Steinhoff International Holdings Ltd

Unaudited interim results

for the six months ended 31 December 2011

Headline earnings attributable to ordinary shareholders	Headline earnings per share	Operating profit	Cash generated from operations
R2 761m	**166.5 cps**	**R3 699m**	**R3 136m**
(1H11: R1 630m) **Increased by 69%**	(1H11: 112.8 cps) **Increased by 48%**	(1H11: R2 323m) **Increased by 59%**	(1H11: R1 901m) **Increased by 65%**

Condensed consolidated income statement

	Notes	Six months ended 31 Dec 2011 Unaudited Rm	Six months ended 31 Dec 2010* Unaudited Rm	% change	Year ended 30 June 2011 Audited Rm
Revenue		**37 645**	16 857	123	43 040
Operating profit before depreciation and capital items		4 475	2 772	61	6 497
Depreciation		(776)	(449)		(1 073)
Operating profit before capital items		3 699	2 323	59	5 424
Capital items	1	(5)	4		(64)
Earnings before interest, dividend income, associate earnings and taxation		3 694	2 327	59	5 360
Net finance charges		(585)	(441)		(1 175)
Dividend income		3	–		13
Share of profit of associate companies		236	24		55
Profit before taxation		**3 348**	1 910	75	4 253
Taxation		(315)	(209)		(435)
Profit for the period from continuing operations		3 033	1 701	78	3 818
Profit for the period from discontinued operations		–	103		1 526
Profit for the period		**3 033**	1 804	68	5 344
Attributable to:					
Owners of the parent		2 907	1 668	74	5 136
Non-controlling interests		126	136		208
Profit for the period		**3 033**	1 804	68	5 344
From continuing operations:					
Headline earnings per ordinary share (cents)		166.5	106.1	57	239.9
Fully diluted headline earnings per ordinary share (cents)		150.5	102.2	47	225.8
Basic earnings per ordinary share (cents)		166.3	106.4	56	237.0
Fully diluted earnings per ordinary share (cents)		150.3	102.4	47	223.4
From continuing and discontinued operations:					
Headline earnings per ordinary share (cents)		166.5	112.8	48	257.7
Fully diluted headline earnings per ordinary share (cents)		150.5	108.1	39	240.5
Basic earnings per ordinary share (cents)		166.3	112.6	48	341.3
Fully diluted earnings per ordinary share (cents)		150.3	108.0	39	309.6
Number of ordinary shares in issue (m)		1 723	1 470	17	1 641
Weighted average number of ordinary shares in issue (m)		1 658	1 446	15	1 461
Earnings attributable to ordinary shareholders (Rm)	2	2 757	1 628	69	4 986
Headline earnings attributable to ordinary shareholders (Rm)	3	2 761	1 630	69	3 766
Average currency translation rate (rand:euro)		10.5137	9.4495	11	9.5644

The capitalisation share award on 5 December 2011 led to the restatement of comparative per share numbers, none of which resulted in a deviation of more than 1.6 cents.

* The prior period figures have been re-presented to reflect discontinued operations.

Additional information

	Six months ended 31 Dec 2011 Unaudited Rm	Six months ended 31 Dec 2010* Unaudited Rm	Year ended 30 June 2011 Audited Rm
Note 1: Capital items			
From continuing operations:			
Loss on disposal of property, plant and equipment	(1)	(2)	(62)
Loss on disposal of investment property	(4)	–	–
Profit on disposal of investments and associate companies	–	4	99
Reversal of impairments/(impairments)	–	2	(101)
	(5)	4	(64)
From discontinued operations:			
Impairments	–	–	(12)
Loss on scrapping of vehicle rental fleet	–	(3)	(10)
Loss on disposal of investments and associate companies	–	(2)	(27)
Loss on disposal of property, plant and equipment	–	–	(6)
Profit on disposal of discontinued operations	–	–	1 285
	(5)	(1)	1 166
Note 2: Earnings attributable to ordinary shareholders			
Earnings attributable to owners	2 907	1 668	5 136
Dividend entitlement on non-redeemable cumulative preference shares	(150)	(40)	(150)
	2 757	1 628	4 986
Note 3: Headline earnings attributable to ordinary shareholders			
Earnings attributable to owners of the parent	2 907	1 668	5 136
Adjusted for:			
Capital items (note 1)	5	1	(1 166)
Taxation effects of capital items	(1)	1	(54)
Dividend entitlement on non-redeemable cumulative preference shares	(150)	(40)	(150)
	2 761	1 630	3 766

* The prior period figures have been re-presented to reflect discontinued operations.

Condensed consolidated statement of cash flows

	Six months ended 31 Dec 2011 Unaudited Rm	Six months ended 31 Dec 2010 Unaudited Rm	Year ended 30 June 2011 Audited Rm
Cash generated before working capital changes	4 552	2 965	6 943
Increase in inventories	(1 082)	(792)	(827)
Increase in receivables	(1 037)	(58)	(151)
Increase/(decrease) in payables	703	(214)	1 237
Changes in working capital	(1 416)	(1 064)	259
Cash generated from operations	3 136	1 901	7 202
Net finance costs	(446)	(271)	(860)
Dividends paid	(40)	(73)	(106)
Dividends received	88	–	13
Taxation paid	(326)	(196)	(573)
Net cash inflow from operating activities	2 412	1 361	5 676
Net cash outflow from investing activities	(3 415)	(1 928)	(15 100)
Net cash inflow from financing activities	570	964	10 307
Net (decrease)/increase in cash and cash equivalents	(433)	397	883
Effects of exchange rate changes on cash and cash equivalents	329	(257)	317
Cash and cash equivalents at beginning of period	6 321	5 121	5 121
Cash and cash equivalents at end of period	6 217	5 261	6 321

Condensed consolidated statement of financial position

	31 Dec 2011 Unaudited Rm	31 Dec 2010 Unaudited Rm	30 June 2011 Audited Rm
ASSETS			
Non-current assets			
Intangible assets and goodwill	38 675	16 939	35 930
Property, plant and equipment, investment properties and biological assets	32 240	15 014	29 696
Investments in associate companies	4 765	924	4 274
Investments and loans	5 835	3 957	4 429
Deferred taxation assets	432	633	420
Other long-term assets	94	65	–
	82 041	37 532	74 749
Current assets			
Inventories	10 248	5 095	8 813
Accounts receivable, short-term loans and other current assets	13 306	10 083	11 036
Cash and cash equivalents	6 217	5 261	6 321
	29 771	20 439	26 170
Total assets	111 812	57 971	100 919
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital and reserves	38 749	23 963	33 749
Preference share capital	4 056	1 092	4 056
	42 805	25 055	37 805
Non-controlling interests	3 331	2 662	3 025
Total equity	46 136	27 717	40 830
Non-current liabilities			
Interest-bearing long-term liabilities	27 360	15 958	26 112
Deferred taxation liabilities	6 899	2 634	6 420
Other long-term liabilities and provisions	2 969	528	2 916
	37 228	19 120	35 448
Current liabilities			
Accounts payable, provisions and other current liabilities	21 686	8 677	20 254
Interest-bearing short-term liabilities	4 684	1 704	1 978
Bank overdrafts and short-term facilities	2 078	753	2 409
	28 448	11 134	24 641
Total equity and liabilities	111 812	57 971	100 919
Net asset value per ordinary share (cents)	2 249	1 631	2 056
Net gearing ratio (%)	45	30	46
Closing exchange rate (rand:euro)	10.5023	8.8843	9.8654

Condensed consolidated statement of comprehensive income

	Six months ended 31 Dec 2011 Unaudited Rm	Six months ended 31 Dec 2010 Unaudited Rm	Year ended 30 June 2011 Audited Rm
Profit for the period	3 033	1 804	5 344
Other comprehensive income/(loss)			
Actuarial (loss)/gain on defined benefit plans	(32)	(1)	47
Exchange differences on translation of foreign subsidiaries	1 566	(1 508)	1 392
Net value gain/(loss) on cash flow hedges and other fair value reserves	162	(9)	(32)
Deferred taxation	(36)	2	3
Other comprehensive income/(loss) for the period, net of taxation	1 660	(1 516)	1 410
Total comprehensive income for the period	4 693	288	6 754
Total comprehensive income attributable to:			
Owners of the parent	4 378	294	6 406
Non-controlling interests	315	(6)	348
Total comprehensive income for the period	4 693	288	6 754

Condensed consolidated statement of changes in equity

	Six months ended 31 Dec 2011 Unaudited Rm	Six months ended 31 Dec 2010 Unaudited Rm	Year ended 30 June 2011 Audited Rm
Balance at beginning of the period	40 830	27 061	27 061
Changes in ordinary share capital and share premium			
Capital distribution	(1 311)	(1 178)	(1 178)
Net shares issued	1 948	996	3 938
Net utilisation of treasury shares	–	352	167
(Loss)/profit on treasury share transactions net of capital gains taxation	–	(22)	153
Treasury shares eliminated on disposal of subsidiaries	–	–	471
Changes in preference share capital and share premium			
Net shares issued	–	–	2 964
Proceeds on disposal of treasury shares	–	50	50
Changes in reserves			
Total comprehensive income for the period attributable to owners of the parent	4 378	294	6 406
Equity portion of convertible bonds issued net of deferred taxation	–	185	570
Preference dividends	(37)	(41)	(89)
Share-based payments	16	59	58
Premium on acquisition of non-controlling interests	–	–	(74)
Other reserve movements	6	(5)	4
Changes in non-controlling interests			
Total comprehensive income/(loss) for the period attributable to non-controlling interests	315	(6)	348
Dividends and capital distributions paid	(2)	(25)	(24)
Other transactions with non-controlling interests	(7)	(3)	5
Balance at end of the period	46 136	27 717	40 830
Comprising:			
Ordinary share capital and share premium	9 111	5 071	8 474
Preference share capital and share premium	4 056	1 092	4 056
Distributable reserves	27 146	20 843	24 271
Actuarial gains reserve	16	4	45
Cash flow hedging and other fair value reserves	94	(15)	(29)
Convertible and redeemable bonds reserve	923	538	923
Foreign currency translation reserve	936	(3 060)	(441)
Share-based payment reserve	608	593	592
Other reserves	(85)	(11)	(86)
Non-controlling interests	3 331	2 662	3 025
	46 136	27 717	40 830

Segmental analysis

	Six months ended 31 Dec 2011 Unaudited Rm	Six months ended 31 Dec 2010* Unaudited Rm	% change	Year ended 30 June 2011 Audited Rm
Revenue				
Retail activities – household goods	28 094	8 599	227	25 822
Manufacturing and sourcing of household goods and related raw materials	13 049	10 960	19	21 017
Logistics services	4 075	3 398	20	7 050
Corporate services				
– Brand management	196	167	17	341
– Investment participation	256	173	48	433
– Central treasury, properties and other activities	150	143	5	449
	45 820	23 440	95	55 112
Intersegment revenue eliminations	(8 175)	(6 583)		(12 072)
	37 645	16 857	123	43 040
Operating profit before capital items				
Retail activities – household goods	1 860	625	198	1 554
Manufacturing and sourcing of household goods and related raw materials	1 172	1 079	9	2 466
Logistics services	489	422	16	835
Corporate services				
– Brand management	196	167	17	341
– Investment participation	256	173	48	433
– Central treasury, properties and other activities	135	196	(31)	507
	4 108	2 662	54	6 136
Intersegment profit eliminations	(409)	(339)		(712)
	3 699	2 323	59	5 424

	31 Dec 2011 Unaudited Rm	%	31 Dec 2010 Unaudited Rm	%	30 June 2011 Audited Rm	%
Total assets						
Retail activities						
– Household goods and building supplies	63 338	65	19 221	39	57 100	65
– Automotive	–	–	2 928	6	–	–
Manufacturing and sourcing of household goods and related raw materials	16 203	17	12 333	25	14 631	17
Logistics services	7 976	8	7 522	15	7 560	8
Corporate services						
– Brand management	4 663	5	3 834	8	4 447	5
– Investment participation	3 205	3	2 566	5	2 867	3
– Central treasury, properties and other activities	1 713	2	1 114	2	1 669	2
	97 098	100	49 518	100	88 274	100

Reconciliation of total assets per statement of financial position to total assets per segmental analysis

	31 Dec 2011 Unaudited Rm	31 Dec 2010 Unaudited Rm	30 June 2011 Audited Rm
Total assets per statement of financial position	111 812	57 971	100 919
Less: Cash and cash equivalents	(6 217)	(5 261)	(6 321)
Less: Investments in associate companies	(4 765)	(924)	(4 274)
Less: Investment in preference shares	(329)	(257)	(313)
Less: Investment in PSG Group Limited	(971)	–	–
Less: Interest-bearing short-term loans receivable	(2 302)	(1 767)	(1 495)
Less: Interest-bearing long-term loans receivable	(130)	(244)	(242)
Total assets per segmental analysis	97 098	49 518	88 274

Geographical information

	Six months ended 31 Dec 2011 Unaudited Rm	%	Six months ended 31 Dec 2010* Unaudited Rm	%	Year ended 30 June 2011 Audited Rm	%
Revenue						
Continental Europe	28 342	75	7 803	46	25 825	60
Pacific Rim	1 412	4	1 241	7	2 481	6
Southern Africa	5 132	14	4 616	28	8 926	21
United Kingdom	2 759	7	3 197	19	5 808	13
	37 645	100	16 857	100	43 040	100

	31 Dec 2011 Unaudited Rm	%	31 Dec 2010 Unaudited Rm	%	30 June 2011 Audited Rm	%
Non-current assets						
Continental Europe	59 227	72	19 460	52	54 256	73
Pacific Rim	1 658	2	1 412	4	1 476	2
Southern Africa	15 136	19	11 296	30	13 624	18
United Kingdom	6 020	7	5 364	14	5 393	7
	82 041	100	37 532	100	74 749	100

* The prior period figures have been re-presented to reflect discontinued operations.

Notice

The preparation of these condensed interim financial statements has been supervised by Frikkie (FJ) Nel CA(SA), finance director of Steinhoff.

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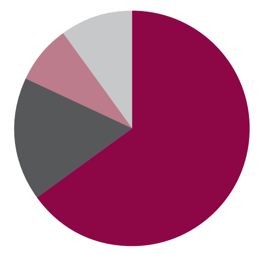
Review of results

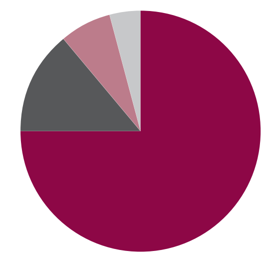
Our strategic position has been strengthened through the successful integration of the Conforama acquisition in Europe and the repositioning of our African business through the investments in JD Group and KAP.

Total assets per segment



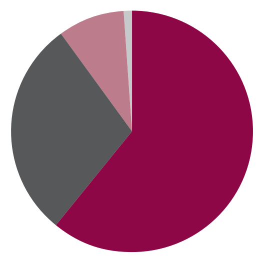
Retail – household goods	65%
Manufacturing and sourcing	17%
Logistics services	8%
Corporate services	10%

Revenue per geographical region



Continental Europe	75%
Southern Africa	14%
United Kingdom	7%
Pacific Rim	4%

Revenue per segment



Retail – household goods	61%
Manufacturing and sourcing	29%
Logistics services	9%
Corporate services	1%

Operational review: Steinhoff Europe

The group reported a strong financial performance in a challenging market. This performance was supported by our resilient value proposition in our retail formats, good cost control across the group, and our ongoing focused investments in brands, product, infrastructure and properties.

Integrated retail

Retail activities: Household goods

Continental Europe

In sharp contrast to the macro-economic woes of Europe, our retail operations on the continent generated strong growth in revenue and profit. Conforama is reported on for the full period under review. The comparative period does not reflect any contribution from Conforama as the acquisition only became effective in March 2011.

In line with the strategy to focus on margin improvement, Conforama reported good results compared to that of the previous year. A solid performance in France was complemented by growth in Switzerland and Iberia and a satisfactory performance elsewhere. Revenue was aided by tactical marketing, increased internet trading and product campaigns that drove increased in-store traffic. The increased traffic was successfully converted into sales of more profitable product ranges that, coupled with good cost control, improved margins. We continued to invest in the Conforama business by opening new stores, buying franchisee businesses and properties from which we trade. These investments bode well for the continued success of Conforama.

The resilient economies in central continental Europe supported our ERM retail businesses in the German-speaking territories. Growth was further supported by the compelling in-store value proposition and new store openings. Profitability increased year-on-year as a result of the retail properties acquired by the group in the previous financial year. During the period under review, ERM opened seven new stores, all of which are trading ahead of initial expectations.

United Kingdom

Our focus in providing an appropriate value offering to our key target market proved to be the main contributor to the improved performance in the UK. The UK retail division outperformed the market, increased market share and profitability, despite fewer trading outlets across all brands and a subdued market. The new furniture retail management team is now well entrenched and the brand rationalisation at the bed retail division is largely complete, which has laid the foundation for a continued good performance.

Pacific Rim

Australian retailers that differentiate on low prices grew market share at the expense of the middle to upper-end market segments in line with the trend experienced in Europe. Our existing positioning at the higher end of the market continued to affect our trading in Freedom Australia. The bed retail division reported good growth. In New Zealand, the decision to lower prices and focus on the discount segment has had the desired outcome, and this division reported increased sales.

Eastern Europe

The group's joint venture retail operations in eastern Europe have continued to be affected by the tough consumer spending conditions prevailing in these markets. The newly acquired Abra reported an improved performance in the months since our acquisition.

Manufacturing and sourcing

United Kingdom

In line with the UK retail performance, the bedding, furniture and foam conversion manufacturing plants benefited from increased sales through the group-owned beds retail chains. While the foam conversion plant benefited further from an increased external sales demand (automotive and industrial) the furniture and mattress manufacturing plants remain more focused on increasing sales to internal and existing customers.

Continental Europe

The group's trading divisions and manufacturing plants throughout the European Union and eastern Europe as well as our European logistics platform, delivered good revenue growth. As reported previously, the Conforama acquisition created some uncertainty with our manufactured products' external customer base that put some pressure on sales in the six months directly following the Conforama acquisition. It is therefore pleasing to report that the independence of our manufacturing and trading divisions has been re-established, the optimisation of our customer base completed and order books are at high levels for most divisions.

In addition, the weakening of both the Polish zloty and the Hungarian forint against the euro further assisted these divisions' competitiveness.

International sourcing

The International sourcing division remains one of the fastest growing divisions in the group. This division delivered pleasing growth at consistent quality and service levels to its internal customer base. This team has now been expanded and strengthened with a new division that will be responsible for co-ordinating the European supply base. The new structure successfully draws on the combined skills of the existing Steinhoff International Sourcing office and that of Conforama Sourcing. Improved margins have already been achieved throughout the diverse product range. This division will concentrate on bedding down and testing the new structure for the remainder of the year, whereafter additional volume will be allowed onto the structure that will drive additional benefits and margin.

Logistics services

Continental Europe, United Kingdom and Pacific Rim

Our drive to optimise and rationalise the logistic efforts of all our divisions throughout Europe and the Pacific Rim is performing according to plan. The group strategy and agreed plan on how to create and manage an efficient and effective Asian and European supply chain operation continues to make good progress. During the period under review, the decentralised supply chain in all countries functioned well. Cost savings have been realised, in particular on inbound shipping charges from across the globe.

Operational review: Steinhoff Africa

Steinhoff Africa made great strides in establishing the future strategic positioning of this group through the various transactions announced during the six months under review.

Diversified industrial

Industrial assets

Logistics services: Unitrans

The period under review concluded with satisfying activity levels and a very busy December in virtually all divisions. Increased volumes and demand for fuel in Gauteng, Botswana, Namibia and Swaziland contributed to a good performance in the Fuel and Chemical division. The Agriculture and Mining division reported strong volumes, ahead of expectation, across the majority of our customer base. The Freight and Logistics division reported solid revenues and margins, aided by its diverse customer base and industry exposure. Unitrans Passenger reported growth from its contractual passenger transport divisions which was partly offset by an anticipated decline in demand from the tourist and commuter division.

Manufacturing: Timber and raw material division

Satisfactory results were reported by our timber operations, despite the tough trading environment for particle board and medium density fibre board. The current market conditions, including rand strength (that stimulates imports and inhibits exports), are expected to continue in the foreseeable future, and as such, this division will concentrate on balancing the existing plant efficiencies with additional infrastructural improvements to better compete in the current market. In the rest of the raw material division, the foam division and the bedding component business reported a satisfactory performance in a very tough and competitive market.

Industrial associate holding: KAP International Holdings Limited ("KAP") (34%)

KAP increased HEPS by 22% on the back of strong demand in its industrial businesses, particularly the PET Resin plant, Hosaf.

Retail associate holding: JD Group Limited ("JD Group") (32%)

JD Group became an associate of Steinhoff in June 2011 and as a result its results were equity accounted for the entire period under review. The group increased its holding in JD Group to 32%. JD Group performed well during the period under review and R196.1m has been included in associate earnings in respect of this investment.

Financial review

The results for the half-year ended 31 December 2011 included six months trading contribution of Conforama. Conforama's results were not included in the comparative period as the business was acquired effective 1 March 2011. In addition, the results exclude the performance of the Unitrans automotive and Steinbuild businesses that now form part of JD Group.

Revenue

Group revenue for the period increased 123% to R37.6bn (1H11: R16.9bn). Group turnover in our continuing African operations increased by 11% to R5 132m (1H11: R4 616m), while turnover earned in currencies other than rand, as measured in euro, increased by 139% to €3 092m (1H11: €1 295m), mainly due to the first-time consolidation of Conforama in the six months under review. The group's reporting currency (rand) weakened against the euro by 11% during the period. A total of 86% of the group's revenue was earned in currencies other than South African rand. Growth was experienced throughout the segments as evidenced by the segmental report and explained in more detail within the operational commentary part of this report.

Operating profit before capital items

Operating profit increased by 59% to R3 699m (1H11: R2 323m). Retail activities: household goods contributed R1 860m (1H11: R625m) reflecting the contribution from the Conforama business but also the margin growth experienced in the European retail businesses. Operating profit from manufacturing and sourcing activities increased 9% to R1 172m (1H11: R1 079m) and logistics services contributed R489m to operating profit, a 16% increase compared to the previous period.

Net finance charges

Net finance charges increased by R144m to R585m, reflecting the increase in absolute debt levels as a result of the Conforama acquisition. However, due to increased trading levels as a result of the Conforama acquisition, interest cover increased from 5.3 to 6.3 times.

Taxation

In line with the increased activity levels and the first-time consolidation of Conforama, taxation increased by 51% to R315m (1H11: R209m). The group maintains that a 15% average tax rate is a normalised tax rate given the range of jurisdictions where we operate.

Earnings per share (EPS) and headline earnings per share (HEPS)

EPS increased by 56% to 166.3 cps (1H11: 106.4 cps) and increased by 48% as measured against an EPS of 112.6 cps that included discontinued operations. HEPS at 166.5 cps increased by 57% (1H11: 106.1 cps) and increased 48% as measured against the HEPS that included discontinued operations. These increases were achieved despite an increase of 15% in the weighted average number of ordinary shares in issue to 1 658m (1H11: 1 446m). The additional shares were largely due to the shares issued in part funding of the Conforama acquisition.

The **average translation rate** increased to R10.5137:€1 from R9.4495:€1 (11% change) for the six months ended 31 December 2011.

Assets

The total assets of the group increased to R111.8bn (FY11: R100.9bn) which reflects the increased scale of the group after the implementation of the acquisition of Conforama, the investment in new stores, as well as the investment in the associate, JD Group. The net asset value per share increased 9% and amounted to 2 249 cps (FY11: 2 056 cps).

Debt

The group remains well capitalised with net debt at 31 December 2011 of R20.9bn, translating to the debt:equity ratio reducing to 45% (FY11: 46%).

At 31 December 2011, the group had R6.2bn (FY11: R6.3bn) cash and cash equivalents and with confirmed unutilised facilities, is comfortable that the business is well capitalised for the medium term.

Working capital

In line with increased activity levels, and the peak trading period in Europe during December and January, working capital consumed increased to R1 416m (1H11: R1 064m). In addition, the group increased the furniture range available from stock (versus from order) during the peak season to boost sales and drive efficiencies through the supply chain. This tactical marketing campaign was continued in January to mitigate the delivery risk experienced in the previous year resulting from the Chinese new year slow-down. The group remains confident that the integrated supply chain model will be working capital neutral on a normalised basis.

The group insures the majority of its debtors, as well as all retailers where we are exposed in terms of retail participation investments. As a result, the group did not incur any significant bad debt during the period under review.

Cash flow

The group's cash flow dynamics will change from its historic performance, given the inclusion of the Conforama business. For the period under review, the group exchanged the cash contribution from the southern African retail businesses for the non-cash associate earnings of JD Group. Despite this, cash generation remained strong, with cash generated from operations of R3 136m against an operating profit of R3 699m. Taking into account this performance, and the busy trading period experienced in our European businesses in December and January, the group remains confident that current trading will continue to result in strong cash flows for the remainder of the year.

Capital expenditure

The group is motivated by the success of its retail offering in Europe in a fragmented but consolidating market. In the past six months, the group opened seven stores in Germany, two stores in Spain, and acquired nine previously franchisee stores that will now be trading as owned Conforama stores. Conforama also opened two Confo Deco stores. These new stores comprise 145 351 m^2 and account for the majority of the expansion capital invested in the group during the period under review. Maintenance capital expenditure remains in line with the higher depreciation charge, arising from the Conforama acquisition.

Selected explanatory notes

Statement of compliance

The consolidated interim financial information for the six months ended 31 December 2011 has been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and the interpretations adopted by the International Accounting Standards Board (IASB). This set of condensed interim financial statements are presented in compliance with IAS 34 – *Interim Financial Reporting* and should be read in conjunction with the annual financial statements for the year ended 30 June 2011.

Basis of preparation

The condensed interim financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments, available for sale financial assets and biological assets which are stated at their fair value.

Accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those of the annual financial statements for the year ended 30 June 2011. For a full list of standards and interpretations which have been adopted, we refer you to our 30 June 2011 annual financial statements. During the period under review, the group adopted all the IFRS and interpretations being effective and deemed applicable to the group. None of these standards and interpretations had a material impact on the results.

Other notes

1. **Corporate governance**
   Steinhoff has embraced the recommendations of the King Report on Corporate Governance and strives to provide reports to shareholders that are timely, accurate, consistent and informative.
2. **Social responsibility**
   The group remains committed to behaving in a socially responsible manner and is conscious of its responsibilities in this regard.
3. **Human resources**
   A constructive working relationship is maintained with our group employees and the relevant unions. Ongoing skills and equity activities ensure compliance with current legislation.
4. **Related-party transactions**
   The company entered into various related-party transactions. These transactions are no less favourable than those arranged with third parties.
5. **Further events**
   No significant events have occurred in the period between the reporting date and the date of this report.

For more detail on the group's listed investments, shareholders are referred to the results and/or corporate announcements and financial information of: KAP International Holdings Limited – 6 March 2012 ***www.kapinternational.com***, JD Group Limited – 17 February 2012 ***www.jdgroup.co.za*** and PSG Group Limited ***www.psggroup.co.za.***

Steinhoff Investment Holdings Limited

Registration number: 1954/001893/06
(Incorporated in the Republic of South Africa)
("Steinhoff Investment")
JSE share code: SHFF **ISIN code:** ZAE000068367

Proposed dividend to preference shareholders

Preference shareholders are referred to the above results of Steinhoff for a full appreciation of the consolidated results and financial position of Steinhoff Investment.

The board has recommended that a dividend of 374 cents per preference share be declared on or before 3 April 2012, in respect of the period from 1 July 2011 to and including 31 December 2011 (the dividend period), payable on Monday, 23 April 2012, to those preference shareholders recorded in the books of the company at the close of business on Friday, 20 April 2012.

The dividend will be payable in the currency of South Africa. This dividend will be subject to Dividends Tax.

Anticipated dates:

	2012
Last date to trade cum dividend	Friday, 13 April
Shares trade ex dividend	Monday, 16 April
Record date	Friday, 20 April
Payment date	Monday, 23 April

Share certificates may not be dematerialised or rematerialised between Monday, 16 April 2012 and Friday, 20 April 2012, both days inclusive.

Dividends taxation

We refer to previous communications regarding the introduction of Dividends Tax.

Dividends Tax will come into operation with effect from 1 April 2012 and will apply to all declarations of dividends to shareholders on or after that date.

The existing terms and conditions of the preference shares do not provide for any adjustment to the dividend rate, in respect of the introduction or of changes to Dividends Tax. However, the board has decided to adjust the preference share dividend rate from 75% to 82.5% of the prime bank overdraft lending rate of Absa Bank Limited prevailing over the relevant dividend period, effective in respect of all dividends declared after date of this notice.

On behalf of the board of directors.

Len Konar
Independent director

Piet Ferreira
Executive director

6 March 2012

Corporate activity

The group announced the following corporate actions during the period under the review:

- On 18 October 2011, it was announced that Steinhoff concluded an agreement with KAP in terms of which KAP would acquire all of Steinhoff's Industrial Assets, comprising its PG Bison, Unitrans and raw materials businesses ("the KAP transaction"). The KAP transaction was approved by KAP shareholders on 18 January 2012 and the only condition precedent remaining is the approval of the South African Competition Authorities. When implemented, KAP will be reconstituted as Steinhoff's separately listed operating subsidiary, owning and operating a large industrial portfolio in southern Africa. Steinhoff's shareholding in KAP will increase to 88% of its enlarged issued share capital following the implementation of KAP transaction, subject to the additional transaction relating to JD Group (refer below).
- On 18 October 2011, it was announced that Steinhoff had procured call options and undertakings from JD Group shareholders to make a number of shares in JD Group available to Steinhoff, sufficient for Steinhoff to acquire control of JD Group on the basis of an exchange of 16 KAP shares for every JD Group share ("the JD share exchange"). The JD share exchange will be implemented by way of a partial offer to all JD Group shareholders, other than Steinhoff ("the partial offer"). Full details of the partial offer are contained in the circular dated 11 February 2012 which also contains a notice of general meeting to be held on 12 March 2012 for the purposes of approving the partial offer. If the requisite approval is obtained from JD Group shareholders at the aforesaid general meeting, the outstanding conditions precedent to this transaction will be that the KAP transaction becomes unconditional, as well as the approval of the South African Competition Authorities to the change of control of JD Group arising from the implementation of the partial offer. Steinhoff's shareholding in JD Group will increase from 32.4% to 50.1% and its shareholding in KAP will decrease to 62%.
- On 15 December 2011, it was announced that Steinhoff entered into agreements for the acquisition of a 20% shareholding in PSG Group Limited for a combination of cash and the issue of Steinhoff shares. The issue of shares by the company in terms of section 41 of the Companies Act was approved by a majority of 82% of the total votes received from Steinhoff shareholders in terms of a written resolution which closed on 27 January 2012.

Outlook

During the period under review, the group established the future strategic intent and positioning of its constituent businesses comprising:

- Steinhoff Europe, an integrated mass market retailer of furniture and household goods, predominately serving the discount segment.
- Steinhoff Africa, a diversified industrial company operating in the logistics, integrated timber and industrial raw materials sectors, including our associate investment in KAP, which on implementation of the KAP transaction will become a listed subsidiary of Steinhoff.
- Associate company, JD Group, an emerging market retailer of furniture and household goods, motor vehicles and DIY products, supported by a consumer finance business. On implementation of the partial offer, JD Group will become a listed subsidiary of Steinhoff.
- Associate investment in PSG Group, an investment holding company invested in a variety of complementary assets at various stages of development and maturity.
- A property portfolio comprising commercial, industrial and retail real estate assets throughout the jurisdictions where we operate.

The directors are confident that the above repositioning establishes the base that will provide focus from which the separate operating units will continue to deliver sustainable earnings growth.

Len Konar
Independent chairman

Markus Jooste
Chief executive officer

6 March 2012

Administration

Steinhoff International Holdings Limited

Registration number: 1998/003951/06
(Incorporated in the Republic of South Africa)
("Steinhoff" or "the company" or "the group")
JSE share code: SHF **ISIN code:** ZAE000016176

Registered office: 28 Sixth Street, Wynberg, Sandton 2090, Republic of South Africa **Tel:** +27 (11) 445 3000 **Fax:** +27 (11) 445 3094

Directors: D Konar• (chairman), MJ Jooste (chief executive officer), SF Booysen•, DC Brink•, YZ Cuba•, CE Daun•*, HJK Ferreira, SJ Grobler, TLJ Guibert#, MT Lategan•, JF Mouton•, FJ Nel, FA Sonn•, BE Steinhoff•*, PDJ van den Bosch†, DM van der Merwe

Alternate directors: JNS du Plessis, KJ Grové, A Krüger-Steinhoff•*, AB la Grange, M Nel

†Belgian #French *German •non-executive

Company secretary: Steinhoff Africa Secretarial Services (Proprietary) Limited

Auditors: Deloitte & Touche

Sponsor: PSG Capital (Proprietary) Limited

Transfer secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg 2001