

# Audited results

for the year ended 30 June 2001

- Headline earnings per share up 29%
- Revenues up 26%
- Hard currency revenues reach 73%
- Shareholders' funds exceed R3 billion

# Steinhoff

## International Holdings Ltd

Registration number 1998/003951/06



### Abridged consolidated income statement

for the year ended 30 June 2001

	Note	Audited year ended		% increase
		30/06/01 R'000	30/06/00 R'000	
<b>Revenue</b>		<b>5 773 532</b>	4 594 086	26
Operating income before depreciation		679 586	536 334	27
Depreciation		(98 923)	(77 001)	
Operating income after depreciation		580 663	459 333	26
Exceptional items	1	134 898	26 586	
Earnings before goodwill, interest and taxation		715 561	485 919	47
Goodwill amortised		(37 531)	-	
Earnings before interest and taxation		678 030	485 919	40
Net finance charges		(46 648)	(51 125)	
<b>Earnings before taxation</b>		<b>631 382</b>	434 794	45
Taxation		(27 130)	(16 091)	
<b>Earnings after taxation</b>		<b>604 252</b>	418 703	44
Share of associate income		38 111	13 276	
Attributable to outside shareholders		1 819	732	
Income attributable to shareholders		644 182	432 711	49
Number of shares in issue ('000)		829 323	804 552	3
Weighted average number of shares in issue ('000)		822 129	785 043	5
Attributable income (R'000)		644 182	432 711	49
Headline earnings (R'000) – Note 2	2	546 815	406 125	35
Earnings per share (cents)		78	55	42
Headline earnings per share (cents)		67	52	29
Proposed dividend per share (cents)		12	9	33
<b>Note 1: Exceptional items (R'000)</b>				
– Capital gain on sale of trademarks		179 282	-	
– Capital profit on disposal of fixed assets		-	26 586	
– Closure costs of German manufacturing plant		(44 384)	-	
		134 898	26 586	
<b>Note 2: Headline earnings calculation</b>				
Income attributable to shareholders		644 182	432 711	
Adjustment for:				
– Exceptional items		(134 898)	(26 586)	
– Goodwill written off		37 531	-	
Headline earnings for the year		546 815	406 125	

### Abridged consolidated balance sheet

at 30 June 2001

	Audited 30/06/01	Audited 30/06/00
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment and intangible assets	1 672 345	1 522 880
Investments and loans	546 190	260 293
Deferred tax asset	9 541	-
	2 228 076	1 783 173
<b>Current assets</b>		
Accounts receivable	1 695 383	1 482 760
Inventories	768 409	741 068
Cash and cash equivalents	988 905	454 641
Net cash balances	786 764	290 845
Near cash financial instruments	202 141	163 796
	3 452 697	2 678 469
Total assets	5 680 773	4 461 642
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Ordinary shareholders' equity	3 013 800	2 203 563
Outside shareholders' interest	10 037	16 733
	3 023 837	2 220 296
<b>Non-current liabilities</b>		
Deferred taxation	4 529	9 830
Long-term liabilities	426 723	203 375
Long-term licence fee liability	287 250	-
	718 502	213 205
<b>Current liabilities</b>		
Net interest-bearing	631 186	729 093
Accounts payable and provisions	1 307 248	1 299 048
	1 938 434	2 028 141
Total equity and liabilities	5 680 773	4 461 642
Net asset value per share (cents)	363	274
Gearing ratio (net)	9%	29%

### Abridged group cash flow statement

for the year ended 30 June 2001

	Audited year ended	
	30/06/01 R'000	30/06/00 R'000
Operating profit before working capital changes	827 770	532 952
Net changes in working capital	(93 847)	(407 823)
Cash generated from operations	733 923	125 129
Net finance costs	(46 648)	(51 125)
Dividends paid	(17 365)	(8 472)
Dividends received	5 610	-
Taxation	(43 192)	(9 560)
Net cash inflow from operating activities	632 328	55 972
Net cash outflow from investing activities	(347 395)	(539 425)
Net cash inflow from financing activities	277 012	745 290
Net increase in cash and cash equivalents	561 945	261 837
Effects of exchange rate changes on cash and cash equivalents	(27 681)	(3 581)
Cash and cash equivalents – beginning of period	454 641	196 385
Cash and cash equivalents – end of period	988 905	454 641

### Statement of changes in equity

for the year ended 30 June 2001

	Share capital and premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
Balance at beginning of period	1 583 778	39 884	579 901	2 203 563
Current year associate income	-	32 501	(32 501)	0
Earnings attributable to shareholders	-	-	644 182	644 182
Increase in foreign currency translation reserve	-	70 828	-	70 828
Dividends paid	(55 055)	-	(2 882)	(57 937)
Issue of shares	153 164	-	-	153 164
Balance at end of period	1 681 887	143 213	1 188 700	3 013 800

### Comments

#### Review of results

The board is pleased to announce growth in headline earnings for the year ended 30 June 2001 by 35% to R547 million (2000: R406 million) on increased revenues of 26%.

Operating margin for the Group as a whole was maintained at 10%. Very tough trading conditions both in South Africa and Europe, was experienced during the second six months of the financial year. The margin outside South Africa improved to 13% (2000: 11%) and within South Africa reduced to 8% (2000: 10%).

Net finance charges decreased by R4,5 million as a result of effective working capital management and accessing favourable long-term interest facilities offshore.

Taxation increased to R27 million (2000: R16 million) and the relatively low effective tax charge is due mainly to the Group's favourable tax dispensations in Central Europe, which are expected to continue in the foreseeable future.

Shareholders' funds increased to more than R3 billion at year-end and return on average shareholders' funds was maintained at 21% during the year. The gearing ratio reduced to 9% (2000: 29%) at 30 June 2001. Net asset value per share increased by 32% to 363 cents (2000: 274 cents).

The Group generated 73% (2000: 71%) of its total revenues in hard currencies during the year.

Headline earnings per share increased by 29% to 67 cents (2000: 52 cents) while basic earnings per share increased by 42% to 78 cents (2000: 55 cents).

#### Segmental analysis

The Group's main activity as an integrated global lifestyle supplier is focused on manufacturing and wholesale & distribution.

Year ended 30 June 2001

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	4 087 206	71	469 546	76	2 411 620	80
Wholesale & Distribution	1 686 326	29	151 047	24	602 180	20
<b>Total</b>	<b>5 773 532</b>	<b>100</b>	<b>620 593*</b>	<b>100</b>	<b>3 013 800</b>	<b>100</b>

\* Earnings before exceptional items, goodwill, interest and taxation includes share of income from associate companies and outside shareholders' income of R39,930 million

Year ended 30 June 2000

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	3 419 197	74	375 467	79	1 840 607	84
Wholesale & Distribution	1 174 889	26	97 874	21	362 956	16
<b>Total</b>	<b>4 594 086</b>	<b>100</b>	<b>473 341**</b>	<b>100</b>	<b>2 203 563</b>	<b>100</b>

\*\* Earnings before profit on sale of assets, interest and taxation includes share of income from associated companies and outside shareholders' income of R14,008 million

#### Geographical analysis

The Group's operations are located in southern Africa, the European Community, Eastern Europe and Australia.

Year ended 30 June 2001

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa***	2 254 691	39	179 182	29	1 302 982	43
European Community	2 029 069	35	293 471	47	1 422 551	47
Eastern Europe	1 439 036	25	144 807	23	277 225	9
Australia	50 736	1	3 133	1	11 042	1
<b>Total</b>	<b>5 773 532</b>	<b>100</b>	<b>620 593*</b>	<b>100</b>	<b>3 013 800</b>	<b>100</b>

An average exchange rate of R3,45: 1DM (2000: R3,25: 1DM) was used to translate foreign currency income and expenditure into South African rand. R706 million (2000: R576 million) of Africa's revenue represents exports to the USA and the European Community, representing approximately 31% (2000: 30%) of its activities. It is the intention of the Group to continue to increase these exports into the future. The Group's exposure to the local South African furniture market amounts to 24% (2000: 29%) of total revenue.

Year ended 30 June 2000

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa***	1 918 548	42	185 098	39	1 077 247	49
European Community	1 770 009	38	174 190	37	864 765	38
Eastern Europe	857 611	19	117 748	25	260 338	12
Australia	47 918	1	(3 695)	(1)	1 213	1
<b>TOTAL</b>	<b>4 594 086</b>	<b>100</b>	<b>473 341**</b>	<b>100</b>	<b>2 203 563</b>	<b>100</b>

\*\*\* Southern Africa comprises the Republic of South Africa, Botswana, Swaziland, Namibia and Lesotho. The Group has no exposure to Zimbabwe.

#### Corporate activity

The Group has entered into and concluded a number of significant transactions.

Since year-end, an offer was made to all the shareholders of Relyon Group plc, a listed company in the United Kingdom. At the date of this report, approximately 89,6% of all shareholders have accepted the offer. Relyon is the major upmarket bedding brand manufacturer in the United Kingdom. The Company also designs and manufactures the leading brand, Norma, in the Netherlands for the Dutch market. Pritex, a division of Relyon, is a foam converting facility supplying the furniture, automotive and aviation industries. This brings a new dimension to Steinhoff Europe's manufacturing activities. The consummation of this transaction will enhance the strength of the Group's management in the United Kingdom and will bring critical mass as well as huge synergies and new opportunities to the Group to facilitate accelerated growth in these markets.

In order to expand its presence in the Australian market, the Group acquired Marshall Furniture, based in Adelaide, the largest case goods manufacturer in Australia.

An agreement was concluded with Freedom Group Limited in Australia and New Zealand in terms of which a new company, Steinhoff Pacific, was formed. Steinhoff owns 74,9% and Freedom 25,1% of this new entity. Freedom's manufacturing facilities in Sydney, Brisbane and Auckland now form part of Steinhoff Pacific. Marshall Furniture and Steinhoff's sofa manufacturing facilities in Adelaide were merged into the new entity. A comprehensive supply agreement has been concluded in terms of which Steinhoff Pacific will supply the Freedom Group exclusively, based on certain agreed volumes.

At year-end, Steinhoff Africa purchased the timber assets of Thesens, a subsidiary of Barloworld Limited. This acquisition was made to secure the Group's raw material supplies into the future as well as to grow its export capabilities.

Subsequent to year-end, Woodline Timbers Industry was acquired with its manufacturing and distribution facilities in order to supplement the pole export business of Thesens.

The Group has also concluded a long-term supply agreement to manufacture beds, under licence, for the Relyon Group.

Steincraft, a newly established chair factory in KwaZulu-Natal, became operational subsequent to year-end, and will export worldwide, especially the United Kingdom, Europe, USA and Australasia.

During the year, Steinhoff Africa concluded an agreement whereby it disposed of certain of its trademarks, subject to the payment of minimum licence fees. A capital surplus of R179 million was realised, after making provision for these fees.

#### Prospects

The Group will continue to grow its market share in Germany and Eastern Europe by delivering quality products at competitive prices, backed by quality support and service.

The Relyon deal will accelerate the Group's penetration and brand building into the United Kingdom, The Netherlands and the rest of Europe.

Through our alliance with the Freedom Group, the Group will grow and secure its position in Australia, New Zealand and other Pacific countries.

Opportunities to secure additional raw material supplies and promote further exports from South Africa look promising.

The continuing growth and success of the business will be achieved by maintaining and improving our margins, by better and more efficient utilisation of existing infrastructure, improved working capital management and focusing on our core competencies and products. Management is confident that the Group will continue to generate real earnings growth in the year ahead.

#### STRATE

The Company's securities are scheduled to be transferred to the new STRATE system of electronic settlement on the JSE Securities Exchange South Africa. Dematerialisation of the Company's shares will start from 3 December 2001. Electronic trading in the Company's shares will commence on 27 December 2001 with the first electronic settlement taking place on 7 January 2002.

The Company's share certificates will accordingly not be accepted for settlement after 27 December 2001.

Further details of this transfer to STRATE will be announced in due course.

#### Capitalisation share award and dividend declaration

The board has resolved to award capitalisation shares to shareholders registered at the close of business on Friday, 5 October 2001 ("the share award"). Shareholders will be entitled to accept or decline the share award or any part thereof and instead elect to receive a cash dividend of 12 cents (2000: 9 cents) per share.

The terms of the share award will be announced on Monday, 1 October 2001 and documentation relating thereto will be posted on Friday, 12 October 2001. Elections in respect of the cash dividend will open on Friday, 12 October 2001 and close on Friday, 2 November 2001.

By order of the board

S J Grobler  
Company secretary

5 September 2001

#### Registered office

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#### Transfer secretaries

Mercantile Registrars Limited, 10th Floor, 11 Diagonal Street, Johannesburg, 2001

#### Directors

B E Steinhoff (Chairman), M J Jooste (Managing), D E Ackerman, C E Daun\*, K J Grové, D Konar, F J Nel, N W Steinhoff, D M van der Merwe \*German †Non-executive

Company secretary S J Grobler

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