

Letter of Expectations

ANTIBIOTICE S.A.

TABLE OF CONTENTS

(1) GENERAL PRESENTATION	Error! Bookmark not defined.
(2) THE STRATEGIC FRAMEWORK.....	Error! Bookmark not defined.
(3) CONTEXTUAL REQUIREMENTS	Error! Bookmark not defined.
4.1. Investment policy expectations applicable to the public enterprise	7
4.2. Expectations regarding the financing policy applicable to the public enterprise ...	8
4.3. Expectations regarding the operational activity of the public enterprise.....	9
4.4. Public enterprise profitability expectations	10
4.5. Expectations regarding the dividend policy/disbursements from the net profit applicable to the public enterprise.....	12
4.6. Expectations regarding environmental objectives	13
4.7 Expectations regarding customer goals.....	13
4.8. HR policy expectations (<i>includes indicator categories related to employees, job creation, gender equality</i>)	14
4.9. Innovation policy expectations	14
4.10. Corporate governance expectations	16
4.11. Expectations regarding communication with the administration and management bodies of the public enterprise	17
4.12. Expectations regarding the quality and safety of the services and products offered by the public enterprise.....	17
4.13. Ethics, Integrity and Corporate Governance Expectations	17

(1) GENERAL PRESENTATION

1.1. Presentation of the company, brief history

Antibiotice S.A. is the main manufacturer of generic medicines in Romania with majority state-owned capital, established by the Decision of the Council of Ministers no. 2980/29.12.1952 under the name of Antibiotice Factory Iași which was transformed, based on HG no. 1200/1990 into S.C. Antibiotice S.A. By GD no. 410/2009, the transfer of the shares held on behalf of the state to Societatea Comercială Antibiotice - S.A. (Antibiotice S.A. Commercial Company) Iasi was ordered from the portfolio of the Authority for the Valorization of State Assets at the Ministry of Health. By GD no. 144/2010 regarding the organization and operation of the Ministry of Health, Antibiotice S.A. is included in the list of companies under the authority of the ministry.

Head office: municipiul Iași, str. Valea Lupului nr. 1,

Order number in the Trade Register: J 22/285/1991

Unique Tax Registration Code: 1973096

Tax attribute: RO

The main object of activity: “Manufacture of basic pharmaceutical products”, CAEN code 2110.

The company has been listed on the Bucharest Stock Exchange since 1997, in the Premium category.

The company is an operator of essential services in the national economy.

Governing bodies: General Meeting of Shareholders, Management Board, General Director.

1.2. The legal form of organization of the public enterprise, with the classification of the public enterprise in one of the categories: commercial, regulated monopoly or public service (at an acceptable cost)

The legal form of organization: a joint stock company which is organized and operates in accordance with the provisions of Law no. 31/1990, regarding the commercial companies.

Antibiotice S.A. is classified in the commercial category, as a company listed on the Bucharest Stock Exchange, Premium category, and it operates on the competitive free market in Romania and in over 50 other countries.

1.3. The company's shareholding structure

The shareholding structure at the date of this Letter of Expectation:

No.	Share holder	No. of shares	Percentage of share capital held
1.	Ministry of Health	355,925,135	53.0173 %
2.	Infinity Capital Investments S.A.	197,475,826	29.4153 %
3.	Natural persons (47555 shareholders)	90.742.613	13,5167 %
4.	Other shareholders, legal entities (167 shareholders)	27.194.466	4,0508 %
Total		671,338,040	100%

1.4. The economic sector and sub-sector in which the public enterprise operates

- Economic sector: chemical industry.
- Economic sub-sector: the manufacturing of basic pharmaceutical products.

1.5. Legislation applicable to the public enterprise's field of activity, including the corporate governance legislation

- Law no. 31/1990, regarding the commercial companies;
- Government Emergency Ordinance no. 109/2011, regarding the corporate governance of public enterprises;
- G.D. no. 639/2023 for the approval of the methodological rules for the application of GEO 109/2011;
- Law no. 24/2017, regarding the issuers of financial instruments and market operations;
- Regulation no. 5/2018 of F.S.A. (Financial Supervisory Authority) regarding the issuers of financial instruments and market operations;
- Law no. 95/2006, regarding the health reform.

(2) THE STRATEGIC FRAMEWORK

2.1. Synthesis of European strategies/objectives (including those arising from Romania's National Recovery and Resilience Plan), in the field in which the public enterprise acts

The EU public health policies and actions aim to protect and improve the health of the citizens of the Member States. (EU health policy - Consilium (europa.eu))

2.2. Synthesis of the governmental, sectoral and/or, as the case may be, local strategy in the field in which the public enterprise operates, including the medium and long-term sectoral and fiscal-budgetary objectives of the state

The National Health Strategy 2023-2030 (SNS) represents the commitment of the Ministry of Health, as the central authority for the development and coordination of health policies at the national level. (https://ms.ro/media/documents/Anexa_1_-_SNS.pdf)

The objectives of the National Health Strategy 2023-2030 that directly involve the public enterprise Antibiotice S.A.:

- Ensuring the need for medicines in hospitals and pharmacies,
- The development of the national production capacity of medicines and medical devices;
- Ensuring the availability, safety and authenticity of medicines;
- Carrying out research activities for the development of new medicines.

2.3. Synthesis of the company's strategy, published and approved, applicable in the coming mandate

The company's strategy is contained in "The Future Together 2023-2030 Business Plan", developed by the management board and approved by the General Meeting of Shareholders. The business plan is a strategic tool for the continuous adaptation to the domestic and international market, for the

development and growth of the business. Based on it, the board and the executive management organize their activity by establishing their priorities, organize and motivate the staff and monitor the company's performance.

The business plan will determine:

- a. improving the health of the population,
- b. ensuring the availability and affordability of medicines,
- c. the safety, efficacy and quality of medicines,
- d. investments in new production capacities by accessing European funds,
- e. investments in research-development and innovation activities,
- f. the digitalization of activities,
- g. the business sustainability and durability;
- h. the optimal utilization of production capacities;
- i. maximizing the market potential for the products in the portfolio;
- j. optimizing the sales structure;
- k. maximizing long-term returns;
- l. the cost management;
- m. the diversification of funding sources to support the current activities and investment programs;
- n. the standardization and efficiency of processes

(3) CONTEXTUAL REQUIREMENTS

3.1. The current context of ANTIBIOTICE S.A. is enhanced by the factors which determine its current performance and its current stage of development, which are likely to significantly impact future operations, development and performance and which future principals and directors will need to take into account in planning and approaching the future mandate. Of these, we believe that the following circumstances will have the greatest impact:

- Internal:
 - The financial status of the company;
 - Corporate governance of the company;
 - Management systems/tools:
 - MBO,
 - performance management
 - risk management
 - product portfolio management
 - Degree of digitalization
 - Attracting and retaining qualified human resources
 - Ensuring the necessary investments

- External:
 - The target markets that the company is present and/or it wants to access
 - The legislative context
 - The new EU requirements
 - The sustainability requirements

Considering all these circumstances, we believe that in the future mandate the priorities of the Board of Directors will have to be the following:

- strengthening the business in the domestic and international market by maintaining existing business partnerships;
- introducing new products into the portfolio;
- development of research and innovation projects, intended to optimize the products in the portfolio and/or to obtain new products;
- the digitalization, through the purchase and commissioning of software and hardware solutions for streamlining and optimizing processes;
- making investments in order to develop new production capacities and to modernize and retech the existing ones;
- the implementation of human resources policies that ensure the highly qualified workforce and its long-term retention;
- the effective relationship with the regulatory authorities in Romania and in the other territories where the company operates, in order to obtain and maintain all the authorizations and requirements specific to the pharmaceutical industry;
- maintaining an Integrated Quality Management System;
- optimization of production processes in order to reduce operating costs and minimize the impact on the environment and personnel protection;
- supporting sustainability projects, social responsibility and the constant concern to contribute to protecting the environment, improving people's lives and health;
- maintaining a climate of transparency and trust in relations with stakeholders;
- maintaining a corporate governance system that ensures the balance and independence of management bodies, effective risk management, transparency in relations with investors and stakeholders and fair performance management;
- the annual increase in the net turnover, with the target of reaching the value of 1,000 million lei in 2028;
- the annual increase in the net profit, aiming to reach 160 million lei in 2028.

The directions of action will be:

- a. the sale of products from the portfolio in the optimal structure; by optimal structure we mean those products that cumulatively meet the following requirements:

- they are necessary for health systems as they are a part of the treatment schemes – a part of the therapeutic protocols approved by the European and national authorities;
 - the selling price ensures the company the expected level of profitability, ensuring an optimal quality/price ratio compared to the main competitors;
- b. completing the portfolio with new products required in the treatment schemes – a part of the therapeutic protocols approved by the European and national authorities, which provides the company with the minimum level of profitability established in accordance with point a above;

The expected lines of action are derived from the EU Public Health Policies and Actions and the National Health Strategy 2023-2030 (SNS).

3.2. Vision, mission, objectives and strategic directions

Vision

The Public Tutelary Authority intends to have in its portfolio a medicines manufacturing company that provides safe and accessible medicines in the health system under profitable conditions for the public enterprise. Also, the Public Tutelary Authority intends to have in its portfolio a research - innovative development center in the pharmaceutical field.

Mission and objectives

The development of the national production of medicines and the field of innovative research and development.

Strategic directions

- product portfolio development,
- investments for the development of new production capacities,
- investments in research and development,
- investments in sustainability projects,
- human resources policies,
- digitalization,
- efficient system of good corporate governance.

3.3. The objectives of ANTIBIOTICE S.A. on each strategic direction, together with the performance indicators that allow monitoring the progress in reaching the objective

No	Objective	The strategic financial/non-financial objective to be achieved in the future mandate	Performance indicators that measure the degree of achievement of the objective
1.	Increase in turnover in the EU	Delivery of medicines in the EU	The growth rate of net turnover achieved in the EU (including RO) by 2024 – 7 %; 2025 – 7 %; 2026 - 7 %; 2027 – 7 %; 2028 -7 %
2.	Increasing market share in Romania	Effective marketing strategies and campaigns	Total Net Revenue Growth Rate for 2024 - 5%; 2025 - 5%; 2026 - 5%; 2027 - 5%; 2028 - 5%
3.	Development of the national production capacity of medicines and medical devices; Development of the company's new production capacities and new technological lines	Development of new production capacities and technological lines	Capital expenditure for 2024 – 65(mil lei); 2025 – 65 (mil lei); 2026 – 65 (mil lei); 2027 – 65(mil lei); 2028 - 65(mil lei)
4.	Ensuring the availability, safety and authenticity of medicines	Maintaining the product quality assurance system	Domestic customer retention rate for 2024 – 80%; 2025 – 80%; 2026 – 80%; 2027 – 80%; 2028 - 80%
5.	Carrying out research activities for the development of new medicines	Development of research and development projects	Research and development expenses for 2024 -15 mil lei; 2025 – 15 mil lei; 2026 – 15 mil lei; 2027 – 15 mil lei; 2028 - 15 mil lei

(4) SHAREHOLDER EXPECTATIONS

4.1. Investment policy expectations applicable to the public enterprise

OBJECTIVE	
Development of the national production capacity of medicines and medical devices; Development of the company's new production capacities and new technological lines.	
OBJECTIVE - Financial investment policy	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE
	<ul style="list-style-type: none"> the commissioning of new production capacities (purchases of new machines and production equipment, creation of new production lines, creation of new production sites) strengthening the current production capacity (refurbishment, replacement of equipment where necessary)

PERFORMANCE INDICATORS THAT REFLECT PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Capital expenditure (million lei)	65	65	65	65	65

OBJECTIVE					
Carrying out research activities for the development of new medicines.					
OBJECTIVE - Financial investment policy	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE				
	<ul style="list-style-type: none"> • carrying out research projects with the objective of creating new medicines, • the development of partnerships in research and development, with the objective of creating and / or purchasing new medicines in the portfolio, • investments in laboratory equipment necessary for research and development projects, • the introduction into the product portfolio of at least 30 new products resulting from the company's own research and development projects and/or license acquisition projects (during the four-year mandate). 				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Research and development expenses (million lei)	15	15	15	15	15

4.2. Expectations regarding the financing policy applicable to the public enterprise

OBJECTIVE	
Development of the national production capacity of medicines and medical devices; Development of new company's production capacities and new technological lines.	Ensuring the availability, safety and authenticity of medicines
OBJECTIVE - Financial regarding the financing policy	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE
	<ul style="list-style-type: none"> • Development and implementation of marketing strategies to increase the notoriety of the products and implicitly the sales in conditions of profitability • Making sales in an optimal structure • Ensuring the financial balance between long-term and short-term financing

PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Debt to EBITDA ratio	2.19	2.18	2.17	2.16	2.15

Substantiation: The ratio between debt and EBITDA (Total Debts/EBITDA) translates the non-payment risk of the public enterprise. The Public Tutelary Authority will ensure that the ratio between Total Debts/EBITDA is as planned.

The objectives and actions of Antibiotice S.A.'s Business Plan are translated into values for each income and expenditure indicator and for each asset element.

The indicator was forecast by analyzing the history in the period 2020-2023: 4.78 in 2020 / 4.82 in 2021 / 2.95 in 2022 / 2.20 in 2023 in conjunction with the objective, for the next term, of growth and maintaining the balance between operational, investment and financing activity, which determines a downward trend in the ratio of debts and EBITDA.

Performance indicators that translate progress in achieving the objective	Achieved values				Estimated annual target value of the indicator (maximum level of achievement)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Debt to EBITDA ratio	4.78	4.82	2.95	2.20	2.19	2.18	2.17	2.16	2.15

Calculation formula: Ratio between debt and EBITDA = Total Debt* / EBITDA**

*Total Debts = short-term debts (maturity < 1 year) + long-term debts (maturity > 1 year)

**EBITDA = net profit + interest expenses + tax expenses + depreciation expenses + amortization expenses

4.3. Expectations regarding the operational activity of the public enterprise

STRATEGIC OBJECTIVE					
Ensuring the necessary medicines to the health system.					
OBJECTIVE - Financial regarding operational activity	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE				
	<ul style="list-style-type: none"> • Establishing partnerships for medicines distribution • Making sales in an optimal structure • Collection of receivables at the contractual term 				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Inventory turnover rate	4.48	4.48	4.48	4.48	4.48
Turnover ratio of total receivables	2.1	2.1	2.1	2.1	2.1

Substantiation: The Public Tutelary Authority tracks the "Receivables turnover rate" indicator that measures how efficient the public enterprise is in collecting account receivables from its customers. Also, the Public Tutelary Authority tracks the "*Stock turnover rate*" indicator to monitor the time needed to convert stock into cash.

By referring to the history of the indicators and the future financial objectives, the minimum levels regarding the turnover rates have been established to ensure a high degree of certainty regarding the achievement of the financial indicators.

The minimum expected level for the turnover rate of total receivables 2024-2028 also takes into account the possibility of increasing the terms for settling receivables in the medical system in Romania.

Performance indicators that reflect the progress in achieving the objective	Achieved values				Estimated annual target value of the indicator (minimum level of achievement)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Inventory turnover rate	3.73	3.43	4.23	4.25	4.48	4.48	4.48	4.48	4.48
Turnover ratio of total receivables	1.15	1.39	2.06	2.80	2.10	2.10	2.10	2.10	2.10

Calculation Formula

Receivables turnover = $\text{net turnover} / (\text{receivables at the beginning of the period (To)} + \text{receivables at the end of the period T 1}) / 2$

Inventory turnover = $\text{net turnover} / \text{average inventory value}$

4.4. Public enterprise profitability expectations

STRATEGIC OBJECTIVE					
Ensuring the necessary medicines to the health system.					
Financial OBJECTIVE regarding profitability	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE				
	<ul style="list-style-type: none"> • Making total sales in an optimal structure • Framing with the planned level of operating expenses 				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Operating profit margin	17%	17%	17%	17%	17%
Net turnover growth rate	5%	5%	5%	5%	5%

Substantiation: Operating profit margin is a profitability or performance ratio that reflects the percentage of profit a company makes from its operations before taxes and interest are deducted. The Public Guardianship Authority aims for the public enterprise to have a profit margin that allows it to reduce prices when necessary due to strong competition and at the same time remain profitable.

The Public Guardianship Authority monitors the growth rate of the net turnover, to monitor whether or not the enterprise is developing its business.

The minimum levels of the indicators are established by referring to their history and the values assumed by the Business Plan that the public enterprise approved in the General Assembly.

The turnover is higher from one year to the next but the percentage growth rate is lower, due to the calculation formula in which the base to which the growth is related is higher every year.

Performance indicators that translate progress in achieving the objective	Values achieved				Estimated annual target value of the indicator (minimum level of achievement)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Operating profit margin	11%	9%	10%	16%	17%	17%	17%	17%	17%
Net turnover growth rate	-12%	8%	32%	24%	5%	5%	5%	5%	5%

Calculation Formula

Operating profit margin = Operating profit / net turnover

Net turnover growth rate = $\frac{\text{net turnover}_{\text{current}} - \text{net turnover}_{\text{previous}}}{\text{net turnover}_{\text{previous}}}$

OBJECTIVE					
Increase in turnover in the EU					
Financial OBJECTIVE regarding profitability	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE GOAL				
	<ul style="list-style-type: none"> • Strengthening the position on the Romanian market • Strengthening the presence in the member states where the company currently sells • Expanding the presence with other products in the member states where it already operates <p>Expanding the presence on other markets in the member states</p>				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028

Growth rate of net turnover achieved in the EU (including RO)	7%	7%	7%	7%	7%
---	----	----	----	----	----

4.5. Expectations regarding the dividend/net profit distribution policy applicable to the public enterprise

STRATEGIC OBJECTIVE					
Ensuring the necessary medicines for the health system.					
Financial OBJECTIVE regarding dividend policy	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE GOAL				
	<ul style="list-style-type: none"> Achieving total sales in an optimal structure Staying within the planned level of total expenses 				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Dividend payout rate	9.60%	9.60%	9.60%	9.60%	9.60%

Substantiation: The Public Tutelary Authority, as the majority shareholder, establishes a minimum level of annual distribution of profit in the form of dividends, given that for the state budget, dividends offered by public enterprises represent an important source of income.

The minimum values of the indicator aim to ensure a balance between the need to support the state budget through the payment of dividends and the need for self-financing of the public enterprise in order to ensure the sustainability of the business and implicitly the payment of dividends in the long term.

The values that will be established as indicators of the administrators for each year of the board's mandate will comply with the applicable legal provisions, namely the Ordinance no. 64/2001 on the distribution of profit to national companies, national companies and commercial companies with full or majority state capital, as well as to autonomous public authorities, the Law no. 227/2015 on the Fiscal Code, Memorandums of the Government of Romania, other normative documents in force on the date on which the distribution of dividends will be decided.

Performance indicators that reflect the progress in achieving the objective	Achieved values				Estimated annual target value of the indicator (minimum level of achievement)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Dividend payout rate	8.41%	7.17%	13.81%	68.65%	9.60%	9.60%	9.60%	9.60%	9.60%

Calculation Formula: $Dividend\ payout\ ratio_t = \text{dividends paid}_t / \text{net profit}_t$

4.6. Expectations regarding the environmental objectives

STRATEGIC OBJECTIVE					
The development of the national production capacity for medicines and medical devices; The development of the company's new production capacities and new technological lines.					
Non-financial OBJECTIVE regarding environmental policy	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE GOAL				
	<ul style="list-style-type: none"> • Commissioning of the 3.7 MWh Photovoltaic Power Plant • Monitoring of electricity consumption 				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Energy consumption (MWh)	0.024	0.024	0.024	0.024	0.024

4.7 Expectations regarding customer goals

STRATEGIC OBJECTIVE					
Ensuring the availability, safety and authenticity of medicines					
Non-Financial Customer Policy Objective	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE				
	<ul style="list-style-type: none"> • maintaining the product quality assurance system 				
KEY PERFORMANCE INDICATORS REFLECTING THE PROGRESS TOWARDS THE GOAL	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR				
	2024	2025	2026	2027	2028
Customer retention rate	≥ 80%	≥ 80%	≥ 80%	≥ 80%	≥ 80%
Domestic customer satisfaction score	≥ 80%	≥ 80%	≥ 80%	≥ 80%	≥ 80%

Substantiation: The customer retention has a significant impact on the long-term success of the public enterprise's business, and the Public Tutelary Authority monitors this indicator to be able to establish timely remedial measures if they are necessary.

The customer satisfaction score is an essential indicator of the degree of satisfaction of the public enterprise's customers with regard to the quality of its products. It is measured through direct surveys

in which customers are asked to rate the degree of satisfaction on a scale from 1 to 5 and the Public Tutelary Authority monitors this indicator to be able to establish timely remedial measures if they are necessary.

Performance indicators that reflect the progress in achieving the objective	Achieved values				Estimated annual target value of the indicator (minimum level of achievement)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Customer retention rate	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%
Domestic customer satisfaction score	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%	> 80%

Calculation formulas: Customer retention rate $t = \text{number of customers } t - \text{number of new customers}_t / \text{number of customers }_{t-1}$

Satisfaction score $_t = \text{number of ratings of 4 and 5}_t / \text{total number of ratings}_t$

4.8. HR policy expectations (includes indicator categories related to employees, job creation, gender equality)

STRATEGIC OBJECTIVE					
Ensuring the necessary medicines to the health system.					
Non-financial OBJECTIVE regarding human resources	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE				
	<ul style="list-style-type: none"> Achievement of the professional training plan Implementation of the human resources policy 				
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Average number of training hours per employee	44	46	47	48	48
The rate of female senior managers	≥ 50%	≥ 50%	≥ 50%	≥ 50%	≥ 50%

4.9. Innovation policy expectations

STRATEGIC OBJECTIVE	
Carrying out research activities for the development of new medicines	
Non-financial OBJECTIVE regarding innovation	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE
	<ul style="list-style-type: none"> The timely completion of research projects

	<ul style="list-style-type: none"> • The timely completion of in-licensing projects • Timely obtaining of Marketing Authorizations 									
PERFORMANCE INDICATORS THAT REFLECT THE PROGRESS ACHIEVING OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)									
	<table border="1"> <thead> <tr> <th>2024</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> </tr> </thead> <tbody> <tr> <td>0.1 %</td> <td>0.4 %</td> <td>0.5%</td> <td>0.75 %</td> <td>1 %</td> </tr> </tbody> </table>	2024	2025	2026	2027	2028	0.1 %	0.4 %	0.5%	0.75 %
2024	2025	2026	2027	2028						
0.1 %	0.4 %	0.5%	0.75 %	1 %						
Share of sales of new services and products										

Substantiation: The public strategy of the Ministry of Health to stimulate research and development activities in the field of medicines comes to fruition through the introduction of new medicines into the pharmaceutical market in Romania. The innovation of new medicines is essential for:

- combating emerging diseases,
- combating resistance to known drugs,
- improving existing treatments,
- treating rare diseases,
- improving the quality of life.

The Ministry of Health, as the Public Tutelary Authority of Antibiotice S.A. will establish minimum indicators regarding the bringing of new products into the portfolio, for each year of the management board mandate.

Through the Letter of Expectation, the share of sales of new products is set at a minimal estimated level, taking into account the high degree of uncertainty regarding the prices at which these products will be able to be sold in the coming period.

The indicator cannot be in an upward trend compared to the previous period as it must also be correlated with the authorization period of a new product, which is about 2 years.

Due to the calculation formula, the weight decreases even if the number of new products is increasing from one year to the next, since the base to which it refers is higher due to new products from previous years.

The estimated value in the Letter of Expectation is minimal and it will be adjusted annually to the actual situation, respectively to the Research and Development Projects completed with product development and the Marketing Authorizations obtained.

In establishing the estimated values of the indicators, the fact that duration of a research-development project is between 1 and 5 years and the authorization of a product takes about 2 years was also taken into account. Thus, the research and development expenses of one year have an effect in the sale of new products over 3 - 7 years, and the share of new product sales estimated for the period 2024-2026 is correlated with the research and development expenses of the years 2017-2021.

Performance indicators that reflect the progress in achieving the objective	Achieved values				Estimated annual target value of the indicator (minimum level of achievement)				
	2020	2021	2022	2023	2024	2025	2026	2027	2028
Share of new product sales	0.64%	0.34%	0.72%	2.18%	0.10%	0.40%	0.50%	0.75%	1%

Calculation Formulas: Share of new product sales = new product sales_t / total sales_t

4.10. Corporate governance expectations

STRATEGIC OBJECTIVE					
Ensuring the necessary medicines to the health system.					
Non-financial OBJECTIVE regarding the corporate governance	MAJOR ACTIONS THAT LEAD TO ACHIEVING THE OBJECTIVE				
	<ul style="list-style-type: none"> o maintaining and strengthening the corporate governance structure within the public enterprise; o convening the meetings of the Management Board in compliance with the terms and conditions imposed by the relevant legislation in this regard; o identifying internal and external risks specific to the activity of the public enterprise and establishing effective measures to prevent their occurrence; o the selection and maintenance of at least 4 independent and non-executive directors on the management board 				
PERFORMANCE INDICATORS THAT REFLECT PROGRESS IN ACHIEVING THE OBJECTIVE	ESTIMATED ANNUAL TARGET VALUE OF THE INDICATOR (minimum level of achievement)				
	2024	2025	2026	2027	2028
Number of board meetings	4 meetings	4 meetings	4 meetings	4 meetings	4 meetings
Establishing risk management policies	YES	YES	YES	YES	YES
The proportion of independent members on the management board	≥ 51% of the total number of board members	≥ 51% of the total number of board members	≥ 51% of the total number of board members	≥ 51% of the total number of board members	≥ 51% of the total number of board members

4.11. Expectations regarding the communication with the administration and the management bodies of the public enterprise

The administrators will communicate periodically, transparently and unambiguously, both with the company's shareholders and with the public tutelary authority - the Ministry of Health, in order to ensure timely information regarding:

- the strategic directions of action
- the degree of fulfillment of the strategic objectives
- the achievement degree of the performance indicators

4.12. **Expectations regarding the quality and safety of the services and products offered by the public enterprise**

Maintaining good practice standards in the field of medicines manufacturing in accordance with the requirements specified by the regulations issued by the EMA (European Medicines Agency), the National Medicines and Medical Devices Agency and the FDA (American Food and Drug Administration).

The continuous maintenance, improvement and efficiency of the integrated quality, environment, health and safety management system in accordance with the requirements of reference standards ISO 9001:2015, ISO45001:2018, ISO14001:2015.

4.13. Expectations related to Ethics, Integrity and Corporate Governance

The administrators will have the obligation to know and support the ethical values of the public enterprise, respecting and applying the regulations regarding ethics, integrity, avoiding conflicts of interest, preventing and reporting fraud, acts of corruption and reporting irregularities. In this regard, they will observe the provisions of the company's Code of Ethics, which establishes principles and rules aimed at determining honest conduct and creating an organizational culture based on integrity standards, in accordance with the legislation in force.

Also, the administrators will have the obligation to declare the assets, interests and goods received free of charge in accordance with the legal provisions. In accordance with the provisions of Law no. 176/2010 regarding the integrity in the exercise of public functions and dignities, for the amendment and completion of Law no. 144/2007 on the establishment, organization and operation of the National Integrity Agency, as well as for the amendment and completion of other normative acts, the persons managing Antibiotice S.A. will have to submit annual declarations of assets and declarations of interests.

Also, the administrators will take note of and apply the measures provided in the Antibiotice S.A. Integrity Plan developed in accordance with G.D. no. 1269/17.12.2021 regarding the approval of the National Anti-corruption Strategy for the period 2021-2025, a document structured around three general objectives: preventing corruption, educating administrators, employees and customers, as well as fighting corruption.

In terms of corporate responsibility, the company's administrators will continue the steps taken, especially from the perspective of complying to the European standards and increasing the quality of the reporting process from year to year, in order to increase transparency and present relevant indicators adapted to the needs of shareholders.

The administrators of Antibiotice S.A. will take action for:

- the compliance with the obligations of the public enterprise, according to the object of activity;
- promoting and observing the principles assumed by the Code of Ethics;
- the appropriate information of capital market participants according to the regulations in force;
- the compliance with the requirements of the primary and secondary incidental legislation.