

# Operational review

## – Africa



South Africa's household goods sector continued to experience strong demand during the year under review and Steinhoff Africa's furniture division performed particularly well due to its positioning to capitalise on increased consumer spending and a wider consumer base. Unitrans delivered sustainable growth under its different divisions, predominantly the significant performance by its motor division. PG Bison again delivered record results. All Steinhoff's timber interests have now been rebranded under the successful PG Bison brand. This resulted in an expanded integrated value chain, stretching from the plantations to value-added products supplied directly to the end consumer. The raw materials division experienced tough trading conditions as a result of import competition. The textile division was repositioned during the year to improve future contribution. The increase in fuel prices and continued high consumer spending and accompanying inflationary impact have resulted in interest rate hikes. This may cause a slowdown in the buoyant market which prevailed in household goods. To address these effects, actions have been implemented in all southern African operations to remain competitive, while maintaining profitable growth.

### Revenue

In the year ended 30 June 2006, revenues increased by 80% from R9 958 million (restated in terms of circular 9/2006) to R17 928 million. A substantial portion of the increase was attributable to the first-time consolidation of

the full-year results of Unitrans, which became a subsidiary with effect from January 2005.

### Furniture division

Our furniture business in southern Africa consists of four sub-divisions: upholstered furniture, bedding, non-solid case goods and solid case goods. These divisions are also supported by an import distribution business, that imports household goods to supplement the manufactured ranges. Steinhoff Africa produces a significant number of the major brands in South Africa at price points ranging from the upper to lower ends of the market. Our manufacturing operations mainly produce for the local market while a portion of upholstery product is produced for export. It is intended to increase the proportion of revenue generated from export in the medium to longer term. At year end, the manufacturing operations consisted of 15 factories.

The manufacturing divisions were well positioned to capitalise on buoyant market conditions during the year. The import division was able to take advantage of opportunities arising from the strength of the rand and to combat increased competition from the East. The import division derives major benefits from the Steinhoff International Sourcing infrastructure including sourcing, quality control and order management.

Five of Steinhoff Africa's production facilities manufacture upholstered furniture, producing a wide variety of both

static and motion lounge furniture in fabric and leather. In the financial year ended 30 June 2006, approximately 1% of southern African upholstered furniture production was exported. The Grafton Everest facility in Durban is the largest upholstered furniture factory in southern Africa measured by production volume. It exports a portion of its production, mainly to the UK. The Alpine brand, manufactured at our Cape Town facility, consists primarily of quality leather static and motion furniture of which a portion is exported to the UK. Milano Décor focuses on the decorator market, while Gommagomma is focused on affordable quality products to the mass market.

The bedding division produces a wide range of base sets and mattresses, in three South African facilities, under exclusive licences including Sealy Posturepedic, Slumberland, Ther-A-Pedic and Edblo. High volumes of lower-cost base sets and mattresses are sold under the Softex brand. The bedding division manufactures King Koil and Dunlopillo under licence for the Ellerine Holdings retail group. The consolidation of the bedding division was finalised during the year. The operations of the three bedding factories now report into one management team with a single order and production management system. Steinhoff Africa's raw material companies are significant suppliers to our bedding manufacturing operations.

Bakker & Steyger, based in Cape Town, produces solid timber, premium case goods ranging from kitchen and dining suites to bedroom suites. The production is sold to the middle to higher end of the southern African market. The facility was extensively damaged by fire during April 2005. The damaged sections were rebuilt and it became fully operational in September 2005.

Steinhoff owns the three largest foil case goods manufacturing facilities in South Africa, producing a wide variety of non-solid timber case goods made of particle board upgraded with foils. Products from the foil case goods factories are sold in the local market with some exported into neighbouring African countries. PG Bison supplies a significant portion of the required particle board

(chipboard) to the foil case goods factories. Particle board is the main material used in production of non-solid case goods. The buoyant retail environment in South Africa resulted in both revenue and earnings growth within this division.

Roadway Logistics was restructured post year end and now forms part of the furniture division. Roadway Logistics deals with the distribution of household goods in South Africa and transports the majority of our manufactured furniture from factories to various retailers. Roadway also provides logistics services that include warehousing and home deliveries from a central hub in Gauteng for certain retailers.

Towards the latter half of the year, Steinhoff experienced increased problems with its furniture operations in Zimbabwe. As a result of changes with forex legislation, operational difficulties as well as a strained relationship with our joint venture partner, we are reconsidering our investment.

Two major trends currently facing the industry are exponential growth in imports from the East as well as customers becoming more discerning. The import competition is managed on a two-pronged approach: On the manufacturing side, the division has evaluated its value proposition and now offers a value-adding service difficult to replicate on imports. The division focuses on order quantities, lead times and backup services. Secondly, the division started to import and, with the backup and infrastructure enjoyed through Steinhoff International, has a competitive advantage over other importers. Regarding customers becoming more discerning, the division intends to restructure itself to get the right product to the market faster and offer differentiated product at the right price.

Although the macroeconomic environment is expected to be tougher in the year ahead, management is confident that the division is appropriately structured to take advantage of the many opportunities that remain in the market.



Danie van der Merwe

#### Managing director

**Danie van der Merwe** (48), BComm LLB

#### Marketing director

**Gavin van der Merwe** (46), BA, HDipCS, MBL

#### Divisional management

##### Group services

**Hein Odendaal** (49) (MD), CA(SA)

##### Internal control

**Jan Opperman** (48) CA(SA)

##### Furniture division

**Peter Griffiths** (43) (MD), CA(SA), CFA

**Greg Boule** (50) (FD), CA(SA), Dip Tax

**Chris Dirks** (39) (Marketing), BComm (Hons)

**Larry Webster** (54) (Marketing and Sales: Case goods-foils)

##### Bedding

**Mike Lawrence** (57) (MD), Dip Prod Man

**Malcolm McDonald** (45) (FD), ACMA, ACIS, HDip BA

**Tony Welthagen** (56) (Marketing and Sales)

##### Upholstery

**Tony Ash** (53) (MD: Grafton Everest)

**John Loydell** (58) (MD: Alpine Lounge)

**Wynand van Dyk** (37) (MD: Milano Décor), Dip Prod Manavon

**Mark Richardson** (39) (MD: Gommagomma)

**Roger Little** (38) (MD: Gommagomma Zimbabwe)

##### Case goods (solids) and imports

**Campbell Peter** (56) (MD), Dip Marketing

##### Case goods (foils)

**Willie de Lange** (50) (MD: Highpoint)

**Heath Mirtle** (37) (MD: Pat Cornick)

**Lawrence Light** (57) (MD: Victoria Lewis)

#### PG Bison (Steinhoff Timber)

**Chris van Niekerk** (59) (CEO), BA (HED)

**André Norval** (48) (CFO), BComm, CA(SA), MBA

**Andrew Gilbert** (56) (Director: Capacity creation and Trade Retail), BAcc, MBA

**Gary Chaplin** (36) (COO: Timber Products)

**Ian Scott** (49) (COO: Panel products), BComm

**Jörg Weeber** (59) (Director: Capital Projects), Dipl Eng (Ger)

**Philip Roux** (37) (Director: Logistics), BComm MBA

#### Raw materials and African operations

**Frans Human** (51) (MD), BA

**Albert Rapp** (57) (FD), CA(SA)

**Ferdie van Vuuren** (53) (MD: Mattex), BComm

**André Jooste** (38) (MD: Loungefoam), BComm (Hons)

#### Unitrans

**Jo Grové** (57) (CEO), AMP (Oxford)

**Philip Dieperink** (50) (FD), BComm (Hons), CTA, CA(SA), HDip Tax

**Frank Wagner** (46) CEO: Unitrans Supply Chain Solutions), BAcc, CA(SA)

**Steve Keys** (45) (MD: Motor and Financial Services), CA(SA), HDip Tax

**Nico Boshoff** (51) (MD: Unitrans Passenger) BComm

#### India

**Mahmud Alam** (42) (MD), BComm



Jo Grové



Chris van Niekerk



Peter Griffiths



Frans Human



Mahmud Alam



Hein Odendaal

## Raw materials

During the year under review, Steinhoff's raw materials division comprised Vitafoam (a foam producer), Mattex and Jatex (ticking and other textiles), Loungeweave, Steinhoff Mozambique and House of York, which became part of the division on 1 July 2006. The raw materials division produces mainly foam and textiles for use in the production of household goods and for sale to third parties locally and in western Europe and Australia. Through Vitafoam, Mattex and Jatex, as well as through the investment in BCM Holdings (a wire, spring and bedding component operation), the division is able to negotiate competitive terms on the supply and procurement side. In addition, the group owns an associate interest in Loungefoam, a producer of foam products for use in furniture and bedding. The combination of sourcing and our own production of raw materials allows us to secure a cost-effective and reliable source of inputs for our manufacturing operations and also leads to synergies in intragroup sourcing. This division not only supplies our manufacturing operations, but a significant portion of its production is supplied to third parties.

Vitafoam produces flexible polyurethane foam for use in the furniture and bedding industry and in packaging industries and other related consumable products. Vitafoam is able to produce economy foam mattresses that are popular in most African countries. Vitafoam has seven production plants located in South Africa, Namibia and Mozambique and mainly sells its products into the southern African market.

During the year, working closely with Steinhoff Bedding, Vitafoam has improved and expanded its bedding division nationally. This improvement was needed to satisfy the increased demand as a result of the group's bedding strategy to increase market share in foam beds at the bedding market's entry level. The introduction of the Gommagomma range of bedding during 2006 has not only expanded the value-added product portfolio of Vitafoam, but, with focused and innovative marketing efforts, provided Vitafoam with an excellent growth opportunity for the 2006/2007 financial year. The Gommagomma brand

has been extended to a range of duvets and pillows and allows Vitafoam to offer a complete bedding solution to the retailer.

Vitafoam continued to grow market share in tough market conditions which saw dramatic increases in raw material cost, increased substitute products and competitors entering the market using price as the only mechanism to gain market share. One of the competitive advantages of Vitafoam is that we have a national footprint throughout southern Africa and are therefore located close to our customers with the resultant saving in distribution costs. Vitafoam, as one of the largest producers of foam in South Africa, enjoys competitive raw material prices and has the ability to manufacture a complete range of foam products.

Over and above the supply of foam to the furniture and bedding industries, Vitafoam is now able to manufacture and offer viscous (memory) foam, synthetic latex foam as well as high-density foam for use in packaging and other industries.

During the year, the textile division consisted of Mattex, Loungeweave and Jatex. The division continuously upgrades through technologically advanced equipment to retain its competitive edge in the market and comply with standards set by export markets.

Mattex is a Cape Town-based jacquard-weaving factory producing a wide range of damask mattress ticking, vertical blind fabrics, woven tape and napery products. During 2005, Mattex invested in modern equipment to supply quality jacquards into Europe, both to our own European operations as well as to third parties. Mattex also installed and commissioned a laminating machine which allows it to laminate a lower-quality fabric to spunbond without losing strength and while improving the texture of the fabric. The machine is also capable of laminating other substances, such as foam and plastic film, to fabric. Mattex's export sales of vertical and roller blinds increased to record levels in the year under review.

Loungeweave produces woven jacquard and damask

mattress ticking in its factory in Isithebe. Its production currently supplies our own factories as well as other southern African manufacturers.

We have experienced a number of changes over the last year in the textile business, particularly as a result of the low-cost products being imported from countries such as China, Indonesia and Malaysia. To remain competitive, we have had to restructure the textile division and consolidate all our textile operations at Mattex in the Western Cape. This will place the division in a more competitive position for the future. Jatex has been closed, with assets disposed of subsequent to 30 June 2006, and no longer forms part of the raw materials division. Loungeweave will be shut down and Mattex will be the only remaining textile business and will focus on mattress ticking, vertical and roller blinds, yarn extrusion, tape edging and applications for the laminating machine. Suitable machinery from Loungeweave has been taken over by Mattex and relocated to Cape Town. In addition, we are capitalising on Steinhoff's sourcing abilities in Asia and we hope to improve and expand our product offering to customers by importing selected products from those areas. Mattex should benefit from turnover growth off a reduced cost base, which should allow the unit to compete on an import parity pricing basis.

## Timber division

### PG Bison

Our investment in PG Bison, the largest producer of particle board (chipboard), medium-density fibre board and decorative laminates in South Africa, enhanced existing synergies in the group and accelerated growth. Since the increased investment in June 2004, PG Bison has played a significant role in our timber strategy and is poised to unlock the benefits which we believe an integrated group can derive from the timber and forestry industries. The division now also incorporates all the timber interests of Steinhoff. The result has been the establishment of an integrated value chain, from growing trees in the forests to value-added product manufacturing to trade retail outlets, all under one Steinhoff division, branded as PG Bison.

PG Bison has three main areas of business: timber products, panel products and trade retail through its interests in Pennypinchers and Timber City retail stores. PG Bison incorporates 15 manufacturing facilities and 14 distribution facilities. In terms of our trade retail interest, we currently have 28 Pennypinchers and 46 Timber City stores. All Pennypinchers stores are joint ventures, and all new Timber City and some existing Timber City stores are moving towards joint-venture status. The retail chains provide an important distribution base for PG Bison's products.

**With the major** economic injection in the north-eastern Cape, approximately 3 000 direct jobs and many opportunities for local entrepreneurs will be created

The timber division now consists of activities in forestry, sawmilling and pole production. We own and manage forests, own and operate sawmills and manufacture timber-related products for sale into the local market. The group sources some of its timber requirements locally from third parties, but intends to secure an increasing proportion of timber through long-term supply arrangements or through its own production.

Poor financial results were recorded by all export functions such as doors, furniture and poles, while the performance of sawmilling and forestry was, on the whole, acceptable and according to expectations. During the first half of the financial year, steps were taken to exit all exports. This brought about the closure of three door factories, Moxwood, one furniture factory, Steincraft and the reduction of the extent of the pole manufacturing operations. Subsequently, a decision has been taken to reconsider the future of door manufacturing which may lead to the group's exit altogether. Negotiations are currently in progress aimed at achieving this objective. As far as sawmilling is concerned, manufacturing facilities where we were dependent on external log supply arrangements have come under increasing threat due, solely, to excessive log price increases. During the past 12 months, log price increases had a severely negative impact on some of our operations and the industry at large.

PG Bison completed the expansion and upgrading of its Piet Retief particle board plant, at a cost of R100 million, during 2005. The expansion significantly added to total particle board production capacity in South Africa.

The Pietermaritzburg particle board plant was upgraded in December 2005, aimed at reducing stack emissions. The project was completed at a cost of R15,5 million and the installation of new equipment and technology has brought emissions to a level below European minimum standards.

PG Bison has made an investment in Zimbabwe in a hardboard manufacturing facility.

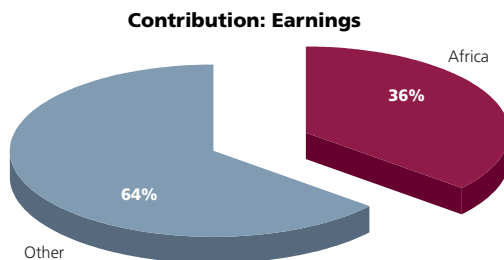
The elimination of unprofitable activities, combined with the amalgamation with PG Bison's board plants, branch network and Timber City and Pennypinchers footprint, will turn the timber division into an integral and value-enhancing component for the group.

PG Bison currently owns and manages 87 000 hectares of forest land, mostly in the north-eastern Cape, of which 40 000 hectares is afforested. The company's southern Cape plantation is FSC certified and supplies a significant portion of the 13 000m<sup>3</sup> of timber required per annum. The group also owns and operates four sawmills. The largest of these, the PG Bison Thesen sawmill in George, was completed and became fully operational in 2005. One of the most modern sawmills in southern Africa, it positions PG Bison to add optimum value to its forest resources in the southern Cape. It also forms an integral part of the integrated value chain, from tree to trade retail stores such as Pennypinchers. The new sawmill at George has the capability to add considerable value to our timber resources in the region. This plant is currently increasing production to reach design capacity of 555m<sup>3</sup> per shift. This sawmill will supply sawn and treated timber to the structural, building, furniture and packaging industries throughout the eastern and southern Cape regions of South Africa. The remaining sawmills are located in Mpumalanga (eMpuluzi sawmill) and KwaZulu-Natal (Malenge and Weatherboard sawmills).

Despite some of these negative impacts on the PG Bison business, the company experienced another good year, and, for the seventh consecutive year, recorded a pre-tax profit growth above the targets set in 1999. This amalgamation with Steinhoff's timber interests bodes well for the future of PG Bison, and, with the new integrated value chain, we believe this will be to our advantage, as PG Bison will be in a position to offer unique packages to customers.

#### NECF (North Eastern Cape Forests)

The recent increase in timber prices motivated the group to increase its investment in owned and managed plantations to secure its future supply at controllable costs. Of particular



significance during the past financial year was the acquisition of 67% of North Eastern Cape Forests from Mondi. This event was the catalyst for the approval of a major timber cluster project in the eastern Cape. This project, which will, *inter alia*, see the establishment of a 1 000m<sup>3</sup> per day particle board plant, will cost between R1,3 and R1,5 billion, and forms part of a major economic injection for the north-eastern Cape, creating approximately 3 000 direct jobs and many opportunities for local entrepreneurs to provide supporting services. The number of secondary jobs created by this initiative is likely to be significant. The newly acquired forests, in partnership with the Industrial Development Corporation (IDC), also signified a major step towards self-sufficiency from a fibre resource perspective. The commissioning of the new particle board plant at Ugie, expected in January 2008, will set the company on an enhanced growth path. This asset, consisting of 80 000 hectares of land, with 33 000 hectares planted, has already made an impact on our forestry management resources and represents an exciting opportunity for the company as a whole.

Steinhoff embarked on the ambitious cluster development, some 5km outside Ugie on the Ugie-Madear road, which centres around a particle board plant and plantations, allowing for possible future timber beneficiation processes to be added.

Further value will be added to raw board in the 35 000m<sup>2</sup>/day melamine faced board press plant. Allowance has been made for possible future timber beneficiation processes. Following the completion of an environmental impact assessment, which considered the opinions of all interested and affected parties and the rezoning of the earmarked site, the company started with earthworks at the end of May 2006. The local, provincial and national authorities are in full support of this development and have committed to providing the necessary infrastructure and services to support the development.

The socio-economic impact and benefits of these projects are extensive. Please refer to page 61 of the sustainable development report for a discussion of the impact and benefits of the NECF project.

## Logistics

Steinhoff invested in logistics primarily through its stake in Unitrans and our own logistical operations which conduct distribution activities and serve our own and our customers' logistical needs, as well as those of third-party customers. Our logistics division develops strategic logistics and distribution networks, which are used to support the efficient and reliable distribution of our products in southern Africa, with the goal of creating a single channel of distribution for household products in the region from the factory to the end consumer. Our investments in logistics enable us to source cost-effective, efficient and reliable distribution solutions for our products.

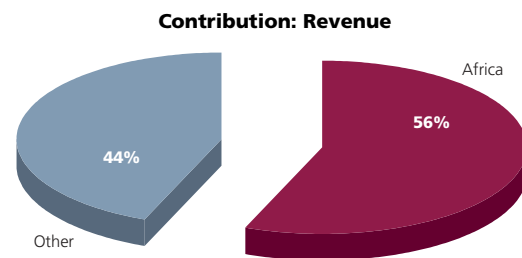
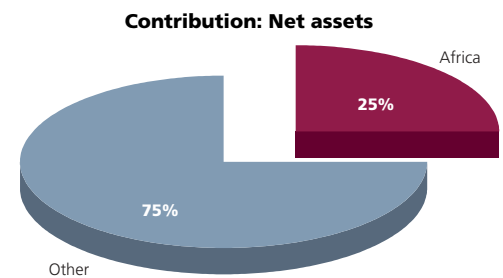
### Unitrans

Steinhoff acquired control of the JSE-listed freight, logistics and motor retail group, Unitrans Limited, with effect from January 2005. We chose Unitrans as our primary strategic partner for distribution in southern Africa based on its strong reputation and management team and its footprint in sub-Saharan Africa and its ability to grow with our operations worldwide. At the time of the investment, we believed Unitrans had the ability to grow with our operations worldwide.

Unitrans has many diverse complementary business interests in logistics, distribution and associated services. These include supply chain and re-engineering services, freight and passenger transport, warehousing, breakbulk services, vehicle retailing, fleet management and vehicle leasing, insurance and car rental. The group is well-diversified geographically, with profitable operations in 11 sub-Saharan countries and, more recently, in the United Kingdom.

### Unitrans Supply Chain Solutions (USCS)

USCS houses the group's freight and logistics operations and has recently been restructured to facilitate its increased emphasis on the provision of supply chain solutions. In conjunction with its specialised marketing and sales arm, Unitrans Customer Solution Development (CSD), USCS offers supply chain re-engineering services to the market, together with traditional freight and logistics services.



Following its restructuring, USCS, supported by the supply chain re-engineering expertise within CSD, is well positioned to accelerate organic growth, either within its existing customer base or via partnerships with new customers. This cluster will evaluate prospects in additional market segments, as well as new regional opportunities in areas in Africa where Unitrans has acquired expertise.

#### *Corporate activity*

During the year Unitrans, with the assistance of Steinhoff UK Holdings Limited, acquired 60% of Unitrans Logistics (UK) Limited (Unitrans Logistics). Unitrans Logistics is the sole shareholder in Concorde Logistics Services Limited and TechXpress Limited, operating as specialist logistics service providers to high-technology companies in the United Kingdom and mainland Europe. This transaction positioned Unitrans for expansion of its logistics operations into the UK and Europe. This division plans to expand on its existing businesses and will look to capitalise on synergies with Steinhoff's operations in these territories.

Unitrans has acquired a 25,1% interest in Xinergistix Limited, the holding company of a broad-based black economic empowerment group of companies specialising in road freight transportation.

Unitrans previously announced the subscription for 13,02% of the group's total equity by Fundiswa Investments (Proprietary) Limited, a combination of Mvelaphanda Capital (Proprietary) Limited, Arch Equity Limited and an employee trust.

USCS has disposed of its 60% interest in the Botswana registered company, African Express (Pty) Limited. This disposal was in line with Unitrans' decision to exit from the express courier business.

The competition authorities approved the acquisition by Unitrans Motors (Proprietary) Limited of the remaining 60% of the issued share capital of Unitrans Rentals (South Africa) (Proprietary) Limited, trading as Hertz-Rent-A-Car, in August 2005. Hertz is now a wholly-owned Unitrans group subsidiary.

#### **Unitrans Passenger**

This division provides a comprehensive range of passenger transport and logistics services, both nationally and cross-border, through its specialised passenger transport operations. Unitrans Passenger will continue to pursue contracts in the commuter transport arena, where it has established a solid reputation. The division will also focus on strengthening its relationships with tour operators and on developing ongoing working partnerships to ensure increased differentiation of its services.

- **Mega Bus**  
The salient target markets are the mining, industrial and commuter sectors of the national market.
- **Mega Coach and Mega Tourer**  
Coach and minicoach services are provided to the tourist and corporate conference markets.
- **Magic Bus**  
Niche service provider to the corporate and private sectors of exclusive airport shuttle transfers in three major centres.
- **Greyhound and Citiliner**  
Intercity coach and bus transport services.
- **Bojanala Bus**  
This operation provides contractual commuter bus transport in North-West province.

#### **Motor and financial services**

This division's main service offering is the sale of new and pre-owned vehicles, parts and accessories, and after-market service. This is augmented by the provision of consumer credit, insurance products, fleet management services and car rental. Services and products are provided on a national basis. Market coverage ranges from passenger vehicles to heavy trucks. The motor retail division, which experienced another record-breaking year in 2006, sells and services both new and pre-owned vehicles through an extensive national network of 72 dealerships.

During the first half of the year, two new vehicle dealerships were acquired. In addition, three independent pre-owned vehicle dealerships were opened, as well as the division's first manufacturer-approved repair centre.

Prospects for the Unitrans motor and financial services division depend on consumer demand and, in turn, on interest rates. Although it is anticipated that the recent increases in interest rates will, to some extent, curb consumer spending, the demand for motor vehicles is nevertheless expected to remain strong in the medium term. The motor retail division's financing, insurance and after-market services should continue to benefit from sustained high levels of vehicle sales.

**It is anticipated** that the major portion of Unitrans' growth will continue to be organic in nature, and Unitrans is constantly evaluating acquisition opportunities

While it is anticipated that the major portion of Unitrans' growth will continue to be organic, Unitrans is constantly evaluating acquisition opportunities. It has adequate resources available to secure such opportunities, either locally or offshore.

Full details of Unitrans are available in its 2006 annual report and on its website on [www.unitrans.co.za](http://www.unitrans.co.za).

## India

In India, we are invested in a joint venture with the Alam family in the Alam Tannery and Alstein. Alam Tannery is a leather manufacturing company which manufactures leather and cut and sewn leather upholstery furniture covers. Alam Tannery used to have two tanneries in Kolkata, which have, during the year, been replaced by a new tannery at the Kolkata leather complex. Most of our activities during the year centred around the purchase and installation of new plant and equipment. The tannery is planned to be completed by January 2007. Once the tannery is fully operational, this will be the largest leather furniture tannery in India. We also have an upholstery cut and sewn facility. This facility has a design centre which assists customers with new ideas and designs. This unit produces between 10 000 and 12 000 units per month. We believe the availability of inexpensive raw materials and skilled labour makes this region attractive for this type of venture. Most of the raw materials used in the manufacturing process are sourced from India. This is mainly due to the high population of livestock in India. The current output from this venture is exported to our factories in eastern Europe, as well as the UK, for use in upholstered products sold into the German and UK markets. We also set up a lounge suite manufacturing facility, which started production in the beginning of 2006. This facility will on full implementation be able to produce 150 units per day. The group includes an apparel factory producing small leather items. Subsequent to year end, we started to export leather and cut and sewn upholstery furniture covers to our manufacturing operations in South Africa.

India remains a region of interest to the group as there are huge opportunities for growth in the Indian market

as well as opportunities to source products, specifically for Europe.

## Amalgamated Appliance Holdings Limited (AMAP)

In September 2005, we acquired a 26% stake in AMAP, a JSE-listed company previously controlled by the US corporation Salton Inc. AMAP is a focused group specialising in importing, manufacturing and distributing household electrical and electronic durables. AMAP markets a series of leading global brands under licence, including Brother, Carmen, George Foreman, Hoover, Pioneer, Remington, Russell Hobbs, Sansui, Tannoy, Toshiba, Behringer, Stanton and Polaroid. The local brands owned by AMAP are Tedelex, Empisal, Salton, Saisho, Novex, Haz and Pineware. The group comprises two commercial divisions: appliances and electronics. Both divisions are supported by a manufacturing division and centralised corporate services.

Steinhoff and AMAP both supply to the major retailers in South Africa, and AMAP (although it operates two electrical goods factories, necessary to produce low-cost goods and efficiently deal with warranties and returns) sources the vast majority of its products from Asia (where Steinhoff has an efficient infrastructure). These synergies are expected to improve both companies' performance, especially in terms of sourcing and supply of products, as well as reciprocal trading opportunities. Steinhoff has appointed two representatives to the board of AMAP.

Full details of AMAP are available in its 2006 annual report and on its website on [www.amapholdings.co.za](http://www.amapholdings.co.za).

## KAP International Holdings Limited (KAP)

In December 2005, Steinhoff acquired a 21% stake in KAP for approximately R316 million. KAP is a diversified industrial company. Feltex Automotive is one of South Africa's largest automotive component manufacturers. Manufacturing facilities are situated in Durban, Rosslyn, Port Elizabeth and East London close to the original

equipment manufacturers' assembly plants. We hold a pre-emptive right over the remaining shareholding held indirectly by Claas Daun, a non-executive director of Steinhoff. Other products manufactured by KAP include industrial footwear, Hosaf Fibres, Bull Brand Foods, Jordan shoes and Glodina. Expected synergies include the same raw materials (foam/textiles/leather) used for production in the automotive market that provides a strategic alternative for the group's raw material division, and reduces dependence on the furniture industry.

Full details of KAP are available in its 2006 annual report and on its website on [www.kapinternational.co.za](http://www.kapinternational.co.za).

Associates



South Africa

forestry



sawmill



imports



logistics



retail



South Africa



India



Alam Group

Namibia

