



UNAUDITED CONDENSED CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2019

STEFANUTTI STOCKS HOLDINGS LIMITED
("Stefanutti Stocks" or "the company" or "the group")

Registration number: 1996/003767/06)
(Share code: SSK ISIN: ZAE000123766)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
R'000	% decrease	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited 12 months ended 28 February 2019
Revenue	(13)	4 469 521	5 131 604	9 897 885
Contract revenue	(13)	4 449 540	5 095 398	9 875 023
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(449)	(841 047)	240 853	55 558
Depreciation and amortisation		(105 961)	(116 044)	(213 549)
Impairment of assets		(26 371)	–	–
Operating (loss)/profit before investment income	(880)	(973 379)	124 809	(157 991)
Investment income		16 629	20 982	43 960
Share of profits of equity-accounted investees		8 527	38 339	68 075
Operating (loss)/profit before finance costs		(948 223)	184 130	(45 956)
Finance costs		(58 544)	(50 201)	(101 129)
(Loss)/profit before taxation		(1 006 767)	133 929	(147 085)
Taxation		(34 010)	(29 830)	35 764
(Loss)/profit for the period		(1 040 777)	104 099	(111 321)
Other comprehensive income		43 254	111 498	58 483
Exchange differences on translation of foreign operations (may be reclassified to profit/(loss))		43 254	111 498	58 483
Total comprehensive income		(997 523)	215 597	(52 838)
(Loss)/profit attributable to:				
Equity holders of the company		(1 040 833)	103 952	(110 761)
Non-controlling interest		56	147	(560)
		(1 040 777)	104 099	(111 321)
Total comprehensive income attributable to:				
Equity holders of the company		(995 185)	223 337	(42 372)
Non-controlling interest		(2 338)	(7 740)	(10 466)
		(997 523)	215 597	(52 838)
Earnings per share (cents)	(1 108)	(622,35)	61,76	(65,99)
Diluted earnings per share (cents)	(1 226)	(622,35)	55,27	(65,99)

Commentary to the statement of profit or loss and other comprehensive income				
Headline earnings reconciliation				
(Loss)/profit after taxation attributable to equity holders of the company		(1 040 833)	103 952	(110 761)
Adjusted for:				
Profit on disposal of plant and equipment		(2 667)	(3 250)	(9 465)
Tax effect		756	802	2 543
Impairment of assets		26 371	–	–
Headline earnings		(1 016 373)	101 504	(117 683)
Number of weighted average shares in issue		167 243 684	168 319 772	167 836 344
Number of diluted weighted average shares in issue		188 080 746	188 080 746	188 080 746
Headline earnings per share (cents)	(1 108)	(607,72)	60,30	(70,12)
Diluted headline earnings per share (cents)	(1 226)	(607,72)	53,97	(70,12)

DISAGGREGATION OF CONTRACT REVENUE				
		Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited 12 months ended 28 February 2019
Contract revenue can be further disaggregated as follows:				
Geographical				
Within South Africa		3 461 918	3 906 878	7 559 370
Construction & Mining		2 007 022	2 015 772	3 870 323
Building		1 013 456	1 398 919	2 658 418
M&E		441 440	492 187	1 030 629
Outside South Africa		987 622	1 188 520	2 315 653
Construction & Mining		545 266	833 784	1 443 552
Building		368 035	265 968	694 160
M&E		74 321	88 768	177 941
Total		4 449 540	5 095 398	9 875 023
Sector				
Private		3 211 204	3 623 882	7 221 688
Construction & Mining		1 476 732	1 786 829	3 378 798
Building		1 218 711	1 256 098	2 634 320
M&E		515 761	580 955	1 208 570
Public		1 238 336	1 471 516	2 653 335
Construction & Mining		1 075 556	1 062 727	1 935 077
Building		162 780	408 789	718 258
Total		4 449 540	5 095 398	9 875 023

STATEMENT OF FINANCIAL POSITION			
R'000	Unaudited 31 August 2019	Audited 28 February 2019	
ASSETS			
Non-current assets	2 345 144	2 451 850	
Property, plant and equipment	1 404 349	1 501 945	
Equity-accounted investees	297 639	280 449	
Goodwill and intangible assets	435 012	457 585	
Deferred tax assets	208 144	211 871	
Current assets	3 842 395	3 996 410	
Other current assets	3 255 047	3 035 269	
Taxation	44 272	38 755	
Bank balances	543 076	922 386	
Non-current assets held for sale	31 728	–	
Total assets	6 219 267	6 448 260	
EQUITY AND LIABILITIES			
Capital and reserves	734 229	1 731 752	
Share capital and premium	1 007 718	1 007 718	
Other reserves	220 482	178 790	
(Accumulated loss)/retained earnings	(477 441)	559 436	
Equity holders of the company	750 759	1 745 944	
Non-controlling interest	(16 530)	(14 192)	
Non-current liabilities	507 961	419 366	
Financial Liabilities	349 279	313 890	
Excess billings over work done	70 919	25 000	
Provisions	87 299	79 942	
Deferred tax liabilities	464	534	
Current liabilities	4 977 077	4 297 142	
Other current liabilities*	2 500 069	2 383 391	
Excess billings over work done	1 177 464	1 145 970	
Provisions	1 074 155	679 948	
Taxation	78 640	46 218	
Bank balances	146 749	41 615	
Total equity and liabilities	6 219 267	6 448 260	
* Including interest-bearing liabilities of	277 976	281 684	
Commentary to the statement of financial position			
Total number of net shares in issue	167 243 684	167 243 684	
Net asset value per share (cents)	448,90	1 043,95	
Net tangible asset value per share (cents)	188,79	770,35	

STATEMENT OF CASH FLOWS			
R'000	Unaudited six months ended 31 August 2019	Unaudited six months ended 31 August 2018	Audited 12 months ended 28 February 2019
Cash (consumed by)/generated from operations	(503 049)	218 420	360 553
Interest received	16 042	20 092	40 530
Finance costs	(36 747)	(47 853)	(92 820)
Dividends received	12 188	26 833	42 105
Taxation paid	(26 722)	(49 411)	(96 546)
Cash flows from operating activities	(538 288)	168 081	253 822
Net proceeds received/(expenditure to maintain operating capacity)	79 130	(4 521)	(8 825)
Expenditure for expansion	(8 185)	(7 945)	(67 965)
Cash flows from investing activities	70 945	(12 466)	(76 790)
Treasury shares acquired	–	(5 296)	(5 661)
Movements on long- and short-term financing	(52 158)	(169 615)	(254 661)
Cash flows from financing activities	(52 158)	(174 911)	(260 322)
Net decrease in cash for the period	(519 501)	(19 296)	(83 290)
Effect of exchange rate changes on cash and cash equivalents	35 057	67 804	48 170
Cash and cash equivalents at beginning of year	880 771	915 891	915 891
Cash and cash equivalents at the end of the period	396 327	964 399	880 771

	Construction & Mining	Building	M&E	Reconciling segments*	Total
Segment information					
31 August 2019 (unaudited)					
Contract revenue	2 552 288	1 381 491	515 761	–	4 449 540
Intersegment contract revenue	16 252	12 661	23 197	–	52 110
Reportable segment profit/(loss)	(475 983)	(487 856)	(43 918)	(33 020)	(1 040 777)
Reportable segment assets	3 380 851	1 776 170	548 183	514 063	6 219 267
Reportable segment liabilities	2 744 060	1 944 480	353 874	442 624	5 485 038
Segment information					
31 August 2018 (unaudited)					
Contract revenue	2 849 556	1 664 887	580 955	–	5 095 398
Intersegment contract revenue	–	5 729	26 881	–	32 610
Reportable segment profit/(loss)	67 860	38 378	6 267	(8 406)	104 099
Reportable segment assets	4 040 417	1 850 251	584 228	547 370	7 022 266
Reportable segment liabilities	2 819 146	1 556 546	353 459	292 563	5 021 714
Segment information					
28 February 2019 (audited)					
Contract revenue	5 313 875	3 352 578	1 208 570	–	9 875 023
Intersegment contract revenue	16 560	15 864	84 273	–	116 697
Reportable segment profit/(loss)	46 546	(127 357)	(11 064)	(19 446)	(111 321)
Reportable segment assets	3 482 984	1 915 686	542 666	506 924	6 448 260
Reportable segment liabilities	2 295 149	1 820 214	362 005	239 140	4 716 508

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

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STATEMENT OF CHANGES IN EQUITY							
R'000	Share capital and premium	Foreign currency translation reserve	Revaluation surplus reserve	(Accumulated loss)/ retained earnings	Attributable to equity holders of the company	Non- controlling interest	Total equity
Balance at 28 February 2018 audited	1 013 379	(8 560)	118 961	670 197	1 793 977	(3 726)	1 790 251
Treasury shares acquired	(5 296)	–	–	–	(5 296)	–	(5 296)
Total comprehensive income	–	119 385	–	103 952	223 337	(7 740)	215 597
Profit	–	–	–	103 952	103 952	147	104 099
Other comprehensive income	–	119 385	–	–	119 385	(7 887)	111 498
Balance at 31 August 2018 unaudited	1 008 083	110 825	118 961	774 149	2 012 018	(11 466)	2 000 552
Treasury shares acquired	(365)	–	–	–	(365)	–	(365)
Total comprehensive income	–	(50 996)	–	(214 713)	(265 709)	(2 726)	(268 435)
Loss	–	–	–	(214 713)	(214 713)	(707)	(215 420)
Other comprehensive income	–	(50 996)	–	–	(50 996)	(2 019)	(53 015)
Balance at 28 February 2019 audited	1 007 718	59 829	118 961	559 436	1 745 944	(14 192)	1 731 752
Realisation of revaluation reserve	–	–	(3 956)	3 956	–	–	–
Total comprehensive income	–	45 648	–	(1 040 833)	(995 185)	(2 338)	(997 523)
Loss	–	–	–	(1 040 833)	(1 040 833)	56	(1 040 777)
Other comprehensive income	–	45 648	–	–	45 648	(2 394)	43 254
Balance at 31 August 2019 unaudited	1 007 718	105 477	115 005	(477 441)	750 759	(16 530)	734 229

Shareholders are referred to the webcast and presentation relating to the unaudited condensed consolidated results for the six months ended 31 August 2019 which is available on the company's website: www.stefstocks.com.

BASIS OF PREPARATION AND ACCOUNTING POLICIES
The unaudited condensed consolidated results for the period ended 31 August 2019 (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 the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council 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 2019 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 2019. Additional IFRS 9: *Financial Instruments* disclosures relating to the 28 February 2019 annual financial statements can be found on the company's website.

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' functional 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).

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.

- Revenue R4,4 billion
- Cash at end of period R396 million
- Current order book R11,2 billion

OVERVIEW OF RESULTS

Public Sector Power Project

During the current reporting period, the client has adopted a more intractable approach to authorisation of certificates for work done on the large public sector power project, which has led to a substantial increase of internal funding required for this project. Although the group has initiated a dispute process with the client to pursue its contractual rights and recover the amounts owing to it, this has placed an additional burden on the group, increasing the initial funding requirement of R400 million to approximately R986 million. Consequently, in addition to the provision of R263 million raised at February 2019 for the potential unrecoverable preliminary and general costs, the group has now raised a further provision of R462 million for potential unrecoverable monthly measured works to complete the project.

Remaining operations

The continued adverse market conditions, including the substantial impact of the above power project, has reduced contract revenue from operations to R4,4 billion (Aug 2018: R5,1 billion).

The group incurred an operating loss of R973 million (Aug 2018: operating profit of R125 million) after taking into account:

Provision for future costs – public sector power project	R462 million
Provision for slow paying trade receivables	R331 million
Specific project losses	R260 million
Impairment of goodwill	R22 million
Provision for Kenya tax liability	R43 million

The United Arab Emirates operation contributed R15 million (Aug 2018: R38 million) towards the share of profits of equity-accounted investees. This year's contribution is a reflection of normalised trading conditions.

The group has not provided for a deferred tax asset on the losses for the current period.

Earnings and headline earnings per share are reported as a loss of 622,35 cents (Aug 2018: profit of 61,76 cents) and a loss of 607,72 cents (Aug 2018: profit of 60,30 cents) respectively.

The group's order book is currently R11,2 billion of which R3,3 billion arises from work beyond South Africa's borders.

Capital expenditure for the period amounted to R70 million (Feb 2019: R180 million). The reduced prior year's capital expenditure, has resulted in a decrease in depreciation to R106 million (Aug 2018: R116 million) and finance costs to R41 million excluding the interest accrual for the Kenyan tax of R18 million (Aug 2018: R50 million).

Contributing to the adverse market conditions facing the industry, are the well documented delays in payments from clients. This has had a significant impact on the group's trade and other receivables as well as payments to suppliers and sub-contractors. This resulted in an increase in working capital to R379 million (Aug 2018: R103 million) negatively impacting on cash consumed from operations of R503 million (Aug 2018: R218 million cash generated). The group's overall cash position has decreased to R396 million (Feb 2019: R881 million).

As a result of the first tranche of the funding plan of R120 million and the impact of IFRS 16, interest-bearing liabilities have increased to R774 million (Feb 2019: R637 million).

The effect of the weakening Rand on the translation of certain foreign operations resulted in R43 million profit (Aug 2018: R111 million) being recognised in other comprehensive income.

Review of operations

Construction & Mining

Construction & Mining's contract revenue decreased to R2,6 billion (Aug 2018: R2,8 billion) with an operating loss of R421 million (Aug 2018: operating profit of R111 million). The operating loss includes provisions raised for slow paying trade receivables and losses incurred on projects in the Road & Earthworks, Civils and Mining Services divisions. The material loss making project in each of the Roads & Earthworks and Civils divisions are complete.

In the transport infrastructure sector, SANRAL has released a number of tender enquiries for road rehabilitation in the KwaZulu-Natal and the Eastern Cape regions. In addition, the upgrading of the Cape Town- and Oliver Tambo International Airports will offer opportunities for the Roads & Earthworks division.

Port upgrades in Durban and Cape Town offer opportunities for the Marine and Civils divisions, whilst opportunities exist in water and transport infrastructure in South Africa, Swaziland and Botswana.

Mining infrastructure opportunities continue to present themselves to the benefit of this business unit.

Due to funding constraints in country, fewer opportunities exist for the Zambian operation placing pressure on this division's order book.

Construction & Mining's order book at August 2019 was R7,5 billion (Aug 2018: R8,5 billion).

Building

The Building business unit's contract revenue reduced to R1,4 billion (Aug 2018: R1,7 billion), the operating loss increased to R494 million (Aug 2018: operating profit of R6 million), which includes the provision raised for future costs on the large public sector power project as noted above, and a project loss in the Gauteng division which is now complete. The profit of the equity-accounted United Arab Emirates operation is excluded from this result.

The Mozambique and Coastal divisions continue to deliver positive results.

The building sector within South Africa has recently experienced an increase in tender activity, offering opportunities for this business unit as follows:

- Public sector and social housing opportunities in Gauteng and Western Cape
- Commercial, leisure, warehouse and factory opportunities in the private