



UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE 6 MONTHS ENDED 31 AUGUST 2023

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

FINANCIAL RESULTS

		UNAUDITED 31 AUGUST 2023	UNAUDITED 31 AUGUST 2022	% CHANGE
Contract revenue – Continuing operations	(R'000)	3 335 007	2 870 570	16
Operating profit before investment income – Continuing operations	(R'000)	68 751	54 029	27
Loss for the period – Continuing operations	(R'000)	(5 722)	(33 503)	83
Profit for the period – Discontinued operations	(R'000)	3 701	42 752	(91)
(Loss)/profit for the period – Total operations	(R'000)	(2 021)	9 249	(122)
Earnings per share – Total operations	(cents)	(1,21)	5,53	(122)
Headline earnings per share – Total operations	(cents)	(22,41)	(25,02)	10

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated results for the 6 months ended 31 August 2023 (the 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 31 August 2023 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2023.

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 such as market capitalisation rates and income/expenditure ratio. Plant and equipment included within non-current assets held for sale have been categorised as a Level 3 fair value based on significant unobservable inputs to the valuation technique used. These assets are measured using the comparable sales method. This entails the use of quoted prices for identical or similar assets in the market. The results are presented in Rand, which is Stefanutti Stocks' functional currency and are rounded off to the nearest thousand.

The company's directors are responsible for the preparation and fair presentation of the results which have been compiled under the supervision of the Chief Financial Officer, Y du Plessis, CA(SA). These results have not been audited or reviewed by the company's independent external auditor.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Consolidated Annual Financial Statements of Stefanutti Stocks for the year ended 28 February 2023, issued on 28 June 2023 and the SENS announcements issued on 31 July 2023, 12 September 2023 and 4 October 2023.

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 underutilised plant and equipment;
- the sale of identified operations;
- a favourable outcome from the processes relating to the contractual claims and compensation events on certain projects; and
- an evaluation of the capital structure, including the potential of raising new equity.

The group is currently in negotiations with the Lenders to extend the capital repayment profile of the loan, as well as its duration to June 2025 due to further delays, beyond the group's control, in resolving a number of contractual claims and compensation events on the Kusile power project and a delay with respect to the disposal of SS–Construções (Moçambique) Limitada and Stefanutti Stocks Construction Limited (collectively SS Mozambique).

With respect to the Mechanical project termination arbitration award and the disposal of Al Tayer Stocks LLC, a total of R106 million and R59 million respectively has been received from March 2023 to date. Capital repayments of R51 million and R43 million were made in May 2023 and October 2023 respectively, reducing the loan to R1 066 million. The final purchase consideration relating to the disposal of Al Tayer Stocks LLC of approximately R29 million, included in other current assets, is expected to be received in due course.

The loan bears interest at prime plus 3,6%, 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. The loan does not contain any financial covenants, but rather imposes certain information and general undertakings.

The Lenders continue to provide guarantee support for current and future projects being undertaken by the group.

The Restructuring Plan is anticipated to be implemented over the period up to June 2025 and, to the extent required, shareholder approval will be sought for certain aspects of the Restructuring Plan. The group will continue to update shareholders on the progress of the various aspects of the Restructuring Plan.

The directors consider it appropriate that the group's results for the period be prepared on the going-concern basis, taking into consideration:

- the current order book;
- imminent project awards;
- continuing operations executing the group's order book profitably;
- the availability of short-, medium- and long-term projects;
- reaching a favourable outcome on contractual claims and compensation events on the Kusile power project;
- continued support from the Lenders and a successful completion of current negotiations with the Lenders relating to the extension of the loan and capital repayments to June 2025; and
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though total liabilities continue to exceed total assets at 31 August 2023. The group believes it remains commercially solvent based on the cash flow

projections included in the Restructuring Plan and the continued support of the Lenders. However, the matters as noted above including uncertainties surrounding the contingent liabilities as stated in note 26 of the group's Consolidated Annual Financial Statements for the year ended 28 February 2023, continue to indicate that a material uncertainty exists that may cast doubt on the group's ability to continue as a going concern, and as a consequence could impact on the group's ability to realise its assets and discharge its liabilities in the ordinary course of business.

KUSILE POWER PROJECT UPDATE

As previously highlighted to shareholders in numerous announcements and updates since late 2018, the group continues to pursue a number of contractual claims and compensation events on the Kusile power project.

Since August 2021, the group has secured payment of a combined total of R116 million for measured work and after the Dispute Adjudication Board (DAB) rulings.

Stefanutti Stocks and Eskom (the parties) have entered into an "Interim Arrangement for the Purposes of Agreeing or Determining the Contractor's Claims and Facilitating the Dispute Resolution Process" in February 2020, for all delay events up to the end of December 2019. This process involves the appointment of independent experts (the experts) to evaluate the causes, duration and quantification of delays.

Further to the above, the parties and the DAB have signed a memorandum of understanding (MOU) as set out below:

- The DAB will issue decisions confirming entitlements, which entitlements the experts have agreed to, which will then be binding on the parties;
- The DAB will rely on the experts for the narrowing of the issues and information to be considered in its assessments;
- The DAB will continue to make interim decisions on the narrowed issues and information, in a progressive manner which will be binding on the parties;
- The DAB will issue such interim decisions relating to delay and quantum; and
- At the end of the process the DAB will issue a final binding decision in terms of the contract with respect to duration and quantification, at which point either party may issue a notice of dissatisfaction and refer the dispute to arbitration.

As noted in the SENS announcement dated 12 September 2023, the following consolidated and updated claims were submitted to the experts:

1. a quantum claim of R1 344 million;
2. a finance cost claim of R270 million; and
3. interest to be calculated in terms of the DAB's ruling.

Therefore, the total of all consolidated and updated claims submitted, excluding interest, amounts to R1 614 million. In terms of the process as outlined above the experts will review all claims, draft agreements and narrow issues of difference for referral to the DAB for a decision.

The group envisages that the DAB will issue its binding decision during the first half of 2024.

At this stage the claims must follow due process, therefore, the group's claims team cannot express a view on the value of any potential award nor the exact timing thereof. As the outcome of this process remains uncertain, these consolidated and updated claims have not been recognised in the financial statements.

OVERVIEW OF RESULTS

Certain underutilised plant and equipment and SS Mozambique have been earmarked for sale and accordingly been reclassified in terms of *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations*. Due to current market conditions, the disposal of these assets is taking longer than anticipated. The group remains committed to the sale processes as envisaged in the Restructuring Plan.

Contract revenue and operating profit from continuing operations improved to R3,3 billion (Aug 2022: R2,9 billion) and R69 million (Aug 2022: R54 million) respectively.

Earnings and headline earnings per share for total operations is a loss of 1,21 cents (Aug 2022: 5,53 cents earnings per share) and 22,41 cents per share (Aug 2022: 25,02 cents loss per share) respectively.

The group's order book is currently R6,5 billion of which R1,2 billion arises from work beyond South Africa's borders.

Safety

Management and staff remain committed to the group's 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 Aug 2023 was 0,08 (Feb 2023: 0,05) and the Recordable Case Rate (RCR) was 0,37 (Feb 2023: 0,44).

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 70,49%.

Industry related matters

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

Dividend declaration

Notice is hereby given that no dividend will be declared (Aug 2022: Nil).

Subsequent events

Other than the matters noted herein, there are 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, Y du Plessis, CA(SA).

This announcement is an extract of the full unaudited 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/2023/JSE/ISSE/SSK/FY2024H1.pdf>

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