Bial

GROUP

ACCOUNTS 2018

Trofa, 2020 March.

CONSOLIDATED MANAGEMENT REPORT OF BIAL HOLDING, S.A.

1. COMPOSITION OF THE BIAL GROUP

The BIAL Group, which holding company is BIAL, Holding S.A., was composed, as at 2018.12.31, of fifteen companies, nine of which abroad, and a representation office in the Ivory Coast.

In Portugal, BIAL Holding, S.A. holds 100% of the share capital of five companies (BIAL - Portela & Cª, S.A., MediBIAL - Produtos Médicos e Farmacêuticos, S.A., BIALport – Produtos Farmacêuticos, S.A., InterBIAL – Produtos Farmacêuticos, S.A. and BIAL Health Care S.A.

In Spain, BIAL Holding, S.A. has a direct shareholding of 100% in the share capital of Laboratórios BIAL, S.A.

In Germany, BIAL Holding, S.A. has a direct shareholding of 100% in the share capital of BIAL Deutschland GmbH.

In the United Kingdom, BIAL Holding, S.A. has a direct shareholding of 100% in the share capital of BIAL Pharma UK Limited.

In Italy, BIAL Holding, S.A. has a direct shareholding of 100% in the share capital of BIAL Italia, S.r.l.

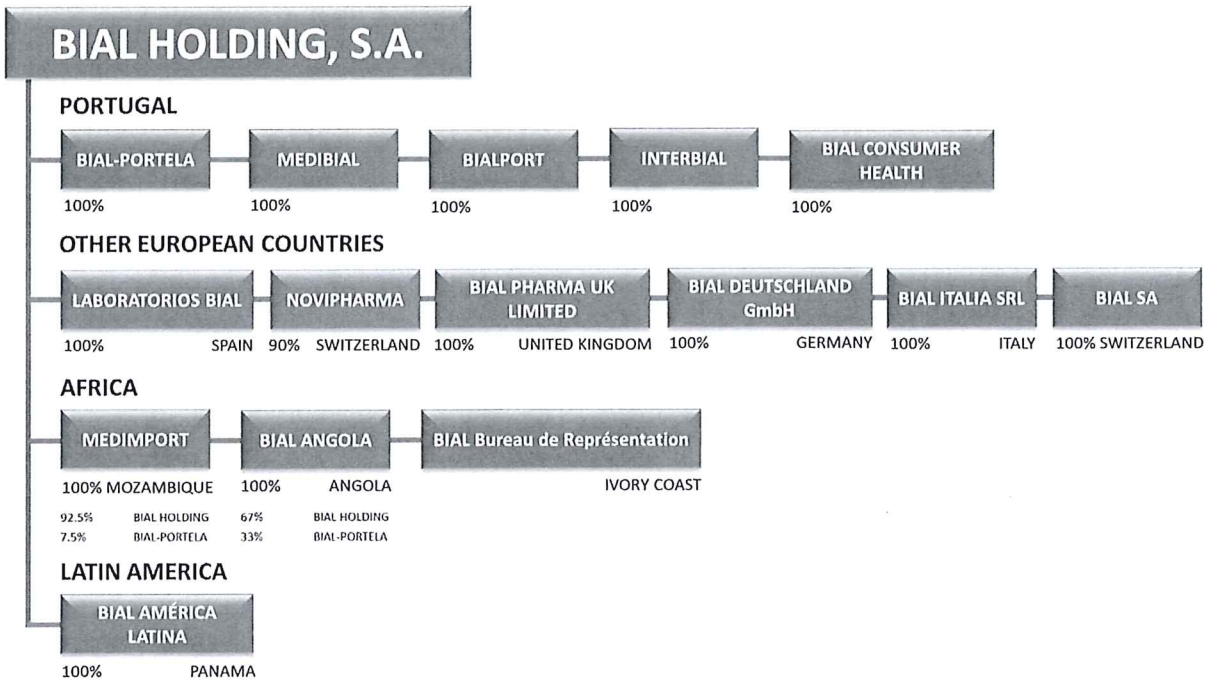
In Angola, BIAL Holding, S.A. controls 100% of BIAL Angola, S.A., 67% held directly and 33% through BIAL Portela & Cª, S.A.

In Mozambique, BIAL Holding, S.A. controls 100% of Medimport - Importação, Exportação e Distribuição, Lda., 92.5% held directly and 7.5% indirectly through BIAL Portela & Cª, S.A.

In Switzerland, BIAL Holding, S.A. has a direct shareholding of 90% in Novipharma S.A. and in 2018 the company BIAL SA, 100% held by BIAL Holding SA, was incorporated.

In Panama, BIAL Holding, S.A. has a direct shareholding of 100% in BIAL América Latina.

In the Ivory Coast it has a representation office.



2. ACTIVITY OF THE BIAL GROUP

In 2018, consolidated turnover amounted to € 260.6 m, a growth of 2% over the previous year. This evolution is explained by a strong growth in sales, + 23%, and a strong decrease in services rendered, - 67%, compared with the previous year.

Sales totaled € 240.8 m, having increased € 45.5 m, due fundamentally to the growth in sales in the USA (+ € 20.8 m) and in Spain (+ € 16.9 m). It should, however, be pointed out that most of the countries had a positive evolution, including Portugal, Germany, Mozambique and Angola, countries that, alongside the USA and Spain, are the main markets of the Group. Decisive for this growth in sales was the growth of Zebinix\Aptiom and Ongentys, which together represented an invoicing of € 125 m.

The services rendered totaled € 19.9 m, of which € 6.0 m related to services in Portugal, of a promotional nature, and the rest in external markets, of which € 12.9 m are "milestones" related to licensing contracts of the BIAL proprietary drugs, Zebinix (antiepileptic) and Ongentys (anti-Parkinson's). The decrease in services rendered is explained by the fact that, in 2018, revenues from these licensing agreements were substantially reduced when compared with 2017, due to the life cycle of the various contracts in force and the payments provided for therein. It should be noted that, in accordance with the licensing agreements already signed, the Group expects to receive € 119 m in "milestones" in the medium term.

The BIAL proprietary anti-epileptic, marketed in Europe and in other countries worldwide under the brand Zebinix, and in the USA and Canada under the brand Aptiom, sold € 105 m, being responsible for circa 40% of the consolidated invoicing.

The drug for Parkinson's disease, marketed under the brand Ongentys, invoiced € 20 m in 2018 (8% of turnover), in the five countries in which it is marketed (Germany, the United Kingdom, Spain, Italy and Portugal), the last two since September 2018.

Together, the two BIAL proprietary drugs represented 48% of Group turnover in 2018.

These two products will increase their invoicing in the Group, especially Ongentys that is still in the initial phase of its marketing, with, for 2020, the launch in various countries (the USA, Japan, Switzerland, Austria, the Nordic Countries, Romania and South Korea) being foreseen.

The turnover composition by geographical area reveals the BIAL Group's internationalization, in that 71% of its turnover is of a foreign source, including services rendered and technology transfers. Spain represented 30% of the turnover (€ 76.9 m) and the USA represented 24% (€ 62.6 m). Portugal represented 29% of turnover (€ 74.5 m).

Spain has been experiencing a strong commercial dynamic in recent years, growing 28% over 2017. This evolution is due to the dynamism of its main product, Zebinix, which invoiced € 37.8 m, + 23%. Ongentys already contributed € 5.3 m, 220% more than in 2017, the year in which it began its commercialization, having been the sixth most important product of its range. In 2018, a new drug was introduced, under the brand Gregal, for chronic obstructive pulmonary disease, which invoiced €1.7 m. In the ambulatory pharmaceutical market ranking, as per IQVIA\IMS information, BIAL occupied, as at 31 December 2018, the 33rd position, in that which is the fifth largest European market, having risen three positions compared with 2017. With the continuation of the commercial dynamic, based on Zebinix and enhanced by new products launched in 2017/2018 (Biresp, Ongentys and Gregal) BIAL's position is expected to strengthen in this important market.

In Portugal, the invoicing and rendering of promotional services grew 6%, to which contributed, especially, the six drugs launched since 2016. In September 2018, Ongentys was launched, which invoiced € 0.5 m, a very interesting amount considering the size of the Parkinson's market. As at 31 December 2018, BIAL occupied the 7th position in the ambulatory pharmaceutical market ranking, maintaining the same position of the previous year. The six products launched since 2016 have grown 41%, compensating the patent loss of some BIAL marketed drugs and the administratively applied price decreases (- 2% across the range). In 2019, two new products are expected to be launched, Elvanse, licensed by the pharmaceutical company Shire, with therapeutic indication for hyperactivity and attention deficit, and Elebrato, licensed by GSK, with therapeutic indication for chronic obstructive pulmonary disease. Both are innovative products that will contribute to a better control of the respective diseases and a marked improvement in the quality of life of patients.

In 2018, the distribution and promotion of BIAL's OTC drug range was reformulated, with BIAL assuming the direct marketing through the company BIAL Consumer Health and its distribution by a specialized operator in this area. The evaluation is clearly positive and the current business model will continue in 2019.

The Iberian Peninsula is a market with a global dimension, comprising one of the five largest European markets, alongside Germany, the United Kingdom, France and Italy. This geographical space is the eighth largest market globally, and BIAL is one of the largest companies in the Iberian market. It will be one of the Group's pillars in the coming years, alongside the remaining markets of the European Union and the USA, which will be joined by Japan and China.

As already referred, the USA was BIAL's third most important country, with an invoicing of € 62.6 m, of which € 54.3 m corresponding to sales of Aptiom, a growth of 62% over 2017. The remaining amount is related to "milestones" received from Neurocrine related to the licensing of Ongentys. With its future launch, the North American market will continue to be fundamental for BIAL's growth and internationalization.

In Germany and the United Kingdom, BIAL has, since October 2016, maintained a direct presence in the commercialization and marketing of Ongentys in these two markets. Sales are made directly by BIAL - Portela & Cª., S.A. to distributors in these two countries, with the subsidiaries being responsible for their promotion amongst the medical class. In 2018, the sales of Ongentys totaled

€ 12.0 m, 35% more than in 2017, with a significant growth being foreseen for the coming years. Alongside the promotion of Ongentys, the BIAL teams also co-promotes Zebinix with Eisai, a licensed company that markets the product in these countries.

In September 2018, the BIAL subsidiary in Italy began the commercialization of Ongentys, a product that had an excellent reception on the part of Italian neurologists. In the four months of commercialization sales totaled € 1.2 m, with significant sales being expected in 2019. Besides Ongentys, BIAL Italia promotes Zebinix, which is commercialized by the licensed company (Eisai).

In the emerging countries the commercial evolution was likewise positive, with particular emphasis on Mozambique and Angola. In Mozambique, invoicing was € 9.5 m, 73% more than in 2017, due both to the strong dynamism in the ambulatory market, as well as the hospital tenders. In Angola, sales were € 6.9 m, 27% more than in 2017. The situation is normalizing in terms of foreign currency transfers for the payment of orders, which points to a favorable evolution, in commercial and financial terms, for 2019.

The growth prospects for 2019 are globally positive in the various countries in which BIAL is present, particularly in Spain, the USA, Italy and Germany. In Portugal, sales are expected to decrease due to the discontinuation of the marketing\promotion of three drugs, which invoicing will not be compensated in the short term by the new launches.

3. RESEARCH AND DEVELOPMENT

The BIAL Group implemented, as from the ninety's, an important and ambitious R&D project focused on the nervous system and the cardiovascular area. The financial return on this investment started materializing in 2007, with the signing of the first licensing contract for a new pharmaceutical molecule, of Portuguese provenance (a new anti-epileptic, which active principle is eslicarbazepine acetate, marketed under two brands worldwide – Zebinix and Aptiom, for the USA and Canada). This was followed, in 2008, by the licensing agreement for Europe of the same drug.

Of note, in 2013, was the first licensing related to a new BIAL proprietary drug for Parkinson's disease to the pharmaceutical company ONO for Japan, which active principle is designated Opicapone and is marketed under the brand Ongentys. As a result, over a period of five years, BIAL now has two new licensed drugs with which to guarantee a strong commercial potential in the medium and long term, as has come to pass.

In 2009, Zebinix was launched in some European Union countries, followed by other markets, notably the USA, in 2014, under the brand Aptiom. In 2018, as already mentioned, the new BIAL antiepileptic invoiced € 105 m, contributing decisively to the size and growth of BIAL.

In 2016, the commercialization of Ongentys in Germany and the United Kingdom began, followed by its launches in Spain, Italy and Portugal. In 2018, its invoicing totaled € 20 m, demonstrating a strong growth potential in the coming years, both in the markets where it is already commercialized as well as in the countries in which it will be marketed in the coming years. The USA, Japan, Switzerland, the Nordic Countries, Austria, Romania, South Korea and China are markets where Ongentys will be launched by BIAL, or by companies licensed by same, in the biennium 2020/21.

We can affirm that BIAL's R&D had a very relevant impact on the growth of the Group, which will continue in the future. It was possible to materialize all the efforts made in the discovery of two new drugs, which contribute to a better quality of life of patients with epilepsy and Parkinson's disease. And we believe that in the medium term new drugs will be made available for a better health of patients.

Research continued on the BIA2 project (Zebinix/Aptiom) with the objective of gaining a better understanding of its clinical characteristics and enhancing its use in the various antiepileptic patient profiles. Thus, studies and clinical trials are under way to enhance the knowledge of the drug and facilitate its therapeutic use.

The BIA9 project, concerning Ongentys (opicapone), continues to be the object of investment, in studies and clinical trials, for the same purposes as those referred to above. In addition, BIAL supports the companies that have licensed the drug and are registering it in their respective countries.

It is of great significance for BIAL to have two proprietary drugs being currently marketed at the global level, attributing credibility to the quality of its R&D and guaranteeing its sustained commercial growth in the medium term.

Besides the two main projects, phase I clinical trials were carried out in the BIA5 project (pulmonary arterial hypertension), and the phase II trials have started. In 2019, this project will be afforded the greatest research effort.

The remaining projects are at the pre-clinical phase, meaning that there is still a long work program to implement, it being premature to evaluate their therapeutic potential and market.

Two of the BIAL Group's strategic objectives, internationalization and R&D, will be reinforced during the coming years with the results already obtained and with the investment in progress.

In 2018, the research and development investment totaled € 54.2 m (€ 38.0 m in 2017) split as follows:

- Current running expenses, in the amount of € 40.8 m, excluding amortization; and
- Acquisitions of tangible and intangible assets, in the amount of € 13.3 m.

The R&D amortization amounted to € 20.4 m. Costs for the period associated with R&D amounted to € 63.8 m.

Of the licensing agreements signed with third-party companies, medium-term revenues in the amount of € 119 m are expected, which will be an important contribution to the self-financing of R&D investment.

4. ECONOMIC AND FINANCIAL SITUATION

The Group's economic and financial structure is balanced, said structure being compatible with the strong R&D investment program. The goals already achieved are a guarantee of the profitability of the investments realized or to be realized, which have already resulted in important technological transfers, as from 2014, inclusive, with significant commercial results (48% of the Group's invoicing in 2018). The R&D investment realized was compatible with said balanced structure despite and significant financial effort made. In the last few years, € 546 m were invested, a very significant amount, both in absolute and relative terms.

The Group's Net income, in 2018, were negative in € 2.3 m, of which € - 3.6 m attributable to the shareholders of the holding company, BIAL Holding. Operating results amounted to € 6.3 m and EBITDA to € 32.7 m. To these results contributed the strong financial effort realized in R&D, besides the reduced revenue from the licensing agreements. Despite the good commercial dynamism of the two BIAL proprietary drugs, and, generally, of the remaining range, the results for the financial

year were negative. However, the results have not affected the economic and financial structure of the Group, but measures are being taken in the current year to avoid a similar situation.

Net Equity totals € 226.5 m, Liabilities € 331.2 m and Assets € 557.7 M, which continues to reflect a healthy balance sheet, with positive solvency and financial autonomy indicators.

BIAL - Portela & Cª. S.A., which centralizes the R&D activities of the Group, as well as the commercial activity in Portugal, in addition to the exports to various markets, is the company of reference of the Group. Its invoicing amounted to € 200.1 m and its EBITDA to € 35.5 m. It generated a Net income of € 1.5 m.

The Spanish subsidiary presented a turnover of € 76.9 m. The contribution of its net income for the period to the consolidated accounts was of € 1.8 m. The Spanish market is a priority for BIAL and will continue to be through organic growth, based primarily on Zebinix, but also on Ongentys, launched in May 2017. The two new drugs for asthma and COPD launched, respectively in 2017 and 2018, will also have a significant positive contribution.

Novipharma also made an important contribution, in 2018, to the Group's accounts, with an invoicing of CHF 38.0 m and a net income of CHF 14.5 m.

Medimport had a turnover of € 9.6 m and a net result of € 1.3 m, an interesting contribution to the Group, being the market leader in that country.

BIAL Italia contributed to the Group's consolidated turnover with €1.2 m and had a net loss of € 0.4 m. The company only started its commercial activity in September which explains its turnover and results. In the coming years there will be a substantial change in its contribution to the Group.

The remaining companies have no meaningful weight in the consolidated accounts of the Group since their activity is almost exclusively carried out with BIAL Portela & CA, being, therefore, canceled in the accounting consolidation.

In conclusion, 2018 was characterized by strong commercial dynamic, a substantial reduction in revenues from technology transfer contracts, and a huge R&D financial effort. The combination of these three factors resulted in a net loss of € 2.3 m, which does not affect the Group's economic and financial structure.

5. QUALITY AND ENVIRONMENT

Regarding the Quality policy, the guiding lines of previous years were maintained, with good performance indicators being achieved. Overall, it can be concluded that, in Portugal:

- The Quality Management System is implemented in conformity with the requirements of the new EN ISO 9001:2015 Standard and applicable legislation, being adequate and effective.

- The methodology implemented related to Process Management, reformulated in line with the new EN ISO 9001:2015 Standard, resulted in productivity gains.

- The consolidation of Good Practice (clinical, production and laboratorial) is a reality, as was demonstrated by the various external and internal audits, the IDI certification and LGPs (Laboratorial Good Practices).

- The validation program was executed with positive results.

Portugal maintained, in 2018, all the production and marketing certificates and authorizations issued by the various competent authorities.

In so far as the Environmental Management Program is concerned, the objectives defined were once again met in their entirety and with consistent improvements.

The Environmental Policy continues to be adequate for the system implemented, and the Environmental Management System implemented is in conformity with the requirements of the new NP EN ISO 14001, 2015 Standard, being adequate and effective.

BIAL also holds the OHSAS 18001, 2007/NP 4397 (Work Safety and Health Management System) certification, following the respective renovation audit carried out in 2016.

For 2019, the general objectives are the maintenance of all the legal certifications and authorizations alongside the compliance with and improvement of the various management indicators.

6. SOCIAL RESPONSIBILITY

The BIAL Group has as its mission to develop, discover and provide therapeutic solutions in the Health area, seeking to improve the quality of life of the populations. This objective is also materialized through cultural, scientific and social partnerships established with public and private entities.

Its motto "Keeping life in mind" is present in all its employees, being transversal to all the functional areas and all the geographies in which we carry out our activity.

Of note is the participation in the Fundação BIAL (Foundation), a public utility entity founded in 1984, together with the Conselho de Reitores das Universidades Portuguesas (Portuguese Universities' Council of Deans), having as its main activities the organization of symposiums, the attribution of research grants and the attribution of the BIAL Awards. In February of the current year, the "Prémio BIAL de Medicina Clínica" (BIAL award for Clinical Medicine), corresponding to the 2018 edition was presented: an amount of € 100,000 for the first prize, and two honorable mentions with a unitary prize of € 10,000.

Worth noting in 2018 was the creation by Fundação BIAL of the "BIAL Award in Biomedicine", which prize is worth € 300,000, and that will have its first edition in 2019. It is an international award, which aims to reward and recognize a work published, after 2010.01.01, of high quality and relevant scientific impact in the field of medicine.

Sustained growth and active participation in the development of society are primordial objectives of the BIAL Group, being present in many of the actions and decisions taken by the Group.

In 2018, the BIAL Group maintained its contributions to the development of various Institutions, Associations, Foundations, Universities and other entities which objective is to promote the wellbeing of people, participating in numerous projects.

7. EVENTS SUBSEQUENT TO 2018.12.31

There are no relevant facts to point out up to the present date.

8. PROSPECTS FOR 2019

The BIAL Group will continue to develop the strategic vectors defined and which have enabled its sustained development as an international pharmaceutical group based on innovation. Quality, R&D and Internationalization continue to be its priorities, which are enshrined in its plans, operational budgets and investment approved for 2019, in accordance with the main guidelines of its medium-term plans.

The boosting of the commercial activity is a priority, especially of the two BIAL proprietary drugs, Zebinix\Aptiom and Ongentys, in the international market.

Continuity will be given to the R&D projects in progress, namely those that are in the final stages of research, as is the case of the BIA2 and BIA9 projects. Regarding the BIA2 project, some studies continue underway to gain a better knowledge of the drug in order to improve its clinical use and to adjust it to some patient profiles. As for the BIA9 project, research work is underway, namely some phase IV clinical trials to expand its clinical knowledge and enhance the knowledge of Ongentys in the day-to-day clinical practice.

In the BIA5 project, for arterial pulmonary hypertension, which active ingredient developed by BIAL is designated "Zamicastat", continuity will be given to the Phase I clinical trials program underway, as well as the Phase II clinical trials.

Other R&D projects are underway, but still at the pre-clinical phases, for which reason their impact in the medium term on BIAL's commercial activity will not be significant.

In January 2018, the expansion of the R&D laboratories in Portugal was completed, as was the construction of a pilot unit for the development and production of experimental drugs. This will permit a significant increase in R&D activities in the pre-clinical and development phases of new active principles researched by BIAL.

An investment plan for the 2019-2021 triennium is in the initial phase of its implementation, and aims to strengthen the industrial and logistical component of BIAL in Portugal, both through the modernization of the existing facilities and infrastructure, as well as through its expansion, so as to meet the challenges of internationalization, namely in the European Union and the USA.

In commercial terms, the objective for 2019 is to have a strong dynamic in the markets in which we are present, particularly in the USA, Spain, Germany, the United Kingdom and Italy, in addition to taking advantage of our presence in dozens of emerging markets, especially Mozambique and Angola. BIAL's commercial internationalization will continue to hinge on Zebinix\Aptiom and on Ongentys. Following its launch by BIAL in October 2016, Ongentys has had a very interesting commercial evolution that will continue in 2019 and will be reinforced in 2020 with the launch in various new countries, as was previously referred.

Quality will continue to be an underlying priority of our activity, with the objective being to maintain or improve the indicators defined for the various functional areas of BIAL.

The BIAL Group faces its challenges with confidence and realism, aware of the complex conjuncture faced worldwide, but grounded on a solid business base centered on the European Union and the USA, which will be joined in the medium term by Japan, and where the emerging countries also have their space for development. The results of the R&D projects will permit the reinforcement in 2019, and in the following years, of BIAL's presence in the most important international pharmaceutical markets.

8. EXPLANATION ADDED IN RESPECT OF THE TRANSLATION OF THIS REPORT

This document is a translation of the original, issued in Portuguese. In the event of discrepancies, the Portuguese version prevails.

Trofa, 2019 03 15

The Board of Directors
BIAL HOLDING, S.A. (holding company)

Luís Portela (Chairman)

António Portela (CEO)

Franz Humer (Member)

Isabel Morgado (Member)

José Redondo (Member)

Miguel Portela (Member)

Soares da Silva (Member)

Bial

Bial Holding S.A.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

Amounts in Euros

ASSETS	Notes	YEAR-END 2018.12.31	YEAR-END 2017.12.31
NON-CURRENT ASSETS			
TANGIBLE ASSETS			
Land and natural resources		8 646 508	8 646 508
Buildings and other constructions		11 537 619	11 639 102
Basic equipment		6 604 476	5 523 579
Transport equipment		421 303	324 144
Office equipment		1 176 336	787 254
Other tangible assets		269 055	255 972
Tangible assets in progress		1 565 527	346 921
Advances to investment suppliers		2 290 000	0
	12	**32 510 825**	**27 523 480**
INTANGIBLE ASSETS			
Research and development		238 869 221	248 849 977
Industrial property		18 081 092	20 680 690
Other intagible assets		48 544	62 296
Intangible assets in progress		857 085	746 475
Goodwill	8	11 886 963	13 585 097
Impairment	12	-22 847 671	-25 211 545
	12	**246 895 234**	**258 712 990**
FINANCIAL INVESTMENTS			
Investments in other companies		114 820	114 820
Other financial investments		326 449	263 585
	12	**441 268**	**378 405**
DEFERRED TAXES			
Deferred tax assets	10	61 471 297	57 139 856
		61 471 297	**57 139 856**
CURRENT ASSETS			
INVENTORIES			
Raw materials and consumables	23	35 924 198	39 249 661
Goods for resale	23	10 240 549	9 162 967
Work in progress		2 935 013	1 568 136
Finished and semi-finished products		9 305 328	9 264 804
Impairment	19	-307 091	-114 602
		58 097 996	**59 130 966**
SHORT-TERM RECEIVABLES			
Trade receivables	11	40 297 700	25 465 394
State and other public entities	15	10 649 162	2 143 654
Other receivables	14	23 785 349	10 563 901
Accruals	16	2 499 482	7 151 175
Impairment	19	-167 728	-169 026
		77 063 966	**45 155 098**
DEFERRALS			
Deferred costs	16	2 541 624	1 060 977
		2 541 624	**1 060 977**
BANK DEPOSITS AND CASH			
Bank deposits		41 536 471	30 010 055
Bank deposits - on demand		36 995 392	43 149 843
Cash		117 079	175 446
	4	**78 648 943**	**73 335 344**
TOTAL ASSETS		**557 671 153**	**522 437 116**

The Chartered Accountant

Branco da Costa

The Board of Directors

Luís Portela (Chairman)

António Portela (CEO)

Franz Humer (Board member)

Isabel Morgado (Board member)

José Redondo (Board member)

Miguel Portela (Board member)

Soares da Silva (Board member)

REF. 615

Bial Holding S.A.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

Amounts in Euros

	Notes	YEAR-END	
		2018.12.31	2017.12.31
EQUITY AND LIABILITIES			
EQUITY			
Issued capital		52 500 000	52 500 000
Share premium		12 500 000	12 500 000
Legal reserves		25 800	25 800
Exchange differences		1 935 596	1 132 261
Other capital reserves		-749 712	-557 801
Investment subsidies		30 466 760	36 567 210
Financial instruments		-51 338	0
Retained earnings		129 833 971	91 459 696
Subtotal		226 461 077	193 627 166
Profit for the year		-3 632 680	36 404 415
		222 828 397	**230 031 581**
Non-controlling interests		**3 662 921**	**3 285 716**
TOTAL EQUITY		**226 491 318**	**233 317 297**
LIABILITIES			
NON-CURRENT LIABILITIES			
Provisions	19	884 252	867 071
Bond loans	17	80 000 000	65 000 000
Bank loans	17	70 459 749	98 086 243
Deferred tax liabilities	10	2 841 086	2 948 690
Fixed asset suppliers	18	418 513	763 889
Other payables	14	8 845 188	9 671 062
		163 448 788	**177 336 955**
CURRENT LIABILITIES			
Trade payables		38 121 992	27 075 225
State and other public entities	15	2 898 843	3 382 035
Bond loans	17	55 330 265	0
Bank loans	17	45 560 000	52 197 839
Fixed asset suppliers	18	4 541 280	6 489 203
Other payables		4 362 037	3 019 962
Accruals	16	16 727 095	15 703 191
		167 541 513	**107 867 455**
DEFERRALS			
Deferred revenue	16	189 535	3 915 409
		189 535	**3 915 409**
TOTAL LIABILITIES		**331 179 836**	**289 119 819**
TOTAL EQUITY AND LIABILITIES		**557 671 153**	**522 437 116**

The Chartered Accountant

Branco da Costa

The Board of Directors

Luís Portela (Chairman)

António Portela (CEO)

Franz Humer (Board member)

Isabel Morgado (Board member)

José Redondo (Board member)

Miguel Portela (Board member)

Soares da Silva (Board member)

Bial Holding S.A.

CONSOLIDATED INCOME STATEMENT BY NATURE FOR THE YEAR ENDED 31 DECEMBER 2018

Amounts in Euros

Revenues and Expenses	Notes:	YEAR-END 2018	YEAR-END 2017
Revenue	20	240 760 137	195 284 580
Services rendered	20	19 846 404	60 370 367
Total revenue		**260 606 541**	**255 654 947**
Operating subsidies	21	3 935 217	3 039 420
Own work	22	580 083	120 411
Variance in inventories of production		-2 831 935	8 551
Cost of goods sold	23	-70 885 591	-61 618 396
Third party supplies and services rendered	24	-104 093 984	-70 848 703
Employees benefits	25	-54 093 407	-48 374 132
Impairment losses	19; 26	-193 006	-93 388
Provisions	19; 26	-173 181	-185 518
Reversals	26	1 816	249 709
Other income	27	8 904 037	17 881 469
Other expenses	28	-9 034 704	-8 943 210
Results before depreciation, financial expenses and taxes		**32 721 885**	**86 891 160**
Depreciation and amortization (expenses) / reversals	12	-28 815 279	-27 323 747
Impairment of depreciable/amortizable investments (losses) /reversals	12; 26	2 363 874	2 365 298
Operating results (before financial expenses and taxes)		**6 270 480**	**61 932 711**
Interest and similar income	29	738 253	1 344 367
Interest and similar expenses	29	-9 810 403	-10 646 492
Profit before tax		**-2 801 670**	**52 630 586**
Income tax on profit /(loss) for the year		-464 485	14 792 837
Profit for the year		**-2 337 185**	**37 837 749**
Profit for the year attributable to:			
Equity holders of the parent		**-3 632 680**	**36 404 415**
Non-controlling interests		**1 295 495**	**1 433 334**

The Chartered Acountant

Branco da Costa

The Board of Directors

Luís Portela (Chairman)

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Franz Humer (Board member)

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José Redondo (Board member)

Miguel Portela (Board member)

Soares da Silva (Board member)

REF. 615

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Description	Issued capital	Share premium	Legal reserves	Exchange differences	Other capital reserves	Investment subsidies	Retained earnings	Derivatives	Profit for the year	TOTAL	Non- controlling interests	TOTAL of equity
Position at the beginning of the period	52 500 000	12 500 000	25 800	2 832 985	-550 774	39 169 941	89 292 136	0	1 118 070	196 888 158	2 427 984	199 316 142
Appropriation of prior year results					-7 027		1 125 097		-1 118 070	0		0
	52 500 000	12 500 000	25 800	2 832 985	-557 801	39 169 941	90 417 232	0	0	196 888 158	2 427 984	199 316 142
Changes in accounting policies												
Exchange differences in translation of foreign operations				-1 700 724			1 042 464			-658 260	-170 872	-829 132
Subsidies						-2 602 731				-2 602 731		-2 602 731
Deferred tax adjustments										0		0
Other changes recognised in Equity										0		0
	0	0	0	-1 700 724	0	-2 602 731	1 042 464	0	0	-3 260 991	-170 872	-3 431 863
Profit for the year									36 404 415	36 404 415	1 433 334	37 837 749
Total comprehensive result									36 404 415	*33 143 424*	1 262 462	*34 405 886*
Issue of share capital										0		0
Issue of share premium										0		0
Other										0	-404 729	-404 729
Position at the end of the period	52 500 000	12 500 000	25 800	1 132 261	-557 801	36 567 210	91 459 696	0	36 404 415	230 031 581	3 285 716	233 317 297

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Description	Issued capital	Share premium	Legal reserves	Exchange differences	Other capital reserves	Investment subsidies	Retained earnings	Derivatives	Profit for the year	TOTAL	Non- controlling interests	TOTAL of equity
Position at the beginning of the period	52 500 000	12 500 000	25 800	1 132 261	-557 801	36 567 210	91 459 696	0	36 404 415	230 031 581	3 285 716	233 317 297
Appropriation of prior year results					-191 910		36 596 325		-36 404 415	0		0
	52 500 000	12 500 000	25 800	1 132 261	-749 712	36 567 210	128 056 020	0	0	230 031 581	3 285 716	233 317 297
Changes in accounting policies												
Exchange differences in translation of foreign operations				803 335						803 335	106 118	909 453
Subsidies						-6 100 450	1 777 951			-4 322 499		-4 322 499
Deferred tax adjustments								-51 338		-51 338		-51 338
Other changes recognised in Equity										0		0
	0	0	0	803 335	0	-6 100 450	1 777 951	-51 338	0	-3 570 502	106 118	-3 464 384
Profit for the year									-3 632 680	-3 632 680	1 295 495	-2 337 185
Total comprehensive result									-3 632 680	*-7 203 182*	1 401 613	*-5 801 569*
Issue of share capital										0		0
Issue of share premium										0		0
Other										0	1 024 408	-1 024 408
Position at the end of the period	52 500 000	12 500 000	25 800	1 935 596	-749 712	30 466 760	129 833 971	-51 338	-3 632 680	222 828 397	3 962 921	226 491 318

The Chartered Accountant
Branco da Costa

The Board of Directors
Luís Portela (Chairman)
António Portela (CEO)
Franz Humer (Board member)
Isabel Morgado (Board member)
José Redondo (Board member)
Miguel Portela (Board member)
Soares da Silva (Board member)

BIAL HOLDING

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		2017	
OPERATING ACTIVITIES:				
Receipts from customers	265 087 359		268 935 962	
Payments to suppliers	-190 422 922		-133 991 765	
Payments to employees	-52 346 332		-42 601 999	
Cash generated by operations	**22 318 105**		**92 342 199**	
(Payment) / reimbursement of corporate income tax	-9 970 117		-404 503	
Other (payments) / proceeds relating to the operating activity	-13 443 123		-7 909 732	
	-1 095 135		**84 027 964**	
Net cash flow from operating activities (1)		**-1 095 135**		**84 027 964**
INVESTING ACTIVITIES:				
Disbursements for:				
Tangible assets	-4 750 167		-6 769 560	
Intangible assets	-18 920 591		-14 700 943	
Financial investments	-64 182		-18 866	
Other assets	0	-23 734 939	0	-21 489 370
Proceeds from:				
Tangible assets	0		7 819	
Intangible assets	0		4 162 400	
Financial investments	1 317		30 788 097	
Other assets	0		0	
Investment subsidies	4 892 747		4 020 004	
Interest and similar income	355 514		111 411	
Dividends	0	5 249 578	0	39 089 732
Net cash used in investing activities (2)		**-18 485 362**		**17 600 362**
FINANCING ACTIVITIES				
Proceeds from:				
Bank loans	160 011 813		54 096 263	
Equity and other components of equity increases	0		0	
Coverage of previous years' losses	0		0	
Donations	0		0	
Other financing operations	-69 882 210	90 129 603	15 000 000	69 096 263
Disbursements for:				
Bank loans	-51 799 837		-95 124 564	
Interest and related expenses	-6 888 563		-8 621 821	
Dividends	-3 024 408		-404 730	
Equity and other components of equity decreases	0		0	
Other financing operations	-1 207 799	-62 920 607	-1 374 742	-105 525 858
Net cash used in financing activities (3)		**27 208 996**		**-36 429 595**
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		**7 628 499**		**65 198 730**
Foreign exchange effect		**0**		**60**
Cash and equivalents at the beginning of the period		**71 018 224**		**5 819 434**
Cash and cash equivalents at the end of the period		**78 646 724**		**71 018 224**

The Chartered Accountant

Branco da Costa

The Board of Directors

Luís Portela (Chairman)

António Portela (CEO)

Franz Humer (Board member)

Isabel Morgado (Board member)

José Redondo (Board member)

Miguel Portela (Board member)

Soares da Silva (Board member)

Bial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 2018

Amounts in Euros

(Translation of the original document issued in Portuguese)

1. Introduction

BIAL's main corporate purpose is the commercialization, research and development of pharmaceutical specialties intended for human use and its head office is located in Coronado (S. Mamede and S. Romão), Trofa.

These financial statements were authorized for issue by Management on 2019.03.15.

Under Article 68 of CSC, the Shareholders' General Meeting may reject the proposal of the Management on the approval of the consolidated financial statements since its reasons are explained and the financial statements are corrected in specific points or revised financial statements must be prepared.

2. Accounting framework utilized in the preparation of the financial statements

The company prepares its financial statements in accordance with the Accounting and Financial Reporting Standards (NCRF) which form an integral part of the SNC.

These consolidated financial statements include the financial statements of the company and its subsidiaries as of 31 December 2018.

With the publication of Decree-Law 238/91 of 2 July the company initiated the preparation and presentation of consolidated financial statements. Therefore, these consolidated financial statements are not the first consolidated financial statements prepared by the company.

There were no exceptional derogations to the provisions set by the SNC keeping in mind the need of these to present a true and fair view of the company's assets, liabilities and results for the year.

As a result of the transposition into national law of Directive 2013/34/EY of the European Parliament and of the Council of 26 June 2013, through the publication of Decree-Law 98/2015 of 2 June, there have been changes in the NCRF that are mandatory for annual periods beginning on or after 1 January 2016.

During 2017, three companies whose capital was wholly owned by Grupo Bial were sold: the Spanish BIAL Industrial Farmacéutica, SA, the Italian BIAL - Aristegui Italia SRL and the Portuguese BIAL - Aristegui, SA. On the other hand, the Portuguese Bialfar - Produtos Farmacêuticos, S.A. was liquidated. With respect to the companies sold in 2017, it was only appropriated in the consolidation accounts their activity in January, immediately before the sale.

3. Main accounting policies

3.1. Basis of preparation

In the preparation of the financial statements the company adopted:

- The Basis for Preparing of the Financial statements presented in the annex to Decree-Law 158/2009 of 13 July 2009 which enacted the SNC;

- The transposition into national law of Directive 2013/34/EY of the European Parliament and of the Council of 26 June 2013, through the publication of Decree-Law 98/2015 of 2 June, there have been changes in the NCRF that are mandatory for annual periods beginning on or after 1 January 2016.

- The NCRFs in force on the present date with the exemptions described in Notes 3.1 a) and 3.1.c), considered in the transition date.

Thus, the financial statements have been prepared on a going concern basis and in accordance with accruals, consistency of presentation, materiality and aggregation, non-compensation and comparative information basis.

Based on the provisions set out by the NCRFs, the company adopted the following accounting policies:

a) Tangible fixed assets

Tangible fixed assets refer to assets used in the production or supply of goods or services or for administrative purposes, and are measured according to the cost model.

The company adopted as deemed cost:

- For land and buildings, the fair value of a revaluation carried out by independent appraisers, based on the market values as at 31 December 2003, resulting in an increase of € 6.955.076 in the historical cost;

- For the remaining fixed assets, the value of the previous financial statements prepared in accordance with the former Portuguese Accounting Standards (POC), which included revaluation reserves under several legal diplomas.

Subsequently, the company decided to maintain the deemed cost for tangible fixed assets, and new acquisitions are stated at cost, net of accumulated depreciations and accumulated impairment losses, if any.

With the exception of land which is not depreciated, tangible fixed assets are depreciated over the expected economic useful lives and evaluated in terms of impairment whenever there is an indication that the asset may be under impairment.

Depreciation is calculated on a straight-line duodecimal basis as from the moment when the assets are deemed to be available to be utilized for the desired purpose.

The depreciation rates have been set so as to fully depreciate the assets until the end of their estimated useful lives. The applied depreciation rates are as follows:

	Annual %
Buildings and other constructions	2%, 5% e 10%
Plant and equipment	10%-16.66%, 25%, 33.33%
Transport equipment	20% e 25%
Office equipment	10%-25%, 33.33%, 50%

Assets acquired through finance lease are depreciated using the same rates as those for the other tangible assets, i.e. taking into account the corresponding useful life.

It is assumed that the residual value is zero; hence the amount to be depreciated, over which the depreciation is calculated, coincides with the cost.

The depreciation methods, estimated useful lives and residual value, are reviewed at the end of each year and the effects of the changes are treated as changes to estimates, i.e. the effect of the changes is treated in a prospective way.

The depreciation expense for the year is recognized in the income statement in "Depreciation and amortization (expense) / reversal".

Dismantling, removal and site restoration costs arising from responsibilities assumed upon the purchase of the fixed assets or as a consequence of they having been utilized during a set period of time for objectives different to the production of inventories, are recognized as a part of the cost of the corresponding fixed asset and are depreciated during the useful life of the fixed asset to which they relate to.

All current repair and maintenance costs are recognized as expense in the year when incurred.

Costs relating to substitutions and major repairs are capitalized whenever they increase the useful lives of the assets to which they relate to, and are depreciated during the remaining useful life of the corresponding fixed asset or during its own estimated useful life, if lower.

Any gain or loss deriving from the de-recognition of a tangible fixed asset (calculated as the difference between the sale value net of minus selling costs and the book value) is included in the results for the financial year in which the asset is derecognized.

Tangible Assets in Progress relate to assets which are still in construction or development stage and are measured at the cost of acquisition, only being depreciated when they are available for use.

Tangible assets under finance leases agreements are depreciated in the same manner of the other tangible assets.

b) Impairment

Consolidated companies evaluate whether there is any indication that an asset may be impaired at the end of the year. Should there be any indication, the company estimates the recoverable amount of the asset (which is the highest between the fair value of the asset (or of a cash generating unit) minus the selling costs and its value in use) and they recognize the impairment in the results for the financial year whenever the recoverable amount is lower than the book value.

When evaluating whether there is an indication of impairment, the following situations are taken into account

- During the period the market value of an asset reduced significantly more than that would be expected as a result of the passage of time or normal usage;
- During the period major alterations occurred – or will occur in the near future – with an adverse effect on the company as regards the technological, market, economic or legal environment in which the company operates or on the market to which the asset is dedicated;
- The market interest rates or other investment return market rates increased during the period and these increases will probably effect the discount rate used to calculate the value in use of an asset and will materially reduce the recoverable amount of the asset;
- The carrying amount of the net assets of the entity is greater than its market capitalization;
- Evidence of the obsolescence of or physical damage to an asset is available;
- Major alterations with an adverse effect on the entity occurred during the period, or it is expected they will occur in a near future to the extent that, or in the way in which, an asset is used it is expected to be used. These alterations include an asset which has become idle, plans to discontinue or restructure the operating unit to which the asset belongs, plans to dispose of an asset before the date expected previously;
- There is evidence in the internal reports that indicate that the economic performance of an asset is, or will be, worse than that expected.

Regardless of whether there are indications of their being impaired, any assets which are still not available for use are tested annually.

Impairment reversions are recognized as a gain but are only recognized up to the limit which would result if the asset had never been subject to impairment.

c) Goodwill

Goodwill arises from future economic benefits resulting from assets that are not capable of being separately identified.

Goodwill arising from business combinations with subsidiaries included in the consolidation is presented in the face of the balance sheet.

As at 1 January 2009 (transition date to NCRF), the company has adopted the exemption prescribed in "NCRF 3 – First time adoption of NCRF´s" for business combinations, and has adopted as deemed cost goodwill´s carrying amount of the former GAAP (cost less

accumulated depreciations and less impairment losses, if any, as at 31 December 2008) and therefore business combinations have not been restated in accordance with information available by the time each acquisition occurred.

In the acquisitions occurred from 1 January 2009, goodwill is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

From 2016 onwards the goodwill is amortized according to the new rule of the SNC, at the annual rate of 10% for a period of 10 years.

Whenever the acquirer's interest in the fair value of identifiable assets, liabilities and contingent liabilities exceeds the cost of business combination the difference is recognized in the statement of profit or loss of the period after reassessment of the identification and measurement of the identifiable assets, liabilities and contingent liabilities of the acquirer and the measurement of the cost of the combination.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of shall be included in the carrying amount of the operation when determining the gain or loss on disposal and should be measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill in the face of balance sheet is measure at cost less any accumulated impairment losses and net of accumulated amortization.

Goodwill shall be tested for impairment and whenever there is an indication that the goodwill may be impaired, in accordance with NCRF 12 — Impairment of Assets.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

d) Intangible assets, except goodwill

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

Intangible assets generated internally, excluding capitalized development costs, are not capitalized and the cost is reflected in the income of the year in which the cost is incurred.

The research and development expenses are expensed as incurred, except if the SNC's requirements for capitalization are met. In this case they are presented as an intangible asset and amortized on a systematic basis during its useful lives.

After the initial recognition, the assets are presented at cost net of accumulated amortization and impairment losses.

The useful lives of intangible assets are classified as finite or indefinite.

Starting in 2016, assets with indefinite useful lives are amortized according to the new rule of the SNC, at the annual rate of 10%, for the term of 10 years.

The assets with finite useful lives are amortized during the expected economic useful life and evaluated in terms of impairment whenever there is an indication that the asset may be in an impairment situation.

The impairment of these assets is the one based on the criteria described in point b) above.

Impairment reversals are recognized in the income statement and are only recognized up to the limit which would result if the asset had never been subject to impairment.

The amortization methods, estimated useful life and residual value, are reviewed at the end of each year and the effects of the changes are treated as changes to estimates, i.e. the effect of the changes is treated in a prospective way.

Depreciation is calculated on a straight-line duodecimal basis.

It is assumed that the residual value is zero, hence the amount to be amortized, coincides with the cost.

The amortization rates have been set so as to fully amortize the assets until the end of their estimated useful lives. The applied amortization rates are as follows:

- Research and development	5%
- Software	33,33%
- Industrial property	5% - 33,33%

The development projects regarding BIA2 (epilepsy) and BIA9 (Parkinson) are booked under intangible assets.

The remaining research and development projects do not yet fulfill the requirements to qualify as intangible assets.

The cost with the depreciation of intangible assets with finite useful lives is recognized in "Depreciation and amortization (expenses) / reversals".

The anti-epileptic drug (Zebinix) useful life is 20 years (depreciation rate of 5%) and its amortization was initiated in 2009 (September) along with its commercialization in Europe.

The anti-parkinson drug (Ongentys) useful life is 20 years (depreciation rate 5%) and its amortization was initiated in 2016 (September) along with its commercialization in Europe.

Any gain or loss deriving from the de-recognition of an intangible asset (calculated as the difference between the sale value net of minus selling costs and the book value) is included in the results for the financial year in which the asset is derecognized.

Some specific aspects relating to each type of intangible assets are presented below:

d.1) Development projects

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) Its intention to complete and its ability to use or sell the asset.
(c) Its capacity to use or sell the drug.
(d) How the asset will generate future economic benefits.
(e) Adequate technical, financial and other resources are available to complete the development and to use or sell the drugs resulting from the development in progress.
(f) The ability to reliably measure the expenditure during development.

The existence of license-out contracts is sufficient evidence to demonstrate that the asset will generate future economic profits.

The amount presented under the heading "development projects" includes:

- BIA-2093 investment after the beginning of the third phase of development. This phase coincided with the first license-out contract, which led to the EMA's approval at the beginning of 2009 and the initiation of Zebinix commercialization (October 2009) after the development of the eslicarbazepine acetate. In 2013, the FDA approved the drug in the U.S., having the commercialization started in 2014. In August 2015, the FDA approves BIAL's antiepileptic as monotherapy in the U.S., having the commercialization as monotherapy started in November 2015. In 2016, the EMA approved the "pediatrics" for Europe, and beginning its commercialization in July 2017, the date of the initiation of the amortization. In 2018 the drug was licensed for South Korea.

- BIA09 investment (the new medication for Parkinson disease) was approved by EMA by the beginning of 2009. This together with its first licensing-out agreement for the Japanese market (third largest market in the world in terms of disease prevalence), make it highly probable that the investment already made will be recovered. Under these circumstances, the company opted to start capitalizing the BIA9 ("ongoing" investment) of the development costs incurred in Phase III development in 2013. The subsidies allocated to the BIA9 were also accounted for in equity since then. In 2016 the dossier delivered to the EMA was approved for the commercialization of the drug in Europe under the Ongentys brand, which began in September 2016. Consequently, the previously capitalized asset is being amortized, as of the same date. In 2017 the drug was licensed for the USA and in 2018 it was licensed for China and South Korea.

The development expenses initially recognized as costs are not recognized as an asset on subsequent periods.

d.2) Software

The computer software caption pertains exclusively to software purchased from third parties.

Internal costs associated with the maintenance and development of computer software are expensed as incurred due to the inability to be measured reliably and/or the inability to generate future economic benefits.

d.3) Industrial property

Under this caption are recognized the patents with an exclusive utilization title registered by the consolidated companies.

d.4) Brands

This caption refers to brands purchased from third parties.

Internally generated brands are not recognized as an asset.

The brands with limited utilization rights are amortized, on a straight line basis, during the period of use.

e) Financial investments

The company uses the cost method to measure financial investments in:

- Subsidiaries not included in the consolidation;
- Associates operating under severe long-term restrictions that significantly impair its ability to transfer funds to the investor;
- Other entities whose fair value cannot be determined reliably, namely investments in non-listed companies. Hence, for these entities, neither the equity method nor the proportional consolidation can be used.

According to the cost method, the financial investments are recognized initially at cost, which includes transaction costs, being subsequently decreased by impairment losses, whenever applicable.

f) Financial assets (except financial investments)

Financial assets are recognized when the company becomes a party to the contractual provisions of the instrument. Financial assets which are not financial investments in companies are valued at amortized cost net of impairment losses, whenever applicable.

At the end of the year the company evaluated the impairment of these assets. Whenever there was objective evidence of impairment, the company recognized a cost in the income statement.

Objective evidence that a financial asset or a group of assets could be impaired took into consideration observable data which brought to one's attention the following loss events:

- The debtor's significant financial difficulty;
- Breach of contract, such as failure to pay or default regarding the payment of interest or repayment of debt;
- The company, for economic or legal reasons, related with the debtor's financial difficulty provides the debtor with concessions which it would otherwise not have considered;
- It has become probable that the debtor will file for bankruptcy or any other financial reorganization;
- Observable information indicating that there is a reduction in the measurement of the estimated future cash flows of a group of financial assets, since their initial recognition.

Significant financial assets are individually evaluated for the purposes of impairment. The other assets are evaluated in line with similar credit risk characteristics.

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

f.1) Shareholders

Balances due by shareholders are measured at amortized cost less impairment losses, whenever applicable, determined according to the criteria described above.

f.2) Trade receivables

Trade receivables are measured upon initial recognition in accordance with the measurement criteria for sales and services rendered described in point p), being subsequently measured at amortized cost less impairment losses, and accordingly to the criteria described above.

The credits ceded to factoring institutions without recourse, i.e., the risk of default is assumed by the factoring institution, are derecognized from the balance sheet when the cash advances are received.

The credits ceded to factoring institutions with recourse, i.e., the risk of default is assumed by the company, are not derecognized from the balance sheet and the risk of default is taken into consideration when determining impairment losses. In this case, the cash advances received are recognized as bank loans.

f.3) Other payables

This account is valued as follows:

- Debtors for accrued income - at estimated / contracted value;
- Other debtors - at amortized cost less impairment.

Impairment, in both cases, is determined on the basis of the criteria defined above.

f.4) Cash and short-term deposits

Cash and short-term deposits comprise cash on hand and short-term bank deposits with an original maturity of three months or less, that may be immediately mobilized with insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash and short-term deposits as defined above, net of outstanding bank overdrafts.

g) Income taxes

g.1) Income tax - current

Current income tax is determined based on the taxable income of companies included on consolidation, in accordance with the tax rules in force in the respective country of incorporation.

The holding company and its subsidiaries owned by more than 90% which are tax resident in Portugal are subject to the Consolidate Corporate Income Tax (IRC) Regime at the rate of 21%, plus municipal tax up to the maximum rate of 1.5% on taxable profit, plus a special

tax rate - State Tax - at a rate of 3% on taxable profit between Euro 1,5 to 7,5 million, at rate of 5% on taxable profit between 7,5 to 35 million and 9% on taxable profit exceeding Euro 35 million.

In accordance with current Portuguese tax legislation, income tax returns are subject to review and correction by the tax authorities for a period which varies from 4 to 5 years, which can extended in the case of tax losses being carried forward and tax benefits have been granted or there are tax claims or appeals in progress.

Management, based on the positions of its tax consultants and bearing in mind assumed responsibilities, believes that any adjustment to the tax returns that could result from reviews carried out by the tax authorities will not have any significant impact in the consolidated financial statements that would deem the recognition of any provision for taxes.

g.2) Income tax - deferred

Deferred tax assets and liabilities result from significant temporary differences (deductible and taxable) between the carrying amounts and the tax basis of the Group's assets and liabilities.

Deferred tax assets represent:

- Deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences may be offset;

- Available tax losses or unused tax credits, to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

Deductible temporary differences are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

Deferred tax liabilities are recognized for all taxable temporary differences.

Taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled.

Deferred tax assets and liabilities are measured:

- According to the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date; and

- Reflecting the tax impacts which follow and the company expects, as at the date of the balance sheet, to recover or settle the carrying amount for its assets and liabilities.

The company reviews tax losses and tax credits carried forward annually – these deferred tax assets are only recognized when the Company expects their recoverability.

Portugal:

The state budget for 2013 changed the limit of the deduction of tax losses to 70% of taxable income of the period in which the deduction is made, applicable from 2014 onwards.

Thus, companies with taxable profits will always be subject to payment of IRC, still holding tax losses of previous years unless there are tax credits. Thus, the companies that have a taxable income will always be subject to a tax payment although they may have tax losses carried forward from previous years (except if fiscal credits exist).

The state budget for 2014 increased the deductible period for tax losses from 5 to 12 years. This change applies only to tax losses from 2015 and 2016 as the deductible period for tax losses will be again decreased to 5 years from 2017 onwards.

Spain:

In the Basque Country tax losses deduction have a time limit of 15 years since 01/01/2014, where the tax losses carried forward from previous years the time limit is 15 years, starting from 01/01/2014.

Mozambique:

The tax losses deduction have a time limit of 5 years since 01/01/2017, where the tax losses carried forward from previous years the time limit is 5 years, starting from 01/01/2017.

h) Inventories

The measurement of inventories and the corresponding valuation methods are the following:

Finished goods	-	At production cost which comprises raw and subsidiary materials at average cost plus factory overheads determined by the industrial department
Semi-finished goods	-	At the price of the finished product deducted from consumer packaging.
Work in progress	-	At cost of raw and subsidiary materials plus direct labor adjusted to estimated level of completion
Raw materials	-	Average purchase costs.
Subsidiary materials and consumable containers	-	Average purchase costs.

The cost of the inventories includes:

- Purchasing costs (purchase price, import duties, non-recoverable taxes, freight, handling and other costs directly attributable to the purchase, less any commercial discounts, rebates and other similar items);
- Production costs (labor and production overheads);
- Any other costs incurred to ensure the delivery of inventories to their location and desired conditions.

Whenever the net realizable value is lower than acquisition or production cost, the value of inventories is decreased through the recognition of an impairment loss which is reversed when the reasons that originated the loss cease to exist.

To this end, the net realizable value is the selling price during the normal course of business less estimated completion costs and the costs required to make the sale. The estimates take into account any variations related with events occurring after the year-end insofar as the said events confirm existing conditions at the end of the year.

i) State and other public entities

The balances of assets and liabilities are determined in accordance with current legislation in place.

j) Deferrals

This item reflects the transactions and other events for which their entire allocation to the income statement in the financial year in which they occur is not appropriate. They should be recognized in future periods.

l) Equity items

l.1) Issued share capital

Bial Holding, S.A. subscribed share capital has been totally paid, bearing in mind there is a share premium of € 12.500.000.

l.2) Legal reserves

According to article 295 of the CSC, at least 5% of net profit must be transferred to a legal reserve each year until this reserve equals 20% of share capital.

This legal reserve is not available for distribution and may only be utilized to increase share capital or to absorb losses after other reserves and retained earnings have been exhausted (article 296 of the CSC).

l.3) Other capital reserves

This item includes revaluation reserves made based on the terms of the previous accounting standard, net of corresponding deferred taxes, and which are not presented in the revaluation surplus item because the entity adopted the cost method considered at the conversion date for the SNC. Annually, a transfer of other reserves to retained earnings is

made, based on the values that were realized by the use (difference between the amortization based on the amount revalued and the amortization based on the original cost of the asset) or the sale.

The revaluation reserves based in the law are only available to be included in capital increases or loss coverage and only when they become realized (through the use or the disposal of the asset).

Fair value gains that are not available for distribution to shareholders in accordance to article 32, n.2 of the Portuguese Companies Code of Law ("Código das Sociedades Comerciais" – CSC) until they are realized are also included under this heading.

I.4) Retained earnings

This item relates exclusively to retained earnings available for distribution to shareholders.

I.5) Investment subsidies

This item comprises non reimbursable investment subsidies, net of deferred tax liabilities, relating to tangible or intangible assets.

These subsidies are recognized when there is reasonable assurance that the company complies/will comply with all set of attached conditions and that the subsidy will be received.

After the initial recognition of the subsidy, the balance of this account is reduced through the transfer, on a systematic basis, as income to the profit and loss account, over the expected useful life of the related asset.

After the initial recognition, the balance of this account is reduced:

- Subsidies related to fixed assets or intangible assets with identifiable useful lives - through the transfer, on a systematic basis, as income to the profit and loss account, over the expected useful life of the related asset;
- Grants related to fixed assets or intangible assets with indefinite useful lives – through the transfer as an income to the profit and loss account as the necessity arises to compensate for any eventual impairment losses.

These subsidies are not available for distribution until they are transferred to income during the periods necessary to: (i) balance the subsidies with the related costs which they are expected to compensate, i.e., the depreciation and amortization costs and/or (ii) to compensate any impairment loss related to these assets.

I.6) Exchange differences arising on the translation of financial statements

The Group's consolidated financial statements are presented in Euros.

Under this caption are included the exchange differences arising on the translation of the financial statements of those subsidiaries whose functional currency is not euro, resulting from:

- The assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date;
- Gains and losses are translated at exchange rates prevailing at the date of the transactions.

m) Provisions

This item reflects the company's present obligations (legal or constructive) as a result of a past event, out of which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, with uncertainty as to timing or amount but where a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Whenever the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the value of money over time and the liability's specific risks and does not reflect risks for which future cash flow estimates have been adjusted.

A provision for restructuring costs is recognized when there is a constructive obligation due to the fact that the company decides to put in place a program planned and controlled by Management and that materially changes:

(a) The company's undertaken business scope; or

(b) The way the business is carried out.

It is understood that the obligation to restructure arises only when the entity:

An obligation to restructure arises only when the company has a detailed formal plan for the restructuring identifying at least:

- The business or part of a business concerned;
- The principal locations affected;
- The location, function and approximate number of employees who will be compensated for terminating their services;
- The expenditures that will be undertaken;
- When the plan will be undertaken; and
- Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

n) Financial Liabilities

Financial liabilities are recognized when the company becomes a party of the contractual provisions of the instrument.

Financial liabilities (or a part of a financial liability) are removed from the balance sheet when, and only when, it is extinguished i. e. when the obligation specified in the contract is discharged or cancelled or expires.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, together with the respective transaction costs.

Financial liabilities are measured as follows:

n.1) Loans and borrowings

Interest bearing loans and borrowings are valued at amortized cost taking into consideration the effective interest rate. According to this method, at the date of the initial recognition, loans are recognized in liabilities per nominal value received, net of related expenses, which comprises the respective fair value at that date.

Subsequently, loans are measured at amortized cost, which included all financial expenses calculated as per the effective interest method.

The carrying amount of Loans for which a fixed interest rate hedging is in place also includes fair value adjustments (NCRF 27 - par. 37, b).

Loans for which an interest rate hedging is in place are presented as other financial assets or other financial liabilities and are presented as non-current or current following the same presentation of the loans they refer to.

In accordance with the policy described in f.2) also under this caption are presented the credits ceded to factoring institutions with recourse, which are measured at amortized cost.

n.2) Trade payables

Trade payables are initially recognized at the respective fair value and, afterwards are measured at amortized cost, calculated as per the effective interest rate method.

n.3) Other accounts payable

The investment suppliers are measured at amortized cost using the effective interest rate method.

Other accounts payable are measured at amortized cost.

n.4) Prepayments

Prepayments are measured at amortized cost.

o) Foreign currency translation

Transactions in foreign currencies are initially recorded at their respective currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the euro currency spot rate of exchange ruling at the reporting date.

The rates used for the foreign currency translation as at 31 December were the following:

2018:	Debtor balances	Creditor balances
CHF	1,12850	1,12399
GBP	0,89985	0,89625
USD	1,14678	1,14221
JPY	125,841	125,338
SEK	10,1798	10,1391
CAD	1,56387	1,55762

2017:	Debtor balances	Creditor balances
CHF	1,17309	1,16840
GBP	0,89048	0,88692
USD	1,20420	1,19939
JPY	135.630	135.089
SEK	9,86338	9,82401
CAD	1,50981	1,50378

p) Revenue recognition

Sales and services rendered are measured at the fair value of the retribution received, or to be received, net of commercial discounts or rebates.

Whenever interest free credit is granted to buyers or the influx of cash or cash equivalents is deferred in any other way, the difference between the fair value and the nominal value of the retribution is recognized as interest revenue, during the period of time between the date of revenue recognition and the settlement date.

When the sales price includes an amount of identifiable subsequent services, that amount is deferred and recognized as revenue during the period through which the services are rendered.

Although revenue is recognized to the extent that it is probable that the economic benefits linked to the transaction will flow to the company, whenever an uncertainty arises about the recoverability of an amount already included in revenue, that unrecoverable amount, or the amount whose recovery has ceased to be probable, is recognized as an impairment and not as an adjustment to the value of revenue initially recognized.

The following specifics relate to the recognition of sales and services rendered:

p.1) Sale of goods

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:

- The significant risks and rewards of ownership of the goods have been transferred to the buyer;
- Bial 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 Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

p.2) Rendering of services

Revenue from the rendering of services is recognized by reference to the stage of completion, which occurs when all of the following conditions have been satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The stage of completion of the transaction can be measured reliably; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Progress payments and advances received from customers often do not reflect the services performed.

Revenue from the sale of licensing Bial's own research and development is recognized when and only when the agreements are signed and the risks and benefits of exploring the license are irreversibly transferred to the buyer. This third party does not depend on continued engagement of Bial in order to benefit from the transferred good. The received revenue is not reimbursable. Besides licensing, the contracts foresee additional revenues upon achievement of certain events (milestones) which depend on the continued effort of the company. The amount recorded takes into consideration the fair value attributed to each of the milestones determined under the license agreement. Milestones are accounted for according to US GAAP, namely the ASC 605 "Revenue Recognition – Milestone Method".

The revenue resulting from the sale of Aptiom/ Zebinix is estimated and subsequently validated after the amount of processed sales is known by the company who commercializes the product.

q) Own work

Accounting standards state that they may be added to the cost of a qualifying asset (in simple terms, assets that take a substantial period of time to be ready for their intended

use or sale), expenses incurred in operate the asset, including the associated financial charges incurred in that period.

The Group's strategy for the development of ongoing research projects involves considerable investment in internal resources and not only in external resources.

Accordingly this caption refers to development projects carried out internally by the group companies, which are capitalized in intangible assets. The measurement is made at cost and includes materials, direct labor and manufacturing overhead allocated based on normal production capacity.

r) Employee benefits

There are no post-job benefits.

According to current labor legislation in force, employees are entitled to holiday pay and subsidy in the year following the one when the service is provided. Consequently, an accrual for this amount was recognized in the profit and loss account with a counterpart in "Other accounts payable".

The distribution of profits to employees is recognized in personnel expenses in the year to which it relates to and not as a distribution of results. Using the later date of:

a) When the entity can no longer withdraw the offer of such benefits; and

b) When the entity recognizes the costs of a restructuring and falls within the scope of NCRF 21 and which entails the payment of termination benefits.

In the case of termination benefits payable as a consequence of the decision of an entity to terminate an employee's employment, the entity shall no longer be able to withdraw the offer once it has communicated to the employees concerned a termination plan that meets all of the following criteria:

a) The measures necessary to implement the plan make it unlikely that the plan will undergo significant changes;

b) The plan identifies the number of employees whose employment is to be terminated, their occupational categories or functions and their location (but the plan does not have to identify each individual employee), as well as the expected date of execution; and

c) The plan stipulates the termination benefits that employees will receive in sufficient detail to enable employees to determine the type and amount of benefits they will receive when their employment ceases.

When an entity recognizes termination benefits, the entity may also need to account for a retirement benefit cut or other employee benefits.

An entity shall measure the termination benefits at initial recognition and shall measure and recognize subsequent changes in accordance with the nature of the employee's benefit,

but if the termination benefits are an extension of the post-employment benefits, the entity shall apply the requirements for post-employment benefits. Otherwise:

a) If the termination benefits are expected to be fully liquidated within twelve months after the end of the annual reporting period in which the termination benefit is recognized, the entity shall apply the short-term benefits requirements of the employees; and

b) If termination benefits are not expected to be fully liquidated within twelve months after the end of the annual reporting period in which the termination benefit is recognized, the entity shall apply the requirements of the other long-term employee benefits.

s) Subsidies and other government assistance:

The benefit of a loan from a public entity with a lower interest rate than the market is treated as a public entity grant. The loan must be recognized and measured in accordance with NCRF 27.The benefit of the below-market interest rate should be determined as the difference between the initial carrying amount of the loan determined in accordance with NCRF 27 and the amount received. The benefit shall be accounted for in accordance with this Standard. The entity shall take into account the conditions and obligations that were, or should be, met in identifying the expenditure that the benefit of the loan is intended to offset.

(s1) Operating subsidies

Operating subsidies comprise non reimbursable subsidies which do not relate to fixed assets.

The operating subsidies are recognized when there is reasonable assurance that the company complies/will comply with all set of attached conditions and that the subsidy will be received.

Operating subsidies are recognized in the same period as the expenses for which the grants are intended to compensate.

(s2) Investment subsidies

Please refer to note (I.5).

t) Interest and similar expenses

Financing expenses are recognized in the income statement in the period to which they relate to and include:

- Interest paid on loans and borrowings determined using the effective interest rate;
- Interest for financial instruments related to the hedge of interest rate risk (SWAP).

Financial costs attributable to the acquisition, construction or production of property, plant and equipment and intangible assets are capitalized as part of the cost of the asset. The capitalization of these costs begins after the preparation or construction of the asset begins, and is interrupted at the end of the production or construction of the asset or when the project in question is suspended.

u) Derivative financial instruments and hedge accounting

Derivatives are considered hedging items when designated and when the entity expects that changes in the fair value or cash flows of hedged item will offset the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged relationship.

Taking into account that NCRF 27 – Financial instruments is silent on hedging effectiveness, the provisions of IAS 39 – Financial instruments are followed.

Changes in the fair value of hedging items of exposure to variability in interest rate, exchange rate and a firm commitment related to a highly probable forecast transaction are recognized in Equity in the portion that is determined to be an effective hedge and in the income statement under the line "Fair value adjustments" in the ineffective portion.

Changes in the fair value of hedging instruments of interest rate variability, exchange rate risk, commodity price risk under a commitment or a high probability of a future transaction are recognized in equity in the caption "adjustments to assets financial "in its effective component and in results under" increases / reductions at fair value "in its non-effective component. The amounts recorded in the caption "adjustments in financial assets" are transferred to the results for the "increases / reductions at fair value" in the period in which the hedged item has an effect on the results.

The non-effective component of those changes is recognized immediately in results. The company chooses to make this coverage through the contracting of financing in foreign currency.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting as prescribe in NCRF 27 – Financial instruments and detailed in IAS 39 – Financial instruments.

The effective portion on the hedging instrument are presented as "Other financial assets" or "Other financial liabilities" and are presented as non-current or current following the same presentation of the hedged item they refer to.

The effective portion on the hedging instrument are presented as "Other financial assets" or "Other financial liabilities" and are presented as non-current or current following the same presentation of the hedged item they refer to.

y) Contingent assets and liabilities

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized.

A contingent asset is disclosed, where an inflow of economic benefits is probable.

A contingent liability is:

- A possible obligation arising from past events and the existence of which will only be confirmed by the occurrence or not of one or more uncertain future events not wholly under the control of the entity,

or

- A present obligation arising from past events but not recognized because: An outflow of resources is not likely to be required to settle the obligation,

or

- The amount of the obligation can't be measured reliably.

Contingent liabilities are not recognized in the financial statements so as not to result in the recognition of expenses that may never become effective.

However, they are disclosed whenever there is a likelihood of Ex-future flows that are not remote.

x) Subsequent events

Events that occur between the end of the reporting period and the date when the financial statements are authorized for issue are taken into account in the measurement and recognition of reported related assets and liabilities as of the balance sheet if those events provide evidence of conditions that existed at the end of the reporting period. Those events that are indicative of conditions that arose after the reporting period are disclosed in the Notes, if material.

z) Non-current assets and associated liabilities held for sale

This item includes non-current assets whose carrying amount is recovered mainly through a sale transaction instead of being for continued use and which satisfy the following conditions:

- They are available for immediate sale in their present condition, subject only to terms that are usual and customary for the sale of such assets (or disposal groups); and
- Its sale is highly probable. This is:
    - The appropriate management hierarchy is committed to a plan to sell the asset (or disposal group);
    - A program has been started to locate a buyer and complete the plan;
    - The asset (or disposal group) has been widely advertised for sale at a price that is reasonable in relation to its current fair value; and/or
    - The sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances that may extend the period to complete the sale beyond one year do not exclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the control of the entity and If there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Immediately prior to the initial classification of the assets (or disposal groups) as held for sale, the carrying amounts of the assets (or all assets and liabilities of the group) are measured in accordance with the applicable NCRF.

At the date of initial recognition, assets (or disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell or, if purchased as part of a business combination, at fair value less costs of selling.

When the sale is expected to occur beyond one year, selling costs are measured at their present value. Any increase in the present value of selling costs that results from the passage of time is recognized in the results as cost of financing.

Any initial or subsequent reduction of the asset (or disposal group) to fair value less costs to sell is recognized as an impairment loss. Any gain resulting from a subsequent increase in fair value less costs to sell an asset is recognized, but not in addition to the cumulative impairment loss that has been previously recognized.

Non-current assets while classified as held for sale or as part of a disposal group classified as held for sale are not depreciated (or amortized).

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are still recognized.

3.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as described in Note 6.

Subsidiaries are recognized and measured according to the criteria described on paragraph 3.1. (e).

The group prepares consolidated financial statements comprising the financial statements of the parent company and its subsidiaries in accordance with article 6º of the Decree-Law 158/2009 of 15 July, which approved SNC. Subsidiaries are those entities where:

Regardless of ownership of capital, it is verified that, alternatively the group is entitled to:

- exercise or actually exercises control; or manages both entities as one only entity;
- exercise the management as if they were one entity;

Being the owner of capital:

- Has the majority of voting rights, unless it does not entitle to control the entity;
- Has the power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;
- Has the power to govern the financial and operating policies of the entity under a statute or an agreement;
- Has at least 20% of the voting rights and the majority of members of the board of directors or equivalent governing body who have been appointed during the financial year which the financial statements relate to as well as previous year and until the date when the financial statements are prepared;
- Has the power over more than half of the voting rights by virtue of an agreement with other investors.

In assessing whether potential voting rights contribute to control, the entity examines all facts and circumstances (including the terms of exercise of the potential voting rights and any other contractual arrangements whether considered individually or in combination) that affect potential voting rights, except the intention of management and the financial ability to exercise or convert such rights.

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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests are presented separately.

Each business combination is accounted for by applying the acquisition method. The cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer; plus any costs directly attributable to the business combination.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full. Intragroup unrealized losses are eliminated unless the transaction indicates an impairment that requires recognition in the consolidated financial statements.

The financial statements of the subsidiaries have been changed when applicable in order to be consistent with Group accounting policies.

NCRF 25 — Income taxes apply to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Equity and net income pertaining to external parties to the Group are presented in the face of the balance sheet as “Non-controlling interests”, within Equity. At each business combination minority interest are measured in accordance with its share in the fair value of identifiable net assets and contingent liabilities identified.

Losses incurred by the Group are attributed to the minority interests until its balance is reduced to nil. Any further excess losses were attributable to the parent, unless the minority interest has a binding obligation to cover these losses. If and when the subsidiary reports profits subsequently the Group´s shareholders recognise these profits entirely until previous minority interests losses have been compensated.

Each entity required to follow SNC should present is financial statements in Euros, regardless the fact that the functional currency of some subsidiaries could be other.

There have been no changes in the Group´s functional currency nor in any of its subsidiaries.

3.3. Significant accounting judgments, estimates and assumptions:

In the preparation of the financial statements in accordance with SNC, Management utilizes judgments, estimates and assumptions that affect the application of the reported accounting principles and amounts.

The estimates and judgments are continuously evaluated and are based on the knowledge of past events and other factors, including expectations concerning future events which are deemed to be probable considering the circumstances in which the estimates were based on or as a result of information or knowledge obtained.

The real effects may differ from the judgments and estimates that were made, namely those concerning the impact in income and expenses that may really occur. In this context, the following aspects should be pointed out:

(a) Recognition of license-out revenue

Licensing agreements are complex, involve multiple elements and usually include:

- Non-refundable receipts;
- Additional receipts conditioned by uncertain events ("milestones");
- Royalties;
- Price determination for future raw materials or finished product supplies.

In order to fully recognize the licensing revenue upon receipt, the company evaluates if the delivered good has a "standalone value" for the buyer. This evaluation requires an extensive judgment, addressing some issues, such as: the third party experience and capacity to develop the commercialization without Bial services and/or if there are other R&D suppliers whose can provide the additional development services.

For an event to be classified as a "milestone" it should be uncertain and it should also be conditioned by the entity's effort. Additionally, the event has to rise right to additional payments. These payments must comply with the following criteria:

- They are related with the entity's effort in order to achieve the milestone or with the value added to the delivered product as a consequence of the milestone achievement;
- They are exclusively related with past events; and
- They are reasonable when compared to other payments and the remaining deliveries referred in the agreement.

Thus, an exhaustive analysis for each multiple element referred in licensing contracts and for the contract as a whole is needed in order to define the appropriate values of revenue to allocate to the individual elements.

(b) Development projects

Development costs are capitalized in accordance with the accounting policy described on Note 3.1-b. The initial capitalization of the cost is based on Management's judgment that the technical and economic feasibility is confirmed, usually when a development project has

achieved an objective in accordance with the model established set by Management (usually on entering the third phase). In determining the amounts to be capitalized, Management makes assumptions about expected future cash flows that the project will generate, the applicable discount rates and the period of expected economic benefits

Zebinix - the first drug internally developed by a Portuguese company to ever be commercialized - won the approval from the European authorities in February 2009, then ratified by the European Commission in April 2009. Its commercialization began in October 2009 (April 2010 in Portugal). Currently it is being sold throughout Europe. BIAL's antiepileptic has been approved in November 2013 by the regulator of the pharmaceutical market in the U.S., Food and Drug Administration (FDA), having the commercialization in the United States being started in April 2014. Currently being marketed in Europe.

In the USA, FDA authorization for Aptiom (brand of antiepileptic drug on the US market) was obtained in November 2013, and marketing in the US began in April 2014.

The approval obtained for commercialization in Europe is intended for use in Zebinix refractory patients, as adjuvant, which means Zebinix is prescribed to patients who use another drug to treat epilepsy. The approval obtained for commercialization in U.S. for Aptiom covers the use in refractory patients, both as adjuvant and as monotherapy, as a result of the approval obtained in 2015.

The application of eslicarbazepine acetate to new therapeutic indications required significant investments and before being marketed, permission must be obtained from the relevant regulatory authorities.

The new medicine for Parkinson's disease (opicapone) has been licensed to Japan since 2012 and has been licensed to the US in 2017. The beginning of marketing in Europe occurred in 2016 and in the US is expected to start in 2019.

(c) Useful lives of tangible and intangible assets

The useful life of an asset is the period during which the company expects that the asset will be available for its use and should be revised at least at the end of each financial year.

The applicable depreciation/amortization method and the estimated losses arising from the replacement of equipment before the end of its useful life on the ground of technological obsolescence, is essential to determine the effective useful life of an asset.

These parameters are defined in accordance with Management's best estimate for the assets and business in question, considering as well the practices adopted by companies in the same industries in which the company operates.

In the specific case of the development projects, the useful life exceeds the patents' term of protection, having been taken into account the historic information that exists within the industry regarding similar medicines and the generics market acceptance.

Management believes that the useful life of 20 years attributable to Zebinix/ Aptiom and Ongentys corresponds to a conservative estimate since sales are expected to occur after 2029.

According to the changes to the accounting regulations (see note 2), the Company started to amortize goodwill as from 2016 for a period of 10 years.

(d) Deferred tax assets

Deferred tax assets are recognized for all available tax losses carried up to the point where it is likely that there will be a taxable profit against which the losses may be offset.

Bearing in mind the tax credits related to R&D, Management needs to make judgment in calculating the amount of deferred tax assets which may be recognized, taking into consideration:

- The period and probable amounts of future taxable profits; and
- Future tax planning strategies.

In addition to the Zebinix/Aption sales forecast, the recovery of deferred taxes is based on the assumption that new revenues under the licensing agreements for epilepsy have already been entered into with Sunovion (USA and Canada) (rest of the world) as well as obtaining new prescriptions under the licensing agreement of the new drug for Parkinson's disease to the US and with the planned licensing to perform for part of Europe and the rest of the world.

(e) Impairment of non-financial assets

Impairment occurs when the book value of an asset or of a cash generating unit exceeds its recoverable amount which is the higher between the fair value less the costs to sell it and its value in use.

The calculation of the fair value less the costs to sell is based on information of contracts already signed, in transactions of similar assets with entities in which there is no relationship between them or known market prices net of incremental costs to sell the asset.

The value in use is calculated based on the discounted cash flow model which is based on a budget, which does not include restructuring activities with regards to which there is still no commitment nor major future investments, intended to improve future economic benefits which will result from the cash generating unit being tested.

The most sensible variables of the impairment test concerning intangible assets (development projects) are:

- Patent protection period;
- Expected licensing revenue;
- Market share by country;
- Approved prices by country.

(f) Impairment of accounts receivable

The credit risk of the balances of accounts receivable is evaluated at each year-end, taking into consideration the historical information of the debtor and his risk profile, as described in paragraph 3.1.

Accounts receivable are adjusted by the evaluation carried out of the estimated collection risks at the balance sheet date, which may differ from the effective risk to be incurred in the future.

(g) Provisions

The recognition of provisions has inherent therein the determination of the probability of the outgoing of future flows and their reliable measurement.

These factors are very often dependent on future events and are not always under the control of the Management meaning that they may lead to major future adjustments, either as a result of a change in the expectations factored in the budgets or by the future recognition of provisions previously considered as contingent liabilities.

4. Accounting policies, changes in accounting estimates and errors

There are no changes to the account estimates, which would affect the current period or future ones.

During 2018 there were no fundamental errors or changes in accounting policies.

5. Cash flows

For the purpose of the statement of cash-flows, cash and cash equivalents comprise the following:

Description	2018	2017
Cash	117.079	175.446
Bank deposits – on demand	36.995.392	43.149.843
Bank deposits	41.536.471	30.010.055
Bank deposits and cash presented in the face of the balance sheet	78.648.943	73.335.344
Bank overdrafts	(2.219)	(2.322.508)
Cash and cash equivalents	**78.646.724**	**71.012.836**

The Group has several bank loans and overdrafts accounts, available, not used, in the amount of 44 M€ to meet future operating, investment and financial commitments.

6. Companies included in the consolidation

The financial statements comprise the following companies, all directly owned by BIAL-Holding, S.A.. It is worth pointing out that in 2018, BIAL, S.A. with the headquarters in Switzerland, was founded, which is dedicated to the promotion of Ongentys drug in the Helvetic market.

Company	Head Office	Share Capital (EUR)	% owned by the Group
BIAL - Portela & Cª., S.A.	Trofa	EUR 50.000.000	100%
MediBIAL, S.A.	Trofa	EUR 50.000	100%
BIALport, S.A.	Trofa	EUR 50.000	100%
InterBIAL, S.A.	Trofa	EUR 50.000	100%
BIAL OTC, S.A.	Trofa	EUR 50.000	100%
Novipharma, S.A.	Nyon	CHF 111.100	90%
Laboratorios BIAL, S.A.	Zamudio	EUR 60.200	100%
Medimport, Lda	Maputo	MZM 7.000.000	100%
BIAL Angola, S.A.	Luanda	USD 20.000	100%
BIAL América Latina, S.A.	Panamá	USD 10.000	100%
BIAL Pharma UK Limited	Windsor	GBP 100.000	100%
BIAL Deutschland GmbH	Mörfelden-Walldorf	EUR 25.000	100%
BIAL Italia S.R.L	Milan	EUR 25.000	100%
BIAL, S.A.	Nyon	CHF 100.000	100%

7. Companies not included in the consolidation

No companies were excluded from the consolidation.

8. Goodwill

Goodwill can be detailed as follows:

	Acquisition Date	2018	2017
Bial - Portela & Cª, S.A.	2001-2003	11.886.963	13.585.097

The goodwill of Bial - Portela & Cª, S.A. is amortized over ten years, starting in 2016.

9. Changes in the consolidation perimeter

In comparison with 2017, BIAL, S.A., with the headquarters in Nyon, Switzerland, was included. This company will be dedicated to the promotion of the drug Ongentys (Bial's own investigation) within the helvetic market.

10. Income taxes

Deferred taxes	Basis	Assets	Liabilities	Net effect
As at 31 de December 2017				
Free revaluation on land – Portugal	-6 599 388		1 484 862	-1 484 862
Adjustments and Provisions – Portugal(b)	25 027 948	5 631 288		5 631 288
Taxable temporary differences – Spain	-4 672 268		1 331 755	-1 331 755
Tax credits - Medimport	2 312 050	739 856		739 856
Taxable temporary differences-Medimport	-412 728		132 073	-132 073
Tax credits – Portugal (a)	50 768 712	50 768 712		50 768 712
		57 139 856	2 948 690	54 191 166
Recorded in the year				
Impact on P&L				
Adjustments and Provisions–Portugal (b)	-2 275 267	-511 935		-511 935
Taxable temporary differences – Spain	2 700 247	782 416	26 347	756 069
Taxable temporary differences – Itália/Espanha	23 675 000	5 326 875		5 326 875
Tax credits - Medimport	-2 312 050	-739 856		-739 856
Taxable temporary differences-Medimport	918 816	164 005	-130 016	294 021
Taxable temporary differences – Bial UK	-8 756		1 576	-1 576
Tax credits – Portugal (a)	-826 520	-826 520		-826 520
Subtotal (1)		4 194 985	-102 093	4 297 078
No Impact on P&L				
Free revaluation on land - Portugal	24 493		-5 511	5 511
Taxable temporary differences - Portugal	66 244	14 905		14 905
Tax credits – Portugal (a)	121 551	121 551		121 551
Subtotal (2)		136 456	-5 511	141 967
Total (1)+(2)		4 331 441	-107 604	4 439 045
As at 31 December 2018				
Free revaluation on land - Portugal	-6 574 895		1 479 351	-1 479 351
Adjustments and Provisions –Portugal(b)	22 752 681	5 119 353	0	5 119 353
Taxable temporary differences – Spain	-2 056 021	782 416	1 358 102	-575 686
Taxable temporary differences-Italy/Spain	23 675 000	5 326 875		5 326 875
Tax credits - Medimport	0	0	0	0
Taxable temporary differences-Medimport	506 088	164 005	2 057	161 948
Taxable temporary differences – Bial UK	-8 756		1 576	-1 576
Taxable temporary differences - Portugal	66 244	14 905		14 905
Tax credits – Portugal (a)	50 063 743	50 063 743	0	50 063 743
		61 471 297	**2 841 086**	**58 630 211**

(a) Includes the tax credit for R&D (SIFIDE) of 2018 and the amount expected to be recovered has been updated, having been used CDT amounting to €287.594 in the tax calculation for the year

(b) Includes € 5.119.353 relating to the impairment recorded for BIA2 (note 12)

Income tax and current tax reconciliation	Amount
Current tax	
Pretax income	(2.801.670)
Permanent differences	(153.345)
Temporary differences	23.092.557
Taxable income	20.137.541
Rate of income tax in Portugal	21%
Other (different basis)	10%-32%
Taxable profit	3.277.107
Autonomous taxation and municipality surtax	555.487
(I) **Current Tax**	3.832.594
Deferred Tax:	
Effect of deferred taxes in the period	-4.297.078
(II) **Deferred tax**	-4.297.078
Income Tax (I) + (II)	-464.485

Deferred tax assets are only recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized. Deferred tax assets are reassessed at every year-end and reduced when it is no longer probable that they can be used.

The tax credits of the Group Companies in Portugal and their expiration dates are as follows (amounts in thousands):

DESCRIPTION	YEAR	AMOUNT	EXPIRATION DATE
SIFIDE	2013	13.249	2019
SIFIDE	2014	12.366	2022
SIFIDE	2015	8.558	2023
SIFIDE	2016	7.958	2024
SIFIDE*	2017	7.728	2025
SIFIDE*	2018	9.804	2026
TOTAL		**59.662**	

*SIFIDE estimated amount

In December 2018, there are available tax credits (SIFIDE) in the amount of 59,7 M€, corresponding to deferred tax assets potential of 59,7 M€. However, only deferred tax assets of 50 M€ were recognized, taking into account future taxable income projections up to the expiration date of the tax credits.

According to the legislation, tax returns are subject to review and correction by the tax authorities for a period of four years, six years in case of tax losses and use of tax credits (five years from 2002, ten years for Social Security).

Thus, the tax returns of the company, the years 2015 to 2018 may still be subject to review, although the company considers that any possible corrections resulting from tax reviews to such tax returns will not have a significant effect on the financial statements December 31, 2018.

11. Trade receivables

	2018	2017
Portugal:		
Retailers	4 913 071	2 931 389
Laboratories	2 542 128	2 874 404
Foreign clients	13 216 734	7 179 690
Other	569 713	817 730
	21 241 646	**13 803 213**
Clients in Spain	9 828 331	9 019 067
Clients in Angola	354 431	224 094
Clients in Mozambique	2 119 954	2 271 837
Clients in Italy	778 196	0
Novipharma	5 975 143	147 183
	40 297 700	**25 465 394**

An impairment loss has been booked in the amount of €133.619 (€129.355 from Portugal and €4.264 from Mozambique) in respect to trade receivables (2017: € 169.026).

12. Investments

The movement in the caption of investments can be detailed as follows:

a) Gross amount

Description	2018			
	OPENING BALANCE	ADDITIONS	IMMUNOTHERAPY BUSINESS	TRANSFERS AND DISPOSALS
TANGIBLE ASSETS				
Land and natural resources	8 646 508			8 646 508
Buildings and other constructions	26 676 307	893 602		27 569 909
Equipment	23 601 762	2 143 927		25 745 689
Transport equipment	931 320	221 507		1 152 827
Office equipment	8 943 602	735 914		9 679 515
Other tangible assets	1 618 000	44 138		1 662 138
Intangible assets in progress	346 921	1 218 606		1 565 527
Tangible assets in progress	-	2 290 000		2 290 000
	70 764 420	**7 547 693**	**-**	**78 312 114**
INTANGIBLE ASSETS				
Research and development	328 678 591	10 591 329	-701 080	338 568 839
Industrial property	44 459 728		- 1 615 379	42 844 349
Other intangible assets	606 377	20 320		626 696
Intangible assets in progress	746 475	110 610		857 085
Goodwill	16 981 372			16 981 372
	391 472 542	**10 021 178**	**- 1 615 379**	**399 878 342**
FINANCIAL INVESTMENTS				
Other companies	114 820			114 820
Other financial investments	263 585	62 864		326 448
	378 405	**62 864**	**-**	**441 268**
TOTAIS	**462 615 367**	**17 631 735**	**- 1 615 379**	**478 631 724**

The increases in Intangible Assets relate to development projects related to clinical trials to test the active principle to be applied in innovative medicines.

Description	2017			
	OPENING BALANCE	ADDITIONS	TRANSFERS AND DISPOSALS	CLOSING BALANCE
TANGIBLE ASSETS				
Land and natural resources	8 646 508	-	-	8 646 508
Buildings and other constructions	21 004 886	690 741	4 980 680	26 676 307
Equipment	22 356 858	821 920	422 963	23 601 762
Transport equipment	712 074	346 569	- 127 323	931 320
Office equipment	8 406 351	367 715	169 535	8 943 602
Other tangible assets	1 456 053	162 810	- 863	1 618 000
Tangible assets in progress	1 963 987	4 163 885	- 5 780 951	346 921
	64 546 718	**6 553 640**	**- 335 938**	**70 764 420**
INTANGIBLE ASSETS				
Research and development	293 937 049	5 492 748	20 248 794	328 678 591
Industrial property	43 981 708	4 728 387	- 4 250 367	44 459 728
Other intangible assets	667 369	-	- 60 992	606 377
Intangible assets in progress	24 129 879	5 865 390	- 29 248 794	746 475
Goodwill	16 981 372	-	-	16 981 372
	379 697 377	**16 086 525**	**- 4. 311. 360**	**391 472 542**
FINANCIAL INVESTMENTS				
Other companies	119 820	-	- 5 000	114 820
Other financial investments	219 771	43 814	-	263 585
	339 591	**43 814**	**- 5 000**	**378 405**
TOTAIS	**444 583 686**	**22 683 979**	**- 4 652 298**	**462 615 367**

b) Depreciations

Description	2018			
	OPENING BALANCE	ADDITIONS	TRANSFERS AND DISPOSALS	CLOSING BALANCE
TANGIBLE ASSETS				
Land and natural resources	-	-	-	-
Buildings and other constructions	15 037 205	995 084		16 032 290
Equipment	18 078 183	1 063 029		19 141 213
Transport equipment	607 176	124 348		731 524
Office equipment	8 156 348	346 832		8 503 179
Other tangible assets	1 362 028	31 056		1 393 083
	43 240 940	**2 560 349**	-	**45 801 289**
INTANGIBLE ASSETS				
Research and development	79 828 614	19 871 004		99 699 618
Industrial property	23 779 038	984 220		24 763 257
Other intangible assets	544 081	34 072		578 152
Goodwill	3 396 275	1 698 134		5 094 409
	107 548 007	**22 587 430**	-	**130 135 437**
FINANCIAL INVESTMENTS				
Group Companies	-	-	-	-
Other companies	-	-	-	-
	-	-	-	-
TOTAIS	**150 788 947**	**25 147 778**	-	**175 936 726**

To enhance the depreciation of the year of Zebinix development project for adjunctive antiepileptic therapeutic area, "monotherapy" and pediatric (€ 5.362.031, € 7.000.997 e €2.025.163, respectively), which commercialization began in 2009, 2015 and 2017. We also highlight the amortization in the year of the development project of the drug Ongentys for Parkinson's disease (€ 3.211.125), whose commercialization began in 2016.

There are recorded impairment losses of € 11.602.188 and € 11.150.493 relating respectively to the BIA2 development project in the area of neuropathic pain diabetic neuralgia and post-herpetic neuropathic pain, which correspond to the total of the investment cost net of accumulated depreciation.

Description	2017			
	OPENING BALANCE	ADDITIONS	TRANSFERS AND DISPOSALS	CLOSING BALANCE
TANGIBLE ASSETS				
Land and natural resources	-	-	-	-
Buildings and other constructions	14 540 178	497 027	-	15 037 205
Equipment	17 101 157	1 154 848	- 177 823	18 078 183
Transport equipment	514 018	104 781	- 11 624	607 176
Office equipment	7 727 073	462 774	- 33 499	8 156 348
Other tangible assets	1 289 339	73 552	- 863	1 362 028
	41 171 766	**2 292 982**	**- 223 809**	**43 240 940**
INTANGIBLE ASSETS				
Research and development	61 268 495	18 560 119	-	79 828 614
Industrial property	21 475 238	4 764 730	- 2 460 930	23 779 038
Other intangible assets	609 514	7 778	- 73 211	544 081
Goodwill	1 698 137	1 698 138	-	3 396 275
	85 051 384	**25 030 765**	**- 2 534 141**	**107 548 007**
FINANCIAL INVESTMENTS				
Group Companies	-	-	-	-
Other companies	-	-	-	-
	-	-	-	-
TOTAIS	**126 223 150**	**27 323 747**	**- 2 757 950**	**150 788 947**

c) Impairment

DESCRIPTION	IMPAIRMENT	ADDITIONS	REVERSAL	TOTAL
Development projects	25.027.948	-	2.275.268	22.752.681
Industrial property	183.597	-	88.606	94.991
TOTAL	**25.211.545**	**-**	**2.363.874**	**22.847.671**

The impairment of intangible assets is tested annually regardless of the existence of impairment indicators.

As these assets do not only generate cash flows, they are allocated to the Cash Generating Units (CGU) to which they belong in order to determine their respective value in use.

The use value of intangible assets is determined using projected cash flows during the period in which the drugs are protected by patent (usually up to 2028, with a significant reduction after 2021, the date from which the patent expires) approved by management, which take into account the proceeds from the sale of drugs and the proceeds of "milestones ", net of associated development costs. Future cash flows were discounted using a discount rate of 8.7% (2017: 8.7%).
The performed impairment test concluded that there is a high variation margin or revenue, or the discount rate, which enable the recoverability of the asset.

In tangible assets measuring value in use the Group uses cash flow projections on the most recent financial budgets/forecasts and approved by management for a five year period and exclude any estimated future cash inflows or outflows expected to arise from future restructurings for which the Group is not committed or from improving or enhancing the performance of the cash generating unit to which the assets are allocated.
The computation of the "discounted cash-flow" is especially sensitive to the following variables:

- Market share during the budget period
- Gross margin
- Growth rate
- Useful life period
- Discount rates used to discount the future cash flows (taking into consideration that the intangible assets have a higher associated risk).

The results of the impairment test indicate that the assets' recoverable amount is higher than the booked net value.

The way of adding assets to identify the cash-generating units has not changed since last year. Part of the intangible assets acquired were benefiting from government subsidies.

13. Assets held by others

Tangible fixed assets are fully pertaining to the production, marketing and promotion of pharmaceutical products, the activity that the company is dedicated.

14. Other accounts receivable and other accounts payable

a) Assets

	2018	2017
EISAI	506 116	1 210 068
Advances to suppliers	21 440 989	7 671 305
Others	1 838 244	1 682 528
Short term	23 785 349	10 563 901

b) Liabilities

The total amount includes, €8.845.188 related to deferred tax liabilities associated to investment subsidies, which were booked in accordance with FAQ issued by CNC.

15. State and other public entities

	2018 Assets	2018 Liabilities	2017
Corporate tax	6 402 909	-	-1 260 278
Personnel income tax	-	929 091	-941 616
Value added tax	4 236 907	370 271	1 937 482
Social security	-	1 153 752	-942 136
Infarmed	-	23 845	-3 202
Other taxes	9 346	421 884	-28 631
TOTAL	**10 649 162**	**2 898 843**	**-1 238 381**

There are no overdue debts to the State or to the Social Security entities.

16. Deferrals and accruals

a) Assets

	2018	2017
Income accruals	2 499 482	7 151 175
Deferred costs	2 541 624	1 060 977

The balance of receivables for accrued income includes amounts receivable from Portugal 2020 related to financial contributions in research and development projects (€ 923.310) (2017: 5.771.866).

b) Liabilities

	2018	2017
Provision for holidays pay and subsidy	5 770 430	5 301 215
Interest accrued	1 483 993	1 199 096
BIAL Spain commercial costs regarding Zebinix promotion	1 347 703	4 672 086
Other	8 124 969	4 530 794
TOTAL	**16 727 095**	**15 703 191**

Deferred Income:

In this caption is recognized the amount of €44.191 (2017: 3.915.409), related to Portugal 2020

17. Bank loans

	Medium/long term 2018	Short term 2018	TOTAL 2018	TOTAL 2017
Bank overdrafts		2 219	2 219	2 322 508
Bank Loans	67 993 561	54 131 399	122 124 960	142 744 076
Factoring			0	0
Bonds	80 000 000	45 560 000	125 560 000	65 000 000
Other (reimbursable subsidies))	2 466 188	1 196 647	3 662 835	5 217 499
Overdraft accounts			0	0
TOTAL	**150 459 749**	**100 890 265**	**251 350 014**	**215 284 082**

The Group has several bank loans and overdrafts accounts available non-used in the amount of 44 M€, to meet future operating, investment and financial commitments.

The main guarantees and contracts' conditions are as follows:

Guarantees:

- There are no other warranties given by BIAL, other than those referred to in note 35.

Other conditions:

- Ownership, Pari Passu, Cross-Default and Negative Pledge;
- Breaches of contractual conditions constitute condition to terminate such contracts.

With respect to bond loans:

- 2014: € 50.000.000 (currently 40.560.000), with a maturity date of 2019, being listed in Euronext Access. The price of each bond by the end of the year is € 101, above nominal value (€ 100);
- 2017: (€ 15,000,000) with a maturity date of 2021, having been taken over by a bank institution.
- 2018: € 60.000.000, with a maturity date of 2023, being listed in Euronext Access. The price of each bond by the end of the year is € 101, above nominal value (€ 100);
- 2018: € 10.000.000, with a maturity date of 2022, having been taken over by a bank institution.

18. Fixed assets suppliers

Balance as at 31.12.2018

Asset	Contract value	Beginning	Maturity	Residual value	Short-term	Long-term	Total
Vehicle	176.140	2017	2021	8.801	41.671	72.462	114.133
Vehicle	95.764	2018	2022	1.901	27.399	58.308	85.707
Packing Line	1.666.579	2016	2020	33.203	414.251	137.743	551.994
Packing Machine	361.843	2015	2019	7.237	97.851	-	97.851
					581.172	**268.513**	**849.686**
			FIXED ASSETS SUPPLIERS TOTAL		**4.541.280**	**418.513**	**4.959.793**

19. Provisions and impairments

	Opening balance	Additions	Utilization	Reversals	Closing balance
Provisions for costumers returns – Spain	370 727	69 701			440 428
Provisions for costumers returns – Portugal	310 825	41 447			352 272
Provisions for disputes with employees – Bial Spain	156.000		156.000		0
Provisions for commercial agents compensations - BIAL Italy	29 519	62 033			91 552
Total	**867.071**	**173 181**	**156.000**	**0**	**884 252**
Inventory impairment – Portugal	114 602	92 727			207 329
Inventory impairment – Spain	0	99 762			99 762
Subtotal	**114 602**	**192 489**	**0**	**0**	**307 091**
Trade receivables impairment – Portugal	129 355				129 355
Other debtors impairment - Portugal	35 924			1 816	34 108
Trade receivables impairment – Mozambique	3 747	517			4 264
Subtotal	**169 026**	**517**	**0**	**1 816**	**167 728**
Total	**283 628**	**193 006**	**0**	**1 816**	**474 819**

20. Sales and services rendered

The consolidated activity of BIAL Group was distributed geographically as follows:

	2018		2017	
Markets:	**SALES**	**SERVICES RENDERED**	**SALES**	**SERVICES RENDERED**
Portugal	68 507 768	6 561 680	64 506 209	5 775 386
Spain	76 939 048	0	60 048 587	322 052
USA	50 281 324	8 055 840	33 508 975	27 894 003
	2 071 773	0	1 240 824	0
Mozambique	9 172 979	411 747	4 988 380	481 148
Angola	4 926 976	0	5 075 033	
External (Rest of Europe)	24 008 616	317 138	17 490 581	25 897 779
External (Rest of the World)	4 851 652	4 500 000	7 434 517	0
TOTAL	**240 760 137**	**19 846 404**	**194 293 106**	**60 370 367**

During the year 2018, are accounted under the caption of services rendered milestones of10 M€ for the licensing of BIA9 for the United States of America, 2,5 M€ for China and 1 M€ for South Korea. There is also the milestone licensing of BIA2 1 M€ for South Korea. The caption of services rendered in the internal market refers mainly to the promotion of drugs commercialized by other companies.

During the year 2017, are accounted under the caption services rendered 25 M€ related to the milestone for the approval of BIA2 in the area of "monotherapy" by EMA for Europe and 28 M€ for the licensing of BIA9 for the United States of America.

During the year 2018, the sale to external markets include € 173.396 of BIA9 (2017: 0 M€).

21. Operating subsidies

Refers to the co-payment for expenses incurred under Portugal 2020 - research and development projects in new medicines, where a contract was signed on 2017/01/23 and supports expenses incurred during 2015-2018.

22. Own work

R&D projects	2018	2017
- Portugal	580.083	120.411
- Spain	0	0
TOTAL	**580.083**	**120.411**

This caption refers to projects under development, done internally by the groups companies, and accounted under intangible assets. The measurement is done at cost and it includes materials, direct labor and general production costs, taking into account normal production capacity.

23. Cost of goods sold and materials consumed

MOVEMENTS	RAW MATERIALS AND CONSUMABLES	GOODS FOR RESALE	TOTAL	2017
Balance as at 1 January 2018	39 249 661	9 162 967	48 412 628	53 033 574
Purchases	25 293 544	43 094 593	68 388 137	59 089 318
Adjustments	-1 140 665	1 390 238	249 573	-2 091 868
Balance as at 31 December 2018	-35 924 198	-10 240 549	-46 164 747	-48 412 628
Total cost	**27 478 342**	**43 407 249**	**70 885 591**	**61 618 396**

The amount of inventories held by others as at 31 December 2018, is € 17.415.766 (2017: € 17.207.117).

24. Third party supplies and services rendered

	2018	2017
Advertising	36 356 272	28 598 221
Specialized services (note 31)	41 924 452	23 429 427
Professional fees	8 086 794	2 062 479
Fuel	1 655 154	984 923
Freight	847 169	688 391
Rentals and hire	3 171 576	3 024 087
Travel and accommodation	5 186 232	4 792 544
Royalties	21 858	54 136
Repair and maintenance	1 134 973	1 210 200
Commissions	94 622	1 119 376
Other	5 614 881	4 884 920
TOTAL	**104 093 984**	**70 848 703**

25. Employee benefits

	2018	2017
Board of directors' remunerations	2 972 731	2 387 794
Staff remunerations	39 682 833	38 266 924
Social charges	9 121 174	5 979 560
Other	2 316 669	1 739 853
	54 093 407	**48 374 132**

The average number of employees of the companies included in the consolidation in the current year was 822 (2017: 742), distributed as follows:

Company	Employees
BIAL Holding, SA	3
BIAL - Portela & Cª., S.A.	410
MediBIAL, S.A.	33
InterBIAL, S.A.	26
BIALport, S.A.	46
BIAL Consumer Health, S.A.	11
Novipharma, S.A. (Suíça)	3
Laboratórios BIAL, S.A. (Espanha)	152
Medimport, Lda (Moçambique)	29
BIAL Itália, S.R.L	17
BIAL América Latina, S.A.	3
BIAL Deutschland GmbH	41
BIAL Pharma UK Limited	19
BIAL Angola, S.A.	14
Bureau représentation Costa do Marfim	15
TOTAL	**822**

As at 31.12.2018 the payables to employees amount to €58.181 (2017: €4.203).

26. Impairment of depreciable/amortizable investments (losses/reversals)

	2018	2017
Impairment for trade receivables Portugal	0	26 759
Impairment for other trade receivables Portugal	0	1 816
Impairment for inventories Portugal	92 727	64 812
Impairment for inventories Spain	99 762	0
Impairment for inventories Mozambique	517	0
Total impairment	**193 006**	**93 387**
Reversals/(Impairments) for patents Portugal	88 606	90 030
Impairment for tangible asset (note 8)	2 275 268	2 275 268
Impairment of depreciable assets	**2 363 874**	**2 365 298**
Reversal of inventories impairment Portugal	0	176 067
Provision for customer returns Portugal	0	70 226
Provision for trade receivables Portugal	0	3 416
Reversal for other trade receivables Portugal	1 816	0
Reversal	**1 816**	**249 709**
Provision for costumers returns – Portugal	41 447	0
Provision for costumers returns – Spain	69 701	0
Provision for compensations to Labor disputes – Bial Spain	0	156 000
Provisions for post-employment benefits - BIAL Italy	62 033	29 519
Provisions	**173 181**	**185 519**

27. Other income

	2018	2017
Supplementary income	3 199 223	3 382 659
Discounts obtained for prompt payment	5 119	4 959
Income on non-financial investments.	3 801	1 309 422
Exchange gains	628 186	1 233 465
Prior year corrections	16 176	131 566
ustments to the provision for income taxes	12 661	
Investment subsidy costs	3 528 274	3 358 363
Other	1 510 597	8 461 034
	8 904 037	**17 881 469**

The investment subsidies refer to the reimbursement for expenses incurred in the research and development projects in new medicines, considering their respective attribution proportional to the amortization of the subsidized investments.

28. Other expenses

	2018	2017
Taxes	2 894 404	2 345 240
Cash discounts	298 104	390 577
Inventory losses	698 927	1 300 961
Losses on non-financial investments	102 128	57 770
Prior year corrections	141 198	386 916
Donations	2 077 228	2 173 000
Contributions	265 112	295 181
Inventory samples	215 746	262 697
Underestimated tax provisions	306	203 339
Industrial property costs	1 040 593	937 146
Fines and penalties	451 837	2 022
Other	849 121	588 362
	9 034 704	**8 943 210**

Inventory losses refer to the destruction of outdated finished goods (returns of costumers) and losses occurred during the productive process.

29. Interest and similar income and expenses

	2018	2017
Interest and other similar expenses:		
Interest paid	6 058 873	7 157 595
Exchange losses	1 534 457	1 061 232
Other financial expenses	2 217 073	2 427 664
	9 810 403	10 646 492
Financial result	**-9 072 150**	**-9 302 125**
	738 253	**1 344 367**
Interest and other similar income:		
Interest received	645 755	54 284
Other revenue	92 499	1 290 083
	738 253	**1 344 367**

30. Tax benefits for research and development

- Tax credits carried forward for 2013 R&D	13.248.713
- Tax credits carried forward for 2014 R&D	12.365.891
- Tax credits carried forward for 2015 R&D	8.557.599
- Tax credits carried forward for 2016 R&D	7.957.819
- Tax credits carried forward for 2017 R&D	7.728.410
- Tax credits carried forward for 2018 R&D	9.803.900
Balance carried forward	**59.662.332**

Note: Tax credits for 2017 and 2018 are pending approval by the Certification Committee for Tax Incentives for Corporate R&D.

31. Research and development

	2018	2017
R&D projects (intangible assets)	10 602 485	11 319 805
Tangible assets	2 731 691	1 271 689
Employees benefits	8 951 424	7 680 419
Third party supplies and services rendered related to R&D activities	31 878 406	17 696 611
Total of investment	**54 164 006**	**37 968 524**

Additionally, the company booked the following expenses regarding R&D:

	2018	2017
Depreciation	20 444 889	19 132 859
Reversals/Impairments – BIA2	-2 275 268	-2 275 268
Industrial property rights – expenses	225 652	317 490
Industrial property rights - assets	1 797 245	4 728 386
Rendering of services (milestones)	-12 527 615	-52 894 003
Total	7 664 903	-30 990 536

32. Leases

a. Finance leases

The company has finance leases for equipment and transport equipment. These contracts have purchase options. The leased assets cannot be subleased.
The carrying amount of the finance leased assets is detailed in Note 18.

b. Operating leases

The operating leases' contracts refer to vehicles for the use of Management and employees. These contracts do not have purchasing option.

The company usually replaces the vehicles at the end of the contracts which last for a period of 4 years.

There are no restrictions imposed by operating lease contracts.

33. Financial risk

The main financial liabilities in the Group are the loans from bank institutions and the accounts payable to raw material suppliers and to the laboratories that render the R&D services. Financial liabilities are incurred for financing the Group's operations, namely its working capital and R&D investment.

Financial assets arise from the Group's normal activity and consist of accounts receivable and cash and short-term deposits.

The Group Bial is exposed to the following risks: (i) market risk which is essentially related to the interest rates and exchange rates fluctuation, (ii) credit risk and (iii) liquidity risk. The main goal of Bial's management is to reduce these risks to an acceptable level.

Market risk

Market risk represents the risk of future cash flows fluctuation due to changes in market prices. Market risk includes three types of risk: interest rate risk, exchange rate risk and other price risks.

Exchange rate risk

The Group is not significantly exposed to the Exchange rate risk as most of its revenues are in Euros, as well as its financial liabilities.

There are accounts receivable and accounts payable balances in currencies other than Euro as detailed:

Clients:	Currency	Amount
	MZN	150.867.253
	USD	12.407.318
	AOA	125.119.307

Suppliers:	Currency	Amount
	GBP	2.334.074
	USD	2.145.089
	CHF	1.066.902
	SEK	171.799
	MZN	479.948.137
	JPY	70.000
	AOA	15.525.657

Credit risk

The credit risk corresponds to the risk that the Group's clients will not fulfill its obligations.

This risk is controlled based on information gathered from internal (International Operations Department) and external sources which is the basis for the credit amount to be approved. Financial Management performs the monitoring of plafonds which have been set.

The Group has no significant credit risk concentrations. There are policies which ensure that sales are made to customers with an appropriate credit history. Sales of vaccines are paid in advance by bank transfer or credit card. The Group has policies in place that limit the credit amount awarded to customers.

A significant part of the internal invoice is ceded to a factor. The receivables ceded to factoring institutions without recourse, i.e., the risk of default is assumed by the factor, are derecognized from the balance sheet when the cash advances are received.

The credits ceded to factoring institutions with recourse, i.e., the risk of default is assumed by the company, are also derecognized from the balance sheet. The factoring company has a credit insurance which allows it to set credit plafonds.

Although there are some delays in the trade receivables' settlement, the Group believes no additional impairment should be recognized based on each customer's existing information and historical data. As at 31 December 2018 there are no indications that the normal days sales outstanding related to open invoices will be missed.

Liquidity risk

Liquidity risk represents the risk that an entity fails to comply with obligations associated with financial liabilities and commitments. Given the financial crisis with greater restrictions on credit

and taking into consideration the option to continue to invest in R&D at the same pace of recent years, the liquidity risk is the risk to which the Group is more exposed.

The company has negotiated lines of financing to use in the amount of 44M€.

In addition to the interest-bearing loans it should be noted that the trade payables (31-12-2018: 38,1 M€) become due, mostly, within less than 90 days.

Other operational risks

- Regulatory risk

The pharmaceutical market is regulated by Infarmed in terms of its technical and scientific component, as well as with respect to price and State's co-payments.

Over the past years there have been several legislative changes, from which we highlight the change concerning the prescription by international common designation (Law n. º 11/2012 establishing new rules for prescribing and dispensing medications, proceeding to the sixth amendment to the legal framework of medicines for human use, approved by Decree-Law no. 176/2006 of 30 August, and the second amendment to Law no. No. 14/2000 of 8 August).

On the other hand, it stands out the new pricing methodology, by changing the base countries.

The costs supported by the National Health Service (SNS) with the reimbursement of medicines also decreased in recent years, within the agreement between the Portuguese Association of Pharmaceutical Industries (APIFARMA) and the Ministry of Health.

In what respects the medicines' expiration it should be noted that dates are defined accordingly to the characteristics of each drug. The returns for expiration dates are residual, given the effective management of the sale circuit. The inventory losses due to expiration dates before selling are also residual as the inventory management is effective.

The company's policy is to contract insurance to face possible accidents in all areas.

34. Environmental matters

Bial – Portela & Cª, S.A. is certified by ISO 9001:2000 (Quality), ISO 14 001 (Environment) and OHSAS 18001/NP 4397 (Management System and Occupational Health and Safety), and has defined as priority aims in the Strategic Plan every three years, the following:

- Maintenance of total Quality of products and services and model consolidation of Business Process Management.
- Enshrined the Total Quality policy, Health and Safety, and Environment Protection in all of the groups divisions.
- Produce, with a high Quality standard, while respecting the Environment, Health and Safety of all the employees, in accordance with the GMP.
- Guarantee proper monitoring of the process and indicators used in the performance evaluation, establishing actions and structural changes, to insure that the objectives set are meet.
- Implementation of Good Manufacturing Practice, Good Laboratory Practice, Program Validations and Good Clinical Practice.
- Comply with the applicable environmental legislation and regulations, seeking to anticipate

the application of new legal requirements.

Note that environmental management costs with Valormed amount to €29.889 (2017: €33.542). Valormed is the entity responsible for drugs collecting and packaging recalls from pharmacies.

The costs with forwarding waste amounted to €57.572 (2017: €60.619).

In BIAL, quality is the main strategic aim and has been a significant evolution in recent years. Internationally, BIAL will have a strong presence among the leading companies, and for that purpose, should continue to invest in training and awareness among its employees for Quality, Environment and Work Health and Safety.

35. Guarantees

As at 31 December 2018 the Group had assumed responsibilities by way of a bank guarantee:

Portugal

Beneficiary	Guarantee type	Value
BEI	Bank Loan	54.428.571
IAPMEI	QREN – Project 4584	40.802
IAPMEI	QREN – Project 4920	21.222
IAPMEI	QREN – Project 4859	35.727
IAPMEI	QREN – Project 17284	194.820
IAPMEI	QREN – Project 17282	213.938
IAPMEI	COMPETE – Project 2013/000029	164.254
IAPMEI	COMPETE – Project 2013/000030	313.031
IAPMEI	COMPETE – Project 2013/000031	220.665
MEDIMOC	Supply of medicines	CHF 4.920
MEDIMOC	Supply of medicines	CHF 43.000
EMPROFAC	Supply of medicines	9.354
Ministry of Health of East Timor	Supply of medicines	USD 2.471
SAMES MINISTRY HEALTH	Supply of medicines	USD 6.489
IGIF	Supply of medicines	3.315
C. M. MAIA	Deposit for public works	14.964
Emprofac	Collection of sales of vaccines	9.199
Azienda Ospedaliera Melegnano	Bank Loan Bial Italy	6.617
Azienda Ospedaliera S. Salvini	Supply of medicines Italian Hospitals	39.582
Roxall Medizin	Contract of sale and purchase	2.500.000

36. Subsequent events

There are no events after the balance sheet date that may influence the presentation and interpretation of these financial statements.

Nevertheless, it is worth mentioning that in March of 2019, there's a receipt of 12,9M€ pertaining to the second instalment of the licensing deal of the drug Ongentys to the Japanese market.

37. Legal diplomas requiring specific disclosures

There are no off-balance sheet items. Therefore, no disclosures regarding their nature, business purpose, financial impact or risks and benefits are applicable.

Trofa, 2019 March 15

The CFO and Chartered Accountant

Branco da Costa

The Board of Directors
(BIAL Holding, S.A.)

Luís Portela (Cjairman)

António Portela (CEO)

Franz Humer (Board Member)

Isabel Morgado (Board Member)

José Redondo (Board Member)

Miguel Portela (Board Member)

Soares da Silva (Board Member)