Steinhoff
International Holdings Ltd

- Revenue up by 21% to R9,95 billion (2002: R8,2 billion)
- Headline earnings per share up 15% to 105 cents (2002: 91 cents)
- Net gearing ratio down from 24% to 15%
- Continued strong cash generation from operations
- Proposed dividend per share up 20% to 18 cents (2002: 15 cents)

Audited results

for the year ended 30 June 2003

Our strength and strategies deliver sustainable growth

ABRIDGED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2003

	Note	**Audited year ended 30/06/03 R'000**	Audited* year ended 30/06/02 R'000	% increase
Revenue		**9 948 595**	8 207 936	21
Operating income before depreciation		**1 300 913**	1 040 014	25
Depreciation		**(191 858)**	(163 563)	
Operating income after depreciation		**1 109 055**	876 451	27
Exceptional items	1	**(79 389)**	(107 174)	
Earnings before goodwill, interest and taxation		**1 029 666**	769 277	34
Goodwill amortised		**(31 429)**	(36 549)	
Earnings before interest and taxation		**998 237**	732 728	36
Net finance charges		**(121 181)**	(79 299)	
Earnings before taxation		**877 056**	653 429	34
Taxation		**(97 950)**	(52 609)	
Earnings after taxation		**779 106**	600 820	30
Share of associate income		**91 056**	55 964	
Attributable to outside shareholders		**2 881**	1 809	
Income attributable to shareholders		**873 043**	658 593	33
Number of shares in issue ('000)		**946 055**	906 616	4
Weighted average number of shares in issue ('000)		**939 970**	864 754	9
Attributable income (R'000)		**873 043**	658 593	33
Headline earnings (R'000)	2	**984 865**	785 021	25
Earnings per share (cents)		**93**	76	22
Headline earnings per share (cents)		**105**	91	15
As previously stated			93	
Changes to comply with circular 7/2002			(2)	
Diluted earnings per share (cents)		**90**	74	22
Diluted headline earnings per share (cents)		**101**	88	15
Proposed dividend per share (cents)		**18**	15	20
Note 1: Exceptional items (R'000)				
– Profit on disposal of business		**12 000**		
– Loss on disposal of business		**(9 793)**		
– Impairment of intangible assets		**(5 954)**		
– Closure costs		**(37 362)**	(83 171)	
– Impairment of property, plant and equipment		**(38 280)**	(24 003)	
		(79 389)	(107 174)	
Note 2: Headline earnings calculation				
Income attributable to shareholders		**873 043**	658 593	
Adjustment for:				
– Exceptional items		**79 389**	107 174	
– Goodwill amortisation		**31 429**	36 549	
– Loss/(Profit) on disposal of property, plant and equipment		**4 977**	(17 295)	
– Loss on disposal of property, plant and equipment included in share of associate income		**107**		
– Goodwill amortisation included in share of associate income		**4 590**		
– Negative goodwill included in share of associate income		**(8 670)**		
Headline earnings for the year		**984 865**	785 021	

** Headline earnings for the year ended 30/06/2002 have been restated to comply with circular 7/2002.*

ABRIDGED CONSOLIDATED BALANCE SHEET

at 30 June 2003

	Audited 30/06/03 R'000	Audited 30/06/02 R'000
ASSETS		
Non-current assets		
Property, plant and equipment and intangible assets	**2 529 182**	2 731 424
Investments and loans	**1 180 365**	1 246 109
Deferred tax assets	**33 750**	5 727
	3 743 297	3 983 260
Current assets		
Accounts receivable and short term loans	**2 850 635**	2 563 859
Inventories	**893 754**	1 109 204
Cash and cash equivalents	**1 462 943**	405 052
	5 207 332	4 078 115
Total assets	**8 950 629**	8 061 375
EQUITY AND LIABILITIES		
Capital and reserves	**4 942 186**	4 384 369
Outside shareholders' interest	**14 782**	28 073
Non-current liabilities		
Deferred tax liabilities	**44 360**	7 223
Long term liabilities	**1 437 591**	746 811
Long term licence fee liability	**209 188**	237 873
	1 691 139	991 907
Current liabilities		
Net interest bearing	**624 916**	622 083
Accounts payable and provisions	**1 677 606**	2 034 943
	2 302 522	2 657 026
Total equity and liabilities	**8 950 629**	8 061 375
Net asset value per share (cents)	**522**	484
Gearing ratio (net)	**15%**	24%
Closing exchange rate – Rand : Euro	**8,61**	10,25

ABRIDGED GROUP CASH FLOW STATEMENT

for the year ended 30 June 2003

	Audited year ended 30/06/03 R'000	Audited year ended 30/06/02 R'000
Operating profit before working capital changes	**1 253 339**	932 557
Net changes in working capital	**(355 074)**	22 454
Cash generated from operations	**898 265**	955 011
Net finance costs	**(121 181)**	(79 299)
Dividends paid	**(16 763)**	(26 694)
Dividends received	**17 230**	7 506
Taxation	**(85 728)**	(59 457)
Net cash inflow from operating activities	**691 823**	797 067
Net cash outflow from investing activities	**(812 189)**	(1 380 076)
Net cash inflow from financing activities	**993 633**	753 506
Net increase in cash and cash equivalents	**873 267**	170 497
Effects of exchange rate changes on cash and cash equivalents	**147 790**	(308 989)
Cash and cash equivalents – beginning of period	**979 169**	1 117 661
Cash and cash equivalents – end of period	**2 000 226**	979 169
Cash and cash equivalents can be reconciled to the balance sheet as follows:		
Cash and cash equivalents above	**2 000 226**	979 169
Overdrafts included in financing activities	**537 283**	574 117
Cash and cash equivalents per balance sheet	**1 462 943**	405 052

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2003

	Share capital and premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
Balance at 30 June 2001 as previously stated	1 681 887	139 918	1 074 001	2 895 806
Change in accounting policy			1 468	1 468
Balance at 30 June 2001 restated	1 681 887	139 918	1 075 469	2 897 274
Earnings attributable to shareholders			658 593	658 593
Dividends paid			(26 694)	(26 694)
Issue of shares	473 538			473 538
Increase in foreign currency translation reserve		381 658		381 658
Share of associate companies' retained earnings transferred to non-distributable reserves		55 964	(55 964)	
Transfer to distributable reserves		(95)	95	
Balance at 30 June 2002	2 155 425	577 445	1 651 499	4 384 369
Earnings attributable to shareholders			873 043	873 043
Dividends paid			(16 955)	(16 955)
Issue of shares	98 178			98 178
Decrease in foreign currency translation reserve		(378 696)		(378 696)
Acquisition of the remainder of shares in an associate company		(1 248)		(1 248)
Share of associate companies' retained earnings transferred to non-distributable reserves		66 320	(66 320)	
Reserves released to income		(12 033)	(4 472)	(16 505)
Balance at 30 June 2003	2 253 603	251 788	2 436 795	4 942 186

COMMENTARY

FINANCIAL OVERVIEW

The Board is pleased to report a 21% growth in revenue to R9,95 billion (2002: R8,2 billion). Headline earnings for the year under review increased by 25% to R985 million (2002: R785 million).

The Group achieved real growth in revenue notwithstanding the continued challenging trading conditions globally. Operating margin improved further to 12,1% (2002: 11,4%). The improved margin was achieved mainly as a result of the relative strength of the Euro against the USD and Polish Zloty, a more effective and higher throughput of products and improved sourcing of third party products.

Net finance charges increased to R121,1 million (2002: R79,3 million) mainly as a result of the utilisation of low interest rate funding in Europe to finance the Group's offshore capital expenditure. Interest cover amounts to 9,1 times (2002: 11,1 times) and the net interest bearing debt to equity ratio reduced to 15% (2002: 24%), well within the Group's self-imposed borrowing limitation of 50%.

Taxation expense increased to R97,9 million (2002: R52,6 million) and is in line with expectations. The average tax rate increased to 11,2% (2002: 8,1%) and it is anticipated that the average tax rate will range between 12% to 15% for the foreseeable future.

Headline earnings per share increased 15% to 105 cents (2002: 91 cents) while basic earnings per share increased 22% to 93 cents (2002: 76 cents). The weighted average number of shares increased by 9% during the year to 939,97 million (2002: 864,75 million).

Shareholders' funds increased to R4 942 million (2002: R4 384 million) and return on average shareholders' funds was stable at 21% (2002: 22%) during the year. The net asset value per share further improved by 7,9%, from 484 cps to 522 cps, despite an increase in the number of issued shares to 946,1 million (2002: 906,6 million).

The Group's cash flow from operations continues to be strong and amounted to R898 million (2002: R955 million), further benefiting from sound working capital management. Cash generation is after a net increase in working capital of R355 million (2002: reduction of R22,5 million) caused mainly by accelerated payments to suppliers to benefit from more favourable settlement terms. The increase in short-term cash and cash equivalents should be viewed against the seasonal nature of the business, with June being the low ebb of the business cycle in Europe, immediately preceding the summer holidays.

SEGMENTAL ANALYSIS

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

Year ended 30 June 2003

R'000	**Revenue**	**%**	**Earnings before exceptional items, goodwill, interest and taxation**	**%**	**Net assets**	**%**
Manufacturing	**7 260 028**	**73**	**845 847**	**70**	**3 517 335**	**71**
Wholesale & distribution	**2 688 567**	**27**	**358 149**	**30**	**1 424 851**	**29**
Total	**9 948 595**	**100**	**1 203 996**	**100**	**4 942 186**	**100**

Year ended 30 June 2002

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	6 154 814	75	636 666	69	3 288 639	75
Wholesale & distribution	2 053 122	25	280 263	31	1 095 730	25
Total	8 207 936	100	916 929	100	4 384 369	100

GEOGRAPHICAL ANALYSIS

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

Year ended 30 June 2003

R'000	**Revenue**	**%**	**Earnings before exceptional items, goodwill, interest and taxation**	**%**	**Net assets**	**%**
Southern Africa	**2 668 211**	**27**	**236 272**	**20**	**1 289 668**	**26**
European Community	**4 397 708**	**44**	**569 319**	**47**	**2 689 541**	**55**
Eastern Europe	**2 381 148**	**24**	**378 596**	**31**	**901 295**	**18**
Australia	**501 528**	**5**	**19 809**	**2**	**61 682**	**1**
Total	**9 948 595**	**100**	**1 203 996**	**100**	**4 942 186**	**100**

Year ended 30 June 2002

R'000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa	2 502 161	30	226 230	25	1 227 305	28
European Community	3 589 038	44	413 391	45	2 417 465	55
Eastern Europe	1 820 556	22	267 273	29	657 435	15
Australia	296 181	4	10 035	1	82 164	2
Total	8 207 936	100	916 929	100	4 384 369	100

The average exchange rate used to translate foreign currency income and expenditure into South African rand was R9,415: 1 Euro (2002: R9,00 : 1 Euro). R962 million (2002: R936 million) of Southern Africa's revenue of R2 668,2 million (2002: R2 502,2 million) represents exports to the USA and the European community, amounting to approximately 36% (2002: 37%) of its activities. It is the stated intention of the Group to continue to grow exports, notwithstanding the stronger Rand; it has the production capacity available to achieve economies of scale and grow critical mass. The Group's revenue exposure to the local South African furniture market amounted to 17% (2002: 19%).

Including exports from South Africa, the Group generated 83% (2002: 81%) of its total revenues in foreign currencies during the year.

FUNDING

During December 2002, Steinhoff International issued a 6-year redeemable bond of Euro 37,5 million at a discount, yielding an amount of Euro 30 million, which proceeds were advanced to Steinhoff Europe to expand its capital base. The bond, together with the proceeds of an off-shore placement of 20 million shares for cash in December 2002, was concluded preparatory to the syndicated loan. As announced in April 2003, Steinhoff Europe successfully concluded a syndicated term loan and revolving credit facility of Euro 175 million with a number of European banks. These funding initiatives enable Steinhoff Europe to be financially self-sufficient with regard to its funding requirements, largely independent from its South African holding company.

CORPORATE ACTIVITY

The Group did not conclude any material acquisitions during the year under review. It continues to evaluate and pursue quality opportunities from time to time which will augment the Group's core strengths and competencies and capabilities.

CORPORATE GOVERNANCE

The Group complies in all material respects with the JSE Securities Exchange South Africa ("JSE") Listing Requirements and the Code of Corporate Practice and Conduct published in the King Report on Corporate Governance.

LISTING ANNIVERSARY

Steinhoff celebrates its fifth anniversary as a listed company on the JSE on 23 September 2003. Despite tough and challenging conditions in both the trading environment and world financial markets in general Steinhoff has grown its market capitalisation from R2,6 billion at listing to the current R7 billion. These pleasing results confirm the substance of the group, its management and its sustainable growth potential. The compound growth in headline earnings over the four years since listing, amount to 45,6%. Headline earnings per share has grown by a compound rate of 33,4% over the same period.

Bruno Steinhoff, Executive Chairman commented:

"These results bear testimony to Steinhoff's ability to achieve sustainable growth from our stated strategies and strengths amidst a volatile global trading environment".

TRIPLE BOTTOM LINE

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

Compliance with environmental regulations remains a priority. The Group's production processes and raw materials used are constantly evaluated to ensure acceptable standards.

Black Economic Empowerment (BEE) of enterprises within our Southern African communities is an integral part of the group's growth strategy. This strategy complies with the general practice of BEE, and is intended to introduce unique features to achieve real empowerment specific to our industry. The Group is continuously pursuing BEE opportunities in its Southern African operations.

PROSPECTS

The European and Australian operations are continuing to gain further market share through leveraging their core strengths and competencies. The expanded manufacturing base in Poland, Hungary and Ukraine augurs well for increased exports into the European Union, particularly the United Kingdom, France and the Benelux countries.

The growing contribution of higher margin branded products to the sales-mix is expected to continue. The establishment of the new logistics centre in Germany is also expected to enhance centralised distribution and logistics efficiencies.

Steinhoff Africa continues to grow its exports from South Africa, benefiting from economies of scale and better utilisation of production capacity, despite a strengthening Rand environment. The Group will make further investments in raw material production facilities to ensure long-term sources of supply, particularly in sawmilling and timber resources.

The Australian operations continue to benefit from sales growth and better efficiencies.

The South African operations are benefiting from the improvement in macro-economic fundamentals which have a distinct favourable effect on consumer spending patterns in relation to durable goods.

Management expect to achieve growth in headline earnings from the continuing operations for the year ahead.

ACCOUNTING POLICIES

The accounting policies and methods of computation for the financial statements for the year ended 30 June 2003 are in all material respects consistent with those applied in prior years, except for AC 133 – Financial Instruments – Recognition and Measurement and AC 137 – Agriculture which were adopted during the current year, and are in accordance with South African Statements of Generally Accepted Accounting Practice. In terms of the transitional arrangements of AC 133, figures in respect of previous years are not restated. The impact of the application of AC 133 and AC 137 has not been material on the group's results.

AUDIT REPORT

The results have been audited by Deloitte & Touche. Their unqualified audit opinion is available for inspection at the company's registered office.

On behalf of the Board of Directors

B E Steinhoff	**M J Jooste**
Chairman	*Chief executive officer*

8 September 2003

DECLARATION OF CAPITALISATION SHARE AWARD WITH DIVIDEND ELECTION OPTION

The board has resolved to award capitalisation shares to shareholders recorded in the register at the close of business on Friday, 7 November 2003 ("the share award"). Shareholders will, however, be entitled to decline the share award or any part thereof and instead elect to receive a cash dividend of 18 cents (2002: 15 cents) per share.

The last day to trade Steinhoff shares on the JSE to ensure that a purchaser appears as a shareholder on the **record date** (7 November 2003) will be Friday, 31 October 2003. Shares will commence trading ex dividend from the commencement of trading on Monday, 3 November 2003. Payment and issue date will be on Monday, 10 November 2003.

Share certificates may not be dematerialised or rematerialised from Monday, 3 November 2003 to Friday, 7 November 2003, both days inclusive.

The terms of the share award will be announced on Friday, 17 October 2003, and documentation relating thereto will be posted by Friday, 17 October 2003. Elections in respect of the cash dividend will close on Friday, 7 November 2003.

Dematerialised shareholders will have their CSDP or broker accounts credited/updated on Monday, 10 November 2003. Cheques/electronic transfers (where elected) and/or share certificates will be posted to shareholders on/about Monday, 10 November 2003. Shareholders are furthermore advised to provide and/or verify their banking details to the relevant CSDP, Broker or the Transfer Secretaries to ensure safe transfer of any funds.

ANNUAL REPORT

The Annual Report will be mailed to shareholders in due course. The annual general meeting is scheduled to take place on Monday, 1 December 2003, at the registered office of the Company.

By order of the board

S J Grobler
Company Secretary

8 September 2003

ADMINISTRATION

Registration number: 1998/003951/06
JSE share code: SHF **ISIN code:** ZAE 000016176

Registered office
28 Sixth Street, Wynberg, Sandton, 2090, Republic of South Africa
Tel +27 (11) 445 3000, Fax +27 (11) 445 3099

Transfer secretaries: Computershare Limited
70 Marshall Street, Johannesburg, 2001

Company secretary
S J Grobler

Auditors
Deloitte & Touche

Investor Relations
College Hill (Proprietary) Limited

Sponsor
Gensec Bank Limited

Directors:
B E Steinhoff* (Chairman), M J Jooste (Chief Executive Officer), D E Ackerman†, C E Daun†*, J N S du Plessis†, K J Grové†, D Konar†, J F Mouton†, F J Nel, F A Sonn†, N W Steinhoff*, D M van der Merwe, **German †Non-executive*

www.steinhoffinternational.com

GRAPHICOR 29674