Steinhoff International

September 2010

Steinhoff
International Holdings Ltd

Audited Financial Results

FOR THE YEAR ENDED 30 JUNE 2010

7 September 2010

Introduction

Len Konar

Chairman

Agenda

- Year in review
- Operational Review
  - Northern hemisphere
  - Southern hemisphere
- Financial performance
- Prospects

Year in review

Markus Jooste

CEO

Year in review

- Operational strategy delivers results
  - Revenue: quality versus quantity
  - Consistent hedging policy
- Increased group trade drives scale benefits and margin
  - Group companies: a safe trading partner in tough times
- Entrepreneurial management team delivers on cash targets

Year in review

- Consistent financial policy management strengthens balance sheet
  - Cash
  - Long-term debt maturity profile
  - Invest for the long term
    - *Partners*
    - *Sites*
- BEE transaction successfully implemented
  - 1st distribution made in March 2010

Operational review

UNITED KINGDOM AND CONTINENTAL EUROPE

Retail: Household goods

UNITED KINGDOM AND CONTINENTAL EUROPE

Retail: Household goods

UNITED KINGDOM

- Retail: Furniture
  - Year of two halves
    - *Revenue improvement with stable margins*
  - Internet trading
    - *Rapid growth*
  - Irish market difficult
    - *Reid being restructured*
- Retail: Beds
  - Revenue and operating profit increase
  - Switch bedroom furniture from Harveys to Beds

Retail: Household goods

CONTINENTAL EUROPE

- Retail: Household goods
  - Strong economies (German speaking territories) drive buoyant consumer behaviour
  - Rapid store expansion programme
  - Strong margins
  - Increased buying power benefits entire group
  - Increased trade with group companies

Retail Participation: Household goods

CONTINENTAL EUROPE

- Participating retail interests
  - Good growth in studio concepts
  - Weak eastern European consumer
  - Eastern European retail strategy on track
    - *Slowdown store rollout programme*
  - Continued investment in partners and sites

Logistics

UNITED KINGDOM AND CONTINENTAL EUROPE

Logistics

UNITED KINGDOM AND CONTINENTAL EUROPE

- Unitrans UK
  - Business simplified and overhead halved
  - Focus on servicing Harveys and Cargo
- Global Warehouse Logistics
  - Competitive advantage
  - Increased internal and external customer base
  - Strengthened management team


Manufacturing and sourcing

UNITED KINGDOM AND CONTINENTAL EUROPE

Manufacturing and sourcing
UNITED KINGDOM

- Bedding manufacturing
  - Successful UK management integration with Pritex
  - Product innovation drives sales
  - Intragroup sales increased by over 30%
  - Norma and Hukla much improved performance
- Upholstery manufacturing
  - Fully integrated with Harveys
  - Manufacturing strategy drives increased efficiencies and margins

Manufacturing and sourcing
UNITED KINGDOM

- Pritex
  - Revenue increase of 30% from last year
    - *Automotive recovery*
    - *Intragroup sales increase by 34%*
  - Roll-up mattress sales continue to grow
    - *Dedicated new factory commissioned*

Manufacturing and sourcing
EASTERN EUROPE

- Upholstery division
  - Weak Zloty
    - *Increased external customer demand*
    - *Improved margins*
  - Increased efficiencies and margin as result of restructure
    - *Better buying*
    - *Lower overhead*
    - *Product innovation*

Manufacturing and sourcing
CONTINENTAL EUROPE

- Wholesale/trading company: BST
  - Good performance
    - *Service offering*
    - *Euro:Dollar*

Manufacturing and sourcing
CONTINENTAL EUROPE

- Growth through dedicated and successful partners
  - Puris
    - *Continues to dominate retail floor space with little competition in Germany*
    - *Record revenue growth and net profit performance*
  - Habufa
    - *Increased gross and net margin*

Operational Review

AFRICA , INDIA AND PACIFIC RIM

Danie van der Merwe

CEO



Retail

SOUTHERN HEMISPHERE

Retail: Household goods

PACIFIC RIM

- Australian market remains very competitive
- Freedom
  - Management team strengthened
  - Marketing effort focused to be more pro-active
  - Product ranges re-focus for traditional Freedom consumer
- Another good performance from Snooze
- BayLeatherRepublic growing well
- Logistics remain focus area
- Manufacturing strategy revisited

Retail: Building supplies and DIY

SOUTHERN AFRICA – PENNYPINCHERS & TIMBERCITY

- Cyclical industry that remains tough
- Refocus local business
- Revisited Africa strategy
- Growth opportunities explored

Retail: Automotive

SOUTHERN AFRICA

Retail: Automotive

SOUTHERN AFRICA – UNITRANS MOTORS

- Vehicle sales market returns to growth
- Consumers’ access to credit improves
- Growth in revenue
- Margin improved
- Hertz performance

Integrated logistics

SOUTHERN AFRICA

Integrated logistics

SOUTHERN AFRICA – UNITRANS SUPPLY CHAIN SOLUTIONS

- New contracts across spectrum
- Renewal of existing contracts - competitiveness of service offering
- Focus on warehousing and distribution business stream
- Sugar and Agriculture business turnaround

Integrated logistics

SOUTHERN AFRICA - UNITRANS PASSENGER

- Business again show record growth
  - Contract base broadened
  - Sound performance from Greyhound
  - Gautrain feeder contract commenced
- Growth prospects continue

Integrated manufacturing and sourcing

SOUTHERN AFRICA

Manufacturing and sourcing

SOUTHERN AFRICA - INTEGRATED TIMBER OPERATIONS - PG BISON

- Weak demand in industry continues
- Cost cutting/restructuring – new base
- Value adding strategy
- New markets (outside South Africa) explored

Manufacturing and sourcing

SOUTHERN AFRICA: RAW MATERIALS - VITAFOAM

- Strong performance in local market
- Value adding strategy paying off
- Footprint throughout southern Africa
- Expansion into Africa/India

Manufacturing and sourcing

SOUTHERN AFRICA: TEXTILES – DESLEEMATTEX

- DesleeClama transaction successfully implemented
  - New technology
  - Wider offering
  - Increased competitiveness against imports

Manufacturing and sourcing

SOUTHERN AFRICA: BEDDING – BCM

- Current year performance challenging
  - Market conditions
  - Steel price
  - Exports
- Clear future strategy
  - Focus on African expansion
  - Wire capacity utilisation

Steinhoff International sourcing

- Increase in orders processed and containers shipped
- Quality track-record further improved
- Flexibility throughout Asian countries
- Future growth opportunities explored

Associate investment and corporate activities

- India
  - Quality improvement
  - Increased intragroup trading
  - Infrastructural expansion to service new markets
- Kap International Holdings Limited
  - Good performance with restructured business
  - Great future prospects
- Property division

FINANCIAL PERFORMANCE

Financial Performance

Ben la Grange

CFO: Southern Hemisphere

Financial performance

OPERATIONAL STRATEGY DELIVERS RESULTS

Revenue

Gross euro denominated revenue increased to €3.7bn (2009: €3.4bn)

Rand denominated revenue increased to R20.6bn (2009: R19.3bn)

Intragroup revenue increased to R13bn (2009: R11.5bn)

Financial performance

OPERATIONAL STRATEGY DELIVERS RESULTS

Profit

Operating margin increased to 10.8% (2009: 10.1%)

Headline earnings increased to R3.5bn (2009: R3.2bn)

Financial performance

OPERATIONAL STRATEGY DELIVERS RESULTS

Cash

Cash generated from operations increased 45% to R5.7bn (2009: R3.9bn)

Cash inflow from operating activities increased 73% to R4.4bn (2009: R2.6bn)

Cash and cash equivalents increased to R5.1bn (2009: R4.7bn)

AUDITED RESULTS FOR THE YEAR ENDED 30 JUNE 2010

Financial performance

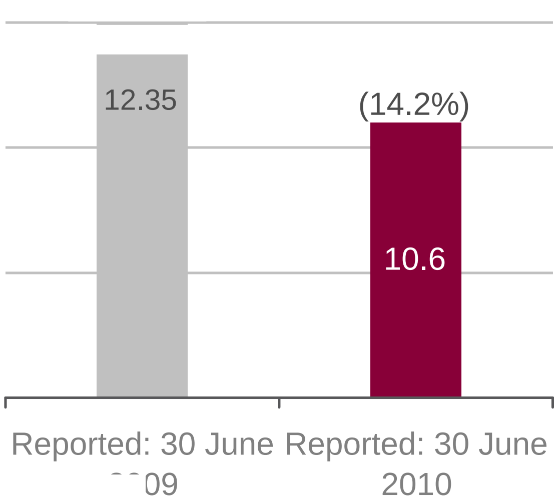
	2010	2009
Revenue (R'm)	**48 040**	50 869
Operating profit (R'm)	**5 207**	5 153
Operating margin (%)	**10.8%**	10.1%
Headline earnings (R'm)	**3 504**	3 226
EPS (cents)	**251.5**	254.7
HEPS (cents)	**254.6**	251.5
NAV per share (cents)	**1 657**	1 642
Distribution per share (cents)	**63**	60
ZAR denominated revenue	**43%**	38%
Average translation rate ZAR:EUR (14% change)	**10.5954**	12.3503

Financial performance
ZAR DENOMINATED REVENUE: 43% (2009: 38%)

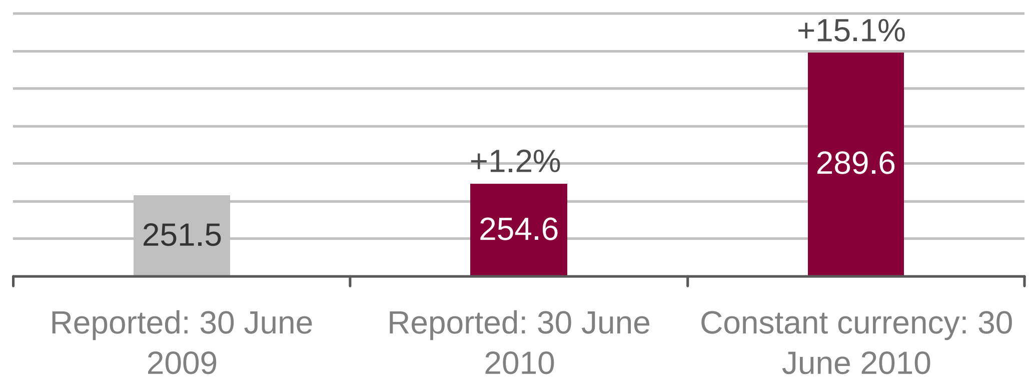
	Average translation rate			Closing translation rate		
	2010	% change	2009	**2010**	% change	2009
EUR:ZAR	10.60	(14.2%)	12.35	9.38	(13.4%)	10.83
EUR:PLN	4.31	10.2%	3.91	4.15	(7.2%)	4.47
EUR:GBP	0.83	1.2%	0.82	0.81	(4.7%)	0.85
EUR:AUD	1.59	(6.5%)	1.70	1.43	(18.3%)	1.75
EUR:USD	1.31	(12.1%)	1.49	1.22	(7.0%)	1.41
EUR:CHF	1.42	(9.6)	1.57	1.32	(13.2)	1.52
EUR:HUF	279.45	9.7%	254.73	286.46	5.1%	272.43
EUR:NZD	1.96	(7.5%)	2.12	1.75	(19.4%)	2.17

Euro weakness affecting earnings translation

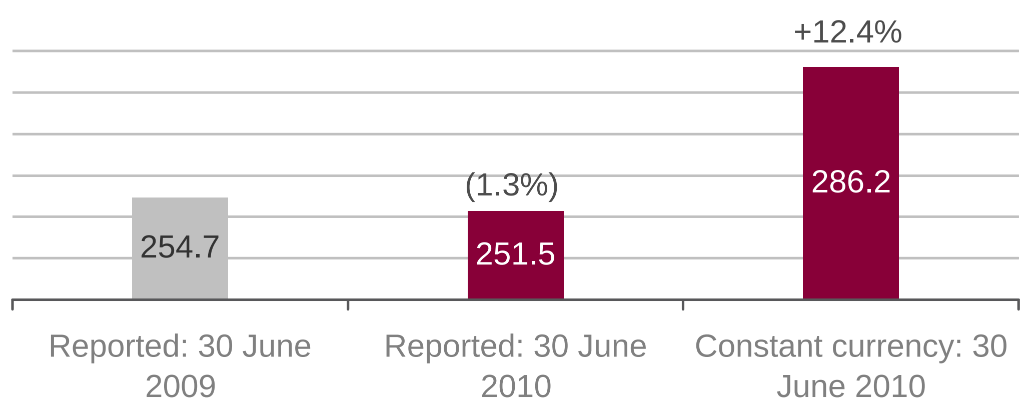
ZAR:EUR average exchange rate



Headline earnings per ordinary share (cents)



Earnings per ordinary share (cents)



Cash flow

	Rand million	
	2010	2009
Operating profit before capital items	**5 207**	5 153
Depreciation	**920**	974
Revaluation of biological assets and other non-cash adjustments	**(53)**	(256)
Working capital changes	**(376)**	(1 937)
Inventory	**(241)**	541
Debtors	**(619)**	(933)
Creditors	**484**	(1 545)
Dividends, taxation and interest	**(1 226)**	(1 350)
Cash flow from operating activities	**4 472**	2 584

Cash flow
CONTINUED

	Rand million	
	2010	2009
Cash flows from operating activities	**4 472**	2 584
Investing activities	**(3 271)**	(3 987)
Fixed assets: replacement capex	**(251)**	(207)
Fixed assets: expansion capex	**(496)**	(1 066)
Investments in subsidiaries	**73**	(30)
Investments in retail participation	**(1 451)**	(1 061)
Increase in other investments and loans	**(1 158)**	(730)
Investments in associates	**(148)**	(860)
Decrease/(increase) in treasury shares	**160**	(33)
Financing activities	**(218)**	1 702
Movement in cash and cash equivalents	**983**	299

Headline earnings
RECONCILIATION

	Rand million	
	2010	2009
Attributable earnings	**3 541**	3 379
Capital items (net of tax)	**44**	(48)
Net loss/(profit) on disposal of capital items	**36**	(56)
Impairments: Property, plant and equipment	**24**	12
Impairments: Other	**3**	–
Other	–	(5)
Tax effects of capital items	**(19)**	1
Preference share dividends	**(81)**	(112)
Re-measurement	–	7
Headline earnings	**3 504**	3 226

Tax rate
RECONCILIATION

	Rand million	
	2010	2009
Standard rate of taxation	**28.0**	28.0
Foreign subsidiaries’ statutory tax rate effect	**(14.5)**	(11.6)
Utilisation of taxation losses	**(1.6)**	(2.4)
Effect of profit of associate companies	**(0.2)**	–
Prior year adjustments	**0.2**	(0.1)
STC	**0.3**	0.4
Capital gains taxation	**–**	0.1
Permanent differences and other	**(0.8)**	(0.6)
Effective rate of taxation	**11.4**	13.8

Capital structure

Stehan Grobler

Director: Treasury and Financing activities

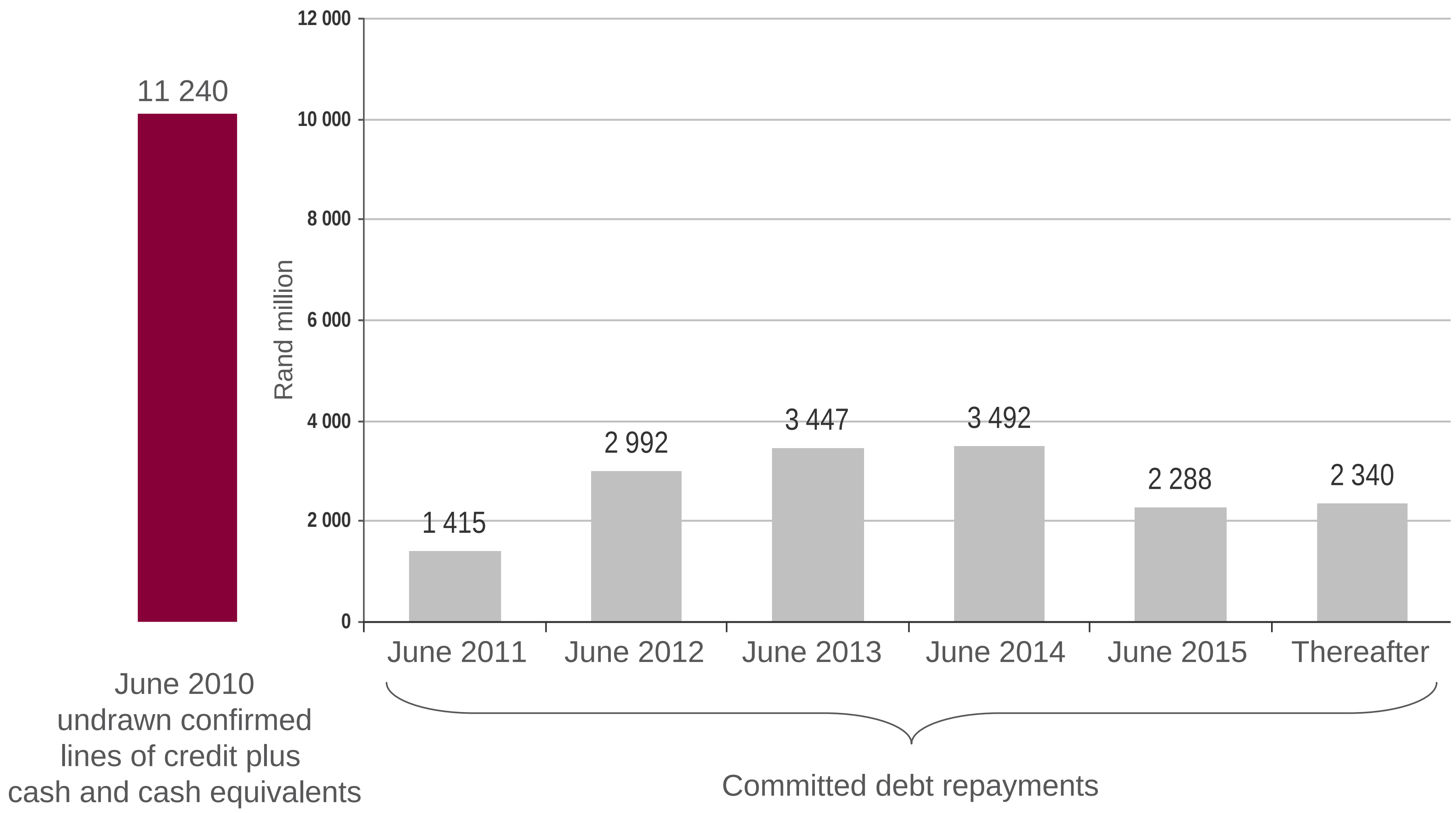
Capital structure

	2010	2009
Total equity (R'm)	**27 061**	24 924
Ordinary shareholders' funds (R'm)	**23 323**	21 021
Preference share capital (R'm)	**1 042**	1 042
Minority interest (R'm)	**2 696**	2 861
Net debt (R'm)	**9 201**	8 834
Gearing	**34%**	35%
Interest cover (times)	**5.4**	5.2
EBITDA cover (times)	**6.4**	6.1
Closing rate ZAR:EUR	**9.3781**	10.8265
Percentage decrease in closing rate = 13.4%		

EBITDAR/Adjusted debt

	Rand million	
	2010	2009
Profit before tax	**4 234**	4 209
Finance cost	**1 870**	1 959
Depreciation and amortisation	**967**	1 021
Lease expenses	**1 706**	2 640
EBITDAR	**8 777**	9 829
Long term liabilities	**15 107**	12 704
Short-term liabilities	**3 143**	4 808
Other liabilities	**990**	990
Gross debt	**19 240**	18 502
Capitalised leases	**10 238**	15 842
Adjusted debt	**29 478**	34 344
Ratio	***3.36***	*3.49*

Liquidity


11 240
12 000
10 000
8 000
6 000
4 000
2 000
0
Rand million
1 415
2 992
3 447
3 492
2 288
2 340
June 2011
June 2012
June 2013
June 2014
June 2015
Thereafter
June 2010
undrawn confirmed
lines of credit plus
cash and cash equivalents
Committed debt repayments

SEGMENTAL RESULTS

Segmental results

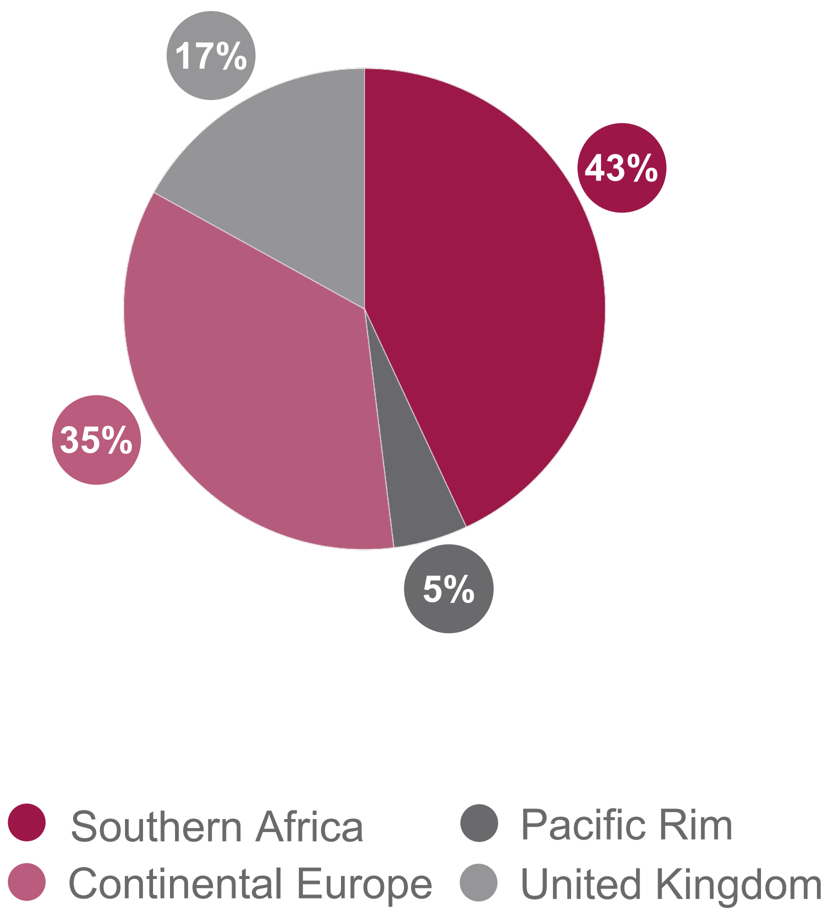
Markus Jooste

CEO

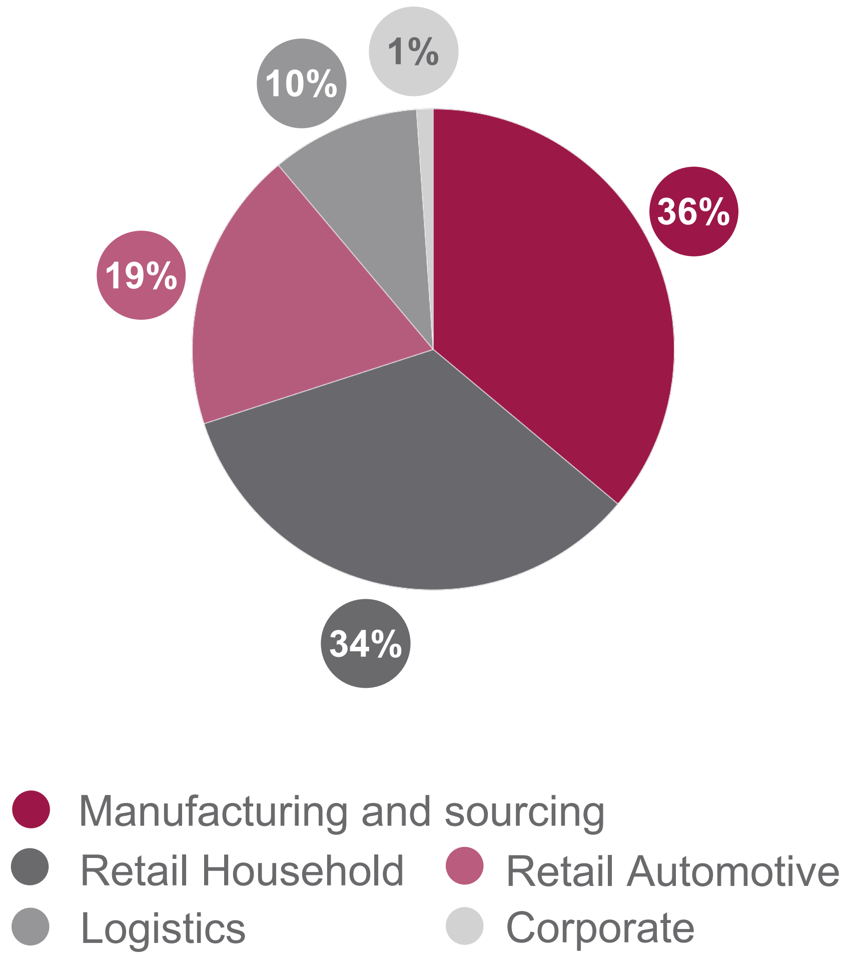
Revenue analysis

For the year ended 30 June 2010

Geographic Breakdown



Segmental Breakdown



Segmental result
REVENUE

	Rand million	
	2010	2009
Retail activities	**32 022**	31 862
Household goods and building supplies	**20 532**	21 660
Automotive	**11 490**	10 202
Manufacturing and sourcing	**22 096**	23 791
Logistics services	**6 125**	5 776
Corporate services	**879**	919
Brand management	**376**	414
Investment participation	**350**	254
Central treasury, properties, and other income	**153**	251
Total	**61 122**	62 348
Intersegment revenue eliminations	**(13 082)**	(11 479)
	48 040	50 869

Segmental result

OPERATING PROFIT BEFORE CAPITAL ITEMS

Rand million

	2010	2009
Retail activities	**1 625**	1 662
Household goods and building supplies	**1 294**	1 379
Automotive	**331**	283
Manufacturing and sourcing	**2 395**	2 560
Logistics services	**702**	677
Corporate services	**1 121**	992
Brand management	**376**	414
Investment participation	**350**	254
Central treasury, properties, and other income	**395**	324
Total	**5 843**	5 891
Intersegment profit eliminations	**(636)**	(738)
	5 207	5 153

Segmental result
OPERATING MARGINS

	2010	2009
Retail activities	**5.1%**	5.2%
Household goods and building supplies	**6.3%**	6.4%
Automotive	**2.9%**	2.8%
Manufacturing and sourcing	**10.8%**	10.8%
Logistics services	**11.5%**	11.7%
Corporate services	**–**	–
Total after intersegment eliminations	**10.8%**	10.1%

PROSPECTS

Prospects

- Continue to explore:
  - Expansion of existing African businesses
  - Household goods retail opportunities in Africa
- Organic growth targeted in:
  - United Kingdom
  - German speaking territories
- Continued investment and growth through:
  - Retail participation
  - New retail sites
- Explore new territories

THANK YOU

Steinhoff International Holdings Ltd