of soils. Provision in the amount of € 296 thousand was used in these operations.

A provision with an amount of € 1,150 thousand was also set up for Nutriquim in 2013 to cover the company's dismantling plan. However, during recent years, part of the provision was used to cover costs and increased for the purpose, with a final amount of € 695 thousand.

Provisions were set up at Bondalti Chemicals concern: interest which its subsidiary will have to pay to its investors, in the amount of € 1,116 thousand; decontamination of soils in land sold that may be contaminated, in the amount of € 150 thousand, obligations with ACE set up for works concerning Valas de São Filipe, which will be carried out in 2020, to which the Group will contribute with € 400 thousand.

15 EMPLOYEES BENEFITS

15.1 EMPLOYEES BENEFITS

The reconciliation between opening and closing balances of the current value of these obligations is shown in the following table:

	Defined retirement benefit plan (no fund set up)	Medical benefit plan (no Fund set up)	Total
Liability for defined benefits at 01 January 2018	**3 266 280**	**634 101**	**3 900 381**
Interest expenses	46 136	-	46 136
Cost of current service	1 272	-	1 272
Benefits paid	(375 164)	(87 623)	(462 787)
Actuarial (gains) / losses	**91 721**	(64 588)	27 133
Liability for defined benefits at 31 December 2018	**3 030 246**	**481 890**	**3 512 136**
Interest expenses	**39 854**	-	39 854
Benefits paid	(354 895)	(97 513)	(452 408)
Actuarial (gains) / losses	(85 355)	(20 338)	(105 693)
Liability for defined benefits at 31 December 2019	**2 629 850**	**364 039**	**2 993 889**

15.2 POST-EMPLOYMENT BENEFITS

The Group's accounting policy concerning the recognition of actuarial gains and losses relating to post-employment benefits pursuant to Defined Benefit Plans is described in sub-paragraph n) of paragraph 3.1.

Company	Name of Plan	Type	Addressees	Location
Bondalti Chemicals	Retirement Pension Plans	Defined Benefit - Complementary Pension for Old Age, Disability and Survival	Of Some of the Former and Present Employees	Portugal
Bondalti Chemicals	Plano Atos Médicos	Defined Benefit - Medical Benefits Without Provided Fund	Of Some of the Former and Present Employees	Portugal

Bondalti Chemicals has commitments with some employees to complement the retirement pensions for old age, disability and survival.

These actuarial valuations were carried out using two methods:

Projected Unit Credit method and the following assumptions and technical bases in 2019 and 2018:

	31/12/2019	31/12/2018
Salary growth rate for Social Security Responsibility	2,0%	2,0%
Salary growth rate	2,0%	2,0%
Rate of return of the fund	1,4%	0,8%
Pension growth rate	0,0%	0,0%
Technical rate (life rents)	1,4%	0,8%
Revaluation of salaries for Social Security	1,0%	1,0%
Mortality table	TV 88/90	TV 88/90
Disability table	EKV80	EKV80

Bondalti Chemicals has to complement the retirement pensions of its former and current employees and only those with whom it assumed such obligation.

Although it did not set up any fund or insurance to cover this responsibility, the Company set up a provision for the purpose, which is adjusted according to an actuarial valuation carried out by a specialized and independent firm. According to the valuation report prepared by Ageas – Sociedade Gestora de Fundos de Pensões, S.A., the current value of liabilities for retirement pensions at the date of the balance sheet is estimated at EUR 2,630 thousand; the liability for post-employment benefits was adjusted accordingly.

15.3 HEALTHCARE BENEFITS

Pursuant to an agreement entered with Hospital CUF Infante Santo, Bondalti Chemicals has the responsibility to pay in-patient, out-patient and surgery expenses, as well as the share part of medicines not paid by Social Security (only medicines covered by Social Security) of its former and current employees and only those with whom it assumed this responsibility.

This Company has not set up any fund or insurance to cover this responsibility, however it did set up a provision for the purpose, which is adjusted according to an actuarial valuation. According to the valuation report, the current amount of liabilities with healthcare as of 31 December 2019 is estimated at € 364 thousand (€ 482 thousand at 31 December 2018), recorded under item “Liabilities for post-employment benefits”.

15.4 PERSONNEL EXPENSES

Personnel expenses were as follows:

	2019	2018
Remuneration of the members of governing bodies	1 072 908	1 031 293
Wages	8 621 144	7 887 014
Retirement benefits		
Retirement pension plans	(5 398)	174 174
Indemnities	772 359	525 832
Wage expenses	2 155 618	1 991 526
Occupational insurance	98 487	97 174
Social security expenses	820 301	734 268
Other personnel expenses	212 034	191 030
	13 747 452	**12 632 311**

During 2019 and 2018 the average number of employees at the Group was of 305 and 276, respectively, as follows:

	2019	2018	Variação
Bondalti Chemicals	251	249	2
Renoeste	4	4	-
Elnosa	11	17	(6)
Nutriquim	1	1	-
Bondalti Cantábria	38	5	33
	305	**276**	**29**

(Including 3 directors)

16 EQUITY INSTRUMENTS

16.1 SHARE CAPITAL

The Company's capital at 31 December 2019 and 2018 was made up of 6,110,000 fully subscribed and paid up shares of €5 each, 100% held by Bondalti SGPS, S.A

16.2 RESERVES AND RESULTS

The amounts in reserves are not available for distribution.

16.3 ADJUSTMENTS/OTHER CHANGES IN EQUITY

The amounts resulting from changes in the fair value of hedging instruments recognised in equity during the period, for the purpose of hedging the interest rate risk of the loans contracted for the Capacity Expansion Plan, and other adjustments are as follows:

	31/12/2019	31/12/2018
Adjustments to financial assets and liabilities		
Assets		
Equity holdings	(13 354 313)	(53 607)
Liabilities		
Derivatives with effective hedging		
Swap	-	(2 223 679)
Subsidies (Note 17)	5 565 727	6 936 165
Emission allowances	1 468 358	2 635 711
	(6 320 229)	**7 294 590**

Caption adjustments in financial assets, as described in 3.1, was restated and grouped into this new balance sheet line. The significant rise in this caption stems from the acquisition of AP.

Changes in issuing rights are as follows:

	31/12/2019	31/12/2018
Balance at 1 January	**3 450 059**	**1 949 082**
Used (Notes 22 and 29.1)	(925 408)	(266 666)
Fair value (Note 29.1)	152 233	2 345 885
Disposals (Note 8)	(943 020)	(529 100)
Transfers	266 666	(49 142)
Balance at 31 December	**2 000 530**	**3 450 059**
Deferred taxation (Note 28)	(326 144)	(765 206)
Annual adjustment	(206 028)	(49 142)
Net balance at 31 December, Net	**1 468 358**	**2 635 711**

16.4 NON CONTROLLING INTERESTS

As of December 2018 and 2018, non controlling interests related to the following subsidiaries:

	31/12/2019		31/12/2018	
	Proportion in net results	Proportion in Equity	Proportion in net results	Proportion in Equity
Miralcalis	(82 619)	201 369	(10 421)	288 037
	(82 619)	**201 369**	**(10 421)**	**288 037**

Subsidiary Miralcalis, is 80% held by the Group and 20% held by external entities.

17 SUBSIDIES AND OTHER FUNDING FROM PUBLIC ENTITIES

The accounting policies followed to recognise government subsidies, including the methods followed to present them in the financial statements are described in the following sub-paragraph l.e.1) of paragraph 3.1:

The nature and amount of the government subsidies recognised in the financial statements are as follows:

Recognised in equity:

	2019			2018		
	Gross value	Other debts payable	Net value	Gross value	Other debts payable	Net value
Opening balance	**8 949 891**	**(2 013 725)**	**6 936 165**	**10 559 807**	**(2 375 957)**	**8 183 850**
Received in the year	-	-	-	-	-	-
Transferred to results (Note 22)	(1 768 308)	-	(1 768 308)	(1 609 916)	-	(1 609 916)
Adjustment	-	397 869	397 869	-	362 231	362 231
Closing Balance	**7 181 583**	**(1 615 856)**	**5 565 727**	**8 949 891**	**(2 013 725)**	**6 936 165**
Attributable to the Group (Note 16.3)			**5 565 727**			**6 936 165**

Recognised in income for the year:

	2019	2018
Investment subsidy (Note 22)	1 768 308	1 504 209
Operating subsidies	7 334	181 337
	1 775 642	**1 685 546**

Investment subsidies concern mainly the Expansion Plan of Bondalti Chemicals.

18 REVENUE

The accounting policies followed to recognise revenue, including the methods followed to determine the ending phase of transactions involving the rendering of services are described in paragraph 3.1-q).

As of 31 December 2019 and 2018, item Sales and Services is broken down as follows:

	2019	2018
Sale of Goods		
Goods	36 116 035	38 114 846
Finished and semi finished products	251 690 539	304 573 586
Sub-products, waste and residues	129 038	112 086
Return of sales	(132 032)	(110 286)
Discounts and reductions to sales	(12 892 829)	(8 300 052)
	274 910 751	**334 390 180**
Rendered services	1 773 944	2 019 631
Discounts and reductions	(31 770)	(198 717)
	1 742 174	**1 820 914**
	276 652 924	**336 211 094**

Sales and services broken down by significant geographical market are as follows:

	2019					
	Portugal	Europe	Africa	Asia	America	Total
Sale of Goods	179 197 208	94 997 331	44 010	133 401	538 800	**274 910 751**
Rendered services	1 194 401	547 773	-	-	-	**1 742 174**
	180 391 609	**95 545 104**	**44 010**	**133 401**	**538 800**	**276 652 924**

	2018					
	Portugal	Europe	Africa	Asia	America	Total
Sale of Goods	206 576 216	115 702 846	1 025 877	2 025 325	9 059 916	**334 390 180**
Rendered services	1 220 926	348 661	251 328	-	-	**1 820 914**
	207 797 142	**116 051 507**	**1 277 205**	**2 025 325**	**9 059 916**	**336 211 094**

Gross margin is as shown in the following table:

	2019	2018
Sales	274 910 751	334 390 180
Change in production (Note 10.2)	954 651	(1 033 337)
Cost of goods sold (Note 10.3)	(167 824 442)	(210 893 494)
	108 040 959	**122 463 349**

19. GAINS/LOSSES OF SUBSIDIARIES, ASSOCIATES AND BUSINESS COMBINATIONS

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Income and gains Subs. & Associates Joint undertakings		
Application of the Equity Method (note 9.1)	354 450	520 189
	354 450	**520 189**

20 WORK FOR OWN ENTITY

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Work of own company to:		
Tangible fixed assets (Note 6)	1 957 609	892 825
	1 957 609	**892 825**

The significant rise in this caption concerns mainly transfer of results (expenses) as against expenditure - this procedure carried for B Cantabria totals € 1,587 thousand.

21 SUPPLIES AND SERVICES

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Specialised services		
Specialised works	7 121 337	6 980 105
Advertising costs	15 806	171 300
Surveillance and Safety	535 629	350 414
Fees	140 019	79 728
Other fees	80 128	86 872
Maintenance and repairs	3 458 466	2 592 361
External services	1 036 680	1 500
Material		
Tools and utensils	43 714	40 032
Books ant technical documentation	91 257	75 750
Stationery	287 509	169 455
Promotional items	23 315	24 258
Other	56 715	39 684
Energy and fluids		
Electricity	24 370 879	27 143 032
Fuel	3 458 075	3 606 815
Water	153 528	25 440
Gas	381 945	359 059
Other fluids	67 169	14 555
Travelling, accommodation and transport		
Travelling and accommodation	561 448	491 660
Transport of goods	12 415 247	15 732 572
Transport - other	93 831	127 901
Sundry services		
Rents and rentals	2 714 994	2 158 603
Communication	46 468	37 518
Insurance	1 755 753	1 616 710
Legal services	22 540	16 475
Representation fees	86 699	69 902
Cleaning, Hygiene and comfort	277 542	304 564
Other	3 796	1 522 662
Consolidation corrections	(189 048)	(135 689)
	59 111 441	**63 703 241**

22 OTHER INCOME

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Supplementary income		
Royalties		
Assignment of personnel		
Equipment rental	1 643 561	1 189 811
Other	440 143	279 817
Prompt payment discounts obtained	-	0
Recovery of receivables	1 401	13 233
Gains on inventories	-	15 534
Income and Gains on Non Financial Investments		
Disposals	2 554 363	1 278 937
Rents and other income on investment property	3 690	4 066
Gains on emission allowances		
Use of allowances (Note 16.3)	925 408	266 666
Gains on the disposal of emission allowances	1 025 310	2 005 921
Other	46 200	100 885
Other		
Corrections relating to previous years	315 780	83
Excess of estimated tax	-	10 496
Appropriation of investment subsidies (Note 17)	1 768 308	1 609 916
Indemnities of insurable events	2 032	-
Operating exchange differences (Note 24)	20 987	1 048
Other, non specified	136 389	68 481
	8 883 571	**6 844 896**

Gains on the disposal of fixed assets during the year concern mainly the sale chlorine cylinders, storage tanks and land.

Gains from emission allowances concern the Portuguese Carbon Fund subsidy concerning the reduction of CO_2 emissions in the amount of € 925 thousand.

Gains on the disposal of emission allowances concern the sale of 39,000 allowances, as described in note 29.1.

23 OTHER EXPENSES

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Tax	252 505	332 914
Prompt payment discounts obtained	16 071	22 068
Losses on inventories	-	8 999
Expenses and Losses on Non Financial Investments		
Disposals	255 685	-
Accidents	2 932	-
Write-downs	109 340	-
Other		
Corrections relating to previous years	40 230	-
Donations	147 238	148 521
Contributions	113 249	147 734
Insufficiency of estimated tax	163 352	265 754
Operating exchange differences (Note 24)	-	5 071
Penalties and fines		
Non tax penalties	236	-
Other expenses and losses	1 476 236	639 828
	2 577 072	**1 570 887**

Taxes reflect environmental levies, property and similar taxes.

The amount in caption Other includes the additional commissioning of ammonia, in the amount of € 143 thousand, recorded following adjustments in budgeted purchases and fluctuations in ammonia prices.

On August 1 Bondalti assigned the concession of its salt mine in Loulé, thus ending salt extraction in this mine. Pursuant to the concession, payment was made of € 1,200 thousand to face necessary repairs in the mine.

24 EFFECTS OF CHANGES IN EXCHANGE RATES

The amount of foreign exchange differences recognised in the income statement is shown in the following table:

	2019	2018
Exchange gains included in:		
Other Income and gains		
Other operating exchange differences (Note 22)	20 987	1 048
	20 987	1 048
Exchange gains included in:		
Other expenses and losses		
Other operating exchange differences (Note 23)	-	5 071
	-	**5 071**

No changes have occurred in the operating currency or in relation to the parent company or any of its foreign businesses.

25. EXPENSES/REVERSAL OF DEPRECIATION AND AMORTISATION

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Depreciation and Amortisation expenses		
Investment property (Note 7)	46 589	68 220
Tangible fixed assets (Note 6)	16 912 785	15 820 274
Intangible assets (Note 8)	848 797	921 886
	17 808 170	**16 810 380**

26 INTEREST AND SIMILAR INCOME

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Interest earned		
On deposits	140 337	10 876
Other similar income		
Raw material hedging swap	2 293 212	7 945
Other	2 030	27 611
	2 435 579	**46 432**

27 INTEREST AND SIMILAR EXPENSES

At 31 December 2019 and 2018, this caption was made up as follows:

	2019	2018
Interest paid		
On loans obtained	3 340 705	2 005 651
Other	-	536
Other financing expenses and losses		
Stamp duty	8 205	11 947
Raw material hedging swap	403 805	2 813 080
Hedging swap	3 103 431	-
Other	531 876	547 002
	7 388 023	**5 378 215**

Costs of raw material hedging swaps correspond to non-speculative operations to mitigate the impact of price changes on the operational cash flows of Bondalti Chemicals.

Expenses with swaps reflect € 2,408 thousand concerning the cancellation of the swap, since a new loan was contracted.

28 INCOME TAX

Expenses (income) for current taxes are as follows:

	2019	2018
Current tax		
Corporate Income Tax for the year	6 889 423	8 414 169
	6 889 423	**8 414 169**
Deferred tax		
Originated and subject to reversal for temporary differences	(1 988 070)	(1 218 738)
	(1 988 070)	**(1 218 738)**
	4 901 354	**7 195 431**

Deferred and current income tax on the items debited or credited to equity are shown in the following table:

	2019	2018
Deferred tax		
Recognised in revaluation reserves	2 982 964	3 182 989
Recognised in other reserves	49 218	-
Net gains on adjustments in financial assets	-	(645 584)
Subsidies	439 062	765 206
	3 471 244	**3 302 611**

The amounts of deferred tax assets and liabilities recognised in the balance sheet for each period shown according to each type of temporary difference and concerning each type of non used tax losses and credit for non used taxes are as follows:

	Balance sheet items		Profit and loss items		Other equity items	
	31/12/2019	31/12/2018	2019	2018	31/12/2019	31/12/2018
Deferred tax liabilities						
Temporary differences:						
Other						
Post employment benefits - medical benefits	81 909	108 425	(26 516)	(34 247)	-	-
Post employment benefits - pensions	591 716	681 806	(90 089)	(53 108)	-	-
Provisions not considered for tax purposes	823 263	1 404 975	306 723	259 238	-	-
Impairment of depreciable assets	1 096 121	617 209	110 367	165 393	-	-
Changes in fair value	-	645 584	-	-	(645 584)	(328 767)
Tax losses	784 949	98 187	(687 048)	(87 814)	-	-
	3 377 958	**3 556 185**	**(386 563)**	**249 462**	**(645 584)**	**(328 767)**

	Balance sheet items		Profit and loss items		Other equity items	
	31/12/2019	31/12/2018	2019	2018	31/12/2019	31/12/2018
Deferred tax liabilities						
Temporary differences:						
Transition adjustments to ASS						
Re-assessment of tangible fixed assets	49 218	-	(36 181)	-	85 400	**-**
Revaluation of investment property	2 982 964	3 182 989	(200 025)	(97 876)	-	-
CO2 licence subsidy	439 062	765 206	-	-	(326 144)	326 663
	3 471 244	**3 948 195**	**(236 206)**	**(97 876)**	**(240 744)**	**326 663**

29 OTHER INFORMATIONS

29.1 ENVIRONMENTAL MATTERS - GREENHOUSE GAS EMISSIONS

Climate change is a key element of the current environmental policy and measures relating thereto are crucial and will have obvious implications in the near future.
Within the framework of the climate and energy package, the Parliament and Council issued Directive n.º 2009/29/CE, of 23 April 2009, which amends Directive 2003/87/CE, of the European Parliament and of the Council of 13 October 2003, to improve and extend the European emissions trading scheme «new EETS directive», which establishes the legal framework for the 2013-2020 period.

As from 2013 rules changed considerably, introducing a wider range of gases and sectors, a total amount of allowances that is determined at EU level and an allocation made through tenders. Allowances remain marginally free, based on benchmarks defined at community level.

National plans for the allocation of emission allowances for the 2013-2020 period were replaced by a list of facilities covered by the EEST and respective allowances awarded for free - the «NIMs List» -, prepared based on data provided for the purposes by eligible facilities, under the terms of Decision2011/278/UE, dated 27 April 2011.

CUF Químicos Industriais was allocated the following licences per year, in a total amount of 546,203 for the 2013-2020 period.

As the allowances are allocated for periods of 8 years, the Company recorded the total allowances allocated in the first year, and recognises them as they are being used.

	2013	2014	2015	2016	2019	2020	Total
Allowances	72 799	71 534	70 255	68 962	65 001	63 660	546 203

Changes in CO2 ton relating to greenhouse gas emission allowances during the year were as follows:

	Opening balance	Disposals	Transfers	Used (Note 22)	Fair value (Note 16.3)	Closing Balance
Balance at 1 January 2019						
Ton	175 293	(39 000)	-	(26 836)	-	109 457
Amount	3 760 693	(943 020)	-	(925 408)	152 233	2 044 498
Balance at 1 January 2018						
Ton	275 077	(65 000)	(3 013)	(31 771)	-	175 293
Amount	1 993 050	(529 100)	(49 142)	-	2 345 885	3 760 693

Emissions in 2019 totalled 26,836 tons, which in terms of allowances, gives rise to a positive differential in relation to the previous years, of 48,797 ton.

During 2019 the company sold 39,000 tons of allowances at market prices, totalling € 1,025,310.

29.2 BANK GUARANTEES

As of 31 December 2019 and 2018, the Company had liabilities for guarantees given, as follows:

Entities	2019 Amount	2018 Amount
Alfândega do Porto de Leixões, Freixieiro e Aveiro	75 000	374 279
BEI - Banco Europeu de Investimento	-	23 215 500
Câmara Municipal de Loulé	74 282	74 282
Direcção Geral Energia e Geologia	14 964	14 964
AdP- Águas de Portugal	6 977	-
	171 223	**23 679 025**

The amount of € 23,215,500 in 2018 corresponded to the guarantee linked to the EIB loan. As the loan was restructured, the guarantee was cancelled.

The amount of € 74,282 corresponds to the guarantee required by the Municipal Council of Loulé concerning infrastructures for the real estate development located in Betunes, subject to Licence nr. 2/2002.

29.3 OPERATING LEASES — AS LESSEE:

Operating leases in which the Group is lessee concern vehicles and premises. These leases do not have purchase option clauses.

The total amount of minimum future lease payments for operating leases assuming that existing ones will not be rescinded or renewed, is as follows:

Entities	2019 Amount	2018 Amount
Up to 1 year	2 005 091	1 896 623
Over 1 year and up to 5 years	7 952 685	7 586 493
Over five years and up to 10 years	9 940 857	18 966 233
	19 898 632	**28 449 350**

29.4 PLEDGES AND MORTGAGES

Pursuant to the loan agreement entered in June 2019, to secure compliance with obligations thereof, the company entered mortgage on land property, pledge on equipment, pledge on bank accounts, pledge on shares of Elnosa and Bondalti Cantabria share capital and assigned claims and partners' loans as security.

29.5 OTHER GUARANTEES

Pursuant to the loan agreement entered by Bondalti Chemicals in June 2019, to secure compliance with obligations thereof, the company entered mortgage on land property, pledge on equipment, pledge on bank accounts, pledge on shares of Elnosa and Bondalti Cantabria share capital and assigned claims and partners' loans as security.

30 SUBSEQUENT EVENTS

The Covid19 Pandemic which we are going through since March 2020 (date of this Report) is bound to have a negative impact on the goals which Bondalti had set forth for this year. There is still great uncertainty as to the duration, extension and impact deriving from this exceptional circumstance.

It is important to point out that Bondalti's activity is the production of organic and inorganic products in Portugal and Spain. The company is responsible, among other things, for the production and supply of chemical products for water treatment for human consumption, treatment of residual and industrial water, particularly relevant in the treatment of legionella, as well as biocidal products for the manufacturing of bleach and disinfectant products required in several industries, including electric power production and the food industry (disinfection of production lines in industrial processes). These are, therefore, products which must continue to be supplied throughout the lockdown period imposed to fight the pandemic, namely chlorine, sodium hypochlorite, caustic soda, hydrochloric acid and nitric acid; thereupon, the company expect to maintain its productive activities all year round.

These financial statements were approved for issuing by the Board of Directors.

No events have occurred since 31 December 2019 to the said date that are not already adjusted and/or disclosed in the financial statements.

The Board of Directors

The Statutory Auditor

STATUTORY AUDIT

STATUTORY AUDIT

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We audited the attached consolidated financial statements of Bondalti Chemicals, SA (the Group), which comprise the Consolidated Balance Sheet as of 31 December 2019 (which shows a total of 324,142,634 euros and a total equity of 84,495,369 euros, including a net result of 16,319,640 euros), the Consolidated Income Statement by Nature, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date, and the Notes that include a summary of significant accounting policies.

In our opinion, the attached consolidated financial statements present in a true and appropriate manner, in all material respects, the consolidated financial position of Bondalti Chemicals, SA as of 31 December 2019, its consolidated financial performance and its consolidated cash flows related to the year ended on that date, in accordance with the Accounting and Financial Reporting Standards adopted in Portugal through the Accounting Standardisation System.

BASIS FOR OPINION

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Order of Statutory Auditors. Our responsibilities under these standards are described in the "Auditor's responsibilities for auditing the consolidated financial statements" section below. We are independent from the entities that make up the Group under the terms of the law and we comply with the other ethical requirements under the code of ethics of the Order of Statutory Auditors.

We are convinced that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS ON COVID-19

Recent developments resulting from the Covid-19 (Coronavirus) pandemic have a significant impact on health, people and society as a whole, increasing uncertainty about the organisations' operational and financial performance. Note 30 of the Notes to the consolidated financial statements discloses the impacts and uncertainties resulting from the Covid-19 (Coronavirus) pandemic, estimated by the Board of Directors for Bondalti Chemicals, SA, based on the information available at the time. Our opinion is unchanged in relation to this matter.

RESPONSIBILITIES OF THE MANAGEMENT BODY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management body is responsible for:

- Preparation of consolidated financial statements that present in a true and appropriate way the Group's financial position, financial performance and cash flows in accordance with the Accounting and Financial Reporting Standards adopted in Portugal through the Accounting Standardisation System;
- Preparation of the Management Report in accordance with legal and regulatory terms;
- Creation and maintenance of an appropriate internal control system to allow the preparation of financial statements free from material misstatement due to fraud or error;
- Adoption of appropriate accounting policies and criteria in the circumstances; and
- Assessment of the Group's ability to maintain continuity, disclosing, when applicable, matters that may raise significant doubts about the continuity of activities.

THE AUDITOR'S RESPONSIBILITIES FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion. Reasonable security is a high level of security, but it is not a guarantee that an audit carried out in accordance with the ISA will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or jointly, it can reasonably be expected to influence users' economic decisions made on the basis of these financial statements.

As part of an ISA audit, we make professional judgments and maintain professional scepticism during the audit and also:

- We identify and assess the risks of material misstatement of the consolidated financial statements, due to fraud or error, we design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material distortion due to fraud is greater than the risk of not detecting a material distortion due to error, since the fraud can involve collusion, forgery, intentional omissions, false declarations or overlapping internal control;
- We obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control;
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by the management body;
- We concluded on the appropriation of the use, by the management body, of the continuity assumption and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that may raise significant doubts, about the Group's ability to continue to your activities. If we conclude that there is a material uncertainty, we must draw attention in our report to the related disclosures included in the financial statements or, if those disclosures are not adequate, modify our opinion. Our conclusions are based on the audit evidence obtained up until the date of our report. However, future events or conditions may cause the Group to discontinue its activities;

- We evaluate the presentation, structure and overall content of the consolidated financial statements, including the disclosures, and whether those financial statements represent the underlying transactions and events in order to achieve an appropriate presentation;
- We obtain sufficient and appropriate audit evidence regarding the financial information of entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and are ultimately responsible for our audit opinion; and
- We communicate with those charged with governance, among other matters, the scope and planned timing of the audit, and the significant audit findings, including any significant deficiencies in internal control identified during the audit.

Our responsibility also includes verifying that the information in the Management Report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ABOUT THE MANAGEMENT REPORT

In compliance with article 451, paragraph 3(e) of the Commercial Companies Code, we believe that the Management Report was prepared in accordance with the applicable legal and regulatory requirements in force, the information contained therein is consistent with the audited consolidated financial statements and, taking into account the knowledge and appreciation of the Group, we have not identified any material inaccuracies.

Lisbon, 27 April 2020

Ernst & Young Audit & Associados - SROC, SA
Order of Statutory Auditors
Represented by:
Paulo Jorge Luis Silva - ROC no. 1334
Registered with the CMVM under number 20160944

REPORT AND OPINION OF THE STATUTORY AUDITOR

REPORT AND OPINION OF THE STATUTORY AUDITOR

Dear Shareholders,

In compliance with the provisions of article 420(g) in conjunction with article 508-D paragraph 1 of the Commercial Companies Code, it is incumbent on us to issue the annual report on our supervisory action and to issue an opinion on the Individual and Consolidated Management Report, the Individual and Consolidated Financial Statements and the proposal for the application of results presented by the Board of Directors of Bondalti Chemicals, SA (the Entity), for the year ended 31 December 2019.

During the year, we monitored the Entity's activity, having performed the following procedures:

- We verified, to the extent deemed necessary, the accounting records and documents that support them;
- We verified, when deemed convenient, in the manner we deemed appropriate and to the extent deemed appropriate, the existence of assets or values belonging to the Entity or received by it as a guarantee, deposit or other security;
- We verified the adequacy of the individual and consolidated financial statements;
- We verified that the accounting policies and valuation criteria adopted in the individual accounts convey an adequate presentation of the Entity's assets and results;
- We found that the accounting policies and valuation criteria adopted in the consolidated accounts convey an adequate presentation of the assets and results of the Group of which the Entity is the parent company;
- We were available to receive reports of irregularities presented by/from the shareholders, employees of the Entity;
- We confirmed that the Management Report of the individual accounts, the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes, satisfy the applicable legal requirements and reflect the position of the accounting records at the end of the year;
- We confirmed that the Consolidated Management Report, the Consolidated Balance Sheet, the Consolidated Income Statement by Nature, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Notes, satisfy the applicable legal requirements and reflect the position of the accounting records at the end of the year;
- We verified the compliance with the law and the articles of association;
- We have fulfilled the other duties set out in the law and the articles of association.

In the course of our verification and validation acts that we carried out with a view to fulfilling our certification obligations, we obtained from the Board of Directors and Services the evidence and clarifications that we consider necessary.

As part of the legal audit work we carried out, the corresponding Statutory Audit on the individual accounts was issued on this date without reservations and with an emphasis and the corresponding Statutory Audit on the consolidated accounts was issued without reservations and with an emphasis.

In view of the above, we decided to issue the following opinion:

OPINION OF THE STATUTORY AUDITOR

Dear Shareholders,

We proceeded to inspect Bondalti Chemicals, SA under article 420 in conjunction with article 508-D paragraph 1 of the Commercial Companies Code, as a result of which we are of the opinion that:

a) The proposal for the application of results contained in the Management Report for the year 2019 complies with the requirements relating to the constitution of the legal reserve and with the limits for the distribution of profits to shareholders provided for in the Commercial Companies Code;

b) The Individual and Consolidated Management Report for the year 2019 meets the requirements set out in the Commercial Companies Code;

c) The Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Statement of Cash Flows and the Notes for the year of 2019, satisfy the legal and accounting requirements; and

d) The Consolidated Balance Sheet, the Consolidated Income Statement by Nature, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the Notes, satisfy the applicable legal and accounting requirements.

Lisbon, 27 April 2020
Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:
Paulo Jorge Luís da Silva (ROC n.º 1334)
Registered with the CMVM under number 20160944