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# Summary of the overall situation of Group (1)



## RECORD-HIGH FINANCIAL RESULTS FOR THE 12 MONTHS OF 2020

- Group's revenues at the level of **1,392.2 MN** (-13,2% yoy);
- record-high results at every level of profitability:
  - gross profit on sales of **PLN 99.9 MN** (+32,5% yoy);
  - EBITDA of **PLN 86.4 MN** (+32,6% yoy);
  - EBIT of **PLN 63.6 MN** (+48,3% yoy);
  - gross profit of **PLN 58.8 MN** (+59,9% yoy);
  - net profit **PLN 48.6 MN** (+66,7% yoy).

## PROFITABLE PORTFOLIO OF ORDERS

- Backlog at the level of approx. **PLN 1.61 BN** excl. VAT without the participation of consortium members;
- Weighted average, long-term gross profitability of the order portfolio approx. **7.2%**;
- The higher level of gross sales margin generated by the Group y/y is due to the completion and settlement of most of the group of contracts acquired in 2016-2017 with higher profitability than originally planned;
- Timeliness of the works carried out within the projects and close monitoring of the quality of works and costs of implementation;

## Summary of the overall situation of Group (2)



### STABLE FINANCIAL AND LIQUIDITY SITUATION

- Record high level of cash in the amount of **PLN 404,9 MN** (with capitalization of PLN 282.5 mln (12 March 2021));
- **no net debt**;
- **net cash of PLN 260.2 MN**;
- **PLN 289.3 MN** cash from operating activities;
- the level of guarantee limits – **over PLN 1.44 BN** (of which slightly more than PLN 0.66 BN is used, as of February 2021).

### VERY POSITIVE MARKET OUTLOOK

- In 2021, PKP PLK plans to announce tender proceedings with a total potential value of **PLN 17 billion**. These projects will be implemented under the remaining part of the NRP (National Railway Program) and the financial perspective 2021-2027;
- Maintenance Program – **PLN 23.8 billion** by 2023 to renovate the existing railroad infrastructure; later this year, PKP PLK will announce a procedure for the maintenance of railroad lines with a total potential value of **PLN 0.65 billion**;
- The Station Investments Program – **PLN 1.4 billion** includes modernization of 188 railroad stations, a strong increase in PKP S.A. activity in this area in 2020;
- The Program Rail+ – **PLN 6.6 billion** is aimed at supplementing the railroad network with rail connections in small towns;
- Central Communication Port (CPK) project – railroad investments of **PLN 8-9 billion**;
- Train halts program – **PLN 1 billion** – a program related to construction and modernization of train stop infrastructure;
- Good prospects for development of the oil&gas market and increase in the scale of TOG's operations.

## Summary of the overall situation of Group (3)



### PROTECTION AGAINST COVID 19

- implementation of the principles of sanitary regime and health and safety at work (from 16 March 2020);
- the principle of the so-called "closed door" – limiting employee meetings and external meetings to the necessary minimum, in favour of remote communication;
- introduction of a system of remote work and rotational work;
- free access to protective measures and disinfectants for employees (on construction sites, offices and head-office);
- introduction of non-contact temperature measurement for employees, subcontractors;
- development of simplified rules of cooperation in a state of epidemic with the ordering party concerning partial acceptance certificates, site inspections, electronic signing of documents.

### SO FAR (15 MARCH 2021):

- The Company is currently analyzing the risks associated with the negative impact of a possible further spread of coronavirus on the Group's operations;
- all contracts are performed without significant disruption;
- continuity of the supply chain is maintained, timely delivery;
- Continued activity in tendering procedures.

# The financial situation – consolidated income statement



<i>Data in PLN thousand</i>	2020	2019	Change %/pp
<b>Sales revenue</b>	1 392 203	1 604 420	-13,2%
<i>Cost of sales</i>	1 292 314	1 529 044	-15,5%
<b>Gross profit on sales</b>	99 889	75 376	+32,5%
<i>Percentage of gross profit on sales</i>	7,2%	4,7%	+2,5 pp
<b>Overhead and sales costs</b>	35 118	32 835	+7,0%
<b>Sales profit</b>	64 771	42 541	+52,3%
<i>Percentage of net profit on sales</i>	4,7%	2,7%	+2,0 pp
<b>Profit on operating activities</b>	63 629	42 895	+48,3%
<i>EBT (in per cent)</i>	4,6%	2,7%	+1,9 pp
<b>Gross profit</b>	58 825	36 797	+59,9%
<i>PBT (in per cent)</i>	4,2%	2,3%	+1,9 pp
<b>Net result from continuing operations</b>	48 587	29 589	+64,2%
<i>Net result from continuing operations (in per cent)</i>	3,5%	1,8%	+1,7 pp
<b>Net profit for the period</b>	48 587	29 146	+66,7%
<i>Net profit (in per cent)</i>	3,5%	1,8%	+1,7 pp
<b>EBITDA</b>	86 429	65 186	+32,6%
<i>% EBITDA</i>	6,2%	4,1%	+2,1 pp

The scale of the Group's operations is determined by the volume of own work performed under the contracts resulting from the agreed work schedules. The year-on-year decrease in net sales revenue The decrease in net sales revenues y-o-y is mainly due to suspension and eventually modification of the scope of work and remuneration under the project for Ostrołęka Power Plant.

In addition, the speed of work was also somewhat affected by the disruptions caused by the epidemic and sanitary regime introduced in Poland.

Despite the decrease in sales volumes y-o-y. the Group recorded a significant increase in gross profit on sales (+32.4%), which is mainly due to the completion and settlement of most contracts – acquired in 2016-2017 – above the originally assumed profitability and the growing share of contracts characterized by a higher average margin in total sales.

The Group's net profit for 2020 was the highest in the history of the Group's operations and amounted to PLN 48.6 million.



# The financial situation – consolidated balance sheet



IN PLN THOUSAND	31/12/2020	31/12/2019	Change %
<b>Balance sheet total</b>	<b>1 043 716</b>	<b>1 283 698</b>	<b>-18,7%</b>
Fixed assets	228 219	206 969	10,3%
<b>Current assets</b>	<b>815 497</b>	<b>1 076 729</b>	<b>-24,3%</b>
Inventory	57 262	44 759	27,9%
<b>Cash</b>	<b>404 910</b>	<b>200 855</b>	<b>101,6%</b>
Equity	250 667	222 859	12,5%
<b>Total liabilities</b>	<b>793 049</b>	<b>1 060 839</b>	<b>-25,2%</b>
Net debt	-260 157	-17 829	-242 328



At the end of 2020, the Group's total assets reached PLN 1,038.7 million, down 19.1% year-on-year, mainly due to the settlement of a significant portion of the order backlog in the fourth quarter of last year.

The Group has no net financial debt – the level of net cash at the end of the reporting period amounted to PLN 260.2 million (compared to PLN 17.8 million at the end of 2019).

Currently, the Group's liquidity position remains stable and allows for continued high activity during tender proceedings and provides a certain safety buffer in case of a significant impact of negative events related to the coronavirus outbreak on operations.

The high level of cash (PLN 404.9 million) is a consequence of stabilization of the working cycle. The Group consistently reduces the value of work in progress, efficiently processes change orders, acceptance protocols and interim payment certificates, and thus reduces the required financial exposure on ongoing contracts.

# The financial situation – consolidated CF



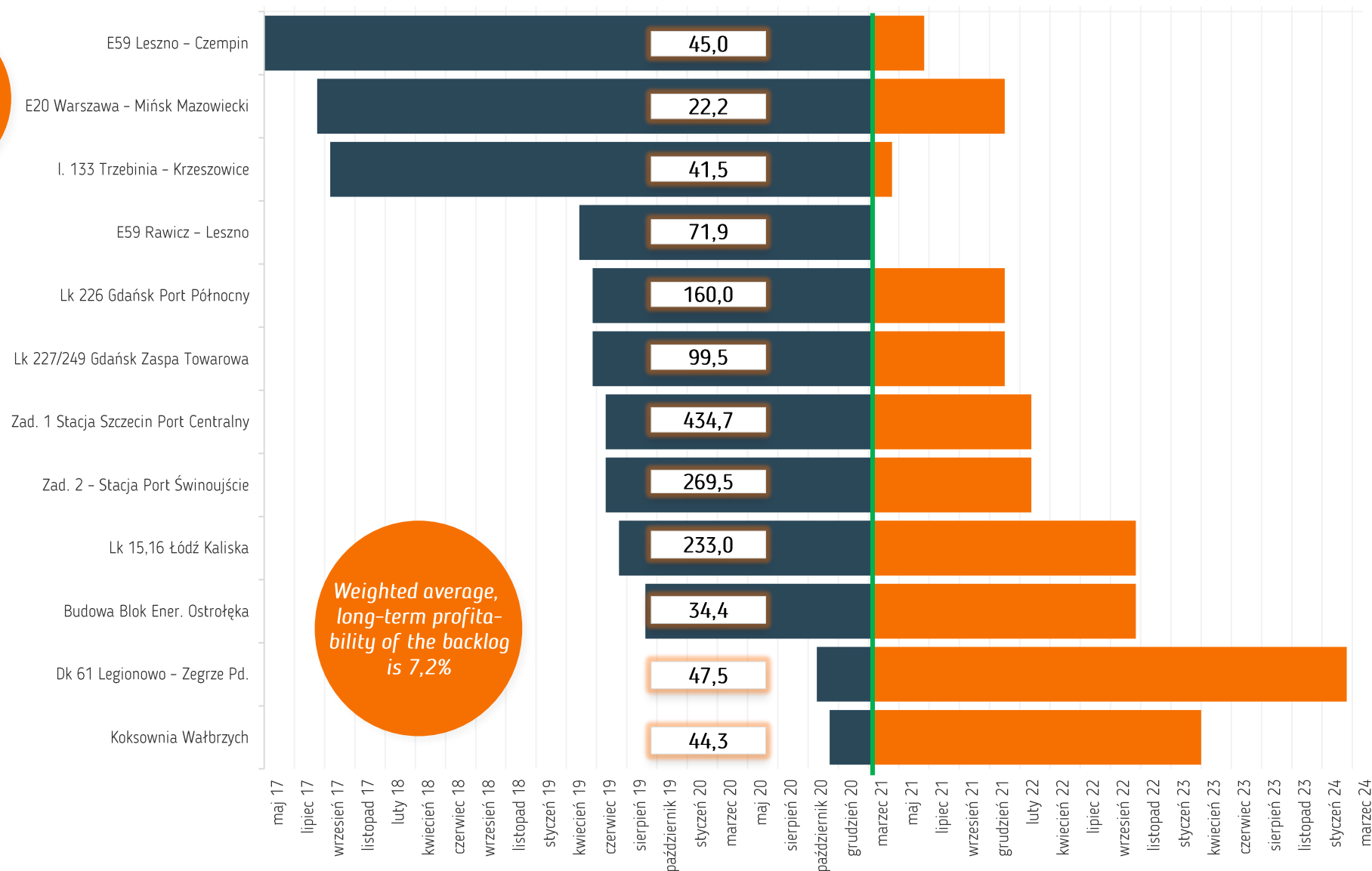
Data in PLN thousand	2020	2019	Change
<b>Cash flows from operating activity</b>			
Gross profit	58 825	36 797	22 028
Depreciation	22 800	22 291	509
Gain from investing activities	-309	323	-632
Change in receivables	464 206	-220 327	684 533
Change in prepayments and accruals	11 926	-8 481	20 407
Change in inventories	-12 503	13 700	-26 203
Change in payables except for bank loans and borrowings	-208 094	333 517	-541 611
Interests received	-1 204	126	-1 330
Interests paid	5 224	5 174	50
Movements in provisions	-1 405	3 971	-5 376
Income tax paid	-50 037	-6 733	-43 304
Other	-107	-1 140	1 033
<b>Net cash flows from operating activity</b>	<b>289 322</b>	<b>178 775</b>	<b>110 547</b>

Data in PLN thousand	2020	2019	Change
<b>Cash flows from investing activities</b>			
Sale of fixed tangible assets and intangibles	1 273	371	902
Purchase of fixed tangible assets and intangibles	-5 955	-18 735	12 780
Interests received	1 199	531	668
Other	-4 889	-2 073	-2 816
<b>Net cash flows from investing activities</b>	<b>-8 372</b>	<b>-19 906</b>	<b>11 534</b>
<b>Cash flows from financial activities</b>			
Payment of finance lease liabilities	-14 323	-18 518	4 195
Proceeds from loans and borrowings	911	161 464	-160 553
Repayment of loans and borrowings	-38 782	-143 348	104 566
Interests paid	-5 074	-5 606	532
Other	1 046	19 795	-18 749
Dividends and other distributions to owners	-20 673	-5 743	-14 930
<b>Net cash flows from financial activities</b>	<b>-76 895</b>	<b>8 044</b>	<b>-84 939</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>204 055</b>	<b>166 913</b>	<b>37 142</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>200 855</b>	<b>33 942</b>	<b>166 913</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>404 910</b>	<b>200 855</b>	<b>204 055</b>



# Current backlog

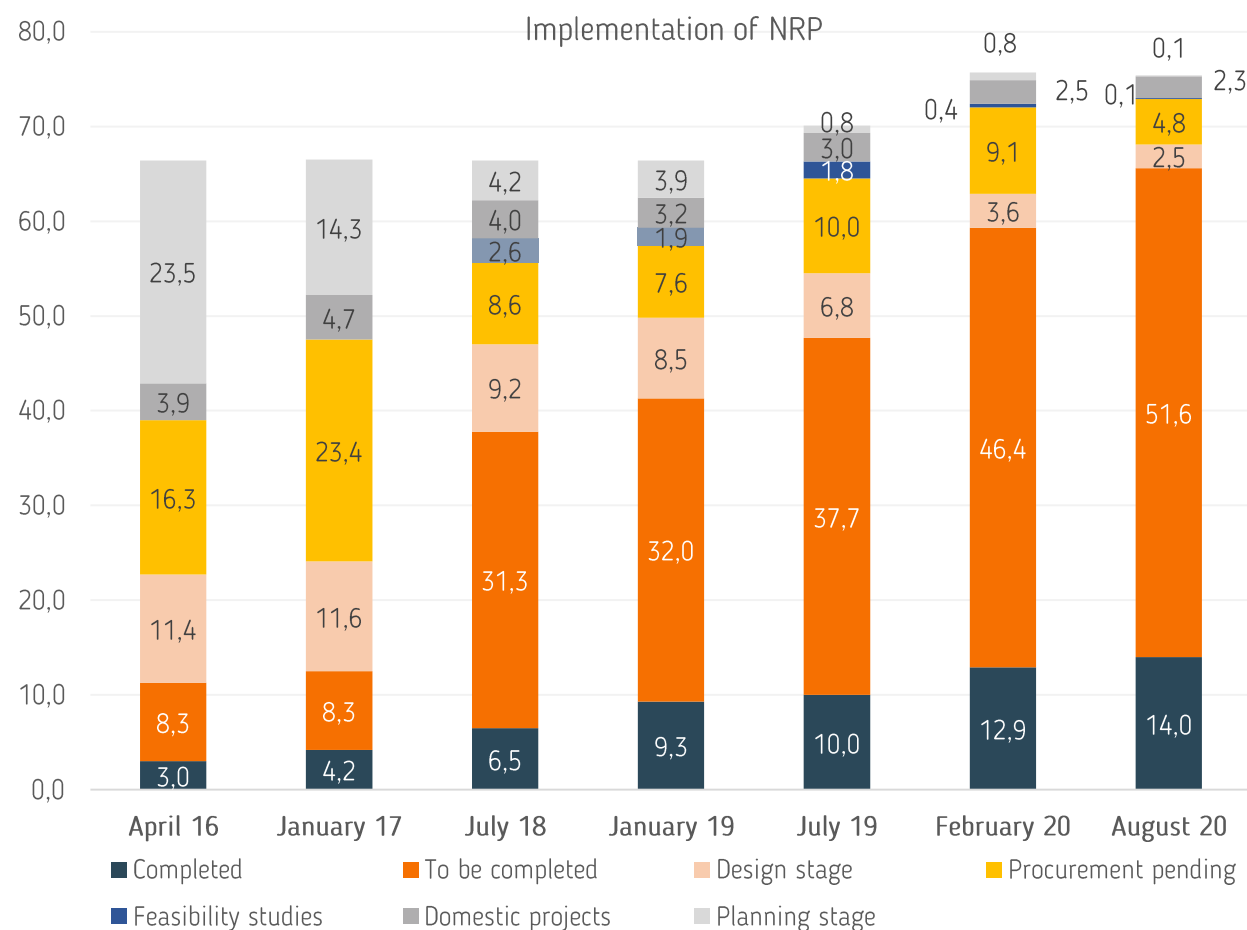
Current  
backlog value is  
PLN \*1.61 BN  
excl.VAT



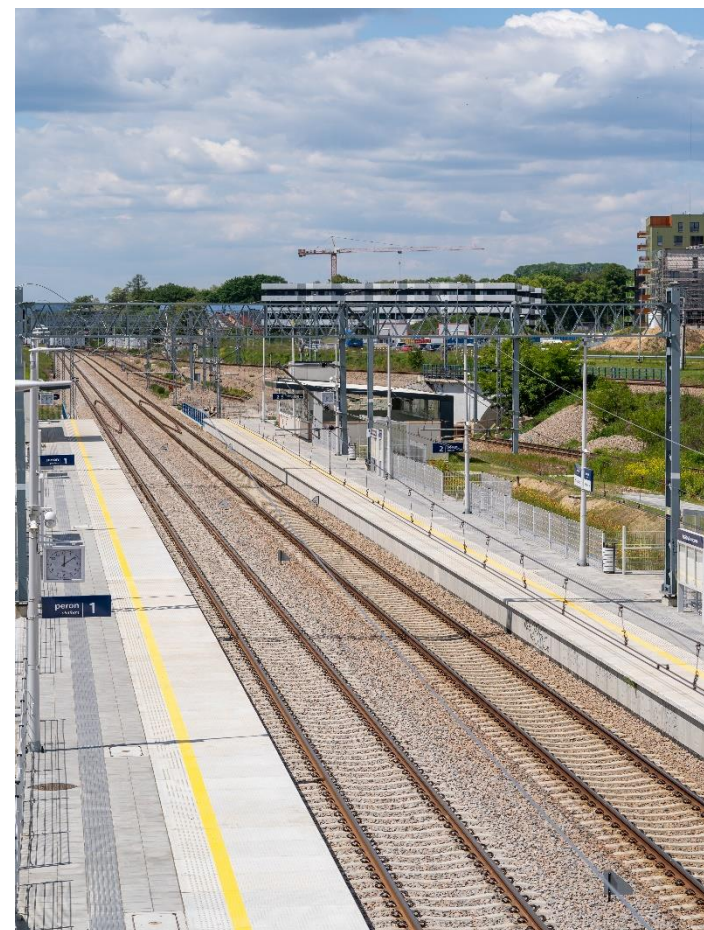
\*without the participation of consortium members

# Prospects for the railway market in Poland – implementation of the NRP

The value of the NRP amounts to nearly **PLN 75.45 billion** (233 projects). The current stage of NCP implementation (according to PKP PLK press releases) is 87%. Contracts worth almost PLN 14 billion have been executed (completed), and the contracts in the advanced stage of implementation amount to over PLN 51.6 billion. The performance of the NRP in the period from April 2016 to August 2020 is presented below. According to press reports, the execution of the NCP in 2020 amounted to more than **PLN 10.4 billion**, which is a historic result for the railroad infrastructure market in Poland



Source: PKP PLK



# Prospects for the railway market in Poland

## other programs and plans



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### The Maintenance Program

"Assistance in the financing of costs of railroad infrastructure management, including its maintenance and repair until 2023". The programme will be financed from the state budget and the Railway Fund. About **PLN 23.8 billion** will be allocated from public funds for its implementation in 2019-2023, including about PLN 21 billion from the state budget.

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### Railway Station Investment Program

Program includes modernization of 188 railway stations for a total amount of over PLN 1.4 billion. The program is financed in about 75% from European funds. According to PKP S.A. data, 18 railway station investments worth PLN 174 million gross (PLN 141.5 million excl. VAT) have been completed (put into operation), 75 facilities are under construction, 76 facilities are in the design process and 20 projects are in preparation for investment.

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### Railway+ Program

The main goal of the program is to supplement the railroad network with rail connections (including preparation of necessary pre-design and design documentation) of towns of more than 10,000 inhabitants that do not have access to passenger or freight railroads with provincial towns. About **PLN 6.6 billion** will be allocated to the program in **2019-2028**, of which about PLN 5.6 billion will come from the capitalization of PKP PLK, and the remaining PLN 1 billion is to be an own contribution of local government units (e.g. bond issues, loans). The program covered 21 municipalities in the transportation routes across the country.



# Prospects for the railway market in Poland

## other programs and plans



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### CPK Project

Project of the Central Communication Port "Solidarity" (CPK), which is to be a transportation hub based on the integrated air and rail intermodal nodes. As part of the railroad component, the concept of the CPK implementation assumes investments of **PLN 8-9 billion** (based on the estimates included in the feasibility study for the construction of the "Warsaw - Łódź - Poznań/Wrocław" high speed railroad line).

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### Train halts program

The program, adopted in October 2020, assumes the implementation of 200 investment projects between 2020 and 2025, which aim to counteract transportation exclusion, promote environmentally friendly means of transportation, and support the Polish economy by stimulating infrastructure investments related to the construction and modernization of train stops together with accompanying infrastructure. The value of the program is **PLN 1 billion**.

# Prospects for the railway market in Poland

## EU perspective of 2021-2027

- Under the new EU financial perspective, the initial total allocation for Poland for 2021-2027 under the cohesion policy is to be about **EUR 64.4 billion**, of which **EUR 27.5 billion** is planned for transport development under the Connecting Europe Facility (CEF). The focus will be on greener investments and railroad investments.
- The level of project funding will be lower than in the current perspective – the maximum level of EU funding will be **70%** for less developed regions (today it is 85%) – this category includes all provinces in Poland except the Mazowieckie and Dolnośląskie Voivodships, where the maximum level of EU funding will be even lower.
- In April 2020 PKP PLK developed **a plan for the development of the railroad network until 2040**. The preliminary list of investment tasks for the perspective 2021-2027 with possible implementation until 2040 includes **325 items**. The plan is worth over **PLN 250 billion**. For comparison, the draft budget bill assumes PLN 403.7 billion of revenues and PLN 486 billion of expenditures for 2021.
- This includes both the modernization of existing lines and the construction of new ones, included in existing government programs (NRP, CPK, Railway+). However, many investments do not even have a precisely defined scope yet. EU funds are to play a huge role in financing. Currently, work is being carried out on preparing a feasibility study for individual projects to be ready by 2023.

## Modernisation and revitalisation market

- According to the declarations of the ordering party, by the end of 2021, PKP PLK wants to announce procedures worth PLN 17 billion. These are **60 projects** which constitute a continuation of the National Railway Program and concern projects already included in the new perspective of 2021-2027.
- The aim of PKP PLK is to ensure continuity of the investment process and to maintain current prices in tender procedures. In addition, the effect of the investment is expected to introduce more attractive regional, inter-provincial and international connections and better access to the railroad. There will be an increase in the capacity of freight transport and the level of safety in rail transport.
- The planned investments include modernization of the next section of Rail Baltica (Białystok – Ełk), reconstruction of routes Giżycko – Kętrzyn – Korsze, Kościerzyna – Somonino – Kartuzy and the Poznań railroad bypass. It also includes modernization of railroad lines in Silesia, e.g. Będzin – Katowice Szopienice Płd.- Katowice Piotrowice and Tychy – the Vistula bridge as well as works at stations such as Zawiercie, Ełk, Maksymilianowo, Mielec and Słupsk.

## The maintenance market

- As part of the ongoing maintenance of railroad infrastructure, PKP PLK is also planning to announce several hundred tenders (**330 projects**) for repair and maintenance works with an estimated value of over PLN 650 million.
- The works are to cover the entire national railroad network.
- The effect of the tasks will be, among other things, the provision of timetable-compliant journeys and the expected service conditions at stations and stops. The works will allow greater possibilities of transporting goods by rail.



## MARKET SITUATION

In 2020, the subsidiary TOG participated in 44 procurement proceedings with a total potential net value of PLN 514.2 million. Out of 38 settled proceedings, TOG won **16 contracts** with a total net value of **PLN 68.4 million**. Currently, TOG participates in 6 unresolved proceedings with the total potential value of PLN 341.2 million excl. VAT.

Ordering Party	Portfolio of orders in MN of PLN excl.VAT
ORLEN Upstream	57,12
PGNiG Technologie	19,89
Grupa Azoty	7,58
PGNiG S.A.	4,72
pozostałe	3,87
<b>TOTAL</b>	<b>93,18</b>

MARKET  
WORTH  
BILLIONS  
OF POLISH  
ZLOTYS

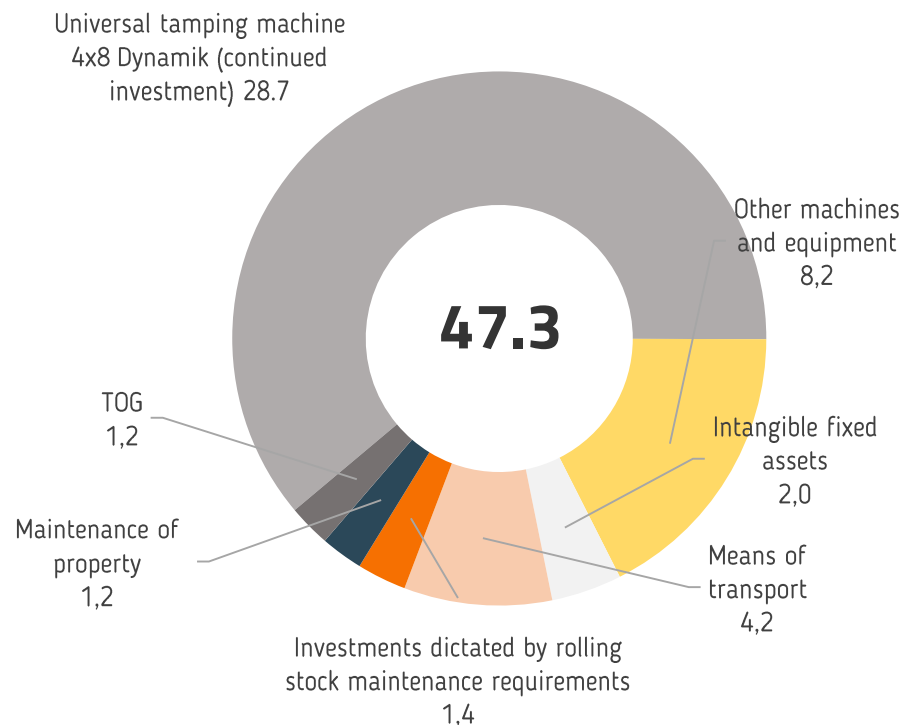
TOG's operating activity is being consistently developed, gradually becoming independent and strengthening its position in the oil&gas sector, increasing the scale of its operations

With each consecutive year of activity, TOG has been increasing the level of competence and potential (technical, human and financial), as well as becoming more independent; in 2020, for the third year in a row, it significantly improved the level of net revenue on sales (**PLN 74.8 million, +95.8% year-on-year**), the size of its order portfolio (**PLN 93.2 million net, +26.9% year-on-year**) and the level of net profit generated (**PLN 1.7 million, +72.9% year-on-year**).

# Planned investments



## Investments for 2021 (in PLN MN)



In 2020, the Group's investment plan was realized at 81.4%, including the realization of all significant investments. The reason for not meeting the investment plan is mainly due to the delayed delivery of a fixed asset by an Austrian supplier due to epidemic reasons, which was postponed to 2021.

The Group plans to incur significant net capital expenditures of approximately PLN 47.3 million in 2021. The Group's investment plan for 2021 relates mainly to the purchase of equipment and machinery for the modernisation of railroad lines, vehicles for the repair and installation of catenary lines, means of transport, and further development of ERP software.

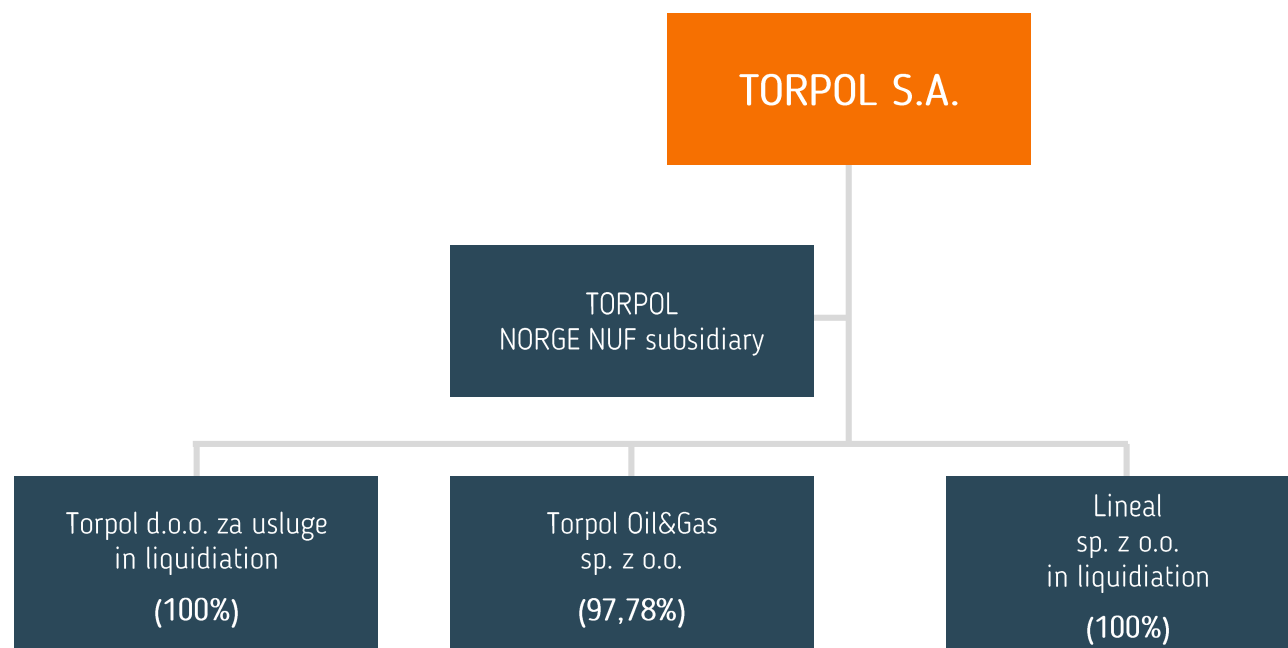


- Ongoing monitoring of the coronavirus epidemic situation, sanitary regime, health and safety at work, proper organization of remote and rotational work;
- Continuous, strict control of the pace and quality of construction work. Controlling operational risks on contracts; Maintaining profitability on gross sales above 6%;
- Further tendering (PKP PLK, PKP SA, the tram market), maintaining access to credit and guarantee limits, cooperation with banks and insurers;
- Further competence building in the area of building gas network infrastructure and fuel infrastructure;
- Development of general construction division, as well as operations in the field of bridge and civil engineering construction within the Group's portfolio;
- Strengthening the position of one of the largest entities in modernization projects on the railroad market, maintaining the market share at the level of approx. 15%.
- Maintaining the leading position in railroad revitalization projects.



# APPENDICES



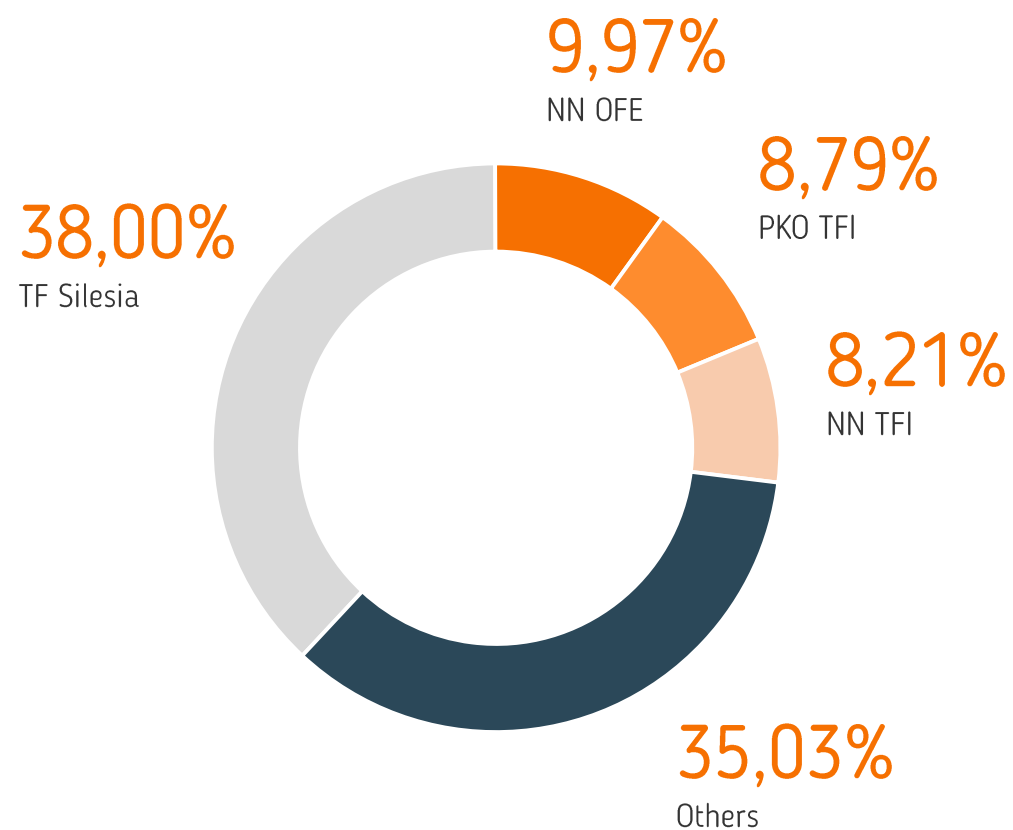


- On 24 January 2020, the District Court in Poznan decided to deregister Afta sp. z o.o. in liquidation from the register of entrepreneurs, which formally ended the liquidation process.
- On 2 July 2020 (date of the notarial deed) Lineal sp. z o.o. was decided to go into liquidation.
- Due to the situation related to the outbreak of coronavirus in Croatia, the process of liquidation of Torpol d.o.o. za usługi is prolonged. Currently the date of completion of liquidation process is difficult to estimate.

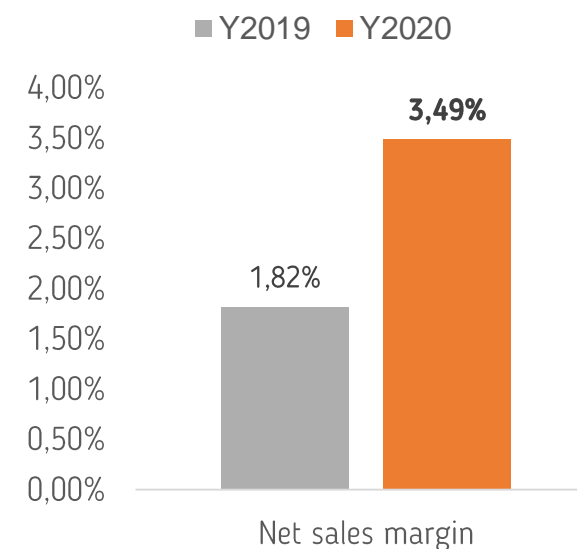
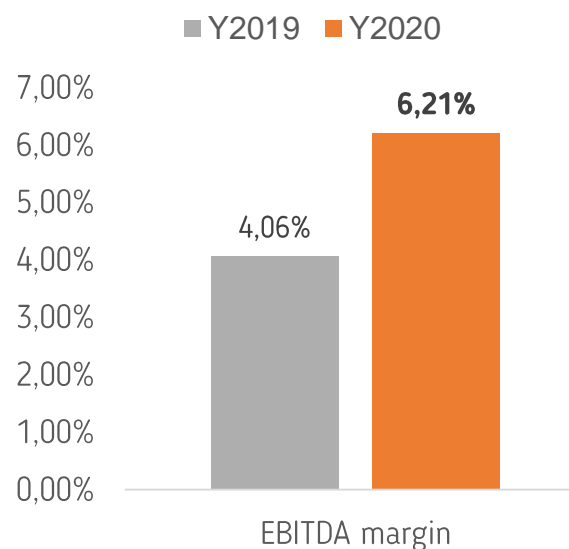
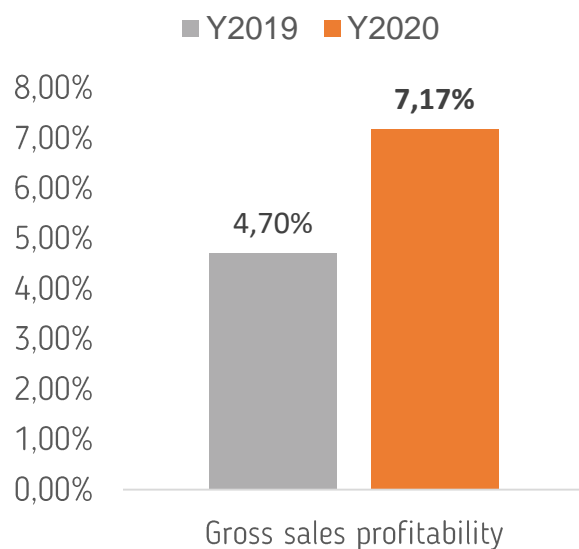
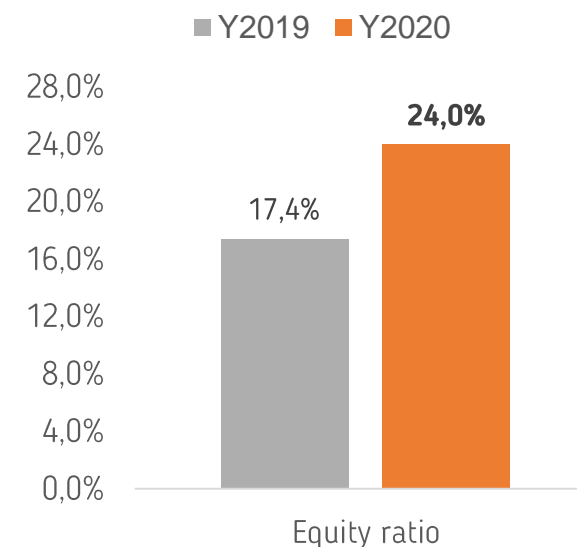
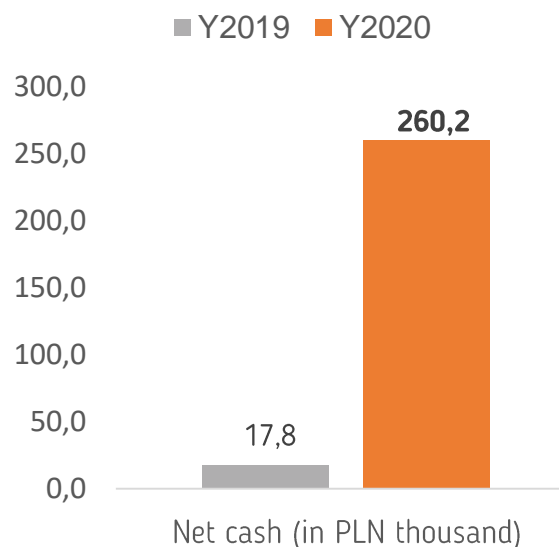
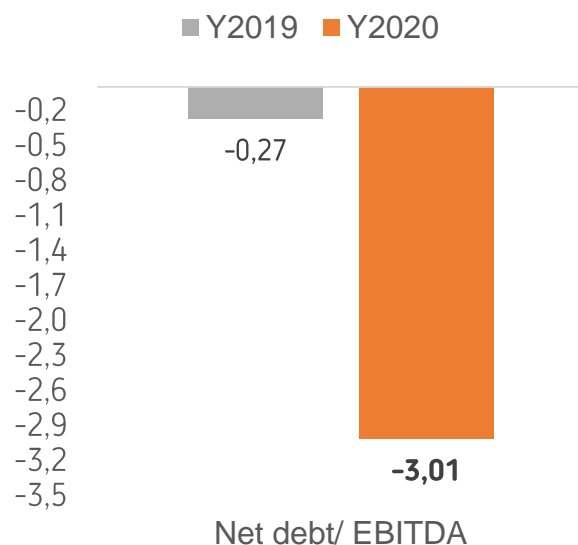
## Shareholder structure – 12 March 2021



Shareholder	Number of shares	(%) in capital
TF Silesia sp. z o.o.	8 728 600	38,00%
NN OFE	2 289 246	9,97%
PKO TFI	2 019 209	8,79%
NN TFI	1 886 071	8,21%
pozostali	8 046 874	35,03%
TOTAL	22 970 000	100,00%



# Financial indicators (consolidated data)







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