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CONSOLIDATED MANAGEMENT REPORT OF BIAL HOLDING, S.A. 2021

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MISSION, VISON&VALUES

BIAL is an innovative pharmaceutical company. Dedicated to discovering, developing and commercializing medicines, we are committed to improve people's lives worldwide.

BIAL's Mission is to discover, develop and provide new therapeutic solutions within the Health area.

With quality, research and development and internationalization as strategic lines, we are motivated by the **Vision** that inspires us:

To be a company with an international dimension based on innovative medicines.

The **Values** which guide us reflect our identity:

- **Caring for Health**
- **Invest in Quality and Innovation**
- **Excellence in scientific research**
- **Integrity and high ethical standards**
- **Rigour, responsibility and teamwork**
- **Respect for universal values**

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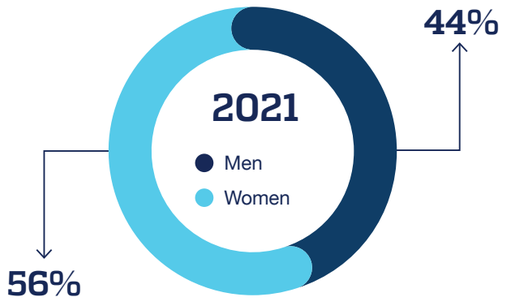
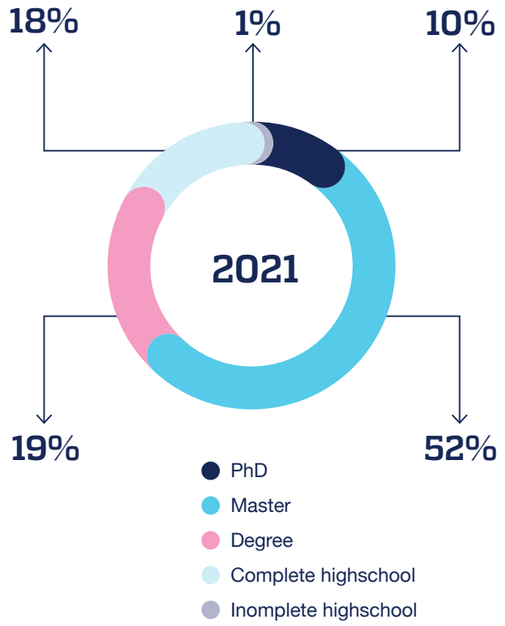
HUMAN RESOURCES

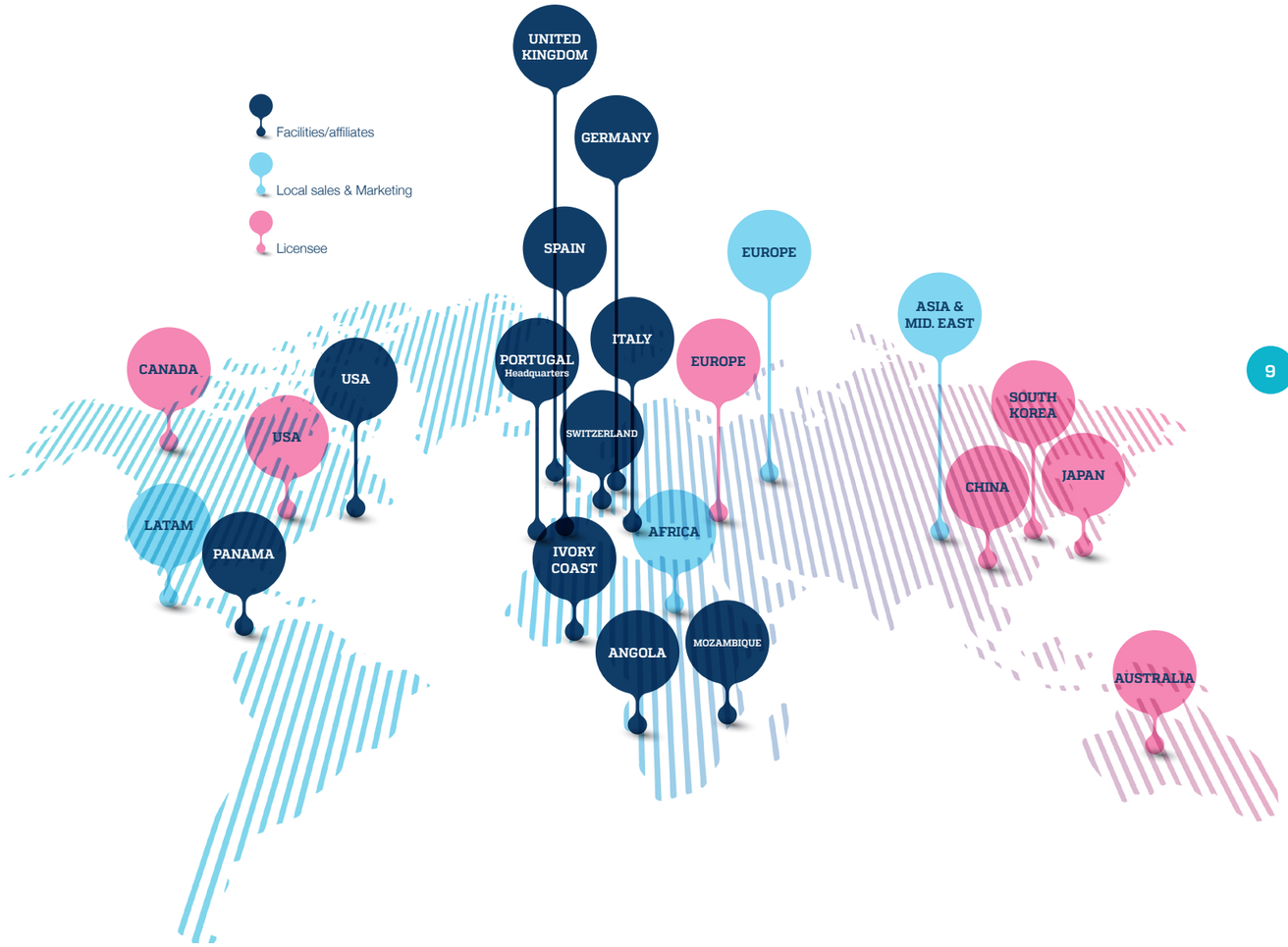
Distribution by gender



Academic qualifications



BIAL IN THE WORLD



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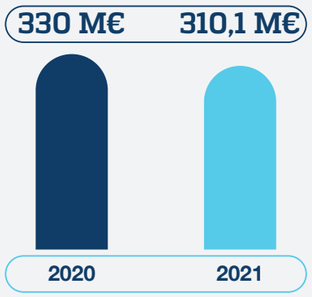
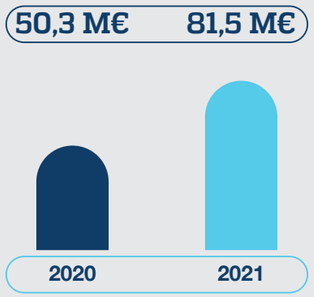
KEY INDICATORS

Turnover



R&D Investiment



Human Resources

867
GROUP
employees

Internationalization

75%
GROUP
sales outside Portugal

Main Therapeutic Areas

- Central Nervous System
- Antidiabetics
- Respiratory system
- Cardiovascular Area
- Musculoskeletal System
- Anti-anemics
- Antibiotics

1. COMPOSITION OF THE BIAL GROUP

The BIAL Group, which holding company is BIAL, Holding S.A., was composed, as at 2021.12.31, of seventeen companies, ten of which abroad, and a representation office in the Ivory Coast. In 2021 there was no change in its composition.

In Portugal, BIAL Holding, S.A. holds 100% of the share capital of six companies (BIAL - Portela & Cª., S.A., MediBIAL - Produtos Médicos e Farmacêuticos, S.A., BIALport – Produtos Farmacêuticos, S.A., Inter-BIAL – Produtos Farmacêuticos, S.A., BIAL – Consumer Health S.A. and BIAL - R&D Investments S.A.). This last company was incorporated in June 2020, with a share capital of € 8.0 m, having its registered office in Trofa, and which activity is the realization and management of research projects with the objective of discovering new drugs for human use.

In Spain, BIAL Holding, S.A. has a direct shareholding of 99.94% in the share capital of Laboratorios 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 S.A., 100% held by BIAL Holding S.A., was incorporated.

In the USA, BIAL Holding has an indirect shareholding of 100% in BIAL – Biotech Investments Inc.,

which is 100% held by BIAL - R&D Investments S.A.. The company, with offices in Cambridge -Boston, is dedicated to biotechnological research projects in Parkinson's and other degenerative diseases.

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.

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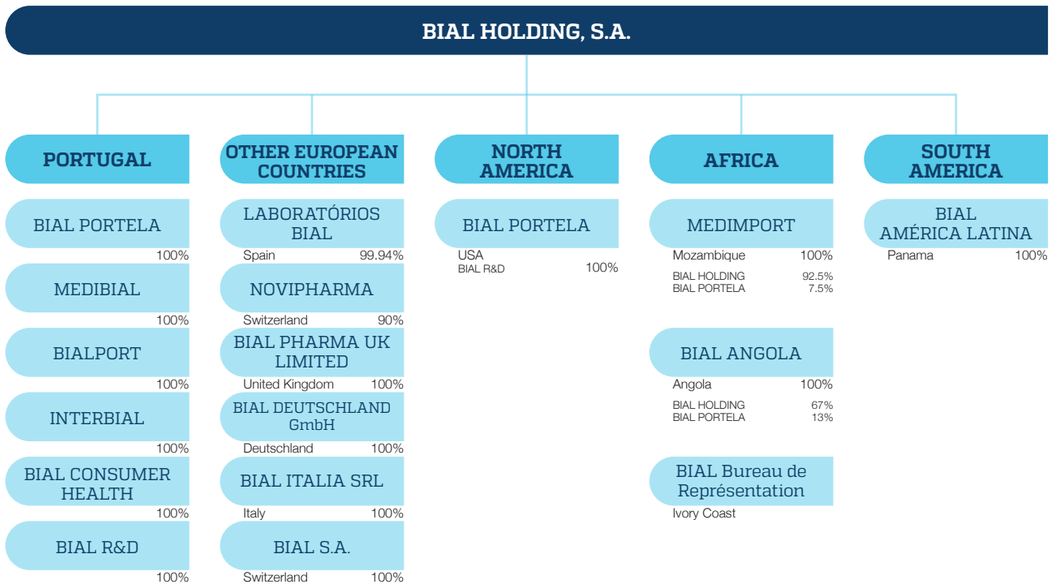

2. ACTIVITY OF THE BIAL GROUP

In 2021, consolidated turnover amounted to € 310.1m, a decrease of 6% from the previous year. This evolution is explained by a growth in sales of 3% and a decrease in services rendered of 70%.

Sales were € 298.7m, + € 7.3m over 2020, a growth based on Ongentys (drug for Parkinson's disease), with sales of € 65m and a growth of 24%, consolidating itself as the second drug with a higher turnover of the Group. For this, the evolution of its sales in Japan and the USA, which increased € 14m over 2020, was decisive. In the opposite direction, Zebinix/Aptiom (antiepileptic), with sales of € 118m, decreased 12%, mainly in Spain (-27%). This evolution is explained by the loss of patent in June, in Europe, which resulted in the entry of generics in some countries, namely in Spain, where to be competitive, it was decided to reduce its price by 40%. However, it should be noted that it was possible to slightly increase its sales, in units, in that country.

These two BIAL proprietary drugs accounted for 61% of the Group's sales (54% in 2020) and are the basis of its internationalization, which showcases the economic results of our R&D, in addition, obviously, to the therapeutic value and quality of life improvement for patients with epilepsy or Parkinson's disease.

By therapeutic area, the Central Nervous System (CNS) represented 65% of sales, followed by the Respiratory System (9%), Cardiovascular System (7%), and Digestive and Metabolic System (6%). There was an increase in the weight of the CNS, with the remaining therapeutic areas maintaining similar weights to those recorded in 2020.

By country, Spain and Portugal each accounted for 25% of turnover, followed by the USA with 21%. These were followed by Germany (6%), Japan (6%), and Italy (3%). The six main markets represent 86% and, except for Spain and Portugal, sales in these countries are of Zebinix/Aptiom and Ongentys. The remaining sales are carried out in a few dozen countries, both in Europe and in the so-called emerging markets. In the ten largest markets (93% of sales), the ones with the highest growth were Japan (+82%) and France (+75%), which represented 2% of the Group's sales, a country where we started our direct commercial and promotional activity as from February 2021. Until that month, it was EISAI, our licensee in Europe, which contract ended on that date, that sold and promoted Zebinix.

The breakdown of sales by geographical area shows the Group's strong internationalization, with 75% of its sales volume being on international markets. This reality is the result of the BIAL proprietary drugs, which in recent years have allowed the entry into the most important global pharmaceutical markets.

Spain, the market with the highest turnover in the Group (€ 78m), had a decrease in sales of 7.5% in 2021, due to the reduction in the price of Zebinix, for the reasons mentioned above, which continues to be its main product, although its sales have decreased by 27%. This decrease was partially offset by the growth of Ongentys (13%), Biresp (11%) and Ferbisol (23%). In the ranking of the outpatient pharmaceutical market, as per IQVIA information, BIAL occupied, on 31 December 2021, the 38th position, in that which is the fifth largest European market.

In the USA, since 2020, BIAL now has two drugs marketed, through licensed companies, Aptiom and Ongentys. In 2021, its turnover was € 68m, +19% over 2020. It is a very important market for BIAL and we expect it to continue to grow in the triennium, with an expected growth in annual sales of both products.

In Portugal, sales grew 7.8%, to which the drugs launched in March 2020, Edistride and Ebymect, antidiabetics of a new therapeutic class (iSGLT2) made a special contribution, which increased their sales compared with 2020 in € 5.0m, a growth in excess of 400%. To be highlighted is the growth of 73% of Elvanse (+€ 1.3m), for the treatment of hyperactivity, and of Rantudil, topical anti-inflammatory, in 29% (+€ 1.0m). As at 31 December 2020, BIAL occupied the 7th position of the outpatient pharmaceutical market, as per IQVIA information.

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 continue to be one of the Group's pillars in the coming years, alongside the remaining markets of the European Union, the United Kingdom, the USA, and Japan.

In 2021, in Germany, Italy, the United Kingdom, France and Ireland, BIAL became directly responsible for the marketing and promotion of Zebinix, as a result of the end of the licensing contract with Eisai. In addition to Zebinix, and except in France, it also markets and promotes Ongentys in these countries, in addition to Switzerland. BIAL thus has its own European structure that allows it to be in the main markets with its own proprietary drugs. In other European countries, such as the Nordic countries, the Czech Republic, Hungary, Slovakia and Greece, we continue to market Zebinix through licensing and distribution contracts. It is another new stage in the process of internationalization and consolidation of BIAL in Europe.

In emerging countries, the commercial evolution was positive, with a growth of 11% in sales over 2020. Mozambique and Angola continue to be the two main markets. In Angola, sales were € 4.5m, a growth of 16% over 2020, but still far from the € 6.5m invoiced

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in 2019. The main causes for this evolution were an improvement in the effects of the Covid-19 pandemic and lower exchange rate instability of the Kwanza, but a very difficult economic and social situation continues in place. In Mozambique, sales were € 6.7m, a decrease of 15%, due to a 90% reduction in tenders (liquidity difficulties of the Mozambican State). Without considering the tenders, sales grew 16%. In the remaining emerging countries, the situation was favourable, especially in Latin America (€ 5.7m, +24%) and in French West Africa (€ 5.7m, +5%).

In total, emerging markets accounted for € 26.7m in sales.

The services rendered amounted to € 11.4m (-70% compared with 2020), of which € 10.4m relate to services in Portugal, of a promotional nature. The "milestones" related to licensing contracts were € 0.6m, when in 2020 they had been € 27.1m, which explains the strong decrease in services from 2020. It was an expected evolution since this depends on the licensing contracts in force and which payments are associated with certain events. It should be noted that, until the end of the decade, the "milestones" may amount to € 92m, resulting from the licensing contracts signed to date. Their payment will depend on future approvals and meeting sales targets.

The growth prospects for 2022 are positive in the various countries in which BIAL is present, namely in Portugal, Japan, the USA and in most European countries.

3. RESEARCH AND DEVELOPMENT

The BIAL Group, as from the ninety's, has an important and ambitious R&D project, having as its priority the central nervous system, which resulted in two new drugs for that area, besides having carried out clinical trials in other therapeutic areas, namely the cardiovascular.

The financial return on this R&D investment started materializing in 2007, with the signing of the first licensing contract for a new pharmaceutical molecule, of Portuguese provenance (an innovative anti-epileptic drug, which active principle is eslicarbazepine acetate, marketed under two brand names at the global level – Zebinix (Europe) and Aptiom (USA and Canada). This was followed, in 2008, by the licensing contract for Europe of the same drug.

Of note, in 2013, was the first licensing of the 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 name Ongentys worldwide. This was followed by its licensing for the USA to the company Neurocrine and its approval by the FDA, with its marketing having started in that market in 2020. In that same year, it was also approved by the PMDA (Pharmaceuticals and Medical Drugs Administration) and its marketing began in Japan. The USA and Japan are the two main markets for Parkinson's disease drugs.

Thus, within a period of five years, BIAL now has two innovative drugs, licensed for the world's most important markets, with which to guarantee a strong commercial potential in the medium- and long-term, as has materialized in the last few years.

We recall that, in 2009, Zebinix was launched in

some European Union countries, followed by other markets, notably the USA, in 2014, under the brand name Aptiom. In 2021, as previously mentioned, Zebinix/Aptiom invoiced € 118m, decisively contributing to the current size of BIAL.

In 2016, the marketing of Ongentys in Germany and the United Kingdom began, followed by its launch in Spain, Italy and Portugal. In 2020, it was launched in the USA, Japan, South Korea and Switzerland, and in 2021 in Taiwan, Austria, Denmark and Finland. Its invoicing, in 2021, attained € 65m, and it has a strong growth potential. At the end of this decade Ongentys will be the largest contributing drug to Group sales.

BIAL's R&D had, and will have, a very relevant impact on the growth of the Group in the last few years and in the future. It is with satisfaction and great pride that we contribute to the health of many tens of thousands of patients all over the world with epilepsy and Parkinson's disease, through innovative drugs with a high therapeutic added value. And we believe that, in the medium-term, new drugs will be made available for a better health of patients, as a result of the projects underway.

Research continues 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 anti-epileptic patient profiles. Thus, some clinical studies are underway to enhance the knowledge of the drug and facilitate its therapeutic use.

The BIA9 project, concerning Ongentys (Opicapone), has an important number of studies and clinical trials underway, both of phase IV and phase III. The prior, to reinforce the knowledge of the drug in the daily clinical practice, with various patient profiles. The phase III trial, to evaluate the effectiveness of Ongentys at an earlier stage of Parkinson's disease, will increase its prescription potential if this effectiveness is demonstrated. New formulations of its active principles are also being studied, which may allow new forms of therapeutic use.

It is of great significance for BIAL to have two proprietary drugs marketed at the global level, which attributes credibility to the quality of its R&D.

The BIA5 (Zamicastat) project, which aimed to obtain a new drug for pulmonary arterial hypertension, was discontinued, a complex and difficult decision given the investment made and existing expectations about its therapeutic potential. However, a combination of negative factors, of which we highlight the difficulty of reconciling industrial property rights with the timings necessary to carry out clinical trials to demonstrate its therapeutic efficacy and its regulatory approval, led to this decision, proposed by those responsible for R&D and approved, in December, by the Board of Directors. The impact of this decision on the Group's accounts in 2021 was € 15.2m, including the cost of the work carried out during the year, the commitments already assumed for 2022 and allocated to 2021, and the amortization of patents relating to the project. According to the accounting criteria adopted by BIAL, the costs of previous years with this project were not capitalized but allocated to the accounts of the years in which they had occurred, so they did not affect the 2021 accounts. The discontinuation of a research project of a new drug is a situation that occurs with some frequency and is part of the business risk of the pharmaceutical industry. Hence, projects are not capitalized, except when there is a high probability of success, and\or when licensing contracts are signed during the research phase that translate into receivables that represent an important part of the expenses with same.

Project BIA28 aims at a potential drug for the treatment of Parkinson's disease, when it originates from genetic mutations of the GBA1 gene, which leads to a decrease in the activity of the GCase enzyme that accelerates the progression of the disease and its appearance at an earlier stage in life. The project had a significant evolution in 2021, with the realization of several pre-clinical and clinical activities, and we aim to start a phase II clinical trial in the USA and some

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European countries in the 4th quarter of this year. It is a project that involves three companies of the Group (BIAL R&D Investments, BIAL Biotech and BIAL Portela), in a partnership to maximize existing synergies with a common goal.

BIA 28 had its origin in August 2020, when a purchase agreement was signed with the American biotechnology company, Lysosomal Therapeutics Inc., for a set of intangible assets, including patents and other intellectual property rights, among which the current BIA28. This acquisition was the starting point to set up a team of researchers, based at BIAL Biotech Investments Inc in Cambridge/Boston, specialized in health biotechnology. This team, currently with fourteen researchers, is integrated in the BIAL research team, with obvious gains for the Group.

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

In 2021, the research and development investment totalled € 81.5m (€ 50.3m in 2020), split as follows:

- Current running expenses, in the amount of € 76.9m, excluding amortization; and
- Acquisitions of tangible and intangible assets, in the amount of € 4.6m.

The R&D amortization amounted to € 22.3m. Costs for the period associated with R&D amounted to € 94.8m, reflecting the enormous financial effort made by BIAL on research projects. The amounts of 2021 were affected by costs resulting from the discontinuation of the BIA5 project in the amount of € 8m, in a total of € 15m accounted for as the costs of this project in 2021.

Of the licensing contracts signed with third-party companies, medium-term income in the amount of € 92m are expected, an important contribution to the self-financing of the R&D investment. However, and as referred, the great contribution of the BIAL research are the two drugs being marketed, which represented 61% of Group sales in 2021.

4. ECONOMIC AND FINANCIAL SITUATION

The Group's economic and financial structure is balanced and was reinforced in the last few years, albeit with less expression in 2021. In this year the results were not as positive as in 2020 for two main reasons: turnover decreased 6% and R&D costs of € 94.8m were expensed (31% of turnover). The previous points indicate the reasons behind the evolution of sales as well as of the R&D expenditure.

In view of the above, it is worth mentioning the operational profitability of BIAL, which was able to generate positive net results in a less positive environment in terms of "turnover", and with higher-than-expected R&D expenses derived from the discontinuation of the BIA5 project.

It was with confidence that BIAL realized its R&D investments in 2021, assuming the risks and inherent costs of same, thinking about the long-term sustained development.

The Group's Net Income, in 2021, amounted to € 7.3m, of which € 5.6m attributable to the shareholders of the holding company, BIAL Holding, and € 1.7m to minority interests. EBITDA totalled € 46.0m and the Operating Results amounted to € 14.6m. These results are net of the € 94.8m in R&D costs, as referred to in the previous point. The financial results were negative (€ 4.7m), giving rise to pre-tax results of € 9.9m.

Net Equity totals € 284.0m, Liabilities € 261.0m and Assets € 544.9m, reflecting a healthy balance sheet, with positive solvency and financial autonomy indicators. Net financing amounts to € 153.4m, which represents 3.3x EBITDA, a ratio exceeding the objective set, but that must be considered in the context of the EBITDA being affected by € 76.9m of R&D expenditure. Without these costs, the ratio would be 1.3, a very positive value.

BIAL - Portela & Cª, S.A. is the Group's main company, centralizing industrial activity and corporate functions, being the company with the greatest weight in commercial and R&D terms. Its turnover was € 237.7m and its EBITDA € 36.9m. Net income was € 1.4m. Net Assets are € 451.4m, Liabilities € 258.1m and Equity €193.4m.

The subsidiary in Spain is essentially a commercial company and had a turnover of € 77.8m. Its Net income was € 3.8m, with an EBITDA of € 6.5m, with no financing. Its Assets are € 32.8m, Liabilities € 17.4m, and Equity € 14.1m. The Spanish market is a priority for BIAL and will continue to be through its organic growth, based mainly on Ongentys, Biresp and Gregal. Zebinix will continue to be the product with the highest turnover. Thus, the central nervous system and the respiratory area will be the "drivers" of the activity in Spain.

Novipharma made an important contribution to the Group's accounts in 2021, as has been the case in recent years, with a turnover of CHF 44.5m, a Net income of CHF 17.9m and an EBITDA of CHF 21.2m, with no financing. Its Assets are CHF 62.3m, Liabilities CHF 7.7m and Equity CHF 54.5m. In operational terms, it performs important logistical functions, of "procurement" associated with the active principles of BIAL proprietary drugs, management of production in the CMO (Contract Manufacturing Organization), and relationship with some of the licensees of BIAL.

Medimport had a turnover of € 6.9m and a Net income of € 1.0m, after having had negative results of € 1.2m in 2020. Its profitability was thus re-established, and it recovered the losses of the previous year. The stability of the Metical against the Euro, which had strongly depreciated in 2020, was essential to this evolution. It should be noted that Medimport is the leader of the outpatient market in Mozambique, with several of the BIAL drugs being leaders in their respective therapeutic areas.

BIAL Italia had a turnover of € 10.1m, a growth of 22% over 2020. It had a net loss of € 2.3m. Despite the negative net income, there is a favourable evolution of its activity, and it is foreseen that in 2022-23 it may already have positive results.

BIAL R&D Investments is a subsidiary focused on R&D, with the responsibility for managing some projects in partnership with other companies in the Group, of which BIA28 stands out. Its operating costs amounted to € 17m, reflecting research expenditure, and it did not generate any income. The Net results were negative in € 13.4m. The financing of its activity is carried out by BIAL Holding, framed in the R&D policy of BIAL. In 2021 this translated into an injection of € 20m in the form of supplementary capital contributions.

The remaining subsidiaries of the Group have no meaningful weight in the consolidated accounts of the Group since their activity is almost exclusively carried out with BIAL - Portela & Cª., for which reason their separate accounts are immaterial to the accounting consolidation.

The 2021 financial year was characterized by the consolidation of commercial activity (+3% sales), by a very strong investment in research, and by the stability of the balance sheet structure.

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5. SUSTAINABILITY, QUALITY, HEALTH, SAFETY AND ENVIRONMENT

The BIAL Group has, for more than twenty years, developed a corporate responsibility policy, transversal to all its companies and functional areas, based on its values and guided by the principles of ESG (Environment, Social, Governance).

This posture has evolved, becoming progressively more comprehensive and present in the day-to-day of its activity, either through a set of international certifications in quality, environment and safety, or through the definition of procedures and practices associated with the circular economy, social responsibility and good governance practices.

Following the assessment of the actions taken and the results obtained in 2021, and in line with previous years, the Integrated Quality, Health, Safety and Environment Management System and the Research, Development and Innovation Management System (RDI) are in line with Group policy, reflecting the BIAL principles, purposes and values. The systems were evaluated through the realization of numerous external and internal audits, as well as through the monitoring of the management and process indicators.

Regarding the Quality and RDI policy, the following should be noted:

- In the Quality Management System, implemented since 2001, in 2021 a follow-up audit was successfully carried out, with the maintenance of the ISO 9001:2015 certification.
- A follow-up audit was also successfully carried out of the Environment Management System, in accordance with ISO 14001:2015, with this certification being maintained.
- In 2021, an audit to monitor the new ISO 45001:2018 standard was successfully carried out, for which the migration audit had been realized in 2020, with the Health and Safety Management System certification being maintained.
- A monitoring audit was also successfully carried out on the Research, Development, and Innovation System (RDI), in accordance with the NP 4457:2007 standard, with the respective certification being maintained.
- Consolidation of Good Practices (Clinical, Manufacturing and Laboratory), verified by several external and internal audits.
- Renewal of the GMP (Good Manufacturing Practices) certification by Infarmed for the manufacture of drugs for human use and experimental drugs at its facilities in Portugal.
- Maintenance of the GDP (Good Distribution Practices) certification was carried out by Infarmed for the distribution of drugs for human use.

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For 2022, activity plans have been approved that reinforce the continuous improvement projects and the integration of new spaces and functionalities resulting from the investment plan in infrastructure, expansion and remodelling of industrial and logistics facilities that will be completed during the current year.

In the environmental and circular economy areas, several initiatives were carried out, of which we highlight:

- Entry into use, on 2021.01.02, of 1,244 photovoltaic panels that satisfy energy needs of up to 15% of the consumption. In the 2nd half of this year, an installation reinforcement that could double the current capacity is planned.
- Renovation of the Industrial Effluent Treatment Station, with a new filter system, which allows a 4% reduction in the polluting load of the treated effluent.
- Implementation of measures to achieve greater energy efficiency, which resulted in a 13% reduction in energy consumption per package produced.
- Use of 100% recycled paper for single use, which allowed an indirect reduction of more than 2,500 tonnes of CO2.
- Contracting for the website in Portugal of an electrical energy supply with a guarantee of origin, which certifies that it was produced from renewable sources, with a 47% reduction in greenhouse gas emissions.
- Promotion of circular economy practices through partnerships with our suppliers, as well as the forwarding of 3.9 tonnes of organic solvent waste for recovery/regeneration.

The annual reports “Performance Analysis - Quality, Health & Safety and Environment” and “RDI Management System - Performance Evaluation” translate, through their metrics, that referred and present lines of action for the improvement of the performance indicators.

6. SOCIAL RESPONSIBILITY

The BIAL Group has as its reference the ESG policy principles, in that the active social responsibility policy is one of the base pillars. Multiple actions were developed in that scope, namely the collaboration with numerous public utility institutions that aim to improve people’s quality of life, culture, education, health, the quality of the environment, and promotion of R&D.

Worthy of note is BIAL’s presence as founding member of the BIAL Foundation, a public utility entity created in 1984, together with the Council of Rectors of the Portuguese Universities. Organizing symposia, allocating research grants, and attributing research awards are its main activities. In 2021, the Maria de Sousa Award, in partnership with the Portuguese Medical Association, and the BIAL Award for Clinical Medicine, which together represented € 225,000, as well as the announcement of the second edition of the “BIAL Award in Biomedicine”, in the amount of € 300,000, are to be highlighted. The award corresponding to the first edition was handed over in February last, in a ceremony presided by His Excellency, the President of the Republic. This is an international prize that aims to award and recognize a work, published after 2010.01.01, of high quality and relevant scientific impact in the field of medicine.

In 2021, BIAL granted € 2.7m in donations to various entities, in addition to other sponsorships and non-financial support to multiple initiatives by civil society and which fall within the scope of its patronage policy.

BIAL has as its mission to develop and provide therapeutic solutions in the health area, seeking to improve the quality of life of people, contributing to the development of society, reconciling its activity, namely the productive and R&D activities, with the environment and wellbeing of people. Its two proprietary drugs for epilepsy and Parkinson’s disease are the best examples of its mission, contributing for the wellbeing of many tens of thousands of patients all over the world.

BIAL invests continuously in the qualitative improvement and continuous training of its employees, more than 83% of whom have a university degree. A solid academic background is essential to obtain high levels of performance, with significant added value in all functional areas. In addition to this basic training, there is a permanent concern with providing adequate training, both internal and external, to all employees to keep them up to date on scientific developments, especially in the areas of health, regardless of the country in which they reside and the functions they carry out. It also has an active policy of integration and non-discrimination in all the countries where it is present, whatever the factor (gender, race, age, religion, politics, culture).

BIAL maintains its support for cultural, scientific, social, and educational solidarity institutions. Its support, in the form of patronage, covers cultural foundations (artistic, musical, among others), scientific foundations, social intervention organizations, health and education organisms, namely Universities. In this way, BIAL seeks to achieve an objective of social responsibility, assuming the promotion of the wellbeing of society and its transversal development - cultural, scientific, social, educational, and environmental.

The Group is associated with several civil society initiatives and collaborates with various entities of various countries, with an active participation in their implementation, either through financial support or directly in their realization, with the intervention of its most diverse employees, namely members of its corporate bodies.

It is our goal to continue to develop with the various partners, public and private, activities that contribute to the wellbeing of society and its human development.

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7. EVENTS SUBSEQUENT to 2021.12.31

The invasion of Ukraine by Russia on 2022.02.24 created a strong political, economic and social instability which consequences it is still difficult to estimate. The turmoil in the markets, both financial and goods and services, is enormous, particularly in the stock exchanges, and in some goods and services markets (oil, gas, cereals, transport, …). Obviously, its impact will depend on how long the armed conflict continues and the terms on which a peace agreement is negotiated, as well as what follows the sanctions policy.

The BIAL Group has a residual commercial activity, both as a supplier and as a client, in Russia and Ukraine, except for a clinical trial that was taking place in the latter country. In neighbouring countries its activity is also residual.

Thus, the impact on BIAL will be felt indirectly through the increase in prices of energy, raw materials and other goods, and in interest rates. In electricity and gas expenses, we expect the increase to be close to € 1.0m, due to measures taken to reduce consumption, already under study before the conflict, and the increase in photovoltaic energy production. In terms of raw materials, it is very difficult to make an estimate, although in our two main products we have stocks of more than one year and orders placed for more than one year. The impact of rising interest rates is minimized because 74% of the loans are fixed rate or have swaps. For a 1% increase in 6-month and 12-month Euribor rates, the additional interest, in 2022, would be € 180k.

It should also be considered that there will likely be a stagnation of the main world economies, which are our most important markets. In the past, the pharmaceutical market was not very sensitive to the economic situation in terms of demand, with medicine being a stable good, especially when compared with almost all other goods. We believe that in 2022 these characteristics will remain unchanged.

In financial terms, we can meet our existing commitments, given the present financial situation of BIAL, and a significant change in the income and collections for 2022 is not foreseen.

We are aware of the risks in an atypical and volatile environment, after two complex years due to the Covid-21 pandemic, so we are prepared to make decisions and find solutions that minimize the negative impacts of the current situation.

8. PROSPECTS FOR 2022

The Exploration and Investment Plans and Budgets for 2022 are approved and will continue BIAL's strategic policy, hinged on R&D and Internationalization, besides sustainability and social responsibility practices.

Boosting commercial activity is a transversal priority for the Group's various subsidiaries, with a focus on the BIAL proprietary drugs, especially Ongentys that will be the growth driver in the triennium.

In Spain, the priority is to continue the growth of Ongentys and of the drugs of the respiratory area, besides maintaining the growth of Zebinx in patient numbers.

In the Portuguese market, the focus in 2022 remains unchanged, with the new drugs for type 2 diabetes, launched in 2020 and with a very good performance in 2021, and the drugs for respiratory diseases (especially Chronic Obstructive Pulmonary Disease and Asthma), being the "drivers" of growth.

In the USA, Japan and South Korea, it is to maintain a close relationship with our licensees to enhance the growth of Ongentys and Aptiom, through scientific and medical support, in addition to providing a good logistical service.

In our European subsidiaries, which sell and/or promote Zebinix and Ongentys, the aim is to ensure the growth of both drugs.

In emerging markets, the objective is to strengthen the BIAL - Portela & Cª exports to the dozens of countries where our drugs are marketed. We plan to start our commercial activity in Mexico through a partnership with a local company.

The investment plan approved for 2022 is of great importance and aims to finalize the ongoing projects.

Noteworthy are the new antibiotics unit, which is expected to be operational in July, the expansion of the factory, also expected to be completed by mid-year, the completion of the logistical expansion, in December, and the completion of the new social building, in April.

The research projects of the New Chemical Entities are under development, with a special focus on the research projects BIA9 and BIA28. A reassessment of current projects is underway to reassess their therapeutic potential and the planned investments.

The project BIA9, a drug for Parkinson's disease, marketed under the brand Ongentys, has as its priority the continuation of a phase III clinical trial for use in earlier phases of the disease, as well as to continue the stage IV clinical trials in Europe, to strengthen the therapeutic knowledge of the product under real clinical practice conditions.

The BIA28 project, a drug for Parkinson's disease, when it results from a specific genetic mutation, is a priority, so phase II clinical trials should begin by the end of this year.

Other R&D projects are under development both in Portugal and in the USA. These are projects in the pre-clinical phase, which work is mainly developed by our team of researchers.

The confidence of the shareholders was and will be fundamental for the Group's development process, based on a medium- and long-term strategic vision

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aligned with its shareholders. The results obtained in recent years demonstrate the ability to implement this vision and create confidence in the future of BIAL as an international pharmaceutical company, based on innovation and research.

The Board of Directors expresses its heartfelt thanks to the Directors who, in 2021, ceased their respective functions: Dr Luís António Silva Duarte Portela, Chairman of the Board of Directors, Dr Isabel Maria Nogueira Matias Morgado de Almeida Teixeira and Prof. Patrício Manuel Vieira Araújo Soares da Silva, Members of said Board. The devoted loyalty and unsurpassed rigor in the performance, for decades, of the most important executive functions at BIAL cannot fail to be vehemently highlighted and recognized, constituting an example for all those who, within the scope of the renovation underway, will succeed them in the management and in the conduct of the Company's destinies.

A special note to Dr Luís António Silva Duarte Portela, grandson of the company's founder, who, giving up his career as a doctor, academic and researcher, devoted all his energy and skills to transforming a small national company into a highly innovative international company. This transformation was only possible thanks to his vision, entrepreneurial spirit and ability to take huge risks. Under his leadership, BIAL became the leading research and development company in Portugal, having launched the only two innovative drugs with Portuguese roots globally. Your example of work and dedication serves, and will continue to serve, as a reference for everyone in the company, so that we can continue to break new ground.

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, 2022.03.24

THE BOARD OF DIRECTORS

ANTÓNIO HORTA OSÓRIO | **Chairman**
ANTÓNIO PORTELA | **CEO**
RICHARD PILNIK | **Member**
JOSÉ REDONDO | **Member**
MIGUEL PORTELA | **Member**
JOSÉ BASTOS | **Member**
JOERG HOLENZ | **Member**

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9. ANNEX

I. CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

Amounts in Euros

ASSETS	Notes	DATAS 2021.12.31	2020.12.31
NON-CURRENT ASSETS			
TANGIBLE ASSETS			
Land and natural resources		12 406 207	12 406 207
Buildings and other constructions		7 276 225	8 877 196
Basic equipment		9 752 825	10 230 313
Transport equipment		279 574	280 450
Office equipment		1 100 816	1 446 428
Other tangible assets		205 507	245 118
Tangible assets in progress		9 462 063	900 632
Advances to investment suppliers		2 440 887	74 650
INTANGIBLE ASSETS	**12**	**42 924 103**	**34 460 994**
Research and development projects		171 179 722	187 240 699
Industrial property		7 512 461	12 736 514
Other intagible assets		76 648	52 843
Intangible assets in progress		8 310 372	5 582 804
Goodwill	**8**	6 792 549	8 490 686
FINANCIAL INVESTMENTS	**12**	**193 871 751**	**214 103 547**
Investments in other companies		114 820	114 820
Other financial investments		581 473	466 293
LONG -TERM RECEIVABLES	**12**	**696 293**	**581 113**
Other receivables	**14**	25 456 686	24 667 119
DEFERRED TAXES		**25 456 686**	**24 667 119**
Deferred tax assets	**10**	67 287 174	64 001 367
		67 287 174	**64 001 367**
CURRENT ASSETS			
INVENTORIES			
Raw materials and consumables	**22**	82 845 659	55 672 508
Goods	**22**	11 813 393	16 037 943
Work in progress		2 205 984	3 915 971
Finished and semi-finished products		9 839 620	8 490 568
		106 704 656	**84 116 990**
SHORT-TERM RECEIVABLES			
Trade receivables	**11**	51 047 312	35 287 152
State and other public entities	**15**	10 966 219	2 852 762
Other receivables	**14**	15 109 413	17 270 071
Accruals	**16**	6 130 859	16 627 913
DEFERRALS		**83 253 803**	**72 037 898**
Deferred costs	**16**	3 485 934	2 705 256
BANK DEPOSITS AND CASH		**3 485 934**	**2 705 256**
Bank deposits		912 162	12 849
Bank deposits - on demand		20 238 500	57 306 451
Cash		102 794	122 282
	5	**21 253 456**	**57 441 583**
TOTAL ASSETS		**544 933 857**	**554 115 868**

Amounts in Euros

EQUITY AND LIABILITIES	Notes	YEAR-END 2021.12.31	2020.12.31
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		4 792 432	3 571 731
Other capital reserves		38 913 924	-3 327 562
Investment subsidies		24 381 584	26 003 496
Financial instruments		-182 755	-360 143
Retained earnings		140 192 456	143 791 845
Subtotal		273 123 441	234 705 167
Profit for the year		5 620 415	41 642 099
		278 743 856	**276 347 267**
Non-controlling interests		**5 242 401**	**5 284 591**
TOTAL EQUITY		**283 986 257**	**281 631 857**
LIABILITIES			
NON-CURRENT LIABILITIES:			
Provisions	**19**	2 128 668	669 164
Bond loans	**17**	60 000 000	63 500 000
Bank loans	**17**	57 434 761	69 056 123
Deferred tax liabilities	**10**	2 355 061	2 362 285
Fixed asset suppliers	**18**	0	76 909
Other payables	**14**	7 078 524	7 549 402
		128 997 014	**143 213 882**
CURRENT LIABILITIES:			
Trade payables		39 523 393	38 989 475
State and other public entities	**15**	5 824 305	3 464 446
Bond loans	**17**	3 500 000	8 000 000
Bank loans	**17**	53 728 177	34 357 897
Fixed asset suppliers	**18**	4 234 653	7 724 497
Other payables		3 262 502	3 227 287
Accruals	**16**	17 120 793	24 987 158
		127 193 823	**120 750 760**
DEFERRALS			
Deferred revenue	**16**	4 756 763	8 519 368
		4 756 763	**8 519 368**
TOTAL LIABILITIES		**260 947 600**	**272 484 010**
TOTAL EQUITY AND LIABILITIES		**544 933 857**	**554 115 868**

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II. CONSOLIDATED INCOME STATEMENT BY NATURE FOR THE YEAR ENDED 31 DECEMBER 2021

Amounts in Euros

Revenues and Expenses	Notes	YEAR-END 2021	YEAR-END 2020
Revenue	**20**	298 721 864	291 369 098
Services rendered	**20**	11 386 620	38 341 075
Business Volume		**310 108 485**	**329 710 173**
Operating subsidies	**21**	2 318 361	5 147 145
Own work			
Variance in inventories of production		440 826	7 498 719
Cost of goods sold	**22**	-77 678 571	-77 544 515
Third party supplies and services rendered	**23**	-104 913 733	-101 180 642
Employees benefits	**24**	-73 616 390	-62 345 149
Impairment losses	**19; 25**	-1 174 399	-5 405 261
Provisions	**25**	-1 420 622	0
Reversals	**19; 25**	4 920 870	254 187
Other income	**26**	11 113 034	9 584 016
Other expenses	**27**	-24 137 729	-21 229 384
Results before depreciation, financial expenses and taxes		**45 960 131**	**84 489 289**
Depreciation and amortization (expenses) / reversals	**12**	-32 611 220	-31 362 272
Impairment of depreciable/amortizable investments (losses) /reversals	**12; 25**	1 261 067	2 292 394
Operating results (before financial expenses and taxes)		**14 609 978**	**55 419 411**
Interest and similar income	**28**	26 052	67 949
Interest and similar expenses	**28**	-4 759 707	-5 814 308
Profit before tax		**9 876 323**	**49 673 053**
Income tax on profit /(loss) for the year	**10**	2 597 656	5 925 496
Profit for the year		**7 278 667**	**43 747 556**
Profit for the year attributable to:			
Equity holders of the parent		**5 620 415**	**41 642 099**
Non-controlling interests		**1 658 252**	**2 105 457**

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CONSOLIDATED MANAGEMENT REPORT OF **BIAL HOLDING, S.A.** 2021

III. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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 EQUITY
Position at the beginning of the period	52 500 000	12 500 000	25 800	3 175 038	-2 354 209	27 813 609	127 807 668	-422 786	17 510 826	238 555 948	4 380 519	242 936 467
Appropriation of prior year results					-973 353		18 484 180		-17 510 826	0		0
	52 500 000	12 500 000	25 800	3 175 038	-3 327 562	27 813 609	146 291 845	-422 786	0	**238 555 948**	**4 380 519**	**242 936 467**
Changes in accounting policies												
Exchange differences in translation of foreign operations				396 693						396 693	26 891	423 584
Subsidies						-2 335 630				-2 335 630		-2 335 630
Deferred tax adjustments						525 517		-18 187		507 330		507 330
Other changes recognised in Equity								80 829		-2 419 171		-2 419 171
	0	0	0	396 693	0	-1 810 113	0	62 643	0	**-3 850 777**	**26 891**	**-3 823 890**
Profit for the year									41 642 099	**41 642 099**	2 105 457	**43 747 556**
Integral result									41 642 099	**37 791 322**	2 132 348	**39 923 666**
Transactions with equity holders in the period												
Issue of share capital										**0**		**0**
Issue of share premium										**0**		**0**
Distributions							-2 500 000					
Other										**0**	-1 228 276	**-1 228 276**
Position at the end of the period	52 500 000	12 500 000	25 800	3 571 731	-3 327 562	26 003 496	143 791 845	-360 143	41 642 099	**276 347 270**	**5 284 591**	**281 631 857**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

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 EQUITY
Position at the beginning of the period	52 500 000	12 500 000	25 800	3 571 731	-3 327 562	26 003 496	143 791 845	-360 143	41 642 099	276 347 270	5 284 591	281 631 857
Appropriation of prior year results					42 241 486		-599 387		-41 642 099	0		0
	52 500 000	12 500 000	25 800	3 571 731	38 913 924	26 003 496	143 192 456	-360 143	0	**276 347 270**	**5 284 591**	**281 631 857**
Changes in accounting policies												
Exchange differences in translation of foreign operations				1 220 702						1 220 702	170 866	1 391 568
Subsidies						-2 092 789				-2 092 789		-2 092 789
Deferred tax adjustments						470 878		-51 499		419 379		419 379
Other changes recognised in Equity								228 885		228 885		228 885
	0	0	0	1 220 702	0	-1 621 911	0	177 386	0	**-223 824**	**170 866**	**-52 958**
Profit for the year									5 620 415	**5 620 415**	1 658 252	**7 278 667**
Integral result									5 620 415	**5 396 591**	1 829 118	**7 225 709**
Transactions with equity holders in the period												
Issue of share capital										**0**		**0**
Issue of share premium										**0**		**0**
Distributions							-3 000 000					
Other										**0**	-1 871 308	**-1 871 308**
Position at the end of the period	52 500 000	12 500 000	25 800	4 792 432	38 913 924	24 381 584	140 192 456	-182 755	5 620 415	**278 743 856**	**5 242 401**	**283 986 257**

IV. CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	2021		2020	
OPERATING ACTIVITIES:				
Receipts from customers	358 965 719		368 072 088	
Payments to suppliers	-291 718 649		-222 493 013	
Payments to employees	-71 088 962		-60 370 683	
Cash generated by operations	**-3 841 893**		**85 208 391**	
Payment / reimbursement of corporate income tax	-8 003 104		-5 845 351	
Other payments / proceeds relating to the operating activity	-6 520 204		-9 917 598	
	-18 365 200		**69 445 443**	
Net cash flow from operating activities (1)		**-18 365 200**		**69 445 443**
INVESTING ACTIVITIES:				
Disbursements for:				
Tangible assets	-12 253 618		-6 819 035	
Intangible assets	-8 051 263		-12 768 381	
Financial investments	-117 567		52 374	
Other assets	0	-20 422 449	0	-19 535 041
Proceeds from:				
Tangible assets	1 097 630		290 531	
Intangible assets	27 418		0	
Financial investments	2 674		0	
Other assets	0		0	
Investment subsidies	10 715 461		1 610 071	
Interest and similar income	104 688		53 869	
Dividends	0	11 947 871	0	1 954 472
Net cash used in investing activities (2)		**-8 474 578**		**-17 580 570**
FINANCING ACTIVITIES:				
Proceeds from:				
Bank loans	35 000 000		178 866	
Equity and other components of equity increases	0		0	
Coverage of previous years' losses	0		0	
Donations	0		0	
Other financing operations	2 486 904	37 486 904	0	178 866
Disbursements for:				
Bank loans	-44 213 305		-58 023 404	
Interest and related expenses	-4 030 446		-5 006 577	
Dividends	-4 871 308		-3 728 276	
Equity and other components of equity decreases	0		0	
Other financing operations	-57 165	-53 172 224	-8 857 174	-75 615 430
Net cash used in financing activities (3)		**-15 685 320**		**-75 436 565**
Net increase in cash and cash equivalents (4) = (1) + (2) + (3)		**-42 525 098**		**-23 571 692**
Foreign exchange effect		**0**		**0**
Cash and equivalents at the beginning of the period (note 5)		**57 441 583**		**81 013 275**
Cash and cash equivalents at the end of the period (note 5)		**14 916 485**		**57 441 583**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 2021

Amounts in Euros

(Translation of the original document issued in Portuguese)

1. Introduction

BIAL's main corporate purpose is the production, 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 the Board of Directors on 2022.03.24.

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

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

The company prepares its individual and consolidated 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 2021.

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.

3. Main accounting policies

3.1. Basis of preparation of the financial statements

In the preparation of the consolidated 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/EU 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.

On the transition date for the SNC 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, that considered currency depreciation coefficients.

Subsequently, the company decided to maintain the deemed cost for tangible fixed assets, opting for the cost method on the valorization of all other tangible fixed assets.

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.

As amortizações são calculadas numa base duodecimal, a partir do momento em que os bens estão disponíveis para utilização para a finalidade pretendida, utilizando o método das quotas constantes.

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%
Basic 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 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.

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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 affect 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.

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 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 Portuguese Accounting Standards POC (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 presented in the balance sheet is measured 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, 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.

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(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.

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.

For an intangible asset with a finite useful life, 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 are defined in order to the fully amortize the assets until the end of their expected useful life and 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) with a useful life of 20 years, is amortized

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at a constant rate and on a straight-line basis. Its amortization was initiated in 2009 (September) along with its commercialization in Europe.

The Parkinson drug (Ongentys) with a useful life is 20 years, is amortized at a constant rate, according to its expected useful life. 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 following requirements are fulfilled:

(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 in 2007, 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. In 2020, a distribution agreement for Australia was signed.
- BIA09 investment (the new medication for Parkinson disease) which is approved by EMA in Europe. 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, in 2018 it was licensed for China and South Korea and in 2019 it was licensed for Taiwan. In 2020, the commercialization of the drug has started in the USA, Japan, South Korea and Switzerland.

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 where the used of the equity method wasn’t possible because they operate under severe long-term restrictions that significantly impair the ability to transfer funds to the Group;
- 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.

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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 Group 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) 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.

(f.2) Other trade receivables

Other trade receivables are valued as follows:

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

The impairment, in both cases, is determined based on the criteria defined above.

(f.3) 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 presented as loans in liabilities on the balance sheet.

(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 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 the local tax legislation of the several companies included on the consolidated financial statements, 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 be 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.

The Board of Directors, 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.

(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.

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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, 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 tax 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 has been again decreased to 5 years from 2017 onwards. In 2020, the time limit for deduction of tax losses is again 12 years.

Spain, Italy and USA:

The period of tax losses deduction has no time limit.

Mozambique:

The tax losses deduction has 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 and quality 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.
Packaging materials and other (boxes, labels and prospectuses)	-	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.

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(I) Equity items

(I.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.

(I.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).

(I.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.

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 to retained earnings available for distribution to shareholders in accordance to the conditions presented in article 32 e 33 of the Portuguese Companies Code of Law ("Código das Sociedades Comerciais" – CSC).

(I.5) Other variations on equity - 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.

The subsidies related to investments are registered in equity and the balance of this account is transferred, 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;
- Subsidies related to non-depreciable 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.

(l.6) Other variations on equity - 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.

(n) Financial liabilities

Financial liabilities are recognised when the company is a party to its contractual relationship.

Financial liabilities 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 the Balance sheet.

(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

Os adiantamentos de clientes estão mensurados ao custo amortizado.

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(o) Foreign currency translation

Balances that remain outstanding at year-end are translated at the euro currency spot rate of exchange ruling at the reporting date and the difference is recognized in the income statement.

The rates used for the foreign currency translation at the reporting date were the following:

2021:	Debtor balances	Creditor balances
CHF	1,0358	1,0317
GBP	0,8388	0,8354
USD	1,1335	1,129
JPY	130,49	129,969
SEK	10,2618	10,2208
CAD	1,4433	1,4376

2020:	Debtor balances	Creditor balances
CHF	1,08401	1,07968
GBP	0,89674	0,89316
USD	1,22454	1,21965
JPY	126,642	125,957
SEK	10,0667	10,0266
CAD	1,56236	1,55613

(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 entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(p.2) Services rendered

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 stage of completion.

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 and 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 recognized according with the guidance in IFRS 15.

The revenue resulting from the sale of Zebinix and Ongentys for some European countries and Aptiom for USA, is estimated and subsequently validated after the amount of processed sales is known by the company who commercializes the product.

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(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-employment 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.

The company should recognize a liability and a termination benefits expense 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.

(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.

If NCRF 27 – Financial instruments doesn't provide guidelines for 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 the income statement under the line "Fair value adjustments".

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 influences the results.

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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 “Financial liabilities” and are presented as non-current or current following the same presentation of the hedged item they refer to on the balance sheet.

If applicable, derivative financial instruments not considered hedging and with short term maturity are registered as “Cash and cash equivalents”. At 31 December 2020 and 2021, there aren’t any financial instruments in these conditions.

(v) 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 consolidated financial statements if those events provide evidence of conditions that existed at the end of the reporting period. Those

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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;
  - The sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

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 or by the use of an agreement with other shareholders.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether or not control exists.

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

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, 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 contingent liabilities. 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, when identified.

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 are 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 recognize 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 significant 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, the Board of Directors 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 Phase III). 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 under the brand Aptiom.

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 and, then, approved to be used in monotherapy according to the approval obtained in 2017. Since 2017, it is also used in pediatrics. 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 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. In 2020, commercialization began in the USA, Japan, South Korea, Taiwan and Switzerland.

In 2020, a number of intangible assets related to research projects in the

area of Parkinson's disease (BIA 28) were acquired, including intellectual property rights over them.

In 2021, R&D activities for BIA28 were followed and, in present time, it is the project with the largest capital allocation.

As a result of the strategy of becoming a European partner in the field of neurosciences, in 2021 BIAL signed an exclusive licensing agreement with U.S. drugmaker Sunovion Pharmaceuticals Inc. (Sunovion), a subsidiary of Sumitomo Dainippon Pharma Co., Ltd., for the marketing of sublingual apomorphine film in the European Union, European Economic Area and the United Kingdom.

Sublingual apomorphine is a new formulation of film apomorphine that dissolves under the tongue for acute and intermittent treatment of the OFF periods of Parkinson's disease.

Sublingual apomorphine film is currently in phase 3 of clinical development in Europe. Under the agreement established, BIAL will be responsible for the regulatory approval and submission process, including interactions with the European Medicines Agency. BIAL is looking to start its commercialization in 2023.

As part of the agreement, Sunovion received an initial payment for the granting of the license, resulting in future payments following the process of approval and marketing of this medicine, associated with sales volumes.

(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 to estimate the useful life.

The Board of Directors believes that the useful life of 20 years attributable to Aptiom/Zebinix and Ongentys corresponds to a conservative estimate since sales are expected to occur after 2021 and 2029, respectively.

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.

The recovery of deferred taxes is based on the sales forecast of Aptiom/Zebinix, new revenues under the licensing agreements for epilepsy new drug for Parkinson's disease for US, Japan and the rest of the world, as well as the revision of the relationship between different companies in the Group and the sharing of expenses and income between them.

(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.

There are no material errors recorded from previous periods.

5. Cash flows

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

Description	2021	2020
Cash	102 794	122 282
Bank deposits – on demand	20 238 500	57 306 451
Bank deposits	912 162	12 849
Bank deposits and cash presented on the balance sheet	**21 253 456**	**57 441 583**
Bank overdrafts	- 6 336 971	0
Cash and cash equivalents	**14 916 485**	**57 441 583**

The Group has several bank loans and overdrafts accounts, available, not used, in the amount of € 25,5 M to meet future operating, investment and financial commitments. However, € 19,2M are not used.

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6. Companies included in the consolidation

The financial statements comprise the following companies, all directly owned by BIAL-Holding,S.A.

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.	Madrid	EUR 60 200	99.94%
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	Milão	EUR 25 000	100%
BIAL, S.A.	Nyon	CHF 100 000	100%
BIAL - R&D INVESTMENTS, S.A.	Trofa	EUR 8 000 000	100%
BIAL - BIOTECH INVESTMENTS INC	Cambridge (USA)	USD 2 000 000	100%

7. Companies not included in the consolidation

All the companies of the Group were included in the consolidation.

8. Goodwill

Goodwill can be detailed as follows:

	ACQUISITION DATE	2020	2019
BIAL - Portela & Cª, S.A.	2001-2003	6 792 549	8 490 686

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

9. Changes in the consolidation perimeter

No change was identified in 2021.

10. Income taxes

Deferred taxes	Basis	Assets	Liabilities	Net effect
As at 31 December 2020				
Free revaluation on land – Portugal	-6 566 540		1 477 472	-1 477 472
Adjustments and Provisions – Portugal (b)	18 202 147	4 095 483		4 095 483
Taxable temporary differences – Spain	1 751 291	1 366 985	876 624	490 361
Taxable temporary differences – Italy	585 004	163 216		163 216
Taxable temporary differences – Switzerland	155 477	21 456		21 456
Tax. Temp. dif - Italy/Spain/Switzerland(c)	23 002 500	5 175 563		5 175 563
Tax credits – Italy	2 596 021	623 045		623 045
Taxable temporary differences – Medimport	1 677 897	544 018	7 092	536 927
Taxable temporary differences – BIAL UK	-5 781		1 098	-1 098
Financial instruments – Portugal	464 702	104 558		104 558
Tax credits – Portugal (a)	51 907 046	51 907 046		51 907 046
		64 001 367	2 362 285	61 639 082
Recorded in the year				
Impact on P&L				
Adjustments and Provisions – Portugal (b)	-2 275 267	-511 935		-511 935
Taxable temporary differences – Spain	-1 583 975	-395 994		-395 994
Taxable temporary differences – Italy	-198 339	-55 337		-55 337
Taxable temporary differences – Switzerland	184 167	25 415		25 415
Tax. Temp. dif - Italy/Spain/Switzerland(c)	-1 315 000	-295 875		-295 875
Tax credits – Italy	3 282 388	787 773		787 773
Taxable temporary differences – Medimport	-1 524 920	-480 947	7 027	-487 974
Taxable temporary differences – BIAL UK	1 042		198	-198
Financial instruments – Spain	1 756 327	439 082		439 082
Financial instruments – Portugal (a)	17 195 284	3 696 986		3 696 986
Subtotal (1)		3 209 168	7 225	3 201 943
No Impact on P&L				
Taxable temporary differences – Medimport	177 215	56 709		
Financial instruments – Portugal	-228 885	-51 499		-51 499
Tax credits – Portugal (a)	71 429	71 429		71 429
Subtotal (2)		76 639	0	19 930
Total (1)+(2)		**3 285 806**	**7 225**	**3 221 873**
As at 31 December 2021				
Free revaluation on land – Portugal	-6 566 540	0	1 477 472	-1 477 472
Adjustments and Provisions – Portugal (b)	15 926 880	3 583 547		3 583 547
Taxable temporary differences – Spain	377 471	970 991	876 624	94 368
Taxable temporary differences – Italy	386 665	107 879		107 879
Taxable temporary differences – Switzerland	339 644	46 871		46 871
Tax. Temp. dif - Italy/Spain	21 687 500	4 879 688		4 879 688
Tax credits – Italy	5 878 408	1 410 818		1 410 818
Taxable temporary differences – Medimport	330 192	119 780	65	119 715
Taxable temporary differences – BIAL UK	-4 739	0	900	-900
Financial instruments – Portugal (a)	235 817	53 059		53 059
Tax credits – Espanha	1 756 327	439 082		439 082
Tax credits – Portugal (a)	69 173 758	55 675 460		55 675 460
TOTAL		**67 287 174**	**2 355 061**	**64 932 113**

a) Includes the accrued tax credit for R&D (SIFIDE) of 2021 and the use of tax credit recorded in the year (double tax credit in a total of € 71K). It was also recognized the IDA related to the fiscal loss of R&D

b) Includes the impairment recorded for the development project BIA2, around neuropathic pain, post-herpetic and diabetic neuralgia (note 12).

c) Consists in deferred taxes generated by BIAL-Portela's licensing of Ongentys for the Spanish, Italian and Swiss ususbsidiaries.

Income tax and current tax reconciliation	Amount
Current tax:	
Pretax income	9 876 323
Permanent diferences	-4 632 770
Temporary diferences	5 397 292
Taxable income	10 640 846
Rate of income tax in Portugal	21%
Other (different basis)	10%-32%
Taxable profit	3 657 305
Autonomous taxation and municipality surtax	2 142 294
(I) Current Tax	**5 785 447**
Deferred Tax:	
Effect of deferred taxes in the period	-3 201 943
(II) Deferred tax	**-3 201 943**
Income Tax (I) + (II)	**2 597 656**

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	2014	8.057	2024
SIFIDE	2015	8.558	2025
SIFIDE	2016	7.958	2026
SIFIDE	2017	7.362	2027
SIFIDE	2018	9.804	2028
SIFIDE	2019	6.853	2029
SIFIDE (*)	2020	6.887	2029
SIFIDE (*)	2021	8.987	2029
TOTAL		**64.466**	

*SIFIDE estimated amount.

IAs of December 2021, there are available tax credits (SIFIDE) in the amount of € 64,5 M, corresponding to deferred tax assets potential of the same amount. However, only deferred tax assets of € 51,9 M were recognized, taking into account future taxable income projections up to the expiration date of the tax credits.

According to the Portuguese 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 2018 to 2021 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, 2021.

11. Trade receivables

	2021	2020
Portugal:		
Retailers	5 807 384	5 337 822
Laboratories	3 775 231	2 832 196
Foreign clients	18 587 913	13 695 427
Other	282 319	132 153
	28 452 847	**21 997 598**
Clients in Spain	8 025 626	9 951 474
Clients in Angola	611 984	339 419
Clients in Mozambique	2 011 429	1 722 090
Clients in Italy	2 526 694	1 576 153
Clients in Switzerland	255 080	123 806
Novipharma	10 115 176	310 393
Total without impairments	**51 998 836**	**36 020 933**

An impairment loss has been booked in the amount of € 951 524 (€ 586 860 from Portugal, € 287 649 from Angola and € 77 015 de Mozambique) in respect to trade receivables (2020: € 733 782) – Note 19.

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12. Investments

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

(a) Gross amount

DESCRIPTION	2021 OPENING BALANCE	ADDITIONS	TRANSFERS AND DISPOSALS	CLOSING BALANCE
TANGIBLE ASSETS				
Land and natural resources	12 406 207	0	0	12 406 207
Buildings and other constructions	25 072 081	98 663	-736 170	24 434 574
Equipment	32 535 544	1 644 244	-131 410	34 048 377
Transport equipment	899 945	237 016	-263 217	873 744
Office equipment	11 021 191	523 267	-14 089	11 530 370
Other tangible assets	1 677 664	36 424	-307	1 713 782
Tangible assets in progress	900 632	8 765 109	-203 678	9 462 063
Advances to suppliers of fixed assets	74 650	2 569 986	-203 749	2 440 887
	84 587 914	**13 874 710**	**-1 552 620**	**96 910 004**
INTANGIBLE ASSETS				
Research and development	346 645 945	2 632 673	0	349 278 618
Industrial property	47 099 897	1 498 434	-457 590	48 140 742
Other intangible assets	665 922	87 494	0	753 416
Intangible assets in progress	5 582 804	2 727 568	0	8 310 372
Goodwill	16 981 372			16 981 372
	416 975 940	**6 946 168**	**-457 590**	**423 464 519**
FINANCIAL INVESTMENTS				
Other companies	114 820	0	0	114 820
Other financial investments	466 293	115 180	0	581 473
	581 113	**115 180**	**0**	**696 293**
TOTAL	**502 144 967**	**20 936 059**	**-2 010 210**	**521 070 816**

It should be noted the strong investment in the expansion of production and storage structures, as well as the new antibiotic factory, social and administrative building, that are expected to be completed in 2022, and are currently on going.

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

DESCRIPTION	2020 OPENING BALANCE	ADDITIONS	TRANSFERS AND DISPOSALS	CLOSING BALANCE
TANGIBLE ASSETS				
Land and natural resources	8 646 508	809 699	2 950 000	12 406 207
Buildings and other constructions	23 903 265	401 495	767 321	25 072 081
Equipment	29 732 456	1 700 356	1 102 732	32 535 544
Transport equipment	1 255 657	0	-355 712	899 945
Office equipment	10 411 901	640 935	-31 645	11 021 191
Other tangible assets	1 629 212	64 985	-16 533	1 677 664
Tangible assets in progress	360 350	887 853	-347 571	900 632
Advances to suppliers of fixed assets	3 518 674	1 581 330	-5 025 354	74 650
	79 458 023	**6 086 653**	**-956 762**	**84 587 914**
INTANGIBLE ASSETS				
Research and development	344 239 850	2 544 756	-138 661	346 645 945
Industrial property	44 764 416	2 412 090	-76 609	47 099 897
Other intangible assets	675 751		-9 829	665 922
Intangible assets in progress	1 103 340	4 402 855	76 609	5 582 804
Goodwill	16 981 372			16 981 372
	407 764 730	**9 359 701**	**-148 490**	**416 975 940**
FINANCIAL INVESTMENTS				
Other companies	114 820			114 820
Other financial investments	373 031	93 262		466 293
	487 851	**93 262**		**581 113**
TOTAL	**487 710 604**	**15 539 617**	**-1 105 252**	**502 144 968**

(b) Depreciations

DESCRIPTION	2021 OPENING BALANCE	ADDITIONS	TRANSFERS AND DISPOSALS	CLOSING BALANCE
TANGIBLE ASSETS				
Land and natural resources	0			0
Buildings and other constructions	16 194 885	1 034 564	-71 100	17 158 350
Equipment	22 305 230	2 253 025	-262 703	24 295 553
Transport equipment	619 494	237 893	-263 217	594 170
Office equipment	9 574 763	868 942	-14 151	10 429 554
Other tangible assets	1 432 546	76 035	-307	1 508 275
	50 126 918	**4 470 460**	**-611 477**	**53 985 901**
INTANGIBLE ASSETS				
Research and development	141 162 954	21 009 065	0	162 172 019
Industrial property	34 363 383	5 369 869	-159 320	39 573 932
Other intangible assets	613 079	63 689	0	676 768
Goodwill	8 490 686	1 698 137		10 188 823
	184 630 102	**28 140 760**	**-159 320**	**212 611 542**
TOTAL	**234 757 020**	**32 611 220**	**-770 797**	**266 597 443**

To enhance the depreciation of the year of Zebinix development project for adjunctive antiepileptic therapeutic area, “monotherapy” and pediatric (€ 5.379.359, € 7.266.922 e € 2 105 085, respectively), which commercialization began in 2009, 2015 and 2017 respectively. We also highlight the amortization in the year of the development project of the drug Ongentys for Parkinson’s disease (€ 3 739 887), whose commercialization began in 2016.

There are impairment losses of € 8 121 532 e € 7 805 346, recorded, 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.

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	2020			
DESCRIPTION	**OPENING BALANCE**	**ADDITIONS**	**TRANSFERS AND DISPOSALS**	**CLOSING BALANCE**
TANGIBLE ASSETS				
Land and natural resources	0			0
Buildings and other constructions	15 215 662	979 223		16 194 885
Equipment	20 508 243	2 086 086	-289 099	22 305 230
Transport equipment	809 552	73 482	-263 540	619 494
Office equipment	9 065 850	599 169	-90 256	9 574 763
Other tangible assets	1 379 436	60 658	-7 548	1 432 546
	46 978 743	**3 798 618**	**-650 443**	**50 126 918**
INTANGIBLE ASSETS				
Research and development	120 352 675	20810279		141162954
Industrial property	29 308 146	5 055 237		34 363 383
Other intangible assets	615 230		-2 151	613 079
Goodwill	6 792 549	1 698 137		8 490 686
	157 068 600	**27 563 653**	**-2 151**	**184 630 102**
TOTAL	**204 047 343**	**31 362 271**	**-652 594**	**234 757 020**

(c) Impairment

DESCRIPTION	**IMPAIRMENT**	**ADDITIONS**	**ADJUSTMENTS**	**REVERSAL**
Development projects	18 202 144	0	2 275 268	16 958 204
Industrial Property	40 147	1 031 328	17 127	23 020
TOTAL	**18 242 292**	**1 031 328**	**2 292 394**	**16 981 225**

In the course of 2021, BIAL decided to discontinue the BIA5 research project, for scientific and market reasons, aggravated by the pandemic context experienced in the last two years. Thus, an impairment loss of € 1 031 328 was recorded in relation to the patents associated with this development project.

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

As these assets do not generate cash flows by themselves, 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.

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.

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 use value of tangible assets is determined, when there are signs of impairment, using projections of cash flows of budgets for five years approved by Management and do not take into account any restructuring activities for which there is still no commitment or significant future investments in order to improve the future economic benefits that will accrue from the UGC being tested.

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 have been acquired benefiting from government subsidies.

13. Assets held by others

The value of assets held by third parties, at 2021.12.31, amounts to € 31 763 028, (€ 16 989 180 from Portugal and € 14 773 848 from Switzerland), consisting of raw material for the production of Zebinix / Aptiom and Ongentys, held by subcontractors for this purpose.

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14. Other accounts receivable and other accounts payable

(a) Assets

	2021	2020
Advances to suppliers	25 456 686	24 667 119
Long-term	**25 456 686**	**24 667 119**

EISAI	0	487 693
Neurocrine	1 546 272	0
Advances to suppliers	7 822 979	17 323 781
Deposit – BIAL Italia	2 600 923	1 150 000
Others	3 173 347	2 904 471
Short-term without impairment	**15 143 521**	**21 865 945**

There is an impairment of € 34 108 (2020: € 4 595 874).

In order to ensure Ongentys' commercial expansion plan, Novipharma signed a contract to guarantee the production of the raw material, in line with the growth forecasted in the strategic (€ 25,5 M - € 24,7 M Long-term). This agreement justifies the amount recorded in other trade receivables (€ 25.5 M – the whole amount has been classified as "Long Term", since no supply of raw material is foreseen in 2022).

The security deposit – BIAL Italy concerns the captive value for possible non-compliance stems from hospital tenders.

(b) Liabilities

The total amount includes, in medium and long-term, € 7 078 524 related to deferred tax liabilities associated to investment subsidies, which were booked in accordance with FAQ issued by CNC.

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15. State and other public entities

	2021		2020
	Assets	Liabilities	
Corporate tax	5 803 342	-2 267 621	-1 698
Personnel income tax	31 931	-1 260 591	-1 129 867
Value added tax	5 152 581	-921 015	1 697 034
Social security	-21 635	-1 326 544	-1 121 073
Infarmed	0	-27 386	-22 778
Other taxes	0	-21 148	-33 303
TOTAL	**10 966 219**	**-5 824 305**	**-611 685**

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

16. Deferrals and accruals

(a) Assets

	2021	2020
Income accruals	6 130 859	16 627 913
Deferred costs	3 485 934	2 705 256

The balance of income accruals includes amounts received from Portugal 2020 related to financial contributions in research and development projects - € 4 185 954 (2020: € 14 901 415).

(b) Liabilities

The item "Other liabilities" can be detailed as follows:

	2021	2020
Provision for holidays pay and subsidy	7 142 240	6 332 704
Interest accrued	494 359	674 720
Other	9 484 195	17 979 733
TOTAL	**17 120 793**	**24 987 157**

Deferred income

In this caption is recognized the amount of € 4 224 972 (2020: € 7 873 909), related to Portugal 2020.

17. Bank loans

	Medium/long term 2021	Short-term 2021	TOTAL 2021	TOTAL 2020
Bank overdraft		6 336 971	6 336 971	-
Bank loans	37 125 000	43 746 971	80 871 971	78 076 176
European Bank of Investments	16 666 667	3 333 333	20 000 000	23 333 333
Bond loan	60 000 000	3 500 000	63 500 000	71 500 000
Reimbursable subsidies	3 643 094	310 902	3 953 996	2 004 511
TOTAL	**117 434 761**	**57 228 177**	**174 662 938**	**174 914 020**

The Group has several bank loans and overdrafts accounts available in the amount of € 25,5 M, with € 19,2 M not being used.

At the end of 2021, financing was also contracted for:

- € 30 M to Explorer Investments – SCR, S.A. in the form of bonds, by BIAL Portela, and is scheduled to be issued at the end of March 2022;
- € 20 M of group commercial paper program (€ 14M in BIAL Portela and € 6M at BIAL Holding).

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:

- 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 € 102,15, above nominal value (€ 100);
- 2018: € 6 500 000, with a maturity date of 2022, having been taken over by a bank institution.

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18. Fixed assets suppliers

The caption of fixed assets suppliers includes, € 1 908 related to finance leases, with the following detail:

					Balance as at 31.12.2021		
Asset	**Contract value**	**Beginning**	**Maturity**	**Residual value**	**Short-term**	**Long-term**	**Total**
Vehicle	117 790	2018	2022	1.901	1 908	0	1 908

The most significant values are related to R&D suppliers.

19. Provisions and impairments

	Opening balance	Additions	Utilization	Reversals	Closing balance
Provisions for costumers returns – Spain	356 062	41 929			397 991
Provisions for costumers returns – Portugal	286 344	15 510			301 854
Provisions for commercial agents' compensations	26 758				26 758
Provisions for commitments related to BIA 5		1 363 183			1 363 183
TOTAL	**669 164**	**1 420 622**			**2 089 786**
Inventory impairment – Portugal	458 235	514 253		20 743	951 745
Inventory impairment – Spain	228 577	179 319			407 896
Subtotal	**686 812**	**693 572**		**20 743**	**1 359 641**
Trade receivables impairment – Portugal	472 000	453 221		338 361	586 860
Other debtors' impairment - Portugal	4 595 874			4 561 766	34 108
Trade receivables impairment – Mozambique	37 050	27 606	12 359		77 015
Trade receivables impairment - Angola	224 732		62 917		287 649
Subtotal	**5 329 656**	**480 827**	**75 276**	**4 900 127**	**985 632**
TOTAL	**6 016 468**	**1 174 399**	**75 276**	**4 920 870**	**2 345 273**

20. Sales and services rendered

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

	2021		2020	
MARKETS:	**SALES**	**SERVICES RENDERED**	**SALES**	**SERVICES RENDERED**
Portugal	62 527 408	10 405 504	60 036 961	10 990 960
Spain	78 007 043		86 616 512	
USA and Canada	68 049 119		71 620 361	18 429 783
Italy	10 119 073		9 636 301	
Mozambique	6 574 519	341 098	7 800 362	145 741
Angola	4 292 061		3 702 310	
Germany	18 885 580		17 011 568	
France	6 154 418	2 721	3 520 452	5 439
UK	4 807 809	194 099	4 335 747	42 208
Japan	18 668 553		10 467 767	8 600 000
Switzerland	1 030 432	9 863	134 339	
South Corea	1 210 130	500 000		
External (Rest of Europe)	4 741 781		5 341 991	
External (Rest of the World)	13 653 941	-66 666	11 144 427	126 945
TOTAL	**298 721 864**	**11 386 620**	**291 369 098**	**38 341 075**

The services rendered on national market are, basically, related to the promotion of medicines that are commercialized by other companies.

During the year 2021, are accounted under the caption of services rendered (external market) milestones for the licensing of BIA9 for South Corea (0,5 M).

During the year 2020, are accounted under the caption of services rendered (external market) milestones for the licensing of BIA9 for Japan (€ 8,6 M) and for USA (20 M USD). There are also milestones for the licensing of BIA 9 for Taiwan (€ 0,1 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 2019/12/20.

22. Cost of goods sold and materials consumed

MOVEMENTS	RAW MATERIALS AND CONSUMABLES	GOODS FOR RESALE	TOTAL	2020
Balance as at 1 January 2021	55 672 508	16 037 943	71 710 452	41 381 269
Purchases	62 984 706	39 344 992	102 329 698	109 766 344
Adjustments	-1 186 448	-516 078	-1 702 526	-1 237 346
Balance as at 31 December 2021	-82 845 659	-11 813 393	-94 659 052	-72 365 752
Total cost	**34 625 107**	**43 053 464**	**77 678 571**	**77 544 515**

The overall amount of inventories held by others as at 31 December 2021, is € 31 763 028 (2020: € 27 609 546).

23. Third party supplies and services rendered

	2021	2020
Advertising	21 065 580	17 963 676
Specialized services (note 30)	52 324 465	35 527 016
Professional fees	11 538 244	15 927 691
Fuel	914 046	765 411
Freight	933 250	789 068
Rentals	3 397 551	3 643 488
Travel and accommodation	3 720 672	2 794 411
Royalties	216 446	14 952 480
Repair and maintenance	1 258 251	1 024 625
Commissions	773 801	1 428 273
Other	8 771 427	6 364 503
TOTAL	**104 913 733**	**101 180 642**

The increase on specialized services is essentially due to R&D activity, in particular with BIA 28 – who arose from the acquisition of assets in 2020.

The reduction on royalties is a result of the contract ending with Eisai.

24. Employee benefits

	2021	2020
Board of directors' remunerations	6 376 838	3 050 764
Staff remunerations	52 624 873	45 564 735
Social charges	11 946 801	10 467 847
Other	2 667 878	3 261 803
TOTAL	**73 616 390**	**62 345 149**

The average number of employees of the companies included in the consolidation in the current year is 889 (2020: 868), distributed as follows:

COMPANY:	EMPLOYEES
BIAL Holding, SA	3
BIAL - Portela & Cª., S.A.	444
MediBIAL, S.A.	15
InterBIAL, S.A.	29
BIALport, S.A.	56
BIAL Consumer Health, S.A.	9
BIAL R&D Investments, S.A.	5
Laboratórios BIAL, S.A. (Espanha)	164
BIAL Deutschland GmbH	40
BIAL Pharma UK Limited	19
BIAL Itália, S.R.L	26
Novipharma, S.A. (Suíça)	3
BIAL, S.A. (Suíça)	6
Medimport, Lda (Moçambique)	37
BIAL América Latina, S.A.	3
BIAL Angola, S.A.	14
Bureau représentation Costa do Marfim	8
BIAL - Biotech Investiments Inc	13
TOTAL	**894**

As at 31.12.2021 the value of receivables related to employees is de € 2 609 (2020: € 158).

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

	2021	2020
Impairment for trade receivables Portugal	-453 221	-332 486
Impairment for other trade receivables Portugal		-4 561 766
Impairment for inventories Portugal	-514 253	-331 357
Impairment for inventories Spain	-179 319	
Impairment for trade receivables Mozambique	-27 606	
Impairment for trade receivables Angola		-179 652
Total impairment	**-1 174 399**	**- 5 405 261**
Reversals/(Impairments) for patents Portugal	17 127	17 127
Reversals/(Impairments) for intangible asset (note 12)	2 275 268	2 275 268
Impairment for intangible asset - BIA5 (note 12)	-1 031 328	
Impairment of depreciable assets	**1 261 066**	**2 292 395**
Reversal of inventories impairment Portugal	20 743	37 662
Reversal of Provision for customer returns Portugal		50 369
Reversal of impairment of trade receivables Spain		47 117
Reversal of inventories impairment Spain		19 038
Reversal of impairment of trade receivables Portugal	338 361	
Reversal of impairment of other debtors Portugal	4 561 766	100 000
Reversal of pension fund provision Italy		7 950
Reversals	**4 920 870**	**254 187**
Provision for costumers returns – Portugal	15 510	
Provision for costumers returns – Spain	41 929	
Provision for commitments - BIA 5	1 363 183	
Provisions	**1 420 622**	**0**

26. Other income

	2021	2020
Supplementary income	912 072	2 664 275
Discounts obtained for prompt payment	9 301	6 947
Income on non-financial investments.	268 590	75 779
Exchange gains	5 493 328	2 503 197
Prior year corrections	245 326	69 897
Adjustments to the provision for income taxes	4 496	487 020
Investment subsidies	3 556 712	3 597 063
Other	623 209	179 838
	11 113 034	**9 584 016**

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.

The wxchange gains were € 5,4 M, and are related to 3 companies of the Group - Medimport (€ 2,6 M), BIAL Portela (€ 1,3 M) and Novipharma (€ 0,7 M).

27. Other expenses

	2021	2020
Taxes	4 949 484	5 406 655
Cash discounts	355 667	282 976
Inventory losses	934 866	255 857
Losses on non-financial investments	134 634	177 417
Prior year corrections	200 463	298 137
Donations	2 713 286	3 151 366
Contributions	301 408	288 959
Inventory samples	142 870	287 148
Underestimated tax provisions	86 090	30 185
Industrial property costs	1 652 844	1 114 704
Fines and penalties	9 909	16 417
Exchange rate differences	3 484 106	9 006 343
Expenses with BIA 5	8 224 494	0
Others	947 608	913 219
	24 137 729	**21 229 384**

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

In the course of 2021, BIAL decided to discontinue the BIA5 research project, for scientific and market reasons, aggravated by the pandemic context.

Scientific research has, of course, not escaped the difficulties from the Covid-19 pandemic, with effects on the development of research projects such as BIA5. Research projects were temporarily suspended, in some cases, because they involved fieldwork, at a time when freedom of movement was deeply conditioned or even impossible,

In addition, as the majority of the scientific work needs to be done in person, such as field work, laboratory and archive, which require travel. In the specific case of this research project, there were also difficulties in the recruitment of patients.

All these restrictions caused by the Covid-19 pandemic delayed the research project and led to the decision to discontinue the development of BIA5 – Zamicastat.

Foreign exchange losses amounted to € 3.5 M and were concentrated in 3 companies of the Group - Novipharma (€ 1.5 M), BIAL Portela (€ 0.8 M) and Medimport (€ 0.7 M).

28. Interest and similar income and expenses

	2021	2020
Interest and other similar expenses:		
Interest paid	-3 858 642	-4 745 930
Other financial expenses	-901 065	-1 068 378
	-4 759 707	-5 814 308
Financial result	**-4 733 655**	**-5 746 359**
Interest and other similar income:		
Interest received	26 052	66 992
Other revenue	0	957
	26 052	**67 949**

The financing made during 2021 was contracted at significantly lower rates than those recorded so far, resulting in lower financial costs.

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29. Tax benefits for research and development

- Tax credits carried forward for 2014 R&D	8.056.567
- 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	7.361.819
- Tax credits carried forward for 2018 R&D	9.803.900
- Tax credits carried forward for 2019 R&D	6.853.778
- Tax credits carried forward for 2020 R&D	6.886.676
- Tax credits carried forward for 2021 R&D	8.987.457
Balance carried forward	**64 465 615**

Additionally, we have a tax credit in Spain in the amount of € 0.4M.

Note: The 2021 and 2021 tax credits are pending approval by the entity *Comissão Certificadora para os Incentivos Fiscais à I&D Empresarial.*

30. Research and development

	2021	2020
R&D projects (intangible assets)	2 604 055	6.646.661
Tangible assets	1 977 457	1.436.643
Employees benefits	16 186 457	12.466.879
Third party supplies and services rendered related to R&D activities	52 492 271	28.973.207
Other expenses	8 255 071	734 480
Total of investment	**81 515 311**	**50 257 870**

The Group increased the level of investment in R&D, mainly due to the investment made in the United States. Investment was lower than planned because there were delays in carrying out some projects in countries where the BIAL Group has clinical trials underway due to the impact of the Covid-19 pandemic.

In addition, the company recorded the following expenses related R&D activity:

	2021	2020
Depreciation	22 330 302	21 934 961
Reversals/Impairments – BIA2	- 2 292 394	-2 292 394
Reversals/Impairments – BIA5	- 4 561 766	
Reversals/Impairments – BIA5	1 031 328	
Provisions for commitments made – Bia5	1 363 183	
Rendering of services (milestones)	-571 429	-27 969 783
Total	**17 301 245**	**-8 327 216**

31. Leases

(a) Finance leases

The company has finance leases for production 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 purchase options.

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.

32. 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.

BIAL Group's main objective 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.

Exchange rate risk

The Group is increasingly exposed to exchange rate risk, given the markets in which it operates. To mitigate this risk, natural hedging and exchange rate fixing mechanisms have been implemented, always taking into account the Group's foreign exchange needs.

In 2021, in addition to the use of natural hedging of receipts/payments, forward contracts were also initiated for excess amounts.

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In trade receivables and trade payables, there are balances denominated in currencies other than Euro, as detailed below:

Customers:

Currency	Amount
CHF	388 815
MZM	142 624 055
USD	612 254

Investment Suppliers:

Currency	Amount
AUD	19 848
USD	1 588 645
GBP	88 625

Suppliers:

Currency	Amount
AOA	13 805 644
AUD	20 337
CAD	70 806
CHF	3 292 503
GBP	2 253 668
JPY	47 625 500
MZM	10 006 041
SEK	70 000
USD	1 567 574

Other receivables:

Currency	Amount
GBP	5 212 602
CHF	9 239 230

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. The Group has policies in place that limit the credit amount awarded to customers with moderate or high risk.

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 2021 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 group could be exposed to this risk.

Considering the Group's current financial situation, its capacity to generate free cash flow and its cash surplus, this risk is considered to be mitigated.

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, the new methodology for determining sales prices to the public stands out, based on the definition of reference countries.

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

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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.

33. Environmental matters

BIAL – Portela & Cª, S.A. is certified by ISO 9001:2015 (Quality), ISO 14001:2015 (Environment) and OHSAS 18001:2007/ NP 4397:2008 (Management System and Occupational Health and Safety), and has defined as priority aims in the Strategic Plan every three years, the following:

- Make appropriate changes to the corporate structure to ensure optimal support for the organization's growth challenges;
- 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 ensure that the objectives set are met;
- Strengthen management by objectives to involve all employees in greater productivity and quality of products and services, as well as customer satisfaction;
- Maintain existing certifications and authorizations and increase the level of implementation of the GxP, working to achieve the level of excellence.

Note that environmental management costs with Valormed amount to € 29.928 (2020: € 28.787). Valormed is the entity responsible for drugs collecting and packaging recalls from pharmacies.

The costs with forwarding waste amounted to € 43.564 (2020: € 54.824).

Reinforcing its commitment to sustainability, BIAL completed the installation of 1,244 photovoltaic solar panels, occupying an area of about 2,500 m2, which allowed a production of 671,343 kWh avoiding the emission of 315 tons of CO2. Aware of the energy transition in 2021, the energy consumed by BIAL originated from renewable sources and obtained Certificates of Origin.

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.

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34. Guarantees

Beneficiary	Guarantee type	Value
BEI	Bank Loan (BEI)	8.000.000
BEI	Bank Loan (BEI)	7.000.000
BEI	Bank Loan (BEI)	7.000.000
BEI	Bank Loan (BEI)	5.833.333
INNOVAPUGLIA S.P.A.	Supply of medicines	229.944
Regione Lazio e Aziende Sanitarie	Supply of medicines	227.027
SORESA SPA CENTRO DIREZIONALE	Supply of medicines	201.530
IAPMEI - AGENCIA COMPETITIVIDADE E INOVAÇÃO, I.P.	COMPETE - Project 30027	201.237
IAPMEI - AGENCIA COMPETITIVIDADE E INOVAÇÃO, I.P.	COMPETE - Project 30028	130.402
Agenzia Regionale Intercent-ER	Supply of medicines	100.254
ASP DI PALERMO	Supply of medicines	92.594
AZIENDA ZERO	Supply of medicines	81.497
IAPMEI - AGENCIA COMPETITIVIDADE E INOVAÇÃO, I.P.	COMPETE - Project 30026	75.001
CUC FVG SOGGETTO AGGREGATORE	Supply of medicines	73.893
Regione Lazio e le Aziende	Supply of medicines	66.410
A.Li.Sa.	Supply of medicines	60.377
Regione Autonoma della Sardegna	Supply of medicines	50.586
REGIONE AUTONOMA DELLA SARDEGNA	Supply of medicines	50.119
A.R.I.C - Ag. Reg. di Informatica	Supply of medicines	41.506
MEDIMOC, S.A.R.L	Supply of medicines	39.933
ARIC VIA NAPOLI 4 64019 TORTORETO	Supply of medicines	39.455
A.U.S.L.UMBRIA 1 Via Guerra 21/17	Supply of medicines	37.256
INNOVAPUGLIA SPA BA	Supply of medicines	20.137
CAMARA MUNICIPAL MAIA	Deposit for public works	14.964
Emprofac - Empresa Nac. Prod. Farma	Supply of medicines	10.273
ASUR MARCHE	Supply of medicines	9.708
ASUR MARCHE VIA OBERDAN, 2	Supply of medicines	9.663
INTERCERT-ER AGENZIA PER LO	Supply of medicines	9.442
EMPROFAC EMP NAC PROD FARMACEUTICO	Supply of medicines	9.355
Emprofac - Empresa Nac. Prod. Farma	Supply of medicines	9.199
Fiscal Ior	Other supplies	7.159
SAMES MINISTRY HEALTH	Supply of medicines	6.134
MEDIMOC, S.A.R.L	Supply of medicines	4.569
IGIF	Other supplies	3.315
AZIENDA SANITARIA PROVINCIALE DI	Supply of medicines	3.105
SERVICO AUTONOMO MEDICAMENTU SAUDE	Supply of medicines	1.295
ASP CALTANISSETTA	Supply of medicines	970
INTERCENT-ER,	Supply of medicines	944
SERVICO AUTONOMO MEDICAMENTU SAUDE	Supply of medicines	690

35. Subsequent events

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

The instability resulting from Russia's invasion of Ukraine, which began in 2022.02.24, is a factor of concern for this year's negative effects on the world economy.

BIAL has no commercial activity in Ukraine and Russia is marginal, so in terms of "turnover" will not be directly affected by the conflict. In neighbouring countries, perhaps the most affected this year, our commercial presence is greatly reduced. However, we are aware of the behaviour of the economies of the countries in which we have important commercial activity, such as the countries of the European Union, USA and Japan.

The main concern is the strong impact on energy, electricity and gas costs, and the price increases of some raw materials and other components used in the production of medicines. In energy terms, investments were made in photovoltaic panels in 2020, which will be strengthened this year, which will minimize this effect through the use of photovoltaic energy. Some energy rationalisation measures have also been strengthened which will reduce consumption and the price effect.

As for raw materials, their financial impact is still unclear. BIAL has high stocks of the two most important (eslicarbazepine acetate and opicapone) which will minimize potential cost increases in the short term. Its effect will depend on how long it will take to find a solution to the armed conflict.

The current most direct impact on BIAL was the interruption of a clinical trial that was underway in Ukraine. At the limit, all work carried out in that country could be lost, which is likely to lead to delays in completing the trial due to the need to strengthen the recruitment of new patients in the countries where the trial is also taking place.

In financial terms, we have the capacity to meet existing commitments, given BIAL's current financial situation and the contracted financing. We do not foresee significant changes in revenue and expenditure budgeted for 2022.

We are aware of the difficulties, in an atypical and volatile conjuncture, after two years conditioned by the Covid-19 pandemic, but focused on fulfilling our mission, at the service of patients, and confident that solutions will be found, internal and external, suitable to overcome any new difficulties.

36. 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, 2022.03.24

THE FINANCE DIRECTOR AND CHARTERED ACCOUNTANT

SANDRA COSTA

THE BOARD OF DIRECTORS OF THE PARENT COMPANY (BIAL HOLDING, S.A.)

ANTÓNIO HORTA OSÓRIO | **Chairman**

ANTÓNIO PORTELA | **CEO**

RICHARD PILNIK | **Member**

JOSÉ REDONDO | **Member**

MIGUEL PORTELA | **Member**

JOSÉ BASTOS | **Member**

JOERG HOLENZ | **Member**

Bial
Keeping life in mind.

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(Translation from the original Portuguese language. In case of doubt, the Portuguese version prevails.)

Statutory Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Bial - Holding, S.A. (the Group), which comprise the Consolidated Balance Sheet as at 31 December 2021 (showing a total of 544.933.857 euros and a total equity of 283.986.257 euros, including a net profit attributable to equity holders of the parent of 5.620.415 euros), and the Consolidated Income Statement by Nature, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Bial - Holding, S.A. as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by the Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the audit of the consolidated financial statements" section below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled other ethical responsibilities in accordance with the Institute of Statutory Auditors' code of ethics.

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

Responsibilities of management for the consolidated financial statements

Management is responsible for

- the preparation of the consolidated financial statements presents a true and fair view the financial position, the financial performance and the cash flows of the Group, in accordance with the Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- the preparation of the Management Report in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern that may cast significant doubt on the Group's ability to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and we remain solely responsible for our audit opinion; and
- communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the Management Report

Pursuant of article 451, n. 3, paragraph e) of the Commercial Companies Code, it is our opinion that the consolidated Management Report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatement

Porto, 20 April 2022

Ernst & Young Audit & Associados - SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

João Carlos Miguel Alves - ROC n.º 896
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Relatório e Parecer do Fiscal Único

Senhores Acionistas,

Em cumprimento do disposto no artigo 420 al. g) conjugado com o artigo 508-D n.º 1 do Código das Sociedades Comerciais, compete-nos emitir o relatório anual sobre a nossa ação fiscalizadora e dar parecer sobre o Relatório de Gestão Consolidado e as Demonstrações Financeiras Consolidadas apresentados pelo Conselho de Administração de Bial - Holding, S.A., referente ao exercício findo em 31 de dezembro de 2021.

No decurso do exercício, acompanhámos a atividade da empresa tendo efetuado os seguintes procedimentos:

- Verificámos, com a extensão considerada necessária, os registos contabilísticos e documentos que lhes servem de suporte;
- Verificámos, quando julgámos conveniente, da forma que julgámos adequada e na extensão considerada apropriada, a existência de bens ou valores pertencentes à sociedade ou por ela recebidos em garantia, depósito ou outro título;
- Verificámos que a definição do perímetro de consolidação e as operações de consolidação efetuadas estão de harmonia com o estabelecido nas normas de consolidação aplicáveis;
- Verificámos a adequacidade dos documentos de prestação de contas consolidadas;
- Verificámos que as políticas contabilísticas e os critérios valorimétricos adotados nas contas consolidadas conduzem a uma adequada apresentação do património e dos resultados do Grupo no qual a sociedade é a empresa-mãe;
- Confirmámos que o Relatório de Gestão Consolidado, o Balanço Consolidado, a Demonstração Consolidada dos Resultados por Naturezas, a Demonstração Consolidada das Alterações no Capital Próprio, a Demonstração Consolidada dos Fluxos de Caixa e o Anexo consolidado, satisfazem os requisitos legais aplicáveis;
- Averiguámos da observância pelo cumprimento da lei e do contrato de sociedade; e
- Cumprimos as demais atribuições constantes da lei.

No decurso dos nossos atos de verificação e validação que efetuámos com vista ao cumprimento das nossas obrigações de fiscalização, obtivemos do Conselho de Administração e dos Serviços as provas e os esclarecimentos que consideramos necessários.

No âmbito do trabalho de revisão legal de contas que efetuámos foi emitida, nesta data, a correspondente Certificação Legal das Contas sobre as contas consolidadas, sem reservas e sem ênfases.

Face ao exposto decidimos emitir o seguinte parecer:

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Parecer do Fiscal Único

Senhores Acionistas,

Procedemos à ação de fiscalização de Bial - Holding, S.A., nos termos do artigo 420 conjugado com o artigo 508-D n.º 1 do Código das Sociedades Comerciais, em resultado da qual somos de parecer que:

(a) O Relatório de Gestão Consolidado do exercício de 2021 satisfaz os requisitos previstos no Código das Sociedades Comerciais; e

(b) O Balanço Consolidado, a Demonstração Consolidada dos Resultados por Naturezas, a Demonstração Consolidada das Alterações no Capital Próprio, a Demonstração Consolidada dos Fluxos de Caixa e o Anexo Consolidado do exercício de 2021, satisfazem os requisitos legais e contabilísticos aplicáveis.

Porto, 20 de abril de 2022

O Fiscal Único

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Representada por:

João Carlos Miguel Alves - ROC n.º 896
Registado na CMVM com o n.º 20161217

Sociedade Anónima - Capital Social 1.335.000 euros - Inscrição n.º 178 na Ordem dos Revisores Oficiais de Contas - Inscrição N.º 20161480 na Comissão do Mercado de Valores Mobiliários
Contribuinte N.º 505 988 283 - C. R. Comercial de Lisboa sob o mesmo número
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