Interim Results Press Release

STEFANUTTI STOCKS' SOLID ORDER BOOK STANDS AT R11.7 BILLION AT END AUGUST 2013

21 November 2013: Stefanutti Stocks, a leading construction company, operating throughout South Africa, sub-Saharan Africa and the Middle East with multi-disciplinary expertise in the construction industry, reported their results for the six months ended 31 August 2013 today. Willie Meyburgh, CEO of Stefanutti Stocks, commented that the Group's results reflect an overall year-on-year improvement in most key performance areas. Profitability had improved despite the current tough economic conditions. Good cash generation from operations and reduced capital expenditure have contributed to a sound balance sheet.

Contract revenue remained stable at R4,8 billion (Aug 2012: R4,8 billion) with a strong performance by the Roads, Pipelines & Mining Services (RPM) and Structures business units. These were however offset to a degree by the losses incurred in the Building business unit and Power business. Market conditions remained highly competitive as a result of the depressed global and local economic conditions and protracted strike action in South Africa's construction sectors also had a negative effect on the Group's results.

Operating profit increased by 31% to R114 million (Aug 2012: R87 million) resulting in the operating margin increasing from 1,8% to 2,4%. Finance costs for the period decreased as a result of interest-bearing liabilities having decreased by 17% to R780 million (Feb 2013: R942 million) mainly due to the repayment of a portion of the loan required for the acquisition of Cycad Pipelines and the repayment of the first instalment under the Competition Commission penalty agreement. The group posted an after-tax profit of R67 million (Aug 2012: R51 million).

Earnings per share of 38,5 cents (Aug 2012: 29,5 cents) and diluted headline earnings per share of 34,2 cents (Aug 2012: 25,1 cents) increased by 31% and 36% respectively from the comparative period. A decision was taken not to declare an interim dividend.

Meyburgh said cash spent on investing activities reduced from R397 million to R49 million mainly as a result of reduced capital expenditure and cash required for acquisitions. Cash on hand of R970 million (Feb 2013: R836 million) exceeded total interest-bearing debt, resulting in a nil net gearing position being maintained.

The Structures business unit produced a steady performance for the first six months of the financial year with a slight decrease in revenue to R1,4 billion (Aug 2012: R1,5 billion), whilst operating profit remained constant at R74 million (Aug 2012: R74 million). Profit margins increased slightly at 5,2% (Aug 2012: 5,0%), despite the competitive market conditions. The order book at the end of August 2013 was R2 billion (Feb 2013: R1,8 billion).

The RPM business unit continued to produce a strong performance, and contract revenue for the RPM business unit was up by 9% to R1,2 billion (Aug 2012: R1,1 billion), with the operating profit increasing by 23% to R95 million (Aug 2012: R77 million). The order book at the end of August 2013 was R4,8 billion (Feb 2013: R3,1 billion).

The Building business unit achieved contract revenue for the first six months of R1,6 billion (Aug 2012: R1,7 billion) and an operating loss of R43 million (Aug 2012: operating loss of R29 million). The poor performance was mainly due to continuing costs being incurred on historic building contracts in Mozambique and current problematic projects in South Africa. Measures have been put in place to recover outstanding claims. The Group will retain its presence in the Middle East as there are signs of an upturn in the Dubai market. The order book for Building at the end of August 2013 was R3,5 billion (Feb 2013: R3,1 billion).

The Mechanical, Electrical & Power (MEP) business unit reported contract revenue of R650 million (Aug 2012: R449 million) and an operating loss of R16 million (Aug 2012: operating loss of R35 million). This was as a result of some loss-making projects and holding costs in the Power division, due to delays in the rollout of anticipated projects from the national energy provider. MEP's order book at 31 August 2013 was R700 million (Feb 2013: R500 million).

"We are of the view that market conditions in the South African construction sector will remain challenging for the next 12 to 18 months. There is still sufficient work available in mid-size projects to maintain our order book. The group's order book currently stands at R11,7 billion. We will continue to pursue opportunities in sub-Saharan Africa where the full spectrum of our service offerings can be deployed as well as focus on areas where we have an established presence. We remain confident that Stefanutti Stocks is well positioned to manage the short term economic and market challenges and position itself to optimise opportunities when economic conditions improve and large capital projects come to the market." concluded Meyburgh.

In line with a restructure of the Stefanutti Stocks board, Mr Schalk Ackerman, has stepped down as an executive director with effect from 19 November 2013. Mr Ackerman remains a member of the executive committee and Managing Director of the Structures Business Unit. Furthermore Mr Kevin Eborall has been appointed as chairman of the Remuneration and Nominations Committee and Mr Vuli Cuba has been appointed as Lead Independent Director. – **Ends**

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