CONRAD INDUSTRIES, INC.

Quarterly Financial Report

September 30, 2024

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS

In this report and in the normal course of business, we, in an effort to help keep our stockholders and the public informed about our operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward looking statements. All statements contained herein, other than statements of historical fact, are forward looking statements. When used in this report, the words "anticipate," "believe," "estimate," "expect," "project," and similar expressions are intended to identify forward looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including risks and uncertainties related to changes in steel prices, other material and labor costs, changing rates of inflation in the U.S. economy, labor and supply constraints, changes in interest rates, our reliance on cyclical industries, our reliance on principal customers and government contracts, our ability to perform contracts at costs consistent with estimated costs utilized in bidding for the projects, our ability to deliver projects on time, variations in quarterly revenues and earnings resulting from the percentage of completion accounting method, customer financial condition and risk of default, the possible termination of contracts included in our backlog at the option of customers, operating risks, competition for marine vessel contracts, our ability to retain and implement effective succession plans for key management personnel and to continue to attract and retain skilled workers, state and federal regulations, the availability and cost of capital, the wars and violence in Ukraine and Israel and surrounding areas, risk of failure of any bank in which we deposit our funds, potential resurgence of COVID-19 and its variants or the occurrence of another health crisis, and general industry and economic conditions. Certain of these risks and assumptions, and other risks and assumptions are discussed in more detail in our Annual Report, included under the heading *"Business Overview-Risk Factors."* Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward-looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct.

An Important Note About This Report

Conrad Industries, Inc. is not subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Act"). Accordingly, this report is not filed with the Securities and Exchange Commission, is not available on the SEC's EDGAR system, and does not purport to meet the requirements for companies that are subject to the Act's reporting requirements. The Company does intend in this report to provide accurate financial and other information of interest to investors.

Our Annual Report and other periodic reports to shareholders are available on the Company's website, www.ConradIndustries.com and at www.otcmarkets.com. Interested persons may also request copies directly from the Company; please direct requests and inquiries to: Chief Financial Officer, Conrad Industries Inc., P. O. Box 790, Morgan City, LA, 70381, telephone (985) 702-0195. In particular, you should read this Quarterly Report along with our 2023 Annual Report.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

ASSETS	September 30, 2024	December 31, 2023
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,446	$ 38,593
Contracts receivable, net	12,234	19,888
Costs and estimated gross profit in excess of billings on contracts in progress	25,510	14,589
Inventories	2,525	2,104
Other receivables	5,263	3,121
Other current assets	18,871	18,414
Total current assets	101,849	96,709
PROPERTY, PLANT AND EQUIPMENT, net	41,367	42,556
OTHER ASSETS	1,152	945
TOTAL ASSETS	$ 144,368	$ 140,210
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 8,701	$ 13,331
Accrued employee costs	4,556	2,186
Accrued expenses	8,938	2,741
Current maturities of long-term debt	1,500	1,625
Billings in excess of costs and estimated gross profit on contracts in progress	35,369	44,955
Total current liabilities	59,064	64,838
LONG-TERM DEBT, less current maturities	1,750	2,875
DEFERRED INCOME TAXES	1,329	1,627
OTHER NON-CURRENT LIABILITIES	816	701
Total liabilities	62,959	70,041
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, $0.01 par value 20,000,000 shares authorized, 7,314,837 issued as of September 30, 2024 and December 31, 2023	73	73
Additional paid-in capital	29,104	29,104
Treasury stock at cost, 2,296,902 shares as of September 30, 2024 and December 31, 2023	(38,892)	(38,892)
Retained earnings	91,124	79,884
Total shareholders' equity	81,409	70,169
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 144,368	$ 140,210

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
REVENUE	$ 73,922	$ 60,668	$ 225,545	$ 187,916
COST OF REVENUE	70,370	63,364	213,025	201,551
GROSS PROFIT/(LOSS)	3,552	(2,696)	12,520	(13,635)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,596	1,715	5,531	5,497
INCOME/(LOSS) FROM OPERATIONS	1,956	(4,411)	6,989	(19,132)
INTEREST EXPENSE	(52)	(65)	(152)	(170)
OTHER INCOME/(EXPENSE), NET	8,223	152	8,367	349
INCOME/(LOSS) BEFORE INCOME TAXES	10,127	(4,324)	15,204	(18,953)
PROVISION/(BENEFIT) FOR INCOME TAXES	2,632	(1,148)	3,964	(4,814)
NET INCOME/(LOSS)	$ 7,495	$ (3,176)	$ 11,240	$ (14,139)
Income/(loss) Per Share Basic and Diluted	$ 1.49	$ (0.63)	$ 2.24	$ (2.82)
Weighted Average Common Shares Outstanding Basic and Diluted	5,018	5,018	5,018	5,018

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock $0.01 Par Value		Additional Paid-in	Treasury Stock at Cost		Retained	
	Shares	Amount	Capital	Shares	Amount	Earnings	Total
BALANCE—December 31, 2021	7,315	73	29,104	2,297	(38,892)	124,341	114,626
Purchase of treasury stock	-	-	-	-	-	-	-
Stock issued	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	(17,429)	(17,429)
BALANCE—December 31, 2022	7,315	73	29,104	2,297	(38,892)	106,912	97,197
Purchase of treasury stock	-	-	-	-	-	-	-
Stock issued	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	(27,028)	(27,028)
BALANCE—December 31, 2023	7,315	$ 73	$ 29,104	2,297	$ (38,892)	$ 79,884	$ 70,169
Purchase of treasury stock	-	-	-	-	-	-	-
Stock issued	-	-	-	-	-	-	-
Dividends on common stock	-	-	-	-	-	-	-
Net income	-	-	-	-	-	11,240	11,240
BALANCE—September 30, 2024	7,315	$ 73	$ 29,104	2,297	$ (38,892)	$ 91,124	$ 81,409

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 11,240	$ (14,139)
Adjustments to reconcile net income to cash provided by/ (used in) operating activities:		
Depreciation and amortization	3,115	3,940
Deferred provision/(benefit) for income tax	(152)	(971)
(Gain)/loss on sale of assets	(1)	5
Changes in assets and liabilities:		
Contracts receivable	7,654	(32,674)
Net change in billings related to cost and estimated gross profit on contracts in progress	(20,507)	29,515
Inventory and other assets	(3,379)	27,721
Accounts payable, accrued expenses and other liabilities	4,052	(2,976)
Net cash provided by operating activities	2,022	10,421
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for plant and equipment	(1,918)	(1,238)
Proceeds from sale of assets	(1)	-
Net cash used in investing activities	(1,919)	(1,238)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of debt	(1,250)	(1,125)
Net cash used in financing activities	(1,250)	(1,125)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1,147)	8,058
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	38,593	21,583
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 37,446	$ 29,641
SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	$ 152	$ 170
Taxes paid	$ 220	$ 280

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation—The consolidated financial statements include the accounts of Conrad Industries, Inc. and its wholly-owned subsidiaries (the "Company") which are primarily engaged in the construction, conversion and repair of a variety of marine vessels for commercial and government customers. New construction work and some repair work are performed on a fixed-price basis. We perform a significant amount of our repair work under time and materials agreements. All significant intercompany transactions have been eliminated.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Changes in Accounting Principles—At the beginning of 2023, the Company adopted FASB ASU 2016-13, *Financial Instruments – Credits Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Company adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Company's financial statements, but did change how the allowance for credit losses is determined.

In January 2022, the Company adopted Accounting Standards Update No. 2016-02, *"Leases" ("Topic 842").* The new accounting standard requires the recognition on the balance sheet of right-of-use assets and leases liabilities for all leases having an original term of longer than twelve months. In our adoption, the Company elected the optional transition method that allows the Company to apply the provisions of the standard at the effective date without adjusting the comparative prior periods. As allowed under the new accounting standard, the Company also elected certain practical expedients provided by the new standard, including not recording an asset or liability for leases having a term of twelve months or less. The lease asset is reflected within other noncurrent assets, and the current and noncurrent portions of the lease liability are reflected within accrued expenses and other noncurrent liabilities, respectively, on our balance sheet. See Note 6 for further discussion of our adoption of this standard and our lease assets and liabilities.

The Company has implemented processes and a lease accounting system to ensure adequate internal controls were in place to assess our contracts and enable proper accounting and reporting of financial information upon adoption.

Revenue and Cost Recognition—We are engaged in various types of construction under long-term construction contracts. In the process of performing construction contracts with our customers, the Company considers each contract to be one performance obligation, unless the circumstances dictate otherwise. Revenue is recognized as the work is performed over time and it is arrived at by determining the amount of labor hours incurred to date as it relates to total estimated labor hours after giving effect to the most recent estimates of labor hours to complete. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from time and materials agreements are recognized on the basis of cost incurred during the period plus the fee earned.

Contract costs include all direct material, labor, and subcontracting costs, and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, depreciation, and insurance costs. Revisions in estimates of cost and earnings while the work are reflected in the accounting period in which the facts which require the revision become known. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

The Company provides warranties for the work we perform for periods ranging from six months to twelve months. We generally do not warrant machinery and equipment furnished by other manufacturers that become part of the vessels we build, convert, or repair. The machinery and equipment manufacturers' warranties are passed on to our customers. The warranty exposure for our workmanship, which is subject to our internal quality control programs as well as inspection by governmental agencies and customer representatives, is normally less than one percent of cost of revenue. This potential warranty exposure is recorded as a cost of the job.

Indirect costs are allocated to contracts and to certain inventory and capital projects on the basis of direct labor charges.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, and on deposit. Short-term investments with original maturities of less than three months are also considered cash and cash equivalents because they can be easily liquidated without penalties.

Contract Receivables—Contracts receivables are carried at the outstanding amount due less an allowance for credit losses, if an allowance is deemed necessary. Allowances for credit losses are established when there is a basis to doubt the full collectability of a contracts receivable. On a periodic basis, the company evaluates its contracts receivables and determines the requirement for an allowance, based on its history of past write-offs, collections and current conditions. When a contract receivable is ultimately determined to be uncollectible and due diligence for collections has taken place, the contract receivable is written off.

Property, Plant and Equipment—Property, plant and equipment is stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the individual assets which range from three to forty years. Ordinary maintenance and repairs which do not extend the physical or economic lives of the plant or equipment are charged to expense as incurred.

Interest Capitalization—Interest costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives. No interest costs were capitalized at September 30, 2024 and December 31, 2023.

Impairment of Long-Lived Assets—Long-lived assets held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We assess the recoverability of long-lived assets by determining whether the carrying values can be recovered through undiscounted net cash flows expected to result from such operations and assets over their remaining lives. If impairment is indicated, the asset is written down to its fair value, or if fair value is not readily determinable, to its estimated discounted net cash flows. There was no impairment at September 30, 2024.

Inventories—At September 30, 2024 and December 31, 2023, inventories consisted of steel plate and structurals, and excess job related materials and supplies. Inventories are stated at the lower of cost or market (first-in, first-out basis).

Basic and Diluted Income Per Share—Basic net income per share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per share uses the weighted average number of common shares outstanding adjusted for the incremental shares attributable to dilutive outstanding options to purchase common stock. The Company did not have any dilutive outstanding options for the first nine months of 2024 nor in 2023.

Fair Value of Financial Instruments—The carrying amounts of our financial instruments including cash and cash equivalents, receivables and payables approximate fair value at September 30, 2024 and December 31, 2023.

***Income Taxes*—**Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for the tax effect of temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements at the enacted statutory rate to be in effect when the taxes are paid.

In July 2006, the FASB issued ASC 740-10-50, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109*, which clarifies the accounting and disclosure for uncertain tax positions, as defined. ASC 740-10-50 seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. On January 1, 2007, we adopted the provisions of ASC 740-10-50. Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements.

***Subsequent Events*—**In May 2009, the FASB issued ASC 855, *Subsequent Events* which establishes general standards for accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This is effective for financial periods ending after June 15, 2009. We have evaluated events subsequent to the balance sheet date through November 5, 2024, the date the financial statements were available to be issued and determined that any events or transactions occurring during that period that would require recognition or disclosure are addressed in these financial statements.

***Combined Contract*—**The Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate the combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period.

***Uninstalled Materials*—**When the Company determines there are uninstalled materials on a contract, the Company recognizes revenue for the transfer of the goods but only in the amount equal to the percentage of labor hours incurred to date as it relates to total estimates.

***Multiple Performance Obligations*—**Some of the Company's contracts may have multiple performance obligations, most commonly due to the contract covering multiple phases of a project. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation using the Company's best estimate of the standalone selling price of each distinct good in the contract.

***Transaction Price*—**The nature of the Company's contracts gives rise to several types of variable consideration, including claims, awards and incentive fees. The Company includes in the contract estimates of additional revenue for submitted contract modifications or claims against the customer when the Company believes it has an enforceable right to the modification or claim, the amount can be estimated reliably, and its realization is probable. In evaluating these criteria, the Company considers the contractual/legal basis for the claim, the cause of any additional costs incurred, the reasonableness of those costs and the objective evidence available to support the claim. The Company includes award or incentive fees in the estimated transaction price when there is a basis to reasonably estimate the amount of the fee. These estimates are based on historical award experience, anticipated performance and the Company's best judgment at the time. Because of certainty in estimating these amounts, they are included in the transaction price of the contracts and the associated remaining performance obligations.

***Contract Modifications*—**Contract modifications are routine in the performance of the Company's contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods that are not distinct, and, therefore, are accounted for as part of the existing contract.

***Advertising*—**Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising expense was $18,000 and $29,000 for the third quarters of 2024 and 2023, respectively. For the nine months ended September 30, 2024 and September 30, 2023, advertising expense was $82,000 and $89,000, respectively.

2. CONTRACTS RECEIVABLES

Receivables consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Completed contracts and repairs	$ 3,169	$ 10,070
Contracts in progress	9,165	10,034
	12,334	20,104
Less allowance for credit losses	(100)	(216)
	$ 12,234	$ 19,888

Included above in amounts billed is an allowance for credit losses of $100,000, and $216,000 at September 30, 2024 and December 31, 2023, respectively. Unbilled costs and estimated earnings on uncompleted contracts were not billable to customers at the balance sheet dates under terms of the respective contracts. Of the unbilled costs and estimated earnings at September 30, 2024, the majority is expected to be collected within the next twelve months.

The Company had the following activity for its allowance for credit losses for contracts receivable at September 30, 2024 and December 31, 2023.

	September 30, 2024	December 31, 2023
Beginning balance	$ 216	$ 295
Provision for expected credit losses	(116)	6
Write-offs	-	(85)
Ending balance	$ 100	$ 216

In February 2023, we were awarded a $7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. We have acknowledged that the amended final judgment in the amount of $8.04 million, including interests and costs, was received and satisfied in full. Receipt of the judgment amount is reflected in our financial statements as of, and for the quarter and nine months ended, September 30, 2024.

Related billings in excess of costs and estimated gross profit on construction contracts in progress as of September 30, 2024 and December 31, 2023 are as follows (in thousands):

	September 30, 2024	December 31, 2023
Costs incurred to date on contracts in progress	$ 298,820	$ 291,583
Estimated gross loss to date	(13,846)	(42,649)
Contracts revenue earned to date	284,974	248,934
Less billings to date	(294,833)	(279,300)
Net excess of billings over revenue earned	$ (9,859)	$ (30,366)

The billings over revenue earned are included in the accompanying balance sheets under the following captions (in thousands):

	September 30, 2024	December 31, 2023
Costs and estimated gross profit in excess of billings on contracts in progress	$ 25,510	$ 14,589
Billings in excess of cost and estimated gross profit on contracts in progress	(35,369)	(44,955)
Net excess of billings over revenue earned	$ (9,859)	$ (30,366)

The billings in excess of revenue primarily relate to the Company's rights to consideration for work billed but not completed at the reporting date. The revenue in excess of billings balances are transferred to receivables when the rights become unconditional. The billings in excess of revenue primarily relate to the advance consideration received from customers, for which revenue has not yet been recognized.

Significant changes in revenue in excess of billings and billings in excess of revenue balances during the period are as follows:

	Revenue in Excess of Billings	Billings in Excess of Revenue
Balance, December 31, 2023	$ 14,589	$ 44,955
Revenue recognized that was included in contract liability balance at the beginning of the period	-	(18,977)
Increases due to cash received, excluding amounts recognized as revenue during the period	-	9,391
Increases due to revenue recognized prior to billings	20,188	-
Transferred to receivables from revenue in excess recognized at the beginning of the period	(9,267)	-
Balance, September 30, 2024	$ 25,510	$ 35,369

Pursuant to SOP 81-1, Paragraph 85-89 (ASC 605-35), when the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract should be made in the period it became evident. The provision for the loss should be recorded as an additional contract cost in the income statement. The offsetting liability can be recorded on the balance sheet where related contract costs are accumulated on the balance sheet, in which case the provision may be deducted from the related accumulated costs. The Company recorded total charges of $10.8 million for the first nine months of 2024 and charges of $33.5 million for the year ended December 31, 2023 in cost of revenues to reflect revised estimates related to anticipated losses on certain uncompleted vessels in progress. The offsetting credit was recorded in costs and estimated earnings, net in excess of billings on uncompleted contracts. As of September 30, 2024 and December 31, 2023, approximately $22.8 million and $25.8 million respectively, of this provision are included in costs and estimated earnings, net in excess of billings on uncompleted contracts.

3. CONTRACT BACKLOG

The following schedule is a reconciliation of contract backlog (remaining performance obligations) representing approved contracts as of September 30, 2024 (in thousands):

Balance, January 1, 2024	$	253,753
Contract adjustments and new contracts awarded		237,068
Subtotal		490,821
Less contract revenue earned		(208,655)
Balance, September 30, 2024	$	282,166

The entity will recognize this revenue as the contracts are completed, which is expected to occur over the next twelve to twenty-five months.

Contract backlog does not include amounts considered variable consideration that are constrained based on the Company's assessment of probability of significant reversal.

4. OTHER RECEIVABLES

Other receivables consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024		December 31, 2023	
Income tax refund	$	3,100	$	3,100
Notes receivable		2,161		-
Other		2		21
Total	$	5,263	$	3,121

Substantially all of these amounts at September 30, 2024 are expected to be collected within the next twelve months.

Included on the balance sheet in other receivables was a promissory note and security agreement with a customer effective July 5, 2024, with an original amount of $2,211,000 payable in two monthly payments of $50,000 plus accrued interest and a third final payment of $2,111,000 plus accrued interest due on December 31, 2024. As of September 30, 2024, the notes receivable balance was $2,161,000.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Land	$ 12,832	$ 12,832
Buildings and improvements	72,308	72,151
Machinery and equipment	37,533	36,845
Drydocks and bulkheads	16,670	15,923
Barges and boats	1,022	1,022
Office and automotive	2,082	2,082
Construction in progress	1,138	812
	143,585	141,667
Less accumulated depreciation	(102,218)	(99,111)
	$ 41,367	$ 42,556

Depreciation is provided on property, plant and equipment based on the following estimates of useful lives:

	Useful Lives
Land	N/A
Buildings and improvements	3-40 years
Machinery and equipment	5-12 years
Drydocks and bulkheads	3-30 years
Barges and boats	10-15 years
Office and automotive	3-12 years
Construction in progress	N/A

Building and improvements include buildings (40-year useful life), fencing, roadways, parking lots, concrete work areas, material storage racks and shelving, launch systems, and storage lockers (5-year useful life). Drydocks and bulkheads include drydocks (30-year useful life), bulkheads, pontoons, and blocking systems (5-year useful life).

6. LEASES

The Company leases office space and equipment under operating leases with various expiration dates. As discussed further in Note 1 Changes in Accounting Principles, we adopted ASU 2016-02, *"Leases"* in the first quarter of 2022. A number of the leases include one or more options to renew the lease terms or terminate the lease. The exercise of these options is at the Company's discretion and is therefore recognized on the balance sheet when it is reasonably certain the Company will exercise such options. As the Company's leases typically do not contain a readily determinable implicit rate, the Company determines the present value of the lease liability using its incremental borrowing rate at the lease commencement date.

In July 2024, we extended our existing lease in Morgan City for approximately 10,455 square feet of office space for our principal executive offices, finance department, and information technology department with a 36-month duration.

Future minimum payments under leases having initial terms of more than twelve months are as follows (in thousands):

	Minimum Payments
2024 (remaining)	$ 100
2025	394
2026	391
2027	307
2028	106
Total lease payments	$ 1,298
Less imputed interest	(165)
Present value of lease liabilities	$ 1,133

The following table summarizes the line items in the balance sheet which include amounts for operating leases as of September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Operating lease right-of-use assets	$ 1,133	$ 917
Current portion of operating lease liabilities	317	217
Non-current portion of operating lease liabilities	816	700
Total operating lease liabilities	$ 1,133	$ 917

The operating lease right-of-use assets are reflected within other noncurrent assets, and the current and noncurrent portions of the operating lease liabilities are reflected within accrued expenses and other noncurrent liabilities, respectively, on our balance sheet. Total components of operating lease expenses for leases that are included as lease expenses in the statement of operations and cash paid for interest and lease expenses for the quarter ended September 30, 2024 was $91,000 and for the quarter ended September 30, 2023 was $66,000. Weighted average lease term and discount rate as of September 30, 2024 were 3.3 years and 8.5%, respectively.

7. INSURANCE FINANCING

Included on the balance sheet in accrued expenses was insurance financing with IPFS Corporation effective June 1, 2024, with an original amount of $1.5 million, payable in ten monthly payments of $157,000. As of September 30, 2024, the payable balance was $900,000; as of December 31, 2023, the payable balance was $464,000.

8. LONG-TERM DEBT

Long-term debt consists of the following at September 30, 2024 and December 31, 2023 (in thousands):

	September 30, 2024	December 31, 2023
Term loan - Bank, 3.5% due November 21, 2026	$ 3,250	$ 4,500
Less current maturities	(1,500)	(1,625)
	$ 1,750	$ 2,875

Annual maturities of long-term debt for each of the next three years are as follows (in thousands):

	Amount
2024	$ 375
2025	1,500
2026	1,375
	$ 3,250

The Company and its subsidiaries entered into a loan agreement on November 21, 2016, providing for a $15 million term loan and a $10 million revolving credit facility. Pursuant to an amendment effective as of July 31, 2024, the maturity of the revolving credit facility was extended to January 31, 2025. The interest rate on the line of credit is WSJ Prime plus 1.0% or one-month SOFR (Secured Overnight Financing Rate) plus 3.0% at the Company's option, subject to a 4.0% floor. The line of credit has a sublimit of up to $10 million for letters of credit. The term loan has a 120-month amortization, a 3.5% fixed interest rate, and can be prepaid without penalty at any time. The loans are secured by accounts receivable, deposit accounts, chattel paper, two dry-docks and, until October 3, 2024, an encumbered cash account. The loan agreement contains restrictions on mergers and liens on the collateral and the capital stock of our subsidiaries. As amended, all financial covenants have been waived until the maturity date, except that the Company was required to maintain an encumbered cash account balance equal to $8.5 million measured at July 31, 2024, reduced by principal payments on the term loan and reductions in the amount of outstanding letters of credit subsequent to July 31, 2024. As of October 3, 2024, the encumbered cash account requirement was canceled and the encumbered cash account balance was returned to the Company.

At November 5, 2024, no amounts were drawn on the credit facility and one $5 million letter of credit was committed against the facility, leaving $5 million available to draw on the facility.

9. SHAREHOLDERS' EQUITY

Dividends

The declaration of future dividends is at the discretion of the Board each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board.

Treasury Stock

In August 2010, the Company's Board of Directors authorized management to repurchase up to $5.0 million of its outstanding common stock. The stock repurchase plan did not obligate management to acquire any particular amount of common stock, did not have an expiration date and could be amended or terminated at any time without prior notice. The Board increased the amount authorized under the plan, up to $20 million in 2014. In the first nine months of 2024, no shares were purchased under the stock repurchase program. Since 2010, the Company has repurchased 1,447,347 shares of common stock. As of September 30, 2024, $1.0 million remained available under the stock repurchase program.

Income per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. The number of weighted average shares outstanding for "basic" income per share was 5,017,935 for the third quarters and first nine months of 2024 and 2023. For the third quarters and first nine months of 2024 and 2023 there were no stock options outstanding.

Stockholders' Rights Plan

During May 2002, we adopted a rights plan, which was amended in May 2012 and May 2022. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders.

Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for $70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of, 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for $0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

As amended, the rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

10. EMPLOYEE BENEFITS

We have a 401(k) plan that covers all employees who meet certain eligibility requirements. Contributions to the plan by us are made at the discretion of the Board of Directors. Contribution expense was $216,000 and $219,000 for the third quarters of 2024 and 2023, respectively. Contribution expense was $650,000 and $655,000 for the nine months ended September 30, 2024 and 2023, respectively.

11. INCOME TAXES

We have provided for Federal and State income taxes as follows (in thousands):

	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Current provision/(benefit)	$ 4,116	$ (3,843)
Deferred provision/(benefit)	(152)	(971)
Total	$ 3,964	(4,814)

Our provision for income taxes for years 2011 through 2015 included income tax benefits as a result of research and development tax credits. We finalized a settlement with the IRS on tax years 2011, 2012 and 2013 on research and development tax credits. We received our refund in the third quarter of 2019 from the IRS of $2.1 million in taxes and interest of $176,000. The IRS audit of research and development tax credits for 2014 and 2015 totaling $3.1 million remains open.

State income taxes included above are not significant for the periods presented.

The provision for income taxes varied from the Federal statutory income tax rate due to the following (in thousands):

	Nine months ended September 30,			
	2024		2023	
	Amount	%	Amount	%
Taxes/(benefits) at federal statutory rate	$ 3,193	21.0	$ (3,980)	21.0
Non-deductible other expenses, net of non-reportable income	52	0.3	65	(0.3)
State income taxes/(benefits)	719	4.7	(899)	4.7
Total	$ 3,964	26.0	$ (4,814)	25.4

Deferred income taxes represent the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effects of significant items comprising our net deferred tax balances at September 30, 2024 and September 30, 2023 are as follows (in thousands):

	Nine months ended September 30,	
	2024	2023
Deferred tax liabilities:		
Differences between book and tax basis of property, plant and equipment	$ 1,329	$ 1,509
	1,329	1,509
Deferred tax assets (included in other current assets):		
Contracts in progress	12,384	7,657
Accrued expenses not currently deductible	(28,977)	(15,952)
	(16,593)	(8,295)
Net deferred tax assets	$ (15,264)	$ (6,786)

12. SALES TO MAJOR CUSTOMERS

Sales to various customers that amounted to 10 percent or more of our total revenues for the nine months ended September 30, 2024 and September 30, 2023 are summarized as follows (in thousands):

	Nine months ended September 30,			
	2024		2023	
	Amount	%	Amount	%
Customer A	46,946	21%	39,192	21%
Customer B	33,888	15%	35,013	19%
Customer C	30,250	13%	1,473	1%
Customer D	881	0%	28,253	15%

13. RELATED PARTY TRANSACTIONS

We purchase in the ordinary course of business certain components from Johnny's Propeller Shop, Inc., a company wholly owned indirectly by John P. Conrad, Jr., Chairman of the Board of Directors, and Chief Executive Officer and members of his immediate family. Total purchases for the first nine months of 2024 and 2023 were $2.6 million and $1.2 million, respectively. In addition, John P. Conrad Jr.'s son, not involved in the company, has an ownership interest in a business from which we purchased electrical components totaling $593,000 and $508,000 for the first nine months of 2024 and 2023, respectively. All related party transactions were approved by the Independent Directors Committee.

14. SEGMENT AND RELATED INFORMATION

Our Chief Executive Officer and our President make operating decisions and measure performance of our business primarily by viewing our two separate lines of business or products and services, which we consider to be building of new vessels and the repair and conversion of existing vessels.

Accordingly, we classify our business into two segments: (1) vessel construction and (2) repair and conversions. Our vessel construction segment involves the building of new vessels, often including engineering and design, whereas our repair and conversions segment involves work on existing vessels. Vessel construction jobs are typically of longer duration and have a much larger material component than repair and conversion jobs. Additionally, vessel construction activities are primarily performed in shore-based buildings and dedicated work areas, whereas repair activities primarily occur on floating drydocks or on the vessel itself while afloat. Our vessel construction activities are almost always performed under fixed-price contracts accounted for under the percentage-of-completion method of accounting, whereas our repair activities are primarily performed under cost-plus-fee arrangements.

Our product offerings in vessel construction have changed over time to meet market demands and currently include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG (liquified petroleum gas) barges, LNG (liquified natural gas) bunker vessels, lift boats, ferries, and other offshore support vessels. Our repair work involves maintenance and repair of existing vessels, which is often required as a result of periodic inspections required by the U.S. Coast Guard, the American Bureau of Shipping and other regulatory agencies. Our conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel.

We evaluate the performance of our segments based upon gross profit. Selling, general and administrative expenses, executive compensation expense, interest expense, other income/(expense), net and income taxes are not allocated to the segments. Accounting policies are the same as those described in Note 1, "Summary of Significant Accounting Policies." Intersegment sales and transfers are not significant.

Selected information as to our operations by segment is as follows (in thousands):

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue				
Vessel construction	$ 69,410	$ 51,215	$ 209,022	$ 164,607
Repair and conversions	4,512	9,453	16,523	23,309
Total revenue	73,922	60,668	225,545	187,916
Cost of revenue				
Vessel construction	64,444	55,407	196,649	181,442
Repair and conversions	5,926	7,957	16,376	20,109
Total cost of revenue	70,370	63,364	213,025	201,551
Gross profit/(loss)				
Vessel construction	4,966	(4,192)	12,373	(16,835)
Repair and conversions	(1,414)	1,496	147	3,200
Total gross profit/(loss)	3,552	(2,696)	12,520	(13,635)
S G & A expenses	1,596	1,715	5,531	5,497
Income/(loss) from operations	1,956	(4,411)	6,989	(19,132)
Interest expense	(52)	(65)	(152)	(170)
Other income/(expense), net	8,223	152	8,367	349
Income/(loss) before income taxes	10,127	(4,324)	15,204	(18,953)
Provision/(benefit) for income taxes	2,632	(1,148)	3,964	(4,814)
Net income/(loss)	$ 7,495	$ (3,176)	$ 11,240	$ (14,139)

Certain other financial information by segment is as follows (in thousands):

	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Depreciation and amortization expense:				
Vessel construction	$ 724	$ 902	$ 2,384	$ 3,002
Repair and conversions	237	254	718	905
Included in selling, general and administrative expenses	4	13	13	33
Total depreciation and amortization expense	$ 965	$ 1,169	$ 3,115	$ 3,940

Total assets and capital expenditures by segment are as follows (in thousands):

	September 30, 2024	December 31, 2023
Total assets:		
Vessel construction	$ 55,765	$ 46,370
Repair and conversions	21,616	29,178
Other	66,987	64,662
Total assets	$ 144,368	$ 140,210

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Capital expenditures:				
Vessel construction	$ 306	$ 688	$ 1,493	$ 1,202
Repair and conversions	321	3	328	(5)
Other	-	-	97	41
Total capital expenditures	$ 627	$ 691	$ 1,918	$ 1,238

Certain assets, including cash and cash equivalents, and capital expenditures are allocated to corporate and are included in the "Other" caption.

Revenues included in our consolidated financial statements are derived exclusively from customers domiciled in the United States and Puerto Rico. All of our assets are located in the United States.

15. COMMITMENTS AND CONTINGENCIES

***Legal Matters*—**We are a party to various routine legal proceedings primarily involving commercial claims and workers' compensation claims. While the outcome of these routine claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings in the aggregate, even if determined adversely, would not have a material adverse effect on our consolidated financial position, results of operation or liquidity.

In February 2023, we were awarded a $7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. We have acknowledged that the amended final judgment in the amount of $8.04 million, including interests and costs, was received and satisfied in full. Receipt of the judgment amount is reflected in our financial statements as of, and for the quarter and nine months ended, September 30, 2024.

Employment Agreements— The Company's employment agreements with its executive officers expired May 31, 2022. As of November 5, 2024, the Company and the Independent Directors Committee are in the process of reviewing the Company's executive compensation program and the terms of potential replacement employment agreements. As of September 30, 2024, the minimum annual total compensation for the executive officers was $1.5 million.

***Letters of Credit and Bonds*—** In the normal course of our business, we may be required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. Bonds relating to these business activities amounted to $151.9 million and $160.7 million at September 30, 2024 and December 31, 2023, respectively. We had letters of credit under our revolving credit facility at September 30, 2024 and December 31, 2023 of $5.0 million and $10.0 million, respectively. The first $5.0 million letter of credit terminated on February 29, 2024. The revolving credit facility has been extended to January 31, 2025. See Note 8 for additional information.

***Purchase Agreement*—**During 2022, we entered into an agreement for a bulk purchase of steel from one of Conrad's major steel suppliers. For the year 2022, we purchased $9.7 million, with a remaining commitment under the agreement at December 31, 2022 of approximately $4.7 million. As of March 13, 2023, the agreement was canceled upon mutual agreement of both parties.

***COVID-19 Pandemic; Inflation; Interest Rates*—** In March 2020, COVID-19 was declared a pandemic by the World Health Organization. The federal government declared an end to the COVID-19 public health emergency in May 2023. High inflation and interest rates, due in part to supply shortages and other uncertainties related to the pandemic recovery, have adversely impacted our business. Inflation increased rapidly during 2021 through June 2022. In response the Federal Reserve raised the federal funds target rate multiple times from March 2022 through July 2023, by 525 basis points on a cumulative basis. Since June 2022, the rate of inflation generally has declined and as of early November 2024 is close to the Federal Reserve's target rate of inflation of two percent. In September 2024, the Federal Reserve reduced its benchmark policy rate by 50 basis points, to a range of 4.75%-5.00%, marking the first reduction in four years, and on November 7, 2024 reduced the rate by another 25 basis points to a range of 4.50% -4.75%. In late 2020 and during 2021, steel prices increased sharply in part due to supply chain issues related to the pandemic, peaking in June and July of 2022. Steel prices have generally declined since then, but remain significantly higher than pre-pandemic levels.

MARAD— The Company was awarded a MARAD grant in the amount of $432,376 as part of the MARAD FY 2021 Small Shipyard Grant Program. This grant was used to purchase equipment for our Deepwater South yard. The total cost of the project was $865,000 of which the Federal share for reimbursement was $432,000 and the "required portion" by the Company was $432,000. The Company had to expend the required portion before any portion of the Federal share was distributed. As of December 31, 2023, the Company had completed the project and received reimbursement of the full amount of the Federal share, of which $216,000 had remained at December 31, 2022.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes to consolidated financial statements included elsewhere in this report and should be read in conjunction with our 2023 Annual Report.

Overview

We specialize in the construction, conversion and repair of a wide variety of steel marine vessels for commercial and government customers. These vessels include large and small deck barges, crane barges, spud barges, docking barges, tank barges, flood gates, split-hull dump scows, dredges, drydocks, inland and offshore tug boats, tow boats, multi-purpose tug boats, LPG barges, LNG bunker vessels, lift boats, ferries, and other offshore support vessels. We operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana and one in Orange, Texas. For the nine months ended September 30, 2024, our new construction segment accounted for 92.7% of our total revenue and our repair and conversion segment accounted for 7.3% of our total revenue. For the year ended December 31, 2023, our new construction segment accounted for 86.4% of our total revenue and our repair and conversion segment accounted for 13.6% of our total revenue.

Net income for the third quarter of 2024 was $7.5 million and for the nine months ended September 30, 2024 was $11.2 million compared to net loss of $3.2 million for the third quarter of 2023 and $14.1 million for the nine months ended September 30, 2023, primarily due to improved gross profits in our new construction segment and collection of a judgment in a lawsuit, as described below. Gross profit in new construction for the three months ended September 30, 2024 was $4.9 million compared to gross loss of $4.2 million for the three months ended September 30, 2023. The improvement primarily resulted from improved performance on contracts and lower overhead allocations as we experienced higher overall volume in new construction compared to the third quarter of 2023. During the third quarter of 2024, new construction gross profits were partially offset by forward losses relating to the U.S. Navy's exercise of its option for the eighth of eight YRBM barges covered by the contract and higher costs on YRBM barges under construction. Gross profit for the nine months ended September 30, 2024 in new construction totaled $12.4 million, compared to gross loss of $16.8 million for the nine months ended September 30, 2023. The improved results primarily related to improved performance on contracts and favorable adjustments on projects for which we recorded forward losses in previous periods, partially offset by forward losses primarily due to the award of the sixth, seventh and eighth YRBM vessels during the first nine months of 2024. Gross losses for the first nine months of 2023 included forward losses on three large, complex projects, all of which have been delivered, and forward losses on the first five YRBM barges. The decrease in gross profit in the repair and conversion segment for the first nine months of 2024 was primarily the result of decreased volume, higher labor costs and higher overhead allocations.

In February 2023, we were awarded a $7.49 million judgment in a suit we filed in 2019 against a customer that defaulted on contracts to construct two vessels. The judgment was appealed to the United States Court of Appeals for the Fifth Circuit and on February 23, 2024, the judgment was affirmed. We have acknowledged that the amended final judgment in the amount of $8.04 million, including interest and costs, was received and satisfied in full. Receipt of the judgment amount is reflected in our financial results for the third quarter of 2024, and increased Other income by $8.04 million and net income by approximately $5.8 million.

At September 30, 2024, we had cash and cash equivalents of $37.4 million compared to $38.6 million at December 31, 2023. Working capital was $42.8 million at September 30, 2024 compared with $31.9 million at December 31, 2023. Total debt was $3.2 million and $4.5 million at September 30, 2024 and December 31, 2023, respectively. As of November 5, 2024, no amounts were drawn on our $10 million revolving credit facility and one $5 million letter of credit was committed against the facility, leaving $5 million available to draw under the facility. See Note 8 for additional information.

Our operating results for the nine months ended September 30, 2024 have improved despite a continued challenging operating environment, including challenges associated with continued high steel prices, inflationary price increases in other materials and equipment, supply chain disruptions, a tight labor market resulting in difficulties in retaining and hiring direct labor and high interest rates. In February 2024, we significantly increased our hourly labor rate, which we believe has helped us retain and hire direct labor, but has increased our costs. We continue to experience pricing pressure in both our new construction and repair segments. Economic uncertainties have been heightened by the wars and violence in Ukraine and Israel and surrounding areas. These factors negatively impacted our results for 2023 and may continue to negatively impact our financial performance through the remainder 2024.

Although we face substantial uncertainties in our markets, we believe we are well-positioned to take advantage of opportunities as market fundamentals continue to improve due to our shipyard capacity, our investments in improving our shipyards' capabilities and efficiencies, and our experienced team. We also believe that we benefit from a reputation for producing quality products and for workplace safety, as evidenced by being awarded the 2023 American Equity Underwriters, Inc. (AEU) Excellence in Safety Award and both 2023 Shipbuilders Council of America (SCA) "Excellence in Safety" and "Improvement in Safety" awards for the 2023 calendar year. Bid activity has been good, inland tank barge utilization has been high, and there is increased government funding available for infrastructure and military projects. The infrastructure market continues to be a bright spot, providing attractive projects and opportunities. We delivered the first 6,5000-cubic yard capacity trailing suction hopper dredge in the first quarter of 2024 and believe that contracts we signed during 2023 and the first nine months of 2024 generally reflect lessons learned on prior jobs, are not as complex and are better priced. We are actively exploring projects in the offshore wind industry particularly as it moves into the Gulf of Mexico. We believe some delayed customer orders will move forward as steel prices stabilize or our customers' business opportunities or fleet replacement needs require the vessels. We are also cautiously optimistic that interest rates will continue to decline through 2025 and lead to improved market conditions.

In March 2022, we were awarded a fixed-price contract by the U.S. Navy for the design and construction of a Yard, Repair, Berthing and Messing ("YRBM") barge, with options for an additional seven barges. The YRBM barges provide a temporary home away from home and workplace for U.S. service men and women whose vessels are in port for repairs and/or maintenance. In July 2022, the U.S. Navy exercised options for two additional YRBM barges, in August 2022, exercised an option for the fourth YRBM barge and in June 2023 exercised an option for the fifth YRBM barge. The options for the sixth, seventh, and eighth YRBM barges were exercised in March 2024, June 2024, and August 2024 respectively. We delivered the first YRBM barge to the U.S. Navy in October 2024, we expect to deliver four additional YRBM barges during 2025 and the remainder thereafter. Due to rapidly rising inflation since the time of our fixed-price bid, we have recorded substantial forward losses on all eight vessels.

In June of 2022, one of our major customers exercised the option to construct a second 6,500-cubic yard capacity trailing suction hopper dredge, which is now the largest contract in our company's history. The first 6,500-cubic yard capacity dredge, which was awarded in 2020 and was at that time the largest contract in our history, was delivered in February 2024. Although we recorded forward losses on the dredges in 2022 and 2023, we recorded favorable adjustments in the first nine months of 2024 as described above, and we are optimistic that lessons learned on the first dredge will improve our performance on the second dredge, scheduled for delivery in the second half of 2025.

In recent years, we have been actively pursuing and have been successful in obtaining opportunities to produce different types of vessels for new markets. Some of these vessels are larger, take longer to start production and take longer to complete than the types of vessels we have constructed more often in the past. While these types of larger projects can entail additional risk, they can also supply us with a more consistent backlog for a longer period of time. For additional information, see Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2023 Annual Report.

The demand for our products and services is dependent upon a number of factors, including the economic condition of our customers and markets, the age and state of repair of the vessels operated by our customers and the relative cost to construct a new vessel as compared with repairing an older vessel. Because some of our repair work is derived from the Gulf of Mexico oil and gas industry, conditions in that industry affect our repair segment.

During the first nine months of 2024 and for the year ended December 31, 2023, we received approximately 3.3% and 0.0%, respectively, of our total revenues from customers in the Gulf of Mexico oil and gas industry, 36.9% and 12.4% from government customers and 59.8% and 87.6% from other commercial customers.

During the first nine months of 2024, we increased our backlog by $218.4 million, as compared to $203.7 million added in the first nine months of 2023. Our backlog was $282.2 million at September 30, 2024, $253.8 million at December 31, 2023 and $289.7 million at September 30, 2023. Our backlog as of September 30, 2024 consisted of 52 vessels: eleven 30,000 bbl tank barges, ten deck barges, nine spud barges, eight YRBM barges, five ferries, two sponson barges, two ice class tugs, two tow boats, one 6,500-cubic-yard capacity trailing suction hopper dredge, one drydock, and one crane barge. As of September 30, 2024 approximately 23.3% of our backlog related to the eight YRBM barges for the U.S. Navy, with the first delivered in October 2024, four additional YRBM barges expected to deliver during 2025 and the remainder thereafter. We expect to complete approximately 29.7% of our backlog at September 30, 2024 during 2024. Our management team is focused on effectively executing our backlog and on obtaining additional backlog.

From time to time, we have experienced gaps in our construction schedules and began construction on projects that were not under contract, but we believed we could convert to contracts in a relatively short period of time within starting construction or within completion of the project. The primary goal of this strategy is to maintain operational efficiencies and revenue volume between contracted projects. We have also constructed stock vessels for strategic business and marketing reasons. The ultimate selling price and timing of the sales of stock vessels can have an impact on our revenue, profitability, and working capital. At September 30, 2024 and December 31, 2023, we did not have any stock vessels under construction.

Our new construction projects generally range from one month to twenty-four months in duration. We use the percentage-of-completion method of accounting and therefore take into account the estimated costs, estimated earnings, and revenue to date on fixed-price contracts not yet completed. The amount of revenue recognized is based on the portion of the total contract price that the labor hours incurred to date bears to the estimated total labor hours, based on current estimates to complete the project. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of cost incurred during the period plus the fee earned.

Most of the contracts we enter into for new vessel construction, and some of our contracts for conversion and repair, whether commercial or governmental, are fixed-price contracts under which we retain all cost savings on completed contracts but are liable for all cost overruns. We develop our bids for a fixed price project by estimating the amount of labor hours and the cost of materials necessary to complete the project and then bid the projects in order to achieve a sufficient profit margin to justify the allocation of our resources to such project. Our revenues therefore may fluctuate from period to period based on, among other things, the aggregate amount of materials used in projects during a period and whether the customer provides materials and equipment. We perform many of our conversion and repair services on a time and materials basis pursuant to which the customer pays a negotiated labor rate for labor hours spent on the project as well as the cost of materials plus a margin on materials purchased. Repair projects may take a few days to a few weeks, although some extend for a longer period.

We delisted our common stock on March 30, 2005 and filed a Form 15 to deregister our common stock under Section 12 of the Securities Exchange Act of 1934 and cease filing reports pursuant to Section 15(d) of that Act primarily to reduce expenses.

Results of Operations

The following table sets forth certain of our historical data and percentage of revenues for the periods presented (in thousands):

Conrad Industries, Inc. Summary Results of Operations
(In thousands)

	Three months ended September 30,				Nine months ended September 30,			
	2024		2023		2024		2023	
Financial Data:								
Revenue								
Vessel construction	$ 69,410	93.9%	$ 51,215	84.4%	$ 209,022	92.7%	$ 164,607	87.6%
Repair and conversions	4,512	6.1%	9,453	15.6%	16,523	7.3%	23,309	12.4%
Total revenue	73,922	100.0%	60,668	100.0%	225,545	100.0%	187,916	100.0%
Cost of revenue								
Vessel construction	64,444	92.8%	55,407	108.2%	196,649	94.1%	181,442	110.2%
Repair and conversions	5,926	131.3%	7,957	84.2%	16,376	99.1%	20,109	86.3%
Total cost of revenue	70,370	95.2%	63,364	104.4%	213,025	94.4%	201,551	107.3%
Gross profit/(loss)								
Vessel construction	4,966	7.2%	(4,192)	-8.2%	12,373	5.9%	(16,835)	-10.2%
Repair and conversions	(1,414)	-31.3%	1,496	15.8%	147	0.9%	3,200	13.7%
Total gross profit/(loss)	3,552	4.8%	(2,696)	-4.4%	12,520	5.6%	(13,635)	-7.3%
S G & A expenses	1,596	2.2%	1,715	2.8%	5,531	2.5%	5,497	2.9%
Income/(loss) from operations	1,956	2.6%	(4,411)	-7.3%	6,989	3.1%	(19,132)	-10.2%
Interest expense	(52)	-0.1%	(65)	-0.1%	(152)	-0.1%	(170)	-0.1%
Other income/(expense), net	8,223	11.1%	152	0.3%	8,367	3.7%	349	0.2%
Income/(loss) before income taxes	10,127	13.7%	(4,324)	-7.1%	15,204	6.7%	(18,953)	-10.1%
Provision/(benefit) for income taxes	2,632	3.6%	(1,148)	-1.9%	3,964	1.8%	(4,814)	-2.6%
Net income/(loss)	$ 7,495	10.1%	$ (3,176)	-5.2%	$ 11,240	5.0%	$ (14,139)	-7.5%
EBITDA (1)	$ 11,144	15.1%	$ (3,090)	-5.1%	$ 18,471	8.2%	$ (14,843)	-7.9%
Net cash provided by/(used in) operating activities	$ 24,554		$ (3,939)		$ 2,022		$ 10,421	
Net cash used in investing activities	$ (627)		$ (691)		$ (1,919)		$ (1,238)	
Net cash used in financing activities	$ (375)		$ (375)		$ (1,250)		$ (1,125)	

(1) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. We have included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by us may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of our profitability or liquidity.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA for the periods presented (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net cash provided by/(used in) operating activities	$ 24,554	$ (3,939)	$ 2,022	$ 10,421
Interest expense	52	65	152	170
Provision/(benefit) for income taxes	2,632	(1,148)	3,964	(4,814)
Deferred income tax provision/(benefit)	4	38	152	971
Other	-	-	1	(5)
Changes in operating assets and liabilities	(16,098)	1,894	12,180	(21,586)
EBITDA	$ 11,144	$ (3,090)	$ 18,471	$ (14,843)

Revenue for the third quarter of 2024 increased $13.3 million, or 21.8%, to $73.9 million compared to $60.7 million generated for the third quarter of 2023, while revenue for the first nine months of 2024 reflected an increase of $37.6 million or 20.0%, to $225.5 million compared to the same period in 2023. The increase in 2024 third quarter revenue was due to a $18.2 million, or 35.5% increase in new construction revenue offset by a decrease of $4.9 million, or 52.3%, in repair and conversion revenue. The increase in the first nine months of 2024 revenue was due to a $44.4 million or 27.0% increase in new construction revenue offset by a decrease of $6.8 million, or 29.1%, in repair and conversion revenue. Repair and conversion revenue was negatively impacted primarily due to customers delaying projects in order to keep their vessels in service, and the timing of projects in relation to drydock availability. Vessel construction hours for the third quarter of 2024 increased 55.2%, when compared to the same period in 2023 and increased 50.1% for the first nine months of 2024, compared to the same period in 2023. Repair and conversion hours decreased 51.2% for the third quarter of 2024 and decreased 37.1% for the first nine months of 2024 when compared to the same periods in 2023.

For the nine months ended September 30, 2024, vessel construction revenue was 92.7% of total revenue compared to 87.6% for the same period in 2023 and repair and conversion revenue was 7.3% of total revenue compared to 12.4% for the same period in 2023. For the first nine months of 2024, 36.9% of revenue was government related, 3.3% was energy and 59.8% was other commercial. This compares to 32.1% government, 0.0% energy and 67.9% other commercial for the same period in 2023.

Gross profit for the third quarter of 2024 increased to $3.6 million (4.8% of revenue) compared to gross loss of $2.7 million (4.4% of revenue) for the third quarter of 2023. Gross profit for the first nine months of 2024 was $12.5 million compared to gross loss of $13.6 million for the first nine months of 2023. Vessel construction gross profit was $5.0 million (7.2%) for the third quarter of 2024, compared to a gross loss of $4.2 million for the third quarter of 2023. Vessel construction gross profit was $12.4 million for the first nine months of 2024, compared to gross loss of $16.8 million for the first nine months of 2023. Reasons underlying the improvements in vessel construction gross profit in 2024 are discussed under the heading "Overview" above. Repair and conversion gross loss was $1.4 million or 31.3% for the third quarter of 2024 compared to gross profit of $1.5 million or 15.8% for the third quarter of 2023. For the first nine months of 2024, repair and conversion gross profit was $147,000 or 0.9% compared to gross profit of $3.2 million or 13.7% for the first nine months of 2023. The decrease in gross profit in the repair and conversion segment for the first nine months of 2024 was primarily the result of decreased volume, higher labor costs and higher overhead allocations.

Selling, general and administrative expenses ("SG&A") decreased $119,000 or 6.9% for the third quarter of 2024, and increased $34,000, or 0.6% for the first nine months of 2024, compared to the same periods in 2023. The decrease for the three months ended September 30, 2024, was primarily a result of the reversal of bad debt expenses and the increase for the nine months ended September 30, 2024, was primarily a result of increases in legal expenses. SG&A expenses were $1.6 million (2.2% of revenue) for the third quarter of 2024 compared to $1.7 million (2.8% of revenue) for the third quarter of 2023 and were $5.5 million (2.5% of revenue) for the first nine months of 2024 compared to $5.5 million (2.9% of revenue) for the same period in 2023.

Interest expense decreased to $52,000 for the third quarter of 2024 compared to $65,000 for the third quarter of 2023. Interest expense decreased to $152,000 for the nine months ended September 30, 2024 as compared to $170,000 for the same period of 2023. The decreases are due to the reduction in the outstanding balance of the term loan.

We had an income tax provision of $2.6 million for the third quarter of 2024 and $4.0 million for the first nine months of 2024 compared to an income tax benefit of $1.1 million for the third quarter of 2023 and $4.8 million for the first nine months of 2023. The change in income tax expense is primarily attributable to the increase in net income in the third quarter and first nine months of 2024.

Liquidity and Capital Resources

Net cash provided by operating activities was $2.0 million for the first nine months of 2024 compared to net cash provided by operating activities of $10.4 million for the same period in 2023. The decrease in operating cash flow from the prior year period is primarily due to a decrease in the net change in billings on contracts in progress, an increase in inventory and other assets, partially offset by an increase in net income and decrease in contracts receivable. Our working capital position was $42.8 million at September 30, 2024 compared to $31.9 million at December 31, 2023. Cash and cash equivalents at September 30, 2024 and December 31, 2023 were $37.4 million and $38.6 million, respectively. Management continues to engage in a detailed business planning process in assessing the Company's cash position and potential resources in light of the challenging operating environment, new types of projects being pursued, and the Company's capital expenditure program.

Our net cash used in investing activities of $1.9 million for the first nine months of 2024 reflected capital expenditures for facility improvements and machinery purchases. Other significant approved capital expenditures include improvements to increase capacity and operational efficiencies. For 2024, our Board of Directors approved $2.5 million in capital expenditures; however, due to the challenging operating environment we will monitor our capital expenditures closely. As of September 30, 2024, we had no material commitments for capital expenditures.

To fill in gaps in our construction schedules, we construct stock vessels from time to time. We have also constructed stock vessels for strategic business and marketing reasons. As of September 30, 2024, we did not have any stock vessels under construction.

Net cash used in financing activities for the first nine months of 2024 and 2023 was $1.3 million and $1.1 million, respectively, for repayment of debt. Our board did not declare a dividend during the first three quarters of 2024 and 2023. Declaration of dividends is at the discretion of the Board each quarter, and will depend upon the Company's financial performance, cash requirements, outlook and other factors deemed relevant by the Board. For additional information on our common stock dividends, see pages 17 and 20 of our 2023 Annual Report.

During December 2014, our Board approved an increase in our stock repurchase program to $20 million. The program permits purchase of common stock in the open market or privately negotiated transactions, does not obligate us to acquire any particular amount of stock, does not have an expiration date and can be amended or terminated at any time without prior notice. During the third quarter of 2024 there were no purchases of stock. As of September 30, 2024, $1.0 million remained available for future repurchases under our stock repurchase program. For additional information on our stock repurchase program, see page 20 of our 2023 Annual Report.

Our long-term debt is described in Note 8 to our financial statements included in this report and in our 2023 Annual Report.

In the normal course of our business, we are required to provide letters of credit as security for our workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. At September 30, 2024, bonds and letters of credit amounted to $156.9 million compared to $170.7 million at December 31, 2023. We believe that general industry conditions have led customers to require performance bonds and letters of credit more often than in the past. Although we believe that in the future, we will be able to obtain bonds, letters of credit, and similar obligations on terms we regard as acceptable, in recent periods we have experienced challenges in obtaining sufficient bonding capacity for larger projects on terms that we desire and there can be no assurance we will continue to be successful in obtaining bonds or letters of credit in the amounts, at terms and at times we desire. In addition, the cost of obtaining such bonds, letters of credit and similar obligations has increased and may continue to increase.

We believe that our existing working capital and projected cash flow from operations will enable us to meet our cash obligations for at least the next 12 months. Our cash forecasts are subject to change depending on changes in steel, other material and labor costs, the extent to which we experience unanticipated overruns in material costs and labor hours necessary to complete fixed-priced projects, our ability to add profitable backlog and repair work, evolving implications of the wars and violence in Ukraine and Israel and surrounding areas, the extent to which we must extend favorable terms to customers in order to obtain contracts, the impacts of economic conditions, including inflation and interest rates, on our customers, employees, subcontractors and suppliers and any potential resurgence of COVID-19 or its variants. For a discussion of material risks that may impact our business, please refer to *"Risk Factors"* in our 2023 Annual Report.

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

Conrad Industries, Inc.

A Delaware Corporation

1100 Brashear Ave., Suite 200, Morgan City, LA 70380

(985) 702-0195
http://www.conradindustries.com
investors@conradindustries.com

Quarterly Report

For the period ending September 30, 2024 **(the "Reporting Period")**

Outstanding Shares
The number of shares outstanding of our Common Stock was:

5,017,935 as of September 30, 2024 *(Current Reporting Period Date or More Recent Date)*

5,017,935 as of December 31, 2023 *(Most Recent Completed Fiscal Year End)*

Shell Status
Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control
Indicate by check mark whether a Change in Control[4] of the company has occurred during this reporting period:

Yes: ☐ No: ☒

[4] "Change in Control" shall mean any events resulting in:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
(ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
(iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
(iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer and names used by predecessor entities, along with the dates of the name changes.

Conrad Industries, Inc.

Current State and Date of Incorporation or Registration: A Delaware corporation since March 1998

Standing in this jurisdiction: (e.g. active, default, inactive): Active

Prior Incorporation Information for the issuer and any predecessors during the past five years:
None

Describe any trading suspension or halt orders issued by the SEC or FINRA concerning the issuer or its predecessors since inception:

None

List any stock split, dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

None in the last 12 months. The Company considers strategic transactions and will disclose such considerations or transactions when appropriate.

Address of the issuer's principal executive office:

1100 Brashear Ave., Suite 200, Morgan City, LA 70380

Address of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address:*

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Name: Equiniti Trust Company, LLC
Phone: (800) 937-5449
Email: HelpAST@equiniti.com
Address: 6201 15th Avenue
Brooklyn, NY 11219

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	CNRD	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	208305102	
Par or stated value:	$0.01	
Total shares authorized:	20,000,000	as of date: September 30, 2024
Total shares outstanding:	5,017,935	as of date: September 30, 2024
Total number of shareholders of record:	104	as of date: January 11, 2024

Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer.

N/A

Other classes of authorized or outstanding equity securities that do not have a trading symbol:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g., preferred shares that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	Preferred Stock	
Par or stated value:	$0.01	
Total shares authorized:	5,000,000	as of date: September 30, 2024
Total shares outstanding:	None	as of date: September 30, 2024
Total number of shareholders of record:	None	as of date: January 11, 2024

Please provide the above-referenced information for all other classes of authorized or outstanding equity securities.

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

The description of the Company's securities herein is qualified by reference to the terms of the Company's certificate of incorporation, bylaws, and stockholders' rights plan, copies of which are available to investors upon request to the Company, and to the provisions of the Delaware General Corporation Law.

1. **For common equity, describe any dividend, voting and preemption rights.**

Dividends

The holders of Common Stock are entitled to receive dividends if, as and when such dividends are declared by the Board of Directors out of assets legally available therefor, after payment of dividends required to be paid on shares of Preferred stock, if any. Upon liquidation or dissolution, holders of Common Stock are entitled to share ratably in all net assets available for distribution to stockholders, after payment of any liquidation preferences to holders of Preferred Stock, if any.

Voting Rights and Preemptive Rights
Each share of Common Stock entitles the holder to one vote in all elections of directors and on all other matters duly submitted to shareholders for their vote or consent. The shares of Common Stock do not have cumulative voting rights. The holders of Common Stock do not have preemptive rights.

Stockholders' Rights Plan
During May 2002, we adopted a rights plan, which was amended in May 2012 and May 2022. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders. Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for $70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of, 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for $0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

As amended, the rights will expire on May 23, 2032, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

2. **For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

Preferred Stock may be issued from time to time in one or more series and in such amounts as may be determined by the Board of Directors. The voting powers, designations, preferences and relative, participating, optional or other special rights, including dividend, redemption and conversion rights, and liquidation preference, if any, and the qualifications, limitations or restrictions thereof, if any, of the Preferred Stock of each series will be fixed by the Board of Directors at the time of issuance.

3. **Describe any other material rights of common or preferred stockholders.**

The description of the Company's securities herein is qualified by reference to the terms of the Company's certificate of incorporation, bylaws, and stockholders' rights plan, copies of which are available to investors upon request to the Company, and to the provisions of the Delaware General Corporation Law.

4. **Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

At the Company's annual meeting of stockholders on August 8, 2023, the stockholders approved an amendment to the Company's certificate of incorporation to add an officer exculpation provision. The amendment was filed with the Delaware Secretary of State and became effective on August 8, 2023. For additional information, see the Company's proxy statement for its 2023 annual meeting of stockholders.

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities ***in the past two completed fiscal years and any subsequent interim period****.*

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares for the two most recently completed fiscal years and any subsequent period.

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:
No: ☒ Yes: ☐ (If yes, you must complete the table below)

Shares Outstanding Opening Balance: Date January 1, 2022 Common: 5,017,935 Preferred: 0			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	**Transaction type (e.g., new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to. ***You must disclose the control person(s) for any entities listed.**	**Reason for share issuance (e.g. for cash or debt conversion) -OR- Nature of Services Provided**	**Restricted or Unrestricted as of this filing.**	**Exemption or Registration Type.**
______	______	______	______	______	______	______	______	______	______
______	______	______	______	______	______	______	______	______	______
______	______	______	______	______	______	______	______	______	______
Shares Outstanding on Date of This Report: Ending Balance: Date September 30, 2024 Common: 5,017,935 Preferred: 0									

Example: A company with a fiscal year end of December 31st 2023, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

******Control persons for any entities in the table above must be disclosed in the table or in a footnote here.***

Use the space below to provide any additional details, including footnotes to the table above:

____

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *** You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

******Control persons for any entities in the table above must be disclosed in the table or in a footnote here.***

Use the space below to provide any additional details, including footnotes to the table above:

_____

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
Ensure that these descriptions are updated on the Company's Profile on www.OTCMarkets.com.

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Conrad Industries specializes in the construction, repair and conversion of a wide variety of marine vessels, including barges, tug boats, tow boats, dredges, ferries, and lift boats. Through our subsidiaries, we operate five shipyards in Louisiana and Texas that serve a variety of customers and markets. For the nine months ended September 30, 2024, 3.3 percent of our total revenue was related to the Gulf of Mexico oil and gas industry, 59.8 percent was related to other commercial markets, and 36.9 percent was government related. For additional information regarding our business operations, please see Section I of our 2023 Annual Report – *"Business Overview,"* beginning on page 6.

B. List any subsidiaries, parent company, or affiliated companies.

Conrad Industries, Inc. is the parent company for our business. Our wholly-owned subsidiaries, are Conrad Shipyard, L.L.C., Conrad Orange Shipyard, Inc., Conrad Shipyard Amelia, L.L.C. and Conrad LNG, L.L.C. For additional information regarding our subsidiaries, please see Section I of our 2023 Annual Report – *"Business Overview,"* beginning on page 6.

C. Describe the issuers' principal products or services.

Conrad Industries specializes in the construction, repair and conversion of marine vessels at its shipyards in Louisiana and Texas. The Company serves a variety of markets. For additional information regarding our products and principal markets, please see Section I of our 2023 Annual Report – *"Business Overview,"* beginning on page 6.

5) Issuer's Facilities

The goal of this section is to provide investors with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Through our subsidiaries, we own and operate five shipyards: one in Morgan City, Louisiana, three in Amelia, Louisiana, and one in Orange, Texas. For a detailed description of our facilities, please see Section I of our 2023 Annual Report – *"Properties,"* beginning on page 19. Our term loan and revolving credit facility are secured by accounts receivable, deposit accounts, chattel paper, and two dry-docks.

6) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.
If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity. Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide investors with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial owners.

Names of All Officers, Directors, and Control Persons	**Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)**	**Residential Address (City / State Only)**	**Number of shares owned**	**Share type/class**	**Ownership Percentage of Class Outstanding**	**Names of control person(s) if a corporate entity**
John P. Conrad, Jr.	Chief Executive Officer and Chairman of the Board / Owner of more than 5%	Berwick, Louisiana	991,375	Common	19.8%	_____

Katherine C. Court	Owner of more than 5%	Round Mountain, Texas	521,634	Common	10.4%	_____
Minerva Group LP	Owner of more than 5%	Bala Cynwyd, Pennsylvania	373,648	Common	7.4%	_____
Johnny & Mary Lou Conrad Family, LLC	Owner of more than 5%	Morgan City, Louisiana	260,816	Common	5.2%	Edward Leonard & John P. Armato, as Co-Trustees of the Johnny & Mary Lou Conrad 2009 Trust
Johnny & Mary Lou Conrad 2009 Trust	Owner of more than 5%	Morgan City, Louisiana	255,600	Common	5.1%	Edward Leonard & John P. Armato, as Co-Trustees
Cecil A. Hernandez	President and Secretary; Director	Berwick, Louisiana	50,968	Common	1.0%	_____
Michael J. Harris	Director	Memphis, Tennessee	6,670	Common	_____	_____
Ogden U. Thomas, Jr.	Director	Patterson, Louisiana	2,000	Common	_____	_____
Daniel T. Conrad	Senior Vice President; Director	Morgan City, Louisiana	1,200	Common	_____	_____
Larry J. Callais	Director	Berwick, Louisiana	None	_____	_____	_____
Brett T. Wolbrink	Executive Vice President and Chief Operating Officer	Sulphur, Louisiana	None	_____	_____	_____
Scott A. Thomas	Vice President, Chief Financial Officer and Assistant Secretary	Patterson, Louisiana	None	_____	_____	_____

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, log in to www.OTCIQ.com to update your company profile.

7) Legal/Disciplinary History

A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:

1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);

No

2. Been the subject of the entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, financial- or investment-related, insurance or banking activities;

No

3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;

No

4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or

No

5. Been the subject of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

No

6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.

No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party to or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

For information regarding legal proceedings, please see Notes 2 and 15 to our audited financial statements for the year ended December 31, 2023 and Notes 2 and 15 to our unaudited financial statements for the quarter and nine months ended September 30, 2024.

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Confirm that the information in this table matches your public company profile on www.OTCMarkets.com. If any updates are needed to your public company profile, update your company profile.
Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Jones Walker, LLP
Address 1: 445 North Boulevard, Suite 800
Address 2: Baton Rouge, Louisiana 70802
Phone: (225) 248-2000
Email: drousseau@joneswalker.com

Accountant or Auditor

Name: Jeremy C. Meaux, CPA
Firm: Darnall, Sikes & Frederick
Address 1: 2000 Kaliste Saloom Road
Address 2: Lafayette, Louisiana 70508
Phone: (337) 232-3312
Email: jeremym@dsfcpas.com

Investor Relations

Name: None
Firm:
Address 1:
Address 2:
Phone:
Email:

All other means of Investor Communication:

X (Twitter): N/A
Discord: N/A
LinkedIn N/A
Facebook: N/A
[Other] N/A

Other Service Providers
Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement.** This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: None
Firm:
Nature of Services:
Address 1:
Address 2:
Phone:
Email:

9) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Scott A. Thomas
Title: Vice President, Chief Financial Officer and Assistant Secretary
Relationship to Issuer: Employee

B. The following financial statements were prepared in accordance with:

☐ IFRS
☒ U.S. GAAP

C. The following financial statements were prepared by (name of individual):

Name: Scott A. Thomas
Title: Vice President, Chief Financial Officer and Assistant Secretary
Relationship to Issuer: Employee
Describe the qualifications of the person or persons who prepared the financial statements:[5]

Scott A. Thomas became Vice President, Chief Financial Officer and Assistant Secretary of the Company in July 2022. Prior to joining the Company, Mr. Thomas served as Vice President of Finance at Twin Brothers Marine since June 2020 and as Chief Financial Officer/Vice President of Finance and Administration at Intermoor Inc., from October 2004 until April 2020. In his early career, Mr. Thomas worked as an Accounting Manager for Technip Offshore, the previous owner of InterMoor. Prior to Technip, Mr. Thomas was a Business Analyst for Houma-based Cross Group and a Marine Logistics Coordinator for Leevac Marine/Hornbeck Offshore. Mr. Thomas is a graduate of University of Louisiana at Lafayette with a Bachelor of Science degree in Accounting and a Master of Business Administration degree.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

Financial Statement Requirements:

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

[5] The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, John P. Conrad, Jr. and Cecil A. Hernandez certify that:

1. I have reviewed this Disclosure Statement for Conrad Industries, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 14, 2024

/s/ John P. Conrad, Jr.
Chief Executive Officer,
and Chairman of the Board

/s/ Cecil A. Hernandez
President and Secretary,
and member of the Board

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, Scott A. Thomas certify that:

1. I have reviewed this Disclosure Statement for Conrad Industries, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

November 14, 2024

/s/ Scott A. Thomas
Vice President, Chief Financial Officer and Assistant Secretary

(Digital Signatures should appear as "/s/ [OFFICER NAME]")