

Review of results

As markets around the world emerge from the recession, we are delighted to report pleasing results that have been supported by our mass market value-orientated positioning.

Operational review: STEINHOFF EUROPE

The success of the vertically integrated business model in Europe increased operating margins further in both the retail and manufacturing and sourcing segments. Economies of scale and increased cost advantages continue to support the effectiveness of our supply chain and service levels to both our internal and external customer base.

Integrated retail

Retail activities: Household goods

United Kingdom
The trading conditions in the UK, especially in relation to big ticket discretionary consumer goods, remained difficult throughout the first half of this financial year. In the furniture retail business, the closure of underperforming Reid stores in Ireland towards the end of the previous financial year has resulted in an expected decrease in sales for the UK retail division. However, store closures and a decreased overheads structure led to improved margins. In addition, the demand for a focused high-volume product range, produced by our dedicated upholstery factory in Wales, is further increasing productivity and trading densities. The UK retail division, particularly within the bed retail fascias, is in a retail store expansion phase. The enlarged retail footprint, supported by advertising and marketing initiatives, is expected to result in market share gains.

Continental Europe
Supported by a resilient and growing demand in the discount segment, the retail businesses in continental Europe delivered another set of commendable results. The store roll-out plan continues and average turnover targets for the new stores are being met ahead of budget.

An increase in turnover and stable overheads resulted in improved margins. Gross and operating margins were supported by an appropriate product range and product mix which were optimised in the new, larger store format. More encouragingly higher trading densities are being achieved throughout this division mainly as a result of the benefits of the now completed store format integration.

Our various retail joint ventures had mixed results. While good growth was achieved within the studio concept stores, consumer confidence in eastern Europe varied, affecting our results in these countries.

Pacific Rim
We have seen a notable improvement in sales and margins in Freedom Australia during the second quarter due to successful ranges and better product purchasing. Snooze and BayLeatherRepublic delivered strong performances for the period.

Manufacturing and sourcing
United Kingdom
The manufacturing division in the UK has performed well during the period under review and profitability is well ahead of the prior year. The dedicated Harveys upholstery factory is performing at efficient levels benefiting both the retail and manufacturing

businesses. Relyon and Pritex both performed well with good revenue growth in Pritex and substantial cost reductions in Relyon.

Continental Europe
We experienced mixed results within our European manufacturing division. Our eastern European division's turnover was slightly down against that of the comparative period. This is mainly as a result of increased competition from Asian imports on high-volume product. Contrary to the experience of the eastern European mass market upholstery division, our German manufacturing operations and dedicated trading businesses, as well as wholesale activities in the Benelux countries, have all reported good results for the six months under review.

International sourcing
The Steinhoff International sourcing division continues to show encouraging growth. A low overhead structure increased margins during the period under review. Importantly, this division reported minimal product quality issues and improved service levels to our group operations. This division continues to be one of the good performers and is set to benefit further from the economies of scale that an enlarged European retail footprint will bring to this division.



Diversified industrial

Operational review: STEINHOFF AFRICA

The Southern African business increased revenues by 11.9% due to a strong performance from the logistics and automotive service divisions. While the domestic consumer market is showing signs of recovery, trading conditions remained challenging specifically for those businesses that are exposed to the building and construction industry which remain subdued.

Retail activities: Building supplies
Steinbuild has reported improved results for the period and the overhead structure has been realigned for a market that is not expected to recover in the short term.

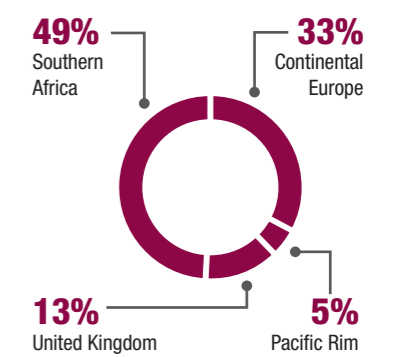
Retail activities: Automotive
The automotive retail industry has seen marked improvement in new vehicle volumes and experienced some pressure in the used car market. Turnover improved by 14%, while operating margin increased 26%, reflecting the division's loyal brand strategy and penetration in the higher margin value segment of the market. Margins improved to 2.3% (1H10: 2.1%) as a result of increased sales.

Manufacturing and sourcing
The building industry again recorded real negative growth to the end of the 2010 calendar year. The integrated timber businesses of PG Bison performed satisfactory for the period under review despite prolonged competition from imports on the back of the strong rand. The division's value added strategy improved margins with turnover slightly up from that of the previous period. Exports into Africa remain a focus area for this division, with sales showing good growth.

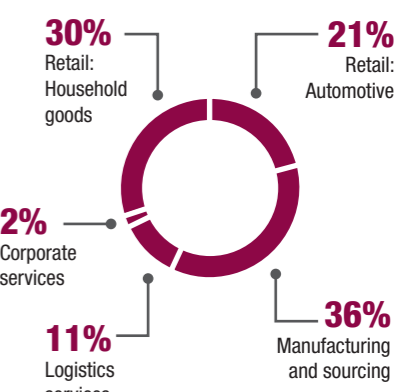
The foam division continued to show encouraging growth. It increased sales and margins through its differentiation and product innovation strategy. The textile division is benefiting from the DesleeClama joint venture, and the newly introduced innovative product range is proving successful in a competitive marketplace.

Logistics services
This division delivered good results. The freight and logistics division has seen a solid increase in revenue and has increased margins through disciplined cost control. The fuel and chemical division reported strong growth on the back of increased refined product volumes imported. Sugar and agriculture volumes decreased as a result of the drought affecting the sugarcane crop supply. The passenger division reported good results with increased turnover and margin in a competitive environment.

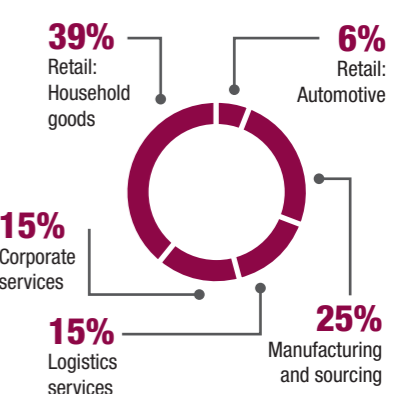
REVENUE PER GEOGRAPHICAL REGION



REVENUE PER SEGMENT



TOTAL ASSETS



Financial review

We are delighted to report another pleasing set of results as the global economic recovery gathers momentum.

Pro forma constant currency review

The average rand exchange rate strengthened by 15% against the euro, from R11.15:€1 in the comparative period to R9.45:€1 for the six months ended 31 December 2010. On a pro forma constant currency basis (which restates the current results using the same average conversion rate as for the previous period) group revenues would have been up by 5% (reported down 3%), HEPS would have been up by 14% (reported down 1%) and EPS would have been up 15% (reported constant).

Revenue

Gross revenue and volumes increased during the period under review. With the group's reporting currency (rand) strengthening by 15% during the period against the euro, and 51% of the group's revenue earned in currencies other than the rand, the real growth within the group's underlying businesses is not apparent when translated into and evaluated in rand.

Group turnover in our African operations increased by 11.9% to R11 753m, while non-African turnover, as measured in euro, increased to €1 295m (1H10: €1 285m).

Operating margin

Operating margin increased to 10.4% (1H10: 10.1%). The group's focus on optimising the supply chain and maximising intra-group business drove operating margin improvement. The group's hedging policies and bulk raw material purchases in the previous period provided some protection from the increased input costs and dollar strength in the current period.

Net finance charges

Net finance charges decreased by 11% to R454m (1H10: R509m), reflecting the low interest rate environment prevailing throughout the period under review and sound cash and working capital management throughout our global activities.

Taxation

The taxation rate of 12.3% was in line with that of the comparative period (1H10: 12.5%) and management anticipates, in relation to the existing operations, that the average group taxation rate should not exceed 15% of pre-taxation income in the foreseeable future.

Assets

The group's total assets, as at 31 December 2010, amounted to R57 971m (FY10: R57 181m), while net asset value per share decreased by 2% to 1 631 cents per share (FY10: 1 657 cents per share). The majority of the group's assets are situated in Europe. These assets were converted at a closing rate of R8.88:€1 compared with R9.38:€1 at 30 June 2010 (a 5% strengthening).

Working capital

In line with the cyclical trading conditions, particularly the integrated household goods businesses in Europe, working capital increased by R1.1bn (1H10: R0.9bn). The month of December is renowned in the household goods industry for high stock levels, particularly within the manufacturing and retail businesses as they prepare for the peak sales period in January. In addition, the group intentionally increased stock in the run-up to the important January trading period to mitigate any disruptive effects of the severe winter weather conditions experienced in the previous year and which were indeed repeated this year.

The group insures its debtors and its exposure to other retailers in which Steinhoff has a financial interest, either as a result of participating investments, studio/retail concepts development or other expansion projects.

Debt

The group remains well capitalised. At 31 December 2010, the group had net interest-bearing debt of R8.4bn (FY10: R9.2bn) resulting in a net gearing ratio of 30% (FY10: 34%).

The group maintains an appropriate long-term debt maturity profile. All material facilities with maturities falling within the current calendar year were refinanced.

At 31 December 2010, the group had R5.3bn (FY10: R5.1bn) cash and cash equivalents and confirmed unutilised borrowing facilities of R10.2bn (FY10: R7.2bn) without taking into account acquisition facilities referred to under Corporate activity.

Cash flow

The group's net cash flow generated from operations amounted to R1.9bn, in line with the comparative period (1H10: R2.0bn). Cash generation is determined after taking into account a net increase in working capital of R1.1bn (1H10: R0.9bn).

The group's cash flow from operating activities was maintained at R1.4bn which underscores the quality of earnings and management's priority to continue delivering profitable growth.

Corporate activity

– In September 2010, Steinhoff issued its third convertible bond to raise an amount of €390m, before expenses. At launch, this bond related to 139.3m underlying ZAR ordinary shares in Steinhoff at a reference price from launch to closing, of 1 908 cents per share to be issued at an initial conversion price of 2 575.8 cents per share, being an initial conversion premium of 35% above the reference price. It is redeemable at a redemption premium of 107.51% of the principal amount, resulting in an effective conversion price of 2 769.2 cents per share (a premium of 45.1% to the reference price). The proceeds of the bond were utilised for general corporate purposes of the group including extending and diversifying the debt maturity profile and to provide financial flexibility for strategic initiatives.

– On 25 January 2011, Steinhoff reached an agreement with PPR to acquire 99.98% of the entire issued share capital of Conforama for a cash consideration of €1.2bn. Conforama will give Steinhoff immediate access and scale in the €9.3bn (FY 2009) French furniture retail market. In addition, Conforama's presence in continental Europe (Switzerland, Portugal, Spain, Italy and Croatia) will be highly complementary to Steinhoff's existing retail geographic footprint, and its established global supply chain. In addition, Steinhoff's core retail expertise resides in its premium value-orientated proposition similar to that of Conforama, and as such the combined business will benefit from the complementary product offering, customer profile, marketing efforts and supply chain expertise. The purchase consideration is to be funded by a combination of available cash resources, acquisition debt facilities and equity that will include the issue of up to 137m reserved ordinary shares. In addition, Steinhoff will procure that Conforama refunds PPR's working capital facility on closing. The transaction is subject to obtaining the appropriate authorisation of the competition authorities and Steinhoff shareholders, in a general meeting, approving the resolutions necessary to effect the transaction. A notice convening a general meeting and circular was posted to shareholders on 24 February 2011. The general meeting to be held on 11 March 2011 will require shareholders to consider and approve the transaction. As previously communicated Steinhoff has secured the support of holders of 53% of its ordinary shares for this transaction.

Distribution of Steinhoff

It is the group's policy to declare distributions once a year after its financial year-end 30 June.

Outlook

Our strategy of building quality businesses of scale and profitability with significant integration capability continues. As the global economic recovery gathers pace, our global businesses are well positioned to maintain our growth in a sustainable and profitable way.

The acquisition of Conforama is expected to be completed in the coming weeks. The proposed acquisition represents a great advance towards the completion of our mass-market retail footprint in continental Europe, and in addition will accelerate growth within the existing supply chain.

Notwithstanding the acquisition of Conforama, we remain dedicated to our traditional long-term strategic partners and customers in Europe. The European household goods market remains very fragmented and consolidation within our market space will continue. We are confident that our European businesses, in leveraging our network of relationships, customers and strategic partners, are optimally positioned to benefit most from the growth and consolidation expected in our industry in the medium term.

In Africa, we will continue to evaluate and explore opportunities that could further benefit our strong positioning in the integrated logistics, retail and raw material businesses.

Rand strength will continue to impact the group's rand reported earnings if the growth in euro profits does not outperform the effect of the change in the average rand translation rate.

Capital markets have further improved and the group's focus on sustained sound credit metrics will continue to protect the financial flexibility and optimise the group's capital structure and cost of capital.

While our interim results are satisfying, we are excited about the future of our company. Our business is well positioned to continue to deliver sustainable profits. We continue to investigate opportunities to extract maximum value from the business we have been building over the past forty years.

On behalf of the board of directors

Len Konar
INDEPENDENT CHAIRMAN

Markus Jooste
CHIEF EXECUTIVE OFFICER

1 March 2011

Additional notes

1. Corporate governance

Steinhoff has embraced the recommendations of the King Reports on Corporate Governance and strives to provide integrated reports to shareholders that are timely, accurate, consistent and informative.

2. Social responsibility

Steinhoff continues to be recognised for its corporate social investment activities. The group remains committed to the related initiatives and is conscious of the needs in this regard.

3. Human resources

A constructive working relationship is maintained with the relevant stakeholders. Ongoing skills and equity activities continue to ensure compliance with current legislation.

The group continued with initiatives that contribute to broader skills development and the sourcing of appropriately qualified staff on an ongoing basis.

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. Changes in directorate

Effective 10 December 2010, Paul van der Bosch was appointed executive director to the Steinhoff International Holdings Limited's board of directors. Paul replaced Ian Topping who retired from the board on the same date.

6. Further events

No significant events, other than those referred to within the Corporate activity section of this report, have occurred in the period between the reporting date and the date of this report.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's auditors.

For more detail on the group's listed investment, shareholders are referred to the results and/or corporate announcements and financial information of:

KAP International Holdings Limited – 1 March 2011
www.kapinternational.com

Selected explanatory notes

Statement of compliance

The consolidated interim financial information for the six months ended 31 December 2010, has been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board, the interpretations adopted by the International Accounting Standards Board (IASB), the listing requirements of the JSE, and the requirements of the South African Companies Act. 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 2010.

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 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 2010. For a full list of standards and interpretations which have been adopted we refer you to the 30 June 2010 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.

Administration

STEINHOFF INTERNATIONAL HOLDINGS LIMITED

("Steinhoff" or "the company" or "the group") **Registration number:** 1998/003951/06 (Incorporated in the Republic of South Africa)
JSE share code: SHF **ISIN code:** ZAE00016176 **Notice of registered office and postal address:** 28 Sixth Street, Wynberg, Sandton 2090, PO Box 1955, Bramley, 2018; Republic of South Africa
Tel: +27 (11) 445 3000 **Fax:** +27 (11) 445 3094
Directors: D Konar* (Chairman), MJ Jooste (Chief executive officer), SF Booysse*, DC Brink*, YZ Cuba*, CE Daur*, HJ Ferreira, SJ Grobler, JF Mouton*, FJ Nel, FA Son*, BE Steinhoff*, PJJ Van den Bosch*, DM van der Merwe **Alternate directors:** JNS du Plessis, KJ Grove, A Krüger-Steinhoff*, AB la Grange (*Belgian * German * non-executive / Independent) **Company secretary:** SJ Grobler **Auditors:** Deloitte & Touche
Sponsor: PSG Capital (Proprietary) Limited **Transfer secretaries:** Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001

Steinhoff Investment Holdings Limited

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

Declaration of dividend number 11 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 of Steinhoff Investment has resolved to declare a dividend of 362 cents per preference share in respect of the period from 1 July 2010 up to and including 31 December 2010 (the dividend period), payable on Monday, 18 April 2011, to those preference shareholders recorded in the books of the company at the close of business on Friday, 15 April 2011. This dividend has been determined on the basis of 75% of the prime bank overdraft lending rate of Absa Bank Limited prevailing over the dividend period, applied to the nominal value plus premium (of R100.00 per preference share, in the aggregate). The dividend is payable in the currency of South Africa.

	2011
Last date to trade cum dividend	Friday, 8 April
Shares trade ex dividend	Monday, 11 April
Record date	Friday, 15 April
Payment date	Monday, 18 April

Share certificates may not be dematerialised or rematerialised between Monday, 11 April 2011 and Friday, 15 April 2011, both days inclusive.

On Monday, 18 April 2011, the preference dividend will be electronically transferred to the bank accounts of preference shareholders. Preference shareholders who have dematerialised their shares will have their accounts credited on Monday, 18 April 2011.

Taxation amendments

We refer to previous communications regarding the introduction of dividends tax. As mentioned in the 2011 Budget Speech on 23 February 2011, dividends tax should come into operation with effect from 1 April 2012.

Given the above, preference shareholders are advised that the board is considering the impact of the legislative amendments on the cumulative non-redeemable non-participating preference shares.

A further announcement in this regard will be made once the impact has been finally assessed.

On behalf of the board of directors

Len Konar
INDEPENDENT CHAIRMAN

Piet Ferreira
EXECUTIVE DIRECTOR

1 March 2011