

# INTERIM RESULTS

**31 DECEMBER 2007**

Steinhoff  
International



# Salient features of the review period

- ❑ **Less buoyant economic conditions and reduced consumer spending in all territories**
- ❑ **Success of investment in retail**
  - UK retail turnaround to profitability and market share gains
  - European retail participation growth
  - Stable Australian performance
- ❑ **Outstanding performance of Unitrans Motors**
- ❑ **Completion of PG Bison plant in North Eastern Cape (RSA)**
  - On time, on budget, within capacity parameters
- ❑ **Global sourcing collaboration initiatives**
- ❑ **Acquisition of resin plant**
- ❑ **BEE transaction progress**

# FINANCIAL RESULTS



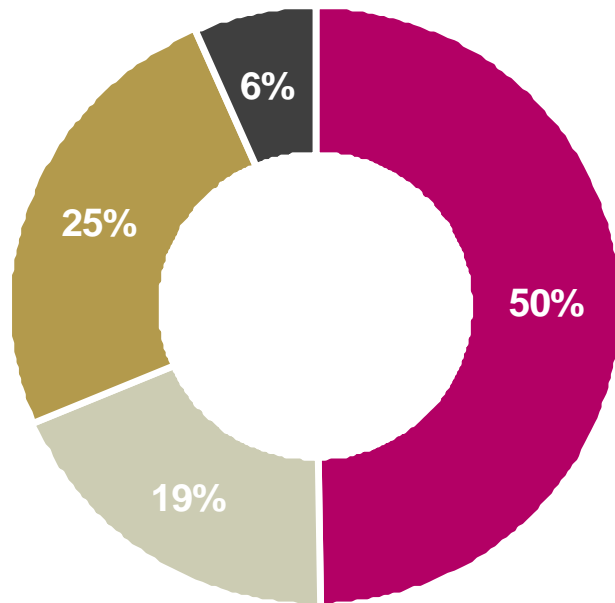
# Operating & financial performance

	Rand millions	
	<u>2007</u>	<u>2006</u>
☐ Revenue	20,570	17,886
☐ Operating profit	1,975	1,516
☐ Headline earnings	1,522	1,130
☐ EBITDA	2,331	1,873
☐ EPS (cents)*	111	99
☐ HEPS (cents)*	120	99
☐ NAV per share (cents)	1,363	1,031
☐ ZAR denominated revenue	50%	52%

\* 11% increase in weighted average no of shares

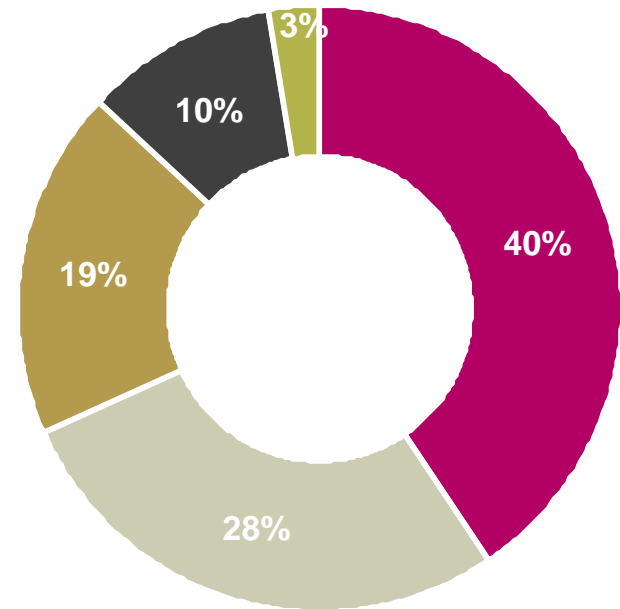
# Revenue analysis

## Regional Revenue



- Southern Africa
- European Union
- United Kingdom
- Pacific Rim

## Segmental Revenue



- Manufacturing
- Retail Automotive
- Retail Household
- Logistics
- Corporate

# Segmental business units

	<b>RETAIL – HOUSEHOLD &amp; BUILDING</b>	<b>RETAIL AUTOMOTIVE</b>	<b>MANUFACTURING &amp; SOURCING</b>	<b>LOGISTICS</b>	<b>CORPORATE SERVICES</b>
<b>UNITED KINGDOM</b>	<ul style="list-style-type: none"> <li>• Harveys</li> <li>• Bensons</li> <li>• Sleepmasters</li> <li>• Bedshed</li> <li>• Cargo Homeshop</li> </ul>		<ul style="list-style-type: none"> <li>• Relyon</li> <li>• Sprung Slumber</li> <li>• Pritex</li> <li>• SHF UK Furniture</li> </ul>	<ul style="list-style-type: none"> <li>• Unitrans UK</li> </ul>	
<b>EUROPEAN UNION</b>	<ul style="list-style-type: none"> <li>• Quattro Mobili</li> </ul>		<ul style="list-style-type: none"> <li>• German production</li> <li>• Polish production</li> <li>• Hungarian production</li> <li>• Ukraine production</li> <li>• Dutch production</li> <li>• European Sourcing</li> <li>• Habufa trading</li> </ul>	<ul style="list-style-type: none"> <li>• Steinhoff European Logistics</li> </ul>	<ul style="list-style-type: none"> <li>• Brand management</li> <li>• Treasury</li> <li>• Investment participations</li> </ul>
<b>PACIFIC RIM</b>	<ul style="list-style-type: none"> <li>• Freedom</li> <li>• Snooze</li> <li>• Bay Leather Republic</li> <li>• Freedom Home</li> </ul>		<ul style="list-style-type: none"> <li>• Australian Production</li> <li>• New Zealand Production</li> <li>• Steinhoff International Sourcing</li> </ul>		<ul style="list-style-type: none"> <li>• Brand management</li> <li>• Treasury</li> </ul>
<b>AFRICA</b>	<ul style="list-style-type: none"> <li>• TimberCity</li> <li>• Pennypinchers</li> </ul>	<ul style="list-style-type: none"> <li>• Unitrans Motors</li> <li>• Hertz</li> </ul>	<ul style="list-style-type: none"> <li>• PG Bison</li> <li>• Raw materials</li> </ul>	<ul style="list-style-type: none"> <li>• Unitrans Supply Chain Solutions</li> <li>• Passenger services</li> </ul>	<ul style="list-style-type: none"> <li>• Brand management</li> <li>• Treasury</li> </ul>

# Segmental revenue

## Retail activities

- Household goods & building supplies
- Motor vehicles and finance

## Manufacturing and sourcing of household goods and related raw materials

## Logistical services

## Corporate services

- Brand management
- Investment participations
- Central treasury and other income

## Gross

## Intersegment eliminations

## Total

Rand millions		
<u>2007</u>	<u>2006</u>	
10,741	10,618	1%
4,325	4,328	0%
6,416	6,290	2%
9,382	7,154	31%
2,348	1,925	22%
654	316	107%
146	136	7%
121	87	39%
387	93	316%
23,125	20,013	16%
(2,555)	(2,127)	20%
20,570	17,886	15%

# Segmental result

*(Operating profit before capital items)*

## Retail activities

- Household goods & building supplies
- Motor vehicles and finance

## Manufacturing and sourcing of household goods and related raw materials

## Logistical services

## Corporate services

- Brand management
- Investment participations
- Central treasury and other income

## Gross

## Intersegment eliminations

## Total

Rand millions		
<u>2007</u>	<u>2006</u>	
540	305	77%
293	100	193%
247	205	21%
1,027	870	18%
182	158	15%
395	341	16%
146	136	7%
121	87	39%
128	118	8%
2,144	1,674	28%
(170)	(158)	8%
1,975	1,516	30%



# Corporate services

## Corporate services

- Brand management
- Investment participations
- Central treasury and other income

### □ Brand management

- Intra-group royalties charged on brands owned by the Group

### □ Investment participation

- European retail profit participation over and above interest earned

### □ Treasury

- Group discounts / rebates measured centrally
- Forex – measure success of fully hedged position
- Centralised management of newly acquired properties

Rand millions		
<u>2007</u>	<u>2006</u>	
<b>395</b>	<b>341</b>	<b>16%</b>
<b>146</b>	<b>136</b>	<b>7%</b>
<b>121</b>	<b>87</b>	<b>39%</b>
<b>128</b>	<b>118</b>	<b>8%</b>

# Segmental margins

*(Operating profit before capital items)*

## Retail activities

- Household goods & building supplies
- Motor vehicles and finance

## Manufacturing and sourcing of household goods and related raw materials

## Logistical services

## Corporate services

- Brand management
- Investment participations
- Central treasury and other income

Total

Intersegment eliminations

Rand millions	
<u>2007</u>	<u>2006</u>
5.0%	2.9%
6.8%	2.3%
3.9%	3.3%
11.0%	12.2%
7.8%	8.2%
-	-
-	-
-	-
9.3%	8.4%
0.3%	0.1%
9.6%	8.5%

# Cash flow

	<b>Rand millions</b>	
	<u>2007</u>	<u>2006</u>
Operating profit before adjustments	1,975	1,516
Depreciation	357	357
Revaluation of biological assets	(86)	(40)
Amortisation and other non-cash adjustments	75	128
<i>Working capital changes</i>	<b>(1,432)</b>	<b>(1,315)</b>
<i>Inventory</i>	(126)	(167)
<i>Debtors</i>	(526)	(490)
<i>Creditors</i>	(780)	(658)
Dividends, taxation and interest	(441)	(454)
Cash flows from operating activities	448	192
Investing activities - maintenance	(444)	(421)
Investing activities - expansion	(1,555)	(1,678)
Financing activities	1,468	2,330
Movement in cash and cash equivalents	(83)	423

# Cash flow – Expansion

**PG Bison group**

**Unitrans group**

**Investment participation**

**Rand millions**

**2007**

**(575)**

**(599)**

**(381)**

**(1,555)**

# Headline earnings reconciliation

	Rand millions	
	<u>2007</u>	<u>2006</u>
Attributable earnings	1,397	1,130
<i>Capital items</i>	126	1
Impairment associates	133	-
Other	(7)	1
Sundry	(1)	(1)
Headline earnings	1,522	1,130

# Capital structure

	<b>Rand millions</b>	
	<u>2007</u>	<u>2006</u>
<b>Total equity</b>	<b>18,906</b>	<b>13,561</b>
<i>Ordinary shareholders' funds</i>	<b>17,835</b>	<b>11,748</b>
<i>Preference share capital</i>	<b>1,042</b>	<b>1042</b>
<i>Minority interest</i>	<b>28</b>	<b>773</b>
<b>Net debt</b>	<b>5,133</b>	<b>5,863</b>
<b>Gearing</b>	<b>27%</b>	<b>46%</b>
<b>Interest cover (times)</b>	<b>8,3</b>	<b>6,5</b>
<b>EBITDA cover</b>	<b>9,8</b>	<b>8,0</b>
<b>Closing rate ZAR : Euro</b>	<b>9.9782</b>	<b>9.2226</b>
<b>Average tax rate</b>	<b>10%</b>	<b>15%</b>



# Operations review

Retail activities: Household goods  
and building supplies



# Household goods retail: UK

- ❑ **Challenging retail environment**
  - Achieved market share gains
- ❑ **Reduced trading space but maintained revenue base**
  - Coronation Street campaign successful
- ❑ **Material improvement in operating profit**
  - Focus on gross margins now reflected at operating level
  - Supply chain improvement reducing lead times and improving customer service levels.
  - Returns materially reduced
- ❑ **Active management of property portfolio**
  - Closures / openings / redistribution between chains
- ❑ **Winter sales update**



# Household goods retail: Pacific Rim

- ❑ **Market conditions remain challenging especially in New Zealand**
- ❑ **Closure of Bayswiss and opening of Freedom At Home completed**
- ❑ **BayLeatherRepublic – strong performance**
- ❑ **Snooze – Stable performance, new management structure**
- ❑ **Initiated consolidation of group logistics and head office**
- ❑ **Good working capital management assisted good cash flow**

# Retail: Building supplies

- ❑ **Improved turnover growth**
- ❑ **Sustained margin**

# Operations review

Retail activities: Motor Vehicles and  
finance



# Retail: Motors and financial services

- ❑ **Outstanding results in current environment**
  - Revenue +2%
  - Operating profit +21%
- ❑ **Substantial contribution from after sales service**
- ❑ **Hertz achieved good profit growth**

# Operations review

Manufacturing & sourcing of household goods and related raw materials



# Manufacturing & sourcing

- ❑ **UK manufacturing grows intra-group and externally**
  - Upholstery/Beds division now sells majority intra-group
  - Pritex builds industrial and automotive sales
- ❑ **Visible German market consolidation**
  - Continued benefits from market share gain
- ❑ **Cost pressures**
  - Shipping / raw materials
- ❑ **Mixed currency environment**
  - Dollar weakness vs. Zloty strength

# Manufacturing & sourcing

## ❑ Habufa

- Good growth
- 100<sup>th</sup> Henders & Hazel store-in-store opened

## ❑ **Branded supply now within focused management structures**

## ❑ **International sourcing success**

- Strengthening global product supply platform
- Exploring intra-group synergies: Shipping, raw material supply etc.

# Manufacturing & sourcing

- ❑ **PG Bison achieve solid performance**
  - Improved margin
  - Capacity constraints especially for MDF
  - Ugie capex within budget
  - Ugie production ahead of schedule
  - Woodchem acquisition completed
  - Projects initiated to minimise impact of power outages



# Manufacturing & sourcing

## ❑ Raw materials (foam / textiles / springs / leather)

### ▪ Southern Africa

- Tough trading conditions in southern Africa
- Increase in chemical and steel prices
- Customers opting for product with lower specifications
- Focus to supply new market segments and additional product lines

### ▪ India

- Tannery

# Operations review

## Logistics



# Logistics

## □ Southern Africa

- **Strong performance**
- **Passenger division**
  - Good result
  - Prospects
- **Supply chain division secured quality new contracts**
  - Increased Capex requirements
  - Improved competitive positioning
- **Good industry diversification**
  - Petroleum / mining / agriculture / construction

# Logistics

## ❑ **United Kingdom**

- Restructure and senior management changes
- Integrated with Steinhoff UK operations
- On track to return to profitability

# Corporate services

- ❑ **Retail partners gained market share**
  - Market consolidation
  - Merged retail operations
- ❑ **Return on investments increased substantially**

# Other developments

- ❑ **Indian retail**
- ❑ **Associate investments**

# Prospects

- ❑ **Continued focus to improve UK retail operations**
- ❑ **Stable performance expected from Pacific Rim**
- ❑ **Motor retail continue to outperform market**
- ❑ **Alliance with retail partners to be enhanced**
- ❑ **Continued focus on intra-group supply and vertical integration**
- ❑ **PG Bison – enhanced contribution**
- ❑ **Rationalisation of Polish production facilities**
- ❑ **Returns from logistics capex**

# THANK YOU

Steinhoff  
international

