

- Group revenues up by 22% in euros
- 30% growth in euro headline earnings
- Strong balance sheet
- Improved margins
- Strong operating cash flow

Our strength and strategies continue to deliver sustainable growth

Unaudited results

for the six months ended 31 December 2003

Consolidated income statement

for the six months ended 31 December 2003

	Unaudited six months ended 31/12/03	Unaudited six months ended 31/12/02	% change	Audited twelve months ended 30/06/03
Note	R'000	R'000		R'000
Revenue	5 387 194	5 299 962	2	9 948 595
Operating income before depreciation	714 186	609 799	17	1 300 913
Depreciation	(114 136)	(111 813)		(191 858)
Operating income after depreciation	600 050	497 986	20	1 109 055
Exceptional items	(14 736)	(15 307)		(79 389)
Earnings before goodwill, interest and taxation	585 314	482 679	21	1 029 666
Goodwill amortised	(13 826)	(28 506)		(31 429)
Earnings before interest and taxation	571 488	454 173	26	998 237
Net finance charges	(64 125)	(19 492)		(121 181)
Earnings before taxation	507 363	434 681	17	877 056
Taxation	(61 452)	(31 484)		(97 950)
Earnings after taxation	445 911	403 197	11	779 106
Share of associate companies' retained income	54 091	44 515	22	91 056
Attributable to outside shareholders	(325)	(8 281)		2 881
Income attributable to shareholders	499 677	439 431	14	873 043
Number of shares in issue ('000)	1 128 099	951 800	19	946 055
Weighted average number of shares in issue ('000)	999 308	929 537	8	939 970
Attributable income (R'000)	499 677	439 431	14	873 043
Headline earnings (R'000)	528 717	487 536	8	984 865
Earnings per share (cents)	50	47	6	93
Headline earnings per share (cents)	53	52	2	105
Dividend per share (cents)				18
Average currency translation rate (rand: euro)	8,2051	9,8500		9,4150
Note 1: Exceptional items (R'000)				
- Profit on disposal of businesses				12 000
- Loss on disposal of businesses				(9 793)
- Impairment of intangible assets				(5 954)
- Closure costs		(15 307)		(37 362)
- Impairment of property, plant and equipment	(14 736)			(38 280)
	(14 736)	(15 307)		(79 389)
Note 2: Headline earnings calculation				
Income attributable to shareholders	499 677	439 431		873 043
Adjustment for:				
- Exceptional items	14 736	15 307		79 389
- Goodwill amortisation	13 826	28 506		31 429
- (Profit)/loss on disposal of property, plant and equipment	(1 414)	4 292		4 977
- Loss on disposal of property, plant and equipment included in share of associate income	(66)			107
- Goodwill amortisation included in share of associate income	1 958			4 590
- Negative goodwill included in share of associate income				(8 670)
Headline earnings for the period	528 717	487 536	8	984 865

Abridged consolidated balance sheet

at 31 December 2003

	Unaudited 31/12/03	Unaudited 31/12/02	Audited 30/06/03
	R'000	R'000	R'000
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	2 746 626	2 830 639	2 529 182
Investments and loans	1 309 539	1 240 035	1 180 365
Deferred taxation	35 099	23 515	33 750
	4 091 264	4 094 189	3 743 297
Current assets			
Accounts receivable and short term loans	3 347 655	2 824 401	2 850 635
Inventories	1 110 654	1 124 779	893 754
Cash and cash equivalents	2 788 090	389 780	1 462 943
	7 246 399	4 338 960	5 207 332
Total assets	11 337 663	8 433 149	8 950 629
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	6 322 714	4 693 236	4 942 186
Outside shareholders' interest	14 131	26 592	14 782
	6 336 845	4 719 828	4 956 968
Non-current liabilities			
Deferred taxation	50 634	12 576	44 360
Long-term liabilities	2 569 156	655 914	1 437 591
Long-term licence fee liability	201 337	216 381	209 188
	2 821 127	884 871	1 691 139
Current liabilities			
Net interest bearing debt	409 798	936 560	624 916
Accounts payable and provisions	1 769 893	1 891 890	1 677 606
	2 179 691	2 828 450	2 302 522
Total equity and liabilities	11 337 663	8 433 149	8 950 629
Net asset value per share (cents)	560	493	522
Gearing ratio (net) (%)	6	33	15
Closing conversion rate (rand: euro)	8,3773	9,0000	8,6100

Abridged consolidated cash flow statement

for the six months ended 31 December 2003

	Unaudited six months ended 31/12/03	Unaudited six months ended 31/12/02	Audited year ended 30/06/03
	R'000	R'000	R'000
Operating profit before working capital changes	712 930	586 048	1 253 339
Net changes in working capital	(234 916)	(344 858)	(355 074)
Cash generated from operations	478 014	241 190	898 265
Net finance costs	(64 125)	(19 492)	(121 181)
Dividends paid	(34 025)	(16 562)	(16 763)
Dividends received	18 560	17 230	17 230
Taxation	(61 671)	(22 091)	(85 728)
Net cash inflow from operating activities	336 753	200 275	691 823
Net cash outflow from investing activities	(897 250)	(515 501)	(812 189)
Net cash inflow from financing activities	1 366 476	691 459	993 633
Net increase in cash and cash equivalents	805 979	376 233	873 267
Effects of exchange rate changes on cash and cash equivalents	3 031	(121 449)	147 790
Cash and cash equivalents – beginning of period	2 000 226	979 169	979 169
Cash and cash equivalents – end of period	2 809 236	1 233 953	2 000 226
Cash and cash equivalents can be reconciled to the balance sheet as follows:			
Cash and cash equivalents above	2 809 236	1 233 953	2 000 226
Overdrafts included in financing activities	21 146	844 173	537 283
Cash and cash equivalents per balance sheet	2 788 090	389 780	1 462 943

Statement of changes in equity

for the six months ended 31 December 2003

	Share capital and premium R'000	Non-distributable reserves R'000	Distributable reserves R'000	Total R'000
Balance at beginning of period	2 253 603	251 788	2 436 795	4 942 186
Earnings attributable to shareholders			499 677	499 677
Dividends paid			(34 025)	(34 025)
Issue of shares	980 820			980 820
Decrease in foreign currency translation reserve		(68 504)		(68 504)
Increase in investment reserve		2 560		2 560
Share of associate companies' retained earnings transferred to non-distributable reserves		35 531	(35 531)	
Balance at end of period	3 234 423	221 375	2 866 916	6 322 714

NOTES

- Compliance with GAAP
These interim results have been compiled in accordance with the South African Statements of Generally Accepted Accounting Practice.
- Accounting policies
The accounting policies used in the preparation of the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 30 June 2003.
- Material subsequent events
No events of note have occurred subsequent to the half year-end.

Commentary

REVIEW OF RESULTS PERFORMANCE

The group's headline earnings in rand terms, for the period, grew to R529 million (2002: R487 million) on revenues which were maintained at similar levels as the previous corresponding period. The average exchange rate used for converting euro income and expenditure to rand was R8,2051: €1 (2002: R9,85: €1) representing a strengthening in the rand conversion rate of 17%.

The group generated 81% of its revenues in currencies other than South African rand, principally euro, pound sterling, US dollar and Australian dollar ("AUD"). The revenue growth achieved in euro terms amounted to 22% from €538 million to €657 million.

The results, yet again, demonstrate the sustainability of the group's business model through expanded geographical spread and diversification. Its strategy of low cost manufacturing and sourcing, combined with outsourcing of non-core product ranges, and sales into developed economies, has stood the group in good stead in a period in which the US dollar, Polish zloty and Hungarian forint were weak against the euro. The major portion of the European sales is realised in euro. This has had a particularly beneficial impact on margins. The group's ability to generate real earnings growth denominated in the euro as its major operating currency, whilst maintaining rand earnings notwithstanding a substantial appreciation in its reporting currency, confirms its long-term strategy.

The average operating margin of the group (before exceptional items, goodwill amortisation, associated company income and profit and losses on disposal of property, plant and equipment) increased to 11,1% (2002: 9,5%) for the period. The group continues to benefit from enhanced efficiencies throughout the supply chain. Steinhoff Africa achieved an operating margin, inclusive of associate income, of 10% (2002: 9,0%) while the rest of the group generated a margin of 13% (2002: 11%).

Net finance charges at R64 million for the six months are in line with the charge of R121 million for the full year ended 30 June 2003.

The net interest-bearing debt to equity ratio reduced to 6% (2002: 33%) at 31 December 2003. A portion of the group's cash resources is earmarked to fund the PG Bison acquisition.

The group's cash flow from operations continues to be strong, at R478 million was nearly double the amount of R241 million for the corresponding period and further benefited from sound working capital management. Cash generation is after a net increase in working capital of R235 million (2002: R345 million). The increase in short-term cash and cash equivalents should be viewed against the receipt of the proceeds of the international offering which offsets the requirements relating to the seasonal nature of the business, with December being the peak funding period for the business cycle in South Africa, and the funds available from the bond issue, which together with operating cash flows, have been allocated to investments and acquisitions but not spent at time of these results.

The group's tax position has been maintained as in previous periods.

Headline earnings per share increased to 53 cents (2002: 52 cents) on a weighted average number of 999,3 million (2002: 929,5 million) shares in issue.

For the 12-month and 6-month periods since 31 December 2002 and 30 June 2003 the net asset value per share improved 13,6% and 7,3% respectively. This improvement occurred despite an increase in the number of shares in issue to the current 1 128,1 million from 951,8 million and 946,1 million at the above mentioned periods respectively.

The board is also pleased with the contributions of the group's major associate investments, PG Bison Holdings and Unitrans, which showed excellent growth for the period under review.

Shareholders' funds increased to R6 323 million (2002: R4 693 million) and return on average shareholders' funds was stable at 20% (2002: 21%) during the period.

SEGMENTAL ANALYSIS

The group has prepared its operating results in euro terms for the first time, which are included in its segmental analysis.

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

SEGMENTAL ANALYSIS IN EURO

for the six months ended 31 December 2003

Euro '000	Revenue 31/12/2003	Revenue 31/12/2002	% change
Manufacturing	446 465	376 261	19
Wholesale and distribution	210 101	161 806	30
Total	656 567	538 067	22

for the six months ended 31 December 2003

Euro '000	Earnings before exceptional items, goodwill, interest and taxation 31/12/2003	Earnings before exceptional items, goodwill, interest and taxation 31/12/2002	% change
Manufacturing	53 482	36 497	47
Wholesale and distribution	26 260	18 174	44
Total	79 742	54 671	46

GEOGRAPHICAL ANALYSIS IN EURO

for the six months ended 31 December 2003

Euro '000	Revenue 31/12/2003	Revenue 31/12/2002	% change
Southern Africa	180 664	149 838	21
European Community	313 086	238 067	32
Eastern Europe	134 180	124 208	8
Australia and New Zealand	28 636	25 954	10
Total	656 567	538 067	22

for the six months ended 31 December 2003

Euro '000	Earnings before exceptional items, goodwill, interest and taxation 31/12/2003	Earnings before exceptional items, goodwill, interest and taxation 31/12/2002	% change
Southern Africa	17 994	13 389	34
European Community	40 041	25 171	59
Eastern Europe	20 785	15 526	34
Australia and New Zealand	923	585	58
Total	79 742	54 671	46

SEGMENTAL ANALYSIS IN RAND

for the six months ended 31 December 2003

Rand '000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	3 663 292	68	438 824	67	4 425 899	70
Wholesale and distribution	1 723 902	32	215 470	33	1 896 815	30
Total	5 387 194	100	654 294	100	6 322 714	100

Earnings before exceptional items, goodwill, interest and taxation includes share of associate income of R54 091 000.

for the six months ended 31 December 2002

Rand '000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Manufacturing	3 706 175	70	359 494	67	3 383 850	72
Wholesale and distribution	1 593 787	30	179 018	33	1 309 386	28
Total	5 299 962	100	538 512	100	4 693 236	100

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

GEOGRAPHICAL ANALYSIS IN RAND

for the six months ended 31 December 2003

Rand '000	Revenue	%	Earnings before exceptional items, goodwill, interest and taxation	%	Net assets	%
Southern Africa	1 482 370	28	147 642	23	1 435 619	23
European Community	2 568 904	48	328 540	50	3 826 202	61
Eastern Europe	1 100 959	20	170 539	26	995 101	16
Australia and New Zealand	234 961	4	7 573	1	65 792	1
Total	5 387 194	100	654 294	100	6 322 714	100

Bruno Steinhoff, Executive Chairman commented:

"We are particularly pleased with our growth achievements in Euro terms while maintaining our earnings per share in Rand terms."



GEOGRAPHICAL ANALYSIS

for the six months ended 31 December 2002

Rand '000	Revenue	%	Earnings before exceptional items goodwill, interest and taxation	%	Net assets	%
Southern Africa	1 475 906	28	131 884	24	1 316 350	28
European Community	2 344 960	44	247 935	46	2 592 383	55
Eastern Europe	1 223 449	23	152 931	28	706 149	15
Australia and New Zealand	255 647	5	5 762	1	78 354	2
Total	5 299 962	100	538 512	100	4 693 236	100

An amount of R445 million (2002: R479 million) of Africa's revenue represents exports to the European Community and the USA amounting to approximately 30% (2002: 32%) of its activities. The group's revenue exposure to the local South African furniture market amounted to 19% (2002: 19%).

CORPORATE ACTIVITY

- it placed 145 292 871 shares in the off-shore market in November 2003 pursuant to an International Equity Offering which raised euro 122.6 million, before expenses. This placing is in line with the group's stated objective of increasing its non-resident shareholder base, which, at 19 December 2003, stood at 53% of the company's issued share capital. In addition, the average trading volumes of Steinhoff shares have increased substantially and, inter alia, led to the inclusion of Steinhoff in the MSCI Emerging Market Indices;
- an investment by a European subsidiary of AUD 115 million effectively in the sourcing, distribution and manufacturing (Steinhoff Pacific) interests of Freedom Group Limited ("FGL") pursuant to FGL's de-listing from the Australian Stock Exchange;
- the acquisition by Relyon Group (UK) of the Sprung Slumber division of Airsprung Plc announced on the JSE News Services (SENS) on 5 October 2003;
- in South Africa the group concluded a medium term Corporate Bond issue of R1 billion to facilitate the re-financing of existing short-term facilities and, accompanied by normal operating cash generation, would accomplish optimal funding for capital expenditure and strategic acquisitions and investments, including PG Bison Holdings; and
- the offer by Steinhoff Africa or its nominee for the remaining 65,01% of the issued shares in PG Bison Holdings on the basis of an immediate cash sale applicable to corporate shareholders and an earn-out applicable to shareholders comprising management and certain trusts which hold shares on behalf of other employees. This offer is still subject, inter alia, to the approval of the competition authorities in South Africa.

CORPORATE GOVERNANCE

The group complies in all material respects with the JSE Securities Exchange Listing Requirements and the Code of Corporate Practices and Conduct published in the King Report on Corporate Governance.

TRIPLE BOTTOM LINE

The group's support of HIV/AIDS initiatives, sound labour relations, skills training and development and creating an environment where all of its employees, worldwide, can develop to their fullest potential, continues. Compliance with environmental regulations remains a priority. The group's production facilities, processes and raw materials used are continuously evaluated to ensure sustainability and acceptable standards. Black Economic Empowerment of enterprises within our South African operations remains an integral part of the group's strategy.

CHANGES TO BOARD

Mr Rodney Howard Walker, the Chief Executive Officer of FGL in Australia, has been appointed to the company's board with effect from 1 March 2004.

DIVIDEND

Going forward the board will be reviewing its dividend policy. It intends to offer cash dividends covered not more than 5 times by its earnings per share, in lieu of capitalisation shares. It is the group's stated policy to declare dividends once a year after its financial year-end at 30 June.

OUTLOOK

The European and Australian operations are continuing to grow through leveraging their core strengths and competencies. It is expected that the expanded Australian investment will further benefit from the critical mass achieved through combining the sourcing capabilities and expertise of Steinhoff Europe and the businesses of FGL. The expanded manufacturing base in Poland, Hungary and Ukraine, particularly with respect to the Mail Order market served from the Polish operations, bode well for increased exports into the European Union. The additions of complementary products and brands to the group's offering (e.g. Puris Bad in Germany (bathroom furniture) and Sprung Slumber in the UK) are expected to increase the group's market coverage and synergies in terms of distribution, sourcing of raw materials and complementary customer bases. The establishment of the new logistics centre in Leinefelde, Germany, has been completed and the enhanced centralised distribution and logistics efficiencies have already had a positive effect on European margins. Steinhoff Africa will continue to grow its exports from Southern Africa, benefiting from economies of scale and better utilisation of production capacity and improved efficiencies, in 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. Management expect to achieve growth in headline earnings from the continuing operations for the remainder of the current financial year.

On behalf of the board of directors

B E Steinhoff
Chairman
1 March 2004

M J Jooste
Chief Executive Officer

Administration

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