



Transport Trade Services (TTS)

Questions and Answers

Videoconference for presenting the Financial Results for S1 2023,

September 1, 2023, at 14:00 PM

Opening - Company Performance Overview

I've mentioned multiple times that 2023 is an extremely important year for TTS in terms of development and investments. We have recorded significant financial growth, both individually and on a consolidated level. It's remarkable that our individual turnover has increased by 60%, leading to more than double the net profit compared to the first half of last year. These results and those from 2022 have put us in a very strong financial position, allowing us to launch the most ambitious investment program in recent years.

Both individually and as a group, we have planned investments totaling over 80 million euros, to be precise, 81.3 million euros, of which 8.1 million are allocated to port operations, and 30 million are allocated to the transport segment. It's worth noting that investments are predominantly focused on port operations for two main reasons. Firstly, as you may have noticed, opportunities to acquire a port operator are rare, and we are constantly connected to the shipping management market. When such opportunities arise, we act promptly, as we did this year with the acquisition of DECIROM. A second major important factor is the market development in Constanța.

Yes, as we can see now and as is known to all, traffic at the Port of Constanța is increasing, which leads us to anticipate that our existing assets in Constanța may not be sufficient to cope with the new market conditions. The two major port investments we have discussed repeatedly are, on the one hand, the expansion of the terminal, which we can say is on track, as we initiated a capital increase in June amounting to 25 million lei.

Adding the financial contribution from the terminal expansion and possibly accessing loans, we will finance this extended investment program, which represents the second major investment. Two floating cranes are of particular importance, as they will help us improve the speed of our port operations, with a direct impact on transportation. From an operational perspective, I'd like to emphasize two aspects. First, this is the first semester in which port operations have shown significant growth compared to transportation, which aligns with our vision as an integrated logistics group that encompasses all components of the logistics chain and provides a significant competitive advantage in terms of cargo volume. In the first semester, we did indeed experience a slight decrease of about 2% compared to the first semester of last year, but we recorded a second consecutive quarter of growth, with a 4.6% increase in the first quarter, followed by a 3.9% increase in the second quarter compared to the first.

This slight contraction, as mentioned, is the result of a significant drop in volumes, especially in the mining sector, due to the effects of the war in Ukraine, an issue we are already familiar with. On the



other hand, agricultural products have shown significant growth, nearly 60% compared to the first semester of last year.

Finally, I would like to mention the exceptional performance of our shares in the market in the first semester. We recorded a growth of over 39% compared to the BET index, which increased by only 7%, indicating that the market appreciated what we communicated, especially during the semester, which is very important from our perspective. Starting in May of this year, we have two market makers alongside BRK, with Raiffeisen joining as well. Having at least two market makers now, we believe, has significantly contributed to a consistent and considerable increase in market liquidity, which is a particularly important aspect for us, even when excluding the effects of July. In that month, we had residual liquidity after Hidroelectrica's listing, from which we benefited, among other things. Our shares also attracted interest from investors during the accelerated private placement conducted by Swiss, which generated a wave of speculative transactions that increased liquidity.

Questions and Answers

1. Will TTS play a significant role in the Romanian-Ukrainian project to double export capacity through Constanța, as announced at the government level?

Response:

Yes, we are involved in the project. This project considers the need to increase traffic at the Port of Constanța, given the closure of the Odesa corridor. As mentioned, the main goal is to identify concrete solutions through administrative measures. Firstly, there is a discussion about increasing traffic on the Sulina Canal. We are active in traffic through Constanța, as you know, and we are making efforts to stimulate it. However, we face certain challenges that can be addressed through the efficient implementation of administrative measures. In principle, traffic is not operating at maximum capacity. There are significant waiting periods, mainly caused by ship overhauls in Galați, which involve long periods of time. We are making every effort, and the investment in cranes and their operationalization, planned for the end of September, will contribute to increasing operational volumes. We are also working on options to directly transport goods from the rail.

2. Regarding the dividend policy, is there a plan to establish a more predictable mechanism related to net profit EBITDA? If yes, what are the details of this plan, or will it remain the same as currently?

Response:

Regarding our dividend policy, we must mention that we adhere to the already approved dividend policy, which commits us to pay a dividend at least at the level of the previous year. This commitment is clear and sets a target of 45% of distributable profit, which is carefully monitored each year. When we propose the dividend at the beginning of the General Assembly year, we consider maintaining a financial balance that allows us to support the foundation for growth and development, a very important aspect. This represents a long-term vision, as demonstrated in 2023 when TTS's individual investments were 206 million lei, much higher than in previous years. For the group, as mentioned earlier, investments amount to 81.3 million euros.



Additionally, we must maintain an adequate level of reserves to address risks. Risks, as you know, especially those related to the conflict in Ukraine, are practically impossible to assess. There is no definitive way to estimate these risks. Therefore, we must be prepared to react. In 2022, we took action in this direction by granting dividends in the form of shares, which actually led to the consolidation of reserves as a portion of distributable reserves were transferred to capital.

Regarding dividend parameters, there is a broad debate about replacing the current parameter, which is based on individual net profit, with another parameter such as consolidated profit. However, there are several considerations to take into account in this regard. Firstly, consolidated profit is more volatile and less predictable, considering the multiple parameters and variables involved. Furthermore, there are legal aspects that make it difficult to make such a decision since the group is not a legal entity and cannot distribute dividends directly at the group level. Also, within the European Union, we have a study from 2018 that shows that most countries use individual net profit as the basis for dividend distribution.

Nevertheless, we understand the desire to align dividend policies among group companies. We are exploring options to align dividend policies with TTS policy to create an integrated governance system to ensure consistency in how profit flows from subsidiaries to TTS. A concrete example is that in 2023, Canopus Star, Clinso, and Navrom paid dividends. Legally, their contribution will be included in TTS's 2024 dividend declaration. So, there is always a delay in reflecting the financial activity of subsidiaries at the TTS level, one year after reporting.

3. Can you provide more information about the minerals segment in the context of Ukraine? In the same context, we are interested in understanding how businesses will develop regarding transportation and operations for cereals?

Response:

We mentioned in our reports from last year and in subsequent reports that the significant reduction in our revenues was caused by the conflict in Ukraine. This had both direct and indirect effects, with the main impact on the Tulcea and Galați plants, which are traditional customers of ours. However, concerning existing contracts, we will honor our commitments and have a positive outlook. We are beginning to see a recovery in the Danube sector, and we have already announced the signing of two contracts with Liberty Galați. There are signs of medium and long-term recovery, but we need to monitor how these developments will materialize.

If we focus exclusively on the agricultural sector, we must emphasize that it is highly volatile in terms of volumes as it largely depends on harvests and, more recently, international prices. In international markets, it often happens that farmers hold onto their produce in warehouses and wait for the right time to sell, leading to supply delays. While we should have a market exit in a particular quarter, it may happen later, in the next quarter, or even the quarter after that, depending on market conditions. Everyone can suddenly decide to sell when they believe it's the right time. This can generate increased demand for transportation and port operations. Therefore, fluctuations are greater in the agricultural sector.



However, we must underline that we are well-positioned to manage this volatility due to our geographic coverage. As mentioned repeatedly, not all markets behave the same in a given year. For example, Romania may have a weaker harvest in one year, while Serbia and Hungary may have very good results. It is also important to note that, regarding Ukraine, it seems that the harvest is very good. However, we must consider the risk associated with the conflict in the region, making the agricultural sector much more fluid and volatile than the mining sector.

4. What is the reason for the decline in revenues in the second quarter compared to the first quarter?

Response:

The first reason is that, if you will, the first quarter recorded unusually high revenues, even in the context of high demand for Ukrainian grains. In comparison, the second quarter may appear weaker, but it is not necessarily a weaker second quarter, rather the first quarter was truly exceptional, even for us, it took us by surprise. Another reason affecting our revenues, if you will, is related to the price of diesel, which makes the impact of hedge clauses less visible in our revenues. As a result, revenues decrease as the price of diesel drops.

5. What are the reasons for the increase in labor costs, and what do we anticipate in this regard going forward?

Response:

Yes, there have been increases in labor costs within the group, and in terms of the first six months, I believe these have remained within budgeted limits, representing approximately half of the initially planned increases in the budget. This also answers the second question to some extent, as for the second half, we anticipate even more wage increases. These increases are particularly important for us.

We don't view them as a traditional expense, but rather as an investment, because we are aware that we need to remain competitive in the market. The competition is extremely fierce, and finding and retaining people, especially those who are qualified and highly skilled, poses a significant challenge. Therefore, we must make constant efforts at the group level to maintain our presence in the market, as otherwise, our business stability would be affected. The pressure related to salaries is no secret to anyone. On the one hand, there is inflation affecting people's incomes, and on the other hand, there is significant staff mobility from competitive markets, especially from Western markets. This is the reality behind the increase in salary expenses in the second quarter.



- 6. How is the group's activity evolving in the context of Russian attacks on the ports of Reni and Ismail? Could you provide detailed information on how transportation has evolved in terms of constant volumes? Is there increasing pressure on costs, especially related to insurance?**

Response:

What we can communicate at this moment is that indeed attacks have occurred. These attacks targeted port facilities and adjacent areas primarily, but from our perspective, we have not been affected in any way. We have not felt any impact, and our activities have continued as if those attacks had not happened.

- 7. Considering that two months have passed in the third quarter, do you believe that your revenue and profit estimates for the third quarter are in line with the levels reached in Q1 and Q2?**

Response:

Our policy primarily focuses on not providing interim estimates between reports that could potentially influence stakeholders' attention positively or negatively regarding our performance. Instead, in our reports, we offer an assessment of the current progress, as was already issued in the first-half report. What we can state is that we are currently operating at full capacity, both in terms of transportation and port activities in Constanța.

- 8. Do you have any information or signals from your partners regarding Ukrainian goods that indicate a significant increase in workload in the second half of this year?**

Response:

We mentioned in the report that the harvest in Ukraine is favorable, and our partners are strong, with growing execution programs. There are also constraints related to the supply of raw materials that affect the continuity and stability of transportation. I must also highlight that the Galați revision has a significant duration and may pose organizational challenges.

- 9. Are you considering updating the Budget of Revenues and Expenditures?**

Response:

There are two aspects to consider. On the one hand, regarding revenues, we must take into account that we are in a period characterized by high unpredictability in the markets, and this unpredictability is exacerbated by the conflict in Ukraine, making any estimation extremely difficult. On the other hand, in the context of this year, it should be noted that the accounting integration of DECIROM, i.e., its consolidation in the financial statements, will be carried out at the end of the third quarter, according to the transaction terms. This is due to the completion of the transaction on July 13, which means that the data for the first half does not include any information related to DECIROM, either in terms of volume or financial contribution.



10. What is your assessment of the impact of the construction of the Brăila Bridge on the activity of Navrom Bac?

Response:

We need to specify that Navrom Bac operates in two markets, Galați and Isaccea, and there are significant geographical differences in terms of traffic levels. Regarding Galați, normally we expect it to be affected by the construction of the bridge, but we need to see to what extent, as we have not observed any negative impact on its activity so far.

11. What is your evaluation of the price trends for transported goods in the third quarter, considering the blockade of Ukrainian ports by Russia, and have you noticed significant increases, or have prices remained within a similar range to the previous quarter?

Response:

Prices experienced a significant decline in the market earlier this year, up to the closure of the corridor. Afterward, they began to recover and increase, reaching a level considered normal but with values much lower than those recorded in the same period last year. We have long-term contracts with predefined conditions that are not significantly influenced by market fluctuations, whether they are rising or falling. Thus, we can state that since the closure of the corridor, prices have shown an upward trend, but have not yet reached the desired levels. The market remains volatile.

12. If Ukrainian ports were to reopen tomorrow, how would TTS be affected? Is there a possibility that the resumption of Ukrainian port activity could lead to a temporary decrease in TTS activity, if Ukrainians could use their own ports?

Response:

We are talking about what can happen in reality because most Ukrainian ports are mostly destroyed. So, you can't reopen a port tomorrow that is destroyed. What can happen instead is the reopening of the Odesa corridor. Let's assume that this Odesa corridor is reopened. Let me explain it this way: last year, we started exporting Ukrainian cereals in March and gradually increased activity, reaching a capacity in July that allowed us to handle a significant volume of goods in an area under control. Today, we are operating at a level similar to what we had before the closure of the Odesa corridor. So, in January, February, and March, we are operating as usual, even in the absence of corridor operation. If this corridor is reopened, regardless of whether it happens in a month or a longer period, we will continue to operate as we did before because what we built and planned in Ukraine has the capacity to withstand both war and peace. So, we do not see major reasons for concern if the corridor is reopened under the same conditions as before.

13. Have you received any notification from a significant shareholder regarding the ABB-type transaction that took place at the end of July? Also, we have not noticed any official report from the company on this matter.

Response:

We have not received any notification, which means that no shareholder with a significant position was involved. The shareholder who exited was not a shareholder with a significant position who would



have triggered a reporting. First and foremost, Swiss would have been obliged to inform about this, and then reporting was to follow from the shareholder who is legally required to do so.

14. Was the increase in the salary fund driven by increased activity and salary increases for existing staff, or did it also involve hiring a larger number of employees?

Response:

The number of employees did not experience a significant increase. We are discussing salary expenses, which primarily come from the navigation area. To answer the question from the press, the Port of Constanța is facing congestion of river vessels arriving from within Europe, especially with Ukrainian cereals. These vessels include a variety of flags, and most of them are self-propelled vessels that require a Romanian or at least EU crew with Danube navigation licenses. Many of these vessels are non-EU and have had to change their crews, leading to a reduction in personnel numbers. Additionally, even before this situation, the number of employees was insufficient, considering that we could not offer salaries at market levels compared to others who needed labor.

From a historical perspective, Romania has always lagged behind Europe in terms of salary levels, and our budget has already included salary increases. However, we expect continuous increases in salary expenses, as this is a normal evolution. It is important for Romanian society to reach a salary level at least at the European average. Therefore, we anticipate continuous salary increases. However, it is important to mention that, although we need personnel, available human resources are limited. We have lost employees, but we have managed to persuade some of them to return. Currently, overall, the number of employees has not seen significant increases, with fluctuations, moments of departure, and return of employees.

15. This year, what was the water level on the Danube, and did problems arise due to drought and sand deposits from Bulgaria?

Response:

Last year, we experienced approximately 40 days of total blockage, for which we paid. This year, we had a decrease in the Danube's water level, but not at a level that required frequent use of location clauses. There was a period when the Danube was well supplied with water from Germany, Austria, Serbia, and Croatia. Although we cannot say it was an ideal period for navigation, we did not have any moments of stoppage or threats of depleting stocks on the Danube. Additionally, both the Romanian and Bulgarian sides conducted dredging almost simultaneously this year, contributing to relatively normal navigation.

16. What was the exact relationship with Ukraine or the volume of grains transported by TTS before the war?

Response:

In recent years, our volume of cereals transported with Ukraine has been close to zero. Ukraine has heavily invested in developing its ports over the past 10-15 years, building its own silos or partnering with multinational companies. Many of these multinational companies in the agricultural industry have individual silos or have partnered with Ukrainian companies in the ports around Odesa. A decade ago, we transported grains to Ukraine, including by container, but in recent years, we have had no



activity in this regard. Instead, we have operated with other types of cargo such as ore, iron, coal, and other goods, with a volume of approximately 1 million tons. The situation changed dramatically with the onset of the war in Ukraine, and port infrastructure development has been progressing step by step, both in the short and long term. We are fortunate to be part of such a long-term construction project.

17. Considering that TTS has a significant undistributed profit from previous years and intends to implement a dividend distribution policy at the subsidiary level, are you considering the possibility of distributing dividends from the undistributed profit in 2024?

Response:

As mentioned in a previous meeting, we intend to convene a general assembly this year to approve a share issuance, which will be covered by the undistributed profit from previous years. We want to emphasize that this undistributed profit is, in fact, a reserve of the company. It comes from previous years and represents a profit not distributed in the form of dividends, entering our reserve policy, depending on how we manage risks. When we carry out a free share issuance, it contributes to strengthening these reserves, even though the exact timing and method are not yet defined.

18. Given that you are currently operating at maximum capacity in both transport and port operations, how do you assess the prospects for volumes, taking into account the volatility and revenue evolution, especially in terms of price evolution rather than monthly evolution?

Response:

We have been operating at near-maximum capacity for almost a year. However, I must emphasize that we continuously utilize the available assets for our work, except when some of our assets, such as barges, are scheduled for repairs or maintenance. Regarding estimates for future volume growth, it is difficult to provide exact figures or percentages because there are many variables that can influence this growth. Transport and operation volumes depend on numerous factors, including weather conditions, transport tariffs, and the efficiency of our operations.

We are also affected by external factors, such as periods of closure of waterways or changes in transport demand. However, we focus on the efficient use of our available assets and strive to optimize our operations for the best financial and resource outcomes. Our shipyard team is working to expedite the maintenance and repair process for the barges to minimize downtime.

There is the possibility for us to grow, that's clear.

19. When can we anticipate seeing the results of this year's investments in the acquisition of floating cranes, barges, etc., which should lead to increased capacity? Can we expect additional revenues in the third quarter, fourth quarter, or in 2024?

Response:

Firstly, mathematics helps us here. At the end of the first reporting semester, DECIROM and the cranes were not included, in the third quarter, the effect of DECIROM will be seen. Probably the effect of the cranes will be seen in the fourth quarter when they start operating. Right now, we need to see if we



estimate that they will be operational by the end of September or maybe we'll catch 2 or 3 days in the third quarter. As for the investments in DECIROM, definitely in 2024. They are just starting. We've started the financing and construction, but we have to consider that in a construction site, sometimes the entry of vehicles is more difficult. So, we'll try to estimate, but it's very difficult to anticipate. So, we'll see DECIROM in the third quarter and the cranes in the fourth quarter, arithmetically speaking.

20. Instead of dividends, could you also consider share buybacks if market prices justify it, as during the period when the shares were around 9 lei?

Response:

At the moment we will make a decision, it will be announced through all channels. The main issue, as mentioned, is related to the established reserves, as share buybacks are also done from reserves according to the law. We will certainly inform you when we make such a decision.

21. How are the transport and operation volumes in July and August compared to the average of the first six months of this year?

Response:

We cannot provide exact figures at this time, as it would go against our company policy. As mentioned earlier, the contracts we signed and communicated in December last year and the new ones are being executed according to contractual provisions, and all our assets are operating at maximum capacity.

22. Is there room for growth on the Danube in terms of traffic, considering the current situation?

Response:

The Danube still has a long way to go before it reaches a congested level. We had concerns about the capacity of the locks at Cernavodă and Agigea to handle traffic, but now we see a significant increase in the number of river vessels in the Port of Constanța.

Constanta is congested for various reasons. There is planning, there are days when I wait in line. The problem is in Constanta. There is enough space to manage this growth.

23. Is it possible for activity at the Port of Constanța to become more fluid and reduce the current bottlenecks for river vessels?

Response:

Yes, it is challenging because the Port of Constanța involves multiple terminals, customers, and processes that need to be managed through maritime traffic control. This can lead to waiting times or delays during port maneuvers, which can affect scheduling and transport efficiency. There are ongoing efforts to improve this situation, such as rehabilitation processes, but it is difficult to predict with precision how quickly the necessary improvements will be made. So, there are many aspects to be managed.