REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE 12 MONTHS ENDED 28 FEBRUARY 2021

STEFANUTTI STOCKS HOLDINGS LIMITED
("Stefanutti Stocks" or "the company" or "the group")
(Registration number 1996/003767/06)
Share code: SSK ISIN: ZAE000123766

FINANCIAL RESULTS

		REVIEWED 28 FEBRUARY 2021	AUDITED 29 FEBRUARY 2020	% CHANGE
Contract revenue-Continuing operations	(R'000)	**5 040 586**	7 227 036	(30)
Operating loss before investment income-Continuing operations	(R'000)	**(111 419)**	(1 022 268)	(89)
Loss for the period-Continuing operations	(R'000)	**(311 348)**	(1 107 153)	(72)
Profit for the period-Discontinued operations	(R'000)	**21 166**	35 105	(40)
Loss for the period-Total operations	(R'000)	**(290 182)**	(1 072 048)	(73)
Earnings per share-Total operations	(cents)	**(171,62)**	(640,35)	(73)
Headline earnings per share-Total operations	(cents)	**(155,13)**	(622,48)	(75)

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed condensed consolidated results for the year ended 28 February 2021 (results for the year and/or the reporting period) have been prepared in accordance with framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements issued by the Financial Reporting Standards Council. The report contains the information required by International Accounting Standard IAS 34: Interim Financial Reporting and is in compliance with the Listings Requirements of the JSE Limited and the requirements of the South African Companies Act, 71 of 2008. The accounting policies as well as the methods of computation used in the preparation of the results for the period ended 28 February 2021 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2020.

There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values. The fair value measurement for land and buildings are categorised as a level 3, based on the valuation method of income capitalisation using unobservable inputs i.e. market capitalisation rates and income/expenditure ratio. The results are presented in Rand, which is Stefanutti Stocks' functional currency.

The company's directors are responsible for the preparation and fair presentation of the reviewed condensed consolidated results. These results have been compiled under the supervision of the Chief Financial Officer, AV Cocciante, CA(SA).

AUDITORS' REVIEW

These reviewed condensed consolidated financial statements for the year ended 28 February 2021 have been reviewed by the group's auditors, Mazars. Their unmodified review conclusion is available for inspection at the company's registered office. The auditor's conclusion contained the following emphases of matter: We draw attention to the disclosure included in this announcement, which indicates that the group incurred a net loss of R290 million for the year ended 28 February 2021 and, as of that date, the group's current liabilities exceeded its current assets by R1 358 million.

As disclosed, these events and conditions, along with other matters as noted, including the uncertainties surrounding the COVID-19 pandemic and contingent liabilities, indicate that a material uncertainty exists that may cast significant doubt with respect to the group's ability to continue as a going concern. In order to address these issues the group has implemented a restructuring plan of which further details regarding its implementation are disclosed in the "Restructuring Plan update" section. Based on the successful implementation of the restructuring plan, the directors consider it appropriate that the group's condensed consolidated results be prepared on the going-concern basis. Therefore, our opinion is not modified in respect of this matter.

COVID-19

Stefanutti Stocks' priority continues to be the health and safety of its employees. The management of the group remains committed to supporting the initiatives that the governments have implemented in the various countries in which the group operates. Importantly, Stefanutti Stocks continues to adhere to the required protocols and maintains a close working relationship with clients and key stakeholders to mitigate the extensive impact of COVID-19 and reduce the long-term effects on its business.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Unaudited Condensed Consolidated Results of Stefanutti Stocks for the six months ended 31 August 2020 issued on 26 November 2020, subsequent disposal of properties announcement issued on 21 October 2020 as well as the disposal of the mining services division announcement issued on 28 April 2021.

As previously reported, the Restructuring Plan has been approved by both the company's board of directors and the Lenders and envisages, *inter alia*:

- the sale of non-core assets;
- the sale of under-utilised plant and equipment;
- the sale of certain operations;
- internal restructuring initiatives required to restore optimal operational and financial performance;
- the securing of additional short-term funding of R430 million, of which R270 million related to the negative effects of the national lockdown in March/April 2020;
- a favourable outcome from the processes relating to the contractual claims and compensation events on the Kusile power project;
- the restructuring of the short-term funding received to date from the Lenders into a term loan; and
- evaluation of an optimum business model going forward and associated capital structure analysis including the potential of raising new equity.

In accordance with the Restructuring Plan, the Lenders had provided the requisite funding and converted the short-term funding agreement into a term loan on 1 July 2020, which loan terminates on 28 February 2022. The loan bears interest at prime plus 5,4%, including arranging and facility fees, and is secured by special and general notarial bonds over movable assets, continuous covering mortgage bonds over immovable assets and various cessions. Shareholders are further advised that the group, on 25 May 2021, reached an agreement with the Lenders to extend the current capital repayment profile of the loan. The capital portion of the loan repayments are envisaged to commence in July 2021 with a residual loan balance at 28 February 2022 of approximately R420 million. The resolution of contractual claims and compensation events on the Kusile power project is taking longer than anticipated due to the complex nature thereof.

The Lenders have agreed to provide continued guarantee support for current and future projects being undertaken by the group. Management has made considerable progress in reconfiguring the group's organisational structure to improve operational performance and decrease overhead costs, including the reduction of the group's overall headcount. This is an ongoing process which continues as the aspects of the Restructuring Plan are being implemented in this uncertain environment.

The purpose of the Restructuring Plan is to put in place an optimal capital structure and access to liquidity to position the group for long-term growth.

The Restructuring Plan is anticipated to be implemented over the financial year ending February 2022 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. Stefanutti Stocks will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The funding provided by the Lenders has assisted in relieving the group's liquidity pressures even though current liabilities exceed current assets at 28 February 2021. In addition thereto, uncertainties surrounding the COVID-19 pandemic and contingent liabilities as noted in note 25 of the group's Consolidated Annual Financial Statements for the year ended 29 February 2020, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern in the short term. However, having converted the short-term funding agreement with the Lenders to a term loan and on the basis of successfully implementing the Restructuring Plan, the directors consider it appropriate that the group's results for the reporting period be prepared on the going-concern basis.

OVERVIEW OF RESULTS

As previously highlighted to shareholders in various announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project. Due to the complexity of the claims, the processes remain ongoing. No further details of the claims have been disclosed on the basis that it may prejudice the group's position in defending the claims brought against it and in pursuing those claims brought against Eskom by the group.

Continuing operations

The continued adverse market conditions, as well as the substantial impact of COVID-19, has reduced contract revenue from continuing operations to R5,0 billion (restated Feb 2020: R7,2 billion) with an operating loss of R111 million (restated Feb 2020: R1 022 million). On 30 October 2020 the group ceased marketing the Mechanical & Electrical business unit, which is classified as part of continuing operations.

The after tax loss for the period for continuing operations is R311 million (restated Feb 2020: R1 107 million) and for discontinued operations a profit after tax of R21 million (restated Feb 2020: R35 million).

Earnings and headline earnings per share for total operations are reported as a loss of 171,62 cents (Feb 2020: 640,35 cents) and a loss of 155,13 cents (Feb 2020: 622,48 cents) respectively.

The group's order book for continuing operations is currently R5,5 billion of which R2,1 billion arises from work beyond South Africa's borders.

Safety

Management and staff remain committed to enhanced health and safety policies and procedures, and together strive to constantly improve the group's safety performance. The group's Lost Time Injury Frequency Rate (LTIFR) at February 2021 was 0,03 (Feb 2020: 0,02) and the Recordable Case Rate (RCR) was 0,35 (Feb 2020: 0,29).

Broad-Based Black Economic Empowerment (B-BBEE)

The group is a level 1 B-BBEE contributor measured in terms of the Construction Sector scorecard with a Black Economic Interest score of 81,3%.

Industry related matters

With respect to the civil claim received from the City of Cape Town (Green Point Stadium), the arbitration date has been set for September 2021. The group remains confident it can defend this claim.

The group continues to be negatively affected through disruptive and unlawful activities by certain communities and informal business forums in certain areas of South Africa.

Dividend declaration

Notice is hereby given that no dividend will be declared (Feb 2020: Nil).

Changes and proposed changes to the board of directors

In accordance with paragraph 3.59 of the Listings Requirements of the JSE Limited, shareholders are advised of the following changes to the board:

Dermot Quinn has informed the Board of his intention to retire from the Board at the company's 2021 Annual General Meeting. Dermot has served on the Board since 2007 as the Chief Financial Officer and thereafter as a non-executive director. John Poluta, currently alternate non-executive director to Busisiwe Silwanyana, will be appointed as a non-executive director. John has been on the Board as an alternate non-executive director since 2017.

The Board expresses its appreciation to Dermot for his valued past contributions and guidance over the years and wishes him all the best for the future.

Given the critical importance of the ongoing implementation of the Restructuring Plan, and in order to devote the required time and resource to this process, Antonio Cocciante will step down from his role as Chief Financial Officer and executive director, effective 31 May 2021 until such time that the plan has been fully implemented. During this implementation period, Yolanda du Plessis will be appointed as acting Chief Financial Officer and executive director with effect from 1 June 2021. Yolanda has been with the group since 2008 and has worked closely with both Dermot and Antonio over the years. Yolanda's appointment has the support of the Board.

Yolanda's profile is set out below.

BCompt (Hons), CA(SA); Post Graduate Diploma: International Tax

Yolanda qualified as a chartered accountant in 2006 and has more than 20 years' experience in statutory reporting, audit, corporate governance and sustainability matters as well as tax. Yolanda was appointed in 2008 as Group Financial Manager.

Subsequent events

Other than the matters noted herein, there were no other material reportable events which occurred between the reporting date and the date of this announcement.

Further Information

These results have been compiled under the supervision of the Chief Financial Officer, AV Cocciante, CA(SA).This announcement is an extract of the full reviewed condensed consolidated announcement. This extract has not been reviewed by the auditors. This extract, which is the responsibility of the directors, does not contain full or complete details and any investment decision by investors and/or shareholders should be based on the consideration of the full announcement, the webcast together with the investor presentation which is available on the company's website at www.stefstocks.com.

The full announcement is available for inspection, at no charge at the registered office of the company and at the office of Bridge Capital Advisors (Pty) Ltd, during normal business hours. Copies of the full announcement may also be requested by contacting the company secretary, William Somerville at w.somerville@mweb.co.za. The full announcement is also available at https://senspdf.jse.co.za/documents/2021/jse/isse/ssk/FY2021.pdf