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The ERBUD Group summarizes the first half of 2018

- **Loss caused by revaluation of margins on six contracts in Poland and three contracts abroad due to a significant increase in prices of construction materials and subcontracting services as well as in labour costs.**
- **Stable liquidity position and safe level of cash.**
- **Increase in revenues from the Group's foreign operations of 50% y-o-y following the acquisition of the German company IVT.**
- **Unique revenues growth in the road construction segment already in the first half of the year.**
- **Employment increase of 307 people (+ 13%) from the beginning of the year - up to 2 643 employees.**

In the first half of 2018, the ERBUD Group recorded a net loss of PLN 29.9 million compared to a profit of PLN 7 million in the same period of the previous year. This is the result of revaluation of six ongoing contracts - three at home and three abroad - and the settlement of three projects already completed in Poland. Unfavourable results of the building construction were partially offset by profits in other business areas of the Group.

The accumulation of investments, both public and private, currently observed on the market is constantly increasing demand, which leads to a significant growth of prices of raw materials and building materials, as well as a growing shortage of skilled workers and rising employment costs. Due to this situation, the Management Board of ERBUD S.A. decided to reevaluate the profitability of the currently performed contracts. As at 30 June 2018, three projects carried out in Poland and three in Germany showed a loss. The negative result was also brought by the final settlement of three projects already completed on the domestic market, where the investors did not agree to cover the costs of additional works.

„The rapid variability of the market environment drastically disturbed the stability of the construction industry's performance. In the case of the ERBUD Group, the decline in margins concerns especially the building construction, both in Poland and Germany. Negative profitability was recorded on several contracts calculated and signed between the beginning of 2015 and the second half of 2017. Since then, the operating costs of construction companies increased significantly,” explains Dariusz Grzeszczak, President of the Management Board of ERBUD S.A.

Moreover, in August 2018, ERBUD S.A. withdrew from the agreement with one of the house builders due to its poor financial standing, which resulted in the creation of a provision of PLN 6.4 million for potential losses.

The total revenue of the ERBUD Group at the end of June 2018 amounted to PLN 960 million and increased by 24% year-on-year. In turn, foreign sales increased by 50%, to PLN 139 million, thanks to the acquisition of the German company IVT operating in the industrial, plant and electrical engineering segments. IVT's revenue in the first half of the year was PLN 40 million, and net profit PLN 3.6 million.

It is also worth noting that the Group reported a fourfold increase in revenues, from PLN 28 million to PLN 114 million, in the segment of engineering and road construction, in which operates another subsidiary - PBDI S.A.

“The performance of individual segments in the first half of the year show that the policy adopted by the ERBUD Group, based on geographical and business diversification, brings positive results. The profit achieved by the IVT service company acquired in the first quarter partly offsets the unfavourable results generated in the building construction. The same is true for the road-engineering company PBDI, which recorded a very strong growth. Thanks to the diversification of our business, at the moment of economic downturn in one segment, we can count on generating solid margins in other ones,” says Dariusz Grzeszczak.

In the first half of 2018, the total revenue of the ERBUD Group on sales in Poland amounted to PLN 821 million and increased 20% y-o-y. In turn, income from sales abroad rose by 50%, to PLN 139 million. Income of the energy and service segment increased by 33%, to PLN 136 million.

At the end of June 2018, the ERBUD Group had a portfolio of orders worth PLN 2,583 million, of which PLN 1,151 million was for 2018, PLN 1,159 million for 2019 and PLN 273 million for the subsequent years (2020-2021). The share of public procurement in the backlog was 19%.

“The results for the first half of 2018 cut off the past and now we focus on the future. In the next periods we will show an improvement in results. The liquidity position of the company is stable. Other ongoing contracts generate a positive margin, and projects offered from the second half of 2017 are calculated according to current market prices,” says President of the Management Board of ERBUD S.A

At the end of June 2018, the Group employed 2 643 people, which means an increase of 307 people (including 240 employees in the acquired company IVT) compared to the beginning of the year. This represents an increase of 13%.

The ERBUD Group is one of the largest construction groups in Poland. It exists since 1990. It provides services at home and abroad, and has many years of experience gained on the Polish market as well as in Western European countries. The core business is construction of buildings, road-engineering and construction for industry and power segment. The ERBUD Group competes with the international branch players in terms of quality and meeting deadlines. Yearly, it carries out projects worth about PLN 2 billion. Since 2007, ERBUD S.A. is listed on the Warsaw Stock Exchange.

The most prestigious projects completed recently by the member companies of the Group are: Hala Koszyki Covered Market, Eurocentrum Office Complex and Royal Wilanów in Warsaw; Invasive Medicine Centre of the Medical University of Gdańsk; Magnolia Park and “Przylądek Nadziei” Hospital in Wrocław.

For more information visit www.erbud.pl

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