



BONDALTI
EVOLVING CHEMISTRY

MANAGEMENT REPORT



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FOREWORD

To the Shareholders,

In the life of companies, there are years that indelibly mark and remain for posterity with the changes carried by the great decisions. For us, 2018 was one of those moments.

This was the year we implemented the new brand and corporate name - "Bondalti", reflecting a business strategy focused on growth and broadening horizons.

This new identity reflects our desire to go further, on a path built on the strong foundations of trusting relationships with our partners and the community.

At a time when we are especially motivated by international leadership and expansion, we anchor our growth in a solid strategy of innovation, human resources strengthening, as well as putting environmental, social and economic sustainability in everything we do.

This is our vision, and these are our values.

2018 - OVERVIEW

€336 M

Turnover
(+€13 M than in 2017)

€50 M

Operating profit
(+€2 M than in 2017)

€18 M

Net profit (+€2 M than in 2017)

1.670.000 t

Total handled at Estarreja Complex
(+10,6% than in 2017)

409 000 t

Total handled by Bondalti at the Portuguese ports, mobilizing 111 ships.

This volume represents more 17% and a further 8 ships, than in 2017

125.665 t

Total production of chlorine gas
(+22.2% over 2017)

290 Employees
In the whole group

453

Training actions concerning safety

653 hours

Training in specific safety related themes

30 internships and scholarships

Of which 7 PhD Research scholarships in working environment

Board of Directors.

GENERAL MEETING

CHAIRMAN

Dr. Alexandre Cabral Côrte-Real de Albuquerque

SECRETARY

Dr. Fernando Jorge Gonçalves Guedes de Figueiredo

BOARD OF DIRECTORS

CHAIRMAN

Eng.º João Maria Guimarães José de Mello

MEMBERS

Eng.º João Jorge Gonçalves Fernandes Fugas

Dr. André Cabral Côrte-Real de Albuquerque

Dr. Luís Augusto Nesbitt Rebelo da Silva

SOLE AUDITOR

Ernst & Young Audit & Associados – SROC, S.A.

ALTERNATE AUDITOR

Dr. Luís Miguel Gonçalves Rosado

MANAGEMENT REPORT 2018

01

■ MACRO ECONOMIC ENVIRONMENT

In 2018 the Portuguese economy is likely to have grown by 2.1%, which compares to 2.8% in the previous year. According to the latest Bulletin of Banco de Portugal (dated December 2017), private consumption continued to grow (2.3% in 2017 and in 2018), but investment fell (3.9% vs. 9.2% in 2017) as well as exports (3.6% vs. 7.8% in 2017). This slowdown is in line with what is happening in Eurozone countries, where growth fell to 2.1% according to the latest data published by Eurostat.

Inflation in Portugal remained under tight control in 2018 (1% vs. 1.6% in 2017) and below projected inflation for the Eurozone, amidst growing pressures driven by wage costs.

The labour market continued to evolve favourably, as employment rose by 2.2% over 2017. The unemployment rate as of December dropped to 6.7%, a level last seen at the beginning of this century. Job creation is expected to continue growing in the next few years, though at a slower pace.

Public Debt as a percentage of GDP, which currently stands close to 125%, should continue abating gradually over the next few years, benefiting from the downward trend in the deficit, provided the fiscal goals laid down by the European Commission will continue to be met.

In the foreign exchange market, the USD reversed its 2017 trend and gained almost 5% against the Euro, ending the year at EUR/USD 1.1450.

Oil prices showed some volatility throughout 2018. In the first nine months of the year, Brent price moved upwards, reaching nearly 86 USD/barrel at the beginning of October. This happened against a backdrop of continued growth in demand and some restrictions on the supply side, such as the collapse of oil production in Venezuela and the resumption of sanctions on Iran. In the last quarter of 2018, however, production exceeded consumption, leading to a sharp correction in Brent prices, which closed the year at roughly 50 USD/barrel.

In 2019 the world economy is likely to continue expanding albeit at a slower pace, as the economic cycle matures and major central banks, led by the Federal Reserve, gradually end their quantitative easing policies, whilst the Chinese economy will continue slowing down. Main risk factors stem from a possible less favourable international background, with negative impact on world trade that could lead to the stepping up of protectionist policies and to more restrictive financial conditions, as well as to an escalation of geopolitical tensions and uncertainty at global level.

02

HIGHLIGHTS FOR THE YEAR

In business terms, Bondalti's performance in 2018 was quite relevant, as operating profit reached €M 50 (€M 2 more than in 2017) and net profit totalled €M 18 (+€M 2 over 2017). Such performance was mainly driven by very favourable background in the chlor-alkalis market, where demand exceeded supply by and large, leading to rising sales and prices (namely soda's), but also to increasing levels of quantities of organic products sold, including mono nitrobenzene sold to the United States.

At the end of 2018 Bondalti in coordination with partners Ar Líquido and Dow, started preparing the planned downtime of industrial units in Estarreja, which happened at the beginning of 2019. This downtime period is an opportunity to implement R&D projects, viewing increasing operating efficiency and safety and introducing environmental improvements.

2018 was also the year the company adopted a new corporate brand and name. Following a strategic reflection completed in 2017, in May 2018 the company changed its corporate brand to Bondalti (formerly CUF), gearing its efforts towards international expansion and sector leadership. The name "Bondalti" is formed with terms "bond" and "alti" reflecting a culture based on bonds and relationships, and a desire to reach farther and consolidate its leading position in the markets where it operates, hence alti, from altitude.

Additionally, in order to better reflect its corporate mission, Bondalti reviewed its values. Alongside Innovation, Competence and Human Development, Bondalti added Responsible Care, reflecting the group's concern with sustainability, particularly in relation to the environment, and the health and safety of everyone (employees, clients and the community).

Viewing an increased alignment with stakeholders, in 2018 the company promoted a listening exercise with some of these entities and integrated the results in the strategic revision process of Bondalti's sustainability.

Across the board in all its activities, Bondalti cares about and trusts its people, as they are the backbone of its success. Reflecting this concern, Bondalti implemented several measures to increase the reconciliation between professional, personal and family life, thus contributing to the happiness and well-being of all its employees.

03

EVOLUTION OF KEY INDICATORS

	Unit	2014	2015	2016	2017	2018
Turnover	M€	350	296	266	323	336
Operating Cash Flow (EBITDA)	M€	31	37	39	46	52
Operating Results (EBIT)	M€	13	19	22	24	35
Operating Results/Sales	%	3,6	6,5	8,1	7,4	10,4
Financial costs	M€	4,4	3,8	3,3	2,9	2,6
Profit before tax	M€	8,4	16	18	21	30
Net profit	M€	5,5	11	13	16	23
Cash Flow (NP+Amort.+Provisions)	M€	24	29	31	38	41
Equity	M€	88	87	85	89	99
Net Assets	M€	242	236	217	234	235
Financial liabilities	M€	102	92	77	65	55
Net financial liabilities	M€	80	61	53	34	19
Financial liabilities/EBITDA	Number of x	3,3	2,5	2,0	1,4	1,1
Net financial liabilities / EBITDA	Number of x	2,6	1,7	1,3	0,7	0,4
Equity/Assets Ratio	%	36	37	39	38	42
Average no. of employees	N ^a	338	326	319	315	273
Sales per employee	M€	1036	907	832	1024	1231

* Not considering AQP employees; corporate bodies not included (2016)

04

COMPANIES INCLUDED IN THE CONSOLIDATION

Companies	Equity Holding	Consolidation method
Bondalti Chemicals, SA	100%	Full consolidation
Elnosa - Eletroquímica 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%	Equity method
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

2018 was yet another record year.

Though sales to Dow stand for 45.40% of the total, their gross margin accounted for merely one third of overall sales, which means that the gross margin of sales to other clients was significantly higher.

In the organic sector, sales of mono nitrobenzene (MNB) hit a record level and extension of production capacity is under way. This product is highly demanded by the pharmaceutical market, particularly in the United States, on account of its excellent quality. It is also worth noting the increase in MNB sales for the rubber additives market.

In what concerns the MDI market, 2018 was a transition year. In fact, given the high prices and availability problems occurred in 2017, the market turned to substitute products such as rock wool. This shift caused a drop in MDI prices, as consumption decreased. Other aniline markets (rubber additives and aramid fibres) have kept stable, and the lack of additional aniline production capacity has restricted sales, which would surely have occurred if such capacity existed.

In the inorganic products sector, sales of sodium hypochlorite outperformed 2017 sales by 70%. The main reason for this was Elnosa's stoppage and the winning of clients from former SOLVAY Torrelavega, which we actively sought to attract viewing the forthcoming start up of our new plant in Cantabria.

2018 performance also benefited from the high price of soda, although this situation is unlikely to continue in 2019.

As far as hydrochloric acid is concerned, sales exceeded budgeted figures due to problems in Germany's river network, which hindered exports by boat and train to Spain.

5.2. INDUSTRIAL ACTIVITY

5.2.1. PRODUCTION OF ORGANIC PRODUCTS

In 2018 aniline production amounted to 186,467 tons, falling by 5% in relation to 2017.

The MNB unit produced 296,418 tons, decreasing by 2% over the previous year.

Nitric acid production fell by 4% to 237,963 tons in annual terms; sulphanilic acid production totalled 1.957 tons, whilst production of cyclohexylamine and cyclohexanol totalled 869 tons and 606 tons, respectively.

The major challenge in this area continues to be the rejuvenation of the staff allocated to these operations. In 2018 the company hired three new employees, who joined a group of seven undergoing specific training.

In terms of capital expenditure, we point out the beginning of construction and assembly of a new aniline reactor, which will allow distributing production among seven reactors instead of six. This will permit operating at lower temperatures, with direct impact on the production of sub products and consequent savings in the specific consumption of raw-materials.

5.2.2. PRODUCTION OF INORGANIC PRODUCTS

In 2018 production of chlorine gas totalled 125,665 tons, increasing by 22.2% over 2017, of which 89,785 tons were produced from the electrolysis of sodium chloride and 35,881 tons stemmed from the electrolysis of chloride acid. This significant rise in production was due to the close down of Elnosa operation.

The specific consumption of electrochemical energy was slightly higher than initially estimated (+0.5%), due to operation at very high speed. Specific consumption of salt was lower than initially projected.

Chloride acid production totalled 217,294 tons, which was 1.7% lower than in 2017, though in line with the budget.

Production of hypochlorite totalled 171,968 tons, i.e. 71.5% above 2017 and 11% above the budget. It should be pointed out that in 2018 it was possible to surpass the amounts produced jointly by Estarreja/Pontevedra in 2017 totalling 156,720 tons.

5.2.3. MINING PRODUCTION

During 2018 the amount of rock salt extracted from Campina de Cima mine and sold totalled 5,632 tons.

Sales of brine totalled 5,486 tons in 2018. The product was sold to the road safety (2,447 tons) and animal feed industry (2,938 tons) markets.

By way of novelty, an amount of 0,828 tons of brine in blocks were marketed for cooking purposes. The volume exploited in the mine corresponded to a production of approximately 6,200 tons of run-of-mine ore.

Exports to Spain accounted for 6.88% of overall sales.

In terms of human resources, the number of employees was adjusted to the current mining exploitation.

As far as safety and the environment are concerned, the company followed the good practices used in the mining sector.

5.2.4. MAINTENANCE

Industrial maintenance and stock management of parts evolved in line with efficiency goals set forth for 2018, in accordance with the best international practices.

No serious accident occurred whether with internal or external personnel; the average availability of production units stood at 97.5%, which is in line with the international World-Class benchmarking;

the pit-stop of some critical assets views ensuring a 30-month period between general downtimes; investment in advanced reliability and asset management tools, namely the Reliability Centred Maintenance (RCM2) and Root Cause and Failure Analysis (RCFA) and in predictive maintenance technology for some critical assets was increased.

5.2.5. LOGISTICS

During 2018 at the Estarreja complex, Bondalti Chemicals handled over 1.67 million tons, 10.6% more than in 2017. This increase was expected and was due to the transfer of part of Elnosa's commercial activity to Bondalti in Estarreja, causing an increase in productive activity, with impact on the expedition of finished products and reception of raw materials.

The shipping of 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.

In 2018 transfers by pipeline fell by 2% over 2017, totalling 355 thousand tons, of which 27% concern raw-materials and 73% concern finished products.

During the year, Bondalti handled 409 thousand tons for a total of 111 vessels, including the unloading of raw-materials (benzene and salt) from 72 ships and loading of finished products (aniline and MNB) on 39 ships. Total volume of handled cargo increased by 17% and the number of ships handled also rose by 8 over 2017.

The volume handled by railway totalled 48 thousand tons, specifically of Ammonia coming from the Lavradio plant, corresponding to a decrease by 1.7% over the previous year.

The handling of cargo transported by road in 2018 totalled 833 thousand tons, increasing by 13% over 2017. Of this total volume, 43% concerned the transportation of raw materials and 57% concerned the dispatching to end clients.

In 2018, 32.9 thousand tons of final products were shipped to clients through multimodal means, accounting for an increase in this type of transport by 39% over 2017.

Variable expenses of units sold stood below the budget in 2018.

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".

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.

5.2.6.1. ANALYTICAL CONTROL

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

- Analytical support to various projects of the DTEPD, including optimisation of water demineralisation process and performance tests concerning the decomposition of nitrogen trichloride.
- Improvements in SIAP applications; LIMS, in collaboration with the Automation and Control Area.

5.2.6.2. SHA (SAFETY, HYGIENE AND ENVIRONMENT) & QUALITY

SAFETY, HYGIENE AND HEALTH

Information and training about the dangers and hazards of industrial operations are a constant concern and 2018 was no exception. Accordingly, 453 training actions concerning safety were carried out during the year, including 653 hours of training in specific safety related themes. Three emergency drills were carried out at Bondalti Chemicals and Parque de Aveiro.

The risk analysis for the prevention of serious industrial risks at Parque de Aveiro and the internal Emergency Plan were both reviewed during the year.

No serious industrial accident occurred in 2018. Two occupational accidents occurred leading to loss of working days.

ENVIRONMENT

In 2018 Bondalti led the Environment Group of Pacopar, having carried out several actions with the local community, namely in schools, including a training action about the sustainable resource management and commemorated the Annual Environment Day, organising a cleaning up of plastic and waste on the shores of Ria de Aveiro.

Bondalti participated with AP Química and the Portuguese Environmental Agency (Agência Portuguesa do Ambiente) on the discussion viewing the preparation of the new BREF WGC – Waste Gas Chemicals, having received the visit of a delegation of the JRC European IPPC Bureau in September 2018. The purpose of this visit was to inform on the techniques and methodologies already followed within this scope.

During the year under review several projects were carried out to improve containment in industrial units. No environmental accident occurred.

QUALITY

In 2018 Bondalti renewed its certifications according to ISO 9001:2015 and ISO 14001:2015 for its two business areas in Estarreja. This renewal of certifications attests to the company's commitment to sustainable development and continuous improvement.

Following the change of the brand name from CUF QI to Bondalti Chemicals, all internal and external documentation had to be altered.

5.2.6.3. DEVELOPMENT AND TECHNOLOGY (DTEDP)

The activity of the Development and Technology Department (DTEDP) focused on the Industrial Implementation projects, Innovation and R&D, technical support to the different areas and process/technological surveillance.

INDUSTRIAL IMPLEMENTATION PROJECTS

During 2018 various project were implemented (most of which were designed in-house), in a total amount of € 1000 thousand, resulting in an increase in 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:

- Improving efficiency in the conversion of nitrobenzene into aniline;
- Concentration and incineration of heavy effluent from aniline;
- Rationalisation of the low pressure nitrogen network;
- Purge collector for ammonia
- Tracing of cyclones of the sulphanilic acid plant;
- Recovery of condensed steam (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.

PhDs under way on the aniline production field currently 3) view to optimise hydrogenation reaction, improve purifying operations and recover the byproducts originated from the process. Moreover, three internships have taken place in these areas, which are those seeing the largest investment in installed equipment for the purposes of R&D.

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) and in MNB washing operations.

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.

R&D work has been developed to rationalise the use of water and reduce effluent emissions.

TECHNICAL SUPPORT

During 2018 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.

The Department provided technical support to the development of new business areas, in line with the company's strategic pillars.

Additionally, it provided technical support 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

SUPPORT TO BONDALTI'S INTERNATIONALISATION STRATEGY

Several engineering projects were developed to support Bondalti's internationalisation strategy, namely the new membrane cell electrolysis installation in Torrelavega (Spain), including civil and mechanical engineering support.

OPTIMISATION OF OPERATIONS

During 2018 the project engineering 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:

- Detail project and technical support in the procurement of materials and equipment to replace NH₃ pumps. The project is to be implemented during the downtime of 2019.
- Detailed project concerning changes in the PCA closed water circuit. The project is to be implemented during the downtime of 2019.
- Technical support and coordination in the licensing of the extension works of the compressor building.

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

- Phased-out installation of safety valves in each liquid chlorine tank; the first tank will be equipped with safety valves during the 2019 downtime.
- Licensing of PED lines: identification of lines of the nitric acid unit and ammonia storage unit to be licensed and preparation of inspection works and hydraulic tests to be carried out during the 2019 downtime.
- PAD fire network pumping: development of project viewing the installation of pumping group, consisting of electro pump, motor pump and jockey pump. The works will be completed during 2019 downtime.

Construction of social facilities (shower room and entrance hall of PAD area) were completed, whilst in the PAD shift area, they will be completed in the second quarter of 2019.

5.2.6.5. CONTROL AND INDUSTRIAL AUTOMATION SYSTEMS (CIAS)

5.2.6.5.1 INDUSTRIAL AUTOMATION

The work carried out in 2018 consisted mainly of the Altamira control system project and preparation of 2019 downtime:

- Development of base engineering for the Altamira control system and specific engineering project. Infrastructure network project for the site;
- Preparation of 2019 downtime, namely:
 - Upgrade of active network equipment for DCS;
 - Re-arrangement of communication background;
 - Study of solution and acquisition of equipment for the extension of PAD's ESD;
- Study, base engineering and detail design project viewing increasing efficiency in the conversion of nitrobenzene into aniline;
- Beginning of "security" project for Estarreja gatehouses.

5.2.6.5.2. 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 both at Bondalti Chemicals and Innovnano.

5.3. PROCUREMENT

In 2018 the Procurement Department negotiated a total amount of € 276 million of purchases.

The team structured by lead category has a deep knowledge of the markets where it operates. Focus is kept on achieving continuous improvement at warehouse/stock management level, with the implementation of improvements to mitigate potential failures. In what concerns main raw materials, namely salt, vacuum salt remains scarce and prices are high. This situation is caused by salt production projects having failed expectations; nonetheless, Bondalti ensured supply thanks to a trusting relationship established with partners prior to this situation. In what concerns remaining markets, there is much volatility and cycles are growing increasingly shorter. Despite these hindrances, savings achieved were quite interesting. Additionally, the Procurement Department was actively involved in the Cantabria project, which will continue in 2019. We have widened our portfolio of suppliers and made inquiries at Iberia level for the supply of consumables.

Regulatory Themes (REACH, Biocides)

During 2018 REACH registrations were made for 2 substances and information was prepared viewing the licensing of biocide products. In what concerns biocides, we have reviewed current

clients, which were divided into receivers of active substances or receivers of biocide products. The information concerning biocides required a careful analysis of all clients regardless of their framework, in order to ensure the continuity of applications and forms of use.

There is an increasing number of similar regulations to REACH in different geographies, such as K-Reach (Korea) or KKDik (Turkey) or TSCA (USA), which we have monitored. Brexit is another theme which is followed closely, in order to prepare to a “no deal” scenario, where the UK will become a non-EU country.

5.4. HUMAN RESOURCES

In 2018 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	DEVELOPED PROJECTS IN 2018
OVERALL MANAGEMENT [Ensure the global management of Bondalti employees]	<ul style="list-style-type: none"> • Operationalisation of the 4Learn platform - training management
CONTINUOUS DEVELOPMENT [Enhance leaderships and teams, developing critical skills to achieve goals]	<ul style="list-style-type: none"> • Well-being week; • BLeader programme; • “Excellence Index” study
COHESION AND WELL-BEING [strengthen Bondalti’s identity and culture]	<ul style="list-style-type: none"> • New specialities of podiatry and physiotherapy; • Consolidation of EFR measures;
REJUVENATION [of Bondalti’s human capital, ensuring the growing of knowledge and intergenerational experience sharing]	4x4 Training Implementation of the defined rejuvenation plan

OPERATIONALISATION OF THE 4LEARN PLATFORM - TRAINING MANAGEMENT

With a view to an increasingly active, collaborative and participating training, we have digitalised the entire training process on the 4LEARN platform. This new tool to which all employees have access through a simple “Single Sign-on” (SSO) process, allows performing administrative actions and make training available to all employees or to specific targets.

Additionally, with 4LEARN any employee knows in detail which training he/she has/will receive.

The 4LEARN platform has also permitted to boost e-learning training, using pre-purchased contents or contents expressly conceived for Bondalti.

WELL-BEING WEEK

In April we carried out the well-being week in all Bondalti units. Several workshops were available, from cooking to quick massages, podiatry to sleep consultations. Employees adhered in significant numbers to this initiative, which focused on happiness and well being within the organisation.

BLEADER PROGRAMME

Investment in Leadership training is continuous, aimed at developing key skills in our staff. BLEADER was developed to raise awareness to the importance of leadership in the operationalisation of the Performance Management System in force at Bondalti. This was an effective programme addressed to the entire organisation, carried out over a three month period based on an innovating methodology, having allowed employees to participate actively in the training, by means of active contributions about the Leadership theme and the Performance Management System.

“EXCELLENCE INDEX” STUDY

Bondalti participated in the 2018 Excellence Index developed by Neves de Almeida | HR Consulting in partnership with Human Resources Portugal, Executive Digest and INDEG-ISCTE, aimed at measuring employee satisfaction.

The Excellence Index views to determine the organisation with the best corporate environment and playing a relevant role in the development of human capital in Portugal. In Bondalti's case it also permitted to gather relevant management information to pin point its strengths and opportunities for improvement in the management of its human capital.

By participating in the Excellence Index we are working to become one of the best industrial companies to work in.

5.4.1. PERFORMANCE ASSESSMENT

The annual performance evaluation was carried out covering all employees, based on the Performance Management System in force at the company.

5.4.2. STAFF

In 2018 Bondalti Chemicals' staff evolved as follows:

a) 17 employees left:

- 8 (eight) operating technicians
- 6 (six) functional technicians
- 2 (two) technical staff
- 1 (one) manager

b) 16 employees joined the company:

- 7 (seven) operating technicians (1)
- 7 (seven) functional technicians
- 1 (one) administrative staff
- 1 (one) technical staff

(1) Integration into the staff of 6 young people who performed the learning programme in a working environment

c) Average number of employees

Location/year	2017	2018
Bondalti Chemicals, SA	247	246
RENOESTE - Valorização de Recursos Naturais, SA	6	4
Nutriquim - Produtos Químicos, SA	1	1
Elnosa - Eletroquímica del Noroeste, S.A.U	61	39
	315	290

d) Pensioners

The number of pensioners fell by nearly 9%.

5.4.3. DEVELOPMENT OF SKILLS BASED ON PROFESSIONAL TRAINING:

In 2018 we continued to invest in the development and training of our employees, namely:

QUALITY AND ENVIRONMENT

- Internal Emergency Plan
- Continuous training in safety, covering various subjects
- Beginner's training in fire fighting and control of accidents with hazardous materials
- Dangers to health of Bondalti's chemical products
- Training in safety in forklift manoeuvring and operation
- IX Technical Day - Information on law 52/2018 on the control of Legionella bacteria in cooling towers and high-risk plants
- Transport of hazardous materials

CROSS-DISCIPLINARY TRAINING

- Training relating to BLeader and EFR programmes (management of reconciliation)
- Protection of personal data and computer security
- Spanish
- Meetings, Fairs, Conferences, Symposiums, amongst which the following:
 - Argus Olefins & Aromatics Seminar
 - Argus Petrochemical Markets 2018
 - Salt 2018
 - Mononitrobenzene & Dinitrotoluene Safety Conference
- Availability of e-learning contents relating to personal development - "professional effectiveness" and "from stress to well-being"
- Productive Processes
- Production technicians received training viewing the improvement in productive processes, provided in real work context, namely:
 - ISPS Code - Operators and Guards
 - ISPS Code for Management
- Training for steam boiler operators - 2018rs - 2018

Continuous training was provided 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. This is patent in the training provided in the following areas:

- Protection/service and safety in low, medium and high voltage facilities
- Training in safety in manoeuvring and operating forklifts

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 (37), involving students and recently graduated students:

- 7 (seven) PhD Research scholarships;
- 12 (twelve) Curricula internships
- 11 (eleven) IEFP internships (1)
- 6 (two) internships introducing to professional life
- 1 (one) post-curricula internship

(1) Integration within the workforce of 6 young people who started their learning programme in a working environment

5.5. INFORMATION SYSTEMS

In 2018 two events occurred at Bondalti marked DSI activities: the change in the corporate name from CUF to Bondalti, and the inclusion of two Spanish companies in Bondalti's SAP management perimeter.

In the first case, the change required a structural transformation in domain and systems: for instance, email addresses with ensuing migrations, likewise for Microsoft tenant, SAP and all remaining systems. It was a complex and long-lasting project, which was planned and conducted so that all disruptive changes happened outside working hours, thus not affecting day-to-day business.

In the second case, the SAP system was implemented at Elnosa and Bondalti Cantábria so that the go live would occur at the beginning of 2019, with migration of information from the former AS400 systems and integration of both companies in Bondalti's processing organisation, in line with legal, tax and processing requirements. This is a structuring project for the internationalisation of Bondalti, which will continue during 2019 in order to achieve greater efficiency and return.

In 2018 we also devoted efforts to the security of information, identity and assets. We performed intrusion tests, implemented tools to monitor accesses and atypical behaviours and provided training in Information Security. The department will continue focused on this theme in 2019.

Finally, as the new data protection law entered into force, Bondalti implemented all procedures to comply with the new data requirements.

5.6. INNOVATION AND SUSTAINABILITY

Sustainability is a strategic priority for the development of any organisation and a key issue when we discuss corporate competitiveness in the short, medium or long terms.

Bondalti wants to contribute to a more sustainable world, promoting economic growth by integrating principles deemed crucial, such as innovation, skills and human development, relationship with local and scientific communities and the mitigation of the environmental impact throughout the value chain.

Innovation is a core value at Bondalti, playing a crucial role in the company's competitiveness and development. The company invests significantly in innovation, the results of which will allow to set forth development strategies and areas of action.

SUSTAINABILITY

Sustainability, which as a concept must be understood from all perspectives, is crucial for any chemical sector entity, and for Bondalti in particular. Bondalti strategic goals comprise the creation of value for employees, shareholders, clients, suppliers and the community, based on a sustainable management and improvement of production processes. This involves innovating processes in a responsible manner, promoting a sustainable management of resources, particularly as concerns energy and emissions, fostering the development and safety of people and creating value for clients, while maintaining the highest ethical standards.

In line with the best international practices, in 2017 Bondalti identified the UN Sustainable Development Goals to which it can contribute. Currently, Bondalti monitors the performance of its activities in these fields, viewing continuous improvement.

- **SDG 6 - Drinking water and sanitation** - Bondalti is committed to measures aimed at reusing water, monitoring water efficiency and the emission of effluents; moreover, it produces chemicals which are used in water treatment.
- **SDG 7 - Affordable renewable energy** - Bondalti develops a range of energy efficiency measures and continuously monitors its emissions. Currently, Bondalti aspires to increase renewable energy consumption in the global energy matrix.
- **SDG 8 - Decent work and economic growth** - Bondalti is focused on the sustainable development and expansion of its activity, being committed to operational efficiency and human capital.
- **SDG 9 - Industry, innovation and infrastructure** - Bondalti is a relevant company in the Portuguese industrial landscape, banking on RDI activities to achieve operational efficiency and technological and functional modernisation.
- **ODS 12 - Responsible consumption and production** - Bondalti invests in circular economy initiatives, fostering a responsible and more competitive economic growth, with less impact on social and natural capital.

In 2018 Bondalti revised its sustainability strategy, which was integrated in its corporate strategy, reflecting the importance of the theme for the organisation. This process was based on an internal reflection, supported by a detailed analysis of macro trends and benchmarks, and the listening of stakeholders viewing to assess major concerns and expectations relating to the company.

Finally, in 2018 Bondalti answered again the EcoVadis questionnaire, which is an index to measure performance in sustainability, having maintained its score of 71/100 (“Advanced”).

INNOVATION

Research, Development & Innovation activities are considered crucial for the development of Bondalti Chemicals’ activity. Accordingly, they are monitored by a RDI management system certified according to the Portuguese standard 4457:2007.

Bondalti invests heavily in RDI and value creation activities, developing projects and promoting actions to reduce costs, either energy or raw material costs, and to achieve greater efficiency and strength in industrial processes, ensuring environmental protection and the sustainability of water resources and the safety of facilities.

At Bondalti Chemicals, RDI projects are developed by highly qualified staff and in coordination with scholarship holders and trainees from engineering faculties. The partnership relations which Bondalti Chemicals develops with these schools foster a climate of innovation and knowledge within its science-technology community.

Additionally, in line with previous years, in 2018 Bondalti held one internal session to share the lessons learned from RDI project management and encourage better practices and learning, viewing continuous improvement.

With a view to encourage the emergence of an increasing number of ideas, in 2018, Colombo General Regulations were reviewed, and rewards were enhanced. Additionally, two thematic campaigns were carried out: “Lean Management” and “General Shut-down”. In 2018, 38 ideas were submitted, of which 11 were approved and 1 was already implemented. The best ideas approved are presented and rewarded during the annual Colombo Open Day. In 2018 the first prize was given to a project called “Blowing of the Articulations of the Chlorine Loading Arms”, which involved deploying a connection in the load/unloading arms, thus preventing the release of chlorine into the air and naturally the associated direct exposure of operators.

As far as Intellectual Property management is concerned, Bondalti Chemicals manages a portfolio of 4 patent families. In 2018 the company was granted Family 2 “Alkali washing of mono nitrobenzene” in Portugal and Family 3 “Set of electrodes/electrolyte, reactor and method for the direct amination of hydrocarbons” in China and the United States of America.

06

ECONOMIC AND FINANCIAL ANALYSIS

(See point 3) Evolution of key indicators In overall terms, key indicators have all improved in 2018.

The company has a solid economic and financial situation, having posted net profit for the year of € 22.6 million.

Turnover reached €M 336, increasing by 4% over the previous year, mainly following an increase in the production of Mono nitrobenzene, responding to the challenge of supplying its client SpecGx (formerly Mallinkrodt) in the United States and increase in production of Chlor-alkalis in Estarreja, offsetting the close down of the electrolysis in Pontevedra and stoppage of production of hypochlorite sooner than expected.

The relevant rise in EBITDA reflects a combination of particular favourable circumstances in the markets of aniline and byproducts and chlorine and byproducts. In the aniline market, Bondalti had available capacity to face market shortages. In the chlorine market, the close down of chlorine plants following the banning of mercury cell based production affected Spain's capacity in particular, driving stockpiling by clients to the benefit of suppliers, such as Bondalti, which had already made the transition to authorised technologies and was thus able to ensure future supply.

This had a very positive impact on results, despite the negative performance of Renoeste and Elnosa:

- At Renoeste, following the close down of production in 2017, the company posted net losses of € 587 thousand.
- At Elnosa, despite the increase in turnover as a result of the trading of chlorine and by-products (following the close down of chlorine production based on mercury membrane required by law), the company posted net losses of € 428 thousand, including all provisions necessary for dismantling the plant and decontaminating soils.

The impact of financial expenses on results is decreasing, as a result of the repayment of debt - which went from € 65 million at the end of 2017 to € 49 million in 2018.

The debt-to-equity ratio stood at 47%, with a balanced distribution between short-, medium- and long-term liabilities.

The Net financial liabilities/EBITDA ratio reduced from 0.7 in 2017 to 0.4 in 2018, continuing to evolve quite positively. Financial debt corresponds to medium and long-term financing operations and risk hedging operations with a negative mark to market; the current financial debt corresponds to the amortizations to be made in 2019.

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.

Loans and advances to customers continue under strict control.

07

ACTIVITY OF ASSOCIATES

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

Elnosa's activity in 2018 was marked by the shut-down of production at the end of 2017, as a result of EU Directive 2010/75 banning the use of mercury cells in the production of chlorine, which was the method used by Elnosa.

Following this decision, industrial activity in 2018 was reduced to the production of hypochlorite made from chlorine and soda acquired elsewhere. On 29 July 2018 the public domain concession granted to Elnosa ended, leading to the close down of all industrial activity at the company.

As a result, Elnosa focused its activity on the trading of products produced by external companies, namely Bondalti Chemicals, having tripled turnover in this business area to €M 31.6 in 2018, against a background of high prices and steep demand motivated by the close down of other industrial units in Spain, which also used mercury cells.

Overall turnover reached €M 38.7, growing by 32% over 2017. The company posted net losses for the year in the amount of € 428 thousand. Notwithstanding this favourable business performance, results were hurt by the setting up of provisions in the total amount of €M 2.4 to face shut down costs. If it were not for these provisions, net profit would have been much higher than in the previous year.

The company posted net losses of € 428,184.

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 its 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 2018 the company had 5 employees.

Renoeste has a high solvency level, with current assets exceeding total liabilities more than 13x over, thus being able to comfortably face its responsibilities towards third parties.

Net losses for the year totalled € 586,837 reflecting the shut down of activity.

AQP – ALIADA QUÍMICA DE PORTUGAL, S.A.

Aliada Química de Portugal operated at regular pace in 2018. There were no accidents nor operating incidents. Production at over 36,000 tons is the maximum amount which the company can produce every year.

This level of activity determined the need to change to continuous shift working as from November 2017.

Sales, in terms of value, increased by 10% driven by MI sales and exports.

Despite the pressure on raw material prices (namely hydrates) and sales prices in Portugal, the company's results evolved by 15% over the previous year, due to the increase in prices and sales volume.

In 2018 the company's posted net profit of € 1,042,463.

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.

In September 2017, a meeting was held with Baía Tejo, owner of the dicalcium phosphate plant, to approve the dismantling of the plants.

In November 2017 Bondalti Chemicals requested authorisation from the Cultural Heritage General-Directorate to demolish the said buildings, which it obtained in January 2018. In February 2018, the company applied for a demolishing license with the Municipal Council of Barreiro.

In August 2018 the Municipal Council of Barreiro issued the licensing permit.

Dismantling works started on 29 August 2018.

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

An extension of the license was requested with the Municipal Council of Barreiro.

In 2018 Nutriquim posted net losses of €123,876.

BONDALTI CANTÁBRIA, S.A.

The installation of the Cell Membrane Electrolysis plant in Torrelavega, Spain started up in December 2017 and should be completed at the end of 2019.

In 2018 the company recorded net losses for the year of € 255,131.

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 2018 the company recorded net losses for the year of € 52 103, reflecting the stake in Bondalti Cantábria, S.A.

08

■ OUTLOOK FOR 2019

Following the planned downtime at the beginning of 2019, operation should resume at strong pace.

The engineering design and construction project of the chlor-alkalis unit in Torrelavega is developing according to plan, with start-up expected to occur at the end of the year.

For 2019 we expect to maintain the level of chlor-alkali sales in Iberian market following the post-downtime period, with industrial units operating at strong pace in Estarreja and increasing trading activity resulting from company's profound knowledge of the market.

As far as the Organic Products business segment is concerned, based on the multi annual contracts entered with key clients for MDI and also on the aniline and mono nitrobenzene merchant market and other opportunities which we will actively search, we expect to keep our markets in Europe and the United States.

We will continue to look for new opportunities, in line with our Strategic Plan.

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 optimise specific consumptions in all industrial 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 € 22,632,409.05 as follows:

- Dividends € 19,300,000
- Retained earnings € 3,332,409.05

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 ■ 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, 29 March 2019

CONSOLIDATED FINANCIAL STATEMENTS FOR 2018

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2018 AND 2017

(Amounts in Euro)

HEADINGS	NOTES	31-12-2018	31-12-2017
Assets			
Non current assets			
Tangible fixed assets	6	110 257 459	101 396 062
Investment property	7	19 687 298	19 291 556
Intangible assets	8	3 772 632	2 235 799
Equity holdings - eq. method Equity	9	1 136 989	1 070 266
Equity holdings - other methods	9	9 228	9 228
Other financial assets		8 545	6 277
Deferred tax assets	28	3 556 185	3 592 481
		138 428 336	127 601 668
Current assets			
Inventories	10.1	19 394 974	20 420 618
Clients	13.1	34 698 298	49 013 707
State and other public entities	11	1 628 015	232 366
Other accounts receivable	13.1	1 959 446	1 198 813
Deferrals	12.1	243 086	993 027
Cash and bank deposits	4	36 120 833	30 966 152
		94 044 652	102 824 684
Total assets		232 472 988	230 426 352
Equity and Liabilities			
Equity			
Subscribed share capital	16.1	30 500 000	30 500 000
Legal reserves	16.2	6 100 000	5 807 840
Other reserves	16.2	18 047 597	18 384 726
Results brought forward	16.2	13 770 893	11 318 715
Adjustments and other changes in equity	16.3	7 294 590	6 290 592
Net Profit/(Loss) for the year		22 632 409	16 407 209
Non controlling interests	16.4	288 037	300 000
Total equity		98 633 526	89 009 083
Liabilities			
Non current liabilities			
Provisions	14	5 974 496	4 351 480
Borrowings	13.4	45 126 590	50 392 952
Liabilities for post-employment benefits	15.1	3 512 136	3 900 381
Deferred tax liabilities	28	3 948 195	3 719 408
Other debts payable	13.3	7 700 000	10 700 000
		66 261 417	73 064 221
Current liabilities			
Suppliers	13.2	35 284 385	39 202 179
Cash receipts from clients		122 964	125 767
State and other public entities	11	480 220	407 955
Borrowings	13.4	10 062 500	14 687 500
Other debts payable	13.3	21 031 576	13 806 363
Deferrals	12.2	596 400	123 285
		67 578 045	68 353 049
Total Liabilities		133 839 462	141 417 269
Total equity and liabilities		232 472 988	230 426 352

CONSOLIDATED PROFIT AND LOSS STATEMENT BY NATURE

Period ended at 31 December 2018 (Amounts in Euro)

INCOME AND EXPENSES	NOTES	31/12/2018	31/12/2017
Sales and services	18	336 211 094	322 517 054
Operating subsidies	17	181 337	12 256
Gains/losses of subsidiaries and associates Joint Undertakings	19	520 189	453 465
Product stock variation	10.2	(1 033 337)	1 624 739
Work for own entity	20	892 825	140 458
Cost of goods sold	10.3	(210 893 494)	(211 661 105)
Supplies and Services	21	(63 703 241)	(57 190 372)
Staff costs	15.4	(12 632 311)	(12 778 448)
Impairment of inventories (Losses/Reversals)	10.4	(310 206)	(48 555)
Impairment of receivables (Losses/Reversals)	13.1	(12 464)	(54 765)
Provisions (Increase/Decrease)	14	(2 537 412)	(1 513 891)
Increase/decrease in fair value		2 596	(2 057)
Other income	22	6 844 896	5 775 217
Other expenses	23	(1 570 887)	(985 291)
Results before Depreciation, Financial Expenses and Tax		51 959 583	46 288 704
Expenses/Reversal of Depreciation and Amortisation	25	(16 810 380)	(18 062 622)
Impairment of depreciable inventories	25	-	(3 726 675)
Operating Result (before Financial Expenses and Tax)		35 149 203	24 499 407
Interest and similar income	26	46 432	31 272
Interest and similar expenses	27	(5 378 215)	(3 396 394)
Profit/(Loss) before tax		29 817 420	21 134 285
Income tax for the year	28	(7 195 431)	(4 727 125)
Net profit/(loss) for the year		22 621 989	16 407 161
Net profit for the year attributable to:			
Parent company shareholders		22 632 409	16 407 209
Non-controlling interests	16.4	(10 421)	(48)
		22 621 989	16 407 161

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2018

Period ended at 31 December 2018 (Amounts in Euro)

DESCRIPTION		Subscribed share capital (Note 16.1)	"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 2017	1	30 500 000	5 143 163	18 430 600	5 961 174	12 143 981	13 293 537	85 472 455	-	85 472 455
CHANGES IN THE PERIOD										
Revaluation surplus of tangible and intangible assets and respective changes		-	-	(59 192)	-	59 192	-	-	-	-
Adjustments for deferred tax		-	-	13 318	(96 748)	(13 318)	-	(96 748)	-	(96 748)
Hedging derivatives		-	-	-	1 787 540	-	-	1 787 540	-	1 787 540
Subsidies		-	-	-	(1 504 209)	-	-	(1 504 209)	-	(1 504 209)
Emission allowances		-	-	-	146 658	-	-	146 658	-	146 658
Other changes recognised in equity		-	-	-	(3 823)	-	-	(3 823)	-	(3 823)
	2	-	-	(45 874)	329 418	45 874	-	329 418	-	329 418
NET PROFIT/(LOSS) FOR THE YEAR	3						16 407 209	16 407 209	-	16 407 209
COMPREHENSIVE RESULT	4=2+3						16 407 209	16 736 627	-	16 736 627
OPERATIONS WITH EQUITY HOLDERS DURING THE YEAR										
Distributions		-	-	-	-	(13 500 000)	-	(13 500 000)	-	(13 500 000)
Acquisition of Minority interest		-	-	-	-	-	-	-	300 000	300 000
	5	-	-	-	-	(13 500 000)	-	(13 500 000)	300 000	(13 200 000)
APPROPRIATION OF RESULTS										
Set up of Legal Reserve		-	664 677	-	-	-	(664 677)	-	-	-
Transfer of results for the year to Retained Earnings		-	-	-	-	12 628 860	(12 628 860)	-	-	-
	6	-	664 677	-	-	12 628 860	(13 293 537)	-	-	-
POSITION AT END OF 2017	7=1+2+3+5+6	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
POSITION AT BEGINNING OF 2018	7	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)
	8	-	-	(337 129)	1 003 997	337 129	-	1 003 997	(1 543)	1 002 455
NET PROFIT/(LOSS) FOR THE YEAR	9						22 632 409	22 632 409	(10 421)	22 621 989
COMPREHENSIVE RESULT	10=8+9						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)
	11	-	-	-	-	(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)	-	-	-
	12	-	292 160	-	-	16 115 049	(16 407 209)	-	-	-
POSITION AT END OF 2018	13=8+9+11+12	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

CONSOLIDATED CASH FLOW STATEMENT

Period ended at 31 December 2018 (Amounts in Euro)

HEADINGS	NOTES	31/12/2018	31/12/2017
Cash flow from operating activities - direct method			
Cash receipts from clients		397 151 314	369 580 655
Cash paid to suppliers		(302 579 718)	(298 492 226)
Cash paid to personnel		(20 808 391)	(12 772 804)
Flows generated by operations		73 763 205	58 315 625
Income tax received/paid		(983 752)	(525 374)
Other cash received/paid		(17 723 319)	(14 716 896)
Net cash from operating activities (1)		55 056 134	43 073 355
Cash flows arising from investing activities			
Cash payments relating to:			
Tangible fixed assets		(18 668 809)	(17 546 442)
Investment property		(734 009)	-
Intangible assets		-	(28 594)
Financial investments		(6 953)	-
Other assets		(14 820 946)	(13 973 502)
		(34 230 717)	(31 548 538)
Cash receipts relating to:			
Tangible fixed assets		4 488	8 301
Investment property		821 015	98 319
Intangible assets		1 362 400	-
Financial investments		2 820	23
Other assets		6 502 418	12 250 004
Interest and similar income		37 941	34 881
Dividends		453 465	444 808
		9 184 548	12 836 335
Cash flows arising from investing activities (2)		(25 046 169)	(18 712 204)
Cash flows arising from financing activities			
Cash receipts relating to:			
Loans		6 257 327	3 879 318
Paid-up capital and other equity instruments		-	300 000
Other financing operations		-	4 700 000
		6 257 327	8 879 318
Cash payments relating to:			
Loans		(14 687 500)	(9 940 639)
Interest and similar costs		(2 425 112)	(2 605 502)
Dividends		(14 000 000)	(13 500 000)
		(31 112 612)	(26 046 141)
Cash flows arising from investing activities (3)		(24 855 284)	(17 166 823)
Variation in cash and cash equivalents (1+2+3)		5 154 680	7 194 328
Effect of foreign exchange differences			
Cash and cash equivalents at the beginning of the year	4	30 966 152	23 771 824
Cash and cash equivalents at the end of the period	4	36 120 833	30 966 152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2018

1. 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. (former CUF - Companhia União Fabril SGPS, S.A.) has its head-office in Lisbon.

2. 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.

3. 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 NCFR), 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:

Tangible fixed assets (Amortisation rates)	2018	2017
Buildings and other constructions	2.00 - 33.33	2,00 - 33,33
Basic equipment	5.00 - 50.00	5,00 - 50,00
Transport equipment	6.25 - 25.00	6,25 - 25,00
Administrative equipment	5.88 - 50.00	5,88 - 50,00
Other tangible fixed assets	12.5 - 20.00	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:

Investment Property (Amortisation rates)	2018	2017
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:

Intangible fixed assets (Amortisation rates)	2018	2017
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	Taxa 2018	Taxa 2017
Income tax	Portugal	21,0%	21,0%
Municipal surcharge	Portugal	1,5%	1,5%
State surcharge	Portugal	3% - 5%	3% - 5%
Income tax	Spain	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.

(I) Equity captions

(I.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).

(I.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.

(I.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:

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	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.

4. CASH FLOWS

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

	31/12/2018	31/12/2017
Cash	11 447	10 092
Demand deposits	36 109 386	30 956 060
	36 120 833	30 966 152

The Deposits on Demand heading includes a Debt Service Reserve Account in the amount of EUR 8,476 thousand.

5. RELATED PARTIES

5.1 - GROUP ENTITIES

The Company is 100% held by Bondalti SGPS, S.A. (former CUF – Companhia União Fabril SGPS, S.A.), which in turn is 100% held by Bondalti Capital, S.A. (former CUF – Consultoria e Serviços, 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 2018 and 2017 are as follows:

Subsidiaries	Location	% held	Effective control 2018	Effective control 2017
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%	100%	100%
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 Cantábria, formerly know as Altamira is already in an advanced stage of reconversion of the chlor-alkalis unit, which is expected to be completed in 2019.

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

Associates	Location	% held	2018	2017
AQP - Aliada Química Portugal, Lda. ("AQP")	Lisbon	49,9%	49,9%	49,9%

5.2 - TRANSACTIONS WITH RELATED PARTIES:

Transactions with related parties occurred in the years ended 31 December 2018 and 2017 were as follows:

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

2017				
Companies	Sales and services	Services purchased	Other income	Other expenses
Bondalti SGPS, SA	-	21 108	-	-
Bondalti CAPITAL, SA	-	2 838 724	-	-
AQP Aliada Química Portugal, Lda	663 588	-	42 543	-
AP Amoniaco de Portugal, SA	-	14 728 834	-	-
DOLOPAND - Invest. Imobiliários e Turísticos, SA	-	8 400	-	-
INNOVNANO - Materiais Avançados, SA	3 924	-	-	-
SGPAMAG, SA	5 525	1 390 933	137 283	-
	673 037	18 988 000	179 826	-

As of 31 December 2018 and 2017, balances with these entities were made up as follows:

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	802	324 419	35 109	6 843 897
Bondalti SGPS, SA	-	-	8 654	3 000 000
AQP Aliada Química Portugal, SA	49 538	-	-	-
AP Amoniaco de Portugal, SA	1 480 297	-	3 429 206	-
INNOVNANO - Materiais Avançados, SA	15 605	-	-	-
SGPAMAG, SA	28 349	-	249 290	-
	1 574 593	324 419	3 722 259	9 843 897

31/12/2017	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, SA	49 352	-	-	-
AP Amoniaco de Portugal, SA	111 207	-	1 963 201	-
INNOVNANO – Materiais Avançados, SA	7 702	-	-	-
SGPAMAG, SA	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).

6. 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	Subtotal	Investments in progress	Advances	Total financial assets
COST:										
01/01/2017	1 183 580	35 409 257	282 537 422	615 284	2 798 244	2 240 918	324 784 705	1 291 436	-	326 076 142
Increases	1 561	160 064	4 145 601	27 467	40 616	25 683	4 400 991	2 166 399	10 039 598	16 606 989
Transfers	-	80 200	702 966	32 991	883	94 729	911 770	(968 958)	-	(57 188)
Disposals	(466)	-	-	-	(1 470)	(462)	(2 398)	-	-	(2 398)
Write-downs	-	-	-	-	-	(99 491)	(99 491)	-	-	(99 491)
31/12/2017	1 184 675	35 649 522	287 385 989	675 742	2 838 274	2 261 376	329 995 577	2 488 878	10 039 598	342 524 054
Increases	-	143 894	2 899 067	-	19 317	59 648	3 121 925	21 551 168	-	24 673 093
Transfers	-	3 701 019	1 907 376	-	-	51 663	5 660 058	(2 014 543)	(3 666 592)	(21 077)
Disposals	-	-	(1 764)	-	-	-	(1 764)	-	-	(1 764)
Write-downs	-	-	-	-	-	(214 695)	(214 695)	-	-	(214 695)
31/12/2018	1 184 675	39 494 434	292 190 668	675 742	2 857 590	2 157 992	338 561 102	22 025 503	6 373 007	366 959 611
AMORTIZATION AND IMPAIRMENT:										
01/01/2017	-	26 705 911	188 028 696	565 355	2 657 701	1 783 793	219 741 457	-	-	219 741 457
Depreciation (Note 25)	-	1 177 303	16 274 080	27 922	42 201	146 728	17 668 234	-	-	17 668 234
Other reclassifications	-	-	-	-	-	(598)	(598)	-	-	(598)
Transfers	-	-	-	-	(1 470)	(462)	(1 932)	-	-	(1 932)
Write-downs	-	-	-	-	5 347	-	5 347	-	-	5 347
Impairment	219 308	2 657 402	838 375	-	399	-	3 715 484	-	-	3 715 484
31/12/2017	219 308	30 540 617	205 141 151	593 277	2 704 178	1 929 461	241 127 992	-	-	241 127 992
Depreciation (Note 25)	-	675 201	14 963 824	21 080	33 895	126 273	15 820 274	-	-	15 820 274
Transfers	-	-	(18)	-	-	-	(18)	-	-	(18)
Write-downs	-	-	(31 400)	-	-	(214 695)	(246 095)	-	-	(246 095)
31/12/2018	219 308	31 215 818	220 073 557	614 357	2 738 073	1 841 039	256 702 152	-	-	256 702 152
Net carrying amount:										
A 31/12/2018	965 366	8 278 616	72 117 112	61 385	119 517	316 953	81 858 950	22 025 503	6 373 007	110 257 459
A 31/12/2017	965 366	5 108 905	82 244 838	82 465	134 096	331 915	88 867 586	2 488 878	10 039 598	101 396 062
A 01/01/2017	1 183 580	8 703 346	94 508 726	49 929	140 543	457 125	105 043 248	1 291 436	-	106 334 684

As shown in table above, depreciation for the period totalled € 15,820 thousand (2017: € 17,668 thousand) and cumulative depreciation at the end of the period totalled € 256,702 thousand (2017: € 241,128 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 Cantábria, located in Torrelavega.

7. 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 2017	18 728 237	2 481 839	21 210 076
Increases	2 100	6 300	8 400
Disposals	(2 567)	-	(2 567)
31 December 2017	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

	Land and natural resources	Buildings and other constructions	Total Investment property
Amortization and Impairment:			
01 January 2017	-	1 850 255	1 850 255
Depreciation (Note 25)	-	74 098	74 098
31 December 2017	-	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
Net carrying amount:			
As of 31 December 2018	19 222 354	464 944	19 687 298
As of 31 December 2017	18 727 770	563 786	19 291 556
As of 01 January 2017	18 728 237	631 584	19 359 821

As shown in table above, depreciation for the period totalled € 68 thousand (2017: € 74 thousand) and cumulative depreciation at the end of the period totalled € 1,873 thousand (2017: € 1,924 thousand).

8. 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 2017	1 906 316	638 981	155 246	2 032 109	4 732 652
Acquisitions	22 985	-	-	-	22 985
Use of emission allowances	-	-	-	(208 711)	(208 711)
Changes in fair value	-	-	-	431 336	431 336
Transfers	57 188	-	-	(15 607)	41 581
31 December 2017	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)
Disposals	-	-	-	(529 100)	(529 100)
31 December 2018	1 986 490	735 677	155 246	4 238 585	7 115 997

	Development projects	Software	Industrial property	Emission allowances	Total intangible assets
Amortization and Impairment:					
01 January 2017	1 840 031	638 981	7 736	201 324	2 688 073
Amortisation (Note 25)	43 165	-	8 054	269 071	320 290
Write-downs	-	-	-	(224 318)	(224 318)
31 December 2017	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
Net carrying amount:					
As of 31 December 2018	51 222	95 981	131 402	3 494 027	3 772 632
As of 31 December 2017	103 293	-	139 456	1 993 050	2 235 799
As of 01 January 2017	66 285	-	147 510	1 830 785	2 044 579

As shown in table above, depreciation for the period totalled € 922 thousand (2017: € 320 thousand) and cumulative depreciation at the end of the period totalled € 3,343 thousand (2017: € 2,784 thousand).

9. EQUITY HOLDINGS

The Group's equity holdings at 31 December 2018 and 2017 are made up as follows:

	31/12/2018	31/12/2017
Equity method		
Investments in associates (Note 9.1)	1 136 989	1 070 266
	1 136 989	1 070 266

	31/12/2018	31/12/2017
Other methods		
Investment in other companies		
Non listed shares (Note 9.2)	9 228	9 228
	9 228	9 228

9.1 - INVESTIMENTOS EM ASSOCIADAS

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	Share capital (Own)	Result (net)	31/12/2018	31/12/2017
Equity method					
AQP	Estarreja	2 278 536	520 189	1 136 989	1 070 266

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

	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

	Balance at 01 January 2017	Net profit (Note 19)	Dividend distribution	Balance at 31 December 2017
AQP	1 061 608	453 465	(444 808)	1 070 266

9.2 - EQUITY HOLDINGS - OTHER METHODS

	31/12/2018	31/12/2017
Erase - Emp. Recovery of water and soils at Estarreja	9 228	9 228
Other	13 400	13 400
	22 628	22 628
Amortization and provisions for losses in securities and other applications	(13 400)	(13 400)
	9 228	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:

	31/12/2018	31/12/2017
Gross value		
Goods	0	22 955
Raw materials, subsidiary materials and consum.	16 094 817	15 017 905
Finished and semi finished products	4 210 766	6 103 906
	20 305 583	21 144 766
Impairment losses		
Raw materials, subsidiary materials and consum.	(442 962)	(506 664)
Finished and semi finished products	(467 648)	(217 484)
	(910 610)	(724 148)
	19 394 974	20 420 618

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 2017	3 800 036
Adjustments	679 131
Increase/decrease for the year	1 624 739
Balance at 31 December 2017	6 103 906
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

10.3 - COST OF GOODS SOLD

	Goods	Raw materials, subsidiary materials and consum.	Total
Balance at 01 January 2017	9 179	11 248 938	11 258 117
Procurement	3 514 903	211 495 879	215 010 782
Correction of inventories	(5 901)	(67 696)	(73 597)
Balance at 31 December 2017	22 955	14 511 241	14 534 197
	3 495 226	208 165 879	211 661 105
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

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:

	2018	2017
Impairment losses		
Raw materials, subsidiary materials and consum.	(60 042)	(50 000)
Finished and semi finished products	(250 164)	-
Reversal of impairment losses:		
Finished and semi finished products	-	1 445
	(310 206)	(48 555)

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

11. STATE AND OTHER PUBLIC ENTITIES

At 31 December 2018 and 2017 this caption was made up as follows:

	31/12/2018	31/12/2017
Balance receivable		
VAT	1 628 015	232 366
	1 628 015	232 366
Balances payable		
Income tax		
<i>Tax estimate</i>	129 442	-
Income tax withheld	138 699	169 779
Payments to Social Security	212 078	238 176
	480 220	407 955

12. DEFERRALS

12.1 - EXPENSES TO RECOGNISE

At 31 December 2018 and 2017 the expenses to be recognized had the following breakdown:

	31/12/2018	31/12/2017
Expenses to be recognised		
Interest	-	615 000
Insurance	91 728	131 140
Other	151 358	246 887
	243 086	993 027

12.2 - INCOME TO RECOGNISE

At 31 December 2018 and 2017 recognisable income is made up as follows:

	31/12/2018	31/12/2017
Income to be recognized		
Surface Rights	596 400	123 285
	596 400	123 285

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:

	31/12/2018			31/12/2017		
	Gross amount	Cumulative impairment	Net amount	Gross amount	Cumulative impairment	Net amount
Clients						
Clients c/a	31 881 455	-	31 881 455	47 527 494	-	47 527 494
Clients - securities receivable	1 213 613	-	1 213 613	1 268 951	-	1 268 951
Group clients and other related parties (Note 5.2)	1 574 593	-	1 574 593	188 626	-	188 626
Doubtful receivables	2 375 852	(2 347 215)	28 637	2 383 133	(2 354 496)	28 637
	37 045 513	(2 347 215)	34 698 298	51 368 203	(2 354 496)	49 013 707
Other accounts receivable						
Other accounts receivable c/a	1 379 402	-	1 379 402	414 597	-	414 597
Other doubtful receivables	269 316	(269 316)	-	2 038 770	(2 038 770)	-
Other debtors - Group (Note 5.2)	324 419	-	324 419	374 861	-	374 861
Personnel	3 009	-	3 009	1 458	-	1 458
Advances to suppliers	252 616	-	252 616	407 534	-	407 534
Suppliers - Exchange differences	-	-	-	363	-	363
	2 228 762	(269 316)	1 959 446	3 237 583	(2 038 770)	1 198 813

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				
<i>General clients</i>	(2 354 496)	(12 464)	19 745	(2 347 215)
Other accounts receivable - current				
<i>Other accounts receivable c/a</i>	(2 038 770)	-	1 769 454	(269 316)
	(4 393 266)	(12 464)	1 789 199	(2 616 531)

31/12/2017	Opening balance	Impairment (P&L)	Used and corrected	Closing Balance
Financial assets measured at cost minus impairment				
Clients				
<i>General clients</i>	(2 388 565)	(54 765)	88 835	(2 354 496)
Other accounts receivable - current				
<i>Other accounts receivable c/a</i>	(2 038 770)	-	-	(2 038 770)
	(4 427 335)	(54 765)	88 835	(4 393 266)

13.2 - TRADE PAYABLES

As at 31 December 2018 and 2017, caption Accounts Payable is made up as follows:

	31/12/2018	31/12/2017
Suppliers		
Trade payables c/a	26 571 941	34 325 860
Suppliers - securities payable	3 218 718	1 173 969
Suppliers of the Group (Note 5.2)	3 722 259	2 591 511
Invoices expected or being checked	1 771 450	1 110 839
Exchange gains - suppliers	16	-
	35 284 385	39 202 179

13.3 - OTHER DEBTS PAYABLE

As of 31 December 2018 and 2017, caption Other Trade Payable was made up as follows:

	31/12/2018	31/12/2017
Other debts payable		
Non current		
<i>Other debts payable (Note 5.2)</i>	3 000 000	6 000 000
<i>Other debts payable</i>	4 700 000	4 700 000
	7 700 000	10 700 000
Current		
<i>Suppliers of investment a/c</i>	7 028 764	1 648 686
<i>Personnel</i>	7 137	4 754
<i>Increase for holiday pay and holiday bonus</i>	892 332	1 039 998
<i>Other increase</i>	1 167 474	689 669
<i>Other debts payable</i>	5 091 972	5 205 833
<i>Other debts payable (Note 5.2)</i>	6 843 897	5 217 422
	21 031 576	13 806 363

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

Balance of caption Other Accruals comprises accrued environmental levies, raw material swaps, property and similar taxes.

Caption Other debts payable comprises a balance of € 2,014 thousand and € 2,376 thousand in 2018 and 2017 respectively, deriving from the amount of deferred taxation on subsidies.

13.4 - LOANS OBTAINED

Caption Loans as of 31 December 2018 and 2017 is made up as follows:

Financing entity	31/12/2018		31/12/2017	
	Current	Non current	Current	Non current
Bank loans at cost	10 062 500	45 126 590	14 687 500	50 392 952
	10 062 500	45 126 590	14 687 500	50 392 952

The company has short-term credit lines in the amount of up to € 7 million which had not been used as of 31 December 2018.

	31/12/2018	31/12/2017
Loans payable		
Non current		
EIB		
<i>Retail banking</i>	17 280 000	22 110 000
<i>Floating interest rate swaps</i>	24 977 327	23 952 500
<i>Raw material swap</i>	2 725 419	4 183 863
<i>"Swap" de Matérias Primas</i>	143 844	146 589
	45 126 590	50 392 952
Current		
Bank loans		
<i>EIB</i>	4 830 000	7 050 000
<i>Retail banking</i>	5 232 500	7 637 500
	10 062 500	14 687 500
	55 189 090	65 080 452

The company has short-term credit lines in the amount of up to € 7 million which had not been used as of 31 December 2018.

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:

	Other provisions
As of 01 January 2017	2 826 398
Used in the year	11 191
Reversals in the year (Note 29.1)	(2 398)
Increases for the year	1 516 289
As of 31 December 2017	4 351 480
As of 01 January 2018	4 351 480
Used in the year	(914 397)
Reversals in the year (Note 29.1 + PL)	(80 000)
Increases for the year	2 617 412
As of 31 December 2018	5 974 496

Subsidiary Elnosa has set up a provision in the amount of € 3,571 thousand relating to its facilities located on a site subject to a concession agreement for a 50-year period, which ended in 2018. Production was totally ended at the end of 2017, following by a restructuring process carried in 2018, where 60 employees left. Since the beginning of the year until mid of next year, cleaning and dismantling operations will be carried out, namely the removal of mercury used in Elnosa production process, which ended in the first half of the year. Provision in the amount of € 914 thousand was used for the said operations and strengthened by € 1,143 thousand.

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 € 710 thousand.

Additional provisions were set up at Bondalti Chemicals, to face interest to be settled with its investors, in the amount of € 554 thousand; and to face obligations with ACE set up for works concerning Valas de São Filipe, which will be carried out in 2019 and 2020, to which the Group will contribute with € 348 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:

POST-EMPLOYMENT BENEFITS			
	Defined retirement benefit plan (no fund set up)	Medical benefit plan (no Fund set up)	Total
Liability for defined benefits at 01 January 2017	3 617 675	807 151	4 424 826
Interest expenses	51 170	-	51 170
Cost of current service	3 155	-	3 155
Benefits paid	(409 362)	(62 331)	(471 693)
Actuarial (gains)/losses	3 641	(110 719)	(107 078)
Liability for defined benefits at 31 December 2017	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

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	Medical benefits	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 2018 and 2017:

	31/12/2017	31/12/2018
Salary growth rate for Social Security Security	2,0%	2,0%
Salary growth rate	2,0%	2,0%
Rate of return of the fund	1,5%	1,4%
Pension growth rate	0,0%	0,0%
Technical rate (life rents)	1,5%	1,4%
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 Ocidental Pensões – S.G.F.P., S.A., the current value of liabilities for retirement pensions at the date of the balance sheet is estimated at EUR 3,030 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 the liabilities with healthcare as of 31 December 2018 is estimated at € 482 thousand (€ 634 thousand at 31 December 2017), recorded under item “Liabilities for post-employment benefits”.

15.4 - PERSONNEL EXPENSES

Personnel expenses were as follows:

	2018	2017
Remuneration of the members of governing bodies	1 031 293	887 089
Wages	7 887 014	8 511 773
Retirement benefits		
<i>Retirement pension plans</i>	174 174	52 533
Indemnities	525 832	168 671
Wage expenses	1 991 526	2 235 691
Occupational insurance	97 174	88 763
Social security expenses	734 268	687 632
Other personnel expenses	191 030	146 296
	12 632 311	12 778 448

During 2018 and 2017 the average number of employees at the Group was of 276 and 318, respectively, as follows:

	2018	2017	Change
Bondalti CHEMICALS	249	250	(1)
Renoeste	4	6	(2)
Elnosa	17	61	(44)
Nutriquim	1	1	-
Bondalti CANTÁBRIA	5	-	5
	276	318	(42)

(Including 3 directors)

16. OTHER EQUITY INSTRUMENTS

16.1 - SHARE CAPITAL

The Company's capital at 31 December 2018 and 2017 was made up of 6,100,000 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:

	31/12/2018	31/12/2017
Adjustments to financial assets and liabilities		
Assets		
Equity holdings	(53 607)	(47 697)
Liabilities		
Derivatives with effective hedging		
<i>Swap</i>	(2 223 679)	(3 356 100)
Subsidies (Note 17)	6 936 165	8 183 850
Emission allowances	2 635 711	1 510 539
	7 294 590	6 290 592

Caption adjustments in financial assets, as described in 3.1, was restated and grouped into this new balance sheet line.

Changes in issuing rights are as follows:

	31/12/2018	31/12/2017
Balance at 1 January	1 949 082	1 830 785
Used (Notes 22 and 29.1)	(266 666)	(284 678)
Fair value (Note 29.1)	2 345 885	431 336
Disposals (Note 8)	(529 100)	-
Transfers	(49 142)	(28 361)
Balance at 31 December	3 450 059	1 949 082
Deferred taxation (Note 28)	(765 206)	(438 544)
Annual adjustment	(49 142)	-
Net balance at 31 December, Net	2 635 711	1 510 539

16.4 - NON CONTROLLING INTERESTS

As of December 2018 and 2017, non controlling interests related to the following subsidiaries:

	31/12/2018		31/12/2017	
	Proportion in net results	Proportion in Equity	Proportion in net results	Proportion in Equity
Miralcalis	(10 421)	288 037	(48)	300 000
	(10 421)	288 037	(48)	300 000

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 i.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:

	2018			2017		
	Gross value	Other debts payable	Net value	Gross value	Other debts payable	Net value
Opening balance	10 559 807	(2 375 957)	8 183 850	12 035 656	(2 714 404)	9 321 252
Received in the year	-	-	-	-	-	-
Transferred to results (Note 22)	(1 609 916)	-	(1 609 916)	(1 504 209)	-	(1 504 209)
Contractual transfer	-	-	-	28 361	6 381	34 742
Adjustment	-	362 231	362 231	-	332 066	332 066
Closing Balance	8 949 891	(2 013 725)	6 936 165	10 559 807	(2 375 957)	8 183 850
Attributable to the Group (Note 16.3)			6 936 165			8 183 850

Recognised in income for the year:

	2018	2017
Investment subsidy (Note 22)	1 609 916	1 504 209
Operating subsidies	181 337	12 256
	1 791 253	1 516 465

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 2018 and 2017, item Sales and Services is broken down as follows:

	2018	2017
Sale of Goods		
Goods	38 114 846	11 835 359
Finished and semi finished products	304 573 586	313 290 083
Sub-products, waste and residues	112 086	90 796
Return of sales	(110 286)	(180 804)
Discounts and reductions to sales	(8 300 052)	(4 409 507)
	334 390 180	320 625 927
Rendered services		
Services	2 019 631	1 925 929
Discounts and reductions	(198 717)	(34 802)
	1 820 914	1 891 127
	336 211 094	322 517 054

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

	2018					
	Portugal	Europe	Africa	Asia	America	Total
Sale of Goods	206 576 216	115 702 846,00	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

	2017					
	Portugal	Europe	Africa	Asia	America	Total
Sale of Goods	191 188 910	124 766 912	379 645	2 629 486	1 660 973	320 625 927
Rendered services	1 335 959	555 168	-	-	-	1 891 127
	192 524 870	125 322 079	379 645	2 629 486	1 660 973	322 517 054

Gross margin is as shown in the following table:

	2018	2017
Sales	334 390 180	320 625 927
Change in production (Note 10.2)	(1 033 337)	1 624 739
Cost of goods sold (Note 10.3)	(210 893 494)	(211 661 105)
	122 463 349	110 589 561

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

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Income and gains Subs. & Associates Joint undertakings		
Application of the Equity Method (note 9.1)	520 189	453 465
	520 189	453 465

20. WORK FOR OWN ENTITY

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Work of own company to:		
Tangible fixed assets (Note 6)	892 825	140 458
	892 825	140 458

21. SUPPLIES AND SERVICES

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Specialised services		
Specialised works	6 980 105	6 533 122
Advertising costs	171 300	33 549
Surveillance and Safety	350 414	306 685
Fees	79 728	102 320
Other fees	86 872	56 406
Maintenance and repairs	2 592 361	2 243 756
External services	1 500	-
Material		
Tools and utensils	40 032	22 160
Books and technical documentation	75 750	113 918
Stationery	169 455	62 317
Promotional items	24 258	25 608
Other	39 684	27 029
Energy and fluids		
Electricity	27 143 032	25 606 068
Fuel	3 606 815	3 033 957
Water	25 440	29 280
Gas	359 059	352 115
Other fluids	14 555	25 535
Travelling, accommodation and transport		
Travelling and accommodation	491 660	460 403
Transport of personnel	-	156
Transport of goods	15 732 572	13 549 133
Transport - other	127 901	5 686
Sundry services		
Rents and rentals	2 158 603	2 519 661
Communication	37 518	46 439
Insurance	1 616 710	1 560 860
Legal services	16 475	2 710
Representation fees	69 902	82 925
Cleaning, Hygiene and comfort	304 564	297 437
Other	1 522 662	351 727
Consolidation corrections	(135 689)	(260 590)
	63 703 241	57 190 372

22. OTHER INCOME

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Supplementary income		
Equipment rental	1 189 811	889 908
Other	279 817	911 324
Prompt payment discounts obtained	0	-
Recovery of receivables	13 233	42 786
Gains on inventories	15 534	38 086
Income and Gains on Non Financial Investments		
Disposals	1 278 937	6 099
Rents and other income on investment property	4 066	3 673
Gains on emission allowances		
Use of allowances (Note 16.3)	266 666	284 678
Gains on the disposal of emission allowances	2 005 921	-
Other	100 885	16 793
Other		
Corrections relating to previous years	83	32 685
Excess of estimated tax	10 496	120 747
Appropriation of investment subsidies (Note 17)	1 609 916	1 504 209
Contractual benefits penalties	-	1 665 052
Indemnities of insurable events	-	35 357
Operating exchange differences (Note 24)	1 048	169
Other, non specified	68 481	223 649
	6 844 896	5 775 217

Gains from divestments of fixed assets essentially refer to the swap of land and investment property between Bondalti Chemicals and the Municipality.

Gains from emission allowances concern the Portuguese Carbon Fund subsidy concerning the reduction of CO₂ emissions in the amount of € 267 thousand.

During the year a total of 65,000 CO₂ allowances were sold, resulting in gains of € 2,006 thousand.

23. OTHER EXPENSES

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Tax	332 914	393 222
Prompt payment discounts obtained	22 068	10 832
Losses on inventories	8 999	-
Expenses and losses in remaining financial investments		
Other	-	43 896
Expenses and Losses on Non Financial Investments		
Disposals	-	2 447
Accidents	-	-
Write-downs	-	103 515
Other		
Corrections relating to previous years	-	15 278
Donations	148 521	133 680
Contributions	147 734	124 267
Insufficiency of estimated tax	265 754	935
Operating exchange differences (Note 24)	5 071	23 296
Penalties and fines	-	1 798
Other financial expenses and losses	639 828	132 126
	1 570 887	985 291

Taxes reflect environmental levies, property and similar taxes.

The amount in caption Other includes the additional commissioning of ammonia, in the amount of € 443 thousand, recorded following adjustments in budgeted purchases, fluctuations in ammonia prices and expenses with industrial property.

24. EFFECTS OF CHANGES IN EXCHANGE RATES

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

	2018	2017
Exchange gains included in:		
Other Income and gains		
Other operating exchange differences (Note 22)	1 048	169
	1 048	169
Exchange gains included in:		
Other expenses and losses		
Other operating exchange differences (Note 23)	5 071	23 296
	5 071	23 296

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 2018 and 2017, this caption was made up as follows:

	2018	2017
Depreciation and Amortisation expenses		
Investment property (Note 7)	68 220	74 098
Tangible fixed assets (Note 6)	15 820 274	17 668 234
Intangible assets (Note 8)	921 886	320 290
	16 810 380	18 062 622
Impairment of depreciable inventories		
Tangible fixed assets (Note 6)	-	3 726 675
	-	3 726 675
	16 810 380	21 789 297

26. INTEREST AND SIMILAR INCOME

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Interest earned		
On deposits	10 876	3 278
Other similar income		
Raw material hedging swap	7 945	16 705
Other	27 611	11 289
	46 432	31 272

27. INTEREST AND SIMILAR EXPENSES

At 31 December 2018 and 2017, this caption was made up as follows:

	2018	2017
Interest paid		
on loans obtained	2 005 651	2 253 308
Other	536	367
Other financing expenses and losses		
Stamp duty	11 947	5 177
Raw material hedging swap	2 813 080	498 963
Other	547 002	638 579
	5 378 215	3 396 394

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.

28. INCOME TAX

Expenses (income) for current taxes are as follows:

	2018	2017
Current tax		
Corporate Income Tax for the year	8 414 169	7 031 338
	8 414 169	7 031 338
Deferred tax		
Originated and subject to reversal for temporary differences	(1 218 738)	(2 304 213)
	(1 218 738)	(2 304 213)
	7 195 431	4 727 125

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

	2018	2017
Deferred tax		
Recognised in revaluation reserves	3 182 989	3 280 865
Net gains on adjustments in financial assets	(645 584)	(974 352)
Subsidies	765 206	438 544
	3 302 611	2 745 057

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	
	31/12/2018	31/12/2017	2018	2017	31/12/2018	31/12/2017
Deferred tax assets						
Temporary differences:						
Other						
Post employment benefits - medical benefits	108 425	142 673	(34 247)	(38 936)	-	-
Post employment benefits - pensions	681 806	734 913	(53 108)	(79 064)	-	-
Provisions not considered for tax purposes	1 404 975	1 730 171	259 238	(783 141)	-	-
Impairment of depreciable investments	617 209	-	165 393	-	-	-
Changes in fair value	645 584	974 352	-	-	(328 767)	(402 196)
Tax losses	98 187	-	(87 814)	-	-	-
Other	-	10 373	-	(10 373)	-	-
	3 556 185	3 592 481	249 462	(911 514)	(328 767)	(402 196)

	Balance sheet items		Profit and loss items		Other equity items	
	31/12/2018	31/12/2017	2018	2017	31/12/2018	31/12/2017
Deferred tax liabilities						
Temporary differences:						
Transition adjustments to ASS						
Revaluation of investment property	3 182 989	3 280 865	(97 876)	(13 318)	-	-
CO2 licence subsidy	765 206	438 544	-	-	326 663	32 998
	3 948 195	3 719 408	(97 876)	(13 318)	326 663	32 998

29. TOTAL LIABILITIES

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 Decision 2011/278/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	2017	2018	2019	2020	Total
Allowances	72 799	71 534	70 255	68 962	67 656	66 336	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 2017						
Ton	310 720	-	(3 019)	(32 624)	-	275 077
Amount	1 830 785	-	15 607	(284 678)	431 336	1 993 050
Balance at 1 January 2018						
Ton	275 077	(65 000)	(3 013)	(31 771)	-	175 293
Amount	1 993 050	(529 100)	(49 142)	(266 666)	2 345 885	3 494 027

Emissions in 2018 totalled 31,771 tons, which in terms of allowances, gives rise to a positive differential in relation to the previous years, of 46,632 ton.

As agreed with an equipment supplier, the company assigned 3,013 allowances during the year.

29.2 - BANK GUARANTEES

As of 31 December 2018 and 2017, the Company had liabilities for guarantees given, as follows:

	2018	2017
Entities	Amount	
Leixões Customs	374 279	374 279
EIB	23 215 500	30 618 000
Municipal Council of Loulé	74 282	74 282
General Directorate for Energy and Geology	14 964	14 964
	23 679 025	31 081 525

The amount of € 23,215,500 corresponds to the guarantee associated to EIB loan.

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:

	2018	2017
Up to 1 year	1 988 171	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
	19 881 712	28 449 350

29.4 PLEDGES AND MORTGAGES

Pursuant to ongoing loans and to ensure the fulfilment of respective obligations, the company entered a mortgage on the plant, land and buildings, a pledge on the balance of bank accounts and on equipment and had credits assigned as guarantee.

Pursuant to the loans entered to finance the acquisition and reconversion of the chlor-alkalis operation, the company set up a pledge of the capital stock of Bondalti Cantabria.

29.5 COMFORT LETTERS AND SURETIES

In order to finance the Capacity Expansion Plan, Bondalti SGPS provided a personal guarantee to Bondalti Chemicals in the maximum amount of € 48,9 million.

Bondalti Chemicals is the guarantor of the bank loan contracted by Bondalti Cantabria in the maximum amount of € 39 million for the purchase and conversion of a chlorine plant.

30. SUBSEQUENT EVENTS

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

No events have occurred since 31 December 2018 to the said date that are not already adjusted and/or disclosed in the financial statements.