Sustainable growth achieved in challenging international markets

- Revenue up 35%
- Headline earnings up 33% to R487 million
- Headline EPS up 21%
- Strong operating cash flow
- Sound balance sheet structure

Steinhoff International Holdings Ltd

Unaudited results
for the six months ended 31 December 2002

Consolidated income statement
for the six months ended 31 December 2002

	Notes	Unaudited six months ended 31/12/02 R'000	*Unaudited six months ended 31/12/01 R'000	% change	Audited year ended 30/06/02 R'000
Revenue		5 299 962	3 912 203	35	8 207 936
Operating income before depreciation		609 799	459 285	33	1 040 014
Depreciation		(111 813)	(70 060)		(163 563)
Operating income after depreciation		497 986	389 225	28	876 451
Exceptional items	1	(15 307)	–		(107 174)
Earnings before goodwill, interest and taxation		482 679	389 225	24	769 277
Goodwill amortised		(28 506)	–		(36 549)
Earnings before interest and taxation		454 173	389 225	17	732 728
Net finance charges		(19 492)	(18 137)		(79 299)
Earnings before taxation		434 681	371 088	17	653 429
Taxation		(31 484)	(25 365)	24	(52 609)
Earnings after taxation		403 197	345 723	17	600 820
Share of associated companies' retained income		44 515	21 704	105	55 964
Attributable to outside shareholders		(8 281)	856		1 809
Income attributable to shareholders		439 431	368 283	19	658 593
Number of shares in issue ('000)		951 800	864 845	10	906 616
Weighted average number of shares in issue ('000)		929 537	855 528	9	864 754
Attributable income (R'000)		439 431	368 283	19	658 593
Headline earnings (R'000)	2	487 536	367 267	33	785 021
Earnings per share (cents)		47	43	9	76
Headline earnings per share before restatement (cents)		52	45		98
Changes in accounting policies to comply with new accounting standards and circular 7/2002		–	(2)		(7)
Headline earnings per share (cents)		52	43	21	91
Dividend per share (cents)		–	–		15
Note 1: Exceptional items (R'000)					
Closure costs		(15 307)	–		(83 171)
Impairment of assets		–	–		(24 003)
		(15 307)	–		(107 174)
Note 2: Headline earnings calculation					
Income attributable to shareholders		439 431	368 283		658 593
Adjustment for:					
– (Profit)/Loss on disposal of fixed assets		4 292	(1 016)		(17 295)
– Exceptional items		15 307	–		107 174
– Goodwill written off		28 506	–		36 549
Headline earnings for the period		487 536	367 267	33	785 021
Changes in accounting policies to comply with new accounting standards and circular 7/2002		(4 292)	17 630		62 195
Headline earnings before restatement		483 244	384 897		847 216

*The figures for the six months ended 31/12/2001 have been restated to comply with Accounting Statement AC 135 as well as circular 7/2002.

Abridged consolidated cash flow statement
for the six months ended 31 December 2002

	Unaudited six months ended 31/12/02 R'000	Unaudited six months ended 31/12/01 R'000	Audited year ended 30/06/02 R'000
Operating profit before working capital changes	586 048	458 269	932 557
Net changes in working capital	(344 858)	(159 832)	22 454
Cash generated from operations	241 190	298 437	955 011
Net finance costs	(19 492)	(18 137)	(79 299)
Dividends paid	(16 562)	(26 694)	(26 694)
Dividends received	17 230	7 506	7 506
Taxation	(22 091)	(60 457)	(59 457)
Net cash inflow from operating activities	200 275	200 655	797 067
Net cash outflow from investing activities	(515 501)	(1 134 016)	(1 380 076)
Net cash inflow from financing activities	421 403	32 153	308 145
Net increase/(decrease) in cash and cash equivalents	106 177	(901 208)	(274 864)
Effects of exchange rate changes on cash and cash equivalents	(121 449)	142 732	(308 989)
Cash and cash equivalents – beginning of period	405 052	988 905	988 905
Cash and cash equivalents – end of period	389 780	230 429	405 052

Abridged consolidated balance sheet
at 31 December 2002

	Unaudited 31/12/02 R'000	*Unaudited 31/12/01 R'000	Audited 30/06/02 R'000
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	2 830 639	2 786 699	2 729 956
Investments and loans	1 240 035	808 089	1 246 109
Deferred tax asset	23 515	–	5 727
	4 094 189	3 594 788	3 981 792
Current assets			
Accounts receivable	2 824 401	2 480 458	2 563 859
Inventories	1 124 779	1 127 763	1 109 204
Cash and cash equivalents	389 780	230 429	405 052
	4 338 960	3 838 650	4 078 115
Total assets	8 433 149	7 433 438	8 059 907
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	4 693 236	3 796 269	4 382 901
Outside shareholders' interest	26 592	9 182	28 073
	4 719 828	3 805 451	4 410 974
Non-current liabilities			
Deferred taxation	12 576	4 531	7 223
Long-term liabilities	655 914	1 054 260	746 811
Long-term licence fee liability	216 381	287 250	237 873
	884 871	1 346 041	991 907
Current liabilities			
Net interest bearing	936 560	444 800	622 083
Accounts payable and provisions	1 891 890	1 837 146	2 034 943
	2 828 450	2 281 946	2 657 026
Total equity and liabilities	8 433 149	7 433 438	8 059 907
Net asset value per share (cents)	493	439	483
Gearing ratio (net) (%)	33	33	24

*The figures for the six months ended 31/12/2001 have been restated to comply with Accounting Statement AC 135.

Statement of changes in equity
for the six months ended 31 December 2002

	Share capital and premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
Balance at beginning of period	2 155 425	577 445	1 650 031	4 382 901
Earnings attributable to shareholders			439 431	439 431
Decrease in foreign currency translation reserve		(246 423)		(246 423)
Dividends paid			(16 562)	(16 562)
Issue of shares	133 889			133 889
Share of associate companies' retained earnings transferred to non-distributable reserves		18 542	(18 542)	
Balance at end of period	2 289 314	349 564	2 054 358	4 693 236

Note
The accounting policies and methods of compilation for the financial statements for the six months ended 31 December 2002 are in all material respects consistent with those applied in previous periods, except for the provision of depreciation on owner-occupied buildings (AC 135) and post-retirement medical aid benefits (AC 116), which were accounted for the first time in the year ended 30 June 2002, and are in accordance with South African Statements of Generally Accepted Accounting Practice. The comparative results for the six months ended 31 December 2001 have been restated to recognise these changes, which has had the effect of reducing headline earnings for that period by R16,6 million with a prior year adjustment at 30 June 2001 of R114,7 million, which has been adjusted to the opening balance of retained income.

REVIEW OF RESULTS

PERFORMANCE

The Board takes pleasure in reporting that the Group's headline earnings for the six months ended 31 December 2002 grew to R487 million (2001: R367 million) on increased revenues of R5 300 million (2001: R3 912 million) in a challenging and competitive global market.

The results demonstrate the sustainability of the Group's business model and core strategies through expanded geographical spread and diversification. Through outsourcing of non-core product ranges, the partial vertical integration of the European supply chain, the strengthening of existing and the creation of new business relationships and the manufacture and sourcing of product in low cost regions and sales into developed economies, the performance of the Group has been sustained. The Group's ability to generate real earnings growth in its wide geographical areas of operation, without relying on a consistent depreciation in its reporting currency is encouraging.

The average operating margin of the Group was maintained at 10% for the period and is expected to continue at this level for the remainder of the current financial year. Steinhoff Africa achieved an operating margin of 9,0% (2001: 9,0%) while the rest of the Group generated a margin of 11% in rand terms.

Net finance charges were contained, notwithstanding the growth reported for the period as a result of continued sound working capital management and comparatively lower interest rates in Europe.

The relatively low effective tax rate is due mainly to the favourable tax dispensations in certain jurisdictions in central Europe, as well as the partial utilisation of assessed losses brought forward through profitable trading. The effective tax rate is not anticipated to change materially in the foreseeable future.

The Board is also pleased with the contribution of the Group's associated investments, P G Bison Holdings and Unitrans, which more than doubled for the period under review.

The results of Relyon (UK) and Steinhoff Pacific (Australia) are now included for the full six month period compared to only three months for the comparative period.

Headline earnings per share increased by 21% to 52 cents (2001: 43 cents) on a weighted average number of 929,537 million (2001: 855,528 million) shares in issue.

Segmental analysis

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

six months ended 31 December 2002

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation*	%	Net assets	%
Manufacturing	3 706 175	70	363 483	67	3 383 846	72
Wholesale & distribution	1 593 787	30	179 018	33	1 309 382	28
Total	5 299 962	100	542 501	100	4 693 228	100

* Earnings before exceptional items, goodwill, interest and taxation includes share of associate income of R44 515 000.

six months ended 31 December 2001

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation**	%	Net assets	%
Manufacturing	2 871 616	73	252 396	61	2 699 661	71
Wholesale & distribution	1 040 587	27	158 533	39	1 096 608	29
Total	3 912 203	100	410 929	100	3 796 269	100

**Earnings before exceptional items, goodwill, interest and taxation includes share of associate income of R21 704 000.

Geographical analysis

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

six months ended 31 December 2002

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa	1 475 906	28	131 884	24	1 316 350	28
European Community	2 344 960	44	251 924	47	2 592 375	55
Eastern Europe	1 223 449	23	152 931	28	706 149	15
Australia and New Zealand	255 647	5	5 762	1	78 354	2
Total	5 299 962	100	542 501	100	4 693 228	100

six months ended 31 December 2001

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa	1 275 842	33	110 364	27	1 259 815	33
European Community	1 690 828	43	207 151	51	1 785 926	47
Eastern Europe	820 080	21	88 174	21	678 983	18
Australia and New Zealand	125 453	3	5 240	1	71 545	2
Total	3 912 203	100	410 929	100	3 796 269	100

The average exchange rate used to translate foreign currency income and expenditure into South African rand was R9,85: Euro 1 (2001: R8,33: Euro 1). R479 million (2001: R414 million) of Africa's revenue represents exports to the USA and the European community, amounting to approximately 32% (2001: 32%) of its activities. It is the intention of the Group to continue to increase these exports into the future. The Group's revenue exposure to the local South African furniture market amounted to 19% (2001: 20%).

FUNDING AND GEARING

The Group redeemed Euro 30 million of short-term debt outstanding on 30 June 2002 from the proceeds of a six-year redeemable bond, having a fixed six-monthly coupon rate of 3,625% per annum. In addition, Steinhoff Europe intends to access a Euro syndicated term loan facility, which, if implemented and together with the bond, should improve the Group's financial risk profile. Further, the Group's European operations are gaining greater visibility in the international markets.

The company strengthened its equity through the issue of 20,8 million shares to shareholders electing to receive the capitalisation shares in lieu of the cash dividend of 15 cents per share. The company also placed 20 million shares in the off-shore market in December 2002. The proceeds are to be used to fund capital expenditure and future business opportunities in the European division. This placing is in line with the Group's stated objective of increasing its non-resident shareholder base.

The company maintained its gearing ratio at 31 December 2002 at 33% (2001: 33%) and had an annualised net debt : EBITDA ratio of 1,27 times (2001: 1,37 times).

CORPORATE ACTIVITY

The Group did not make any material acquisitions during the period under review, but continues to integrate recent acquisitions and joint ventures.

RELATED PARTY TRANSACTIONS

During the period the company and its subsidiaries in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those arranged with third parties.

CORPORATE GOVERNANCE

The Group complies in all material respects with the Code of Corporate Practice and Conduct published in the King Report on Corporate Governance.

TRIPLE BOTTOM LINE

The Group's commitment to support of HIV/AIDS interventions, sound labour relations, skills training and development and creating an environment where all of its more than 30 000 employees worldwide can develop to their fullest potential, continues as planned.

Compliance with environmental regulations remains a priority.

Black Economic Empowerment of enterprises within our South African communities is an integral part of the group's strategy.

DIVIDEND

It is the Group's stated policy to declare dividends once a year, after its financial year-end at 30 June.

PROSPECTS

The Group's operations in Europe and Australia are expected to gain market share through their competitive advantages, strategic alliances and recent expansions.

The drive towards higher margin branded products continues. Management is examining areas that will enhance efficiencies in raw material supply from inter-group sources, centralised distribution and logistics.

Steinhoff Africa will continue to grow its exports from South Africa. We will make further investments in raw material production facilities to ensure long-term sources of supply, particularly in sawmilling and the privatisation of state-owned timber resources.

Management is confident that, given the existing trading conditions, the Group will achieve real growth in earnings for the year.

By order of the Board

SJ GROBLER, *Company secretary*

3 March 2003

CORPORATE INFORMATION

Registration number: 1998/003951/06

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Company secretary
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Directors: BE Steinhoff* (Chairman), MJ Jooste (Managing Director), DE Ackerman†, CE Daun†*, JNS du Plessis†, KJ Grové†, D Konar†, JF Mouton†, FJ Nel, FA Sonn†, NW Steinhoff*, DM van der Merwe
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