



Transport Trade Services

Questions and answers

Teleconference for the presentation of financial results for the 1st quarter of 2022

20.05.2022

- 1. You are involved in the transportation of grain to Ukraine. If not, why not? If so, what volumes have you shipped and what volumes do you expect in the future? What additional monthly income do you have now and what are your expectations for the future?**

Answer: We were one of the first to enter Ukrainian ports in mid-March to do cargo tests to see what happens. At that time the war was much closer to us than it is now. We also started loading minerals and grain as a test. These volumes of cargo gradually developed. We loaded approx. 200 thousand tons of cargo from Ukraine to Constanta and from Constanta to Ukraine, consolidated, several varieties of cargo. These quantities are increasing and will increase in the future to the organizational limit because there are many elements of organization that need to be resolved throughout the supply chain.

It is difficult to advance some numbers about the future now. We can say that our goal is to do much more than we do today. In terms of income and profit, the activity is profitable, the income is higher than normal..

- 2. Is there a negative impact on the TTS group due to the increase in traffic on the Danube with barges transporting grain from Ukraine? Do you estimate a negative impact on revenue?**

Answer: It is a positive impact because there are some additional cargo volumes and at higher corresponding rates.

- 3. What would the Fast Danube project mean for the TTS group?**

Answer: Fast Danube is a project funded by the CEF program of research and finding solutions that will later be put into practice from a technical point of view with the help of European funds to improve navigation conditions in the Romanian-Bulgarian sector.



It is clear that if this project is completed and will be successful, the effects will be only positive, difficult to measure now, but we will get closer to the EU's intention to ensure a minimum navigation threshold 365 days a year. So, the effects will be positive.

4. Can you detail more about the digitization of silos, starting with the press article that talks about the model practiced by Convex.

Answer: Our silo in Constanța has been completely digitized since its commissioning and we have taken over the best expertise in organizing the flow of goods, in the operational organization, but also on the electronic side. There are many similarities with what Convex has, there are some differences, but it is completely digitized.

An extension of this model to the other silos we have, the one in Galați, the one in Brăila and the one in Giurgiu, which are much smaller and with a different specific, is not 100% applicable. Each has their own digitization model with computer programs, with online recording of the input-output flows of the management, but they are a little different from the complexity of a large silo such as the one in Constanța.

5. What is the degree of wear of the newly purchased barges? Will additional investment be needed in them to ensure the quality standard?

Answer: The barges are quite new, they are the same age as our barges, manufactured around the '90s, their quality is similar to that of our barges and they have valid navigation documents. We have an advantage that we have been renting them lately and we know them very well. There is no need to allocate additional amounts for their modernization, in addition to the amounts needed to change the navigation certificate, i.e. they will be in line with the barges we now have.

6. Can you provide details on the ESG report?

Answer: We have already taken concrete steps and in July we will publish the first ESG report. international. In parallel, we are about to finalize the development of the ESG strategy and we hope that by the time we publish the ESG report for 2021 we will have the strategy already approved internally so that we can communicate it.



7. Can you provide an update, details, on potential purchases?

Answer: The goals we set remain valid. What we noticed was that if before the start of the war in Ukraine, at this time we should have been working on some bids for the auction, the start of the war put on hold several sales intentions. All in the field of logistics infrastructure, the owners are probably still thinking. So at this point the numbers remain the same, but unfortunately none of them have materialized at the moment. We are constantly in touch with the opportunity side and we are ready.

8. What will be the CAPEX budget for 2022?

Answer: The budget approved by the GMS is 100 million lei for the entire group. Most of it is for the fleet, but also for maintenance investments and new equipment. In Q1, approx. 32% of the budget.

9. Can you detail the cost increase in Q1 and expectations for this year?

Answer: One impact was rising prices. All inputs for repairs are increasing. Thus, the maintenance costs are increasing, the steel had an increase of 300%, over 1000 dollars a ton. Electricity and fuels have risen. As for fuels, we have already explained that we have a system for transferring price differences to the customer, but there are also operations that are costly and cannot be transferred. In Q1 we had a substantial and constant flow of goods from the port of Constanța upstream, but the events generated a state of protectionism for the countries in the area that limited grain deliveries and so we had to return the convoys of barges without cargo. In this way, on the return, the fuel consumption remained in the carrier's account, without being able to be transferred to a customer and that profit margin from the degree of round-trip loading was diminished. So these price increases have put a lot of pressure.

This is likely to continue, the pressure to increase costs is there, but we have taken steps that will be seen in the future. We have negotiated a tariff increase with all partners to keep the balance. Our partners have been receptive. The additional flow of goods on the Ukraine relationship will lead to an increase in quantities and profitability in the next quarter. We expect growing results.

In terms of subcontractor costs, an element of growth is intragroup relationships and increased activity with third parties. Basically the 3 elements are: direct costs, the relationship between the shipping and operating area, and the growth of activities that are directly related to the provision of third parties.



10. If there are no potential acquisitions, do you consider raising dividends?

Answer: We are waiting for the acquisitions and we want to increase the value of the group through these acquisitions. The company's own resources are currently used in a fairly balanced way at all levels. For a possible purchase we will make loans to banks. We opened a discussion with one of the banks and prepared a preliminary study on a certain relationship, we also hired a lawyer and a financial specialist to smooth the ground to have enough information in case of an acquisition and to have the financing relationship ready. This year we managed to give a higher dividend than last year and we want to keep at least the level of the previous year, insofar as the investments for the development of the company are not present and applicable at that moment.

11. How do you see the dynamics of the transport of cereals and fertilizers this year?

Answer: It is clear that there is a plus for cereals and fertilizers. Fertilizers had a big increase in Q1 2022 compared to last year. We still come with volumes of fertilizers, which enters the Port of Constanța.

For cereals, the Romanian summer and autumn harvests look good. It seems that there will be some reductions in production volumes compared to last year for wheat, but not with a material effect. Bulgaria and Serbia are also doing well, they have good harvests. Export availability is high throughout the Danube basin. Ukraine has unlimited quantities, so there will be cargo. The problem is the complete logistics system and how much it will be able to absorb from this cargo. From our perspective, we see a long season that will be until next summer, only for logistical reasons. The future looks good both in terms of production and in terms of the capacity of logistics systems to absorb all these goods in a short time and then it will be postponed and extended the season with large volumes until next summer.

12. Do you expect the number of unloaded barges to move in the coming quarters?

Answer: Here there are routes and routes. Our upstream cargo, in this case minerals, is growing and can be quite difficult to absorb at this time. We are talking about cargo volumes from Constanța for Serbia and Hungary. Now Austria has joined. So goods upstream exist, goods downstream have been missing all March in Serbia, but everyone hopes that from June exports will be free. What happened in March when part of the fleet had to be brought empty, has now shrunk to almost 0. We have absorbed all the goods available for the return of the barges to avoid going empty because it is another performance criterion that we imposed on ourselves..



Regarding the Ukraine route, if we talk about minerals, we have a combination full - empty with empty - full, and for cereals it is optimal to come loaded to Constanța and leave empty. The optimum is going well here and the tariff covers this approach.

13. Do you have a barge loading number?

Answer: We sail from Constanta to Galati, from Constanta to Tulcea, areas where we have the largest volumes of goods at fixed points. On the route Constanta - Galati is the highest traffic in tons. Almost all of this cargo is empty. It is a short route and there are few water restrictions. Very rarely do we charge to a limit that doesn't suit us. In the same situation is Tulcea, Cernavoda. If we talk about longer routes, we have points that affect the degree of loading.

In our country, this loading average is around 70%, but it is an agreed number, an average of the average, which has a lot behind it, it is only statistical, it depends on the routes.

If you want a number, this quarter the percentage was slightly lower than last year by about 3%, or 69% compared to 72%.

14. Why in Q1 2022 did the profit attributable to the minorities increase from 9% to 30% of the profit?

Answer: As a result of the increase in profit in some companies where the percentage of TTS is lower.