STEINHOFF
INTERNATIONAL HOLDINGS N.V.

AUDITED RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2018

The publication today of the delayed Annual Report for 2018 is another important milestone for the Group.

The last eighteen months have been by far the most challenging in the history of Steinhoff International Holdings N.V. (the "Company" or "Steinhoff N.V."). As a Management Board, our priority through this period has been to re-establish stability for the business by achieving a financial restructuring.

2018

TABLE OF CONTENTS

TABLE OF CONTENTS
continued

MESSAGE FROM THE MANAGEMENT BOARD

Dear Stakeholders

The last eighteen months have been by far the most challenging in the history of Steinhoff International Holdings N.V. (the "Company" or "Steinhoff N.V."). As a Management Board, our priority through this period has been to re-establish stability for the business by achieving a financial restructuring. This process has been highly complex and demanding but we aim to complete this in the near term.

This will provide a period of stability necessary for the Group to reposition itself as a more resilient business, with a clear objective of re-establishing value for stakeholders.

We have also implemented a Remediation Plan to address the shortcomings in controls and governance to ensure that improved standards of compliance, disclosure and professional conduct are adopted throughout the business as we forge a recovery.

We would like to start by re-emphasising our thanks once again, as we did in the recently released 2017 Annual Report, to all of those who have supported the Group during a very difficult time. Many of you have gone through the same feelings of profound shock, anger and disappointment that we in the Group felt as the accounting irregularities were uncovered in December 2017. We are enormously grateful to our shareholders, financiers, customers and suppliers who have stood by us as we have worked through the necessary investigations and audits, and to our employees and others who have worked above and beyond the call of duty.

Our aim as a reconstituted Management Board has been to bring stability, leadership and strong governance to a Group that still has very real challenges, but also great strengths in the retail sector, and then to drive its businesses forward to help forge a sustainable recovery.

Financial reporting

The publication today of the delayed Annual Report for 2018 is another important milestone for the Group. Preparation of these Consolidated Financial Statements, together with the 2017 Consolidated Financial Statements, has been extremely complex, especially determining the correct IFRS implications of accounting irregularities that cover an extended period and involve a substantial number of entities in various jurisdictions, both within and outside the Group. This position has been further exacerbated by the fact that certain key individuals, with the requisite knowledge to help unravel these complex transactions, and the consequential effects thereof, have not made themselves available for questioning. This has resulted in an extended investigation, detailed analysis and the need for substantial judgements to be made by the Management Board.

In arriving at these results, the Management Board has relied on both its own internal investigations and those of the PwC forensic investigation teams to glean the background and facts surrounding the irregularities. In addition, the Company has engaged with both independent technical experts and the Company's External Auditor to determine the most appropriate way to account for the financial effects of the irregularities and the consequential impact thereof. This process included detailed analyses of the numerous transactions and relationships. These analyses have in turn been discussed and reviewed by independent technical experts and reviewed and challenged by the Company's External Auditor. The finalisation of both the 2017 and 2018 Consolidated Financial Statements was dependent on the completion of PwC's forensic investigation, to ensure that all identified issues could be considered and evaluated in the preparation of the Consolidated Financial Statements, which in turn enabled completion of the audit by the External Auditor.

As we have released the 2018 Annual Report shortly after the 2017 Annual Report, we have, where it makes sense, duplicated parts of the 2017 report, including this message and the message from the Supervisory Board. This duplication is aimed at creating a bridge between both publications. Looking at either year in isolation tells only half the story and we believe this approach makes it easier for stakeholders to comprehend the Group's affairs and the surrounding context.

Achievement of these milestones paves the way for us to commence the next phase of our restructuring, which aims to stabilise the Group and maximise the return for all its various stakeholders in a way that provides a platform for the long-term growth of the underlying operating entities whilst ensuring the highest standards of corporate governance. As part of the process, we have developed a Remediation Plan aimed at addressing the shortcomings in control and governance.

This Annual Report outlines the events that followed the December 2017 announcement of the financial irregularities, and the role of the Management Board in stabilising the Company and the Group. We deal with the events leading up to the December 2017 announcement, focus on the business's performance in the financial years in question, and the financial restructuring process, and then outline our strategy and address the outlook.

At the outset it should be noted that it is now clear from the multiple investigations carried out that the accounting irregularities, over an extended period, masked the fact that the Group's profitability was challenged. As stated above, the investigations identified several areas where the financial results for the previous financial periods required restatement. The detailed restatements are available in the Financial Review of the 2017 Annual Report.

For the 12 months to 30 September 2018, the Company's consolidated net sales from continuing operations were €12.8 billion, compared with €12.5 billion for the 12 months to 30 September 2017.

Due to the level of abnormal transactions impacting each year, the Management Board has chosen to disclose, in addition to the disclosed EBITDA, Segmental EBITDA from continuing operations that excludes such abnormal transactions (please refer to note 2 to the Consolidated Financial Statements for further details). Segmental EBITDA from continuing operations was €770 million in 2018 (2017: €683 million). In both periods operating results from continuing operations were impacted by one-off expenses including professional fees of €117 million (2017: €nil), impairment charges relating to goodwill and other intangible assets of €7 million (2017: €292 million), impairment charges related to property, plant and equipment of €16 million (2017: €145 million) and impairment charges relating to other assets of €46 million (2017: €103 million).

Please refer to the Operational Review, in section 3 of the Annual Report, for more details on the operating performance.

Stabilising our financial situation

Of pressing concern has been the financial stability of the Company and the Group. We have been engaged in a relentless effort to restructure our finances since December 2017 and are now entering the final stages of this process. We are grateful to our financial creditors in agreeing to the Lock-Up Agreement in July 2018, giving us the opportunity to develop a restructuring plan which will, when implemented, give us a period of financial stability to 31 December 2021 as detailed in the Business Review.

The Management Board commenced discussions with the Group's financial creditors immediately after the news of the accounting irregularities broke in December 2017. This engagement continued throughout 2018 and in 2019 to the date of this Annual Report, at various levels in the Group. The restructuring effort has resulted in the majority of the South African debt being repaid, funds being raised successfully at operating company level and the implementation of the Lock-Up Agreement as finally amended, on 20 July 2018. The Lock-Up Agreement was aimed at providing the Group with stability by creating an extended period of time to ensure fair treatment across the various creditor groups, to allow management to focus on delivering value at the Group's operating businesses, and to achieve a deleveraging of the Group.

The restructuring of the financial indebtedness of Hemisphere, the Group's major European property-owning subsidiary, was implemented on 5 September 2018, resulting in a new, secured, three-year term loan facility of approximately €775 million.

SEAG CVA and SFHG CVA

On 30 November 2018, SEAG and SFHG, the two subsidiaries where most of the Group's financial creditors are concentrated, launched a debt restructuring through an English Company Voluntary Arrangement ("CVA") process. The SEAG and SFHG CVAs sought to implement the restructuring plan set out in the Lock-Up Agreement. When fully implemented, this will result in the restructuring of the existing financial indebtedness at each of SEAG and SFHG, and will result in the issuance of new private debt by certain newly incorporated subsidiary companies, such debt to mature on 31 December 2021 and to accrue payment-in-kind ("PIK") interest capitalising on a semi-annual basis.

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018, at which the SEAG CVA and the SFHG CVA were approved by the requisite majorities of their respective creditors and by their members. Various conditions have to be satisfied prior to implementation of the restructuring.

On 10 January 2019, an application was issued by a company claiming to be a creditor of SEAG, challenging certain provisions of the CVA proposed in respect of SEAG. Aside from this challenge, no other challenges were received. On 28 March 2019, the Company and claimant agreed that the challenge application be dismissed on consensual terms. Thereafter the parties filed with the court a consent order giving effect to that agreement. This has been approved by the competent court.

On 30 May 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the CVA Consent Request No. 3 – Omnibus Proposed Amendments and waiver. These amendments included three separate requests – (i) to amend certain terms of the SEAG CVA and the relevant SEAG Restructuring Documents; (ii) to amend certain terms of the SFHG CVA and the relevant SFHG Restructuring Documents respectively and (iii) to waive the Implementation Condition relating to certain Australian tax clearances.

SEAG and SFHG considered that the Omnibus Proposed Amendments were necessary to conclude the final outstanding matters prior to the implementation of the SEAG CVA and SFHG CVA. Given the mechanical steps and prescribed notice periods required once the approvals pursuant to this CVA Consent Request have been obtained, it was possible that not all of the relevant conditions precedent to, and/or the steps required in respect of, the implementation of the SEAG CVA and SFHG CVA would be satisfied prior to the previous CVA Long-Stop Date of 31 May 2019.

Accordingly, in order to complete the final steps, Consent Request No. 3 amended the definition of CVA Long-Stop Date to 30 June 2019. This approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

These extensions reflect the complexity of the restructuring. The Group is continuing to work hard to implement the restructuring. Despite the Group's best efforts, it appears that it might not be possible to implement the restructuring prior to 30 June 2019. Therefore, the Group expects to seek approval for a further extension of the appropriate time required to finalise and implement the CVAs.

Completion of the CVAs require a series of steps to be undertaken. The next step is the issuance of the Implementation Conditions Notice. This will prompt a period for the calculation of creditor entitlements under the new debt instruments. The remainder of the implementation timetable is as detailed in the SEAG CVA and the SFHG CVA. The final step is the issuance of the Implementation Commencement Date notice which will prompt a period of business transfers and execution of the necessary documents immediately prior to the final steps and closing.

Provided all remaining conditions to implementation are satisfied, implementation of the restructuring will commence, and it remains the objective of the Group to complete the restructuring as soon as possible.

Cash management

In addition to the Lock-Up Agreement and the CVA process, the Group has instituted tight control over capital expenditure and the management of working capital, with a clear focus on receivables, payables and inventories, to help strengthen its cash position.

A divestment programme has also moved forward at pace. The Group has announced the sale of several investments during the past 18 months. The full detail of corporate activity during 2018 and 2019 can be found in the Financial Review section of this Report of the Management Board. In view of what has transpired since December 2017, it is unlikely that the Group will engage in investment activities in the near future. Instead, it is expected that the Group will initiate further divestments to help stabilise the Group and repay financial creditors.

Litigation

Several legal proceedings have been initiated against the Company and certain of its Subsidiaries during the past eighteen months. The Litigation Working Group consisting of the CEO (Louis du Preez), a Supervisory Director (Peter Wakkie) and two nominated Supervisory Directors (Paul Copley and David Pauker), in consultation with the Group's attorneys, continue to assess the merits of and responses to these claims. A number of initial defences have been filed and recoveries against entities and individuals initiated where appropriate.

Regulatory engagement and listings

The Group continues to engage with regulators.

Steinhoff was invited to present to the South African Parliament on several occasions during 2018 and 2019 and used these opportunities to update parliamentary committees on the progress made since the announcements in December 2017.

The Company remains in contact with the Company's principal stock-market regulators regarding its listings: the AFM in the Netherlands, the FSE and the Federal Financial Supervisory Authority of Germany (Bundesanstalt für Finanzdienstleistungsaufsicht) and the JSE in South Africa.

We remain committed to maintaining open communication lines with all our regulators and this forms an integral part of the Group's Remediation Plan going forward.

Our strategic direction

As stated above, as a new Management Board, we have a clear objective: to stabilise the Company and Group in a way that ensures the long-term stability and growth of its underlying operations, maximises stakeholder returns and protects value, against the backdrop of substantially enhanced standards of corporate governance and control. This objective is at the heart of our Remediation Plan, which can be considered the first step in the implementation of the Company's strategy.

In the first instance, we are concentrating on establishing a clear understanding of the true value and potential of each of our businesses, and we will be able to further develop the future strategy of the Company once this process is complete.

We are making fundamental changes across the organisation, placing a renewed focus on the customer, as well as implementing the tighter control of capital mentioned above.

We are also stepping up our efforts to reduce our cost base and maintain local market leadership. Simplifying the organisation will assist in this regard. The purpose of our operating businesses remains the delivery of a unique standard of quality to our customers at superior value.

Together, these steps will enable us to establish a new foundation for increasing free cash generation, to reduce the level of debt and, over time, to create value for our stakeholders. The implementation and feasibility of the strategy is subject to many uncertainties assumptions and risks. In respect of those reference is made to the Risk Report, as well as the Going Concern statement in this Annual Report

Trading subsequent to the 2018 Reporting Period

In the 2019 Reporting Period, we expect that our consolidated net sales will be reduced by the impact of several factors including a number of disposals, a weaker global economy and stronger competition in our markets. These factors have been compounded by the ongoing reputational damage associated with the disclosures in December 2017, constraints from supplier credit lines and the related uncertainty associated with the group.

We expect that operating expenses, excluding the impact of currency exchange rates, will remain under pressure due to the continued inclusion of adviser costs and professional fees associated with the investigation and restructuring effort, which has been detailed and extensive. We could therefore experience an adverse impact on our consolidated operating result, before impairments, in the 2019 Reporting Period.

We also expect net finance costs, excluding the impact of currency exchange rates, to be higher than in 2018. This will adversely affect net income.

We propose continuing to restrict our capital expenditures during the 2019 financial year in order to strengthen our free cash flow. We expect to continue working on initiatives that will reduce our administrative costs, as well as other initiatives, including the opening of new stores that are critical for us to remain competitive in our markets. Our objective is to fund these initiatives largely through cash generated by operations.

Outlook

The Company and the Group continue to work hard to recover from the consequences of the announcement of 5 December 2017. While we still have a long way to go, including resolving the various legal proceedings that have been initiated against the Company, progress is being made.

Publication of the 2017 and 2018 Annual Reports are important steps forward and we are concentrating now on addressing the final outstanding items required for implementation of the financial restructuring. Implementation will provide the period of stability necessary for the Group to reposition itself as a more resilient and sustainable business. We hope to complete this task as soon as possible enabling us to move into the next phase of the recovery plan.

Notwithstanding the significant difficulties the Group faced over the period, at operating company level a number of key subsidiaries continued to report solid performances demonstrating their inherent value.

We do not underestimate the scale of the task ahead, nor the complexity and difficulty of the challenges we must overcome but the entire team is focused on the objective of re-establishing value for stakeholders.

Our appreciation of our stakeholders

We appreciate our financial creditors' support and willingness to explore solutions in the best interests of all stakeholders. We value the ongoing support of our loyal shareholders as we navigate through these difficult times. We also thank all our business partners.

We have new management in place in key positions and close to 120 000 employees (including continuing and discontinued operations) who have proven their dedication time and time again, especially over the past year.

We would like to take this opportunity to thank our employees, the senior management teams and the Supervisory Board. They have worked with remarkable dedication and stamina to keep the Company and Group running amid these challenging times.

On behalf of the Management Board.

Louis du Preez
CEO

18 June 2019

MESSAGE FROM THE SUPERVISORY BOARD

Dear Stakeholder

The past year and a half has been the most difficult period in the Company's history. The announcement on 5 December 2017 that the Chief Executive Officer's offer to resign had been accepted, and that the Supervisory Board had appointed Werksmans Attorneys to engage PwC to conduct a forensic investigation into accounting irregularities, marked the start of a period of intense pressure and uncertainty. A detailed account of these events can be found in both the 2017 and 2018 Annual Reports.

We understand the serious disappointment and concern caused by the Company's challenges, and the very real consequences. These have included losses for investors and financial creditors, difficulties for operational managers and uncertainty for staff.

Throughout this period, the Supervisory Board has focused relentlessly on stabilising the Company, the nomination of new Managing Directors and improving effective governance. The Group has cooperated with the investigations of regulators and will continue to do so. The Supervisory Board is determined to ensure that the Company moves forward in the right way, addressing the problems of the past but also building on its operational strength in retail to achieve a sustainable recovery.

The Management Board has already made substantial progress with a financial restructuring that will bring the stability needed for the Company to focus fully once more on its operating businesses.

The development and implementation of the Remediation Plan has also identified areas where controls and procedures can be improved to align them with best practice.

Publication today of the 2018 Annual Report, shortly after the publication of the 2017 Annual Report, is another major milestone in this process.

The new Management Board, as explained in their report, is tackling the challenges it has stepped up to help take on with skill and vigour, and we are grateful for the exceptional work in extremely difficult circumstances.

We also want to thank all the Company's stakeholders for their continued support, particularly the shareholders, financial creditors and the Group's close to 120 000 employees in all operations across the world. They have worked tirelessly and with commitment in the face of great uncertainty and deserve our admiration and gratitude.

Governance & Leadership

In December 2017, the Supervisory Board intensified its oversight and established a committee composed solely of independent Supervisory Directors to ensure independent oversight was exercised. Rapid action was also taken to strengthen the Management Board with the appointment of new executives to critical roles, and with the designation of Danie van der Merwe as acting Chief Executive Officer on 19 December 2017. Danie's retail and operational experience, and institutional knowledge, were vital in securing the immediate future of the business in the first crucial phase of the Restructuring. Four executives were nominated to the Management Board: Alexandre Nodale as Deputy CEO, Louis du Preez as Commercial Director, Philip Dieperink as Chief Financial Officer and Theodore de Klerk as Chief Operational Officer.

Shortly thereafter a number of Supervisory Directors stepped down and new Supervisory Directors were nominated. The reconstituted Management Board, in close consultation with the reconstituted Supervisory Board, as discussed below, then steered the Group through an intensely difficult period, as the scale of the recovery task became clear.

Most significantly, the Management Board's task included securing a number of new credit facilities to stabilise the Company's financial situation, allowing the vital work on the financial restructuring to commence.

As announced on 19 November 2018, Louis du Preez was subsequently designated Chief Executive Officer, effective from 1 January 2019, following Danie van der Merwe's decision to step down, having met the objectives set when he took on the acting CEO role. Louis has a wealth of commercial and corporate experience and is well-placed to lead the Company through the Restructuring and into the next phase of its recovery. We thank Danie for his extensive contribution to the Group over many years and for leading it through an exceptionally challenging period.

On 11 April 2019, the Company announced that Alexandre Nodale had stepped down as deputy CEO and as a member of the Management Board. We thank Alexandre for his service to the Group – he has been a valued member of the Management Board and we wish him every success in his future endeavours.

We have full confidence in the Management Board's approach, and with the strong, committed and talented team in place.

Biographies of members of the Supervisory Board and those of the Management Board can be found in the Corporate Governance Report.

Forensic investigation

In December 2017, Werksmans Attorneys appointed PwC to conduct an independent forensic investigation. The task was substantial, complex and time-consuming and involved interaction with Deloitte, the Company's External Auditor; third parties; regulators; special purpose vehicles; entities outside the Group; and current and former Supervisory and Managing Directors, senior managers and employees. The investigations continued throughout 2018 with regular feedback to a committee of the Supervisory Board, consisting of several newly appointed Supervisory Directors Peter Wakkie, Moira Moses, Alex Watson, nominated Supervisory Director Paul Copley, and Louis du Preez. This committee was charged with oversight of the investigation.. As announced on 15 March 2019, PwC has completed its report, the impact on the financial statements has been assessed and taken into account, and the broader implications of the findings are being considered.

Further information about this investigation is included in the Report of the Management Board.

Annual Report

While the thoroughness of the investigations and subsequent audit resulted in several unavoidable delays to the completion of both the 2017 and 2018 Annual Reports, publication on 7 May 2019 of the 2017 Annual Report and today of the 2018 Annual Report address another of the most significant outstanding tasks arising from the December 2017 disclosures.

Outlook

The journey to restore the Company's reputation will be a long one and, as we pursue this aim, we understand that we will remain under intense scrutiny. However, very real progress has already been made. The completion of the forensic investigation, the restatement of the 2016 Consolidated Financial Statements and the publication of both the 2017 and 2018 Annual Reports are all important milestones, and the extreme care taken in their preparation can help us all face the future with confidence.

As the Company moves forward with new leadership on the Management Board and oversight by the Supervisory Board, with a commitment to strengthen corporate governance and internal controls, with a clear Remediation Plan in place that addresses the issues identified by the forensic report, and into a period of financial stability afforded by the forthcoming implementation of the financial restructuring, the team is now focused on the objective of re-establishing value for all stakeholders.

We thank you for your continued support.

On behalf of the Supervisory Board

Heather Sonn
Chairperson

18 June 2019

TIMELINE OF KEY EVENTS SINCE DECEMBER 2017

For more detail please refer to the Financial Review.

2017

DECEMBER

Announcements of accounting irregularities, governance changes, appointment of PwC forensic team by Werksmans Attorneys and immediate response to liquidity constraints.

Reorganisation of the Supervisory Board commenced. Resignations of incumbent Supervisory Directors and nominations of new Supervisory Directors continued in the period up to the annual General Meeting.

15 December

Disposal of 21 million shares in PSG totalling approximately ZAR4.7 billion (€301 million).

19 December

Management Board strengthened with key nominations.

First European financial creditor meeting.

22 December

Additional financing of USD75 million secured by Mattress Firm.

2018

JANUARY

3 January

Pepkor Europe secured new credit facilities totalling GBP264 million.

11 January

Disposal of Conforama's 17% stake in SRP for €79 million.

22 January

Disposal of approximately 29.4 million shares in PSG raising proceeds of approximately €451 million (ZAR7.1 billion).

24 January

Conforama agrees new funding totalling €143 million.

26 January

Second European financial creditor meeting.

31 January

Mattress Firm increased funding facility by USD75 million (total USD150 million).

Briefing to the South African Parliament.

FEBRUARY

16 February

Lender Co-ordinating Committee formally established after prior informal discussions.

28 February

Unaudited trading update for the three months ended 31 December 2017.

MARCH

9 March

Settlement of all notes issued under the Domestic Medium-Term Note Programme ZAR7.6 billion and deregistration of the programme titled "Steinhoff Services Notes".

13 March

Placing a portion of KAP shares (450 million shares; €234 million).

APRIL

3 April
Revaluation of the Hemisphere property portfolio.

12 April
Successful placement of 200 million Pepkor shares (€241 million).

20 April
Annual General Meeting. New members of Supervisory Board and Management Board appointed.

MAY

18 May
Third European financial creditor meeting.

23 May
Refinancing by Pepkor / repayment of the Group's historic African debt (ZAR16 billion).

JUNE

7 June
Support letters for SEAG and SFHG become effective.

22 June
Sale of kika-Leiner agreed.

25 June
The remaining 100% interest in the non-voting participating preference shares in Atterbury Europe were repurchased by Atterbury Europe for €224 million.

29 June
Amendments to the support letters for SEAG and SFHG become effective and publication of Unaudited Half Year Results for the six months ended 31 March 2018.

JULY

11 July
Launch of Lock-Up Agreement with SEAG / SFHG / SUSHI.

20 July
Lock-Up Agreement with SEAG / SFHG / SUSHI becomes effective.

26 July
Hemisphere Lock-Up Agreement becomes effective.

2018

AUGUST

29 August

Briefing to the South African Parliament.

31 August

Unaudited Trading Update for the nine months ended 30 June 2018.

SEPTEMBER

4 September

Sale of POCO agreed.

5 September

Hemisphere implemented a new, secured, three-year term loan facility of approximately €775 million.

20 September

Fourth European financial creditor meeting.

27 September

Refinancing of the Group's renamed Asia Pacific business, Greenlit Brands Proprietary Limited (AUD 256 million).

OCTOBER

5 October

Mattress Firm files voluntary petitions for relief under Chapter 11.

10 October

Launch of SUSHI Scheme of Arrangement.

NOVEMBER

16 November

SUSHI Scheme effective and implemented.

21 November

Mattress Firm successfully emerges from Chapter 11 and the Group lost control of Mattress Firm

30 November

SEAG CVA and SFHG CVA filed with the English court.

DECEMBER

14 December

Requisite majorities of relevant creditors and members of SEAG and SFHG approve the CVAs.

2019

JANUARY

10 January

SEAG informed of application to challenge the SEAG CVA by LSW GmbH.

FEBRUARY

28 February

Unaudited trading update for the three months ended 31 December 2018.

MARCH

15 March

Publication of overview of the PwC forensic investigation.

19 March

Briefing to the South African Parliament.

27 March

Placing of the remaining KAP shares (694 million shares; €293 million).

28 March

In-principle agreement to dispose of Unitrans.

The Group and LSW GmbH agree that the LSW GmbH challenge to the SEAG CVA be dismissed on consensual terms.

29 March

CVA long-stop date and Lock-Up Agreement long-stop date extended to 31 May 2019.

APRIL

11 April 2019

Conciliation agreement entered into between Conforama and its creditors, allowing Conforama to proceed to implement its financial restructuring and the Group expects that this will result in a loss of control of Conforama.

15 April 2019

Conforama receives first tranche of €205 million from new money funders.

MAY

7 May 2019

Published the 2017 Annual Report including the 2017 Consolidated Financial Statements.

17 May 2019

Launched CVA Consent Request No.3 – Omnibus Proposed Amendments and waiver.

30 May 2019

CVA Consent No. 3 approved, and CVA long-stop date and Lock-Up Agreement long-stop date extended to 30 June 2019.

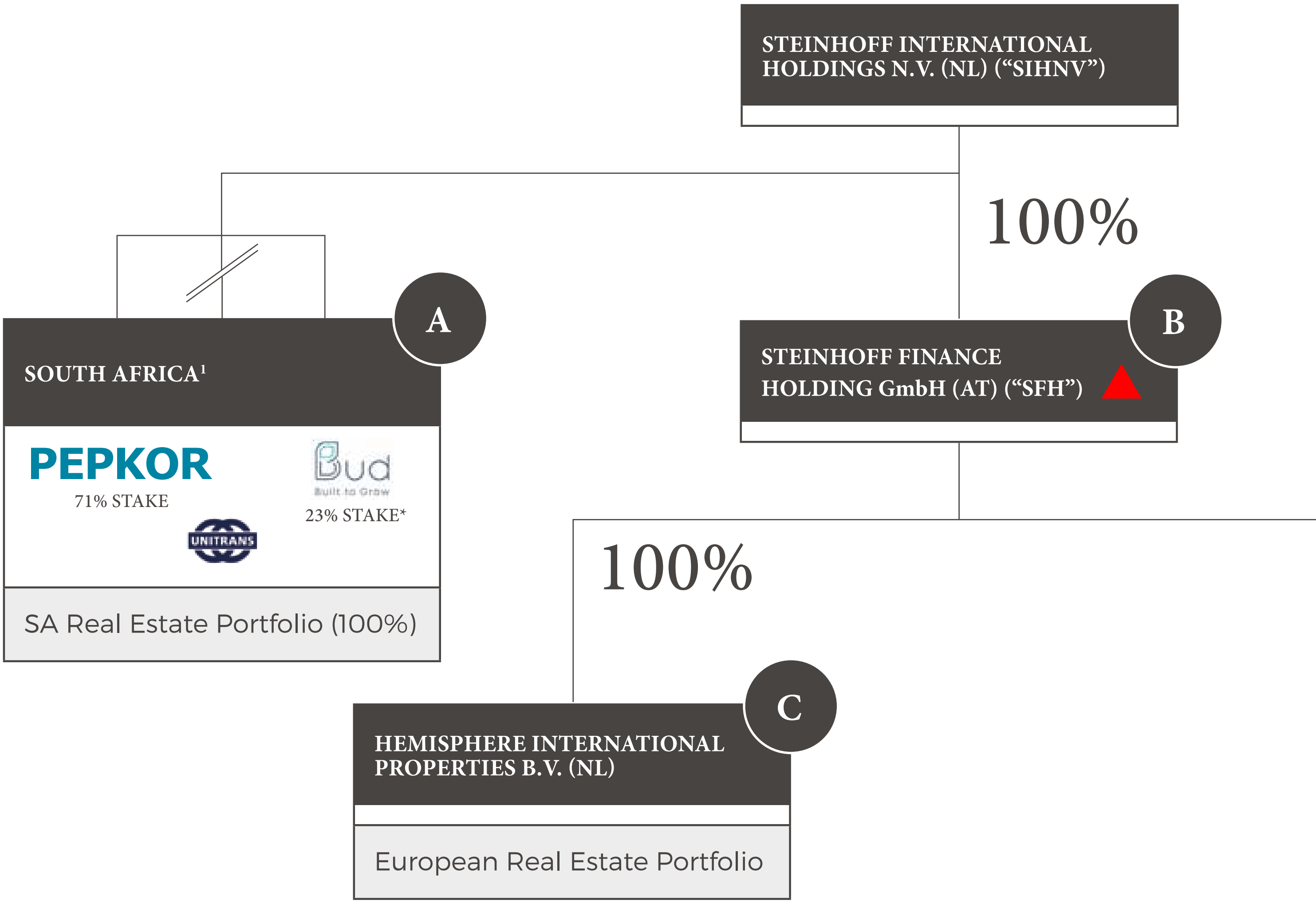
JUNE

18 June 2019

Published the 2018 Annual Report including the 2018 Consolidated Financial Statements.

SUMMARISED GROUP STRUCTURE (AS AT 18 JUNE 2019)

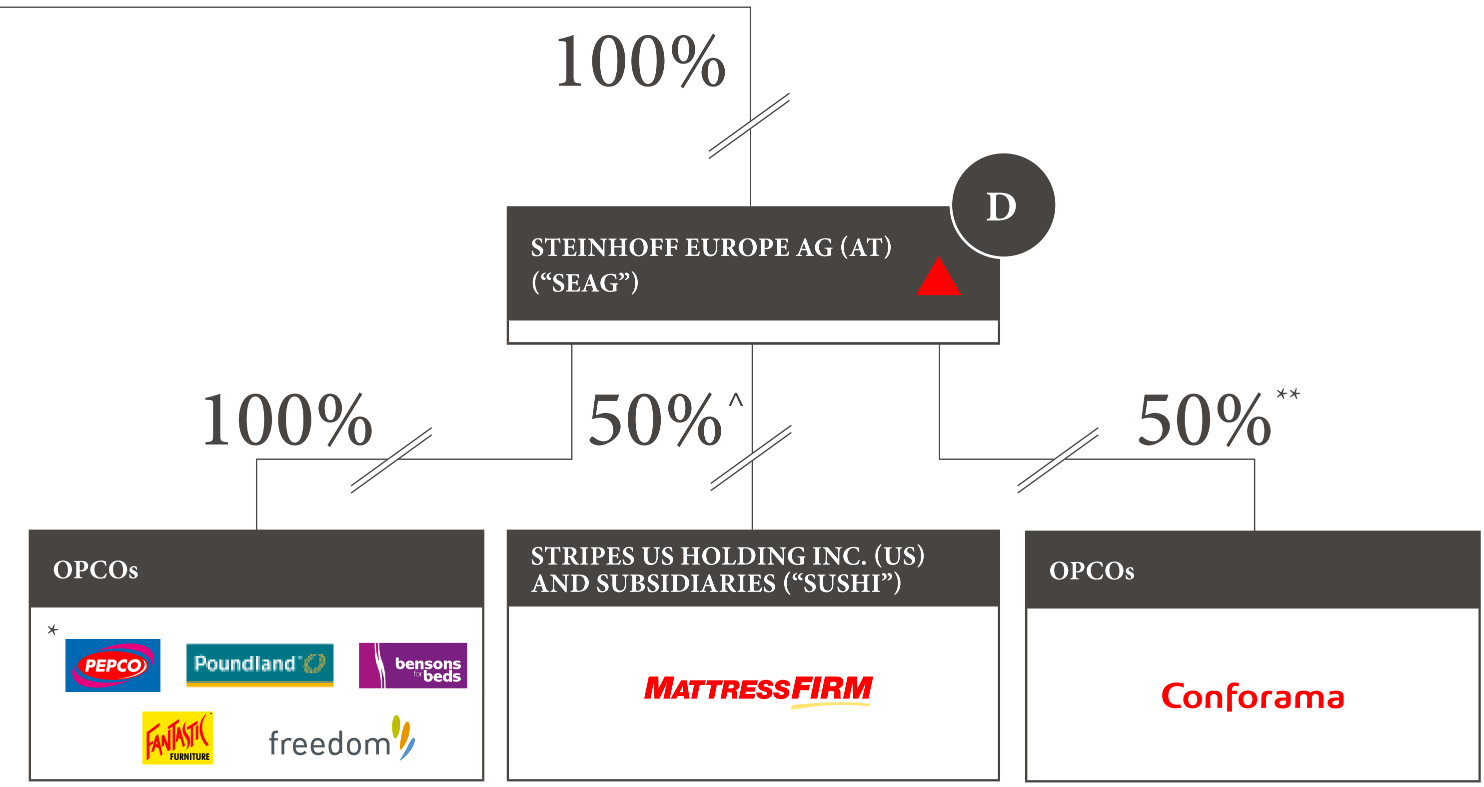
Breaking down the Group's debt clusters



[1] *PSG 25.5% stake sold in 2018*
KAP stake sold in 2018 and 2019
** Formerly IEP*

Refer to the 2018 Consolidated Financial Statements note 16.1 for a breakdown of the Group's interest-bearing loans and borrowings as at 30 September 2018, as well as note 16.4 for analysis of repayments.

- A "South Africa" cluster
- B "SFHG" cluster
- C "Hemisphere" cluster
- D "SEAG + Stripes US" cluster
- ▲ Finance company



* Sample of OPCO brands
** Warrant issuance of 49.9% of the issued share capital is subject to certain milestones, but ultimately 31 December 2019 or in event of a sale before 31 December 2019.
^ Subject to future dilution by the new management incentive plan.

SUMMARISED NARRATIVE OF KEY EVENTS SINCE DECEMBER 2017

For more detail please refer to the Financial Review.

2017 to 2018

5 DECEMBER | FEBRUARY

Announcement of accounting irregularities and appointment of PwC forensic team

The revelation of accounting irregularities and the resignation of the former CEO on 5 December 2017 had a profound impact on the Group. Deloitte recommended that an independent forensic investigation be conducted into the irregularities. Following concerns raised by the Company's External Auditor, Deloitte, over potential accounting irregularities, which prompted Deloitte to request that an independent forensic investigation be performed, PwC was appointed by Werksmans Attorneys. It was clear that the Company's 2016 Consolidated Financial Statements would require restatement and they were withdrawn. A decision was taken to delay the publication of the 2017 Consolidated Financial Statements.

Immediate changes were made to strengthen the independent governance of the Group, including the appointment of an independent sub-committee of the Supervisory Board.

Liquidity constraints and immediate response

Factors including the withdrawal of undrawn facilities, closure of bank accounts, termination of the cash pooling arrangements between the European group subsidiaries, and ratings downgrades, had the combined effect of creating enormous liquidity constraints within the Group. The various announcements and press coverage together with the inability to produce audited accounts at entity level, because of the ongoing investigation, resulted in additional supplier and credit insurance pressure on the Group's operating companies.

In response, the Group engaged with its lenders, bondholders and other financial creditors, including by way of presentations to lenders and credit insurers in London and South Africa during December 2017 and January 2018.

Moelis & Company were appointed as independent financial advisor to support and counsel the Group on the lender discussions. AlixPartners were appointed as operational advisor to assist the Group on liquidity management and operational measures.

The Company appointed Danie van der Merwe as interim CEO. It then strengthened the Management Board with several appointments including those of Louis du Preez (Commercial Director), Philip Dieperink (Chief Financial Officer), Theodore de Klerk (Operational Director) and Alexandre Nodale (Deputy CEO).

The Company announced the appointment of Richard Heis as Chief Restructuring Officer on 15 February 2018.

Other immediate actions included the sale of certain non-core investments such as the Group's sale of a portion of its stake in its associate, PSG, reducing its stake from 25.5% to 16.0%, yielding proceeds of approximately ZAR4.7 billion to help fund operations on 15 December 2017. The Group sold its remaining PSG stake raising a further ZAR7.7 billion during January 2018.

Short-term liquidity was further supported by a series of non-core European asset disposals such as the sale of the Group's ordinary shares in Atterbury Europe on 18 December 2017 (€20 million) and of the Mariahilferstrasse property in Vienna on 29 December 2017 (€70 million). The Group's non-voting participating preference shares in Atterbury Europe were sold in June 2018 for €223.5 million.

Progress was also made in raising finance at the Group's operational levels:

(i) Mattress Firm raised USD150 million to fund working capital and operational requirements in December 2017 and January 2018;

(ii) Pepkor Europe obtained a new credit facility of GBP264 million to finance working capital and operational requirements in January 2018;

(iii) Conforama agreed on 11 January 2018 to sell its 17% stake in SRP for approximately €79 million to raise further liquidity for the business. On 24 January 2018, Conforama agreed funding from Tikehau Capital of €115 million for three years and a separate €28 million facility.

New procedures were instituted to rigorously control cash management across the Group.

On 31 January 2018, the Company provided a progress update to the South African Parliament.

In February, a coordinating committee of lenders was established to represent all creditors in the ongoing discussions with the Group.

Reporting

On 28 February 2018, the Company released its unaudited trading update for the three months ended 31 December 2017.

2018

MARCH TO MAY

Ongoing response and development of restructuring plan

On 9 March 2018, following the settlement of all notes (with a principal value of approximately ZAR7.6 billion) issued under the Domestic Medium-Term Note programme, the Group announced the deregistration of the programme. This programme had been issued by Steinhoff Services, a financing subsidiary of the Group.

On 13 March 2018, the Group raised €234 million by way of a placing of KAP shares. This reduced the Group's interest in KAP, from c. 43% to c. 26%.

Given that many of the Group's European finance companies and international operating companies required ongoing funding, and to avoid continued reliance on asset disposals, extensive negotiations commenced with key creditor groups to formulate a viable restructuring plan.

On 3 April 2018, Hemisphere, the Group's European property subsidiary, announced a valuation for its real estate portfolio of €1.1 billion, on the basis of fair value under IFRS assuming vacant possession. This was significantly lower than the book value previously disclosed (€2.2 billion).

At the time, discussions had already commenced with the Group's financial creditors with a view to ensuring long-term financial stability as well as resolving short-term cash flow difficulties. Extensive negotiations around the restructuring continued against this backdrop.

After the December 2017 announcement, the financial creditors of the Company, its subsidiaries SFHG and SEAG (which at that point held the primary debt obligations of the Group), Hemisphere, Pepkor (previously STAR) and SUSHI, had provided support to the Group by:

(i) not taking any action against the Company, SEAG, SFHG, Hemisphere, Pepkor, or SUSHI based on any actual or potential defaults arising under the relevant finance documents;

(ii) where relevant, agreeing to rollovers of facilities; and

(iii) where applicable, confirming they would not seek immediate repayment of matured facilities.

On 12 April 2018, the Group announced the successful placement of 200 million ordinary shares in Pepkor through an accelerated bookbuild. This raised c. €241 million and reducing the Group's interest in Pepkor from 77% to 71%.

On 20 April 2018, the Company held its annual General Meeting in Amsterdam (with a video link to Cape Town). It provided a detailed update presentation which was followed by a question and answer session for shareholders. Shareholders approved the appointment of the new Supervisory Directors and Managing Directors.

On 18 May 2018, the Company gave a lender presentation outlining a proposed restructuring framework. The Management Board and their advisors subsequently entered into extensive negotiations with the financial creditors with a view to implementing a restructuring plan agreeable to the financial creditor group. The Company also provided guidance on the Group's half-year performance.

2018

JUNE TO AUGUST

Creditor Negotiations & Agreement of the Lock-Up Agreement

During June to August 2018, the Management Board and the financial creditors negotiated the terms of a Lock-Up Agreement. This Lock-Up Agreement was designed to, among other things, provide stability by creating an extended period to ensure fair treatment across the various financial creditor groups, allow management to focus on delivering value at the Group's operating businesses, and achieve a deleveraging of the Group and a detailed assessment of all contingent litigation claims.

Whilst negotiations were ongoing around the terms of the Lock-Up Agreement, SEAG and SFHG agreed the terms of certain creditor support letters which became effective on 7 June 2018 and were amended on 29 June 2018. Under these support letters, the relevant creditors agreed to provide SEAG and SFHG with a number of temporary support measures to facilitate discussions in connection with a potential restructuring plan and the Lock-Up Agreement. These support measures included commitments on behalf of creditors not to petition for any action that would cause SEAG or SFHG to enter into insolvency proceedings, prematurely declare due and payable or otherwise seek to accelerate payment of all or any part of any debt, bring legal proceedings against any member of the Group or enforce any rights under any guarantee or any right in respect of any security.

As consideration for creditors entering into support letters, SEAG and SFHG agreed to abide by various undertakings during the period for which the letters were in place. These restrictions included restrictions on incurring additional indebtedness, restrictions on granting security and taking certain other actions without the prior consent of the relevant parties.

Disposal of kika-Leiner

On 22 June 2018, the Group announced that transaction documents for the sale of the kika-Leiner Sale Assets to SIGNA Holding GmbH had been concluded. The loss-making operating companies were sold for a nominal consideration, whilst the consideration for the property holding companies was based on an enterprise value of approximately €490 million (subject to certain adjustments). The decision to sell was motivated by the withdrawal of kika-Leiner's credit insurance cover which created significant liquidity constraints and would have placed significant further cash demands on the Group given that the kika-Leiner businesses were both loss making and required significant future investment to implement a turnaround plan. The disposal of the property holding companies was completed on 15 October 2018.

Financial reporting

On 29 June 2018, the Group published detailed unaudited half-year results for the six months ended 31 March 2018.

Intragroup Support Letter

In July 2018, to enable SEAG to enter into the Lock-Up Agreement, SEAG entered into an intragroup support letter under the terms of which, subject to various conditions and limitations, SEAG agreed to provide limited financial support to certain of its subsidiaries to provide comfort in relation to their third-party liabilities.

Term sheet, Lock-Up Agreement and steps plan

With the support letters in place, the Group continued discussions with creditors to agree the restructuring.

The agreed term sheet for the restructuring was announced on 11 July 2018 and a consent process for creditors to support the Lock-Up Agreement was launched. The Lock-Up Agreement appended both the term sheet and a steps plan setting out the actions required to implement the restructuring.

The Lock-Up Agreement became effective in accordance with its terms on 20 July 2018 having been acceded to by the relevant majorities of creditors and the directors of the Company, SEAG and SFHG. The Lock-Up Agreement was ultimately acceded to by creditors representing approximately 97% of SEAG debt and 98% of SFHG debt. The support letters terminated with effect from the effective date of the Lock-Up Agreement.

The key terms of the Lock-Up Agreement included financial creditors agreeing that the indebtedness owed to them would be subject to limited recourse terms, the parties agreeing to support and implement the restructuring in accordance with the term sheet and steps plan, and no financial creditor being entitled to take enforcement action in respect of any of the relevant financial indebtedness. The Lock-Up Agreement also prohibited the assignment of any voting rights or interests in any such financial indebtedness without the transferee acceding to the terms of the Lock-Up Agreement. It also required each financial creditor to consent to the roll-over or extension of the maturity date in respect of any financial indebtedness falling due whilst the Lock-Up Agreement was effective.

Centre of main interest

The Lock-Up Agreement also required SEAG and SFHG to take certain steps in relation to their principal place of administration. Consequently, with effect from 3 August 2018 the central administration and supervision of the management of SEAG is now located in England, while for SFHG it is with effect from 1 October 2018.

Hemisphere Lock-Up Agreement

The Hemisphere Lock-Up Agreement was entered into by approximately 90% by value of the Hemisphere lenders and it became effective on 26 July 2018. The Hemisphere Lock-Up Agreement, among other matters, imposed an agreed standstill obligation on lenders. This standstill was aimed at facilitating the restructuring of Hemisphere by providing the parties with a period of stability whilst the relevant documents were negotiated.

Reporting

On 29 August 2018, the Company gave another briefing to the South African Parliament.

On 31 August 2018, the Company released its unaudited trading update for the nine months ended 30 June 2018.

2018

SEPTEMBER

POCO sale

On 4 September 2018, the Group's subsidiary LiVest entered into an agreement to sell its shares in the POCO furniture group, including its property portfolio, for a total consideration of approximately €271 million. In terms of this agreement, POCO retained debt of approximately €140 million, without recourse to the Group.

Hemisphere restructuring

The restructuring of the financial indebtedness of SFHG's subsidiary Hemisphere was implemented on 5 September 2018. This resulted in a new, secured, three-year term loan facility of approximately €775 million at Hemisphere. Since then, following the sale of the kika-Leiner related property companies and certain other individual assets, approximately €477 million has been applied in repayment of interest and principal of this facility by Hemisphere.

Lenders

The Group held further lender meetings in London on 20 September 2018.

Australasian refinancing

The refinancing of certain financial indebtedness of Greenlit Brands Proprietary Limited (formerly Steinhoff Asia Pacific Group Holdings Proprietary Limited) was implemented on 27 September 2018. This refinancing included the amendment and restatement of certain intragroup loans, as well as a new senior revolving credit facility and bilateral facilities of AUD256 million for the refinancing of existing senior financing. It provided facilities for Greenlit Brands Proprietary Limited and its subsidiaries through to maturity in October 2020.

2018

OCTOBER TO DECEMBER

Mattress Firm and SUSHI Scheme

On 5 October 2018, the Group announced that Mattress Firm had filed voluntary Chapter 11 cases in the United States Bankruptcy Court. This process allowed Mattress Firm to implement a financial restructuring through a court-supervised process while continuing to trade as normal. The Chapter 11 process was conducted for two primary reasons, to allow Mattress Firm to secure additional funding and restructure its balance sheet, and to enable it to right-size its retail store portfolio.

On 16 November 2018, the Chapter 11 Plan was approved by the United States Bankruptcy Court and, following satisfaction of certain conditions, the Mattress Firm entities emerged from Chapter 11 having successfully completed a reorganisation. In accordance with the Chapter 11 plan, Mattress Firm emerged with access to USD525 million in exit financing and successfully exited approximately 640 underperforming stores.

On 21 November 2018, in consideration for providing the financing required by the Mattress Firm entities in order to exit Chapter 11, the lenders providing the exit financing, received 49.9% of the shares in SUSHI. The Group retained the remaining 50.1% of the shares in SUSHI. Both the lenders' and the Group's shareholding are subject to dilution by a management incentive plan. It was determined that for accounting purposes the Group lost control of Mattress Firm on this date.

On 10 October 2018, shortly after the Mattress Firm entities filed for relief under Chapter 11, SUSHI launched an English scheme of arrangement in respect of its USD200 million revolving credit facility. The SUSHI Scheme became effective on 16 November 2018. Under the SUSHI Scheme, the lenders under the existing SUSHI revolving credit facility exchanged their rights under that facility for substantially similar rights under a new revolving credit facility between, among others, SEAG (as borrower) and the Company (as guarantor).

SEAG CVA and SFHG CVA

In connection with the restructuring detailed in the Lock-Up Agreement, on 30 November 2018, the SEAG CVA and the SFHG CVA were filed with the English court. The SEAG CVA and the SFHG CVA seek to implement the restructuring plan set out in the Lock-Up Agreement. The steps to be implemented pursuant to each of the SEAG and the SFHG CVAs included inter alia amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness at each of SEAG and SFHG including the issuance of new debt by certain newly incorporated Luxembourg companies. The new debt is to mature on 31 December 2021 and will accrue payment-in-kind interest capitalising on a semi-annual basis.

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the SEAG CVA and the SFHG CVA were approved by the requisite majorities of their respective creditors and by their members. Various conditions detailed in the SEAG CVA and the SFHG CVA are to be satisfied prior to implementation of the restructuring. The SEAG CVA and the SFHG CVA documents and the Lock-Up Agreement are available on www.steinhoffinternational.com.

The CVAs affect approximately €5.2 billion of external debt (excluding any intragroup debt) at SEAG and approximately €2.7 billion of external debt (excluding any intragroup debt) at SFHG.

Conforama

On 21 December 2018, the Group agreed to make an additional short-term funding facility available to the Conforama Group to provide working capital if required.

2019

JANUARY TO MARCH

Louis du Preez was designated CEO with effect from 1 January 2019.

Challenge to the SEAG CVA

On 10 January 2019, SEAG was informed that an application had been issued by LSW GmbH, a company related to Seifert and claiming to be a creditor of SEAG, challenging certain provisions of SEAG's CVA.

Aside from the challenge of LSW GmbH, no other challenges were received to the SEAG CVA within the challenge period (being the period of 28 days beginning on the day on which the SEAG CVA chairman's report was filed at the competent court). No challenges were received to the SFHG CVA within the applicable challenge period. As the challenge periods have now expired, no further challenges are permitted in respect of either CVA.

Notwithstanding the challenge to the SEAG CVA, certain relevant terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, continued to apply and the Group continued working towards the implementation of the financial restructuring of the Group.

On 28 March 2019, the Company and LSW GmbH agreed that the application be dismissed on consensual terms. The parties accordingly filed with the court a consent order giving effect to that agreement.

Enterprise Chamber

On 21 February 2019, the Company confirmed receipt of a petition by a group of Shareholders for inquiry proceedings before the Enterprise Chamber. The petition includes a request to appoint an investigator as well as an additional member of the Supervisory Board whose role will include oversight to ensure that information is provided to Shareholders adequately and in the context of any inquiry to be ordered by the Enterprise Chamber. A hearing was scheduled for 23 May 2019. On 22 May 2019 the Company announced that the parties had mutually agreed to postpone the date of this hearing to a date later in the calendar year.

SEAG CVA and SFHG CVA

On 29 March 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the extension of the CVA long-stop date to 31 May 2019. The approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

The Company, SEAG and SFHG continue to work towards satisfying the remaining conditions detailed in the SEAG CVA and the SFHG CVA, which need to be satisfied prior to the implementation of the restructuring. Certain terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, remain effective during this period.

Financial reporting

On 28 February 2019, the Company released its unaudited trading update for the three months ended 31 December 2018.

Completion of the Forensic Investigation

On 15 March 2019, the Company announced that the Supervisory Board and the Management Board of the Company had received a report from Werksmans Attorneys setting out the findings of the PwC investigation initiated at the request of Werksmans in December 2017. The Company released an overview of the forensic investigation, via the Company's website on the same date. PwC has been requested to undertake a further phase of investigative work (phase II) in respect of certain issues identified that the Supervisory Board and Management Board believe will not be material to the Company's financial statements but which may be significant for other reasons and therefore require further investigation, conclusion and resolution.

Disposals

On 27 March 2019, the Group raised a further €293 million by way of a placement of the remaining interest in KAP (694 million ordinary shares, c. 26% of KAP's issued share capital).

Unitrans

The Group announced on 28 March 2019 that it had reached an in-principle agreement to dispose of the Automotive Operations.

2019

APRIL TO JUNE

Appointment of Chief Compliance and Risk Officer

On 5 April 2019, it was announced that Louis Strydom had been appointed Chief Compliance and Risk Officer with effect from 1 July 2019.

Conforama financial restructuring

On 11 April 2019, the French Commercial Court of Meaux approved a conciliation agreement entered into between Conforama and its creditors, as part of a French law conciliation process that provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring.

The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and a warrant in favour of the funders over 49.9% of the shares in Conforama. The Group expects that this will result in an ultimate loss of control of Conforama..

The new funds were available from 15 April 2019.

Governance changes

Alexandre Nodale stepped down as CEO of Conforama and deputy CEO and member of the Management Board as amended on 11 April 2019..

Financial reporting

On 7 May 2019, the Company released its Annual Report for the period ended 30 September 2017.

SEAG CVA and SFHG CVA

On 30 May 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the CVA Consent Request No. 3 – Omnibus Proposed Amendments and waiver. These amendments included three separate requests – (i) to amend certain terms of the SEAG CVA and the relevant SEAG Restructuring Documents; (ii) to amend certain terms of the SFHG CVA and the relevant SFHG Restructuring Documents respectively and (iii) to waive the Implementation Condition relating to certain Australian tax clearances.

SEAG and SFHG considered that the Omnibus Proposed Amendments were necessary to conclude the final outstanding matters prior to the implementation of the SEAG CVA and SFHG CVA. Given the mechanical steps and prescribed notice periods required once the approvals pursuant to this CVA Consent Request have been obtained, it was possible that not all of the relevant conditions precedent to, and/or the steps required in respect of, the implementation of the SEAG CVA and SFHG CVA would be satisfied prior to the previous CVA Long-Stop Date of 31 May 2019. Accordingly, in order to complete the final steps, Consent Request No. 3 amended the definition of CVA Long-Stop Date to 30 June 2019. This approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

These extensions reflect the complexity of the restructuring. The Group is continuing to work hard to implement the restructuring. Despite the Group's best efforts, it appears that it might not be possible to implement the restructuring prior to 30 June 2019. Therefore, the Group expects to seek approval for a further extension of the appropriate time required to finalise and implement the CVAs.

Completion of the CVAs require a series of steps to be undertaken. The next step is the issuance of the Implementation Conditions Notice. This will prompt a period for the calculation of creditor entitlements under the new debt instruments. The remainder of the implementation timetable is as detailed in the SEAG CVA and the SFHG CVA. The final step is the issuance of the Implementation Commencement Date notice which will prompt a period of business transfers and execution of the necessary documents immediately prior to the final steps and closing.

Provided all remaining conditions to implementation are satisfied, implementation of the restructuring will commence, and it remains the objective of the Group to complete the restructuring as soon as possible.

Financial reporting

On 18 June 2019, the Company released its Annual Report for the period ended 30 September 2018.

ANNUAL REPORT 2018
PART I

REPORT OF THE MANAGEMENT BOARD

This Annual Report has been prepared in compliance with the requirements of Dutch law, including the DCGC.

The Management Board of the Company would like to draw specific attention to the following events, including those that took place after the Reporting Date, as detailed on the following pages.

ANNUAL REPORT 2018 – PART I

SECTION 1: BUSINESS REVIEW

The last 18 months have been a challenging time for the Company, following the events of December 2017.

The Group has subsequently been engaged in a complex restructuring that has encompassed all aspects of its business. The Management Board has focused on re-establishing stability within the Group's operations, negotiating, agreeing and implementing the restructuring plan with the Group's financial creditors, improving governance at all levels, and finalising the audited financial results for the 2017 and 2018 Reporting Periods.

INDEX

Introduction

Steinhoff N.V. is a company registered with the Trade Register in Amsterdam, the Netherlands under number 63570173, and with tax residency in South Africa. The Company has a primary listing on the FSE with a secondary listing on the JSE. The Group is primarily involved in the retailing of general merchandise, household goods and operates a number of motor dealerships. The Group operates in Africa, Australasia, Europe, Asia, United Kingdom and in the United States of America.

Background

The last 18 months have been a challenging time for the Company, its subsidiaries, employees and stakeholders. The discovery of accounting irregularities, the sudden resignation of the CEO in December 2017, other changes to the senior leadership team and the Supervisory Board, the material decline in the share price, and the withdrawal of various credit and trade facilities, have all had a profound impact on the Company, the Group and its stakeholders. The Group has subsequently been engaged in a complex restructuring that has encompassed all aspects of its business.

The Management Board has focused on re-establishing stability within the Group's operations, negotiating, agreeing and implementing the restructuring plan with the Group's financial creditors, improving governance at all levels, and finalising the audited financial results for the reporting periods.

Stakeholders have been kept informed by regular announcements released through formal channels. All announcements can be found on the Investor Relations website of the Company: www.steinhoffinternational.com/sens.php.

The scope and timing of the investigation, the fact that the accounting irregularities appear to cover an extended period, the complexity associated with determining the appropriate accounting treatment to be afforded the requisite adjustments, and the scale of the restructuring, has meant a delay in the publication of the Annual Report for both 2017 and 2018 was unavoidable. Following this extensive delay, the 2017 Annual Report was published on 7 May 2019 and is now being followed by this Annual Report for the Reporting Period ended on 30 September 2018, the Reporting Date.

As the Annual Report for the 2018 Reporting Period is being published shortly after that for 2017, where it makes sense, portions of the 2017 Annual Report have been replicated in this Annual Report. This duplication is aimed at ensuring there is a bridge between both Annual Reports. As stated previously, looking at either year in isolation tells only half the story. The Management Board believes this approach allows stakeholders to better comprehend the Company and Group's affairs and the surrounding context.

Financial reporting and restatement process

As stated in the 2017 Annual Report, the preparation of the 2017 and 2018 Consolidated Financial Statements has been extremely complex. Determining the correct IFRS implications of the accounting irregularities that cover an extended period and involve a substantial number of entities, both within and outside the Group, has been specifically challenging.

This position has been further exacerbated by the fact that certain key individuals, with the requisite knowledge to help unravel these complex transactions, and the consequential effects thereof, have not made themselves available for questioning or have only made themselves available for limited questioning. This has resulted in an extended investigation, detailed analysis and substantial judgements having to be made by the Management Board in arriving at the results for each year and the restatement of the opening balance for 2016.

The consequential impact of reversing the accounting irregularities highlights the fact that several of the Group's operating entities are unprofitable as can be seen in the Operational Review. This has had a material impact on a number of areas including the impairment of goodwill and intangible assets.

In arriving at the 2017 and 2018 results, the Management Board has relied on both the internal and the PwC forensic investigations to glean the background and facts surrounding the irregularities.

The Management Board's approach to financial reporting and the 2017 restatement process, following the findings of the various investigations undertaken, has been to assimilate and analyse as much information as possible to place management in a position where it can determine the likely financial impact of all transactions under investigation. In preparing the financial statements, the Management Board has, as set out in the 2018 Consolidated Financial Statements, considered and applied a significant number of judgements, especially in circumstances where the information was incomplete.

A detailed analysis has been made, covering numerous transactions and relationships with each area requiring judgement, in order to arrive at the best and most appropriate accounting treatment. This analysis has been widely debated and reviewed by the accounting teams within the Group as well as the Group's technical external advisers. In addition, the Audit and Risk Committee appointed a sub-committee, headed by Alex Watson, to review and debate the analysis and conclusions reached. Once finalised, the analysis was assessed as part of the audit procedures by Deloitte. This has resulted in a very thorough, but time-consuming, process.

Throughout the process, weekly meetings have been held between the financial teams, members of the subcommittee, the technical advisers and forensic teams and the External Auditor to agree plans, discuss progress made and ensure that communication channels remained open and clear.

Regular feedback has been provided to the Audit and Risk Committee, with a specific feedback meeting in mid-April 2019 to discuss and challenge all judgements made, estimates applied, and conclusions reached in this regard. The External Auditor, including its forensic partners, attended this meeting. A further meeting was held on 11 June 2019 to discuss and challenge all judgements made, estimates applied and conclusions reached specific to the 2018 Annual Report.

The finalisation of both the 2017 and 2018 Consolidated Financial Statements was dependent on the completion of PwC's forensic investigation, to ensure that all identified issues could be considered and evaluated in the preparation of these financial statements, which in turn enabled completion of the audit by the External Auditor.

The process to determine substantive control over various previous transactions identified as being not at arm's length has been completed. The Management Board has requested repayment of affected loan assets granted in respect of transactions that may not have been on arm's length terms and/or rates and has also requested financial information from the parties involved. Notwithstanding requests for information, at the date of this Annual Report, the Management Board has been unable to obtain detailed financial information on certain structures, therefore making the assessment of any loan recoverability, or the possible impact of consolidating such structures, not possible at this stage.

In respect of property valuations, the Management Board considered the impairments identified by the fair value analysis. A decision was made by the Management Board to recognise the majority of impairments identified by these valuations in the 2017 Consolidated Financial Statements, as formal third-party valuations were not obtained for earlier years. It is likely that the impairments should have also impacted earlier years. The removal of step-ups created through non-arm's length sale and buy-back transactions were however processed in the correct financial year. The Group also revisited its depreciation estimates in 2017 and has applied these estimates to the revised property values in both 2017 and 2018.

The various restatements led to the forecast information used in goodwill and brand impairment models having to be revised. The Management Board also revised the WACC rates in line with the risk profile and revised size of the Group. The impairments of goodwill and brands in prior years were substantial. The Management Board felt it appropriate, in the circumstances, to roll back the impairment testing to earlier years. The majority of the impairments related to periods prior to the 2017 Reporting Period, with the exception of Mattress Firm which was impaired at the end of September 2017. As the impairment models are sensitive to any adjustment to forecast or WACC rate inputs, any new information may lead to further adjustments (refer to note 8.1 to the 2018 Consolidated Financial Statements).

Other than as mentioned in note 21.3 of the 2018 Consolidated Financial Statements, none of the vendor or shareholders claims have been provided for. The Management Board, in consultation with its legal advisors, is in the process of assessing the quantum and validity of all claims received to date, and any potential settlement values. As the amount and timing of most possible settlements could not be measured with sufficient reliability at the date of this Annual Report, very few provisions are recognised. Please refer to the contingent liabilities note and legal claims provision in the 2018 Consolidated Financial Statements (notes 22.3 and 21.3 respectively).

The tax impact of the restatements remains uncertain. For the purpose of both 2017 and 2018 Annual Reports the Management Board estimated the impact of any tax corrections arising from the restatements and reversed deferred tax liabilities relating to brands that were impaired. In a number of cases the restatement resulted in the reversal of income which resulted in subsidiaries being placed in loss-making positions, which could impact on the recognition of deferred tax assets. Where apparent, these deferred tax asset balances have been reversed. A comprehensive tax review is currently being undertaken, which will take time, considering the multi-jurisdictional nature of the issues involved, and could result in further restatements. At this stage, the Management Board is unable to conclude with certainty on the tax impact of the restatements. The External Auditor has expressed similar concerns.

The steps to complete the CVAs are complex and multi-jurisdictional giving rise to an element of risk regarding the tax consequences thereof. The Group has engaged with professional tax advisors in numerous jurisdictions to determine the tax consequences with a view to ensuring that the associated element of risk arising from the restructuring is mitigated.

2018 Separate Financial Statement relating to Steinhoff N.V.

The Company's financial statements, reflecting the Company as a separate investment holding company, are included after the 2018 Consolidated Financial Statements. Investment holding company stand-alone financial statements are often confusing in nature as the operational transactions take place within the Subsidiary companies and all that is reflected in the holding company financial statements are the transactions typically associated with a listed holding company (investment in subsidiaries, acquisitions and disposals, dividend and interest income, foreign exchange gains or losses, management fees, profit or loss on disposal of investments and recognising guarantees granted).

During the Reporting Period, the Company recognised its commitment to a number of guarantees relating to its subsidiaries' debt (2018: €905 million; 2017: €1.1 billion) and further impaired the investments in its subsidiaries (2018: €940 million; 2017: €2 billion).

External audit

The 2018 Consolidated Financial Statements have been audited by the External Auditor, Deloitte, and their opinion is set out in the 2018 Consolidated Financial Statements.

Given the specific circumstances that the Company has been involved in, the Management Board were faced with significant and multiple uncertainties, which have been described in the notes on Critical Accounting Estimates and Judgments set out in the basis of preparation of the 2018 Consolidated Financial Statements.

In completing the audits of the 2017 and 2018 Consolidated Financial Statements and Company accounts Deloitte has spent substantially more time on both the re-audit of the 2017 financial statements and the audit of the 2018 Reporting Period. The additional time, and cost, is related to Deloitte re-evaluating their risk assessment and the scoping of the audit. It also involved them using their specialists and having to revise the composition of the Group engagement team. Specialists used on the audit included specialists in the field of forensics, real-estate valuations, taxation, going-concern and restructuring. Deloitte also performed audit procedures on the restatement process, tracking and tracing restatements to the investigations and underlying evidence and challenging assumptions made by management in their detailed analysis.

The International Standard on Auditing 705 (REVISED) establishes three types of modified opinions, namely, a qualified opinion, an adverse opinion, and a disclaimer of opinion.

Under these International Auditing Standards the auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base their opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive, or the auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding it having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

These significant uncertainties resulted in a 'disclaimer of opinion' from the External Auditor. In its auditor's report Deloitte has described the reasons why it has come to that conclusion and it is clear that the Company finds itself in the extremely rare circumstance described above, namely that because of multiple uncertainties, Deloitte cannot form an opinion on the Financial Statements due to the potential interaction of the uncertainties and their cumulative effect on the 2018 Consolidated Financial Statements.

The uncertainties listed and explained in the Audit Opinion in the 2017 Annual Report were:

1. Material uncertainty relating to going concern
2. Material uncertainty with respect to litigation
3. Material uncertainty with respect to taxation effects on the restatements and adjustments
4. Material uncertainty with respect to the control conclusion on certain entities
5. Material uncertainties with respect to the share in the investment in Conforama
6. Material uncertainty with respect to the timing of recording adjustments following the restatements
7. Material uncertainty with respect to the timing of certain real estate transactions
8. Material uncertainty with respect to the foreign currency translation reserve
9. Material uncertainty with respect to not having access to information (kika-Leiner)

Uncertainty number 6 (timing) related to the 2017 Reporting Period and was therefore not included in the 2018 Audit Opinion. The rest have been repeated in the 2018 Audit Opinion. It is anticipated that, subject to the professional judgement of the external auditor when forming an opinion on the financial year, uncertainties numbered 4, 7 and 9 will also fall away in the 2019 Reporting Period. The uncertainties detailed in numbers 1, 2, 3, 5 and 8 will take longer to resolve.

Status of the forensic investigation

The forensic investigation, initiated after the events of December 2017, has been completed and the Company released an overview of the forensic investigation, on www.steinhoffinternational.com, on 15 March 2019. The investigation report is confidential and is subject to legal professional privilege. Consequently, the investigation report will not be published. Reference to the investigation and the investigation report is made without waiving the privileged nature of the investigation report.

At the date of this Annual Report, there is still a criminal investigation ongoing in Germany against two former Senior Managers.

The Company has commenced with phase II of the investigation which will deal with certain matters identified in the investigation report that in the view of the Forensic Investigation Committee of the Group warrant further investigation. These matters include the investigation of possible claims against third parties and entities.

Liquidity constraints and debt restructuring

Introduction

The announcement by the Company on 5 December 2017 and the subsequent announcement that the 2016 Consolidated Financial Statements could no longer be relied on and needed to be restated, as well as the postponement of the publication of the 2017 Consolidated Financial Statements, resulted in a significant decline in the Company's share price and serious liquidity constraints across the Group.

The Group took a number of actions to address the liquidity constraints with the aim of restoring stability to its operations, including those detailed below.

Shortly following these announcements, Moelis & Company was appointed as independent financial advisor to support and counsel the Group on the lender discussions. AlixPartners was appointed as operational advisor to assist the Group on liquidity management and operational measures. Linklaters LLP, an international legal adviser, was appointed to advise on restructuring and legal matters.

Operational funding

The events of December 2017 resulted in undrawn facilities at Steinhoff central treasury being cancelled with immediate effect. This limited the ability of the Group to run a central treasury operation and fund its operational businesses. These events also undermined the confidence of the Group's suppliers, customers, and credit insurers (who provide credit insurance cover to the Group's suppliers). Together this tightening of credit severely affected the ability of all operational businesses to access normal credit facilities and substantially reduced the availability of trade credit. The Group's operations and people were inevitably affected by these factors.

The situation was exacerbated by certain of the Group's operations being faced with a more difficult retail trading environment. This is covered in more detail in the Operational Review.

As a consequence of the curtailment of access to Group treasury and the constraints on the Group's banking facilities and other credit lines, the Group's operating subsidiaries arranged their own working capital facilities at an operating company level. This enabled them to continue operating independently from their holding companies.

Notwithstanding these challenges the Group successfully repaid approximately €2 billion of South African debt, using proceeds from the sale of the Group's holdings in PSG (25.5%), KAP (17%) and Pepkor (previously known as STAR) (6%), and €1 billion received from Pepkor (Pepkor repaid its intra-group loan during the 2018 Reporting Period after successfully raising its own funding independent from Steinhoff). Save for the Pepkor debt, the working capital facilities of the automotive business, and the African property division, the Group has no remaining African debt.

The Group's European finance companies' short-term liquidity has been supported by inter alia, a release of funds from the Group's South African operations and through a series of disposals of non-core European assets.

However, the Group's liquidity position remained challenged due to its overborrowed position. The Group continued to face ongoing funding requirements at many of its European finance companies and international operating companies. As a result, and with a view to ensuring long-term financial stability, the Group engaged with its various financial creditor groups in Europe to develop a restructuring plan to address its current financial position.

Restructuring plan – Lock-Up Agreement

At the Group's lenders presentation on 18 May 2018, it outlined a proposed framework for the restructuring. It subsequently entered into extensive negotiations with its European financial creditors with a view to implementing the restructuring on terms agreeable to the parties.

Whilst negotiations on the terms of the Lock-Up Agreement were ongoing, the directors of SEAG and SFHG (as Austrian incorporated companies) required further assurances from financial creditors during the interim period prior to the conclusion of such negotiations. As a consequence, each of SEAG and SFHG agreed the terms of support letters which became effective on 7 June 2018 and 29 June 2018. Reference is made to earlier announcements concerning the entry into these formal letters of support.

As announced on 20 July 2018, the Group received support from the requisite majorities of creditor groups to conclude the Lock-Up Agreement which became effective on that day. The Lock-Up Agreement appended a term sheet which detailed the terms of the proposed restructuring and an implementation steps plan.

The restructuring plan detailed in the Lock-Up Agreement took into account the features of the framework relating to the restructuring outlined in the Company's presentation to creditors on 18 May 2018 and sought to:

(i) ensure fair treatment across the various financial creditor groups having regard to their existing rights and claims; and

(ii) provide stability to the Group and its stakeholders by affording the Group:

- the opportunity to address and seek to resolve any concerns arising out of, or otherwise related to, the Group's announcements; and
- the time to take relevant steps aimed at improving the value of, and, where applicable, realising certain of its assets with the aim of providing a better return, including allowing:
  - the Management Board to focus on supporting and delivering value at the Group's operating businesses;
  - an extended period in which to achieve a deleveraging of the Group; and
  - a detailed assessment of all contingent litigation claims.

As part of the Lock-Up Agreement various newly incorporated companies are being inserted into the Group of which Steenbok Newco 3 Limited is the entity with respect to which nomination rights are created for the creditors within the SEAG Group.

The nomination rights of the creditors of the SEAG Group are replicated for these creditors in a number of subsidiaries of Steenbok Newco 3 Limited. The creditor nomination rights in respect of Steenbok Newco 3 Limited are for up to four out of the six board members, at the initiative of the respective creditors and in consultation with the Company. The Company retains the right to object to nominations. If the Company objects to a nomination made, the creditors have the right to make a new nomination. Further, the Company has the right to dismiss nominees once appointed.

Dependent on the reason for such dismissal, dismissal of a creditor nominee may have serious consequences under the Lock-Up Agreement and other finance documents (consequences that can be waived with majority lender approval and which do not apply in the event of a breach of a fiduciary duty). The Company ultimately owns both legally and beneficially the voting rights in Steenbok Newco 3 Limited. The creditors do not hold ownership interests or voting rights in Steenbok Newco 3 Limited.

In addition to the local financings and the South African refinancing referred to in "*operational funding*" above, a number of steps have been taken in relation to certain sub-groups of the Group that fall outside of the scope of the restructuring plan detailed in the Lock-Up Agreement.

Hemisphere

The Hemisphere Lock-Up Agreement was entered into by approximately 90% by value of the Hemisphere lenders and became effective on 26 July 2018. The Hemisphere Lock-Up Agreement, among other matters, imposed an agreed standstill obligation on lenders. This standstill was aimed at facilitating the restructuring of Hemisphere by providing the parties with a period of stability whilst the relevant documents were negotiated.

The restructuring of the financial indebtedness of Hemisphere was implemented on 5 September 2018. This resulted in a new, secured, three-year term loan facility of approximately €775 million at Hemisphere. €71 million of the principal debt was repaid during September 2018. Since the Reporting Date, following the sale of the kika-Leiner related property companies and certain other individual assets, approximately €406 million has been applied in repayment of interest and principal of this facility.

Australasian refinancing

The refinancing of certain financial indebtedness of Greenlit Brands Proprietary Limited (formerly Steinhoff Asia Pacific Group Holdings Proprietary Limited) was implemented on 27 September 2018. This refinancing comprised a new senior revolving credit facility and bilateral facilities of AUD256 million provided by Australian banks to Greenlit Brands Proprietary Limited and its subsidiaries through to maturity in October 2020. In addition, as part of the refinancing, existing intercompany debt from certain members of the SEAG group to Greenlit Brands Proprietary Limited and certain of its subsidiaries was refinanced. This intercompany debt, which was previously unsecured, was granted the benefit of security, with a portion of the debt (approx. AUD97 million) sharing security with the Australian banks (albeit on a second-ranking basis). The other portion of the debt (approx. AUD227.5 million) was granted a separate but identical security package and was third ranking. As part of the intercompany refinancing, the maturities for the intercompany debt were extended so that they matured after those of Australian banks' debt.

In addition, as a number of the Greenlit Brands Proprietary Limited group's retail brands are licensed from SEAG group entities, the refinancing also involved amendments to these intellectual property licences to ensure the relevant Greenlit Brands Proprietary Limited subsidiaries have licensing arrangements in place over the medium to long-term.

Mattress Firm financial restructuring

On 5 October 2018, the Company announced that its Mattress Firm subsidiaries filed voluntary Chapter 11 cases in the United States Bankruptcy Court for the District of Delaware. The filing implemented a pre-packaged Chapter 11 plan of reorganisation that, inter alia, provided Mattress Firm with access to new financing to support its business and established an efficient and orderly process for closing certain underperforming store locations in the United States. Mattress Firm emerged from Chapter 11 on 21 November 2018, having successfully exited approximately 640 underperforming stores.

In anticipation of Mattress Firm filing, Mattress Firm had access to approximately USD250 million in debtor-in-possession financing to support its ongoing operations during the Chapter 11 cases. On emergence from Chapter 11, Mattress Firm drew down on a four-year exit facility term loan in the original principal amount of USD400 million, a portion of which was used to repay the debtor-in-possession facilities, and had access to an undrawn exit asset backed lending facility in the amount of USD125 million. In accordance with the terms of the exit facilities, the exit facility lenders received their pro rata share of 49.9% of the equity in SUSHI, the owner of Mattress Firm. The Group retained a 50.1% equity interest in SUSHI. These shareholdings are, however, in each case subject to dilution by a management incentive plan. On 5 October 2018, as part of the reorganisation, SUSHI shares were contributed to SEAG from the Company. The Mattress Firm sub-group was moved within the Group structure from directly below the Company to become a subsidiary of SEAG. This move facilitated the restructuring of certain material inter-company loans owed by SUSHI and the Mattress Firm Group.

In relation to their equity stake, the exit facility lenders and the Group executed a stockholders' agreement that governs, among other things, shareholder rights in relation to the governance of SUSHI and sales of their respective equity interests. The exit facility lenders also receive a USD150 million payment-in-kind facility that has a five-year maturity.

The Management Board has considered the shareholding and governance structures of SUSHI and determined that the Group lost control of SUSHI on 21 November 2018. Subsequent to this date, Mattress Firm will be accounted for as an equity accounted investment in the Group's 2019 Consolidated Financial Statements.

Shortly after the Mattress Firm filing, but as part of that restructuring plan, SUSHI launched an English law scheme of arrangement. The SUSHI Scheme was sanctioned on 12 November 2018 and, following completion of certain other steps (including recognition of the SUSHI Scheme in proceedings under chapter 15 of title 11 of the United States Code by the United States Bankruptcy Court for the District of Delaware on 13 November 2018), became effective on 16 November 2018.

Conforama

The French Commercial Court of Meaux, on 11 April 2019, approved an amicable restructuring agreement entered into between Conforama and its creditors, as part of a French law so-called "conciliation" process which provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring.

The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and warrants in favour of the new money funders over 49.9% of the shares in Conforama. The first tranche of the funds amounting to €205 million was made available on 15 April 2019.

The Management Board has considered the shareholding and governance structures of Conforama and expects that the Group will lose control of Conforama during the 2019 Reporting Period. Subsequent to the loss of control, Conforama will be accounted for as an equity accounted investment.

Alexandre Nodale stepped down as deputy CEO and member of the Management Board on 11 April 2019.

Company Voluntary Arrangements (CVAs)

In terms of the proposed European restructuring detailed in the Lock-Up Agreement, on 30 November 2018, the SEAG CVA and the SFHG CVA were filed with the English court. The SEAG CVA and the SFHG CVA seek to implement the restructuring plan outlined in the Lock-Up Agreement. The CVA proposals, together with certain supporting documentation, can be downloaded from www.steinhoffinternational.com.

In particular, the restructuring steps to be implemented pursuant to each of the SEAG CVA and the SFHG CVA seek:

(i) to revise the terms of the Group's principal European debt instruments, and the guarantees of such debt instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance (being 31 December 2021);

(ii) as a result of those maturity dates, to afford the Group the opportunity to seek to improve the value of its assets for the benefit of its creditors and avoid a situation whereby SEAG's and SFHG's assets would be realised in a distressed scenario, potentially reducing any returns to SEAG's or SFHG's creditors;

(iii) through the revised debt terms, to improve the Group's liquidity position by providing that the interest accruing on the new debt pursuant to the restructuring will be payment- in-kind ("PIK"), rather than in cash;

(iv) the PIK rate applicable to the New Lux Finco 1 Debt will be 10% per annum. The PIK rates applicable to the New Lux Finco 2 Debt will be:

  (i) 10% per annum in relation to a "Super Senior Facility Loan";

  (ii) 7.875% per annum in relation to a "Facility A1 Loan" or a "Facility B1 Loan"; and

  (iii) 10.75% in relation to a "Facility A2 Loan" or a "Facility B2 Loan".

  Such PIK interest rates may increase in the event that certain creditor approved nominees are not appointed to the Supervisory Board of the Company; and

(v) The new SEAG debt facility contains provisions that regulate the steps to be taken if the new SEAG HoldCo decides to undertake a material asset disposal outside of a default scenario. If that material asset disposal also requires a shareholder vote by the Company shareholders, the matter will be put to the Company shareholders. If the Company shareholders do not vote in favour of the sale, there is a requirement that within approximately 75 days the SEAG debt is prepaid in amount equal to the net proceeds that would have been obtained on the proposed sale. If the Company does not raise the required funds within the required time to make the prepayment an event of default under the new debt facilities will occur. For more details please refer to the CVA Proposals and the new SEAG finance documentation. A copy of which is available on www.steinhoffinternational.com.

(vi) To implement (or provide the framework to implement) revised corporate governance across the European holding companies in order to supplement and support the functions and specifications of those holding companies including the appointment of new directors to certain companies within the SEAG Group and the establishment of a litigation working group.

The principal amount of such external European debt instruments under the CVA is approximately €7.9 billion, being approximately €5.2 billion of external SEAG debt and approximately €2.7 billion of external SFHG debt.

The meetings of the financial creditors and members of SEAG and SFHG to vote on the SEAG CVA and SFHG CVA, as applicable, were held on 14 December 2018. The SEAG CVA and the SFHG CVA were each approved by the requisite majorities of their respective creditors and by their members.

On 10 January 2019, SEAG was informed of an application issued by LSW GmbH, a company claiming to be a creditor of SEAG, challenging the SEAG CVA. LSW GmbH sought to challenge certain provisions of the SEAG CVA and related matters.

Aside from the challenge submitted by LSW GmbH, no challenges were received to the SEAG CVA within the challenge period (i.e. the period of 28 days beginning on the day on which the SEAG CVA Chairman's report was filed at the competent court). No challenges were received to the SFHG CVA within the applicable challenge period. As the challenge periods had expired, no further challenges were permitted.

Notwithstanding the challenge to the SEAG CVA, certain relevant terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, continued to apply and the Group continued working towards the implementation of the financial restructuring of the Group.

On 28 March 2019, the Company and LSW GmbH agreed that the application be dismissed on consensual terms. The parties accordingly filed with the court a consent order giving effect to that agreement.

On 30 May 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the CVA Consent Request No. 3 – Omnibus Proposed Amendments and waiver. These amendments included three separate requests – (i) to amend certain terms of the SEAG CVA and the relevant SEAG Restructuring Documents; (ii) to amend certain terms of the SFHG CVA and the relevant SFHG Restructuring Documents respectively and (iii) to waive the Implementation Condition relating to certain Australian tax clearances.

SEAG and SFHG considered that the Omnibus Proposed Amendments were necessary to conclude the final outstanding matters prior to the implementation of the SEAG CVA and SFHG CVA. Given the mechanical steps and prescribed notice periods required once the approvals pursuant to this CVA Consent Request have been obtained, it was possible that not all of the relevant conditions precedent to, and/or the steps required in respect of, the implementation of the SEAG CVA and SFHG CVA would be satisfied prior to the previous CVA Long-Stop Date of 31 May 2019. Accordingly, in order to complete the final steps, Consent Request No. 3 amended the definition of CVA Long-Stop Date to be 5:00pm (London time) on 30 June 2019. This approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

Outstanding steps

These extensions reflect the complexity of the restructuring. The Group is continuing to work hard to implement the restructuring. Despite the Group's best efforts, it appears that it might not be possible to implement the restructuring prior to 30 June 2019. Therefore, the Group expects to seek approval for a further extension of the appropriate time required to finalise and implement the CVAs.

Completion of the CVAs require a series of steps to be undertaken. The next step is the issuance of the Implementation Conditions Notice. This will prompt a period for the calculation of creditor entitlements under the new debt instruments. The remainder of the implementation timetable is as detailed in the SEAG CVA and the SFHG CVA. The final step is the issuance of the Implementation Commencement Date notice which will prompt a period of business transfers and execution of the necessary documents immediately prior to the final steps and closing.

Provided all remaining conditions to implementation are satisfied, implementation of the restructuring will commence, and it remains the objective of the Group to complete the restructuring as soon as possible.

Appreciation

The Management Board is constantly striving to maintain and improve the liquidity position of the Group to enable continued trading by our operating businesses and to preserve and restore value for our stakeholders (including creditors, shareholders and the Group's c. 120 000 employees in all operations).

The past eighteen months has been a very challenging period for everyone in our Group, and we would like to use this opportunity to thank the senior management and employees of the underlying businesses for their leadership and loyalty in keeping the businesses going and retaining value for the Group under extremely difficult circumstances.

We would also like to thank all members of the Supervisory Board, who for the last eighteen months have provided guidance and support and contributed extra hours to assist the Group through this period.

Finally, to all employees at the various central offices of the Group, our most sincere thanks for your relentless hard work and determination to assist the Group.

ANNUAL REPORT 2018 – PART I

SECTION 2: FINANCIAL REVIEW

This Financial Review covers the period of 1 October 2017 to 30 September 2018 and addresses the material events subsequent to the Reporting Date up to the date of this Annual Report.

INDEX

Introduction

This Financial Review covers the period of 1 October 2017 to 30 September 2018 and addresses the material events subsequent to the Reporting Date up to the date of this Annual Report.

Current trading performance

The accompanying Operational Review deals with the performance of the trading divisions of the Group in the Reporting Period.

Change in reportable segment information

As noted in the 2017 Annual Report, the Management Board has changed the Group's presentation of its segments. Four segments have been discontinued as detailed in note 1 to the 2018 Consolidated Financial Statements. Due to the number of discontinued operations in the Reporting Period, and in compliance with IFRS, the Group now uses seven continuing segments as detailed in note 2 to the 2018 Consolidated Financial Statements. This presentation is aligned with how the Management Board views the business and with historical operational reports.

Presentation of discontinued operations

Intercompany transactions and balances between continuing and discontinued operations are eliminated within both continuing and discontinued operations. The intercompany eliminations are added back as reconciling items for segmental and operational reporting (refer note 2 of the 2018 Consolidated Financial Statements) as this more closely reflects the trading conditions within each segment.

As a practical example, intercompany sales between Mattress Firm and Sherwood (comprising the majority of such intercompany eliminations) have the following impact: the operating profit of continuing operations are reduced by the amount of the intercompany sales (Sherwood's revenue) and the operating profit from discontinued operations are increased by the amount of the intercompany sales (Mattress Firm's cost of sales). In the segmental EBITDA and operating profit, Sherwood and Mattress Firm are shown as "stand-alone" entities and these intercompany sales eliminations were not taken into account. Management believes that this is a more appropriate way of disclosing these amounts in the segmental disclosure as these sales and purchases will continue for both Sherwood and Mattress Firm, even should one of the businesses be disposed of to a third party.

Critical Accounting estimates and judgements

The preparation of consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Actual results may differ from estimates, and judgements have been made after taking into account all currently available information but could change if additional relevant information comes to light.

Critical accounting estimates are those that involve complex or subjective judgements or assessments.

The details of such judgements and estimates are included as part of the "Basis of Preparation" of the 2018 Consolidated Financial Statements, and readers should take note of these judgement areas.

Judgements

1. Going concern assumptions
2. Consolidation decisions
3. Classification and completeness or related parties and affiliated parties
4. Recoverability of financial and other assets
5. Linkage and economic substance of transactions
6. Treatment of transactions involving Steinhoff shares funded by the Group
7. Presentation of liabilities
8. Recognition and measurement of provisions
9. Correct classification and completeness of contingent liabilities
10. Correct classification and completeness of liabilities and events occurring after the Reporting Period
11. Recognition of investment as equity accounted companies

Estimates

1. Estimates of uncertain tax positions
2. Estimation of future taxable profits in support of recognition of deferred taxation assets
3. Estimates of inputs into discounted cash flow models relating to the impairment of goodwill
4. Estimates of inputs into discounted cash flow models relating to the impairment of intangible assets
5. Estimation of the useful life of intangible assets
6. Estimation of the recoverable amount and fair value of properties
7. Estimation of the useful life and residual values of buildings
8. Estimation of the fair value of identifiable assets and liabilities impacting the measurement of goodwill in a business combination
9. Estimation of vesting conditions relating to share-based payments

Classification of debt as current liabilities

Under IFRS, a liability should be classified as current if the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the Reporting Date. As the Group is in technical breach of a number of its covenants, which relate to loans that are payable in future years, until a restructuring plan is implemented, financial creditors are not obligated to condone covenant breaches. The liabilities are therefore required to be presented as current liabilities in the 2018 Consolidated Financial Statements. Where operating companies entered into new debt facilities with lenders during the Reporting Period, and these new facilities are not repayable within 12 months of the Reporting Date, these new facilities have been classified as non-current liabilities. Management considered the terms of the Lock-Up Agreements entered into with SEAG and SFGH lenders, but do not consider these terms substantial enough for derecognition of the existing current liabilities and recognition of the new non-current liabilities. Management anticipates that at implementation of the CVAs, these liabilities will be reclassified to non-current liabilities.

As part of entering into the Lock-Up Agreement, lenders are entitled to fees, including consent fees, early-bird fees, lock-up fees, maturity fees and roll-over fees. The majority of these fees were expensed during the Reporting Period and added to the carrying value of the liabilities.

Net debt and cash flow

The debt of the Group remains high, with net debt of €9.1 billion at the Reporting Date. The net debt balance increased by €285 million in the Reporting Period. In Africa, Pepkor raised external funding, independent from the Group, and this funding was utilised to repay the majority of the Group's existing African debt. Pepkor Europe, Conforama and Greenlit also raised additional funding to replace bank overdrafts and short-term facilities utilised. Transaction costs and interest accruals were added to the outstanding debt balance.

The group raised €241 million through the sale of shares in Pepkor to non-controlling interest. In the prior year, on listing the Pepkor group separately in South Africa during September 2017, the Group raised €1.0 billion from this transaction.

The Group utilised €17 million in operations (2017: generated €404 million from operations). Ordinary and preference dividends of €22 million (2017: €651 million) were paid to shareholders, the group received dividends from investments of €15 million (2017: €67 million), and net interest and tax of €610 million (2017: €611 million) was paid. This resulted in a cash outflow from operations of €636 million (2017: outflow of €792 million).

The cash raised from issuing additional debt and transactions with non-controlling interest, net of the cash outflow from operations, was invested as follows:

(i) €370 million net capital expenditure;

(ii) Acquisitions of business of €30 million;

(iii) Disposals of businesses did not result in material inflows as the proceeds from the kika-Leiner sale was only received subsequent to the Reporting Date and cash on hand of subsidiaries disposed was derecognised;

(iv) Disposals of investments in equity accounted companies delivered proceeds of €1.3 billion (PSG €798 million; KAP €234 million; Atterbury Europe €224 million and SRP €79 million).

(v) Loans advanced to affiliated parties during the three months to December 2017, net of loans repaid by affiliated parties during the Reporting Period resulted in an additional outflow of €488 million.

In the 2017 Reporting Period, the outflows due to investing activities were:

(i) €744 million net capital expenditure;

(ii) Acquisitions of businesses of €483 million:

- €237 million for the acquisition of Fantastic;
- €106 million for the acquisition of Tekkie Town;
- €64 million for the acquisition of Sherwood;
- €32 million for the acquisition of Capfin call centre and Van As debt collectors; and
- the balance of €50 million for other smaller acquisitions. (Refer to note 24.7 of the 2017 Consolidated Financial Statements).

(iii) Investments in equity accounted companies of €544 million:

The Group increased its preference share investment in Atterbury Europe by €278 million to support its expansion in central Eastern Europe. The SRP investment was acquired for €159 million in July 2017. Cofel SAS, a bedding manufacturer, was acquired during the period for €51 million. As part of the KAP rights offer, the Group subscribed for a further 94 million KAP shares during the period for €45 million.

Details on the development of the debt subsequent to the Reporting Date is given in various sections of this Annual Report.

Geographic context and impact of foreign currencies

As demonstrated in the geographical analysis in note 2 to the 2018 Consolidated Financial Statements, the Group earned circa 66% of its revenue from continuing operations, outside the eurozone. The Group's assets are spread around the globe and the non-European assets are subject to various currency fluctuations including fluctuations in the value of the South African rand, the Australian dollar, the US dollar, the UK pound sterling and the Polish zloty.

One-off advisory fees (not included in segmental results)

As a result of the December 2017 events, it has been necessary for Steinhoff to engage a wide range of professional advisers to assist it with its investigative, legal, financial and regulatory requirements as it seeks to stabilise and restructure the Group. The scale and complexity of this task has meant that the aggregate adviser costs for the Reporting Period have been substantial. The principle adviser relationships included:

- legal advisors in various jurisdictions with United Kingdom, Austria, Germany and South Africa being the most material;
- financial restructuring and corporate advisory functions that support the Group on discussions and engagements with its creditors;
- liquidity management and operational measures;
- forensic investigation; and
- regulatory and taxation advisory.

In addition, as part of the restructuring process the Group is required to pay the advisor costs of each of the respective creditor groupings, including:

- legal advisors;
- financial structuring advisors; and
- regulatory and taxation advisory.

Advisory fees for the Reporting Period amounted to €117 million, as disclosed in note 4.2 of the 2018 Consolidated Financial Statements. These fees include €24 million relating to the forensic investigation and technical accounting support, and €43 million relating to creditor advisor fees.

The professional fees are expected to remain substantial until the restructuring plan has been finalised and implemented.

ONE-OFF ADVISORY FEES (€M)	FY18	FY17
	117	–
– Company advisory fees	50	–
– Creditor advisor fees	43	–
– Forensic investigation and technical accounting support	24	–

Related party transactions

During the Reporting Period, related party relationships existed between certain shareholders, subsidiaries, joint-venture companies and associate companies within the Group and its company directors and Group key management personnel.

As part of the Management Board's investigation, certain transactions which may not have been entered into on an arm's length basis have been identified. The Management Board's focus is to ensure that all related parties and non-arm's length transactions are identified and correctly accounted for in the accounting records.

The Group has identified and tested various transactions that appear not to have been entered into on a market-related basis, with a focus on determining the extent of the relationship and the recoverability of loans and assets. In instances where there is no security on the loans in the entity with the liability, or where the Group has insufficient information to perform a recoverability test, the Management Board has deemed it appropriate to impair these assets. The impairments mostly impacted on 2017 and earlier years.

All known material intergroup transactions are eliminated on consolidation.

Where non-arm's length transactions did not classify as related-party transactions in terms of IAS 24 – Related Party Disclosures, the Group has decided to include voluntary disclosure in the interests of transparency under the heading "affiliated-party transactions". Notes 29 and 30 to the 2018 Consolidated Financial Statements gives information on IAS 24 – Related party transactions and Affiliated-party transaction.

Corporate activity during the Reporting Period

Acquisitions entered into prior to the mid-December 2017 liquidity crisis

Lancaster 102

Steinhoff Africa, an indirect wholly-owned subsidiary of the Company, subscribed for preference shares issued by Lancaster 102 for a total subscription amount of ZAR4 billion. These preference shares are classified as a non-current investment and loan asset. As part of a proposed transaction relating to Shoprite Holdings Limited (explained below), Lancaster 102 required funding to purchase shares from Thibault. Thibault is an investment vehicle controlled by Christo Wiese (former chairman of the Supervisory Board). In exchange, Thibault subscribed for preference shares in Steinhoff Africa to the value of ZAR4 billion. These preference shares are classified as a non-current liability. In a subsequent transaction between Thibault and Lancaster 102, these preference shares in Steinhoff Africa were transferred to Lancaster 102.

The preference shares that Steinhoff Africa holds are entitled to a dividend calculated at 80% of the South African prime rate, calculated daily and compounded monthly. The final redemption date is either October 2022 or, if Lancaster 102 elects, October 2024 or a later date if Lancaster 102 and Steinhoff Africa agree.

The preference shares that Steinhoff Africa issued are entitled to a dividend calculated at 80% of the South African prime rate, calculated daily and compounded monthly. The final redemption date is October 2020.

Lancaster 102 is a wholly-owned subsidiary of Lancaster 101. Lancaster 101 is held 25% by Jayendra Naidoo (a former Supervisory Director), 50% by the Public Investment Corporation and 25% by a trust.

BSG

On 1 October 2017, an indirect subsidiary of Pepkor acquired 100% of BSG for an enterprise value of ZAR645 million, subject to a clawback or 'agterskot' based on the results for the 12-month period ending September 2018.

The acquisition was approved by the relevant regulatory authorities. BSG has been consolidated within Pepkor from 1 October 2017. At the time of the conclusion of the BSG deal, Jacob Wiese (a former Supervisory Director) declared an interest in the contract as a director of both the seller, Invicta Holdings Limited, and the purchaser, to the board of Pepkor.

Repurchase of Ordinary Shares

The Company repurchased 70.6 million of its own Ordinary Shares for €255 million, representing 1.7% of its issued share capital. The Ordinary Shares acquired by the Company, or held by Subsidiaries of the Company, are being treated as treasury shares.

The Company also received 6.2 million of its own shares in settlement of a PSG swap (refer PSG paragraph below), and BVI, which is consolidated by the group, disposed of 4.1 million of the Company's shares.

Acquisitions of dealerships by Unitrans

The acquisitions of the Lazarus Ford and Action Ford groups (which have dealerships in South Africa) were approved by the South African Competition Commission in November 2017 and January 2018, respectively.

Shoprite transaction and transactions with Christo Wiese's related entities

Pepkor entered into call option agreements whereby it obtained the right to acquire 128 million ordinary shares in the capital of Shoprite Holdings Limited from various parties. The former chairman Christo Wiese and his son Jacob Wiese reported their conflict of interest in the (potential) transaction during the Supervisory Board meeting of 6 June 2017. Pepkor's board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor group, subject to the fulfilment of conditions precedent. This transaction was not subsequently implemented. In the process, Steinhoff made prepayments of €125 million and €200 million in October and November 2017 to entities related to Christo Wiese (the former chairman of the Supervisory Board). Agreements have been entered into with these entities in terms of which €125 million has been settled during the second quarter of the 2018 Reporting Period. The balance of €200 million plus interest will be repaid on agreed terms. The entities are awaiting regulatory approvals to be able to perform under the terms of the agreement.

Disposals necessitated by liquidity needs in specific businesses

Mariahilferstrasse

On 29 December 2017, the Group sold a property in Vienna, Mariahilferstrasse, for a consideration of €70 million. The Group received partial payment of €60 million at the end of December 2017 and a further €10 million was payable in future by the purchaser. The kika-Leiner group held this €10 million claim against the purchaser, therefore this claim formed part of the kika-Leiner disposal. As such, it was not considered when calculating the €33 million loss on disposal.

SRP

An offer on 11 January 2018 to sell the Group's 17% interest in SRP, an equity accounted company, to Carrefour, the international supermarket chain, was accepted. The block of shares owned by Conforama, a subsidiary of the Company, was sold in an off-market transaction for approximately €79 million, at €13.5 per share; corresponding to a 108% premium to the market price on the date of the offer. Steinhoff acquired its interest in SRP in July 2017 for €158 million, at €27.0 per share. An impairment of €79 million was recognised in the 2017 Consolidated Financial Statements resulting in no further profit or loss in the current Reporting Period.

Habufa
Steinhoff sold its 50% interest in Habufa back to the original family owners on 25 January 2018. Proceeds of €10 million were received and a loss was recognised on disposal.

Disposals necessitated to release the Group from future cash commitments

Extreme Digital
Steinhoff disposed of its 50% interest in Extreme Digital on 30 January 2018 for €13 million and a loss was recognised on disposal.

Atterbury Europe
SEAG, an indirect wholly owned Subsidiary of the Company, held a joint venture investment in Atterbury Europe consisting of 50% of the ordinary shares and 100% of the non-voting participating preference shares. The investment in Atterbury Europe was recognised as a joint venture and measured in accordance with IAS 28 – Investments in Associates and Joint Ventures.

Atterbury Europe repurchased the ordinary shares held by the Group on 18 December 2017 for an amount of €20 million.

The Group's remaining 100% interest in the non-voting participating preference shares in Atterbury Europe were also repurchased by Atterbury Europe in June 2018 for €224 million.

These transactions resulted in a loss on disposal of €133 million in the 2018 Consolidated Financial Statements

kika-Leiner disposal
In January 2018, the Group took steps to assist the kika-Leiner business to formulate a restructuring plan with the objective of avoiding Austrian insolvency proceedings and of setting a course for it to continue as a going concern. The kika-Leiner business has been loss-making for a number of years (operating loss in 2017 of €92 million and in 2016 of €43 million) and had placed significant cash demands on the wider Group. The agreed support plan for kika-Leiner required a significant new investment from the Group over a number of years.

The Group considered that it was making good progress with the turnaround plan pursuant to the agreement of the kika-Leiner restructuring plan. At the start of June 2018, a major credit insurer in Austria decided to withdraw their credit insurance cover. This placed significant new and additional liquidity constraints on the kika-Leiner businesses, which resulted in an increase in the funds required for the restructuring plan of c. €125 million.

In order to curtail the cash injection required from the Group and to secure the future of kika-Leiner and its approximately 5 500 employees, the Group's management team engaged with various third parties with a view to agreeing the terms of a sale of the kika-Leiner Sale Assets. Agreement was reached with SIGNA Holding GmbH (as purchaser) to acquire the kika-Leiner Sale Assets.

The key terms of the disposals are set out below:

(i) Disposal of operating companies ("OpCos"): Although the consideration for each of the OpCos was a nominal amount, the Purchaser took over the Group's cash commitment as per the restructuring plan. The sale of the OpCos received merger clearance in each of Austria, the Czech Republic and Slovakia by mid July 2018.

(ii) Disposal of property companies ("PropCos"): The consideration for the PropCos was based on an enterprise value of approximately €490 million. The sale of the PropCos received merger clearance and lender approval.

(iii) In terms of accounting standards, these transactions are considered to be linked, and the Group established 14 August 2018 to be the date of loss of control of both the OpCos and PropCos.

In total a loss of €125 million was recognised in the 2018 Consolidated Financial Statements and the receivable for the purchase price of €397 million was included in trade and other receivables. Management assessed that the kika-Leiner businesses (OpCos and PropCos) met the criteria to be classified as discontinued operations.

Disposal of non-core assets to raise funds to repay debt

PSG
In 2015, the Group made the strategic decision to increase its PSG shareholding to above 25%.

To facilitate the increase in its PSG shareholding, the Company agreed with certain PSG investors to swap their PSG shares for Shares in the Company. Two of the PSG investors that participated in the swap, entered into separate derivative agreements with the Company under the terms of which the Company would retain economic exposure to PSG (therefore should the Company share price underperform the PSG share price, the Company would pay out the difference in value to these swap counterparties and should the Company share price outperform the PSG share price, the Company would receive the difference in value).

Prior to this disposal, the Company, through its indirect Subsidiary Steinhoff Finance Investments Proprietary Limited, held 56 million ordinary shares in PSG, representing approximately 26% of the externally issued share capital of PSG.

During the 2017 Reporting Period, one of the derivative contracts was cash settled for €1 million. During the 2018 Reporting Period, the Company entered into the following sale agreements for its investment in PSG:

(i) a block placement of 21 million shares on 15 December 2017 at a placement price of ZAR230 per share. The shares were taken up by a consortium of bidders.

(ii) an accelerated book build of 29 million shares on 22 January 2018 at a price per share of ZAR240.

(iii) a sale of three million PSG shares, sold gradually on-market for an average net price of ZAR210 per share.

The remaining two million PSG shares were swapped for six million of the Company's

Ordinary Shares to settle the second PSG derivative contract. On the 2017 Reporting Date, the statement of financial position included a cumulative €13 million liability for the second PSG derivative contract. As the PSG derivative was settled by the Company delivering PSG shares (as opposed to cash), the €13 million liability on the 2017 statement of financial position was reversed in the Reporting Period, resulting in a one-off €13 million profit.

Total proceeds of ZAR12 billion were received for all the sales of PSG shares, net of transactions costs. A net profit before taxation of ZAR375 million was recognised. At a Group level this profit before taxation translates to €24 million. The reclassification of the cumulative FCTR, which arose as a result of translation of the investment in PSG at fluctuating ZAR:Euro exchange rates over the period of the investment, resulted in a €99 million loss being reclassified to profit or loss during the Reporting Period.

KAP

Ainsley Holdings Proprietary Limited, an indirect wholly owned Subsidiary of the Company, held 1,144 billion shares (approximately 43%) in KAP up until 12 March 2018, with a market value of c. ZAR10 billion. As part of the agreement reached with its South African financial creditors, the Company agreed that it would continue with a process to dispose of a portion of its interests in KAP to repay a portion of its South African debt. The Management Board approved the launch of an accelerated bookbuild of up to 450 million ordinary shares in KAP. The shares were successfully placed at a price of ZAR8.15 per share on 13 March 2018, raising total gross proceeds of ZAR3.7 billion. A profit of €82 million was recognised in the 2018 Consolidated Financial Statements.

Gulfstream jet

Rainford Isle of Man Limited (RIM), a wholly owned Subsidiary of the Company acquired a company aircraft, for USD21 million in January 2017. RIM sold the company aircraft on 12 January 2018 for a consideration of USD16 million. A loss was recognised on disposal in the Reporting Period.

The Group also disposed of two smaller jets at a combined loss of €2 million.

Pepkor (previously called STAR)

During April 2018, the Company successfully placed 200 million ordinary shares in Pepkor through an accelerated bookbuild. The shares were placed at a price of ZAR18.75 per share, raising total gross proceeds of ZAR3.8 billion (c. €241 million). The book was multiple times oversubscribed. The placing price represented a discount of 3% to the Pepkor closing price of ZAR19.26.

Following the accelerated bookbuild, the Group's interest in Pepkor reduced from 77% to 71%. As this was a transaction with non-controlling interests, no profit or loss was recognised in the income statement in the 2018 Consolidated Financial Statements.

Manufacturing and other

A number of smaller non-core manufacturing and other businesses have been disposed of or closed, including Puris Bad (bathroom), Impuls Küchen (Kitchen), Ellis, Genfin, Entrepo, Spotco, SVF UK, Princess Bay, BST and Global Warehouse. In addition, Steinpol was sold after the Reporting Date.

Corporate activity after the Reporting Date

KAP

In March 2019, the Management Board approved a further launch of an accelerated bookbuild of the remaining 694 million ordinary shares in KAP. The shares were successfully placed at a price of ZAR6.85 per share on 26 March 2019, raising total gross proceeds of ZAR4.8 billion (€293 million).

Unitrans

The Group announced, on 28 March 2019, that it had reached in-principle agreement to dispose of 74.9% of Steinhoff Africa's shares in Unitrans Motor Holdings Proprietary Limited (and its subsidiaries), and 100% of the loan claims against Unitrans held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. Under the terms of the potential transaction the parties will endeavour to dispose of the Group's remaining 25.1% interest in Unitrans at a later date, as part of a Broad-Based Black Economic Empowerment transaction.

The board commenced the disposal process during the Reporting Period, and management assessed that the criteria was met to classify Unitrans as a disposal group and a discontinued operation. An impairment loss of R619 million (€38 million) was recognised to revalue the Unitrans assets to their fair value less expected cost of disposal at the Reporting Date.

POCO

In 2007, a joint venture was formed between companies affiliated to Seifert, Pohlmann and the Group in respect of a German furniture retailer, POCO. Seifert held a 50% interest in POCO and Pohlmann and the Group each had a 50% interest in LiVest, which held the other 50% interest in POCO, thus giving the Group an economic interest of 25%. Pohlmann agreed to provide the Group a casting vote in respect of LiVest and as a result his casting vote in relation to the appointment of the key management of POCO, which would expire in March 2017.

The Group historically concluded that it controlled POCO and consolidated POCO from July 2007 with a 50% non-controlling interest. As of January 2012, the Group incorrectly reduced its non-controlling interest to 0% and from April 2015 recognised a liability in respect of Seifert's 50% shareholding as it was believed that certain actions taken had resulted in the right to redeem his 50% shareholding, known as a "squeeze out". There was an ongoing dispute between the parties in Germany on the validity of the so-called "squeeze out".

Representatives of the Group and the other parties attended a court hearing in Dortmund where this issue was contested on 25 April 2018. At the hearing, the parties agreed, in principle, to settle the matter on terms acceptable to all parties. To this end, it was agreed that the Group would no longer contest the validity of the forfeiture of the JV Entities' existing 50% interest in POCO. Furthermore, the JV Entities offered to acquire the Group's remaining interest in POCO based on an agreed equity valuation of €533 million for 100% of the equity in POCO. In addition, the POCO business would retain debt of approximately €140 million, with no recourse to the Group.

The Group entered into a sale agreement with the JV Entities on 4 September 2018 for a total consideration of €271 million. The sale was subject to competition and merger control approvals which were subsequently obtained. Closing the POCO sale brought the German litigation proceedings with the entities owned by Seifert to an end.

Management assessed the interest in POCO to be an asset held-for-sale at the Reporting Date and also classified POCO as a discontinued operation.

The Pohlmann family declared a dispute regarding the 2015 sale of their interest in the Company. A settlement was reached in this regard. Refer to note 21.3 of the 2018 Consolidated Financial Statements.

Mattress Firm

As detailed in the Business Review, Mattress Firm completed a financial restructure on 21 November 2018. In accordance with the terms of the exit facilities, the exit facility lenders received their pro rata share of 49.9% of the equity in SUSHI the owner of Mattress Firm. The Group retained a 50.1% equity interest in SUSHI. These shareholdings are, however, in each case subject to dilution by a management incentive plan. On 5 October 2018, as part of the reorganisation, SUSHI shares were contributed to SEAG from the Company. The Mattress Firm sub-group was moved within the Group structure from directly below the Company to become a subsidiary of SEAG. This move facilitated the restructuring of certain material inter-company loans owed by SUSHI and the Mattress Firm Group.

In relation to their equity stake, the exit facility lenders and the Group executed a stockholders' agreement that governs, among other things, shareholder rights in relation to the governance of SUSHI and sales of their respective equity interests. The Management Board has considered the shareholding and governance structures of SUSHI and determined that the Group lost control of SUSHI on 21 November 2018. Subsequent to this date, Mattress Firm will be accounted for as an equity accounted investment in the Group's 2019 Consolidated Financial Statements.

At the Reporting Date, management assessed that Mattress Firm had met the criteria as a disposal group and as a discontinued operation. The Mattress Firm brand was impaired by €118 million during the Reporting Period. No further impairments were required to recognise the disposal group at its fair value less cost of disposal.

Conforama

The French Commercial Court of Meaux approved an amicable restructuring agreement entered into between Conforama and its creditors, as part of a French law so-called "conciliation" process which provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring.

The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and warrants in favour of the new money funders over 49.9% of the shares in Conforama. The first tranche of the funds amounting to €205 million was made available on 15 April 2019.

The Management Board has considered the shareholding and governance structures of Conforama and expect that the Group will lose control of Conforama during the 2019 Reporting Period. Subsequent to the loss of control, Conforama will be accounted for as an equity accounted investment.

Management assessed the Conforama restructuring and determined that it did not meet the requirements to be a disposal group or discontinued operations at the Reporting Date.

Debt restructured and repaid – 2018 Reporting Period

Repayment and delisting of the services Domestic Medium-Term Note

A portion of the proceeds raised from the disposal of PSG was used to redeem the outstanding notes under the Domestic Medium-Term Note programme. The Group, through its indirect wholly-owned Subsidiary Steinhoff Services, requested the noteholders to approve early settlement.

All the notes except SHS34 were settled on 23 February 2018. The noteholders of note SHS34 voted against the early settlement. As the Steinhoff Services audited 2017 Consolidated Financial Statements were not published on or before 28 February 2018, the trading of the remaining note SHS34 was suspended on 1 March 2018. Note SHS34 was settled on 2 March 2018 and the Domestic Medium-Term Note programme was deregistered with the JSE effective 9 March 2018. Steinhoff Services was converted to a private company with effect from 21 May 2019.

Pepkor refinancing

Pepkor successfully completed the refinancing of the Group's shareholder funding amounting to approximately ZAR16 billion on 23 May 2018. The refinancing facilitated the repayment of the shareholder loan owing to Group entities. These entities used the cash to repay existing African debt, external debt and a portion of the preference share debt.

Accordingly, the Group has successfully repaid approximately €2 billion of existing African debt since January 2018. Save for the new refinanced Pepkor debt, working capital facilities of the automotive business (included in liabilities held-for-sale) and the African properties division, as at the date of this report, the Group has no remaining African debt.

Group debt restructure

The Group has been engaged in substantial and complex debt restructuring throughout 2018 and 2019, as detailed in the Business Review section of this Annual Report.

Shareholder and vendor claims

During and subsequent to the Reporting Period the Group received a number of Shareholder and vendor claims. The Group, in consultation with its legal advisors, are in the process of evaluating and assessing the quantum of all the claims received to date. The majority of the claims will not have an impact on the 2018 Consolidated Financial Statements and are being disclosed as contingent liability in note 22 to the 2018 Consolidated Financial Statements. Where claims have been provided, details are included in note 21.3 to the 2018 Consolidated Financial Statements.

The Group is at the same time evaluating what claims it may have against third parties.

Going concern

In determining the appropriate basis of preparation of the 2018 Consolidated Financial Statements, the Management Board is required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group and the Company's cash flow forecast indicate that the Group and the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation.

The Management Board draw attention to the following critical assumptions that are key in arriving at the cash flows, namely:

Litigation

The Group and Company has received several shareholder and vendor claims and notices of regulatory investigation. A key assumption in both the Group and Company cash flows is that no material claims or fines are awarded against the Group or Company and will become payable during the next twelve months. As stated previously, these legal proceedings and regulatory investigations have been initiated against the Group and Company during the past 18 months. The Supervisory Board and the Management Board, assisted by a newly constituted litigation committee, and in consultation with the Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defences have already been filed by Steinhoff in these legal proceedings. However, litigation remains a material uncertainty as to its ultimate impact on the liquidity of the Group.

Tax

Tax remains a material uncertainty as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain. This is exacerbated by the fact that these irregularities impact multiple jurisdictions, the finalisation of which will require substantial analysis and negotiation with various tax authorities in the respective jurisdictions. A key assumption is therefore that the tax assumptions built into the current cash forecast, for both the Group and Company, continue to apply and that no unexpected material assessments are received.

The steps to complete the CVAs are complex and multi-jurisdictional giving rise to an element of risk regarding the tax consequences thereof. The Group has engaged with professional tax advisors in numerous jurisdictions to determine the tax consequences with a view to ensuring that the associated element of risk arising from the restructuring is mitigated.

CVA process

The restructuring of the Group's existing financial indebtedness continues. The full implementation of the CVA is critical to the liquidity of the Group. A long delay will increase advisor costs which will negatively impact the Group's cashflow. Should the CVA fail for any reason, this would have a materially negative impact on the liquidity of the Group and the Company.

CVA and Hemisphere Arrangements

It is important that there is no event of default in the future, once the implementation of the CVA has been fully implemented, or under the existing agreement with the Hemisphere lenders, that threatens the current standstill agreements.

Conclusion

The Management Board draw attention to the following facts:

(i) that in both the Group and Company's financial statements, current liabilities exceed current assets, and

(ii) that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company and Group's ability to continue as a going concern beyond the foreseeable future. If the Group and Company are to continue as a going concern, the Management Board and operational management require sufficient time to stabilise the Group and re-establish value at operational level. This will enable the Group and Company to realise assets in a non-distressed fashion and thus maximise value to repay or reduce debt to manageable levels. This will also maximise the return to all stakeholders. At the same time a solution for the potential litigation against the Group will need to be sought and implemented.

Remediation Plan

PwC completed their investigation and delivered the forensic report to the Supervisory Board and the Management Board in mid-March 2019. The Company thereafter provided the market with an overview of this report.

After reviewing the findings of both the PwC report and its own internal investigations, the Management Board have designed and started implementing a Remediation Plan aimed at addressing the cause of the various failures and the consequential impacts.

To ensure that the Remediation Plan is delivered upon, the Company has appointed a Chief Compliance and Risk Officer (CCRO), Louis Strydom, who will be responsible for the plan and will report directly to the CEO and have reporting responsibility to the Audit and Risk Committee. The CCRO will join the Group on 1 July 2019. Louis Strydom is well versed in the issues facing the Steinhoff Group as he has been heading up the PwC forensic team responsible for the PwC Steinhoff investigation.

The Remediation Plan is detailed and attempts to cover all the potential weaknesses that have been identified to date and the regulatory consequences thereof. It also identifies what still requires to be done, who is responsible for performance and the timeline for delivery. The Remediation Plan is a live document which will be expanded upon as and when new issues arise and require change.

The Remediation Plan has been endorsed by the Supervisory Board and the Supervisory Board will ultimately oversee the implementation of the Remediation Plan.

The Company is also considering findings from its own investigation, and the contents of the forensic report, in order to pursue, where appropriate, the recovery of losses incurred, and damages suffered. This represents an ongoing part of the Group's investigations.

The Company's dividends on Ordinary Shares

In terms of the Company's dividend policy, the Company in the past declared dividends annually. Given the ongoing liquidity position of the Company and Group, the Management Board, with the approval of the Supervisory Board, has resolved not to propose dividends on Ordinary Shares until further notice.

On the Reporting Date and date of publication of this report, the Ordinary Shares remain listed and traded on the FSE and the JSE.

Preference Shares and dividends

Suspension of the SINVH preference shares on the JSE

SINVH is a wholly owned Subsidiary of the Company and is the issuer of variable rate, cumulative, non-redeemable, non-participating preference shares with a capital value of ZAR1.5 billion. The preference shares are listed on the JSE. Following the events of December 2017, SINVH was unable to publish its Consolidated Financial Statements for the year ended 30 September 2017 by the requisite date namely 28 February 2018. The listing of the preference shares was suspended by the JSE effective 1 March 2018. SINVH has also not yet published its 2017 and 2018 Consolidated Financial Statements. These preference shares are included as non-controlling interest: preference share capital.

Preference SINVH share dividends

On 30 April 2018, SINVH published a stock exchange news service announcement notifying holders of the SINVH preference shares that a decision had been taken by the board of directors not to declare a dividend on the SINVH preference shares in respect of the period 1 July 2017 to 31 December 2017. The above-mentioned decision was subsequently reviewed by the board of SINVH, who determined that SINVH was in a position to declare the SINVH preference shares dividend. Accordingly, on 29 June 2018, the board approved the payment of a gross dividend of 427.41781 South African cents per SINVH preference share, payable on 23 July 2018.

On 26 July 2018, the board of SINVH declared a gross dividend of 414.02568 South African cents per SINVH preference share, payable on Monday 20 August 2018. In addition, and with reference to the previous dividend declaration announcement published on 29 June 2018, SINVH increased the SINVH preference shares dividend by a gross amount of 10.03132 South African cents per share to compensate holders for the period between the previous preference dividend declaration date, being 29 June 2018 and the eventual payment date of 23 July 2018 (both days included).

On 27 February 2019, the board of SINVH declared a gross dividend of 418.09418 South African cents per SINVH preference share, payable on Monday 29 April 2019.

The SINVH preference shares dividends were paid in the currency of South Africa and were subject to local dividend tax of 20%.

Events after the Reporting Date

The corporate activity and debt restructuring, as set out above in this Financial Review, have continued after the Reporting Date.

ANNUAL REPORT 2018 – PART I

SECTION 3: OPERATIONAL REVIEW

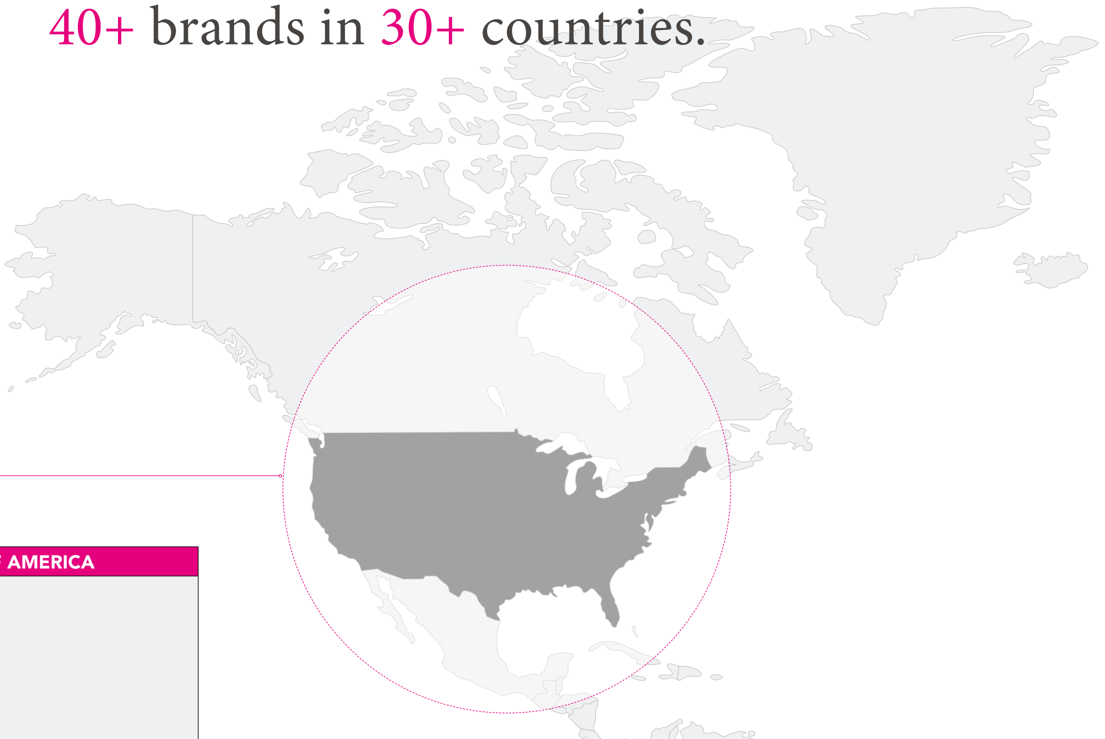
During the Reporting Period, the Group reported revenue growth of 3% to €12.8 billion against a comparative of €12.5 billion for the group's continuing operations.

INDEX

As a retailer, the Group does not make material investments in research and development itself, but sources product for distribution into various markets through an extensive distribution footprint.

Steinhoff today ...

... adds value to its customers' lifestyles by providing everyday products at affordable prices and serving customers at their convenience in 12 000+^ stores with 40+ brands in 30+ countries.



UNITED STATES OF AMERICA

100%
ownership
(30 September 2018)
(18 June 2019: **50%**, subject to future dilution by the new management incentive plan.)

MATTRESSFIRM

AFRICA

71%
ownership
(30 September 2018)
(18 June 2019: **71%**)

Pepkor
Sample of Pepkor brands (separately listed on the JSE)

PEP

ACKERMANS

Russells

BUCO

100%
ownership
(30 September 2018)
(18 June 2019: **100%**)

UNITRANS

The group's full brand complement includes: Abra, Ackermans, Bensons for Beds, Best&Less, Bradlows, BUCO, Conforama, Dealz, Dunns, Emmezeta, Fantastic, FLASH, Floors Direct, Freedom, Harris Scarfe, Harveys, Hertz, HiFi Corp, Incredible Connection, John Craig, Lipo, Mattress Firm, OMF, PEP, PEP Cell, PEP Home, PEPCO, PEP&CO, Plush, Postie, Poundland, Powersales, Refinery, Rochester, Russells, Shoe City, Sleepmasters, Snooze, Tekkie Town, Tiletoria, Timbercity, Unitrans, and other South African building material brands.

^ *Including discontinued operations*

EUROPE AND UNITED KINGDOM

100%
ownership
(30 September 2018)
(18 June 2019: **100%**)*

Pepkor Europe

PEPCO

Poundland

Dealz

PEP&CO

100%
ownership
(30 September 2018)
(18 June 2019: **50%**)**

Conforama

100%
ownership
(30 September 2018)
(18 June 2019: **100%**)

bensons for beds

Harveys

AUSTRALIA AND NEW ZEALAND

100%
ownership
(30 September 2018)
(18 June 2019: **100%**)

Sample of brands in Australasia

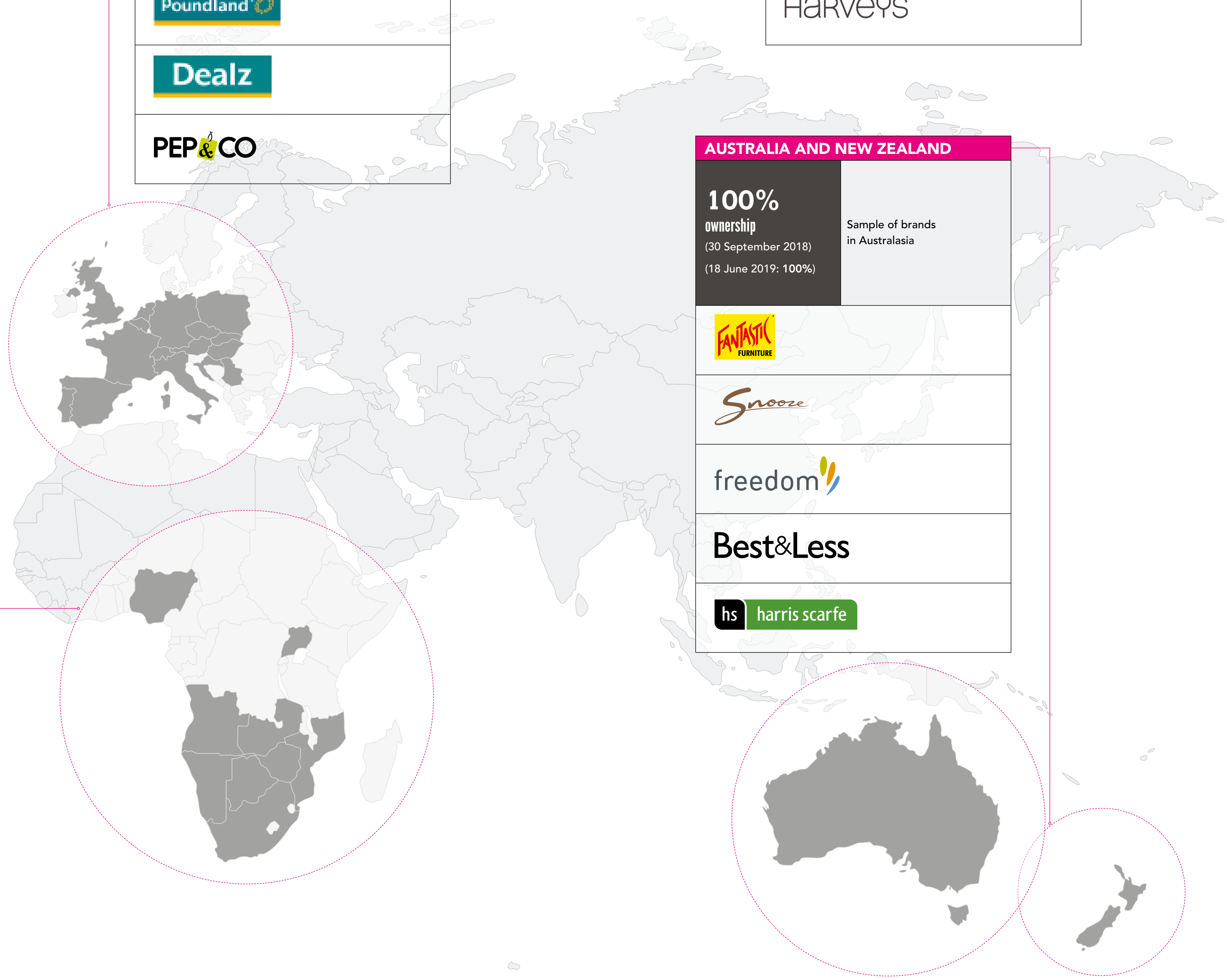
Fantastic Furniture

Snooze

freedom

Best&Less

harris scarfe



* *100% reflects accounting ownership, although legal ownership amounts to 99% as at 18 June 2019 (30 September 2018: 98%)*
** *Warrant issuance of 49.9% of the issued share capital of Conforama Holding SA is subject to certain milestones, but ultimately 31 December 2019 or in event of a sale before 31 December 2019.*

Introduction

During the Reporting Period the Group and its operating entities had to deal with the consequences of the events at the Steinhoff parent company level. This had a severely negative impact on the Group's operational results. In addition, the operations encountered a difficult retail trading environment in the majority of its markets. Notwithstanding these difficulties, the Group's revenue from continuing operations grew by 3% to €12.8 billion (2017: €12.5 billion).

The Group reported segmental EBITDA from continuing operations of €770 million for the Reporting Period and an operating profit, before capital items of €504 million.

Steinhoff Events

The events at the Steinhoff parent company level (Steinhoff Events) required operational management to address additional challenges and incur extraordinary costs throughout the period.

The challenges included:

- Liquidity management
  - Engaging with credit providers, including credit insurers, to secure working capital facilities at operating entity level.
  - Adjusting operational processes and the supply chain to accommodate supplier changes and reduced supplier credit.
  - Active engagement with suppliers and credit insurers to maintain credit lines.
- Customer confidence
  - The publicity surrounding the Group's difficulties influenced both customer and competitor behaviour, and impacted negatively on customer confidence in many of the Group's brands. During this period, enhanced customer communication was required to counter these reputational issues and to address competitor activity. The loss of customer confidence was most evident in the made-to-order furniture operations (for example, kitchens, upholstery and other large furniture items), as these products have a long lead time and require customers to pay a deposit upon ordering.
- Margin and cost management
  - Net margins across the Group were negatively impacted by reduced levels of trade and additional one-off costs such as professional fees.
- Management focus
  - It was necessary for operational management to devote substantial additional time to, inter alia, retaining existing suppliers, sourcing new suppliers, supply chain management and staff retention. This critical activity inevitably reduced the time available to focus on normal trading activities.
  - All business plans were reassessed to reduce capital consumption and expenditure to the minimum.
  - Operational management teams were also required to devote a significant amount of time to providing detailed information to, inter alia, the forensic investigation team, the restructuring team and to potential new financiers of the operating businesses.

In light of the Group's ongoing financial restructuring, the business plans of all operating companies have been analysed thoroughly and management have been tasked to focus on profitability, cash flow, and overall cost reduction.

REVENUE FROM CONTINUING OPERATIONS (€M)

	FY18	FY17	% change
EUROPE AND UNITED KINGDOM			
Total Europe and United Kingdom	7 402	7 288	2
Pepkor Europe	3 049	2 796	9
Conforama	3 402	3 472	(2)
Other	941	1 012	(7)
Properties	10	8	25
AFRICA			
Total Africa	4 135	3 918	6
Pepkor (separately listed)	4 126	3 910	6
Other (Properties Africa)*	9	8	13
AUSTRALASIA			
Greenlit Brands	1 289	1 285	–
CORPORATE AND TREASURY SERVICES			
Corporate and treasury services	1	2	(50)
Total Group revenue from continuing operations	**12 827**	**12 493**	**3**

**Part of "All other" segment in the 2018 Consolidated Financial Statements*

REVENUE FROM DISCONTINUED OPERATIONS (€M)

	FY18	FY17	% change
UNITED STATES OF AMERICA – CHANGE IN CONTROL OPERATIONS*			
Mattress Firm	2 660	2 981	(11)
AFRICA AND EUROPE – DISPOSALS			
Automotive	1 502	1 351	11
Other	1 016	1 990	(49)
Properties	16	3	>100
Total revenue from discontinued operations as reported (including Mattress Firm)	**5 194**	**6 325**	**(18)**

**Following the implementation of Mattress Firm's Chapter 11 restructuring, the Group's stake in Mattress Firm decreased from 100% to 50% on 21 November 2018. As a result, for accounting purposes, the Group is deemed to have lost control of Mattress Firm and the remaining 50% stake will be equity accounted from 21 November 2018. In accordance with accounting standards, as a result of the change in control, 100% of Mattress Firm's results are deemed to be discontinued operations in the 2017 and 2018 financial period, although the Group will still retain 50% of Mattress Firm. For more details refer to the section "Corporate activity after the Reporting Date – Mattress Firm" of the Financial review.*

EBITDA FROM CONTINUING OPERATIONS (€M)

	FY18	FY17	% change
EUROPE AND UNITED KINGDOM			
Total Europe and United Kingdom	245	381	(36)
Pepkor Europe	243	219	11
Conforama	32	145	(78)
Other	(27)	–	(>100)
Properties	(3)	17	(>100)
AFRICA			
Total Africa	505	477	6
Pepkor (separately listed)	489	466	5
Other (Properties Africa)*	16	11	45
AUSTRALASIA			
Greenlit Brands	43	54	(20)
CORPORATE AND TREASURY SERVICES	(23)	(229)	90
Total segmental EBITDA as reported for continuing operations	**770**	**683**	**13**

**Part of "All other" segment in the 2018 Consolidated Financial Statements*

EBITDA FROM DISCONTINUED OPERATIONS (€M)

	FY18	FY17	% change
UNITED STATES OF AMERICA – CHANGE IN CONTROL OPERATIONS^			
Mattress Firm	(125)	(73)	(71)
AFRICA AND EUROPE – DISPOSALS			
Automotive	58	59	(2)
Other	(72)	(11)	(>100)
Properties	50	80	(38)
Total Segmental EBITDA from discontinued operations	**(89)**	**55**	**(>100)**

^Following the implementation of Mattress Firm's Chapter 11 restructuring, the Group's stake in Mattress Firm decreased from 100% to 50% on 21 November 2018. As a result, for accounting purposes, the Group is deemed to have lost control of Mattress Firm and the remaining 50% stake will be equity accounted from 21 November 2018. In accordance with accounting standards, as a result of the change in control, 100% of Mattress Firm's results are deemed to be discontinued operations in the 2017 and 2018 financial period, although the Group will still retain 50% of Mattress Firm. For more details refer to the section "Corporate activity after the Reporting Date – Mattress Firm" of the Financial review.

OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS (€M)	FY18	FY17	% change
EUROPE AND UNITED KINGDOM			
Total Europe and United Kingdom	83	235	(65)
Pepkor Europe	185	168	10
Conforama	(24)	90	(>100)
Other	(64)	(30)	(>100)
Properties	(14)	7	(>100)
AFRICA			
Total Africa	431	411	5
Pepkor (separately listed)	416	401	4
Other (Properties Africa)*	15	10	50
AUSTRALASIA			
Greenlit Brands	14	30	(53)
CORPORATE AND TREASURY SERVICES	(24)	(231)	90
Total segmental operating profit as reported for continuing operations	**504**	**445**	**13**

**Part of "All other" segment in the 2018 Consolidated Financial Statements*

OPERATING (LOSS)/PROFIT FROM DISCONTINUED OPERATIONS (€M)	FY18	FY17	% change
UNITED STATES OF AMERICA – CHANGE IN CONTROL OPERATIONS^			
Mattress Firm	(202)	(163)	(24)
AFRICA AND EUROPE – DISPOSALS			
Automotive	45	43	5
Other	(96)	(52)	(85)
Properties	20	46	(57)
Total Segmental operating loss from discontinued operations	**(233)**	**(126)**	**(85)**

^ Following the implementation of Mattress Firm's Chapter 11 restructuring, the Group's stake in Mattress Firm decreased from 100% to 50% on 21 November 2018. As a result, for accounting purposes, the Group is deemed to have lost control of Mattress Firm and the remaining 50% stake will be equity accounted from 21 November 2018. In accordance with accounting standards, as a result of the change in control, 100% of Mattress Firm's results are deemed to be discontinued operations in the 2017 and 2018 financial period, although the Group will still retain 50% of Mattress Firm. For more details refer to the section "Corporate activity after the Reporting Date – Mattress Firm" of the Financial review.

Europe and United Kingdom

Pepkor Europe

REVENUE (€M)	FY18	FY17	Change %
Total revenue – Pepkor Europe	**3 049**	**2 796**	**9**
Pepco (central and eastern Europe)	1 283	991	29
Poundland (largely UK)	1 766	1 805	(2)
EBITDA (€M)			
Pepkor Europe	243	219	11
OPERATING PROFIT (€M)			
Pepkor Europe	185	168	10

Pepkor Europe continued its strategy to expand its highly successful PEPCO format in central Europe, return the UK Poundland business to sustainable profit growth, and accelerate the growth in the newer Dealz format in Poland and Spain.

This led to continued revenue and profit growth during the Reporting Period with a further expansion in EBITDA margin driven by scale leverage within PEPCO. Revenue increased by 9% to €3 049 million (2017: €2 796 million) for the Reporting Period (with revenue growth of 13% in the fourth quarter), while EBITDA increased by 11% to €243 million (2017: €219 million).

At the close of the year the Group traded from 2 360 stores, an increase of 13% over the prior year.

Specifically, PEPCO expanded its store portfolio by 24% year-on-year, having opened 286 new stores in the year, including the brand's 200th store in Romania. During the Reporting Period, the business entered into three new countries (Lithuania, Latvia and Estonia), which are trading above expectations. PEPCO now operates 1 499 stores in 10 territories. The store portfolio in Poundland declined marginally as a result of the closure of around 60 poor performing former 99p stores.

Disciplined store expansion will continue across all of the Group's retail brands, including PEPCO's entry to the Bulgarian market in 2019 through an initial 10 stores and the opportunity, in the 2019 financial year, to open Poundland stores in new catchments made available by the administration of a core competitor towards the end of the 2018 Reporting Period.

The underlying performance of the Group's core retail brands, PEPCO and Poundland, remains positive. Driven by ongoing range development, PEPCO delivered strong growth despite the ongoing disruption caused by the phased introduction of the Sunday trading ban in Poland in March 2018. The growth achieved in Poundland, against a challenging consumer backdrop, primarily reflects the successful introduction of PEP&CO clothing 'shop-in-shops', that are now present in over 300 stores.

The European Dealz business continues to develop in line with our plan. Spain continues to perform well, delivering positive underlying revenue growth with a full fashion offer introduced in four stores to provide another reason for customers to visit stores and to further differentiate the offer. Reflecting the Group's established knowledge of the market, the Polish business, which operated from eight stores at 2018 year-end, shows encouraging early signs.

Conforama

(€M)	FY18	FY17	Change %
Total revenue	3 402	3 472	(2)
Total EBITDA	32	145	(78)
Total operating profit	(24)	90	(>100)

During the year ended 30 September 2018, the Conforama group generated sales of €3.4 billion (FY17: €3.5 billion), representing a 2% decrease, while like-for-like sales decreased by 3.5% during the Reporting Period.

In France, like-for-like sales decreased by 4%. Conforama France lost market share during the Reporting Period with various categories and ranges underperforming. This was compounded by the overall performance of the general French furniture market, which was down by 3% in the 2018 calendar year, with a decline of 5% in the second half.* The like-for-like performance also reflected the impact of the successful 50th anniversary marketing campaign in the second half of 2017, which was not repeated in the 2018 Reporting Period.

In Switzerland, difficult trading conditions resulted in negative like-for-like sales.

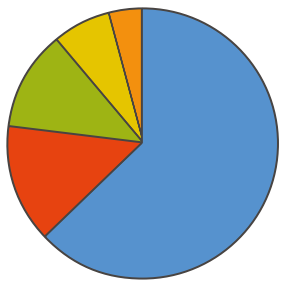
In Iberia, reported revenue growth was driven by six new store openings, while like-for-like sales were flat. The Balkans continued a strong growth performance driven by two store openings and like-for-like sales increasing by 5%.

In Italy reported revenue grew, driven by two new store openings. Revenue, on a like-for-like basis, declined, reflecting a highly competitive market.

Across the Conforama group, digital remains a major focus area. In France, e-commerce accounted for 8% of sales during the Reporting Period.

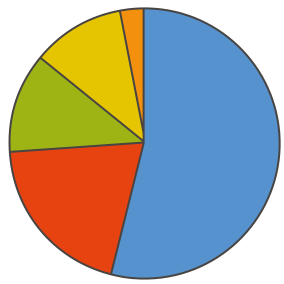
2018 REPORTING PERIOD

REVENUE BY REGION



France	63%
Iberia	14%
Switzerland	12%
Italy	7%
Balkans	4%

REVENUE BY PRODUCT



Furniture	54%
White goods	20%
Brown and grey goods	12%
Household goods	11%
Other	3%

Conforama's EBITDA for the Reporting Period was €32 million (FY17: €145 million). This included exceptional non-recurring costs of €13 million. For comparative purposes, there were €11 million of positive non-recurring adjustments in the 2017 financial year. Thus, Conforama's sustainable EBITDA amounts to €45 million against €134 million in the comparative period.

EBITDA for the Reporting Period was impacted by:

- reduced sales in France, Switzerland and Italy; and
- an increased cost base in France

Management changes during the Reporting Period included:

- Appointment of a new Managing Director of Conforama Switzerland in February 2018.

*Source: IPEA

- Creation of a new team to drive digital, e-commerce and user experience, as well as accelerating digital transformation across the Conforama group in March 2018.
- The French operations reporting directly into the Conforama Group Deputy CEO from April 2018.

After the Reporting Period, it was announced that Alexander Nodale (Conforama CEO) had stepped down in April 2019. Alexander was replaced by Cédric Dugardin as interim CEO, who will be supported by a newly constituted board of Directors. Helen Lee Bouygues was appointed non-executive Chairperson.

Please refer to the Conforama section in the Business Review for more details on the subsequent financial restructuring of Conforama in April 2019.

All other*

Excludes South African properties, which is disclosed in the properties segment of the Operational Review.

REVENUE (€M)	FY18	FY17	Change %	Constant currency change %
CONTINUING OPERATIONS	**941**	**1 012**	**(7)**	
UK household goods	631	711	(11)	(10)
Lipo	166	184	(10)	(4)
ABRA	55	59	(7)	(8)
Sherwood	46	13	>100	
Manufacturing	43	45	(4)	
DISCONTINUED OPERATIONS	**1 016**	**1 990**	**(49)**	
ERM: POCO	–	699	(100)	
ERM: kika-Leiner	673	898	(25)	
ERM: Extreme Digital	43	105	(59)	
Manufacturing	300	288	4	
EBITDA (€M)				
CONTINUING OPERATIONS	**(27)**	**–**	**(>100)**	
UK household goods	(30)	(10)	(>100)	(>100)
Lipo	3	2	50	60
ABRA	(1)	3	(>100)	(>100)
Sherwood	10	2	>100	
Manufacturing	(9)	3	(>100)	
DISCONTINUED OPERATIONS	**(72)**	**(11)**	(>100)	
ERM: POCO	–	52	(100)	
ERM: kika-Leiner	(79)	(73)	(8)	
ERM: Extreme Digital	1	1	–	
Manufacturing	6	9	(33)	
OPERATING PROFIT (€M)				
CONTINUING OPERATIONS	**(64)**	**(30)**	**(>100)**	
UK household goods	(55)	(33)	(67)	(69)
Lipo	(2)	(2)	–	6
ABRA	(3)	1	(>100)	(>100)
Sherwood	8	1	>100	
Manufacturing	(12)	3	(>100)	
DISCONTINUED OPERATIONS	**(96)**	**(52)**	**(85)**	
ERM: POCO	–	40	(100)	
ERM: kika-Leiner	(95)	(92)	(3)	
ERM: Extreme Digital	1	1	–	
Manufacturing	(2)	(1)	(100)	

* All operations are based in Europe and United Kingdom, except for Sherwood, which is based in the United States.

UK

In a challenging UK furniture retail market, euro-reported revenue in the UK household goods division decreased by 11% for the Reporting Period to €631 million (FY17: €711 million). Constant currency revenue decreased by 10%, while like-for-like revenue declined by 5%.

In addition to the difficult market conditions, the Steinhoff events were publicised during the household goods division's peak trading period, and this was actively exploited by competitors. This had a negative impact on customer confidence in our brands.

Although Bensons reported a decline in revenue, this was only down marginally on a like-for-like basis. The loss-making furniture business, Harveys, also reported a decline in trade. The summer of 2018 was the hottest in the UK since 1976 and this, combined with England's successful performance during the FIFA World Cup, resulted in a substantial reduction in store footfall during the summer months.

During the Reporting Period, Bensons managed to maintain margin, in-store customer conversion and online sales. In addition, it continued its store rationalisation programme, reducing its portfolio from 267 stores to a total of 252.

Harveys management has implemented a turnaround plan, with the key initiatives including:

- appointment of a new senior leadership team to support the successful delivery of the business plan;
- a new marketing and brand messaging campaign;
- a targeted uplift in conversion rates (sales orders per customer visit); and

a focus on efficiencies and cost savings.

Lipo

During the Reporting Period, Lipo reported revenue of €166 million (FY17: €184 million), representing a decline of 10%. When measured in constant currency against the Swiss franc, Lipo's total revenue and like-for-like revenue declined by 4%.

The Reporting Period was impacted by a restructuring of Lipo's product offering and store layout. Furthermore, Lipo's performance was also impacted by a large and successful "40th anniversary" marketing campaign in the 2017 financial year that was not repeated in the 2018 Reporting Period.

Margin was negatively impacted by a weakening Swiss franc, while operational costs decreased following a cost rationalisation programme.

ABRA

In a competitive Polish furniture market, ABRA's revenue declined by 7% to €55 million, with like-for-like revenue declining by 15%, while margin also decreased.

Due to the Steinhoff events, ABRA lost all supplier credit lines and bank guarantees that secured lease contract of stores. These factors, together with supply chain issues, created significant cash constraints.

ABRA implemented a significant internal restructuring programme to secure working capital funding and trading terms. This included renegotiated payment conditions, supply chain and range changes, a new store rationalisation programme and other cost cutting measures.

Sherwood

Sherwood, a US mattress manufacturer, was acquired in July 2017 to help implement the vertical integration model being adopted by Mattress Firm. Sherwood produces private label mattresses for Mattress Firm and other retailers. As expected, internal sales to Mattress Firm have increased since acquisition, while there has been a reduction in external revenue as a result of a loss of a few third-party customers.

Sherwood's success in providing Mattress Firm with a better mix of products, as well as increased operating efficiencies, enabled it to increase its margin.

Steinhoff previously reported Sherwood as part of the "Mattress Firm" segment, in which, following the Chapter 11 restructuring, it holds only a 50% interest. Since the Group continues to own 100% of the operations of Sherwood, Steinhoff now reports Sherwood as part of the "All Other" segment.

Discontinued operations

POCO

From April 2017, POCO's results no longer form part of the Group's operational results, as the controlling vote in the POCO joint venture expired in March 2017.

As explained in the Financial Review *"POCO"* paragraphs, the Group entered into an agreement for the sale of POCO on 4 September 2018 for a total consideration of €271 million. The sale was subject to competition and merger control approvals, which were subsequently obtained.

Closing the POCO sale brought the German litigation proceedings with the entities owned by Seifert to an end.

kika-Leiner

Effective 14 August 2018, the Group sold the kika-Leiner operating and property companies. This transaction is explained in more detail under the *"kika-Leiner disposal"* paragraphs in the Financial Review.

Extreme Digital

The Group disposed of Extreme Digital in January 2018.

Manufacturing, sourcing and logistics

Given the limited intra-group sales by the manufacturing operations of Puris, Impuls and Steinpol to other members of the Group, these businesses were designated non-core to Steinhoff and sale transactions were concluded in September 2018 (Puris and Impuls) and March 2019 (Steinpol).

As a result, the majority of the manufacturing operations have been classified as discontinued operations. The balance consists of selected sourcing and logistics businesses that are not material to the Group.

Properties

The property division consists of the Group's land and buildings held in the European (Hemisphere) property Group and South African property companies. These properties comprise a footprint of retail, warehouse and manufacturing properties.

REVENUE (€M)	FY18	FY17	Change %	Constant currency change %
CONTINUING OPERATIONS				
Revenue external	**19**	**16**	**19**	
Europe	10	8	25	
Africa	9	8	13	18
DISCONTINUED OPERATIONS				
kika properties	16	3	>100	
EBITDA (€M)				
Internal and external	**13**	**28**	**(54)**	
CONTINUING OPERATIONS				
Europe	(3)	17	(>100)	
Africa	16	11	45	53
DISCONTINUED OPERATIONS				
kika properties	50	80	(38)	
OPERATING PROFIT (€M)				
Internal and external	**1**	**17**	**(94)**	
CONTINUING OPERATIONS				
Europe	(14)	7	(>100)	
Africa	15	10	50	58
DISCONTINUED OPERATIONS				
kika properties	20	46	(57)	

PROPERTY, PLANT AND EQUIPMENT (€M)	FY18	FY17	Change %
CONTINUING OPERATIONS	**455**	**536**	**(15)**
Europe	**243**	**278**	**(13)**
Africa	**212**	**258**	**(18)**

The Conforama property portfolio does not form part of the property division and is included in the assets of the Conforama division.

Effective 14 August 2018, the group sold the kika-Leiner operating and property companies, as explained in more detail in the *"kika-Leiner disposal"* paragraphs in the Financial Review.

In line with consolidation principles, rental received from subsidiaries (the majority of the property division's earnings) is eliminated in arriving at reported external revenue.

An independent valuation process, commissioned during the first half of the 2018 Reporting Period, resulted in restatements and impairments of the European property portfolio, most of which were recognised in the 2017 financial year. Full details regarding the impairments are disclosed in note 9 of the 2018 Consolidated Financial Statements.

During the period, the property division reported one-off consultancy fees of €18 million, relating to the restructuring of Hemisphere and property valuations, which is included in the results reported above.

Africa

Pepkor

REVENUE (€M)	FY18 Sept 2018	FY17 Sept 2017	Change %	Constant currency change %
Total revenue	**4 126**	**3 910**	**6**	**11**
Pepkor	4 126	3 910		
EBITDA (€M)				
Total EBITDA	**489**	**466**	**5**	**10**
Pepkor	454	458	(1)	4
Steinhoff N.V. share-based payment reversal	6	8		
Steinhoff N.V. BVI guarantee reversal	29	–		
OPERATING PROFIT (€M)				
Total operating profit	**416**	**401**	**4**	**9**
Pepkor	381	393	(3)	2
Steinhoff N.V. share-based payment reversal	6	8		
Steinhoff N.V. BVI guarantee reversal	29	–		

Pepkor reported another strong performance, with revenue growing by 10.9% to ZAR64.2 billion during the year ended 30 September 2018. Pepkor's clothing and general merchandise segment, which contributes 66.2% to total revenue, follows a weekly retail trading calendar. FY18 included 52 trading weeks compared with 53 trading weeks in FY17. The additional week in FY17 therefore distorts comparison between the two years and impacts growth rates.

Operating profit before capital items and one-off costs increased by 10.7% to ZAR6.4 billion in the period. As reported to shareholders in Pepkor's interim results in May 2018, the group's exposure to the corporate financial guarantee (ZAR451 million) and associated loans (ZAR60 million) to BVI resulted in one-off costs of ZAR511 million.

As explained in the Steinhoff N.V. 2017 Consolidated Financial Statements, Steinhoff management has considered the date from which the BVI structure should be consolidated by the Steinhoff Group and concluded this date to be during March 2015, when it acquired the Pepkor Group. The full external debt of BVI is therefore already recognised by Steinhoff N.V. Therefore, although the ZAR451 million financial guarantee one-off costs are shown as an expense in the Pepkor Africa segment in 2018, it is reversed at a Steinhoff group level as part of the consolidation process and does not have an impact on the Steinhoff Group's consolidated results.

The clothing and general merchandise segment reported a good performance, despite the financial constraints evident on the South African consumer and significant selling price deflation, resulting from a strengthening rand during 2017, which translated into a reduction in retail selling prices.

Segmental revenue increased by 7.2% to ZAR42.5 billion, while operating profit increased by 8.1% to ZAR6.1 billion. Clothing, Footwear and Home (CFH) product departments, and in particular Footwear, experienced significant deflation. Optimisation and development of the product mix, and driving of sales volumes, successfully countered the deflationary environment. This resulted in a 7.0% increase in sales units sold during the year, while the number of sales transactions increased by 6.3%.

All brands included in this reporting segment continue to provide strong value to customers and from these results it can be assumed that Pepkor gained further market share.

Pepkor opened 335 new stores during the year, expanding its retail footprint to 4 220 stores. Retail space increased by 4.5% to 1.6 million m². As stated above, the retail trading calendar resulted in the prior year period comprising of 53 trading weeks in FY17. The additional week impacts comparable growth rates. Growth rates reported below are on a comparable 52 trading week basis.

PEP and Ackermans

In aggregate, PEP and Ackermans achieved merchandise sales growth of 8.0% and like-for-like growth of 3.3%. Within CFH product departments in particular, deflation amounted to 4.5%. Pricing benefits were passed on to customers as part of the brands' long-established reputation for providing best prices and value. The result was a growth of 6.1% in transactions and 9.0% in sales units.

PEP

Notwithstanding deflation and competitive pressure, PEP remained true to its brand promise of Best Price Leadership (BPL). PEP opened 137 new stores. On a net basis, the total store footprint increased by 118 stores to 2 231 stores, representing growth of 4.1% in retail space. The Adult and Home product categories reported strong growth, while in Cellular, demand for smartphones and data continue to underpin strong performance. PEP remains a significant provider of cell phones in South Africa.

Fast-Moving Consumer Goods (FMCG) reported double-digit growth, driven by ongoing product innovation, private label promotional activities and a wider product offering. Strong growth in PEP Money was driven by the FIFA World Cup, which resulted in strong DStv decoder sales. Initiatives like the PAXI parcel delivery service and the new Dealz discount variety retail concept, with four stores, continued to perform in line with expectations.

PEP continued to achieve operating leverage, celebrating its 19th consecutive year of double-digit operating profit growth.

Ackermans

Ackermans continues to outperform competitors in the South African apparel market as its strong customer value proposition aimed at 'women with kids in their lives' continues to drive performance. Ackermans opened 80 new stores during FY18.

On a net basis the total store footprint expanded by 75 stores to 730 stores, representing 6.7% space growth. This includes three Ackermans Woman stores, the new retail format focused on ladies' wear.

The credit sales contribution was maintained at 17.5% of total sales, with a 9.8% increase in revolving credit accounts to 1.1 million. Growth in CFH was supported by double-digit growth in the Essentials, Boys and Ladies product categories. The Ladies category continues to grow aggressively. A state-of-the-art 90 000 m2 distribution centre in Hammarsdale, KwaZulu-Natal was opened in October 2018, which will support future growth and operational efficiencies.

Ackermans continued to achieve operating leverage, celebrating its ninth consecutive year of high double-digit operating profit growth, an exceptional performance in the South African retail market.

PEP Africa

PEP Africa, which contributes 3.6% to Pepkor revenue, experienced a very challenging year, marked by the lagging effect of low commodity prices, foreign exchange shortages, and high inflation rates that continue to weigh on consumer spending.

At constant exchange rates, merchandise sales decreased by 1.8% and like-for-like sales reduced by 8.7%. Excluding Angola and Zimbabwe, merchandise sales growth of 12.3% was achieved, supported by double-digit sales growth in Malawi, Nigeria, Uganda and Zambia.

Speciality

The Speciality division achieved satisfactory results despite a challenging environment. Merchandise sales growth amounted to 12.5% and on a like-for-like basis 6.9% was achieved.

For more details on the Pepkor performance please refer to its results announcement for the Reporting Period on the website www.pepkor.co.za.

Automotive (discontinued operations)

(€M)	FY18	FY17	Change %	Constant currency change %
Total revenue	**1 502**	**1 351**	**11**	**17**
Total EBITDA	**58**	**59**	**(2)**	**3**
Total operating profit	**45**	**43**	**5**	**10**

In a challenging market, where new car and commercial vehicle sales volumes remain under pressure, the automotive retail division in southern Africa reported good results for the Reporting Period. In addition to continued cost control, stronger pre-owned vehicle volumes, which operate counter-cyclically to those of new vehicles, supported performance.

Revenue grew by 11% to €1 502 million (2017: €1 351 million). In constant currency, revenue grew by 17%, while like-for-like revenue increased by 8% for the Reporting Period. During the Reporting Period, revenue growth was boosted by the acquisition of Ford dealerships and expansion of the parts distribution division, which helped offset the loss of General Motors (GM) dealerships as a consequence of GM's exit from the African market in January 2018.

During the Reporting Period, 32 dealership properties previously owned by Steinhoff Properties were transferred and are now owned by the Motor division.

Despite the subdued economic environment, operating margins were maintained during the 2018 Reporting Period and remained in line with the longstanding historic average of 3%.

The Group announced on 28 March 2019 that it had reached in-principle agreement to dispose of the Automotive Operations as explained in more detail in the *"Corporate activity after the Reporting Date"* section in the Financial Review.

United States of America

Mattress Firm* (Change in control of operations)

Following the implementation of Mattress Firm's Chapter 11 restructuring, the Group's stake in Mattress Firm decreased from 100% to 50% on 21 November 2018. As a result, for accounting purposes, the Group is deemed to have lost control of Mattress Firm and the remaining 50% stake will be equity accounted from 21 November 2018. In accordance with accounting standards, as a result of the change in control, 100% of Mattress Firm's results are deemed to be discontinued operations in the 2017 and 2018 financial period, although the Group will still retain 50% of Mattress Firm. For more details refer to the section "Corporate activity after the Reporting Date – Mattress Firm" of the Financial review.

(€M)	FY18	FY17	Change %	Constant currency change %
Total revenue	**2 660**	**2 981**	**(11)**	**(4)**
Total EBITDA	**(125)**	**(73)**	**(71)**	**(84)**
Total operating profit	**(202)**	**(163)**	**(24)**	**(33)**

Mattress Firm reported a large operating loss and a decline in like-for-like revenue of 2%. Following a successful Chapter 11 restructuring in November 2018, the performance trends in the business are now far more encouraging.

In the Reporting Period, Mattress Firm's performance was impacted by several structural and strategic issues. The most significant structural challenge was the costs associated with operating a large number of unprofitable stores. In addition, strategic decisions implemented in the 2017 financial year had a negative impact on the costs of the business and the merchandising strategy. These strategic decisions included:

- the aggressive rebranding of more than 1 300 stores in an effort to create and capitalise on the benefits of a national chain, including national advertising; and
- the termination of the relationship with its largest supplier.

In the 2018 Reporting Period a turnaround plan was implemented, including the following initiatives:

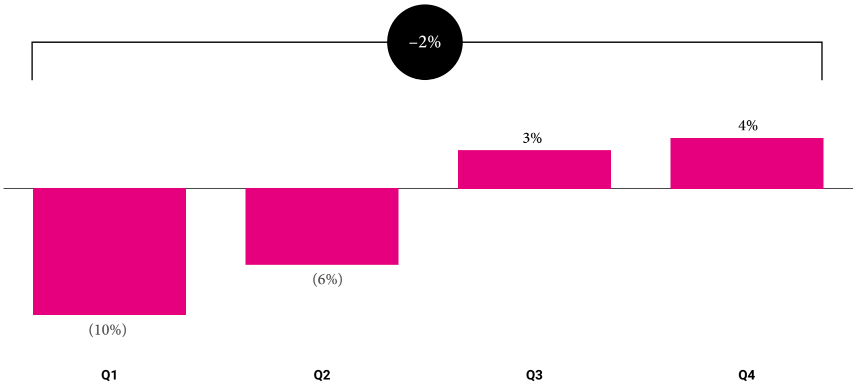
- addressing the gaps in the product offerings at entry-level and luxury price points;
- rebuilding the advertising strategy with a focus on clear and concise messaging;
- restructuring its operations into five separate geographical areas, allowing divisional leadership to implement regional strategies to better respond to their respective markets;
- a number of changes at senior and middle management level; and
- planning for and obtaining the relevant funding to facilitate the Chapter 11 process.

Shortly after the Reporting Period end, in October 2018 Mattress Firm entered into a Chapter 11 restructuring process, which was successfully completed in November 2018, 48 days after the initial Chapter 11 filing (please refer to the "Mattress Firm financial restructuring" section in the Business Review for more details). The Chapter 11 process was a key step in the restructuring plan as it enabled Mattress Firm to restructure its balance sheet, secure additional new funding and optimise its retail store portfolio by exiting 640 economically inefficient retail store locations.

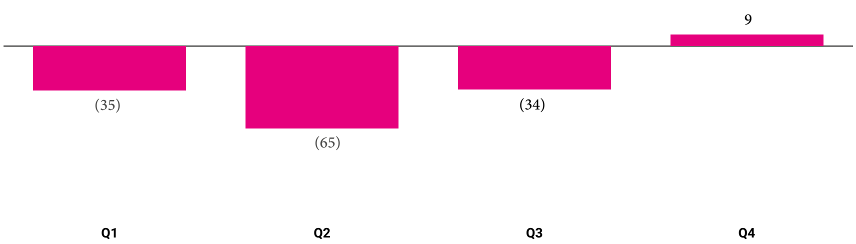
Since completing the financial restructuring, the Mattress Firm business is performing ahead of budget and with good momentum.

**Excluding Sherwood*

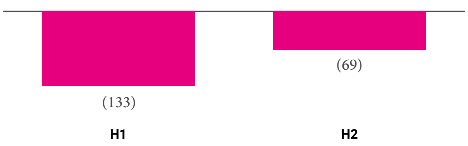
Like-for-like revenue growth 2018 Reporting Period



EBITDA (€m) 2018 Reporting Period



Operating loss (€m) 2018 Reporting Period



It should be noted that the second half of the Reporting Period ("H2") includes favourable seasonality attributable to the US summer selling season and holiday weekends. The implementation of management's turnaround plans, however, also helped drive this sequential improvement in profitability.

At the date of this report, Mattress Firm remains the largest speciality mattress retailer in the US with over 2 500 company-operated store locations.

Australasia

Greenlit Brands

REVENUE (€M)	FY18	FY17	Change %	Constant currency change %
Total revenue	**1 289**	**1 285**	–	**8**
Household goods	648	608	7	15
General merchandise	641	677	(5)	2
EBITDA (€M)				
Total EBITDA	**43**	**54**	**(20)**	**(14)**
Household goods	36	36	–	8
General merchandise	7	18	**(61)**	(58)
OPERATING PROFIT (€M)				
Total operating profit	**14**	**30**	**(53)**	**(50)**
Household goods	21	23	(9)	(1)
General merchandise	(7)	7	(>100)	(>100)

The acquisition of Fantastic Holdings Limited ("Fantastic") added revenue of €376 million for the Reporting Period (nine months ended 30 September 2017: €289 million, effective 1 January 2017).

During the Reporting Period, the middle market household goods brands experienced challenging trading conditions. However, this was moderated by the performance of Fantastic Furniture, which limited like-for-like sales decline, illustrating the resilience of the value price segment where Fantastic is positioned. Overall, the household goods division (including Fantastic) reported a like-for-like sales decline of 3%, while the overall margin increased on the back of the Fantastic acquisition.

The general merchandise division reported stable top-line results for the Reporting Period with like-for-like growth of 1%.

As a result of the Steinhoff events, Greenlit Brands was required to incur significant abnormal non-recurring expenditure associated with professional fees, refinance of borrowings, retention of key management personnel and divestment of non-core operations. Additionally, the trading performance of the single Debenhams store has been below expectations and management have taken up provisions in relation to this operation.

The cost of these abnormal expenditures and provisioning was €36 million and is included in the Operating Profit reported above.

Please refer to the "Australasian refinancing" section in the Business Review for more details regarding the Greenlit Brands refinancing.

Steinhoff corporate and treasury services

Segmental corporate and treasury services excludes certain one-off or exceptional items (largely consisting of one-off advisory fees and impairments) that are described in more detail the Financial Review and in note 4.2 of the 2018 Consolidated Financial Statements.

A breakdown of segmental corporate and treasury services is provided below:

CORPORATE AND TREASURY SERVICES (€M)	FY18	FY17	Change %
	(24)	**(231)**	**90**
Head office costs	(58)	(93)	38
Audit fees	(16)	(4)	(>100)
Forex gains/(losses)	37	(63)	>100
Legal provisions	–	(53)	100
PSG derivative gains/(losses)	13	(18)	>100

Head office costs

Operating costs consist of head office costs such as salaries, rent, travel and consultancy fees.

Audit fees

As a result of the Steinhoff events, the scope of external audit services increased significantly. Audit Fees for the Reporting Period incurred at a group level amounted to €16 million (2017: €4 million).

Legal provisions

Included in the 2017 increase in legal provisions is a dispute regarding POCO (refer to note 1.2.3b in the 2017 Consolidated Financial Statements for further details).

PSG derivative contract

Refer to the PSG section in the financial review for more details.

STORE NETWORK DEVELOPMENT

CONTINUING OPERATIONS		30 Sept 2017	STORE Openings	STORE Closings	30 Sept 2018	Retail m² ('000)
PEPKOR EUROPE		2 094	**308**	(42)	**2 360**	1 106
Pepco	Poland, Romania, Czech Republic, Hungary, Slovakia, Croatia, Slovenia, Lithuania, Latvia, Estonia	1 213	**286**	0	**1 499**	625
Poundland, Dealz*, PEP&CO stand-alone stores	United Kingdom, Republic of Ireland	881	**22**	(42)	**861**	481
PEPKOR (AFRICA)		4 953	**428**	(145)	**5 236**	2 389
PEP	Southern Africa	2 113	**137**	(19)	**2 231**	802
Ackermans	Southern Africa	655	**80**	(4)	**731**	440
PEP, Powersales	Rest of Africa	322	**36**	(11)	**347**	135
Speciality (Tekkie Town, Dunns, John Craig, Shoe City, Refinery)	Southern Africa	876	**82**	(47)	**911**	220
Furniture (Russels, Bradlows, Rochester and POCO)	Southern Africa	589	**29**	(36)	**582**	329
Bedding (Sleepmasters)	Southern Africa	163	**28**	(13)	**178**	27
Appliances and electronics (Incredible Connection and HiFi Corp brands)	Southern Africa	114	**24**	(6)	**132**	91
The Building Company	Southern Africa	121	**12**	(9)	**124**	345
CONFORAMA		293	**35**	(1)	**327**	1 266
	France**	206	**24**	(1)	**229**	754
	Iberia	41	**6**	0	**47**	194
	Switzerland	19	**1**	0	**20**	87
	Italy	16	**2**	0	**18**	139
	Croatia	9	**1**	0	**10**	75
	Serbia	2	**1**	0	**3**	17
OTHER		564	**10**	(38)	**536**	451
ABRA		114	**9**	(6)	**117**	84
Bensons for Beds	UK	267	**1**	(16)	**252**	156
Harveys	UK	161	**0**	(16)	**145**	134
Lipo	Switzerland	22	**0**	0	**22**	77

		30 Sept 2017	STORE Openings	STORE Closings	30 Sept 2018	Retail m² ('000)
GREENLIT BRANDS		615	**36**	(16)	**635**	744
Fantastic^	Australia	141	**16**	(2)	**155**	172
Snooze	Australia	87	**4**	0	**91**	84
Freedom	Australia and New Zealand	64	**2**	(1)	**65**	132
Best&Less, Harris Scarfe, Postie	Australia and New Zealand	323	**14**	(13)	**324**	356
MATTRESS FIRM (CHANGE IN CONTROL OPERATIONS)	United States of America	3 423	**68◊**	(250)	**3 241**	1 532
AUTOMOTIVE (DISCONTINUED OPERATIONS)		149	**16**	(3)	**162**	395
Unitrans	Southern Africa	98	**14**	(3)	**109**	370
Hertz	Southern Africa	51	**2**	0	**53**	25
TOTAL		12 091	**901**	(495)	**12 497**	7 883

kika-Leiner operations sold during the Reporting Period	73
Extreme Digital operations sold during the Reporting Period	17
POCO (discontinued operation) reported as an associate investment during the Reporting Period	119
TOTAL STORES PREVIOUSLY REPORTED FOR 2017	**12 300**

* *Dealz stores in Spain (8), Poland (8) and France (5)*
** *Includes Mon Lit Et Moi stores (14), Mon Lit Et Moi francisees (5), Maison Dépôt stores (7) and Conforama franchisees (5)*
^ *Fantastic includes Fantastic Furniture, Plush and OMF stores*
◊ *Includes 14 acquired franchised stores*

EXCHANGE RATES

	AVERAGE TRANSLATION RATE			CLOSING TRANSLATION RATE		
	FY18	FY17	% change	30 September 2018	30 September 2017	% change
EUR:ZAR	15.5493	14.7906	5.1	16.4337	16.0296	2.5
EUR:PLN	4.2444	4.2934	(1.1)	4.2774	4.3042	(0.6)
EUR:GBP	0.8848	0.8722	1.4	0.8873	0.8818	0.6
EUR:AUD	1.5655	1.4500	8.0	1.6048	1.5075	6.5
EUR:USD	1.1904	1.1053	7.7	1.1576	1.1806	(1.9)
EUR:CHF	1.1615	1.0913	6.4	1.1316	1.1457	(1.2)

ANNEXURES TO OPERATIONAL REVIEW
LIST OF BRANCHES

The table below lists all branches of the Company as well as all Subsidiaries whose results were consolidated during the Reporting Period.

Branch	Place of branch	Country of branch	Register of branch
Steinhoff Europe AG	Cheltenham	UK	BR020565
Standard Propterties sp. z o.o.	Westerstede	Germany	HRB 205133 Oldenbrug
Nova properties kft	Westerstede	Germany	HRB 204991 Oldenburg
Steinpol Central Services sp. z o.o.	Westerstede	Germany	HRB 205548 Oldenburg
Steinhoff Finance Holding GmbH	Cheltenham	UK	BR020564
Retail Holdings Sarl	Zug	Switzerland	CHE-110.261.548
Steinhoff UK Retail	Dublin	Ireland	906518
Poundland	Dublin	Ireland	906668
Steinhoff International Sourcing Ltd. India Liason Office	Gurgaon, New Delhi	India	F04370
Steinhoff International Sourcing Ltd. – Liason Office	Karachi	Pakistan	0073941
Steinhoff International Sourcing Ltd. – Indonesia Representative Office	Jakarta	Indonesia	28/1/IUP3A-T/P-4/Nas/2017
The Representative Office Of Steinhoff International Sourcing Limited in Ho Chi Minh City	Ho Chi Minh City	Vietnam	79-02944-01
Fully Sun China Ltd. India Liason Office	Gurugram, Haryana	India	F04915
Fully Sun China Ltd.	Tainan	Taiwan	53665194
Fully Sun China Ltd.	Dhaka	Bangladesh	393120132180

LIST OF BRANCHES
continued

IC-Code	Origin Entity	Country of origin entity	Valid for FY2016	Valid for FY2017	Valid for FY2018
050	Steinhoff Europe AG	Austria			X
046	Standard Propterties sp. z o.o.	Poland	X	X	X
190	Nova properties kft	Hungary	X	closed 01/12/2016	
207	Steinpol Central Services sp. z o.o.	Poland	X	closed 08/11/2016	
203	Steinhoff Finance Holding GmbH	Austria			X
376	Retail Holdings sarl	Luxemburg	X	X	X
174	Steinhoff UK Retail Ltd	UK	X	X	X
503	Poundland Ltd	UK	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
380	Fully Sun China Ltd	Hong Kong	X	X	X
380	Fully Sun China Ltd	Hong Kong	X	X	X
380	Fully Sun China Ltd	Hong Kong	X	X	X

SECTION 4: RISK MANAGEMENT

The Management Board is responsible for managing the risks associated with the Group's activities in consultation with, and reporting to, the Audit and Risk Committee and the Supervisory Board.

INDEX

Significant risk events

It is important at the outset to acknowledge that there were failures in the risk management framework that applied across the Group during the Reporting Period, and which arose from historical events. Past accounting irregularities and corporate governance failures had a significant impact on the Group and its results for the period. The December 2017 events demonstrated that the Group had inadequate controls in place to identify and mitigate the accounting irregularities uncovered by the subsequent investigations and was unprepared for a sequence of events of this nature. Risks that were previously regarded as adequately mitigated were re-evaluated and rerated in terms of the effectiveness of controls, severity of impact and likelihood of occurrence. The outcome of the assessment indicated that our internal control environment was not aligned to our risk appetite and tolerance thresholds. As a consequence, a Remediation Plan is being implemented with the objective of addressing the issues highlighted during the investigation. In hindsight, the Group's risk tolerance thresholds severely underestimated the degree of risk being assumed by the Group and have required significant adjustment.

The risk management report provides an overview of the following:

(i) key risk management and internal control components;

(ii) material risks and controls; and

(iii) the Remediation Plan.

Risk management and internal control environment

An overview of the risk management and internal control environment during the Reporting Period is set out below. This includes a summary of the Group's internal control framework, the risk management framework of responsibility, risk appetite and a summary of internal risk management assurance.

Internal control framework

The Group draws on global standard ISO 31000 - Risk management and the Dutch Corporate Governance Code to formulate its risk management policy and framework, and to facilitate the timely identification, measurement, analysis, evaluation and treatment of risk.

Risk management responsibility remains with the management of the individual operational entities. The processes established by the risk management policy and framework have been designed to allow each operational entity to identify, evaluate and treat risk appropriately, to ensure effective risk control mechanisms are implemented to mitigate residual risk exposure. Risks that are considered material are escalated to the Management Board and the Audit and Risk Committee, which in turn report such risks to the Supervisory Board for consideration. The risk management framework is reviewed and monitored by the Audit and Risk Committee to safeguard ongoing risk management. Each of the Group's operational entities is required to have an individual risk management plan in place. These plans are tailored to the specific risks of the relevant entity, and include an up-to-date risk register detailing, quantifying and prioritising risks, as well as action plans for improvement to risk mitigation and to identify opportunities for future development.

The internal control and risk management systems and processes are required to take the following into account:

(i) the strategic direction and objectives of the business;

(ii) the nature and extent of risks facing the business;

(iii) the extent and categories of risks regarded as acceptable;

(iv) the likelihood of identified risks materialising and their impacts;

(v) the ability of the business to reduce the incidence of, and impact on the business of, risks as they materialise;

(vi) the effectiveness of the implemented risk response plans; and

(vii) the cost of risk response plans and processes relative to the exposure and benefits obtained.

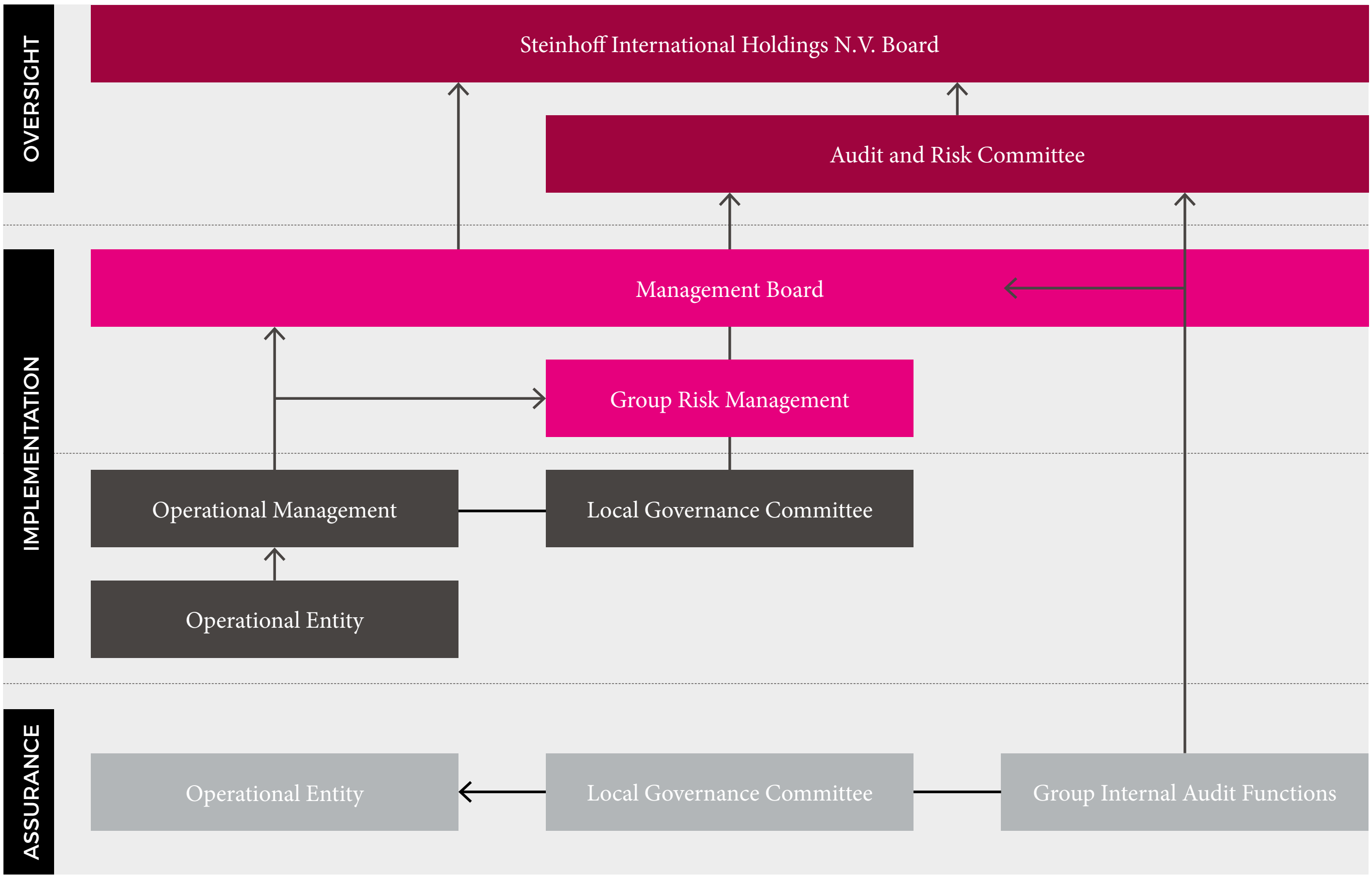
The purpose of the internal control and risk management systems and processes is to ensure that uncertainties originating from the internal and external environment, which could potentially have a material impact on the Group, are adequately managed. The internal control and risk management process involves the coordinated and economical application of activities and resources, to minimise the negative impact of risks to levels that can be tolerated by stakeholders, while optimising any potential opportunities or positive impacts of all risks.

The Group risk management and internal control framework has been designed to allow each operational entity to set its risk tolerances through analyses and adherence to Group operational and financial objectives. The risk management objective is to ensure that uncertainties are responsibly managed with consideration of stakeholder interests and to ensure that both risks and opportunities are optimally addressed.

Developments in relation to risk assessments, internal control and risk reviews, and measures proposed in view of assessed risks, are the subject of regular discussions within the Audit and Risk Committee. The Internal Auditor is present during such discussions, during which follow-up measures are also considered and reviewed. The Supervisory Board is informed of these discussions and evaluations on a regular basis.

Risk management framework of responsibility

The Audit and Risk Committee, which reports to the Supervisory Board, oversees among other aspects, the Management Board's activities with respect to the operation of the Group's risk management and control systems. The risk management framework of responsibility is presented below.



Risk appetite and risk tolerance

Operational management, with guidance from the Group, is responsible for assessing its own risk appetite and tolerance as part of the Group's risk management methodology. Risk thresholds are set with reference to operational strategy, approved budgets, core principles and values including the Code of Conduct, authority schedules, policies and corporate directives. The Group's risk appetite varies per objective area and type of risk. This process has been strengthened significantly post December 2017:

(i) Strategic risks: uncertainties that impact the achievement of strategic plans of the Group and influence the achievement of long-term goals. Strategic risk appetite and tolerance has reduced significantly as a result of the evaluation of Material Risks; short-term financial stability requirements are prioritised ahead of long-term growth objectives;

(ii) Operational risks: uncertainties that affect the effectiveness and efficiency of the Group's current businesses and operations, and influence the short-term goals. With respect to operational risks, the Group seeks to minimise the downside risk from the impact of unforeseen operational failures within the businesses;

(iii) Financial risks: uncertainties with respect to the Group's financial position, for example: withdrawal of facilities, price risk, liquidity risk, exchange rate risk and interest rate risk. Financial risk appetite and tolerance has reduced significantly as financial risk has increased as a result of credit facilities being withdrawn, which has forced operational entities to secure independent funding.

(iv) IT risks: uncertainties that the information technologies used in the organisation (a) are not operating as intended; (b) are compromising the integrity and reliability of data and information; (c) are exposing significant assets to potential loss or misuse; or (d) are exposing the Group's ability to sustain the operation of critical processes. The Group approach is to pursue the highest standards of IT governance, with both the Group and its operational entities being required to ensure that internal systems and customer information are well protected;

(v) Legal and compliance risks: uncertainties with respect to laws and regulations that have a direct impact on the Group's organisation and/or business processes and operations. Non-compliance with any legal and compliance requirements is not acceptable. The tolerance for fraud risk, in particular, exceeded the Group's desired risk thresholds prior to December 2017 and resulted in material losses, primarily due to accounting irregularities. Measures have been introduced by both the Management Board and the Supervisory Board to improve the controls around legal and compliance risk, in order to ensure that fraud risk is effectively mitigated. The Remediation Plan is aimed at identifying the detailed internal control improvements required to assist with the prevention, monitoring and remediation of the breaches in the internal control environment.

(vi) Information for decision-making risks: uncertainties that information used to support the execution of the Group's business model, and the risk that internal and external reporting of performance and the continuous evaluation of operational effectiveness are no longer relevant or reliable. These risks relate to every aspect of the Group's value creation activities, and the Group seeks to ensure that information reported is as accurate and up to date as possible through effective assurance mechanisms and regular management feedback.

Risk management assurance

Operational management is responsible for managing risk and ensuring effective controls are in place. Risk management facilitates and supports the Management Board in the design and execution of the risk management plan. It also supports the Management Board by providing assurance on risk management and internal control practices throughout the operating entities.

Internal audit provides independent assurance and operates under the responsibility of the Management Board to examine, evaluate, report and make recommendations to operational management, the Management Board and the Audit and Risk Committee and, if appropriate, to the Supervisory Board, on the adequacy and efficacy of the Group's risk management and internal control processes.

The appointment of a Chief Compliance and Risk Officer with effect from 1 July 2019 and the implementation of the Remediation Plan are key focus areas to ensure the targeted improvement in the Group's risk management process is delivered.

The following section illustrates risks that materially affected the organisation during the Reporting Period.

Material Risks

This section includes those material risks and uncertainties that are relevant to the Group and its operations. As stated at the outset, the Management Board is responsible for establishing and maintaining adequate internal risk management and control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve important business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Based on the criteria set out in ISO 31000 and our internal control framework, the principal risk factors that may impede the achievement of the Group's objectives with respect to strategy, operations, finance, information technology, information for decision making, and legal and compliance matters are described in this section. These are not the only risks the Group faces. There may be additional risks of which the Management Board is currently unaware, or risks that management believes are immaterial or otherwise common to most companies, but which may in the future have a material adverse effect on the Group's financial position, results of its operations, liquidity and the actual outcome of matters referred to in the forward-looking statements contained in this Annual Report.

A summary of the material risks identified during the Reporting Period is presented on the following pages.

1	FINANCIAL STABILITY
RISK CLASSIFICATION	**RISK RATING**
Internal: Financial Risk	**High**

The ongoing management of both solvency and liquidity risk remains a primary concern and focus for the Group. Due to the extent of the accounting irregularities, the late publication of the 2017 Group Annual Financial Statements and the PwC forensic investigation (Phase 1), certain financial creditors withdrew and/or reduced available banking facilities and/or credit facilities. This impacted on inter alia the Group's ability to maintain/open banking facilities, raise additional funding, and obtain hedging facilities. In addition, cancellation of supplier's credit insurance resulted in a significant decrease in supplier credit facilities and, in certain instances, demand for pre-payments.

MITIGATION STRATEGY

- Appoint appropriately qualified advisors to assist the Group in engaging with its stakeholders.
- Terminate the cash pooling arrangements to limit the contagion impact.
- Identify non-core assets and commence the disposal process of these assets to reduce debt and support liquidity.
- Arrange independent financing facilities at operational level to reduce dependency on Group financial support and to improve the liquidity of the Group.
- Engage with financial creditors to commence the restructuring process
- Extract detailed information from operating companies for provision to financial creditors.
- Introduce detailed cash management procedures based on a 26-week rolling forecast.
- Enter into 'rollover agreements' with financial creditors.
- With the assistance of our advisors, develop restructuring plans and engage with financial creditors to obtain their support.
- Repay debt at Africa level.
- Negotiate and enter into the Lock Up Agreement and a three-year agreement with the Hemisphere financial creditors.
- Negotiate CVA agreements with the financial creditors of both SEAG and SFHG.
- Ensure limited contagion impact on the Group by disposing of the Kika Leiner Group.
- Obtain additional funding for Mattress Firm by agreeing to a Chapter 11 process and a scheme of arrangement and a dilution in ownership.
- Launch the CVA process for both SEAH and SFHG and obtain the requisite approvals.
- Engage with and provide support for Conforama to arrange additional funding to finance its restructuring plan.
- Engage with all stakeholders, including providing market information in the form of quarterly updates and the interim financial results for 2018.
- Ongoing investigations including the PwC forensic investigation (Phase ii).
- Ensure that all the Conditions Precedent are delivered to ensure both CVAs are finalised and implemented.
- The release of the 2017 Group Annual Financial Statements on 7 May 2019.
- The release of the 2018 Group Annual Financial Statements on 18 June 2019.

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

2	LITIGATION
RISK CLASSIFICATION	**RISK RATING**
External: Legal and Compliance Risk	**High**

The uncertainty related to outstanding litigation against the Group is high, with potential liabilities arising from the combined legal actions resulting in material exposure. The fact that multiple actions, including class actions, have been filed by, and on behalf of, individual and institutional investors in various countries adds additional complexity to this risk. The risk of litigation against current and past directors of Group companies also poses a threat.

MITIGATION STRATEGY

- A litigation sub-committee has been established in order to oversee and manage litigation arising from the events identified in December 2017.
- Legal representation (Werksmans and Linklaters) has been appointed.
- The litigation committee will monitor and defend any claims brought against the Group and identify and pursue recoveries against entities and individuals where appropriate.
- The litigation committee will, together with the Group's legal advisors, assess the merits of, and respond to, these claims.
- The litigation committee will also continue to explore ways of resolving and settling open claims.
- Close monitoring of all outstanding legal matters by the Management Board, the Audit and Risk Committee and the Supervisory Board.

3	TALENT MANAGEMENT AND RETENTION
RISK CLASSIFICATION	**RISK RATING**
Internal: Operational Risk	**High**

The ability of the Group to retain talent and/or attract experienced senior staff is currently constrained. The Group's future success will depend on its ability to manage, attract and retain skilled and qualified human capital. The risk of losing organisational knowledge is high and this places stress on an already limited group resource. This also impacts on the broader corporate culture, which remains in crisis mode due to the current situation and the limited availability of human resources. The reputational damage surrounding the Group has impaired the Group's ability to attract and retain employees in the short term due to uncertainty about the long-term sustainability of the Group. The Group cannot currently guarantee long-term security to its employees and the previous long-term incentive plan is no longer relevant, which creates barriers for motivating existing employees and attracting new staff. A loss of key individuals could result in further instability. The reliance on external consultants for day-to-day operational requirements is costly and not sustainable.

MITIGATION STRATEGY

- New Management Board members have been appointed.
- New Supervisory Directors have been appointed.
- Two further Supervisory Directors have been nominated and will be proposed at the AGM.
- New directors are being recruited for the SEAG board.
- New directors have been recruited for both the Mattress Firm and Conforama Boards.
- New Directors have been recruited for the Hemisphere Board.
- A new Chief Compliance & Risk Officer (CCRO) has been appointed.
- New long-term incentive schemes are being implemented to replace the previous incentive scheme.
- New stand-alone variable short-term incentive schemes linked to operational performance have been implemented.
- Salaries and incentive schemes have been benchmarked and reviewed to ensure that employees are competitively and appropriately remunerated.

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

4	REPUTATION AND BRAND
RISK CLASSIFICATION	**RISK RATING**
External: Strategic Risk	High

This risk is an interrelated risk which is impacted by the convergence of a number of other Material Risks. Following the announcement in December 2017 the Group has experienced significant reputational damage. This announcement and the related financial impacts adversely affected the Group's various operational brands. The lack of stability and uncertainty has impacted negatively on supplier and other infrastructural relationships. The reputational damage has made it difficult to recruit senior staff. The Group operates in highly competitive markets and has therefore suffered financially as a result of its damaged reputation. Any further prolonged damage to brand/reputation will result in the Group facing increased financial and operational pressures. The audit Disclaimer of the Group Annual Financial Statements may also lead to further actions against the Group being taken by regulatory authorities.

MITIGATION STRATEGY

- Finalisation of the CVAs is a key step in stabilising the Group and reducing the uncertainty impacting the operational entities.
- The operating entities are focusing on building their own brands which are independent of the Steinhoff brand.
- The operating entities are raising their own capital independently from the Group and are therefore enhancing their ability to be self-sufficient.
- Operating entities are engaging directly with credit insurers to ensure that they are independently assessed.
- Operating entities are engaging with their stakeholders directly.
- The Group will seek to mitigate this risk by adopting a transparent approach to all its stakeholders to re-establish confidence. All stakeholders will be kept informed of future material developments in a transparent and responsible manner.
- Publishing the 2018 Group Annual Financial Statements.
- Where appropriate, objecting to and filing appeal against adverse decisions and related actions taken by regulatory authorities.

5	TAX POSITION AND TAX COMPLIANCE MANAGEMENT
RISK CLASSIFICATION	**RISK RATING**
External: Legal and Compliance Risk	High

The tax rules and regulations across past and present jurisdictions vary considerably and require an in-depth knowledge and understanding to ensure ongoing compliance. As a result of the restatement of the Group's financial statements there may be both short-term and long-term implications that have not yet been considered. Local audits by tax authorities are severely backlogged and the impacts of any potential fines, penalties and/or refunds is unknown. Loss of people in key business areas further increases the risk as the rationale for past decisions and past transactions will be lost. This may result in Group Companies being unable to respond to tax enquiries from regulators. The Group is exposed to a number of different tax risks including, but not limited to, changes in tax laws or interpretations of such laws. Tax reviews by the authorities in the jurisdictions where the Group operates may raise further issues regarding the tax positions taken. An adverse outcome resulting from any settlement or future reviews of the Group's tax returns may result in additional tax liabilities and may adversely affect its effective tax rate. This could result in a material adverse effect on the Group's financial position, results of operations and liquidity. In addition, any review by the authorities could cause the Group to incur significant legal expenses and divert management's attention from the operation of our businesses. The Group has transfer pricing arrangements in place in relation to various aspects of its business, including its retail, manufacturing and distribution functions. The Group considered the transactions among its businesses to be substantially on arm's length terms. The Group is currently subject to ongoing, general transfer pricing investigations by tax authorities in Austria, Germany, Australia and South Africa as part of the tax risk evaluation processes conducted by these authorities. If a tax authority in any jurisdiction in which the Group operates reviews any of the Group's practices and determines that the transfer prices and terms that the Group has applied are inappropriate, or that other income of a division of the Group should be taxed in that jurisdiction, the Group may incur increased tax liability, including accrued interest and penalties, which would cause the Group's tax expense to increase.

MITIGATION STRATEGY

- Central tax monitoring and reporting.
- Retention of the detailed information accumulated during the various accounting interventions and investigations.
- Appointment of appropriate tax specialists in the relevant affected jurisdictions to help advise on the current position in each jurisdiction.

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

6	GROWTH PLANS AND DISPOSAL OF NON-CORE ASSETS
RISK CLASSIFICATION	**RISK RATING**
Internal: Strategic Risk	High

The process and governance around past acquisitions was poor. The Group did not effectively manage its acquisition policy. The Group's management structures, systems, procedures and controls were inadequate to support the continued expansion of its operations by acquisition. The planned growth and synergistic benefits were not generated, and the underlying performance of various subgroups was effectively masked by the accounting irregularities. The Group's future operating results will depend upon the ability of each operating sub-group to generate profits on a standalone basis. The costs to achieve the strategic goals may be greater than anticipated and key suppliers or business partners may choose to change or terminate their relationship with the Group. It is highly unlikely that the Group will execute acquisition growth plans in the foreseeable future. Growth will be limited to organic growth within each operating segment.

MITIGATION STRATEGY

- The Group has terminated its acquisition-led growth strategy
- The Group does not expect acquisitions to form a significant part of its future strategy
- Governance and control structure have been strengthened throughout the Group.
- Non-core and underperforming assets are in the process of being disposed of.
- Certain operations require funding to enable them to restructure and become cash generative in the near future. The Management Board has engaged with financial creditors and agreed entity-specific revised funding arrangements for Mattress Firm and Conforama. Operational management is responsible for, and will be held accountable for delivering, the revised plans.
- Remaining businesses will be managed on a standalone basis and operational management will be responsible for delivering on the current plans tabled.

7	FRAUD AND ETHICS
RISK CLASSIFICATION	**RISK RATING**
Internal: Legal and Compliance Risk	High

The risk of substantial fraud and unethical behaviour remains a primary concern however, the risk is considered to be substantially lower as a consequence of improved controls and the remedial actions implemented to date. The impact of accounting irregularities and ethics violations has, however, had a significant impact on the Group's businesses.

MITIGATION STRATEGY

- Implementation of the Remediation Plan.
- The establishment of a Governance & Ethics Supervisory Board Committee.
- Supervisory and Management Board focus on fraud and ethics risk
- Appointment of the CCRO.
- Specific focus on pro-active fraud risk management.
- Review of the Fraud Risk Management Framework in the context of the Group Risk Management Framework.

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

8	SUPPLY CHAIN
RISK CLASSIFICATION	**RISK RATING**
Internal: Operational Risk	**High**

The failure of the supply chain is a significant risk due to the Group's dependency on the efficiency of its logistics networks, which include the movement of raw materials and finished goods primarily by way of road, rail and sea, and the delivery of final products to end users. Damage to central warehouse and distribution centres could result in business interruptions and loss of income. The risk of failure in the supply chain in the form of a loss of supplier confidence and cancellation of contracts has increased significantly for the Group's operations. Several suppliers of raw materials and finished goods have discontinued business with the Group or changed the terms under which they are willing to do business, affecting aspects such as prices, minimum quantities, required lead times and payment terms. Fluctuations in the price, availability or quality of the raw materials the Group uses in manufacturing its goods and the products it sources could have a negative effect on the Group's cost of sales and its ability to meet the demands of its customers. In the event of a significant disruption in the Group's supply of raw materials or sourced products, the Group may not be able to locate alternative sources at an acceptable price or in a timely manner. In addition, if the price of raw materials increases, the Group may not be able to pass on to customers all or a portion of the higher costs, due to competitive and market pressures or other reasons. This could have a material negative effect on operating margins.

MITIGATION STRATEGY

- Strict service delivery agreements with suppliers.
- Identification of alternative suppliers.
- Development of vertical integration model, especially in beds and furniture.
- Enhancement of key supplier relationships.

9	REGULATORY COMPLIANCE
RISK CLASSIFICATION	**RISK RATING**
Internal: Legal and Compliance Risk	**High**

During the Reporting Period, the Group's operations remained subject to various laws and regulations in the jurisdictions in which it operated. If the Group fails to comply with any such laws or regulations, it could result in exposure to liability, including, but not limited to, mandatory shutdowns, damages, criminal prosecutions, and financial penalties, loss of trade agreements and contracts, and injunctive action. The risk of failure to comply with laws or regulations, specifically in relation to inaccurate financial statements and not publishing financial statements in a timely manner has increased substantially. This risk, which extends across multiple operating jurisdictions, is significant and could result in liability, including, but not limited to, criminal prosecutions, financial penalties, loss of trade agreements and contracts, and injunctive action.

MITIGATION STRATEGY

- Dedicated resource has been allocated to manage this specific risk area.
- Ongoing engagement with all regulators.
- External auditors had previously refused to sign single entity audited financial accounts until such time as the PwC investigation was finalised. Completion of the PwC report therefore represented a major milestone in the preparation of single entity accounts. This has now been addressed and our teams are engaging with external auditors to complete the task expeditiously.
- External legal specialists have been engaged to provide regulatory support.
- This risk area forms a key part of the remediation plan. With the first phase of the internal investigation having been completed, the newly appointed CCRO has been tasked to engage with all operational entities to ensure that all local laws and regulations have been complied with and if not, corrected.
- Going forward this risk area will remain a key focus area of both the CCRO and the internal audit teams. This will form part of an integrated audit plan covering compliance of global divisions

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

10	ECONOMIC SLOWDOWN/SLOW RECOVERY
RISK CLASSIFICATION	**RISK RATING**
External: Strategic Risk	**High**

During the Reporting Period, the Group identified that its ability to increase sales, maintain or increase prices and/or to recover fixed costs may be adversely affected by volatile economic conditions. Historically, the household goods, general merchandise and automotive industries have been cyclical, fluctuating with economic cycles and conditions. Demand is sensitive to general economic conditions, including housing activity, interest rate levels, current economic growth, credit availability, unemployment and other factors that affect consumer spending habits. Due to the discretionary nature of most household goods, general merchandise and automotive purchases, and the fact that they often represent a significant expenditure to the average consumer, such purchases may be deferred during times of economic uncertainty. These general economic factors affected not only the ultimate consumer, but also impacted the Group's owned and third-party mass and specialty retailers, which are the Group's primary customers for wholesale and distribution of its manufactured and sourced products.

MITIGATION STRATEGY

- Achieving efficiencies and reducing costs by optimising operations without compromising quality of goods or service delivery. Ongoing initiatives include standardising processes, centralising procurement, and efficiently deploying staff.
- Leveraging the Group integrated supply chain activities to accelerate productivity, efficiency and innovation, including the automation of key administrative and financial processes.
- Regular supplier negotiations in order to leverage Group buying power and achieve economies of scale.

11	INCREASING COMPETITION
RISK CLASSIFICATION	**RISK RATING**
External: Strategic Risk	**High**

The household goods, general merchandise and automotive retail markets are generally fragmented and highly competitive, and consist of a large number of manufacturers and retailers that produce and distribute products similar to those of the Group. Notwithstanding the Group's own sourcing abilities, the added competition and flexibility of competitors (and customers) that are able to supply a mix of sourced and manufactured products, placed additional pressure on the Group's operations and competitive advantage. The Group also faced intensified competition in the e-commerce sector due to lower barriers of entry and the development of the online market for certain classes of product. In certain of the Group's markets, the Group competed with a limited number of large companies that have greater financial and other resources at their disposal. Additionally, the Group faced competition in the multiple geographic markets it competes in including general merchandise, household goods and automotive retail. The Group identified that its success in these markets, and across these product categories, depended largely on its ability to identify customer preferences and translate such demand into appropriately priced, saleable merchandise in a timely manner. If the Group does not correctly interpret trends and respond appropriately, there is a risk of losing its target customers to competing retailers. As a result, the Group may be exposed to a loss of market share or be left with excess or slow-moving inventory, in which case it will be forced to rely on markdowns or promotional sales, thereby reducing its revenue and margins.

MITIGATION STRATEGY

- Expanding core businesses into areas where there is increased demand and less competition.
- Attracting the appropriate merchandisers
- Store expansion plans.
- E-commerce growth initiatives.
- Factors that influence decisions to invest include population demographics, existing competitors, return on investment.

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

12	FAILURE TO MEET CUSTOMER NEEDS
RISK CLASSIFICATION	**RISK RATING**
External: Strategic Risk	**High**

Failure to innovate and/or meet customer needs is considered to be a significant risk due to the changes in consumer behaviour, and constant innovation of products and service offerings required from retailers. Emerging trends indicate that there is an increasing use of mobile technology among the emerging generation of consumers who would rather browse products on a mobile device than visit traditional bricks and mortar stores. Distribution channels and volume sales are required to make this alternative business model profitable. During the Reporting Period, consumers reduced consumption, cut back on spending, and increasingly used online price-comparison sites.

MITIGATION STRATEGY

- Constant review of the competitor landscape to identify trends and possible acquisitions.
- Active investment in IT to remain aligned with consumer requirements.
- Investment by operations into a multichannel approach to sales that seeks to provide customers with a seamless shopping experience, whether they are shopping online from a desktop or mobile device, by telephone, or in a bricks-and-mortar store.

13	CYBER SECURITY
RISK CLASSIFICATION	**RISK RATING**
Internal: Information Technology	**High**

The possibility of cyber risks affecting global operations is high, Data fraud/theft and large-scale cyber-attacks are listed as critical risks. This cyber dependency further increases vulnerability to outage of critical information infrastructure and networks, causing widespread disruption. Telecommunication problems, software errors, inadequate capacity at IT centres, threat of fire, large-scale electricity outages and cyber-attacks, prolonged or recurring breaches to the network and damage to technical systems are viewed as significant risks

MITIGATION STRATEGY

Cyber security resilience and readiness remains a priority as operations are dependent on the permanent and uninterrupted availability of IT systems and IT infrastructure provided by third parties. Information, communication and technology (ICT) is managed at an operational level and reported as part of the wider management reporting process. Internal audit assists the Management Board and the Supervisory Board in identifying ICT risks by performing ICT audits during its operational audits. Certain ICT risks of a specialised nature are audited on a co-sourced basis, utilising external specialists. Existing control mechanisms included operational cyber security systems, IT security policy, data protection, physical access security, access protection, user administration and IT planning. The systemic, intangible and constantly evolving nature of cyber threats presents significant challenges for gathering the data required to achieve accurate quantification of the risks that could trigger a wide range of economic losses.

The Group's mitigation strategy includes:

- Continually investing in IT infrastructure
- Digitising aspects of our operations to free up support staff.
- Disaster recovery plans to mitigate IT risk
- Introduction of a cyber insurance programme.
- Continuously enhancing IT security measures.
- Increased focus by regional operational boards to ensure compliance with regulatory requirements.
- Ensuring that cyber security and IT risk feature more prominently in strategic business plans and senior management discussions.

**The Risk Rating is an indication of the residual risk remaining after mitigating controls are taken into account.*

Risk interconnectivity

The events of December 2017 highlighted the interconnectivity of risks, which resulted in a re-evaluation of the material risks as stated in the 2017 Annual Report. In this context, there are risk drivers that have a material influence on other risks. In particular, these risks include those associated with financial stability, loss of leadership, regulatory compliance, supply chain failure and litigation. During the Reporting Period, the interdependency of these risks increased their combined impact on the Group exponentially. The Management Board views financial stability as the key factor, that if mitigated adequately, can fundamentally change the long-term position of the Group.

Financial risk management

Pursuant to art. 2:391 sub 3 of the Dutch Civil Code, the policy regarding risk control of financial instruments and the extent that this is of significance for the assessment of assets, liabilities, financial condition and results is presented in more detail below.

Financial risk management

The financial risk management of the Group changed considerably during the Reporting Period. The Group's ability to manage financial risk was severely constrained as a consequence of the events that occurred after the discovery of the accounting irregularities in December 2017. Subsequent to these events, limited financial risk mitigation tools were available to the Group to mitigate financial risks in the Reporting Period.

The Group's financial instruments are listed in the Consolidated Financial Statements. The Group did not speculate using derivatives or other financial instruments during the Reporting Period. Financial risks included, but were not limited to, capital risk, liquidity risk, exchange rate risk, market risk, interest rate risk and credit risk. Financial risks are controlled at operational level with guidance from the Group to ensure optimal risk mitigation.

Liquidity risk management

The liquidity risk faced by the Group and its operating entities during the Reporting Period was significant. Refinancing activities were, and continue to be, actively pursued at operational level. At Group level, as stated elsewhere in this Annual Report, the key focus has been on engaging with the Group's financial creditors to negotiate a restructuring of its key debt clusters, including inter alia the repayment of its South African debt, entering into a Lock Up Agreement with its major international financial creditors, finalising a debt restructure with Hemisphere's financial creditors, and concluding the CVAs. The Group has disposed of several non-core assets in order to generate free cash flow and prevent debt default, and to enable it to settle ongoing payments to stakeholders, including financial creditors, suppliers and employees. The conclusion of both CVAs will enable the Group to focus on effective liquidity risk management through its restructuring process going forward.

Currency volatility risk management

Currency volatility risk management is severely constrained due to the ongoing closure of credit facilities and the closure of, or restrictions on, banking facilities. No trading facilities are available at Company level whilst the availability of facilities at operational level is limited by collateral requirements.

Interest rate risk management

The liquidity risk faced by the Group made it impossible to manage interest rate risk at both Company and Group level during the Reporting Period. Both the Company and the Group were faced with a material increase in interest rate risk. As stated previously, several asset disposals were required to ensure free-cash flow. Restructuring negotiations were commenced with financial creditors to prevent the Group defaulting on debt payments. Implementation of the CVAs will enable the Group to focus on improved interest rate risk management through its restructuring process going forward.

Credit risk management

The credit risk faced by the Group and its operating entities during the Reporting Period increased substantially as short-term credit facilities were severely diminished and/or withdrawn. The Company and Group's creditworthiness was materially affected. Credit facilities were reduced, with suppliers refusing to extend credit and payment terms due to the withdrawal of credit insurance for Steinhoff-owned entities. Other supplier payment terms were shortened due to the uncertainty surrounding the Group's financial position. The conclusion of the CVAs will enable the Group to focus on effective credit risk management through its restructuring process going forward.

Compliance risk management

A key focus area of the Remediation Plan is to improve compliance risk management specifically as it applies to fraud detection and fraud response, as well as continued education and awareness around fraud and ethics. In terms of current practice, operational management are required to manage all fraud and ethics violations, as well as being responsible for reporting any fraud and ethics violations to the Management Board and the Audit and Risk Committee, together with associated remedial action plans.

The Management Board appreciates the frustration of various stakeholders as a result of past events as set out elsewhere in this Annual Report. Against this background the Management Board has resolved to ensure that the Group operates in an open and transparent manner with a view to ensure that information is provided to all within the legal parameters within which the a Group currently operates. The Management Board will take all possible steps required to protect and unlock value for all the various stakeholders. The Group has adopted a Code of Conduct that sets out general policies and guidance as to how the Group and its Managing Directors, Supervisory Directors, officers and employees should conduct business.

This Code of Conduct, complemented by the value of transparency, provides a framework for what the Group considers as responsible and ethical conduct and includes our core values. The values included in the Code of Conduct relate to: how the Company's employees are to deal with conflicts of interest, restrictions on the acceptance of gifts, an explicit prohibition on the acceptance of bribes, the importance of accurate and timely record keeping, financial transactions and insider trading, the promotion of free competitive enterprise, commitment to health, safety and environment, a commitment to the compliance with laws, the protection of Steinhoff's intellectual property rights, safeguarding confidential information; and ensuring a culture of non-discrimination. In view of the decentralised business model of the Group, these values are implemented at a local level by management of Steinhoff's operational entities. Although these values are therefore in principle a matter of local responsibility, the application thereof is monitored by the Management Board at a Group level.

The irregularities have brought to light that the enforcement of the Code of Conduct was not effective. Reference is made to the section 2016 DCGC Compliance.

Furthermore, the Group has adopted a whistleblower policy, which establishes the procedure for handling reportable concerns of suspected criminal or unethical conduct by, or within, the Group. This is being rolled out across all entities in the Group. The scope of this policy extends not only to concerns involving Managing Directors, Supervisory Directors, officers and employees, but also to matters involving shareholders, consultants, vendors, contractors, outside agencies and/or any other parties in a business relationship with the Group.

Compliance reports are reviewed by internal audit and reported to the Management Board and the Audit and Risk Committee on a quarterly basis, as well as to the Governance Social and Ethics Committee.

The Company has detailed policies in place governing ownership of, and transactions in, securities by Managing Directors, Supervisory Directors, closely associated persons and employees. The Code of Conduct, the whistleblower policy and the policy on inside information, managers' transactions and insider lists are all available on the Company's website www.steinhoffinternational.com.

Risk financing – insurance programme

Risk appetite and tolerance levels drive the risk retention and transfer strategy which is based on the organisation's risk profile and loss history experience. Where possible, predicable risk is retained within divisional operations to ensure the cost of risk transfer is optimal. The Management Board and the Audit and Risk Committee review and consider unpredictable risks identified by management, and defensive strategies are adopted where appropriate. Internal and external risk factors are monitored in order to identify current and emerging risks.

The Group pursues a strategy of mitigating its insurable risks through a combination of self-insurance and commercial insurance coverage. During the Reporting Period a portion of its operations were self-insured through its cell-captive facility. The Group takes measures to assess and monitor the financial strength and creditworthiness of the commercial insurers from which it purchases insurance. However, the Group remains exposed to a degree of counterparty credit risk with respect to these insurers.

Remediation Plan

The current Management Board has developed a Remediation Plan that contains measures it believes are appropriate to limit the possible recurrence of irregularities and instances of non-compliance with laws and regulations in the future.

An analysis of the PwC report identified several key areas of focus, including, but not limited to, non-compliance with laws and regulations, profit creation and asset overstatement, misappropriation of assets and irregular entity support and contributions. This analysis formed a key input into the Remediation Plan. A further phase of investigative work (phase II) has been requested in respect of certain issues identified that the Group envisages will not be material to its financial statements, but which may be significant for other reasons, and which will require further investigation and resolution.

The Remediation Plan will be implemented by the recently appointed Chief Compliance and Risk Officer (CCRO) under the responsibility of the Management Board. The CCRO reports directly to the Chief Executive Officer, with a secondary line to the Audit and Risk Committee. The Supervisory Board will oversee the implementation of the Remediation Plan and will receive regular updates from both the Management Board and the Audit and Risk Committee on the progress of the implementation of the Remediation Plan.

The CCRO is also responsible for the risk management programme of the Group and as such his responsibilities include:

(i) the development and implementation of a detailed enterprise risk management and regulatory compliance framework incorporating all types of risk;

(ii) acting in an advisory capacity to the Group on corporate governance and best practice in risk management and regulatory compliance;

(iii) ensuring that the Group's risk portfolio is within set risk appetite and tolerance limits;

(iv) facilitating, coordinating and overseeing the implementation of the Group's risk strategy and enterprise risk management disciplines; and

(v) fulfilling a second line risk function to provide oversight, challenge and assurance on risk management of credit, market, interest rate, and liquidity risk, and IT security, as well as other operational, legal, regulatory, conduct, strategic and reputational risks.

The ongoing maturity of governance, risk and compliance management practices will remain a priority for the Group and its operating entities.

SECTION 5: MANAGEMENT BOARD STATEMENTS

The Management Board has prepared this Annual Report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and additional Dutch disclosure requirements for annual reports.

INDEX

Responsibility statements

As required pursuant to section 5:25c paragraph 2(c) of the Dutch Financial Supervision Act, each of the Managing Directors hereby confirms that as far as each of them is aware:

(i) subject to the judgements and estimates set out in the basis of preparation the 2018 Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the enterprises jointly included in the consolidation; and

(ii) the Annual Report gives a true and fair view of the position as at the Reporting Date, state of affairs during the Reporting Period and of the enterprises connected with it whose data are included in the 2018 Consolidated Financial Statements and that the Annual Report describes the substantial risks with which the Company has been confronted.

In-control statement

The Management Board is responsible for the establishment and adequate functioning of a system of governance, risk management and internal controls in the Company. Consequently, the current Management Board has, with effect of the date of the appointment of the Managing Directors on 20 April 2018, implemented a range of processes and procedures designed to improve control by the Management Board over the Company's operations. These processes and procedures include measures regarding the general risk monitoring and management and the control environment and specific guidelines on governance, including a code of conduct and a whistle-blowers policy.

These processes and procedures are aimed at providing the Management Board with a reasonable level of assurance that the significant risks of the Company and the Group have been identified and managed, and that the Company meets its operational and financial objectives in compliance with applicable laws and regulations.

The Group Internal Audit Function assesses the design and the operation of the internal risk management, governance and control systems and reports (i) any flaws in the effectiveness of the internal risk management, governance and control systems, (ii) any findings and observations with a material impact on the risk profile of the Company and its affiliated enterprise, and (iii) any failings in the follow-up of recommendations made by the Group Internal Audit Function. In doing so, the Group Internal Audit Function provides assurance to the Management Board and the Supervisory Board that these systems are adequate and effective.

The current Management Board has worked at continuing to improve the processes and procedures regarding financial reporting, it is of the opinion that:

(i) this Annual Report must be read in conjunction with the 2017 Annual Report. Both these reports provide, if read in conjunction, sufficient insight into the failings which took place in the effectiveness of the internal risk management and control systems;

(ii) the current systems post December 2017, and after implementation of the initial steps of the Remediation Plan, provide reasonable assurance that the financial reporting does not contain any material inaccuracies; and

(iii) the Risk Report in the Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this Annual Report.

The Management Board draws specific attention to the going concern statement included in the Basis of Preparation section of this the Annual Report in which a number of assumptions and uncertainties have been detailed. Based on these assumptions and uncertainties, the financial reporting is prepared on a going concern basis. The Management Board has discussed the above opinion and conclusions with the Audit and Risk Committee, the Supervisory Board and the External Auditor.

Non-financial statement

In view of the accounting irregularities, which were uncovered in December 2017 and the consequences thereof for the Group, the Company's primary objective currently revolves around achieving long-term value preservation within the Group.

The Company aims to achieve this financial objective as well as its non-financial objectives by means of the decentralised business model of the Group, which allows for a tailor-made governance on an operational level complemented by the Management Board exercising its rights at the operational level where appropriate and maintaining regular contact with local management. The decentralised business model includes sourcing where each operating entity is responsible for the supply chain applicable to its market and customers. For an overview of the Group's decentralised operational model, reference is made to the Operational Review in this Annual Report.

In view of the markets it operates in, and the types of products and services it delivers, the Group has no formal policies relating to environmental, social, employee, and human rights-related matters and the risks associated with these subjects is relatively low. The aforementioned subjects are nevertheless addressed in the Code of Conduct and both the Company and management at operational level are expected to safeguard the values embodied therein. For further information concerning the Code of Conduct, reference is made to the section Compliance Risk Management in the Risk Report. For the primary risks which are important to the Group, reference is made to the Risk Report.

Diversity

On 30 August 2018, the Supervisory Board adopted a diversity policy. The policy identifies the following objectives to further improve the diversity within the Supervisory Board and the Management Board:

(i) qualifications and previous experience, particularly in the fields required to ensure balanced boards, shall be key considerations for nominations to both the Supervisory Board and the Management Board;

(ii) with respect to nationality, subject to and taking into account the South African Reserve Bank requirement that the Company be managed from South Africa, the Supervisory Board shall strive to nominate Managing Directors from the regions where the Group Companies operate and that no nationality should count for more than 75% of the Managing Directors;

(iii) further with respect to nationality, the Supervisory Board shall strive to nominate Supervisory Directors from the regions where the Group Companies operate, and that no nationality should count for more than 75% of the Supervisory Directors;

(iv) with respect to gender, the Supervisory Board shall strive for a composition of both the Supervisory Board and the Management Board of not less than 30% male and not less than 30% female; and

(v) with respect to age, the Supervisory Board shall strive to ensure an appropriate age diversity within the Supervisory Board and the Management Board;

(vi) it being understood that, in the selection of a candidate on the basis of the above criteria, the rules and generally accepted principles of non-discrimination (on grounds such as ethnic origin, race, disability or sexual orientation) will be taken into account.

During the Reporting Period, the Management Board consisted of male Managing Directors only. In making nominations for appointments of Managing Directors during the Reporting Period, Supervisory Board, in view of the extraordinary circumstances the Company found itself in, prioritised required expertise, experience and knowledge of the Group's affairs over gender diversity. However, in line with its objective to strive for a composition of the Management Board of not less than 30% male and not less than 30% female, the Group has several female senior executives in its employ who are engaged in a broad spectrum of disciplines and responsibilities and, as part of the Group's development initiatives and succession planning, due consideration of gender diversity will be given when filling vacancies that may arise at Senior Management level and to the progress being made by female senior executives in satisfying the relevant criteria for such positions. On the Reporting Date, three out of five Managing Directors had South African nationality (60%) and lived in South Africa. Philip Dieperink, who lives in the United Kingdom and has both Dutch and South African nationality, is counted as having Dutch nationality for this purpose. When nominating and selecting candidates for the Management Board, the diversity policy is taken into account.

On the Reporting Date, five out of eight Supervisory Directors were female (62.5%) and six out of eight Supervisory Directors had South African nationality (75%) and lived in South Africa. Hugo Nelson, who lives in South Africa and has both South African and Maltese nationality, is counted as having South African nationality for this purpose. In accordance with the objective to strive to nominate Supervisory Directors from the regions where the Group operates and that no nationality should count for more than 75% of the Supervisory Directors, the Supervisory Board nominated Paul Copley (with British nationality) and David Pauker (with United States nationality) for appointment to the Supervisory Board at the 2019 AGM. When nominating and selecting candidates for the Supervisory Board, the profile of the Supervisory Board and the diversity policy are taken into account.

The diversity policy and the profile of the Supervisory Board can be viewed on the Company's website www.steinhoffinternational.com.

Black Economic Empowerment

Steinhoff supports the aims of the Broad-Based Black Economic Empowerment legislation in South Africa and focuses on enhancing the South African operating companies' compliance with the relevant laws and scorecards.

Social responsibility and sustainability

During the Reporting Period, the Company supported the following two causes.

Extended Family

Steinhoff has been the key financial partner of the Steinhoff Extended Family programme since its official inception in March 2003 when Steinhoff partnered with Abraham Kriel Childcare (AKC) to provide essential services to children affected by HIV/Aids and who are not housed in a formal institution like an orphanage. To reach more children and have a greater impact Steinhoff and AKC introduced the Steinhoff Extended Family home based care programme. It started with an initial group of 15 beneficiaries which gradually expanded to approximately 400 beneficiaries in 2017. Steinhoff's financial contribution is the primary funds used to the programme. The aim of Steinhoff's involvement in this initiative is to provide children affected by HIV/Aids with food, clothes, social services and, where necessary, ARV treatment. Beneficiaries are included in the programme on a 'needs only' basis, and the recipients are mostly individuals from child-headed families where the parents have passed away due to HIV/Aids. In some instances they live with another family member or grandparent as part of an already extended family where resources are severely under pressure. Many of the caregivers who work in the programme to assist with the care of the beneficiaries, especially the smaller children, are 'graduates' from the project themselves. The services rendered to these beneficiaries through the partnership include the following:

- Provision of food. Daily meals consist of meat, a starch and two vegetables, two fruits and bread. This is provided to each beneficiary 365 days a year.
- Enrolment of the children into school, including properly equipping each child to attend their classes.
- Attention to health issues, bereavement counselling, facilitation with proper registrations with government departments and applications for grants to further support the family.
- Regular visits to their homes by the caregivers.
- Where relevant, younger children are enrolled in school after-care programmes, where they eat, get help with homework and participate in life skill classes.

The Steinhoff commitment gave Abraham Kriel a level of financial sustainability that allowed for long-term planning to ensure that a real impact could be made. It also allowed for the promise that children could be given the gift to grow and develop so that their dreams have a chance of becoming a reality. Unlike a one-off charity donation, the Steinhoff Extended Family programme is an example of a long-term investment where time and trust are key to its success. This partnership and its extended investment gives the programme the time it requires to accomplish what is necessary, especially for raising children.

- It takes time for children to recover from malnutrition to a state of health.
- It takes time to recover from the loss of a parent and regain hope.
- It takes time for children to grow up and become productive members of society.
- It takes time to develop self-confidence and the life skills of an adult.

The financial contribution from Steinhoff for the Reporting Period amounts to ZAR5.9 million.

Knysna Initiative for Learning and Teaching

Recognising the need for improved access to quality education in South Africa, Steinhoff had a desire to contribute to the advancement of learning and teaching in under-resourced schools. Steinhoff partnered with KILT (Knysna Initiative for Learning and Teaching) in April 2017 to provide support to certain under-resourced and non-fee-paying schools in the Knysna municipal area by way of sponsorship in the form of providing funding for specific needs which include funding for:

- equipment and learning material;
- teacher development;
- additional teachers in order to reduce class sizes;
- the repair of school infrastructure with specific focus on ablution facilities; and
- the establishment of after school study clubs and psycho-social and remedial programmes for both primary and secondary school learners.

KILT has become a mainstay of support to the 17 government schools, the teachers and the 12 000 learners in greater Knysna. In order to measure their performance to their funding partners, KILT uses six key performance indicators to monitor and evaluate its ongoing projects:

- learners' academic and personal development
- learners' absenteeism and pass rates,
- provincial and KILT benchmarks for assessing learners' performance on tests
- sports participation
- participation in extramural activities, and
- professional development of teachers.

The sponsorship with KILT amounts to ZAR15 million in donation annually for a period of five years.

Provision in the Articles regarding the allocation of profits

Articles 35.1 through 35.3 of the Articles stipulate:

"35.1 Distribution of profit shall be made after adoption of the annual accounts if permissible under the laws of the Netherlands given the contents of the annual accounts.

35.2 The Management Board may, with the approval of the Supervisory Board, resolve that the profit realised during a financial year will fully or partially be appropriated to increase and/or form reserves.

35.3 The allocation of profit remaining after application of article 35.2 shall be determined by the General Meeting, provided that such resolution to allocate the remaining profits can only be adopted on a proposal of the Management Board, with the approval of the Supervisory Board. The Management Board shall make, with the approval of the Supervisory Board, a proposal for that purpose with due observance of the provisions of articles 35.4 and 35.5. A proposal to allocate profit shall be dealt with as a separate agenda item at the General Meeting."

The Management Board
18 June 2019

L.J. (Louis) du Preez
Chief Executive Officer

P.J. (Philip) Dieperink
Chief Financial Officer

T.L. (Theodore) de Klerk
Operations Director

ANNUAL REPORT 2018
PART II

STEINHOFF
INTERNATIONAL HOLDINGS N.V.

CORPORATE GOVERNANCE REPORT

Corporate governance in Steinhoff involves the set of relationships that have been established between the Management Board, the Supervisory Board, shareholders and other stakeholders. Corporate governance also provides the structure through which the Company's objectives are set and the means of attaining those objectives and of monitoring performance are determined.

INDEX

Introduction

This report provides an outline of the corporate governance structure of the Company and covers corporate governance matters relevant to the Company during the Reporting Period. Pursuant to the 2016 DCGC, the Management Board and the Supervisory Board are responsible for the corporate governance of the Company.

The Company has its statutory seat in the Netherlands and its head office in South Africa. The Company is registered with the Trade Register in Amsterdam, the Netherlands under number 63570173 and has its primary listing on the FSE in Germany. It has a secondary listing on the JSE in South Africa.

The Company has a two-tier board structure, consisting of the Management Board and the Supervisory Board. The Management Board and the Supervisory Board are accountable to the General Meeting. The Company's corporate governance structure is based on the Articles, the Regulations of the Management Board, the Regulations of the Supervisory Board and its committees, as well as the applicable laws and regulations, including the 2016 DCGC. The Articles, the Regulations of the Management Board, the Regulations of the Supervisory Board and its committees, together with the Supervisory Board's rotation schedule and the Supervisory Board profile, can be viewed on the Company's website at www.steinhoffinternational.com.

The full text of the 2016 DCGC is available at www.mccg.nl.

Management Board

The role of the Management Board is to manage the Company. Pursuant to the 2016 DCGC, the Management Board is responsible for the continuity of the Company and Group's business and focuses on long-term value creation for the Company and the Group's business, and takes into account the stakeholder interests that are relevant in this context. The Supervisory Board monitors the Management Board in this. The Management Board is responsible for identifying and managing the risks associated with the Company's strategy and activities.

Duties and powers of the Management Board

The Management Board derives its powers and duties from Dutch law and the Articles. When discharging its duties, the Management Board shall act in accordance with the interests of the Company and the business connected with it, taking into consideration the interests of the Company's stakeholders. The Management Board is primarily responsible for:

(i) drafting proposals regarding the short- and long-term strategy of the Company;

(ii) communicating the Company's financial strategy;

(iii) drafting the annual budget of the Company, as well as – after adoption by the Management Board – the implementation thereof;

(iv) the appointment and dismissal of members of the executive committees and managers who report to the Management Board;

(v) determining the remuneration of managers who report to the Management Board;

(vi) the financial reporting of the Company; and

(vii) overseeing and ensuring the integrity of the Company's financial statements.

The Regulations of the Management Board became effective on 1 December 2015. The Regulations of the Management Board describe the powers, duties, as well as working methods and the decision-making process of the Management Board. These Regulations of the Management Board can be viewed on the Company's website www.steinhoffinternational.com.

Pursuant to the Regulations of the Management Board, certain significant resolutions of the Management Board are subject to the approval of the Supervisory Board and the General Meeting. These resolutions are detailed in schedules 2 and 3 of the Regulations of Management Board.

Composition, appointment, removal, suspension and other positions of Managing Directors

General

Pursuant to the Articles, the Management Board shall consist of at least two Managing Directors, with the number of Managing Directors to be determined by the Supervisory Board. Following a non-binding nomination by the Supervisory Board, with due observation of the provisions under the Articles, the Managing Directors are appointed by the General Meeting.

The General Meeting may, at any time, by a majority of at least two-thirds of the votes cast representing more than one-third of the Company's issued capital, upon a proposal by the Supervisory Board, suspend or remove a Managing Director. Pursuant to the 2016 DCGC, a Managing Director is appointed for a maximum period of four years and a Managing Director may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion and take the Diversity Policy into account. A Managing Director may be suspended or removed by the General Meeting at any time. Suspension and removal shall be made upon proposal by the Supervisory Board. A Managing Director cannot be suspended by the Supervisory Board. A resolution by the General Meeting to remove or suspend a Managing Director not proposed by the Supervisory Board may only be adopted by at least two-thirds majority of the votes cast, provided that such majority represents more than one-third of the Company's issued capital. If the quorum is not met, a second General Meeting cannot be convened. Any suspension may be extended one or more times but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on the termination of the suspension or on removal, the suspension shall end.

Persons who are (i) a supervisory board member (or non-executive director) of more than two legal persons; and (ii) chairman of the supervisory board of a legal person (or of the management board if management duties are allocated amongst executive and non-executive directors) may not be appointed as a director of a company insofar that company has not met at least two of the criteria referred to in Article 397(1) and (2) DCC (which is the case for Steinhoff). During the Reporting Period, none of the Managing Directors held positions which would constitute a breach with this requirement.

When selecting and nominating candidates for the Management Board, the diversity policy is taken into account.

Composition of the Management Board
As at the Reporting Date, the Management Board consisted of Danie van der Merwe, Louis du Preez, Philip Dieperink, Theodore de Klerk and Alexandre Nodale. As at the date of this Annual Report, however, the Management Board consisted of Louis du Preez, Philip Dieperink and Theodore de Klerk. Danie van der Merwe resigned as acting CEO and Managing Director on 31 December 2018. Alexandre Nodale resigned as Deputy CEO and Managing Director on 11 April 2019.

Curricula Vitae of all the Managing Directors who have held office during the Reporting Period are given below

Markus Johannes (Markus) Jooste
South African, Male
(date of birth: 22 January 1961)

BAcc, CA (SA)

Until the acceptance of his resignation on 5 December 2017, Markus Jooste served as the Company's Chief Executive Officer. He completed a B Accounting degree at the University of Stellenbosch in 1982 and a certificate in the Theory of Accounting at the University of Cape Town in 1983 before qualifying as a Chartered Accountant in 1986. In 1988, Markus Jooste joined Gommagomma Holdings Proprietary Limited (now Steinhoff Africa) as financial director. In 1998, he was appointed as executive director and took responsibility for the European operations of the Steinhoff Group. In 2000, Markus Jooste was appointed chief executive officer of Steinhoff Limited and chairman of Steinhoff Africa and, in 2013, was appointed Chief Executive Officer for the Steinhoff Group's operations. He previously served on the boards of various unlisted Steinhoff group companies, including Conforama and the following companies listed on the JSE: PSG, Pepkor and Phumelela Gaming and Leisure Limited, and also served as a member of the remuneration committees of these listed entities.

Markus Jooste was appointed on 30 November 2015. On 4 December 2017, Markus Jooste offered to resign as Chief Executive Officer and Managing Director of the Company, which offer was accepted by the Supervisory Board on 5 December 2017.

Daniel Maree (Danie) van der Merwe
South African, Male
(date of birth: 21 May 1958)

BCom, LLB

Until his designation by the Supervisory Board as acting CEO on 19 December 2017, Danie van der Merwe served as the Company's Chief Operating Officer. In early 1998, following the merger of Roadway Transport group with Steinhoff Africa, he joined the Group and in 1999, was appointed as a director of SIHPL. He previously acted as chief executive officer for Steinhoff's southern hemisphere operations and was appointed as Chief Operating Officer in 2013. During the Reporting Period, Danie van der Merwe held several other appointments within the Group. He also served as a non-executive director of Pepkor and KAP.

Danie van der Merwe was appointed a Managing Director on 30 November 2015. He resigned as acting CEO and Managing Director of the Company effective 31 December 2018. As at the date of this Annual Report, Danie van der Merwe remains with the company until 31 December 2019, during which period he will assist Louis du Preez and the Management Board.

Andries Benjamin (Ben) la Grange
South African, Male
(date of birth: 19 September 1974)

BCom (Law), CA (SA)

Until his resignation on 4 January 2018, Ben la Grange was the Company's Chief Financial Officer. He completed his articles with PwC and spent two and a half years in their international and corporate tax division. He joined the Group in 2003 as manager of the corporate tax division, where after he moved to the corporate finance division of the Group before his appointment as chief financial officer for the Group's southern hemisphere operations. In 2009, he was appointed as an alternate director to the SIHPL board and was subsequently appointed as the Chief Financial Officer in March 2013. He served as an alternate director of PSG until 1 October 2017. He served as chief executive officer of Pepkor from 18 August 2017 until his resignation on 6 December 2017.

Ben la Grange was appointed a Managing Director on 30 November 2015. After his resignation, Ben la Grange served in a consultancy capacity until 30 September 2018 to focus on preservation and procurement of liquidity in the Group.

Louis Jacobus (Louis) du Preez
South African, Male
(date of birth: 2 May 1969)

BCom, LLB

The Supervisory Board nominated Louis du Preez as Commercial Director and Managing Director on 19 December 2017. He acted in such capacity until his appointment by the General Meeting on 20 April 2018.

Louis du Preez obtained his bachelor's degree from the University of Stellenbosch and went on to qualify as an attorney of the High Court of South Africa in 1997 after completing his articles. He joined Jan S de Villiers and was appointed a partner of the firm in 1998. With the merger of Werksmans Attorneys in 2009, he became a member of the national executive committee of the combined firm and served as such until early 2017. While practising as an attorney, he advised clients on a variety of corporate and commercial matters. He joined the Steinhoff group as General Counsel in mid-2017. Louis du Preez served as non-executive director of KAP Industrial Holdings Limited from 1 October 2017 until 3 April 2019. He has also served as a non-executive director of Pepkor since January 2018.

Effective 1 January 2019, the Supervisory Board designated Louis du Preez as CEO.

Philip Jean (Philip) Dieperink
South African and Dutch, Male
(date of birth: 15 April 1956)

(BCom (Hons), CTA, CA(SA), H. Dip (Tax)

The Supervisory Board nominated Philip Dieperink as Chief Financial Officer and Managing Director on 4 January 2018. He acted in such capacity until his appointment by the General Meeting on 20 April 2018. Philip Dieperink earned his Honours degree in Accountancy at the University of Pretoria and joined Deloitte & Touche in 1980, where he qualified as a chartered accountant in 1983. He transferred to the tax division specialising in corporate and international tax planning and became a tax partner in 1987. After leaving Deloitte, he joined Unitrans Limited as chief financial officer and helped develop the strategic direction and growth of this group over 10 years, until 2007 when Unitrans was purchased by Steinhoff. In September 2007, Philip Dieperink relocated to the United Kingdom to assume the position of chief financial officer of Steinhoff UK Holdings.

Philip Dieperink currently serves as a director of several group companies and he also serves as a non-executive director of Pepkor.

Theodore le Roux (Theodore) de Klerk
South African, Male
(date of birth: 30 October 1969)

(BCom (Hons), CTA, HDip(Tax), CFM)

The Supervisory Board nominated Theodore de Klerk as Operational Director and Managing Director on 28 February 2018. He acted in such capacity until his appointment by the General Meeting on 20 April 2018. Theodore de Klerk completed his articles with Ernst & Young and worked for four years as a corporate tax consultant. He joined Murray & Roberts as financial director of its marine construction operation and spent five years with Gensec Investment Bank as part of its corporate finance advisory unit, focusing on mergers & acquisitions, capital raisings and related structuring functions. In 2003, he joined Steinhoff as a senior executive with responsibility for corporate advisory services and investor relations. He was in 2008 appointed Chief Executive Officer of SteinBuild, the group's Southern African building materials division, a position he held until 2015. He served as a non-executive director of KAP Industrial Limited from 1 October 2017 until 3 April 2019. He currently serves as a director of several Group companies.

Alexandre Richard (Alexandre) Nodale
French, Male
(date of birth: 28 January 1978)

The Supervisory Board nominated Alexandre Nodale as Deputy CEO and Managing Director on 19 December 2017. He acted in such capacity until his appointment by the General Meeting on 20 April 2018. Alexandre Nodale attended the Management school of Business of Rouen NEOMA from 1997 to 2000. He started his career at the headquarters of the listed company PPR (now Kering Group) in 2000 as a financial controller before taking the position of Head of Information and Financial Planning in October 2005. In that position, he was in charge of the medium- and long-term financial forecasting for the group as well as the relationship with the rating agencies. He became PPR's Financial Control Director in October 2007. He joined Conforama Group as Deputy Director in charge of finance in 2009 and became Deputy Chief Executive Officer in 2012 before being appointed Chief Executive Officer in January 2015. In the same month, he joined the board of Eco-mobilier and Eco-Systèmes (now ESR), two French organisations that specialise in the recycling of furniture and electronics. Alexandre Nodale resigned as Deputy CEO and Managing Director on 11 April 2019.

Positions of Managing Directors on boards of listed companies which are considered Affiliated Companies

During the Reporting Period, Danie van der Merwe served as a non-executive director on the board of KAP. On 1 October 2017, Markus Jooste and Ben la Grange relinquished their positions as non-executive directors of KAP in order to focus on their broader roles and responsibilities within the Group. Furthermore, Markus Jooste and Danie van der Merwe served as non-executive directors on the board of Pepkor (previously named Steinhoff Africa Retail Limited), with Ben la Grange serving as chief executive officer of Pepkor. Markus Jooste resigned from the Pepkor board on 5 December 2017. Ben la Grange resigned from the Pepkor board on 24 January 2018. In addition, Markus Jooste served as a non-executive director on the boards of Phumelela Gaming and Leisure Limited and PSG Group Limited ("PSG"). Ben la Grange served as an alternate director to Markus Jooste on the board of PSG prior to his resignation from this position effective as at 2 October 2017. At that time Theodore de Klerk became alternate director to Markus Jooste on the board of PSG. Upon resignation of Markus Jooste from the board of PSG, Theodore de Klerk became a director of PSG. On 1 October 2017, Louis du Preez and Theodore de Klerk were appointed to the board of KAP. They subsequently resigned on 3 April 2019.

As at the date of this Annual Report, Louis du Preez is an executive director of SINVH. Louis du Preez, Philip Dieperink and Theodore de Klerk are non-executive directors of Pepkor.

The main elements of the contracts with the Managing Directors, who were appointed on 20 April 2018, as at the date of their appointment are available on the Company's website www.steinhoffinternational.com.

Management Board meetings, attendance and resolutions

Pursuant to the Articles, the Management Board shall meet as often as deemed necessary for the proper functioning of the Management Board. Under the Regulations of the Management Board, the Management Board shall meet at least once per two months. Meetings shall, as much as possible, be scheduled annually as much as possible in advance. The Management Board shall also meet earlier than scheduled if this is deemed necessary by the Chief Executive Officer or the Company Secretary. Meetings of the Management Board are in principle called by the Chief Executive Officer or the Company Secretary, in consultation with the Chief Executive Officer. With due observance of the Regulations of the Management Board, each Managing Director has the right to request that a meeting of the Management Board be called and/or that an item be placed on the agenda for a Management Board meeting. The Company Secretary shall assist in relation thereto. A Managing Director may be represented at Management Board meetings by another Managing Director holding a proxy in writing.

Pursuant to the Articles, each Managing Director has the right to cast one vote. Under the Regulations of the Management Board, the Managing Directors shall endeavour to achieve that resolutions are, as much as possible, adopted unanimously.

When determining how many votes are cast by Managing Directors or how many Managing Directors are present or represented, no account shall be taken of Managing Directors that are not allowed to take part in the discussions and decision-making by the Management Board pursuant to the laws of the Netherlands, the Articles or the Regulations of the Management Board. Management Board resolutions may at all times be adopted in writing, provided the proposal concerned is submitted to all Managing Directors then in office in respect of whom no conflict of interest exists and none of them objects to this manner of adopting resolutions, evidenced by written statements from all relevant Managing Directors then in office.

In the weeks and months since their nomination to the Management Board, Louis du Preez, Philip Dieperink, Theodore de Klerk, Alexandre Nodale, and Managing Director Danie van der Merwe met through conference calls on an ad hoc basis several times per week and sometimes several times per day. The nominated Managing Directors and Managing Director Danie van der Merwe attended the regular Supervisory Board meetings held during the Reporting Period, which were held on 27 February 2018, 26 June 2018 and 30 August 2018 and had multiple ad hoc meetings with the Supervisory Board.

The current Management Board has a regular meeting schedule. During the 12 months ended December 2018, these meetings were held at least weekly. Post December 2018 meetings are held every other week.

Authority to represent the Company

The Company is represented by the Management Board jointly and each Managing Director also has the individual authority to represent the Company. The Management Board may appoint officers with general or limited power to represent the Company. Each officer shall be authorised to represent the Company, subject to the restrictions imposed on him or her.

Executive Committee

General

Pursuant to the Articles, the Management Board may, as it deems necessary, establish committees pertaining to the Management Board and the performance of its duties. The Management Board appoints the members of each committee and determines the tasks of each committee and may establish rules regarding its working methods and decision-making process. Such rules shall be put in writing. The Management Board may, at any time, change the duties and the composition of each committee. Pursuant to the Management Board Regulations, the Management Board remains collectively responsible for decisions prepared and/ or taken by the Executive Committee. Only the Managing Directors and selected members of the Senior Management of the Group can be members of the Executive Committee. The members of the Executive Committee who are not Managing Directors are heads of divisions and are appointed by the Management Board. The Management Board may at any time suspend and dismiss a member of the Executive Committee who is not also a Managing Director. The Management Board retains the authority to adopt resolutions within the scope of authority of the Executive Committee without the participation of the members of the Executive Committee who are not also members of the Management Board. Members of the Executive Committee who are not also members of the Management Board may request that their views in respect of the relevant resolution(s) are included in the minutes of the relevant meeting of the Executive Committee. For the purpose of the Remuneration Policy, the members of the Executive Committee were defined as Senior Managers and as such fell within the scope of the Remuneration and Human Resources Committee.

Purpose, role and duties of the Executive Committee

The Executive Committee was established by the previous Management Board to assist the Management Board in the fulfilment of its duties. No formal rules regarding the Executive Committee's working methods and decision-making process appear to have been established and no changes appear to have been made during the Reporting Period to its remit, which, based on the 2016 Annual Report, seemed to include:

(i) Assisting and advising the Chief Executive Officer in implementing the strategies and policies determined by the Management Board in managing the business and affairs of the Group, prioritising the allocation of capital, technical and human resources and establishing best management practices.

(ii) Monitoring the performance of the Group and assisting the Chief Executive Officer and Chief Financial Officer in preparing the annual budget for review and approval by the Management Board.

(iii) Reviewing and monitoring the Company's system of internal control and ensuring an effective risk management process.

(iv) Reviewing merger and acquisition opportunities.

Composition

Prior to the events of December 2017, the Executive Committee met once, on 9 October 2017. Based on the agenda of that meeting, the Executive Committee consisted of the following members:

Markus Jooste – CEO
Danie van der Merwe – COO
Ben La Grange – CFO
Stéhan Grobler – executive: treasury and financing
Mariza Nel – executive: corporate services
Jo Grove – executive deputy chairman: KAP
Frikkie Nel - finance executive
Alexandre Nodale – chief executive officer: Conforama
Hein Odendaal – group audit executive
Dirk Schreiber – Steinhoff Europe: chief financial officer
Peter Pohlmann – chairman, supervisory board: European Retail Management
Sean Summers – chief executive officer: Steinhoff UK
Johan du Plessis – executive: legal services

According to the agenda of the meeting, the following senior executives were invited to the meeting:

Peter Erasmus – group managing director: Pepkor
Niko Pohlmann – managing director: Tripos GmbH
Steve Stagner – chief executive officer: Mattress Firm
Braam van Huyssteen – Group executive
Andy Bond – chief executive officer: Pepkor Europe

In addition, the following Supervisory Directors were invited to attend the meeting:

Christo Wiese – Chairman of the Supervisory Board
Len Konar – Deputy Chairman
Jacob Wiese – Supervisory Director
Bruno Steinhoff – Supervisory Director

The presence of these Supervisory Directors enabled them to exercise oversight over the policies of the Management Board. Following the events of December 2017, the Executive Committee had no further meetings and was dissolved.

Remuneration of Managing Directors

The General Meeting approved the Remuneration Policy for the Management Board on 1 December 2015. A description of the Remuneration Policy and its implementation during the Reporting Period are included in the Remuneration Report. The Remuneration Policy can be viewed on the Company's website www.steinhoffinternational.com.

Company Secretary

The Company's Secretary is appointed and replaced by the Management Board, subject to the approval of the Supervisory Board.

All Managing Directors, Supervisory Directors and committees have access to the advice and services of the Company Secretary. The Company Secretary sees to it that correct Supervisory Board and Management Board procedures are followed and that the obligations of the Supervisory Board and the Management Board under applicable laws, as well as the Regulations of the Supervisory Board, the Regulations of the Management Board and/or the Articles are complied with. The Company Secretary assists the chairperson of the Supervisory Board and the Chief Executive Officer of the Management Board in the organisation of the affairs of the Supervisory Board and the Management Board, respectively.

During the Reporting Period, the Company Secretary was initially a legal entity, Steinhoff Secretarial Services Proprietary Limited, a South African registered company within the Group.

Since December 2017, Ewoud van Gellicum acted as Company Secretary. With effect from 3 September 2018, Ewoud van Gellicum was formally appointed as Company Secretary of the Company.

Ewoud van Gellicum

In 2005, he became general counsel of the Group, Company Secretary and compliance officer of TomTom N.V., a Dutch company listed on Euronext Amsterdam. In 2009, he was appointed general counsel and compliance officer of Atrium European Real Estate Limited, a Jersey company, with its primary listing in Vienna and a secondary listing on Euronext Amsterdam. Ewoud van Gellicum started his career as a corporate lawyer for eight years with the Dutch law firm Stibbe and worked in their Amsterdam and London offices. Ewoud van Gellicum joined Steinhoff on 1 April 2017.

Chief Compliance and Risk Officer

To ensure that the Remediation Plan is complied with, the Company has appointed a Chief Compliance and Risk Officer (CCRO), Louis Strydom, who will be responsible for the plan and will report directly to the CEO and have reporting responsibility to the Audit and Risk Committee. The CCRO will join the Group on 1 July 2019. Louis Strydom is well versed in the issues facing the Steinhoff Group as he has been heading up the PwC forensic team responsible for the PwC Steinhoff investigation.

Louis Strydom

Louis Strydom, a chartered accountant, is the leader of PwC's African Forensic Services practice which includes risk & compliance advisory services. He is also a member of the PwC African Advisory leadership team and has more than 32 years' experience in the profession. Louis Strydom has been a partner at PwC for more than 20 years and has also been awarded Extraordinary Professorship by the University of The North West in South Africa. After he matriculated in 1982, he studied towards a B Comm Accountancy degree at the University of Pretoria which he completed in 1985. He obtained a B Compt Hons degree at the

University of South Africa in 1986. Louis Strydom qualified as a chartered accountant in 1989 and advanced to a senior audit manager in 1992. He spent a period of 2 years with the Office for Serious Economic Offences in order to specialise in forensic accounting. Louis Strydom launched the Forensic Services Division within the PwC Southern African Legacy firm in 1997 and was admitted as a partner of PwC in 1998.

His experience includes inter alia high-profile corporate fraud investigations, risk advisory & compliance consulting, appointments in various matters on behalf of the South African Reserve Bank on contraventions of the Banks Act, curatorship appointments by the South African Revenue Services, Department of Justice, and the Financial Services Conduct Authority. These curatorship appointments include assuming control and management of underlying businesses and assets, expert litigation support, US Foreign Corrupt Practices Act investigations, remediation services in respect of corporate governance failures and accounting irregularities with the focus on risk, governance & compliance. His experience includes numerous international, cross border, multi-jurisdictional investigations and remediation services. Louis Strydom has been the Lead Partner on phase one of the PwC investigation.

Supervisory Board

Introduction

The role of the Supervisory Board is to supervise the policies of the Management Board and the general affairs of the Company and the business connected with it, as well as to assist the Management Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and the business connected with it and shall take into account the relevant interests of the Company's stakeholders.

Duties and powers of the Supervisory Board

The Supervisory Board established the Regulations of the Supervisory Board, which govern its working methods and decision-making process (including its duties) effective as per 1 December 2015. These regulations can be viewed on the Company's website www.steinhoffinternational.com. The Regulations of the Supervisory Board were revised during the Reporting Period to reflect the 2016 DCGC and can also be viewed on the Company's website www.steinhoffinternational.com.

The supervision of the Management Board by the Supervisory Board includes monitoring:

(i) the strategy relating to long-term value creation of Company and its affiliated enterprise;

(ii) the activities of the Management Board regarding the creation of a culture aimed at long-term value creation of the Company and its affiliated enterprise;

(iii) the Internal Audit function;

(iv) the effectiveness of the internal risk management and control systems;

(v) the integrity and quality of the financial reporting process;

(vi) the information- and communication technology (ICT) systems of the Company and the managing of the risks associated with cybersecurity;

(vii) the safeguarding of the Management Board's responsibilities and process of providing information to the Supervisory Board; and

(viii) compliance with applicable laws and regulations;

(ix) the relations with the shareholders;

(x) the risks associated with the remuneration structure for employees of the Company and its affiliated enterprise;

(xi) the corporate social responsibility issues that are relevant to the Company; and

(xii) handling and deciding on reported (potential) conflicts of interests.

The Supervisory Board established regulations became effective on 1 December 2015.

Composition, appointment, removal and suspension of Supervisory Directors

Pursuant to the Articles, the Supervisory Board shall consist of at least five Supervisory Directors. Only individuals can be Supervisory Directors. If the number of Supervisory Directors in office is less than five, the authorities of the Supervisory Board and of the remaining Supervisory Directors or Supervisory Director shall continue to apply in full. The Supervisory Board will then forthwith take measures to increase the number of Supervisory Directors. The Supervisory Board shall determine the exact number of Supervisory Directors. Pursuant to the 2016 DCGC, a Supervisory Director is appointed for a period of four years and may then be reappointed once for another four-year period. The Supervisory Director may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the supervisory board. In any appointment or reappointment the profile of the Supervisory Board should be observed.

Supervisory Directors are appointed by the General Meeting. Appointment shall be made upon a non-binding nomination by the Supervisory Board. The Supervisory Board shall make its non-binding nomination within one month of the date that the Management Board has in writing invited the Supervisory Board to do so. The right of the Supervisory Board to make a non-binding nomination shall not be affected in the event that such written invitation of the Management Board remains forthcoming. The Supervisory Board shall take account of the profile of the Supervisory Board, when it makes its non-binding nomination. A non-binding nomination shall be included as an item in the notice of the General Meeting at which the appointment shall be considered. At the General Meeting only candidates whose names are stated on the agenda of the meeting can be voted on for appointment as Supervisory Director.

A resolution by the General Meeting to appoint a Supervisory Director not nominated by the Supervisory Board shall be adopted by at least two-thirds majority of the votes cast, if such majority represents more than one-third of the Company's issued capital. A second General Meeting may not be convened.

A resolution by the General Meeting to remove or suspend a Supervisory Director not proposed by the Supervisory Board shall be adopted by at least two-thirds majority of the votes cast, provided that such majority represents more than one-third of the Company's issued capital. A second General Meeting may not be convened. Any suspension may be extended one or more times but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension shall end.

Curricula Vitae per the Reporting Date of all the Supervisory Directors who have at any time held office during the Reporting Period, are given below.

Dr. Christoffel Hendrik (Christo) Wiese
(South African) (Male)
(date of birth: 10 September 1941)

BA, LLB, DCom (hc)

Christo Wiese was appointed as a Supervisory Director of the Company on 30 November 2015 and as chairman of the Supervisory Board in May 2016. He previously served as a non-executive director to the board of SIHPL, having first been appointed on 5 March 2013. He practiced at the Cape Bar in the 1970s before joining Pepkor. He acts as chairman and controlling shareholder of Shoprite Holdings Limited, Invicta Holdings Limited, Tradehold Limited and Brait SA Limited, and is a former chairman of the Industrial Development Corporation. He has served on the boards of many listed companies over the years and is a past director of the South African Reserve Bank, Sanlam Group Limited and Sasol Limited.

Christo Wiese resigned from the Supervisory Board on 14 December 2017.

Dr. Deenadayalen (Len) Konar
(South African) (Male)
(date of birth: 19 February 1954)

BCom, MAS, DCom, CA (SA), CRMA

Len Konar was the Deputy Chairman of the Supervisory Board of the Company, having been appointed as a Supervisory Director on 30 November 2015.

Len Konar was first appointed to the SIHPL board in 1998, and later appointed chairman of this board in September 2008. He held various committee positions during his term as independent non-executive director of this board, including chairman of the Audit and Risk Committee. He acted as chairman of the Supervisory Board for the period 30 November 2015 to 31 May 2016 and was the chairman of the Nomination Committee and the GS Committee and a member of the Audit and Risk Committee and Human Resources and Remuneration Committee. Len Konar is an independent consultant and professional director. Prior positions include executive director of internal audit portfolio and head of investments at the Independent Development Trust, and Professor and Head of the Department of Accountancy at the University of Durban-Westville. He is a past patron of the Institute of Internal Auditors South Africa, and a member of the King Committee on Corporate Governance in South Africa, the Corporate Governance Network and the Institute of Directors. He was appointed chairperson of the ministerial panel for the review of the regulation of accountants and auditors in South Africa in 2003 and served as chairman of the external audit committee of the International Monetary Fund.

Len Konar retired from the Supervisory Board effective 28 February 2018. Effective 7 March 2018, he also retired as director of Steinhoff Investment Holdings Limited.

Dr. Stefanes Francois (Steve) Booysen
(South African) (Male)
(date of birth: 17 June 1962)

BCompt (Hons) (Accounting), MCompt, DCom (Accounting), CA (SA)

Steve Booysen was appointed to the Steinhoff Limited board as an independent non-executive director in September 2009 and as a Supervisory Director of the Company on 30 November 2015. He completed his articles with Ernst & Young LLP and acted as lecturer at the University of South Africa. Steve Booysen is the former group chief executive officer of Absa Group Limited. He also serves on the boards of Clover Limited, Efficient Group Limited, Senwes Limited and Vukile Property Fund Limited. Steve Booysen serves as an independent non-executive director on the board of Steinhoff Investment Holdings Limited and is the chairman of the Audit and Risk Committee and a member the Governance, Social and Ethics Committee.

On 20 April 2018, the General Meeting reappointed Steve Booysen to the Supervisory Board for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022.

Claas Edmund (Claas) Daun
(German) (Male)
(date of birth: 26 January 1943)

BAcc, CA

Claas Daun was appointed as a Supervisory Director of the Company on 30 November 2015, having first been appointed as an independent non-executive director of Steinhoff Limited in 1998. He served as Deputy Chairman of the Supervisory Board for the period 30 November 2015 to 31 May 2016, after which he continued to serve as a Supervisory Director. He was a member of the Nomination Committee. Claas Daun has extensive experience in management and investments worldwide and is a corporate investor in several industries. He was instrumental in developing the KAP businesses and acted as chairman of KAP for many years. Claas

Daun resigned from the KAP board on 25 June 2012. He is currently chairman of the Daun et Cie group. Claas Daun is honorary consul of South Africa in Lower Saxony, Germany. He holds a master's degree in business commerce from the University of Cologne and qualified as a chartered accountant in 1975.

Claas Daun retired from the Supervisory Board effective 28 February 2018.

Thierry Louis Joseph (Thierry) Guibert
(French) (Male)
(date of birth: 26 November 1970)

MBA (FR)

Thierry Guibert was appointed as a Supervisory Director of the Company on 30 November 2015. After graduating from the Reims Business School, Thierry Guibert began his career in 1995 as an auditor at KPMG. In 1999, he joined the previous holding company of Conforama, the French listed PPR Group (now known as Kering). Following various financial positions held within PPR, Thierry Guibert was appointed as chief financial officer and chief operating officer of FNAC, a European retailer within the same group. Since 2008, Thierry Guibert held the position of chairman and chief executive officer of Conforama, which was acquired by Steinhoff in March 2011. He was appointed to the board of Steinhoff Ltd as an executive director in May 2011 and, following his resignation from Conforama in 2014, continued to serve on that board as a non-executive director.

Thierry Guibert resigned from the Supervisory Board on 2 February 2018.

Marthinus Theunis (Theunie) Lategan
(South African) (Male)
(date of birth: 26 February 1957)

BAcc (Hons), MCompt, DCom (Accounting), CA (SA), Advanced Diploma Banking Law

Theunie Lategan was appointed as a Supervisory Director of the Company on 30 November 2015, having previously served as an independent non-executive director on the SIHPL board since September 2011. Theunie Lategan, who retired from the Supervisory Board effective 28 February 2018, was the chairman of the Human Resources and Remuneration Committee and a member of the Audit and Risk Committee. After qualifying as a chartered accountant in 1983, Theunie Lategan lectured in accounting and taxation at the University of Johannesburg until 1987 before returning to the auditing practice at Price Waterhouse MeyerNel. He joined Rand Merchant Bank in 1994 and later became head of its Structured Finance unit. In 1999 he became chief executive officer for the corporate banking unit of First National Bank. In 2004 he was appointed to the executive management committee of the FirstRand Group and served on various committees. In 2005, Theunie Lategan was appointed chief executive officer for FirstRand Africa and Emerging Markets and, in 2007, he relocated to India to set up FirstRand Banking Group, India. He retired from the FirstRand Group in July 2010. Since 2004, Theunie Lategan has served as a member of the council of the University of the Witwatersrand, Johannesburg and chairs its Finance and Investment committees. He served as non-executive vice-chairman for Absa Corporate Bank from 2013 to 2018. In 2016, Theunie Lategan joined the board of Astral Foods as an Independent non-executive director.

Theunie Lategan resigned from the Supervisory Board effective 28 February 2018. Effective 1 March 2018, he also resigned as director of Steinhoff Investment Holdings Limited.

Jayendra Naidoo
(South African) (Male)
(date of birth: 5 September 1960)

B Proc

Jayendra Naidoo was appointed by the General Meeting as a Supervisory Director on 14 March 2017.

Prior to entering the world of business, as a national trade union leader, he led the joint delegation of the African National Congress and its alliance partners at the negotiations of the National Peace Accord in 1991. He was thereafter part of the multi-party National Peace Secretariat that established regional and local Peace Committees throughout South Africa. He was at the forefront of establishing the government, business and labour forum known as the National Economic Forum in 1992, and in 1995 became the first executive director of the newly established National Economic Development and Labour Council (NEDLAC). In 1999, he served as chief negotiator representing the Office of the President in a strategic government procurement programme. In 2000, he co-founded the J&J Group, an investment company currently focused on infrastructure assets. Jayendra Naidoo is the founder of the Lancaster Group, an investment holding company. He has served on several committees and boards, including the selection panel appointed by President Mandela in 1995 to interview and shortlist candidates for South Africa's Truth and Reconciliation Commission. In 1997, Jayendra Naidoo was nominated by the World Economic Forum as a Global Leader of Tomorrow. On the Reporting Date, he was independent non-executive chairperson to, and served as a member of the human resources and remuneration, and nominations committees of STAR.

Jayendra Naidoo resigned from the Supervisory Board on 18 January 2018.

Angela Krüger-Steinhoff
(German) (Female)
(date of birth: 16 July 1971)

BCom (Economic Science)

Angela Krüger-Steinhoff was appointed as a Supervisory Director of the Company on 30 November 2015, having previously been appointed as an alternate non-executive director of the Steinhoff Limited board in December 2007. She obtained a degree in Economic Science in 1997 at the European business school, Oestrichwinkel, Germany. She joined the Group in 1997 as a financial manager. In 1999, she was seconded to act as managing director of the Australian operations. She resigned from the Group at the end of 2005 and now attends to the Steinhoff family investments. She has more than 10 years' experience in the industry, with specific knowledge of and extensive experience in management and investments globally. On the Reporting Date, Angela Krüger-Steinhoff also held a position on the advisory committees of Oldenburgische Landesbank AG, HSH Nordbank AG and Commerzbank AG in Germany.

On 20 April 2018, the General Meeting reappointed Angela Krüger-Steinhoff to the Supervisory Board for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022.

Heather Joan (Heather) Sonn
(South African) (Female)
(date of birth: 20 October 1971)

BA (Political Science), MSc (International Affairs - Business)

Heather Sonn was appointed as a Supervisory Director of the Company on 30 November 2015, having previously served as an independent non-executive director of Steinhoff Limited since December 2013. On completion of her studies in 1997, she joined Merrill Lynch New York as an investment banking analyst. She returned to South Africa in 1999 and took up a position with Sanlam Investment Management in Cape Town. Heather Sonn has served as chief executive for Legae Securities, deputy chief executive for WIP Capital, chief executive for The Citizens Movement, is a former director of Strate and was instrumental in building the basis for Barclays' global integrated bank initiative while at Barclays Bank plc. On the Reporting Date, she was an independent non-executive director on the boards of Pepkor (member of the social and ethics committee), an independent non-executive director on the board of Steinhoff Investment Holdings Limited, a board members of Gamiro Investment Group, and a board member of Blake & Associates and Reinsurance Group of America SA. On the Reporting Date, she also served on the Board of non-profit organisations like the Cornerstone Institute and GreenCape as a board member and was a fellow and moderator of the Aspen Institute's Global Leadership Network.

On 14 December 2017, the Supervisory Board designated Heather Sonn as chairperson of the Supervisory Board. Her term in office as Supervisory Director expired on 1 March 2018. She was appointed by the Supervisory Board to chair the annual General Meeting held on 20 April 2018. Heather Sonn was reappointed to the Supervisory Board by the General Meeting on 20 April 2018 for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022. She also serves as chairperson of the Nomination Committee.

Bruno Ewald (Bruno) Steinhoff
(German) (Male)
(date of birth: 26 November 1937)

Bruno Steinhoff is the founder of the Group and was chairman of Steinhoff Limited until the end of September 2008. He was appointed as a Supervisory Director of the Company on 30 November 2015. He relinquished executive duties with effect from 1 April 2008, and continued serving as a non-executive director, assisting with special projects for the Group. After studying industrial business, Bruno Steinhoff started his furniture trade and distribution business in Westerstede, Germany, in June 1964. Before he started his own business, he also gained furniture import and furniture retail experience, having spent three years in Berlin. In 1971, he expanded the business into manufacturing, with the first upholstery factory in Remels. He developed the furniture industry throughout the former Eastern bloc countries and built up the furniture factories there, he took over all the capacities and sold furniture to Western Europe. Bruno Steinhoff developed the import business from Asian countries, especially from the Philippines, Taiwan and China. During the 1990s, he acquired interests in a joint venture in South Africa with Claas Daun involving Gommagomma Holdings.

Bruno Steinhoff retired from the Supervisory Board effective 28 February 2018.

Dr. Johan van Zyl
(South African) (Male)
(date of birth: 19 June 1956)

B.Sc. (Agricultural Science), B.Sc.(Hons) (Agric)(cum laude), M.Sc.(Agric)(cum laude), D.Sc.(Agric), PhD (Economics)

Johan van Zyl was appointed as a Supervisory Director of the Company on 30 May 2016.

He lectured at the University of Pretoria (Department of Agricultural Economics) where he held several positions, including vice-chancellor and principal from 1997 to July 2001, when he joined Santam Limited, as chief executive officer. He was group chief executive officer of Sanlam Limited from 2003 until 2015 and remains a non-executive director, also serving on the boards of Sanlam Life Insurance Limited (he is currently the chairman of both companies). Johan van Zyl also serves as a Council Member of the University of Pretoria, is chairman of the Vumelana Advisory Fund and a board member of the WWF. He is presently CEO of Ubuntu-Botho Investments and African Rainbow Capital, two empowerment entities.

He has also consulted and served as visiting lecturer to several universities and organisations, including Michigan State University, USAID and the Agricultural and Natural Resources Department, World Bank (Washington DC) and as member to a number of governmental committees and other associations. He is the recipient of numerous awards, including the Sunday Times Business Leader of the Year award in 2014 and the Southern African AABLA award as Business Leader of the Year in 2015.

Johan van Zyl resigned from the Supervisory Board on 17 April 2018.

Jacob Daniel (Jacob) Wiese
(South African) (Male)
(date of birth: 12 January 1981)

BA (Stellenbosch), MA (Stellenbosch), International Economics & Management (Universita Commerciale Luigi Bocconi, Italy), LLB (UCT)

Jacob Wiese was appointed as a Supervisory Director of the Company on 30 May 2016.

After completing his LLB at UCT in 2008 and his pupillage at the Cape Bar, Jacob Wiese was admitted as an advocate of the High Court of South Africa in 2009. Jacob serves as a non-executive director on the board of Pepkor and as an alternate and/or non-executive director of Shoprite Holdings Limited, Invicta Holdings and Tradehold. He is also extensively involved in the management of Lourensford Wine Estate.

Jacob Wiese resigned from the Supervisory Board on 14 December 2017.

Supervisory Board appointments

To strengthen the independence of the Supervisory Board, the following independent Supervisory Directors were appointed on 20 April 2018 and remain in office as at the date of this Annual Report: Peter Wakkie, Alexandra Watson, Moira Moses, Hugo Nelson, and Khanyisile Kweyama.

P.N. (Peter) Wakkie
(Dutch) (Male)
(date of birth: 22 June 1948)

LLB

Peter Wakkie was appointed to the Supervisory Board on 20 April 2018, for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2019.

He is Deputy Chairman and chairman of the Governance, Social and Ethics Committee. He earned a bachelor's degree in law from the University of Utrecht in 1972. He then joined the Dutch law firm De Brauw Blackstone Westbroek specialising in mergers and acquisitions and corporate litigation and served as the firm's Managing Partner from 1997 to 2001. He then became a founding partner of the firm Spinath & Wakkie B.V. in 2010 (recently renamed Wakkie & Perrick). He served as a Member of the Executive Board of Royal Ahold N.V. from 2003 to 2009 where he also held the position of Chief Corporate Governance Counsel. He was heavily involved in Royal Ahold's restructuring and divestment program and became chief architect of its corporate responsibility strategy. Peter Wakkie has held numerous roles on supervisory boards throughout his career. He is currently a member of the supervisory board of BCD Holdings N.V. He was deputy chairman of the supervisory board of ABN AMRO Bank N.V. from 2009 to 2015 and chairman of the supervisory board of Wolters Kluwer N.V. until 2017.

A. (Alexandra) Watson
(South African) (Female)
(date of birth: 13 June 1956)

BCom (Hons) UCT, CA(SA)

Alexandra Watson was appointed to the Supervisory Board on 20 April 2018, for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022.

She is a member of the Company's Audit and Risk Committee, the Governance, Social and Ethics Committee and the Nomination Committee. She served as a Professor in the College of Accounting at the University of Cape Town until March 2018, where her area of expertise was financial reporting and other forms of corporate reporting. She is also a former Chairman of the Accounting Practices Committee (Technical Accounting Committee of the South African Institute of Chartered Accountants) and is a member of the South African Financial Reporting Investigations Panel. She has been a non-executive director of Coronation Fund Managers Limited since May 2008 and chair of its audit and risk committee, as well as lead independent non-executive director since October 2017. She is also a board member and vice-chairman of the Global Reporting Initiative, an Amsterdam-based organisation promoting understanding and communication of sustainability issues. With effect from 29 October 2018, she was appointed as non-executive director of Steinhoff Investment Holdings Limited.

M.A. (Moira) Moses
(South African) (Female)
(date of birth: 27 January 1965)

BA

Moira Moses was appointed to the Supervisory Board on 20 April 2018, for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022.

She is a member of the audit and risk committee and chairperson of the human resources and remuneration committee. She graduated from the University of the Witwatersrand in 1987 and completed a Management Advancement Programme at the Business School of the University of the Witwatersrand in 1995. She served as managing director of Land Rover, Volvo and Jaguar in Southern Africa from 2000 to 2004 and she was the managing director of Control Instruments, Automotive from 2004 to 2005. She was general manager of re-engineering at Transnet Limited from 2005 to 2007 and group executive of Capital Projects from 2007 to 2012. She was also a non-executive director on the board of the Public Investment Corporation from 2007 to 2015, serving on the Audit and Risk, Remuneration, Directors' Affairs and the Investment Committees and she was chairperson of the Property Committee. She was a board trustee of the Government Employees Pension Fund from 2009 to 2018 serving on the Remuneration & Human Resources, Governance & Legal, Finance & Audit, Investment and Valuations committees. She has served as a non-executive director of Transnet Limited, Viamax (Pty) Ltd and MTN Group Limited. She is currently a non-executive director of Afrisam Group and Kansai Plascon Africa Limited. She is also currently a member of Thusanang Trust, a non-profit organisation focused on child education. She is a member of the Company's Audit and Risk Committee and is the Chairperson of the Remuneration Committee since 30 January 2019 and was a member of that committee prior to her appointment as the Chairperson. With effect from 29 October 2018, she was appointed as non-executive director of Steinhoff Investment Holdings Limited.

H.A. (Hugo) Nelson
(South African and Maltese) (Male)
(date of birth: 3 June 1970)

MBChB, MBA (Oxon), CFA

Hugo Nelson was appointed to the Supervisory Board on 20 April 2018, for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022.

He is a member of the Audit and Risk Committee and the Human Resources and Remuneration Committee. He was a medical doctor before earning an MBA from the University of Oxford. He is also a chartered financial analyst. He has a wealth of experience in the South African asset management industry. He joined Coronation Fund Managers Limited in 1999 as part of the investment team, initially as an Equity Analyst, then as Portfolio Manager, responsible for both institutional and retail assets. He served as the Chief Executive Officer at Coronation Fund Managers Limited from November 2007 to January 2013. He has also served as the Chief Executive Officer of Coronation Asset Management Proprietary Ltd, as a Non-Executive Director of Namibia Asset Management Ltd. (from May 2008 to January 2013) and as a Director of Coronation Global Fund Managers (Ireland) Limited. He currently serves as an Independent Non-Executive Director of Coronation Fund Managers Limited, is the founding partner of Fortitudine Vincimus Capital Advisors (Pty) Ltd. He is also a trustee of the DG Murray Trust and a patron of George Whitefield College.

K.T. (Khanyisile) Kweyama
(South African) (Female)
(date of birth: 28 November 1964)

MM

Khanyisile Kweyama was appointed to the Supervisory Board on 20 April 2018, for a period that runs with effect from the conclusion of the AGM on 20 April 2018 until the close of the Company's annual General Meeting to be held in 2022.
She is a member of the Governance, Social and Ethics Committee, was Chairperson of the Human Resources and Remuneration Committee until 30 January 2019 and remains a member after handing over the Chairperson's role to Moira Moses. Khanyisile Kweyama obtained a Postgraduate Diploma in Management and a Master's degree in Management from the University of Witwatersrand in 1999. She has extensive commercial experience working in a number of international companies. She served as Group Executive of Human Resources & Industrial Relations at Allied Technologies from 2003 to 2008. She served as Group Executive of Global HR, Transformation and Sustainability at Barloworld Ltd from 2008 to 2011. She also served as Executive Head of Human Resources at Anglo American Platinum Limited from 2011 to 2012 and Executive Director of Anglo American Southern Africa Limited from 2012 to 2015. More recently, she served as Chief Executive Officer of Business Unity SA from 2015 to 2017. She has won a number of awards throughout her career. For example, she was selected as the "Most Influential Woman in the Mining, Resources and Extractive Sector" from 2012 to 2015 and was recognised as one of the "100 Most Inspiring Women in Mining" in 2014 and 2015.

She has also been appointed to various offices at national and statutory bodies. She was appointed to the Employment Equity Commission in South Africa from 2008 to 2012 and elected Vice President of the Chamber of Mines in South Africa in 2013 and 2014. She is a member of both the National Planning Commission and Gauteng Eminent Persons Group, and previously also was Chairperson of the Interim Board of the SABC and currently is Chairperson of the board of Passenger Rail Agency of SA (PRASA).

As at the Reporting Date and as at the date of this Annual Report, the Supervisory Board consisted of the following eight members: Heather Sonn (Chairperson), Peter Wakkie (Deputy Chairman), Steve Booysen, Angela Krüger-Steinhoff, Khanyisile Kweyama, Moira Moses, Hugo Nelson, and Alexandra Watson. The Supervisory Board recently nominated Paul Copley and David Pauker for appointment to the Supervisory Board at the 2019 AGM.

Supervisory Board meetings, attendance and decision making

Pursuant to the Articles, meetings of the Supervisory Board shall be held as often as a Supervisory Director or the Management Board deems necessary. Under the Regulations of the Supervisory Board, the Supervisory Board shall meet at least four times each financial year. A Supervisory Director may be represented at Supervisory Board meetings by another Supervisory Director holding a proxy in writing. Each Supervisory Director may cast one vote. All resolutions of the Supervisory Board shall be adopted by a simple majority of the votes cast. The Supervisory Board can only adopt valid resolutions in a meeting where the majority of the Supervisory Directors then in office is present or represented.

When determining how many votes are cast by Supervisory Directors, how many Supervisory Directors are present or represented, no account shall be taken of Supervisory Directors that are not allowed to take part in the discussions and decision-making by the Supervisory Board pursuant to the laws of the Netherlands, the Articles or the Regulations of the Supervisory Board. Supervisory Board resolutions may at all times be adopted in writing, provided the proposal concerned is submitted to all Supervisory Directors then in office in respect of whom no conflict of interest exists and none of them objects to this manner of adopting resolutions, evidenced by written statements from all relevant Supervisory Directors then in office.

Committees of the Supervisory Board

In compliance with the Articles, the Supervisory Board has an Audit and Risk Committee, a Human Resources and Remuneration Committee and a Nomination Committee. The function of the committees is to prepare the decision-making of the Supervisory Board. The Supervisory Board appoints the members of each committee, its chairperson and determines the tasks of each committee as well as the rules regarding its working methods and decision-making process. The Supervisory Board may, at any time, change the duties and the composition of each committee. Only Supervisory Directors can be a member of the committees. The Supervisory Board remains collectively responsible for decisions prepared by its committees. The Company Secretary acts as secretary to the Supervisory Board's committees. An additional committee namely the Governance and Sustainability Committee was established as a voluntary committee of the Supervisory Board.

After the retirement or resignation, as applicable, effective 28 February 2018, of Len Konar, Theunie Lategan, Claas Daun, and Bruno Steinhoff, the Supervisory Board consisted of the following four members: Heather Sonn, Steve Booysen, Angela Krüger-Steinhoff, and Johan van Zyl. Until the reconstitution of the committees of the Supervisory Board shortly after the (re-) appointment of the nominated Supervisory Directors by the General Meeting on 20 April 2018, the duties of each of these committees were exercised by the Supervisory Board.

During the Reporting Period, the Regulations of the Supervisory Board and its committees were revised to comply with the 2016 DCGC. The revised Regulations of the Supervisory Board and its committees can be viewed on the Company's website www.steinhoffinternational.com.

Audit and Risk Committee

At least one member of the Audit and Risk Committee must have relevant knowledge of financial reporting and the audit of financial statements. The Audit and Risk Committee may not be chaired by the chairman of the Supervisory Board or by a former Managing Director. The Audit and Risk Committee meets at least four times each financial year and meets at least once each financial year with the External Auditor without the Managing Directors being present.

The Audit and Risk Committee undertakes preparatory work for the Supervisory Board's decision-making regarding the supervision of the integrity and quality of the company's financial reporting and the effectiveness of the Company's internal risk management and control systems. In carrying out this duty, the Audit and Risk Committee shall focus, among other things, on monitoring the Management Board with regard to:

(i) relations with, and compliance with recommendations and observations and follow up of comments of the internal audit department and the External Auditor;

(ii) the financing of the Company;

(iii) the application of information and communication technology, including risks related to cybersecurity and information at third parties;

(iv) the Company's tax and regulatory compliance policies; and

(v) if designated, the role and functioning of the Chief Financial Officer.

The Supervisory Board established regulations for the Audit and Risk Committee effective 1 December 2015, which describe the powers, duties, as well as working methods and the decision-making process of the Audit and Risk Committee. These regulations can be viewed on the Company's website www.steinhoffinternational.com. The regulations of the Audit and Risk Committee were revised during the Reporting Period to reflect the2016 DCGC and can be viewed on the Company's website www.steinhoffinternational.com.

Human Resources and Remuneration Committee

(i) The Human Resources and Remuneration Committee may not be chaired by the chairman of the Supervisory Board or by a former Managing Director of the Company. The Human Resources and Remuneration Committee meets at least twice each financial year. The Human Resources and Remuneration Committee has the following main duties: to submit a clear and understandable proposal to the Supervisory Board concerning the remuneration policy to be pursued with regard to the Management Board, which policy shall in any event take into consideration the requirements of the Dutch Civil Code, the objectives for the strategy for the implementation of long-term value creation, scenario analyses, pay ratios, the development of the market price of the Shares and an appropriate ratio between the variable and fixed remuneration components;

(ii) to draft proposals for consideration by the Supervisory Board for the remuneration of the individual Managing Directors; and

(iii) to prepare the remuneration report.

The Supervisory Board established regulations for the Human Resources and Remuneration Committee effective as per 1 December 2015, which describe the powers, duties, as well as working methods and the decision-making process of the Human Resources and Remuneration Committee. The regulations of the Human Resources and Remuneration Committee were revised during the Reporting Period to reflect the2016 DCGC and can be viewed on the Company's website www.steinhoffinternational.com.

Nomination Committee

Pursuant to the regulations of the Nomination Committee, the Nomination Committee meets at least once each financial year. The Nomination Committee has the following main duties:

(i) (i) to draw up selection criteria and appointment procedures for Supervisory Directors and Managing Directors;

(ii) to assess periodically the size and composition of the Supervisory Board and the Management Board, and to make proposals for the Supervisory Board Profile and Supervisory Board Rotation Schedule;

(iii) to assess periodically the functioning of individual Supervisory Directors and individual Managing Directors, and to report its findings to the Supervisory Board;

(iv) to assess periodically the size and composition of each Committee, and to make any recommendations to the Supervisory Board;

(v) to draw a plan for the succession of Managing Directors and Supervisory Directors, taking into account the Diversity Policy of the Supervisory Board and the profile of the Supervisory Board;

(vi) to make proposals for appointments and reappointments, taking into account the diversity policy of the Supervisory Board and the Supervisory Board Profile; and

(vii) to supervise the policy of the Management Board regarding the selection criteria and appointment procedures for the Senior Management (other than Managing Directors).

The Supervisory Board established regulations for the Nomination Committee effective as per 1 December 2015, which describe the powers, duties, as well as working methods and the decision-making process of the Nomination Committee. The regulations of the Nomination Committee were revised during the Reporting Period to reflect the 2016 DCGC and can be viewed on the Company's website www.steinhoffinternational.com.

Voluntary committees and Litigation Working Group

Governance Social and Ethics Committee

In 2017, in order to assist the Supervisory Board with the oversight of social and ethics matters relating to the Company and the Group, the Governance and Sustainability Committee was established as a voluntary committee of the Supervisory Board and terms of reference for the committee were adopted at that time.

After their (re-)appointment to the Supervisory Board, as applicable, Peter Wakkie (chairman), Steve Booysen Alexandra Watson, and Khanyisile Kweyama, all of whom are independent within the meaning of the 2016 DCGC, were elected by the Supervisory Board as members of the committee. A representative of the Social & Ethics Committee of Steinhoff Investment Holdings Limited has a standing invitation to attend meetings of the committee. When the committee was reconstituted, the name of the committee was changed to Governance Social and Ethics Committee and its regulations were revised to widen the remit of the committee.

Governance Social and Ethics Committee is responsible for advising the Supervisory Board as well as preparing the decision-making of the Supervisory Board in relation to:

(i) the monitoring of the activities of the Group, relating to:

  (a) social & economic development;

  (b) good corporate citizenship;

  (c) the environment, health and public safety;

  (d) consumer relationships; and

  (e) labour and employment;

(ii) the monitoring of reporting lines within the Group;

(iii) receipt and review the whistleblowing reports;

(iv) the monitoring of the implementation of and compliance with the Code of Conduct;

(v) the monitoring of the Group's corporate social responsibility; and

(vi) the monitoring of ethical behaviour within the Group's supply chain.

Independent Committee

Shortly after the events of December 2017, the Supervisory Board established a voluntary special committee, composed solely of independent Supervisory Directors, to oversee the integrity of the governance processes around the completion of the 2017 Consolidated Financial Statements, as well as the forensic investigation by PwC. The committee consisted of the following members: Johan van Zyl (chairman), Steve Booysen, and Heather Sonn. During the Reporting Period, the committee met 14 times. The committee was dissolved shortly after the 2018 AGM.

Forensic Investigation Committee

The Supervisory Board established a voluntary special committee to engage with PwC in respect of their forensic investigation. The committee consisted of the following members: Peter Wakkie (chairman), Moira Moses, Alexandra Watson, Paul Copley (nominated to be appointed to the Supervisory Board) and Managing Director Louis du Preez.

Litigation Working Group

The Supervisory Board and the Management Board established a joint working group to enable the Supervisory Board to oversee and to provide advice to the Management Board on litigation. The working group consisted of the following members: Louis du Preez, Peter Wakkie, Paul Copley and David Pauker (the latter two both nominated to be appointed to the Supervisory Board).

Diversity policy and Dutch gender diversity requirement

In accordance with the Dutch Act on Management and Supervision (*Wet bestuur en toezicht*), the profile of the Supervisory Board states that the Supervisory Board shall strive to ensure that at least 30% of the seats shall be held by men and at least 30% by women. With respect to appointments and nominations, the Company is obliged to take into account, to the extent practicable, a balanced composition of male and female members of the Management Board and Supervisory Board. The Company remains mindful of its obligations to ensure required gender representation in both the Management Board and the Supervisory Board.

On the Reporting Date and on the date of this Annual Report, the Management Board consisted of male Managing Directors only. In line with its commitment to gender diversity, the Group has several female senior executives in its employ who are engaged in a broad spectrum of disciplines and responsibilities. As part of the Group's development initiatives and succession planning, due consideration of gender diversity is given when filling vacancies that may arise at Senior Management level and to the progress being made by female senior executives in satisfying the relevant criteria for such positions.

On 30 August 2018, the Supervisory Board adopted a diversity policy. The diversity policy and the profile of the Supervisory Board can be viewed on the Company's website www.steinhoffinternational.com.

On the Reporting Date and on the date of this Annual Report, five out of eight Supervisory Directors were female (62.5%) and six out of eight Supervisory Directors had South African nationality (75%) and lived in South Africa. Hugo Nelson, who lives in South Africa and has both South African and Maltese nationality, is counted as having South African nationality for this purpose. In accordance with the objective to strive to nominate Supervisory Directors from the regions where the Group operates and that no nationality should count for more than 75% of the Supervisory Directors, the Supervisory Board nominated Paul Copley (with British nationality) and David Pauker (with United States nationality) for appointment to the Supervisory Board at the 2019 AGM. When nominating and selecting candidates for the Supervisory Board, the profile of the Supervisory Board and the diversity policy are taken into account. for appointment to the Supervisory Board.

In respect of the nomination of Paul Copley and David Pauker to the Supervisory Board, reference is made to the restructuring of the financial indebtedness of the Company, SEAG and SFHG, to the Lock-Up Agreement, to the SEAG CVA and the SFHG CVA, as well as the various "restructuring documents" referred to in the CVAs (a number of which the Company is party to) as announced on 19 November 2018 and subsequent announcements.

In accordance with the Lock-Up Agreement, the Nomination Committee has consulted with the creditors' governance working group in relation to the search process and the identification of candidates to be nominated to the Supervisory Board. Following that consultation and search process, the Supervisory Board nominated Paul Copley and David Pauker for appointment to the Supervisory Board.

Provision has also been made in the new finance documents by the Group's European external financial creditors that underscore their support for the appointment of Paul Copley and David Pauker. In particular, pursuant to the terms of the relevant restructuring documents (as mentioned in the CVAs), should the General Meeting not resolve to appoint Paul Copley or David Pauker (or none of them) to the Supervisory Board, the cost of the debt reconstituted pursuant to the restructuring will increase. Specifically: (i) the interest rate applicable to the reconstituted debt of SEAG and SFHG would be increased by 5 per cent. per annum (from between 7.875% and 10.75% PIK per annum (as applicable) to between 12.875% and 15.75% PIK per annum (as applicable)), with such increased interest rates also retrospectively applicable for the period that is specified in each relevant restructuring document; and (ii) the cap on recoveries against the Company will be increased from 5 per cent. per annum to 10 per cent. per annum in respect to the SEAG Contingent Payment Undertaking (as defined in the CVAs), and a cap of 10 per cent. per annum will be instated on recoveries against the Company in respect to the 2021/2022 Contingent Payment Undertaking, the 2023 Contingent Payment Undertaking and the SIHPL Contingent Payment Undertaking (as defined in the CVAs).

General Meeting

Amendment of the Articles

The General Meeting may resolve to amend the Articles, provided that such resolution can only be adopted on a proposal by the Management Board, with the approval of the Supervisory Board. When a proposal to amend the Articles is to be made to the General Meeting, the notice convening the General Meeting must state so and a copy of the proposal, including the verbatim text thereof, shall be deposited and kept available at the Company's office for inspection by the shareholders and the other persons with Meeting Rights, until the conclusion of the meeting. From the day of deposit until the day of the meeting, a shareholder or another person with Meeting Rights shall, on application, be provided with a copy of the proposal free of charge. An amendment of the Articles shall be laid down in a notarial deed.

General meetings

The Company's shareholders exercise their rights through annual and extraordinary General Meetings, held in the Netherlands and conducted in the English language. The Company is required to convene an annual General Meeting in the Netherlands each year, no later than six months after the end of the Company's financial year, which was changed on 30 May 2016 to 30 September. Additional General Meetings may be convened at any time by the Supervisory Board or the Management Board, without prejudice to provisions of Dutch law concerning convening General Meetings.

Adoption of resolutions

Subject to certain exceptions provided by Dutch law or the Articles, resolutions of the General Meeting are passed by a simple majority of the votes cast without a quorum being required. Management Board resolutions on a major change in the identity or character of the Company or the Group shall be subject to the approval of the General Meeting. Within three months of it becoming apparent to the Management Board that the equity of the Company has decreased to an amount equal to or lower than one half of the paid-up portion of the Company's capital, a General Meeting will be held to discuss any requisite measures. It has become apparent to the Management Board that the equity of the Company has fallen below this threshold. The General Meeting to be held for this purpose will coincide with the 2019 annual General Meeting, as is permitted under the Dutch Civil Code.

The convening of a General Meeting must be published through an announcement by electronic means. The notice must state the business to be discussed, the time and venue of the meeting, the record date, the manner in which persons entitled to attend the General Meeting may register and exercise their rights, the time by which registration for the meeting must have occurred as well as the place where meeting documents may be obtained. The notice must be given by at least the number of days prior to the day of the meeting as required by Dutch law, which is currently forty-two days.

Shareholders are entitled to propose items for the agenda of the General Meeting provided that they hold at least 3% of the issued share capital or the Shares that they hold represent a market value of at least 3%. Proposals for agenda items for the General Meeting must be submitted at least sixty days prior to the date of the meeting.

Resolutions for approval or authorisation to be passed by the General Meeting shall be explained in writing.

Voting rights

Each Ordinary Share confers the right to cast one vote at a General Meeting, unless and for as long as Preference Shares are in issue, in which case each Ordinary Share confers the right to cast fifty votes and each Preference Share confers the right to cast one vote at a General Meeting. As at the date of this Annual Report, no Preference Shares are outstanding.

Dutch law prescribes a record date to be set twenty-eight days prior to the date of the General Meeting to determine whether a person may attend and exercise the rights relating to the General meeting. Shareholders registered at that date are entitled to attend and exercise their votes.

Distributions

Distribution of profit shall be made after adoption of the annual financial statements, subject to compliance with Dutch law and the determination of the allocation of profits by the General Meeting, on recommendation by the Management Board and with the approval of the Supervisory Board. The Management Board may resolve, with the approval of the Supervisory Board, that the profit realised during a financial year may be fully or partially appropriated to increase reserves, with the allocation of profit then remaining to be at the disposal of the General Meeting. Proposals for the distribution of profit are shown on the General Meeting agenda as items for separate consideration.

Dividends on Preference Shares, as and when such Shares are issued, will be paid in accordance with the relevant provisions contained in the Articles.

Issuance of Shares

Under the Articles, and with due observance of Dutch law, Shares may be issued pursuant to a resolution of the General Meeting or of the Management Board, if and insofar the Management Board has been designated for that purpose pursuant to a resolution of the General Meeting for a fixed period (this period may not exceed five years). A resolution by the General Meeting to issue Shares or to designate the Management Board as the body of the Company authorised to issue Shares may only be taken at the proposal of the Management Board, which proposal requires the approval of the Supervisory Board. On such designation, the number of Shares of each class which may be issued must be specified. The designation may be extended, each time for a period not exceeding five years. Unless the designation provides otherwise, it may not be withdrawn. The authority of the General Meeting to issue Shares shall be without prejudice to the authority of the Management Board to determine, with the approval of the Supervisory Board, the percentage of premium per Preference Share. The same applies by analogy to the granting of rights to subscribe for Shares, but does not apply to the issuance of Shares to a person exercising a right to subscribe for Shares previously granted.

Prior to (and in anticipation of) the Company's listing on FSE, in December 2015, certain authorisations were granted to the Management Board, details of which rights to issue Shares, to grant rights to subscribe for Shares and to limit or exclude pre-emption rights in relation thereto are contained in the prospectus to shareholders dated 19 November 2015 (available on the Company's website at www.steinhoffinternational.com).

At the General Meeting held on 14 March 2017, without prejudice to any of the other authorisations previously granted to the Management Board by the General Meeting, as referred to above, the General Meeting granted the Management Board the authority to issue Ordinary Shares and to grant rights to subscribe for Ordinary Shares:

i) up to 10% of the total nominal issued share capital of the Company as at 14 March 2017 for all purposes including the granting of stock options, the financing of mergers and acquisitions and the issue of new convertible bonds; plus

(ii) issue up to an additional 10% of the total nominal issued share capital of the Company as at 14 March 2017 to be used only in connection with or on the occasion of mergers and acquisitions and strategic alliances.

Each of the foregoing authorisations were valid for a period of up to eighteen months from 14 March 2017. If the Share Issue Authorisations were used during this eighteen month period, then the Management Board, subject to the approval of the Supervisory Board, can propose to the General Meeting that the authorisations granted be restored back up to the 10% level for each of the approved purposes, as set out above.

The authorities granted by the General Meeting enabled the Company to comply with its obligations to issue Ordinary Shares and grant rights under the Group's various share incentive schemes and afforded the Management Board the flexibility to pursue commercial opportunities such as mergers, acquisitions and strategic partnerships.

The General Meeting on 14 March 2017 also authorised the Management Board, in accordance with article 2:96a, paragraph 6 of the Dutch Civil Code, to limit or exclude any pre-emption rights in relation to the issue of Ordinary Shares or the granting of rights to subscribe for Ordinary Shares; such authority being limited to the number of Shares authorised under the Share Issue Authorisations and to the 18 month period from 14 March 2017.

In addition, in accordance with article 2:98, paragraph 4 of the Dutch Civil Code, the General Meeting authorised the Management Board, for a period of eighteen months from 14 March 2017, to acquire fully paid-up Shares in the capital of the Company. Under this authority, Shares could be acquired at the stock exchange or otherwise, at a price per Ordinary Share between nominal value and 110% of the opening price on the FSE at the date of the acquisition, up to 20% of the issued share capital at the date of acquisition.

This authority, which replaced the authority to acquire Shares previously granted to the Management Board on 1 December 2015, afforded the Management Board the flexibility to repurchase Shares in the Company, to service share options granted or to cover obligations under share-based compensation plans or for other purposes. During the Reporting Period, the Company repurchased 70.6 million Ordinary Shares, representing 1.7% of its issued share capital. The Ordinary Shares acquired by the Company, or held by Subsidiaries, are being treated as treasury shares and the number of voting interests was accordingly reduced to 4 138 956 452 at the Reporting Date. At the annual General Meeting held on 20 April 2018, no extension or further authorisations to issue or to grant rights to subscribe for or to acquire Ordinary Shares was proposed.

2016 DCGC compliance

Introduction

On 7 September 2017, the legislative proposal containing the relevant implementation resolutions for the enactment of the final version of the revised Dutch Corporate Governance Code (the "2016 DCGC"), as presented by the Dutch Corporate Governance Code Monitoring Committee on 8 December 2016, was adopted by the Dutch government. The 2016 DCGC applies for financial years commencing on or after 1 January 2017. As a consequence, in respect of the Reporting Period, the Company is required to report on its compliance with the 2016 DCGC. Pursuant to the 2016 DCGC, deviations from the 2016 DCGC require explanation in accordance with the 2016 DCGC's 'comply or explain' principle.

Compliance with the 2016 DCGC

During the Reporting Period, the Company was compliant with the relevant principles and best practice provisions of the 2016 DCGC, with the exception of the following:

1.4.3

This best practice provision provides that the management board should state in the management report, with clear substantiation, that:

(i) the report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;

(ii) the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;

(iii) based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and

(iv) the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of the report.

The Management Board is of the view that, based on the Company's and Group's current state of affairs, it can provide the following statement instead:

The current Management Board is of the opinion that:

(i) this Annual Report must be read in conjunction with the 2017 Annual Report. Both these reports provide, if read in conjunction, sufficient insight into the failings which took place in the effectiveness of the internal risk management and control systems;

(ii) the current systems post December 2017, and after implementation of the initial steps of the Remediation Plan, provide reasonable assurance that the financial reporting does not contain any material inaccuracies; and

(iii) the Risk Report in the Annual Report states those material risks and uncertainties that are relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this Annual Report.

The Management Board draws specific attention to the going concern statement in which a number of assumptions and uncertainties have been detailed. Based on these assumptions and uncertainties, the Financial Reporting is prepared on a going concern basis.

2.1.7

This best practice provision provides that the composition of the supervisory board is such that the members are able to operate independently and critically vis-à-vis one another, the management board, and any particular interests involved.

In order to safeguard its independence, the supervisory board is composed in accordance with the following criteria:

(i) any one of the criteria referred to in best practice provision 2.1.8, sections (i) to (v) inclusive should be applicable to at most one supervisory board member;

(ii) the total number of supervisory board members to whom the criteria referred to in best practice provision 2.1.8 are applicable should account for less than half of the total number of supervisory board members; and

(iii) for each shareholder, or group of affiliated shareholders, who directly or indirectly hold more than 10% of the shares in the company, there is at most one supervisory board member who can be considered to be affiliated with or representing them as stipulated in best practice provision 2.1.8, sections (vi) and (vii).

From 1 October 2017 through 14 December 2017, the latter date being the resignation date of Supervisory Directors Christo Wiese and Jacob Wiese, the criterion of best practice provision 2.1.7(iii) – as declared by each of them – was not fulfilled because Christo Wiese and Jacob Wiese, directly or indirectly, held more than 10% of the Shares and were board members of a legal entity which held at least 10% of the Ordinary Shares.

2.1.9

This best practice provision provides that the chairman of the supervisory board should not be a former member of the management board of the company and should be independent within the meaning of best practice provision 2.1.8.

In deviation of this best practice provision, the former Chairman Christo Wiese was not independent because he did not fulfil both criteria (vi) and (vii) of best practice provision 2.1.8 which – inter alia – stipulate that a Supervisory Director is not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree:

(i) has a shareholding in the company of at least ten percent, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement; he, directly or indirectly, held more than 10% of the Shares;

(ii) is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless the entity is a group company.

Christo Wiese resigned from the Supervisory Board on 14 December 2017 and was succeeded by Heather Sonn, who qualifies as independent within the meaning of the 2016 DCGC.

2.1.10

This best practice provision provides that the report of the supervisory board should state that, in the opinion of the supervisory board, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled and, if applicable, should also state which supervisory board member(s), if any, it does not consider to be independent.

With reference to the explanations for the deviation of best practice provisions 2.1.7 and 2.1.9, the Supervisory Board cannot state that the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive have been fulfilled. However, since the resignation of Supervisory Directors Christo Wiese and Jacob Wiese on 14 December 2017, through to the Reporting Date, in the opinion of the Supervisory Board, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive of the 2016 DCGC were fulfilled.

2.7.3, 2.7.4 and 2.7.5

2.7.3 This best practice provision provides that a conflict of interest may exist if the company intends to enter into a transaction with a legal entity:

(i) in which a member of the management board or the supervisory board personally has a material financial interest; or

(ii) which has a member of the management board or the supervisory board who is related under family law to a member of the management board or the supervisory board of the company.

A management board member should report any potential conflict of interest in a transaction that is of material significance to the company and/or to such management board member to the chairman of the supervisory board and to the other members of the management board without delay. The management board member should provide all relevant information in that regard, including the information relevant to the situation concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. A supervisory board member should report any conflict of interest or potential conflict of interest in a transaction that is of material significance to the company and/or to such supervisory board member to the chairman of the supervisory board without delay and should provide all relevant information in that regard, including the relevant information pertaining to his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. If the chairman of the supervisory board has a conflict of interest or potential conflict of interest, he should report this to the vice-chairman of the supervisory board without delay.

The supervisory board should decide, outside the presence of the management board member or supervisory board member concerned, whether there is a conflict of interest.

2.7.4 This best practice provision provides that all transactions in which there are conflicts of interest with management board members or supervisory board members should be agreed on terms that are customary in the market. Decisions to enter into transactions in which there are conflicts of interest with management board members or supervisory board members that are of material significance to the company and/or to the relevant management board members or supervisory board members should require the approval of the supervisory board. Such transactions should be published in the management report, together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with.

2.7.5 This best practice provision provides that all transactions between the company and legal or natural persons who hold at least 10% of the shares in the company should be agreed on terms that are customary in the market. Decisions to enter into transactions with such persons that are of material significance to the company and/or to such persons should require the approval of the supervisory board. Such transactions should be published in the management report, together with a declaration that best practice provision 2.7.5 has been complied with.

During the 2017 Reporting Period, Steinhoff N.V. entered into call option agreements whereby it obtained the right to acquire 128 million ordinary shares in the capital of Shoprite Holdings Limited from various parties. Steinhoff N.V. subsequently transferred the call option agreements to Pepkor. Pepkor's board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor group, subject to the fulfilment of conditions precedent. This transaction was not subsequently implemented. In the process, however, Steinhoff N.V. made prepayments of €125 million and €200 million in October and November 2017 to Upington and to Titan respectively (the "Prepayment Transactions"), which were entities under the control of the former Chairman of the Supervisory Board, Christo Wiese. At that time, Christo Wiese was also a board member of Titan and his son, Jacob Wiese, was also a director of both Titan and Upington. At the time of the Prepayment Transactions, former Chairman of the Supervisory Board, Christo Wiese, through entities controlled by him, also held more than 10% of the Ordinary Shares. As such, both Christo Wiese and Jacob Wiese personally had a material financial interest in the Prepayment Transactions.
Because of their respective shareholdings in Upington, former Chief Executive Officer and Managing Director, Markus Jooste, former Chief Financial Officer and Managing Director, Ben la Grange, and former Chief Operational Officer and Managing Director, Danie van Merwe, also personally each had a material financial interest in the Prepayment Transaction with Upington.

It does not appear from the minutes of the Supervisory Board that:

(i) the former Chief Executive Officer and Managing Director, Markus Jooste, the former Chief Financial Officer and Managing Director, Ben la Grange, or former Chief Operational Officer and Managing Director, Danie van Merwe, reported their respective conflicts of interest in the Prepayment Transactions in accordance with best practice provision 2.7.3;

(ii) the former Chairman of the Supervisory Board, Christo Wiese or Supervisory Director Jacob Wiese, reported their respective conflicts of interest in the Prepayment Transactions in accordance with best practice provision 2.7.3; or

(iii) the Prepayment Transactions were approved by the Supervisory Board.

Consequently, this Annual Report does not include declarations that best practice provisions 2.7.3, 2.7.4 and 2.7.5 have been complied with.

3.4.1 (iv) This best practice provision provides that the remuneration committee should prepare the remuneration report. This report should in any event describe, in a transparent manner, in addition to the matters required by law:

(iv) the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year.

In deviation of this best practice provision, the Remuneration Report does not contain pay ratios because, due to sale of a number Group companies and reorganisation within a number of Group companies during the Reporting Period, no representative reference group could be determined that would allow consistency and comparison in subsequent years. However, in the financial year 2019 the Human Resources and Remuneration

Committee has prepared a proposal for a pay ratio that will be submitted to the Supervisory Board for approval.

On a general note, best practice provisions 2.7.3, 2.7.4 and 2.7.5 tie in with the provisions in art. 7.1 and 7.2 of the Code of Conduct, which provide that conflicts of interest should be avoided, and art. 7.3 of the Code of Conduct, which provides that business dealings on behalf of the Group must never be influenced by personal considerations or relationships and must be at arm's length. To the extent that the conduct mentioned in the sections relating to the aforementioned best practices also occurred, such conduct may have been in deviations from the Code of Conduct.

Diversity

On 30 August 2018, the Supervisory Board adopted a diversity policy. The policy identifies the following objectives to further improve the diversity within the Supervisory Board and the Management Board:

(i) qualifications and previous experience, particularly in the fields required to ensure balanced boards, shall be key considerations for nominations to both the Supervisory Board and the Management Board;

(ii) with respect to nationality, subject to and taking into account the South African Reserve Bank requirement that the Company be managed from South Africa, the Supervisory Board shall strive to nominate Managing Directors from the regions where the Group Companies operate and that no nationality should count for more than 75% of the Managing Directors;

(iii) further with respect to nationality, the Supervisory Board shall strive to nominate Supervisory Directors from the regions where the Group Companies operate and that no nationality should count for more than 75% of the Supervisory Directors;

(iv) with respect to gender, the Supervisory Board shall strive for a composition of both the Supervisory Board and the Management Board of not less than 30% male and not less than 30% female; and

(v) with respect to age, the Supervisory Board shall strive to ensure an appropriate age diversity within the Supervisory Board and the Management Board;

it being understood that, in the selection of a candidate on the basis of the above criteria, the rules and generally accepted principles of non-discrimination (on grounds such as ethnic origin, race, disability or sexual orientation) will be taken into account.

During the Reporting Period, the Management Board consisted of male Managing Directors only. In line with its objective to strive for a composition of the Management Board of not less than 30% male and not less than 30% female, the Group has several female senior executives in its employ who are engaged in a broad spectrum of disciplines and responsibilities. As part of the Group's development initiatives and succession planning, due consideration of gender diversity is given when filling vacancies that may arise at Senior Management level and to the progress being made by female senior executives in satisfying the relevant criteria for such positions. On the Reporting Date, three out of five Managing Directors had South African nationality (60%) and lived in South Africa, counting Philip Dieperink, who lives in the United Kingdom and has both Dutch and South African nationality, as having Dutch nationality. When nominating and selecting candidates for the Management Board, the diversity policy is taken into account.

On the Reporting Date, five out of eight Supervisory Directors were female (62.5%). In line with the objective to strive to nominate Supervisory Directors from the regions where the Group operates and that no nationality should count for more than 75% of the Supervisory Directors, the Supervisory Board nominated Paul Copley (with British nationality) and David Pauker (with United States nationality) for appointment to the Supervisory Board at the 2019 AGM. When nominating and selecting candidates for the Supervisory Board, the profile of the Supervisory Board and the diversity policy are taken into account.

The diversity policy and the profile of the Supervisory Board can be viewed on the Company's website www.steinhoffinternational.com.

Disclosures pursuant to Dutch Decree implementing article 10 EU Takeover Directive

Pursuant to the Dutch Decree implementing article 10 EU Takeover Directive, the Company is required to report on the following:

Share capital structure

As at the Reporting Date, the structure of the Company's share capital was as follows:

Authorised share capital The authorised share capital of the Company amounted to:
17 500 000 000 Ordinary Shares with a nominal value of **€0.50 cents** each
20 000 000 000 Preference Shares with a nominal value of **€0.01 cents** each

Issued share capital The issued share capital of the Company amounted to:
4 309 727 144 Ordinary Shares

As such, only Ordinary Shares were issued. No differentiation in class exists between Ordinary Shares. Therefore, the percentage of this issued ordinary share capital represented by each class of shares was 100%.

No Preference Shares were issued during the Reporting Period or in issue on the date of this Annual Report.

Restrictions on transfer of shares

Pursuant to article 12 of the Articles, for as long as Shares (or depository receipts thereof) are admitted to a listing on a regulated stock exchange, as referred to in section 2:86c of the Dutch Civil Code, the transfer of a Share shall require a private deed to that effect unless the Company itself is a party to such legal act, and the transfer is acknowledged in writing by the Company. The acknowledgement shall be made in the private deed or in a dated statement of acknowledgement on the private deed or on a true copy or extract thereof duly authenticated by a civil law notary or by the transferor. Official service of such private deed, true copy or extract on the Company is considered to have the same effects as an acknowledgement.

Substantial notifiable shareholdings

Pursuant to the Dutch Financial Supervision Act, any person who, directly or indirectly, acquires or disposes of an actual or potential interest in the capital or voting rights of the Company must immediately notify the AFM by means of a standard form, if, as a result of such acquisition or disposal, the percentage of capital interest or voting rights held by such person in the Company reaches, exceeds or falls below any of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%., 75%, and 95%.

It appears that several shareholders listed below may not have notified the AFM that their respective shareholdings and/or voting rights fell below the aforementioned threshold.

Shareholders, holding 3% or more in the issued share capital or voting rights of the Company as at 30 September 2017:

Date notification requirement	Party obliged to notify	Voting right/share capital interest	Percentage
7 December 2015	Public Investment Corporation SOC Ltd	Share capital interest	11.61%
7 December 2015	Public Investment Corporation SOC Ltd	Voting right	11.61%
7 December 2015	P. Pohlmann*	Voting right	32.50%
7 December 2015	TriPos GmbH*	Voting right	32.50%
7 December 2015	Sunnyside Investment Partners Ltd.*	Voting right	32.50%
7 December 2015	Sutherland Investment Partners UK Ltd.*	Voting right	32.50%
7 December 2015	Business Venture Investments No 1499 (Pty) Ltd.*	Voting right	32.50%
7 December 2015	K.J. Grove*	Voting right	32.50%
7 December 2015	J.N.S. Du Plessis*	Voting right	32.50%
7 December 2015	F.J. Nel*	Voting right	32.50%
7 December 2015	M. Nel*	Voting right	32.50%
7 December 2015	S.J. Grobler*	Voting right	32.50%
7 December 2015	H.J.K. Ferreira*	Voting right	32.50%
7 December 2015	D.M. van der Merwe*	Voting right	32.50%
7 December 2015	M.J. Jooste*	Voting right	32.50%
7 December 2015	A. Kruger-Steinhoff*	Voting right	32.50%
29 September 2016	C.H. Wiese	Share capital interest	23.11%
29 September 2016	C.H. Wiese*	Voting right	32.39%
7 October 2016	B. Steinhoff	Share capital interest	4.60%
7 October 2016	B. Steinhoff*	Voting right	32.39%
7 December 2015	A.B. La Grange*	Voting right	32.50%
7 December 2015	Coronation Fund Managers Ltd	Share capital interest	6.02%
7 December 2015	Coronation Fund Managers Ltd	Voting right	6.02%
12 July 2017	BlackRock, Inc.	Share capital interest	3.14%
12 July 2017	BlackRock, Inc.	Voting right	3.43%
28 September 2016	Citigroup Inc.	Share capital interest	5.73%
28 September 2016	Citigroup Inc.	Voting right	5.73%
31 August 2017	OppenheimerFunds, Inc.	Share capital interest	3.11%
31 August 2017	OppenheimerFunds, Inc.	Voting right	3.11%

**These persons or entities were parties to the Voting Pool arrangements, as a result of which they had a combined voting right as mentioned above (reference is made to the Restrictions on voting rights section below).*

Shareholders, holding 3% or more in the issued share capital or voting rights of the Company as at 30 September 2018:

Date notification requirement	Party obliged to notify	Voting right/share capital interest	Percentage
9 February 2018	C.H. Wiese	Share capital interest	6.20%
9 February 2018	C.H. Wiese	Voting right	6.20%
28 September 2016	Citigroup Inc.	Share capital interest	5.73%
28 September 2016	Citigroup Inc.	Voting right	5.73%
4 January 2018	Investec Asset Management Limited	Share capital interest	3.01%
4 January 2018	Investec Asset Management Limited	Voting right	3.01%
7 December 2015	M.J. Jooste	Share capital interest	1.77%
7 December 2015	M.J. Jooste*	Voting right	32.50%
31 August 2017	OppenheimerFunds, Inc.	Share capital interest	3.11%
31 August 2017	OppenheimerFunds, Inc.	Voting right	3.11%
14 December 2017	Public Investment Corporation SOC Ltd	Share capital interest	9.91%
14 December 2017	Public Investment Corporation SOC Ltd	Voting right	9.91%

**These persons were parties to the Voting Pool arrangements, as a result of which they had a combined voting right as mentioned above (reference is made to the Restrictions on voting rights section below).*

The percentages reflected above indicate the percentages of issued share capital and the respective voting rights held by these major shareholders as at the Reporting Date and are based on the register maintained by the Dutch Authority for the Financial Markets. It is noted that overview of substantial notifiable shareholdings as at 30 September 2017 as shown above as well as the overview of substantial notifiable shareholdings included in the annual report of the 2017 Financial Year may not be complete. Both of these overviews have been prepared based on the contents of the public register of substantial notifiable shareholdings of the AFM, which is considered to be correct under Dutch law. However, it appears that several shareholders listed above and in the annual report of the 2017 financial year may not have notified the AFM that their respective shareholdings and/or voting rights fell below the aforementioned threshold. Steinhoff is not responsible for listing the substantial notifiable shareholdings and has relied on the AFM public register.

Special voting attaching to shares

Each Ordinary Share confers the right to cast one vote at a General Meeting, unless and for so long as Preference Shares are in issue, in which case each Ordinary Share confers the right to cast fifty votes and each Preference Shares confers the right to cast one vote at a General Meeting. No Preference Shares were outstanding during the Reporting Period and none are outstanding as at the date of this Annual Report. As such, no Shares with special voting rights were outstanding at the time of this Annual Report.

The system of control of an employee share scheme

Share rights under the ESRS do not confer on participants any shareholder rights, until Shares are issued or delivered to participants, whereupon they will rank *pari passu* with the other issued Shares. Since March 2017, no rights under the ESRS have been granted and no further rights will be granted under the ESRS.

Restrictions on voting rights

Neither the Company nor any of its Subsidiaries may cast a vote on any Share they hold in the Company. Such Shares are not taken into account for the purpose of determining how many shareholders are represented or how much of the share capital is represented at any General Meeting. Pursuant to the Articles, for each General Meeting a statutory record date will be applied, in order to determine in which persons voting rights and meetings rights are vested. The record date and the manner in which shareholders and other persons holding Meeting Rights can register and exercise their rights will be set out in the notice convening the meeting.

The Company is not aware of any restrictions on voting rights, save for the those referred to in the below section.

Agreements between shareholders which may result in restrictions of the transfer of securities or voting rights.

During the Reporting Period, *inter alia* the former chairman of the Supervisory Board Christo Wiese (through several entities, including Titan and Thibault), former Supervisory Director Bruno Steinhoff (directly and indirectly through several entities, including BS Beteiligungs- und Verwaltungs GmbH and BS Vermögensverwaltungsgesellschaft GmbH), current Supervisory Director Angela Krüger-Steinhoff, several former Managing Directors and certain other Senior Managers and their respective associates (together, the Voting Pool Parties) collectively held or controlled approximately 33% of the total voting share capital of the Company. As a result, the Voting Pool Parties were able to exercise significant influence over all matters requiring shareholder approval.

The Voting Pool Parties were subject to certain informal arrangements which regulate the relationships among them. In particular, the Voting Pool Arrangements comprised matters in respect of which the Voting Pool Parties would vote their Shares together, based on the decision of a majority of the Voting Pool Parties.

As a result, the concentration of ownership among the Voting Pool Parties during the Reporting Period could have (i) deterred a third party from making a takeover offer for the Company and thereby have had the effect of delaying or deterring a change of control of the Company and (ii) affected the market price and liquidity of the Ordinary Shares.

The Voting Pool Parties agreed that if their combined voting interest in the Company fell below 30%, this would result in immediate and automatic termination of the relevant provisions of acting in concert.

In December 2017, the Voting Pool Arrangements were terminated because the combined voting pool interest in the Company fell below 30%.

Rules governing the appointment and removal of managing directors and supervisory directors and the amendment of the Articles

Reference is made to the relevant sections in this Corporate Governance Report, which are incorporated by reference.

The powers of the Management Board, in particular the power to issue and buy back shares

Reference is made to the relevant sections in this Corporate Governance Report, which are incorporated by reference.

Any significant agreements to which the Company is a party, and which take effect, alter or terminate upon a change of control of the Company following a takeover bid

The ESRS provides that if the Company or the company which employs the participant is taken over, delisted or becomes the subject of a merger which results in the listing of the Shares being suspended or terminated during a measurement period and/or prior to a measurement date, the vesting date will then automatically coincide with the effective date of the relevant corporate action. The Share rights will be adjusted on a time weighted basis and exchanged for equivalent valued rights in the Company's successor (as determined and approved by the Supervisory Board or the Management Board (as applicable) where necessary), provided however that all the measurement criteria have been met up to the effective date of the relevant corporate action.

Any agreement between the Company and its managing directors or employees providing for compensation if their employment ceases because of a takeover bid

There are no agreements with Managing Directors or employees which entitle any of them to compensation if their employment ceases because of a takeover bid.

STEINHOFF
INTERNATIONAL HOLDINGS N.V.

REPORT OF THE SUPERVISORY BOARD

The role of the Supervisory Board is to supervise the policies of the Management Board and the general affairs of the Company and the business connected with it, as well as to assist the Management Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and the business connected with it, and shall take into account the relevant interests of the Company's stakeholders.

INDEX

Composition of the Supervisory Board

As per the Reporting Date, the Supervisory Board consisted of the following eight members:

Name	Age	Position	Date of appointment	Date of resignation	Term	Independent	Committee member
Heather Sonn	46	Chairperson	30-11-2015	N/A	2018–2022	Yes	Nomination Committee
Peter Wakkie	70	Deputy Chairman	20-04-2018	N/A	2018–2019	Yes	Governance, Social and Ethics Committee, Litigation Working Group, Forensic Investigation Committee
Steve Booysen	56	N/A	30-11-2015	N/A	2018–2022	Yes	Audit and Risk Committee, and Governance Social and Ethics Committee
Hugo Nelson	48	N/A	20-04-2018	N/A	2018–2022	Yes	Audit and Risk Committee, and Human Resources and Remuneration Committee
Alexandra Watson	62	N/A	30-04-2015	N/A	2018–2022	Yes	Audit and Risk Committee, Nomination Committee, Governance Social and Ethics Committee, Forensic Investigation Committee
Moira Moses	53	N/A	20-05-2018	N/A	2018–2022	Yes	Audit and Risk Committee and Human Resources and Remuneration Committee, Forensic Investigation Committee
Angela Krüger-Steinhoff	47	N/A	30-11-2015	N/A	2018–2022	Yes	Nomination Committee
Khanyisile Kweyama		N/A	20-04-2015	N/A	2018–2022	Yes	Governance Social and Ethics Committee and Human Resources and Remuneration Committee

**These Supervisory Directors resigned/retired post December 2017.*

On 20 April 2018, Khanyisile Kweyama, Hugo Nelson, Alexandra Watson, Moira Moses, Peter Wakkie were appointed to the Supervisory Board. These Supervisory Directors, together with re-appointed Supervisory Directors Heather Sonn, Steve Booysen and Angela Krüger-Steinhoff, remain in office as at the date of this Annual Report.

Independence

In respect of the statement of the Supervisory Board concerning the independence of Supervisory Directors, as referred to in best practice provision 2.1.10 of the 2016 DCGC, reference is made to the section Compliance with the 2016 DCGC. For the period as from 14 December through the Reporting Date, in the opinion of the Supervisory Board, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 inclusive of the 2016 DCGC were fulfilled.

Appointment of a delegated Supervisory Director

On 6 December 2017, the Company announced that the Supervisory Board had appointed its Chairman Christo Wiese as a delegated Supervisory Director. Pursuant to the 2016 DCGC, a delegated supervisory director is a supervisory director who has a special task. The delegation may not extend beyond the responsibilities of the supervisory board itself and may not include the management of the company. Its purpose is more intensive supervision and advice and more regular consultation with the management board and the delegation should be of a temporary nature only. The delegation may not detract from the duties and powers of the supervisory board. The delegated supervisory board member continues to be a member of the supervisory board and should report regularly on the execution of his special duty to the plenary supervisory board. In his role as delegated Supervisory Director, Christo Wiese did not perform any managerial activities. Christo Wiese resigned from the Supervisory Board on 14 December 2017.

Induction programme

As part of the induction programme, throughout the Reporting Period and prior to their nomination, the Supervisory Directors received reading material on various subjects relevant to their roles as Supervisory Directors, and the 2016 Dutch Corporate Governance Code.

Supervisory Board meetings, attendance, involvement with strategy, activities report and evaluations

During the Reporting Period, quarterly Supervisory Board meetings were held on 27 February 2018, 26 June 2018 and 30 August 2018, where all the Managing Directors who were in office during the Reporting Period attended and the External Auditor was present at the majority of those meetings. As a result of the events of December 2017, the quarterly meeting in December was not held but four special Supervisory Board meetings were held during December 2017.

The table below provides the attendance by each Supervisory Director at both the quarterly and special meetings.

	Attendance Supervisory Board				
Name	Date First Meeting	Date Last Meeting	Total Meetings	Missed meetings	Percentage
C.H. Wiese*	4 December 2017	14 December 2017	4	0	100%
S.F. Booysen#	4 December 2017	24 September 2018	32	1	97%
C.E. Daun****	4 December 2017	27 February 2018	12	5	58%
T.L.J. Guibert***	4 December 2017	19 January 2018	7	6	14%
D. Konar****	4 December 2017	27 February 2018	12	0	100%
A. Krüger-Steinhoff#	4 December 2017	24 September 2018	32	3	91%
K.T. Kweyama#	27 February 2018	24 September 2018	21	5	76%
M.T. Lategan****	4 December 2017	27 February 2018	12	0	100%
M.A. Moses#	27 February 2018	24 September 2018	21	1	95%
J. Naidoo**	4 December 2017	12 January 2018	7	3	57%
H.A. Nelson#	27 February 2018	24 September 2018	21	0	100%
H.J. Sonn#	4 December 2017	24 September 2018	32	2	94%
B.E. Steinhoff****	4 December 2017	27 February 2018	11	2	82%
P.N. Wakkie#	16 March 2018	27 September 2018	20	4	80%
A. Watson#	27 February 2018	24 September 2018	21	0	100%
J.D. Wiese*	4 December 2017	14 December 2017	4	1	75%
J. van Zyl*****	4 December 2017	11 April 2018	16	1	94%

** Resigned 14 December 2017*
*** Resigned 14 December 2017*
*** Resigned 18 January 2018*
**** Resigned 2 February 2018*
***** Resigned 28 February 2018*
****** Resigned 17 April 2018*
#(Re-)appointed 20 April 2018

During the Reporting Period, the Supervisory Board amongst other matters discussed or made resolutions concerning the following:

(i) the strategy, the implementation of the strategy by the Management Board and the principal risks associated with it with the Management Board;

(ii) progress and developments on the restructuring and financial stability of the Group;

(iii) advised on all major sale transactions;

(iv) appointment of PwC as forensic auditors;

(v) the litigation strategy;

(vi) after receiving advice from the Audit and Risk Committee and the Management Board, nominated Deloitte for re-appointment as the Company's External Auditor for the reporting Period with Johan Hopmans as the audit partner;

(vii) approval of the appointment of Jan Opperman as the most senior internal auditor;

(viii) approval of the appointment of Ewoud van Gellicum as company secretary;

(ix) approval of the internal audit plan;

(x) review the Supervisory Board profile;

(xi) reconstitution of the composition of the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Nomination Committee, and the GSE Committee;

(xii) review the retirement schedule of the Supervisory Board

(xiii) revision of the Regulations of the Supervisory Board, the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Nomination Committee, and the GSE Committee; and

(xiv) evaluation of its own functioning, the functioning of the Audit and Risk Committee, the Nomination Committee and the Human Recourses and Remuneration Committee.

Strategy

Throughout the Reporting Period, the Management Board and the Supervisory Board had multiple discussions concerning the financial, business and litigation strategy of the Group, their implementation and the associated risks. The financial stability of the Company and the Group continued to be of the most pressing concern. The conclusion of the Lock-Up Agreement in July 2018 gave the group the opportunity to develop a comprehensive restructuring plan which will, when implemented, provide the group with financial stability to 31 December 2021. This plan included the restructuring of the existing financial indebtedness at each of SEAG and SFHG through a Company Voluntary Arrangement process. These restructuring milestones were achieved in close consultation with the Supervisory Board and provided the basis for the strategic direction of the Group as outlined in the Message of the Management Board.

Evaluations

The Nomination Committee initiated the Supervisory Board's evaluation of its own functioning, the functioning of the Audit and Risk Committee, the Nomination Committee and the Human Recourses and Remuneration Committee. The evaluations were based on questionnaires, which covered substantive aspects, interaction between Supervisory Directors, interaction with the Management Board, the events that occurred and which lessons can be learned, as well as matters such as the composition, size, competencies and expertise of the Supervisory Board, effectiveness of the committees of the Supervisory Board, time management, information provision and support to the Supervisory Board. The results of the questionnaires were summarised and the conclusions and recommendations subsequently discussed by the Supervisory Board, outside the presence of the Management Board. The Chairperson discussed with each of the Supervisory Directors their roles within the Supervisory Board and their functioning. The Chairperson's functioning was evaluated in the questionnaires. In relation to the evaluation of events occurred, the Supervisory Board concluded that there was a critical need to capture lessons learned from the events that lead to the crisis in early December 2017 as soon as the forensic investigation was finalised. In 2019, the Supervisory Board endorsed a comprehensive remediation plan in this regard.

The Nomination Committee furthermore initiated the Supervisory Board's evaluation of the functioning of the Management Board as a whole and that of the individual Managing Directors by discussing the manner in which the Managing Directors interacted between them, the performance of their duties and responsibilities and the manner in which they individually acted within their designated roles. As a result of those discussions, and in relation to succession planning within the Management Board, the Supervisory Board commissioned an external adviser to evaluate the functioning of the Managing Directors Louis du Preez and Theodore de Klerk. The CFO's functioning was evaluated by the Audit and Risk Committee and reviewed by the Nomination Committee. The Management Board discussed its own functioning and the acting CEO, Danie van der Merwe, discussed the functioning of the Managing Directors individually with each of them. The Management Board agreed to endeavour to follow a regular meeting schedule, taking into account that events or circumstances may cause the Management Board to reschedule their meetings.

Committees of the Supervisory Board

Report of the Audit and Risk Committee

Composition

Until the resignation or retirement, as applicable, of Supervisory Directors Len Konar and Theunie Lategan on 28 February 2018, the Audit and Risk Committee consisted of Steve Booysen (chairman), Theunie Lategan, and Len Konar.

After their appointment on 20 April 2018, Supervisory Directors Alexandra Watson, Hugo Nelson and Moira Moses were appointed to the committee. As at the date of this Annual Report, the committee consists of Steve Booysen (chairman), Alexandra Watson, Moira Moses, and Hugo Nelson.

Meeting attendance

	Attendance Audit and Risk Committee				
Name	**Date First Meeting**	**Date Last Meeting**	**Total Meetings**	**Missed meetings**	**Percentage**
S.F. Booysen	9 October 2017	17 September 2018	32	1	97%
D. Konar	9 October 2017	23 February 2018	22	1	95%
M.T. Lategan	9 October 2017	23 February 2018	22	0	100%
H.A. Nelson	16 March 2018	17 September 2018	10	1	90%
M.A. Moses	16 March 2018	17 September 2018	10	1	90%
A. Watson	16 March 2018	17 September 2018	10	0	100%

Activities of the Audit and Risk Committee

Activities of the Audit and Risk Committee from September through December 2017

The former CEO received a letter from the External Auditor (with a copy to the chairman of the Audit and Risk Committee) dated 25 September 2017 that reports of accounting irregularities had come to their attention through the media and was furthermore based on information received on 14 September 2017 in connection with the Enterprise Chamber proceedings initiated by Seifert. The chairman of the Audit and Risk Committee then called a special meeting to discuss the letter. At the special meeting, the present Managing Directors, Markus Jooste and Ben la Grange, as well as present Senior Managers Stéhan Grobler and Dirk Schreiber stated that the allegations were untrue and that they would be cooperating to clear the issue. In the days and weeks that followed the meeting, the Audit and Risk Committee and its members had various meetings with and without members of the Management Board, advisers to the Company, and with the External Auditor in order to gain insight on whether the allegations of accounting irregularities were valid. The Audit and Risk Committee was informed by the CEO that he needed time to assemble information and supporting documentation in order to provide answers and evidence to the External Auditor's queries. This culminated in a further special meeting of the Audit and Risk Committee on 20 November 2017, with the External Auditor and Company advisers present, to discuss the External Auditor's concerns and the advisers' response that they had not found any evidence that would cause them to conclude that accounting irregularities had taken place and that, as such, the External Auditor's concerns were unwarranted. In light of the issues raised by the External Auditor, the Audit and Risk Committee members attend the European audit close-out meeting. In the week following that meeting, a meeting was held on 29 November 2017 between the chairman of the Audit and Risk Committee, the Chairman of the Supervisory Board and the External Auditor to discuss the audit and the issues raised by the External Auditor, including the validity and recoverability of certain assets. On 30 November 2017, the External Auditor again informed the chairman of the Supervisory Board that it still required a forensic investigation into the suspected accounting irregularities. The former CEO advised that he would obtain the audit evidence that would refute the allegations of irregularities and would present the same at the scheduled meeting of the Audit and Risk Committee on 4 December 2017. At a special meeting on 3 December 2017, the Supervisory Board discussed a draft ad-hoc announcement concerning the publication of unaudited financial statements and delegated finalisation of the same to as special committee. The former CEO did not appear at the scheduled meeting of the Audit and Risk Committee on 4 December 2017 and in the evening of 4 December, through one of his legal representatives, he offered his resignation.

Activities of the Audit and Risk Committee in respect of the 2018 Consolidated Financial Statements

Immediately following the events of early December 2017, the Audit and Risk Committee held meetings on a weekly basis. Thereafter, and in addition to its scheduled meetings, the Audit and Risk Committee met regularly to discuss matters such as the PwC investigation, liquidity, solvency, correspondence received from regulators, the External Auditor and to provide advice to the Management Board. Where relevant Deloitte, in its capacity as External Auditor, and PwC, in its capacity as forensic auditors, attended these meetings.

Following the resignation/retirement of Supervisory Directors and appointment of new Supervisory Directors in 2018, the Audit and Risk Committee was reconstituted and as at the date of this Annual Report comprises Steve Booysen (Chairman), Moira Moses, Hugo Nelson and Alexandra Watson.

Given the complexity of the 2018 Consolidated Financial Statements, a member of the Audit and Risk Committee with financial reporting expertise (Alexandra Watson) has been involved on a regular basis with the Group's finance team, forensic auditors and IFRS technical advisors to monitor the process followed, to exercise judgments made in respect of the financial reporting conclusions reached in the detailed analyses performed. In connection with the finalisation of the audit of the 2017 Consolidated Financial Statements and the Group's financial statements for the financial year 2018, on 22 August 2018 a sub-committee was formed to identify and address any challenges encountered in the preparation and audit of these financial statements. The sub-committee consists of Supervisory Directors (Heather Sonn as Chairperson of the Supervisory Board, Steve Booysen as Chairman of the Audit and Risk Committee, and Alexandra Watson as financial reporting expert), the CFO (Philip Dieperink), members of the Group staff, representatives of the External Auditor, representatives of PwC's forensic team and PwC's IFRS technical team. Since its formation, the sub-committee has met every week. The purpose of the formations of the sub-committee was to:

(i) Hold regular meetings to ensure that all parties concerned are kept up to date;
(ii) Record actions and allocate responsibilities;
(iii) Raise issues, technical or otherwise timeously and identify the required corrective actions;
(iv) Monitor completion of actions with agreed timelines; and
(v) Ensure that the proper process is followed and that proper communication happened between the various parties.

The weekly meetings where chaired by a member of the Supervisory Board and were all well attended and the purpose of the sub-committee was achieved.

In addition to regular Audit and Risk Committee meetings, additional Audit and Risk Committee meetings were scheduled to receive regular updates from the External Auditor and to discuss the progress in respect of the preparation of the 2017 and 2018 Consolidated Financial Statements, with particular emphasis on the restatements and areas where judgement was required.

In addition to the activities described above, the Audit and Risk Committee amongst other matters discussed or made resolutions concerning the following:

(i) reviewed the Company's tax policy;
(ii) assessed functioning of External Auditor and reported on this and the relationship with the External Auditor;
(iii) reviewed control reports;
(iv) reviewed whistle-blowers' reports;
(v) performed an evaluation of the funtioning of Philip Dieperink as CFO;
(vi) reviewed the half-yearly financial results and their announcement for approval by the Supervisory Board
(vii) Reviewed internal control report, tax reports, and the tax policy, cyber security risks, treasury reports and whistle-blowers reports
(viii) advised the Supervisory Board that Deloitte be nominated for re-appointment as the Company's External Auditor for the Reporting Period with Johan Hopmans as the audit partner;
(ix) in connection with the Management Board's assessment of the way in which the internal audit function fulfilled its responsibility, recommended to the Management Board and to the Supervisory Board that Jan Opperman be appointed as the most senior internal auditor of the Group within the meaning of the 2016 DCGC;
(x) reviewed the effectiveness of the design operation of the internal risk management and control systems
(xi) reviewed the effectiveness of the internal and external audit processes
(xii) reviewed and recommended that the Supervisory Board approve the internal audit charter;
(xiii) reviewed and recommended that the Supervisory Board approve the internal audit plan;
(xiv) a proposal for a revision of the Regulations of the Audit and Risk Committee; and
(xv) performed an evaluation of its own functioning.

Report of the Human Resources and Remuneration Committee

Composition

Until the resignation or retirement, as applicable, of Supervisory Directors Len Konar and Theunie Lategan on 28 February 2018, the Resources and Remuneration Committee consisted of Theunie Lategan (chairman), Len Konar and Steve Booysen.

After their appointment on 20 April 2018, Supervisory Directors Hugo Nelson, Khanyisile Kweyama, and Moira Moses were appointed to the committee. As at the date of this Annual Report, the committee consists of Moira Moses (chairperson), Hugo Nelson, and Khanyisile Kweyama.

Meeting attendance

	Attendance Human Resources and Remuneration Committee				
Name	Date First Meeting	Date Last Meeting	Total Meetings	Missed meetings	Percentage
K.T. Kweyama	22 May 2018	29 August 2018	3	1	67%
M.T. Lategan	20 December 2017	22 February 2018	6	0	100%
S.F. Booysen	20 December 2017	22 February 2018	6	0	100%
L. Konar	20 December 2017	22 February 2018	6	0	100%
M.A. Moses	22 May 2018	29 August 2018	3	0	100%
H.A. Nelson	22 May 2018	29 August 2018	3	1	67%

Activities of the Human Resources and Remuneration Committee

During the Reporting Period, the Human Resources and Remuneration Committee amongst other matters discussed or made resolutions concerning the following:

(i) reviewed the Remuneration Policy;
(ii) measures to retain key personnel;
(iii) reviewed remuneration clawback options;
(iv) a proposal concerning the remuneration of individual Managing Directors nominated for appointment at the AGM on 20 April 2018;
(v) a proposal for Supervisory Directors' fees, taking into account a benchmark study performed by an external remuneration advisor;
(vi) prepared a Remuneration Report;
(vii) a proposal for a revision of the Regulations of the Human Resources and Remuneration Committee; and
(viii) performed an evaluation of its own functioning.

Report of the Nomination Committee

Composition

Until the resignation of Christo Wiese on 14 December 2017 and the resignation or retirement, as applicable, of Claas Daun and Len Konar per 28 February 2018, the Nomination Committee consisted of these three Supervisory Directors.

Heather Sonn replaced Christo Wiese as chairperson of the Nomination Committee and after their (re-)appointment, as applicable, on 20 April 2018, Supervisory Directors Angela Krüger-Steinhoff and Alexandra Watson were appointed to the committee. As at the date of this Annual Report, the committee consists of Heather Sonn (chairperson), Angela Krüger-Steinhoff and Alexandra Watson.

Meeting attendance

		Attendance Nomination Committee			
Name	**Date First Meeting**	**Date Last Meeting**	**Total Meetings**	**Missed meetings**	**Percentage**
C.H. Wiese*					
C.E. Daun	**19 December 2017**	2 January 2018	2	0	100%
L. Konar	**19 December 2017**	**2 January 2018**	**2**	**0**	**100%**
H.J. Sonn	**19 December 2017**	25 September 2018	6	0	100 %
A. Krüger-Steinhoff	**4 June 2018**	25 September 2018	4	0	100 %
A. Watson	**13 June 2018**	29 August 2018	4	0	100 %

***Resigned from the Supervisory Board on 14 December 2017, prior to any of the 2018 meetings of the Nomination Committee**

Activities of the Nomination Committee

During the Reporting Period, the Nomination Committee amongst other matters discussed or made resolutions concerning the following:

(i) to initiate the evaluation of the functioning of individual Managing Directors and Supervisory Directors;
(ii) to initiate the evaluation of the functioning of the Supervisory Board, the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Nomination Committee and the Management Board;
(iii) succession planning of Managing Directors and Supervisory Directors;
(iv) proposals for the nomination of Managing Directors and Supervisory Directors for appointment at the AGM on 20 April 2018;
(v) a proposal for the Diversity Policy;
(vi) assessment of the size and composition of the Management Board and the Supervisory Board;
(vii) a proposal for the Supervisory Board profile;
(viii) a proposal for the Supervisory Board rotation schedule;
(ix) a proposal for a revision of the Regulations of the Nomination Committee; and
(x) performed an evaluation of its own functioning.

Report of the Governance, Social and Ethics Committee

Composition

After the retirement of Len Konar on 28 February 2018 and the (re-)appointment, as applicable, of Steve Booysen, Peter Wakkie, Alexandra Watson and Khanyisile Kweyama, the composition of the committee was changed.

As at the date of this Annual Report, the committee consists of: Peter Wakkie (chairman), Alexandra Watson, Steve Booysen and Khanyisile Kweyama.

Meeting attendance

	Attendance Governance, Social and Ethics				
Name	Date First Meeting	Date Last Meeting	Total Meetings	Missed meetings	Percentage
S.F. Booysen	13 June 2018	29 August 2018	2	0	100%
K. Kweyama	13 June 2018	29 August 2018	2	0	100%
P. Wakkie	13 June 2018	29 August 2018	2	0	100%
A. Watson	13 June 2018	29 August 2018	2	0	100%

Activities of the Governance, Social and Ethics Committee

During the Reporting Period, the Governance, Social and Ethics Committee amongst other matters discussed or made resolutions concerning the following:

(i) the role, duties and responsibilities of the committee under South African law;

(ii) proposed revised committee regulations;

(iii) discussed the status, implementation and enforcement of group policies;

(iv) reviewed the reporting lines of Senior Management/Organigram;

(v) performed a review of Supervisory Directors serving on group boards;

(vi) discussion of the Supervisory Board rotation Schedule; and

(vii) made recommendation for the appointment for the Company Secretary function of Steinhoff N.V.

REMUNERATION REPORT

Our remuneration philosophy dictates that all employees are fairly rewarded for their individual and joint contributions in the execution of the Steinhoff strategy and delivery of the Group's operating and financial performance. Steinhoff's remuneration philosophy is to remunerate all employees in a competitive manner to attract, motivate and retain individuals of the necessary caliber.

INDEX

The overall strategic aim of the Remuneration Strategy is to reward all employees for their individual and joint contributions in the execution of the Steinhoff strategy and delivery of the Group's operating and financial performance. Steinhoff's remuneration philosophy is to remunerate all employees in a competitive manner to attract, motivate and retain individuals of the necessary caliber.

This remuneration report consists of the following parts:

Part 1: Description of the Remuneration Policy

Part 2: Application of the Remuneration Policy

Part 3: Modification of the Remuneration Policy

During the Reporting Period, the Human Resources and Remuneration Committee was reconstituted. Reference is made to the Report of the Supervisory Board in this regard. The Remuneration Policy applies to both Managing Directors and other Senior Managers. Senior Managers are members of the Executive Committee, which committee was dissolved shortly after the events of December 2017. This Remuneration Report will, therefore, refer to Senior Managers because the Executive Committee was an established committee of the Management Board for a part of the Reporting Period.

Part 1: Description of the Remuneration Policy

Key principles and remuneration elements

The Group is an international business with revenue earned in many countries and expects its Managing Directors and other Senior Managers to be internationally mobile and to have knowledge and experience across borders. As a result, the Group competes for skills and talent in a global marketplace and its approach to remuneration needs to be flexible and competitive in all countries it operates in.

The objective of the Remuneration Policy is therefore to provide remuneration in a form which will attract, retain and motivate Managing Directors and other Senior Managers, while protecting and promoting the objectives of the Group. The Remuneration Policy caters for a variable component, which is linked to pre-determined, assessable and influenceable targets, which are predominantly structured to incentivise Managing Directors and other Senior Managers throughout the business cycle but drive the long-term sustainability of the business.

The Remuneration Policy is based on the following five key principles:

(i) Remuneration is aligned with the corporate strategy of the Company;

(ii) Total rewards are set at levels that are competitive and relative within the specific market and industry, taking into account the Company's results, including financial and non-financial indicators relevant for the Company's value creation on the long-term;

(iii) Incentive-based awards are earned through achieving demanding performance measures and targets with due regard for the sustainable wellbeing of all stakeholders over the short-, medium- and long-term;

(iv) Incentive plans, performance measures and targets are structured to operate effectively throughout the business cycle; and

(v) The design of long-term incentives is prudent and does not expose stakeholders to a position where the sustainability of the Group is placed at risk.

In accordance with the Remuneration Policy, the Supervisory Board seeks to ensure an appropriate balance between the fixed, variable and performance-related elements of the remuneration of the Managing Directors and other Senior Managers. According to the Remuneration Policy, the Supervisory Board should seek to ensure an appropriate balance between those aspects of the package linked to short-term financial performance and those linked to longer-term sustainable stakeholder value creation.

The four elements of remuneration consist of a base salary, annual bonus, LTIs, and benefits. The Supervisory Board has the discretionary power to adjust any variable remuneration component rewarded to a Managing Director and a Senior Manager, with respect to a previous financial year, if the Supervisory Board feels that the outcome is unreasonable due to exceptional circumstances during the relevant performance period. In addition, the Supervisory Board shall have the right to recover any bonus awarded to a Managing Director or a Senior Manager on the basis of incorrect information on whether or not the financial performance targets or other qualifying criteria have been met or other circumstances the bonus was dependent on.

Base salary

The fixed element of remuneration is referred to as the base salary. Its purpose is to provide a competitive level of remuneration. In determining base salaries, the Supervisory Board takes into consideration the Company performance, individual performance and changes in responsibilities, and in addition the Supervisory Board will take into account the impact of the base salary on the pay differentials within the Company. The Supervisory Board determines an appropriate level for the base salary with the aid of external reference data issued by independent remuneration experts.

Annual bonus

Managing Directors and other Senior Managers are entitled to an annual performance related bonus payment. The objective of the annual performance related bonus is to incentivise and reward strong short term financial and personal performance, the implementation of strategic initiatives, such as meeting growth targets, while continuing to be focused on sustainable results which are aligned with the long-term strategy of the Group. The Remuneration Policy requires the Supervisory Board to set performance conditions on an individual basis on or before the beginning of the relevant financial year. The annual bonus is based on a percentage of the annual base salary.

The financial, operational and transformation targets, represent in excess of 80% of the potential annual bonus. Where performance criteria are supplemented by personal performance objectives, such personal performance objectives represent on average less than 20% of the potential bonus that can be achieved.

The Supervisory Board has the discretion to defer all or part of the annual bonus payment to Senior Managers on terms to be agreed on an annual basis, dependent on the performance criteria applicable to such bonuses and the longer-term measurement that could be implied by such performance criteria.

LTIs

The Managing Directors and other Senior Managers participate in the ESRS, which was approved by the shareholders of the Company's legal predecessor during its annual General Meeting of 6 December 2010 and amended and adopted during the General Meeting of 1 December 2015.

The allocation of LTIs is based on the following key eligibility criteria: (i) individuals who are key to driving the Group's long-term business strategy; (ii) retention of key talent/ scarce skills; and (iii) talent management strategy and succession plans.

The Remuneration Policy provides that the targets for LTIs are set with reference to industry and market benchmark performance. Such benchmarks are determined annually by measuring operational performance against those of peer group companies (in comparable industries and markets) in local currencies.

Benefits

Benefits include membership of retirement funds and medical aid schemes, to which contributions are made by a Managing Director or other Senior Manager and the relevant Group Company where such individual is employed. In addition, Managing Director or other Senior Managers are entitled to expense allowances required for the proper performance of their duties. The contracts with Managing Director or other Senior Managers do not contain any 'golden parachute' provisions.

The individual may elect how much the retirement savings portion should be and the relevant contributions, based on his/her election, are paid by the individual. Depending on the terms of the particular medical aid schemes, the member can elect the level of medical cover of their choice and the same is paid by the individual. Due to the individual choices in the level of retirement and medical benefits, the Company has no liability in this regard.

Part 2: Application of the Remuneration Policy

This part of the Remuneration Report includes information of the Managing Directors who held office during any part of the Reporting Period.

General

Due to the events of December 2017 and with the departure of the previous CEO, Markus Jooste, there were a number of staff changes made in the organisation, particularly relevant were the changes to the Management Board and senior staff.

The following recommendations were made for appointments from within the organisation to the Management Board in December 2017 and January 2018. Danie van der Merwe was designated as acting CEO, Alexandre Nodale was nominated as Deputy CEO, Louis du Preez was nominated as Commercial Director and Philip Dieperink was nominated Chief Financial Officer for approval at the AGM on 20 April 2018. Theodore de Klerk was shortly thereafter nominated as Operations Director.

The nominated Managing Directors Louis du Preez, Theodore de Klerk, Philip Dieperink and Alexandre Nodale and Managing Director Danie van der Merwe had service or employment contracts with subsidiaries.

By this time, the forensic investigation had begun and was still in progress. Consulting agreements were entered into with Managing Director Ben la Grange, and with Senior Managers Stéhan Grobler and Dirk Schreiber. This was critical in order to obtain the historical context to the events which had unfolded. The consulting agreements with Ben la Grange and Stéhan Grobler terminated on 30 September 2018 and 31 December 2018 respectively. Dirk Schreiber continues to assist the Group with historical information needed for the completion of selected European non-operating single company taxation queries and statutory accounts.

Dealing with historical obligations

Shortly after the events of December 2017, the Supervisory Board, the Human Resources and Remuneration Committee sought advice in connection with the Supervisory Board on the Company's rights in respect of clawbacks on remuneration paid to Managing Directors and other Senior Managers.

The Company was contractually bound to pay the third tranche of strategic project bonuses that were awarded in 2016 for work done on specific strategic projects such as the FSE listing, to other Senior Managers. These third tranches were conditional on the relevant individual being in active employment at the time of the payment date. Any deferred strategic project bonuses awarded to the Managing Director, Danie van der Merwe, for the same projects, were withheld until the forensic investigation was completed by PwC.

Neither Ben la Grange nor Markus Jooste received bonuses or severance payments upon their exit from the Company.

Vesting of 2014 financial year grant

The vesting of the 2014 financial year grant in terms of the ESRS was subject to certain vesting conditions being met. The Supervisory Board, upon the recommendation of the Human Resources and Remuneration Committee, determined that the vesting conditions could not be measured at the vesting date which resulted in the vesting measurement being postponed until after the publication of the 2017 Consolidated Financial Statements on 7 May 2019.

Based on the rules of the ESRS, vesting can only occur at 0% or 100%. The potential vesting date for the 2014 financial year grant was 1 March 2018, and subsequent to the publication of the 2017 Consolidated Financial Statements, the measurement was performed. The Group's financial performance hurdles were not all met and therefore the grant did not vest.

Vesting of 2016 financial year grant

The potential vesting date for the 2016 financial year grant was 1 March 2019. However, vesting conditions could again not be measured at the vesting date due to the 2018 Consolidated Financial Statements not having been published before the vesting date. Subsequently, the vesting measurement of the 2016 financial year grant could be performed in conjunction with the finalisation and audit of the 2018 Consolidated Financial Statements.

Similar to the 2014 financial year grant, the Group's financial performance hurdles for the 2016 financial year grant were not all met and therefore the grant could not vest

LTIs: discontinuance of the ESRS; no grants in 2018

The ESRS was discontinued during the Reporting Period and no grants were made under the ESRS in the Reporting Period prior to its discontinuance.

Performance share rights scheme

In relation to the below overview, no Shares were repurchased or issued in relation to the ESRS during the Reporting Period.

SHARE RIGHTS MANAGEMENT BOARD	Offer date	Conditional vesting date	Number of rights as at 30 September 2017	Number of rights exercised during the year	Number of rights awarded during the year	Number of rights forfeited d uring the year	Number of rights as at 30 September 2018	Value of rights exercised during the year €m	Value of rights awarded during the year €m
Markus Jooste									
	December 2014*	March 2018	869 301	–	–	(869 301)	–	–	–
	March 2016	March 2019	671 017	–	–	(671 017)	–	–	–
	March 2017	March 2020	980 968	–	–	(980 968)	–	–	–
Ben la Grange									
	December 2014*	March 2018	233 499	–	–	(233 499)	–	–	–
	March 2016	March 2019	259 257	–	–	(259 257)	–	–	–
	March 2017	March 2020	392 387	–	–	(392 387)	–	–	–
Danie van der Merwe									
	December 2014*	March 2018	439 041	–	–	(439 041)	–	–	–
	March 2016	March 2019	335 509	–	–	–	335 509	–	–
	March 2017	March 2020	490 484	–	–	–	490 484	–	–
Philip Dieperink									
	December 2014*	March 2018	150 507	–	–	(150 507)	–	–	–
	March 2016	March 2019	122 923	–	–	–	122 923	–	–
	March 2017	March 2020	140 462	–	–	–	140 462	–	–
Theodore de Klerk									
	December 2014*	March 2018	81 130	–	–	(81 130)	–	–	–
	March 2016	March 2019	67 301	–	–	–	67 301	–	–
	March 2017	March 2020	83 438	–	–	–	83 438	–	–
Alexandre Nodale									
	December 2014*	March 2018	181 821	–	–	(181 821)	–	–	–
	March 2016	March 2019	198 255	–	–	–	(198 255)	–	–
	March 2017	March 2020	294 290	–	–	–	(294 290)	–	–

All share rights relating to the 2014 financial year grant were forfeited during the Reporting Period. Subsequent to the Reporting Date, shares relating to the 2016 grant were forfeited.

For more details on the ESRS reference is made to note 32.1 of the 2018 Consolidated Financial Statements.

Remuneration of the new Management Board

In order to retain Managing Directors who were able to stabilise the Company and to lead the Company through this very challenging period, a review of the remuneration of the new Managing Directors was necessitated. In light of the complexities of the extraordinary circumstances, the Human Resources and Remuneration Committee obtained a professional view, including appropriate benchmarking and market best practices to support its proposal for suitable base remuneration for Managing Directors. To this end, the Company has contracted with a leading independent remuneration specialist, PwC, to provide the committee with a professional view on suitable base salary and also to provide them with a benchmark on fees for executives in companies that could be compared with Steinhoff in its current challenging phase.

Upon the proposal of the Human Resources and Remuneration Committee, the Supervisory Board approved the revised remuneration for the Managing Directors, which comprised of a revised base salary, an annual bonus based on specific key performance criteria and a long-term incentive.

The Supervisory Board evaluated earning scenarios per individual Managing Director. In doing so, the Human Resources and Remuneration Committee presented to the Supervisory Board the following:

a) The maximum opportunity earnings scenario based on a maximum annual bonus allocation of one multiple of the base remuneration, should the Managing Director achieve all the performance objectives;

b) The minimum earnings scenario based on no annual bonus allocation if none of the performance objectives were achieved; and

c) The most likely earnings scenario based on a conservative annual bonus allocation and the achievement of one of the performance objectives.

Base salary

The Supervisory Board approved the base salary for the nominated Managing Directors, with a base salary reduction for Danie van der Merwe, for a period of 24 months, effective 1 January 2018. In accordance with best practice provision 3.4.2 of 2016 DCGC, the main elements of the agreements with the Managing Directors were published on the Company's website as part of the 2018 General Meeting notice. During the Reporting Period, in June 2018, upon the recommendation of the Human Resources and Remuneration committee, the Supervisory Board approved a base salary increase for Theodore de Klerk effective from 1 June 2018.

Annual bonus

During the Reporting Period, and given the extraordinary circumstances, the Supervisory Board, upon the recommendation of the Human Resources and Remuneration Committee, approved an annual bonus to the newly appointed Managing Directors and to acting CEO Danie van der Merwe conditional on achieving key objectives that were critical to ensuring the operational continuity of the Company.

The performance criteria for the Managing Directors were aligned with the following short-term immediate objectives:

(i) Agreement of a debt roll-over and restructure plan with lenders (weighting of 75%); and

(ii) The achievement of specific process progress milestones on the finalisation of the 2016, 2017 and 2018 Consolidated Financial Statements (weighting of 25%).

The Supervisory Board, upon recommendation of the Human Resources and Remuneration Committee, approved a bonus allocation to the newly appointed Managing Directors and to acting CEO Danie van der Merwe of a 0.8 multiple of the base salary of Managing Directors. This allocation would further be multiplied with the weighting of the objective achieved at the end of the Reporting Period. The Management Board achieved the first objective by:

(iii) Successfully negotiating a Lock-Up Agreement with the Group's creditors that provided a temporary "debt standstill";

(iv) Successfully negotiating a long-form debt agreement that would restructure the Group's debt into 3-year instruments that will allow time for an orderly restructure; and

(v) Launching the CVAs to ensure the restructure is enforceable.

The Management Board was not able to finalise the 2016 and 2017 Consolidated Financial Statements in the Reporting Period and therefore did not meet the second performance objective.

In awarding the annual bonuses, the Supervisory Board ensured that the relationship between the chosen performance criteria and the strategic objectives applied, as well as the relationship between remuneration and performance, were properly reviewed and accounted for both retrospectively at the end of the Reporting Period.

LTI scheme

Throughout the Reporting Period, and given the extraordinary circumstances, the Company faced challenges in retaining key individuals in critical positions. Due to the collapse of the Company's share price, the share based LTI scheme ("ESRS") could no longer fulfil its purpose to retain, reward and attract key individuals. Participants in the LTIs were the Managing Directors and employees in key positions.

Given the extraordinary circumstances, the Human Resources and Remunerations Committee felt it prudent to propose an appropriate longer term incentive for Managing Directors. Therefore, upon the proposal of the Human Resources and Remuneration Committee, the Supervisory Board approved the replacement of the share based LTI scheme with a cash based

LTI for Managing Directors. In doing so, the Supervisory Board exercised its right to deviate from the Remuneration Policy.

The Supervisory Board approved an annual cash based LTI allocation to Managing Directors. One third of such LTI allocation will vest on the annual anniversary of the allocation date, provided the criteria, set for the specific annual allocation, are achieved.

The Supervisory Board approved two weighting criteria:

(i) 40% weighting of the allocation based on retention, whereby the Managing Director has to be in active employment with the Group on the date of vesting/payment; and

(ii) 60% weighting of the allocation based on performance.

The Supervisory Board intends to present a revised Remuneration Policy for adoption by the General Meeting at the 2019 AGM which will include a cash LTI.

2018 Managing Directors' remuneration

Base salary, pension and bonuses

The table below summarises the Managing Directors' total remuneration for the Reporting Period.

REMUNERATION OF THE MANAGING DIRECTORS	Base salary[1] €'000	Pension contributions €'000	Other company contributions €'000	Annual bonus €'000	Retention/ Strategic bonus[2] €'000	Deferred bonus €'000	Accrued short-term and long-term bonus €'000	Total remuneration and fees €'000
Twelve months ended 30 September 2018								
Markus Jooste	322	4	–	–	–	–	–	326
Ben la Grange	219	6	–	–	–	965	–	1 190
Danie van der Merwe	992	36	–	–	–	536	600	2 164
Louis du Preez[2]	792	44	–	–	482	–	600	1 918
1 October 2017 to 31 December 2017	81	5	–	–	482	–	–	568
1 January 2018 to 19 April 2018	292	8	–	–	–	–	–	300
20 April 2018 to 30 September 2018	419	31	–	–	–	–	600	1 050
Philip Dieperink[2]	1 180	69	18	300	–	–	900	2 467
1 October 2017 to 31 December 2017	127	17	5	–	–	–	–	149
1 January 2018 to 19 April 2018	461	21	5	300	–	–	–	787
20 April 2018 to 30 September 2018	592	31	8	–	–	–	900	1 531
Theodore de Klerk[2]	629	43	–	133	–	161	600	1 566
1 October 2017 to 31 December 2017	66	6	–	133	–	161	–	366
1 January 2018 to 19 April 2018	203	9	–	–	–	–	–	212
20 April 2018 to 30 September 2018	360	28	–	–	–	–	600	988
Alexandre Nodale[2]	809	51	137	559	–	–	600	2 156
1 October 2017 to 31 December 2017	59	4	11	–	–	–	–	74
1 January 2018 to 19 April 2018	306	19	51	559	–	–	–	935
20 April 2018 to 30 September 2018	444	28	75	–	–	–	600	1 147

Directors' fees were included in the base salary

[1] *Neither Ben la Grange nor Markus Jooste received severance payments upon their exit from the Company.*

[2] *Appointed on 20 April 2018. The remuneration as provided above includes remuneration for the full Reporting Period as the newly appointed Managing Directors were all employed elsewhere in the Group prior to their appointment to the Management Board. The annual, strategic, retention and deferred bonuses paid relate to service prior to them becoming a Managing Director. The accrued short-term and long-term bonuses relate to their services as Managing Directors*

Clawbacks

During the Reporting Period, no clawbacks were made. Both the current Management Board and Supervisory Board confirm their respective commitment to make use of their clawback rights where appropriate.

2018 Supervisory Directors' remuneration

Supervisory Board Remuneration

In January 2018, the Supervisory Board remuneration was reviewed by an independent remuneration consultant, PwC, with reference to market and industry norms as well as retention and attraction of high-caliber individuals as supervisory directors. The Human Resources and Remuneration Committee prepared a proposal for the remuneration of the Supervisory Board, taking into account the benchmark study performed by PwC. In addition, the proposal took into account the time spent by Supervisory Directors and the responsibilities of their role given the Company's circumstances. The Supervisory Board remuneration proposal was approved by the General Meeting on 20 April 2018.

REMUNERATION OF THE SUPERVISORY BOARD (AS APPROVED BY THE AGM ON 20 APRIL 2018)	€'000
Supervisory Board member fees	
Chairman of the Supervisory Board	**300 000**
Deputy-Chairman of the Supervisory Board	**130 000**
Any other member of the Supervisory Board	**100 000**
Additional committee fees	
Chairman of the Audit and Risk Committee	**50 000**
Member of the Audit and Risk Committee	**25 000**
Chairman of the Nominations Committee	**20 000**
Member of the Nominations Committee	**10 000**
Chairman of the Human Resources and Remuneration Committee	**30 000**
Member of the Human Resources and Remunerations Committee	**20 000**
Chairman of the Governance and Ethics Committee	**20 000**
Member of the Governance and Ethics Committee	**10 000**

In respect of the remuneration paid to Supervisory Directors during the Reporting Period, reference is made to note 31.1.2.

Loans, advance payments or guarantees to Managing Directors and Supervisory Directors

With the exceptions of the Pre-Payment Transactions with Upington and Titan, no loans, advance payments or guarantees were made to Managing Directors or Supervisory Directors (or entities controlled by any of them) during the Reporting Period.

Contracts with entities under the control of Supervisory Directors

During part of the Reporting Period, Steinhoff Europe Group Services GmbH had a contract with Bruno Steinhoff Beratungs- und Verwaltungs GmbH for business consulting services, with a monthly fee of €37 500. During the Reporting Period, a consultancy fee of €337 500 was paid under the contract. This fee included Bruno Steinhoff's Supervisory Director fee for the Reporting Period. The contract terminated on 30 June 2018.

During part of the Reporting Period, the Company had a contract with Grene Properties Proprietary Limited, an entity under the control of Christo Wiese, for the provision of director's services to the Company, including the provision of services of Christo Wiese as Chairman of the Supervisory Board. During the Reporting Period, a total of €62 500 was paid under the contract. The contract terminated on 14 December 2017, the date of Christo Wiese's resignation from the Supervisory Board.

During part of the Reporting Period, Steinhoff at Work had a contract with Titan, an entity under the control of Christo Wiese, for the provision of secretarial, administrative and office management services to the Company as well as the use of a portion of Titan's premises and infrastructure, all in connection with the performance of Christo Wiese's duties as Chairman of the Supervisory Board. During the Reporting Period, a total of €30 822 was paid under the contract.

During the Reporting Period, Steinhoff at Work had a contract with Toerama, an entity under the control of Christo Wiese, pursuant to which Toerama made an aircraft available to Managing Directors and other Senior Managers for business travel with the intention that all amounts charged to Steinhoff at Work were to cover costs for usage of the aircraft and not for Toerama to profit from the contract. A total of €164 384 was paid under the contract during the Reporting Period. The contract was terminated on 14 December 2017, the date of Christo Wiese's resignation from the Supervisory Board.

The total amount paid to Christo Wiese and entities controlled by him during the Reporting Period was €256 849. Reference is made to note 31.1.2 of the 2018 Consolidated Financial Statements.

The total amount paid to Bruno Steinhoff and Bruno Steinhoff Beratungs-und Verwaltungs GmbH during the Reporting Period was €337 500.

Paul Copley was nominated to the Supervisory Board in August 2018. For the period until his appointment, he receives a fee as consultant of an amount equal to the membership fee of the Supervisory Board.

During the Reporting Period, Heather Sonn's term as Supervisory Director came to an end on 28 February 2018. However, she was requested to continue to chair the meetings of the Supervisory Board. She was reappointed to the Supervisory Board on 20 April 2018. For the period between 1 March 2018 and 20 April 2018, Heather Sonn received a fee for her services of an amount equal to the membership fee of the Supervisory Board and a Nominations Committee membership. Heather Sonn's remuneration for that period was €41 601.

Pay-ratios

Pursuant to best practice provision 3.4.1 (iv) of the 2016 DCGC, the remuneration report should - inter alia - describe the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year. This remuneration report, however, does not contain a description of the pay ratios because, due to sale of a number Group companies and reorganisation within a number of Group companies during the Reporting Period, no representative reference group could be determined that would allow consistency and comparison in subsequent years. In the financial year 2019, the Human Resources and Remuneration Committee has prepared a proposal for a pay ratio that will be submitted to the Supervisory Board for approval. Reference in this regard is made to the section 2016 DCGC Compliance in the Annual Report.

Part 3: Modification of the Remuneration Policy

Taking into account the Group's current circumstances, its challenges and its strategic direction, the Human Resources and Remuneration Committee is currently preparing a proposal for a revised Remuneration Policy for the Management Board and a Remuneration Policy for the Supervisory Board. Both policies will further take into account the principles and best practice provisions of the 2016 DCGC, as well as the Dutch legislation which implements the Revised Shareholders' Rights Directive (2017/828/EU). The Supervisory Board aims to submit these remuneration policies for approval by the General Meeting of 2019.

The Remuneration Policy can be viewed on the Company's website www.steinhoffinternational.com.

ANNUAL REPORT 2018 – PART III

ANNEXURES

INDEX

SHARE STATISTICS

STOCK EXCHANGE	FSE	JSE
Stock symbol	**SNH Xetra**	**SNH SJ**
Listing type	**Primary**	**Secondary**
ISIN	**NL0011375019**	**NL0011375019**
Initial listing	**December 2015**	**September 1998**
Opening share price	**€3.77**	**ZAR60.03**
Closing share price	**€0.14**	**ZAR2.30**
Highest share price during year	**€3.85**	**ZAR61.95**
Lowest share price during year	**€0.08**	**ZAR1.07**
Volume traded during year (million)	**13 407**	**5 345**
Value traded during year (million)	**€4 648**	**ZAR59 817**
Market capitalisation (million)[1]	**€583**	**ZAR9 520**
Number of shares in issue (million)[1]	**4 139**	**4 139**

[1] *As at 30 September 2018, net of treasury shares.*

FINANCIAL CALENDAR

2019 Half-year results	**Friday 12 July, 2019**
Annual general meeting	**Friday, 30 August 2019**

CORPORATE AND CONTACT INFORMATION

Registration number

63570173

Registered office

Building B2
Vineyard Office Park
Cnr Adam Tas & Devon Valley Road
Stellenbosch 7600
South Africa

Website

www.steinhoffinternational.com

Auditors

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
The Netherlands

PO Box 58110
1040 HC
Amsterdam
The Netherlands

Company secretary

Ewoud van Gellicum

South African sponsor

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor
Ou Kollege Building
35 Kerk Street
Stellenbosch
7600
(PO Box 7403, Stellenbosch 7599)

South African transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196
(PO Box 61051, Marshalltown 2107)

Commercial banks

Standard Corporate and Merchant Bank
(A division of The Standard Bank of South Africa Limited)
(Registration number 1962/000738/06)
Ground Floor, 3 Simmonds Street
Johannesburg 2001
PO Box 61150, Marshalltown 2107

In addition, the group has commercial facilities with various other banking and financial institutions worldwide.

CAUTIONARY NOTICE

This Annual Report contains forward-looking statements, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements.

Many of these risks and uncertainties relate to factors that are beyond Steinhoff's ability to control or estimate precisely, including but not limited to, Steinhoff's ability to successfully implement and complete its plans and strategies and to meet its targets, the benefits from Steinhoff's plans and strategies being less than anticipated, the effect of general economic or political conditions, Steinhoff's ability to retain and attract employees who are integral to the success of the business, business and IT continuity, collective bargaining, distinctiveness, competitive advantage and economic conditions, information security, legislative and regulatory environment and litigation risks, product safety, pension plan funding, strategic initiatives, responsible retailing, insurance, other financial risks, unforeseen tax liabilities and other factors discussed in this Annual Report, in particular the paragraphs on how we manage risk and in Steinhoff's other public filings and disclosures.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. Steinhoff does not assume any obligation to update any public information or forward-looking statement in this Annual Report to reflect events or circumstances after the date of this Annual Report, except as may be required by applicable laws.

ANNUAL REPORT 2018

STEINHOFF INTERNATIONAL HOLDINGS N.V.

Consolidated and separate financial statements for the period ended 30 September 2018

INDEX

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the period ended 30 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS *for the period ended 30 September 2018*	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
Continuing operations			
Revenue	3	**12 827**	12 493
Cost of sales[2]		**(7 851)**	(7 610)
Gross profit		**4 976**	4 883
Other income	4.1	**195**	196
Distribution expenses	4.3	**(702)**	(582)
Administration expenses	4.3	**(4 098)**	(4 065)
Other expenses	4.2	**(291)**	(582)
Operating profit/(loss)		**80**	(150)
Finance costs	5	**(655)**	(410)
Income from investments	5	**68**	38
Share of profit of equity accounted companies	10	**58**	101
Impairment of equity accounted companies	10	**(3)**	(126)
Loss before taxation		**(452)**	(547)
Taxation	6	**(222)**	(200)
Loss from continuing operations		**(674)**	(747)
Discontinued operations:			
Loss from discontinued operations	1	**(518)**	(3 247)
Loss for the period		**(1 192)**	(3 994)
(Loss)/profit attributable to:			
Owners of Steinhoff N.V.		**(1 247)**	(4 036)
Non-controlling interests	28	**55**	42
Loss for the period		**(1 192)**	(3 994)
Basic and diluted loss per share (cents):			
From continuing operations	7	**(17.6)**	(18.8)
From discontinued operations	7	**(12.5)**	(77.1)
		(30.1)	(95.9)

[1] Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.

[2] The material component of cost of sales comprises the cost of sales of inventory.

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *for the period ended 30 September 2018*	Notes	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
Loss for the period		**(1 192)**	(3 994)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement adjustments on defined benefit plans		**(4)**	27
Income tax on remeasurement adjustments on defined benefit plans		**–**	(10)
		(4)	17
Items that may be reclassified subsequently to profit or loss:			
Exchange losses on translation of foreign operations		**(71)**	(172)
Income tax on exchange losses on translation of foreign operations		**10**	(7)
Exchange differences relating to hyperinflation		**3**	–
Cumulative other comprehensive loss/(income) reclassified to profit or loss on disposal of investments	4.2.3 & 1.4	**48**	(11)
Net fair value profit/(loss) on cash flow hedges and other assets and liabilities measured at fair value through other comprehensive income		**49**	(20)
Income tax (expense)/income on profit/(loss) on cash flow hedges and other fair value reserves		**(7)**	8
Other comprehensive loss of equity accounted companies	10.3	**(1)**	(3)
		31	(205)
Total other comprehensive income/(loss) for the period		**27**	(188)
Total comprehensive loss for the period		**(1 165)**	(4 182)
Total comprehensive loss attributable to:			
Owners of Steinhoff N.V.		**(1 220)**	(4 224)
Non-controlling interests		**55**	42
Total comprehensive loss for the period		**(1 165)**	(4 182)

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *for the period ended 30 September 2018*	Notes	Ordinary share capital €m	Share premium €m	Treasury share capital €m	Treasury share premium €m
Total equity at 1 October 2016		2 127	8 615	(15)	(56)
Loss for the period		–	–	–	–
Other comprehensive loss for the period		–	–	–	–
Total comprehensive loss for the period		–	–	–	–
Transactions with the owners in their capacity as owners:					
Ordinary shares issued, net of transaction costs	26.4	28	186	–	–
Treasury shares purchased and attributed	26.5	–	–	(33)	(151)
Preference dividends		–	–	–	–
Ordinary dividends		–	–	–	–
Acquisition of subsidiaries with non-controlling interests	24.4 & 28	–	–	–	–
Derecognition of subsidiaries with non-controlling interests	28	–	–	–	–
Transactions with non-controlling interests without change in control	28	–	–	–	–
Attributable share of other reserves relating to equity accounting	10.3	–	–	–	–
Share-based payments	32.3	–	–	–	–
Transfers due to share scheme reversals relating to open grants unlikely to vest)	32.3	–	–	–	–
Total equity at 30 September 2017		2 155	8 801	(48)	(207)
Loss for the period		–	–	–	–
Other comprehensive income for the period		–	–	–	–
Total comprehensive (loss)/income for the period		–	–	–	–
Transactions with the owners in their capacity as owners:					
Net treasury shares purchased and attributed	26.5	–	–	**(37)**	**(230)**
Preference dividends		–	–	–	–
Ordinary dividends		–	–	–	–
Derecognition of subsidiaries with non-controlling interests	28	–	–	–	–
Transactions with non-controlling interests without change in control	28	–	–	–	–
Attributable share of other reserves relating to equity accounting	10.3	–	–	–	–
Share-based payments	32.3	–	–	–	–
Redemption of preference shares		–	–	–	–
Transfers due to share scheme recharge arrangements	32.3	–	–	–	–
Transfers of other reserves relating to the disposal of subsidiaries		–	–	–	–
Transfers to reserves relating to assets held-for-sale and disposal groups		–	–	–	–
Total equity at 30 September 2018		**2 155**	**8 801**	**(85)**	**(437)**

Refer to note 25 for description of nature and purpose of each reserve.

The value of the main components of sundry reserves are: Actuarial gains reserve (2018: €39 million, 2017: €46 million).

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 September 2018

Accumulated losses €m	Equity component of convertible bonds €m	Foreign currency translation reserve €m	Share-based payment reserve €m	Excess of consideration paid to/received from non-controlling interests €m	Reserves relating to assets held-for-sale and disposal groups €m	Sundry reserves €m	Total ordinary equity attributable to owners of Steinhoff N.V. €m	Non-controlling interests €m	Total €m
(3 795)	144	(975)	37	(526)	–	(56)	5 500	590	6 090
(4 036)	–	–	–	–	–	–	(4 036)	42	(3 994)
–	–	(179)	–	–	–	(9)	(188)	–	(188)
(4 036)	–	(179)	–	–	–	(9)	(4 224)	42	(4 182)
–	–	–	–	–	–	–	214	–	214
–	–	–	–	–	–	–	(184)	–	(184)
–	–	–	–	–	–	–	–	(14)	(14)
(628)	–	–	–	–	–	–	(628)	(9)	(637)
–	–	–	–	–	–	–	–	7	7
(115)	–	–	–	115	–	3	3	(209)	(206)
–	–	–	–	225	–	–	225	759	984
–	–	–	–	–	–	14	14	–	14
–	–	–	4	–	–	–	4	–	4
34	–	–	(34)	–	–	–	–	–	–
(8 540)	144	(1 154)	7	(186)	–	(48)	924	1 166	2 090
(1 247)	–	–	–	–	–	–	(1 247)	55	(1 192)
–	–	6	–	–	–	21	27	–	27
(1 247)	–	6	–	–	–	21	(1 220)	55	(1 165)
–	–	–	–	–	–	–	(267)	–	(267)
–	–	–	–	–	–	–	–	(19)	(19)
–	–	–	–	–	–	–	–	(3)	(3)
–	–	–	–	–	–	–	–	(40)	(40)
–	–	–	–	36	–	–	36	160	196
20	–	–	–	–	–	(19)	1	–	1
–	–	–	5	–	–	–	5	–	5
–	–	–	–	–	–	–	–	(157)	(157)
(2)	–	–	2	–	–	–	–	–	–
(9)	–	–	–	(4)	–	13	–	–	–
–	–	148	–	–	(148)	–	–	–	–
(9 778)	144	(1 000)	14	(154)	(148)	(33)	(521)	1 162	641

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *as at 30 September 2018*	Notes	30 September 2018 €m	30 September 2017 €m
ASSETS			
Non-current assets			
Goodwill	8	**4 485**	4 593
Intangible assets	8	**1 826**	2 657
Property, plant and equipment	9	**2 146**	3 302
Investment property	9	**134**	128
Investments in equity accounted companies	10	**430**	2 055
Investments and loans	11	**311**	106
Deferred tax assets	6.3	**201**	221
Trade and other receivables	12	**3**	2
		9 536	13 064
Current assets			
Inventories	14	**2 155**	2 556
Trade and other receivables	12	**1 216**	1 055
Investments and loans	11	**261**	107
Cash and cash equivalents	15	**1 275**	723
		4 907	4 441
Assets and disposal groups classified as held-for-sale	34	**1 927**	–
		6 834	4 441
Total assets		**16 370**	17 505
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital (net of treasury shares)	26	**2 070**	2 107
Share premium (net of treasury shares)	26	**8 364**	8 594
Other reserves	25	**(1 029)**	(1 237)
Accumulated losses	25	**(9 778)**	(8 540)
Reserves relating to assets held-for-sale and disposal groups		**(148)**	–
Total equity attributable to owners of Steinhoff N.V.		**(521)**	924
Non-controlling interests	28	**1 162**	1 166
Total equity		**641**	2 090
Non-current liabilities			
Interest-bearing loans and borrowings	16	**2 027**	–
Employee benefits	20	**115**	205
Deferred tax liabilities	6.3	**556**	752
Provisions	21	**182**	338
Trade and other payables	17	**69**	92
		2 949	1 387
Current liabilities			
Trade and other payables	17	**2 809**	3 965
Employee benefits	20	**147**	145
Provisions	21	**175**	365
Interest-bearing loans and borrowings	16	**8 318**	8 609
Bank overdrafts and short-term facilities	16	**45**	944
		11 494	14 028
Liabilities directly associated with assets classified as held-for-sale	34	**1 286**	–
		12 780	14 028
Total equity and liabilities		**16 370**	17 505

The accompanying notes are an integral part of the Consolidated Financial Statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
for the period ended 30 September 2018

CONSOLIDATED STATEMENT OF CASH FLOWS *for the period ended 30 September 2018*	Notes	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (utilised in)/generated from operations	23.1	**(17)**	404
Dividends received	5, 10 & 29	**15**	67
Ordinary dividends paid		**(5)**	(638)
Preference dividends paid		**(19)**	(14)
Interest received	5	**50**	34
Interest paid	5	**(432)**	(422)
Taxation paid		**(228)**	(223)
Net cash outflow from operating activities		**(636)**	(792)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property[1]	9	**(544)**	(708)
Additions to intangible assets	8	**(45)**	(54)
Proceeds on disposal of property, plant and equipment and intangible assets		**219**	18
Acquisition of subsidiaries and businesses, net of cash on hand at acquisition	24	**(30)**	(483)
Disposal of businesses[2]		**(23)**	(10)
Payments for available-for-sale assets	11.1	**–**	(3)
Loans to affiliated parties[3]		**(582)**	(19)
Repayments of loans by affiliated parties		**94**	62
Payments for other investments and loans		**(40)**	(11)
Proceeds from sale or maturity of other investments or repayments of other loans		**49**	30
Payments for investments in equity accounted companies	10.3	**(3)**	(544)
Proceeds from the disposal of investments in equity accounted companies	10.3	**1 336**	–
Net cash inflow/(outflow) from investing activities		**431**	(1 722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of ordinary shares issued		**–**	1
Repayment of preference share equity[4]		**(96)**	–
Net increase in treasury shares, net of transaction costs		**(269)**	(97)
Net shares sold to non-controlling interests	28.2	**232**	1 012
Repayments of borrowings	16 & 23.1	**(1 447)**	(721)
Proceeds from borrowings	16 & 23.1	**2 455**	2 380
Net cash inflow from financing activities		**875**	2 575
NET INCREASE IN CASH AND CASH EQUIVALENTS		**670**	61
Effects of exchange rate translations on cash and cash equivalents		**(18)**	(25)
Cash and cash equivalents at beginning of the period	15	**723**	687
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15 & 34	**1 375**	723

[1] Additions to property, plant and equipment have been adjusted for non-cash additions to vehicle rental fleet which is primarily financed.

[2] The proceeds for the kika-Leiner disposal were included in receivables at period-end. Refer note 12. For details regarding the disposal of subsidiaries refer to note 1.4.

[3] Loans to affiliated parties mostly include the preference share subscription in Lancaster 102 (refer to note 11.2a) and loans advanced to Titan (refer to note 11.2b).

[4] The class A perpetual preference shares issued by Steinhoff Africa were redeemed during the Reporting Period (refer to note 27.2). That redemption price was converted at the Reporting Period average exchange rate, while the carrying value of this equity instrument was at historical exchange rates.

The accompanying notes are an integral part of the Consolidated Financial Statements.

Basis of preparation

Reporting entity

Steinhoff International Holdings N.V. is a company registered with the Trade Register in Amsterdam, the Netherlands under number 63570173, and with tax residency in South Africa. The Consolidated Financial Statements of Steinhoff International Holdings N.V. for the period ended 30 September 2018 comprise the Group and the Group's interest in equity accounted companies. The Group is primarily involved in the retailing of general merchandise, household goods and operates a number of motor dealerships. The Group operates in Africa, Australasia, Europe, Asia, United Kingdom and in the United States of America.

On 5 December 2017, Steinhoff announced that its 2017 Consolidated Financial Statements could not be released when expected as its external auditor, Deloitte, had identified potential accounting irregularities and questionable transactions. As a result of these concerns, PwC was upon the instructions of the Supervisory Board, retained by the Group's legal advisors, to conduct an independent forensic investigation (the "Investigation"). The audited 2016 Consolidated Financial Statements were withdrawn and publication of the 2017 Consolidated Financial Statements was postponed until 7 May 2019. Pursuant to the Investigation a report (the "Investigation Report") was produced on 11 March 2019. The Investigation Report is confidential and legal professional privilege inheres therein. Consequently, the Investigation Report will not be published. Reference to the Investigation and the Investigation Report in these consolidated and separate financial statements and notes thereto is made without waiving the privileged nature of the Investigation Report.

Refer to the Annexure 1: Glossary of Terms applicable to this report.

Basis of preparation

Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with IFRS, as endorsed by the EU, and also comply with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. All standards and interpretations issued by the IASB and the IFRIC, effective for periods starting on 1 October 2017, have been endorsed by the EU. Where necessary, adjustments have been made to the financial results of all Group entities to ensure compliance with Group accounting policies.

Historical cost convention

The Consolidated Financial Statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets and financial assets and liabilities (including derivative instruments) measured at fair value;
- assets held-for-sale – measured at lower of carrying amount and fair value less cost of disposal;
- defined benefit pension plans – plan assets measured at fair value; and
- accounting for Angolan operations for which hyper-inflationary accounting is applied.

Going concern

In determining the appropriate basis of preparation of the 2018 Consolidated Financial Statements, the Management Board is required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Group and Company's cash flow forecast indicate that both the Group and the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation.

The Management Board draws attention to the following critical assumptions that are key in arriving at the cash flows, namely:

Litigation

The Group and Company has received several shareholder and vendor claims and notices of regulatory investigation. A key assumption in both the Group and Company cash flows is that no material claims or fines are awarded against the Group or Company and will become payable during the next twelve months. As stated previously, these legal proceedings and regulatory investigations have been initiated against the Group and Company during the past eighteen months. The Supervisory Board and the Management Board, assisted by a newly constituted litigation committee, and in consultation with the Group's attorneys, continue to assess the merits of, and responses to, these claims, and provide feedback to the regulatory bodies. Several initial defences have already been filed by Steinhoff in these legal proceedings. However, litigation remains a material uncertainty as to its ultimate impact on the liquidity of the Group.

Tax

Tax remains a material uncertainty as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain. This is exacerbated by the fact that these irregularities impact multiple jurisdictions, the finalisation of which will require substantial analysis and negotiation with various Tax Authorities in the respective jurisdictions. A key assumption is therefore that the tax assumptions built into the current cash forecast, for both the Group and Company, continue to apply and that no unexpected material assessments are received.

The steps to complete the CVAs are complex and multi-jurisdictional giving rise to an element of risk regarding the tax consequences thereof. The Group has engaged with professional tax advisors in numerous jurisdictions to determine the tax consequences with a view to ensuring that the associated element of risk arising from the restructuring is mitigated.

CVA process

The restructuring of the Group's existing financial indebtedness continues. The full implementation of the CVAs is critical to the liquidity of the Group. A long delay will increase advisor costs which will negatively impact the Group's cashflow. Should the implementation of the CVAs fail for any reason, this would have a materially negative impact on the liquidity of the Group and the Company.

CVA and Hemisphere Arrangements

Once the CVAs have been fully implemented or under the existing agreement with the Hemisphere lenders, any default event will threaten the current standstill agreements and give rise to liquidity risks.

Conclusion

The Management Board draws attention to the following facts:

- that in both the Group and Company's financial statements current liabilities exceed current assets; and
- that these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company and Group's ability to continue as a going concern beyond the foreseeable future. If the Group and Company is to continue as a going concern, the Management Board and operational management require sufficient time to stabilise the Group and re-establish value at operational level. This will enable the Group and Company to realise assets in a non-distressed fashion and thus maximise value to repay or reduce debt to manageable levels. This will also maximise the return to all stakeholders. At the same time a solution for the potential litigation will need to be sought and implemented.

Presentation and functional currency

Unless otherwise indicated, the consolidated and separate financial statements are prepared on the accrual basis in millions of euro (€m). The euro is the Group's presentation currency and the Company's functional currency.

Critical accounting estimates and judgements

The preparation of Consolidated Financial Statements requires management to make judgements and estimates that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Actual results may differ from estimates, and judgements have been made after taking into account all currently available information, but could change if additional relevant information comes to light.

Critical accounting estimates are those which involve complex or subjective judgements or assessments.

Areas of critical judgements and estimates

Judgements	Note reference
Going concern assumption	**Basis of preparation**
Consolidation decisions	

i) The Group considered whether it controls or controlled entities involved in various transactions with the Group, including those identified as part of the Investigation.
Management's assessment of whether the Group control/controlled the following entities included significant judgements.

Main Group	Entities related to/subsidiaries of the Main Group	Treated as controlled	Note reference
Talgarth Group		No	Note 30
	Top Global	No	Note 30
	Triton V	Yes	Note 29
	GIH	Yes	Note 29
Campion Group		No	Note 30
	Wands, including its subsidiaries Cencap and FGI	No	Note 30
	Sunnyside and Sutherland UK	No	Note 30
	Plum Tree	No	Note 11 and 30
	GT Branding	Yes	Note 29
	Town Investments	No	Note 30
Fihag Group		No	Note 30
	Geros B	No	Note 30
	Geros FS	No	Note 30
Other	POCO (until March 2017)	Yes	Note 10 and 28
	BVI	Yes	Note 29
	Mattress Firm (until November 2018)	Yes	Note 1

With the resignation during the Reporting Period of certain of the Group's former executives, the uncertainty surrounding the control over the Talgarth, Campion and Fihag groups was removed. With the exception of GIH and GT Branding, which the Group assessed it continued to control, the Group is certain that it does not control other entities in the Talgarth, Campion or Fihag groups since the December 2017 events.

ii) In the case of Conforama there is uncertainty as to the amount of non-controlling interest attributable to third party shareholders, particularly as the non-controlling interest is the subject of lawsuits. Management have therefore considered the information available, despite ongoing uncertainty in certain areas, in determining what percentage should be attributed to non-controlling interest in the following relationship:

Entity	Note reference
Conforama: non-controlling interest attributable to Seifert entities	Note 29

iii) Where management established that it controlled entities which were not previously consolidated, or the date of control was adjusted, there are uncertainties whether adjustments to correct the statement of financial position should be recorded in opening retained earnings or in profit or loss, due to unavailability of third party valuation reports at the date of control. Where relevant, management disclosed these judgements in the notes. The majority of these uncertainties are removed as a result of disposing, or classifying as held-for-sale, the relevant businesses to which these judgements applied during the Reporting Period.

Areas of critical judgements and estimates *(continued)*

Judgements (continued)	Note reference
Classification and completeness of related parties and affiliated parties	**Notes 29 & 30**

The uncertainties relating to the identification of the nature of the relationship with certain entities, particularly in light of the frequency and complexity of transactions with so called independent parties, raises challenges in the application of the related party definition.

Recoverability of financial and other assets

Financial assets

The recoverability of loans and assets with counterparties have been assessed and where there are allegations that the Group entered into non-arm's length transactions, where there is no security on the loans in the entity with the liability or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets. The majority of the impairments relate to prior period opening balances.

The determination of the amount and timing of the impairment losses necessitate a number of judgements and estimates. These include determination of value-in-use calculations based on revised information and selection of the appropriate discount rate given the significantly changed risk profile. Only where impairment tests were required to be done or there was a clear indication of an impairment indicator, were impairment losses included as an error impacting 2016 or earlier years.

Individually material impaired financial assets	Note reference
• Brait	Note 4.2.2
• Top Global	Note 4.2.2

Other assets

Impairment of investment in equity accounted private companies	Note 10.5

Linkage and economic substance of transactions

Management has applied judgement in accounting for the substance of certain transactions, in particular where a number of seemingly related transactions have taken place in a short period of time or where they appear to have been entered into in order to achieve a specific outcome. This applies to the following material transaction:

Transaction	Note reference
GT Branding: transactions related to the disposal of internally generated intangible assets by the Group	Note 29

Treatment of transactions involving Steinhoff shares funded by the Group

Substance of transaction akin to an option

Management had to apply judgement in respect of certain share funding transactions where the terms did not stipulate that the funding was with recourse only to the Steinhoff shares. In these cases, management considered the substance of the arrangements and deemed it appropriate to treat such funding as only having recourse to the Steinhoff shares, since it was provided specifically for the purchase of Steinhoff shares. In certain instances only proceeds from the sale of Steinhoff shares were used to settle such loans and the only significant asset held by the debtor was the Steinhoff shares. The transactions are treated as in-subtances options in respect of the Steinhoff shares, in some cases triggering a share-based payment expense. Measuring the share-based payment involved a number of estimates and judgements in respect of both the classification as cash or equity settled and the determination of the inputs of the valuation model.

Exercise date of options

In certain instances a number of share funding transactions occurred with a specific party. Management has considered each advance of funds separately. Where the financing related to a specific advance has been repaid, management has concluded that the in-substance option has been settled, and the Steinhoff shares are released and no longer treated as treasury shares. Management has assumed that the advances were repaid in the order they were made.

The details of funded share purchase arrangements are referenced below:

Transaction	Financial year	Note reference
SSUK	2017	Note 32.2
	2018	Note 32.2
Town Investments	2017	Note 32.2

Areas of critical judgements and estimates *(continued)*

Judgements (continued)	Note reference
Presentation of liabilities	**Note 16**

In terms of presentation requirements of IFRS, a liability should be classified as current if the entity does not have an unconditional right to defer settlement of that liability for at least 12 months after the Reporting Date. As the Group is in technical breach of a number of its covenants, relating to loans that are payable in future years, until a restructuring plan is implemented, the financial creditors are not obligated to condone covenant breaches and these liabilities are required to be presented as current liabilities. The Group was in technical breach in the 2017 and 2018 financial periods and management has presented the position in both periods to reflect these as current liabilities. Where Group subsidiaries entered into new facilities during the Reporting Period, these were considered separately for classification as current or non-current based on the contractual terms effective at the Reporting Date.

Management considered the terms of the Lock-Up Agreement entered into on 11 July 2018 with SEAG and SFHG lenders, but do not consider these terms substantial enough for derecognition of historical liabilities and recognition of new non-current liabilities. Management anticipates the CVA implementation date as the correct date to derecognise the historic liabilities.

As part of entering into the Lock-Up Agreement, lenders are entitled to fees, including consent fees, early-bird fees, lock-up fees, maturity fees and roll-over fees. Management assessed the obligation to pay these fees to lenders as at 30 September 2018 and determined that the Group has a constructive obligation. Consideration could have been given to recognising the fees as a provision. Management believe that, given the progress that has been made towards finalising the CVAs, presentation as part of the interest-bearing loans and borrowings more accurately reflects the substance of the fees.

Management also assessed the criteria to capitalise these fees, but as management estimates it will be derecognising the existing loans and borrowings, and raising new loans and borrowings, the criteria to capitalise the fees will not be met, and all fees incurred during the Reporting Period relating to the Lock-Up Agreement were expensed. The remaining life of the existing loans and borrowings was also assessed, and as a result the unamortised capitalised fees on existing borrowings were expensed during the Reporting Period.

Recognition and measurement of provisions	**Note 21**
Correct classification and completeness of contingent liabilities	**Note 22**
Correct classification and completeness of liabilities and events occurring after the Reporting Period	**Note 22 & 35**
Recognition of investment as equity accounted companies	**Note 10**

Estimates	Note reference
Estimation of uncertain tax positions	**Note 6**
Estimation of future taxable profits in support of recognition of deferred tax assets	**Note 6**
Estimation of inputs into discounted cash flow models relating to the impairment of goodwill	**Note 8**
Estimation of inputs into discounted cash flow models relating to the impairment of intangible assets	**Note 8**
Estimation of the useful life of intangible assets	**Note 8**
Estimation of the recoverable amount and fair value of properties	**Note 9**
Estimation of the useful life and residual values of buildings	**Note 9**
Estimation of fair value of identifiable assets and liabilities impacting the measurement of goodwill in a business combination	**Note 24**
Estimation of vesting conditions relating to share-based payments	**Note 32**

Areas of critical judgements and estimates *(continued)*

Accounting policy elections

The following significant accounting policy elections have been made by the Group:

Area	Details
Statement of profit or loss	
Income from investments	The Group has elected to present income from investments separately on the face of the statement of profit or loss. Income from investments comprise finance income and dividend income.
Discontinued operations	The Group has elected to present the detail of the profit or loss of discontinued operations in a separate note instead of on the face of the statement of profit or loss.
Statement of other comprehensive income	
Hyperinflation	The Group has elected to recognise differences between comparative amounts and hyperinflation adjusted equity opening balances in other comprehensive income.
Statement of financial position	
Investment properties	The Group has elected to measure all investment properties using the cost model.
Owner-occupied properties	The Group has elected to measure all owner-occupied properties using the cost model.
Intangible assets	The Group has elected to measure all intangible assets using the cost model.
Statement of cash flows	
Interest paid and received	The Group views interest paid and received as operating activities as these are largely incurred in the funding of operations.
Dividends paid and received	The Group discloses dividends paid and received as operating activities as this demonstrates the Group's ability to pay dividends out of operating cash flows.
Discontinued operations	The Group has elected not to disaggregate cash flows from discontinued operations in the statement of cash flows. The details of the main components of cash flow from discontinued operations are disclosed in the notes to the financial statements.

Approval

The 2018 Consolidated Financial Statements were prepared under the supervision of the Management Board of the Company and were authorised for issue on 18 June 2019.

1. Discontinued operations

Following the events of December 2017 in order to fund operations, repay debts and support the Group's short-term liquidity, management decided to dispose of certain non-core assets or assets requiring significant cash commitments.

The majority of businesses including the following former reportable segments were disposed of or classified as held-for-sale during the Reporting Period. These business have been disclosed as discontinued operations:

- European Retail Management ("ERM")
- European Manufacturing, Sourcing and Logistics
- Mattress Firm
- Automotive

These disposals have also necessitated a restatement of segmental reporting (refer note 2).

European Retail Management (ERM)

kika-Leiner OpCos

On 22 June 2018, the Group announced that transaction documents for the sale of the kika-Leiner sale assets to SIGNA Holding GmbH had been concluded. The loss-making OpCos were sold for a nominal consideration, whilst the consideration for the property holding companies was based on an enterprise value of approximately €490 million (subject to certain adjustments). The decision to sell was motivated by the withdrawal of kika-Leiner's credit insurance cover which created significant liquidity constraints and would have placed significant further cash demands on the Group given that the kika-Leiner businesses were both loss making and required significant future investment to implement a turnaround plan. The disposal of the property holding companies was effective during August 2018 and was completed on 15 October 2018.

POCO

POCO formed part of the ERM segment up until 31 March 2017, after which the investment in POCO was accounted for as an investment in an associate. An assessment was performed by management concluding that, based on settlement negotiations relating to previous ownership lawsuits, the investment in POCO was classified as held-for-sale on 25 April 2018.

On 4 September 2018, the Group's subsidiary, LiVest, entered into an agreement to sell its shares in the POCO furniture group, including its property portfolio, for a total consideration of approximately €271 million. In terms of this agreement POCO retained debt of approximately €140 million, without recourse to the Group.

The disposal of POCO was finalised on 6 December 2018. Refer to note 35.

Extreme Digital

The Group disposed of its 50.48% interest in Extreme Digital, an online retailer in Hungary, on 30 January 2018.

The above-mentioned businesses made up the majority of the ERM segment as reported in the 2017 Consolidated Financial Statements and since the majority of this segment has either been disposed of or is classified as held-for-sale, it meets the criteria to be classified as a discontinued operation in terms of IFRS 5. The ABRA retail chain in Poland continued to operate and was moved to the "All Other" segment in continuing operations.

European Manufacturing, Sourcing and Logistics

Impuls and Puris

The Group disposed of its 94% share in Impuls, a non-core German manufacturer of assembled kitchens, and its 86.48% share in Puris, a non-core German manufacturer of assembled bathroom furniture.

The effective date of sale was 31 August 2018.

Steinpol

Following the December 2017 events, Steinpol, an upholstery manufacturer in Poland, came under increasing pressure from suppliers and credit insurers, creating a negative effect on working capital. It also experienced a sales slowdown due to customer uncertainty. Steinpol is a non-core manufacturing business and management decided to dispose of the business to reduce the Group's exposure to its funding requirements.

The transaction closed on 11 March 2019. Management concluded that the Steinpol business meets the criteria to be classified as held-for-sale on 30 September 2018.

1. Discontinued operations *(continued)*

E-llis

E-llis International BVBA, a wholly owned subsidiary of the Group, providing logistics services, was disposed of on 30 June 2018.

The above businesses made up the majority of the European manufacturing, sourcing and logistics segment as reported in the 2017 Consolidated Financial Statements. As the majority of this segment has either been disposed of or is classified as held-for-sale, it meets the criteria to be classified as a discontinued operation in terms of IFRS 5. Smaller remaining businesses were moved to the "All Other" segment in continuing operations.

Mattress Firm

Mattress Firm filed voluntary pre-packaged Chapter 11 cases in the United States Bankruptcy Court on 5 October 2018. This process allowed Mattress Firm to implement a financial restructuring through a court supervised process while continuing to trade. Mattress Firm successfully completed its restructuring on 21 November 2018, 48 days after the Chapter 11 filing. In consideration for providing the financing required by Mattress Firm to emerge from Chapter 11, certain of the Group's lenders that provided the exit financing received 49.9% of the shares in SUSHI, the indirect owner of Mattress Firm. While the Group continues to own the remaining 50.1% of the shares in SUSHI, the Group no longer has majority representation on the board of directors. As a result, management assessed that, from 21 November 2018, the Group no longer controls Mattress Firm and the remaining investment will be accounted for as an equity-accounted investment.

Although the Group only lost control of Mattress Firm after the Reporting Date, management concluded that, based on the facts and circumstances that existed as at 30 September 2018, the Mattress Firm business should be classified as held-for-sale despite the Group retaining a stake in this business.

Since Mattress Firm represented the majority of a separate reportable segment as was reported in the 2017 Consolidated Financial Statements it has also been classified as a discontinued operation. The Sherwood manufacturing operation that formed part of this segment in 2017 was moved to the "All Other" segment in continuing operations.

Automotive

On 28 March 2019 the Company announced that it has reached in-principle agreement to dispose of 74.9% of Steinhoff Africa's shares in Unitrans (and its subsidiaries), and 100% of the loan claims against Unitrans held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. Negotiations regarding the possible disposal have been ongoing since May 2018. At 30 September 2018 the Automotive business met the criteria to be classified as held-for-sale.

The Automotive business was a separate reportable segment and has therefore been disclosed as a discontinued operation.

Other

kika-Leiner PropCos

kika-Leiner properties held the Austrian and Central Eastern European properties of the European Properties segments. Although the kika-Leiner portfolio did not make up the majority of the European Properties segment, it represents separate geographical areas and therefore meets the criteria to be classified as a discontinued operation.

Further details on the disposal was provided under the kika-Leiner OpCos heading in this note.

The businesses discussed above are presented as discontinued operations in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the period ended 30 September 2018, as required by IFRS. Comparative information has been restated accordingly.

The detail of assets classified as held-for-sale is presented in note 34.

ACCOUNTING POLICY: Inter-company transactions between continuing and discontinued operations

Inter-company transactions and balances between continuing and discontinued operations are eliminated within both continuing and discontinued operations. The inter-company eliminations are added back as reconciling items for segmental reporting to present the reportable segments prior to the inter-company eliminations as this more closely reflects the trading conditions within each reportable segment.

The Group has elected to disclose the financial results and cash flows of discontinued operations in a separate note as opposed to on the face of the statement of profit or loss and statement of cash flows.

1. *Discontinued operations* *(continued)*

1.1 Adjustment of the prior period statement of profit or loss for discontinued operations

	Twelve months ended 30 September 2017		
	Previously reported €m	Adjusted for discontinued operations €m	Continuing operations €m
Revenue	18 818	(6 325)	12 493
Cost of sales	(11 155)	3 545	(7 610)
Gross profit	7 663	(2 780)	4 883
Other income	276	(80)	196
Distribution expenses	(928)	346	(582)
Administration expenses	(6 692)	2 627	(4 065)
Other expenses	(3 995)	3 413	(582)
Operating loss	(3 676)	3 526	(150)
Finance costs	(440)	30	(410)
Income from investments	55	(17)	38
Share of profit of equity accounted companies	107	(6)	101
Impairment of equity accounted companies	(175)	49	(126)
Loss before taxation	(4 129)	3 582	(547)
Taxation	135	(335)	(200)
Loss for the period	(3 994)	3 247	(747)
Loss attributable to:			
Owners of Steinhoff N.V.	(4 036)	3 245	(791)
Non-controlling interests	42	2	44
Loss for the period	(3 994)	3 247	(747)
Basic loss per share (cents)	(95.9)	77.1	(18.8)

1. Discontinued operations *(continued)*

1.2 Statement of profit or loss for discontinued operations

	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
Revenue		**5 194**	6 325
Cost of sales		**(2 951)**	(3 545)
Gross profit		**2 243**	2 780
Other income		**53**	80
Distribution expenses		**(304)**	(346)
Administration expenses		**(2 092)**	(2 627)
Other expenses		**(212)**	(3 413)
Impairments		**(209)**	(3 493)
Net loss on disposal of property, plant and equipment		**(44)**	–
Net profit on sale or partial sale of investments		**–**	88
Foreign currency reserve reclassification to profit or loss	1.4	**35**	–
Other	1.4	**6**	(8)
Operating loss		**(312)**	(3 526)
Finance costs		**(28)**	(30)
Income from investments		**5**	17
Share of profit of equity accounted companies	10.3	**9**	6
Impairment of equity accounted companies	10.3	**(24)**	(49)
Loss on disposal of discontinued operations/disposal group	1.4	**(147)**	–
Loss before taxation		**(497)**	(3 582)
Taxation	6.1	**(21)**	335
Loss for the period		**(518)**	(3 247)
Loss attributable to:			
Owners of Steinhoff N.V.		**(519)**	(3 245)
Non-controlling interests		**1**	(2)
Loss for the period		**(518)**	(3 247)

[1] *Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

1. *Discontinued operations* *(continued)*

1.3. Presentation of discontinued operations in the statement of cash flows

	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
Cash flows from discontinued operations:[1, 2]		
Net cash outflow from operating activities	**(356)**	(356)
Net cash outflow from investing activities	**(1)**	(115)
Net cash inflow from financing activities	**355**	458
Net cash outflow	**(2)**	(13)

[1] *Prior to intercompany eliminations*

[2] *The cash flow from discontinued operations has been adjusted for the receivable from the disposal of the kika-Leiner OpCos and PropCos*

1.4. Details of the disposal of subsidiaries classified as discontinued operations

	Notes	kika-Leiner €m	Other €m	Total €m
Total disposal consideration		**397**	**91**	**488**
Cash proceeds not yet received at period-end included in receivables	12	**397**	**–**	**397**
Cash consideration		**–**	**91**	**91**
Carrying amount of net assets sold		**(563)**	**(72)**	**(635)**
(Loss)/profit on sale before income tax and reclassifications		**(166)**	**19**	**(147)**
Reclassification of FCTR		**35**	**–**	**35**
Reclassification of cash flow hedge reserve and fair value reserve		**6**	**–**	**6**
Income tax expense on profit on sale		**–**	**(10)**	**(10)**
(Loss)/profit on sale after income tax		**(125)**	**9**	**(116)**

1.5. Segmental information relating to discontinued operations

	Twelve months ended 30 September 2018 €m	Restated[3] Twelve months ended 30 September 2017 €m
Segmental revenue from discontinued operations:		
European Retail Management (ERM)	**716**	1 702
European Manufacturing, Sourcing and Logistics	**300**	288
European Properties	**16**	3
Mattress Firm	**2 660**	2 981
Automotive	**1 502**	1 351
Net external revenue from discontinued operations*	**5 194**	6 325

**Revenue between discontinued operations has been eliminated.*

[3] *Comparative numbers have been restated as a result of classifying certain segments and discontinued operations.*

1. *Discontinued operations* *(continued)*

1.5. Segmental information relating to discontinued operations (continued)

Operating loss before depreciation and amortisation adjusted for one-off or exceptional items ("EBITDA")	**Twelve months ended 30 September 2018 €m**	**Restated[1] Twelve months ended 30 September 2017 €m**
EBITDA reconciles to the operating loss per statement of profit or loss from discontinued operations as follows:		
Operating loss from discontinued operations	**(312)**	(3 526)
Depreciation and amortisation	**144**	181
Other expenses considered one-off or exceptional	**212**	3 413
Intercompany eliminations with continuing operations	**(133)**	(13)
EBITDA per segment reporting from discontinued operations	**(89)**	55
European Retail Management (ERM)	**(78)**	(20)
European Manufacturing, Sourcing and Logistics	**6**	9
European Properties	**50**	80
Mattress Firm	**(125)**	(73)
Automotive	**58**	59
EBITDA from discontinued operations	**(89)**	55

[1] *Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

1. *Discontinued operations* *(continued)*

1.5. Segmental information relating to discontinued operations (continued)

Operating loss adjusted for one-off or exceptional items ("EBIT")	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
EBIT reconciles to the operating loss per statement of profit or loss from discontinued operations as follows:		
Operating loss from discontinued operations	**(312)**	(3 526)
Other expenses considered one-off or exceptional	**212**	3 413
Intercompany eliminations with continuing operations	**(133)**	(13)
EBIT per segment reporting from discontinued operations	**(233)**	(126)
European Retail Management (ERM)	**(94)**	(51)
European Manufacturing, Sourcing and Logistics	**(2)**	(1)
European Properties	**20**	46
Mattress Firm	**(202)**	(163)
Automotive	**45**	43
EBIT from discontinued operations	**(233)**	(126)

[1] *Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

2. *Segment information*

The Group determined the Management Board to be the CODM for all periods under review.

As a result of the disposal of non-core assets and businesses requiring significant cash commitments, the Group has had to reconsider the presentation of its segments as at 30 September 2018 since significant portions of reportable segments in the prior period are deemed to be discontinued operations as a result of it either being disposed or classified as held-for-sale as at 30 September 2018. Refer to note 1 for detail on the discontinued operations.

Where the majority of a former reportable segment is discontinued, and the remaining businesses no longer meet the criteria to be disclosed as a separate reportable segment, the remaining businesses have been included in the "All Other" segment.

The Group has disclosed the following reportable segments in respect of the 2018 Reporting Period and has restated the segment disclosures of the 2017 Reporting Period accordingly:

The CODM examines the Group's performance, both from a product and geographical perspective, and has identified the following seven reportable segments of its business based on how information is accumulated and reported to the CODM:

- **Conforama**
  Conforama operates furniture retail stores across Europe with the majority of its stores in France, Switzerland, Italy and Iberica. This segment includes the Conforama property portfolio. The CODM monitors the performance of Conforama on a consolidated basis.
- **European Properties (Hemisphere)**
  The European property portfolio comprises office, retail and warehouse space. The majority of the properties are occupied by Group companies. This segment excludes the Conforama property portfolio.
- **Pepkor Europe**
  This segment comprises the general merchandise retail business of Pepco (operating in Poland and central and eastern Europe) and Poundland (operating mostly in the United Kingdom and Republic of Ireland). These businesses are reviewed together as Pepkor Europe by the CODM.
- **Australasia (Greenlit Brands)**
  The Australasia segment comprises the household goods and general merchandise retailers based in Australasia (majority of the retail stores are in Australia). Major brands include Freedom, Fantastic and Best&Less. The CODM monitors the performance of Greenlit Brands on a consolidated basis.
- **Pepkor (previously STAR)**
  The Pepkor Group (previously STAR Group) successfully listed on the JSE on 20 September 2017. Revenue in Pepkor is derived from a portfolio of retail chains focused on selling predominantly clothing, footwear, textiles, cell phones, airtime and fast moving consumer goods ("FMCG"). Pepkor also operates Building Supplies and Furniture divisions, where revenue is derived from sales of DIY ("do-it-yourself") building supplies and materials and furniture and appliances respectively. The Pepkor Group operates within Africa and the majority of its revenue is derived from South Africa. The CODM monitors the performance of this listed group on a consolidated basis.
- **Corporate and treasury services**
  Steinhoff N.V.'s various global corporate offices provide strategic direction and services to the decentralised operations globally. Activities include management of regulator and stakeholder engagement processes, negotiating funding and identifying and implementing corporate activities.
- **All Other**
  Included in "All Other" are operating segments that did not meet the requirements of a reportable segment per IFRS 8. These segments are neither material in size or unique in their geography to warrant separate disclosure. Included in this category are the businesses of Lipo (operating from Switzerland), Africa Properties, the UK retail and manufacturing businesses as well as ABRA (operating from Poland), Sherwood (operating in the United States of America) and the remaining European Logistics and Sourcing businesses. The three last-mentioned businesses previously formed part of separate segments of which the majority was classified as discontinued as at 30 September 2018.

2. Segment information *(continued)*

Measures reported to the CODM

Revenue

Segment revenue excludes Value Added Taxation. Intersegment revenue is eliminated in the segment from which it was sold. Sales between segments are made on an arm's length basis.

Refer to note 1 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

No single customer contributes 10% or more of the Group's revenue.

Segment revenue from continuing operations	Twelve months ended 30 September 2018			Restated[1] Twelve months ended 30 September 2017		
	Total segment revenue €m	Intersegment revenue €m	Revenue from external customers €m	Total segment revenue €m	Intersegment revenue €m	Revenue from external customers €m
Conforama	**3 402**	**–**	**3 402**	3 472	–	3 472
European Properties (Hemisphere)	**35**	**25**	**10**	31	23	8
Pepkor Europe	**3 054**	**5**	**3 049**	2 796	–	2 796
Australasia (Greenlit Brands)	**1 300**	**11**	**1 289**	1 297	12	1 285
Pepkor	**4 126**	**–**	**4 126**	3 910	–	3 910
Corporate and treasury services	**15**	**14**	**1**	50	48	2
All Other	**1 135**	**185**	**950**	1 136	116	1 020
	13 067	**240**	**12 827**	12 692	199	12 493
Intercompany revenue from discontinued operations*	**(117)**	**(117)**	**–**	(29)	(29)	–
	12 950	**123**	**12 827**	12 663	170	12 493

**The intercompany revenue from discontinued operations has already been eliminated from "Revenue from external customers".*

Revenues from external customers – by geography from continuing operations	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
The Company is domiciled in the Netherlands. Negligible revenues are generated by the Group's Netherlands operations and therefore none are disclosed. The Group is a global retailer and operates within many geographies. The amount of its revenue from external customers is presented below based on the geographies that contribute materially to the Group's revenue.		
Australasia	**1 289**	1 285
France	**2 153**	2 255
Poland	**760**	655
Rest of Africa	**147**	155
Rest of Europe	**2 254**	2 020
South Africa	**3 988**	3 764
United Kingdom	**2 190**	2 346
United States of America	**46**	13
	12 827	12 493

[1] Refer to note 1 for details regarding the restatement of comparative numbers as a result of reclassifying certain segments as discontinued operations.

2. Segment information *(continued)*

Operating performance measures from continuing operations

The Group's share of equity accounted earnings, finance costs, investment income and income tax expenses are not monitored on a segmental level by the CODM and are therefore not allocated to the segments.

Operating profit or loss before depreciation and amortisation adjusted for one-off or exceptional items ("EBITDA")

Segment performance is measured on continuing operations' EBITDA and represents segment revenue less segment expenses, excluding depreciation, amortisation and other expenses considered one-off or exceptional as included in note 4.2.

Segment expenses include distribution expenses and administration expenses.

Refer to note 1 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

EBITDA reconciles to the operating profit/(loss) per statement of profit or loss as follows:	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
Operating profit/(loss) per statement of profit or loss		**80**	(150)
Depreciation and amortisation	4.3.1	**266**	238
Other expenses considered one-off or exceptional	4.2	**291**	582
Intercompany eliminations (discontinued operations)		**133**	13
EBITDA per segment reporting		**770**	683
EBITDA per segment:			
Conforama		**32**	145
European Properties (Hemisphere)		**(3)**	17
Pepkor Europe		**243**	219
Australasia (Greenlit Brands)		**43**	54
Pepkor		**489**	466
Corporate and treasury services		**(23)**	(229)
All Other		**(11)**	11
		770	683

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

2. *Segment information* *(continued)*

Operating profit or loss adjusted for one-off or exceptional items ("EBIT")

Segment performance is measured on continuing operations' EBIT and represents segment revenue less segment expenses, excluding one-off and exceptional items included in note 4.2.

Depreciation and amortisation have been allocated to the segments to which they relate.

Refer to note 1 for the accounting policy on the elimination of intercompany transactions between continuing and discontinued operations.

EBIT reconciles to the operating profit/(loss) per statement of profit or loss as follows:	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
Operating profit/(loss) per statement of profit or loss		**80**	(150)
Other expenses considered one-off or exceptional	4.2	**291**	582
Intercompany eliminations (discontinued operations)		**133**	13
EBIT per segment reporting		**504**	445
EBIT per segment:			
Conforama		**(24)**	90
European Properties (Hemisphere)		**(14)**	7
Pepkor Europe		**185**	168
Australasia (Greenlit Brands)		**14**	30
Pepkor		**416**	401
Corporate and treasury services		**(24)**	(231)
All Other		**(49)**	(20)
		504	445

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

2. Segment information *(continued)*

Segmental assets

Segmental assets are measured in the same way as in the 2017 Consolidated Financial Statements. Assets that are not considered to be segmental assets such as cash and cash equivalents, investments in equity accounted companies, short and long term investments and loans are excluded from the allocation of assets to segments.

Debt is primarily raised through certain Group companies that function as treasury companies for the Group. The purpose of the debt or the company in which the debt is raised determines the debt cluster to which the debt, cash and cash equivalents and related finance costs and investment income is allocated. These debt clusters are then reviewed by the CODM. Debt clusters are not consistent with reportable segments.

Investment in equity accounted companies and short and long term investments (financial assets) are monitored by the CODM on a Group level as these assets are not related to the underlying operations or impact their performance. Such assets are not allocated to segments.

The segmental assets below are presented on a consolidated basis and all intercompany balances and investments in subsidiary companies have been disregarded for purposes of presenting segmental assets.

Reconciliation between total assets per statement of financial position and segmental assets	30 September 2018 €m	30 September 2017 €m
Total assets per statement of financial position	**16 370**	17 505
Less: Cash and cash equivalents	**(1 275)**	(723)
Less: Investments in equity accounted companies	**(430)**	(2 055)
Less: Long-term investments and loans	**(311)**	(106)
Less: Short-term investments and loans	**(261)**	(107)
Less: Assets classified as held-for-sale	**(1 927)**	–
Segmental assets	**12 166**	14 514
Segmental assets:		
Conforama	**1 979**	2 019
European Properties (Hemisphere)#	**645**	313
Pepkor Europe	**2 787**	2 658
Australasia (Greenlit Brands)	**800**	816
Pepkor	**5 284**	5 168
Corporate and treasury services	**87**	81
All Other*	**584**	702
	12 166	11 757
The prior period carrying amount per segments of disposal groups or assets held-for-sale are presented below:		
ERM		346
European Manufacturing, Sourcing and Logistics		108
European Properties (kika-Leiner Properties)		641
Mattress Firm		1 247
Automotive		415
		14 514

**Dealerships included in Africa Properties (disclosed under "All Other" segment) in the prior period were sold to the Automotive group during the 2018 Reporting Period and form part of the assets held-for-sale as at 30 September 2018 (refer note 34).*

 # Including €397 million of proceeds receivable at the Reporting Date relating to the disposal of kika-Leiner.

2. *Segment information* *(continued)*

Segmental non-current assets

The Group operates in a number of countries and the total non-current assets are presented on a geographical aggregation basis as such an aggregation is more representative of the various factors taken into consideration when allocating resources as well as factors impacting impairment testing such as WACC, peer groups and operating environments.

The total of non-current assets other than financial instruments and deferred tax assets is presented based on the geographies that materially contribute to the Group's non-current assets.

Reconciliation between non-current assets per statement of financial position and segmental assets	30 September 2018 €m	30 September 2017 €m
Total non-current assets per statement of financial position	**9 536**	13 064
Less: Deferred tax assets	**(201)**	(221)
Less: Long-term investments and loans (financial assets)	**(311)**	(106)
Segmental non-current assets	**9 024**	12 737
Segmental non-current assets:		
Africa	**4 676**	5 833
Europe (including the United Kingdom)	**3 867**	5 281
Australasia	**419**	619
United States of America	**62**	1 004
	9 024	12 737

3. Revenue

The Group derives the following types of revenue:	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
Merchandise sales	**12 507**	12 193
Financial services revenue (Finance charges, initiation fees, insurance income)	**221**	208
Other revenue	**99**	92
Total revenue from continuing operations	**12 827**	12 493

ACCOUNTING POLICY: Recognising revenue from major business activities

Revenue comprises the fair value of the consideration received or receivable for the sale of merchandise from ordinary operating activities of the Group, net of Value Added Tax, rebates and discounts and after eliminating sales within the Group.

If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue when the sales are recognised.

Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods as well as continuing management involvement with goods to a degree usually associated with ownership. Where the Group acts as an agent, and is remunerated on a commission basis, only the commission income, and not the value of the business transaction, is included in revenue.

The recovery of duties and taxes payable on imports and exports are not recognised in revenue but netted off against the expense paid on behalf of the customer.

Revenue is recognised for the major business activities using the methods outlined below:

Revenue is recognised in terms of IAS 18 as the Group has not yet adopted IFRS 15.

Merchandise sales

The Group operates retail stores selling general merchandise and household goods. Sales are recognised at point of sale or upon delivery of products and customer acceptance i.e. when the significant risks and rewards of ownership have been transferred to the buyer.

Financial services revenue

Financial services revenue comprise mainly commissions on financial services and cash transfer services and finance income. Revenue from services is recognised in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the Reporting Period as a proportion of the total services to be provided (percentage of completion method).

[1] Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.

4. *Material items included in profit or loss and breakdown of expenses by nature*

	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m

4.1 Other income

The material items included in other income relate mainly to commissions received on ancillary services provided by Pepkor.

4.2 Other expenses

The Group has identified a number of one-off or exceptional items, which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

4.2.1 Impairment

	Notes	2018 €m	2017 €m
Goodwill	8	6	272
Intangible assets	8	1	20
Property, plant and equipment	9	16	145
Other		4	–
		27	437

4.2.2 Impairment of financial assets

	Notes	2018 €m	2017 €m
a) Brait/Fulcrum UK		32	91

The sale of Brait shares to Plum Tree was funded by the Group via a loan to Fulcrum UK (both companies are part of the Campion Group). The Brait share price has declined significantly since the sale of the shares and the outstanding loan was without security and granted to a different entity than the one holding the Brait shares. Management is aware of a loan arrangement between Fulcrum UK and Plum Tree, and as such the Group considered the recovery of the loan to be linked to the value of the Brait shares held by Plum Tree. The carrying amount of the loan granted has therefore been impaired to the value of the Brait shares held by Plum Tree. (note 11.2)

	Notes	2018 €m	2017 €m
b) Top Global		–	12

This loan was advanced without any form of security. Insufficient information is available to perform a recoverability test. Management has deemed it appropriate in the prior period to reverse any interest income recognised as income from investments in profit or loss relating to these loans and to fully impair the loan receivable. No further interest was recognised in the current period on this loan.

	Notes	2018 €m	2017 €m
c) Other		10	–
		42	103

4.2.3 Cumulative other comprehensive loss/(income) reclassified to profit or loss on disposal or derecognition of investment

	Notes	2018 €m	2017 €m
Foreign currency translation reserve*		99	–
Fair value reserve on available-for-sale financial assets		(10)	(11)
		89	(11)

**The FCTR relating to the disposal of the investment in equity accounted companies was reclassified during the period*

4.2.4 Share-based payments – equity-settled relating to loans granted

	Notes	2018 €m	2017 €m
Share-based payments – equity-settled relating to loans granted	32.2	1	13

Refer to note 32.2 for details regarding the share-based payment expense recognised in relation to loans granted to third parties to purchase Steinhoff shares.

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

4. *Material items included in profit or loss and breakdown of expenses by nature* *(continued)*

	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
4.2 Other expenses (continued)			
4.2.5 (Profit)/loss on disposal of property, plant and equipment and intangible assets		**(17)**	35
4.2.6 Loss/(profit) on sale and partial sale of investments			
Material Equity accounted investments			
Profit on disposal of PSG	10.6	**(24)**	–
Profit on the partial disposal of KAP	10.6	**(82)**	–
Loss on the disposal of Atterbury Europe	10.2	**133**	–
Other	4.1	**5**	5
		32	5
4.2.7 Fees relating to forensic investigation, advisory and restructure of the business		**117**	–
TOTAL OTHER EXPENSES FROM CONTINUING OPERATIONS		**291**	582

As a result of the December 2017 events, it has been necessary for the Group to engage with a wide range of professional advisors, to assist the Group with its investigative, legal, financial and regulatory requirements, as it seeks to stabilise and restructure the Group.

The scale and complexity of this task has meant that the aggregate advisor costs for the Reporting Period have been substantial. The principle advisor relationships included legal advisors, financial restructuring and corporate advisory functions that support the Group on discussions and engagement with its creditors, liquidity management and operational measures, forensic investigation services and regulatory and taxation advisory services.

In addition, as part of the restructuring process the Group is required to pay the advisor costs of each of the respective creditor groupings including legal advisors, financial structuring advisors and regulatory and taxation advisors.

4.3 Operating expenses by nature

Distribution expenses relates to selling activities which mainly include delivery costs, rent paid on warehouses and distribution centres and salaries and wages relating to logistics staff.

Other distribution and administration expenses include general administration expenses such as electricity, cleaning, stationary, repairs and other general operating costs.

The material items included in distribution and administration expenses are set out below:

	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
4.3.1 Depreciation and amortisation			
Depreciation	9	**236**	209
Amortisation	8	**30**	29
		266	238
Included in distribution and administration expenses		**263**	237
Included in cost of sales		**3**	1
		266	238
4.3.2 Auditor's remuneration			
Audit fees expensed	4.3.9	**25**	12

Audit fees are billed monthly for work performed and expensed in profit or loss. The audit of 2017 was done over the period of 2017, 2018 and 2019 Reporting Periods and expensed in the applicable financial period. The majority of the 2018 audit was performed in the 2019 financial period and will be expensed in the 2019 financial period when billed.

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

4. *Material items included in profit or loss and breakdown of expenses by nature* *(continued)*

	Notes	Twelve months ended 30 September 2018 €m	Restated[1] Twelve months ended 30 September 2017 €m
4.3 Operating expenses by nature (continued)			
4.3.3 Employee benefit expenses			
Salaries and wages		**2 026**	2 141
Share-based payments: equity-settled	32.3	**4**	–
Share-based payments: cash-settled	32.1.3	**18**	20
Contributions to defined benefit plans (post-retirement benefit expenses)		**7**	6
Contributions to defined contribution plans (post-retirement benefit expenses)		**19**	19
		2 074	2 186
The Group's manufacturing entities do not comprise a material part of the business and any employee benefit expense included in cost of sales is not considered material.			
4.3.4 Net foreign exchange (gains)/losses			
Net loss/(gain) on forward exchange contracts		**18**	(14)
Net (gain)/loss on conversion of monetary assets – realised		**(47)**	168
Net loss/(gain) on conversion of monetary assets – unrealised		**9**	(155)
		(20)	(1)
4.3.5 Fair value (gain)/loss (excluding forward exchange contracts)			
Fair value adjustment on financial assets through profit or loss		**(14)**	18
4.3.6 Operating lease charges – properties			
Rental of properties	22.2	**835**	794
4.3.7 Operating lease charges – other			
Leases of plant, equipment, vehicles and other	22.2	**22**	29
4.3.8 Other distribution and administration expenses		**1 615**	1 372
TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES		**4 800**	4 647

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

4. *Material items included in profit or loss and breakdown of expenses by nature* *(continued)*

4.3.9 Auditor fees - continuing and discontinued operations

	Deloitte Accountants B.V.	Deloitte Accountants B.V.
	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
Audit of the financial statements of Steinhoff N.V. and its subsidiaries	4	1
Other audit services	–	–
Tax services	–	–
Other-non-audit services	–	–
	4	1

The prior period disclosure included an overprovision which has been allocated against the various categories of auditor fees for current presentation.

Other audit services include agreed upon audit procedures and advisory services.

Fees for tax services include tax compliance and tax advice.

Audit fees are billed monthly for work performed and expensed in profit or loss. The audit of 2017 was done over the period of 2017, 2018 and 2019 Reporting Periods and expensed in the applicable Reporting Period. The majority of the 2018 audit was performed in the 2019 Reporting Period and will be expensed in the 2019 Reporting Period when billed.

Other Deloitte member firms and affiliates	Other Deloitte member firms and affiliates	Other audit firms	Other audit firms	Total	Total
Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
6	6	**6**	5	**16**	12
–	–	**6**	1	**6**	1
1	1	**5**	2	**6**	3
–	–	**–**	–	**–**	–
7	7	**17**	8	**28**	16

Included in continuing operations	**25**	12
Included in discontinued operations	**3**	4
	28	16

5. *Finance costs and income from investments*

	Costs €m	Income €m	Net income /(costs) €m
Twelve months ended 30 September 2018			
Dividends received*	**–**	**20**	**20**
Finance costs and income:			
(Bank overdrafts)/Cash and cash equivalents	**(153)**	**34**	**(119)**
Convertible bonds	**(77)**	**–**	**(77)**
Instalment sale agreements	**(24)**	**–**	**(24)**
Loans	**(156)**	**9**	**(147)**
Transaction costs accrued and amortised (note 5.1)	**(180)**	**–**	**(180)**
Other	**(65)**	**5**	**(60)**
	(655)	**68**	**(587)**
Restated[1] twelve months ended 30 September 2017			
Dividends received	–	8	8
Finance costs and income:			
(Bank overdrafts)/Cash and cash equivalents	(80)	15	(65)
Convertible bonds	(76)	–	(76)
Instalment sale agreements	(23)	–	(23)
Loans	(166)	9	(157)
Other	(65)	6	(59)
	(410)	38	(372)

**The majority of the dividends received during the 2018 Reporting Period relate to accrued dividends on the investment in preference shares of Lancaster 102. Refer to note 11 for terms of the preference share investment.*

ACCOUNTING POLICY: Interest income, finance costs and other finance income and costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Dividend income is recognised in the statement of profit or loss on the date that the Group's right to receive payment is established.

Other net finance income and costs comprise unwinding of the discount on provisions recognised on investments and interest on the net defined benefit obligation.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

5. *Finance costs and income from investments* *(continued)*

5.1 Transaction costs accrued and amortised

	Twelve months ended 30 September 2018
The Group entered into Lock-Up Agreements with lenders of SEAG and SFHG during the Reporting Period, as explained in note 16.4.	
SEAG and SFHG Lock-Up Agreement fees accrued:	
The accrued fees consisted of:	
Consent fees	(74)
Early bird and lock-up fees	(55)
Roll-over fees	(37)
	(166)
These Lock-Up Agreements will result in the terms of the debt of these companies changing substantially. In terms of IAS 39, when the terms of debt change substantially, the existing debt is derecognised and new debt is recognised. All related fees incurred to raise the new debt are expensed and cannot be capitalised.	
The Lock-Up Agreements initially covered a three month period ending 20 October 2018. These fees were apportioned to the 2018 and 2019 Reporting Periods based on this three month period. Subsequent to period-end, the long stop date was extended. This had no impact on the fees calculated for the 2018 Reporting Period. Approximately, €47 million of fees will be included in the 2019 Reporting Period relating to these Lock-Up Agreements. These fees were not paid in cash before the Reporting Date, as such the fees were included in the interest-bearing loans and borrowings presented in note 16. More details of the CVAs are disclosed in note 35.	
SEAG and SFHG fees amortised: During the Reporting Period the Group re-estimated the remaining term of the existing SEAG and SFHG debt and due to it being classified as short-term, all previously capitalised costs were amortised during the Reporting Period.	(14)
	(180)

6. Taxation

Steinhoff N.V. is a South African tax resident.

For periods ending 30 September 2018 and 30 September 2017 the corporate taxation rate in South Africa is 28%. Capital gains is taxed at 22.4%.

ACCOUNTING POLICY:

Current taxation

Included within the tax charge are charges relating to:

- Normal corporate taxation;
- Capital gains taxation; and
- Dividends withholding taxation.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the Reporting Date, and any adjustment to tax payable in respect of previous periods.

The Group is subject to income taxes in numerous jurisdictions and the calculation of the Group's tax charge and worldwide provisions for income tax necessarily involves a substantial degree of estimation and judgement. At any given time the Group typically has a number of open tax returns with various tax authorities and engages in active dialogue to resolve these. Taxation provisions relating to these open items are recognised based on the Group's estimate of the most likely outcome, after taking into account external advice where appropriate.

Where the final tax outcome of these matters are different from the amounts that were initially recorded, such differences will impact profit or loss, current and deferred income tax assets and liabilities in the period such determination is made.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the Reporting Date.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable, on the basis of all available evidence it is considered more likely than not, that there will be suitable taxable profits against which the reversal of the deferred tax asset can be deducted.

Temporary differences have arisen as a result of the translation of the financial statements of the Group's subsidiaries. In most cases where the Group intends to dispose of a subsidiary, the relevant deferred tax liability is raised. A deferred tax liability has not been recognised for other subsidiaries as the liability will only crystalise in the event of disposal of the subsidiary and no such disposal was expected at the end of the Reporting Period.

Certain subsidiaries in the Group have undistributed earnings which if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but in most cases no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

The Group has not early adopted the requirements of IFRIC 23: Uncertainty over Income Tax treatments. Tax provisions have been recognised in accordance with IAS 37: Provisions, contingent liabilities and contingent assets during the 2018 Reporting Period.

6. Taxation *(continued)*

Significant accounting estimate and judgments (continued)

Uncertain tax positions

Uncertainty exists regarding the tax impact of the items described hereunder. The comprehensive tax review of the consequences of these items and the investigation by tax authorities could result in a restatement of unrecognised tax losses.

Management has estimated the tax consequences associated with the accounting irregularities and where specific items that could result in an increase in taxable profit have been identified, these have been recognised. Where specific items that could result in a reduction of taxable profit have been identified, these have been ignored where it is uncertain whether they will be allowed by the relevant tax authorities.

The tax position of the single entities impacted by the restatement is still uncertain in multiple jurisdictions. Due to the uncertainty associated with such tax items, there is a possibility that the final outcome may differ significantly from the current estimate.

The Group operates in numerous jurisdictions, resulting in transfer pricing being an important consideration, both at a Group and entity level. The Group is currently in the process of performing a transfer pricing review.

The Group is currently subject to ongoing general transfer pricing investigations by tax authorities in various jurisdictions. If a tax authority in any jurisdiction in which the Group operates, reviews any of the Group's practices and determines that the transfer prices and terms that the Group has applied are inappropriate or that income of a division of the Group should be taxed in that jurisdiction, the Group may incur increased tax liability, including accrual of interest and penalties which can cause the Group's tax expense to increase.

Due to the number of jurisdictions in which the Group operates, there may be uncertainty in respect of the place of effective management of certain individual Group entities. Although the level of risk is difficult to assess this may result in a potential future outflow of resources.

The steps required to complete the CVAs are complex and multi-jurisdictional giving rise to an element of risk regarding the tax consequences thereof. The Group has engaged with professional tax advisors to determine the tax consequences with a view to ensuring the associated element of risk from the restructuring is mitigated.

The Group is currently being investigated by Austrian and German tax authorities.

The Group is currently addressing these risks in consultation with its advisors. These risks may result in a potential outflow of resources.

Recoverability of deferred tax assets

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the Group’s operations where there is compelling evidence that it is probable that sufficient taxable profits will be available in the future to utilise the tax losses carried forward, either by the specific company to which it relates or the wider Group. Management has carefully assessed the entities' ability to generate future taxable profits against which the recognised tax losses can be utilised. Such assessments are based on the approved budgets and the forecasts of the entities including their ability to raise funding to maintain and support their operations.

6. Taxation *(continued)*

6.1 Income tax expense recognised in profit or loss

Major components of the tax expense from continuing operations:	Twelve months ended 30 September 2018 €m	Restated[9] Twelve months ended 30 September 2017 €m
Current tax		
Income tax		
Current period	**175**	132
Prior period adjustments	**18**	5
Capital gains tax	**13**	–
Withholding tax	**11**	8
	217	145
Deferred tax		
Originating and reversing temporary differences – current period	**(13)**	(1)
Changes in taxation rates	**(7)**	54
Adjustments relating to prior period	**25**	2
	5	55
Total tax from continuing operations	**222**	200
Components of the tax expense from discontinued operations:		
Current tax	**–**	30
Deferred tax	**21**	(365)
	21	(335)
Total taxation expense/(income) recognised in profit or loss	**243**	(135)
Reconciliation of rate of taxation		
Loss before income tax from continuing operations	**(452)**	(547)
Loss before income tax from discontinued operations	**(497)**	(3 582)
	(949)	(4 129)
South African standard rate of taxation at 28%	**266**	1 156
Effect of different statutory taxation rates of subsidiaries in other jurisdictions[1]	**(171)**	161
Effect of non-deductible expenses and tax exempt income[2]	**(4)**	(1 024)
Unrecognised tax losses[3]	**(308)**	(202)
Effect of profit of equity accounted companies	**16**	30
Prior period adjustments	**(31)**	(6)
Change in rate adjustments[4]	**54**	(54)
Withholding taxes[5]	**(49)**	(8)
Utilisation of previously unrecognised tax losses and temporary differences[6]	**37**	54
Previously unrecognised tax losses raised[7]	**–**	38
Other reconciling items[8]	**(53)**	(10)
Total taxation (expense)/income recognised in profit or loss	**(243)**	135

[1] *The foreign tax rate differential relates predominantly to Swiss entities and the corporate tax rate in Switzerland of 8.5%. (2017: The foreign tax rate differential relates predominantly to Mattress Firm and the corporate tax rate in the USA of 35%)*

[2] *In the prior period , non-deductible expenses of €1.1 billion were largely attributable to the impairments of goodwill, intangible assets and other assets.*

[3] *The unrecognised tax losses relate predominantly to Mattress Firm and the Conforama group. (2017: The unrecognised tax losses related predominantly to Mattress Firm, the Conforama group and other Corporate and Treasury services companies)*

[4] *Effective 22 December 2017, the US Federal tax rate changed from 35% to 14%.*

[5] *Withholding taxes suffered by the Group to access certain proceeds from disposal of assets contributed to the increase in withholding taxes during the Reporting Period.*

[6] *In the prior period previously unrecognised tax losses were utilised by the Conforama group in Switzerland, Spain and Italy.*

[7] *In the prior period Pepkor Australasia recognised tax losses which were previously not recognised.*

[8] *Included in other reconciling items are taxes raised on the temporary difference between an investment's carrying amount in the Consolidated Financial Statements and its tax base where such investments are classified as held-for-sale at period-end.*

[9] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

6. *Taxation* *(continued)*

6.2 Tax provisions

Tax provisions are included in the taxation payable balance in note 17. Tax receivable balances are disclosed in note 12.

6.3 Deferred tax assets and liabilities

	Assets		Liabilities		Net	
Recognised deferred tax assets and liabilities attributable to the following categories:	**30 September 2018 €m**	**30 September 2017 €m**	**30 September 2018 €m**	**30 September 2017 €m**	**30 September 2018 €m**	**30 September 2017 €m**
Intangible assets and goodwill	**(22)**	(23)	**(340)**	(547)	**(362)**	(570)
Property, plant and equipment	**28**	23	**(96)**	(162)	**(68)**	(139)
Provisions	**92**	126	**1**	82	**93**	208
Taxation losses	**43**	49	**–**	2	**43**	51
Other	**60**	46	**(121)**	(127)	**(61)**	(81)
Balance at end of the period	**201**	221	**(556)**	(752)	**(355)**	(531)

Included in Other are deferred taxes attributable to prepayments, operating leases, the equity component of the convertible bonds and unrealised foreign currency gains.

Reconciliation of movement in deferred tax (liability)/asset	**Notes**	**30 September 2018 €m**	**30 September 2017 €m**
Balance at beginning of period		**(531)**	(908)
Deferred tax of businesses acquired	24	**2**	(19)
Deferred tax of subsidiaries derecognised		**7**	75
Amounts charged directly to other comprehensive income:			
Cash flow hedging reserve and fair value reserves		**(7)**	8
Exchange differences on translation of foreign operations		**10**	(7)
Amounts charged directly to equity:			
Convertible bond, actuarial gains reserve and share-based payment reserves		**1**	(12)
Current period charge			
From continuing operations	6.1	**(5)**	(55)
From discontinued operations	6.1	**(21)**	365
Transferred to held-for-sale assets or liabilities	34	**148**	–
Exchange difference on translation of foreign operations		**41**	22
Balance at end of the period		**(355)**	(531)

During the Reporting Period, the deferred tax liability of €119 million relating to the intangible assets and goodwill of Mattress Firm was classified to held-for-sale.

6. *Taxation* *(continued)*

6.3 Deferred tax assets and liabilities (continued)

	30 September 2018 €m	30 September 2017 €m
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Unrecognised taxation losses	**2 550**	1 876

Deferred tax assets have not been recognised in respect of these items because it is not yet certain that future taxable profits will be available against which the Group can realise the benefits therefrom.

Taxation losses		
Estimated recognised taxation losses available for offset against future taxable income	**168**	182

As stated above, there is uncertainty regarding the tax impact of the accounting irregularities and transfer pricing investigations. The comprehensive tax review of the consequences of the accounting irregularities and the investigation by tax authorities on transfer pricing could result in a restatement of unrecognised taxation losses.

6.4 Expiry profile of taxation losses

The majority of the unrecognised tax losses relate to operations in Europe where certain jurisdictions have expiry dates regarding utilisation. The remaining balance relates to other jurisdictions and do not have expiry dates regarding utilisation.

7. *Loss per share*

	Twelve months ended 30 September 2018 Cents	Restated[1] Twelve months ended 30 September 2017 Cents
The calculation of per share numbers uses the exact unrounded numbers, which may result in differences when compared to calculating the numbers using the rounded number of shares and loss as disclosed below.		
Basic and diluted loss per share		
From continuing operations	**(17.6)**	(18.8)
From discontinued operations	**(12.5)**	(77.1)
Basic and diluted loss per share	**(30.1)**	(95.9)
Headline loss and diluted headline loss per share		
Headline loss is an additional loss number that is permitted by IAS 33: Earnings per Share ("IAS 33"). The starting point is loss as determined in IAS 33, excluding separately identifiable remeasurements, net of related taxation (both current and deferred) and related non-controlling interests other than remeasurements specifically included in headline loss. This number is required to be reported by the JSE, where the Group has a secondary listing, and is defined by Circular 4/2018 Headline Earnings.		
Separately identifiable remeasurements are those where the applicable IFRS explicitly requires separate disclosure of the operating and/or the platform remeasurement in the Consolidated Financial Statements. No adjustments would be permitted on the basis of voluntary disclosure of profits or losses (or components of these).		
From continuing operations	**(14.0)**	(5.2)
From discontinued operations	**(4.3)**	(6.5)
Headline and diluted headline loss per share	**(18.3)**	(11.7)

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

All potential ordinary shares were anti-dilutive and therefore diluted per share numbers are the same as basic or headline per share numbers.

7. *Loss per share* *(continued)*

Reconciliations of denominator and numerator

7.1 Weighted average number of ordinary shares

	Notes	Twelve months ended 30 September 2018 Million	Twelve months ended 30 September 2017 Million
Issued ordinary shares at beginning of the period	26.2	**4 310**	4 254
Effect of treasury shares held	26.3	**(166)**	(78)
Effect of shares issued during the period	26.2	**–**	35
Weighted average number of ordinary shares at end of the period for the purpose of basic and diluted loss per share and headline and diluted headline loss per share		**4 144**	4 211

7.2 Basic loss and headline loss attributable to owners of Steinhoff N.V.

	Notes	Continuing operations €m	Discontinued operations €m	Total €m
Twelve months ended 30 September 2018				
Basic loss for the period attributable to owners of Steinhoff N.V.		**(728)**	**(519)**	**(1 247)**
Adjusted for remeasurement items	7.3	**149**	**340**	**489**
Headline loss attributable to owners of Steinhoff N.V.		**(579)**	**(179)**	**(758)**
Restated[1] Twelve months ended 30 September 2017				
Basic loss for the period attributable to owners of Steinhoff N.V.		(791)	(3 245)	(4 036)
Adjusted for remeasurement items	7.3	580	2 972	3 552
Adjusted for remeasurement items of equity accounted companies		(8)	–	(8)
Headline loss attributable to owners of Steinhoff N.V.		(219)	(273)	(492)

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

7. *Loss per share* *(continued)*

Reconciliations of denominator and numerator (continued)

7.3 Remeasurement items as defined by the JSE

	Notes	Twelve months ended 30 September 2018 Gross of taxation and non-controlling interests €m	Twelve months ended 30 September 2018 Net of taxation and non-controlling interests €m	Restated[1] Twelve months ended 30 September 2017 Gross of taxation and non-controlling interests €m	Restated[1] Twelve months ended 30 September 2017 Net of taxation and non-controlling interests €m
Remeasurement items reflect and affect the resources committed in producing operating/trading performance and are not the performance itself. These items deal with the platform/capital base of the entity.					
Refer to note 4 for further details regarding the nature of the remeasurement items.					
Continuing operations					
Impairment	4.2.1	**30**	**30**	563	560
Goodwill	4.2.1	**6**	**6**	272	272
Intangible assets	4.2.1	**1**	**1**	20	17
Property, plant and equipment	4.2.1	**16**	**16**	145	145
Investments in equity accounted companies	10.3	**3**	**3**	126	126
Other		**4**	**4**	–	–
Foreign currency translation reserve and fair value reserve reclassified to profit or loss on disposal of investment	4.2.3	**89**	**91**	–	–
(Profit)/loss on disposal of property, plant and equipment and intangible assets	4.2.5	**(17)**	**(17)**	35	26
Loss/(profit) on sale and partial sale of investments	4.2.6	**32**	**45**	(6)	(6)
		134	**149**	592	580
Discontinued operations					
Impairment	1.2	**233**	**190**	3 542	3 052
Goodwill		**21**	**21**	2 464	2 288
Intangible assets		**129**	**100**	653	356
Property, plant and equipment		**59**	**45**	376	359
Investments in equity accounted companies		**24**	**24**	49	49
Foreign currency translation reserve and cash flow hedge reserve reclassified to profit or loss on disposal of investment	1.4	**(41)**	**(41)**	–	–
Loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet	1.4 & 1.2	**44**	**44**	8	8
Loss/(profit) on sale and partial sale of investments	1.4	**147**	**147**	(88)	(88)
		383	**340**	3 462	2 972

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

8. *Intangible assets*

ACCOUNTING POLICY:

Goodwill

Goodwill is measured as the excess of:

- the consideration transferred, plus
- the amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net assets acquired in a business combination.

Refer to note 24 for the accounting policy applied to business combinations.

Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Calculation of profits and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Other intangible assets

Trade and brand names

Separately acquired trade and brand names are shown at historical cost. Trade and brand names acquired in a business combination are recognised at fair value at the acquisition date. The majority of the Group's trade and brand names have indefinite useful lives and are subsequently carried at cost less accumulated impairment losses. Internally generated trade and brand names are not recognised in the statement of financial position.

Dealership agreements

Dealership agreements acquired in a business combination are recognised at fair value at the acquisition date. They have indefinite useful lives and are subsequently carried at cost less accumulated impairment losses.

Software and ERP systems

Purchased software is measured at cost less accumulated amortisation and impairment losses. Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Other intangible assets

Included in other intangible assets are patents, licenses and other contract-related intangible assets.

Amortisation of intangible assets with finite useful lives

Amortisation of intangible assets is calculated using the cost of the asset less its residual value. The amortisation is recognised in profit or loss on a straight-line basis over the assets' estimated useful lives.

Impairment of intangible assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGU's). Intangible assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each Reporting Period.

8. Intangible assets *(continued)*

Significant accounting estimates and judgements

Useful life of intangible assets

Software and ERP systems

The Group amortises software and ERP systems over their useful lives ranging between one and eight years using the straight-line method.

Indefinite useful life intangible assets

An indefinite life does not mean an infinite useful life, but rather that there is no foreseeable limit to the period over which the asset can be expected to generate cash flows for the entity.

Trade and brand names

The Group's trade and brand names have been assessed as having indefinite useful lives. The majority of these trade names and brand names were assessed independently at the time of the acquisitions, and the indefinite useful life assumptions were supported by the following evidence:

- The industry is a mature, well-established industry;
- The trade and brand names are long established, relative to the market, and have been in existence for a long time;
- The trade and brand names are therefore not vulnerable to typical product lifecycles or to the technical, technological, commercial or other types of obsolescence that can be seen to limit the useful lives of other trade names and brand names; and
- There is a relatively low turnover of comparable intangible assets, implying stability within the industry.

Dealership agreements

The Automotive business has been classified as held-for-sale during the Reporting Period (refer note 1). The dealership agreements are no longer disclosed as part of the Group's intangible assets. Previously, dealership agreements were assessed to have indefinite useful lives.

8. Intangible assets *(continued)*

	Goodwill €m	Indefinite useful life: Trade and brand names €m	Indefinite useful life: Dealership agreements €m	Software and ERP systems €m	Other intangibles €m	Total €m
Balance at 1 October 2016	7 178	3 285	99	135	25	10 722
Additions	–	–	–	53	1	54
Amortisation	–	–	–	(43)	(5)	(48)
From continuing operations (note 4.3.1)	–	–	–	(27)	(2)	(29)
From discontinued operations	–	–	–	(16)	(3)	(19)
Disposals	–	(244)	–	(5)	–	(249)
Acquired on acquisition of businesses (note 24.4)	420	132	3	4	5	564
Impairment (note 8.1)	(2 736)	(661)	–	(11)	(1)	(3 409)
From continuing operations (note 4.2.1)	(272)	(9)		(11)	–	(292)
From discontinued operations	(2 464)	(652)		–	(1)	(3 117)
Transfer from property, plant and equipment	–	–	–	18	–	18
Exchange differences on translation of foreign operations	(269)	(124)	(4)	(4)	(1)	(402)
Balance at 30 September 2017	4 593	2 388	98	147	24	7 250
Additions	**–**	**–**	**–**	**45**	**–**	**45**
Amortisation	**–**	**–**	**–**	**(48)**	**(4)**	**(52)**
From continuing operations (note 4.3.1)	**–**	**–**	**–**	**(29)**	**(1)**	**(30)**
From discontinued operations	**–**	**–**	**–**	**(19)**	**(3)**	**(22)**
Disposals	**(18)**	**(62)**	**–**	**(9)**	**(1)**	**(90)**
Acquired on acquisition of businesses (note 24.1)	**14**	**5**	**–**	**–**	**2**	**21**
Impairment (note 8.1)	**(26)**	**(118)**	**(10)**	**–**	**–**	**(154)**
From continuing operations (note 4.2.1)	**(6)**	**–**	**–**	**–**	**–**	**(6)**
From discontinued operations and on classification of held-for-sale	**(20)**	**(118)**	**(10)**	**–**	**–**	**(148)**
Transferred to discontinued operations and assets held-for-sale (note 34)	**(2)**	**(475)**	**(85)**	**(30)**	**(18)**	**(610)**
Exchange differences on translation of foreign operations	**(76)**	**(25)**	**(3)**	**4**	**1**	**(99)**
Balance at 30 September 2018	**4 485**	**1 713**	**–**	**109**	**4**	**6 311**
Cost	**5 784**	**2 974**	**–**	**251**	**6**	**9 015**
Accumulated amortisation and impairment	**(1 299)**	**(1 261)**	**–**	**(142)**	**(2)**	**(2 704)**
Net book value at 30 September 2018	**4 485**	**1 713**	**–**	**109**	**4**	**6 311**
Cost	8 598	4 302	98	302	43	13 343
Accumulated amortisation and impairment	(4 005)	(1 914)	–	(155)	(19)	(6 093)
Net book value at 30 September 2017	4 593	2 388	98	147	24	7 250

8. *Intangible assets* *(continued)*

	30 September 2018 €m	30 September 2017 €m
Summary of net carrying value:		
Goodwill	**4 485**	4 593
Indefinite useful life trade and brand names	**1 713**	2 388
Other intangible assets	**113**	269
	6 311	7 250

Management has identified the following CGU's to which goodwill and trade and brand names have been allocated. These CGU's do not represent a level higher than the operating segments identified in note 2.

	Goodwill		Indefinite useful life brand and trade name	
	30 September 2018 €m	30 September 2017 €m	30 September 2018 €m	30 September 2017 €m
Goodwill and trade and brand names are considered significant classes of intangible assets to the Group.				
The carrying amount per segment is presented below:				
Conforama	**–**	–	**200**	200
Australasia (Greenlit Brands)	**172**	189	**102**	108
Pepkor Europe	**1 645**	1 646	**273**	274
Pepkor	**2 590**	2 649	**1 107**	1 130
All Other#*	**78**	77	**31**	39
	4 485	4 561	**1 713**	1 751
The prior period carrying amount per segments of disposal groups or assets held-for-sale is presented below:				
ERM#		–		56
European Manufacturing, Sourcing and Logistics		18		–
Mattress Firm*		–		581
Automotive		14		–
Total carrying amount of disposal groups		32		637
Total carrying amount for all segments	**4 485**	4 593	**1 713**	2 388

**The goodwill related to Sherwood of €54 million (2017: €52 million) has been represented in the "All Other" segments.*

 # The Lipo brand of €9.6 million (2017: €11 million) has been represented in the "All Other" segments.

8.1 Impairment tests

Significant accounting estimates and judgements

Key assumptions used for the value-in-use calculations

The Group tests whether goodwill and trade and brand names with indefinite useful lives have suffered any impairment at least on an annual basis. The recoverable amount of the CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use discounted cash flow projections based on financial budgets approved by management. Models were built over a five year period with terminal growth thereafter. The majority of the approved budgets cover a three year period, but some businesses also approved budgets covering a five year period.

Where only a three year budget is approved, cash flows beyond the three year period are extrapolated using estimated medium-term growth rates. These growth rates are consistent with the industry and geographic location in which the CGU operates.

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

Significant accounting estimates and judgements (continued)

WACC is a key factor in determining the pre-tax discount rate to be applied to the cash flow projections. The Group's liquidity constraints have resulted in a decline in the Group's investment rating during the Reporting Period. As such, the CGU specific WACC has been calculated by estimating the cost of borrowing for each business, if the business borrowed at rates impacted by the lower investment rating of the Group. The cost of equity was adjusted to include additional risk factors, such as forecast risk, to incorporate the current uncertain trading conditions of the Group.

The cost of equity has also been adjusted with size premiums, where applicable, to take into account the restated size of each CGU.

This is consistent with methods applied to the 2017 Consolidated Financial Statements

The additional key assumptions relating to the impairment testing of the trade names and brands are based on royalty rates applicable to the specific brand based on the industry in which the brand operates and the profitability of the unit.

The following table sets out the key assumptions for those CGU's that have significant goodwill and/or trade and brand names allocated to them:

	Pre-tax discount rate	Pre-tax discount rate	Approved budget period	Approved budget period	Long term growth rate	Long term growth rate
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Continuing operations						
Pepkor Europe						
– Pepco	**8.9%**	9.3%	**3 years**	3 years	**2.0%**	2.0%
– Poundland	**8.8%**	8.5%	**5 years**	5 years	**2.0%**	1.9%
Pepkor[1]	**16.4% to 16.9%**	13.4% to 16.8%	**5 years**	3 years	**5.0% to 6.0%**	5.0% to 6.0%
Conforama	**11.0%**	9.7%	**3 years**	3 years	**1.2%**	1.0%
Disposal groups						
Mattress Firm (excluding Sherwood)	**14.3%**	10.4%	**3 years**	3 years	**3.0%**	3.0%

[1] *This is a summary of the Pepkor Group's various goodwill models.*

Management has determined the values assigned to each of the above key assumptions as follows:

Pre-tax discount rate Discount rates reflect the risk-free interest rates and country specific risks applicable to the CGUs. Debt:equity splits and betas were calculated separately using peer group inputs. The WACC per CGU was calculated based on the revised investment grade of the Group, and taking into account specific risks to each CGU.

Approved budget The forecasted cash flow periods take into account management's assumptions of the sales volume, sales price and cost increases expected over the next three to five years. A medium-term growth rate applicable to the industry and geographic location is applied to forecast years 4 and 5 where relevant.

Long term growth rate This is the weighted average growth rate used to extrapolate cash flows beyond the budget and forecast periods. The rates are consistent with the long term inflation outlook for the countries where the underlying businesses operate.

Royalty rates The royalty rate represents the assumed amount which would be paid to the owner of the intangible asset as a royalty fee, expressed as a percentage of revenue, for the use of the intangible asset. It is necessary to look to the industry in which the brand is operational to determine an appropriate notional royalty rate. The ability of the retailer to pay the royalty was also considered in selecting the royalty rates. The royalty rates used in assessing the value-in-use of the Steinhoff trade names and brand names in Europe and the United States of America all fall within or below industry standards and vary from 0.25% to 2.0% with the Africa group ranging between 0.25% and 5.0%.

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

Material impairment charges	Notes	Goodwill 30 September 2018 €m	Goodwill 30 September 2017 €m	Indefinite useful life trade and brand names 30 September 2018 €m	Indefinite useful life trade and brand names 30 September 2017 €m
The impairment charge during the period relates to the following CGUs:					
Continuing operations					
Poundland	b	–	(119)	–	–
Australasia General Merchandise	c	**(6)**	(144)	–	(9)
Other immaterial impairments		–	(9)	–	–
Discontinued operations					
Mattress Firm (excluding Sherwood)	a	–	(2 464)	**(118)**	(652)
Automotive		**(20)**	–	–	–
		(26)	(2 736)	**(118)**	(661)

a) Impairment charge on the Mattress Firm CGU (excluding Sherwood)

Goodwill was fully impaired in the prior period with an impairment charge of €2.5 billion. The integration of the Sleepy's acquisition resulted in too many store locations for this brand. Further, the rebranding of all Sleepy's and Sleep Train stores (comprising c. 40% of the store base) to Mattress Firm stores was accelerated and executed in areas where the brand was not as well known. The brand name included in this CGU was impaired further by €118 million (2017: €652 million). The major classes of assets impaired during the Reporting Period were brand names.

As at 30 September 2018, Mattress Firm was considered to be a disposal group. Refer note 1.

b) Prior period impairment charge on the Poundland CGU

In the prior period a goodwill impairment charge of €119 million arose for this CGU. The business plan for Poundland includes store roll-outs in new territories and head count reductions due to back office integrations and efficiencies. Based on IAS 36, these initiatives cannot be taken into account in arriving at a value-in-use model. As such, approved forecasts were adjusted downward to exclude store growth and certain future cost saving strategies. The only asset impaired in the prior period as a result of the valuation was the goodwill attributable to the CGU.

As at 30 September 2018, the carrying amount of the CGU, of €874 million was almost equal to the recoverable amount of €875 million.

Management have considered reasonably possible changes in the key assumptions and have identified the following instances that could cause the carrying amount of the Poundland CGU to increase or decrease:

Key inputs	Changes in key inputs	Impact on recoverable amount €m
Pre-tax discount rate	100 bps increase	(125)
	100 bps decrease	166
Cash EBITDA	€5 million increase per annum	76
	€5 million decrease per annum	(76)

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

Cash EBITDA:

Cash EBITDA is significantly impacted by product mix, shrinkage rates and future rent reductions.

Product mix:

The roll-out of the Pep&Co clothing range in Poundland stores, product mix improvements in general merchandise together with further buying efficiencies from increased intergroup trading is driving improvements in margin.

Shrinkage rate:

There was an increase in stock losses during the Reporting Period compared to historical norms. The losses increased to 2.7% of net sales, compared to historical trends of 1.6% of net sales. Management has identified the problem areas and is implementing plans to address these losses. The business plan includes a reduction in the shrinkage rate to 2.05% of net sales by 2021, which is below the current rate, but significantly above the historical trends.

Rent reduction rate:

There is an opportunity to re-negotiate lease costs to current market related rentals upon expiry of leases. Current leases are significantly above market rates. The majority of the lease portfolio comes up for renewal or termination by 2023. This could result in upside to the valuations.

Sensitivies were calculated for cash EBITDA movements in the table above.

c) Impairment charge on the Australasia General Merchanise CGU

The goodwill impairment charge of €6 million (2017: €144 million) and brand impairments of €nil (2017: €9 million) arose in the general merchandise unit of Australasia. This business was restructured to form part of the Group's Australian unit during 2016, and a new management team was introduced during 2017. This lead to a change in certain strategic initiatives and the discontinuance of certain brands. As at 30 September 2018 the carrying and recoverable amounts of this general merchandise Australasia unit are €127 million post impairment. The material remaining assets in this unit are property and inventory. These assets have been separately tested and are deemed recoverable. Adjusting the key drivers of the value-in-use model is therefore not expected to result in material changes in asset values. No other class of assets except goodwill was impaired in the Reporting Period (2017: goodwill and specific brands).

d) Sensitivities for Pepkor's CGUs

Management has adjusted the cash flows of the group of CGUs for entity-specific risk factors to arrive at the future cash flows expected to be generated from this group of CGUs. There is no indication based on a reasonable fluctuation in those risk factors that the goodwill is impaired.

The recoverable amount substantially exceeds the carrying amount of the following group of CGUs: Clothing and General Merchandise, Furniture, Appliances and Electronics and FinTech. No sensitivity analysis is therefore presented in relation to changes in assumptions underpinning the impairment tests performed.

The recoverable amount of the Tekkie Town CGU is estimated to exceed the carrying amount of the CGU as at 30 September 2018 by ZAR283 million (€17 million).

8. *Intangible assets* *(continued)*

8.1 Impairment tests (continued)

The recoverable amount of this CGU in 2018 would be equal to its carrying amount if the key assumptions were to change as follows:

	From	To
Pre-tax discount rate (%)	16.7%	17.5%
Long-term growth rate (%)	6.0%	5.0%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Tekkie Town CGU to exceed its recoverable amount.

e) Sensitivities for Pepco and Australasia Household Goods CGUs

Management has adjusted the cash flows of each CGU for entity-specific risk factors to arrive at the future cash flows expected to be generated from the CGU. There is no indication based on a reasonable fluctuation in those risk factors that the goodwill of these CGU's is impaired.

9. *Property, plant and equipment and investment property*

Significant accounting estimates

Residual value and useful life of buildings

Properties in Europe and South Africa were not previously subject to robust impairment testing resulting in increased carrying and residual values. Impairments in the 2017 Reporting Period corrected these values. Management has considered the most recent information regarding the estimated amount that an entity would currently obtain from disposal of the properties, after deducting the estimated costs of disposal, if these were already of the age and in the condition expected at the end of its useful life. In connection with the review of the depreciation, management has aligned the useful life and the residual values of the properties so that it better reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

In applying these judgements management has assumed that South African properties have higher residual values than the European properties due to the impact of compounded historical country specific inflation rates on property values.

Impairment testing

The majority of the Group's properties are owner occupied. Management requested independent third party valuers to do fair valuations in terms of IFRS. It should be noted that the properties were valued on an individual basis and did not assume any portfolio effect.

ACCOUNTING POLICY: Depreciation

Depreciation is calculated using the straight-line method to allocate cost, net of residual values, over the asset's estimated useful life or in the case of leasehold improvements or other leased assets, the shorter lease term as follows:

• Investment property	15 – 40 years
• Buildings	15 – 50 years
• Plant and machinery	3 – 10 years
• Vehicles	4 – 10 years
• Office equipment and furniture	3 –16 years
• Computer equipment	2 – 4 years
• Vehicle rental fleet	5 years

Impairment of property, plant and equipment

As a result of the earlier consolidation of kika-Leiner in 2013, a detailed purchase price allocation was not performed at this acquisition date and the acquisition value of the kika-Leiner properties could not be established. The kika-Leiner properties were valued as at 30 September 2017 by an independent third party valuer. The fair values were compared to the local GAAP book values to determine the value of the impairment. An impairment of €351 million was recognised during the 2017 Reporting Period. The kika-Leiner property portfolio was disposed of during the Reporting Period (refer note 1).

Full external valuations were carried out by property valuation experts on the Hemisphere and Conforama property portfolios as at 30 September 2017 and during the 2018 Reporting Period. Impairments of €3million (2017: €90 million) were recognised on several properties within the Hemisphere and Conforama portfolios. These properties are included in the European Property and Conforama segments.

The Group currently is in the process of also doing a full external valuation of its South African properties. In the Reporting Period, an impairment of €4 million (2017: €12 million) was recognised in profit or loss on this portfolio as a result of internal valuations performed. The South African properties are aggregated in the "All Other" segment. No material impact is expected from the external valuation process.

It is likely that the property impairments recognised in the 2017 Reporting Period also relate to earlier periods, but as management did not previously identify impairment indicators and therefore did not perform valuations in prior periods, these impairments were recognised in the 2017 Reporting Period.

9. *Property, plant and equipment and investment property* *(continued)*

Vehicle rental fleet

The rental fleet of the Group is ultimately sold via the Unitrans Automotive dealerships. At a subsidiary and Group level the rental fleet is recognised as property, plant and equipment while it is used to generate vehicle rental revenue and then transferred to inventories when the vehicle is ready to be sold. The vehicles used as rental fleet are depreciated until transferred to inventories.

The Automotive business was classified as held-for-sale during the Reporting Period, refer note 1. The vehicle rental fleet is therefore no longer disclosed as part of the property, plant and equipment at 30 September 2018.

Assets pledged as security for liabilities

The mortgages and Hemisphere term loans are secured by the Group's freehold land and buildings and shares and receivables of companies owning the Hemisphere property portfolio. The book value of the land and buildings in the Hemisphere portfolio amounts to €241 million. In 2017, properties with a book value of €177.1 million served as security for the mortgage bonds and term loans. Refer to note 16.

Included in other assets in the prior period, were vehicles relating to the operations of Unitrans Automotive, which were subject to a lien of €132 million in respect of the manufacturers' floorplan financing, comprising interest-bearing and interest-free amounts and which are included in trade and other payables. Refer to note 17.

In the prior period, vehicle rental fleet with a book value of €65 million were pledged as security for liabilities as set out in note 16.2.

The Automotive business was classified as held-for-sale during the Reporting Period, refer note 1. The above-mentioned assets pledged as security as well as the liabilities which were secured by the assets is therefore no longer disclosed as part of the assets and liabilities of the Group, but is included in assets and liabilities held-for-sale.

Dealership properties included under Africa Properties in the 2017 Reporting Period were sold to the Automotive group during the Reporting Period and are included in property, plant and equipment classified as held-for-sale (refer to note 34).

ACCOUNTING POLICY: Investment property

Investment property is land and buildings that are held to earn rental income or for capital appreciation, or both.

The Group has elected to measure all investment properties using the cost model.

Managements' estimate of residual values of investment properties

The investment properties comprise mainly self constructed properties in South Africa. These properties have high residual values as a result of the impact of country-specific inflation and the favourable location and use of the properties.

Managements estimate of fair value of investment property

At 30 September 2018, management's valuation approximated the carrying values. The valuation of the Group's investment has been carried out internally by the Group's own property division.

The fair value of investment property is classified as level 3, based on the fair value hierarchy.

No restrictions exist on the sale of investment property.

At 30 September 2018 there is an amount of €12 million (2017: €17 million) contractually remaining on the development of an investment property expected to be completed in 2019. There are no other material contractual obligations to purchase, construct or develop investment property. There are service level agreements and building maintenance contracts in place with third-party contractors for security, repairs, maintenance and minor enhancements.

9. *Property, plant and equipment and investment property* (continued)

	Notes	Investment property €m	Land and buildings €m
Balance at at 1 October 2016		87	2 402
Additions		28	155
Depreciation		–	(60)
From continuing operations	4.3.1	–	(21)
From discontinued operations		–	(39)
Disposals		(1)	(12)
Impairment		–	(466)
From continuing operations	4.2.1	–	(137)
From discontinued operations		–	(329)
Acquisition of businesses	24.4	16	28
Disposal of businesses		–	(97)
Reclassification		2	4
Transfer to intangible assets		–	–
Transfer to inventories		–	–
Exchange differences on translation of foreign operations		(4)	(20)
Balance at 30 September 2017		128	1 934
Additions		**3**	**118**
Depreciation		**(2)**	**(45)**
From continuing operations	4.3.1	**(2)**	**(19)**
From discontinued operations		**–**	**(26)**
Disposals[1]		**(8)**	**(124)**
Impairment		**–**	**(12)**
From continuing operations	4.2.1	**–**	**(3)**
From discontinued operations		**–**	**(9)**
Acquisition of businesses	24.1	**–**	**2**
Disposal of businesses		**–**	**(607)**
Reclassification		**15**	**25**
Transfer to inventories		**–**	**–**
Transfer to assets held-for-sale	34	**–**	**(72)**
Exchange differences on translation of foreign operations		**(2)**	**(6)**
Balance at 30 September 2018		**134**	**1 213**
Cost		**150**	**1 381**
Accumulated depreciation and impairment		**(16)**	**(168)**
Net book value at 30 September 2018		**134**	**1 213**
Cost		143	2 379
Accumulated depreciation and impairment		(15)	(445)
Net book value at 30 September 2017		128	1 934

[1] *Disposals of land and buildings comprise the sale of property in Vienna, Mariahilferstrasse, for a consideration of €70 million of which €10 million was deferred and subsequently judged irrecoverable.*

Carrying values of the main components of the other assets per category are: Capital-work-in-progress (2018: €59 million; 2017: €86 million), vehicles (2018: €24 million; 2017: €32 million), computer equipment (2018: €51 million; 2017: €59 million) and vehicle rental fleet (2018: €nil as it is included in assets held-for-sale; 2017: €66 million).

Leasehold improvements, land and buildings and plant and machinery are reclassified from capital-work-in-progress when the asset is finished and available-for-use.

Transfers to inventories comprise mainly the vehicle rental fleet that is sold by the Automotive dealerships.

Plant and machinery €m	Leasehold improvements €m	Furniture and fittings €m	Other assets €m	Total €m
303	607	218	243	3 860
95	135	136	254	803
(49)	(109)	(93)	(60)	(371)
(44)	(71)	(44)	(29)	(209)
(5)	(38)	(49)	(31)	(162)
(20)	(7)	(10)	(6)	(56)
(1)	(46)	(8)	–	(521)
(1)	(7)	–	–	(145)
–	(39)	(8)	–	(376)
10	9	2	1	66
–	(37)	(32)	(6)	(172)
(81)	(1)	88	(12)	–
–	–	–	(18)	(18)
–	–	(4)	(87)	(91)
(21)	(12)	(5)	(8)	(70)
236	539	292	301	3 430
90	**82**	**80**	**234**	**607**
(70)	**(101)**	**(83)**	**(57)**	**(358)**
(65)	**(75)**	**(43)**	**(32)**	**(236)**
(5)	**(26)**	**(40)**	**(25)**	**(122)**
(4)	**(3)**	**(7)**	**(98)**	**(244)**
(5)	**(26)**	**(23)**	**(7)**	**(73)**
(5)	**(1)**	**(1)**	**(6)**	**(16)**
–	**(25)**	**(22)**	**(1)**	**(57)**
1	**1**	**1**	**2**	**7**
(9)	**(6)**	**(51)**	**(15)**	**(688)**
1	**(6)**	**16**	**(51)**	**–**
–	**–**	**–**	**(62)**	**(62)**
(7)	**(89)**	**(40)**	**(106)**	**(314)**
(3)	**(4)**	**(1)**	**(9)**	**(25)**
230	**387**	**184**	**132**	**2 280**
573	**871**	**433**	**278**	**3 686**
(343)	**(484)**	**(249)**	**(146)**	**(1 406)**
230	**387**	**184**	**132**	**2 280**
558	1 008	575	458	5 121
(322)	(469)	(283)	(157)	(1 691)
236	539	292	301	3 430

10. *Investments in equity accounted companies*

ACCOUNTING POLICY: Principles of equity accounting

Associates

Associates are entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost.

Long-term interests

The Group's interest in an associate or joint venture includes long-term interests that form part of the Group's net investment. Such long-term interests include ordinary and preference shares and long-term receivables or loans. The long-term interests are akin to an equity investment.

Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associates and joint ventures.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised profits on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

If a profit or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on disposal of the related assets or liabilities, the entity reclassifies the profit or loss from equity to profit or loss when the equity method is discontinued.

Dilution profits and losses arising on the deemed disposals of investments in equity accounted companies are recognised in profit or loss.

When there is a dilution in the Group's shareholding in an investment in equity accounted company, the dilution ratio is applied to the Group's share of other reserves of the equity accounted company and are released through other comprehensive income or profit or loss depending on the allowable treatment per the IFRS applicable to the transactions that built up in that reserve.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Where the financial period-end of the equity accounted entity differs by more than three months from the Group's year-end, the Group will adjust the equity accounted carrying value by any known material transactions that took place between the Group year-end and that of the financial year-end of the equity accounted company.

10. *Investments in equity accounted companies* (continued)

Impairment of investments in equity accounted companies

Investments in equity accounted companies are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

Losses in an equity accounted investment are only recognised to the extent of the carrying amount. Excess losses are tracked and any subsequent share in profit of the equity accounted investment will first reduce the excess loss.

The carrying amount of equity-accounted investments is tested for impairment when impairment indicators are present.

Set out below are the associates and joint ventures of the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held, except where indicated otherwise.

10.1 Detail of Equity Accounted investments of the Group

Name of business	Place of business / country of incor-poration	Nature of business	% holding 30 September 2018	% holding 30 September 2017	Quoted fair value[1] €m 30 September 2018	Quoted fair value[1] €m 30 September 2017	Carrying value €m 30 September 2018	Carrying value €m 30 September 2017
Listed								
KAP[2]	South Africa	Diverse industrial and logistics business	**25.9**	43.0	**315**	601	**231**	355
PSG[3]	South Africa	Investment company	**–**	25.5	**–**	847	**–**	747
SRP[3]	France	Digital retailer	**–**	17.0	**–**	107	**–**	79
Unlisted								
Atterbury Europe[3]	Netherlands	Investment property	**–**	50.0	*	*	**–**	373
Cofel SAS	France	Manufac-turing	**50.0**	50.0	*	*	**6**	6
POCO[4]	Germany	Household good retailer and property	**N/A**	50.0	*	*	**N/A**	285
Bud Group Proprietary Limited	South Africa	Investment company	**25.4**	25.4	*	*	**173**	178
Habufa[3]	Netherlands	Manufac-turing	**–**	50.0	*	*	**–**	17
Various other immaterial equity accounted companies	Various	Property, insurance, manufac-turing, retail, logistics and financial services	**24.5 – 50.0**	24.5 – 50.0	*	*	**20**	15
							430	2 055

[1] The 30 September 30-day volume-weighted average share price were used to determine the quoted fair value of the listed investments.

[2] A portion of the investment in KAP was disposed during the Reporting Period, the remaining investment was disposed of subsequent to period-end. Refer to note 35.

[3] The investment in these entities were disposed of during the Reporting Period.

[4] As at 30 September 2018 both POCO investments are classified as held-for-sale and were disposed of subsequent to period-end. Refer to note 35.

**Private equity – no quoted price available*

10. *Investments in equity accounted companies* *(continued)*

10.2. Significant judgements relating to recognition of investments as equity accounted investments

Accounting for the interest in POCO

POCO Einrichtungsmarkte was derecognised as a subsidiary and recognised as an equity-accounted investment on 31 March 2017. The POCO property entity, POCO-Domäne Immobilien Holding GmbH has been equity accounted since initial acquisition. On 4 September 2018, the Group's subsidiary, LiVest, entered into an agreement to sell its shares in the POCO furniture group, including its property portfolio. As a result the equity-accounted investment in POCO was classified as held-for-sale as at 30 September 2018. Refer to note 34.

Accounting for the interest in SRP

During the 2017 Reporting Period, the Group acquired a 17% strategic interest in SRP for €159 million. The Group entered into voting agreements with the founding shareholders and Steinhoff N.V. was also represented on the board of SRP. As such, the Group established it had significant influence over SRP and SRP was therefore equity accounted.

SRP is a separately listed entity with a December financial year-end. No equity accounted earnings for SRP are recognised by the Group in the 2017 or 2018 Reporting Periods owing to the delay in obtaining December 2017 year-end financial information for SRP and then the fact that SRP was sold on 11 January 2018. Management determined that any equity accounted earnings for this short period that the Group held the investment in SRP would be immaterial.

Accounting for the interest in Atterbury Europe

The Group owned 50% of the ordinary shares in Atterbury Europe and 100% of the issued preference share capital of Atterbury Europe which did not hold any voting rights. The investment in the preference shares was classified as part of the Group's net investment in Atterbury Europe together with the 50% investment in the ordinary shares. The requirement to declare preference dividends was not mandatory, the preference shares had no fixed terms of repayment and were unsecured. The investment in the preference shares was therefore deemed akin to an equity investment.

Atterbury Europe repurchased the ordinary shares held by the Group on 18 December 2017 for €20 million. The Group's remaining 100% interest in the preference shares in Atterbury Europe were also repurchased by Atterbury Europe in June 2018 for €224 million. A total loss on disposal of €133 million was recognised as a result.

10.3 Reconciliation of the aggregate carrying values of equity accounted companies

	Notes	30 September 2018 €m	30 September 2017 €m
Balance at the beginning of the period		**2 055**	1 379
Additions	10.4	**1**	846
Impairments	10.5		
From continuing operations		**(3)**	(126)
From discontinued operations	1.2	**(24)**	(49)
Disposals	10.6	**(1 377)**	–
Transferred to assets held-for-sale	34	**(271)**	–
Share of:			
Profit or loss			
From continuing operations		**58**	101
From discontinued operations		**9**	6
Other comprehensive income		**(1)**	(3)
Sundry reserves		**(19)**	14
Dividends received		**(15)**	(59)
Other movements		**1**	(2)
Exchange differences on translation of investments in equity accounted investments		**16**	(52)
Carrying values of equity accounted companies at the end of the period		**430**	2 055

10. *Investments in equity accounted companies* *(continued)*

10.4 Additional investments during the Reporting Period

No material additional investments were made during the Reporting Period.

During the prior period the Group increased its preference share investment in Atterbury Europe by €278 million to support the expansion in central and eastern Europe. The SRP investment was acquired for €159 million in July 2017. Cofel SAS, a bedding manufacturer, was subscribed for during the period for €51 million. POCO (excluding the POCO property entity) was recognised as an equity accounted investment on 31 March 2017 at fair value on initial recognition of €302 million. The investment in POCO was not acquired for cash, but was recognised as a result of a loss of control. As part of the KAP rights offer, the Group subscribed for a further 94 million KAP shares during the prior period for €45 million.

10.5 Significant judgements relating to impairment of equity accounted investments

The Group considers whether any impairment indicators are present with regards to its investment in equity accounted companies by reference to the quoted fair value, if available, as well as the underlying investment's profitability, access to operational funding and any other factors that could impact the investment's ability to deliver returns to the Group.

The following investments had impairment indicators present and considerations are discussed below:

SRP

As at 30 September 2017, SRP's share price had declined significantly since the initial acquisition by the Group. The Group determined impairment indicators were present as a result of the decline in the share price driven by reduced profitability of SRP following several profit warnings by the Group. The Group considered the recoverable amount of its investment in SRP to be the fair value taking into account the listed share price, and recognised an impairment of €79 million during the prior period. The investment in SRP was disposed of during the 2018 Reporting Period with no further impacts on profit or loss.

Cofel SAS and POCO

Cofel SAS and POCO showed impairment indicators of declining profitability together with Cofel SAS's inability to pay dividends to ordinary shareholders during the prior period.

As Cofel SAS and POCO are private entities, EBITDA multiples were applied based on available market information to determine a recoverable amount for both Cofel SAS and POCO.

An impairment of €46 million and €49 million was recognised during the prior period for Cofel SAS and POCO (excluding the POCO property entity), respectively. The investment in POCO was classified as held-for-sale during the period, and an impairment of €24 million was recognised in the 2018 Reporting Period. Refer to note 34.

Atterbury Europe

The Group invested in Atterbury Europe joint venture to expand the Group's property presence in Eastern Europe. A property portfolio of this size was intended to provide returns in the long-term.

The investment in Atterbury Europe was disposed of on a piecemeal basis during 2018 to alleviate funding requirements of the Group. A loss of €133 million was recognised on the disposal. Refer to note 4.2.6. Management considered whether this loss recognised on disposal during the 2018 Reporting Period was indicative of any impairment indicators that existed at the 2017 Reporting Date and concluded that an impairment in the 2017 Reporting Period was not required. Both joint venture partners had sufficient access to the funding required to support the operations and expansion as at 30 September 2017. Management concluded that the sale of a long-term property investment of this size on a piecemeal basis so soon after the initial investment was made resulted in the loss on disposal.

10.6 Disposals

During the 2018 Reporting Period the entire investment in PSG was disposed for €798 million and a profit of €24 million was recognised on disposal. The FCTR relating to the PSG investment of €99 million was reclassified to profit or loss upon the disposal of PSG. Refer note 4.2.6.

The investment in KAP was reduced by 17% during the 2018 Reporting Period for cash proceeds of €234 million. A profit of €82 million was recognised on disposal. The partial reclassification of the FCTR relating to the investment in KAP was not considered material. Refer note 4.2.6.

10. *Investments in equity accounted companies* *(continued)*

10.6 Disposals (continued)

The investments in Atterbury Europe and SRP were disposed of during the 2018 Reporting Period for cash proceeds of €224 million and €80 million respectively. A loss of €133 million was recognised in profit or loss relating to the disposal of Atterbury Europe. Refer to note 4.2.6. SRP was disposed of at its carrying value.

10.7 Commitments

The Group's obligation in respect of losses and contingent liabilities from equity accounted companies is limited to the extent of the carrying values of the investments including loans and preference share investments.

The Group had committed funding of €15.8 million to Atterbury Europe for development of properties however, with the disposal of Atterbury Europe during the 2018 Reporting Period, the Group was released of this funding obligation.

10.8 Summarised information in respect of material equity accounted companies

The table below provides summarised financial information for those equity accounted investments that are material to the Group. The information disclosed reflects the amounts presented in the most recent financial statements of the relevant equity accounted companies and not the Group's share of those amounts.

As the equity-accounted investment in POCO is classified as held-for-sale at period-end, the summarised financial information is not provided. No comparative information for POCO is included in the table below.

Adjustments are made for material transactions occurring between the equity accounted company's reporting date and Steinhoff N.V.'s Reporting Date (where necessary).

Where relevant, the statements of financial positions of the associates were translated to euro at spot conversion rate at the end of the Group's Reporting Period and the income statements were translated to euro at the average conversion rate applicable to the Group's Reporting Period.

The Group has compared the accounting policies of these companies to those of the Group and has found no material differences that require adjustment.

	KAP		Bud Group*	
	Period ended 30 June 2018 €m	Period ended 30 June 2017 €m	Period ended 31 December 2018 €m	Period ended 31 December 2017 €m
Revenue	1 478	1 337	*	791
Investment income	2	8	*	9
Depreciation and amortisation	(67)	(58)	*	(62)
Interest expense	(48)	(43)	*	(49)
Income tax expense	(14)	(17)	*	(16)
Profit for the period from continuing operations	104	98	*	82
Loss for the period from discontinued operations	(1)	(4)	*	–
Profit for the period	103	94	*	75
Other comprehensive income/(loss) for the period	3	(5)	*	(2)
Total comprehensive income for the period	106	89	*	73

**The results for the Bud Group for the period ended 31 December 2018 has not yet been approved and published. Management used Bud Group's management accounts to calculate the Group's equity earnings.*

10. *Investments in equity accounted companies* *(continued)*

10.8 Summarised information in respect of material equity accounted companies (continued)

	KAP		Bud Group*	
	As at 30 June 2018 €m	As at 30 June 2017 €m	**As at 31 December 2018 €m**	As at 31 December 2017 €m
Non-current assets	**1 217**	1 210	*	1 302
Current assets				
Cash and cash equivalents	**131**	125	*	87
Other current assets	**388**	348	*	275
Total current assets	**519**	473	*	362
Non-current liabilities:				
Non-current financial liabilities (excluding trade payables)	**(424)**	(459)	*	(423)
Other non-current liabilities	**(196)**	(187)	*	(176)
Total non-current liabilities	**(620)**	(646)	*	(599)
Current liabilities:				
Current financial liabilities (excluding trade payables)	**(61)**	(30)	*	(52)
Other current liabilities	**(295)**	(300)	*	(162)
Total current liabilities	**(356)**	(330)	*	(214)
Non-controlling interests	**(20)**	(20)	*	(139)
Net assets	**740**	687	*	712
% ownership by Group	**25.9%**	43.0%	**25.4%**	25.4%
Group's share of net assets	**192**	295	*	181
Adjustment for material transactions and foreign currency differences	**–**	(6)	*	17
Goodwill/(Gain on bargain purchase)	**39**	66	*	(20)
Carrying amount of the Group's interest	**231**	355	*	178

**The results for the Bud Group for the period ended 31 December 2018 has not yet been approved and published. Management used Bud Group management accounts to calculate the Group's equity earnings.*

11. *Investments and loans*

	Notes	30 September 2018 €m	30 September 2017 €m
Non-current investments and loans			
Available-for-sale financial assets	11.1	–	6
At fair value through profit or loss		–	6
Loans at amortised cost	11.2	**311**	94
		311	106
Current investments and loans			
Available-for-sale financial assets	11.1	–	12
Loans at amortised cost	11.2	**261**	95
		261	107
Total investments and loans		**572**	213

The loans at amortised costs are stated net of accumulated impairment provisions of €277 million (2017: €241 million).

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each Reporting Period. For details of the key assumptions used and the impact of changes to these assumptions refer to note 18.

Details regarding the material categories of investments and loans is set out below:

11.1 Available-for-sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at fair value through profit or loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the Reporting Period.

	Notes	30 September 2018 €m	30 September 2017 €m
Available-for-sale financial assets include the following classes of financial assets:			
Listed equity securities		–	6
Unlisted equity securities		–	12
		–	18
Amounts recognised in other comprehensive income and profit or loss			
Losses recognised in other comprehensive income		**(10)**	(38)
Profit recognised in profit or loss as other income, being reclassified from other comprehensive income on derecognition	4.2.6	**(5)**	6
		(15)	(32)

11. Investments and loans *(continued)*

11.2 Loans at amortised cost

	Notes	30 September 2018 €m	30 September 2017 €m
Loans and receivables are carried at amortised cost (after impairment), with interest recognised in profit or loss for the period, using the effective-interest method.			
The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the Reporting Period.			
Loans at amortised cost (after impairment) include the following types of loans:			
Unlisted preference shares	a	**262**	5
Interest-bearing loans	b	**280**	141
Non-interest-bearing loans		**30**	43
		572	189

a) Unlisted preference shares

The increase in unlisted preference shares is as a result of an investment in preference shares issued by Lancaster 102. The Group started negotiations in the 2017 Reporting Period regarding the planned Shoprite transaction (refer note 29). Prior to the transaction being cancelled, Steinhoff Africa subscribed for 1 000 preference shares to the value of ZAR4 billion in Lancaster 102. The preference shares accrue dividends at 80% of the SA prime lending rate as quoted by Standard Bank Group Limited or its successor in title in South Africa. The final redemption date is either October 2022 or, if Lancaster 102 elects, October 2024 or a later date if Lancaster 102 and Steinhoff Africa agree. As part of the transaction, Steinhoff Africa also issued 1 000 preference shares to the value of ZAR4 billion to Lancaster 102 with the same terms, however the final redemption date is October 2020. Refer to note 27.2. Management did not identify any impairment triggers and consider the amount is recoverable.

Refer to note 22.3 (Legal claims) for the legal claim instituted during the 2019 Reporting Period, by Lancaster 101 (the parent company of Lancaster 102) against the Company.

b) Interest-bearing loans

Loan to Titan

Included in the balance of interest-bearing loans is a loan receivable from Titan of €203 million as at 30 September 2018. The loan originated when prepayments of €125 million and €200 million were made by the Group in October and November 2017 to entities related to Christo Wiese (a Steinhoff Supervisory Board member at the time) as part of the planned Shoprite transaction. Agreements have been entered into during February 2018 in terms of which €125 million has been settled. The balance of the €200 million loan plus interest (at 1.5% per annum until 1 September 2018, 3% thereafter) is expected to be repaid on agreed terms. Titan is awaiting regulatory approvals to be able to perform under the terms of the agreement. Refer to note 29.3.

Loan to Plum Tree

Included in the balance of interest-bearing loans is a loan receivable from Plum Tree of €57 million (2017:€89 million) as at 30 September 2018. An impairment on this loan of €32 million (2017: €91 million) was recognised in profit or loss. Refer to note 4.2.2a. The loan to Plum Tree does not have repayment terms, but was settled as part of the Campion Group settlement agreement in 2019 as described in note 35.

Loans relating to Fulcrum FS (Wands)

In the prior period €12 million of the interest-bearing loans related to loans granted to Fulcrum FS. This balance was settled during the Reporting Period.

12. *Trade and other receivables*

	Notes	30 September 2018 €m	30 September 2017 €m
Financial assets			
Current trade and other receivables			
Trade receivables		**208**	307
Instalment sale and loan receivables		**155**	137
Less: Provision for impairments[1]	19.3	**(54)**	(65)
Net trade, instalment sale and loan receivables		**309**	379
Receivables due from equity accounted companies	29.5	**15**	18
Supplier bonuses		**39**	46
Proceeds due from kika-Leiner disposal	1.4	**397**	–
Other amounts due		**176**	189
Derivative financial assets	19.1	**32**	17
		968	649
Non-financial assets			
Non-current trade and other receivables			
Equalisation of operating lease payments		**3**	2
Current trade and other receivables			
Prepayments		**125**	231
Taxation receivable		**73**	97
Value Added Taxation receivable		**50**	78
		248	406
Total			
Non-current trade and other receivables		**3**	2
Current trade and other receivables		**1 216**	1 055
		1 219	1 057

[1] *Majority of the provision for impairments relates to trade receivables, instalment sale and loan receivables.*

12. Trade and other receivables *(continued)*

Classification of trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Net trade, instalment sale and loan receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 to 90 days and therefore are all classified as current.

Supplier bonuses

Supplier bonuses are recognised as a reduction in expenses when certain targets are met. The bonuses are mostly contractual in nature and are dependent upon meeting certain volume targets.

Proceeds due from kika-Leiner disposal

The amount due from the purchaser was received subsequent to period-end upon completion of all conditions precedent. This receivable balance served as security for the Hemisphere debt. Refer to note 16.10.

Other amounts due

Included in other amounts due are creditors with debit balances, insurance receivables and various other receivables.

Fair values of trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different from their carrying amounts.

Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 19.

13. *Financial assets and financial liabilities*

The Group holds the following financial assets and financial liabilities:

13.1 Total financial assets and liabilities

	Notes	At fair value through profit or loss €m	Available-for-sale financial assets at fair value through other comprehensive income €m	Financial instruments at amortised cost €m	Total carrying values €m
30 September 2018					
Investments and loans	11	–	–	**311**	**311**
Non-current financial assets		–	–	**311**	**311**
Trade and other receivables	12	**32**	–	**936**	**968**
Investments and loans	11	–	–	**261**	**261**
Cash and cash equivalents	15	–	–	**1 275**	**1 275**
Current financial assets		**32**	–	**2 472**	**2 504**
Non-current interest-bearing loans and borrowings	16	–	–	**(2 027)**	**(2 027)**
Non-current financial liabilities		–	–	**(2 027)**	**(2 027)**
Current interest-bearing loans and borrowings	16	–	–	**(8 363)**	**(8 363)**
Trade and other payables	17	**(9)**	–	**(2 151)**	**(2 160)**
Current financial liabilities		**(9)**	–	**(10 514)**	**(10 523)**
		23	–	**(9 758)**	**(9 735)**
30 September 2017					
Investments and loans	11	6	6	94	106
Non-current financial assets		6	6	94	106
Trade and other receivables	12	17	–	632	649
Investments and loans	11	–	12	95	107
Cash and cash equivalents	15	–	–	723	723
Current financial assets		17	12	1 450	1 479
Trade and other payables	17	(2)	–	–	(2)
Non-current financial liabilities		(2)	–	–	(2)
Current interest-bearing loans and borrowings	16	–	–	(9 553)	(9 553)
Trade and other payables	17	(51)	–	(3 106)	(3 157)
Current financial liabilities		(51)	–	(12 659)	(12 710)
		(30)	18	(11 115)	(11 127)

The Group's exposure to various risks associated with the financial instruments is discussed in note 19. The maximum exposure to credit risk at the end of the Reporting Period is the carrying amount of each class of financial assets mentioned above.

There were no transfers between categories of financial instruments during either period presented.

14. *Inventories*

		30 September 2018 €m	30 September 2017 €m
14.1	Reconciliation of inventory		
	Merchandise and finished goods	**2 060**	2 626
	Goods in transit	**165**	63
	Raw materials and other inventories	**25**	43
	Inventory before provision	**2 250**	2 732
	Less: provision for inventory write downs*	**(95)**	(176)
	Net inventories	**2 155**	2 556

** Comprises mainly provisions against merchandise and finished goods.*

14.2	Amount of write-down of inventories to net realisable value recognised in cost of sales as an expense during the period	**(64)**	(49)

Merchandise and finished goods

Merchandise and finished goods are stated at the lower of cost and net realisable value. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material and finished goods but excludes borrowing costs.

Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Amounts recognised in profit or loss

Write-downs of inventories to net realisable value were recognised as an expense during the period and included in 'cost of sales' in profit or loss.

15. *Cash and cash equivalents*

	30 September 2018 €m	30 September 2017 €m
Current assets		
Cash at bank and in hand	**1 118**	658
Funds and deposits on call	**157**	65
	1 275	723

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hour notice with no loss of interest.

Restricted cash

The Group does not have material balances of cash and cash equivalents that are restricted.

16. *Interest-bearing loans and borrowings*

16.1 Analysis of closing balance

	Notes	Non-current 30 September 2018 €m	Current 30 September 2018 €m	Current 30 September 2017 €m
Secured financing	16.2			
Hemisphere				
Mortgage, term loans and facilities[3]	16.10	**291**	**397**	52
Other OpCos				
Syndicated loan facilities and term loans	16.10	**530**	**7**	–
Capitalised finance leases		**14**	**4**	110
Africa				
Term loans and facilities: Pepkor	16.10	**578**	**–**	–
Preference shares: Pepkor	27.2	**365**	**–**	–
Instalment sale agreements		**1**	**1**	2
Mattress Firm				
Mortgage and term loans[4]		**–**	**–**	29
		1 779	**409**	193
Unsecured financing				
SFHG				
Convertible bonds	16.5	**–**	**2 587**	2 540
Transaction costs[1]		**–**	**52**	–
SEAG				
Non-convertible European bond	16.6	**–**	**800**	790
German loan notes	16.7	**–**	**772**	772
Syndicated loan facilities, bilateral loans and term loans	16.8	**–**	**3 470**	2 639
Transactions costs[1]		**–**	**113**	–
Africa				
Steinhoff Services domestic medium-term note programme	16.9	**–**	**–**	482
Preference shares: Ainsley Holdings	27.2	**–**	**–**	373
Preference shares: Steinhoff Africa	27.2	**–**	**–**	136
Preference shares: Steinhoff Africa	27.2	**243**	**19**	–
Syndicated term loans[2]		**–**	**–**	385
Hemisphere				
Term loan[3]		**–**	**36**	38
Mattress Firm				
Revolving credit facility[3,4]		**–**	**–**	140
All Group entities				
Bank overdrafts and short-term facilities		**–**	**45**	944
Other loans		**5**	**60**	121
		248	**7 954**	9 360
Total interest-bearing loans and borrowings		**2 027**	**8 363**	9 553

[1] *Transactions costs accrued relate to all SFHG and SEAG debt. Refer note 5.*
[2] *Guaranteed by Steinhoff N.V., SIHPL, SINVH, Steinhoff Africa and Steinhoff Services. This was settled during the Reporting Period and all entities were released from the guarantees.*
[3] *Guaranteed by Steinhoff N.V.*
[4] *This debt is held by Mattress Firm and is included in liabilities held-for-sale at 30 September 2018.*

16. *Interest-bearing loans and borrowings* *(continued)*

16.2 Secured liabilities and assets pledged as security

At the Reporting Date the proceeds receivable on the disposal of kika-Leiner of €397 million (refer to note 12) and the shares in the companies owning the Hemisphere property portfolio with a carrying value of €241 million (refer to note 9), serve as security of this facility. This facility is also guaranteed by Steinhoff N.V.

Finance lease and instalment sale agreements are effectively secured as the rights to the leased assets recognised in the Consolidated Financial Statements revert to the lessor in the event of default.

16.3 Compliance with loan covenants

The Group has not complied with the financial covenants of its borrowing facilities during both the 2017 and 2018 Reporting Periods. Refer to note 19.5 for details. As a result, the majority of loans, with the exception of those new facilities entered into by subsidiaries during the Reporting Period, are deemed repayable on demand and classified as current.

16.4 Analysis of repayments

SEAG and SFHG debt

In terms of the proposed European restructuring detailed in the Lock-Up Agreement, dated 11 July 2018, the SEAG CVA and the SFHG CVA were filed with the English court. The SEAG CVA and the SFHG CVA seek to implement the restructuring plan outlined in the Lock-Up Agreement.

The total principal amount of such external European debt instruments under the CVA is approximately €7.9 billion, being approximately €5.2 billion of external SEAG debt and approximately €2.7 billion of external SFHG debt.

On 30 May 2019, the Company announced that the requisite majority of creditors of SEAG and SFHG had provided their consent to the extension of the CVA long-stop date to 30 June 2019. The approval consequently extended the long-stop date as defined in and as applicable to the Lock-Up Agreement to be the same as the extended CVA long-stop date.

The SEAG CVA and the SFHG CVA seek, amongst others, to revise the terms of the Group's principal European debt instruments, and the guarantees of such instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance, being 31 December 2021. At the date of publication of the Consolidated Financial Statements, not all of the remaining conditions in relation to the SEAG and the SFHG CVAs have been satisfied. Refer to note 35.

On successful implementation of the CVAs, the SEAG and SFHG debt will be reclassified to long-term interest-bearing loans and borrowings.

Mattress Firm debt

In anticipation of Mattress Firm filing for Chapter 11, Mattress Firm had access to approximately USD250 million in debtor-in-possession financing to support its ongoing operations during the Chapter 11 cases. Mattress Firm filed for Chapter 11 on 5 October 2018. At 21 November 2018, on emergence from Chapter 11, Mattress Firm had access to a four-year exit facility term loan in the original principal amount of USD400 million, a portion of which was used to repay the debtor-in-possession facilities, and an exit asset backed lending facility in the amount of USD125 million. In accordance with the terms of the exit facilities, the exit facility lenders received their pro rata share of 49.9% of the equity in SUSHI (the owner of Mattress Firm). The Group retained a 50.1% equity interest in SUSHI. These shareholdings are however in each case subject to dilution by a management incentive plan. As part of the restructuring, the Mattress Firm sub-group was moved within the Group structure from directly below the Company to become a subsidiary of SEAG. This move facilitated the restructuring of certain material intercompany loans owed by SUSHI and the Mattress Firm Group. In relation to their equity stake, the exit facility lenders and the Group executed a stockholders' agreement that governs, among other things, shareholder rights in relation to the governance of SUSHI and sales of their respective equity interests. The exit facility lenders also receive a USD150 million payment-in-kind facility that has a five-year maturity. As a result, Mattress Firm is classified as held-for-sale and a discontinued operation at 30 September 2018. Refer to note 1.

16. *Interest-bearing loans and borrowings* *(continued)*

16.4 Analysis of repayments (continued)

OpCos debt and Hemisphere debt

Certain OpCos also raised their own external funding, refer to note 16.10.

Repayment profile

The Group's debt profile will change significantly after 30 September 2018, and disclosure of details around the debt existing at the Reporting Date, is not considered relevant. For the same reasons 30 September 2017 disclosure is also deemed irrelevant.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and includes interest and principal cash flows. The SEAG and SFHG debt is presented on the basis of a successful refinance.

	30 September 2018 €m
16.4.1 Expected cash flows of debt included under SEAG and SFHG Lock-Up Agreement (ignoring possible early repayments)	
Next year	–
Year 2	–
Years 3 to 5	11 004
After 5 years	–
Interest included in cash flows	(3 196)
	7 808
16.4.2 Expected cash flows of debt renegotiated by subsidiaries before period-end, excluding disposal groups and assets and liabilities held-for-sale (ignoring possible early repayments)	
Next year	614
Year 2	508
Years 3 to 5	1 989
After 5 years	2
Interest included in cash flows	(531)
	2 582
Total debt	10 390
Non-current interest-bearing loans and borrowings	2 027
Current interest-bearing loans and borrowings	8 363
Total debt	10 390

Note 23.2 provides further details of cashflow movements during the Reporting Period relating to total debt.

16. *Interest-bearing loans and borrowings* *(continued)*

16.5 Convertible and redeemable bonds

	Contractual maturity date	Market implied interest rate* %	Interest rate %	Potential ordinary shares for conversion million	30 September 2018 Carrying value €m	30 September 2017 Carrying value €m
The convertible bonds are convertible into ordinary shares of Steinhoff N.V., at the option of the holder, or repayable at the dates set out below. The conversion rate for each note held, is based on the market price per share at the date of the issue of the notes, but subject to adjustments for reconstructions of equity.						
Convertible bond 2021[1]	30 January 2021	6.68	4.00	120.8	**452**	433
Convertible bond 2022[1]	11 August 2022	2.51	1.25	151.9	**1 074**	1 055
Convertible bond 2023[2]	21 October 2023	2.12	1.25	141.8	**1 061**	1 052
					2 587	2 540

[1] Guaranteed by SIHPL and Steinhoff N.V.
[2] Guaranteed by Steinhoff N.V.
**Market implied interest is calculated by applying the effective interest rate to the liability component.*

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured. The amortisation of all remaining capitalised transaction costs has been accelerated.

16.6 Non-convertible European bond

	30 September 2018	30 September 2017
The non-convertible bond was issued during 2017 and is redeemable on 1 January 2025. The bond bears interest at 1.875% per annum. Steinhoff N.V. stands as guarantor of this bond.	**800**	790

16. *Interest-bearing loans and borrowings* (continued)

16.7 German loan notes

	Contractual maturity date	Interest rate %	30 September 2018 Carrying value €m	30 September 2017 Carrying value €m
The German loan notes comprise various fixed and floating rate notes with varying maturity dates. Details are set out below:				
Five-year floating rate note	17 July 2020	EURIBOR plus 1.25%	**430**	430
Five-year fixed rate note	Various maturities ranging from July 2020 to July 2022	0.90 % to 1.88%	**103**	103
Six-year floating rate note	19 July 2021	EURIBOR plus 1.35%	**50**	50
Seven-year floating rate note	18 July 2022	EURIBOR plus 1.50%	**107**	107
Seven-year fixed rate note	18 July 2022	2.46%	**77**	77
Ten-year fixed rate note	17 June 2025	3.08%	**5**	5
			772	772

The German loan notes are guaranteed by Steinhoff N.V.

16.8 Syndicated loan facilities

	Contractual maturity date	Interest rate %	30 September 2018 Carrying value €m	30 September 2017 Carrying value €m
Revolving multi-currency credit facility[1]	2 June 2021	EURIBOR plus 0.90%	**1 573**	1 359
Structured term loan	31 March 2031	Structured rate of 4.10% plus 1.00%	**28**	20
Syndicated term loans[1]	Various maturities ranging from February 2019 to August 2021	LIBOR plus 1.20% to 1.45%	**1 296**	1 260
Revolving single-currency facility	19 October 2018	EURIBOR plus 0.8%	**166**	–
Multi-currency revolving facility	30 November 2018	EURIBOR plus 0.8%	**200**	–
Bilateral loans	Various maturities	Various interest rates	**207**	–
			3 470	2 639

[1] *Guaranteed by Steinhoff N.V.*

16.9 Steinhoff Services domestic medium-term note programme: senior unsecured

	30 September 2018 Carrying value €m	30 September 2017 Carrying value €m
The Steinhoff Services medium-term note programme comprises listed notes of varying interest rates and maturities.	**–**	482

The programme was delisted and settled during the Reporting Period and all entities were released from all guarantees.

16. *Interest-bearing loans and borrowings* (continued)

16.10 Debt refinanced by OpCos during the Reporting Period

	Carrying value €m	Carrying value €m
Secured:		
Hemisphere	688	52
The restructuring of the financial indebtedness of SFHG's subsidiary, Hemisphere, was implemented on 5 September 2018. This resulted in a new, secured, three-year term loan facility of approximately €775 million at Hemisphere. €71 million of the principal debt was repaid during September 2018. Since the Reporting Date, following the sale of the kika-Leiner related property companies and certain other individual assets, approximately €406 million has been applied in repayment of interest and principal of this facility by Hemisphere.		
The debt matures on 31 December 2021 and carries interest at 10% per annum, with a "Pay-if-you-can" interest mechanism. The security of this facility is detailed in note 16.2.		
Transaction costs of €23 million were capitalised to this facility on 5 September 2018. The costs will be amortised to profit or loss over the term of the loan or proportionately accelerated for early repayments.		
Pepkor Europe	309	–
In January 2018, Pepkor Europe agreed external funding of GBP264 million in order to provide funding for its own needs and that of the Steinhoff United Kingdom group. This facility matures partly in January 2020 (GBP180 million) with the balance maturing in July 2020. The refinancing of this loan facility is well progressed with a revised credit approved 30 month term loan having received the consent of the creditors of SEAG under the terms of the Lock-Up Agreement on 6 June 2019. This facility, of up to €0.5billion, will be used to repay the external funding obtained in January 2018 and settle all short-term intercompany indebtedness with various Steinhoff Group companies.		
Conforama	115	–
On 24 January 2018, Conforama agreed funding from Tikehau Capital of €115 million for 24 months. This funding was renegotiated subsequent to the Reporting Date. Refer to note 35.		
Greenlit	113	–
The refinancing of Greenlit Brands Proprietary Limited (formerly Steinhoff Asia Pacific Group Holdings Proprietary Limited) was implemented on 27 September 2018. This refinancing included the amendment and restatement of certain intragroup loans, as well as a new senior revolving credit facility and bilateral facilities of AUD256 million for the refinancing of existing senior financing. At 30 September 2018 AUD181 million of this facility was utilised.		
The maturity date is during October 2020 and the interest rate is variable and will be calculated on a credit rating grid.		
	537	–

16. *Interest-bearing loans and borrowings* *(continued)*

16.10 Debt refinanced by OpCos during the Reporting Period (continued)

	Contractual maturity date	Interest rate %	Carrying value €m	Carrying value €m
Pepkor				
Pepkor successfully refinanced its funding facilities from the Group with facilities from various South African banks and financial institutions. The refinancing ensured that Pepkor is financially independent from the Group. The facilities were used to settle the Steinhoff shareholder funding which Steinhoff in turn used to settle its external obligations to which Pepkor Group companies were co-guarantors. Pepkor Group companies have subsequently been released from all guarantees relating to the Steinhoff shareholder funding.				
Term loans	Various maturities ranging from May 2012 to May 2023	JIBAR plus 2% to 2.25%	426	–
Revolving credit facility	24 May 2021	Three month JIBAR plus 2%	152	–
			578	–

16.11 Fair value

As the majority of the Group's debt is classified as current it includes and element of a demand feature. In terms of IFRS 13, a liability with a demand feature cannot be less than the amount payable on demand, discounted from the first date that the debt could be required to be paid. The fair value would therefore be deemed to be equal to the carrying amount. The debt classified as non-current were renegotiated during the Reporting Period, taking into account current market conditions and are therefore expected to approximate fair value.

16.12 Risk exposures

Details of the Group's exposure to risks arising from borrowings are set out in note 19.

17. Trade and other payables

	Notes	30 September 2018 €m	30 September 2017 €m
Financial liabilities			
Non-current trade and other payables			
Derivative financial liabilities	19.1	–	2
Current trade and other payables			
Trade payables		1 485	2 055
Payables due to equity accounted companies	29.5	28	18
Accruals		367	466
Floorplan creditors		–	150
Other payables and amounts due		271	417
Derivative financial liabilities	19.1	9	51
		2 160	3 157
Non-financial liabilities			
Non-current trade and other payables			
Equalisation of operating lease payments		69	90
Current trade and other payables			
Equalisation of operating lease payments		6	25
Deferred income		282	373
Tax payable		228	276
Value Added Taxation payable		133	134
		649	808
Total			
Non-current trade and other payables		69	92
Current trade and other payables		2 809	3 965
		2 878	4 057

Trade payables are unsecured and are usually paid within 30 to 90 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values due to their short-term nature.

Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

Deferred income

The majority of the deferred income relates to prepayments made by customers to secure their orders. Revenue is recognised with a corresponding decrease in the liability when the goods are delivered to the customer.

18. *Recognised fair value meausurements*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the Consolidated Financial Statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, listed equities and available-for-sale securities) is based on quoted market prices at the end of the Reporting Period. The quoted market price used for financial assets held by the Group is a 30-day volume weighted average price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

18.1 Fair value hierarchy

	Notes	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
30 September 2018					
Financial assets					
Trade and other receivables					
Derivative – foreign currency forward contracts	19.1	–	**32**	–	**32**
Total financial assets		–	**32**	–	**32**
Financial liabilities					
Trade and other payables					
Derivative – foreign currency forward contracts	19.1	–	**(9)**	–	**(9)**
Total financial liabilities		–	**(9)**	–	**(9)**
30 September 2017					
Financial assets					
Available-for-sale financial assets					
Listed equity securities	11.1	6	–	–	6
Unlisted equity securities	11.1	–	–	12	12
At fair value through profit or loss					
Unit trusts	11	6	–	–	6
Trade and other receivables					
Derivative – foreign currency forward contracts	19.1	–	17	–	17
Total financial assets		12	17	12	41
Financial liabilities					
Trade and other payables					
Derivative – interest rate swap	19.1	–	(14)	–	(14)
Derivative – foreign currency forward contracts	19.1	–	(39)	–	(39)
Total financial liabilities		–	(53)	–	(53)

18. *Recognised fair value measurements* *(continued)*

18.1 Fair value hierarchy (continued)

The fair value calculation of the financial assets and liabilities was performed at the Reporting Date. Between the Reporting Date and the date of this report, the fair values reported may have fluctuated with changing market conditions and therefore the fair values are not necessarily indicative of the amounts the Group could realise in the normal course of business after the Reporting Date.

The fair value calculation has remained consistent throughout all periods and the Group has not changed its approach to the fair value calculations.

There were no transfers between level 1 and level 2 during the Reporting Period.

18.2 Valuation techniques

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair values of interest rate swaps are based on broker quotes. Those quotes are tested for reasonability by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.
- The fair values of forward exchange contracts are based on their listed market price, if available. If a listed market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).
- The fair value of the remaining financial instruments is determined using adjusted quoted prices in an active market, expected cash outflows for expenses and settlement of financial liabilities are determined using the terms of the funding contract as well as the entity's knowledge of the business and how the current economic environment is likely to impact it.

18.3 Fair value measurements using significant unobservable inputs (level 3)

The most material level 3 investment in the prior period related to the 17% investment in the Steinhoff Sikhulasonke Employee scheme ("SSI"). SSI held Steinhoff shares and had preference share funding through external parties and the Group. The underlying asset being the Steinhoff shares was valued using the listed 30 day VWAP and the unobservable inputs related to the expected cash outflows of the repayment of the preference share as well as certain expenses within the scheme. The Group calculated the value of its 17% investment as a share in the underlying net asset value of the SSI structure together with the amortised cost of its preference share funding.

The investment was realised during the Reporting Period with the termination of the SSI scheme. The Company repurchased the Steinhoff shares from SSI (refer note 26.4).

The finance department of the Group performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. Discussions of valuation processes and results are held between the CFO, and the team at least once every three months, in line with the Group's quarterly reporting periods.

19. *Financial risk management*

During both periods under review, the Group had various committees and departments that were tasked with the financial risk management of the Group. In most instances this was successfully managed at the various operating company levels.

However, the investigation revealed a number of shortcomings relating to the Group's overall financial risk management as a result of the override of the internal controls in place, by certain senior key management personnel of the Group. Management believes that these shortcomings were addressed during the Reporting Period with the appointment of a new Management Board.

The Management and Supervisory Boards are cognisant of the fact that the risk management processes in place did not address the financial risks faced by the Group as a result of the material irregularities and events that occurred in December 2017. The Management and Supervisory Boards have focused their attention on implementing more stringent internal controls and improved processes relating to the Group's financial risk management processes. Details of this is outlined in the Remediation Plan in the Management Board Report.

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance, where this remains relevant, as at the end of each Reporting Period. The processes outlined in this note are the risk management strategies that were in place during the period regardless of their effectiveness in addressing the risks faced by the Group. Current period profit or loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	• Future commercial transactions	Cash flow forecasting	Forward foreign exchange and foreign currency option contracts
	• Recognised financial assets and liabilities not denominated in Steinhoff's functional currency	Sensitivity analysis	
Market risk – interest rate	Borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Market risk – security prices	Investments in equity securities	Sensitivity analysis	Portfolio diversification
Credit risk	Cash and cash equivalents, trade receivables and instalment sales, derivative financial instruments, loans receivable at amortised cost	• Aging analysis • Credit rating	• Diversification of bank deposits • Credit score card implementation and monitoring
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Management Board was responsible, during the Reporting Period, for implementing the risk management strategy and to ensure that an appropriate risk management framework was operating effectively across the Group. The Board and the Audit and Risk Committee were provided with a consolidated view of the risk profile of the Group, and any major exposures and relevant mitigating actions identified.

During the periods under review, the Group's risk management was carried out by a central treasury department (group treasury). Group treasury identified, evaluated and hedged financial risks in close co-operation with the Group's operating units. The Board and Group treasury had agreed policies, covering specific areas such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The system of risk management was designed so that the different business units were able to tailor and adapt their risk management processes to suit their specific circumstances.

19. *Financial risk management* (continued)

The ongoing management of both solvency and liquidity risk remains a primary concern and focus for the Group. Due to the uncertainties surrounding the extent of the irregularities, the lack of the Consolidated Financial Statements, and the outcome of the forensic investigation, financial creditors withdrew all available banking facilities and/or removed credit facilities during the Reporting Period. The effects include, but are not limited to, limited ability to maintain or open banking facilities, limited and, in most instances, no hedging facilities, and cancellation of suppliers' credit insurance resulting in a dramatic increase in supplier credit facilities. Certain measures have been put into place since the Reporting Date and management will continue to address these risks.

19.1 Derivatives

	30 September 2018 €m	30 September 2017 €m
The Group used forward exchange contracts to hedge its foreign currency risk against the functional currency of its various global operations. Most of the forward exchange contracts had maturities of less than one year after Reporting Date. The Group did not enter into derivative contracts for speculative purposes. The fair values of such contracts at period-end were:		
Current assets		
Trade and other receivables		
Foreign exchange forward contracts	**32**	17
Total current derivative financial instrument assets	**32**	17
Non-current liabilities		
Trade and other payables		
Interest rate swap contracts	**–**	(2)
Total non-current derivative financial instrument liabilities	**–**	(2)
Current liabilities		
Trade and other payables		
Interest rate swap contracts	**–**	(12)
Foreign exchange forward contracts	**(9)**	(39)
Total current derivative financial instrument liabilities	**(9)**	(51)

For information about the methods and assumptions used in determining the fair value of derivatives please refer to note 18.

Currency options are only purchased as a cost-effective alternative to forward currency contracts.

19. *Financial risk management* *(continued)*

19.2 Market Risk

19.2.1 Foreign currency risk

The Group's manufacturing and sourcing operating costs and expenses are principally incurred in Chinese yuan, Hungarian forint, Polish zloty, South African rand, UK pounds and US dollars. Its revenue is principally in Australian dollars, euros, Polish zloty, South African rand, Swiss franc, UK pounds and US dollars. The Group's business model is based on the strategy of locating production in, and sourcing materials from, emerging low-cost economies and supplying finished products into developed economies.

It is Group policy to hedge exposure to cash and future contracted transactions in foreign currencies for a range of forward periods, but not to hedge exposure for the translation of reported profits or reported assets and liabilities.

ACCOUNTING POLICY: Exposure to currency risk

Currency risk (or foreign exchange risk), as defined by IFRS 7, arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of IFRS 7, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Differences resulting from the translation of subsidiary financial statements into the Group's presentation currency are not taken into consideration.

The carrying amounts of the Group's material foreign currency denominated monetary assets and liabilities (excluding intragroup loan balances) that will have an impact on profit or loss when exchange rates change, at Reporting Date, are as follows:

	Euros €m	UK pounds €m	US dollars €m
30 September 2018			
Trade and other receivables (financial assets excluding financial derivatives)	**29**	**1**	**1**
Cash and cash equivalents	**32**	**24**	**38**
Non-current borrowings	**(11)**	**(1)**	**(40)**
Current borrowings	**(4)**	**(7)**	**(1 296)**
Trade and other payables (financial liabilities excluding financial derivatives)	**(28)**	**(6)**	**(143)**
Pre-derivative position	**18**	**11**	**(1 440)**
Derivative effect	**–**	**–**	**9**
Open position	**18**	**11**	**(1 431)**
30 September 2017			
Trade and other receivables (financial assets excluding financial derivatives)	14	–	20
Cash and cash equivalents	43	6	27
Current borrowings	(57)	(454)	(1 272)
Trade and other payables (financial liabilities excluding financial derivatives)	(41)	(3)	(121)
Pre-derivative position	(41)	(451)	(1 346)
Derivative effect	(2)	–	(27)
Open position	(43)	(451)	(1 373)

19. *Financial risk management* *(continued)*

19.2 Market Risk (continued)

19.2.1 Foreign currency risk (continued)

The following significant exchange rates applied during the period and were used in calculating sensitivities:

	Forecast rate[1]	Forecast rate[1]	Reporting Date spot rate	Reporting Date spot rate
	30 September 2018	**30 September 2017**	**30 September 2018**	**30 September 2017**
Euro				
UK pound	**0.8976**	0.8800	**0.8873**	0.8818
US dollar	**1.2547**	1.1300	**1.1576**	1.1806

[1] *The forecast rates represent a weighting of foreign currency rates forecasted by the major banks that the Group transacts with regularly. These rates are not necessarily management's expectations of currency movements.*

Sensitivity analysis

The table below indicates the Group's sensitivity at period-end to the movements in the major currencies that the Group is exposed to on its financial instruments. The percentages given below represent a weighting of foreign currency rates forecasted by the major banks that the Group transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2017.

	30 September 2018 €m	30 September 2017 €m
The impact on the reported numbers, using the forecast rates as opposed to the Reporting Date spot rates, is set out below.		
Through profit/(loss)		
UK pound weakening by 1.2% (2017: strengthening by 0.2%) to the euro	–	(1)
US dollar weakening by 8.4% (2017: strengthening by 4.3%) to the euro	**120**	(59)

19. *Financial risk management* *(continued)*

19.2 Market Risk (continued)

19.2.1 Foreign currency risk (continued)

If the foreign currencies were to weaken/strengthen against the euro, by the same percentages as set out in the table above, it would have an equal, but opposite, effect on profit or loss.

Changes in the fair value of forward exchange contracts of economically hedged monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied, are recognised in profit or loss.

The Group applies hyperinflation accounting in line with the requirements of IAS 29 for Pepkor Angola. The effects of this hyperinflation accounting on the 2018 Consolidated Financial Statements of the Group are immaterial. The results of the Angolan branch represent an insignificant part of the Group’s total assets or results. The results and the financial position of the Angolan branch are translated from kwanza to euro based on the closing exchange rate of 30 September 2018.

19.2.2 Cash flow and fair value interest rate risk

Given the Group's global footprint and its strategy of low-cost manufacturing and sourcing in emerging markets and sales in developed countries, the Group follows a policy of maintaining a balance between fixed and variable rate loans to reflect, as accurately as possible, different interest rate environments, the stability of the relevant currencies, the effect which the relevant interest rates have on Group operations and consumer spending within these environments. These variables are taken into account in structuring the Group's borrowings to achieve a reasonable, competitive, market-related cost of funding.

As part of the process of managing the Group's borrowings mix, the interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. Interest rate exposure is managed within limits agreed by the Management Board.

The Group’s borrowings and receivables are carried at amortised cost.

The Group continued to manage its interest rate exposure by maintaining a mix of fixed and floating interest rates. This was done by direct fixed or floating interest rate debt issues at the time of refinance or when obtaining new borrowings, based on the mix of floating and fixed interest rate of existing borrowings and management's expectations of future interest rate movements. All treasury transactions were undertaken to manage the risks arising from underlying activities and no speculative trading was undertaken.

The interest on the Group's central European debt (SEAG and SFHG) was cash paid until 30 June 2018. Subsequent to 30 June 2018 SEAG and SFHG stopped paying cash interest. Default interest under the original loan agreements accrued on a number of facilities since this date. PIK interest on these facilities were accrued from 14 December 2018 at a fixed rate of 10% on all SFHG debt, and a fixed rate of 9.77% on all SEAG debt, compounded semi-annually. The table below represents the contractual interest rate profile at the Reporting Date. At CVA implementation date this will change substantially. Refer to note 35.

The interest and related terms of the Group's borrowings are disclosed in note 16.

19. *Financial risk management* *(continued)*

19.2 Market risk (continued)

19.2.2 Cash flow and fair value interest rate risk (continued)

At the Reporting Date the interest rate profile of the Group's financial instruments were:

	Subject to interest rate movement						
	Variable EURIBOR €m	Variable JIBAR and SA prime €m	Variable LIBOR €m	Variable other €m	Fixed rate €m	Non-interest-bearing €m	Total €m
30 September 2018							
Non-current financial assets	**18**	**244**	**–**	**3**	**–**	**46**	**311**
Current financial assets	**29**	**420**	**268**	**329**	**314**	**1 141**	**2 501**
Non-current financial liabilities	**(139)**	**(964)**	**(34)**	**(44)**	**(601)**	**(244)**	**(2 026)**
Current financial liabilities							
SEAG and SFHG	**(2 462)**	**–**	**(1 296)**	**(38)**	**(4 010)**	**(37)**	**(7 843)**
OpCos	**(22)**	**(55)**	**(37)**	**(33)**	**(397)**	**(2 392)**	**(2 936)**
	(2 576)	**(355)**	**(1 099)**	**217**	**(4 694)**	**(1 486)**	**(9 993)**
30 September 2017							
Non-current financial assets	3	43	10	2	5	43	106
Current financial assets	33	388	12	152	35	859	1 479
Current financial liabilities	(2 896)	(1 428)	(1 452)	(328)	(3 611)	(3 050)	(12 765)
	(2 860)	(997)	(1 430)	(174)	(3 571)	(2 148)	(11 180)

		From continuing operations	
	Notes	Interest income €m	Interest expense €m
30 September 2018			
Financial assets at amortised cost	5	**48**	**–**
Financial liabilities not at fair value through profit or loss	5	**–**	**655**
		48	**655**
30 September 2017			
Financial assets at amortised cost	5	30	–
Financial liabilities not at fair value through profit or loss	5	–	410
		30	410

19. *Financial risk management* *(continued)*

19.2 Market risk (continued)

19.2.2 Cash flow and fair value interest rate risk (continued)

Cross-currency interest rate swap contracts

The Group entered into a number of cross-currency interest rate swap contracts to effectively convert fixed-interest US dollar borrowings into variable-interest euro borrowings. These cross-currency interest rate swaps were settled during the prior period due to the early settlement of the underlying senior notes (note 16). The related cash flow hedge reserve was reclassified to profit or loss.

Fixed for floating interest rate swap contracts

The Group entered into a number of fixed for floating-interest rate swap contracts:

- Swap USD LIBOR interest payments for fixed-rate interest payments. Cash flows from this swap was matched with the interest payments on the underlying liability. The underlying loan has a maturity date of 10 October 2019. The interest rate swap was entered into by Mattress Firm, which is classified as held-for-sale and a discontinued operation on 30 September 2018.
- Swap EURIBOR interest payments for fixed-rate interest payments. Cash flows from these swaps were matched with the interest payments on the underlying liabilities. The swaps were settled during the Reporting Period.

Amounts recognised in profit or loss and other comprehensive income

No material profits/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps.

	30 September 2018 €m	30 September 2017 €m
Sensitivity analysis		
The Group is sensitive to movements in the EURIBOR, JIBAR, SA prime rates and LIBOR, which are the primary interest rates to which the Group is exposed.		
The sensitivities calculated below are based on an increase of 100 basis points for each interest category.		
Through profit/(loss)		
EURIBOR – 100 basis point increase	**(26)**	(29)
JIBAR and SA prime – 100 basis point increase	**(4)**	(10)
LIBOR – 100 basis point increase	**(11)**	(14)

A 100 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

19. *Financial risk management* *(continued)*

19.2 Market risk (continued)

19.2.3 Other price risks

The Group is exposed to other price risks related to:

Brait share price – impact on loan receivable

The Brait listed share price was used to determine the recoverability of a loan granted. A 1% movement in the 30 day VWAP used for Brait would result in an adjustment on the loan value to profit or loss of €0.6 million in 2018 (30 Day VWAP: ZAR37.13) and €1 million in 2017 (30 Day to VWAP: ZAR56.24). This loan was settled during January 2019 as part of the Campion Group settlement. Refer to note 35.

Refer to note 11 for the loan balance and note 4.2.2 for the impairment recognised on this loan.

Steinhoff share price - impact on BVI guarantee

The Steinhoff listed share price impacts the value that will ultimately be payable in terms of the external debt. Management did not allocate value to the underlying Steinhoff shares and prudently recognised 100% of liability. Any recovery in the Steinhoff share price will therefore have a positive impact on profit or loss.

19.3 Credit risk

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, trade and other receivables, and loans receivable. The Group deposits short-term cash surpluses with major banks of quality credit standing. Trade receivables comprise a large and widespread customer base and Group companies perform ongoing credit evaluations on the financial condition of their customers, and appropriate use is made of credit guarantee insurance. At 30 September 2018, the Group did not consider there to be any significant concentration of credit risk which had not been adequately provided for. The amounts presented in the statement of financial position are net of provisions for bad debts, estimated by the Group companies' management based on prior experience and the current economic environment.

The carrying amounts of financial assets represent the maximum credit exposure.

	30 September 2018 €m	30 September 2017 €m
The maximum exposure to credit risk at the Reporting Date without taking account of the value of any collateral obtained was:		
Non-current financial assets	**311**	94
Current financial assets	**2 472**	1 450
	2 783	1 544
Less: Instalment sale and loan receivables[1]	**(155)**	(137)
	2 628	1 407

[1] *Included in the trade and other receivables balance are instalment sale and loan receivables. These have been analysed separately, due to the different credit risk relating to these books.*

19. *Financial risk management* *(continued)*

19.3 Credit risk (continued)

	30 September 2018 €m	30 September 2018 %	30 September 2017 €m	30 September 2017 %
Ageing of financial assets, excluding instalment sales and loan receivables				
Not past due or impaired	**2 472**	94.1	1 240	88.3
Past due 1 to 30 days but not impaired	**102**	3.9	68	4.8
Past due 31 to 60 days but not impaired	**15**	0.5	11	0.8
Past due more than 60 days but not impaired	**29**	1.1	24	1.7
Past due and impaired	**10**	0.4	64	4.4
	2 628	100.0	1 407	100.0

	Secured €m	Unsecured €m	Total €m
Credit exposure by class to instalment sale and loans receivables			
30 September 2018			
Up to date	**5**	**115**	**120**
Performing	**3**	**18**	**21**
Non-performing	**3**	**11**	**14**
	11	**144**	**155**
30 September 2017			
Up to date	2	101	103
Performing	5	17	22
Non-performing	2	10	12
	9	128	137

The 'classes' have been determined on the basis of the market segment in which the individual trading brand operates:

Secured	Secured against retail product sold
Unsecured	Unsecured in nature and includes revolving credit customer loans

The debtors book has been analysed into the following types of accounts, reflecting the accounts in the following categories:

Up to date	These accounts have no arrears, are therefore up to date and are neither past due nor impaired. An unidentified impairment is raised for these accounts.
Performing	These accounts are in arrears by less than four contractual instalments and are considered to be past due. Arrears are defined as less than 95% of a contractual instalment. An unidentified impairment is raised for these accounts.
Non-performing	These accounts are in arrears by four or more contractual instalments. Arrears are defined as less than 95% of a contractual instalment. An identified impairment provision is raised against accounts that are four or more instalments in arrears.

19. *Financial risk management* *(continued)*

19.3 Credit risk (continued)

	Secured €m	Unsecured €m	Total €m
Risk analysis for up to date accounts			
30 September 2018			
Low risk	**–**	**115**	**115**
Medium risk	**1**	**–**	**1**
High risk	**4**	**–**	**4**
	5	**115**	**120**
30 September 2017			
Low risk	1	101	102
Medium risk	1	–	1
	2	101	103

Under Pepkor's current commercial agreements, CenCap, a subsidiary of Wands, is responsible for the funding of credit books that provide credit to customers of JD Group ("JD consumer credit") and unsecured personal loans ("Capfin loans") using the Pep and Ackermans retail footprint. Wands carries the credit risk related to these financial services. Pepkor, through its internal financial administration service operations (call centre and debt collection operations), provides administration and collection services ("Outsourced services") to CenCap related to the JD consumer credit and Capfin loans provided to Pepkor customers in return for a fee.

On 23 November 2018, Pepkor agreed to terminate its existing commercial relationship with CenCap, in a phased approach.

Subsequent to period-end, Pepkor considered its options and decided not to pursue the acquisition of the credit books owned by CenCap, but instead commenced building its own credit books. With regard to the existing credit books, commercial agreements were renegotiated, granting Pepkor the right to continue collection of the CenCap-owned loan books for the run-down period of the books, up to a maximum period of three years and render the Outsourced services at a market-related fee.

ACCOUNTING POLICY: Impairment of assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The Group considers that there is evidence of impairment if any of the following indicators are present:
- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

19. *Financial risk management* *(continued)*

19.3 Credit risk (continued)

The movement in the provision of these receivables is as follows:

	30 September 2018 €m	30 September 2017 €m
Movement in provision for bad debts		
Balance at beginning of the period	**(65)**	(59)
Provision raised	**(49)**	(36)
Amounts unused reversed	**5**	6
Amounts used during the period	**44**	27
Net acquisition of subsidiaries and businesses	**(3)**	(4)
Disposal of subsidiaries	**6**	–
Reclassification to assets held-for-sale	**7**	–
Exchange differences on consolidation of foreign operations	**1**	1
Balance at end of the period	**(54)**	(65)

Impairment of assets carried at amortised cost

Past due but not impaired

As at 30 September 2018, trade receivables of €96 million (2017: €103 million) were past due but not impaired. Instalment sales receivables of €14 million (2017: €12 million) were considered non-performing. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	30 September 2018 €m	30 September 2017 €m
Trade receivables		
Up to 3 months	**72**	85
3 to 6 months	**24**	18
	96	103

The Group has liens over items sold until full payment has been received from customers. The fair value of collateral held against these loans and receivables is linked to the value of the liens. Furthermore, the Group has credit insurance to cover its exposure to risk on receivables.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. Other than mentioned above the Group does not hold any collateral in relation to these receivables.

19. *Financial risk management* *(continued)*

19.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Group, in the period under review, managed liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities were available. Cash surpluses and short-term financing needs of manufacturing and sales companies were mainly centralised in African and European central offices. These central treasury offices invested net cash reserves on the financial markets, mainly in short-term instruments linked to variable interest rates.

The Group is in breach of the majority of its financial covenants and therefore no longer has access to any undrawn borrowing facilities. Refer to note 16.4 and 19.5.

19.5 Capital risk management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued ordinary share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

Loan covenants

Under the terms of the SEAG and SFHG debt, the Group is required to comply with certain financial covenants. The OpCos debt is secured and not subject to these covenants.

- Net debt to EBITDA ≤ 3.2 times
- Interest cover ≥ 4.5 times
- Issue of Consolidated Financial Statements of the Group and certain subsidiary companies within agreed periods.

The Group has recalculated its financial covenant calculations based on the restated results and financial position of the Group and have not complied with these covenants at 30 September 2018 or 30 September 2017.

The Group breached the financial statement covenant for the 2017 and 2018 periods due to the late publication of most of the Group's financial statements.

Until the restructuring plan has been implemented, the financial creditors are not obligated to condone covenant breaches. As a result, the majority of the Group's central borrowings listed in note 16 is presented as current. Where Group subsidiaries entered into new facilities during the Reporting Period, these were considered separately for classification as current or non-current based on the contractual terms effective at the Reporting Date.

The Group renegotiated the terms of all the borrowings with financial creditors during 2018, however, management do not consider these terms substantial enough for derecognition of historic liabilities and recognition of new non-current liabilities at 30 September 2018. Management deems the CVA implementation date to be the correct date to derecognise the historic liabilities. Refer to notes 16.4 and 35.

The carrying amount of the loans payable in default as well as the terms are disclosed in note 16.

19. *Financial risk management* *(continued)*

19.5 Capital risk management (continued)

Distribution to shareholders	30 September 2018 Cents	30 September 2017 Cents
Cash dividend to ordinary shareholders No dividends were declared for the period ended 30 September 2018. For the period ended 30 September 2017 a final dividend of 15.0 euro cents per Steinhoff N.V. ordinary share was approved by the Annual General Meeting held on 14 March 2017. An interim dividend of 12.0 euro cents per Steinhoff N.V. ordinary share was paid in cash, after withholding taxation deductions, on Tuesday, 6 December 2016 and the remaining 3 euro cents was paid in cash, after withholding taxation deductions on Monday, 20 March 2017.	–	15.0
Distribution to Steinhoff Investment Holdings Limited preference shareholders A preference dividend of 427.42 South African rand cents per share (2017: 436.68 South African rand cents per share) in respect of the period 1 July 2017 to 31 December 2017 (2017: 1 July 2016 to 31 December 2016) was paid on 23 July 2018 (2017: 18 April 2017) to those preference shareholders recorded in the books of the company at the close of business on 20 July 2018 (2017: 13 April 2017).	**27.0**	30.0
A preference dividend of 424.06 South African rand cents per share (2017: 429.56 South African rand cents per share) in respect of the period 1 January 2018 to 30 June 2018 (2017: 1 January 2017 to 30 June 2017) was paid on 20 August 2018 (2017: 23 October 2017) to those preference shareholders recorded in the books of the company at the close of business on 17 August 2018 (2017: 20 October 2017). This dividend included interest as a result of the late payment of the preference dividend in respect of the period 1 July 2017 to 31 December 2017.	**27.0**	29.0

A liquidity and solvency test was performed by the board of directors prior to the declaration of all distributions based on information known and available at that time.

20. *Employee benefits*

		30 September 2018			30 September 2017		
	Notes	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Leave obligations	20.1	**49**	**–**	**49**	60	4	64
Post-retirement medical benefits		**3**	**1**	**4**	5	1	6
Performance-based bonus accrual	20.3	**69**	**5**	**74**	34	41	75
Indemnity provision	20.4	**–**	**–**	**–**	–	48	48
Other[1]		**22**	**44**	**66**	41	45	86
Defined pension benefits	20.2						
Conforama France Pension Fund	33.1	**–**	**52**	**52**	–	48	48
Homestyle Pension Fund	33.1	**–**	**4**	**4**	–	6	6
Other[2]		**4**	**9**	**13**	5	12	17
Total liability		**147**	**115**	**262**	145	205	350

[1] *Included in other are provisions relating to a cash settled employee share scheme at a subsidiary level as well as 13th cheque or holiday pay and severance pay.*

[2] *Other defined pension benefits comprises immaterial pension funds within the Group, majority of which relates to Conforama Italy.*

20.1 Leave obligations

The leave obligations cover the Group's liability for annual leave.

The leave obligations relates to vesting leave pay to which employees may become entitled on leaving the employment of the Group. The accrual arises as employees render a service that increases their entitlement to future compensated leave and is calculated based on an employee's total cost of employment. The accrual is utilised when employees become entitled to and are paid for the accumulated leave or utilise compensated leave due to them. The majority of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Leave that is expected to be taken or paid within the next 12 months amounted to €49 million (2017: €60 million).

20.2 Pension plans

Defined pension benefits

Various defined benefit plans are in operation throughout the Group with the Conforama France Pension Fund and the Homestyle Group comprising the most material plan assets and liabilities. The assets of these schemes are held in administered trust funds separate from the Group's assets. Certain of the funds have surpluses, which have not been recognised as the employer is not entitled to any of the surpluses or unutilised reserves.

Conforama France Pension Fund

Under the scheme, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death) and the number of years worked for Conforama. No other post-retirement benefits are provided.

The present value of funded obligations at period-end amounted to €52 million (2017: €48 million). There are no plan assets in this fund.

The fund was valued on 30 September 2018, which is in line with Group policies. There are 7 872 (2017: 7 362) employees currently covered by the fund.

20. *Employee benefits* *(continued)*

20.2 Pension plans (continued)

Homestyle Pension Fund

Under the scheme, the employees are entitled to retirement benefits based on final salary on attainment of retirement age (or earlier withdrawal or death) and the number of years worked for Homestyle. No other post-retirement benefits are provided.

The present value of funded obligations at period-end amounted to €76 million (2017: €79 million) and the fair value of the plan asset amounted to €72 million (2017: €73 million).

The fund was valued on 30 September 2018, which is in line with Group policies. The scheme was closed to new entrants.

Refer to note 33 for more detail regarding the present value of the pension fund.

Defined contribution plans

The Group also operates a number of defined contribution plans which receive fixed contributions from Group companies. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognised in the current period in relation to these contributions was €27 million (2017: €22 million).

20.3 Performance-based bonus accrual

The performance bonus payable is calculated by applying a specific formula based on the employee's achievement of performance targets. The Group has a constructive obligation to pay the performance bonus once the performance bonuses have been approved by management. As the approval by management takes place after period-end, an amount is accrued based on a probability of the employee having achieved their performance targets and the amount is estimated based on the relative bonus structures in place. The payment of such performance bonus is conditional upon the continuing employment of the employee. Any amounts not approved by management or upon termination of employment are reversed in the subsequent periods.

	30 September 2018 €m	30 September 2017 €m
Balance at the beginning of the period	**75**	49
Accrual raised	**36**	37
Amounts unused reversed	**(4)**	(3)
Amounts utilised	**(13)**	(9)
Exchange differences on consolidation of foreign operations	**1**	(1)
Reclassification to assets held-for-sale	**(21)**	–
Reclassification from accruals	**–**	2
Balance at the end of the period	**74**	75

20.4 Indemnity provision

The indemnity provision is based on Austrian law, where every employee has the right to receive an indemnity if retrenched or retired. A provision is therefore raised due to the present obligation to settle such amounts.

The majority of the indemnity provision was held by kika-Leiner in the prior period. As the Group disposed of kika-Leiner during the Reporting Period the indemnity provision has decreased significantly.

21. *Provisions*

		30 September 2018			30 September 2017		
	Notes	Current €m	Non-current €m	Total €m	Current €m	Non-current €m	Total €m
Dilapidation, onerous lease and onerous contract provisions	21.1	**133**	**68**	**201**	227	190	417
Warranty provisions	21.2	**8**	**24**	**32**	25	35	60
Legal claims	21.3	**15**	**61**	**76**	31	61	92
Contingent liability	21.4	**2**	**29**	**31**	2	44	46
Other	21.5	**17**	**–**	**17**	80	8	88
		175	**182**	**357**	365	338	703

	Notes	Dilapidation, onerous lease and onerous contract provisions €m	Warranty provisions €m	Legal claims €m	Contingent liability €m	Other €m	Total €m
Movement in provisions							
Balance at 1 October 2016		572	50	176	68	124	990
Provision raised		18	34	63	–	106	221
Amounts unused reversed		(13)	–	–	–	(42)	(55)
Amounts utilised		(153)	(20)	(147)	(21)	(92)	(433)
Acquisition of subsidiaries and businesses		–	–	–	–	13	13
Derecognition of subsidiaries		–	(5)	–	–	(4)	(9)
Reclassification from/(to) accruals		11	2	–	–	(10)	3
Exchange differences on consolidation of foreign operations		(18)	(1)	–	(1)	(7)	(27)
Balance at 30 September 2017		417	60	92	46	88	703
Provision raised		**53**	**24**	**2**	**–**	**87**	**166**
Amounts unused reversed		**(55)**	**–**	**–**	**–**	**(39)**	**(94)**
Amounts utilised		**(71)**	**(27)**	**(4)**	**(15)**	**(68)**	**(185)**
Derecognition of subsidiaries		**(1)**	**(3)**	**–**	**–**	**(7)**	**(11)**
Reclassification		**5**	**–**	**–**	**–**	**(5)**	**–**
Reclassification to liabilities held-for-sale	34	**(149)**	**(21)**	**(15)**	**–**	**(36)**	**(221)**
Exchange differences on consolidation of foreign operations		**2**	**(1)**	**1**	**–**	**(3)**	**(1)**
Balance at 30 September 2018		**201**	**32**	**76**	**31**	**17**	**357**

21. Provisions *(continued)*

ACCOUNTING POLICY: Provisions

Provisions (except for contingent liabilities recognised in terms of IFRS 3) are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the Reporting Period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

21.1 Dilapidation, onerous lease and onerous contract provisions

A contract is considered onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Before a separate provision for an onerous contract is established, any impairment loss that has occurred on assets dedicated to that contract is recognised.

This includes:

- Provision for dilapidation of buildings occupied by the Group and provision for long-term leases containing onerous provisions or terms (in comparison with average terms and conditions of leases); and
- Provision for unfavourable legally binding contracts where the terms of the contract are unfavourable, based on market-related rates.

21.2 Warranty provisions

The warranty provision represents management's best estimate, based on past experience, of the Group's liability under warranties granted on products sold.

21.3 Legal claims

An agreement was reached during the 2019 Reporting Period relating to a legal dispute with Pohlmann. Management considered this to be an adjusting subsequent event and an amount under a confidential settlement and relevant withholding taxes have been provided for during the 2017 Reporting Period.

A payment of €147 million made to Seifert during the prior period relating to the Conforama dispute was set off against the legal claims provision raised. Refer to note 29 Critical judgements relating to Conforama.

The remainder of the legal claims provision balance relates to various immaterial legal claims.

21.4 Contingent liabilities raised on business combinations

IFRS 3 requires certain contingent liabilities of the acquiree to be recognised and measured in a business combination at acquisition date fair value. Therefore, contrary to IAS 37: *Provision, Contingent Liabilities and Contingent Assets*, the acquirer recognises a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of economic benefits will be required to settle the obligation. This provision includes amounts for possible supplier settlements, customer claims and legal disputes.

21.5 Other provisions

Other provisions include all amounts where there is a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

22. Commitments and contingencies

	30 September 2018 €m	30 September 2017 €m
22.1 Capital expenditure		
Significant capital expenditure contracted for at the end of the Reporting Period but not recognised as liabilities is as follows:		
Contracts for capital expenditure authorised	**57**	77
Capital expenditure authorised but not contracted for	**27**	277

Capital expenditure will be financed from cash and existing loan facilities.

During the Reporting Period the majority of capital expenditure was suspended due to the Group's liquidity constraints.

22.2 Non-cancellable operating leases

The Group leases various offices, warehouses and retail stores under non-cancellable operating leases mostly expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. Excess space is sub-let to third parties also under non-cancellable operating leases.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 September 2018 €m	30 September 2017 €m
Next year	**796**	1 193
Within two to five years	**1 823**	3 194
Thereafter	**695**	1 369
Total	**3 314**	5 756

Balances denominated in currencies other than euro were converted at the closing rates of exchange ruling at 30 September 2018 and 30 September 2017.

The majority of the property operating leases relate to retail stores from which the Group trades.

Rental expense from continuing operations recognised in profit or loss during the period relating to operating leases amounted to €857 million (2017: €823 million). Refer to notes 4.3.6 and 4.3.7.

22.3 Contingent liabilities and other litigation

Taxation

There is uncertainty regarding future taxes as a result of the impact of the accounting irregularities as well as a number of ongoing tax audits and investigations. Details are provided in note 6.

General

A number of disposal agreements entered into contain warranties or indemnities that are customary for transactions of this nature. The Group is not currently expecting material outflows as a result of these warranties or indemnities.

22. *Commitments and contingencies* *(continued)*

22.3 Contingent liabilities and other litigation (continued)

Legal claims

The contractual claims discussed below were received by the relevant parties during and after the Reporting Period. They are all being defended. As these claims are based on the claimants' view that the financial reports provided to them were misleading, it is deemed that the claims received after the 2018 Reporting Period, are in terms of IAS 10, adjusting events. The base currency of the claims has been converted to the reporting currency by using the average exchange rates of the Reporting Period in which the claims were received.

No provisions have been made for these claims as it is not yet possible to determine the timing and outflow, if any, relating to these claims.

Tekkie Claimants v Steinhoff N.V. and Town Investments

- AJVH Holdings Proprietary Limited, Full Team Sure Trande Proprietary Limited, Aquilam Holdings Proprietary Limited, Liber Decimus Proprietary Limited and Xando Trade and Invest 327 Proprietary Limited ("Tekkie Claimants") have instituted a claim against Steinhoff N.V. and Town Investments based on a written contract entered into between the parties on 29 August 2016 whereby Steinhoff N.V. purchased all the ordinary shares held in Tekkie Town for a purchase price of ZAR3.3 billion (€209.4 million) discharged by the allotment and issuing of 43 million Steinhoff shares. The Tekkie Claimants allege that they entered into the contract based on false and misleading representations made by Steinhoff N.V. and Markus Jooste and claim a return of the Tekkie Town equity or a payment of approximately ZAR1.85 billion (€119 million).
- The Tekkie Claimants have also instituted a claim against Pepkor, in relation to contractual earn-out payments of up to ZAR890 million (€57 million). Pepkor denies liability and is defending the action that has been instituted by the sellers.

Thibault Claimants v Steinhoff N.V. and SIHPL

- Thibault and Upington (subsequently substituted by Titan) ("Thibault Claimants") have instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on misrepresentation and restitution as follows:
  - i.) contractual claim by Thibault claimants against SIHPL for an amount of ZAR34.7 billion (€2.2 billion) based on the subscription agreement entered into between the parties on 25 November 2014, in terms of which Thibault subscribed for 609 million ordinary shares in SIHPL;
  - ii.) a claim by Thibault against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement; and
  - iii.) a claim of damages by Upington, in the amount of €1.59 billion based on subscription agreements whereby Upington subscribed for a combined total of 314 million Steinhoff shares for €1.59 billion. Upington was replaced by Titan as claimant after selling and ceding its claims to Titan.

Wiesfam v Steinhoff N.V. and SIHPL

- Wiesfam Trust Proprietary Limited ("Wiesfam") has instituted a claim against Steinhoff N.V. and SIHPL on 26 April 2018 for the cancellation of subscription agreements based on misrepresentation and restitution as follows:
  - i.) a contractual claim by Wiesfam against SIHPL for the return of 15.5 million PSG shares, alternatively payment of the amount of ZAR3.4 billion (€220.6 million) as damages. The claim is based on an oral share issue agreement entered into between the parties on 15 December 2011, in terms of which Wiesfam subscribed for 29.7 million ordinary shares in SIHPL for a consideration of 15.5 million PSG shares. Wiesfam alleges that it was induced to enter into the share issue agreement based on certain fraudulent and/or negligent misrepresentations and non-disclosures made by SIHPL through Markus Jooste; and
  - ii.) a claim by Wiesfam against Steinhoff N.V. for restitution of the assets distributed by SIHPL to Steinhoff N.V. in terms of the scheme of arrangement.

GT Ferreira Claimants v Steinhoff N.V. and SIHPL

- GT Ferreira and the trustees of Tokara BEE Trust and the Tokara Employees Trust ("GT Ferreira Claimants") have instituted a claim on 1 June 2018 against Steinhoff N.V. and SIHPL, to have certain share swap agreements, entered into between the parties on or about 25 June 2015, declared *void ab initio*, alternatively declaring that such swap agreements were lawfully cancelled by the applicants on 10 May 2018 and ordering SIHPL to return to the applicants the PSG shares that formed part of the swap agreement, alternatively ordering SIHPL to pay the applicants the value of such PSG shares being in total ZAR1.17 billion (€75.3 million).

22. *Commitments and contingencies* *(continued)*

22.3 Contingent liabilities and other litigation (continued)

Legal claims (continued)

Le Toit v Steinhoff N.V., SIHPL and SINVH

- The Trustees of Le Toit Trust ("Le Toit") have instituted a claim on 31 August 2018 against SIHPL, Steinhoff N.V., SINVH, Markus Jooste and Ben la Grange, for the cancellation of share exchange agreements, based on misrepresentations, and claims for damages against all of the defendants for payment of the amount of ZAR740 million (€47.6 million).

  The claims are based on written share exchange agreements entered into between SIHPL and Le Toit on 24 June 2015, in terms of which SIHPL transferred 10.2 million ordinary shares in SIHPL issued for a total consideration of 3.8 million PSG shares.

Enrico De Villiers Greyling v SIHPL

- On 15 February 2019, Enrico De Villiers Greyling instituted a claim against SIHPL for the return of 500 000 shares in PSG, valued at ZAR196.18 per share, in exchange for 1.3 million Steinhoff shares issued to him in terms of an exchange agreement entered into on our about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now wishes to cancel on the basis of misrepresentation.

Lancaster 101 v Steinhoff N.V.

- On 18 April 2019, Lancaster 101 instituted proceedings against Steinhoff N.V. in the Western Cape High Court for the following claims resulting from a subscription agreement and sale agreement entered into between the parties as well as losses caused by entering into a loan agreement to fund the sale agreement:
  - i.) Lancaster 101 claims rescission of the subscription agreement on the basis of misrepresentation in the Group's 2015 Consolidated Financial Statements. Lancaster 101 seeks payment of ZAR4.6 billion (€283 million) against delivery of 60 million Steinhoff shares. Alternatively, Lancaster 101 claims loss arising on the basis of misrepresentation of the true value of the subscription shares, which it alleges to be ZAR1.00 per share. Lancaster 101 seeks payment of ZAR4.5 billion (€279.4 million) being the subscription price less what Lancaster 101 alleges to be the true value of the subscription shares;
  - ii.) Lancaster 101 claims that, but for the misrepresentations in the Group's 2015 Consolidated Financial Statements, it would not have entered into the sale agreement. Lancaster 101 seeks payment of ZAR5.0 billion (€311.6 million) being the sale price less what Lancaster 101 alleges to be the true value of the subscription shares; and
  - iii.) Lancaster 101 claims that, but for the misrepresentations in Group's 2015 Consolidated Financial Statements, it would not have entered into the loan agreement. Lancaster 101 seeks payment of ZAR2.1 billion (€128.7 million) being finance charges payable on the relevant loan amount to February 2019.

HLSW and LSW v AIH

- HLSW GmbH ("HLSW"), an entity owned and/or controlled by Seifert, filed a complaint by which HLSW requests, inter alia, the transfer of a 50% shareholding in AIH Investment Holding GmbH ("AIH") to it. Steinhoff is contesting the relief requested by HLSW in its entirety. No witnesses have been heard thus far and the presiding judge has stated that he would interrupt these proceedings until June 2019 to await the further taking of testimony in the Loan Proceedings referred to below.

  LSW GmbH ("LSW"), owned and/or controlled by Seifert, have filed a further complaint against AIH and SEAG with LSW requesting the repayment of a loan granted to SEAG and AIH in the amount of €299.9 million and interest in the amount of €29.4 million ("Loan Proceedings"). SEAG and AIH have filed an answer to the complaint and contested the relief requested by LSW in its entirety. In addition, LSW requested solely from SEAG financing costs in the amount of €58.9 million, as well as default interest on the amount of €388.3 million at a rate of 5.14% per annum above the 6-months-EURIBOR since 12 October 2015. LSW initially requested €388.3 million plus interest and the costs of the proceedings from SEAG and €329.3 million plus costs of the proceedings from AIH.

  On 21 December 2016, LSW received an amount of €146.7 million from Steinhoff entities. LSW reduced its claim on 17 February 2017 to €265.4 million (plus interest at a rate of 5.14% per annum above the 6-months-EURIBOR from 22 December 2016) vis-à-vis SEAG and €249.2 million vis-à-vis AIH, plus costs of the proceedings from both parties.

  On 20 July 2018 and again on 20 September 2018, LSW filed for a preliminary injunction against SEAG and AIH in order to secure its claim arising from the Loan Proceedings. The competent judge of the Loan Proceedings rejected LSW's application(s) for a preliminary injunction on all alleged grounds with his decision dated 1 October 2018.

  The Loan Proceedings are ongoing and SEAG and AIH continue to oppose the relief sought by LSW.

22. Commitments and contingencies *(continued)*

22.3 Contingent liabilities and other litigation (continued)

Shareholder claims

- On 16 May 2019 the Landgericht Frankfurt issued a Reference Order for the commencement of capital markets ("KapMug") proceedings. The order sets out the declaratory aims that will be the subject of the proceedings.
- On 2 February 2018, the VEB has initiated a Dutch collective action against Steinhoff N.V. on behalf of all Steinhoff N.V. shareholders that have either bought or held Steinhoff shares during a specific timeframe. VEB claims that Steinhoff N.V. acted unlawfully towards its shareholders because of incorrect, incomplete and misleading public information presented by Steinhoff N.V.
- On 20 March 2019, Trevo Capital Limited, a shareholder having acquired SIHPL shares on the secondary market (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a damages claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.ZAR2.16 billion (€134 million).
- On 25 March 2019, BVI, a shareholder, having acquired SIHPL shares from a company related to SIHPL and/or SIHPL itself (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.), instituted a claim against SIHPL for loss emanating from the reduction in value of its Steinhoff shares in the amount of c.ZAR2.16 billion (€134 million). BVI has instituted a delictual claim based on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act.
- On 29 March 2019, previous members of management at Pepkor, who had each entered into a share swap agreement with SIHPL whereby their shares in Pepkor were swapped for shares in SIHPL (which were subsequently swapped for Steinhoff shares pursuant to the listing of Steinhoff N.V.) instituted proceedings against SIHPL for loss emanating from the reduction in value of their Steinhoff shares in the aggregate amount of ZAR450 million (€28 million). The claimants have instituted a delictual claim based on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act.
- On 22 January 2019, Deminor Recovery Services ("Deminor") and 84 other plaintiffs served a writ of summons on Steinhoff N.V. and three other co-defendants. The requested relief includes both claims of declaratory relief and damages. Steinhoff N.V. is held liable for damages in the amounts of €173.9 million and ZAR8.2 billion (€508.4 million), allegedly suffered by Steinhoff N.V investors as a result of the misleading information issued and disseminated by Steinhoff N.V.
- Stichting Steinhoff International Compensation Claims ("SSICC") has initiated a Dutch collective action against both Markus Jooste and Steinhoff N.V. on behalf of all investors that bought Steinhoff shares during a certain time period – starting at either 7 August 2015, 19 November 2015, 7 December 2015 and ending at the moment of full disclosure on Steinhoff N.V.'s accounting irregularities, or on 6 December 2017 or at a moment as determined by the court in the proper administration of justice – and that either sold their shares after 24 August 2017 or after 5 December 2017 or still hold their Steinhoff shares. These proceedings were registered on the docket on 30 January 2019.

There are various other claims by Steinhoff N.V. shareholders of which the amounts are immaterial.

Regulatory proceedings

- BaFin issued an administrative order on 3 March 2018, requiring Steinhoff N.V. to fulfil its publication obligations as set out in the German Securities Trading Act in relation to the financial report for the 2016 and 2017 financial years by 14 June 2018 and has threatened coercive fines in a total amount of €1.15 million. Steinhoff N.V. filed an objection against the administrative order. Steinhoff N.V.'s objection was officially rejected by BaFin on 14 December 2018. On 14 January 2019, Steinhoff N.V. filed an appeal against the administrative order and rejection of its objection.
- On 15 May 2018, the FSE initiated sanction proceedings against Steinhoff N.V. due to violations of the financial reporting requirements pursuant to the rules and regulations of the FSE in relation to the financial report for the financial year 2016/2017. On 12 September 2018 the FSE ordered Steinhoff N.V. to pay a fine of €98 400 plus cost of the proceeding €9 000. Steinhoff N.V. has appealed against the order.

23. *Cash flow information*

23.1 Cash generated from operations

	Notes	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
Operating profit/(loss):			
Continuing operations		**80**	(150)
Discontinued operations		**(312)**	(3 526)
Adjusted for non-cash adjustments included in continuing and discontinued operations:			
Profit or loss movement in provision for doubtful debt	19.3	**44**	31
Depreciation and amortisation	8 & 9	**410**	419
Net impairment of loans receivable and other related provisions	4.2.2	**42**	103
Fair value (gain)/loss on financial instruments		**(14)**	20
Unrealised foreign exchange losses/(gains)		**9**	(156)
Impairments:			
Goodwill	8	**26**	2 736
Intangible assets	8	**128**	673
Property, plant and equipment	9	**73**	521
Inventories written down to net realisable value and movement in provision for inventories		**88**	87
Net loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets	1.2 & 4.2.5	**27**	43
Loss/(profit) on disposal, part disposal and bargain purchase of investments	1.2 & 4.2.6	**32**	(94)
Share-based payment expense	4.3.3 & 32	**23**	33
Cumulative other comprehensive income reclassified to profit or loss on disposal or derecognition of investment	1.2 & 4.2.3	**48**	(11)
Other non-cash adjustments		**(32)**	45
Cash generated before working capital changes		**672**	774
Working capital changes:			
Increase in inventories		**(195)**	(127)
Increase in trade and other receivables		**(114)**	(63)
Movement in net derivative financial liabilities/assets		**(11)**	(6)
Decrease in non-current and current provisions		**(111)**	(286)
Increase in non-current and current employee benefits		**20**	50
(Decrease)/increase in trade and other payables		**(278)**	62
Net changes in working capital		**(689)**	(370)
Cash (utilised in)/ generated from operations		**(17)**	404

23. *Cash flow information* *(continued)*

23.2 Liabilities included in financing activities reconciliation

	Notes	30 September 2018 €m	30 September 2017 €m
This section sets out an analysis of the movements in interest-bearing loans and borrowings.			
Gross debt			
Current interest-bearing loans and borrowings	16	**(8 363)**	(9 553)
Non-current interest-bearing loans and borrowings	16	**(2 027)**	–
Total Gross debt		**(10 390)**	(9 553)

	Notes	Gross debt €m
Reconciliation of gross debt:		
As at 30 September 2017		**(9 553)**
Net cash flows per statement of cash flows		**(1 008)**
Repayment of borrowings		**1 447**
Proceeds from borrowings		**(2 455)**
Acquisitions of subsidiaries	24.1	**(10)**
Disposal of subsidiaries[1]		**150**
Classification as held-for-sale	34	**273**
Accrued interest and other costs[2]		**(252)**
Foreign exchange adjustments		**32**
Other non-cash movements		**(22)**
As at 30 September 2018		**(10 390)**

[1] Consists mainly of the borrowings and short term facilities of the kika-Leiner companies.

[2] Consists mainly of the transactions costs accrued relating to the refinanced debt. See note 16.

24. *Business combinations*

ACCOUNTING POLICY: Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the acquired entity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition related costs are capitalised if it meets the requirements to be capitalised in terms of IFRS 3. Otherwise acquisition related costs are expensed as incurred in terms of IFRS 3.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recognised as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any profits or losses arising from such remeasurement are recognised in profit or loss.

24. *Business combinations* *(continued)*

24.1 The fair value of assets and liabilities assumed at date of acquisition

	Notes	BSG Note 24.2 €m	Other immaterial acquisitions Note 24.3 €m	Total 30 September 2018 €m
Assets				
Intangible assets	8	6	1	7
Property, plant and equipment	9	5	2	7
Investments and loans		–	2	2
Deferred tax assets	6.4	1	1	2
Cash on hand		–	1	1
Liabilities				
Non-current interest-bearing loans and borrowings		(4)	(1)	(5)
Bank overdraft and short-term facilities		(5)	–	(5)
Working capital		10	(2)	8
Group's share of total assets and liabilities acquired		13	4	17
Goodwill attributable to acquisition	8	6	8	14
Total consideration		19	12	31
Cash on hand at date of acquisition		–	(1)	(1)
Net cash outflow on acquisition of subsidiaries		19	11	30

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail locations and leases, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

24.2 Acquisition of BSG

Effective 1 October 2017, 100% of BSG was acquired by a subsidiary of the Pepkor Group, for a equity purchase price of €19 million (ZAR297 million), settled in cash.

Revenue of €95 million and net loss after taxation of €6.2 million have been included in the consolidated statement of profit or loss as at 30 September 2018.

24.3 Other immaterial acquisitions during the period

During November 2017 and January 2018, the Automotive group acquired additional motor dealerships for €8 million. Mattress Firm acquired Mattress Matters in the United States of America for €4 million.

These businesses are included in discontinued operations from their effective acquisition dates and shown as assets held-for-sale with the rest of the Automotive or Mattress Firm segments.

24. *Business combinations* *(continued)*

24.4 The fair value of assets and liabilities assumed at date of acquisition

	Notes	Fantastic Note 24.5 €m	Tekkie Town Note 24.6 €m	Other Note 24.7 €m	Total 30 September 2017 €m
Assets					
Intangible assets	8	86	52	6	144
Property, plant and equipment and investment property	9	17	5	44	66
Investments and loans		–	–	1	1
Deferred tax assets		18	2	–	20
Other assets		4	–	–	4
Cash on hand		10	2	6	18
Liabilities					
Interest-bearing loans and borrowings		–	–	(2)	(2)
Deferred tax liability		(27)	(10)	(2)	(39)
Bank overdraft and short-term facilities		–	(5)	(1)	(6)
Working capital		(14)	28	(14)	–
Existing non-controlling interests		–	–	(7)	(7)
Group's share of total assets and liabilities acquired		94	74	31	199
Goodwill attributable to acquisition	8	153	152	115	420
Total consideration		247	226	146	619
Cash on hand at date of acquisition		(10)	(2)	(6)	(18)
Purchase price settled through issue of shares		–	(118)	–	(118)
Net cash outflow on acquisition of subsidiaries		237	106	140	483

The goodwill arising on the acquisition of these companies is attributable to the strategic business advantages acquired, principal retail locations and leases, as well as knowledgeable employees and management strategies that did not meet the criteria for recognition as other intangible assets on the date of acquisition.

24. *Business combinations* *(continued)*

24.5 Acquisition of Fantastic

Effective 1 January 2017, Steinhoff acquired 100% of the voting rights of Fantastic for a purchase price of €247 million (AUD361 million) paid in cash. The acquisition has significantly increased the Group's market share in Australia and complements the Group's existing furniture retail business in Australia.

The material fair value adjustments related to recognising the Fantastic Furniture, Plush and OMF Brands. The brands were assessed to have indefinite useful lives. Adjustments were also made to the warranty provisions, raising additional onerous lease provisions and providing for dilapidations. Deferred tax was provided on all the relevant adjustments.

Revenue of €289 million and net profit after taxation of €16 million have been included in the consolidated statement of profit or loss as at 30 September 2017.

The revenue and profit after taxation of Fantastic, calculated as though the acquisition date had been at the beginning of the Reporting Period would have been €394 million and €14.7 million respectively.

The finalisation of the provisional fair valuation of assets and liabilities did not have a material impact on the reported numbers.

24.6 Acquisition of Tekkie Town

Effective 1 February 2017, Steinhoff N.V. acquired 100% of the voting rights of Tekkie Town for a purchase price of €226 million (ZAR3.4 billion). The acquisition has significantly increased the Group's market share in footwear in South Africa, and complements the Group's existing specialty business in the general merchandise retail sector.

The purchase price was partially settled by Steinhoff issuing approximately 25 million Steinhoff shares and a cash amount of €108 million. The fair value of the shares issued as part of the consideration paid for Tekkie Town (€118 million) was based on the 30 day VWAP on 31 January 2017 of ZAR69.39 per share. Refer to note 30 for details regarding the special purpose vehicle established to facilitate this transaction.

The material fair value adjustments relate to the recognition of the Tekkie Town brand. Deferred tax was provided at capital rates as the brand was assessed to have an indefinite useful life.

Revenue of €61 million and net profit after taxation of €7 million have been included in the consolidated statement of profit or loss as at 30 September 2017.

The revenue and operating profit of Tekkie Town calculated as though the acquisition date had been at the beginning of the Reporting Period would have been €110 million and €21.7 million respectively.

The finalisation of the provisional fair valuation of assets and liabilities did not have a material impact on the reported numbers.

24.7 Other acquisitions during the period

Other immaterial acquisitions made during the prior period are set out below. The Capfin call center and Van As debt collectors business was purchased from Wands, a Campion Group company. Refer to note 30.

The revenue and net profit of these operations have been included in the consolidated statement of profit or loss for the period ended 30 September 2017 from their dates of acquisition.

	Segment	Country of incorporation	Date of acquisition	Ownership %	Total purchase price paid €m
Capfin call center and Van As debt collectors	Pepkor	South Africa	October 2016	**100**	**32**
Sherwood Group Holdings, Inc.	Mattress Firm	United States of America	July 2017	**100**	**18**
Sherwood Acquisition Holdings, LLC	Mattress Firm	United States of America	July 2017	**80**	**46**
Other					**50**
					146

Acquisition-related costs, included in operating expenses in the Group's consolidated statement of profit or loss for the period ended 30 September 2017, amounted to €2 million.

25. Nature and purpose of reserves

Ordinary share capital and share premium

The ordinary share capital and share premium reserve records the movements in the issued share capital of the Company.

Treasury share capital and share premium

Treasury shares are recognised as equity when Group companies (including employee share trusts) purchase Steinhoff shares, when the Company reacquires its own shares, or when the Company shares are under the control of the Group through unconsolidated structured entities . The amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from share premium or accumulated losses.

Accumulated losses

Retained earnings/accumulated losses comprise distributable reserves accumulated through the consolidation of the profit or loss of consolidated companies and the share of profit or loss of equity accounted companies. Reclassifications and transfers to and from other reserves are also accumulated in this reserve. Ordinary dividends declared reduce this reserve. Preference dividends on preference shares, classified as equity, also reduce this reserve.

Equity component of convertible bonds

Bonds which are convertible to share capital, where the number of shares to be issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of the proceeds. The equity component of the convertible bonds is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in profit or loss is calculated using the effective-interest method.

Foreign currency translation reserve

Foreign exchange differences arising on translation are recognised in other comprehensive income and aggregated in the FCTR. However, if the operation is not a wholly owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve, related to that foreign operation, is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the FCTR. They are released to profit or loss upon disposal of that foreign operation.

Share-based payment reserve relating to equity-settled share-based payment

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense with a corresponding increase in equity. Refer to note 32. Once a share scheme vests or becomes highly unlikely to vest, the relevant portion of the share-based payment reserve is transferred to accumulated losses.

25. Nature and purpose of reserves *(continued)*

Excess of consideration paid to/received from non-controlling interest

Any increases or decreases in ownership interest in subsidiaries, without a change in control, are recognised as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received are recognised, directly in equity and attributed to owners of the company.

Reserves relating to assets held-for-sale and disposal groups

Reserves relating to assets held-for-sale and disposal groups represent the cumulative income and expenses recognised in other comprehensive income relating to such assets held-for-sale and disposal groups. These reserves are expected to be reclassified to profit or loss upon disposal of the investment.

Sundry reserves

Sundry reserves comprise fair valuations of available-for-sale financial assets, cash flow hedge reserves and actuarial gains or losses recognised on the measurement of the defined benefit plans. These reserves are not considered material by the Group.

26. *Ordinary share capital*

	Notes	30 September 2018 Number of shares	30 September 2017 Number of shares
26.1 Authorised			
Ordinary shares of €0.50 each		**17 500 000 000**	17 500 000 000
26.2 Issued			
Balance at beginning of the period		**4 309 727 144**	4 253 551 251
Shares issued upon employee share scheme vesting	32.1	–	13 175 893
Shares issued to Town Investments	30 & 32.2b	–	17 939 979
Shares issued to acquire Tekkie Town	24.6	–	25 060 021
Balance at the end of the period		**4 309 727 144**	4 309 727 144
26.3 Treasury shares			
Balance at beginning of the period		**(95 141 564)**	(58 005 829)
Movement in treasury shares held by the Company and Group companies:			
Purchases of Steinhoff shares by Company		**(40 377 900)**	–
Purchases of Steinhoff shares by a subsidiary company		**(36 386 472)**	(3 800 000)
Disposal of Steinhoff shares by a subsidiary company		**4 135 244**	2 819 581
Net movement in shares held by the Steinhoff Share Trust relating to ESRS		–	(2 086 671)
Movement in Steinhoff shares held by third parties and recognised as treasury shares:			
Shares purchased by SSUK	32.2a	**(3 000 000)**	(16 128 666)
Shares issued to Town Investments	30 & 32.2b	–	(17 939 979)
Balance at the end of the period		**(170 770 692)**	(95 141 564)
Total issued ordinary share capital		**4 138 956 452**	4 214 585 580

26. *Ordinary share capital* *(continued)*

	30 September 2018 Share capital €m	30 September 2017 Share capital €m	30 September 2018 Share premium €m	30 September 2017 Share premium €m
26.4 Issued				
Balance at beginning of the period	**2 155**	2 127	**8 801**	8 615
Shares issued during the period net of transaction costs	**–**	28	**–**	186
Balance at the end of the period	**2 155**	2 155	**8 801**	8 801
26.5 Treasury shares				
Balance at beginning of the period	**(48)**	(15)	**(207)**	(56)
Purchased and attributed shares during the period	**(37)**	(33)	**(230)**	(151)
Balance at the end of the period	**(85)**	(48)	**(437)**	(207)
Total issued ordinary share capital and share premium	**2 070**	2 107	**8 364**	8 594

Refer to note 32.2 for significant judgements relating to classification of loans to third parties as treasury shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

	30 September 2018 Number of shares	30 September 2017 Number of shares
26.6 Unissued shares		
Reserved for bond holders	**414 522 268**	414 522 268
Shares reserved for future participation in share schemes*	**90 166 617**	72 261 443
Shares reserved for current participation in share schemes*	**15 664 513**	33 569 687
Shares under the control of the directors	**1 483 611 805**	1 483 611 805
Unissued shares	**11 186 307 653**	11 186 307 653
Total unissued shares	**13 190 272 856**	13 190 272 856

**Management assess it is unlikely that any Steinhoff shares will be issued to employees of the Group in the future under any of the open grants of the ESRS. Subsequent to period-end 6.7 million shares reserved under the 2016 grant were forfeited. Refer to note 32.1.*

27. *Preference stated share capital*

27.1 Authorised

	Classification of preference shares		
	Redemption	Payment of dividends	Classification of instrument
Steinhoff International Holdings N.V.			
Non-cumulative financing preference shares of €0.01	Non-redeemable	Discretionary	Equity
Steinhoff International Holdings Proprietary Limited			
Cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity
Steinhoff Investment Holdings Limited			
Variable rate, cumulative, non-participating preference shares of ZAR0.0001 each	Non-redeemable	Discretionary	Equity
Steinhoff Africa Holdings Proprietary Limited			
Class A perpetual preference shares (par value ZAR0.01)	Non-redeemable	Discretionary	Equity
Class B perpetual preference shares of no par value	Redeemable	Discretionary	Compound
Cumulative redeemable preference shares (par value ZAR0.01)	Redeemable	Discretionary	Financial liability
Stripes US Holding Inc.[1]			
Series A non-participating, non-redeemable preferred shares (par value $0.01)	Non-redeemable	Discretionary	Equity
Ainsley Holdings Proprietary Limited			
Cumulative, redeemable preference shares of no par value	Redeemable	Discretionary	Financial liability
Pepkor Holdings Limited			
Non-redeemable, non-cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity
Non-redeemable, cumulative, non-participating preference shares of no par value	Non-redeemable	Discretionary	Equity
Redeemable, non-cumulative, non-participating preference shares of no par value	Redeemable	Discretionary	Financial liability
Class A1 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Discretionary	Financial liability
Class A2 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Discretionary	Financial liability
Class A3 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Discretionary	Financial liability
Class A4 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Discretionary	Financial liability
Class A5 redeemable, cumulative, non-participating preference shares of no par value	Redeemable	Discretionary	Financial liability

[1] Certain senior executives of Mattress Firm Holdings Corporation hold the preference shares in SUSHI, the parent company of Mattress Firm Holdings Corporation.

**Amount less than €500 000.*

30 September 2018 Number of shares	30 September 2017 Number of shares	30 September 2018 €m	30 September 2017 €m
20 000 000 000	20 000 000 000	**200**	200
1 000 000 000	1 000 000 000	**–**	–
495 000 000	495 000 000	*****	*
2 000	2 000	*****	*
2 000	2 000	**–**	–
2 000	2 000	*****	*
215	215	*****	*
60 000	60 000	*****	*
5 000 000	5 000 000	*****	*
2 500 000	2 500 000	*****	*
2 500 000	2 500 000	*****	*
10 000 000	10 000 000	*****	*
10 000 000	10 000 000	*****	*
10 000 000	10 000 000	*****	*
10 000 000	10 000 000	*****	*
10 000 000	10 000 000	*****	*

27. *Preference stated share capital* *(continued)*

27.2 Issued

	30 September 2018 Number of shares	30 September 2017 Number of shares	30 September 2018 €m	30 September 2017 €m
Classified as equity				
Steinhoff Investment Holdings Limited[1]				
In issue at the beginning and end of the period*	**15 000 000**	15 000 000	**129**	135
Steinhoff Africa Holdings Proprietary Limited (class A perpetual preference shares)[2,6]				
In issue at the beginning and end of the period*	**1 000**	1 000	**163**	163
Shares redeemed during the period	**(1 000)**	–	**(163)**	–
In issue at the end of the period	**–**	1000	**–**	163
Stripes US Holding Inc.				
In issue at the beginning and end of the period	**202**	202	**33**	33
Total issued preference stated share capital classified as equity	**15 000 202**	15 001 202	**162**	331

**An adjustment was made to the disclosure of the prior period amounts as a result of a reallocation between the SINVH and Steinhoff Africa preference shares.*

	30 September 2018 Number of shares	30 September 2017 Number of shares	30 September 2018 €m	30 September 2017 €m
Classified as liabilities				
Steinhoff Africa Holdings Proprietary Limited (class B perpetual preference shares)[2,6]				
In issue at the beginning of the period	**2 000**	2 000	**136**	136
Shares redeemed during the period	**(2 000)**	–	**(136)**	–
In issue at the end of the period	**–**	2 000	**–**	136
Ainsley Holdings Proprietary Limited[3,7]				
In issue at the beginning of the period	**60 000**	60 000	**373**	373
Shares redeemed during the period	**(60 000)**	–	**(373)**	–
In issue at the end of the period	**–**	60 000	**–**	373
Steinhoff Africa Holdings Proprietary Limited (cumulative redeemable preference shares)[4]				
In issue at the beginning of the period	**–**	–	**–**	–
Shares issued during the period	**1 000**	–	**262**	–
In issue at the end of the period	**1 000**	–	**262**	–

27. *Preference stated share capital* *(continued)*

27.2 Issued (continued)

	Notes	30 September 2018 Number of shares	30 September 2017 Number of shares	30 September 2018 €m	30 September 2017 €m
Pepkor (class A cumulative redeemable preference shares)[5]					
In issue at the beginning of the period		–	–	–	–
Shares issued during the period		**6 000**	–	**365**	–
In issue at the end of the period		**6 000**	–	**365**	–
Summary of preference shares in issue					
Non-controlling interest	28			**162**	331
Liabilities	16.1			**627**	509
				789	840

[1] ***Terms of issued Steinhoff Investment Holdings Limited preference shares***
The preference shares earn dividends on the issue price at the rate of 82.5% of the SA prime lending rate quoted by Absa Bank Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the board of directors of SINVH.

[2] ***Terms of issued Steinhoff Africa Holdings Proprietary Limited preference shares***
The Class A preference shares earn dividends on the issue price at the rate of 70.5% of the SA prime lending rate and the Class B preference shares earn dividends on the issue price at the rate of 72% of the SA prime lending rate as quoted by Standard Bank Group Limited or its successor in title in South Africa. Although the rights to receive dividends are cumulative, declaration of such dividends is at the discretion of the Board of directors of Steinhoff Africa.

The directors are authorised, by resolution of the shareholders and until the forthcoming annual general meeting, to dispose of the unissued preference shares, subject to the listings requirements of the JSE relating to a general authority of directors to issue shares for cash.

The Class A and Class B preference shares were redeemed during the Reporting Period. The redemption included accrued dividends.

[3] ***Terms of issued Ainsley Holdings Proprietary Limited preference shares***
The preference shares earn dividends on the issue price at the rate of 69% of the SA prime lending rate. The preference shares were redeemed during the Reporting Period

[4] ***Terms of issued Steinhoff Africa Holdings Proprietary Limited preference shares***

During the Reporting Period, Steinhoff Africa issued 1 000 cumulative, redeemable shares to Lancaster 102. The preference shares earn dividends on the issue price at the rate of 80% of the SA prime lending rate as quoted by Standard Bank Group Limited or its successor in title in South Africa.

[5] ***Terms of issued Pepkor Holdings Limited preference shares***

During the Reporting Period, Pepkor issued 6 000 cumulative redeemable preference shares. The preference shares earn dividends on the issue price at the rate of 74% of the SA prime lending rate. The preference shares are redeemable in May 2022.

[6]***Guaranteed by SIHPL until 13 February 2017 and by Steinhoff N.V. from 13 February 2017. All guarantees were cancelled at the redemption of the shares.***

[7]***Guaranteesd by Steinhoff N.V., SIHPL and Pepkor. All guarantees were cancelled at the redemption of the shares.***

Accrued dividends relating to preference shares classified as equity are presented as part of the profit or loss attributable to non-controlling interest in the period to which the accrual relates, regardless if these dividends have been declared. Any preference dividends actually paid have been presented as dividends paid to non-controlling interests.

28. Non-controlling interests

Non-controlling interest: Preference shares

Preference shares classified as equity are attributable to shareholders other than the Company shareholders. These preference shares are therefore attributable to non-controlling interests of the Group and are classified as a component of equity attributable to non-controlling interests.

The voting and participation rights of preference shareholders differ to those of non-controlling ordinary equity shareholders. Preference shareholders do not share in the underlying net asset value of the various businesses and have no voting rights except in certain instances.

Preference shares are therefore presented as a separate component of non-controlling interests within equity.

28.1 Details of material non-controlling interests:

	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	30 September 2018 %	30 September 2017 %	30 September 2018 €m	30 September 2017 €m	30 September 2018 €m	30 September 2017 €m
Pepkor Holdings Limited (note 28.2)	**28.99**	23.2	**49**	1	**983**	768
POCO (note 28.2)	**–**	–	**–**	13	**–**	–
Individually immaterial subsidiaries with non-controlling interests			**(13)**	14	**17**	67
			36	28	**1 000**	835
Preference shares classified as equity (note 27.2)			**19**	14	**162**	331
Total non-controlling interests			**55**	42	**1 162**	1 166

Any non-controlling interests recognised by the subsidiaries are included in the balances above.

ACCOUNTING POLICY: Non-controlling interest

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Subsequently, any losses applicable to the non-controlling interests are allocated to the non-controlling interests even if this results in the non-controlling interests having deficit balances.

Initial measurement of non-controlling interests

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Treatment of non-controlling interest upon loss of control

When the Group ceases to consolidate an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the Group retains no interest, the carrying value of the non-controlling interest is disposed and forms part of the net asset value of the investment upon disposal. The difference between the proceeds received and the net asset value disposed is recognised in profit or loss.

28. *Non-controlling interests* *(continued)*

28.1 Details of material non-controlling interests (continued)

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

28.2 Material Transactions with non-controlling interests

Pepkor

Pepkor was listed on the JSE on 20 September 2017 at which date the non-controlling interests were introduced. The Group did not lose control of Pepkor as a result of this transaction.

The carrying amount of net asset value sold to non-controlling interest amounted to €764 million and proceeds of €1 billion were recovered from the non-controlling interests. The excess of the proceeds received was recognised in equity.

On 19 April 2018, the Group disposed of additional shares in Pepkor resulting in the non-controlling interest share increasing from 23.2% to 28.99%. The Group did not lose control of Pepkor as a result of this transaction.

The carrying amount of the portion of the investment sold to non-controlling interest amounted to €199 million and proceeds of €241 billion (ZAR3.7 billion) were recovered from the non-controlling interests. The excess of the proceeds received was recognised in equity.

Derecognition of POCO as a subsidiary

In 2007 a joint venture was formed between companies affiliated to Seifert, Pohlmann and the Group in respect of a German furniture retailer, POCO. As at 1 July 2012, Seifert held a 50% interest in POCO, Pohlmann had a 50% interest and the Group had a 50% interest in LiVest which held the other 50% interest in POCO, thus giving the Group an economic interest of 25%. Pohlmann agreed to provide the Group a casting vote in respect of LiVest and as a result the Group also obtained his casting vote in relation to the appointment of the key management of POCO. The casting vote in POCO expired in March 2017.

Control of POCO was lost on 31 March 2017. The remaining 50% equity interest was recognised as an equity accounted investment until it was classified as held-for-sale on 25 April 2018. The carrying value of the non-controlling interest of POCO of €199 million was derecognised on the date control was lost. On this date the excess of the carrying value of the net asset value and the consideration paid in previous periods relating to POCO amounted to €115 million. The full balance was transferred to accumulated losses upon loss of control of POCO on 31 March 2017.

28. *Non-controlling interests* *(continued)*

28.3 Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests:

	30 September 2018 €m	30 September 2017 €m
	Pepkor	**Pepkor**
The summarised financial information below represents amounts before intragroup eliminations and consolidation entries.		
Non-current assets	**4 136**	4 193
Current assets	**1 404**	1 243
Non-current liabilities	**(1 270)**	(1 026)
Current liabilities	**(877)**	(1 108)
Revenue	**4 126**	3 911
Profit for the period	**186**	241
Profit attributable to owners of the parent	**185**	240
Profit attributable to the non-controlling interests of Pepkor	**1**	1
Profit for the period	**186**	241
Total comprehensive income attributable to owners of the parent	**172**	281
Total comprehensive income attributable to the non-controlling interests of Pepkor	**1**	1
Total comprehensive income for the period	**173**	282
Net inflow from operating activities	**162**	152
Net outflow from investing activities	**(141)**	(89)
Net (outflow)/inflow from financing activities	**(14)**	15
Net cash inflow	**7**	78
Dividends paid to the non-controlling interests	**1**	–

29. *Related-party transactions and control considerations*

Certain transactions were identified which were not entered into on an arms' length basis. The Group expanded its identification of related parties and any non-arms' length transactions identified were scrutinised to assess recoverability of related assets or disclosure deficiencies. In instances where there is no security on the loans in the entity with the liability, or where the Group does not have sufficient information to perform a recoverability test, management has deemed it appropriate to impair these assets. Refer to note 4.2.2.

The Group assessed whether it controlled the following companies and whether these companies are related parties to the Group during the periods presented:

Critical judgements

GT Branding

Management assessed it controlled the GT Branding Group and therefore consolidated the GT Branding Group for all periods under review, as a result of the substance over form treatment of all the brands and trademarks owned by the GT Branding Group. The GT Branding Group is not considered a material subsidiary during either period presented. The Group acquired the remaining 55% share in the GT Branding Group in January 2019 as part of the Campion Group settlement. Refer to note 35.

GIH

Although management cannot determine whether the activities of GIH are restricted prior to December 2015, information procured suggests it was incorporated solely for the benefit of the Group in that it would be the Group's nominee used to acquire kika-Leiner and would serve as the Group's European listing vehicle. The Group was a party to the kika-Leiner acquisition acting as guarantor to the transaction. The Group further provided the majority of the funding. Despite uncertainty over the Group's voting rights in GIH, management has concluded that the Group had *de facto* control over GIH as a result of its ability to direct the relevant activities, identified as being a nominee of the Group in the kika-Leiner transaction and eventual listing vehicle, and its exposure to variable returns linked to the funding and guarantees provided. In this way the Group was able to use its power to affect the returns of GIH as a result of its relationship with GIH and the exposure to the funding put in place to benefit from the eventual listing. GIH is not considered a material subsidiary during either period presented.

Triton V

Triton V is a special purpose entity in which the Group initially had a limited interest equity ownership. Triton V is the immediate parent of GIH and received €375 million of the funding required for the kika-Leiner transaction from the Group. Without insight into all the relevant activities of the entity, management has applied reasoned judgement in concluding that Triton V was created in connection with the acquisition of kika-Leiner. Despite another entity holding a 51% voting interest in Triton V, transactions entered into were for the benefit of the Group and it emerged that the Group was managing the activities of Triton V. The Group also entered into a management contract with Triton V to provide Triton V with funding, accounting, supervisory board mandates, central treasury, consulting and services of business executives. Without access to the financial information of Triton V, management believe that Triton V was wholly funded and/or guaranteed by the Group due to the nature of the entity being a limited interest company. Management deemed it appropriate to consolidate Triton V from the date the initial investment was made as it was exposed to variable returns through its funding provided and exercised power over the entity's relevant activities as it appeared to have been set up solely for the purposes of the Group. The consolidation of Triton V however, has no impact on the results of the Group. It is assumed based on the limited interest nature of Triton V, that Triton V did not enter into any activities unrelated to the Group. The Group assessed it lost control over Triton V during December 2017. This had no impact on the results of the Group.

BVI

BVI was founded in 2011 by the senior management of Pepkor with the objective of enabling senior employees of Pepkor to share in the growth of the company over a long term by indirectly owning shares in Pepkor through the BVI structure. Pepkor granted loans to certain senior employees to enable them to buy their allocated BVI shares, but a number of employees also funded their own investments. The structure also received funding from Rand Merchant Bank ("RMB"). Companies in the Pepkor Group guaranteed the RMB funding.

BVI shares not allocated to employees were taken up by a Pepkor company with the purpose of later allocating these shares to employees joining the scheme.

29. Related-party transactions and control considerations *(continued)*

On 20 April 2015, following the acquisition of Pepkor by the Group, the Pepkor shares held by BVI were swapped for Steinhoff shares. From 2016 when an employee wanted to exit the BVI structure, the Group would also provide a loan to BVI to fund the repurchase of its BVI shares from the employee as opposed to BVI having to sell Steinhoff shares to fund the settlement.

BVI was set up solely on behalf of the employee shareholders who would benefit from the growth of the Pepkor Group and later the Steinhoff share value and allowed the employees the discretion of when to exit the structure. Since the Group's acquisition of Pepkor, it continued to act as guarantor to the RMB funding, and also facilitated the exit of employees by either providing the necessary funding to BVI or by permitting BVI to dispose of shares in order to fund the share repurchase from the employee.

Although the Group's voting rights were limited to their equity interests, management has concluded that the Group had *de facto* control over BVI or as a result of its exposure to variable returns linked to the funding and guarantees provided.

The Group consolidated BVI for both periods presented and recognised the Steinhoff shares held by BVI as treasury shares.

Management have limited financial information of BVI and therefore deemed the value of the treasury shares to approximate BVI's capital raised and the funding procured.

Conforama

The participation rights of Seifert in Conforama are part of ongoing lawsuits and are still subject to uncertainty. On the basis of information available and actions taken to date, management has concluded that a liability should be attributed to Seifert from the date of termination taking into consideration the following:

- the contribution made by Seifert in respect of the total purchase consideration of Conforama;
- the share purchase agreement implemented by the parties in 2014 in terms of which Seifert would receive a 23.6% interest in Conforama based on his contribution;
- the date of termination and therefore the settlement valuation, being January 2015 (as opposed to the date of payment in December 2016) as this is the date of cancellation of the partnership agreements where all rights attributable to Seifert would revert to the Group; and
- the payment of €147 million made by the Group for Seifert's interest in December 2016, which was based on an independent valuation of an interest of 23.6%, which reduces the financial liability, and which Seifert has recognised as a reduction in his loan receivable.

Management consolidated Conforama without any non-controlling interest.

Key Management Personnel: Entities related and affiliated

The Group considered the various entities related and affiliated with certain key management personnel during the periods presented, to determine whether any material transactions were concluded between the Group and these entities.

The Group's considerations are explained in this note.

29. *Related-party transactions and control considerations* (continued)

Christo Wiese related and affiliated entities

Christo Wiese was previously a non-independent, non-executive Supervisory Board member and Chairman of the Group and considered to be key management personnel of the Group up until December 2017. Due to the extent of the historical transactions entered into with entities under Christo Wiese's influence, management considered whether any of these entities should have been consolidated by the Group. Management has, however, concluded that the Group at no point controlled any of these entities because of its relationship with Christo Wiese.

Based on information available and management's understanding of the various transactions entered into by the Group, management assessed the following entities, and their subsidiaries, to be material related entities to the Group by virtue of Christo Wiese or his close family member's involvement with or affiliation to the following entities:
- Brait S.E.
- Shoprite Holdings Limited and its subsidiaries
- Upington Investments Holdings B.V.
- Titan Premier Investments Proprietary Limited
- Titan Asset Management Proprietary Limited
- Thibault Square Financial Services Proprietary Limited
- Cream Magenta 140 Proprietary Limited
- Metcap 14 Proprietary Limited
- Toerama Proprietary Limited
- Invicta Holdings Limited

Markus Jooste related and affiliated entities

Markus Jooste was the Group's CEO, and therefore key management personnel of the Group, until December 2017.

Markus Jooste and his close family members have a large number of entities to which they are related or affiliated. The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to Markus Jooste during the periods presented:
- Mayfair Holdings Proprietary Limited
- Mayfair Speculators Proprietary Limited
- Lodestone Brands Proprietary Limited (believed to be an indirect subsidiary of Mayfair Holdings Proprietary Limited)

Other entities were identified by management where Markus Jooste or his close family members are believed to have a direct or indirect special relationship.
- Upington Investments Holdings B.V.

Bruno Steinhoff and Angela Krüger-Steinhoff related and affiliated entities

Bruno Steinhoff was a Supervisory Board member until February 2018. Angela Krüger-Steinhoff remains a Supervisory Board member.

The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to BE Steinhoff and/or Angela Krüger-Steinhoff during the periods presented:
- Bruno Steinhoff Beratungs- und Verwaltungs GmbH
- Steinhoff Familienholding GmbH

Jayendra Naidoo related and affiliated entities

Jayendra Naidoo was a Supervisory Board member from March 2017 until January 2018. Jayendra Naidoo is the Chairman of the Pepkor Group, a material subsidiary. Jayendra is therefore considered a related party to the Group.

The following were identified by the Group as being material related parties to the Group as a result of the transactions between the Group and these entities related or affiliated to Jayendra Naidoo during the periods presented:
- Lancaster 101 (RF) Proprietary Limited and Lancaster 102 Proprietary Limited
- Lancaster Electricity Solutions Proprietary Limited

29. *Related-party transactions and control considerations* *(continued)*

Upington

Upington Investments Holdings B.V.'s ownership at a point in time:

- Approximately 90% by Christo Wiese (indirectly through other wholly owned Christo Wiese companies); and
- The majority of the remaining 10% held indirectly by the following former Management Board members: Markus Jooste, Danie van der Merwe, Ben la Grange and the following former key management personnel: Stéhan Grobler and Mariza Nel.

Upington was part of the voting pool during the current and previous periods. The voting pool comprised a number of the Group's shareholders who voted together for a unified purpose. The voting pool was disbanded during the 2018 Reporting Period.

Other

Related party relationships also exist between shareholders, subsidiaries, joint venture companies and associate companies within the Group and its company directors and Group key management personnel.

Except where specifically stated otherwise, the transactions are concluded at arm's length in the normal course of business and include transactions as a result of the Group-wide treasury management of foreign currency movements. All material intergroup transactions are eliminated on consolidation.

29.1 Directorate

The directorate below reflects the Management and Supervisory Board members as at the date this report was approved.

Management Board

Markus Jooste	Resigned: 5 December 2017
Ben la Grange	Resigned: 4 January 2018
Danie van der Merwe	Resigned: 31 December 2018
Louis du Preez	Appointed: 20 April 2018
Theodore de Klerk	Appointed: 20 April 2018
Alexandre Nodale	Appointed: 20 April 2018 Resigned: 11 April 2019
Philip Dieperink	Appointed: 20 April 2018

Supervisory Board

Steve Booysen	Reappointed: 20 April 2018
Claas Daun	Retired: 28 February 2018
Thierry Guibert	Resigned: 2 February 2018
Len Konar	Retired: 28 February 2018
Khanyisile Kweyama	Appointed: 20 April 2018
Theunie Lategan	Retired: 28 February 2018
Moira Moses	Appointed: 20 April 2018
Jayendra Naidoo	Appointed: 14 March 2017 Resigned: 18 January 2018
Hugo Nelson	Appointed: 20 April 2018
Heather Sonn	Reappointed: 20 April 2018
Bruno Steinhoff	Retired: 28 February 2018
Angela Krüger-Steinhoff	Reappointed: 20 April 2018
Johan van Zyl	Resigned: 17 April 2018
Peter Wakkie	Appointed: 20 April 2018
Alex Watson	Appointed: 20 April 2018
Christo Wiese	Resigned: 14 December 2017
Jacob Wiese	Resigned: 14 December 2017

Details relating to directors' emoluments, shareholding in the Company and interest of directors are disclosed in note 31.

29. *Related-party transactions and control considerations* *(continued)*

29.2 Compensation of key management personnel

	Twelve months ended 30 September 2018 €m	Twelve months ended 30 September 2017 €m
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. In the current period the following groups were considered to be key management: • Management Board • Supervisory Board • chief executive officers of significant business clusters • certain key individuals leading critical functions for the Group such as Human Resources, Treasury and Finance Salary details of former key management was included until the date of resignation. New key management personnel was included from 1 October 2017. The number of key management members as at 30 September 2018 were 30 (2017: 26). In the prior period the Company considered all members of the executive committee ("ExCo") and the Supervisory Board to be key management personnel as defined in IAS 24: Related parties. The ExCo consisted of the Management Board and 13 other ExCo members.		
Short-term employee benefits	**32**	35
Long-term benefits	**4**	–
Share-based payments – related expense	**11**	1
	47	36

Refer to note 31 for detailed remuneration disclosures.

29.3 Interest of key management personnel in contracts

During the periods presented, the following contracts related to key management personnel of the Group were concluded with the Group:

- Christo Wiese and Jacob Wiese through Titan and Jayendra Naidoo through Lancaster 101 had an interest in the Shoprite transaction.
- Pepkor entered into Call Option Agreements whereby it obtained the right to acquire 128.2 million Shoprite ordinary shares from various parties. Pepkor's board exercised the call options prior to 30 November 2017 as part of the planned expansion of the Pepkor Group, subject to the fulfilment of the Shoprite conditions precedent. This transaction was subsequently not implemented. In the process, Steinhoff made prepayments of €125 million and €200 million in October and November 2017 to entities related to Christo Wiese (a Steinhoff Supervisory Board member at the time) as these entities held shares in Shoprite. Agreements have been entered into during February 2018 in terms of which €125 million has been settled. The balance of €200 million plus interest is expected to be repaid on agreed terms. Interest of €3.4 million accrued in 2018. Titan is awaiting regulatory approvals to be able to perform under the terms of the agreement.

  As part of the proposed Shoprite transaction, Lancaster 102, an entity affiliated with Jayendra Naidoo, issued 1 000 cumulative redeemable preference shares to Steinhoff Africa. Steinhoff Africa initially issued 1 000 cumulative redeemable preference shares to Thibault Square Financial Services Proprietary Limited, an entity controlled by Christo Wiese, however, upon cancellation of the Shoprite transaction these preference shares were transferred to Lancaster 102 resulting in Steinhoff Africa having an investment in preference shares to the value of €243.6 million (ZAR4 billion) in Lancaster 102 as well as issued preference shares to the value of €243.6 million (ZAR4 billion). Refer to note 11 and note 27.2.

29. *Related-party transactions and control considerations* *(continued)*

29.3 Interest of key management personnel in contracts (continued)

- Christo Wiese and Jacob Wiese had an interest in the contract relating to the acquisition of BSG as both are directors of the seller, Invicta Holdings Limited, and Jacob Wiese was a director of the purchaser, Pepkor. Both Christo Wiese and Jacob Wiese are also shareholders of Invicta Holdings Limited. Refer to note 24.2 for detail on the acquisition.
- Hoffman Inc. (of which Stéhan Grobler, previously a member of the ExCo and Head of Treasury, is a partner) provided legal services to Group companies. Hoffman Inc. received fees and the reimbursement of expenses amounted to approximately €1 million (2017: €2 million).
- A loan of approximately €4 million was granted to Hoffman Inc in the prior period for the subscription of KAP shares. During the process where the shares were sold in the open market, the proceeds were transferred to the Group; resulting in the loan fluctuating between a loan payable and a loan receivable until the transaction was finally settled. €26 000 of the proceeds on the sale of the shares were shared with Hoffman Inc. Interest was received on the loan receivable. However small amounts of interest were also paid on the loan payable.
- Hoffman Inc. rented office space from the Group for an annual amount of approximately €13 000 (2017: €37 000). Mayfair Speculators Proprietary Limited ("Mayfair"), of which Markus Jooste is/was a director, took over the lease from Hoffman Inc. in February 2018 and vacated the premises in June 2018. The property has since been sold to an independent third party. Total rent of €16 000 was received from Mayfair.
- In June 2017 a Steinhoff Group entity, Delta Properties, was sold to Steinhoff Familienholding GmbH for €2.7 million. Delta properties owned several properties that were mainly used for hunting purposes.
- Upington granted a loan of €47.4 million to the Group in 2017 of which €33.3 million was still outstanding at 30 September 2017. The loan carried interest at 0.5% per annum. The total outstanding balance was settled during the Reporting Period under a confidential settlement.
- Steinhoff at Work, a wholly-owned subsidiary of Steinhoff Africa, entered into an informal agreement (key terms contained in an email between parties) with Toerama, an entity controlled by Christo Wiese, to acquire a Company aircraft, Falcon 900C, for $5 million (€4.2 million) on 1 October 2017. On 25 May 2018, Steinhoff at Work and Toerama, with Steinhoff Africa being a party, entered into a second agreement replacing the original agreement and agreed that Toerama will be seeking an alternative purchaser. The Falcon 900C aircraft was sold to a third party during the Reporting Period. The Group incurred costs in excess of the recovery still due from Toerama of $1.2 million (€1.0 million).
- An aircraft retainer agreement was entered into between Toerama, an entity controlled by Christo Wiese, and the Group on 1 October 2016 whereby Toerama was paid a fee of €164 384 (excluding Value Added Tax) for the period ended 30 September 2018 (2017: €802 351 (excluding Value Added Tax)) for the use of its Boeing Business Jet B737-72U. An hourly tarrif of €19 631 (excluding Value Added Tax) was also paid to Toerama. These amounts are included in the remuneration paid to Christo Wiese as per note 31.1.2. The agreement was cancelled in December 2017.
- An office services and office space agreement was entered into between Titan Financial Services Proprietary Limited, an entity controlled by Christo Wiese, and the Group on 1 October 2016. An amount of €30 822 was paid as fees for the period ended 30 September 2018 (2017: €145 040). This amount is included in the remuneration paid to Christo Wiese as per note 31.1.2. The agreement was cancelled in December 2017.
- The Group received rental income to the amount of €241 545 (2017: €232 700) from Titan Asset Management Proprietary Limited for the use of office space.

29. *Related-party transactions and control considerations* *(continued)*

29.3 Interest of key management personnel in contracts (continued)

- During the prior period, a number of key management personnel of the Group acquired a property in Portugal from Conforama, a subsidiary of the Group, in order to enable these executives to obtain Golden Visas for themselves and their families. Conforama received proceeds to the amount of €7 million. This value approximates the net book value of the property on the date of the sale. The price was determined by consulting with external valuation experts and is deemed to be market related. Each of the executives raised their own funding to buy the property and the property was not provided as security for the funding obtained. Conforama entered into a rental agreement with the key management personnel to continue using the property for retail purposes. The rental is considered to be below market. In addition, an option can be exercised by each of the key management personnel after five years to sell their share of the property back to Conforama at the original purchase price. The key management personnel involved continued to earn rental income during the Reporting Period.
- Hachmer Beheer B.V. ("Hachmer") was a subsidiary of Habufa until 29 December 2016, at which point the Group held a 50% interest in Habufa. Loan agreements indicate Hachmer granted a loan of up to £50 million to Mayfair Holdings Proprietary Limited ("Mayfair Holdings") on 6 December 2016, whose ultimate shareholder was a family trust of Markus Jooste. A back-to-back loan agreement was entered into between Hachmer and Formal Holdings Limited ("Formal") (a company affiliated with a business partner of Markus Jooste). The investment in Hachmer was sold to Holding van den Bosch B.V. (the Group's joint venture partner in Habufa) in December 2016. Mayfair, a direct subsidiary of Mayfair Holdings, assumed the obligation owing to Hachmer on 10 November 2017. Management of Hachmer did not recognise the loans at the time that the loans were expected to have been granted as no cash flowed via Hachmer, despite the loan agreements concluded. Given that Hachmer was a related party of the Group at the time the loan was allegedly granted, the transaction has been disclosed. As Hachmer was disposed of by the Group, the alleged loan is not included in any Group results.
- Pepkor purchases products from Lodestone Brands Proprietary Limited, a company believed to be indirectly controlled by Markus Jooste, for sale in the Pepkor Clothing and General Merchandise segment. The purchases amounted to approximately €3 million annually.
- Transactions with Shoprite entails the rental of stores from Shoprite, and sale of products to Shoprite by Flash and the Building Materials segment.
- EastWest Real Estate Investments Proprietary Limited ("EastWest") is a 70% subsidiary of the Group holding real estate assets. The original developer held the remaining 30% of the shares. Each real estate unit is represented by a specific class of shares. In August 2017, Mayfair acquired a 15% interest in EastWest, from the original developer for ZAR33.5 million. EastWest repurchased the shares held by Mayfair in January 2019 for a consideration of ZAR26.7 million. This was funded by the sale of the unit linked to the specific class of shares held by Mayfair.

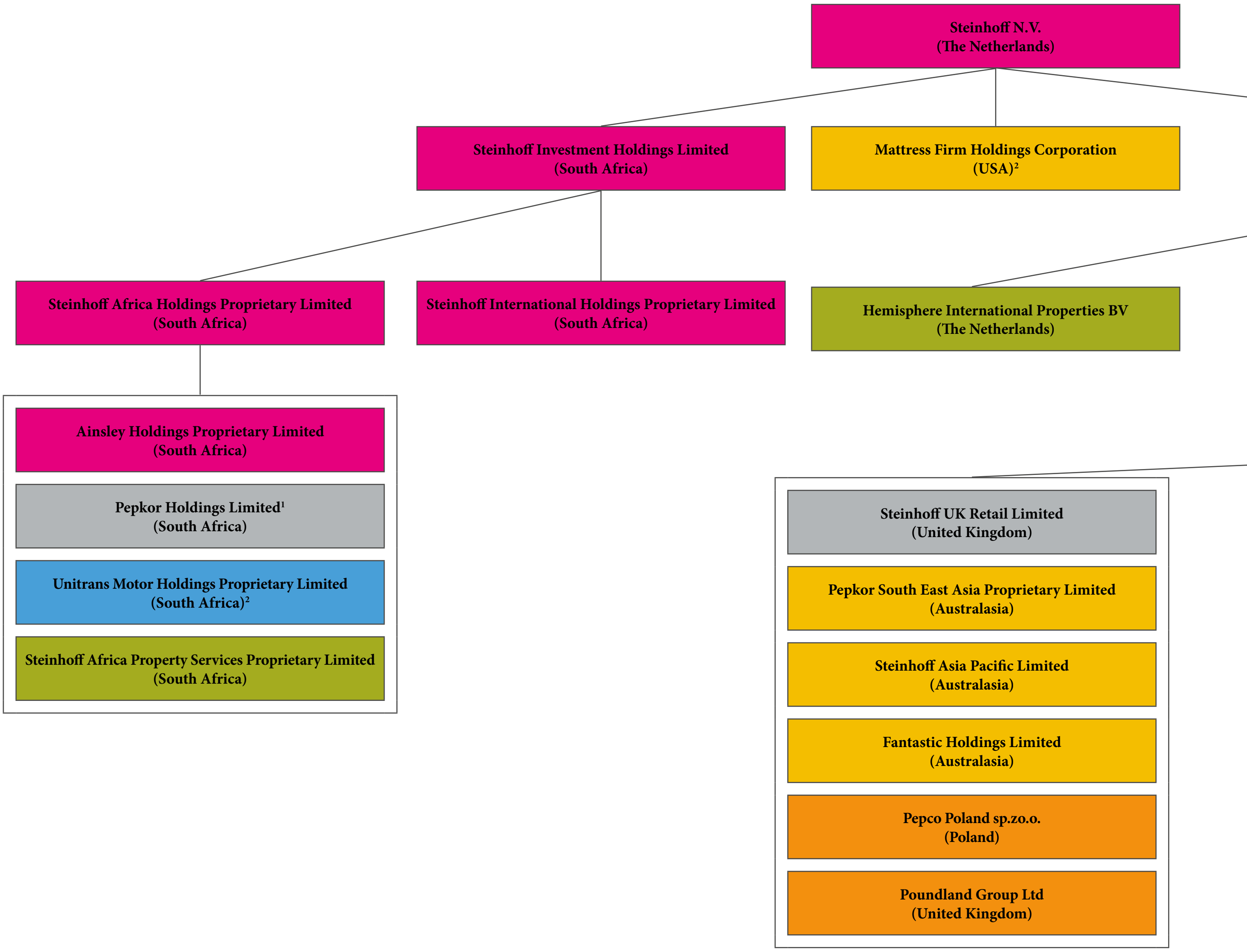
29. *Related-party transactions and control considerations* *(continued)*

29.4 Material subsidiaries

The Group's principal subsidiaries at 30 September 2018 are set out below in a simplified Group structure. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group as at 30 September 2018, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

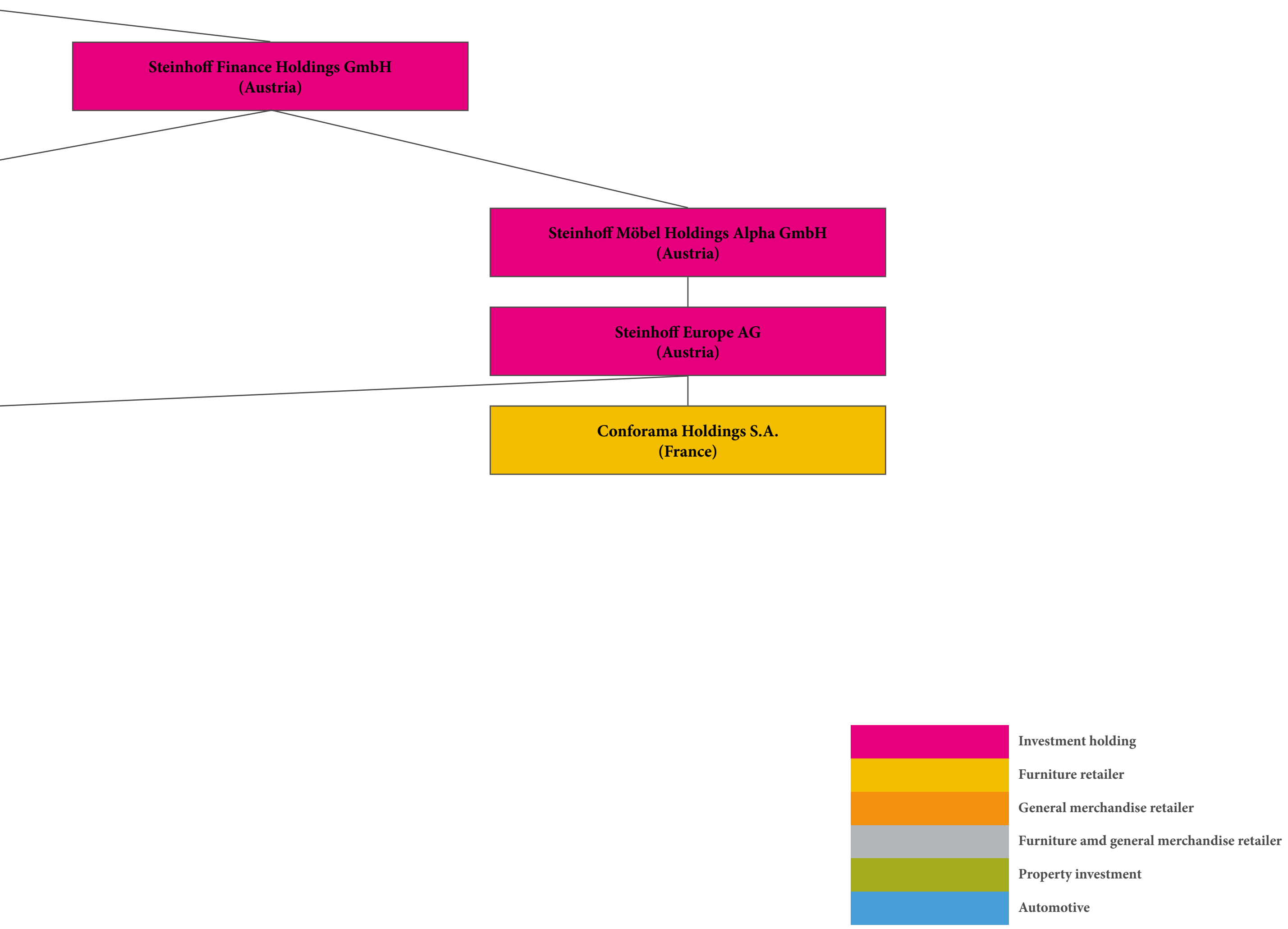
Principal subsidiaries are those identified by management as contributing materially to the consolidated results or financial position of the Group.

The statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, sections 379 and 414), forms part of the notes to the 2018 Consolidated Financial Statements and is deposited at the office of the Commercial Register in Amsterdam, the Netherlands (file no. 63570173).



The above structure does not indicate direct interests in subsidiaries and unless otherwise indicated, subsidiaries are wholly owned.

[1] *Non-controlling interest of 28.99% (2017: 23.19%)*
[2] *Classified as held-for-sale*


Steinhoff Finance Holdings GmbH
(Austria)
Steinhoff Möbel Holdings Alpha GmbH
(Austria)
Steinhoff Europe AG
(Austria)
Conforama Holdings S.A.
(France)
Investment holding
Furniture retailer
General merchandise retailer
Furniture amd general merchandise retailer
Property investment
Automotive

29. *Related-party transactions and control considerations* *(continued)*

29.5 Trading transactions

The following is a summary of material transactions and balances outstanding at period-end in relation to transactions with related parties:

	Notes	Sales by Group €m
Twelve months ended 30 September 2018		
Equity Accounted Companies		
KAP and its subsidiaries	a	**19**
PSG Group Limited		**–**
POCO		**36**
Cofel SAS	b	**–**
Other equity accounted companies	c	**–**
		55

	Notes	Sales by Group €m
Twelve months ended 30 September 2017		
Equity Accounted Companies		
KAP and its subsidiaries	a	23
PSG Group Limited		–
POCO		7
Cofel SAS	b	3
Other equity accounted companies	c	–
		33

Notes

a Transactions mainly relates to purchases from PG Bison, a subsidiary of KAP, by the Pepkor building materials segment and purchases from Restonic, a subsidiary of KAP, by the Pepkor furniture, appliances and electronics segment. These transactions occurred in the ordinary course of business.

b Purchases from Cofel SAS were mainly by Conforama.

c Majority of these transactions and balances related to funding provided to various equity accounted companies of the Africa property group.

Other transactions have occurred which are individually and globally immaterial.

29.6 Elimination of transactions with equity accounted companies

Management assessed the upstream and downstream transactions between Group companies and equity accounted companies. Inventory turnover of stock items purchased is relatively fast and therefore no material inventory is on hand at period-end that should be eliminated. The remaining transactions are related to services which are recognised as they are delivered and therefore no further eliminations are required.

Purchases by Group €m	Admin or management fees received by Group €m	Rent received by Group €m	Rebates received by Group €m	Finance costs paid by Group €m	Interest received by Group €m	Dividends received by Group €m	Receivables due to Group €m	Payables due by Group €m
(44)	**2**	**–**	**3**	**–**	**–**	**10**	**2**	**(10)**
–	**–**	**–**	**–**	**–**	**–**	**5**	**–**	**–**
–	**–**	**2**	**–**	**–**	**–**	**–**	**1**	**–**
(61)	**–**	**–**	**–**	**–**	**–**	**–**	**1**	**(18)**
–	**1**	**–**	**–**	**–**	**1**	**–**	**11**	**–**
(105)	**3**	**2**	**3**	**–**	**1**	**15**	**15**	**(28)**

Purchases by Group €m	Admin or management fees received by Group €m	Admin or management fees paid by Group €m	Rebates received by Group €m	Finance costs paid by Group €m	Interest received by Group €m	Dividends received by Group €m	Receivables due to Group €m	Payables due by Group €m
(49)	4	(1)	3	(1)	–	29	2	(8)
–	–	–	–	–	–	14	–	–
–	–	–	–	–	–	13	5	(1)
(61)	–	–	–	–	–	–	1	(9)
–	1	–	–	–	1	3	10	–
(110)	5	(1)	3	(1)	1	59	18	(18)

30. *Affiliated-party transactions*

The Group identified entities with which material transactions occurred, but were not assessed to be related parties in terms of IAS 24. Control assessments have been performed on these entities in accordance with IFRS 10. Key elements considered during these assessments were the Group's right to variable returns from the investee, the Group's ability to direct the relevant activities of the investee and the Group's ability to use its power to affect the returns from its involvement with the investee.

Management considered the nature and quantum of the transactions with these affiliated parties and have provided voluntary disclosure, where management deem it relevant, in this note.

Further critical judgements relating to transactions, and critical judgements not disclosed elsewhere in the financials, are disclosed within this note.

Critical judgement

IAS 24 provides guidance in identifying related parties and transactions with related parties. Management has applied the requirements of IAS 24 in understanding the relationships with various ostensibly independent third parties. Management has used all available information to assess whether entities that were not consolidated, are related parties, when applying the principles of IAS 24. Management concluded that a number of entities did not meet the definition of a related party. Where information procured suggests that transactions with such affiliated parties are on a non-arm's length basis, management has provided disclosure thereof.

Transactions with these entities have been presented in this note.

Campion, Talgarth and Fihag Groups

Critical judgement

Management considered whether the Group controls the Campion Group, Talgarth Group and Fihag Group. Certain key management personnel of the Group were assessed to have a degree of influence over the structure of the entities and the outcome of transactions with these entities and the Group is exposed to variable returns resulting from the recoverability of funding provided and the manner in which certain transactions were structured for the benefit of the Group. However, although there are some indicators suggesting that Steinhoff might control the Talgarth, Campion and Fihag Groups, no conclusive information exists to confirm that Steinhoff did in fact control any of these Groups. In addition, management does not have access to the financial information of the Talgarth, Campion or Fihag Groups to be able to consolidate these entities. Management therefore accounted for the transactions with the respective entities in the Campion and the Talgarth Groups on a transaction by transaction basis to reflect the substance of the underlying transactions and the Group's exposure. The Group did not identify any direct transactions with the Fihag Group or direct loans outstanding during the current or previous period, other than a deposit from Geros FS, mentioned below. Where transactions were entered into with specific entities in the respective groups it was considered whether Steinhoff controlled the specific entity it was transacting with. This has led to the consolidation of certain entities within those groups. With the resignation of certain former key management of the Group, all possible influence or control over these entities ceased.

Sunnyside and Sutherland UK ("SSUK")

Critical judgement

These entities form part of the Campion Group. There remains uncertainty with respect to the relevant activities of these entities, which are part of the Campion Group, which could extend beyond transactions with the Group, although it appears that the purpose of the entities was to hold Steinhoff shares. There is insufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights. The Group is exposed to variable returns from SSUK as a result of funding provided, although it is noted a loan agreement was only put in place after the repayment of the first loan that was granted. Subsequent loans were not covered by this agreement and therefore lacked economic substance. Management has concluded that the Group does not control these entities. Despite not consolidating these entities, the Steinhoff shares held by SSUK were recognised as treasury shares, together with the related share-based payments arising from transactions with these entities. Refer to note 4.2.4 and note 32.2 for share-based payment expenses relating to the share funding transactions, and note 35 for events occurring after the Reporting Date.

30. *Affiliated-party transactions* *(continued)*

Tekkie Town and Town Investments

The Group acquired a 100% interest in Tekkie Town in two phases as follows:

- A special purpose vehicle, Town Investments, was set up for the purpose of the Tekkie Town acquisition. Town Investments was funded and guaranteed by the Group, but owned by a third party in the Campion Group. Town Investments acquired 43.06% of the shares in Tekkie Town from a previous shareholder for cash which was funded by a loan from the Group to Town Investments.
- The Group then obtained 100% of the interest in Tekkie Town in exchange for Steinhoff shares. The Group issued approximately 18 million Steinhoff shares as consideration to Town Investments for the 43.06% interest in Tekkie Town and approximately 25 million Steinhoff shares to the management of Tekkie Town for the remaining 56.94% interest in Tekkie Town.

Critical judgement

Town Investments was established with assistance from the Group in order to acquire Steinhoff shares. There is insufficient evidence to suggest that the Group can control the activities of Town Investments in the absence of holding voting rights despite indicators of control. The Group is also exposed to variable returns arising from the loan funding provided to acquire the Steinhoff shares.

Management has concluded that it should therefore not consolidate Town Investments but has accounted for the transaction entered into with Town investments in order to reflect the substance of the transaction and the Group's exposure. Since the only assets held by Town Investments are the shares in Steinhoff, the repayment of the loan to Steinhoff is dependent on the performance of the underlying Steinhoff shares. Steinhoff is therefore exposed to negative returns from Town Investments in respect of the funding it has provided, and the third party shareholders of Town Investments are exposed to possible upside to the extent the value of the Steinhoff shares exceeds the funding provided by Steinhoff. In substance, such a structure is akin to Steinhoff issuing a call option on its own shares, and a share-based payment expense should therefore be recognised. Despite not consolidating this entity management has recognised the Steinhoff shares held by Town Investments as treasury shares and recognised the related share-based payment expense. The loan to Town Investments remains recognised as treasury shares until such time as the loan is repaid by exercising the in-substance option.

The share-based payment expense recognised amounted to €4.1 million during the 2017 Reporting Period. Refer to note 4.2.4 and note 32.2 for the share-based payment expenses relating to the share funding transactions.

The Group acquired 100% of the ordinary shares of Town Investments in January 2019 as part of the Campion Group settlement, therefore Town Investments will be consolidated from this acquisition date. Refer to note 35.

Geros

Geros FS, a subsidiary of Geros B, a subsidiary of Fihag at some point in time, acquired two debtors books and a 70% interest in Blake and Associate Holdings Proprietary Limited ("Blake") from the Group for ZAR300 million and ZAR163.1 million respectively during 2013. The acquisition was funded by the Group through the Group's loan to Top Global whereby Top Global advanced a loan to Geros B. No formal loan agreements have been identified. At 30 September 2018, Geros FS had an amount of ZAR 69.2 million deposited with one of the Group's subsidiaries.

Critical judgement

Management also considered whether it controlled Geros B and Geros FS. There is insufficient evidence to suggest that the Group can control the activities of the entities in the absence of holding voting rights. Management has considered the nature of their relationship with Geros B and Geros FS and has concluded that the Group does not control these entities as it does not have the power to affect the variable returns despite the Group's exposure to variable returns as a result of funding provided. No formal funding agreeements with Top Global or the Fihag Group have been identified and therefore the loan was deemed irrecoverable and fully impaired in 2015. The deposit held was recognised as a liability.

Formal Investments Limited ("Formal")

Formal, a company closely related to a business partner of Markus Jooste, manages some of the Group's UK properties in exchange for an agent's commission amounting to 10% of the rental charged. The amount is not considered material to the Group.

The Group has given notice for termination under this contract.

30. *Affiliated-party transactions* *(continued)*

The following is a summary of transactions to provide disclosure relating to ongoing transactions with the affiliated parties that are in the normal course of business and concluded on an arm's length basis:

	Notes	Sales by Group €m
Twelve months ended 30 September 2018		
Campion Group	a	**43**
Formal Developments Limited (UK)	b	**–**
		43
Twelve months ended 30 September 2017		
Campion Group	a	30
Formal Developments Limited (UK)	b	–
		30

Notes

a Sales by the Group are primarily related to Pepkor, through its internal financial administration service operations (Capfin call centre and Van As debt collectors). Pepkor provides administration and collection service to Cencap, related to the JD consumer credit and Capfin loans, provided to Pepkor's customers in return for a fee. The Capfin call centre and Van As debt collectors were purchased from Wands during October 2016. Refer to note 24.7.

b The Group pays an agents commission to Formal Development UK for the property management of some of the Group's UK properties.

Purchases by Group €m	Operating expenses recovered by Group €m	Operating expenses paid by Group €m	Commission paid by Group €m	Finance costs paid by Group €m	Receivables due to Group €m	Payables due by Group €m	Loans payable by Group €m
–	**49**	**(12)**	**–**	**(1)**	**33**	**(10)**	**–**
–	**–**	**–**	**(6)**	**–**	**–**	**(1)**	**–**
–	**49**	**(12)**	**(6)**	**(1)**	**33**	**(11)**	**–**
(14)	48	(19)	–	(7)	3	(19)	(12)
–	–	–	(6)	–	–	(1)	–
(14)	48	(19)	(6)	(7)	3	(20)	(12)

31. *Remuneration report*

31.1 Remuneration

31.1.1 Remuneration of the Management Board and Executive Committee

	Basic remuneration[2] €'000	Pension contributions €'000
Twelve months ended 30 September 2018		
Markus Jooste[5,6,7]	**322**	**4**
Ben la Grange[8]	**219**	**6**
Danie van der Merwe	**992**	**36**
Louis du Preez[9]	**792**	**44**
Philip Dieperink[9]	**1 180**	**69**
Theodore de Klerk[9]	**629**	**43**
Alexandre Nodale[9]	**809**	**51**
Subtotal Management Board	**4 943**	**253**
Key management personnel[10]	**9 115**	**361**
Total Management Board and other key management	**14 058**	**614**
Twelve months ended 30 September 2017		
Markus Jooste	2 469	24
Ben la Grange	976	24
Danie van der Merwe	1 226	24
Subtotal Management Board	4 671	72
Executive committee	5 451	168
Total Management Board and executive committee	10 122	240

The following strategic bonuses granted to the Management Board has been deferred to future financial periods:

	€'000
Markus Jooste[5]	536
Ben la Grange	536
Danie van der Merwe	536

Bonuses to Ben la Grange, Danie van der Merwe and certain other ExCo members have not been paid on the initial due dates, and are subject to the findings of the investigations. Bonuses are ZAR denominated.

[1] *Other contributions mainly includes company contributions to the medical aid, expense allowances and social taxes.*

[2] *Directors' fees were paid with basic remuneration.*

[3] *Annual and strategic bonus payments may be deferred at the discretion of the Remcom as approved by the Supervisory Board. The terms of deferral are agreed upon on an annual basis. The 2018 deferred bonuses were paid in October and November 2017.*

[4] *Refer to note 32 for details regarding the non-vesting relating to the open grants under the Steinhoff ESRS, as well as Pepkor ESRS and cash-settled scheme applicable to certain key management members.*

[5] *Included in the deferred bonus for Markus Jooste is an amount paid on 31 May 2017 of €1 571 008 (ZAR23 333 333), translated at the daily spot rate on date of payment. This amount was pre-paid by a Group company, SEAG, on instruction from Markus Jooste and management could not find evidence of approval by the Remcom authorising this upfront payment. This deferred bonus was due to be paid as follows: €561 074 (ZAR8 333 333) in October 2017; €448 860 (ZAR6 666 666) in November 2017 and €561 074 (ZAR8 333 333) in October 2018.*

[6] *Included in the annual bonus paid to Markus Jooste was an amount of €500 000 which was paid from a Group company, SEAG, on 1 March 2017 on instruction from Markus Jooste.*

[7] *Resigned on 5 December 2017.*

[8] *Resigned on 4 January 2018. Ben la Grange continued to provide services to the Group until September 2018. The consultancy fees paid with regards to these services amounted to €324 072 and was not included above.*

[9] *Appointed on 20 April 2018. The remuneration as provided above includes remuneration for the full Reporting Period as the newly appointed Management Board members were all employed elsewhere in the Group prior to their appointment to the Management Board. The annual, strategic, retention and deferred bonuses paid relate to service prior to becoming a member of the Management Board. The accrued short-term and long-term bonuses relate to services as members of the Management Board.*

[10] *Key management personnel remuneration includes the Executive committee until the date of resignation of each of the members and new key management members were included from 1 October 2017.*

Other company contributions[1] €'000	Annual bonus paid €'000	Strategic/ Retention bonus paid €'000	Deferred bonus paid[3] €'000	Accrued short-term and long-term bonus €'000	IFRS 2 share-based payment expense[4] €'000	Total remuneration and fees €'000
–	**–**	**–**	**–**	**–**	**–**	**326**
–	**–**	**–**	**965**	**–**	**–**	**1 190**
–	**–**	**–**	**536**	**600**	**–**	**2 164**
–	**–**	**482**	**–**	**600**	**–**	**1 918**
18	**300**	**–**	**–**	**900**	**–**	**2 467**
–	**133**	**–**	**161**	**600**	**–**	**1 566**
137	**559**	**–**	**–**	**600**	**–**	**2 156**
155	**992**	**482**	**1 662**	**3 300**	**–**	**11 787**
615	**1 717**	**436**	**9 236**	**548**	**11 434**	**33 462**
770	**2 709**	**918**	**10 898**	**3 848**	**11 434**	**45 249**
–	2 700	563	2 479	–	237	8 472
–	850	563	901	–	69	3 383
–	1 100	563	338	–	122	3 373
–	4 650	1 689	3 718	–	428	15 228
2	4 161	3 769	2 829	–	496	16 876
2	8 811	5 458	6 547	–	924	32 104

31. *Remuneration report* *(continued)*

31.1 Remuneration (continued)

31.1.2 Remuneration of the Supervisory Board members

	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
Steve Booysen	**175**	170
Paul Copley[9]	**14**	–
Claas Daun[5]	**46**	110
Thierry Guibert[4]	**34**	100
Len Konar[5]	**83**	200
Khanyisile Kweyama[1]	**70**	–
Theunie Lategan[5]	**65**	155
Moira Moses[1]	**73**	–
Jayendra Naidoo[3]	**29**	54
Hugo Nelson[1]	**73**	–
Heather Sonn	**285**	100
Angela Krüger-Steinhoff	**111**	100
Bruno Steinhoff[5, 7]	**338**	450
Johan van Zyl[6]	**55**	100
Peter Wakkie[1]	**75**	–
Alex Watson[1]	**73**	–
Christo Wiese[2, 8]	**257**	1 764
Jacob Wiese[2]	**21**	100
	1 877	3 403

[1] *Appointed on 20 April 2018*
[2] *Resigned on 14 December 2017*
[3] *Appointed on 14 March 2017, resigned on 18 January 2018*
[4] *Resigned on 2 February 2018*
[5] *Retired on 28 February 2018*
[6] *Resigned on 17 April 2018*
[7] *Paid to Bruno Steinhoff Beratungs-und Verwaltungs GmbH as management fees*
[8] *Paid to various entities as management fees. These entities are Grene Properties Proprietary Limited, Chaircorp Proprietary Limited, Titan Financial Services Proprietary Limited and Toerama*
[9] *Paul Copley was nominated to the Supervisory Board in August 2018. Although not officially appointed, he received fees for his services provided to the Group in the capacity of a Supervisory Board member*

31. *Remuneration report* *(continued)*

31.2 Share rights

	Offer date	Conditional vesting date	Number of rights as at 30 September 2017	Number of rights forfeited during the period	Number of rights as at 30 September 2018
Management Board					
Markus Jooste	December 2014	March 2018	869 301	(869 301)	–
	March 2016	March 2019	671 017	(671 017)	–
	March 2017	March 2020	980 968	(980 968)	–
			2 521 286	**(2 521 286)**	**–**
Ben la Grange	December 2014	March 2018	233 499	(233 499)	–
	March 2016	March 2019	259 257	(259 257)	–
	March 2017	March 2020	392 387	(392 387)	–
			885 143	**(885 143)**	**–**
Danie van der Merwe	December 2014	March 2018[1]	439 041	(439 041)	–
	March 2016	March 2019	335 509	–	335 509
	March 2017	March 2020	490 484	–	490 484
			1 265 034	**(439 041)**	**825 993**
Philip Dieperink	December 2014	March 2018[1]	150 507	(150 507)	–
	March 2016	March 2019[2]	122 923	–	122 923
	March 2017	March 2020[2]	140 462	–	140 462
			413 892	**(150 507)**	**263 385**
Theodore de Klerk	December 2014	March 2018[1]	81 130	(81 130)	–
	March 2016	March 2019[2]	67 301	–	67 301
	March 2017	March 2020[2]	83 438	–	83 438
			231 869	**(81 130)**	**150 739**
Alexandre Nodale	December 2014	March 2018[1]	181 821	(181 821)	–
	March 2016	March 2019[2]	198 255	–	198 255
	March 2017	March 2020[2]	294 290	–	294 290
			674 366	**(181 821)**	**492 545**
Total Management Board			**5 991 590**	**(4 258 928)**	**1 732 662**

[1] *The schemes were assessed and it was decided that the 2014 grant would not vest in March 2018 but be measured after completion of the 2017 audit. The 2014 grant was assessed during June 2019 and no share rights vested under this grant. The 2016 grant was assessed during June 2019 and the share rights will be forfeited in the 2019 Reporting Period. The 2017 grant is also highly unlikely to vest, therefore no values were attributed to any of the shares in the statement of profit or loss.*

[2] *Granted prior to being a Management Board member.*

No new shares were granted during the 2018 Reporting Period.

Refer to note 32 for more details regarding the conditions to exercise the rights.

31. *Remuneration report* *(continued)*

31.3 Interest in Steinhoff N.V. share capital

	Total shares 30 September 2018
Active Board members as at 30 September 2018	
Management Board	
Danie van der Merwe*	**5 049 621**
Louis du Preez[1]	**5 165**
Philip Dieperink[1]	**526 562**
Theodore de Klerk[1]	**194 270**
Alexandre Nodale[1]	**507 941**
	6 283 559
Supervisory Board	
Steve Booysen**	**109 074**
Angela Krüger-Steinhoff**	**825 664**
	934 738

Board members who have resigned or retired during the Reporting Period

The shareholding as at 30 September 2018 was not confirmed for the following board members.

	Total shares 30 September 2017
Management Board	
Markus Jooste[2]	69 932 113
Ben la Grange[3]	1 900 568
	71 832 681
Supervisory Board	
Claas Daun[7]	2 421 830
Thierry Guibert[6]	1 524 592
Len Konar[7]	363 335
Theunie Lategan[7]	360 569
Jayendra Naidoo[5]	118 452 224
Bruno Steinhoff[7]	196 881 808
Johan van Zyl[8]	248 067
Christo Wiese[4]	983 009 150
	1 303 261 575

**Shareholding at 30 September 2017 was 6 649 621.*

*** No change in shareholding from the prior Reporting Period.*

[1] *Appointed on 20 April 2018, shareholding was not confirmed for the prior period.*

[2] *Resigned on 5 December 2017.*

[3] *Resigned on 4 January 2018.*

[4] *Resigned on 14 December 2017.*

[5] *Appointed on 14 March 2017, resigned on 18 January 2018.*

[6] *Resigned on 2 February 2018.*

[7] *Retired on 28 February 2018.*

[8] *Resigned on 17 April 2018.*

The shares disclosed above are the number of shares as declared by the board members.

32. *Share-based payments*

32.1 Employee share scheme

32.1.1 Steinhoff ESRS

The Company implemented a long term employee share right scheme (the "ESRS"). Following the Scheme of Arrangement, Steinhoff N.V. assumed the obligations to grant future share rights to share scheme participants relating to grants since 1 December 2014.

The purpose of the ESRS was to attract and retain key executives and senior employees who are able to influence the performance of the Group, on a basis which aligns the interests of such employees with those of the Group, the relevant employer company and the Company's shareholders.

At grant date the employee receives a right to the shares ("share rights") on the vesting date. The amount of shares that will vest depends on whether the performance criteria as determined by the Remcom were met. Vesting is also at the discretion of the Remcom.

The employee share plan is equity-settled.

The ESRS is subject to the following conditions:
a) Rights are granted to qualifying senior executives on an annual basis;
b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by Remcom at or about the time of the grant date, have been achieved; and
c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant lapse.

The following performance criteria were set by the Remcom:
a) The employee's participation in the share scheme will be subject to the financial performance of the Group and the employer, cumulatively over the 3 year period (the "Measurement Period");
b) It is required that the employee qualify for participation, on a cumulative basis, in the annual incentive bonus scheme as administered by its employer in respect of the Measurement Period; and
c) The employee having met its key performance indicators over the Measurement Period.

Equity-settlement

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an employee expense, with a corresponding increase in equity. The fair value is measured at grant date and is expensed over the period during which the employees are required to provide services, in order to become unconditionally entitled to the equity instruments. The fair value of the instruments granted is measured using generally accepted valuation techniques, taking into account the terms and conditions upon which the instruments are granted. The amount recognised as an expense is adjusted to reflect the actual number of deferred delivery shares and the share rights that vest, except where forfeiture is only due to share prices not achieving the threshold for vesting.

Considering the Group's restated results in the prior Reporting Period, management revised previous estimates of the number of shares that will ultimately vest for each open grant. Management's revised estimate is that it is highly unlikely that any further shares will vest under any open grants.

No expenses arising from the Steinhoff ESRS equity-settled share-based payments were recognised in profit or loss as part of employee benefit expense in the 2017 or 2018 Reporting Periods.

32. *Share-based payments* *(continued)*

32.1 Employee share scheme (continued)

32.1.1 Steinhoff ESRS (continued)

Set out below are summaries of share rights granted under the plan. Legally these rights are still outstanding, but management's assessment is that no further shares will be issued under open grants.

	30 September 2018 Number of rights	30 September 2017 Number of rights
The number of share rights outstanding is:		
Outstanding at the beginning of the period	**33 569 687**	31 144 361
Exercised during the period[1]	**–**	(14 366 887)
Forfeited during the period[2]	**(17 905 174)**	(451 477)
Granted during the period[3]	**–**	17 243 690
Outstanding at the end of the period[4]	**15 664 513**	33 569 687

[1] The majority of the Steinhoff shares delivered when the share rights were exercised in the prior period were newly issued shares (refer to note 26.2). The remaining Steinhoff shares were bought in the market.

[2] Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights. The forfeitures in the 2018 Reporting Period included all remaining shares under the 2014 grant.

[3] The prior period grant includes 1 620 945 shares, which were ratified by the Remcom in January 2017, relating to the Poundland and Pepkor Europe executives in respect of previous years.

[4] Subsequent to the Reporting Date 6 721 122 shares relating to the 2016 grant were forfeited.

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Monte Carlo simulation. The volatility was estimated using the Company's daily closing share price over a rolling three-year period.

	2017 grant	2016 grant
Fair value of share rights and assumptions:		
Fair value at grant date	€4.70	€4.55
Share price at grant date	€4.98	€4.92
Expected volatility	34.78%	26.05%
Dividend yield	2.05%	2.57%
Risk-free interest rate	7.36%	8.16%
Date of grant	1 March 2017	1 March 2016
Conditional date of vesting	1 March 2020	1 March 2019
Exercise price	–	–

Refer to note 31.2 for the Management Board's interests in the employee share scheme.

32.1.2. Pepkor ESRS

During 2018 Pepkor granted 11 262 942 of its own shares to qualifying employees under the Pepkor share-rights scheme. The grant remains subject to meeting certain performance conditions over the three-year vesting period. 1 536 588 were forfeited during the 2018 Reporting Period due to employees leaving the Group. The scheme is considered equity-settled and was valued using the Monte Carlo simulation model. This scheme did not result in a material charge to profit or loss for the 2018 Reporting Period.

32.1.3. Cash-settled scheme

The Group has one cash-settled share scheme at a subsidiary level. The total expense arising from the cash-settled share-based payment of €18 million (2017: €20 million), was recognised in profit or loss as part of the employee benefit expense. The expense is calculated by estimating the market value of the subsidiary at pre-determined exit dates, and discounting these estimated payments at the subsidiary's WACC rate. The liability is presented as employee benefits. Refer to note 4.3.3 and note 20.

32. Share-based payments *(continued)*

32.2 Share-based payment expenses relating to share funding transactions

The Group supported several entities in acquiring Steinhoff shares via loan funding in the past. Where the acquisition of Steinhoff shares is funded with a loan from the Group, that has no recourse to any asset other than those shares, the borrower does not carry the risk of a decline in the share price. The borrower will only benefit from any increase in the share price above the loan balance, and therefore, the borrower's exposure is effectively the same as a purchased call option on the shares.

Critical judgement

The substance of an arrangement as described above, is that the Group has issued a call option on its own shares to the borrower, requiring a share-based payment expense (with a corresponding increase in equity) based on the fair value of the goods or services received, or the fair value of the equity instruments granted. In addition, the loan granted to the borrower is recognised as a debit to equity (i.e. treasury shares held by agents), and the funded shares are only treated as issued share capital once the related loan funding has been settled.

The details of funded share purchase arrangements effective during the 2018 Reporting Period are included below.

a) Sunnyside and Sutherland UK ("SSUK")

SSUK are two entities which purchased 150 million Steinhoff shares during October 2015 for cash by obtaining loan funding from the Group.

Financial period ended 30 September 2016

SSUK 2: Granted – September 2016

SSUK received 2 974 050 Steinhoff capitalisation shares during 2016 due to their existing shareholding in the Group.

The Group repurchased 152 million of the Steinhoff shares at market value on 29 September 2016 and immediately sold the Steinhoff shares to Upington for the same value in cash.

The result of the 152 million share repurchase was that SSUK retained 974 050 Steinhoff shares, with an outstanding loan balance of €3.8 million. Since SSUK retained none of the 150 million Steinhoff shares subject to the initial funding transaction, the initial in-substance option is considered to have expired on 29 September 2016. However, since the Group is still exposed to all the negative returns from SSUK regarding the remaining €3.8 million loan, and the third party shareholders of SSUK are only exposed to possible upside to the extent that the value of the 974 050 Steinhoff shares exceeds the funding provided by the Group, the substance of the result is that the Group issued an in-substance call option to SSUK to obtain 974 050 shares for €3.8 million. An equity-settled share-based payment expense should therefore be recognised on this date. In addition, since the 974 050 shares are considered to be subject to a call option, the remainder of the funding advanced to SSUK is recognised as a debit to treasury shares until the option is exercised.

32. *Share-based payments* *(continued)*

32.2 Share-based payment expenses relating to share funding transactions (continued)

a) Sunnyside and Sutherland UK ("SSUK") (continued)

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

Financial period ended 30 September 2017

SSUK3: Subsequent grants – 2017 financial period

The Group advanced further funds amounting to €76 million to SSUK between November 2016 and April 2017 to support the purchase of an additional 16.1 million Steinhoff shares in the open market. Similar to the considerations already mentioned in this note, the substance of such an arrangement is considered to be akin to the granting of a call option on Steinhoff shares. An equity-settled share-based payment expense should therefore be recognised for these transactions. In addition, since the above-mentioned shares are considered to be subject to a call option, the funding advanced to SSUK is recognised as a debit to treasury shares until the option is exercised.

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to the table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

Financial period ended 30 September 2018

SSUK 4: Subsequent grant – 2018 financial period

The Group advanced a further amount of €11.2 million to SSUK during October 2017 to support yet another purchase of 3 million Steinhoff shares from Moreja N.V. Similar to the considerations as mentioned above, the substance of such an arrangement is considered to be akin to the granting of a call option on Steinhoff shares. An equity-settled share-based payment expense should therefore be recognised for these transactions. In addition, since the above-mentioned shares are considered to be subject to a call option, the loan granted to SSUK is recognised as a debit to treasury shares until the option is exercised.

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to the table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

The in-substance options relating to SSUK 2 – 4 matured when the loans were partially settled by the delivery of Steinhoff shares and the remaining balances fully written off as part of the Campion Group settlement agreement concluded during January 2019 (refer to note 35).

b) Town Investments

Refer to note 30 for details regarding the origin of the transaction.

Based on the information obtained from management's further investigations into the transaction, it appears as if the introduction of Town Investments' shareholding into the structure lacked commercial substance.

The only assets held by Town Investments is the Steinhoff shares, and the repayment of the loan to the Group is therefore dependent on the performance of the underlying Steinhoff shares. Similar to the considerations already mentioned in this note, the substance of this arrangement is considered to be akin to the granting of a call option on Steinhoff shares. An equity-settled share-based payment expense should therefore be recognised on grant date of the loan. In addition, since the above-mentioned shares are considered to be subject to a call option, the funding advanced to Town Investments is recognised as a debit to treasury shares until the option is exercised.

Since it was not possible for the Group to directly determine the fair value of the goods or services derived from the share purchase and funding transaction, the fair value was indirectly measured with reference to the fair value of the equity instruments granted. Refer to the table below for the valuation inputs applied in determining the fair value of the equity instruments granted.

The in-substance option matured when the Group acquired the equity shares in Town Investments in January 2019 as part of the Campion settlement agreement (refer to note 35).

32. *Share-based payments* *(continued)*

32.2 Share-based payment expenses relating to share funding transactions (continued)

The inputs and methodologies applied in determining the fair values of the share-based payment expenses are summarised below:

Grant	SSUK 2 – 2016	SSUK 3 – 2017	SSUK 4 – 2018	Town Investments
Note	32.2 a	32.2 a	32.2 a)	32.2 b
Valuation Model Applied	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo Simulation	Monte Carlo Simulation
Loan Value on Grant Date	€3 787 700	€76 000 000	€11 155 800	ZAR1 611 420 867
Number of Underlying Shares	974 050	16 128 666	3 000 000	17 939 979
Issue price per share	€3.88	€4.71	€3.72	ZAR89.82
Valuation/Grant Date	29 September 2016	November 2016 to April 2017	9 October 2017	31 January 2017
Loan Interest Rate	–	–	–	–
Repayment/Exercise Date assumption	4 January 2019	4 January 2019	4 January 2019	4 January 2019
Dividend Yields	3.11%	2.55%	3,22%	1.83%
Spot price per share on grant date	€5.18	€4.65	€3.66	ZAR64.80
Yield Curve (Risk Free rates)	(0.67%)	(0.78%)	(0,72%)	7.41%
Volatility *	40.8%	34.2%	30,7%	35.3%
Vesting conditions or term	None	None	None	None
Fair Value	**€1.4 million**	**€8.6 million**	**€1.1 million**	**€4.1 million (ZAR60.1 million)**

** Volatility is calculated on movements in historical share prices, based on the exponentially weighted method*

Assumptions and sensitivities relating to SSUK 2 – 4 (Refer to note 32.2a)

The assumptions used in each valuation/grant date is based on the underlying loan repayment terms and management's estimate when the loan would be settled based on available evidence of the agent's intentions.

Their intentions could be derived from the historical share trade history, which shows the intention to make profit in the short-term (either between one to five years). Furthermore, it is management's view that the option is of a short-term nature and share price performance dependent, and would have been settled within one year. If management assessed the options likely to be exercised ten years from the grant date, the impact would have resulted in an additional share-based payment expense of approximately €16.1 million.

Assumptions and sensitivities relating to Town Investment (Refer to note 32.2b)

Management believe repayment of the loan was likely to be made once the Steinhoff share price was greater or equal to ZAR95 per share, based on information available relating to the deal. Historical share trade history shows the intention to make profit in the short-term (either between one to five years). It is management's view that the option is of a short-term nature. However, due to the expected margin/growth to be obtained in the share price compared to the issue price, a two year term was deemed more appropriate. Had management chosen a ten year term, an additional share-based payment expense of €3.6 million (ZAR53 million) would have been recognised in profit or loss during 2017.

32. *Share-based payments* *(continued)*

32.2 Share-based payment expenses relating to share funding transactions (continued)

	30 September 2018 €m	30 September 2017 €m
Share-based payments – equity-settled relating to loans granted		
SSUK 2 – 4	**1**	9
Town Investments	**–**	4
	1	13

32.3. Reconciliation of the share-based payment reserve

	Notes	30 September 2018 €m	30 September 2017 €m
Balance at the beginning of the period		**7**	37
Transfer to accumulated losses due to share scheme reserve reversals		**2**	(34)
Adjustments to share based payment reserve:			
Through profit or loss: Employee benefit expense (Steinhoff ESRS and Pepkor ESRS)	4.3.3	**4**	–
Through profit or loss: Equity options on loans	4.2.4	**1**	13
Deferred tax charged to equity		**–**	(9)
Balance at the end of the period		**14**	7

33. *Defined pension benefits*

33.1 The financial details of the different funds and the effect on the Group's Consolidated Financial Statements are:

	Conforama Pension Fund		Homestyle Pension Fund	
	30 September 2018 €m	30 September 2017 €m	30 September 2018 €m	30 September 2017 €m
The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans are as follows:				
Present value of funded defined benefit obligations	**(52)**	(48)	**(76)**	(79)
Fair value of plan asset	**–**	–	**72**	73
Net liability arising from defined benefit obligations	**(52)**	(48)	**(4)**	(6)
Components of defined benefit cost recognised in total comprehensive income				
Total service cost	**(1)**	(1)	**–**	–
Net interest expense	**(1)**	(1)	**–**	–
Other expenses	**–**	–	**(1)**	(1)
Components of defined benefit cost recognised in profit or loss	**(2)**	(2)	**(1)**	(1)
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	**–**	–	**1**	(2)
Remeasurement gains/(losses) arising from changes in:				
Demographic assumptions	**(3)**	–	**–**	4
Financial assumptions	**2**	5	**1**	5
Experience adjustments	**(3)**	(1)	**(1)**	1
Components of defined benefit cost recognised in other comprehensive income	**(4)**	4	**1**	8
	(6)	2	**–**	7
Movements in the present value of the defined benefit obligations				
Opening defined benefit obligations	**(48)**	(52)	**(79)**	(93)
Current service cost	**(3)**	(3)	**–**	–
Net interest expense	**(1)**	(1)	**(2)**	(2)
Remeasurement gains/(losses) arising from changes in:				
Demographic assumptions	**(3)**	–	**–**	4
Financial assumptions	**2**	5	**1**	5
Experience adjustments	**(3)**	(1)	**(1)**	1
Past service cost	**2**	2	**–**	–
Benefits paid	**2**	2	**4**	5
Exchange differences on consolidation of foreign subsidiaries	**–**	–	**1**	1
Closing defined benefit obligations	**(52)**	(48)	**(76)**	(79)
Movements in the fair value of the plan assets				
Opening fair value of plan assets	**–**	–	**73**	77
Interest income	**–**	–	**2**	2
Return on plan assets (excluding amounts included in net interest expense)	**–**	–	**1**	(2)
Employer contributions	**2**	2	**3**	3
Other expenses	**–**	–	**(1)**	(1)
Settlements	**–**	–	**–**	–
Benefits paid	**(2)**	(2)	**(4)**	(5)
Exchange differences on consolidation of foreign subsidiaries	**–**	–	**(2)**	(1)
Closing fair value of plan assets	**–**	–	**72**	73

33. *Defined pension benefits* *(continued)*

33.1 The financial details of the different funds and the effect on the Group's Consolidated Financial Statements are:

	Conforama Pension Fund		Homestyle Pension Fund	
	30 September 2018 €m	30 September 2017 €m	30 September 2018 €m	30 September 2017 €m
The major categories of plan assets are:				
Equities/diversified growth fund	–	–	**36**	64
Bonds	–	–	**26**	8
Cash	–	–	**10**	1
Total market value of assets	–	–	**72**	73
The principal assumptions used for the purposes of the actuarial valuations are:				
Discount rate	**1.8%**	1.5%	**2.8%**	2.8%
Expected rates of salary increase	**1.5%**	1.5%	**n/a**	n/a
Inflation	**1.5%**	1.5%	**3.2%**	3.2%

34. *Assets and liabilities classified as held-for-sale*

The following table presents detail of the assets and liabilities that have been classified as held-for-sale as at 30 September 2018. The balances disclosed include impairments recognised on the date of classification as held-for-sale.

	Notes	Automotive €m	Mattress Firm €m	Steinpol €m	POCO €m	Other €m	Total €m
At 30 September 2018							
Assets							
Goodwill	8	–	2	–	–	–	2
Intangible assets	8	85	521	2	–	–	608
Property, plant and equipment	9	129	162	14	–	9	314
Investment in equity accounted companies	10	–	–	–	271	–	271
Investments and loans	11	16	34	–	–	–	50
Deferred tax assets	6.4	17	–	–	–	–	17
Inventories		204	184	14	–	–	402
Trade receivables		51	59	11	–	–	121
Other receivables		11	27	4	–	–	42
Cash and cash equivalents		77	14	9	–	–	100
Total assets		590	1 003	54	271	9	1 927
Liabilities							
Interest-bearing loans and borrowings	16	(19)	(254)	–	–	–	(273)
Provisions	21	(33)	(188)	–	–	–	(221)
Deferred tax liabilities	6.4	(19)	(120)	(26)	–	–	(165)
Trade payables		(202)	(287)	(26)	–	–	(515)
Other payables		(29)	(59)	(24)	–	–	(112)
Total liabilities		(302)	(908)	(76)	–	–	(1 286)
Net assets		288	95	(22)	271	9	641
Impairments recognised through profit or loss		(38)	–	(3)	(24)	–	(65)
Reserves relating to assets held-for-sale and disposal groups	25	47	97	4	–	–	148

There were no assets or liabilities classified as held-for-sale on 30 September 2017.

34. *Assets and liabilities classified as held-for-sale* *(continued)*

34.1. Disclosure of financial instruments relating to disposal groups held-for-sale

34.1.1 Mattress Firm

	Financial instruments at amortised cost €m	Total carrying values €m
Total financial assets and liabilities		
30 September 2018		
Investments and loans	34	34
Non-current financial assets	34	34
Trade and other receivables	36	36
Cash and cash equivalents	14	14
Current financial assets	50	50
Interest-bearing loans and borrowings	(254)	(254)
Trade and other payables	(235)	(235)
Current financial liabilities	(489)	(489)
	(489)	(489)

Mattress Firm did not carry any financial assets or liabilities at fair value at the Reporting Date and held no derivative instruments.

Short-term interest-bearing loans:

At the Reporting date, Mattress Firm had short-term interest-bearing loans of €254 million (USD294 million) outstanding. This included capitalised finance leases of €6 million (USD7 million). All other Mattress Firm loans were with Group companies and therefore have been eliminated in the Consolidated Financial Statements.

On 5 October 2018, Mattress Firm, its subsidiaries and certain of its affiliates filed voluntary petitions for relief (the "Chapter 11 Cases") under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The intent of the voluntary filing was the restructuring of the debt of Mattress Firm, and the cancellation of leases related to duplicative and underperforming stores. On 21 November 2018, Mattress Firm emerged from bankruptcy after 48 days.

Upon emergence, all debt of Mattress Firm existing at the Reporting Date, except for the capitalised finance leases, was either repaid or converted to equity. The debt existing at the Reporting Date was repayable within 12 months and the majority carried interest at variable USD LIBOR-linked rates.

Subsequent to period-end, upon emergence from Chapter 11, a USD400 million term loan was funded by a group of creditors that received 49.9% of the equity interests of Mattress Firm and interests in an unfunded USD150 million payment-in-kind ("PIK") loan at Mattress Firm, anticipated to be repaid through the proceeds of a future sale of Mattress Firm. All interest expense associated with the USD400 million and USD150 million term loans can be capitalised through the 2019 Reporting Period and the first half of the 2020 Reporting Period. Additionally, Mattress Firm put in place an up to USD125 million ABL revolving credit facility that was undrawn at closing.

34. *Assets and liabilities classified as held-for-sale* *(continued)*

34.1. Disclosure of financial instruments relating to disposal groups held-for-sale

34.1.1 Mattress Firm (continued)

Details of the three post emergence debt components are as follows:

- The USD400 million term loan carries an interest rate of approximately USD LIBOR plus 10% with a termination date of 21 November 2022 and may be extended at the discretion of Mattress Firm. Interest on the term loan may be PIK under certain financial metrics, at an additional interest rate of 2%. Financial covenants exist that include a maximum total net leverage ratio, a minimum liquidity, and a minimum consolidated EBITDA.
- The unfunded USD150 million PIK loan carries an interest rate of 15.0% with termination date of 21 November 2023 and may be extended with consent of each Lender. The PIK loan is PIK only and interest is not payable in cash. Financial covenants do not exist for this loan, however reporting covenants exist. The PIK loan agreement also includes customary affirmative and negative covenants, as well as, customary events of default and remedies.
- The USD125 million ABL revolving credit facility carries an applicable interest rate of USD LIBOR plus 2.5% with a termination date of 21 November 2021 and may be extended at the discretion of Mattress Firm. Financial covenants exist.

Additionally, as a condition of emergence, a new board was created for Mattress Firm that is to consist of five members; the CEO of Mattress Firm, one representative designated by SEAG (who may not be an employee of Steinhoff) and three independent members designated by the Creditors.

Steinhoff assessed it lost control of Mattress Firm on 21 November 2018, and will account for Mattress Firm as an associate investment from this date.

Market risk

Foreign currency risk

All financial instruments of Mattress Firm are denominated in USD, which is also the functional currency of this disposal group.

Interest rate risk

The new interest rate profile of the disposal group is disclosed above. Mattress Firm will be exposed to movements in the USD LIBOR rate for the USD400 million term loan and the USD125 million ABL facility, when drawn.

Credit risk

The maximum exposure to credit risk is €84 million, which equals the face value of financial assets. All financial assets are located in the United States of America. 97.9% of financial assets are not past due. Only 0.15% of financial assets are more than 90 days past due and not impaired at the Reporting Date.

34. *Assets and liabilities classified as held-for-sale* *(continued)*

34.1. Disclosure of financial instruments relating to disposal groups held-for-sale

34.1.2 Automotive

	At fair value through profit or loss (Level 1) €m	Financial instruments at amortised cost €m	Total carrying values €m
30 September 2018			
Investments and loans	16	1	17
Non-current financial assets	16	1	17
Trade and other receivables	–	45	45
Cash and cash equivalents	–	77	77
Current financial assets	–	122	122
Interest-bearing loans and borrowings	–	(19)	(19)
Trade and other payables	–	(202)	(202)
Current financial liabilities	–	(221)	(221)
	16	(98)	(82)

Trade and other payables include manufacturers' floorplan financing, comprising interest-bearing and interest-free amounts.

Market risk

Foreign currency risk

All financial instruments of Automotive is denominated in its functional currency.

Interest rate risk

	Variable JIBAR and SA prime €m	Non-interest-bearing €m	Total €m
30 September 2018			
Non-current financial assets	16	1	17
Current financial assets	77	45	122
Current financial liabilities	(101)	(120)	(221)
	(8)	(74)	(82)

Credit risk

	30 September 2018 €m
The maximum exposure to credit risk at the Reporting Date without taking account of the value of any collateral obtained was:	
Non-current financial assets	17
Current financial assets	122
	139

All financial assets are located in Southern Africa. 96.4% of financial assets are not past due. Only 0.7% of financial assets are more than 90 days past due and not impaired at the Reporting Date.

34.1.3 Steinpol

Steinpol did not have any material financial instruments at the Reporting Date.

35. *Events occurring after the Reporting Period*

Material disposals

Disposals of non core assets to raise funds to repay debt

- The sale of the equity accounted investment in POCO was finalised on 6 December 2018. POCO was classified as held-for-sale in the 2018 Reporting Period and is disposed of at its carrying value as at 30 September 2018.
- On 11 January 2019, the sale of Steinpol, a non-core manufacturer of upholstery furniture, operating eight factories in Poland and one in Hungary, was agreed. Steinpol was classified as held-for-sale and a discontinued operation in the 2018 Reporting Period. There is no material impact expected to profit or loss.
- The Group disposed of its remaining interest in KAP in March 2019 through an accelerated bookbuild for €293 million proceeds in March 2019.
- On 28 March 2019 the Group announced that it has reached in-principle agreement to dispose of 74.9% of the Group's shares in Unitrans (and its subsidiaries), and 100% of the loan claims against Unitrans held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. According to the terms of the agreement, the remaining 25.1% is to be disposed of at a later stage, as part of a Broad-Based Black Economic Empowerment transaction. The investment in Unitrans was therefore classified as held-for-sale and a discontinued operation in terms of IFRS 5. The transaction is still subject to the fulfilment of certain conditions precedent. The final price allocation is not completed, but a loss on disposal is estimated. An impairment was therefore processed on the assets classified as held-for-sale in the 2018 Reporting Period.

Debt paid and restructured

- Mattress Firm filed voluntary pre-packaged Chapter 11 cases in the United States Bankruptcy Court. This process allowed Mattress Firm to implement a financial restructuring through a court supervised process while continuing to trade. Mattress Firm successfully completed its restructuring on 21 November 2018 after which the lenders received 49.9% of the shares in SUSHI, the indirect owner of Mattress Firm, as consideration for providing the exit financing. The Group continues to own the remaining 50.1% of the shares. Management assessed that Mattress Firm should be accounted for as an associate investment from 21 November 2018. At the Reporting Date Mattress Firm is classified as a disposal group held-for-sale and a discontinued operation. The Group expects further losses to be recognised for the period of trading up to 21 November 2018. The Group is not expecting material profits or losses on derecognition of Mattress Firm as a subsidiary post Chapter 11 emergence and the recognition of an equity accounted investment.
- As part of the Conforama financial restructuring, the French Commercial Court of Meaux approved a conciliation agreement entered into between Conforama and its creditors as part of a French law conciliation process which provided the framework for the refinancing negotiations. This ruling allowed Conforama to proceed to implement its financial restructuring. The key terms of the financial restructuring included a total nominal value of €316 million new money financing (including undrawn and conditional commitments) and a warrant in favour of the funders over 49.9% of the shares of Conforama.

  The warrants confer enhanced governance rights by way of certain reserved matters and provide for the right for new money providers to appoint two independent directors to the board of Conforama, consisting of five directors in total, one of which, the CEO, is appointed by the board. One of the independent directors will serve as the Chairperson of the board. Reserved matters require approval of both independent directors. Reserved matters include approving annual budgets and business plans, dividend distributions, appointment or dismissal of certain managers and share issuances or reorganisations. Board members are appointed, renewed or dismissed by general meeting.

  The warrant issuance date is subject to certain milestones, but ultimately 31 December 2019 or in event of a sale before that date.

  A golden share is triggered by insolvency or pre-insolvency proceedings and/or default under the Conforama financing documents. A golden share confers additional voting rights on key decisions.

  Management expects the enhanced governance rights and the warrant issuance will lead to a loss of control of Conforama during the 2019 Reporting Period. This had no impact on the 2018 Consolidated Financial Statements.

35. *Events occurring after the Reporting Period* *(continued)*

Debt paid and restructured (continued)

- ***CVA process***

The restructuring of the Group's existing financial indebtedness continues. On 30 November 2018, two of the subsidiaries with most of the Group's financial creditors, SEAG and SFHG, launched CVAs. The CVAs seek to implement the restructuring plan set out in the Lock-Up Agreement. The steps to be implemented pursuant to each of the CVAs included amendments to the corporate holding structure, revised corporate governance across the European holding companies and the restructuring of the existing financial indebtedness including the issuance of new debt by certain newly incorporated Luxembourg companies.

In particular, the restructuring steps to be implemented pursuant to each of the CVAs seek:

i. to revise the terms of the Group's principal European debt instruments, and the guarantees of such debt instruments, to provide a common set of covenants and security package and a maturity date set sufficiently in advance (being 31 December 2021);

ii. as a result of those maturity dates, to afford the Group the opportunity to seek to improve the value of its assets for the benefit of its creditors and avoid a situation whereby SEAG's and SFHG's assets would be realised in a distressed scenario, potentially reducing any returns to SEAG's or SFHG's creditors and other stakeholders;

iii. through the revised debt terms, to improve the Group's liquidity position by providing that the interest accruing on the new debt pursuant to the restructuring will be PIK, rather than in cash;

iv. The PIK rate applicable to the New Lux Finco 1 Debt will be 10% per annum. The PIK rates applicable to the New Lux Finco 2 Debt will be:

   a. 10% per annum in relation to a "Super Senior Facility Loan";

   b. 7.875% per annum in relation to a "Facility A1 Loan" or a "Facility B1 Loan"; and

   c. 10.75% in relation to a "Facility A2 Loan" or a "Facility B2 Loan".

   Such PIK interest rates may increase in the event that certain creditor approved nominees are not appointed to the Management Board of Steinhoff N.V. in due course;

v. The new SEAG debt facility contains provisions that regulate the steps to be taken if the new SEAG HoldCo decides to undertake a material asset disposal outside of a default scenario. If that material asset disposal also requires a shareholder vote by the Company shareholders, the matter will be put to the Company shareholders. If the Company shareholders do not vote in favour of the sale there is a requirement that within approximately 75 days the SEAG debt is prepaid in amount equal to the net proceeds that would have been obtained on the proposed sale. If the Company does not raise the required funds within the required time to make the prepayment an event of default under the new debt facilities will occur. For more details users of the Annual Report are referred to the CVA proposals and the new SEAG finance documentation.

vi. To implement (or provide the framework to implement) revised corporate governance across the European holding companies in order to supplement and support the functions and specifications of those holding companies including the appointment of new directors to certain companies within the SEAG Group and the establishment of a litigation working group; and

vii. The debt instruments contain numerous other events of default. For more details please refer to the CVA Proposals and the new finance documentation.

Meetings of the creditors and members of SEAG and SFHG were held on 14 December 2018 at which the CVAs were approved by the requisite majorities. Various conditions are to be satisfied prior to implementation of the restructuring. It is envisaged that the relevant consents to make required amendments will be requested by way of a separate CVA consent request. On successful implementation of the CVA, the SEAG and SFHG debt will be reclassified to long-term interest-bearing loans and borrowings.

The implementation of the CVAs are critical to the liquidity of the Group. Should the CVAs fail for any reason, this would have a materially negative impact on the liquidity of the Group and the Company.

35. *Events occurring after the Reporting Period* *(continued)*

Debt paid and restructured (continued)

- ***CVA process* (continued)**

Provision has also been made in the new finance documents by the Group's European external financial creditors that underscore their support for the appointment of Paul Copley and David Pauker. In particular, pursuant to the terms of the relevant restructuring documents (as mentioned in the CVAs), should the General Meeting not resolve to appoint Paul Copley or David Pauker (or none of them) to the Supervisory Board, the cost of the debt reconstituted pursuant to the restructuring will increase.

Specifically:

(i) the interest rate applicable to the reconstituted debt of SEAG and SFHG would be increased by 5% per annum (from between 7.875% and 10.75% PIK per annum (as applicable) to between 12.875% and 15.75% PIK per annum (as applicable)), with such increased interest rates also retrospectively applicable for the period that is specified in each relevant restructuring document; and

(ii) the cap on recoveries against the Company will be increased from 5% per annum to 10% per annum in respect to the SEAG Contingent Payment Undertaking (as defined in the CVAs), and a cap of 10% per annum will be instated on recoveries against the Company in respect to the 2021/2022 Contingent Payment Undertaking, the 2023 Contingent Payment Undertaking and the SIHPL Contingent Payment Undertaking (as defined in the CVAs).

The steps required to complete the CVAs are complex and multi-jurisdictional giving rise to an element of risk regarding the tax consequences thereof. The Group has engaged with professional tax advisors in numerous jurisdictions to determine the tax consequences with a view to ensuring that the associated element of risk arising from the restructuring is mitigated.

As part of the Lock-Up Agreement various newly incorporated companies are being inserted into the Group of which Steenbok Newco 3 Limited is the entity with respect to which nomination rights are created for the creditors within the SEAG Group.

The nomination rights of the creditors of the SEAG Group are replicated for these creditors in a number of subsidiaries of Steenbok Newco 3 Limited. The creditor nomination rights in respect of Steenbok Newco 3 Limited are for up to 4 out of the 6 board members at the initiative of the respective creditors and in consultation with the Company. The Company retains the right to object to nominations. If the Company objects to a nomination made, the creditors have the right to make a new nomination. Further, the Company has the right to dismiss nominees once appointed. Dependent on the reason for such dismissal, dismissal of a creditor nominee may have serious consequences under the Lock-Up Agreement and other finance documents (consequences that can be waived with majority lender approval and do not apply in the event of a breach of a fiduciary duty). The Company ultimately owns both legally and beneficially the voting rights in Steenbok Newco 3 Limited. The creditors do not hold ownership interests or voting rights in Steenbok Newco 3 Limited.

The CVA proposals, together with certain supporting documentation, can be downloaded free of charge at www.steinhoffinternational.com/restructuring-documents.php.

35. *Events occurring after the Reporting Period* *(continued)*

Corporate activity after the Reporting Date

- On 23 November 2018, Pepkor announced that it agreed to terminate its existing commercial relationship with Cencap, in a phased approach. Under the current commercial agreements, Cencap, a subsidiary of Wands, is responsible for the funding of credit books that provide credit to customers of JD consumer credit and unsecured personal loans, Capfin loans, using the Pep and Ackermans retail footprint. Wands carries the credit risk related to these financial services. Pepkor, through its internal financial administration service operations, provides administration and collection services to Cencap related to the JD consumer credit and Capfin loans provided to Pepkor customers in return for a fee. Pepkor considered its options and decided not to pursue the acquisition of the credit books owned by Cencap, but will instead build its own credit books. With regard the existing credit books, commercial agreements were renegotiated, granting Pepkor the right to continue the collection of the Cencap owned loan books for the run-down period of the books, up to a maximum period of three years and render the outsourced services at a market-related fee. Pepkor further agreed to purchase 100% of the issued shares in FGI from Wands for a purchase price of approximately ZAR150 million (€9 million). FGI provides insurance products via its subsidiaries under the Abacus brand to Pepkor customers and contains highly regulated liquid assets. The acquisition is subject to due diligence and other conditions precedent, normal for transactions of this nature.
- The following preference dividends were declared and paid by SINVH after the Reporting Period to shareholders of the 15 000 000 cumulative, non-redeemable, non-participating, variable rate preference shares issued by SINVH.

		Gross dividend per share	
Period applicable	**Date paid**	**ZAR cents**	**EUR cents**
1 July 2018 to 31 December 2018	Monday, 29 April 2019	418.09	25.96

Comi (Centre Of Main Interest) shift

The Lock-Up Agreement also required SEAG and SFHG to take certain steps in relation to their principal place of administration. Consequently with effect from 3 August 2018 the central administration and supervision of the management of SEAG was located in England, while for SFHG it is with effect from 1 October 2018.

Affiliated party transactions

- Campion Group settlement agreement:
  In January 2019 Steinhoff N.V. concluded various agreements with the Campion Group, the main terms of which included the settlement of a number of outstanding loans owing to Steinhoff N.V. in exchange for the receipt by Steinhoff N.V. of a number of investments including:
  - Approximately 25.5 million Brait shares (note 11),
  - Approximately 30 million Steinhoff shares (held by SSUK and Town Investments) (note 26.3 and 32.2),
  - Legal ownership of Town Investments (note 32),
  - Legal ownership of 55% of GT Branding (note 29).
- SFHG instructed the sale of listed Brait securities it received through the Campion Group settlement for €37 million. A combined pre-tax impairment and loss on disposal was realised in the 2019 Reporting Period of €20 million.

35. *Events occuring after the Reporting Period* *(continued)*

Legal proceedings

Various legal proceedings have been instituted against the Group during the 2019 Reporting Period. The Group has carefully considered the legal proceedings and those deemed to relate to events that have occured post the Reporting Date and are not considered to be adjusting subsequent events are included in this note. The legal proceedings that are deemed to relate to events that have occurred before the Reporting Date have been disclosed as contingent liabilities in note 22.

- Peregrine and Allan Gray initiated legal proceedings against various Group entities on behalf of preference shareholders in SINVH. On 1 November 2018 the matter was settled. In terms of the settlement it was agreed that the restructuring documents would not contain any restrictions on SINVH making dividend payments to its preference shareholders or amend the terms of the preference shares.
- On 1 February 2019, Dutch law firm bureau Brandeis filed a request for inquiry proceedings with the Enterprise Chamber at the Amsterdam Court of Appeal on behalf of Public Investment Corporation SOC Ltd ("PIC") and ten other foreign Steinhoff N.V. investors ("PIC et al."). PIC et al. requested the following relief:
  (i) to appoint investigators to investigate the policy and the course of events at Steinhoff N.V., its affiliated enterprise and entities closely connected to it, starting from the date of its incorporation until the date of the decision of the Enterprise Chamber. PIC et al. want the subject of the investigation to cover the facts and circumstances that could give an insight in the situation that Steinhoff N.V. is in, even if these facts and circumstances pre-date the establishment of Steinhoff N.V., such as, but not limited to, the 2015 prospectus, the Scheme of Arrangement, the acquisition of kika-Leiner, its relation with Campion, GT Branding, Genesis GmbH, the amendments by Steinhoff N.V. of the 2014 up to and including 2018 annual accounts and the functioning of (members of) the bodies and appointed committees regarding those facts and circumstances, as well as the questions posed in the request and those that were asked during the AGM in April 2018, and
  (ii) (by way of immediate relief) to appoint an independent Supervisory Board member, whose duties will encompass supervision of the proper disclosure of information to shareholders in line with the applicable rules and regulations, supervision of the proper cooperation of and information disclosure by (members of) the bodies and employees of Steinhoff N.V. and its affiliated enterprise for the purpose of the investigation to be ordered by the Enterprise Chamber, and to determine that this temporary Supervisory Board member will have the casting vote on these subjects.

  A hearing in this regard was scheduled to take place on 23 May 2019. Steinhoff N.V. and the group of shareholders have mutually agreed to postpone the date of this hearing to a date later in the calendar year. At the date of this report the hearing date has not been determined.

36. *Other information*

New and amended standards adopted by the Group

The Group has applied the following relevant standards and amendments for the first time for their annual Reporting Period commencing 1 October 2017.

- IAS 7 – Statement of Cash Flows: Disclosure initiative
- IAS 12 – Income Taxes: recognition of deferred tax assets for unrealised losses
- Annual Improvements to IFRSs 2014-2016 Cycle

The adoption of these amendments did not have any material impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities, see note 23.2.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 9 – Financial Instruments
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	*Classification and measurement:* The Group does not expect significant impact due to the re-classification of financial assets, except for available-for-sale assets, which will be classified either as fair value through profit or loss or fair value through other comprehensive income. If the latter is chosen, it will not have a significant impact on the Consolidated Financial Statements. The Group did not recognise any held to maturity assets under IAS 39, as such no impact is expected on the Consolidated Financial Statements as a result of the removal of this category of financial assets. The change in the fair value of financial liabilities due to a change in credit risk will decrease the impact on profit or loss as these changes will be recognised in other comprehensive income. *Impairment:* The Group expects that the change from incurred to expected credit losses will impact the impairment of financial assets, the impact of which cannot yet be reliably estimated. The Group is in the process of developing models and processes to calculate the financial impact. The Group expects to have the new models implemented by the effective date. *Hedge accounting:* On transition from IAS 39 to IFRS 9, there will be no accounting entries required. However, during the first financial period, the Group might have to rebalance the hedges on transition to fulfill the new effectiveness requirements under IFRS 9. This will result in a gain or loss recognised in profit or loss. The actual impact of rebalancing will be determined upon transition and is not expected to have a material impact on the financial results of the Group as the total value of the hedging instruments are immaterial.
Date of adoption by the Group	IFRS 9 is effective for annual periods commencing on or after 1 January 2018. The Group will implement IFRS 9 from the 2019 Reporting Period which commenced on 1 October 2018.

36. *Other information* *(continued)*

New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 15 – Revenue from contracts with customers
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for adoption.
Impact	The impact of the new accounting standards on specific sources of revenue in the Group is discussed below: *Revenue from the sale of goods:* The main products sold by the Group are general merchandise and furniture. None of these products require material additional input from the Group after sale. As such, the Group does not expect that the new Standard will have a significant impact on the timing of recognition of revenue arising from point of sale or online sale transactions. The effect of expected returns from customers will affect the amount of revenue that is recognised and the Group has initiated a detailed assessment to determine the impact. *Revenue from services rendered:* The Group is in the process of determining the impact on revenue recognised from services rendered and whether this should be recognised over time or at a point in time under IFRS 15, by taking into account the specifics contained in each agreement. Depending on the outcome of this assessment the timing and amount of revenue recognised, may be affected. Revenue from services rendered does not comprise a material portion of the revenue recognised by the Group but does comprise a large volume of contracts of varying nature and terms. The Group is in the process of analysing the various aspects of the contracts, to determine the impact on revenue to be recognised from the rendering of services as a result of the application of IFRS 15.
Date of adoption by the Group	IFRS 15 is effective for financial periods commencing on or after 1 January 2018. The Group will implement IFRS 15 from the 2019 Reporting Period which commenced on 1 October 2018.

36. *Other information* *(continued)*

New standards and interpretations not yet adopted (continued)

Title of standard	IFRS 16 – Leases
Nature of change	IFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the Group's operating leases. As at the Reporting Date, the Group has non-cancellable operating lease commitments of €3 314 million from continuing operations, see note 22.2 However, the Group is in the process of assessing what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. The project has not yet been finalised due to the disruptions faced by the Group during the period under review. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward. The Group will continue to focus its efforts on finalising the project to ensure completeness by the implementation date. The Group is in the process of assessing the following key elements with regards to the leases in place prior to implementation of IFRS 16: • Which of the current commitments will result in the recognition of right-of-use assets and lease liabilities for future payments and the value thereof if it meets the recognition criteria. • Whether the criteria is met to separate lease and non-lease components and the determination of the cost allocations if it is separated. • Determine the lease term for each of the leases, taking into account any purchase options or right to terminate or extend the loan agreements.
Date of adoption by the Group	IFRS 16 was issued in January 2016 and is effective for financial periods commencing on or after 1 January 2019. The Group will implement IFRS 16 from the 2020 reporting period commencing on 1 October 2019.

36. *Other information* *(continued)*

New standards and interpretations not yet adopted (continued)

Title of standard	IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments
Nature of change	IFRIC 23 clarifies the accounting for income tax when it is unclear whether a taxing authority accepts the tax treatment. The Interpretation provides guidance on how to account for uncertainty over income tax treatments under IAS 12. The new Interpretation may impact the existing positions with respect to uncertain tax treatments, the accounting policy, financial statements disclosure and data gathering processes.
Impact	Tax remains a material uncertainty for the Group as the tax impact of the accounting irregularities identified and the consequential effects thereof remains uncertain. The Group is in the process of assessing the impact of IFRIC 23 as it is expected to have a significant impact on the tax treatment specifically relating to the effects of accounting irregularities identified. In assessing the impact of IFRIC 23, the Group will take into consideration the following key elements with regards to the tax treatment in place prior to implementation of IFRIC 23: • Determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. • Whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, while assuming that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. • Consider the probability that a taxation authority will accept an uncertain tax treatment.
Date of adoption by the Group	IFRIC 23 is effective for Reporting periods commencing on or after 1 January 2019. The Group will implement IFRIC 23 from the 2020 Reporting period commencing on 1 October 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Number of full-time equivalent employees

	30 September 2018	30 September 2017
The number of full-time equivalent employees from both continuing and discontinued operations, excluding contractors, totalled:		
The Netherlands	**5**	48
Rest of Europe (including the United Kingdom)	**54 583**	59 635
United States of America	**9 257**	9 629
Africa	**52 926**	50 078
Asia Pacific	**6 283**	6 111
	123 054	125 501

ANNUAL REPORT 2018

STEINHOFF INTERNATIONAL HOLDINGS N.V.

Separate financial statements for the period ended 30 September 2018

INDEX

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

SEPARATE STATEMENT OF PROFIT OR LOSS *for the period ended 30 September 2018*	Notes	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
Dividend income	1	**138 388**	962 776
Interest income	1	**2 543**	164
Total income		**140 931**	962 940
Other income[1]		**18 445**	–
Administrative expenses	2	**(18 526)**	(4 756)
Other operating expenses	2	**(1 829 564)**	(4 397 581)
Operating loss for the period before finance cost and tax		**(1 688 714)**	(3 439 397)
Finance cost	3	**(9 075)**	(9 659)
Operating loss for the period before tax		**(1 697 789)**	(3 449 056)
Taxation	4	**(8 343)**	–
Net loss for the period attributable to Steinhoff N.V. shareholders		**(1 706 132)**	(3 449 056)

[1]*Other income largely consists of a profit of €18 million realised on the release from a guarantee related to the redemption of the Steinhoff Africa preference share liability. Refer to note 9.1.5 for more detail.*

The accompanying notes are an integral part of the separate financial statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018
continued

STATEMENT OF OTHER COMPREHENSIVE INCOME *for the period ended 30 September 2018*	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
Total comprehensive loss for the period attributable to Steinhoff N.V. shareholders	**(1 706 132)**	(3 449 056)

The accompanying notes are an integral part of the separate financial statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018
continued

SEPARATE STATEMENT OF FINANCIAL POSITION *as at 30 September 2018*	Notes	30 September 2018 €'000	30 September 2017 €'000
ASSETS			
Non-current assets			
Investment in subsidiary companies	5	**1 765 512**	2 658 950
Current assets			
Related party loans receivable	12	**308 027**	319 471
Cash and cash equivalents		**6 139**	48
		314 166	319 519
Total assets		**2 079 678**	2 978 469
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital (net of treasury shares)	7	**2 134 675**	2 154 864
Share premium reserve (net of treasury shares)	7	**5 292 530**	5 410 699
Accumulated losses		**(12 773 539)**	(11 067 407)
		(5 346 334)	(3 501 844)
Non-current liabilities			
Interest-bearing borrowings	9	**63 193**	–
Current liabilities			
Other payables and accruals	8	**7 135**	3 425
Taxation payable		**8 343**	–
Interest-bearing borrowings	9	**6 391 751**	5 628 377
Related party loans payable	12	**955 590**	848 511
		7 362 819	6 480 313
Total equity and liabilities		**2 079 678**	2 978 469

The accompanying notes are an integral part of the separate financial statements.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018
continued

SEPARATE STATEMENT OF CHANGES IN EQUITY *for the period ended 30 September 2018*	Ordinary stated share capital €'000	Share premium €'000	Accumulated losses €'000	Share-based payment reserve €'000	Total €'000
Total equity at 1 October 2016	2 126 776	5 225 991	(7 037 098)	35 006	350 675
Total comprehensive loss for the period	–	–	(3 449 056)	–	(3 449 056)
Transactions with owners in their capacity as owners					
Issue of shares, net of transaction costs (note 7)	21 570	184 708	–	–	206 278
Capital distribution received in terms of share scheme arrangement	–	–	29 977	–	29 977
Ordinary dividends paid[1]	–	–	(639 718)	–	(639 718)
Shares issued upon vesting (note 6 and 7)	6 518	–	–	(6 518)	–
Share-based payment reserve transferred to accumulated losses (note 6)	–	–	28 488	(28 488)	–
Balance at 30 September 2017	**2 154 864**	**5 410 699**	**(11 067 407)**	**–**	**(3 501 844)**
Total comprehensive loss for the period	**–**	**–**	**(1 706 132)**	**–**	**(1 706 132)**
Transactions with owners in their capacity as owners					
Repurchase of Company shares[2]	**(20 189)**	**(118 169)**	**–**	**–**	**(138 358)**
Balance at 30 September 2018	**2 134 675**	**5 292 530**	**(12 773 539)**	**–**	**(5 346 334)**

[1] Refer to note 19.5 of the Consolidated Financial Statements for details pertaining to the ordinary dividends paid.

[2] During the period the Steinhoff Sikhulasonke Employee Scheme vested, resulting in the Company repurchasing 40.38 million of its own shares. These shares are held as treasury shares.

Ordinary stated capital and reserves

The ordinary stated share capital and share premium reserve records the movements in the issued share capital of the Company.

Share-based payment reserve

The fair value of the deferred delivery shares and the share rights granted to employees is recognised as an investment in subsidiary with a corresponding increase in equity. Refer to note 6.

STEINHOFF INTERNATIONAL HOLDINGS N.V.
SEPARATE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018
continued

SEPARATE STATEMENT OF CASH FLOWS *for the period ended 30 September 2018*	Notes	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	11	**126 550**	961 014
Dividends paid		**–**	(639 718)
Net cash inflow from operating activities		**126 550**	321 296
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital distribution received from subsidiaries	5.5	**–**	200 000
Increase in investment in subsidiaries	5.6 & 5.7	**(116 541)**	–
Amounts advanced to an affiliated party (Talgarth Capital Limited)	2.3	**–**	(1 500 000)
Increase in related party loans receivable		**(87 574)**	(547)
Proceeds received on repayments of related party loans receivable		**100 273**	1 036
Net cash outflow from investing activities		**(103 842)**	(1 299 511)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of Company shares	7	**(138 358)**	–
Share issue expenses		**–**	(39 897)
Repayments of related party loans payable		**(107)**	(1 421 118)
Proceeds received from related party loans payable		**121 858**	2 439 213
Net cash (outflow)/inflow from financing activities		**(16 607)**	978 198
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6 101**	(17)
Cash and cash equivalents at beginning of the period		**48**	65
Effects of exchange rate changes on cash and cash equivalents		**(10)**	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**6 139**	48

Reporting entity

The separate financial statements of the Company are included as part of the Consolidated Financial Statements of Steinhoff N.V.

The Company is a South African tax resident.

Basis of preparation

The separate financial statements have been prepared in accordance with IFRS as endorsed by the EU and with Part 9 of Book 2 of the Dutch Civil Code.

Going-concern assessment

In the current period, the Company's current liabilities exceed the current assets.

Refer to the basis of preparation section of the Consolidated Financial Statements for a detailed going concern assessment of the Group including the Company.

Significant accounting policies

Assets

Investments in subsidiaries are measured at historical cost less impairment provisions.

Shareholders' equity

The reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

Profit of participating interests

The Company does not share in the profit of participating interests.

Statement of cash flow

The statement of cash flows is prepared using the indirect method. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to shareholders are included in operating activities. Dividends received are classified as operating activities, as well as interest received and paid.

1. Income

	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
Dividend income		
Subsidiary companies (note 12)	**138 388**	962 776

Subsidiaries paid cash dividends to the Company during the period. These dividends represent the distribution of profits and reserves of the subsidiary companies.

Interest income		
Cash and cash equivalents	**48**	164
Related party loans receivable (note 12)	**2 495**	–
	2 543	164

2. *Operating loss for the period*

	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
MATERIAL ITEMS		
2.1. Foreign exchange gains and losses		
Unrealised foreign exchange gains/(losses)	**20 407**	(13 450)
Realised foreign exchange (losses)/gains	**(19)**	14 311
Net foreign exchange gains	**20 388**	861

Foreign exchange gains and losses are recognised in profit or loss on foreign denominated loans in the separate financial statements.

2.2 Impairment of investment in subsidiary companies (note 5.1)	**(940 416)**	(1 989 017)

a) A further impairment of €767 million has been recognised on the SINVH investment due to the disposal of underlying assets during the current period at lower fair values and a decline in the fair values of the remaining underlying assets.

b) An impairment of €100 million has been recognised on equity contributions made during the period to SFHG to rectify SFHG's negative net asset value and ease the liquidity pressures within the Group and the uncertainty regarding future funding of operational needs.

c) An impairment of €16.5 million has been recognised on an additional investment made in Steinhoff UK Group Services Limited and €57 million on the additional investment in SIHPL.

d) The previous period impairments consists of a €851 million impairment of the investment in SUSHI, a €1.1 billion impairment relating to the investment in SINVH and a €49 million impairment relating to the financial guarantees of the 2021 and 2022 convertible bonds by SIHPL, which cannot be supported by SIHPL.

2. *Operating loss for the period* *(continued)*

		Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
MATERIAL ITEMS (continued)			
2.3	Provision for impairment of affiliated party loan receivable	–	(1 496 120)
	In the previous period the Company purchased a €1.5 billion loan receivable from the Talgarth Group from its subsidiary, Steinhoff Europe AG, Switzerland, for cash. All loans relating to Talgarth Group companies are deemed irrecoverable as there is no security or fixed repayment terms, and consequently this loan was impaired in full.		
2.4	Provision for impairment of receivables from related parties	**(4 490)**	(29 428)
	Loans receivable from companies within the European Group were fully impaired during the prior period. Included in the provision in the current period are loans receivable from Steinhoff UK Group Services Limited and from SIHPL which were impaired by €1.3 million and €3.8 million respectively, during the period. Refer to note 12.2		
2.5	Reversal of provision for impairment of receivables from related parties	–	179 659
	Loan advances were made by SFHG to the Company during the prior period resulting in the reversal of previous impairments. Refer to note 12.2 for details of the loan payable to SFHG at 30 September 2018.		
2.6.	Financial guarantees recognised by the Company in profit or loss (refer notes 9 and 10 for details of financial guarantees)	**(905 046)**	(1 063 536)
	TOTAL OTHER EXPENSES	**(1 829 564)**	(4 397 581)

2. *Operating loss for the period* *(continued)*

	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
2.7. Other administrative expenses	**(18 526)**	(4 756)
The increase in other administrative expenses is mainly due to fees of €3.9 million as a result of the accounting irregularities identified in December 2017, property taxes payable on historical property transactions amounting to €4.5 million and an increase in insurance costs of €2.7 million. Refer to note 2.8 for details of the Auditor fees.		
TOTAL ADMINISTRATIVE EXPENSES	**(18 526)**	(4 756)

Refer to note 4 in the Consolidated Financial Statements for the Group's salary, wage and contribution to pension schemes as well as note 36 for employee numbers. No employees are employed by the Company.

Refer to note 31.1 in the Consolidated Financial Statements for the remuneration of the Management and Supervisory Board.

2. *Operating loss for the period* *(continued)*

2.8 Auditor fees

	Deloitte Accountants B.V. Twelve months ended 30 September 2018 €'000
Audit of the financial statements of Steinhoff N.V. and its subsidiaries	**4 275**
Other audit services	**19**
Tax services	**–**
Other non-audit services	**–**
	4 294

The prior period disclosure included an overprovision which has been allocated against the various categories of auditor fees for current presentation.

Other audit services include agreed upon audit procedures and advisory services.

Fees for tax services include tax compliance and tax advice.

Audit fees are billed monthly for work performed and expensed in profit or loss. The audit of 2017 was done over the period of 2017, 2018 and 2019 Reporting Periods and expensed in the applicable Reporting Period. The majority of the 2018 audit was performed in the 2019 Reporting Period and will be expensed in the 2019 Reporting Period when billed.

	Deloitte Accountants B.V.	Other Deloitte member firms and affiliates	Other Deloitte member firms and affiliates	Other audit firms	Other audit firms	Total	Total
	Twelve months ended 30 September 2017 €'000	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
	1 251	**6 169**	6 270	**5 660**	4 840	**16 104**	12 361
	–	**14**	313	**5 508**	916	**5 541**	1 229
	–	**741**	753	**5 309**	1 695	**6 050**	2 448
	–	**177**	78	**–**	220	**177**	298
	1 251	**7 101**	7 414	**16 477**	7 671	**27 872**	16 336

3. *Finance cost*

	Notes	Twelve months ended 30 September 2018 €'000	Twelve months ended 30 September 2017 €'000
Preference share liability	9.1.5	9 075	9 659

4. *Taxation*

	30 September 2018 €'000	30 September 2017 €'000
Major components of the tax expense:		
Current tax	8 343	–
Reconciliation of the tax expense		
Net loss before taxation	(1 697 789)	(3 449 056)
Tax at the applicable tax rate of 28% (South African corporate taxation rate)	(475 381)	(965 736)
Tax effect of adjustments on taxable income		
Impact of not recognising deferred tax assets for losses as recoverability is not assured	483 724	965 736
Taxation expense during the period	8 343	–

5. *Investment in subsidiary companies*

ACCOUNTING POLICY: Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment provisions as per IAS 27.

Where internal reorganisations have taken place during a period, IAS 27 does not provide clear guidance on the amount that should be recognised as the investment in subsidiary. The Company chooses to recognise the investments in subsidiaries at their historical carrying values to the Group, being the historical cost less accumulated impairment losses.

	Country of incorporation	Issued share capital	Shareholding %	Total carrying value €'000
30 September 2018				
Genesis Gamma	**Austria**	**€35 000**	**100**	**–**
SFHG	**Austria**	**€100 000**	**100**	**–**
SINVH	**South Africa**	**R275 000**	**100**	**1 747 368**
Steinhoff UK Group Services Limited	**United Kingdom**	**£200 000**	**100**	*****
SUSHI	**United States of America**	**$100**	**100**	**–**
Sherwood	**United States of America**	**$1**	**100**	**18 144**
				1 765 512
30 September 2017				
Genesis Gamma	Austria	€35 000	100	–
SFHG	Austria	€100 000	100	–
SINVH	South Africa	R275 000	100	2 514 063
Steinhoff UK Group Services Limited	United Kingdom	£100 000	100	*
SUSHI	United States of America	$100	100	–
Sherwood	United States of America	$1	100	18 144
Steinhoff Africa	South Africa	n/a	n/a	126 743
				2 658 950

**Less than €500.*

	Notes	30 September 2018 €'000	30 September 2017 €'000
Shares at cost		**7 931 333**	7 884 355
Less: Impairment provision		**(6 165 821)**	(5 225 405)
Shares at carrying value	5.1	**1 765 512**	2 658 950

5. *Investment in subsidiary companies* *(continued)*

	Notes
5.1. Reconciliation of cost of investment and related impairment provisions per subsidiary	
Carrying value of investment in subsidiaries – 1 October 2016	
New acquisitions during the period	5.2 & 5.3
Impact of SIHPL reorganisation	5.4
Capital distributions received	5.5
Equity contributions recognised as investments	9.1.1 & 9.1.5
Impairment of investment in subsidiaries through profit or loss	2.2 d)
Carrying value of investment in subsidiaries – 30 September 2017	
Equity contributions recognised as investments	5.6
Additional investments made in subsidiaries	5.7 & 5.8
Capital distributions made (resulting from redemption of the preference shares by subsidiary)	9 .1.5
Impairment of investment in subsidiaries through profit or loss	2.2 a) – 2.2 c)
Carrying value of investment in subsidiaries – 30 September 2018	

** Less than €500*

5.2 Acquisition of Tekkie Town

Refer to note 24 of the Consolidated Financial Statements. During 2017 the Company initially acquired Tekkie Town in exchange for 43 million Steinhoff shares (of which 25 million were issued to previous Tekkie Town shareholders and 18 million shares were issued to a special purposes vehicle, Town Investments). This investment in Tekkie Town was reorganised during the previous period and pushed down to SINVH in exchange for ordinary shares in SINVH amounting to €206 million.

5.3 Acquisition of Sherwood

Refer to note 24 of the Consolidated Financial Statements. The ordinary equity of Sherwood was purchased for €18 million (USD20 million) on 1 July 2017.

5.4 SIHPL reorganisation

During 2017, an internal reorganisation took place whereby SIHPL was restructured to become a direct subsidiary of SINVH. SINVH issued shares amounting to €2.5 billion to its parent, Steinhoff N.V. However, the carrying amount of SIHPL at the date of the reorganisation amounted to €182 million. An additional investment in SINVH was recognised at this value.

5.5 Capital distributions from SINVH

During the previous period the Company received a capital distribution from SINVH amounting to €200 million.

5.6 Capital distributions to SFHG

During the period, equity contributions of €100 million were made by the Company to SFHG to support liquidity in this business.

5.7 Additional investment in Steinhoff UK Group Services Limited

During the period, an additional investment was made in Steinhoff UK Group Services Limited amounting to €16.5 million to support liquidity in this business.

5.8 Additional investment in SIHPL

During the period the Company recognised an additional investment in SIHPL amounting to €57 million representing the excess of guarantee value of the 2021 and 2022 convertible bonds not recognised by SHIPL during the current period.

SIHPL €'000	SINVH €'000	SFHG €'000	Sherwood €'000	SUSHI €'000	Steinhoff UK Group Services Limited €'000	Steinhoff Africa €'000	Total €'000
182 050	3 414 073	–	–	851 483	*	–	4 447 606
–	205 960	–	18 144	–	–	–	224 104
(182 050)	182 050	–	–	–	–	–	–
–	(200 000)	–	–	–	–	–	(200 000)
49 514	–	–	–	–	–	126 743	176 257
(49 514)	(1 088 020)	–	–	(851 483)	–	–	(1 989 017)
–	**2 514 063**	**–**	**18 144**	**–**	*****	**126 743**	**2 658 950**
–	**–**	**100 000**	**–**	**–**	**–**	**–**	**100 000**
57 180	**–**	**–**	**–**	**–**	**16 541**	**–**	**73 721**
–	**–**	**–**	**–**	**–**	**–**	**(126 743)**	**(126 743)**
(57 180)	**(766 695)**	**(100 000)**	**–**	**–**	**(16 541)**	**–**	**(940 416)**
–	**1 747 368**	**–**	**18 144**	**–**	*****	**–**	**1 765 512**

6. *Employee share right scheme*

The Company implemented a long term employee share right scheme (the "ESRS"). Following the Scheme of Arrangement, the Company assumed the obligations to grant future share rights to share scheme participants relating to grants since 1 December 2014.

The purpose of the ESRS was to attract and retain key executives and senior employees who are able to influence the performance of the Group, on a basis which aligns the interests of such employees with those of the Group, the relevant employer company and the Company's shareholders.

At grant date the employee receives a right to the shares ("share rights") on the vesting date. The amount of shares that will vest depends on whether the performance criteria as determined by the Remcom were met. Vesting is also at the discretion of the Remcom.

The employee share plan is equity-settled.

The ESRS is subject to the following conditions:

a) Rights are granted to qualifying senior executives on an annual basis;

b) Vesting of rights occur on the third anniversary of grant date, provided performance criteria, as set by Remcom at or about the time of the grant date, have been achieved; and

c) In the event of performance criteria not being satisfied by the third anniversary of the relevant annual grant, all rights attaching to the particular grant lapse.

The following performance criteria were set by the Remcom:

a) The employee's participation in the share scheme will be subject to the financial performance of the Group and the employer, cumulatively over the 3 year period (the "Measurement Period");

b) It is required that the employee qualify for participation, on a cumulative basis, in the annual incentive bonus scheme as administered by its employer in respect of the Measurement Period; and

c) The employee having met its key performance indicators over the Measurement Period.

The number of rights granted do not change as a result of the unlikelihood of vesting and the number of outstanding rights per period is presented below:

	30 September 2018	30 September 2017
	Number of rights	Number of rights
The number of share rights outstanding is:		
Outstanding at beginning of the period	**33 569 687**	31 144 361
Exercised during the period[1]	–	(14 366 887)
Forfeited during the period[2]	**(17 905 174)**	(451 477)
Granted during the period[3]	–	17 243 690
Outstanding at end of the period[4]	**15 664 513**	33 569 687

[1] *The majority of the Steinhoff shares delivered when the share rights were exercised in the prior period were newly issued shares (refer to note 7.2). The remaining Steinhoff shares were bought in the market.*

[2] *Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights relating to these grants. The forfeitures in the 2018 Reporting Period included all remaining shares under the 2014 grant.*

[3] *The prior period grant includes 1 620 945 shares which were ratified by the Remcom in January 2017 relating to the Poundland and Pepkor Europe executives in respect of previous periods.*

[4] *Subsequent to the Reporting Date 6 721 122 relating to the 2016 grant were forfeited.*

6. *Employee share right scheme* *(continued)*

Assumptions

The fair value of services received in return for share rights granted is measured by reference to the fair value of the share rights granted. The estimated fair value of the services received is measured based on the assumption that all vesting conditions are met and all employees remain in service. The pricing model used was the Monte-Carlo simulation. The volatility was estimated using the Company's daily closing share price over a rolling three-year period.

	2017 grant	2016 grant
Fair value of share rights and assumptions:		
Fair value at grant date	€4.70	€4.55
Share price at grant date	€4.98	€4.92
Expected volatility	34.78%	26.05%
Dividend yield	2.05%	2.57%
Risk-free interest rate	7.36%	8.16%
Date of grant	1 March 2017	1 March 2016
Conditional date of vesting	1 March 2020	1 March 2019
Exercise price	–	–

Share scheme settlement arrangement

Rights granted under the ESRS are subject to a share scheme settlement arrangement whereby the subsidiary companies are required to pay the subscription price of shares granted to employees, equivalent to the quoted market price of such shares on the vesting date when the shares are secured by the subsidiary companies for delivery to the employees.

The fair value of the share scheme settlement receivable under the ESRS is determined based on the Monte-Carlo simulation. The fair value of the receivable, the deferred dividend receivable and the share-based payment reserve were all zero in the current and prior periods.

7. *Share capital*

	Notes	30 September 2018 Number of shares	30 September 2017 Number of shares
7.1 Authorised - ordinary			
Ordinary shares of €0.50 each		**17 500 000 000**	17 500 000 000
7.2 Issued - ordinary			
Shares in issue at beginning of the period		**4 309 727 144**	4 253 551 251
Shares issued to acquire Tekkie Town	5.2	**–**	43 000 000
Shares issued upon employee share scheme vesting	6	**–**	13 175 893
Total issued ordinary stated share capital		**4 309 727 144**	4 309 727 144

	30 September 2018 Share capital €'000	30 September 2017 Share capital €'000	30 September 2018 Share premium €'000	30 September 2017 Share premium €'000
7.3 Issued – ordinary				
Balance at beginning of the period	**2 154 864**	2 126 776	**5 410 699**	5 225 991
Repurchase of Company shares (still considered issued)	**(20 189)**	–	**(118 169)**	–
Shares issued during the period, net of transaction costs	**–**	28 088	**–**	184 708
Total issued ordinary stated share capital	**2 134 675**	2 154 864	**5 292 530**	5 410 699

	30 September 2018 Number of shares	30 September 2017 Number of shares
7.4 Unissued shares		
Reserved for bond holders	**414 522 268**	414 522 268
Shares reserved for future participation in share schemes*	**90 166 617**	72 261 443
Shares reserved for current participation in share schemes*	**15 664 513**	33 569 687
Shares under the control of the directors	**1 483 611 805**	1 483 611 805
Unissued shares	**11 186 307 653**	11 186 307 653
Total unissued shares	**13 190 272 856**	13 190 272 856

**Management assess it is unlikely that any shares will be issued to employees of the Group in the future under any of the open grants of the ESRS. Refer to note 32 of the Consolidated Financial Statements.*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company.

	30 September 2018 Number of shares	30 September 2017 Number of shares	30 September 2018 €'000	30 September 2017 €'000
7.5 Authorised – preference				
Non-cumulative financing preference shares of €0.01	**20 000 000 000**	20 000 000 000	**200 000**	200 000

No preference shares were issued during either period presented.

8. *Other payables and accruals*

	30 September 2018 €'000	30 September 2017 €'000
Other payables and accruals (financial liabilities – refer note 13 for fair values)	**7 135**	3 425

Included in other payables and accruals is an amount of €2 million (2017: €2 million) relating to underwriting commission payable to Upington as part of the 2016 capital raise.

Of the amounts accrued in 2018, €1.2 million relates to penalty fees payable to the FSE as result of the late submission of the 2017 Consolidated Financial Statements.

The fair values of accounts payable are disclosed in note 13.

9. *Interest-bearing borrowings*

	Notes	30 September 2018 €'000	30 September 2017 €'000
Recognised financial guarantees:			
2021, 2022 and 2023 Convertible bonds	9.1.1	**1 155 650**	1 149 514
2025 Non-convertible Europe bond	9.1.2	**800 000**	800 000
Syndicated Acquisition Facility	9.1.3	**1 295 784**	1 270 540
External Revolving Credit Facility	9.1.3	**172 780**	139 755
German Loan Note	9.1.2	**770 000**	770 000
Multicurrency Rolling Credit Facility	9.1.3	**1 572 661**	1 362 909
Hemisphere Term Loan Facility	9.1.4	**63 193**	–
JP Morgan Multicurrency Revolving Facility	9.1.2	**200 000**	–
Bayerische Landesbank Revolving Facility	9.1.2	**165 500**	–
Transaction costs[1]		**212 242**	–
SEAG debt accrued interest[2]		**47 134**	–
2000 B Class Steinhoff Africa Preference shares	9.1.5	**–**	135 659
		6 454 944	5 628 377
Portion payable within 12 months included in current liabilities		**(6 391 751)**	(5 628 377)
Non-current borrowings		**63 193**	–

	Notes	30 September 2018 €'000	30 September 2017 €'000
Reconciliation of financial guarantees			
Opening balance of financial guarantees recognised		**5 628 377**	4 379 669
Financial guarantees (derecognised)/recognised by the Company in profit or loss	2.6		
2021, 2022 and 2023 Convertible Bonds		**(51 044)**	–
2025 Non-convertible Europe bond		**–**	800 000
Syndicated Acquisition Facility		**25 244**	(521 414)
External Revolving Credit Facility		**33 025**	121 539
German Loan Note		**–**	40 000
Multicurrency Rolling Credit Facility		**209 752**	823 410
JP Morgan Multicurrency Revolving Facility		**200 000**	(200 000)
Bayerische Landesbank Revolving Facility		**165 500**	–
Hemisphere Term Loan Facility		**63 193**	–
SEAG and SFHG transaction costs[1]		**212 242**	–
SEAG debt accrued interest[2]		**47 134**	–
Recognised in profit or loss as impairment of investment in subsidiary			
2021 and 2022 Convertible bonds		**57 180**	49 514
(Derecognised)/recognised as investment in subsidiary			
2000 B Class Steinhoff Africa Preference shares – at date of (derecognition)/recognition		**(135 659)**	126 743
2000 B Class Steinhoff Africa Preference shares – accrued interest		**–**	8 916
Closing balance of financial guarantees recognised		**6 454 944**	5 628 377

[1] *Transactions costs relating to the restructuring of the SFHG and SEAG debt under the Lock-Up Agreement have been recognised by the Company and comprise all the consent fees, early bird fees, lock-up fees, maturity fees and rollover fees incurred. Recognised transaction costs of €67 million are attributable to SFHG debt and €145 million to SEAG debt. The amounts recognised at a Consolidated level only include those fees incurred in the 2018 Reporting Period. Refer to note 5.1 and note 16 in the Consolidated Financial Statements for further details.*

[2] *No interest payments were made relating to SEAG debt after 30 June 2018. This resulted in an increase in the accrued interest (contractual and default) at period-end which has been provided for as part of the value of the financial guarantee.*

The recognition of the financial guarantees relating to each significant external debt is described in this note.

9. *Interest-bearing borrowings* *(continued)*

9.1.1 Convertible bonds

In previous periods SFHG issued the 2021, 2022 and 2023 convertible bonds. The 2021 and 2022 convertible bonds are co-guaranteed by the Company and SIHPL. The 2023 convertible bond is guaranteed solely by the Company.

In 2018, the Company derecognised €51 million through profit or loss relating to the 2021, 2022 and 2023 convertible bonds based on management's best estimate of the recoverability of certain intercompany loan claims of SFHG.

The amounts recognised by the Company on behalf of the European companies were immediately expensed in profit or loss as the subsidiaries have insufficient underlying net assets to service the debt.

Any guarantee recognised by the Company relating to an African company is considered an equity contribution as it is likely that the company has assets to support a recoverable amount. An additional €57 million (2017: €49 million) was recognised as an investment in SIHPL, but assessed at period-end as irrecoverable and an impairment of the same value was recognised in profit or loss relating to the portion of the 2021 and 2022 bonds that SIHPL could not cover during the period.

9.1.2 Other external European debt

The other external debt is mostly held by SEAG, a direct subsidiary of SFHG. SFHG is the ultimate parent company of the European Group of companies. The European Group of companies have insufficient assets to service this debt. There are no co-guarantors that can support this debt. As it is likely that the Company would have to step in on behalf of SEAG under the performance obligations of this debt, it recognised the carrying values of the liabilities, as these amounts best approximate the fair value of the financial guarantee.

During the period the Company recognised an additional €365.5 million (2017: €640 million) in profit or loss relating to the European companies financial guarantees on other external debt and €47 million (2017: €nil) relating to accrued interest on such external debt.

The amounts recognised by the Company on behalf of the European companies were immediately expensed in profit or loss as the subsidiaries had insufficient underlying net assets to service the debt.

9.1.3 SUSHI debt

The SUSHI debt relates to the acquisition funding of Mattress Firm as well as the operational funding. Any movement in the SUSHI debt during the 2018 financial period represents the increase in the value of the financial guarantee recognised by the Company. As a result of the decrease in the net asset value of Mattress Firm during 2018, it is unlikely that the company would have sufficient liquid assets to support the recognition by the Company of an additional investment and the increase in the SUSHI debt of €268 million (2017: €302 million).

The amount recognised by the Company on behalf of SUSHI was immediately expensed in profit or loss as SUSHI had insufficient underlying net assets to service the debt.

9. *Financial liabilities* *(continued)*

9.1.4 External debt relating to Hemisphere

On 5 September 2018, the Company was released as guarantor of the Hemisphere group's syndicated rolling credit facility, which was replaced with a new Term Loan Facility Agreement. A Contingent Payment Undertaking ("CPU") was signed between Steinhoff N.V. and the lender group which had the effect of replacing the Steinhoff N.V. guarantee. As at 30 September 2018, the amount drawn down under this facility amounted to €704 million and in the prior period, €750 million.

Following the disposal of the kika-Leiner Property portfolio during 2018, the value of the financial guarantee to be recognised by the Company was based on an estimate of the remaining property values, and the likelihood of recoverability of an intercompany loan claim.

The Company recognised €63 million during the period as a result. The remainder of the Hemisphere Group's property portfolio value is in management's judgement sufficient to cover the balance of the outstanding debt. The amount recognised by the Company on behalf of Hemisphere was immediately expensed in profit or loss as Hemisphere had insufficient underlying net assets to service the debt.

9.1.5 Preference share liability recognised relating to Steinhoff Africa, a subsidiary of SINVH

In April 2015 Steinhoff Africa, an indirect subsidiary of the Company, issued 2000 B Class Perpetual Preference Shares at a subscription price of R1 000 000 each, to the Standard Bank of South Africa in order to raise funding for the Pepkor acquisition. SIHPL provided a guarantee, which was transferred to the Company on 13 February 2017, to settle the obligation in the event of a breach of certain financial covenants of the Group. The Group was in technical breach of all of its financial covenants and as a result the guarantee had been recognised in the Company's 2017 separate financial statements as a financial liability.

The amount is recognised at the cash settlement value in terms of the preference share agreement. Finance costs are accrued at 72% of the South African Prime lending rate, after adjusting for 28% corporate income tax.

The Company recognised a financial guarantee which in substance results in the Company assuming an obligation to pay on behalf of an indirect subsidiary.

The recognition of this financial liability is akin to an equity contribution by the parent to an indirect subsidiary and an investment in Steinhoff Africa has been recognised at the same value.

This liability was settled by Steinhoff Africa during the 2018 Reporting Period as part of the Pepkor refinancing. This was considered an equity distribution by Steinhoff Africa and the investment in Steinhoff Africa previously recognised was derecognised.

Reconciliation of the amortised cost of the preference share liability:

	Notes	30 September 2018 €'000	30 September 2017 €'000
Balance at begining of the period		**135 659**	–
Cash settlement value on initial recognition	5	–	126 743
Finance cost accrued	3 & 11	**9 075**	9 659
Foreign exchange gain		–	(743)
Redemption		**(126 743)**	–
Profit on redemption recognised in profit or loss		**(17 991)**	–
Balance at end of the period		–	135 659

10. *Contingent liabilities*

Lock-Up Agreement fees

The Group entered into Lock-Up Agreements with lenders of SEAG and SFHG during the Reporting Period, as explained in note 16.4 of the Consolidated Financial Statements. Upon implementation, these Lock-Up Agreements will result in the terms of the debt of these companies changing substantially. In terms of IAS 39, when the terms of debt change substantially, the existing debt is derecognised and new debt is recognised. All related fees incurred to raise the new debt are expensed and cannot be capitalised. These fees were not paid in cash before the Reporting Date, as such the fees were included in the loans and borrowings presented in note 16 of the Consolidated Financial Statements.

Financial guarantees

Financial guarantees where the Company is guarantor or co-guarantor are disclosed below:

Group company – beneficiary	Facility	Guarantors	30 September 2018 Principal value '000	30 September 2017 Principal value '000
SFHG	2021 Convertible bonds*	The Company and SIHPL	**EUR465 000**	EUR465 000
	2022 Convertible bonds*	The Company and SIHPL	**EUR1 116 300**	EUR1 116 300
	2023 Convertible bonds	The Company	**EUR1 100 000**	EUR1 100 000
Hemisphere	Term Loan Facility[3]	The Company	**EUR774 842**	EUR750 000
Steinhoff Asia Pacific Holdings Proprietary Limited	Syndicated facility[2]	The Company	**n/a**	AUD300 000
SEAG	2025 Non-convertible Europe bond	The Company	**EUR800 000**	EUR800 000
	German Loan Note	The Company	**EUR770 000**	EUR770 000
	Multicurrency Rolling Credit Facility	The Company	**EUR2 900 000**	EUR2 900 000
	Syndicated Acquisition Facility[1]	The Company	**USD4 000 000**	USD4 000 000
	JP Morgan Multicurrency Revolving Facility	The Company	**EUR200 000**	EUR250 000
	Bayerische Landesbank Revolving Facility	The Company	**EUR165 500**	EUR250 000
SEAG & SFHG	Transaction costs[4]	The Company	**EUR212 242**	–
SEAG	Accrued interest[4]		**EUR47 134**	N/A

**€107 million (2017: €49 million) of the 2021 and 2022 convertible bonds were recognised by the Company. Refer to note 9.1.1.*

[1] Included in the Syndicated Acquisition Facility is an External Revolving Credit Facility to the value of USD200 million to SUSHI.

[2] The guarantee was cancelled on 26 September 2018.

[3] The Company was released as guarantor from the Syndicated Credit Facility on 5 September 2018 when it was replaced with a Term Loan Facility. A CPU was signed between Steinhoff N.V. and the group lenders whereby Steinhoff N.V. guarantees the Term Loan Facility to the value that the proceeds from the sale of the property portfolio does not cover the facility amount. The full amount of the facility has therefor been disclosed in the table above.

[4] Any Lock-Up Agreement fees, refinancing fees and interest relating to future Reporting Periods is guaranteed by the Company.

The Company served as guarantor of approximately ZAR33 billion of debt for the African group of companies until May 2018 when the debt was repaid and the guarantees cancelled.

Contingent liabilities relating to litigation against SIHPL

Contingent liabilities relating to litigation against SIHPL has not been considered in the calculation of the value of the 2021 and 2022 convertible bonds recognised by SIHPL.

11. *Cash flow information*

11.1 Cash generated from operations

	Notes	30 September 2018 €'000	30 September 2017 €'000
Loss before tax		**(1 697 789)**	(3 449 056)
Adjusted for non-cash adjustments:			
Unrealised foreign exchange (gains)/losses	2.1	**(20 407)**	13 450
Impairment of investments in subsidiaries	2.2	**940 416**	1 989 017
Impairment of related party and affiliated loan receivables	2.3 & 2.4	**4 490**	1 525 548
Reversal of impairment of related party loan receivables	2.5	**–**	(179 659)
Recognition of financial guarantee	2.6	**905 046**	1 063 536
Finance cost accrued	3 & 9.1.5	**9 075**	9 659
Foreign exchange on finance cost accrued	9.1.5	**–**	(743)
Profit on derecognition of preference share liability	9.1.5	**(17 991)**	–
Cash generated from operations before other payables and accruals changes		**122 840**	971 752
Changes in other payables and accruals			
Increase/(decrease) in other payables and accruals		**3 710**	(10 738)
Net changes in other payables and accruals		**3 710**	(10 738)
Cash generated from operations		**126 550**	961 014

11.2 Net debt reconciliation

	30 September 2018 €'000	30 September 2017 €'000
Net debt		
Cash and cash equivalents	**6 139**	48
Interest-bearing borrowings - repayable within one year	**(6 391 751)**	(5 628 377)
Related party loans payable - repayable within one year	**(955 590)**	(848 511)
Interest-bearing borrowings - repayable after one year	**(63 193)**	–
	(7 404 395)	(6 476 840)

11.3 Cash and cash equivalents

	30 September 2018 €'000	30 September 2017 €'000
Cash at bank and in hand	**6 139**	48

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash

The Company does not have cash and cash equivalents that are restricted

12. *Related party transactions*

	30 September 2018 €'000	30 September 2017 €'000
Related party relationships exist between the Company, its subsidiaries and key management personnel.		
12.1 Subsidiaries		
Details of investments in direct subsidiaries are disclosed in note 5.		
12.2 Trading transactions		
The following is a summary of transactions with subsidiary companies during the period and balances at the end of the period:		
Dividend income:		
SINVH	**138 388**	951 845
Tekkie Town*	**–**	10 931
Dividend income (note 1)	**138 388**	962 776
**Tekkie Town paid a dividend to Steinhoff N.V. before it was restructured to become a subsidiary of the African Group.*		
Interest income:		
Mattress Firm Inc (note 1)	**2 495**	–
Loans receivable from:		
Current		
SINVH	**187 234**	284 369
SIHPL[3]	**3 824**	3 920
Steinhoff Africa and its subsidiaries	**30 414**	31 182
Steinhoff Europe AG (Austria)[1]	**24 919**	25 548
Steinhoff Europe AG (Switzerland)[1]	**3 880**	3 880
Mattress Firm Inc	**71 674**	–
Steinhoff UK Group Services Limited[2]	**20 000**	–
	341 945	348 899
Less: Impairment provision	**(33 918)**	(29 428)
	308 027	319 471

The impairment provision includes the following:

[1] The loans receivable from companies within the European Group were deemed irrecoverable in the prior period. The recoverability of these loans were assessed on the basis of the European Group's inability to repay the loans based on debt levels within the European Group exceeding the European Group's liquid or realisable assets post restatements. An impairment reversal of €0.6 million was recognised in the current period and an impairment of €29.4 million was recognised in the previous period.

[2] An impairment of €1.3 million was recognised during the period relating to the Steinhoff UK Group Services Limited loan.

[3] An impairment of €3.8 million was recognised during the period relating to the SIHPL loan.

The loan to Mattress Firm Inc carries interest at 7.5% per annum and is repayable on 16 March 2019. The loan is guaranteed by Mattress Firm Inc subsidiaries. All other loans bear no interest and have no fixed terms of repayment.

An impairment of €4.5 million (2017: €29.4 million) was recognised relating to these loans in profit or loss. Refer to note 2.

	30 September 2018 €'000	30 September 2017 €'000
Loans payable to:		
Current		
SFHG	**(675 885)**	(674 665)
Steinhoff International Share Trust	**(167)**	(171)
Steinhoff Africa and its subsidiaries	**(279 150)**	(173 285)
Steinhoff UK Group Services Limited	**(388)**	(390)
	(955 590)	(848 511)

The loans bear no interest and have no fixed terms of repayment.

12.3 Management and supervisory board members

For details of the Management and Supervisory Board members, remuneration, share rights, interests of key management personnel in contracts and interest in Steinhoff N.V. ordinary share capital, please refer to note 29 and 31 of the Consolidated Financial Statements.

13. *Financial risk management*

The Management Board and executive team is responsible for implementing the risk management strategy to ensure that an appropriate risk management framework is operating effectively within the Company. Management together with the forensic investigation identified management override of controls resulting in a number of shortcomings relating to the internal controls and risk management processes.

These shortcomings are addressed in the Remediation Plan of the Group.

The Company does not speculate in the trading of derivative or other financial instruments.

13.1 Total financial assets and liabilities

	Loans and receivables and other financial liabilities at carrying and fair value	
	30 September 2018 €'000	30 September 2017 €'000
Related party loans receivable	**308 027**	319 471
Cash and cash equivalents	**6 139**	48
Current financial assets	**314 166**	319 519
Interest-bearing borrowings	**(63 193)**	–
Non-current financial liabilities	**(63 193)**	–
Other payables and accruals	**(7 135)**	(3 425)
Interest-bearing borrowings	**(6 391 751)**	(5 628 377)
Related party loans payable	**(955 590)**	(848 511)
Current financial liabilities	**(7 354 476)**	(6 480 313)
Realised and unrealised foreign exchange gains	**20 388**	861
Interest income	**2 543**	164

No items were classified as 'available-for-sale', 'held to maturity', 'at fair value through profit or loss' or 'designated as at fair value through profit or loss' during either period presented.

The fair value calculation of the financial assets and liabilities was performed at the Reporting Date. Between the Reporting Date and the date of this report, the fair values reported may have fluctuated with changing market conditions and therefore the fair values are not necessarily indicative of the amounts the Company could realise in the normal course of business subsequent to the Reporting Date.

No fair value adjustments were made to any of the financial assets and liabilities.

13. *Financial risk management* *(continued)*

13.2 Market risk

13.2.1 Foreign currency risk

The financial assets and liabilities of the Company are denominated in the functional currency except for the following South African rand, British pound and US dollar denominated related party loans receivable, related party loans payable, other payables and accruals, cash and cash equivalents and interest-bearing borrowings.

	British pounds €'000	SA rands €'000	US dollars €'000
30 September 2018			
Related party loans receivable (note 12)	**18 705**	**221 472**	**71 674**
Cash and cash equivalents	**–**	**137**	**–**
Other payables and accruals	**(1 218)**	**(2)**	**(102)**
Related party loans payable (note 12)	**(388)**	**(279 317)**	**–**
Interest-bearing borrowings (including accrued interest)	**(3 532)**	**–**	**(1 489 311)**
	13 567	**(57 710)**	**(1 417 739)**
30 September 2017			
Related party loans receivable (note 12)	–	319 471	–
Cash and cash equivalents	–	12	–
Other payables and accruals	–	(144)	–
Related party loans payable (note 12)	(390)	(173 456)	–
Interest-bearing borrowings	–	(135 659)	(1 410 295)
	(390)	10 224	(1 410 295)

The following significant exchange rates applied during the period and were used in calculating sensitivities:

	Forecast rate[1]	Forecast rate[1]	Reporting Date spot rate	Reporting Date spot rate
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
South African rand : euro	**16.2370**	16.6900	**16.4337**	16.0296
US dollar : euro	**1.2547**	1.1300	**1.1576**	1.1806
British pound : euro	**0.8976**	0.8800	**0.8873**	0.8818

[1] *The forecast rates represent a weighting of foreign currency rates forecasted by the major banks that the Company transacts with regularly. These rates are not necessarily management's expectations of currency movements.*

Sensitivity analysis

The table below indicates the Company's sensitivity at the Reporting Date to the movements in the rand, the US dollar and the British pound that the Company are exposed to on its financial instruments. The percentage given below represents a weighting of foreign currency rates forecasted by the major banks that the Company transacts with regularly. This analysis assumes that all other variables, in particular interest rates, remain constant.

The impact on the reported numbers, using the forecast rates as opposed to the Reporting Date spot rates is set out below.

	30 September 2018 €'000	30 September 2017 €'000
Through profit/(loss)		
Rand strengthening by 1.2% (2017: weakening by 4.1%) to the euro	**(691)**	(421)
US dollar weakening by 8.4% (2017: strengthening by 4.3%) to the euro	**118 921**	(60 445)
British pound weakening by 1.2% (2017: strengthening by 0.2%) to the euro	**(157)**	(1)

If the foreign currencies were to strengthen/weaken against the euro, by the same percentages as set out in the table above, it would have an equal, but opposite, effect on profit or loss.

13. *Financial risk management* *(continued)*

13.2 Market risk (continued)

13.2.2 Interest rate risk

At the Reporting Date the interest rate profile of the Company's financial instruments were:

	Subject to interest rate movement					
	Variable South African (SA) prime €'000	**Variable EURIBOR €'000**	**Variable LIBOR €'000**	**Fixed rate €'000**	**Non-interest -bearing €'000**	**Total €'000**
30 September 2018						
Current financial assets	**137**	**–**	**–**	**71 674**	**242 355**	**314 166**
Non-current financial liabilities	**–**	**–**	**–**	**(63 193)**	**–**	**(63 193)**
Current financial liabilities	**–**	**(2 373 827)**	**(1 489 311)**	**(2 528 613)**	**(962 725)**	**(7 354 476)**
	137	**(2 373 827)**	**(1 489 311)**	**(2 520 132)**	**(720 370)**	**(7 103 503)**
30 September 2017						
Current financial assets	12	–	–	–	319 507	319 519
Current financial liabilities	(135 659)	(1 949 409)	(1 410 295)	(2 133 014)	(851 936)	(6 480 313)
	(135 647)	(1 949 409)	(1 410 295)	(2 133 014)	(532 429)	(6 160 794)

Sensitivity analysis

The Company is sensitive to movements in the SA prime rate, EURIBOR and LIBOR.

The sensitivities calculated are based on an increase of 100 basis points for each interest category. These rates are also used when reporting sensitivities internally to key management personnel.

	30 September 2018 €'000	**30 September 2017 €'000**
Increase/(decrease) in pre tax profit		
SA prime – 100 basis point increase	**1**	(1 356)
EURIBOR – 100 basis point increase	**(23 738)**	(19 494)
LIBOR – 100 basis point increase	**(14 893)**	(14 103)
	(38 630)	(34 953)

A 100 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss before tax.

13. *Financial risk management* *(continued)*

13.3 Credit risk

	30 September 2018 €'000	30 September 2017 €'000
Potential concentration of credit risk consists principally of cash and cash equivalents and related party loans receivable. The Company deposits short-term cash surpluses with major banks of quality credit standing. At 30 September 2018, the Company did not consider there to be any significant concentration of credit risk which had not been adequately provided for.		
The carrying amounts of financial assets represent the maximum credit exposure.		
The maximum remaining exposure to credit risk at the Reporting Date, without taking account of the value of any collateral obtained was:		
Current financial assets (note 12)	**314 166**	319 519
The maximum exposure to credit risk at the Reporting Date by geographical region was (carrying amounts):		
Continental Europe	**6 002**	37
Southern Africa	**217 785**	319 482
United Kingdom	**18 705**	–
United States	**71 674**	–
	314 166	319 519

Refer to note 12.2 for impairment provisions relating to irrecoverable or past due loans.

13.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Company manages liquidity risk by monitoring forecast cash flows and by ensuring that adequate borrowing facilities are available.

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows:

	30 September 2018 €'000	30 September 2017 €'000
Within 1 year	**(7 354 476)**	(6 480 313)
Years 3 – 5	**(63 193)**	–
	(7 417 669)	(6 480 313)

13.5 Capital risk management

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued ordinary stated capital, distributable reserves, non-distributable reserves and retained earnings as disclosed in the statement of changes in equity.

14. Reconciliation of the net profit and shareholders' equity of the Company with the consolidated results as at 30 September 2018

	Notes	30 September 2018 Total equity €'000	Twelve months to 30 September 2018 Net loss for the period €'000	30 September 2017 Total equity €'000	Twelve months to 30 September 2017 Net loss for the period €'000
Company equity and net (loss)/profit for the period		**(5 346 334)**	**(1 706 132)**	(3 501 844)	(3 449 056)
Adjusted for:					
Elimination of intergroup transactions:					
Elimination of intergroup dividends received	1	**(138 388)**	**(138 388)**	(962 776)	(962 776)
Elimination of intergroup dividends paid		**–**	**–**	11 718	–
Elimination of impairment of subsidiaries	2.2	**940 416**	**940 416**	1 989 017	1 989 017
Elimination of impairment of intergroup loans receivable/(impairment reversal)	2.4 & 2.5	**4 490**	**4 490**	(150 231)	(150 231)
Elimination of recognition of financial guarantees	2.6	**905 046**	**905 046**	1 063 536	1 063 536
Elimination of impairment of affiliated loan	2.3	**–**	**–**	1 496 120	1 496 120
Share of subsidiaries consolidated loss for the period		**(1 252 432)**	**(1 252 432)**	(4 022 610)	(4 022 610)
Share of subsidiaries consolidated other comprehensive income/(loss) for the period		**27 000**	**–**	(188 000)	–
Movement in treasury shares		**(128 612)**	**–**	(184 000)	–
Excess of consideration received from non-controlling interests		**36 000**	**–**	340 000	–
Other reserve movements relating mainly to convertible bond and share based payments		**5 000**	**–**	4 000	–
Prior period share of subsidiaries consolidated total comprehensive income for the period and other reserve movements		**4 426 814**	**–**	5 029 070	–
Group equity and total comprehensive loss for the period attributable to owners of Steinhoff N.V.		**(521 000)**	**(1 247 000)**	924 000	(4 036 000)

15. *Events occuring after the Reporting Period*

- Mattress Firm filed voluntary pre-packaged Chapter 11 cases in the United States Bankruptcy Court. This process allowed Mattress Firm to implement a financial restructuring through a court supervised process while continuing to trade. Mattress Firm successfully completed its restructuring on 21 November 2018 after which the Company disposed of 100% of its shares held in SUSHI, the indirect owner of Mattress Firm to SEAG. The lenders received 49.9% of the shares in SUSHI, as consideration for providing the exit financing. Refer to note 16.4 of the 2018 Consolidated Financial Statements.
- The Mattress Firm Inc loan of €72 million was fully repaid in November 2018.
- On 30 November 2018, two of the subsidiaries with the most of the Group's financial creditors, SEAG and SFHG, launched CVAs. The SEAG and SFHG CVAs sought to implement the restructuring plan set out in the Lock-up Agreement. As at the date of publication of the financial statements, not all of the remaining conditions in relation of the SEAG CVA and the SFHG CVA have been satisified. Refer to note 35 of the Consolidated Financial Statements.
- On 28 March 2019 the Group announced that it has reached an in-principle agreement to dispose of 74.9% of the Group's shares in Unitrans (and its subsidiaries), and 100% of the loan claims against Unitrans held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited. According to the terms of the agreement, the remaining 25.1% is to be disposed of at a later stage, as part of a Broad-Based Black Economic Empowerment transaction. The investment in Unitrans was therefore classified as held-for-sale in terms of IFRS 5 after the Reporting Period. The transaction is still subject to the fulfilment of certain conditions precedent. The final price allocation is not completed, but a loss on disposal is estimated.

The Company is engaged in a number of legal proceedings. Refer to note 22 and 35 of the Consolidated Financial Statements for a detailed overview of these proceedings.

Refer to note 35 of the Consolidated Financial Statements for other events occurring after the Reporting Period.

ANNUAL REPORT 2018

OTHER INFORMATION

To the shareholders and the Supervisory Board of Steinhoff International Holdings N.V.

INDEX

To the shareholders and the Supervisory Board of Steinhoff International Holdings N.V.

Report on the financial statements for the year ended 30 September 2018 included in the Annual Report

Disclaimer of Opinion

We were engaged to audit the financial statements for the year ended 30 September, 2018 of Steinhoff International Holdings N.V. (the "Company"), based in Amsterdam. The financial statements include the consolidated financial statements and the separate financial statements.

We do not express an opinion on the consolidated and separate financial statements of the Company included in this Annual Report. Because of the significance of the matters described in the "Basis for disclaimer of opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated and separate financial statements.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 30 September 2018;
2. The following statements for the year ended 30 September 2018: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements comprise:

1. The separate statement of financial position as at 30 September 2018;
2. The following statements for the year ended September 30, 2018: the separate statement of profit or loss, the separate statements of comprehensive income, changes in equity and cash flows; and
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for disclaimer of opinion

Introduction

The Supervisory Board of the Company, in its Report, as well as the Management Board in their Report, have elaborated on the exceptional circumstances under which the 2017 and 2018 financial statements were prepared.

In preparing the 2017 and 2018 financial statements management was required to make significant judgements, as they described in the basis of preparation in both financial statements. These significant judgements continue to apply when management prepared these financial statements. As a result there remain multiple uncertainties that potentially interact with each other and for which the cumulative effect could be significant to the financial statements as a whole. These uncertainties, their potential interaction, as well as certain other matters are described below.

Material uncertainty related to going concern

The Company has had to renegotiate the terms and conditions of it's borrowing facilities with the Groups of lenders. This has resulted in 'Lock-Up-Agreements' followed by a Company Voluntary Arrangement which management have used as the basis to assess the company's ability to continue as a going concern. Management has prepared these financial statements on the basis that the Company is a going concern. Management has included its assessment, and the associated uncertainties they have identified, in the basis of preparation (going concern assessment). In which they have included:

"The Management Board draws attention to the following facts:

- That in both the Group and separate financial statements current liabilities exceed current assets, and
- That these material uncertainties extend beyond the foreseeable future.

These facts therefore cast significant doubt upon the Company and Group's ability to continue as a going concern beyond the foreseeable future."

Material uncertainty with respect to litigation

Following the public announcement on 5 December 2017 and the subsequent sharp decline in the stock price of the Company's share, the Company has received several claims from investors, which have been described in (basis of preparation (litigation) and note 22.3). Although management is unable to estimate the potential cash outflow in the case of unfavorable decisions by the courts, the potential outflows of cash could be considerable and also impact the going concern assumption.

Material uncertainty with respect to taxation effects on the restatements and adjustments made in the 2017 Annual Report

As a result of the accounting irregularities, management has, in its 2017 Annual Report, recorded restatements and adjustments affecting multiple years and multiple tax-jurisdictions. As described (in basis of preparation (Tax)) and note 6 (uncertain tax positions) management has concluded that material uncertainties remain in respect of the tax impact of the consequential effect of the restatements and adjustments in multiple tax jurisdictions together with potential implications from a transfer pricing perspective. Management is currently unable to estimate the potential cash outflow for these tax uncertainties, including the timing thereof. This could also have an impact on the ability of the company to continue as a going concern.

Material uncertainty with respect to the control conclusion on certain entities

As explained in the basis of preparation under Areas of critical judgements and estimates (consolidation decisions) the Company, in preparing these financial statements, had to conclude whether or not it had control over certain entities within the Campion, Talgarth Group and others. We were unable to obtain sufficient appropriate audit evidence to support the conclusions with respect to control, and hence what the accounting and consolidation consequences should have been. With the resignation during the reporting period of certain of the Group's former executives, the reason for the uncertainty surrounding the control ceased from that moment.

Material uncertainty with respect to the share in the investment in Conforama

As explained in note (29 (Conforama), under related party transactions and control considerations (critical judgments)) the Company is in litigation with Andreas Seifert/HLSW GmbH and LSW GmbH in relation to the nature of his investment in Conforama. Management, in preparing these financial statements, has treated the investment of Seifert as a liability linked to the value of Conforama. The company recognized a provision equal to 23.6% of Conforama's equity value on 19 January 2015 for the termination settlement amount. The restatement recorded in the 2017 Annual Report resulted in an increase in net assets at 30 September 2016 and 1 July 2015 of €138 million for each restated period. There was no impact to profit or loss for the period ended 30 September 2016, nor for the profit or loss for the period ended 30 September 2017 and 30 September 2018.

Material uncertainty with respect to the timing of the results of certain prior year real estate transactions

During the year ended 30 September 2018, land and buildings in the amount of €623 million regarding a portfolio of properties within the kika-Leiner business were disposed. Management was not able to provide support for the fair value at acquisition of the kika-Leiner business for these properties. Consequently, we were not able to obtain sufficient appropriate audit evidence to support the acquisition cost and consequently the result on discontinued operations currently recorded in the consolidated financial statements. As indicated in note 1 the disposal of the property holding companies of kika-Leiner became effective during August 2018.

Material uncertainty with respect to the foreign currency translation reserve

In note 25 (nature and purpose of other reserves) the composition of the foreign currency translation reserve and the split between Other Comprehensive Income and income for the periods covered by these financial statements has been described. However this split is uncertain as a result of the restatements and how this reserve originated. We were therefore unable to obtain sufficient appropriate audit evidence to support the analysis of, and movements within, the foreign currency translation reserve. Refer to note 1.2.6.

Material uncertainty with respect to not having access to information (kika-Leiner)

We have not been granted access, by the purchaser of kika-Leiner business as described in note 1, to the financial records of kika-Leiner in order to perform our audit procedures for the year ended 30 September 2018. The following amounts are included in the 'discontinued operations':

	KIKA Möbelhandsgeschaft GmbH €m	Rudolf Leiner GmbH €m
Revenue	**291**	**206**
Gross Profit	**167**	**22**
Profit/(loss) for the year	**49**	**(120)**

As we were unable to obtain sufficient appropriate audit evidence this financial information is unaudited. Consequently we were unable to obtain sufficient appropriate audit evidence to support the result on discontinued operations currently recorded in the consolidated financial statements.

We are independent of Steinhoff International Holdings N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the "Wet toezicht accountantsorganisaties" (WTA, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

Report on the other information included in the Annual Report

In addition to the financial statements and our auditor's report, the annual accounts contain other information that consists of:

- Message from the Management Board;
- Message from the Supervisory Board;
- Report of the Management Board; and
- Report of the Supervisory Board;

Due to the significance of the matters described in the "Basis for disclaimer of opinion" section above, we have not been able to consider in accordance with Part 9 of Book 2 of the Civil Code whether or not the other information:

- Is consistent with the financial statements and does not contain material misstatements; and
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We were engaged to read the other information and, based on our knowledge and understanding to be obtained through our audit of the financial statements or otherwise, to consider whether the other information contains material misstatements.

Management is responsible for the preparation of other information, including the Report of the Management Board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Emphasis of matter

We draw your attention to the message from the Management Board, the message from the Supervisory Board as well as to the Business Review, Financial Review, Operational Review and the Risk Management sections of the Report of the Management Board in which both the Supervisory Board as well as the Management Board have given a description of their 'Remediation Plan' (including phase 2 of the PwC Investigation)." This remediation plan, which as described is in progress, includes measures taken and to be taken to strengthen governance, to strengthen group-wide-controls, including the 'tone at the top', and other measures to prevent the accounting irregularities recurring. It also includes measures taken or to be taken to correct non-compliance with laws and regulations that have occurred. Furthermore, it includes actions taken and to be taken to recuperate the losses that were caused by the individuals and/or organizations that played a part in the accounting irregularities or were instrumental in it.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Steinhoff International Holdings N.V. on 30 May 2016 to conduct the audit for the period ended 30 September 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of these financial statements in accordance with Dutch law, including the Dutch Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "Basis for disclaimer of opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Amsterdam, 18 June 2019

Deloitte Accountants B.V.
J.P.M. Hopmans

Articles of Association provisions governing the distribution of profit

The holders of ordinary shares are entitled to one vote per share and to participate in the distribution of dividends and liquidation proceeds. Pursuant to section 35 of the Articles of Association, a dividend may be declared out of net income after appropriation to increase and/or from reserves. The allocation of profit remaining after reservations deemed necessary by the Supervisory Board, in consultation with the Management Board, will then be available for distribution to the ordinary shareholders subject to approval at the general meeting of shareholders. The Management Board, with the approval of the Supervisory Board, may propose that the general meeting of shareholders make distributions wholly or partly in the form of ordinary shares. Distributions on shares may be made only up to an amount which does not exceed the amount of the distributable equity. The Management Board, with the approval of the Supervisory Board may declare an interim dividend which does not exceed the amount of the distributable equity.

A preference share shall entitle the holder thereof to a distribution of profit of an amount per preference share that is equal to the amount that shall be distributed per ordinary share to the holder thereof, plus a premium per preference share of a percentage equal to one per cent calculated over the aforementioned amount of profit that shall be distributed per ordinary share. This percentage may at the time of issue of preference share concerned be increased up to a maximum of ten per cent. Amounts of net income not paid in the form of dividends will be added to the retained earnings.

Distribution of profit

No dividends were declared by Steinhoff N.V. for the 2018 Reporting Period.

OTHER INFORMATION
LIST OF BRANCHES

The table below lists all branches of the Company as well as all Subsidiaries whose results were consolidated during the Reporting Period.

Branch	Place of branch	Country of branch	Register of branch
Steinhoff Europe AG	Cheltenham	UK	BR020565
Standard Propterties sp. z o.o.	Westerstede	Germany	HRB 205133 Oldenbrug
Nova properties kft	Westerstede	Germany	HRB 204991 Oldenburg
Steinpol Central Services sp. z o.o.	Westerstede	Germany	HRB 205548 Oldenburg
Steinhoff Finance Holding GmbH	Cheltenham	UK	BR020564
Retail Holdings Sarl	Zug	Switzerland	CHE-110.261.548
Steinhoff UK Retail	Dublin	Ireland	906518
Poundland	Dublin	Ireland	906668
Steinhoff International Sourcing Ltd. India Liason Office	Gurgaon, New Delhi	India	F04370
Steinhoff International Sourcing Ltd. – Liason Office	Karachi	Pakistan	0073941
Steinhoff International Sourcing Ltd. – Indonesia Representative Office	Jakarta	Indonesia	28/1/IUP3A-T/P-4/Nas/2017
The Representative Office Of Steinhoff International Sourcing Limited in Ho Chi Minh City	Ho Chi Minh City	Vietnam	79-02944-01
Fully Sun China Ltd. India Liason Office	Gurugram, Haryana	India	F04915
Fully Sun China Ltd.	Tainan	Taiwan	53665194
Fully Sun China Ltd.	Dhaka	Bangladesh	393120132180

IC-Code	Origin Entity	Country of origin entity	Valid for FY2016	Valid for FY2017	Valid for FY2018
050	Steinhoff Europe AG	Austria			X
046	Standard Propterties sp. z o.o.	Poland	X	X	X
190	Nova properties kft	Hungary	X	closed 01/12/2016	
207	Steinpol Central Services sp. z o.o.	Poland	X	closed 08/11/2016	
203	Steinhoff Finance Holding GmbH	Austria			X
376	Retail Holdings sarl	Luxemburg	X	X	X
174	Steinhoff UK Retail Ltd	UK	X	X	X
503	Poundland Ltd	UK	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
222	Steinhoff International Sourcing Ltd	Hong Kong	X	X	X
380	Fully Sun China Ltd	Hong Kong	X	X	X
380	Fully Sun China Ltd	Hong Kong	X	X	X
380	Fully Sun China Ltd	Hong Kong	X	X	X

ANNUAL REPORT 2018

GLOSSARY OF TERMS

Glossary of terms applied to the Annual Report

The capitalised words and expressions used herein shall have the respective meanings attributed thereto below:

2016 Consolidated Financial Statemeents	Consolidated Financial Statements of the Steinhoff Group for the financial period ended 30 September 2016.
2017 Consolidated Financial Statements	Consolidated Financial Statements of the Steinhoff Group for the financial period ended 30 September 2017.
2018 Consolidated Financial Statements	Consolidated Financial Statements of the Steinhoff Group for the financial period ended 30 September 2018.
2016 Reporting Period	Period starting on 1 July 2015 up to and including 30 September 2016.
2017 Reporting Period	Period starting on 1 October 2016 up to and including 30 September 2017.
2018 Reporting Period	Period starting on 1 October 2017 up to and including 30 September 2018.
2019 Reporting Period	Period starting on 1 October 2018 up to and including 30 September 2019.
AFM	Dutch Authority for the Financial Market (Autoriteit Financiële Markten).
AlixPartners	AlixPartners, UK LLP. Consulting firm, appointed by Steinhoff N.V. as operational advisor to assist on liquidity management and operational measures.
Ainsley Holdings	Ainsley Holdings Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1964/010191/07.
Annual Report	Management report (bestuursverslag) as referred to in article 2:391 BW of the Dutch Civil Code.
Articles	Articles of association of the Company, as amended from time to time.
Atterbury Europe	Atterbury Europe B.V., a joint venture investment held by Steinhoff N.V. through an indirect wholly owned subsidiary.
Audit and Risk Committee	Audit and risk committee established by the Supervisory Board.
Brait	Brait S.E., a company incorporated under the laws of Malta, registered under number SE1 and whose shares are listed, inter alia, on the JSE Limited.
BSG	Building Supply Group, which is a subsidiary of Pepkor.
BVI	Business Venture Investments 1449 (RF) Proprietary Limited, a company incorporated under the laws of South Africa and registered under number 2011/002155/07.
Call Option Agreements	Call option agreements entered into between Pepkor and inter alia Lancaster 102, Titan and Lavender Sky, in terms of which Pepkor acquired the right to secure economic and voting interests in Thibault and Shoprite Holdings Limited.
Campion Group	Campion Capital together with its subsidiaries, amongst others, the Fulcrum UK Group, the Fulcrum SA Group, Sunnyside, Sutherland UK and Town Investments.
Campion Capital	Campion Capital S.A., a company incorporated under the laws of Switzerland and registered under number CH-621.3.008.743-1.
CenCap	Century Capital Proprietary Limited, a subsidiary of Wands. A company, incorporated under the laws of the Republic of South Africa and registered under number 1999/020292/07.
CEO	Chief executive officer of the Company.
CFO	Chief financial officer of the Company.
CGU	Cash-generating unit.
Chief Compliance and Risk Officer or CCRO	Chief compliance and risk officer of the Company.

Christo Wiese	Christo Wiese, former member and Chairman of the Company's Supervisory Board.
Code of Conduct	Code of conduct of the Company.
CODM	Chief operating decision-maker.
Cofel SAS	Cofel SA, a company incorporated under the laws of France, and registered under number RCS 382 286 904.
Commercial Director	Commercial director of the Company.
Company	Steinhoff International Holdings N.V., and, where appropriate, the Subsidiaries and possible other Group companies, whose financial information is incorporated in the consolidated financial statements of the Company.
Company Secretary	Company secretary of the Company or, in absence of the Company Secretary, his or her deputy designated by the Management Board in the manner provided for in the Articles.
Conforama	Conforama Holdings S.A., a company incorporated under the laws of France together with its subsidiaries and registered under number RCS 582 014445.
COO	Chief operational officer of the Company.
Corporate Action	Corporate action that is required by the scheme if the Company is taken over, delisted or becomes the subject of a merger which results in the listing of the Steinhoff Shares being suspended or terminated.
CVA	Company Voluntary Arrangements, in respect of SEAG CVA and/or the SFHG CVA (as applicable).
DCGC	2008 Dutch Corporate Governance Code.
Decree	Decree Additional Requirements Annual Report *(Vaststellingsbesluit nadere voorschriften inhoud bestuursverslag).*
Deloitte	Deloitte Accountants B.V.
Deputy Chairman	Deputy chairman of the Supervisory Board.
Dutch Financial Supervision Act	*Dutch Financial Supervision Act (Wet op het financieel toezicht).*
Dutch POCO Proceedings	A legal case brought before the Enterprise Chamber in 2015 by Seifert.
EBIT	Operating profit or loss adjusted for capital and reclassification items.
EBITDA	Operating profit or loss before depreciation and amortisation adjusted for capital and reclassification items.
Enterprise Chamber	Enterprise Chamber of the Amsterdam Court of Appeal.
ERM	European Retail Management.
ESRS	Employee Share Right Scheme of the Company.
EU	European Union.
ExCo or Executive Committee	Executive committee designated as such in clause 6 of the Regulations of the Management Board.
External Auditor	Organisation in which certified public accountants cooperate, as referred to in article 2:393 paragraph 1, of the Dutch Civil Code, that is charged with the audit of the financial statements (jaarrekening).
Fantastic	Fantastic Holdings Limited.
FCTR	Foreign currency translation reserve.
FGI	FGI Holdings Proprietary Limited, a subsidiary of Wands. A company incorporated under the laws of the Republic of South Africa and registered under number 2008/004217/07.
Fihag	Fihag Finanz- und Handels-Aktiengesellschaft.

Fihag Group	Fihag Finanz- und Handels-Aktiengesellschaft, together with its subsidiaries, amongst others, Geros B and Geros FS.
Financial Review	Section 2 of the Management Board Report.
FSE	Frankfurt Stock Exchanges (Frankfurter Wertpapierbörse).
Fulcrum SA	Fulcrum Investment Partners SA, a company incorporated under the laws of Switzerland.
Fulcrum FS	Fulcrum Financial Services S.A., a company incorporated under the laws of Switzerland and registered under number CHE-418.489.111, a subsidiary of Fulcrum SA.
Fulcrum FS Group	Fulcrum FS together with its subsidiary, Wands.
Fulcrum UK	Fulcrum Investment Partners (UK) Limited, a company incorporated under the laws of the United Kingdom and registered under number 9795056.
Fulcrum UK Group	Fulcrum UK together with its subsidiary, Plum Tree.
General Meeting	The body of the Company consisting of the person or persons to whom as a Shareholder or otherwise, voting rights attached to Steinhoff shares accrue, or (as the case may be) a meeting of such persons (or their representatives) and other persons with Meeting Rights.
Genesis Gamma	Genesis Investments Gamma GmbH a company incorporated under the laws of Germany and registered under number FN 38196900.
Genesis Group	Genesis Gamma together with its wholly owned subsidiaries.
Geros B	Geros Beteiligungsverwaltungs GmbH, a company incorporated under the laws of Austria and registered under number FN177081p.
Geros FS	Geros Financial Services Proprietary Limited, a company incorporated under the laws of South Africa and registered under number 1973/008755/07. A wholly owned subsidiary of Geros Beteiligungsverwaltungs GmbH.
GIH	Genesis Investment Holding GmbH, a company incorporated under the laws of Austria and registered under number FN392734a. An indirect wholly owned subsidiary of Steinhoff N.V., which holds the majority of the Group's European investments.
Group	The Steinhoff Group consisting of Steinhoff N.V. together with its subsidiaries.
Group Company	Group company of the Company as referred to in section 2:24b of the Dutch Civil Code.
GSE Committee	Governance and sustainability committee, Social and Ethics established by the Supervisory Board.
GT Branding	GT Branding Holding SA, a company incorporated under the laws of Switzerland and registered under number CHE-250.489.667. The company that owns a significant number of intellectual property rights and payments for royalties.
GT Branding Group	GT Branding together with its wholly owned subsidiary, GT Global Trademarks SA.
Habufa	Van den Bosch Beheer B.V., a company incorporated under the laws of the Netherlands and registered under number 17027989.
Hemisphere	Hemisphere International Properties B.V., a company incorporated under the laws of the Netherlands and registered under number 17228592. An indirect wholly owned subsidiary of Steinhoff N.V. and holds a portfolio of European properties.
Hemisphere Lock-Up Agreement	Lock-Up agreement entered into Hemisphere and the Hemisphere lenders which became effective on 26 July 2018.
Human Resources and Remuneration Committee or Remcom	Human resources and remuneration committee established by the Supervisory Board.

IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
ICT	Information and communications technology.
IFRIC	International Financial Reporting Interpretations Committee.
IFRS	International Financial Reporting Standards.
Internal Auditor	Internal auditor as referred to in principle V.3 of the DCGC.
IT	Information technology.
JSE	Johannesburg Stock Exchange.
KAP	KAP Industrial Holdings Limited, a public company incorporated under the laws of the Republic of South Africa and registered under number 1978/000181/06.
kika-Leiner	kika-Leiner is a retail and property group of companies operating primarily out of Austria.
kika-Leiner Sale Assets	kika-Leiner OpCos and kika-Leiner PropCos together.
Lancaster 101	Lancaster 101 (RF) Proprietary Limited.
Lancaster 102	Lancaster 102 Proprietary Limited.
Lancaster Group	Lancaster Group Proprietary Limited, together with its subsidiaries.
Lavender Sky	Lavender Sky Investments 37 Proprietary Limited.
LiVest	LiVest GmbH registered under number HRB 5991.
Lock-Up Agreement	Agreement entered into between the Company and creditor groups to create an extended period of time to ensure fair treatment across the various creditor groups, allow management to focus on delivering value at the Group's operating business, and achieve a deleveraging of the Group and a detailed assessment of all contingent litigation claims, which became effective on 20 July 2018.
LTIs	Long-term incentive schemes are awarded with the primary aim of promoting the sustainability of the company through business cycles, aligning performance of key management with the interests of investors and retaining key management, all over the longer term. The LTIs can comprise of a share rights scheme and / or and a cash settled scheme.
Management Board	Management board of the Company.
Managing Director	Member of the Management Board.
Mattress Firm	Mattress Firm Holding Corp, a company incorporated under the laws of the United States of America and registered under number EIN – 20-8185960, together with its subsidiaries, Mattress Firm Inc.
Meeting Rights	Right to be invited to General Meetings and to speak at such meetings, as a Shareholder or as a person to whom these rights have been attributed in accordance with the Articles.
MJD Aviation Partnership Services	MJD Aviation Partnership provided aviation services to the Group.
Moelis & Company	Moelis & Company London Office.
Monatised collar	A combination of zero-cost collar and a margin.
Nomination Committee	Nomination committee established by the Supervisory Board.
OpCos	Refer to the operating companies and includes Pepkor, Conforama, Hemisphere, Greenlit, Mattress Firm and Pepkor Europe.
Pepkor or Pepkor Group	Pepkor Holdings Limited, a public company incorporated under the laws of the Republic of South Africa and registered under number 2017/221869/06. An indirect subsidiary of Steinhoff N.V.

Pepkor Europe	Pepkor Europe Limited.
Plum Tree	Plum Tree Consultants Limited, a company incorporated under the laws of Mauritius and registered under number 126319C2/GBL.
POCO	A German furniture retailer consisting of POCO Einrichtungsmärkte GmbH and POCO-Domäne Immobilien Holding GmbH, which is owned by Seifert and LiVest.
Pohlmann	Peter Pohlmann and entities affiliated with Pohlmann.
Portuguese Real Estate Transaction	Acquisition of a property in Portugal from Conforama.
Poundland	Poundland Group Limited.
PPA	Purchase price allocation.
Preference Share	Non-cumulative financing preference share in the capital of the Company.
PropCos	Property holding companies.
PSG	PSG Group Limited, a public company incorporated under the laws of the Republic of South Africa and registered under number 1970/008484/06.
PwC	PricewaterhouseCoopers.
Regulations of the Management Board	Rules effective as per 1 December 2015 regarding the working methods and decision-making process of the Management Board, in addition to the relevant provisions of the Articles.
Regulations of the Supervisory Board	Rules effective as per 5 June 2018 regarding the working methods and decision-making process of the Supervisory Board, in addition to the relevant provisions of the Articles.
Remediation Plan	Plan of the Management Board - forming part of its duty to monitor the operation of the internal risk management and control systems and to carry out a systematic assessment of their design and effectiveness - containing appropriate measures to prevent any reoccurrence of the irregularities and non-compliance with laws and regulations in the future.
Remuneration Policy	Policy as referred to in article 15.11 of the Articles and as adopted by the General Meeting on 1 December 2015.
Reporting Date	30 September 2018.
Reporting Period	Period starting on 1 October 2017 up to and including 30 September 2018.
2016 DCGC	2016 Dutch Corporate Governance Code.
RIM	Rainford Isle of Man Limited, a wholly owned subsidiary of the Group.
SEAG	Steinhoff Europe AG, a company incorporated under the laws of Austria and registered under number FN 38031d. A wholly owned subsidiary of Steinhoff N.V.
SEAG CVA	English law company voluntary arrangement proposed by SEAG dated 28 November 2018.
Segmental EBITDA	EBITDA adjusted to exclude one-off abnormal expenses incurred.
Seifert	Dr. Andreas Seifert and entities affiliated to Seifert.
Senior Management	Managing Directors and the members of the Executive Committee together and a reference to “Senior Manager” shall be a reference to any member of the Senior Management.
SFHG	Steinhoff Finance Holdings GmbH, a company incorporated under the laws of Austria, registered under number FN345159m.
SFHG CVA	English law company voluntary arrangement proposed by SFHG dated 28 November 2018.

Share	A share in the capital of the Company. Unless the contrary is apparent, this shall include each ordinary share and each share.
Shareholder	Holder of one or more Shares.
Share Issue Authorisations	Authorisation of the Management Board granted by the General Meeting to issue Ordinary Shares and to grant rights to subscribe for Ordinary Shares.
Sherwood	Sherwood Group Holdings Inc, a company incorporated under the laws of the United States of America, registered under number 6454341.
SIHPL	Steinhoff International Holdings Proprietary Limited, a company incorporated under the laws of South Africa, registered under number 1998/003951/06, previously listed on the JSE and known as Steinhoff International Holdings Limited.
SINVH	Steinhoff Investment Holdings Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1954/001893/06.
Southern View Finance	Southern View Finance Mauritius Limited, Southern View Finance (Mauritius) Properties Limited and Southern View Finance SA Holdings Proprietary Limited referred to collectively.
SRP	Showroomprivé , a subsidiary of the SRP Group.
SSUK	Sutherland UK and Sunnyside collectively.
Standard Bank	The Standard Bank of South Africa Limited.
Steinhoff N.V. or the Company	Steinhoff International Holdings N.V., a company incorporated under the laws of the Netherlands and registered under number 63570173.
Steinhoff shares or Ordinary Shares	Ordinary shares in the capital of the Company.
Sunnyside	Sunnyside Investment Partners Limited, a company incorporated under the laws of the United Kingdom and registered under number 9892333.
STAR	Steinhoff Africa Retail Limited.
Steinhoff Africa	Steinhoff Africa Holdings Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1969/015042/07.
Steinhoff at Work	Steinhoff at Work Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1950/037849/07
Steinhoff Services	Steinhoff Services Limited, a company incorporated under the laws of the Republic of South Africa and registered under number 1983/006201/06.
Subsidiary	Subsidiary of the Company as referred to in section 2:24a of the Dutch Civil Code.
Supervisory Board	Supervisory board of the Company.
Supervisory Director	Member of the Supervisory Board.
SUSHI	Stripes US Holding Inc. a company incorporated under the laws of the United States of America, registered under number EIN-38-4012800. The holding company of Mattress Firm.
SUSHI Scheme	English law scheme of arrangement that SUSHI launched as part of the restructuring plan.
Sutherland UK	Sutherland Investment Partner UK Limited, a company incorporated under the laws of the United Kingdom and registered under number 9803849.
Talgarth Capital	Talgarth Capital Limited, a company incorporated under the laws of the British Virgin Islands and registered under number RA000063 598527.
Talgarth Group	Talgarth Capital with its subsidiary companies, amongst others, Top Global, and Triton V.

Tekkie Town	Tekkie Town Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 2007/020629/07.
TG Group	TG Group Holding SA together with TG Management and its wholly owned subsidiaries.
TG Management	TG Management Holding S.A., a company incorporated under the laws of Switzerland and registered under number CHE-135.952.031.
Thibault	Thibault Square Financial Services Proprietary Limited.
Titan	Titan Premier Investments Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registration number 1979/000776/07.
Toerama	Toerama Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registration number 1970/013353/07.
Top Global	Top Global Investments GmbH, a company incorporated under the laws of Austria and registered under number FN343334d.
Town Investments	Town Investments Proprietary Limited, a company incorporated under the laws of South Africa and registered under number 2016/159084/07. The company served as a special purpose vehicle during the acquisition of Tekkie Town Proprietary Limited.
Triton V	Triton KLS Verwaltung GmbH & Co KG, a limited partnership incorporated under the laws of Germany and regsitered under number HRA48223B.
Upington	Upington Investment Holdings B.V., a company incorporated under the laws of the Netherlands and registered under number 855768010. The entity is controlled by Christo Wiese.
Unitrans	Unitrans Motor Holdings Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 1997/017428/07.
Voting Pool Arrangements	Informal arrangements of the Voting Pool Parties.
Voting Pool Parties	(Former) Managing Directors and (former) Supervisory Directors and Senior Managers and their respective associates who collectively held or controlled approximately 33% of the total voting share capital in the Company.
WACC	Weighted average cost of capital.
Wands	Wands Investments Proprietary Limited, a private company incorporated under the laws of South Africa and registered under number 1955/000339/07.

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For further publications and additional information, please refer to the company website