



UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2017

STEFANUTTI STOCKS HOLDINGS LIMITED

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

- Revenue R5,2 billion
- Operating profit R119 million
- Cash at end of year R1,3 billion
- Current order book R13,9 billion

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| R'000 | % increase/ (decrease) | Unaudited six months ended 31 August 2017 | Unaudited six months ended 31 August 2016 | Audited 12 months ended 28 February 2017 |
|--|---------------------------|---|---|--|
| Revenue | 18 | 5 196 311 | 4 417 281 | 9 149 604 |
| Contract revenue | 18 | 5 160 256 | 4 362 165 | 9 058 576 |
| Earnings before interest, taxation, depreciation and amortisation (EBITDA) | 21 | 208 989 | 172 033 | 209 046 |
| Depreciation and amortisation | | (90 363) | (71 688) | (145 882) |
| Impairment of assets | | - | - | (169 560) |
| Operating profit/(loss) before investment income | 18 | 118 626 | 100 345 | (106 396) |
| Investment income | | 23 004 | 15 024 | 44 864 |
| Share of profits of equity-accounted investees | | 12 338 | 21 715 | 40 893 |
| Operating profit/(loss) before finance costs | | 153 968 | 137 084 | (20 639) |
| Finance costs | | (36 010) | (36 862) | (85 597) |
| Profit/(loss) before taxation | | 117 958 | 100 222 | (106 236) |
| Taxation | | (38 679) | (15 069) | (43 554) |
| Profit/(loss) | | 79 279 | 85 153 | (149 790) |
| Other comprehensive income | | 23 748 | (77 706) | (10 998) |
| Exchange differences on translation of foreign operations (may be reclassified to profit/(loss)) | | 23 748 | (77 706) | (118 328) |
| Reclassification from foreign currency translation reserve | | - | - | 2 468 |
| Revaluation of land and buildings | | - | - | 104 862 |
| Total comprehensive income | | 103 027 | 7 447 | (160 788) |
| Profit/(loss) attributable to: | | | | |
| Equity holders of the company | | 80 664 | 96 125 | (137 068) |
| Non-controlling interest | | (1 385) | (10 972) | (12 722) |
| | | 79 279 | 85 153 | (149 790) |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the company | | 100 315 | 10 701 | (157 099) |
| Non-controlling interest | | 2 712 | (3 254) | (3 689) |
| | | 103 027 | 7 447 | (160 788) |
| Earnings per share (cents) | (15) | 47,06 | 55,57 | (79,34) |
| Diluted earnings per share (cents) | (16) | 42,89 | 51,11 | (72,88) |

| Headline earnings reconciliation | Aug 2017 | Aug 2016 | Feb 2017 |
|---|---------------|-------------|-------------|
| Profit/(loss) after taxation attributable to equity holders of the company | 80 664 | 96 125 | (137 068) |
| Adjusted for: | | | |
| Profit on disposal of plant and equipment | (5 398) | (6 815) | (13 377) |
| Tax effect | 1 550 | 1 909 | 3 743 |
| Impairment of assets | - | - | 169 560 |
| Tax effect | - | - | (3 966) |
| Headline earnings | 76 816 | 91 219 | 18 892 |
| Number of weighted average shares in issue | 171 413 490 | 172 977 624 | 172 750 427 |
| Number of diluted weighted average shares in issue | 188 080 746 | 188 080 746 | 188 080 746 |
| Headline earnings per share (cents) | (15) | 44,81 | 52,73 |
| Diluted headline earnings per share (cents) | (16) | 40,84 | 48,50 |

STATEMENT OF FINANCIAL POSITION

| R'000 | Unaudited at 31 August 2017 | Audited at 28 February 2017 |
|---|-----------------------------------|-----------------------------------|
| ASSETS | | |
| Non-current assets | 2 752 457 | 2 548 043 |
| Property, plant and equipment | 1 395 991 | 1 212 248 |
| Equity-accounted investees | 211 810 | 189 860 |
| Goodwill and intangible assets | 1 082 351 | 1 087 133 |
| Deferred tax assets | 62 305 | 58 802 |
| Current assets | 4 692 257 | 4 019 055 |
| Other current assets | 3 397 341 | 2 816 126 |
| Taxation | 31 938 | 44 496 |
| Bank balances | 1 262 978 | 1 158 433 |
| Total assets | 7 444 714 | 6 567 098 |
| EQUITY AND LIABILITIES | | |
| Capital and reserves | 2 540 177 | 2 442 378 |
| Share capital and premium | 1 016 509 | 1 021 737 |
| Other reserves | 173 021 | 181 515 |
| Retained earnings | 1 343 809 | 1 235 000 |
| Equity holders of the company | 2 533 339 | 2 438 252 |
| Non-controlling interest | 6 838 | 4 126 |
| Non-current liabilities | 446 868 | 370 912 |
| Financial liabilities – interest bearing | 405 154 | 346 460 |
| Deferred tax liabilities | 41 714 | 24 452 |
| Current liabilities | 4 457 669 | 3 753 808 |
| Other current liabilities* | 2 534 236 | 2 079 542 |
| Excess billings over work done | 1 360 089 | 1 197 743 |
| Provisions | 514 818 | 420 400 |
| Taxation | 48 526 | 56 121 |
| Bank balances | - | 2 |
| Total equity and liabilities | 7 444 714 | 6 567 098 |
| * Including interest-bearing liabilities of Commentary to the financial position | 408 289 | 328 794 |
| Total number of net shares in issue | 170 685 471 | 172 241 569 |
| Net asset value per share (cents) | 1 484,21 | 1 415,60 |
| Net tangible asset value per share (cents) | 850,09 | 784,43 |

| R'000 | Unaudited six months ended 31 August 2017 | Unaudited six months ended 31 August 2016 | Audited 12 months ended 28 February 2017 |
|---|---|---|--|
| Cash generated from operations | 266 663 | 273 875 | 616 297 |
| Interest received | 21 513 | 15 023 | 44 862 |
| Finance costs | (24 597) | (19 935) | (30 906) |
| Dividends received | 2 436 | 1 | 21 138 |
| Taxation paid | (20 005) | (31 582) | (102 580) |
| Cash flows from operating activities | 246 010 | 237 382 | 548 811 |
| Expenditure to maintain operating capacity | (17 468) | (32 395) | (29 921) |
| Proceeds from non-current assets held for sale | - | 53 975 | 87 334 |
| Expenditure for expansion | (47 354) | (29 208) | (54 562) |
| Cash flows from investing activities | (64 822) | (7 628) | 2 851 |
| Treasury shares acquired | (5 228) | (3 504) | (5 366) |
| Movements on long- and short-term financing | (67 219) | (9 519) | (159 336) |
| Cash flows from financing activities | (72 447) | (13 023) | (164 702) |
| Net increase in cash | 108 741 | 216 731 | 386 960 |
| Effect of exchange rate changes on cash and cash equivalents | (4 194) | (54 922) | (79 535) |
| Cash and cash equivalents at beginning of year | 1 158 431 | 850 940 | 850 940 |
| Cash at the beginning of the year – discontinued operation | - | 66 | 66 |
| Cash and cash equivalents at the end of the period | 1 262 978 | 1 012 815 | 1 158 431 |

| Segment information 31 August 2017 | Roads, Pipelines and Mining Services | Building | Structures | M&E | Other segments** | Total |
|---------------------------------------|--|-----------|------------|-----------|---------------------|-----------|
| Contract revenue | 1 433 029 | 2 261 739 | 924 425 | 541 063 | - | 5 160 256 |
| Reportable contract revenues | 25 321 | - | 8 135 | 23 659 | - | 57 115 |
| Reportable segment profit/(loss) | 56 837 | 28 198 | 9 094 | 2 332 | (17 182) | 79 279 |
| Reportable segment assets | 2 630 632 | 1 929 045 | 1 228 580 | 630 985 | 1 025 472 | 7 444 714 |
| Contract revenue | 2 192 243 | 3 959 633 | 1 771 934 | 1 134 766 | - | 9 058 576 |
| Reportable contract revenues | 86 172 | - | 91 112 | 33 872 | - | 211 156 |
| Reportable segment profit/(loss) | 99 421 | 55 263 | 31 225 | 34 357 | (370 056) | (149 790) |
| Reportable segment assets | 2 055 357 | 1 701 128 | 1 148 732 | 593 344 | 1 068 537 | 6 567 098 |
| Contract revenue | 1 030 482 | 1 820 901 | 954 108 | 556 674 | - | 4 362 165 |
| Reportable contract revenues | 35 875 | - | 51 291 | 19 662 | - | 106 828 |
| Reportable segment profit/(loss) | 54 230 | 35 944 | 8 769 | 18 367 | (32 157) | 85 153 |
| Reportable segment assets | 1 673 457 | 2 030 829 | 1 219 742 | 593 475 | 1 295 457 | 6 812 960 |

** Other segments comprise segments that are primarily centralised in nature i.e. the group's headquarters.

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 | (3 504) | - | - | - | - | (3 504) | - | (3 504) |
| Realisation of revaluation reserve | - | - | - | (1 062) | 781 | (281) | - | (281) |
| Total comprehensive income | - | - | (85 424) | - | 96 125 | 10 701 | (3 254) | 7 447 |
| Profit | - | - | - | - | 96 125 | 96 125 | (10 972) | 85 153 |
| Other comprehensive income | - | - | (85 424) | - | - | (85 424) | 7 718 | (77 706) |
| Balance at 31 August 2016 unaudited | 1 023 599 | 28 145 | 72 645 | 16 119 | 1 467 125 | 2 607 633 | 4 561 | 2 612 194 |
| Treasury shares acquired | (1 862) | - | - | - | - | (1 862) | - | (1 862) |
| Realisation of revaluation reserve | - | - | - | (787) | 1 068 | 281 | - | 281 |
| Total comprehensive income | - | - | (39 469) | 104 862 | (233 193) | (167 800) | (435) | (168 235) |
| Loss | - | - | - | - | (233 193) | (233 193) | (1 750) | (234 943) |
| Other comprehensive income | - | - | (39 469) | 104 862 | - | 65 393 | 1 315 | 66 708 |
| 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 | (5 228) | - | - | - | - | (5 228) | - | (5 228) |
| Realisation of share-based payment reserve | - | (28 145) | - | - | 28 145 | - | - | - |
| Total comprehensive income | - | - | 19 651 | - | 80 664 | 100 315 | 2 712 | 103 027 |
| Profit | - | - | - | - | 80 664 | 80 664 | (1 385) | 79 279 |
| Other comprehensive income | - | - | 19 651 | - | - | 19 651 | 4 097 | 23 748 |
| Balance at 31 August 2017 unaudited | 1 016 509 | - | 52 827 | 120 194 | 1 343 809 | 2 533 339 | 6 838 | 2 540 177 |

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated results for the period ended 31 August 2017 (results for the period) have been prepared in accordance with and containing the information required by International Accounting Standard (IAS) 34: *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee 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 period ended 31 August 2017 are in terms of International Financial Reporting Standards (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 unaudited condensed consolidated results. These results have been compiled under the supervision of the Chief Financial Officer, AV Coccianti, CA(SA).

The information in this report has not been audited or reviewed by Stefanutti Stock's auditor.

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 although there is an improvement in the group's operating profit, the trading environment remains challenging.

Contract revenue from operations increased to R5,2 billion compared to the prior period (Aug 2016: R4,4 billion). Operating profit increased from R100 million in the previous year to R119 million for the period, whilst the operating profit margin remained consistent at 2,3%.

Investment income improved by R8 million from the R15 million reported in the comparative period due to the improved cash position, however, finance costs remained relatively constant at R36 million (Aug 2016: R37 million).

Share of profits of equity-accounted investees decreased to R12 million from R22 million. In line with expectations, the United Arab Emirates operation contributed R16 million (Aug 2016: R21 million) and is on track to meet its full year target.

The increase in operating profit was off-set by an increase in the effective tax rate, and minority shareholders interest, resulting in a decrease in earnings and headline earnings per share of 15% from the comparative period to 47,06 cents (Aug 2016: 55,57 cents) and 44,81 cents (Aug 2016: 52,73 cents) respectively.

Capital expenditure for the period amounted to R255 million (Aug 2016: R78 million) of which R203 million relates to the RPM business unit. Of the total capital expenditure, R219 million (Aug 2016: R29 million) was incurred to expand capacity.

Increased capital expenditure in prior periods has resulted in an increase in depreciation to R86 million for the period (Aug 2016: R68 million).

The increase in trading activities during the reporting period resulted in a similar increase in other current assets, trade payables and provisions as compared to the balances at February 2017. Together with the increase in excess billings over work done to R1,3 billion (Aug 2016: R1,2 billion) contributed to cash generated from operations of R267 million (Aug 2016: R274 million). This includes an investment in working capital of R43 million (Aug 2016: R91 million inflow). As a consequence of the above, the group's overall cash position improved to R1,3 billion (Feb 2017: R1,2 billion).

Total interest-bearing borrowings have increased to R813 million (Feb 2017: R675 million) mainly from capital expenditure incurred during the period.

During the year, the company, through a subsidiary, repurchased 1 556 098 of its own shares at an average price of R3,36 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 foreign currency fluctuations against the Rand resulted in a R24 million profit being recognised in other comprehensive income on the translation of foreign operations.

The group's order book is currently R13,9 billion of which 35% arises from work beyond South Africa's borders.

Review of operations

Roads, Pipelines & Mining Services (RPM)
Contract revenue increased to R1,4 billion (Aug 2016: R1 billion), with an increase in operating profit to R92 million (Aug 2016: R81 million). The operating profit margin decreased from 7,9% to 6,4%.

On the back of a solid order book Mining Services has delivered good results, whilst the Roads & Earthworks division also produced a strong performance.

Although all the RPM divisions continue to receive a steady flow of tender enquiries, operating margins remain under pressure due to the competitive trading environment.

Discussions with the Zambian Roads Development Agency are ongoing and periodic payments are being received. Once the outstanding amounts are collected, work will recommence on these contracts.

Limited work has resumed on the road projects in Nigeria which 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.

These outstanding amounts are not in dispute.

RPM's order book at August 2017 was R6,0 billion (Aug 2016: R4,8 billion).

Building

The Building business unit's contract revenue increased to R2,3 billion (Aug 2016: R1,8 billion) with an improvement in operating profit to R22 million (Aug 2016: R2 million). The operating profit margin increased to 1,0% from 0,1%. The profit of the equity accounted United Arab Emirates operation is excluded from the operating profit.

The Mozambique division once again delivered good results.

Building's order book at August 2017 was R3,7 billion (Aug 2016: R4,1 billion) excluding the United Arab Emirates order book of R1,1 billion (Aug 2016: R600 million).

Structures

The continued reduction of available infrastructure work from both the government and private sectors coupled with ongoing delayed contract awards, has seen Structures' contract revenue decline to R924 million (Aug 2016: R954 million) with an operating profit of R9 million (Aug 2016: R3 million) at a margin of 1,0% (Aug 2016: 0,3%).

The number of large projects coming to the market remains constrained with work being secured predominantly from medium-sized projects. Although the number of tender enquiries received from the mining sector has increased, the environment within which Structures operates remains competitive with both order book and profit margins under pressure.

Structures' order book at August 2017 was R1,9 billion (Aug 2016: R1,9 billion).

Mechanical & Electrical (M&E)

As a result of the shortage of work and the termination of a contract in the Oil & Gas division, M&E's turnover and operating profit reduced to R541 million (Aug 2016: R556 million) and R1 million (Aug 2016: R24 million) respectively.