REVIEWED CONDENSED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 28 FEBRUARY 2018

STEFANUTTI STOCKS HOLDINGS LIMITED

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

- **Revenue R10,5 billion**
- **Cash at end of year R916 million**
- **Current order book R14,3 billion**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

R'000	% Increase/ (Decrease)	Reviewed 12 months ended 28 February 2018	Audited 12 months ended 28 February 2017
Revenue	15	**10 490 631**	9 149 604
Contract revenue	15	**10 415 481**	9 058 576
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	92	**400 457**	209 046
Depreciation and amortisation		**(184 435)**	(145 882)
Impairment of assets		**(667 114)**	(169 560)
Operating loss before investment income	(324)	**(451 092)**	(106 396)
Investment income		**49 113**	44 864
Share of profits of equity-accounted investees		**41 388**	40 893
Operating loss before finance costs		**(360 591)**	(20 639)
Finance costs		**(82 842)**	(85 597)
Loss before taxation		**(443 433)**	(106 236)
Taxation		**(64 606)**	(43 554)
Loss for the year		**(508 039)**	(149 790)
Other comprehensive income		**(45 148)**	(10 998)
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		**(35 697)**	(118 328)
Reclassification from foreign currency translation reserve		**(9 451)**	2 468
Revaluation of land and buildings (may not be reclassified to profit/(loss))		**–**	104 862
Total comprehensive income		**(553 187)**	(160 788)
Loss attributable as follows:			
Equity holders of the company		**(503 599)**	(137 068)
Non-controlling interest		**(4 440)**	(12 722)
		(508 039)	(149 790)
Total comprehensive income attributable to:			
Equity holders of the company		**(545 335)**	(157 099)
Non-controlling interest		**(7 852)**	(3 689)
		(553 187)	(160 788)
Loss per share (cents)	(272)	**(294,94)**	(79,34)
Diluted loss per share (cents)	(267)	**(267,76)**	(72,88)

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

Headline earnings reconciliation

	% Increase	Feb 2018	Feb 2017
Loss after taxation attributable to equity holders of the company		**(503 599)**	(137 068)
Adjusted for:			
Profit on disposal of plant and equipment		**(12 942)**	(13 377)
Tax effect		**3 699**	3 743
Impairment of assets		**667 114**	169 560
Tax effect		**–**	(3 966)
Headline earnings		**154 272**	18 892
Settlement agreement charge		**–**	138 764
Tax effect		**–**	(2 426)
Adjusted Headline earnings		**154 272**	155 230
Number of weighted average shares in issue		**170 748 789**	172 750 427
Number of diluted weighted average shares in issue		**188 080 746**	188 080 746
Headline earnings per share (cents)	726	**90,35**	10,94
Diluted headline earnings per share (cents)	716	**82,02**	10,05
Adjusted headline earnings per share (cents)	1	**90,35**	89,86

STATEMENT OF FINANCIAL POSITION

R'000	Reviewed at 28 February 2018	Audited at 28 February 2017
ASSETS		
Non-current assets	**2 252 024**	2 548 043
Property, plant and equipment	**1 483 727**	1 212 248
Equity-accounted investees	**209 181**	189 860
Goodwill and intangible assets	**460 506**	1 087 133
Deferred tax assets	**98 610**	58 802
Current assets	**4 165 393**	4 019 055
Other current assets	**3 212 553**	2 816 126
Taxation	**10 786**	44 496
Bank balances	**942 054**	1 158 433
Total assets	**6 417 417**	6 567 098
EQUITY AND LIABILITIES		
Capital and reserves	**1 880 833**	2 442 378
Share capital and premium	**1 013 379**	1 021 737
Other reserves	**110 401**	181 515
Retained earnings	**760 779**	1 235 000
Equity holders of the company	**1 884 559**	2 438 252
Non-controlling interest	**(3 726)**	4 126
Non-current liabilities	**480 320**	370 912
Financial liabilities	**478 659**	346 460
Deferred tax liabilities	**1 661**	24 452
Current liabilities	**4 056 264**	3 753 808
Other current liabilities*	**2 186 120**	2 079 542
Excess billings over work done	**1 092 801**	1 197 743
Provisions	**657 470**	420 400
Taxation	**93 710**	56 121
Bank balances	**26 163**	2
Total equity and liabilities	**6 417 417**	6 567 098
** Including interest-bearing liabilities of*	**278 600**	328 794
Commentary to the statement of financial position		
Total number of net shares in issue	**169 485 204**	172 241 569
Net asset value per share (cents)	**1 111,93**	1 415,60
Net tangible asset value per share (cents)	**840,22**	784,43

STATEMENT OF CASH FLOWS

R'000	Reviewed 12 months ended 28 February 2018	Audited 12 months ended 28 February 2017
Cash generated from operations	**322 410**	616 297
Interest received	**48 379**	44 862
Finance costs	**(49 157)**	(30 906)
Dividends received	**21 805**	21 138
Taxation paid	**(56 747)**	(102 580)
Cash flows from operating activities	**286 690**	548 811
Expenditure to maintain operating capacity (net of proceeds)	**10 381**	(29 921)
Proceeds from non-current assets held for sale	**–**	87 334
Expenditure for expansion	**(85 798)**	(54 562)
Cash flows from investing activities	**(75 417)**	2 851
Treasury shares acquired	**(8 358)**	(5 366)
Movements in long- and short-term financing	**(415 042)**	(159 336)
Cash flows from financing activities	**(423 400)**	(164 702)
Net (decrease)/increase in cash	**(212 127)**	386 960
Effect of exchange rate changes on cash and cash equivalents	**(30 413)**	(79 535)
Cash and cash equivalents at the beginning of the year	**1 158 431**	850 940
Cash at the beginning of the year – discontinued operation	**–**	66
Cash and cash equivalents at the end of the year	**915 891**	1 158 431

SEGMENT INFORMATION

R'000 28 February 2018	Construction & Mining	Building	M&E	Reconciling segments*	Total
Contract revenue	**4 973 719**	**4 419 165**	**1 022 597**	**–**	**10 415 481**
Intersegment contract revenues	**2 764**	**–**	**61 325**	**–**	**64 089**
Reportable segment profit/(loss)	**82 098**	**34 229**	**9 875**	**(634 241)****	**(508 039)**
Reportable segment assets	**3 714 429**	**1 594 533**	**520 964**	**587 491**	**6 417 417**
28 February 2017					
Contract revenue	3 964 177	3 959 633	1 134 766	–	9 058 576
Intersegment contract revenues***	72 148	–	33 872	–	106 020
Reportable segment profit/(loss)	130 646	55 263	34 357	(370 056)	(149 790)
Reportable segment assets	3 204 089	1 701 128	593 344	1 068 537	6 567 098

**Other segments comprise segments that are primarily centralised in nature i.e. the group's headquarters*
***Includes impairment of goodwill and intangible assets of R667 million*
****Restated due to combination of RPM and Structures business units*

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 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 reserve	–	–	–	(1 849)	1 849	–	–	–
Total comprehensive income	–	–	(124 893)	104 862	(137 068)	(157 099)	(3 689)	(160 788)
Loss	–	–	–	–	(137 068)	(137 068)	(12 722)	(149 790)
Other comprehensive income	–	–	(124 893)	104 862	–	(20 031)	9 033	(10 998)
Balance at 28 February 2017 audited	1 021 737	28 145	33 176	120 194	1 235 000	2 438 252	4 126	2 442 378
Treasury shares acquired	(8 358)	–	–	–	–	(8 358)	–	(8 358)
Realisation of reserves	–	(28 145)	–	(1 233)	29 378	–	–	–
Total comprehensive income	–	–	(41 736)	–	(503 599)	(545 335)	(7 852)	(553 187)
Loss	–	–	–	–	(503 599)	(503 599)	(4 440)	(508 039)
Other comprehensive income	–	–	(41 736)	–	–	(41 736)	(3 412)	(45 148)
Balance at 28 February 2018 reviewed	**1 013 379**	**–**	**(8 560)**	**118 961**	**760 779**	**1 884 559**	**(3 726)**	**1 880 833**

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed condensed consolidated results for the year ended 28 February 2018 (results for the year) have been prepared in accordance with the framework concepts and the measurement and recognition 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 2018 are in terms of IFRS and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2017. 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' reporting 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 is a construction company operating 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 impact of operating within a demanding trading environment which includes an impairment of assets.

Contract revenue from operations of R10,4 billion increased by R1,3 billion compared to the previous year (Feb 2017: R9,1 billion). The group tests goodwill for impairment at each reporting period or when there is an indicator of impairment. At 28 February 2018 goodwill and intangible assets of R667 million has been impaired, predominantly relating to the goodwill that arose from the Stocks Limited acquisition. Consequently the operating loss increased from R106 million in the previous year to R451 million in the current year. Should this impairment be excluded, the operating profit is R216 million, which is an improvement over the R202 million adjusted operating profit reported in the previous year.

The United Arab Emirates operation has contributed R48 million towards the share of profits of equity-accounted investees, which in total has remained consistent at R41 million as a result of losses incurred by other equity-accounted investees.

As a result of the factors mentioned above, earnings per share is reported as a loss of 294,94 cents (Feb 2017: 79,34 cents loss). With the reversal of impairment charges relating to assets, headline earnings per share is reported as a profit of 90,35 cents (Feb 2017: 10,94 cents profit). This is a slight improvement on the adjusted headline earnings per share of 89,86 cents reported in the previous year.

The group's order book is currently R14,3 billion of which R4,9 billion arises from work beyond South Africa's borders.

Capital expenditure for the year amounted to R500 million (Feb 2017: R272 million). R369 million (Feb 2017: R87 million) was incurred in expanding capacity, of which R275 million relates to requirements from the Mining Services operation on the back of contracts awarded during the year. The increased capital expenditure resulted in an increase in depreciation to R176 million (Feb 2017: R138 million) and an increase in total interest-bearing liabilities to R783 million (Feb 2017: R675 million).

The increase in trading activities resulted in an increase in other current assets, trade payables and provisions compared to February 2017, whilst excess billings over work done reduced to R1,1 billion (Feb 2017: R1,2 billion). The group continues to experience delays in the award and commencement of contracts, as well as delayed payments from clients. All these factors contributed to a reduction in cash generated from operations to R322 million (Feb 2017: R616 million). This includes an investment in working capital of R293 million (Feb 2017: R274 million inflow). As a consequence, the group's overall cash position at year-end has decreased to R916 million (Feb 2017: R1 158 million).

The company, through a subsidiary, repurchased 2 756 365 of its own shares at an average price of R3,03 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 certain foreign operations resulted in R36 million loss (Feb 2018: R118 million) being recognised in other comprehensive income.

Review of operations

In line with the group's strategic intent to achieve greater synergy, optimise available resources and reduce costs, a decision was taken to combine the Roads, Pipelines & Mining Services with the Structures business units effective 1 January 2018. The new business unit is called Construction & Mining.

Construction & Mining

Contract revenue of the newly combined business unit is R5,0 billion (Feb 2017: R4,0 billion) with an operating profit of R175 million (Feb 2017: R188 million) at an operating profit margin of 3,5% (Feb 2017: 4,7%).

Whilst the Roads & Earthworks and Swaziland divisions delivered good results, the former Structures business unit continued to underperform resulting in the reported reduction in operating profit for Construction & Mining compared to the previous year.

Supported by an increase in tender activity Mining Services returned good results for the year and secured a strong order book. Management is selective in the projects pursued as cash collections can be protracted in the junior mining sector where revenue often stems from a single mine.

Long outstanding amounts due from the governments of Zambia and Nigeria continue to be a source of concern. However, discussions with the government authorities are ongoing and periodic payments are being received. The outstanding amounts are not in dispute. In Zambia work will only recommence on affected contracts once all outstanding amounts have been received. Limited work has resumed on the road projects in Nigeria.

Limited infrastructure work has been secured from the public sector. However, the number of tender enquiries and awards received from the mining sector has increased. As a consequence of less public infrastructure spend, combined with a policy of increased fragmentation of civil contracts designed to facilitate project work being awarded to smaller construction companies, the former Structures business unit's order book and operating profit margins are under pressure.

Construction & Mining's order book at February 2018 was R9,0 billion (Feb 2017: R7,3 billion).

Building

The Building business unit's contract revenue increased to R4,4 billion (Feb 2017: R4,0 billion) with an improvement in operating profit to R41 million (Feb 2017: loss of R2 million) at an operating profit margin of 1,0%. The profit of the equity accounted United Arab Emirates operation is excluded from the operating profit.

The Mozambique and Coastal divisions delivered good results.

With the ongoing reduction in available work in the local building market, emanating from the current negative outlook in the public and private building sector, a significant portion of the goodwill relating to the Stocks Limited acquisition had to be impaired.

Unexpected losses on two social housing projects combined with delayed payments in the public sector, have put considerable strain on the business unit's cash resources.

The business unit is also attending to significant contractual claims and compensation events on a large public sector project in South Africa.

Building's order book at February 2018 was R3,3 billion (Feb 2017: R4,7 billion) excluding the United Arab Emirates order book of R1,0 billion (Feb 2017: R1,0 billion).

Mechanical & Electrical

Despite good returns from cross-border operations and recently awarded surface mining related contracts in the Mechanical division, Mechanical & Electrical's turnover and operating profit reduced to R1,0 billion (Feb 2017: R1,1 billion) and R13 million (Feb 2017: R40 million) respectively.

The Oil & Gas and Electrical & Instrumentation divisions' performance was negatively impacted by the cancellation of a significant contract in the petrochemical market. This cancellation is being contractually challenged and at this stage the financial impact thereof cannot be quantified.

Cross-border and local work in the surface mining related environment is gradually improving for both the Mechanical and Electrical & Instrumentation divisions. However, the reduction in opportunities in the petrochemical sector will affect the Mechanical & Electrical's combined order book and operating margins.

Mechanical & Electrical's order book at February 2018 was R790 million (Feb 2017: R780 million).

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 2018 was 0,11 (Feb 2017: 0,10) and the Recordable Case Rate (RCR) was 0,54 (Feb 2017: 0,70).

Outlook and strategy

As highlighted in previous reporting periods, the South African construction market remains extremely competitive due to an ongoing lack of public infrastructure spend. Even though business confidence levels seem to be improving in some sectors of the economy, construction activities and margins are expected to remain under pressure in the short to medium term.

With the increased local requirements relating to Broad-Based Black Economic Empowerment, the group is assessing various options to improve its position in this regard.

The group's order book remains relatively constant at about R14 billion. In the short term there are potential pockets of growth in the local market which include surface mining related services, select open pit mining contracts, petrochemical tank farms, water and sanitation treatment plants as well as residential, warehouses and design and construct opportunities in the building sector. Cross border opportunities exist in road and bridge construction, marine and mixed-use building projects.

Our multi-disciplinary and geographically diversified business structure continues to enable the group to remain a strong competitor in the markets in which it operates. The group also continues to seek opportunities both in Southern Africa and, on a more selective basis, further afield in sub-Saharan Africa. With the challenges being experienced in the construction markets, management constantly reviews and aligns each business unit and its respective divisions to ensure their ongoing sustainability.

Industry related matters

The legal process relating to the civil claim received from the City of Cape Town (Green Point Stadium) is ongoing, which the group is confident it can defend.

Dividend declaration

Notice is hereby given that no dividend will be declared (Feb 2017: Nil).

Subsequent events

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

Changes to the board of directors

In addition to the changes as reported in the August 2017 interim announcement, Ms Bharti Harie and Ms Busisiwe Silwanyana have been appointed as independent non-executive directors with effect from 13 April 2018.

The board welcomes Bharti and Busisiwe to the group and look forward to their valuable insights and contributions.

Appreciation

We would like to thank the board, the management team and all of our employees for their continuous commitment and dedication in this challenging environment. We also express our gratitude to our customers, suppliers, service providers and shareholders for their ongoing support.

On behalf of the board

Kevin Eboral — *Chairman*
Willie Meyburgh — *Chief Executive Officer*

Published on 17 May 2018

Directors

Non-executive directors

KR Eboral# (Chairman), HJ Craig#, ZJ Matlala#, ME Mkwanazi#, B Harie#, B Silwanyana#, J Poluta (alternate to ME Mkwanazi), 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
50 Smits Road, Dunkeld, 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.