



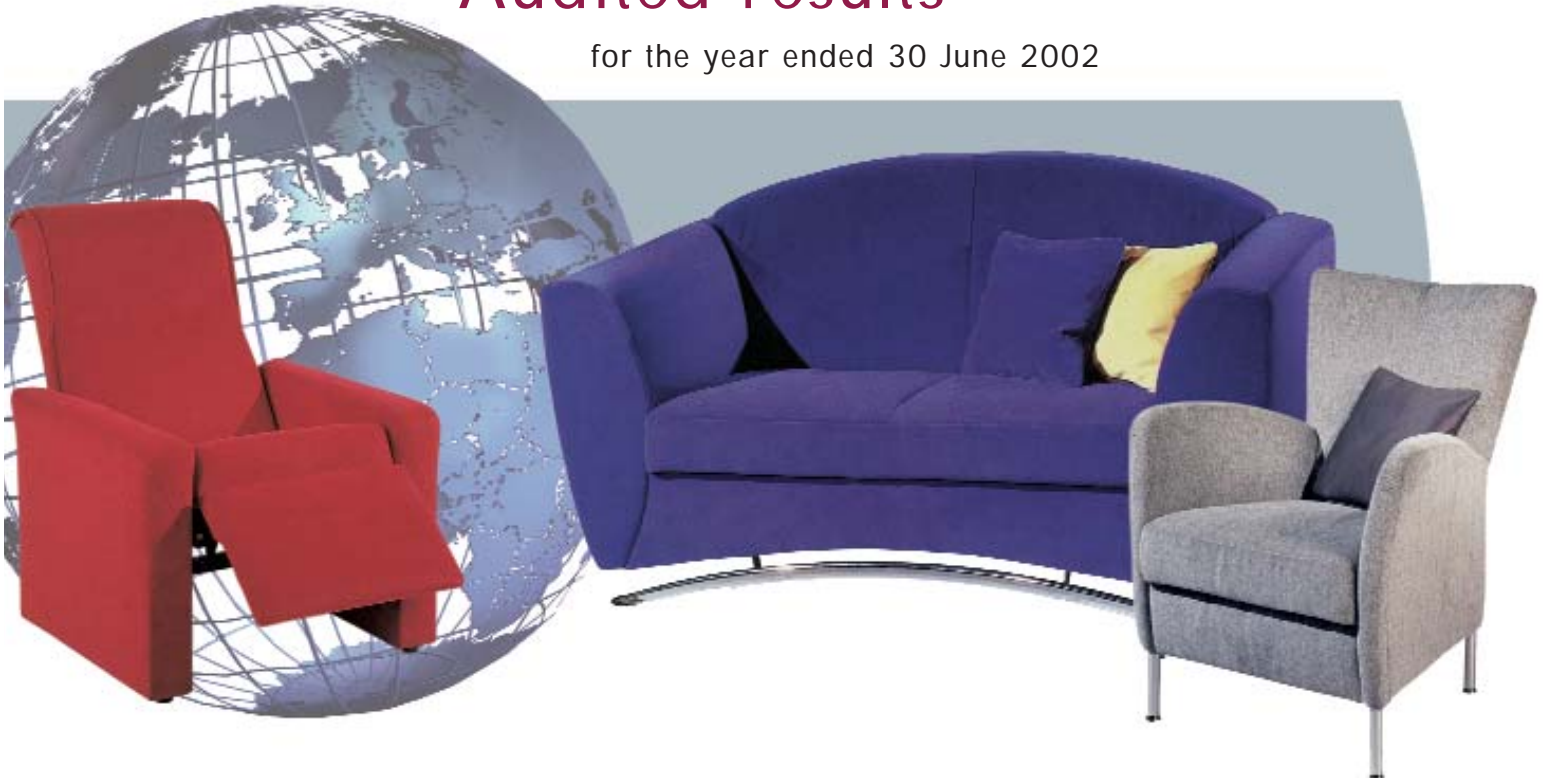
# Steinhoff

International Holdings Ltd

- Revenue up 42%
- Headline earnings per share up 50%
- Hard currency revenues reached 81%
- Net asset value up 38%
- Return on equity at 22%

## Audited results

for the year ended 30 June 2002



Consistent growth  
off an expanded  
geographical base

# Abridged consolidated income statement

for the year ended 30 June 2002

|  |      | Audited year ended |                    |               |
|--|------|--------------------|--------------------|---------------|
|  | Note | 30/06/02<br>R'000  | 30/06/01*<br>R'000 | %<br>increase |
| <b>Revenue</b>   |      | <b>8 207 936</b>   | 5 773 532          | 42            |
| Operating income before depreciation                                   |      | <b>1 040 014</b>   | 676 647            | 54            |
| Depreciation   |      | <b>(163 563)</b>   | (132 150)          |               |
| Operating income after depreciation                                    |      | <b>876 451</b>     | 544 497            | 61            |
| Exceptional items  | 1    | <b>(107 174)</b>   | 134 898            |               |
| Earnings before goodwill, interest and taxation                        |      | <b>769 277</b>     | 679 395            | 13            |
| Goodwill amortised   |      | <b>(36 549)</b>    | (37 531)           |               |
| Earnings before interest and taxation                                  |      | <b>732 728</b>     | 641 864            | 14            |
| Net finance charges  |      | <b>(79 299)</b>    | (46 648)           |               |
| <b>Earnings before taxation</b>  |      | <b>653 429</b>     | 595 216            | 10            |
| Taxation   |      | <b>(52 609)</b>    | (27 130)           |               |
| <b>Earnings after taxation</b>   |      | <b>600 820</b>     | 568 086            | 6             |
| Share of associate income  |      | <b>55 964</b>      | 38 111             |               |
| Attributable to outside shareholders                                   |      | <b>1 809</b>       | 1 819              |               |
| Income attributable to shareholders                                    |      | <b>658 593</b>     | 608 016            | 8             |
| Number of shares in issue ('000)                                       |      | <b>906 616</b>     | 829 323            | 9             |
| Weighted average number of shares in issue ('000)                      |      | <b>864 754</b>     | 822 129            | 5             |
| Attributable income (R'000)  |      | <b>658 593</b>     | 608 016            | 8             |
| Headline earnings (R'000)  | 2    | <b>802 316</b>     | 510 649            | 57            |
| Earnings per share (cents)   |      | <b>76</b>          | 74                 | 3             |
| Headline earnings per share before restatement (cents)                 |      | <b>98</b>          | 67                 |               |
| Changes in accounting policies to comply with new accounting standards |      | <b>(5)</b>         | (5)                |               |
| Headline earnings per share (cents)                                    |      | <b>93</b>          | 62                 | 50            |
| Proposed dividend per share (cents)                                    |      | <b>15</b>          | 12                 | 25            |
| <b>Note 1: Exceptional items (R'000)</b>                               |      |                    |                    |               |
| – Capital gain on sale of trade marks                                  |      |                    | 179 282            |               |
| – Closure costs  |      | <b>(83 171)</b>    | (44 384)           |               |
| – Impairment of assets   |      | <b>(24 003)</b>    |                    |               |
|  |      | <b>(107 174)</b>   | 134 898            |               |
| <b>Note 2: Headline earnings calculation</b>                           |      |                    |                    |               |
| Income attributable to shareholders                                    |      | <b>658 593</b>     | 608 016            |               |
| Adjustment for:  |      |                    |                    |               |
| – Exceptional items  |      | <b>107 174</b>     | (134 898)          |               |
| – Goodwill written off   |      | <b>36 549</b>      | 37 531             |               |
| Headline earnings for the year   |      | <b>802 316</b>     | 510 649            |               |
| Changes in accounting policies to comply with new accounting standards |      | <b>44 900</b>      | 36 167             |               |
| Headline earnings before restatement                                   |      | <b>847 216</b>     | 546 816            | 55            |

\* Note

The prior year figures have been restated to comply with Accounting Statements AC 135 and AC 116

## Abridged consolidated balance sheet

at 30 June 2002

|   | Audited<br>30/06/02 | Audited<br>30/06/01* |
|---|---------------------|----------------------|
| <b>ASSETS</b>                                       |                     |                      |
| <b>Non-current assets</b>                           |                     |                      |
| Property, plant and equipment and intangible assets | 2 729 956           | 1 580 749            |
| Investments and loans                               | 1 246 109           | 546 190              |
| Deferred tax asset                                  | 5 727               | 9 541                |
|   | <b>3 981 792</b>    | 2 136 480            |
| <b>Current assets</b>                               |                     |                      |
| Accounts receivable                                 | 2 563 859           | 1 695 383            |
| Inventories   | 1 109 204           | 768 409              |
| Cash and cash equivalents                           | 405 052             | 988 905              |
| Net cash balances                                   | 317 967             | 786 764              |
| Near cash financial instruments                     | 87 085              | 202 141              |
|   | <b>4 078 115</b>    | 3 452 697            |
| <b>Total assets</b>                                 | <b>8 059 907</b>    | 5 589 177            |
| <b>EQUITY AND LIABILITIES</b>                       |                     |                      |
| <b>Capital and reserves</b>                         |                     |                      |
| Outside shareholders' interest                      | 28 073              | 10 037               |
|   | <b>4 410 974</b>    | 2 905 843            |
| <b>Non-current liabilities</b>                      |                     |                      |
| Deferred taxation                                   | 7 223               | 4 529                |
| Long term liabilities                               | 746 811             | 426 723              |
| Long term licence fee liability                     | 237 873             | 287 250              |
|   | <b>991 907</b>      | 718 502              |
| <b>Current Liabilities</b>                          |                     |                      |
| Net interest bearing                                | 622 083             | 631 186              |
| Accounts payable and provisions                     | 2 034 943           | 1 333 646            |
|   | <b>2 657 026</b>    | 1 964 832            |
| <b>Total equity and liabilities</b>                 | <b>8 059 907</b>    | 5 589 177            |
| Net asset value per share (cents)                   | 483                 | 349                  |
| Gearing ratio (net)                                 | 24%                 | 9%                   |

\* Note

The prior year figures have been restated to comply with Accounting Statements AC 135 and AC 116

## Abridged group cash flow statement

for the year ended 30 June 2002

|   | Audited year ended |                    |
|---|--------------------|--------------------|
|   | 30/06/02<br>R'000  | 30/06/01*<br>R'000 |
| Operating profit before working capital changes               | 932 557            | 824 830            |
| Net changes in working capital                                | 22 454             | (90 907)           |
| Cash generated from operations                                | 955 011            | 733 923            |
| Net finance costs   | (79 299)           | (46 648)           |
| Dividends paid  | (26 694)           | (17 365)           |
| Dividends received  | 7 506              | 5 610              |
| Taxation  | (59 457)           | (43 192)           |
| Net cash inflow from operating activities                     | 797 067            | 632 328            |
| Net cash outflow from investing activities                    | (1 380 076)        | (347 395)          |
| Net cash inflow from financing activities                     | 308 145            | 277 012            |
| Net increase in cash and cash equivalents                     | (274 864)          | 561 945            |
| Effects of exchange rate changes on cash and cash equivalents | (308 989)          | (27 681)           |
| Cash and cash equivalents – beginning of period               | 988 905            | 454 641            |
| Cash and cash equivalents – end of period                     | 405 052            | 988 905            |

\* Note

*The prior year figures have been restated to comply with Accounting Statements AC 135 and AC 116*

## Statement of changes in equity

for the year ended 30 June 2002

|   | Share capital<br>and premium<br>R'000 | Non-<br>distributable<br>reserves<br>R'000 | Distributable<br>reserves<br>R'000 | Total<br>R'000 |
|---|---------------------------------------|--|------------------------------------|----------------|
| Balance at 30 June 2000 as previously stated  | 1 583 778                             | 39 884                                     | 579 901                            | 2 203 563      |
| Change in accounting policy   |                                       | (2 813)                                    | (78 532)                           | (81 345)       |
| Balance at 30 June 2000 restated  | 1 583 778                             | 37 071                                     | 501 369                            | 2 122 218      |
| Earnings attributable to shareholders   |                                       |  | 608 016                            | 608 016        |
| As previously stated  |                                       |  | 644 183                            | 644 183        |
| Change in accounting policy   |                                       |  | (36 167)                           | (36 167)       |
| Share of associate companies' retained earnings transferred to non-distributable reserves |                                       | 32 501                                     | (32 501)                           | –              |
| Foreign currency translation reserve  |                                       | 70 346                                     |                                    | 70 346         |
| As previously stated  |                                       | 70 828                                     |                                    | 70 828         |
| Change in accounting policy   |                                       | (482)                                      |                                    | (482)          |
| Dividends paid  |                                       |  | (2 883)                            | (2 883)        |
| Issue of shares   | 98 109                                |  |                                    | 98 109         |
| Balance at 30 June 2001 restated  | 1 681 887                             | 139 918                                    | 1 074 001                          | 2 895 806      |
| Current year associate income   |                                       | 55 964                                     | (55 964)                           | –              |
| Earnings attributable to shareholders   |                                       |  | 658 593                            | 658 593        |
| Increase in foreign currency translation reserve  |                                       | 381 658                                    |                                    | 381 658        |
| Dividends paid  |                                       |  | (26 694)                           | (26 694)       |
| Issue of shares   | 473 538                               |  |                                    | 473 538        |
| Transfer to distributable reserves  |                                       | (95)                                       | 95                                 | –              |
| Balance at end of period  | 2 155 425                             | 577 445                                    | 1 650 031                          | 4 382 901      |

### Notes

- The accounting policies and methods of computation for the financial statements for the year ended 30 June 2002 are in all material respects consistent with those applied in prior years, except for the provision of depreciation on buildings and post-retirement medical aid benefits, which were done for the first time this year, and are in accordance with South African Statements of Generally Accepted Accounting Practice.
- The results have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the company's registered office.

## Comments

### REVIEW OF RESULTS

The board is pleased to report growth in headline earnings for the year ended 30 June 2002 of 57% to R802 million (2001: R511 million) on increased revenues of 42%.

Notwithstanding the demanding trading conditions, both in South Africa and Europe, the Group achieved real growth in revenue whilst increasing its operating margin to 11,4% (2001: 10,1%). The results for the year confirm the Group's ability to maintain and grow market share in contracting and declining markets. This is a result of its cost advantages in Eastern Europe and the increased export realisations from South Africa.

The Group, for the first time, provided for depreciation on all buildings in accordance with South African Accounting Standard AC135 as well as for post-retirement medical aid benefits in terms of AC116. This had the effect of reducing headline earnings for the year to 30 June 2002 by R44,9 million (2001: R36,2 million) with a prior year adjustment of R78,6 million, which is shown as an adjustment to the opening balance of retained income.

Net finance charges increased to R79,3 million (2001: R46,6 million) mainly as a result of the Group's offshore borrowings and the impact of the weakening Rand. Interest cover amounts to 11,1 times (2001: 11,7 times) and the net interest-bearing debt: equity ratio is at 24% (2001: 9%) well within the Group's self-imposed borrowing covenants. The increase in the level of financial gearing was mainly attributable to the acquisitions in Australia (Freedom Manufacturing), the UK (Relyon) and the Group's increased investment in Unitrans.

Taxation increased to R52,6 million (2001: R27 million) and the continuing 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 R4 383 million (2001: R2 896 million) and return on average shareholders' funds was 22% during the year. The net asset value per share increased from 349 cps to 483 cps, an increase of 38,4%.

The Group generated 81% (2001: 73%) of its total revenues in hard currencies during the year.

Headline earnings per share increased by 50% to 93 cents (2001: 62 cents) while basic earnings per share increased by 3% (due mainly to the non-recurring exceptional gain in 2001) to 76 cents (2001: 74 cents). The weighted average number of shares increased by 5% during the year.

The Group's cash flow continues to be strong and cash generated from operations amounted to R955 million (2001: R734 million). The cash generative capacity and low gearing ratios of the Group place it in an ideal position to exploit further growth opportunities, both organically and by acquisition.

### SEGMENTAL ANALYSIS

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

Year ended 30 June 2002

| R'000                      | Revenue          | %          | Earnings before<br>exceptional<br>items, goodwill,<br>interest and<br>taxation | %         | Net assets       | %          |
|----------------------------|------------------|------------|--|-----------|------------------|------------|
| Manufacturing              | 6 154 814        | 75         | 653 961  | 70        | 3 287 171        | 75         |
| Wholesale and distribution | 2 053 122        | 25         | 280 263  | 30        | 1 095 730        | 25         |
| <b>Total</b>               | <b>8 207 936</b> | <b>100</b> | <b>934 224**</b>   | <b>10</b> | <b>4 382 901</b> | <b>100</b> |

\*\* Earnings before exceptional items, goodwill, interest and taxation include share of income from associated companies and outside shareholders' income of R57,773 million.

Year ended 30 June 2001

| R'000                      | Revenue          | %          | Earnings before<br>exceptional<br>items, goodwill,<br>interest and<br>taxation | %          | Net assets       | %          |
|----------------------------|------------------|------------|--|------------|------------------|------------|
| Manufacturing              | 4 087 206        | 71         | 442 059  | 76         | 2 317 202        | 80         |
| Wholesale and distribution | 1 686 326        | 29         | 142 367  | 24         | 578 604          | 20         |
| <b>Total</b>               | <b>5 773 532</b> | <b>100</b> | <b>584 426**</b>   | <b>100</b> | <b>2 895 806</b> | <b>100</b> |

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

### GEOGRAPHICAL ANALYSIS

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

Year ended 30 June 2002

| R'000              | Revenue          | %          | Earnings before<br>exceptional<br>items, goodwill,<br>interest and<br>taxation | %          | Net assets       | %          |
|--------------------|------------------|------------|--|------------|------------------|------------|
| Southern Africa*** | 2 502 161        | 30         | 226 230  | 24         | 1 225 837        | 28         |
| European Community | 3 589 038        | 44         | 430 686  | 46         | 2 417 465        | 55         |
| Eastern Europe     | 1 820 556        | 22         | 267 273  | 29         | 657 435          | 15         |
| Australia          | 296 181          | 4          | 10 035   | 1          | 82 164           | 2          |
| <b>Total</b>       | <b>8 207 936</b> | <b>100</b> | <b>934 224</b>   | <b>100</b> | <b>4 382 901</b> | <b>100</b> |

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

Year ended 30 June 2001

| R'000              | Revenue          | %          | Earnings before<br>exceptional<br>items, goodwill,<br>interest and<br>taxation | %          | Net assets       | %          |
|--------------------|------------------|------------|--|------------|------------------|------------|
| Southern Africa*** | 2 254 691        | 39         | 176 242  | 30         | 1 276 584        | 44         |
| European Community | 2 029 069        | 35         | 265 663  | 45         | 1 345 894        | 46         |
| Eastern Europe     | 1 439 036        | 25         | 139 388  | 24         | 262 286          | 9          |
| Australia          | 50 736           | 1          | 3 133  | 1          | 11 042           | 1          |
| <b>Total</b>       | <b>5 773 532</b> | <b>100</b> | <b>584 426</b>   | <b>100</b> | <b>2 895 806</b> | <b>100</b> |

An average exchange rate of R9,00: 1 Euro (2001: R6,75: 1 Euro) was used to translate foreign currency income and expenditure into South African Rand. R936 million (2001: R706 million) of Africa's revenue represents exports to the USA and the European Community, representing approximately 37% (2001: 31%) of its activities. It is the intention of the Group to increase these exports into the future. The Group's exposure to the local South African furniture market amounts to 18% (2001: 24%) of total revenue.

## Comments continued

### **CORPORATE GOVERNANCE**

The Group is committed to the principles of sound corporate governance and is substantially compliant with the requirements of the King Report on Corporate Governance for South Africa 2002 ("King II"). A phasing-in approach towards full compliance with the recommendations of King II has been adopted and an appropriate balance between performance and corporate constraints is being pursued.

### **CORPORATE ACTIVITY**

In order to rationalise and achieve economies of sale, a number of business divisions both locally and internationally, were closed during the financial year, resulting in exceptional closure costs of R83,171 million.

The Group has entered into and concluded a number of investment transactions during the financial year:

- Relyon Group Plc, a bedding manufacturer in the UK and the Netherlands and a foam converting facility in the UK which supplies the furniture, automotive and aviation industries, was acquired effective 1 October 2001;
- the Group acquired Marshall Furniture, based in Adelaide, the largest case-goods manufacturer in Australia;
- Steinhoff Pacific was formed as a joint venture with the retail group, Freedom Group Limited, which is listed on the Australian Stock Exchange. Steinhoff owns 74,9% and Freedom 25,1% of this entity. Steinhoff Pacific now has manufacturing facilities in Sydney, Brisbane, Adelaide, Victor Harbour and Auckland;
- two new brands, Egoform and Dieter Knoll were acquired which are targeted at the top end of the European market. They were launched this January and confirm the Group's commitment to developing brands in its respective markets;
- the joint venture with La-Z-Boy Inc of America was finalised during the year under review and authorised exclusive dealers for this well known brand are currently being appointed in various parts of Europe;
- Steinhoff acquired a 34,99% interest in PG Bison Holdings (Proprietary) Limited which is the leading particle board manufacturer in South Africa;
- the Group increased its holding in Unitrans Limited to 26% (2001: 14,4%); and
- additional investments were made during the year in new saw milling capacity which will promote further exports from South Africa.

The Group is constantly examining new business opportunities. The corporate services team examines all opportunities and their likely fit and possible future contribution to the Group's activities to complement organic growth. This demonstrates the Group's commitment to ensuring that its operations are appropriately structured to achieve optimal growth in the years to come, in the various markets that it serves.

### **SOCIAL RESPONSIBILITY AND MANPOWER**

The Group is committed to good labour relations and creating an environment where all of its more than 30 000 employees worldwide can develop to their fullest potential. Notwithstanding certain discontinued operations, the number of the Group's employees have increased worldwide. The Group is committed to a programme of skills transfer, ranging from leadership development at various educational levels, to successful training and deployment of individuals worldwide.

Black economic empowerment of small and medium sized enterprises, within our South African communities, forms part of the Group's strategy.



In addition to traditional medical schemes, the Steinhoff Health Care Plan was introduced with a special focus on HIV/Aids management and involves, inter alia, access to medical assistance dedicated to the Steinhoff employees.

Compliance with environmental regulations is one of the Group's priorities. This manifests itself, both in terms of the sourcing of raw materials, eg timber that complies with Forestry Stewardship Council Standards, and the infrastructure and processes within our manufacturing operations.

## PROSPECTS

The continued growth and development of the business will be achieved through improved capacity utilisation, enhanced working capital management and expansion of the Group's core competencies and products. Because of its integrated nature, the Group is also well positioned to optimise intergroup sourcing of raw materials and components. These opportunities, together with co-ordinated sourcing and enhanced customer service levels, are all expected to have a positive impact on margins into the future.

Continued growth in exports from South Africa is expected to further enhance earnings.

The consolidation in the local furniture retail sector is nearing completion and this, together with a fundamental change in retailing focus to core products and business mix between cash and credit, are expected to benefit the Group.

In Germany and eastern Europe the Group is committed to grow its market share by delivering quality products at competitive prices, supported by quality support and service excellence. The stated move towards higher price branded products is also anticipated to impact favourably on margins.

The Group's integration of the UK and Australian acquisitions have progressed well and these operations are well placed to deliver above average earnings growth.

The Company is delighted with the performance of its associates, Unitrans and PG Bison, and expects continued material contributions from these investments in years to come.

Management is confident that the Group will continue to generate real earnings growth in the year ahead.

## DECLARATION OF CAPITALISATION SHARE AWARD WITH DIVIDEND ELECTION OPTION

The board has resolved to award capitalisation shares to shareholders recorded in the register at the close of business on Friday, 1 November 2002 ("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 15 cents (2001: 12 cents) per share.

The last day to trade the Company's shares on the JSE Securities Exchange South Africa to ensure that a purchaser appears as a shareholder on the **record date** (1 November 2002) will be Friday, 25 October 2002. Shares will commence trading ex dividend from the commencement of trading on Monday, 28 October 2002.

Share certificates may not be dematerialised or rematerialised from Monday, 28 October 2002 to Friday, 1 November 2002, both days inclusive.

The terms of the share award will be announced on Friday, 11 October 2002, and documentation relating thereto will be posted by Friday, 18 October 2002. Elections in respect of the cash dividend will close on Friday, 1 November 2002.

## Comments continued

### COMMUNICATION

The Group strives to communicate openly, and with clarity, on how we are performing and our results are consistent, and adequately explained, without divulging information that would jeopardise our competitive advantage.

The Annual Report will be mailed to shareholders in due course. The annual general meeting is scheduled to take place on Friday, 29 November 2002, at 13:00 at the registered office of the Company.

*By order of the board*

**S J Grobler**

*Company secretary*

9 September 2002

## Administration

### Registration number

1998/003951/06

Share code: SHF

ISIN: ZAE 000016176

### Registered office

28 6th Street, Wynberg, Sandton, 2090

Republic of South Africa

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### Transfer secretaries

Computershare Investor Services Limited

18th Floor, 11 Diagonal Street

Johannesburg

2001

### Directors

B E Steinhoff\* (Chairman), M J Jooste (Managing Director), 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*

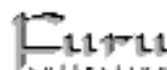
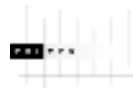
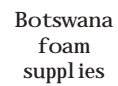
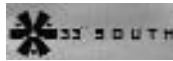
### Auditors

Deloitte & Touche

### Company secretary

S J Grobler

**website: [www.steinhoffinternational.com](http://www.steinhoffinternational.com)**





Steinhoff   
International Holdings Ltd

[www.steinhoffinternational.com](http://www.steinhoffinternational.com)