



## Transport Trade Services Transcript

### Videoconference for the presentation of the financial results for 2023

May 7<sup>th</sup>, 2024, 2:00 PM

#### Introduction – summary of results from the management

The year 2023 was exceptional for the TTS Group, both in terms of financial results and in terms of investments, with the expansion of our presence in the Constanța port, and in the capital market, being in the top 10 most traded shares. The most important events were the 2 acquisitions made (the Deciom operator and the 2 high-capacity floating cranes) which led to the expansion of our presence in the Constanța Port, an investment of approximately RON 190 million, out of a total of almost RON 382 million, most of which went into port operations.

In 2023, we recorded consolidated total revenues of RON 1.16 billion, an increase of 24.3% compared to 2022, and EBITDA was nearly RON 438 million, an increase of 67% from the previous year. At the individual level, TTS recorded a turnover of nearly RON 1 billion, approximately RON 905 million, an increase of 38%, and EBITDA of almost RON 162 million, up 76.5% compared to 2022. These remarkable results were supported by a recovery in aggregate cargo volumes to the levels of 2021, with a total increase of 9.2%, up to 15.2 million tons. Most notably, the volume of port operations increased by nearly 42%, reaching almost 9 million tons in 2023.

In the capital market, we focused on increasing liquidity in 2023. We ranked 8th among the most traded shares on the Bucharest Stock Exchange (BVB) and recorded a significant increase in share price, up 135.6% in 2023 compared to the close of 2022. Several factors contributed to these results, including transparency, the proactivity in communication with investors, and the two Market Makers. Today we are approaching 10,000 shareholders from about 2,000. We also gained international recognition, being the only Romanian company nominated at the European Small and Mid-Cap Awards, an initiative of the European Commission, EuropeanIssuers, and the Federation of European Stock Exchanges (FESE), where we were in second place in the Rising Star category. We have made a firm commitment regarding sustainability, achieving significant improvements in the ESG risk score. We have decreased from 24.8 to 21.8, with a downward trend, which makes us confident that after publishing the results for 2023, we will enter the category of low-risk companies. For 2024, we are focusing on continuing to grow and diversify our capacities, as well as aligning with the ESRS reporting standards. We want our 2024 reporting to be compliant with the CSRD provisions, we are in a very good position and are already working in this direction.

#### Questions and answers

- 1. What effect will Romania's entry into the Schengen Area, both maritime and road, have on port and river activities?**

Answer:

No influence because the port of Constanța is on one hand bypassed by maritime ships, which anyway undergo entry and exit inspections at the port, whether they are coming from or going to EU countries. Speaking about the navigation on the Danube, there is an advantage which, at certain times, becomes important in our day-to-day activity, which is the Romania-Bulgaria relationship. Part of the Danube



is in Bulgaria, and the other part is in Romania. During the agricultural campaigns, like the one that started in July, we have maneuvering ships that operate on both banks of the Danube. Starting this year, with this partial entry into Schengen, these ships will move as they do between Galați and Brăila. So, they will no longer lose hours at the inspection for entering and exiting Romania, or for exiting and entering Bulgaria. Otherwise, for line navigation on the Danube, towards the Upper Danube, Serbia is not in the EU, and then, inevitably, at the exit from Romania, from the EU, at the Romanian-Serbian border, the inspection for exiting the EU and entering Serbia is conducted, and on the other side, at the exit from Serbia, which is either the Croatian area or directly into Hungary, the exit from Serbia and the entry into Hungary are conducted. Here, it does not create advantages in the movement of ships. However, there are small advantages that are created once you have passed Hungary. Romanian-flagged ships are as at home in the Upper Danube area. So the effects are not major, but there are effects of this kind that I mentioned, in Bulgaria, which often in the past hindered the rapid movement of maneuvering ships.

- 2. You made a capital increase at Deciom with the aim of expanding, investing, and modernizing. Can you give us some details, what is the current status of these investments and will they be completed this year?**

Answer:

When we bought Deciom, like any normal company, we conducted a due diligence process. During this due diligence, we identified one of their projects, made before entering discussions with us, which was a warehouse to increase the operating capacity for fertilizers. We liked the idea because it philosophically fit the way we saw the company's development. We moved quickly and wanted to start the work last year. However, when we got into the details, we saw that this project was created by a company that was purely a port operator and which hoped for an additional warehouse in the hope of developing its activity. After the analyses we conducted, we concluded that the form, model, and technology which this investment was involving were not 100% in line with the way we see Deciom's development. Consequently, we put this investment on hold. It is now a discussion about a warehouse on the same site, but smaller, with a fundamental condition: having a client behind it. We had some preliminary negotiations with a client, and now we have moved on to developing the technical concept for this warehouse, with the client behind it, with long-term cooperation. The warehouse being smaller, it will obviously cost less, and now we have, even this week towards the end, a meeting at Deciom, where we will make a plan of measures for intervention. We assume multiple possibilities of approach, intervention on the major assets of the company, especially cranes, but also some works to rearrange some storage spaces. They have many and very large warehouses, and we want to slightly change the way of compartmentalization, workflow, organization of activity. So things are somewhat more complex than we saw at the time of the acquisition, and we want to develop them without rush, but in such a way as to get the most out of what we do there. Once we start major works at Deciom, we will inform you as we always did when we started major works. We have put in the investment budget Canopus 3, so the development of storage capacity at Canopus, for which we have allocated a budget which, of course, is partially covered by our own fund of bank loans. Now we are in the phase of obtaining permits for the construction license, which is a more complicated and cumbersome process than it was before. We hope that by summer we can start the work, but as with Deciom, once we obtain the construction permit and start the works, we will inform you through a current report. Our investment plan for Canopus is by far the largest investment for this year and next year.



- 3. I have a question related to investments in port operations. I saw that there are funds intended, through the National Recovery and Resilience Plan (PNRR), to make investments in this area. Has it been clarified whether you will be able to access a part of those funds? I know that there was talk of EUR 120 million.**

Answer:

There are some restrictions. Number one, funds are only given to companies that have worked, are working, and commit to continue working with Ukrainian grains. In reality, Ukrainian grains have not disappeared, but they are becoming less frequent on the Constanța route. We are the only ones who have managed to keep our traffic from last year within very close quantitative limits. The first quarter was at the level of last year, the second quarter is somewhat lower, but we are confident that we will continue with the new harvest. Otherwise, Ukrainian grains on the fleet, on barges, are sporadic and the future is unpredictable. So one of the conditions is to demonstrate that Ukrainian grains have been handled, are being handled, and will continue to be handled, including a need for quantification. How much has been handled will be checked like any fund over the next five years, I believe. So this is a restrictive matter. This part does not affect us too much because we have Ukrainian grains at Canopus, and we are also working with them, but we work in direct transport. The biggest problem is that the application for these funds has not yet started, and in the most optimistic manner, signing the financing agreement cannot be done earlier than September-October this year. The completion of the investments must be by December 31, next year, with all receptions included. Under these conditions, there is no possibility for us, not even the slightest, to commit to an investment, whether it is the silo at Canopus or even equipment. We even studied buying a crane or a silobag. No crane manufacturer, Swedish or German, no silobag manufacturer dares to guarantee that they will start production in October or September and that will deliver with the reception in December next year. The production of such equipment takes one and a half to two years. The main problem is the electronic part, where there is a shortage of chips, of components in all segments. No investment can start or no payment can be made, no supply contract can be made before signing the financing contract. Tenders can be done before signing the contract, but without signing the contract and without advance payments. So nothing can start earlier than October and we do not have the physical time to do something without major risks until next year. So we decided to stand aside.

- 4. Regarding the new cranes, do you have any statistics on their utilization rate, how much it has been this year after they were put into operation?**

Answer:

The utilization rate is the same as for the fleet. You can calculate the percentage of how much of the total time it was used. What I want to tell you is that since these two cranes began operating, we have no longer had ship congestion in Constanța. I'm not saying the previous ones weren't good, but now there are two more, and additionally, at least one of them has exceptional productivity. So, we achieved performances with ships, both with grains and minerals, that we couldn't obtain before, firstly because of the number of available cranes and secondly because of their efficiency. Therefore, we made an investment with impressive returns.

Financially, things are done as follows - the berths in the Constanța port are your berths which you can freely operate under the contract with APC. There are some rules for operating the berths, and those who have the land behind always have the right of first refusal for operation, and this right has never been violated in the history of the Constanța port. Once we took over Decirom in December, we increased our number of berths because we were fragile in this area, and there are also berths elsewhere. There are a few places where you can access those berths at exorbitant prices. Since these two cranes arrived, we have almost stopped accessing these berths with exorbitant prices, for a very simple reason - we operated the ships that came in for operations much faster than before.



Thus, by shortening the operation time for each ship, it naturally reduced the time of occupation of that berth. And over a month, for example, instead of accommodating two ships, we accommodated three or four ships. We had a record with two-grain ships in the Constanța port, when in two and a half days we handled 80,000 tons of cargo on 2 ships. So, we did more than a silo does if we exclude COMVEX. And with the help of these cranes, the performances are amazing, now is about having cargo to feed them adequately.

**5. I know that before the acquisition, Decrom's performances were not necessarily spectacular, perhaps also because of the types of goods they operated. For this year, what are the expectations?**

Answer:

The efficiency of a port terminal, from the perspective of yield in tons per day or per hour, depends on three fundamental parameters: the people, their number and quality; the equipment, its number, and quality; and the structure of the equipment and organization. If one of these does not function properly, the whole system is affected. Decrom did the best it could. Progress is slow and will continue to be slow. That is why I told you earlier, we have focused on a course to change the parameters and the structure of the equipment, especially cranes, which is not an easy task because it means modernization, it means time, we're not talking about money. There are very few companies in Romania capable of modernizing a crane. There are two or three in the country. All are overwhelmed by the number of projects they have in progress and by the lack of people. Because, naturally, in all niche professions, people go abroad. The Netherlands has many ports, Germany has many ports, France and Spain have many ports and they need people. So this is a big problem we are trying to solve.

There are three cranes that are built. We now have a program, maybe we will manage two more this year from the large ones and probably another two smaller cranes this year towards next year. So this was an absolutely weak point of Decrom, which is gradually improving. Rapid work was done in the area of small equipment. The equipment includes forklifts, and bucket equipment for moving goods, which have been renewed and are in the process of renewal. So, new forklifts were bought, and some were taken on lease. Probably in a year or two, the fleet will be new and modern, suited to the company's needs. So we cannot argue that the structure of the goods they worked on was better or worse. Those were the available goods, these were the goods they knew how to handle, and those are the goods they continue to handle. We are trying to bring in more steel products, finished products. We did some experiments, including with heavy rolls. The results are, let's say, halfway there. We need to buy some equipment because otherwise, it won't work. And we are now also looking for high-power equipment, not just very large forklifts, to support this activity, because if you don't have it, no matter how good the crane is, if you can't move horizontally. And the same goes for the crane, we are looking for a large crane.

We still have a lot of work to do in the field of people as well; there is a shortage of people, hard to fix in the short term. Some steps have been taken to bring some people into Decrom, a few steps have been taken in filtering third parties that provide crewing services, but we are still far from being satisfied with what has been done so far. And we still have work to do regarding the organization. So it is a process that we can say is just beginning. It is naive to believe that a port terminal can be brought to AAA performance in a short term. What have we managed to do? We managed to intertwine our activity on the one hand on land operation and on the other hand on barge operation. So this is done routinely when the case arises and there is the possibility. We did a lot of ships, especially with fertilizers, but we also did with metals, with combinations, with quay crane on land and floating crane on barges, and it works. The main advantage we have obtained, as I said earlier, is access to the berth.



And we have operations with various bulk goods. Small ships are done by Decirom alone, with the crane over the ship, and larger ships we take to the berth at Decirom, where we have our berth, with access when the berth is free. We can place a ship there and work with floating cranes from barge to ship or from ship to barge. And this is valid for any type of goods. We had Panamax ships, which we loaded in berths at Decirom, and Decirom was supported with some people to the extent needed. So it is a complex situation that we manage. This week or next we will have a meeting at Decirom to establish some measures for the future until the end of next year. And there are elements that are resolved on a case-by-case basis, on the spot, depending on what happens. But all in all, from a strategic point of view, it was a fundamental acquisition for the development and stabilization of the company in the future.

**6. Regarding salaries and people, I know that at the end of last year you said that sailors' salaries had increased significantly. What is the situation now? Is it still a big problem to find and retain people?**

Answer:

Salaries in the market are increasing so much, and to not lose our people, we need to keep pace with them. Because, in the end, the salaries of sailors in the market, at Navrom, the company increased them and, consequently, so did TTS. And here is a complex situation. There was a frenzy in which we lost a lot of people due to Ukraine, which brought here an army of new fleets. The fleet on the Danube doubled during that period. Now it has begun to decrease again. And those fleets needed commanders. The only way they could have commanders was through salaries. So, to remain competitive, we were forced to increase ours as well. We adopted a combination of fixed and variable salaries. This way, we managed to replenish our crew, but not to an optimal level. So now we can't say we are in a staffing crisis. Sure, the level of salary expenses is a burden, but we are not in a position, nor do we have the possibility to reduce salaries. Instead, there is probably the possibility of adjusting the variable part based on performance. And naturally, when there is less cargo, the performance is lower and then that area adjusts as well. There is no need at this moment, expenses are kept under control. Certainly, conditions are different than last year, we don't have last year's tariffs, nor is there the same pressure from last year's cargo, and these things lead to further pressure on tariffs. But for us, this is not something new. We have been through these cycles before.

In more simple terms, we witnessed a reflux. After they left for various places, on high salaries, we can assume that without having all the conditions like those in Navrom, which is 100% by the law. When the Ukrainian cargo began to decrease, obviously, those fleets were left ashore and then the reflux appeared, and the people returned. At least some of those who left have returned to Navrom.

**7. Can opportunities arise with the "abandoned" fleets that are no longer coping, to take over parts of fleets or ships?**

Answer:

The problem is that most of these fleets, and there are several companies that want to sell their fleet, we are not talking about the quality of the fleets, because there are fleets in impeccable condition, I'm talking about the new ones, or from the assets that have come and develop the old fleets, but these rarely sell. So, there are assets in various states, from very good to very poor, but that is not the issue. The problem is that we already have a large fleet, and a large fleet is good when you have work for it, but it is a huge money eater when you don't have work for it. The biggest problem is the crew. A self-propelled vessel of 1,000 tons, 2,000 tons, 3,000 tons, even 4,000 tons, has a high-skilled crew, equal to a pusher that carries two or three times as much cargo. And in these conditions, we prefer, we even have a high-value self-propelled vessel that we sidelined due to lack of crew. And we



preferred that the crew serve a large pusher that carries two or three times more cargo. It is a calculation of costs per ton-kilometer, or per ton of cargo transported, or per unit of revenue. So, these two elements, the size of the current fleet and the complexity of operating an addition to the fleet, have put us in a position of not being particularly interested in this.

It is not untrue that our colleagues in Galați are looking for opportunities because we have some needs for self-propelled ships within certain parameters. If there are ships of this type that interest us, available at reasonable prices, yes, we might report that we have purchased something.

The non-self-propelled ones we build with the idea of renewing the fleet. We will probably keep a few tugs in the cold park for such interventions when there is a lot of cargo or for flexibility. But the idea with the new barges, Europa 2, is to replace the tugs. To have a compact convoy just from barges, without tugs. So this is a project that we first expressed at the Roadshow in 2021. And it had been worked on for years.

I don't know very well, but probably these small fleets that have appeared now probably went for self-propelled ships. Self-propelled from sizes of a few hundred tons, which do not interest us in any way, to beautiful, modern ships of 4-5 thousand tons. But these modern ships have cost a fortune and are not for sale. That is, they are purchased by the old, large, developing shipowners.

#### **8. Regarding barges, does a self-propelled vessel require a much larger or more complex crew than a barge?**

##### Answer:

A barge does not have a crew. A self-propelled vessel is similar to a barge, but it has a cabin and an engine. A self-propelled vessel is a maritime ship, a miniature one. To give you an idea - 6 barges, which form standard convoy, let's say, they do not have a crew, but they have a pusher with a crew. For 6 barges, in total that means 12,000 tons with just one crew. A self-propelled vessel of 2-3,000 tons uses the same crew, but the volume you transport is 3-4 times smaller than what you would carry with a pusher. It costs a lot, it's not economical. It's like buying a pusher for those 8,000 tons. You can't carry 12,000 tons.

#### **9. Did the old tugs also have a smaller capacity?**

##### Answer:

Tugs are those that were built, conceptually, before the Iron Gates (Porțile de Fier) were constructed. A tug is traditionally towed, not pushed. In the Iron Gates, due to the speed of the water, navigation was done with towing vessels. The towing vessels had a long metal rope and pulled the tugs behind them. In certain areas of the Danube Gorges (Cazane), they were pulled by locomotives from the shore, as towing vessels couldn't pass due to the water's speed. They have 4 holds, do not have a double bottom, so they have a single wall, but they have 4 holds. Although they are smaller, their maximum capacity is 1,300 cubic meters. The tugs at Navrom were rebuilt; they had their sterns, the aft, were rounded because that's where the helmsman stood and moved the rudder; they had two people on board. At Navrom, they were rebuilt with a flat, straight stern, so that they could be pushed by pushers, and they remained as fleets. Many were made in 1984-1985. Only after that did the Europa 2B barge appear. The first barges were those at Navrom. Europa 2B was a medium-sized vessel, 1,700 tons, which is optimal between its draft, how much it goes into the water, and the volume or quantity of cargo it can transport. So, it transports about 2.60 m and around 1,500 tons of cargo. This is an optimal level, considering the fluctuation on the Danube. And gradually, the tugs went out of service. They had wooden panels inside. When a large grappler took grain from one, it damaged the wood.





We changed them all, put in metal, and then moved to the next phase, replacing them with barges, which is a slow process. In one year, Navrom had 140 tugs and far fewer barges. Now the parity has significantly changed. We started this process of modernizing the propulsion fleets in 2010, and we are slowly approaching the end.

**10. How many tugs do you still have?**

Answer:

Around 50-60 tugs, of which 30 are in operation. The rest are in cold lay-up, for scrap.

**11. Could those 30 tugs, over time, be replaced with 10-12 barges?**

Answer:

We will replace two barges for every three tugs if we take it pro rata, but that's not how we do it. We take as many barges as we can; we have 8 under construction now, which will be finished this year. We still have those of 3,000 tons to cover. So the balance is, how shall I say, moving, not fixed. Because, for example, Liberty started production this year. Only now, in May, do they have a program, the first month of this year, when they have a raw material schedule at the level of their desire for the 2024 budget, which for us is an absolutely great surprise. Here, the cargo is transported with barges without covers. If Liberty maintains the pace this year and we desire, as they also wish, to grow, then we will need a number of barges without covers to serve Liberty. And then we must make a wise decision whether to secure the cargo flows from Liberty with covered barges or remain on barges dedicated to them without covers. Of course, in the end, it affects the investment programs and the way the project is developed. But we will make decisions during the development of the programs.