

Translation from Romanian

**THE POLICY
OF BIOFARM S.A. COMPANY
REGARDING THE ANNUAL DISTRIBUTION OF DIVIDENDS**



FOREWORD

Biofarm is one of the first Romanian manufacturers of medicines and food supplements incorporated in 1921. Currently, Biofarm is the most important Romanian manufacturer of softgel capsules, among the first 3 Romanian manufacturers of solutions and suspensions for oral administration and one of the largest manufacturers of tablets and sugar-coated tablets of Romania, with over 100 products in its portfolio, covering over 60 therapeutic areas (on 9 of them, Biofarm[®] being a market leader).¹

100 years of life have taught us many things: responsibility, performance, innovation, care and, above all, the fact that these values only make sense if they are put at the service of people.

¹ on the date of Policy implementation



1. Purpose

The Company's policy on dividends aims to establish some principles for the Company to follow regarding the partial distribution of net profit, in the form of dividends, being supplemented by the provisions of the Articles of Incorporation, as well as by the relevant legal provisions regarding net profit distribution, the declaration and payment of dividends, as well as the related taxes.

2. Definitions and Abbreviations

GMS = General Meeting of Shareholders

OGMS = Ordinary General Meeting of Shareholders

The dividend = is defined by Art. 67 of Law 31/1990, republished, as being the share from the profit that is paid to each shareholder following a distribution decision.

Dividend Beneficiary = Any natural or legal person, resident or non-resident, may benefit from obtaining dividends, provided that it holds shares in Biofarm S.A. company.

Ex-date = The date prior to the registration date with a settlement cycle minus one working day, from which the financial instruments subject to the decisions of the corporate bodies are traded without the rights deriving from that decision. Ex-date is calculated taking into account the settlement cycle T + 2 working days.

Dividend registration date = The expressly specified calendar date, respectively dd/mm/year, established by the General Meeting of Shareholders, hereinafter referred to as GMS, which serves to identify the shareholders who are to benefit from dividends or other rights and on whom the effects of GMS decisions are reflected. The registration date is established in the case of GMS decisions regarding corporate events.

Dividend payment date = The expressly specified calendar date, respectively dd/mm/year, on which the results of a corporate event, related to the holding of financial instruments, are due, respectively on which the debit and/or credit of sums of money and/or financial instruments must be carried out. The payment of dividends is made within the term established by OGMS, but no later than six months from the date of approval of the annual financial statements related to the completed financial year.

Tax on dividends = It is addressed to the legal person that distributes dividends, and the Tax Code provides that the tax on dividends shall be declared and paid until the 25th of January of the following year, respectively until the 25th of the first month of the modified fiscal year, following the year in which the annual financial statements were approved, as the case may be.

Dividend income tax = The obligation to calculate and withhold the tax falls upon the legal person that distributes dividends, for residents, together with the payment of dividends to shareholders. The tax due is transferred in full to the state budget until and including the 25th of the month following the month in which the payment is made. The method of withholding tax for non-residents shall be specified in the dividend payment procedure approved for each individual distribution, in compliance with the legal provisions in force.

Social contributions related to dividend income = Contributions that are the obligation of the beneficiaries of dividends. The categories of beneficiaries that have the obligation to pay social contributions are provided for in the applicable legislation. Compliance with obligations of this type is the sole responsibility of beneficiaries.



3. Reference Documents

The principles underlying the granting of dividends are provided for in the Company's Articles of Incorporation and in the applicable legislation, among which:

- The Companies Law No. 31/1990, republished
- Law No. 24/2017 on issuers of financial instruments and market operations
- Regulation No. 5/2018 on issuers of financial instruments and market operations
- Law No. 227/2015 regarding the Tax Code
- Any other normative acts that regulate the Issuer's activity.

4. General Aspects

The Company's policy regarding the distribution of net profit aims at its options to distribute it to shareholders, to reinvest it in supporting its own projects or to distribute it to both destinations. Annually, the Company, depending on the existing situation at that time, decides the effective method of distributing the profit, taking into account whether there is a need for investments, other specific legal requirements (reserves to be established).

The investment projects are provided by the Annual Investment Plan, approved by the Company's General Meeting of Shareholders.

The Board of Directors of Biofarm S.A., in the absence of exceptional circumstances, may recommend to shareholders the distribution of dividends for each financial year in the proportion of 20% - 70% of the Company's profit, depending on the business plan and considering the Company's development strategy.

The Company's net profit is established on the basis of the audited annual financial statements, approved by OGMS and is distributed, according to the law, based on the decision of the OGMS. In order to determine the percentage of the net profit to be allocated to dividends, according to the dividend policy, the Board of Directors will take into account the following:

- The Company's investment needs and opportunities;
- The financial availability for the payment of dividends and the degree of indebtedness of the Company.

5. Right to Dividends

Dividends are distributed to shareholders in proportion to the share of the paid-up capital, according to the decision of the GMS.

They are paid within the deadline established by the GMS or, as appropriate, established by special laws, but not later than 6 months from the date of approval of the annual financial statement afferent to the concluded fiscal year. Otherwise, the company owes, after this deadline, a penalty interest calculated pursuant to Art. 3 from the Government Ordinance No. 13/2011, if, by the Articles of Incorporation or by the decision of the General Meeting of Shareholders that approved the financial statement afferent to the concluded fiscal year, no higher interest has been established.

Dividends may only be distributed from profits determined according to the law.

Dividends paid contrary to the provisions of Law No. 31/1990, republished, are returned if the Company proves that shareholders were aware of the irregularity of the distribution or, under the existing circumstances, should have been aware of it.

Dividends that are due after the date of transfer of shares belong to the transferee, unless the parties have agreed otherwise.

The proposal regarding the distribution of dividends is made available to the shareholders at the company's headquarters from the date of the GMS convening.

The shareholders registered in the shareholders' register on the date of registration are those who are entitled, pursuant to the law, to benefit from dividends or other rights and on whom the effects of GMS decisions are reflected.



The company distributes dividends from the net annual distributable profit, reported based on the annual audited individual financial statements, after their approval by the OGMS, respectively, the approval of the dividend distribution proposal. The part of the net profit to be distributed in the form of dividends is allocated after establishing the mandatory amounts provided by the law, respectively, to the legal reserve and, as the case may be, the use of the net profit for other purposes.

The proposal for the distribution of dividends formulated by the Board of Directors shall be submitted to the vote of the OGMS, usually at the same meeting where the annual audited individual financial statements of the Company are submitted for approval, respectively within 120 days at most from the end of the financial year.

Dividends are distributed to shareholders in proportion to the share in the Company's share capital, each fully paid share giving the holder the right to receive dividends.

The list of the beneficiaries of dividends is drafted based on the shareholders' register issued by the Depozitarul Central on the registration date, in compliance with the OGMS decision.

6. Payment of Dividends

OGMS approves the gross amount of dividends, the net dividend per share and the date of payment (the date on which the payment of net dividends begins), which shall not exceed 6 months from the date of approval.

The issuers pay the dividends and any other amounts due to the holders of securities in accordance with the provisions of Law No. 24/2017 and of the FSA Regulation No. 5/2018 through the Depozitarul Central and the participants in the compensation-settlement and registry system.

In the case of a shareholder/holder of securities *who has opened a securities account with an intermediary* participating in the compensation-settlement system and registry of the Depozitarul Central, the payment of dividends/other amounts due to the holders of securities is made by the Depozitarul Central through the Depozitarul Central and the participants in the compensation-settlement and registry system of the Depozitarul Central.

In the case of a shareholder/securities holder *who has not opened a securities account with an intermediary* participating in the compensation-settlement system and registry of the Depozitarul Central, the payment of dividends/other amounts due to the holders of securities is made by the Depozitarul Central through the appointed Paying Agent, in compliance with the legal provisions in force, by the issuer in which the respective shareholder/securities holder has holdings.

The paying agent is a financial institution appointed by the issuer, which has concluded a contract with the Issuer and with the Depozitarul Central, through which the holders of securities can exercise their financial rights.

Income from dividends paid by the Company is subject to withholding tax, in compliance with the provisions of the Tax Code, as further amended and supplemented.

7. Ensuring Publicity regarding the Payment of Dividends

The payment of dividends will be made in compliance with the legal provisions in force, with each distribution there being a Dividend Distribution Procedure approved by the Company's Board of Directors that will show the concrete methods of paying dividends to shareholders (gross dividend, date of payment, date of registration, ex-date, payment methods, deferred payment date, if applicable).

The approved procedure is disseminated in accordance with the applicable legal regulations.



8. Prescription of Dividends

The Company's policy is to keep the dividends available to shareholders for 3 (three) years, the general statute of limitation period being calculated from the dividends due date (respectively the date of payment established by the OGMS decision).

9. Final Provisions

If any of the provisions of this Policy will become contrary to the law, following its amendment or supplementation, then the provisions of the legislation in force shall take precedence over it.

**B.D. Chairman
Andrei Hrebenciuc**

