

Forecasting policy

The forecasting policy sets out the formal framework of guidelines for the preparation and publication of the TeraPlast Group's annual budget.

This policy aims to:

1. Ensure a uniform and transparent information of the investors on the financial performance of the Group;
2. Explain the forecasting approach and principles applied by TeraPlast Group.

Basis for drawing up the annual budget

The group shall prepare its annual budget based on internal and external factors that may influence the evolution of financial indicators. By their nature, these projections have a certain level of uncertainty, which may lead to differences between the financial performance indicators communicated in the annual budget and the actual outcomes.

When gathering the data and evaluating the parameters in the budgeting process, the Group shall ensure the reliability, stability and traceability of the information sources used.

External factors include, but are not limited to: macroeconomic parameters, business sectors, political climate, forecasts on the evolution of materials (raw materials) and utilities, legal frameworks that may influence the evolution of business, financing costs and conditions etc.

Internal factors include, but are not limited to: mergers and acquisitions strategy, operational efficiency, workforce, capex, promotion, development etc.

Budgeting process

The annual budget shall be prepared by the executive management of the TeraPlast Group and approved by the Board of Directors before being approved by the General Meeting of Shareholders.

The preparation of the annual budget shall be coordinated by the finance department in charge with checking, summarizing, consolidating and validating the information submitted by the representatives of the business segments. The latter shall draw up forecasts for the evolution of each business segment based on:

- Historical evolution of own performance relative to the market;

- Forecasts on the future evolution of the specific market segments using verifiable sources of information such as market studies, public statistical institutes, rating agencies etc.
- The internal and external factors detailed above;
- Development targets agreed at the level of the Board of Directors.

Following the annual budgeting process, the TeraPlast Group brings it to the stakeholders' attention in a consolidated format (at Group level and per business line). The detailed annual budget is prepared for internal use only by the Group's management and is not made public, with the role of ensuring real-time monitoring of the evolution of financial indicators related to the budget and, where necessary, defining key performance indicators (KPI) related to quarterly / half-yearly results.

If, during the execution of the annual budget, the assumptions based on which the forecasts have been prepared are subject to changes with a significant impact on the expected results, the Group shall duly make this public in its reports.

Publication of the assumptions used

The detailed assumptions, forecasts, plans and metrics on which the Group builds its annual budget and strategy on are intended for internal use and are regularly evaluated.

If the Group's management considers it necessary for stakeholders to be informed on certain details of these assumptions, their publication shall be made in accordance with the unitary information principle, using the company's official communication channels, during the events dedicated to analysts and investors and/or the submission of periodic reports. This also applies if the management of the Group deems it necessary to publish interim estimates regarding the implementation of the budget and/or its amendment.

Usually, TeraPlast Group intends to publish its forecasts on the evolution of the annual financial performance upon the publication of the preliminary annual financial results.

Structure of the published forecasts

TeraPlast Group's annual projections include:

- Profit and Loss (income and expenses);
- Investment plan (capex) structured on general investment categories (e.g., maintenance, expansion of production capacity, construction etc.);
- The main premises regarding the macroeconomic and market climate that are relevant in the context of the forecasts advanced to the General Meeting of Shareholders.

TeraPlast Group's annual budget does not contain specific information about the M&A (mergers and acquisitions) activity, which has a low degree of predictability due to the nature of these processes. Therefore, such information can be found in the group's forecasts at a general and/or statement level, without incurring detailed targets for the current year and budget.

Final grounds

TeraPlast Group applies the assumptions and estimates regarding the estimated developments of external and internal factors with accountability and a sense of reality. However, the Group shall not guarantee that the published forecasts will be exhaustive and would therefore contain all the information necessary for an investment decision, so it does not recommend such action based solely on the information in the annual budget documents.

The group's management and the team dedicated to investor relations are available for discussions with stakeholders in order to better understand the published forecasts, within the limits of the information available in the public space.

This policy shall only be updated with the approval of the Board of Directors, and the updated form shall be published on the company's website as soon as possible.

Alexandru Stanean

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