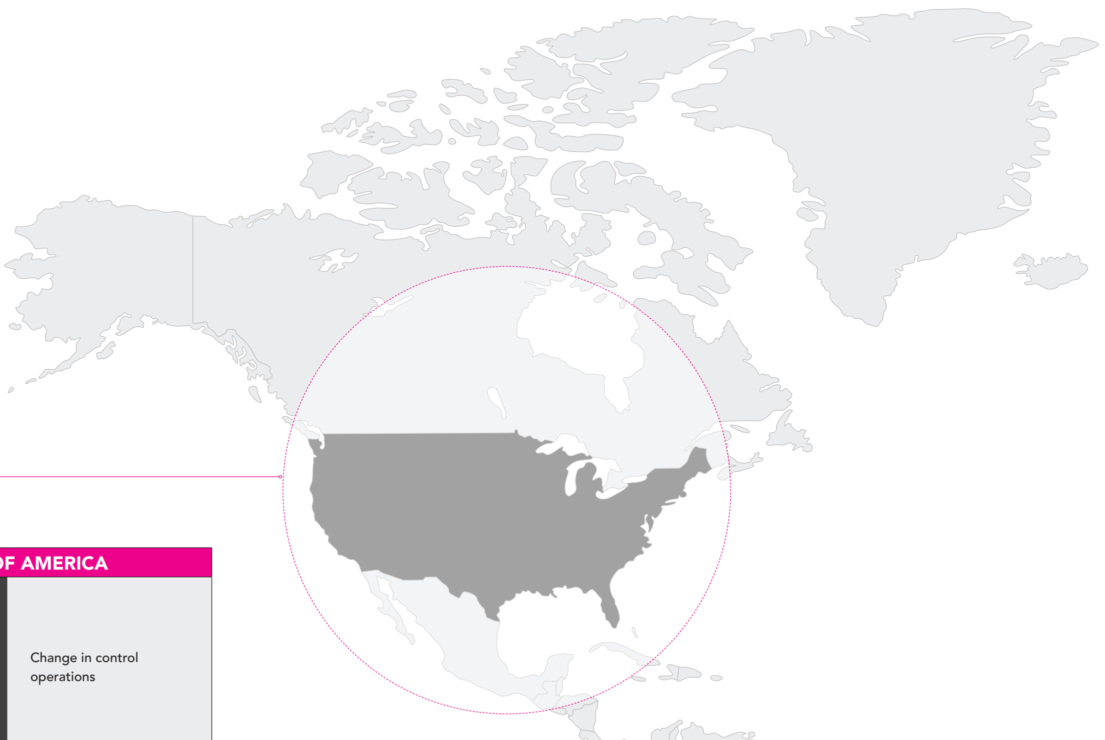
STEINHOFF
INTERNATIONAL HOLDINGS N.V.

# QUARTERLY UPDATE

NINE MONTHS ENDED 30 JUNE 2019 (9MFY19) (UNAUDITED)

# Steinhoff today ...

... is a global **investment holding company** with investments in a diverse range of retailers.



| UNITED STATES OF AMERICA | |
|---|---|
| **50%*** ownership | Change in control operations |
| MATTRESSFIRM | |

* *Subject to future dilution by the new management incentive plan*

| AFRICA | | | |
|---|---|---|---|
| **71%** ownership | **Pepkor** Separately listed on the JSE Sample of Pepkor brands | **100%** ownership | **Automotive** |
| PEP | | UNITRANS | Discontinued operations |
| ACKERMANS | | | |
| Russells | | | |
| BUCO | | | |

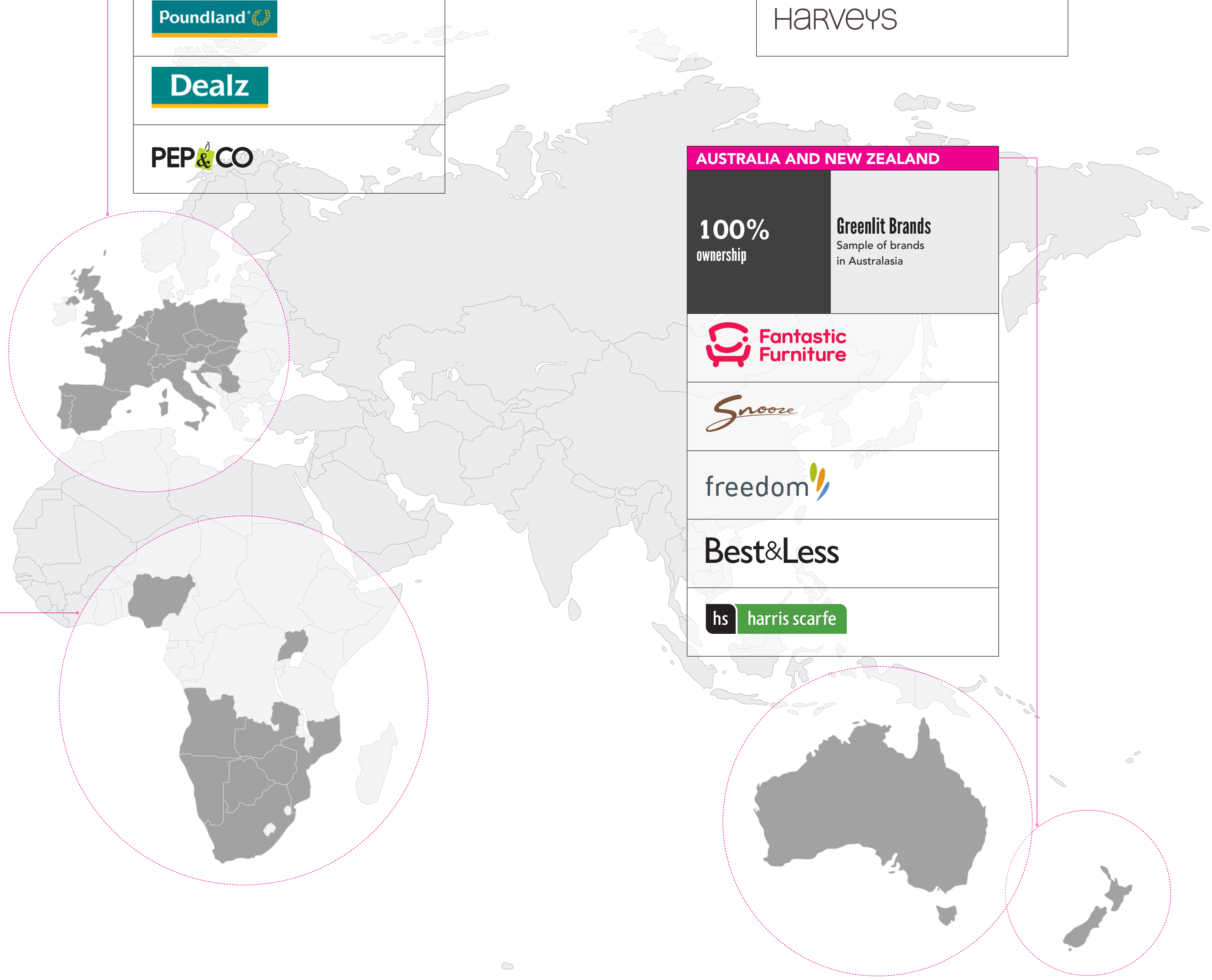
*The Group's full retail brand complement includes: ABRA, Ackermans, Bensons for Beds, Best&Less, Bradlows, BUCO, Conforama, Dealz, Dunns, Emmezeta, Fantastic, FLASH, Floors Direct, Freedom, Harris Scarfe, Harveys, HiFi Corp, Incredible Connection, John Craig, Lipo, Mattress Firm, OMF, PEP, PEP Cell, 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.*

## EUROPE AND UNITED KINGDOM

| 100%* ownership | Pepkor Europe | 50%** ownership | Conforama | 100% ownership | UK household goods |
|---|---|---|---|---|---|
| PEPCO | | Conforama | | bensons for beds | |
| Poundland | | | | HARVEYS | |
| Dealz | | | | | |
| PEP&CO | | | | | |

## AUSTRALIA AND NEW ZEALAND

| 100% ownership | Greenlit Brands<br>Sample of brands in Australasia |
|---|---|
| Fantastic Furniture | |
| Snooze | |
| freedom | |
| Best&Less | |
| hs harris scarfe | |



* 100% reflects accounting ownership, although legal ownership amounts to 99% as at 30 June 2019 (30 June 2018: 98%)
** Warrant issuance of 49.9% of the issued share capital of Conforama Holding SA on 29 May 2019 in favour of new money providers.

# MESSAGE FROM THE MANAGEMENT BOARD

Dear Stakeholder

Our progress during the current financial year has made it a productive period for Steinhoff, its employees and other stakeholders, as significant headway has been made on the journey to address past deficiencies, to restore trust in the Group, and to build a recovery in value for our stakeholders.

While many more tough miles lie ahead of us, we have maintained our momentum, achieving a number of critical objectives on our restructuring journey. We continued our essential effort to stabilise the Group, progressing the complex and technical work necessary to complete our financial restructuring, while also helping to enhance the long-term stability and growth prospects of our operating companies.

The result is that subsequent to the period-end, on 13 August 2019, having met all the necessary conditions, the Group was finally able to announce that it had successfully implemented the financial restructuring. This was the objective of a very substantial collective endeavour from teams both internal and external to the Group over a twenty-month period. Its achievement is a major milestone. Critically, it secures a period of financial stability for the Group until the end of 2021, during which we can restructure our businesses, dispose of assets to reduce debt to more manageable levels and/or restructure the debt as part of our plan to recover value for all our stakeholders.

As an investment holding company with a broad range of retail business investments, the Group's operating companies give it well-diversified exposure to a number of strong local brands. Some of our individual businesses, such as Pepkor Africa and Pepkor Europe, continue to perform robustly. Others remain in a turnaround phase but are continuing to report more encouraging recent trends, such as both Mattress Firm and Conforama.

## Revenue performance

Despite the ongoing challenges facing the Group, it has continued to grow overall revenue. The Group's unaudited consolidated net sales from continuing operations for the nine-month period to 30 June 2019 (9MFY19) increased by 4% to €10 113 million (9MFY18: €9 728 million), with strong contributions from Pepkor Europe (+13% to €2 567 million) and Pepkor Africa (+3% to €3 292 million). The turnover from both Conforama (€2 552 million) and Greenlit Brands (€969 million) confirmed their market positions. Mattress Firm, now held as an associate, continued with its turnaround plan, increasing its total revenue to €1 908 million. Further information on the performance of the Group's individual operating businesses is contained within the accompanying operational review.

## Achievements in the year-to-date

The Group has achieved a number of important milestones since the previous year-end:

- The demanding and complex task of finalising and publishing the Audited 2017 and 2018 Annual Reports was successfully achieved in May and June 2019 respectively.
- The publication of the Unaudited 2019 Half-year Report in July 2019 eliminated the Company's reporting backlog and the Company can now begin to normalise communications with the markets.
- The Steinhoff Europe AG (SEAG) and Steinhoff Finance Holdings GmbH (SFHG) CVAs were implemented with effect from 13 August 2019,

securing a period of financial stability for the Group until 31 December 2021.
- A number of non-core businesses were disposed of.
- Operational funding has been secured in the majority of the operating companies.
- The Company gave a comprehensive update presentation to investors and the media on 13 August 2019, its first such event since the onset of the crisis in December 2017. A webcast of this presentation is available on the Group's website www.steinhoffinternational.com.
- The 2019 AGM has been scheduled for 30 August 2019.

## Financial restructuring

The financial restructuring of the Group became effective on 13 August 2019, when the SEAG and SFHG CVAs were successfully implemented. Under the terms of the CVAs, the existing debt instruments in SEAG and SFHG were reissued with effect from 13 August 2019, with a common maturity date of 31 December 2021. No cash interest is payable in this period, as interest will accrue and is only payable when the debt matures, providing the Group with a period in which it can concentrate on reducing debt and restoring value.

Detail of the CVA debt is as follows:

| STEINHOFF N.V. CONSOLIDATED DEBT POSITION (excluding independently raised OpCo financing) | 13 August 2019 Unaudited |
|---|---|
| **Total SEAG debt*** | **€5.79bn** |
| New Lux Finco 2 First Lien Loan | €2.05bn |
| New Lux Finco 2 Second Lien Loan | €3.74bn |
| **Total SFHG debt*** | **€2.94bn** |
| New Lux Finco 1 21/22 Loan | €1.75bn |
| New Lux Finco 1 23 Loan | €1.19bn |
| **Total SEAG and SFHG debt** | **€8.73bn** |
| Hemisphere** | €0.36bn |
| **Total***** | **€9.09bn** |

- Maturity: December 2021
- Coupon
  - SEAG First Lien: 7.875% PIK
  - SEAG Second Lien: 10.75% PIK
  - SFHG: 10% PIK
  - Semi-annual compounding

* *Notional amount outstanding post CVA implementation for SEAG and SFHG.*
** *Hemisphere debt is disclosed as at 31 March 2019. Property portfolio is reviewed with the aim of settling Hemisphere debt.*
*** *Steinhoff N.V. debt excludes operational financing raised independently by the individual operations. Furthermore, please note that €0.2 billion of the SEAG debt included above is unguaranteed.*
*Super senior tranches included in the First Lien amounts.*

## Remediation plan

We are building on the progress made to date to strengthen our recovery, with the clear objective of stabilising the Group in a way that ensures the long-term security and growth of our underlying operations, maximises stakeholder returns and protects value.

To ensure that this is done the Group has developed and is continuing to implement a Remediation Plan that is aimed at addressing previously identified weaknesses and substantially enhancing standards of corporate governance and control. The plan is fundamental to strengthening the governance structure of the business and is being rolled out with determination.

## Litigation

The Group has received many shareholder and vendor claims and notices of regulatory investigations. Litigation remains a significant outstanding challenge. The Management Board, assisted by a litigation committee, and the Group's legal advisors continue to work towards a resolution of outstanding claims against the Group.

In parallel, we are also evaluating potential claims we may have against third parties, and recoveries against implicated entities and individuals are being initiated where appropriate. Recently issued proceedings against members of the former management team were the first such step in this process. In addition, we have initiated a claim against Top Global, an entity linked to the Talgarth Group.

## 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 "conciliation" process that provided the framework for the refinancing negotiations. This ruling allowed Conforama 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 determined that the Group has retained control of Conforama. Management has similarly determined that Conforama had not met the requirements to be classified as held-for-sale at the reporting date, or as a discontinued operation.

Subsequent to the period-end, on 2 July 2019, Conforama announced a project to restructure and transform its French operations over the next 18 to 24 months. This project includes the closure of 32 Conforama stores and 10 Maison Dépôt stores that are unprofitable and have no prospect of a return to profitability. The plan also aims to restructure Conforama's central functions to better align them with the needs of the operating businesses. Furthermore, this project intends to enable the stores to be more client-oriented and efficient. In total, the project could result in a headcount reduction of up to 1 900 roles.

## Pepkor Europe

Pepkor Europe successfully refinanced its existing term loan facility during August 2019.

## Properties

The Group has commenced a process post March 2019 to dispose of the remaining property portfolio of the property division in Europe and Africa respectively.

## Outlook

At the half-way point in the financial year, we declared ourselves both realistic and encouraged in our outlook. Realistic because we know that uncertainties persist and we still face a number of tough challenges on the road to rehabilitation, but encouraged that progress has been made.

The hard work on the financial restructuring has concluded with the successful implementation of the two CVAs. This creates the stability required to allow us to turn the page and concentrate fully on maximising value from our operating companies.

While trading conditions continue to reflect a tough global economy, at operating level Steinhoff remains a geographically well-diversified, global retail group providing everyday products at affordable prices, through a stable of strong local brands. Businesses such as Pepkor Africa and Pepkor Europe continue to grow strongly while others such as Conforama, Mattress Firm and Greenlit Brands hold positive recovery potential.

We must provide our strongest performing businesses with the opportunity to perform to their full potential and ensure that Steinhoff's shareholding is not a hindrance to their growth. As part of our debt reduction strategy all options will be considered. Therefore, as we continue with our restructuring, we will keep the future ownership of these businesses under review.

Our strategic direction is clear: we will focus on rectifying, restructuring and rebuilding our operations; stabilising the Group, realising value where appropriate and reducing our debt levels; protecting and enhancing value for all stakeholders through long-term growth in the underlying operations while exercising tight control of capital and expenses; all against a backdrop of sound and improved governance.

As we look at the Group, we have three clear areas of management focus:

| Step 1 | Step 2 | Step 3 |
|---|---|---|
| Creditors arrangement (CVAs implemented on 13 August 2019) | Manage litigation risk (investigate possible solutions and implement) | Restructure Group with a view to reduce debt and financing costs |

With our restructured arrangements with creditors now in place, we have successfully completed step one. As we look forward, we are clear that the best way for us to try and protect and maximise value for all stakeholders is to now focus on finding a solution to the Group's litigation issues and to reduce our debt and financing costs.

## Appreciation

We are grateful for the continuing support of our financial creditors, shareholders, staff, management, and Supervisory Board. We thank them all.

**Management Board**
29 August 2019

# OPERATIONAL REVIEW

This report covers the period 1 October 2018 to 30 June 2019. This report has not been audited or reviewed by the Company's auditors.

**REVENUE FROM CONTINUING OPERATIONS (€M)**

| | 9MFY19 | 9MFY18 | Change % |
|---|---|---|---|
| **EUROPE AND UNITED KINGDOM** | | | |
| **Total Europe and United Kingdom** | 5 851 | 5 559 | 5 |
| Pepkor Europe | 2 567 | 2 273 | 13 |
| Conforama | 2 552 | 2 550 | – |
| Other | 732 | 736 | (1) |
| **AFRICA** | | | |
| Pepkor (separately listed) | 3 292 | 3 205 | 3 |
| **AUSTRALASIA** | | | |
| Greenlit Brands | 969 | 963 | 1 |
| **CORPORATE AND TREASURY SERVICES** | | | |
| Corporate and treasury services | 1 | 1 | – |
| **Total Group revenue from continuing operations** | **10 113** | **9 728** | **4** |

**REVENUE FROM DISCONTINUED OPERATIONS (€M)**

| | 9MFY19 | 9MFY18 | Change % |
|---|---|---|---|
| **UNITED STATES OF AMERICA – CHANGE IN CONTROL OPERATIONS*** | | | |
| **Mattress Firm** | | | |
| Revenue for the nine-month period | 1 908 | 1 885 | 1 |
| Revenue for the seven-month period 21/11/2018 – 30/06/2019 (equity accounted) | (1 522) | | |
| Revenue for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | 386 | 1 885** | (80) |
| **AFRICA AND EUROPE – DISPOSALS OR HELD-FOR-SALE** | | | |
| Automotive | 1 140 | 1 166 | (2) |
| Other | 66 | 966 | (93) |
| Properties | 15 | 15 | – |
| **Total Group revenue from discontinued operations** | **1 607** | **4 032** | **(60)** |

* *Following the completion of the Chapter 11 restructuring, the Group's shareholding in Mattress Firm decreased from 100% to 50.1%. As a result of the change in governance structure and the reduction in shareholding, for accounting purposes, the Group is deemed to have lost control of Mattress Firm and the remaining 50.1% stake has been equity accounted with effect from that date. In accordance with accounting standards, following the change in control, 100% of Mattress Firm's results are deemed to be discontinued operations up to and until 21 November 2018, although the Group retains a 50.1% shareholding in Mattress Firm, subject to dilution from the management incentive plan. For more detail please refer to the 'Mattress Firm' section of the Financial and Business Review in the 2018 Annual Report and note 1 of the 2018 Consolidated Financial Statements.*

** *Represents revenue for the nine-month period 9MFY18*

## Introduction

The Group reported revenue from continuing operations of €10.1 billion for the period under review (9MFY18: €9.7 billion), with growth of 4% being driven by the performance of Pepkor Europe and Pepkor Africa.

The operational results for the period continued to reflect the knock-on impact of the announcement of accounting irregularities in December 2017. Management at Group and operational level continue to spend a significant amount of time and effort engaging with funders, suppliers and other business partners to ensure their continued support.

Encouragingly, customer confidence in our offering has continued to stabilise.

The general merchandise businesses in Europe and Africa continue to expand, particularly Pepkor Europe, which is continuing to grow at a rapid pace, driven by further expansion of its store footprint in central Europe. The household goods businesses continue to experience more challenging trading conditions, with new store openings being considered but only on a highly selective basis and capex projects being critically evaluated.

# Europe and United Kingdom

## Pepkor Europe

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % |
|---|---|---|---|
| **Total revenue** | 2 567 | 2 273 | 13 |
| PEPCO (central and eastern Europe) | 1 209 | 949 | 27 |
| Poundland (including Dealz) | 1 358 | 1 324 | 3 |

Pepkor Europe continued its development into a strong, geographically well-balanced Pan-European variety discount retailer, reporting a further period of strong results across each of its trading brands: PEPCO, Dealz and Poundland. In the period under review, revenue increased by 13% to €2 567 million, driven primarily by continued expansion of the PEPCO format in central Europe. At 30 June 2019, Pepkor Europe traded from 2 556 stores, an increase of 12% year-on-year, as it continued with its disciplined roll-out plan.

The development of the infrastructure to support the Group's future growth projections continued with construction of a new distribution centre in Hungary to enable PEPCO's continued store expansion and the implementation of Oracle as the Group's enterprise system each commencing in the period under review.

PEPCO's growth reflects continued expansion of its store estate and investment in the customer offer. The strong sales growth has been achieved despite the disruption caused by the extension of Polish Sunday trading restrictions and any impact from the growth in the brand's store footprint.

PEPCO expanded its store portfolio by 19% year-on-year, opening net 177 new stores in the period under review, including its first stores in Plovdiv, Bulgaria's second city. Bulgaria represents PEPCO's eleventh country market and it remains on track to open, across all markets, an anticipated 20 Bulgarian stores for the full financial year.

Poundland continued to outperform the wider UK high street, with its competitive differentiation being driven by the introduction of PEP&CO branded clothing 'shop-in-shops', now present in approximately 300 stores, and measured product range extension to support a broader range of price points.

Poundland continues to rationalise its store portfolio, balancing the exit from stores in weaker catchments with carefully selected new store opportunities in stronger locations. During the period, Poundland opened 24 new stores in the UK and the Republic of Ireland and relocated a further eight to larger sites, favourable locations, or sites with advantageous contracts terms. These stores continue to deliver strong returns on invested capital. On a net basis, Poundland increased its store portfolio by two stores during the period, operating 842 stores as at 30 June 2019.

The Dealz business in mainland Europe continues to trade well. The proposition continues to strengthen in both markets, with a three-product category (FMCG, general merchandise and apparel) now the preferred model in Spain and a full apparel offer added retrospectively to one store in the period. The Polish offer has benefitted from the introduction of key local brands that can now be accessed because of the business' growing scale.

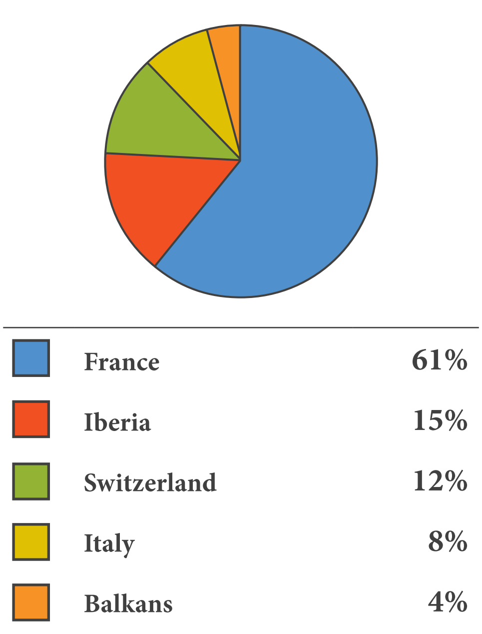
Having developed a successful customer proposition in each territory, the number of stores is now being expanded with an intention to broadly treble the number of operating stores in a 12-month period by year-end, closing with an anticipated 16 stores in Spain and 37 in Poland.

## Conforama

Conforama announced a financial restructuring in April 2019 to raise the necessary funds to restructure its operations. As part of this plan, Conforama raised new funding of €316 million, the terms of which included the issue of warrants over the equivalent of 49.9% of its issued share capital to the providers of this new capital on 29 May 2019.

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % |
|---|---|---|---|
| Total revenue | 2 552 | 2 550 | – |

REVENUE BY REGION

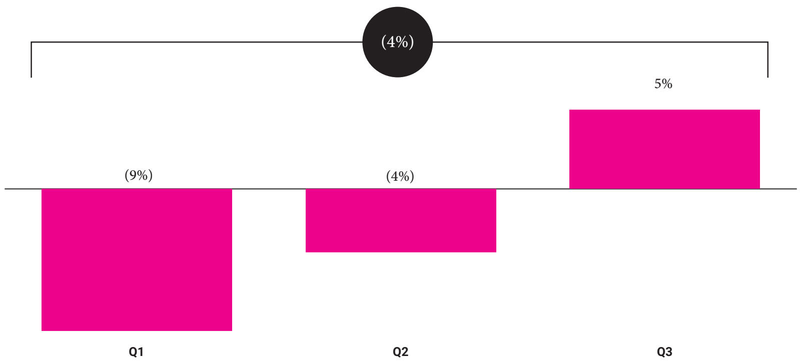



For the period under review, the Conforama Group reported flat revenue growth, with like-for-like revenue decreasing by 3%.

Solid revenue growth delivered by the international operations (comprising all Conforama territories outside of France) was offset by weaker performance in France (9MFY19: -3%). Sales in France were negatively impacted by the 'Gilets Jaunes' ('yellow vest') protests in the first quarter and, to a lesser extent, by constrained supply of products in some home electronic categories, especially white goods (large appliances).

The performance in France showed a substantial improvement in the second and third quarters respectively as illustrated below:

France like-for-like revenue growth 9MFY19



The Conforama international operations grew revenue by 5% (achieving growth in all territories), supported by a strong performance from new stores. Like-for-like sales for the international operations fell by 2.5% in the period, with the comparative period in Q3 of the prior year benefitting from unusually strong television sales during the 2018 FIFA World Cup.

Revenue in the furniture product category grew by 3%, while home accessories decreased by 2%. In the lower-margin electronics product category revenue decreased by 4%, reflecting a decrease in sales in the brown and grey goods categories (TVs, mobile phones, computers, etc.).

In July 2019, Conforama announced a restructuring plan in France, which included store closures and a reduction in headcount.

## All other*

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | 732 | 736 | (1) | |
| UK household goods | 465 | 494 | (6) | (6) |
| Lipo | 129 | 128 | 1 | (2) |
| ABRA | 38 | 40 | (5) | (3) |
| Sherwood | 83 | 35 | >100 | |
| Sourcing and logistics | 17 | 39 | (56) | |
| **DISCONTINUED OPERATIONS** | 66 | 966 | (93) | |
| ERM: kika-Leiner | – | 674 | (100) | |
| ERM: Extreme Digital | – | 43 | (100) | |
| Manufacturing, sourcing and logistics | 66 | 249 | (73) | |

**UK household goods**
In a challenging UK furniture retail market, exacerbated by political and economic uncertainty, euro-reported revenue in the UK household goods division decreased by 6% for the period under review to €465 million (9MFY18: €494 million). In constant currency revenue decreased by 6%, while like-for-like revenue declined by 3%.

Bensons' revenue was flat and the Harvey's furniture business reported a 6% decline in customer orders.

As reported previously, the loss of two key suppliers (following an inability to agree acceptable commercial terms with one supplier and the second supplier entering administration) negatively impacted sales at both Harveys and Bensons during the period under review. Teething problems associated with the migration to a new front office system in the second quarter also negatively impacted orders, which resulted in increased customer cancellations. These issues have now largely been resolved but have impacted delivered sales.

**Lipo**
Lipo reported revenue growth in the period of 1% to €129 million (9MFY18: €128 million). When measured in constant currency Lipo's total revenue decreased by 2% and like-for-like revenue decreased by 1%.

**ABRA**
In a competitive Polish furniture market, ABRA's revenue declined by 5% to €38 million (in constant currency revenue decreased by 3%), with like-for-like revenue declining by 2%.

**Sherwood**
The majority of Sherwood's revenue is generated from Mattress Firm. In line with consolidation principles, sales to Mattress Firm, up to 21 November 2018, are eliminated in arriving at reported external revenue. After that date the Group is deemed to have lost control of Mattress Firm and Mattress Firm sales are included in revenue.

The increase in Sherwood's revenue is therefore distorted by the fact that Mattress Firm's revenue was eliminated for two months while the prior period was eliminated for the full nine months.

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

## Discontinued operations

**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 of the 2018 Annual Report and note 1 of the 2018 Consolidated Financial Statements.

**Extreme Digital**

The Group disposed of Extreme Digital in January 2018. Please refer to the 'Extreme Digital' paragraph in the Financial Review of the 2018 Annual Report and note 1 of the 2018 Consolidated Financial Statements for more detail.

**Manufacturing, sourcing and logistics**

Given the limited intra-group sales between other members of the Group and the manufacturing operations of Puris, Impuls and Steinpol, these manufacturing businesses were designated non-core and sale transactions were concluded in September 2018 (Puris and Impuls) and March 2019 (Steinpol). Please refer to the 'Manufacturing and other' paragraph in the Financial Review of the 2018 Annual Report and note 1 of the 2018 Consolidated Financial Statements for more detail.

The businesses that have been retained consist of a small number of selected sourcing and logistics businesses.

## Properties – discontinued operations

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % |
|---|---|---|---|
| **DISCONTINUED OPERATIONS** | | | |
| Properties* (Europe and Africa) | 15 | 15 | – |

With effect from 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 of the 2018 Annual Report and note 1 of the 2018 Consolidated Financial Statements. In addition, post March 2019, the Group commenced a process to dispose of the remaining property portfolio of the property divisions in Europe and Africa respectively.

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

An independent valuation process, commissioned during the 2018 Half-year 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 1.2.1 and note 9 of the 2017 Consolidated Financial Statements.

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

# Africa

## Pepkor Holdings (Pepkor Africa)

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **Total revenue** | 3 292 | 3 205 | 3 | 9 |

Pepkor Africa increased revenue in constant currency by 8.5% to R53.1 billion for the nine months ended 30 June 2019. Performance was supported by a stronger third quarter, which saw revenue grow by 11.7%, largely benefitting from the shift of Easter to April. However, trading remains volatile in an environment of continued pressure on consumer spending.

The clothing and general merchandise segment reported revenue growth of 6.4% for the nine-month period, supported by 9.2% growth during the third quarter.

For the nine-month period, the PEP and Ackermans brands reported sales growth of 6.7% and like-for-like sales growth of 2.9%. Retail space expanded by 4.8% year-on-year. Core clothing, footwear and homeware (CFH) product categories achieved 7.1% sales growth and 3.5% like-for-like growth. This is an encouraging performance in the current trading environment. PEP and Ackermans in aggregate reported inflation of 4.2% in CFH retail selling prices.

PEP Africa reported a decline in sales of 0.7% in rand terms for the nine-month period. PEP Africa reported strong constant currency performance with sales growth of 14.9% and like-for-like growth of 11.4%. Good results were achieved in most countries while macro-economic challenges in Zimbabwe continue to impact performance.

The Speciality division reported sales growth of 9.5% with like-for-like growth of 4.2% for the nine-month period. Satisfactory performance was achieved in the clothing product categories with continued softer performance in footwear.

For more detail on Pepkor Africa and its other businesses, please refer to its trading update for the period under review on the website www.pepkor.co.za.

## Automotive – discontinued operations

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **Total revenue** | 1 140 | 1 166 | (2) | 3 |

On 28 March 2019, the Group announced that it had reached an in-principle agreement to dispose of its automotive operations, as explained in more detail in the 'Unitrans' section in the Financial and Business Review in the 2019 Half-year Report and note 1 of the 2018 Consolidated Financial Statements.

## United States of America

### Mattress Firm

On 21 November 2018, following the completion of the Chapter 11 restructuring, the Group's shareholding in Mattress Firm decreased from 100% to 50.1%. As a result of the change in governance structure and the reduction in shareholding, for accounting purposes, the Group is deemed to have lost control of Mattress Firm and the remaining 50.1% stake has been equity accounted with effect from that date. In accordance with accounting standards, following the change in control, 100% of Mattress Firm's results are deemed to be discontinued operations up to and until 21 November 2018, although the Group retains a 50.1% shareholding in Mattress Firm, subject to dilution from the management incentive plan. For more detail please refer to the 'Mattress Firm' section of the Financial and Business Review in the 2018 Annual Report and note 1 of the 2018 Consolidated Financial Statements.

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % |
|---|---|---|---|
| Revenue for the nine-month period | 1 908 | 1 885 | 1 |
| Revenue for the seven-month period 21/11/2018 – 30/06/2019 (equity accounted) | (1 522) | | |
| Revenue for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | 386 | 1 885* | (80) |

**Represents revenue for the nine-month period 9MFY18.*

Mattress Firm reported a disappointing performance during the 2017 and 2018 reporting periods, as explained in more detail in the 2017 and 2018 Annual Reports. Following the successful Chapter 11 restructuring in November 2018, the performance trends in the business have been far more encouraging.

In October 2018, Mattress Firm entered into a voluntary Chapter 11 restructuring process, which was successfully completed in November 2018, 48 days after the initial Chapter 11 filing.

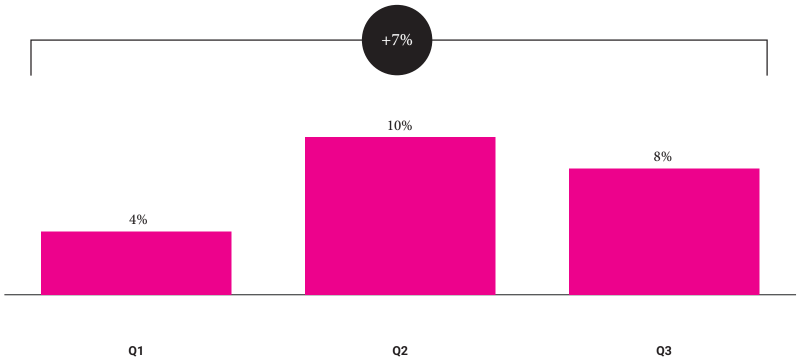
The Chapter 11 process was the cornerstone of Mattress Firm's turnaround plan as it enabled Mattress Firm to restructure its balance sheet, secure additional funding, and optimise its retail store portfolio by exiting 640 economically inefficient retail store locations.

Mattress Firm closed a further 78 stores during the period under review through natural lease expirations.

Despite a 22% reduction in the store base year-on-year, USD revenue decreased by only 4% for the period under review. Encouragingly, like-for-like sales increased by 7% for the nine-month period, representing the fifth consecutive quarter of positive like-for-like sales growth.

As shown in the following table, although the first quarter performance reflects disruption to trade arising from the Chapter 11 proceedings, Mattress Firm still managed to achieve solid like-for-like sales growth. Following the successful completion of the Chapter 11 process, double-digit growth in like-for-like sales was achieved in the second quarter. When comparing the 2019 fiscal Q2 with Q3 like-for-like growth, it should be noted that Easter 2019 (typically a weak trading period for Mattress Firm with stores closed on Easter Sunday) occurred in April (Q3), while Easter 2018 occurred in Q2. Strong like-for-like sales growth was recorded in May and June 2019.

Like-for-like revenue growth 9MFY19




Sales per store during the period under review increased by 22% as the business benefitted from reduced cannibalisation and better than expected sales transfer from closed stores to neighbouring locations, as well as more effective merchandising and advertising initiatives.

## Australasia

### Greenlit Brands

| REVENUE (€M) | 9MFY19 | 9MFY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **Total revenue** | 969 | 963 | 1 | 3 |
| Household goods | 492 | 468 | 5 | 8 |
| General merchandise | 477 | 495 | (4) | (1) |

Economic conditions in Australia weakened during the period under review and the middle market household goods brands experienced challenging trading conditions. The Reserve Bank of Australia reported in June 2019 that the retail sector in Australia had suffered the worst business conditions of any industry in the country over recent years.

Overall, household goods divisional revenue was boosted by the performance of Fantastic Furniture, which experienced strong like-for-like sales growth across the period, illustrating the resilience of the value price segment where Fantastic is positioned. Overall, the household goods division reported revenue growth of 5% (8% in constant currency) with flat like-for-like sales.

The general merchandise division was also negatively impacted by the tight retail conditions and reported a 4% decline in revenue (-1% in constant currency) while like-for-like revenue decreased by 2%.

## Share capital

The number of shares in issue at 30 June 2019 and 30 June 2018 was **4 310 million** shares.

## Notes to investors

The revenue and other financial information on the Group contained in this quarterly update are unaudited.

## Forward-looking statements

This update contains management's view on future developments based on information currently available and is subject to risks and uncertainties, as described in the risk management section in the 2019 Half-Year Report, which can be accessed on the Group's website at www.steinhoffinternational.com. These risks are outside the control of management, and in the event that underlying assumptions turn out to be inaccurate, or risks contained in the risk report materialise, actual results may differ materially from those included in these statements. Management and the Group do not assume any obligation to update any forward-looking statements made beyond statutory disclosure obligations.

# ANNEXURE

## Exchange rates

| | AVERAGE TRANSLATION RATE | | |
|---|---|---|---|
| | 9MFY19 | 9MFY18 | % change |
| ZAR:EUR | 0.0620 | 0.0655 | (5) |
| GBP:EUR | 1.1388 | 1.1334 | – |
| AUD:EUR | 0.6263 | 0.6423 | (2) |
| USD:EUR | 0.8820 | 0.8337 | 6 |
| CHF:EUR | 0.8836 | 0.8567 | 3 |
| PLN:EUR | 0.2329 | 0.2367 | (2) |

# CORPORATE AND CONTACT INFORMATION

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63570173

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## COMPANY SECRETARY

Ewoud van Gellicum

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## SOUTH AFRICAN TRANSFER SECRETARIES

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In addition, the Group has commercial facilities with various other banking and financial institutions worldwide.

www.**steinhoff**international.com