STEINHOFF
INTERNATIONAL HOLDINGS N.V.

Quarterly update

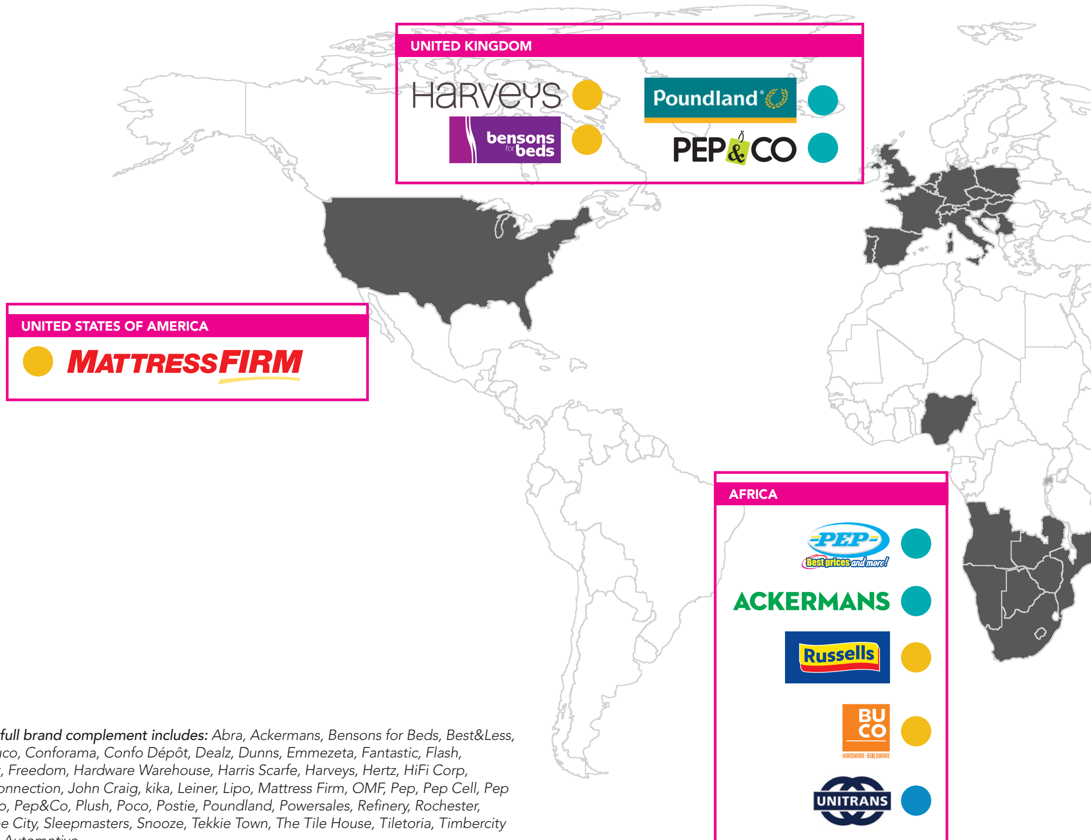
THREE MONTHS ENDED 31 DECEMBER 2017 (Q1FY18)
(UNAUDITED)

FOR LIFE AND FOR HOME . . .

APPLIANCES
BUILDING MATERIALS
AND DIY PRODUCTS
CLOTHING
CELLULAR PRODUCTS
CONSUMER ELECTRONICS
AND TECHNOLOGY PRODUCTS
FMCG
FOOTWEAR
FURNITURE AND BEDDING
GENERAL MERCHANDISE
HOUSEHOLD GOODS
HOME ACCESSORIES
PERSONAL ACCESSORIES
SELECTED FINANCIAL SERVICES
AUTOMOTIVE

STEINHOFF TODAY ...

... adds value to its customers' lifestyles by providing **everyday products** at **affordable prices** and serving customers at **their convenience** with more than 40 local brands in over 30 countries



The group's full brand complement includes: Abra, Ackermans, Bensons for Beds, Best&Less, Bradlows, Buco, Conforama, Confo Dépôt, Dealz, Dunns, Emmezeta, Fantastic, Flash, Floors Direct, Freedom, Hardware Warehouse, Harris Scarfe, Harveys, Hertz, HiFi Corp, Incredible Connection, John Craig, kika, Leiner, Lipo, Mattress Firm, OMF, Pep, Pep Cell, Pep Home, Pepco, Pep&Co, Plush, Poco, Postie, Poundland, Powersales, Refinery, Rochester, Russells, Shoe City, Sleepmasters, Snooze, Tekkie Town, The Tile House, Tiletoria, Timbercity and Unitrans Automotive.

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HOUSEHOLD GOODS

Furniture and homeware retail businesses

Product categories include: furniture, mattresses, household goods, appliances, home accessories, consumer electronics and technology goods, building materials and DIY products and accessories.

GENERAL MERCHANDISE

Clothing and footwear, accessories and homeware

Product categories include: clothing, footwear, personal accessories, cellular products, selected financial services and fast-moving consumer goods.

AUTOMOTIVE

Dealerships and rental outlets in southern Africa provide vehicles, parts, insurance, accessories, servicing and car rental

This category includes a wide range of motor and heavy road vehicle brands at price points ranging from entry level to luxury.

STAR

Separately listed general merchandise and household goods retailer in southern Africa.

EUROPE

POCO EINRICHTUNGSMÄRKTE
Conforama
kika Leiner
PEPCO

AUSTRALIA AND NEW ZEALAND

freedom
Snooze
FANTASTIC FURNITURE
Best&Less
hs harris scarfe

CHAIRPERSON'S LETTER

Dear Stakeholder

It has been a difficult few months for Steinhoff and its stakeholders and we are working hard to uncover the truth and to prosecute wrongdoing. We are cooperating fully with regulators and will continue to do so. Much has gone wrong at our company, but I assure you that despite the resulting challenges for the board and management, every single person at Steinhoff is working hard every day to serve the needs of our customers and deliver value for our stakeholders.

I write to you against the backdrop of the group's Q1 2018 trading update, a reminder that, despite the turbulence, the businesses that comprise the Steinhoff group continue to trade and service the requirements of our customers in more than 30 countries.

There are legal and other constraints on what we are able to communicate at this time, and we are as frustrated as you must be that it is not yet possible to provide more information. We have to advance our work far enough to be able to communicate publicly without harming or constraining potential prosecutions and other actions that may arise. However, within these constraints, this trading update will provide as much information as we are currently able to share. In due course, when the financial restatement and forensic processes allow, we will provide comprehensive information. The company has issued 41 public statements since 4 December 2017, copies of which are available on our website.

The resignation of the former CEO, Markus Jooste, on 5 December 2017 following the revelation of certain accounting irregularities, has had a profound impact. We are acting on many fronts to ensure that the interests of the group's many stakeholders are properly protected.

The 5 December 2017 announcement and subsequent postponement of the publication of the group's consolidated financial statements for 2017 triggered both a liquidity crisis across the group and a significant decline in share price. Moelis and AlixPartners, international financial and liquidity advisers, were brought in to help stabilise the group. PwC was immediately appointed to conduct an independent forensic investigation to uncover the detail of what went wrong. PwC's investigation has an unrestricted scope and they have been provided with unlimited access to the group. Their investigation continues, and we provide information about this process below.

Following the events of early December 2017, the group's essential working capital, especially in its businesses outside of South Africa, largely dried up as the access of our operating businesses to their banking facilities and other credit lines was severely constrained. While the South African businesses could meet their ongoing obligations, many of the group's international businesses, particularly some European businesses, were at risk of failing to meet their day-to-day financial obligations. Urgent action was required to maintain the required liquidity and the support of the group's lenders was essential to ensure that our businesses continued to trade throughout the critical Christmas and New Year period.

We have held several update meetings with our lenders and credit insurers. These meetings took place in December 2017 and January 2018 in Europe, South Africa, Australia and Asia. The majority of the group's international operating subsidiaries have now arranged their own working capital facilities and these local financings, together with the release of funds from the group's South African operations and certain limited non-core asset sales, have largely addressed the group's near-term liquidity needs. However, given the ongoing cash needs of the group's operating businesses (in particular Mattress Firm in the US) and the fact that the group has, in most part, agreed not to access undrawn amounts under its European credit facilities, work remains to be done to ensure that the group and its operating businesses have the required working capital. Discussions with our various lender groups, at both South African and international level, are continuing.

Examples of investments that have been disposed of to support group liquidity include:

- the group's investment in the PSG Group;
- a 17% stake in Showroomprivé; and
- the Mariahilferstrasse property in Vienna.

The group continues to take steps to refinance or redeem the debt financing currently within the South African operations. The group is in a process of redeeming the domestic medium-term note programme issued by Steinhoff Services Limited, and once finalised these notes will be delisted from the JSE.

We are now entering the next phase of broader lender engagement, and a committee comprising representatives of some of the group's principal lenders has been established to facilitate interactions between the group and its creditors over the coming months. The group is also seeking waivers from its European creditors of certain possible defaults under some of its European financing arrangements arising out of the accounting irregularities and associated matters. These waivers are intended to create a window of stability to enable management to consider the group's strategic options and develop a plan to address the group's financial indebtedness in conjunction with the group's financial creditors.

Governance

As part of ensuring the future of the group, we recognise that it is necessary to improve confidence in the group's governance. A number of important governance changes were thus made in the immediate aftermath of the announcement of 5 December 2017.

An independent subcommittee of the supervisory board was established on 11 December 2017 to promote the board's independent governance and to facilitate the rapid decision-making required in these times of crisis. The subcommittee is chaired by Johan van Zyl and consists of Steve Booysen and me. Shortly thereafter, I was appointed acting chair of the supervisory board. In addition, the group's management team has been strengthened with the appointment of Danie van der Merwe as acting CEO, Alexandre Nodale as deputy CEO, Louis du Preez as commercial director and Philip Dieperink as acting CFO.

More recently, Richard Heis was appointed as the group's chief restructuring officer. Richard was previously global head of restructuring at KPMG and brings over 25 years of experience in dealing with complex international debt restructurings.

The supervisory board has throughout this crisis reiterated the need to strengthen its own independence and I am delighted to announce that, at the company's forthcoming AGM on 20 April 2018, it will be proposed that Khanyisile Kweyama, Moira Moses, Hugo Nelson, Clive Thomson, Peter Wakkie and Alexandra Watson each be appointed as new independent members of the supervisory board. I am certain that each of these individuals will make an important contribution toward ensuring solid corporate governance throughout the organisation.

In addition, the existing members of the supervisory board who are intending to remain with the company (being Johan van Zyl, Steve Booysen, Angela Krüger-Steinhoff and me) will each be put forward for reappointment at the AGM as we consider it essential to obtain a clear mandate from shareholders to remain with the group and continue in our roles. To facilitate the orderly transition of the board to the new board members and bring about significant new and independent oversight to your company, Len Konar, Claas Daun and Bruno Steinhoff (each of whom was appointed on the initial listing of Steinhoff International Holdings Limited in 1998 and who were due to retire at or before the AGM on 20 April 2018 in line with the rotation policy) and Theunie Lategan (independent) have all retired early from the supervisory board with effect from today. None of them will therefore seek reappointment at the AGM. We wish to thank them for their significant contribution, in particular their sterling efforts during the crisis. In addition, Christo Wiese, Jacob Wiese, Jayendra Naidoo and Thierry Guibert

resigned from the group during the last three months. We also wish to thank them for their commitment to the group and their contribution during their tenure.

The company is also establishing a new governance and ethics committee, which is to be chaired by Peter Wakkie, to replace the previous governance and sustainability committee. The remit of this committee will be to play a key role in the process of improving corporate governance throughout the group by reviewing the group's internal governance and legal compliance policies, as well as the group's conformance to ethical and social standards. I am delighted that Peter, a leading expert on corporate governance, has decided to join Steinhoff. He has an outstanding reputation in the retail and legal industries and I am confident that he will do an excellent job.

Litigation and regulatory investigations

As a result of investigations to date, the head of the audit committee has reported the former CEO, Markus Jooste, to the South African government's Directorate for Priority Crime Investigation unit, the Hawks, under section 34(1)(b) of the Prevention and Combatting of Corrupt Practices Act 2004, on the suspicion that he has committed offences thereunder. This matter is now in the hands of the Hawks for further investigation and potential prosecution.

We are aware that legal proceedings have been initiated against the group: VEB, the Dutch Investors' Association, initiated litigation against the company on 2 February 2018 in Amsterdam, bringing a collective action on behalf of certain shareholders.

In addition, the South African Financial Services Board, the Johannesburg Stock Exchange and the South African Companies and Intellectual Properties Commission have each commenced an investigation into the group in relation to the accounting irregularities and related matters.

The fact that the current proceedings remain at an early stage and that the PwC investigation is still ongoing makes it impossible to estimate reliably what effect legal proceedings and regulatory investigations will have on the group.

In terms of other litigation within the group, the Enterprise Chamber of the Amsterdam Court of Appeal ruled that the company was correct to consolidate Poco as a controlled interest in its 2016 accounts. However, it has ordered that the company amend the 2016 accounts to change its consolidation treatment of Poco from a 100% controlling interest to a 50% controlling interest and release the related settlement liability.

Furthermore, and unrelated to the Amsterdam case, Poco chairman Peter Pohlmann's 10-year controlling vote in the Poco joint venture expired in March 2017. Historically this vote was cast after receiving Steinhoff's approval, thus giving Steinhoff control. As this vote has now expired, and for accounting purposes, Poco will be changed from a 50% controlling interest to a 50% equity accounted interest from March 2017. Under equity accounting, no revenue for Poco will be reported, however, when measured on an earnings level, the impact of 50% controlling interest when compared to a 50% equity accounting is neutral.

The group's disputes with the previous joint venture partner are ongoing.

Continued listing

We have been in regular contact with the company's three principal regulators (the AFM in the Netherlands, the FSE in Frankfurt and the JSE in Johannesburg) with regard to the status of the company's listings on the FSE and the JSE and confirm that none of the regulators are currently seeking a suspension of the listing of the company's ordinary shares. Nothwithstanding the accounting irregularities or the delay in publication of the company's 2017 consolidated financial statements, the company's ordinary shares remain listed and traded on the FSE and the JSE and are expected to remain as such for the forseeable future. We remain committed to maintaining open communication lines with each of our regulators.

Update on PwC investigation and the company's consolidated financial statements

PwC's forensic investigation continues and, while the company is determined to get to the bottom of the accounting irregularities as quickly as possible, it is essential that PwC is allowed sufficient time to conduct a thorough investigation to determine precisely what has taken place. The scope encompasses analysis of potential accounting irregularities and/or non-compliance with laws and regulations, concerns raised by Steinhoff's auditor, Deloitte, and any other issue brought to the attention of PwC that requires investigation. Although early in the investigation, it appears at this stage that the accounting irregularities relate largely to the group's central European business.

The task is substantial, complex and time-consuming, involving interaction with Deloitte, third parties, regulators and Steinhoff entities and employees (current and former).

PwC has already conducted interviews with certain group executives (current and former) and has collected raw data from computers, cell phones and servers (with the assistance of digital forensics) and documentation for analysis. The investigation aims to determine the background to certain transactions and agreements resulting in the alleged irregularities and compliance breaches. The outcome of these investigations will determine the financial impact on the group; the timing of the publication of the company's consolidated financial statements for 2017 and the restatement of the 2015 and 2016 financial statements; and the individuals involved who are to be held accountable. It is not possible at this stage to provide any definitive timing for conclusion of the PwC investigation, but the company will provide regular updates on any material developments and clarity on timing as soon as possible.

A key focus area for the PwC investigation is to review certain off-balance sheet structures and transactions, including those with certain closely related parties. The company's expectation is that such structures and transactions will have resulted in historical revenue and assets in certain parts of the group having been overstated (affecting inter alia the supply chain revenue, which therefore has not been included in the revenue disclosed in the Q1 2018 trading update), resulting in historical profits of the company having been materially overstated.

The group announced in early December 2017 that it is investigating the validity and recoverability of certain non-South African assets and the review of these assets has been included in the PwC investigation. These assets include certain loans, investments and historical cash equivalents and their value was estimated to be in the region of €6 billion. In addition, it has since emerged that the expected overstatement of profits and the accounting treatment of related parties may also result in material additional impairments of intangible and other assets, although further investigation is required to confirm and quantify this position. Caution should therefore be exercised with respect to most household goods segment businesses' historically stated operating margins, which cannot be relied on for the historical periods under review, or for the purposes of projecting current or future periods. The review of these assets and results will also be covered by management and the PwC investigation, and we will provide an update on these additional elements as and when we have greater clarity.

In order to obtain visibility on the financial position of the operating business at the earliest opportunity, the group will focus on investigations and audits for the individual operating units on an accelerated timescale, with a view to facilitating the finalisation of the accounts of the operating units.

It is important to note that STAR, the group's 76.8% held JSE-listed subsidiary, received an unqualified audited report for the year ended 30 September 2017.

Steinhoff is committed to communicating as fully as possible in connection with the PwC investigation and the accounting irregularities. However, while the PwC investigation is ongoing and its outcome remains unclear, it is currently not possible to provide further details on the matter.

Conclusion

We are working constantly 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 (whether creditors, shareholders or our 130 000 employees). We all want to see Steinhoff secure in its future and I am determined to do whatever it takes to make that happen.

Finally, I would like to take this opportunity to thank the board members, management and staff who have been working around the clock to keep the business running despite these challenging times.

Yours faithfully

Ms Heather Sonn
Acting chair

28 February 2018

OPERATIONAL REVIEW

Please note that the operational review should be read in conjunction with the chairperson's letter.

Retail revenue for the quarter ended 31 December 2017

RETAIL REVENUE (excluding supply chain) (€m)	Q1:18	Q1:17	% change
EUROPE AND UK			
Total retail revenue: Europe	2 725	2 662	2%
Household goods	1 858	1 873	(1%)
Conforama	1 003	1 011	(1%)
ERM (including Poco)*	683	679	1%
UK	172	183	(6%)
General merchandise	867	789	10%
AFRICA			
Total revenue: Africa	1 499	1 403	7%
STAR	1 143	1 062	8%
Automotive	356	341	4%
UNITED STATES OF AMERICA			
Total revenue: USA	638	760	(16%)
AUSTRALASIA			
Total revenue: Australasia	359	275	31%
Household goods	169	87	94%
General merchandise	190	188	1%
Comparable group retail revenue (excluding supply chain)	5 221	5 100	2%
Poco (now equity accounted)*	(365)	–	
Total group retail revenue as reported	4 856	5 100	(5%)

* *Poco chairman Peter Pohlmann's 10-year controlling vote in the Poco joint venture expired in March 2017. Historically this vote was cast after receiving Steinhoff's approval, thus giving Steinhoff control. As this vote has now expired, and for accounting purposes, Poco will be changed from a 50% controlling interest to a 50% equity accounted interest from March 2017. Under equity accounting, no revenue for Poco will be reported, however, when measured on an earnings level the impact of 50% controlling interest when compared to a 50% equity accounting is neutral. It should be emphasised that the controlling vote position has no impact on the ownership dispute in the German court proceedings.* *Refer to page 9 for further details.*

Segmental breakdown

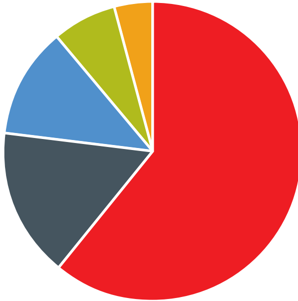
RETAIL REVENUE (€m) (excluding supply chain)

	Q1:18	Q1:17	% change
HOUSEHOLD GOODS	2 665	2 720	(2%)
Europe	1 858	1 873	(1%)
Conforama	1 003	1 011	(1%)
ERM (including Poco)*	683	679	1%
UK	172	183	(6%)
USA	638	760	(16%)
Australasia	169	87	94%
GENERAL MERCHANDISE	1 057	977	8%
Europe and UK	867	789	10%
Australasia	190	188	1%
AUTOMOTIVE	356	341	4%
STAR (separately listed)	1 143	1 062	8%
Comparable group retail revenue (excluding supply chain)	5 221	5 100	2%
Poco (now equity accounted)*	(365)	–	
Total group retail revenue as reported	4 856	5 100	(5%)

* *Poco chairman Peter Pohlmann's 10-year controlling vote in the Poco joint venture expired in March 2017. Historically this vote was cast after receiving Steinhoff's approval, thus giving Steinhoff control. As this vote has now expired, and for accounting purposes, Poco will be changed from a 50% controlling interest to a 50% equity accounted interest from March 2017. Under equity accounting, no revenue for Poco will be reported, however, when measured on an earnings level the impact of 50% controlling interest when compared to a 50% equity accounting is neutral. It should be emphasised that the controlling vote position has no impact on the ownership dispute in the German court proceedings. Refer to page 9 for further details.*

Household goods: Europe

CONFORAMA



61%	France
16%	Switzerland*
12%	Spain and Portugal (Iberia)
7%	Italy
4%	Balkans

** Includes Lipo (€45 million (1Q17: €52 million))*

During the quarter ended 31 December 2017, the Conforama segment generated revenue growth in constant currency of 0.4%.

Revenue growth was achieved in all territories except Switzerland, where revenue decreased on the back of a challenging retail market. During the quarter, Conforama increased sales in its core product categories (furniture, homewares and white goods) while sales decreased in non-core brown and grey goods (TVs, mobile phones, computers, etc.).

Total like-for-like sales for the Conforama segment were down by 1% for the quarter under review, with flat like-for-like sales in France. Switzerland and Italy were the only territories that reported negative like-for-like growth.

Positive sales momentum was reported in Iberia, Croatia and Serbia. Sales in Italy were at similar levels to the previous year, supported by two new store openings during the quarter.

Sales momentum in Iberia, Croatia and Serbia will be supported by new store openings in the 2018 financial year. During the quarter under review, Conforama opened four new stores (Italy 2, Iberia 1 and France 1 respectively).

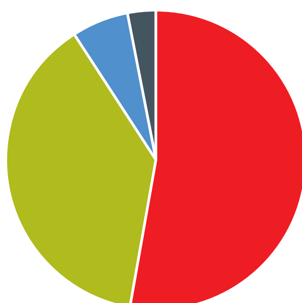
During the quarter, the group continued its focus on e-commerce sales, with the group increasing online sales by 7%.

Lipo's operations, which are included in the Conforama segment, declined by 5% in constant currency terms. It should be noted that the comparative quarter includes the results of a large and successful '40 years' marketing campaign that wasn't repeated in the current quarter.

ERM

REVENUE (€m)	Q1:18	Q1:17
ERM reported revenue (Poco not included for the current period, but included for the comparative period)	318	679
Poco revenue current period	365	–
ERM pro forma revenue (Poco included for the current period and comparative period)	683	679

PRO FORMA REVENUE DISTRIBUTION*



53%	Poco
38%	kika
6%	Extreme Digital
3%	ABRA

** Includes Poco revenue of €365 million.*

Background

The Amsterdam Enterprise Chamber ruled that the company was correct to consolidate Poco as a controlled interest in its 2016 accounts. However, it has ordered that the company amend the 2016 accounts to change its consolidation treatment of Poco from a 100% controlling interest to a 50% controlling interest. While the ruling relates purely to the group's accounting treatment for Poco, the ongoing German court proceedings will, in due course, determine the parties' respective ownership interests in Poco.

Furthermore, unrelated to the Amsterdam case, Poco chairman Peter Pohlmann's 10-year controlling vote in the Poco joint venture expired in March 2017. Historically this vote was cast after receiving Steinhoff's approval, thus giving Steinhoff control. As this vote has now expired, and for accounting purposes, Poco will be changed from a 50% controlling interest to a 50% equity accounted interest from March 2017. Under equity accounting, no revenue for Poco will be reported, however, when measured on an earnings level, the impact of 50% controlling interest when compared to a 50% equity accounting is neutral. It should be emphasised that the controlling vote position has no impact on the ownership dispute in the German court proceedings.

Poco revenue is included in the actual comparative 1Q17 revenue of the ERM segment, as the comparative period precedes the expiry date of March 2017. Therefore, to ensure comparability, the 1Q18 revenue and trading update are included in the ERM commentary below to assist readers in comparing the two periods, as well as assessing trading conditions in Poco.

ERM trading update

The ERM business has increased revenue by 1% to €683 million (1Q17: €679 million) on a pro forma basis, including Poco revenue of €365 million (1Q17: €368 million).

Poco reported a revenue decline of 1% for the quarter under review. The insolvency of ALNO, an unrelated major kitchen supplier, impacted on the quarter's kitchen turnover, as prepaid orders had to be redirected to other suppliers. This resulted in a revenue loss of €10 million and delivery times for kitchens have been postponed by months due to a lack of capacity in the market. Excluding this one-off insolvency loss, Poco's revenue increased by 2%, despite a competitive German furniture market, and reflected an increase in market share. Like-for-like revenue, excluding the ALNO effect, increased by 1% for the quarter under review. Poco is planning to open approximately five new stores in FY18, two of which were opened in the quarter under review.

The kika-Leiner business reported a 2% decline in constant currency revenue for the quarter under review, while like-for-like sales decreased by 4%.

In Austria, kika-Leiner trading was under pressure in a competitive market. Made-to-order large furniture (for example kitchens and other large furniture), where customers pay a deposit upon ordering, is a material part of Austrian sales. These categories suffered in December due to uncertainty surrounding the Steinhoff group.

The eastern European kika-Leiner territories continued their strong performance.

Extreme Digital, the group's online retail business in eastern Europe, is in the process of being sold. Extreme Digital's revenue amounted to 6% of 1Q18 ERM revenue. It has an insignificant impact on the profitability of the ERM segment.

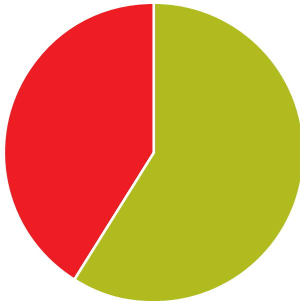
United Kingdom

Euro-reported revenue in the United Kingdom decreased by 6% to €172 million (1Q17: €183 million), while constant currency revenue decreased by 4%. Like-for-like revenue declined by 7% in a challenging furniture market.

The reporting of the UK segment has been adjusted to include UK manufacturing revenue. Manufacturing revenue of €16.2 million (1Q17: €15.7 million) is included in the results for this territory.

General merchandise: Europe

EUROPE



59%	Poundland* (largely UK)
41%	Pepco (Eastern Europe)

** Includes PEP&CO and Dealz*

The general merchandise segment in Europe delivered a strong performance and increased sales by 10% to €867 million for the quarter ended 31 December 2017 (1Q17: €789 million).

In eastern Europe, the business continues to steam ahead, increasing sales by 42% to €354 million for the quarter ended 31 December 2017 (1Q17: €249 million) while constant currency revenue increased by 37%. Like-for-like sales growth was 12% for the full quarter. The business continues to show good growth throughout all the territories in which it operates. During the period under review, 88 new stores were added in eastern Europe, with 21% (1Q17: 26%) of sales generated from stores less than 12 months old, and approximately 45% (1Q17: 35%) of total sales now being generated outside of Poland. Romania is now the second largest market, contributing 15% of sales. During the quarter, the business entered into one new country (Lithuania), which, along with the recently added territories (Croatia and Slovenia), is trading above expectations. New store openings for FY18 are expected to exceed that of the 2017 year, when 238 new stores were added.

During the quarter under review, the Poundland group delivered a robust 5% like-for-like sales growth on the back of a record Christmas period. Reported sales for the period declined by 5% to €513 million (1Q17: €540 million), (decreasing by 3% in constant currency) despite trading in 10% fewer stores. The introduction of a multi-price strategy (introducing products at price points of £2 and £5) continues to be successful and will be extended during FY18.

The group will continue to roll out the PEP&CO store-in-store concepts in Poundland stores and to offer a unique point of differentiation for customers. During the quarter under review, the group added 21 PEP&CO store-in-stores within Poundland (bringing the total to 132 stores at 31 December 2017), with a further 150 stores planned for the remainder of the 2018 financial year. Dealz in Spain (nine stores) increased like-for-like sales by 10%.

Africa

STAR

In a challenging consumer environment, STAR achieved revenue growth of 8% to €1 143 million (1Q17: €1 062 million), while in constant currency, growth was 15% as the group's continued focus on price leadership and value offerings drove market share gains in operations. When excluding the acquisition of Building Supply Group and including Tekkie Town for the current and comparative quarter, comparable constant currency growth of 8.5% was achieved.

Divisional constant currency growth dynamics

The Pep and Ackermans brands in aggregate reported 6.3% revenue growth and 1.9% like-for-like sales growth for the quarter. As guided in STAR's annual results presentation in December 2017, performance was affected by deflation as a result of the strengthened rand. Growth in sales units of 9.8% (6.2% on a like-for-like basis) supported performance as lower prices were passed on to customers. Resilient back-to-school campaigns resulted in like-for-like sales growth of 4.9% during January 2018.

The furniture, consumer electronics and appliances brands increased market share and reported strong revenue growth of 12.1% and like-for-like sales growth of 7.4% during the quarter.

The building materials and DIY (do-it-yourself) business continued to operate in a challenging market. During the first quarter revenue declined by 5.1%, while like-for-like sales (excluding BSG) declined by 3.4% .

The speciality fashion and footwear businesses, which focus on the adult apparel market, had a successful quarter, reporting revenue growth of 19.9% and like-for-like sales growth of 12.5%. This performance was supported by strong growth achieved by Tekkie Town and the repositioned retail brands.

While the challenges of deflation on the performance of Pep and Ackermans is expected to continue, management remains confident that the more affordable offer and lower prices within these brands will continue to resonate with a financially constrained consumer and support market share gains. Notwithstanding the building materials market, which is expected to remain subdued, the positive momentum in the remainder of the STAR group is expected to further drive performance in the 2018 financial year.

With regard to store openings, STAR opened approximately 150 stores during the first quarter. STAR is planning to open 350 stores during the FY18 year including the stores opened in the first quarter.

Automotive

Despite a challenging market where new vehicle sales and commercial vehicle sales volumes remain under pressure, the automotive retail division in southern Africa reported good results. Stronger pre-owned vehicle volumes, which operate counter-cyclical to that of new vehicles, supported performance. Revenue growth of 4% to €356 million was achieved compared to the previous period, with constant currency growth of 12%. Like-for-like revenue increased by 10%.

During May 2017, General Motors announced its exit from South Africa. This resulted in the closure of six dealerships effective 1 January 2018. The impact of this decision will be countered by the automotive division becoming the national distributor of all General Motors parts in South Africa. The distribution right for vehicles under the Opel brand has also been secured.

USA

Mattress Firm

Since the acquisition of Mattress Firm (effective 30 September 2016), the group decided to accelerate its long-term strategy in the US bedding market, and the group has:

- completed the rebranding of all stores under the Mattress Firm banner. Since acquisition, 1 369 stores (approximately 40% of the total store estate) have been rebranded to capitalise on the benefits of a national chain, including national advertising and purchasing scale.
- exited Mattress Firm's supply agreement with its previous largest supplier and entered into a five-year strategic partnership agreement with Serta Simmons, the largest mattress manufacturer in the US.
- undertaken a review of both its management and operational structures. Its operational structure has been restructured into five separate geographical areas, allowing divisional leadership to implement regional strategies to better respond to their respective markets. There have also been a number of changes at senior and middle management levels to reposition the business.
- acquired an 80% interest in Sherwood Bedding Company, a US mattress manufacturer, to help implement the vertical integration model.

As expected, these fundamental changes have had a short-term negative impact on the business, which has resulted in Mattress Firm's like-for-like sales being down by 10% for the period under review, largely driven by lower average unit selling prices. Like-for-like unit sales for the group declined by 3%.

The rebranding of legacy store banners (Sleepy's and Sleep Train) put downward pressure on the like-for-like sales, primarily in the east and west coast markets. Management's expectations (based on past trends) are that it takes approximately 18 months for consumers to adopt these new brands.

Furthermore, management has identified that the change in major supplier has resulted in gaps in the product range that are being urgently addressed.

Trading conditions have also been negatively impacted by adverse weather conditions in several regions and a shift in the US market, with the mattress online channel continuing to gain market share.

As a consequence, management is focused on optimising its store estate in an effort to right-size the overall estate and reduce the number of underperforming stores. During the quarter under review, 99 stores were closed, while eight stores were opened. Management aims to close approximately 175 stores and open 75 new stores (inclusive of the store movements in the first quarter) during the 2018 financial year.

Australasia

The acquisition of Fantastic Furniture became unconditional on 1 January 2017. This acquisition added revenue of €91 million for the quarter under review and contributed substantially to the constant currency growth of 42% experienced in the Australasian region.

Retail conditions remain difficult in this region. Factors contributing to this include low wage growth and rising costs. Excluding acquisitions, revenue in constant currency during the period under review grew by 4%.

Household goods: Australasia

Fantastic Furniture reported a strong set of results, with growth in constant currency of 5% and like-for-like sales growth of 2%, clearly illustrating the resilience of the value price segment, where Fantastic is positioned.

The middle market household goods brands experienced more challenging trading conditions and achieved a negative growth of 4% in constant currency, while like-for-like sales decreased by 3%.

General merchandise: Australasia

Revenue in this segment increased by 7% on a constant currency basis, while like-for-like sales increased by 3%.

Best&Less achieved solid growth, while Harris Scarfe reported flat like-for-like sales, despite a challenging department store sector in Australia, supported by a strong e-commerce performance. The Postie brand in New Zealand achieved strong revenue growth driven by kids' and babywear.

Share capital

The number of shares in issue (net of treasury shares) at 31 December 2017 was **4 189 million** (31 December 2016: 4 242 million).

The weighted average number of shares in issue amounts to **4 203 million** at 31 December 2017 (31 December 2016: 4 242 million).

Notes to investors

The revenue and other financial information on the group contained in the operational review and this update are unaudited. Shareholders and other investors are advised to exercise caution when dealing in the securities of the group.

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 report, as included in the 2016 annual 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.

Annexures

Exchange rates

	AVERAGE TRANSLATION RATE		
	1Q18	1Q17	% Change
ZAR:EUR	0.0621	0.0666	(7%)
PLN:EUR	0.2363	0.2284	3%
GBP:EUR	1.1270	1.1506	(2%)
AUD:EUR	0.6528	0.6952	(6%)
USD:EUR	0.8493	0.9269	(8%)
CHF:EUR	0.8604	0.9261	(7%)

Store network

The group provides a breakdown of store numbers at interims and year-end. Since the 2017 year-end store numbers were not published, we provide a summary of the store network as at 30 September 2017 in this annexure in order for readers to put into context the commentary around store movements and store targets mentioned in this trading update for the quarter under review.

HOUSEHOLD GOODS

		30 Sep 2017	Retail area m^2 ('000)
Australia	Fantastic Furniture, Plush, OMF	141	240
	Poco	–	–
	Snooze	87	91
Australia and New Zealand	Freedom	64	128
Austria	kika-Leiner, Lipo	50	506
Croatia	Emmezeta	9	69
Czech Republic	kika-Leiner	8	55
France	Conforama	206	744
Germany	Poco	117	685
Hungary	Extreme Digital	17	2
	kika-Leiner, Abra	9	60
Iberia (Spain and Portugal)	Conforama	41	172
Italy	Conforama	16	130
Netherlands	Poco	1	6
Poland	Abra	114	80
	Poco	1	5
Romania	kika-Leiner	1	11
Serbia	Conforama	2	15
Slovakia	kika-Leiner	5	26
South Africa	Poco	2	11
Southern Africa	Bradlows, Rochester, Russells, Sleepmasters, Incredible Connection, HiFi Corp	864	427
	Steinbuild	121	340
Switzerland	Conforama	19	82
	Lipo	22	77
United Kingdom	Bensons for Beds	267	156
	Harveys	161	143
United States of America	Mattress Firm	3 423	1 631
TOTAL RETAIL OUTLETS		5 768	
TOTAL RETAIL SPACE (m^2)			5 892

GENERAL MERCHANDISE

		30 Sep 2017	Retail area m^2 ('000)
Australia and New Zealand	Best&Less, Harris Scarfe, Postie+	323	350
France	Dealz	7	9
Poland, Slovakia, Czech Republic, Romania & Hungary	PEPCO	1 213	471
Rest of Africa	Pep, Powersales	322	128
Southern Africa	Ackermans	655	413
	Pep	2 113	770
	Dunns, John Craig, Shoe City, Refinery	531	139
	Tekkie Town	345	79
United Kingdom	PEP&CO	40	13
	Poundland, Dealz*	834	444
TOTAL RETAIL OUTLETS		6 383	
TOTAL RETAIL SPACE (m^2)			2 816

** Dealz represents nine stores in Spain*

AUTOMOTIVE

		30 Sep 2017	Retail area m^2 ('000)
Southern Africa	Unitrans	98	360
	Hertz	51	25
TOTAL RETAIL OUTLETS		149	
TOTAL RETAIL SPACE (m^2)			385

TOTAL GROUP

	30 Sep 2017	Retail area m^2 ('000)
TOTAL RETAIL OUTLETS	12 300	
TOTAL RETAIL SPACE (m^2)		9 093

Corporate and contact information

Registration number

63570173

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

For further publications and additional information, please refer to the company website:

www.**steinhoff**international.com

www.**steinhoff**international.com