REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE 12 MONTHS ENDED 29 FEBRUARY 2024

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 29 FEBRUARY 2024	RESTATED 28 FEBRUARY 2023	% CHANGE
Contract revenue – Continuing operations	(R'000)	**7 084 226**	6 050 664	17
Operating profit before investment income – Continuing operations	(R'000)	**209 746**	101 445	107
Profit/(loss) for the year – Continuing operations	(R'000)	**26 139**	(36 645)	171
(Loss)/profit for the year – Discontinued operations	(R'000)	**(10 253)**	51 232	(120)
Profit for the year – Total operations	(R'000)	**15 886**	14 587	9
Earnings per share – Total operations	(cents)	**9,50**	8,72	9
Headline earnings per share – Total operations	(cents)	**(55,73)**	(38,73)	(44)

AUDITORS' REVIEW

The reviewed condensed consolidated results for the year ended 29 February 2024 have been reviewed by the group's auditors, Mazars. Their unmodified review conclusion is included in the full announcement which is available on the company's website on the following link: https://stefanuttistocks.com/investors/reviewed-condensed-consolidated-results-feb-2024/. It is also available for inspection at the company's registered office. The auditor's conclusion contained the following emphasis of the matter pertaining to a material uncertainty related to going concern:

We draw attention to the disclosure included in the condensed consolidated financial statements, which indicates that at 29 February 2024 the group's current liabilities exceeded its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). The group had an accumulated loss of R1 193 million (Feb 2023: R1 209 million). As disclosed, these events and conditions, along with other matters as noted in the "Restructuring plan update" and "Going concern" sections of the condensed consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt with respect to the group's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

RESTRUCTURING PLAN UPDATE

The group hereby provides shareholders with an update on the Restructuring Plan as reported in the Unaudited Condensed Consolidated Results for the six months ended 31 August 2023 issued on 28 November 2023 and the SENS announcements issued on 1 March 2024 and 28 March 2024.

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 on 27 March 2024, reached agreement with the Lenders to extend the capital repayment profile of the loan as well as its duration to 30 June 2025.

With respect to the Mechanical project termination arbitration award and the disposal of Al Tayer Stocks LLC, a total of R106 million and R60 million respectively has been received from March 2023 to date. Approximately R25 million relating to the final tranche of the purchase consideration of the disposal of Al Tayer Stocks LLC remains outstanding. Capital repayments of R51 million, R43 million and R69 million were made in May 2023, October 2023 and February 2024 respectively, reducing the loan to R997 million. A further payment of R13 million was made in March 2024.

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 year 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
- successfully implementing the Restructuring Plan.

The funding provided by the Lenders has assisted with the group's liquidity, even though as at 29 February 2024 the group's current liabilities exceed its current assets by R1 136 million (Feb 2023: R1 141 million), and the group's total liabilities exceed its total assets by R52 million (Feb 2023: R66 million). 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 R119 million for measured work and the Dispute Adjudication Board (DAB) rulings.

Stefanutti Stocks and Eskom (the parties) 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) dealing with the following:

- 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 third quarter 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

Discontinued Operations and Disposal Groups

On 22 November 2022 shareholders approved the disposal of SS – Construções (Moçambique), Limitada (SS Mozambique) and Stefanutti Stocks Construction Ltd (SS Construction) (collectively the Proposed Transaction) by the company's wholly owned subsidiaries, Stefanutti Stocks Mauritius Holdings Limited and Stefanutti Stocks International Holdings Proprietary Limited to CCG-Compass Consulting Group (Purchaser). The completion of the Proposed Transaction is subject to the fulfilment or waiver of certain conditions precedent, including that the Purchaser provides alternative security arrangements to release Stefanutti Stocks from its existing security arrangements. The parties have extended the period for fulfilment or waiver of the conditions precedent to 30 June 2024.

SS Mozambique holds an 80% interest in a Mauritian company, Stefanutti Stocks Hyvec Partners JV Limited (Hyvec JV), which was established to execute a contract that was awarded to construct villas for a resort in Mauritius (Project).

The Proposed Transaction envisaged that the group's interest in Hyvec JV would be (indirectly) transferred to the Purchaser. However, for various commercial reasons, the parties now intend for the 80% shareholding in Hyvec JV (as well as certain plant and formwork owned by SS Mozambique used on the Project) to be sold by SS Mozambique to other Stefanutti Stocks group companies prior to the implementation of the Proposed Transaction. Due to the exclusion of Hyvec JV from the Proposed Transaction the original sale and purchase agreements concluded with the Purchaser will be amended. The amendments will also address related and ancillary matters, in particular the restraint and non-solicitation provisions originally agreed by the parties in relation to the Mauritius territory. The amendments will not impact the purchase consideration payable by the Purchaser. When the amendments are signed, shareholders will be updated accordingly.

Consequently, Hyvec JV has been re-classified to continuing operations and the Statement of Comprehensive Income for the year ended 28 February 2023 has been restated.

Due to legislative changes in Mauritius, it took the Hyvec JV substantially longer to on-board the required out-of-country national labour. As a consequence, the Hyvec JV is unable to achieve the construction programme, resulting in the group recognising an onerous contract provision at 29 February 2024 and reporting a loss for the year of R78 million.

Continuing operations

Contract revenue and operating profit from continuing operations improved to R7,1 billion (Restated Feb 2023: R6,1 billion) and R210 million (Restated Feb 2023: R101 million) respectively.

The profit for the year for total operations improved slightly to R16 million (Feb 2023: R15 million). Earnings per share for total operations is a profit of 9,50 cents (Feb 2023: 8,72 cents), and headline earnings per share is a loss of 55,73 cents (Feb 2023: 38,73 cents).

The group's current order book is R8,4 billion (2023: R7,4 billion) of which R1,8 billion (2023: R1,6 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 February 2024 was 0,03 (Feb 2023: 0,05) and the Recordable Case Rate (RCR) was 0,24 (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 (Feb 2023: Nil).

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, Y du Plessis, 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 and reviewed auditors report is also available at https://senspdf.jse.co.za/documents/2024/jse/isse/ssk/FY2024.pdf and https://stefanuttistocks.com/investors/reviewed-condensed-consolidated-results-feb-2024/.

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