

Innovation

New strategy approved in 2023

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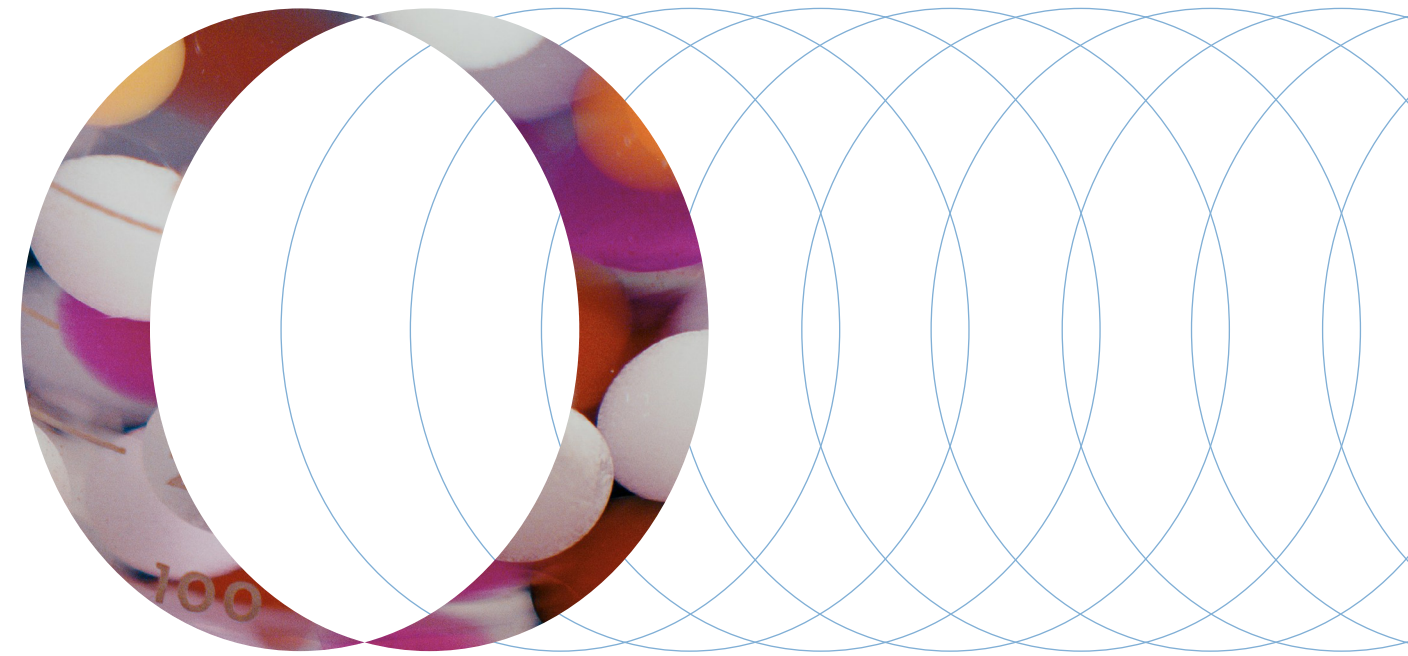
TOMORROW
MATTERS
TO THE BUSINESS

2. Business

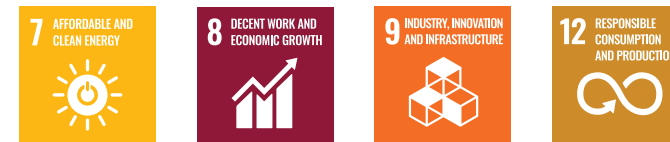
In a year full of macroeconomic challenges, accentuated by geopolitical instability, Bondalti did not lose sight of its most structural investments.

We developed a new innovation strategy, with deep involvement across the entire organisation, maintaining the vision of the future that defines the company's DNA.

We grew with the value chain and consolidated our Iberian presence, focusing on quality and meeting our customers' expectations.



Strategic SDG



In 2023, Bondalti promoted a broad reflection on the purpose, strategy and approach to innovation for the next three years

2.1. Development of activities

The year 2023 was characterised by various opportunities, but was also shrouded in a lot of uncertainty as a result of the international context, both at an economic and political level. Bondalti achieved results in line with the previous year, with net earnings of 50.5 million euros.

2.1.1. Industrial Chemicals

The year 2023 was marked by an increase in sales volume in the organic segment and in most of the inorganic segment, a particular highlight being the entry of new customers and new markets, to which the consolidation of activities at Bondalti Cantabria made a significant contribution. Sales prices were corrected compared to 2022, although it was possible to defend margins through careful management of production costs. The economic indicators achieved by Bondalti Chemicals were very positive, with consolidated sales revenue of 468 million euros, an individual EBITDA of 103.5 million euros and highest ever net earnings of 58.2 million euros.

2.1.2. Water Treatment

In 2023, the Water Treatment business area recorded a consolidated turnover of 35.8 million euros, similar to the previous year. It should be noted that, as a result of the commercial activity carried out, we were able to close the year with a very robust order book, which envisages a year of growth in business volume and increased margins in 2024. The year 2023 was also one of consolidation of the current management model, with the corresponding combination of operational and commercial activities carried out in different geographical regions.

2.1.3. Consolidated income

	Unit	2021	2022	2023
Turnover (T/O)	M€	444	596	504
Operating cash-flow (EBITDA)	M€	61.8	105.3	96.2
Operating income (EBIT)	M€	40.1	80.6	69.5
Operating income / Turnover	%	9.0	13.5	13.9
Net financial costs	M€	15.5	12.4	-0.2
Earnings before tax	M€	24.6	67.7	69.5
Net earnings*	M€	19.1	51.9	50.5
Equity	M€	113	154	171
Net assets	M€	355	395	419
Investment	M€	11	16	30
Financial liabilities	M€	135	104	86
Net financial liabilities	M€	112	69	21
Financial liabilities / EBITDA	N° of times	2.2	1.0	1.1
Net financial liabilities / EBITDA	N° of times	1.8	0.7	0.2
Financial autonomy	%	32	39	41

* In 2022 and 2023, the accounting framework was changed to the IFRS.

2.1.4. Financial structure and evolution

Bondalti continued to present a very robust economic and financial situation, reporting net earnings of 50.5 million euros in 2023.

Consolidated turnover ended the year at 503.6 million euros, 91.4 million euros down on the previous year, reflecting a generalised decline in the price of the main raw materials, especially with effect from the 2nd half of the year.

In 2023, Bondalti's cash position continued to reflect the characteristic soundness and resilience of recent years. Receipts from customers and payments to suppliers did not suffer any impacts from either the continuing war in Ukraine or the geopolitical instability in the Middle East.

At a consolidated level, gross debt stood at 86.1 million euros, while net debt improved substantially, reaching 25.5 million euros.

In 2023, terms of acceptance for two PRR agendas (NGS - New Generation Storage and H2Enable - The Hydrogen Way for Our Chemical Future) were signed by Bondalti and IAPMEI, with Bondalti receiving 18.9 million euros relating to an advance of funds for these projects.

2.1.5. Future prospects

For 2024, the uncertainty associated with inflation, the wars in Ukraine and in the Middle East and context costs continue to be a matter for concern, in an increasingly competitive market with a strong retraction in demand in various sectors of activity. Despite the major decrease in energy costs throughout 2023, compared to the peaks seen in 2022, they remain at high levels. This is particularly true in Europe, which is currently, in terms of electro-intensive industries and in particular the chemical industry, an increasingly uncompetitive region at a global level. It is expected that this competitiveness will continue to be squeezed by China's excess capacity, ever tighter regulation and still weak demand. However, despite this situation of uncertainty, some recovery is expected in the European chemical sector in 2024, leveraged on the expected decrease in inflation and interest rates, boosted by private consumption, as well as the reliability of production and distribution chains.

Bondalti will continue to keep a close eye on energy costs, price trends in raw materials and other services, such as transport, and compliance with the investment plan to improve the specific consumption of its units.

As for investments in Bondalti plants, significant investment in Estarreja is expected to continue, specifically in the production of chlorine and its derivatives, with the project to renovate NaCl electrolysis, which should be completed in 2025, being of particular note. Bondalti's priority will always remain the safety of people and facilities, and ensuring the normal operation of production units, both in Portugal and in Spain.

In the water treatment sector, the sustained development of the activity is expected to continue, in line with that foreseen in the business plan.

2.1.6. Proposal for distribution of profit

The Board of Directors proposes that the Net Profit generated in the year, in the amount of 50 721 033.38 euros, should be distributed as follows:

To Unappropriated Earnings _____ 37 671 033.38 euros

To Dividends _____ 13 050 000.00 euros

2.2. Growing with the value chain

Bondalti believes that only by companies working in conjunction with their value chain will make it possible to achieve truly sustainable development models. Therefore, it seeks to involve and support business partners in adopting best ESG practices.

2.2.1. End-to-End Mapping

The End-to-End Chain Mapping project, started in 2023 with the aim of analysing the entire product pathway, represents one of the cornerstones of Bondalti's attention to its value chain. The initiative, promoted within the framework of operational risk management, introduced tracking from the arrival of raw materials to the finished product, but Bondalti's ambition is to also obtain a snapshot of downstream and upstream production.

The objectives include identifying and mitigating potential challenges in the Group's supply chains, whether due to logistical interruptions, geopolitical issues or other unforeseen events, as well as classifying suppliers according to their commitment to ESG criteria, reinforcing the concept of Sustainable Purchasing already in practice in the company.

For this integrated analysis, the participation and collaboration of everyone involved is essential, an example of how sustainability criteria must go hand in hand with the economic viability and competitiveness of the company. After identifying critical processes and points of vulnerability within the organisation, the same assessment will be carried out in collaboration with raw material suppliers and, subsequently, with key customers. According to the results, Bondalti undertakes to work together with stakeholders to ensure that they can improve their performance, in accordance with ESG standards.

This represents a giant step forward in terms of transparency, which will include, in 2024, the creation of an e-procurement platform, which includes this new supplier classification component. In addition to the purchasing process itself, this new channel for communicating with the value chain will allow the qualification of suppliers and the selection of products and services according to ESG criteria.



BONDALTI

2.2.2. Involvement of suppliers

In the last quarter of 2023, Bondalti invited suppliers, customers and the schools to participate in an event to discuss sustainability, the Planetiers World Gathering, which the organisation sponsored and in which it organised a forum dedicated to the topic of opportunities for decarbonisation, aimed at suppliers. The initiative also served to highlight the importance of collaboration within the value chain to achieve decarbonisation objectives and also allowed feedback on the current status of the companies present regarding their emissions reduction journey.

With the strategic objective of creating long-term partnerships and making them more solid, even boosting joint projects, the Sustainability area also launched, in 2023, a consultation on material performance issues in the value chain, to identify more critical suppliers in areas such as transport or raw materials.

This was the first phase developed to implement a new programme to monitor ESG risks in its supply chain. This programme, to be developed from 2024 onwards, will involve the respective consultation on the maturity of suppliers in relation to these matters and collaborative action aimed at improving their performance, through the exchange of information on action plans and their respective implementation status.

2.2.3. Supply chain sustainability certification

During 2023, Bondalti worked hard to obtain the prestigious ISCC Plus – International Sustainability & Carbon Certification and, in the first quarter of 2024, achieved certification for the Estarreja industrial plant. The audit, carried out in December 2023, validated the company’s compliance with this international standard for fully traceable and environmentally, socially and economically sustainable supply chains.

Focused on tracking the value chain, this certification represents a significant milestone for Bondalti within the framework of a sustainable future, which involves offering more circular products in the markets where it operates.

Raw material category	Inputs	Outputs
Renewable	Electricity	Chlorine
	Electricity	Sodium Hydroxide
	Electricity	Hydrogen
	Electricity	Sodium Hypochlorite
	Hydrogen	Aniline
	Hydrogen	Hydrochloric Acid
	Chlorine	Hydrochloric Acid
	Chlorine	Sodium Hypochlorite
Bio	Benzene	Aniline
	Ammonia	Nitric Acid

In parallel, the company Aguas Rioja, which belongs to BWS | AEMA, also became certified to the ISCC EU standard from the first quarter of 2024. With this certification, Aguas Rioja guarantees the point of origin in its management of sewage sludge and, also, in its use as biofuel.

This certification demonstrates an important step in the Water Treatment business, as it validates compliance with the specific sustainability requirements of European directives that regulate renewable energy and fuel quality.

2.2.4. Responding to customer expectations

Knowing its value chain and the market allows Bondalti to identify customer needs and challenges, according to their profile, and respond to their concerns with questions about its products, such as reuse, green products, bioproducts and recycled raw materials.

Communication of Bondalti’s objectives and achievements in terms of offering increasingly sustainable products has proven to be essential, which is why the company’s Sustainability area is frequently involved in the relationship between the sales team and customers.

Customer satisfaction assessment

During 2023, an in-depth analysis of customer opinions regarding the quality of products and services was carried out. This study was based on the results of the Customer Satisfaction Assessment Questionnaire, carried out in 2022 for Bondalti Chemicals and Bondalti Cantabria.

Overall customer satisfaction (0 to 5)



In 2023, an in-depth study began to evaluate the actions necessary to improve Bondalti’s position among its customers.

Improvement of the service

In terms of transport management and planning, with the prospect of improving customer service, 2023 saw the implementation of an SAP TMS (Transportation Management System) tool, at Bondalti's two factories, in Estarreja and Torrelavega (Spain). This software allows the streamlining and automation of processes and establishes more direct collaboration with transport companies, via a website, which results in faster acceptance of cargo and more efficient cost control.

Consolidation of the Bondalti brand on the Iberian Peninsula

With the aim of bolstering the brand's recognition in the market and establishing even closer relations with customers, Bondalti again participated, for the second time, in Expoquimia – the most important Iberian event in the sector, which took place in Barcelona. This year, Bondalti brought to the event the innovative and disruptive solutions it is developing in the area of green lithium and hydrogen, which constitute a contribution to energy transition. The exhibition space was incorporated into the Smart Chemistry Smart Future zone, which focused on themes related to the European Green Deal and was promoted by FEIQUE, of which Bondalti is a member.



2.3. Focus on innovation

2.3.1. New innovation strategy

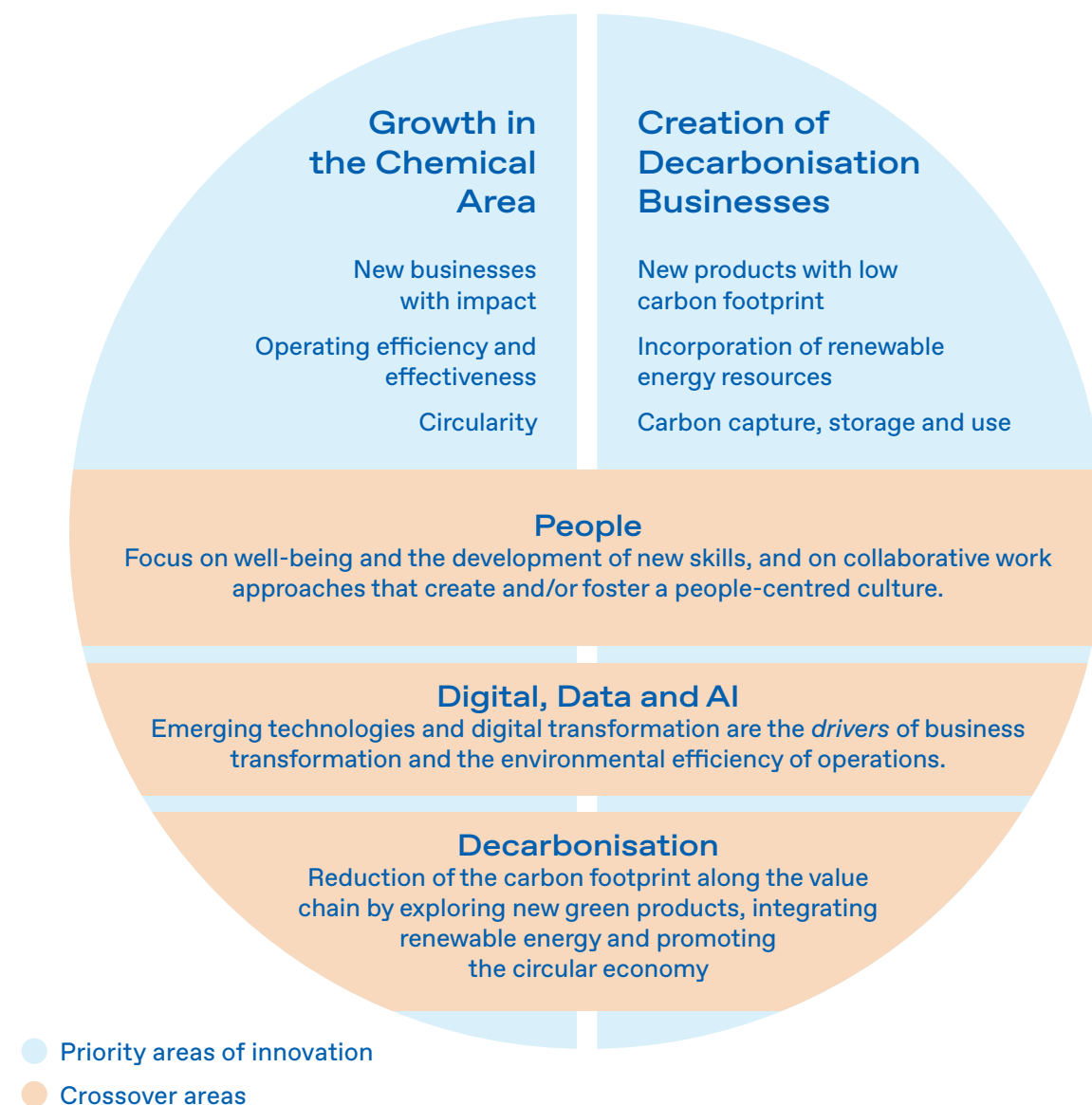
In 2023, Bondalti dedicated its efforts to reflecting on its purpose, strategy and approach to innovation for the next three years. This involved redesigning the Innovation Programme (**ImpactLab**), a “living” and collaborative space, where creativity is released and, with courage, innovative solutions are explored that have an **impact on People, the Business, and a transition to an economic greener and more digital model**. The innovation roadmap now defined constitutes a natural step, after the adoption of Bondalti’s new Business Strategy, in 2022, and established ambitious goals for 2030, under which innovation will accelerate opportunities that will not only promote business growth, but will challenge the status quo, systematically. This involves a deep understanding of market trends, stakeholder needs, technological developments and competitive scenarios.

At the same time, the new strategy aims to provide the company with agile methodologies and the necessary tools to enable it to pursue its vision of fostering an entrepreneurial culture while exploring new green opportunities.



Priority areas of innovation

Because innovating, at Bondalti, means leaving our comfort zone and looking for opportunities that differentiate us from what we are today, and that allow the company to contribute to a better world by creating Innovative and Sustainable Chemistry, in the next three years we will focus on six macro-areas.



Across the board and in addition to the macro-areas referred to in the infographic, we will continue to encourage a **people-centred culture** through investing in collaborative work approaches and the development of new skills, as well as **investing in emerging technologies** and in **digital transformation** for the ecological efficiency of operations.

2.3.2. How to build an innovation portfolio

Bondalti’s new Innovation Strategy presupposes different systematic approaches to implementing innovative ideas, from incremental innovation (maximising value, through the creation of opportunities oriented towards continuous improvement, with low risk and low return, which will produce results for the business in the short term), disruptive innovation (development of new business models that disrupt the market, with high risk and return) and open innovation (collaboration with the external ecosystem to generate new opportunities).

To implement the new Innovation Programme (**ImpactLab**), Bondalti outlined an innovation model based on **experimentation** and **co-creation/collaboration with the external ecosystem** (e.g. start-ups, entities from the Scientific and Technological System, technological centres, SME, among others), seeking to be an accelerator in the exploration of new opportunities and partnerships that allow the risk and uncertainty of projects with different maturities and return potential to be managed, as well as promoting the development of innovative and sustainable solutions. It also invests in actions that allow a culture of innovation to be fostered even more, namely with

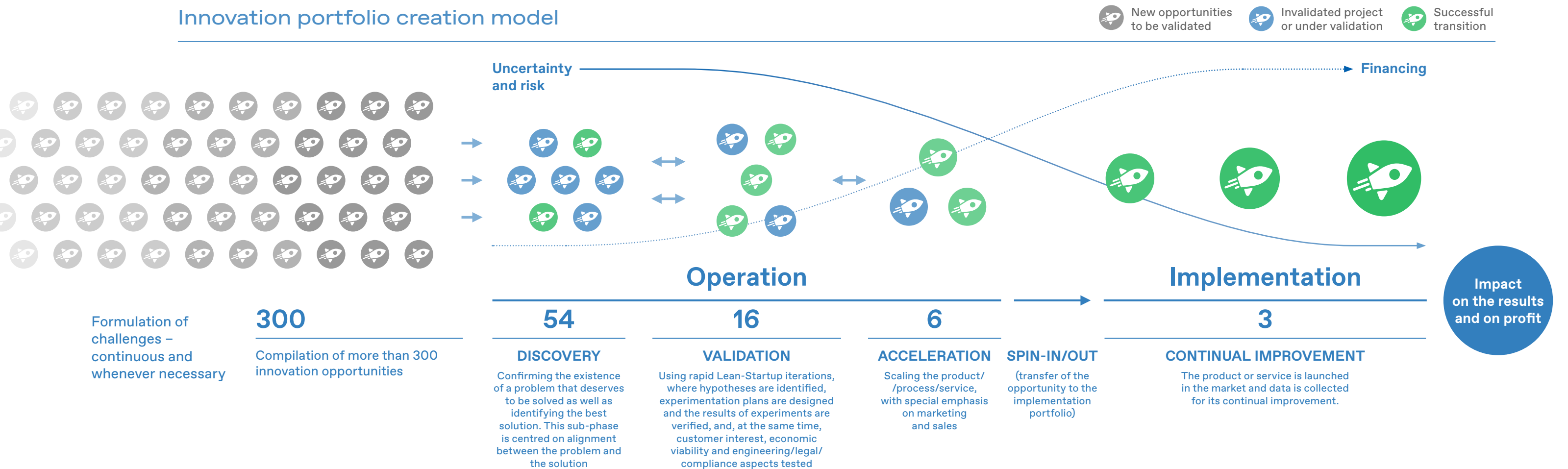
the development of an Innovation Skills Programme, with the aim of training around 180 employees.

At the end of the three-year period (2024-2026), we intend for **ImpactLab** to be the heart of innovation with the capture and analysis of around 300 proposals for internal and external innovation opportunities, 16 validated proofs of concept and 3 successfully implemented projects. With that, together with our stakeholders, we managed to build a **legacy with impact**, driving Bondalti to learn and quickly translate learning into value-creating actions and reach new levels of excellence.

Challenging the external ecosystem, namely start-ups, Bondalti identified 87 innovative opportunities, in different areas of activity, aligned with the macro-areas of innovation for analysis and collaboration with Bondalti.

In 2023, the Industrial Chemicals area and Bondalti Capital dedicated 6.5 million euros to Research, Development and Innovation (RDI) projects, of which 4.5 million corresponded to innovation activities and the remaining 2.0 million to R&D initiatives.

Innovation portfolio creation model



2.3.3. A new structure focused on innovation

The implementation of this new model required an adaptation at an organisational level, to allow the creation of value throughout Bondalti. An Innovation Committee was created – Impact Committee – responsible for managing the innovation strategy. The Committee is made up of a multidisciplinary team, appointed from among Bondalti’s management, and is made up of a member of the Management and the Innovation team. It is responsible for managing the strategy and the associated innovation fund, the latter in conjunction with the Executive Board; discussing and evaluating new ideas; assessing their viability and potential impact; and prioritising initiatives based on their importance and resource needs.

2.3.4. ImpactLab: seeking innovation outside

To find innovative opportunities, Bondalti decided to increasingly invest in an open innovation model (following a co-creation approach), also listening to those outside the organisation.

This approach can take place through open platforms, such as Inocrowd, direct contact with already identified partners, incubation and/or acceleration programmes or José de Mello’s start-up programme, the Grow Programme, where the company will also communicate. Bondalti also decided to reorganise its website and create a space dedicated to communicating challenges it will pose to

the external community and receiving proposals, as well as a dedicated place for any entity that has solutions and wishes to work with Bondalti to present them.

2.3.5. A social network for innovation

Bondalti identified the need to provide an internal digital platform to manage innovation, which was developed in 2023 and then, in January 2024, shared with the entire organisation.



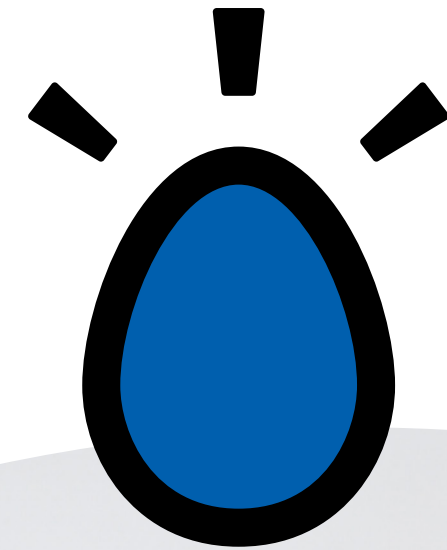
Maintaining the name ImpactLab, as the Innovation Programme is also called, the new internal channel aims to become a social network for the organisation, open to all employees of Bondalti Chemicals, Cantabria and Capital, and encouraging interaction that fosters an entrepreneurial spirit.

In addition to responding to internal innovation challenges that are launched, the platform allows the presentation of spontaneous ideas, which can be commented on and improved by other employees. These, in turn, can also share information that they consider relevant to the organisation, be it new know-how or news having an impact on innovation and the business.

It is also on this platform that Bondalti's Colombo Programme is now hosted, a programme dedicated to continual improvement, and which has its own system of incentives and evaluation of ideas submitted by employees. Since the creation of this project, in 2006, 658 ideas have been submitted, of which 214 were approved and 143 implemented, with a total financial return for the programme, to the end of 2023, of 1.9 million euros.

At the 2023 Open Day Colombo event, which took place in May, the winning proposals and

the idea considered most sustainable – by creators Juan Fonseca, Manuel Pelaez, Manuel Villanueva, Luis Costal, David Pampín, Luis Penas, Paulo Oliveira and Roberto Pinto – presented solutions to operational challenges at the Estarreja and Cantabria sites, which involve water savings, workplace safety and reduction of production losses.



2.4. R&D: constant action

As an industry leader, with relevant activity in several key sectors of the economy, Bondalti develops R&D projects in a systematic and continuous manner. Focused on the company's core areas, these actions have a broad scope, covering solutions to existing challenges, such as improving operational efficiency, environmental performance or process safety.

Digital technologies in an industrial context

Bondalti seeks to realise the full potential offered by new digital tools in an industrial setting. In 2023, two projects were implemented, with a strong focus on the area of automation and control, dedicated to data analysis. The work "Operating Model of Aniline Reactors", in partnership with the University of Coimbra, brought together several years of history of the operation of these reactors and established models to understand the pattern of production stops and starts, with a view to developing new software to support operators' decision-making. A tool called "Heat exchanger performance monitoring" was also developed to detect points of improvement in the energy efficiency of this equipment.

Knowledge sharing

On the Technology Watch front, in 2023, Bondalti implemented the BTT – Bondalti TechTalks initiative, which includes training and awareness-raising actions, in online and in-person format, dedicated to emerging issues and featuring external speakers who are specialists in each area. Over the course of the year, three sessions were held, under the themes "Industry 4.0", "Microreactors" and "Lithium Batteries". For 2024, four more initiatives are planned. This action does not end within the company. In 2023, Bondalti actively participated in events in the technical-scientific community, including Chempor – the 14th International Conference on Chemical and Biological Engineering, which took place at the Polytechnic Institute of Bragança, in September. The meeting aimed to encourage the exchange of knowledge between the academic, industrial and scientific communities.

New R&D website

In order to streamline and disseminate the R&D environment internally, a new R&D website was created, which includes the technology watch website, to which all existing information, at times difficult to consult, was transferred. This platform now brings together the entire archive added to R&D activity and brings the innovation processes closer to the entire organisation.



Partnerships with impact for R&D

With a view to developing and implementing projects, Bondalti is committed to establishing strategic partnerships, nationally and internationally, in academic and business circles.

By doing so, the company seeks to stimulate the effective transfer of scientific and practical know-how. This is an action that involves universities, collaborative laboratories, or knowledge networks, such as PRODEQ – Association for the Development of Chemical Engineering of the Department of Chemical Engineering of the University of Coimbra; HyLab – Green Hydrogen collaborative laboratory; and the GNIP – National Group for Process Intensification.

These partnerships also include the creation of training opportunities for students from partner institutions, involving them in Bondalti’s R&D work. In 2023, four master’s degree internships, one company internship and two doctoral scholarships were carried out.



2.5. Our Business Cases

🔗 **OZONE4WATER** – Cutting-edge ozone technology for water treatment

Objective

The OZONE4WATER project aims to develop a disruptive ozone technology for water/wastewater treatment. The new technology will help change the current landscape of ozone-based water treatment solutions, combating the lack of ozone generators capable of producing ozone-rich gas streams and contacting reactors with improved gas-liquid mass transfer. Ultimately, this will lead to lower energy consumption for ozone production and overcome the need for large contact reactors and extended contact times.

Benefits

- Networking;
- Opportunity to participate in the production of patent assets;
- Participation in scientific publications;
- Opportunity to sell equipment and/or services;
- Acquisition of know-how.

Owner

BWS | Enkrott

Expected time frame

February 2021 – December 2024

RDI Classification

Innovation

Partners

- AdP VALOR - Serviços Ambientais, SA.
- LSRE-LCM/FEUP/UPorto
- Simbiente

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Multi-AD – Innovation and automation for SMEs in the Food and Beverage sector

Objective

The main objective of the LIFE Multi-AD 4 AgroSMEs project is to develop and industrialise an innovative, fully automated system for the treatment of wastewater generated by small and medium-sized companies in the Food and Beverage sector. This technology is based on the design of patented high-performance multiphase anaerobic reactors and their production will be customised according to the specific needs of each customer.

Benefits

- Generation of knowledge in the anaerobic digestion process: design, construction and operation;
- Creation of knowledge networks (i.e., networking);
- Demonstration of technical capabilities in industrial-scale anaerobic processes in the sale of other installations;
- Strengthening relationships with customers, demonstrating capacity to improve their installation;
- Potential to participate in patents;
- Participation in scientific articles;
- Development of an innovation hub in anaerobic processes for other RDI projects.

Owner

BWS | AEMA

Expected time frame

September 2018 - June 2023

RDI Classification

Research and Development

Partners

- SIS
- ITAInnova
- EGA
- I&S

Total spend by BWS

€ 1 172 132

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ImpactLab

Objective

The main objective of ImpactLab is to develop an innovation vision and strategy, and to redefine and implement the Innovation Model. This project emerged as Bondalti felt the need to create Innovation with an impact on people, the business and the sustainable transition to a more digital and green economy.

Benefits

- Creating and having a purpose and a clear vision of Innovation;
- Knowing where and how to innovate;
- Innovating with impact.

Owner

Bondalti Capital

Expected time frame

January 2023 - December 2024

RDI Classification

Innovation

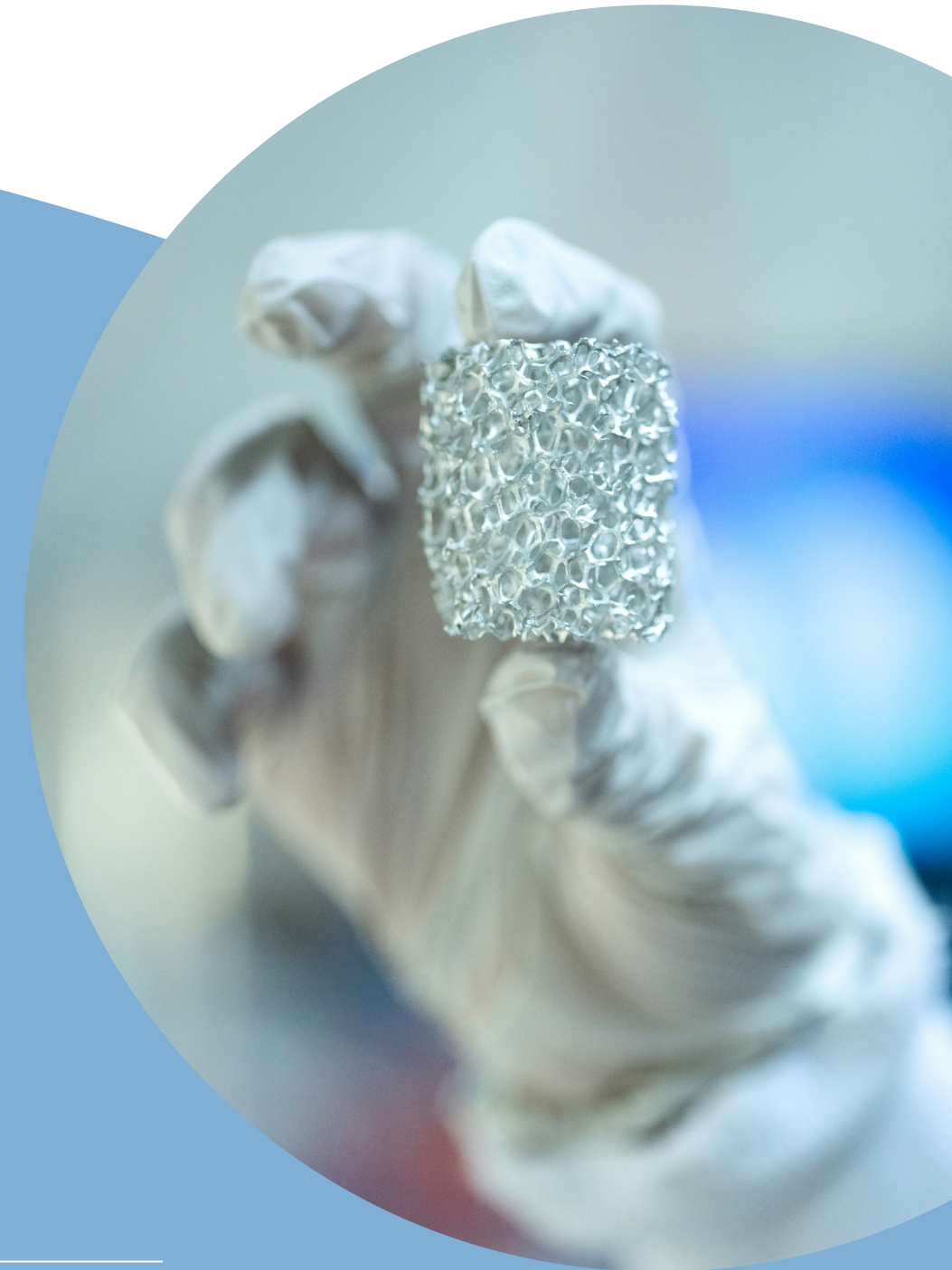
Partners

- Innovation by Kaizen
- Innovation Cast
- InoCrowd

Actual expenditure 2023

€ 139 400

SDG



SAP TMS – Transport Management System

Objective

The SAP TMS project aims to implement the SAP TMS module in order to promote improvements in SAP with a view to optimising transport planning (reducing its overall cost), considering contract restrictions, delivery times, driving times, tanker turnover and the quality of the service provided.

Benefits

- Direct interaction with carriers for consultation/acceptance of the planning;
- Geolocation;
- Confirmation of deliveries to customers;
- ETA calculation;
- Accounting for unloading times;
- Greater visibility of processes;
- Self-billing.

Owner

Bondalti
Chemicals

Expected time frame

March 2023 -
January 2024

RDI Classification

Innovation

Partners

· EXED

Actual expenditure 2023

€ 566 700

SDG



A full-page background image featuring a sunset over the ocean. The sky is a gradient of colors from light blue at the top to orange and red near the horizon. The ocean is a deep blue with gentle waves in the foreground. The text 'BONDALTI' is centered in the middle of the image.

BONDALTI

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