REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE 12 MONTHS ENDED 28 FEBRUARY 2017

Stefanutti Stocks

STEFANUTTI STOCKS HOLDINGS LIMITED

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

- **Revenue R9,1 billion**
- **Operating loss R106 million**
- **Cash at end of year R1,1 billion**
- **Current order book R14 billion**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	% decrease	Reviewed 12 months ended 28 February 2017	Audited 12 months ended 29 February 2016
Revenue	(6)	**9 149 604**	9 737 386
Contract revenue	(6)	**9 058 576**	9 669 473
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(62)	**209 046**	551 238
Depreciation and amortisation		**(145 882)**	(159 273)
Impairment of assets		**(169 560)**	–
Operating (loss)/profit before investment income	(127)	**(106 396)**	391 965
Investment income		**44 864**	34 049
Share of profits of equity-accounted investees		**40 893**	19 040
Operating (loss)/profit before finance costs		**(20 639)**	445 054
Finance costs		**(85 597)**	(60 422)
(Loss)/profit before taxation		**(106 236)**	384 632
Taxation		**(43 554)**	(120 114)
(Loss)/profit for the year from continuing operations		**(149 790)**	264 518
Loss after tax for the year from discontinued operations		**–**	(78 637)
(Loss)/profit for the year		**(149 790)**	185 881
Other comprehensive (loss)/income		**(10 998)**	34 107
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		**(118 328)**	84 980
Reclassification from foreign currency translation reserve		**2 468**	(50 873)
Revaluation of land and buildings		**104 862**	–
Total comprehensive (loss)/income for the year		**(160 788)**	219 988
(Loss)/profit for the year attributable as follows:			
Equity holders of the company		**(137 068)**	182 317
Non-controlling interest		**(12 722)**	3 564
		(149 790)	185 881
Total comprehensive (loss)/income attributable to:			
Equity holders of the company		**(157 099)**	214 582
Non-controlling interest		**(3 689)**	5 406
		(160 788)	219 988
(Loss)/earnings per share (cents)	(176)	**(79,34)**	104,31
Diluted (loss)/earnings per share (cents)	(175)	**(72,88)**	96,94

Commentary to the statement of profit or loss and other comprehensive income

Headline earnings reconciliation

	% decrease	Total operations Feb 2017	Total operations Feb 2016
(Loss)/profit after taxation attributable to equity holders of the company		**(137 068)**	182 317
Adjusted for:			
Profit on disposal of plant and equipment		**(13 377)**	(6 416)
Tax effect		**3 743**	1 801
Impairment of assets		**169 560**	–
Tax effect		**(3 966)**	–
Profit on disposal of Investment Property		**–**	(16 158)
Fair value adjustment on Investment Property		**–**	(6 066)
Tax effect		**–**	7 924
Net gain on disposal of foreign investment		**–**	(6 768)
Headline earnings		**18 892**	156 634
Settlement agreement charge		**138 764**	–
Tax effect		**(2 426)**	–
Adjusted Headline earnings		**155 230**	156 634
Number of weighted average shares in issue		**172 750 427**	174 779 842
Number of diluted weighted average shares in issue		**188 080 746**	188 080 746
(Loss)/earnings per share (cents)	(176)	**(79,34)**	104,31
Diluted (loss)/earnings per share (cents)	(175)	**(72,88)**	96,94
Headline earnings per share (cents)	(88)	**10,94**	89,62
Diluted headline earnings per share (cents)	(88)	**10,05**	83,28
Adjusted headline earnings per share	-	**89,86**	89,62

STATEMENT OF FINANCIAL POSITION

R'000	Reviewed at 28 February 2017	Audited at 29 February 2016
ASSETS		
Non-current assets	**2 548 043**	2 565 762
Property, plant and equipment	**1 212 248**	1 099 712
Equity-accounted investees	**189 860**	189 458
Goodwill and intangible assets	**1 087 133**	1 248 529
Deferred tax assets	**58 802**	28 063
Current assets	**4 019 055**	3 946 516
Other current assets	**2 816 126**	2 877 227
Taxation	**44 496**	52 392
Bank balances	**1 158 433**	985 128
	4 019 055	3 914 747
Assets of discontinued operation and non-current assets held for sale	**–**	31 769
Total assets	**6 567 098**	6 512 278
EQUITY AND LIABILITIES		
Capital and reserves	**2 442 378**	2 608 532
Share capital and premium	**1 021 737**	1 027 103
Other reserves	**181 515**	203 395
Retained earnings	**1 235 000**	1 370 219
Equity holders of the company	**2 438 252**	2 600 717
Non-controlling interest	**4 126**	7 815
Non-current liabilities	**370 912**	231 709
Other financial liabilities	**346 460**	174 629
Deferred tax liabilities	**24 452**	57 080
Current liabilities	**3 753 808**	3 672 037
Other current liabilities*	**2 079 542**	2 232 473
Excess billings over work done	**1 197 743**	740 216
Provisions	**420 400**	488 996
Taxation	**56 121**	46 666
Bank balances	**2**	134 188
	3 753 808	3 642 539
Liabilities directly associated with the discontinued operation	**–**	29 498
Total equity and liabilities	**6 567 098**	6 512 278
** Including interest-bearing liabilities of*	**328 794**	327 552
Commentary to the statement of financial position		
Total number of net shares in issue	**172 241 569**	173 556 487
Net asset value per share (cents)	**1 415,60**	1 498,48
Net tangible asset value per share (cents)	**784,43**	779,11

STATEMENT OF CASH FLOWS

R'000	Reviewed 12 months ended 28 February 2017	Audited 12 months ended 29 February 2016
Cash generated from operations	**616 297**	30 010
Interest received	**44 862**	33 144
Finance costs	**(30 906)**	(42 555)
Dividends received	**21 138**	25 392
Taxation paid	**(102 580)**	(133 447)
Cash flows from operating activities	**548 811**	(87 456)
Expenditure to maintain operating capacity	**(29 921)**	(50 429)
Proceeds from non-current assets held for sale	**87 334**	118 899
Expenditure for expansion	**(54 562)**	(75 105)
Cash flows from investing activities	**2 851**	(6 635)
Cash flows from financing activities	**(164 702)**	54 935
Net increase/(decrease) in cash for the year	**386 960**	(39 156)
Effect of exchange rate changes on cash and cash equivalents	**(79 535)**	74 893
Cash and cash equivalents at the beginning of the year	**850 940**	815 235
Cash at the end of the year – Discontinued operation	**–**	(66)
Cash at the beginning of the year – Discontinued operation	**66**	34
Cash and cash equivalents at the end of the year	**1 158 431**	850 940

SEGMENT INFORMATION – R'000

28 February 2017	RPM Services	M & E	Structures	Building	Reconciling segments	Total
Contract revenue	**2 192 243**	**1 134 766**	**1 771 934**	**3 959 633**	**–**	**9 058 576**
Intersegment contract revenues	**86 172**	**33 872**	**91 112**	**–**	**–**	**211 156**
Reportable segment profit/(loss)	**99 421**	**34 357**	**31 225**	**55 263**	**(370 056)**	**(149 790)**
Reportable segment assets	**2 256 555**	**593 344**	**1 148 732**	**1 701 128**	**867 339**	**6 567 098**
29 February 2016						
Contract revenue	2 637 921	1 216 092	2 113 292	3 702 168	–	9 669 473
Intersegment contract revenues	31 059	42 571	100 862	31 902	–	206 394
Reportable segment profit/(loss)	145 867	19 830	34 421	11 448	(25 685)	185 881
Reportable segment assets	1 576 826	513 170	1 210 575	1 978 701	1 233 006	6 512 278

excellence in **execution**

STATEMENT OF CHANGES IN EQUITY

R'000	Share capital and premium	Share-based payments reserve	Foreign currency translation reserve	Revaluation surplus reserve	Retained earnings	Attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at 28 February 2015 audited	1 031 909	28 145	125 804	27 608	1 183 459	2 396 925	2 409	2 399 334
Treasury shares acquired	(4 806)	–	–	–	–	(4 806)	–	(4 806)
Realisation of revaluation reserve	–	–	–	(4 443)	4 443	–	–	–
Tax on revaluation of properties	–	–	–	(5 984)	–	(5 984)	–	(5 984)
Total comprehensive income	–	–	32 265	–	182 317	214 582	5 406	219 988
Profit for the year	–	–	–	–	182 317	182 317	3 564	185 881
Other comprehensive income	–	–	32 265	–	–	32 265	1 842	34 107
Balance at 29 February 2016 audited	1 027 103	28 145	158 069	17 181	1 370 219	2 600 717	7 815	2 608 532
Treasury shares acquired	(5 366)	–	–	–	–	(5 366)	–	(5 366)
Realisation of revaluation reserve	–	–	–	(1 849)	1 849	–	–	–
Total comprehensive loss	–	–	(124 893)	104 862	(137 068)	(157 099)	(3 689)	(160 788)
Loss for the year	–	–	–	–	(137 068)	(137 068)	(12 722)	(149 790)
Other comprehensive loss	–	–	(124 893)	104 862	–	(20 031)	9 033	(10 998)
Balance at 28 February 2017 reviewed	**1 021 737**	**28 145**	**33 176**	**120 194**	**1 235 000**	**2 438 252**	**4 126**	**2 442 378**

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed condensed consolidated results for the year ended 28 February 2017 (results for the year) have been prepared in accordance with the framework concepts and the measurement and requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The report contains the information required by International Accounting Standard (IAS) 34: Interim Financial Reporting and are in compliance with the Listings Requirements of the JSE Limited. The accounting policies as well as the methods of computation used in the preparation of the results for the year ended 28 February 2017 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 29 February 2016. There is no significant difference between the carrying amounts of financial assets and liabilities and their fair values due to the effective interest rate method. The results are presented in Rands, which is Stefanutti Stocks' presentation 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

The results have been reviewed by the group's auditors, Mazars. Their unqualified review opinion is available for inspection at the company's registered office. Their review was conducted in accordance with ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity."

Group profile

Stefanutti Stocks, a leading construction company, operates throughout South Africa, sub-Saharan Africa and the United Arab Emirates with multi-disciplinary expertise including concrete structures, marine construction, piling and geotechnical services, roads and earthworks, bulk pipelines, open pit contract mining and surface mining related services, all forms of building works, including affordable housing, and mechanical and electrical installation and construction.

OVERVIEW OF RESULTS

The Board of Directors report that the group's performance reflects the extremely challenging trading environment and includes certain one off events.

Contract revenue from operations of R9,1 billion decreased by R611 million compared to the previous year (Feb 2016: R9,7 billion). Operating profit decreased from R392 million in the previous year to an operating loss of R106 million in the current year.

The key aspects contributing to the above decrease in earnings can be summarised as follows:

- The recording of a one-off present value charge of R139 million relating to the Settlement Agreement concluded with the South African Government, as disclosed in the SENS announcement released on 11 October 2016.
- The group is required to test goodwill for impairment at each reporting period or when there is an indicator of impairment. At 28 February 2017, based on tests performed relating to the goodwill attributable to the Cycad Pipelines Proprietary Limited acquisition, R155 million of goodwill has been impaired in the current financial year.
- In line with group policy, land and buildings are independently valued every five years. Based upon these latest valuations certain properties have decreased in value resulting in an impairment charge of R15 million which has been recognised in the statement of profit and loss. Correspondingly certain properties have increased in value resulting in R105 million (net of tax effects) having been recognised in the statement of changes in equity.
- The strengthening of the Rand during this reporting period and the weakening of currencies in the African regions in which Stefanutti Stocks operates has resulted in a negative effect on the group's results for the year of R81 million.

Investment income for the year has improved by R11 million from the R34 million reported in the comparative period due to the improved cash position. However, the interest charge for the year has increased to R86 million (Feb 2016: R60 million) due to the additional interest payable on the final instalment of the Competition Commission penalty.

Share of profits of equity-accounted investees increased to R41 million from R19 million due to an improved contribution from the United Arab Emirates operation.

The discontinued operations reported in the prior year had no impact on the results for this year (Feb 2016: R79 million loss).

As a result of the factors mentioned above, earnings per share are reported as a loss of 79,3 cents (Feb 2016: earnings per share 104,31 cents). With the reversal of the impairment charges relating to assets, headline earnings per share are reported as a profit of 10,94 cents (Feb 2016: 89,62 cents). Had the one-off Settlement Agreement charge not been taken into account, the adjusted headline earnings per share would be 89,86 cents.

The group's order book is currently R14 billion of which R4,4 billion arises from work beyond South Africa's borders.

Capital expenditure for the year amounted to R272 million (Feb 2016: R157 million) of which R156 million relates to the Mining Services operation. Of the total capital expenditure, R186 million (Feb 2016: R82 million) was incurred in maintaining capacity.

The group continues to experience delayed payments from clients on contracts. However, the increase in excess billings over work done to R1,2 billion (Feb 2016: R740 million) resulted in cash generated from operations increasing to R616 million (Feb 2016: R30 million). This includes an inflow from working capital of R274 million (Feb 2016: R440 million consumed by working capital). The balance of the proceeds from the sale of the investment property and Zener Steward LLC, in the prior year, resulted in an inflow of R87 million (Feb 2016: R75 million). As a consequence of the above, in the group's overall cash position has increased to R1,158 billion (Feb 2016: R851 million).

Total interest-bearing borrowings have increased to R675 million (Feb 2016: R636 million) mainly due to the recognition of R139 million relating to the Settlement Agreement.

During the year, the company, through a subsidiary, repurchased 1 314 918 of its own shares at an average price of R4,08 per share in terms of a resolution passed at the company's Annual General Meeting. These shares will not be cancelled and will be accounted for as treasury shares.

The effect of the strengthening of the Rand on the translation of foreign operations, during the year, has resulted in R118 million loss being recognised in other comprehensive income.

Review of operations

Roads, Pipelines & Mining Services (RPM)

Owing to a reduction in infrastructure projects and delays in the awarding of contracts during the year, contract revenue reduced to R2,2 billion (Feb 2016: R2,6 billion), with a reduction in operating profit to R162 million (Feb 2016: R213 million). The operating profit margin decreased from 8,1% to 7,4%.

The Roads & Earthworks and Swaziland divisions have delivered good results. Although these divisions continue to receive a steady flow of tender enquiries, operating margins will continue to remain under pressure due to the competitive trading environment. A severe shortage of projects has resulted in the Pipelines operation being incorporated into the Roads & Earthworks division.

Mining Services has also performed well. Recently awarded contracts have improved this division's medium-term order book, and some promising contract awards are anticipated in the short term.

The Zambian operation has performed to expectation on the back of private sector projects. Discussions with the Zambian Roads Development Agency are ongoing in order to resolve outstanding payments on their projects. Once resolved, work will recommence on these contracts.

Limited work has resumed on the road projects in Nigeria that had previously been stopped due to non-payment. Payments are being received and we remain in continuous discussions with the relevant states to resolve the outstanding debt.

RPM's order book at February 2017 was R5,0 billion (Feb 2016: R4,9 billion).

Mechanical & Electrical (M&E)

Whilst the Mechanical division was negatively affected by the shortage of work in the traditional mining infrastructure environment, the remainder of the business unit performed to expectation on the back of petrochemical projects. Consequently, contract revenue has declined slightly to R1,1 billion (Feb 2016: R1,2 billion). Operating profit reduced to R40 million (Feb 2016: R66 million) with a reduction in operating profit margin to 3,6% (Feb 2016: 5,4%).

Although there is concern regarding the reduction of M&E's order book, there are opportunities in the petrochemical sector with the planned construction of fuel storage tanks. In addition, cross border work in the mining surface infrastructure environment should generate work for all the divisions in this business unit.

M&E's order book at Feb 2017 was R780 million (Feb 2016: R1,2 billion).

Structures

Due to the continued decline in infrastructure projects emanating from both the government and private sectors, Structures ended the year with a reduction in both contract revenue and operating profit to R1,8 billion (Feb 2016: R2,1 billion) and R26 million (Feb 2016: R47 million) respectively. An operating profit margin of 1,5% compared to the 2,2% for the comparative year, bears testament to the decline in the infrastructure market available to this business unit. During the year, the business unit was further scaled down and restructured to align itself to market conditions.

The number of large projects coming to the market remains constrained with work being secured predominantly from medium-sized projects. Relative to the comparative period the turnover in the water and sanitation treatment sector has increased and has the potential to grow further. The Marine operation has secured some cross border projects and has a satisfactory order book. However, the environment within which Structures operates continues to be competitive with profit margins and order book remaining under pressure.

At February 2017, Structures' order book was R2,3 billion (Feb 2016: R2,0 billion).

Building

The Building business unit's contract revenue increased slightly to R4,0 billion (Feb 2016: R3,7 billion). The completion and finalisation of loss making projects together with certain unrecovered holding costs, contributed to an operating loss of R2 million (Feb 2016: R45 million profit excluding the profit on sale of investment property and fair value adjustment). The profit of the equity accounted United Arab Emirates operation amounting to R41 million (Feb 2016: R19 million) is excluded from the operating loss. During the year the business was scaled down and certain divisions were combined in order to further improve efficiency and reduce costs.

The loss making projects in Namibia, Qatar and Eastern Cape were completed by year-end and therefore will have no further impact on this business unit's results going forward.

The Mozambique division made a positive contribution to the business unit's performance with some further contracts expected to be awarded in the short term.

Building's order book at February 2017 was R4,7 billion (Feb 2016: R3,7 billion) excluding the United Arab Emirates of R1,0 billion (Feb 2016: R500 million).

Safety

Unfortunately the group recorded a fatality on 18 March 2017 and it is with sadness that we express our condolences to Mr Andile Dlomo's family, friends and colleagues.

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 2017 was 0,10 (Feb 2016: 0,10) and the Recordable Case Rate (RCR) was 0,70 (Feb 2016: 0,59).

Outlook and strategy

Notwithstanding that the South African construction market continues to be extremely challenging, there remains potential growth in certain sectors of the market. These include mining surface infrastructure, marine, petrochemical tank farms, water and sanitation treatment plants, and residential and mixed use building projects. These will provide opportunities for all our business units, both locally and cross border.

Subject to the fulfilment of certain conditions there is a potential award of a large open pit contract for the Mining Services division.

Our multi-disciplinary and geographically diversified business structure continues to provide a robust platform upon which the group remains as a strong competitor in the Southern African construction market.

The group continues to seek opportunities both in Southern Africa and on a more selective basis further afield in sub-Saharan Africa. Management also constantly reviews and aligns each business unit and its respective divisions with the changes being experienced in their particular markets, to ensure their ongoing sustainability.

Industry related matters

In terms of the Settlement Agreement entered into with the South African Government all matters, other than the civil claim received from the City of Cape Town (Green Point Stadium), have been settled and/or withdrawn. The group is confident that on the facts currently available, it will be able to successfully defend the City of Cape Town claim and has accordingly not made any provision therefor.

Dividend declaration

Notice is hereby given that no dividend will be declared (Feb 2016: Nil).

Subsequent events

There were no other material reportable events which occurred between the reporting date and the date of this announcement.

Appreciation

We would like to extend our appreciation to the board, management and staff for their continuous commitment and dedication. We also express our gratitude to our customers, suppliers, service providers and shareholders for their ongoing support.

On behalf of the board

Kevin Eborall
Chairman

Willie Meyburgh
Chief Executive Officer

Published on 18 May 2017

Directors

Non-executive directors

KR Eborall# (Chairman), NJM Canca#, HJ Craig#, T Eboka#, ZJ Matlala#, ME Mkwanazi#, LB Sithole#, JWLM Fizelle# (alternate to LB Sithole), DG Quinn

#Independent

Executive directors

W Meyburgh (Chief Executive Officer), AV Cocciante (Chief Financial Officer)

Registered office

Protec Park, Corner Zuurfontein Avenue and Oranjerivier Drive, Chloorkop, 1619
(PO Box 12394, Aston Manor, 1630)

Corporate advisor and sponsor

Bridge Capital Advisors Proprietary Limited
2nd Floor, 27 Fricker Road, Illovo Boulevard, Illovo, 2196
(PO Box 651010, Benmore, 2010)

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Auditors

Mazars
Mazars House, 54 Glenhove Road, Melrose Estate, Johannesburg, 2196
(PO Box 6697, Johannesburg, 2000)

Company secretary

W Somerville
20 Lurgan Road, Parkview, 2193

This announcement together with the investor presentation is available on the company's website.

ince

www.stefanuttistocks.com