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ERBUD Group with a generous backlog

During Q3 2024, ERBUD presented an operating profit in virtually every business area. The Company made an improvement in margins, and since the beginning of the year has secured contracts amounting to PLN 3.1 billion.

Revenue for the ERBUD Group in Q3 2024 was PLN 771 million, compared to PLN 865 million a year earlier (-10.9% y/y). Meanwhile, however, the Company recorded a higher margin on sales, which reached PLN 72.5 million, compared to PLN 56.6 million in Q3 2023. The Group's gross sales margin thus improved from 6.5% to 9.5% y/y. The ERBUD Group's operating result in the reported period amounted to PLN 21.9 million, with PLN 3.5 million in the first three quarters of 2023 (result adjusted for a one-off event), representing a six-fold increase. As a reminder, back then, the Company's reported results were significantly impacted by the settlement of compensation for foreign exchange contracts, which added more than PLN 38 million to operating profit.

During the reporting period, the most significant contributors to the improved performance were the domestic residential segment and modular construction. The former generated revenue of PLN 350 million in Q3 2024 and turned an EBIT loss of PLN 8.9 million a year ago into a profit of PLN 1.7 million. In turn, the modular segment boosted revenues by 32% to nearly PLN 35 million and approached breakeven, reporting an operating loss of PLN 0.4 million, compared to a result of PLN -8.6 million at this level in Q3 a year ago.

Likewise, as in recent periods, the area of renewable energy, developed by the contracting and development company ONDE, was the greatest contributor to the Group's profits. Based on sales of PLN 182.5 million, it recorded an EBIT of PLN 16.8 million in Q3 2024. This time the results were generated entirely by the executive segment, where margins returned to more satisfactory levels. It should be recalled that the RES market finds itself in a period of transition, as it is still looking forward to the amendment of the Distance Law and investments from the National Reconstruction Plan (NRP), and therefore the environment is demanding.

The industrial services division can also report a successful quarter. It reported a combined domestic and international EBIT of approximately PLN 10 million in these three months, with just over PLN 156 million in sales.

– The third quarter was highly successful for us. Virtually all business areas have increased profitability. Meanwhile, we are currently operating in such a demanding market, where it is necessary to tread with great care. Invitations to tender are relatively few and contractors are offering progressively lower prices to acquire contracts. We are not submitting to pressure; instead we are searching for projects where the experience and

competence counts, rather than a low price. – **remarks Dariusz Grzeszczak, CEO of ERBUD.** – *The progression at MOD21, our wooden module construction company, is also noteworthy. We have created it from scratch. We have built a hall, installed production lines, recruited and trained 150 new employees. It is encouraging to see that we are approaching the break-even point* – **adds Dariusz Grzeszczak.**

Currently, MOD21's backlog includes orders totalling around PLN 180 million, of which around PLN 57 million is expected to be processed later this year. The company reported PLN 69.1 million in sales after nine months of 2024. Therefore, it is targeting a turnover of almost PLN 130 million for the entire present year.

- *To date, we have executed the vast majority of our projects in Germany, but now we also expect a lot from the Polish market. We are constantly educating the market, encouraging that wooden modular structures are not only environmentally friendly, but may also be the ultimate choice for fast and efficient utilisation of funds from the NRP, which Poland has to use in less than two years. The authoritative McKinsey Global Institute report highlighted modular construction as one of the most forward-looking industries* – explains Dariusz Grzeszczak. According to the authors of the aforementioned report, the value of modular construction will increase from USD 180 billion in 2022 to as much as USD 1.1 trillion in 2040.

Overall, the ERBUD Group's external order backlog amounted to approximately PLN 2.9 billion at the end of September 2024, which is 16% more than reported at the same moment in 2023. Out of the above, just under PLN 900 million goes into the current year. Additionally, the executive value of own projects in RES, exceeding PLN 900 million, need to be added.

– *The whole country is eagerly awaiting billions from the NRP, but we cannot seize the opportunity. Our diversification enables us to generate revenue from multiple locations, including abroad. In fact, we have the competence to exploit new areas. We are exploring new opportunities in off-shore projects - we have already accumulated almost 600 million contracts related to this sector, and are expanding into the thermo-modernisation market, analysing the transmission and distribution network sector, which is anticipating huge investments* – **describes Jacek Leczkowski, Vice-President of ERBUD.**

- *By the end of September, we had PLN 220 million of cash reserves, representing, to be precise, more than half of our current capitalisation. On the one hand, this provides us with stability and security and, on the other, creates acquisition potential. Therefore, we can develop organically in new areas and, if an appropriate entity is found, also through acquisitions* – **says Agnieszka Głowacka, Vice-President of ERBUD.**

It is worth reminding, that during this year ERBUD completed the acquisition of CKTiS from Płock, thus expanding its industrial services segment. CKTiS delivers comprehensive mechanical and construction services to the energy, chemical, refining and petrochemical industries. The company undertakes repairs, upgrades and provides ongoing maintenance. The CKTiS organisation also includes a laboratory for testing

technical equipment, steel structures or metallurgical materials. The enterprise is staffed by 130 specialists.

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The ERBUD Capital Group represents the largest construction group in Poland outside of international holding companies. ERBUD boasts over 34 years of experience in the Polish market and in Western European countries. The Company focuses on volume construction, green energy, service to industry and modular development. ERBUD S.A. has been listed on the Warsaw Stock Exchange since 2007. Starting in 2021, ERBUD appears in the prestigious EMAS register, the EU's highest environmental recognition, and in 2022 it was included in the renowned "World's Best Employers" list of the American "Forbes" magazine.

Learn more at www.erbud.pl.

Media relations:

Marcin Kasprzak
Director of Communications & PR
+48 792 280 805
marcin.kasprzak@erbud.pl

Sebastian Krawczyk
MakMedia Group

+48 608 590 417

s.krawczyk@makmedia.pl