STEINHOFF
INTERNATIONAL HOLDINGS N.V.

# AUDITED RESULTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2019

The financial year ended 30 September 2019 was a pivotal period for the Group, during which we made tangible progress, bringing our financial reporting back up to date and implementing our financial restructuring.

The final months of the 2019 financial year marked the successful completion of phase one of the three-phase recovery process, with the implementation of the debt restructuring. In the period that followed we have been concentrating on possible solutions to the litigation faced by entities within the Group and debt reduction initiatives.

Subsequent to year-end the Group has been severely impacted by the outbreak of the COVID-19 pandemic. The long-term impact on both the supply and demand sides of our businesses is as yet unknown but has the potential to be significant.

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# MESSAGE FROM THE MANAGEMENT BOARD

Dear Stakeholders,

We are continuing our journey to address past deficiencies, and to bring stability to the Group and its businesses.

While the road ahead remains difficult, the financial year ended 30 September 2019 was a pivotal period for the Group, during which we made tangible progress, most significantly with the completion of our financial restructuring following the implementation of the CVAs and the associated changes to our group structure and governance arrangements. Furthermore, the Group reclassified a number of businesses as discontinued operations or held-for-sale assets and adopted a number of new IFRS statements.

The final months of the 2019 financial year marked the successful completion of phase one of the three-phase recovery process, with the implementation of the Group debt restructuring. In the period that followed we have been concentrating on possible solutions to the litigation faced by entities within the Group and debt reduction initiatives. However, these remain demanding objectives.

Major milestones were achieved in May and June 2019 respectively when we published the delayed 2017 and 2018 Annual Reports. Thereafter, in August 2019 we satisfied all the conditions necessary to successfully implement the financial restructuring, the culmination of a major collective effort by internal and external teams over the preceding twenty-month period. This significant achievement secured a period of financial stability for the Group up to the end of December 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 recovery plan.

The scope of work necessary to complete the financial restructuring was wide ranging, complex and highly technical, involving hundreds of creditors, specialist legal and financial advice and parallel processes across multiple jurisdictions. The sheer volume of announcements made by the Group in the lead-up to August 2019, on both financial reporting and restructuring activities, amply demonstrates the scale of these endeavours. However, after August, the Group moved into a different, and by necessity less visible, phase of the recovery process. Our determination to complete the job at hand is undiminished and work continues on many challenging fronts.

As in the previous financial year, the costs of these processes were substantial, and they had a significant impact on the reported results for the year. Advisory fees for the

Reporting Period amounted to €158 million (2018: €117 million). The total included €16 million (2018: €24 million) relating to the forensic investigation and technical accounting support, and €67 million (2018: €43 million) relating to creditor advisor fees, which we are obligated to fund.

In addition, following the events uncovered during December 2017, the audits for the 2017 and 2018 financial years were extremely complex and time consuming, and required the restatement of prior year results. The audit work for 2017 and 2018 was completed over multiple periods and was expensed in both the 2018 and 2019 Reporting Periods. The majority of the 2018 audit was performed in the 2019 Reporting Period and has been expensed in the 2019 Reporting Period. The majority of the 2019 audit work was performed in the 2020 Reporting Period and will be expensed in the 2020 Reporting Period when billed.

Every effort is being made to limit advisor costs and, with implementation of the financial restructuring now behind us, we expect the total to fall in the 2020 financial year.

However, legal advisory fees are expected to remain significant in the period ahead as we attempt to resolve and deal with outstanding litigation and seek redress against former executives and related parties.

## *Financial Performance*

During the period Steinhoff was refocused as a global holding company with a broad range of interests in the retail sector. These businesses operate a number of strong local brands and are well diversified by geography and business line. Individual businesses, such as Pepkor Africa and Pepco Group (formerly Pepkor Europe), continued to perform robustly, while others remained in turnaround but reported more encouraging trade, such as Mattress Firm, or, like Conforama, remained at an earlier stage of their recovery journey.

Despite the many challenges we faced in the 2019 financial year, the Group reported a resilient performance, with strong results from certain businesses compensating for weaker outcomes from those still in turnaround. Total revenue from continuing operations for the year ended 30 September 2019 increased by 5% to €12.0 billion (2018: €11.4 billion), with strong contributions from Pepco Group (+12%) and Pepkor Africa (+4%). Further information on the performance of the Group's individual operating businesses is contained within the accompanying Operational Review.

## *Achievements in the year*

The Group achieved a number of important milestones during the Reporting Period:

- The demanding and complex task of finalising the 2017 and 2018 Annual Reports was completed in May and June 2019 respectively. In the circumstances in which we found ourselves after the disclosures of December 2017, the challenge this presented should not be underestimated and finalisation of the accounts was a major achievement that allowed the Group to restore near normal communications with the financial markets.
- Half-year and third-quarter financial reporting was maintained as scheduled in the balance of 2019.
- PwC completed its forensic investigation and delivered its report to Werksmans, the Group's lawyers. While the content of the PwC Report is confidential, and subject to legal privilege and other restrictions, the Group provided the market with an overview of its content in March 2019.
- Recognising the imperative to address past governance failings, new, stronger structures for oversight and control were put in place. The reconstituted Management and Supervisory Boards continue to work well together.
- Key appointments were made to the Management Board with Louis du Preez assuming the post of CEO with effect from 1 January 2019 and Theodore de Klerk being appointed CFO with effect from 1 September 2019.
- Management teams within the various investment businesses remained stable and focused on their specific responsibilities throughout the year. We thank them once again for their loyalty, dedication and commitment.
- Mattress Firm emerged from Chapter 11 proceedings, having successfully exited approximately 640 underperforming stores. Its recovery plan continued to deliver a significantly improved performance.
- Conforama made further progress with a broad-based project to reduce its losses and establish a pathway to profitability, reaching agreement with its creditors to raise the new funds necessary to restructure its operations. A plan to restore sustainable competitiveness in its core French operations was announced in July 2019 before the businesses were impacted by the COVID-19 related restrictions
- Our efforts to address the Group's liquidity issues through a financial restructuring came to fruition in August 2019 when SEAG and SFHG, the two subsidiaries where most of the Group's financial creditors are concentrated, implemented a debt restructuring through an English Company Voluntary Arrangement ('CVA') process.
- Pepkor Europe was renamed Pepco Group during September 2019 to more directly link the business to PEPCO, its market leading Central European retail operation.

Momentum has been maintained thereafter in the period subsequent to 30 September 2019, with a number of further announcements:

- In November 2019, the General Meeting appointed Mazars Netherlands as the external auditor for the financial year ended 30 September 2019.
- In November 2019, the Group announced that it was evaluating a range of strategic options for the Pepco Group, including a potential Initial Public Offering (IPO). No definitive decision has been taken with respect to any specific course of action or timing.

- The sale of the ABRA furniture business was finalised in September 2019.
- In line with its objective of streamlining the Group's portfolio and deleveraging its balance sheet, Steinhoff announced the sale of The Blue Group Hold Co Ltd, the owner of Bensons for Beds, Harveys Furniture and upholstery & bedding manufacturers Relyon, Steinhoff UK Beds and Formation Furniture, in November 2019.
- Also, in November 2019, Greenlit Brands announced the sale of its General Merchandise division to enable it to concentrate on its core household goods brands, which enjoy strong market positions in Australia and New Zealand.
- The disposal of Unitrans, the Group's automotive retail business, was finalised in December 2019, including the 25.1% share sold to Kapela in a Broad-Based Black Economic Empowerment transaction.
- In January 2020, the Group finalised the sale of its equity holding in US manufacturer Sherwood Bedding, to Tempur Sealy.
- The Group also successfully completed the sale of various properties in South Africa and Europe.

## 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 by the Group in this period, as interest will accrue and is only payable when the debt matures, providing Steinhoff with a period in which it can concentrate on reducing debt and restoring value.

## Remediation Plan

During the previous Reporting Period, the Management Board developed a Remediation Plan containing a wide range of measures to limit the possible recurrence within the Group of irregularities and instances of non-compliance with laws and regulations.

Significant further progress was made with the implementation of these remedial actions during the Reporting Period, with work concentrated on the completion of improvements to policies and procedures in respect of financial accounting, conflict of interest and supplier and contract management. Please refer to the Risk Management section of the Report of the Management Board for more information.

The Remediation Plan will remain an area of focus throughout the 2020 Financial Year.

## Litigation

Litigation remains a significant outstanding challenge for the Group. It has been a major focus for management in the period since implementation of the financial restructuring in August 2019.

In parallel with these various court processes, the Management Board, assisted by a litigation committee and the Group's legal advisors, continues 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 have been, and will continue to be, initiated where appropriate.

## Governance

On 18 May 2020, Heather Sonn resigned as chairperson of the Supervisory Board. We thank her for her support throughout this difficult period for the Group.

As announced on 22 May 2020, Moira Moses, who joined the Supervisory Board in early 2018, has been designated as Chairperson.

## Outlook

Looking back on 2019, we can be encouraged about the progress made but we must also remain realistic about where we find ourselves at this point in our journey. We take encouragement from the many achievements of the year, most significantly the implementation of the financial restructuring in August and the period of stability that this has enabled. However, real uncertainties remain, and we still face a number of tough challenges. Our view of our situation has not changed in the period subsequent to the year-end.

Trading conditions reflect a tough global economy. Businesses such as Pepkor Africa and Pepco Group grew strongly prior to the onset of the COVID-19 crisis. Conforama, Mattress Firm and Greenlit Brands retained strong market positions but remained in recovery.

In common with businesses around the world, we saw a material impact from the COVID-19 pandemic from mid-March 2020 when lockdowns were initiated in Europe and South Africa. Steinhoff's retail business investments remain geographically well diversified and their focus on providing everyday products at affordable prices, through a stable of strong local brands, gives some resilience in this environment, but the breadth of measures adopted worldwide to combat COVID-19 have inevitably impacted on our trading performance.

In mid-March management acted swiftly to implement a definitive COVID-19 response strategy. Initially, this focused on ensuring employee and customer safety, securing liquidity and preserving and maximising the Group's cash position. Cash positions were maximised through the immediate draw down of committed facilities, working collaboratively with key suppliers to defer or cancel stock commitments, appropriate use of government support and funding schemes in territories where criteria were met and reducing discretionary expenditure. Thereafter, attention turned to the actions necessary to return to a more normal trading position, particularly with regard to enhanced online trading, securing seasonal inventory, and to positioning the businesses to take advantage of the longer term opportunities resulting from the changed competitive environment. As we have faced the COVID-19 challenge, the health and safety of our colleagues and customers has been our top priority and we are continuing to adopt comprehensive public health protocols. Significant operational changes have been made in our stores and offices including PPE provision where relevant for colleagues and customers, the installation of Perspex screens at till points, introduction of sanitisation stations, adoption of rigorous social distancing practices and encouraging payment by card. All of this has been achieved while adhering strictly to country specific government regulations.

We are proud of the way the businesses have responded to the crisis and thank all colleagues for their unwavering support.

More recently, we have begun to see a progressive relaxation of lock-down measures in most of the countries in which we do business, although the pace of moderation varies significantly, depending on local circumstances and government guidance.

Poundland stores in the United Kingdom and selected Pepkor offerings in southern Africa were designated as 'essential retail' and were able to continue trading throughout the lockdown period. Our apparel and general merchandise, and household goods, stores were mainly closed during April but began to re-open on a selective basis thereafter. Across May 2020, as restrictions were lifted, stores reopened progressively, to the point where over 95% of the estate was trading by the end of the month. Encouragingly, since re-opening revenue has trended back towards pre-lockdown levels. While initial trading has been better than expected, with clear evidence of stores benefiting from pent-up demand, the sustainability of this demand is uncertain in the context of weak overall economic conditions and the potential for further COVID-19 outbreaks. The Group's main trading subsidiaries, with their more resilient and defensive discount and value offering, are, however, confident that they are well positioned to gain market share in the post-COVID-19 'new economy'.

It remains too early to determine the exact impact of the pandemic on the performance of the Group for the 2020 financial year. However, we expect COVID-19 to have a material negative impact on overall turnover and underlying business performance during this period.

As certain countries have eased lockdown measures earlier than the Group's forecasts anticipated, and with post lockdown sales performance materially better than our forecast assumptions, the Group's cash position as of early June was significantly stronger than anticipated at the outbreak of the pandemic. The Group's cash forecast and requirements are being kept under active review, and structures enabling quick decision making are in place to ensure that if any further initiatives are required to protect the Group's position they can be implemented swiftly.

While the Group is confident that the actions it is taking to address the impacts of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and is being kept under constant review.

We have previously summarised the Group's future pathway as a three-phase process:

| 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 Step One complete, we are now fully engaged on a solution to the Group's litigation issues (Step Two). The asset realisations and restructures are in support of Step Three. As we look ahead, we are clear that the best way for us to protect and enhance value for all stakeholders is to resolve the litigation and reduce our debt and financing costs. This will be our clear focus in the period ahead.

## *Appreciation*

In what has been another demanding year, we are sincerely grateful for the continuing support of our financial creditors, shareholders, almost 110 000 staff and management, and the Supervisory Board. We thank them all.

**Louis du Preez**
*Chief executive officer*

**Theodore de Klerk**
*Chief financial officer*

30 June 2020

# MESSAGE FROM THE SUPERVISORY BOARD

Dear Stakeholder

While this is my first report as Chairperson, I have been closely involved in the governance and oversight of the Group since joining the Supervisory Board in April 2018.

The Group had a clear focus in the 2019 financial year – to continue its recovery from the events uncovered in December 2017.

As a Supervisory Board, we are addressing the problems of the past by progressing the investigation and reporting effort, and strengthening governance and controls across the Group, while also providing support to the Management Board, and an appropriate degree of oversight of its activities, as it implements the restructuring plan.

We focused on each of these tasks throughout the 2019 financial year, further stabilising the Group, strengthening the Supervisory Board and executive leadership team, revising risk controls and co-operating with regulators. A detailed account of the Group's progress with its recovery plan can be found in the Report of the Management Board.

## *Achievements*

In what was by any standard an extremely busy and testing year, we can identify five significant achievements on our recovery journey.

First, completion of the PwC Forensic Report in March 2019 was a critical step in the investigation into our past deficiencies.

Second, the publication of the 2017 and 2018 financial statements in May and June 2019 respectively, followed an extraordinary, and appropriate, level of scrutiny and diligence by the audit teams.

Third, a Remediation Plan was developed, and implementation commenced, with a particular focus on improvements to governance, processes and procedures, to embed higher standards across the Group. The Supervisory Board reviews the implementation of the Remediation Plan on a regular basis to assess progress, and to ensure it continues to evolve and remain appropriate for the risks we face as a business.

Resolving the legal actions brought against the Group remains a clear priority for both the Supervisory Board and the Management Board. However, during the year steps were also taken by the Group to seek redress from individuals and parties implicated in the damaging events uncovered in December 2017.

Last, and critically, the Management Board implemented the Groups' financial restructuring plan and has continued to support and, where necessary, restructure, the Groups' retail business investments.

## *Governance & Leadership*

The Supervisory Board continued to oversee the evolution of the Management Board. In Louis du Preez, CEO, and Theodore de Klerk, CFO, we have a strong and highly capable management team.

The Supervisory Board benefited from the introduction of new members during the year, with Paul Copley and David Pauker being appointed by the General Meeting in August 2019. Their experience and skills are highly relevant to the Group and they are making an important contribution to the Supervisory Board.

Steve Booysen and Angela Krüger-Steinhoff stepped down from the Supervisory Board at the end of the August shareholder meeting. We thank them for their contribution to the Supervisory Board over many years.

More recently, on 18 May 2020, Heather Sonn resigned from her position as Chairperson of the Supervisory Board. We thank her for her strong and calm leadership over the last two and a half years, in what has been an exceptionally difficult period for the Group.

## *Outlook*

The hard work of 2019 has won us a period of stability during which we can seek solutions to our ongoing litigation and debt challenges.

This progress required unstinting commitment from colleagues across the Group, and from our professional advisors, and we recognise both their dedication to the task and the achievements of the Management Board and management team in leading this extraordinary team effort.

As we move forward, as a Supervisory Board, we are determined that we will do so within a stronger governance and control framework that is truly fit for the future. While we are encouraged by the progress made with these initiatives during 2019, we are committed to delivering further improvement in 2020.

While tough challenges lie ahead, we are making progress towards a clear objective – protecting and enhancing value for all stakeholders.

## *Appreciation*

We thank all colleagues, shareholders, financial creditors and customers for their continued support as we continue our recovery journey.

On behalf of the Supervisory Board

**Moira Moses**
*Chairperson*

30 June 2020

# TIMELINE OF KEY EVENTS

For more detail please refer to the **Financial and Business Review**.

## 2018

### OCTOBER

*5 October 2018*
Mattress Firm files voluntary petitions for relief under Chapter 11.

*10 October 2018*
Launch of SUSHI Scheme of Arrangement.

### NOVEMBER

*16 November 2018*
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 2018*
Requisite majorities of relevant creditors and members of SEAG and SFHG approve the CVAs.

## 2019

### JANUARY

*10 January 2019*
SEAG informed of application to challenge the SEAG CVA by LSW GmbH.

### FEBRUARY

*28 February 2019*
Unaudited trading update for the three-month period ended 31 December 2018 released.

## MARCH

### *15 March 2019*
Publication of overview of the PwC forensic investigation.

### *19 March 2019*
Briefing to the South African Parliament.

### *27 March 2019*
Placing of the remaining KAP shares (694 million shares; €293 million).

### *28 March 2019*
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 2019*
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.

### *15 April 2019*
Conforama receives first tranche of €205 million from New Money Providers.

## 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.

### *29 May 2019*
Conforama Warrants issued in favour of the New Money Providers (but not exercised).

### *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.

### *19 June 2019*
Legal proceedings launched against former CEO Markus Jooste and former CFO Ben La Grange to recover certain salary and bonus payments.

### *21 June 2019*
Received a writ of summons from Dutch law firm BarentsKrans on behalf of Hamilton B.V. initiating legal proceedings.

### *28 June 2019*
CVA Consent No. 4 approved, and the CVA long-stop date and Lock-Up Agreement long-stop date extended to 9 August 2019.

# 2019
continued

## JULY

### *8 July 2019*
Announcement that Philip Dieperink (CFO) would step down, by mutual consent, after the AGM scheduled for 30 August 2019, and be succeeded by Theodore de Klerk.

### *12 July 2019*
Publication of the unaudited 2019 Half-year Results for the six-month period ended 31 March 2019.

SEAG and SFHG issued Implementation Conditions Notices pursuant to the SEAG CVA and the SFHG CVA.

### *19 July 2019*
Notice of AGM issued, alongside the announcement that Steve Booysen and Angela Kruger-Steinhoff would be stepping down from the Supervisory Board after the AGM.

## AUGUST

### *8 August 2019*
CVA Consent No. 5 approved, and the CVA long-stop date and Lock-Up Agreement long-stop date extended to 19 August 2019.

### *13 August 2019*
Investor Presentation held in Cape Town, with live streaming available for investors, analysts, media and all other interested parties.

SEAG and SFHG successfully completed the implementation of the Group financial restructure and issued notice of the Restructuring Effective Date.

### *29 August 2019*
Release of unaudited trading update for the nine-month period ended 30 June 2019.

### *30 August 2019*
General Meeting held in Amsterdam. All resolutions passed. Two new members, Paul Copley and David Pauker, appointed to the Supervisory Board.

## SEPTEMBER

### *4 September 2019*
Briefing to the South African Parliament.

### *12 September 2019*
Steinhoff fined by the Financial Services Conduct Authority (South Africa) for contravention of the Financial Markets Act in the period prior to the discovery of the accounting irregularities in December 2017.

### *30 September 2019*
Pepkor Europe renamed to Pepco Group to directly link the business to PEPCO, its market leading Central European retail business.

## NOVEMBER

### *12 November 2019*
At an Extraordinary General Meeting held in Amsterdam, the resolution to appoint Mazars Accountants N.V. as the Company's statutory audit firm for the financial year ended 30 September 2019 was duly approved.

### *15 November 2019*
Agreement to sell the Blue Group, the owner of Bensons for Beds, Harveys Furniture and upholstery & bedding manufacturers Relyon, Steinhoff UK Beds and Formation Furniture to Alteri Investors, subject to Regulatory approval.

### *18 November 2019*
Greenlit Brands announced its agreement to divest its General Merchandise division to Allegro Funds. The brands being disposed of included Best & Less, Harris Scarfe, Postie (NZ) and Debenhams Australia. This transaction was completed in early December.

# 2020

## NOVEMBER continued

*25 November 2019*

The disposal of 75% of Unitrans to CFAO.

## DECEMBER

*19 December 2019*

The disposal of the remaining 25% of Unitrans to Kapela in a B-BBEE transaction.

## JANUARY

*24 January 2020*

Sale of equity holding in US manufacturer, Sherwood Bedding.

## FEBRUARY

*26 February 2020*

Agreements for the sale of Conforama Iberia signed. Following uncertainties around COVID-19 this transaction has subsequently lapsed.

*27 February 2020*

Release of unaudited trading update for the three-month period ended 31 December 2019.

## MARCH

*20 March 2020*

COVID-19 update released to the market by Steinhoff International Holdings N.V. Widespread trading limitations enforced.

## MAY

*18 May 2020*

Announcement made that Heather Sonn stepped down from the Supervisory Board.

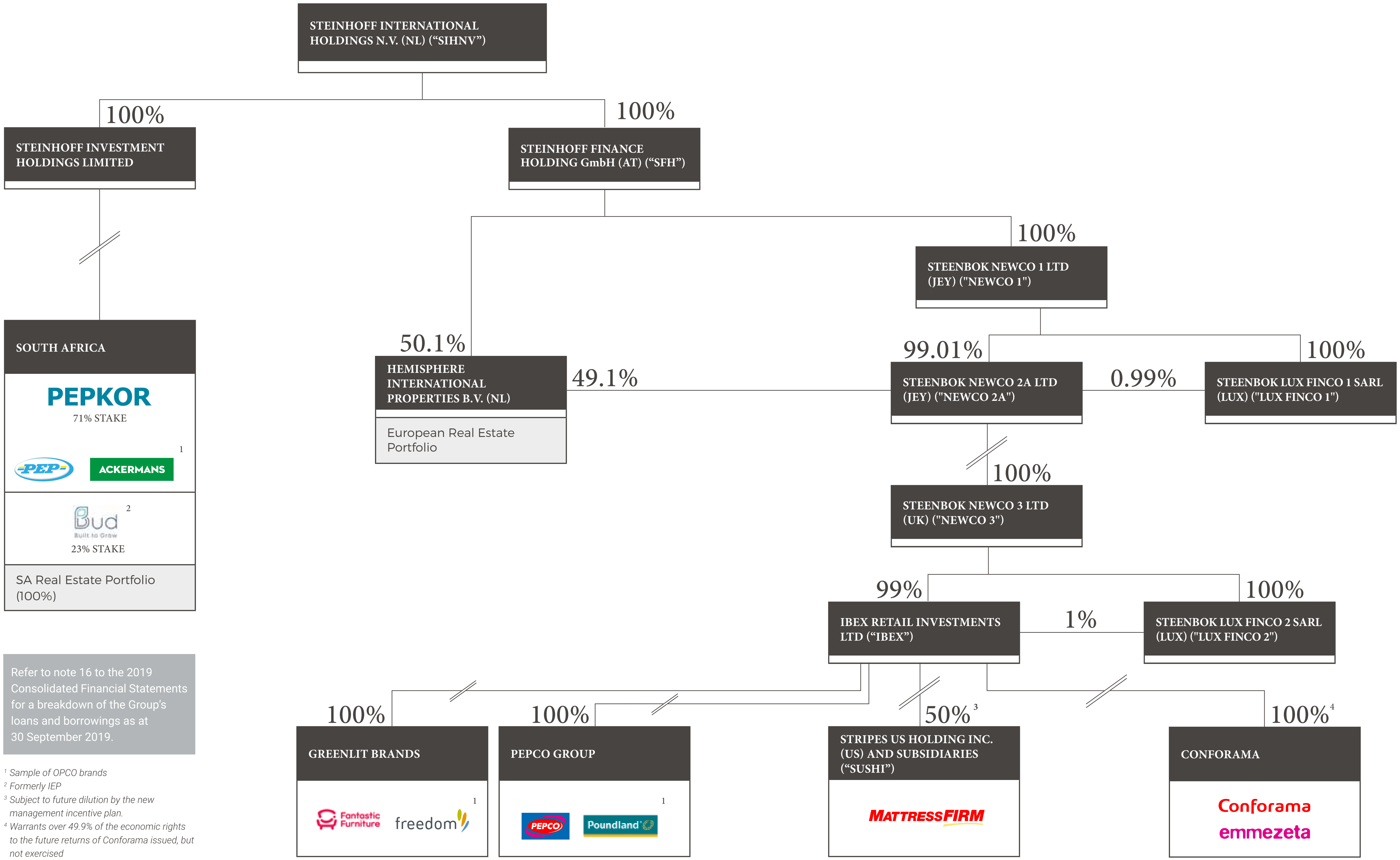
*22 May 2020*

Moira Moses designated as new chairperson of the Supervisory Board.

## JUNE

*30 June 2020*

Published the 2019 Annual Report including the 2019 Consolidated Financial Statements.




Refer to note 16 to the 2019 Consolidated Financial Statements for a breakdown of the Group's loans and borrowings as at 30 September 2019.

[1] *Sample of OPCO brands*
[2] *Formerly IEP*
[3] *Subject to future dilution by the new management incentive plan.*
[4] *Warrants over 49.9% of the economic rights to the future returns of Conforama issued, but not exercised*

ANNUAL REPORT 2019
PART I

STEINHOFF
INTERNATIONAL HOLDINGS N.V.

# REPORT OF THE MANAGEMENT BOARD

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

# INDEX

# SECTION 1: FINANCIAL AND BUSINESS REVIEW

This Financial and Business Review covers the period from 1 October 2018 to 30 September 2019 and addresses the material events subsequent to the Reporting Date up to the date of this Annual Report.

The 2019 financial year was a pivotal period for the Group, during which tangible progress was made with its recovery. The financial reporting was brought up to date with the release of the delayed 2017 and 2018 Steinhoff International N.V. Annual Reports. In addition, sales processes were initiated for a number of non-core assets. The final months of the year saw the Group achieve a major milestone with the successful implementation of its debt restructuring.

## Introduction

Steinhoff International Holdings N.V. is a public limited liability company incorporated under the laws of the Netherlands and is registered with the Trade Register in the Netherlands under number 63570173, with tax residency in South Africa. The Company has a primary listing on the Frankfurt Stock Exchange ("FSE") with a secondary listing on the Johannesburg Stock Exchange ("JSE").

The Group is primarily a global holding company with investments in a diverse range of retail businesses in Africa, Australasia, Europe, the United Kingdom and the United States of America. The Group does not make material direct investments into research and development - each operation sources product from a wide range of suppliers for onward distribution through an extensive retail footprint.

This Financial and Business Review covers the financial year 1 October 2018 to 30 September 2019 ("the Reporting Period") and addresses the material events subsequent to 30 September 2019 ("the Reporting Date") up to the date of this Annual Report.

## Overview

In line with the strategy of long-term value preservation for stakeholders, the Group continues to be engaged in a complex restructuring and recovery process that has encompassed all aspects of its business and has had a significant impact on its reported results for the year. During the year, the Management Board's priorities remained 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 2017 and 2018. Most of these tasks have been completed while substantial progress has been made in each of the other areas. Further details are provided throughout this Annual Report.

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

## Current trading performance

During the year Steinhoff was refocused as a global holding company with a broad range of interests in the retail sector. These businesses operate a number of strong local brands and are well diversified by geography and business line. Individual businesses, such as Pepkor Africa and Pepco Group (formerly Pepkor Europe), continued to perform robustly, while others remained in turnaround but reported more encouraging recent trade, such as Mattress Firm, or, like Conforama, remained at an earlier stage of their recovery journey.

Despite the many challenges faced in the 2019 financial year, the Group reported a resilient performance, with strong results from certain businesses compensating for weaker outcomes from those still in turnaround. Total revenue from continuing operations for the year ended 30 September 2019 increased by 5% to €12.0 billion (2018: €11.4 billion), with strong contributions from Pepco Group (+12%) and Pepkor Africa (+4%).

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

## Reportable segment information

In compliance with IFRS, the Group reports on six continuing business segments. Two segments from the prior year have been discontinued as detailed in note 1 to the 2019 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 as this more closely reflects the trading conditions within each segment.

## Critical accounting judgements and estimates

The preparation of consolidated financial statements requires management to make judgements and estimates that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates. Judgements have been made after taking into account all currently available information, but these 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 2019 Consolidated Financial Statements, and readers should take note of the following items:

**Judgements**

1. Going concern assumptions
2. Consolidation decisions
3. Classification and completeness of related parties and affiliated parties
4. Recoverability of financial and other assets
5. Treatment of transactions involving Steinhoff shares funded by the Group
6. Presentation of liabilities
7. Impact assessment of the new IFRS 16: Leases
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

Estimates

1. Estimation of uncertain tax positions
2. Estimation of future taxable profits in support of recognition of deferred tax assets
3. Estimations of inputs into discounted cash flow models relating to the impairment of goodwill
4. Estimations 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*

In terms of the presentation requirements of IFRS, a liability should be classified as current if the reporting entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the Reporting Date. As the financial restructuring plan has been fully implemented, the related liabilities are presented as non-current liabilities in the 2019 Consolidated Financial Statements.

Lenders are entitled to fees, including consent fees, early-bird fees, lock-up fees, maturity fees and roll-over fees under the terms of the Lock-Up Agreement. These fees were expensed during the second half of the 2018 financial year as well as in the 2019 financial year, and the carrying value of the liabilities increased accordingly. Please refer to note 16 of the 2019 Consolidated Financial Statements for more information.

## *Net debt and cash flow*

The debt of the Group remains high, with total debt less cash and cash equivalents of €9.6 billion (2018: €9.1 billion) at the Reporting Date. The net debt balance increased over the Reporting Period, mostly from interest and fee accruals and the assumption by the Group of the €178 million Mattress Firm debt. The Mattress Firm debt had previously been disclosed as held-for-sale in the 2018 Consolidated Financial Statements and was subsequently transferred to SEAG during the Reporting Period following the successful restructure of the business. This increase was slightly offset by proceeds from the disposals listed in the corporate activities section of this report.

The cash utilised in operations was €152 million for the Reporting Period (2018: utilised €17 million). Ordinary and preference dividends of €27 million (2018: €24 million) were paid to shareholders, the Group received dividends from investments of €37 million (2018: €15 million), and net interest and tax of €376 million (2018: €610 million) was paid. This resulted in a cash outflow from operations of €518 million (2018: outflow of €636 million).

The cash flows due to investing activities were as follows:

(i) €158 million net capital expenditure;

(ii) Proceeds from the disposal of kika-Leiner of €397 million;

(iii) Proceeds from the disposals of investments in equity accounted companies of €564 million (KAP €293 million; POCO €271 million).

In the 2018 Reporting Period, the cash flows due to investing activities were:

(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 2018 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 2018 Reporting Period resulted in an additional outflow of €488 million.

## *Geographic context and impact of foreign currencies*

The Group earned circa 63% (2018: 62%) of its revenue from continuing operations outside of the eurozone area. The Group's assets are spread around the globe and the non-European assets are subject to various currency fluctuations including changes in the value of the South African rand, the Australian dollar, the US dollar, the UK pound sterling, the Swiss franc and the Polish zloty.

## *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 advisors to assist it with its investigative, legal, financial and regulatory requirements as it seeks to stabilise and restructure the Group. In addition, the Group is required to pay the advisor costs of each of the respective creditor groupings. The scale and complexity of this task has meant that the aggregate advisor costs for the Reporting Period have been substantial. The principal advisor 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;

- Advisors on liquidity management and operational measures;
- Forensic investigators; and
- Regulatory and taxation advisors.

Advisory fees for the Reporting Period amounted to €158 million (2018: €117 million), as disclosed in note 4.2.8 of the 2019 Consolidated Financial Statements. These fees included €16 million (2018: €24 million) relating to the forensic investigation and technical accounting support, and €67 million (2018: €43 million) relating to creditor advisor fees.

In addition, audit fees are billed monthly for work performed and expensed in profit or loss. Following the events of December 2017, the audits for the of 2017 and 2018 financial years were extremely complex and time consuming, and required the restatement of prior year results. The audit work for 2017 and 2018 was completed over multiple periods and was expensed in both the 2018 and 2019 the applicable Reporting Periods. The majority of the 2018 audit was performed in the 2019 Reporting Period and has been expensed in the 2019 Reporting Period. The majority of the 2019 audit work was performed in the 2020 Reporting Period and will be expensed in the 2020 Reporting Period when billed.

However, legal advisory fees are expected to remain significant in the period ahead as we attempt to resolve and deal with outstanding litigation and seek redress against former executives and related parties.

## Finance costs

The finance costs for the Reporting Period increased to €1 085 million (2018: €646 million). This increase excludes an additional €85 million that is included in other expenses as loss on derecognition of financial liabilities as set out in note 4.2.3 and explained in notes 16.5 and 16.7.1 of the 2019 Consolidated Financial Statements. In total the increase is mainly as a result of increased interest on borrowings following the financial restructure, as well as transaction and other costs in relation to the Lock-Up Agreement. The new interest rates apply from the date of approval of the CVA, being 14 December 2018.

## Related party and intergroup 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.

All known material intergroup transactions are eliminated on consolidation.

## Governance and leadership

On 19 November 2018, Louis du Preez was designated CEO, effective from 1 January 2019, following Danie van der Merwe's decision to step down as acting CEO. Louis has a wealth of commercial and corporate experience and is well-placed to lead the Group through the restructuring and into the next phase.

On 11 April 2019, the Company announced that Alexandre Nodale had stepped down as deputy CEO and as a member of the Management Board.

Philip Dieperink stepped down from the Management Board and as CFO at the conclusion of the AGM on 30 August 2019. Philip was succeeded as CFO by Theodore de Klerk, previously the Operations Director and an existing member of the Management Board.

In accordance with the terms of the Lock-Up Agreement, the Nomination Committee consulted with the creditors' governance working group in relation to the search process and identification of suitable candidates to be nominated to the Supervisory Board. Following that consultation and search process, the Supervisory Board nominated, and the General Meeting appointed, Paul Copley and David Pauker to the Supervisory Board at the AGM held in August 2019.

The Chairperson during the Reporting Period, Heather Sonn, resigned from her position on 18 May 2020 and was succeeded by Moira Moses on 22 May 2020.

## Corporate activity during the 2018 Reporting Period

A significant amount of corporate activity has taken place since the discovery of the accounting irregularities in December 2017, including asset disposals, refinancings and debt restructuring activity. Further details are disclosed in note 1 to the 2019 Consolidated Financial Statements.

## Corporate activity during the 2019 Reporting Period

### POCO

On 4 September 2018, Steinhoff entered into a sale agreement in relation to its 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 retained debt of approximately €140 million, with no recourse to the Group. The total consideration was €271 million. The sale was subject to competition and merger control approvals which were obtained during December 2018. 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 classified as an asset held-for-sale from April 2018 and also classified POCO as a discontinued operation in the 2018 Half-year Reporting Period. A settlement of the dispute with the Pohlmann family over the 2015 sale of their interest in POCO was reached during the 2019 Reporting Period.

### Mattress Firm

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 the 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 additional 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. Both the lenders' and the Group's shareholding is subject to a total dilution of up to 10% 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 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 received 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. Mattress Firm was included as a discontinued operation until 21 November 2018, and thereafter 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, became effective on 16 November 2018.

### Pepkor Africa

On 23 November 2018, Pepkor Africa announced that it had agreed to terminate its existing commercial relationship with Cencap and to build its own credit books. In addition, Pepkor Africa agreed to purchase 100% of the issued shares in FGI, which provides insurance products to Pepkor Africa's customers under the Abacus brand from Wands for a purchase price of approximately ZAR150 million (€9 million). For further details refer to https://www.pepkor.co.za/.

### Steinpol

On 11 January 2019, the sale of Steinpol, a non-core manufacturer of upholstered furniture, operating eight factories in Poland and one in Hungary, was agreed. Steinpol was classified as held-for-sale at 30 September 2018 and a discontinued operation in all years presented. There was no material impact to profit or loss in the 2019 Consolidated Financial Statements.

### Campion Group

In January 2019, the Group concluded various agreements with the Campion Group, the main terms of which included the receipt by the Group of a number of investments in settlement of a number of outstanding loans owing to the Group. The investments included:

- Approximately 25.5 million Brait shares,
- Approximately 30 million Steinhoff International Holdings N.V. shares (held by SSUK and Town Investments),
- Legal ownership of Town Investments,
- Legal ownership of 55% of GT Branding.

The Brait shares had a carrying value of €40 million after recognising an impairment of €17 million. Subsequently, SFHG sold the listed Brait securities for €37 million, resulting in a further fair value loss of €3 million.

The acquisition of the shares in GT Branding resulted in GT Branding becoming a wholly owned subsidiary. This ownership gave the Group control over the underlying brands and facilitated the disposal process.

### KAP

In March 2019, the Management Board approved an accelerated bookbuild for the sale of the Group's 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 – Automotive

On 28 March 2019, the Group announced that it had reached an in-principle agreement to dispose of 74.9% of Steinhoff Africa's shares in Unitrans Motor Holdings Proprietary Limited and its subsidiaries ("Unitrans"), and 100% of the loan claims against Unitrans held by Steinhoff Africa, to CFAO Holdings South Africa Proprietary Limited ("CFAO"). Under the terms of the transaction the parties also agreed to dispose of the Group's remaining 25.1% interest in Unitrans, as part of a Broad-Based Black Economic Empowerment transaction. The Board commenced the disposal process during the second half of the 2018 financial year, and management determined that the criteria to classify Unitrans as a discontinued operation were met. The Unitrans assets were revalued to their fair value less expected cost of disposal at 30 September 2018. Unitrans was assessed as held-for-sale at the 30 September 2018 and 30 September 2019 reporting dates.

On 27 November 2019 the Group announced the financial closing of the sale of the 74.9% stake to CFAO, effective 25 November 2019, and that agreement had been reached to sell the remaining 25.1% to Kapela, a Broad-Based Black Economic Empowerment investment group. This second transaction has an effective date of 19 December 2019.

### Properties – Africa

The Group commenced a process, post March 2019, to dispose of the remaining property portfolio of the property division in Africa. Management considered various disposal options in order to optimise the balance sheet and unlock value for shareholders.

The portfolio consists of retail, office, warehouse, dealerships, truck shops, vacant land and residential properties, and includes properties tenanted by the Group and third parties.

At 30 September 2019 the Africa property portfolio met the criteria to be classified as held-for-sale.

### Conforama

Conforama is engaged in a broad-based restructuring to reduce its losses and build a clear path to profitability. During the Reporting Period, restructuring activity was focused on its French retail operations.

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 which provided the framework for 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 economic rights to the future returns in Conforama. The first tranche of the funds, amounting to €205 million, was made available on 15 April 2019 and the warrants were issued on 29 May 2019. These warrants have not been exercised.

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 or as a discontinued operation at the Reporting Date.

On 2 July 2019 Conforama announced a project to restructure and transform its French operations over the following 18 to 24 months. This project includes the closure of specific unprofitable stores that have no prospect of recovery, including 32 Conforama stores and 10 Maison Depot stores. The plan also aims to restructure central functions to better align them with store activities. The project also includes measures to make stores more client oriented and efficient. In total, the project could result in up to 1 900 job-cuts. Further details of the costs incurred are disclosed in notes 4.2.9 and 21.5 to the 2019 Consolidated Financial Statements.

### Pepco Group (previously Pepkor Europe)

During August 2019, Pepco Group concluded a refinancing of its bank facilities and, in doing so, significantly reduced the overall level of financing costs for the Pepco Group business. The new financing provides additional facilities to Pepco Group to support the implementation of its business plan.

On 30 September 2019, Steinhoff informed the market that this fast-growing, multi-format pan-European discount variety retailer, had been renamed Pepco Group, to more directly link the business to PEPCO, its market leading Central European retail operation.

### Hemisphere

Hemisphere, the Group's major European property-owning subsidiary, entered into a Lock-Up Agreement with its lenders in July 2018. This agreement, among other matters, imposed a standstill obligation on lenders 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 was implemented on 5 September 2018, resulting in a new, secured, three-year term loan facility of approximately €775 million. The Company was released as guarantor of the Hemisphere group's syndicated rolling credit. A Contingent Payment Undertaking ("CPU") was signed between Steinhoff International Holdings N.V. and the lender group which had the effect of replacing the Steinhoff International Holdings N.V. guarantee.

The Hemisphere group continued with the policy of disposing the properties and repaying the debt.

The book value of the land and buildings in the remaining Hemisphere portfolio amounted to €222 million as at 30 September 2019 (2018: €241 million).

The company remains committed to a sale of the Hemisphere properties and the directors continue to believe that the held-for-sale classification remains appropriate for these assets.

Further details are disclosed in note 16.6 to the 2019 Consolidated Financial Statements.

### ABRA

On 18 September 2019 it was resolved to sell the Group's shareholding in ABRA. The transaction was concluded in October 2019.

At 30 September 2019 ABRA met the criteria to be classified as held-for-sale.

## *Corporate activity after the Reporting Date*

### Blue Group

On 15 November 2019 the Group announced that, in line with its strategy of simplifying the Group's portfolio and deleveraging its balance sheet, it had reached agreement to sell the Blue Group Hold Co Ltd, the owner of Bensons for Beds, Harveys Furniture and upholstery & bedding manufacturers Relyon, Steinhoff UK Beds and Formation Furniture, to Alteri Investors. This disposal was subject to regulatory approval.

At 30 September 2019 the Blue Group met the criteria to be classified as held-for-sale.

### Greenlit Brands

On 18 November 2019 Greenlit Brands announced that it had reached agreement to divest its General Merchandise division, including the Best & Less, Harris Scarfe, Postie (NZ) and Debenhams Australia brands, to Allegro Funds. Disposal of the General Merchandise business has enabled Greenlit Brands to concentrate on its core household goods brands, which enjoy strong positions in the Australian and New Zealand markets. The transaction was completed in early December 2019. Greenlit Brands remains a wholly owned subsidiary of Steinhoff International Holdings N.V.

At 30 September 2019 the Greenlit Brands General Merchandise division met the criteria to be classified as held-for-sale.

### Sherwood Bedding

In line with the strategy mentioned above, the Group's shareholding in Sherwood Bedding, a leading manufacturer in the US private label/original equipment manufacturer bedding market, was sold to Tempur Sealy in January 2020. Sherwood Bedding operates four manufacturing facilities in the United States of America.

At 30 September 2019 Sherwood Bedding met the criteria to be classified as held-for-sale.

### Conforama

The Conforama group decided to dispose of the Conforama Iberia business and embarked on a process to identify potential buyers. An agreement of sale was signed in February 2020, however following the uncertainties around COVID-19 this transaction has subsequently lapsed.

The position of Conforama's business in France has remained uncertain in the period following the COVID-19 outbreak and, to date, the Group has been unable to secure the state-guaranteed loan, for which it was eligible, to support the business through this difficult period. Conforama France is currently exploring near term options, including a potential sale of the business.

### Pepco Group

On 8 November 2019, the Group stated that it was considering and evaluating a range of strategic options for the Pepco Group, including a potential IPO. This process remains in its early stages and no definitive decision has been taken with respect to any specific course of action or timing.

## *Group debt restructure*

The Group has been engaged in substantial and complex debt restructuring processes since December 2017. Financial restructuring activity completed in the Reporting Period is summarised below.

### Company Voluntary Arrangements (CVAs)

As part of the proposed European financial 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 implemented the restructuring plan outlined in the Lock-Up Agreement. The CVA proposals, together with certain supporting documentation, can be downloaded from www.steinhoffinternational.com.

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.

As no challenges remained to the SEAG CVA nor the SFHG CVA within the challenge period, no further challenges were permitted. Certain relevant terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, continued to apply and the Group continued to work towards the implementation of the financial restructuring.

The Implementation Conditions Notice was issued on 12 July 2019. This prompted a period for the calculation of creditor entitlements under the new debt instruments. The final step was the issuance of the Implementation Commencement Date notice which prompted business transfers and the execution of the necessary documents immediately prior to the final steps and closing.

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.

On 14 December 2018, being the CVA approval date, the lenders agreed to start implementing the restructuring plan once certain conditions precedent had been fulfilled. From this date interest accrued at the newly agreed interest rates, which resulted in a substantial modification of the old debt instruments.

| New facility | Facilities replaced |
|---|---|
| 21/22 Term loan facility | SFHG 2021 and 2022 convertible bonds |
| 23 Term loan facility | SFHG 2023 convertible bonds |
| First lien term loan facility | SEAG debt |
| Second lien term loan facility | SEAG debt |

| STEINHOFF INTERNATIONAL HOLDINGS N.V. CONSOLIDATED DEBT POSITION (excluding independently raised OpCo financing) | 13 August 2019 Unaudited | 30 September 2019 Audited |
|---|---|---|
| **Total SEAG debt* (Steenbok Lux Finco 2)** | **€5.79bn** | **€5.89bn** |
| New Lux Finco 2 First Lien Loan | €2.05bn | **€2.08bn** |
| New Lux Finco 2 Second Lien Loan | €3.74bn | **€3.81bn** |
| **Total SFHG debt* (Steenbok Lux Finco 1)** | **€2.94bn** | **€2.99bn** |
| New Lux Finco 1 21/22 Loan | €1.75bn | **€1.78bn** |
| New Lux Finco 1 23 Loan | €1.19bn | **€1.21bn** |
| **Total SEAG and SFHG debt** | **€8.73bn** | **€8.88bn** |
| Hemisphere** | €0.36bn | **€0.36bn** |
| **Total*** ** | **€9.09bn** | **€9.24bn** |

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

* *Notional amount, excluding interest, 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 International Holdings 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.*

Pursuant to the terms of the financial restructuring, legally implemented on 13 August 2019, amongst other things:

- the Group's substantive financial debt was re-documented on more uniform and market standard terms in the form of first and second lien facilities agreements dated 12 August 2019 (the "Facilities Agreements");
- certain companies were incorporated within the Group to create a new intermediate holding structure below the Company but above the key non-South African businesses and assets of the Steinhoff Group (the "Steenbok Group"). The newly incorporated parent company of the Steenbok Group is Steenbok Newco 3 Limited ("Newco 3") (refer to the Group structure chart in note 29.4 to the 2019 Consolidated Financial Statements); and
- certain individuals were nominated by the lenders in respect of the Facilities Agreements and were subsequently appointed by the Company to various boards of the key companies in the holding structure of the Steenbok Group.

The restructuring steps implemented pursuant to each of the SEAG CVA and 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 (subsequently represented by Newco 3) and SFHG's (replaced by Newco 2a) 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:

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, if required following a vacancy, to the Supervisory Board of the Company;

(v) 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);

(vi) 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, in addition to Newco 3 approval, that material asset disposal also requires approval by the General Meeting, the matter will be put to the General Meeting. If the General Meeting does not approve 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; and

(vii) 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 Group has announced that it intends to implement a number of steps to reduce its debt burden. Within this, the Steenbok Group in particular is now required to be run for the benefit of its creditors (including those under the Facilities Agreements) ahead of the benefit of its shareholders. Planned steps include the managed realisation of investments and assets including a possible IPO or sale of the Pepco Group.

The lenders have additional rights pursuant to the terms of the Facilities Agreements as a result whereof their consent is required ahead of an IPO and certain lenders have the right to participate in the IPO as cornerstone investors.

### Contingent Payment Undertaking

On implementation of the CVAs, the terms of the parent guarantees were amended by Steinhoff N.V. and SIHPL into the Contingent Payment Undertakings, whereby Steinhoff N.V. and SIHPL undertake to repay the original principal amounts for each facility in the event of a default. For further details refer to note 9 to the 2019 Separate Financial Statements.

## *Forensic Investigation and Remediation Plan*

PwC delivered its forensic report to the Group's lawyers, Werksmans, in mid-March 2019 and the Company provided the market with an overview of this report. After reviewing the findings of both the PwC report and its own internal investigation, the Management Board developed and began to implement a Remediation Plan designed to address the causes of the various governance failures and their consequential impacts on the Group. The Remediation Plan addresses all the potential areas of weakness that have been identified to date, together with their regulatory consequences. It also identifies outstanding tasks, those responsible for their execution and the timeline for delivery.

To ensure that the Remediation Plan achieves its objectives, the Company appointed Louis Strydom as Chief Compliance and Risk Officer (CCRO) with effect from 1 July 2019. Mr Strydom has significant prior experience of the issues facing the Group as he was previously head of the PwC forensic team responsible for the Steinhoff investigation. He reports directly to the CEO, with reporting responsibility to the Audit and Risk Committee.

The Remediation Plan has been endorsed by the Supervisory Board, which ultimately oversees its implementation. For further details on progress with the implementation of the Remediation Plan, please refer to the Risk Report.

PwC was also requested to undertake a further phase of investigative work in respect of certain issues identified that are deemed not to be material to the Company's financial statements, but which may be significant for other reasons including recovery proceedings and therefore required further investigation, conclusion and resolution.

## *Litigation*

Various legal proceedings have been instituted against the Group, and litigation remains a significant challenge. In parallel with these various court processes, the Management Board, assisted by the Company's Litigation Working Group, and the Group's legal advisors continue to work towards a resolution of outstanding claims against the Group.

The majority of the claims will not have an impact on the 2019 Consolidated Financial Statements as the amounts and timing thereof could not be measured with sufficient reliability at the date of this Annual Report, and as such are being disclosed as contingent liabilities in note 22.3 to the 2019 Consolidated Financial Statements.

Details of material claims provided are included in notes 21.3 and 21.4 to the 2019 Consolidated Financial Statements. Please also refer to the contingent liabilities and other litigation detailed in note 22.3 to the 2019 Consolidated Financial Statements.

In parallel, the Group is also evaluating potential claims it may have against third parties, and recoveries against implicated entities and individuals are being initiated where appropriate. Proceedings against members of the former management team were instituted as a first step in this process. Subsequently, claims were initiated against Top Global, an entity linked to the Talgarth Group, and Mayfair Speculators, a company linked to Mr Markus Jooste.

## *Regulatory engagement and listing*

The Group continues to engage with regulators and, through this process, has received and addressed various notices of regulatory investigations.

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 and the Financial Sector Conduct Authority (FSCA) in South Africa.

On 12 September 2019 the FSCA informed the market that it had concluded its investigation into the Steinhoff Group and found that the Group had contravened the Financial Markets Act No 19 of 2012 in the period prior to the discovery of significant accounting irregularities at the Company in December 2017. The FSCA imposed an administrative penalty of R1.5 billion on Steinhoff but resolved to remit a portion of the administrative penalty resulting in Steinhoff paying a penalty of ZAR53 million. The FSCA took into account, inter alia, the need to avoid penalising innocent shareholders further, in recognition of the fact that the fraud was perpetrated by former employees and acknowledging the co-operation of the current management team. There are no further enforcement FSCA actions outstanding against the Steinhoff Group.

Steinhoff is co-operating with the various prosecution authorities and regulators in South Africa and other jurisdictions as they continue their investigations into individuals and entities implicated in relation to the events uncovered in December 2017. The South African authorities have approached PwC, which completed the independent forensic report commissioned by Steinhoff, and engaged them to perform additional expert forensic work to assist in the criminal investigation. Steinhoff supports this initiative and has agreed to contribute funds to cover a substantial portion of the costs of the PwC work, due to the size and complexity of the investigation required. Steinhoff's role is limited to co-operation and providing a portion of funding for the project only. The funding is to be provided on an arms-length basis, with Steinhoff having no ongoing involvement in the investigation, the extent thereof and report-back process.

The Group remains committed to co-operating and maintaining open communication lines, with all regulators and this approach forms an integral part of the Group's Remediation Plan.

## *Shareholder meetings*

A general meeting of shareholders was held in Amsterdam on 30 August 2019. At this meeting all resolutions proposed, including the appointment of the two new members of the Supervisory Board, Paul Copley and David Pauker, were approved. Steve Booysen and Angela Krüger-Steinhoff both stepped down as members of the Supervisory Board at the conclusion of the meeting.

At the extraordinary general meeting held on 12 November 2019 Mazars Netherlands was appointed as the external auditor for the Steinhoff Group for the financial year ended 30 September 2019.

## *COVID-19*

The COVID-19 pandemic has had a material impact on the Group's retail businesses in the period since the 2019 year-end, most notably from mid-March 2020 when lockdowns were initiated in Europe and South Africa. These measures resulted in the partial or full closure of many of our general merchandise stores, or restrictions on trading hours, and the closure of our offices.

Given the significant impact on revenues and consequent adverse impact on cash, in mid-March management acted swiftly to implement a definitive COVID-19 response strategy. Initially, this focused on ensuring employee and customer safety, securing liquidity and preserving and maximising the Group's cash position. Thereafter, attention turned to the actions necessary to return to a more normal trading position, particularly with regard to enhanced online trading (where regulations allowed), securing seasonal inventory, and to positioning the businesses to take advantage of the longer term opportunities resulting from the changed competitive environment.

The Group's liquidity position was addressed at operating entity level, in co-operation with the respective financiers where applicable. Cash positions were maximised through the immediate draw down of committed facilities, working collaboratively with key suppliers to defer or cancel stock commitments, appropriate use of government support and funding schemes in territories where criteria were met and reducing discretionary expenditure.

Throughout this period, the safety of our employees and customers has been paramount. Significant operational changes have been made in our stores and offices including PPE provision where relevant for colleagues and customers, the installation of Perspex screens at till points, introduction of sanitisation stations, adoption of rigorous social distancing practices and encouraging payment by card. All of this has been achieved while adhering strictly to country specific government regulations and has required clear communication to our customers.

Poundland stores in the United Kingdom and selected Pepkor offerings in southern Africa were designated as 'essential retail' and were able to continue trading throughout the lockdown period. Apparel and general merchandise, and household goods stores, were mainly closed during April but began to re-open on a selective basis during May, with some stores also seeing government-imposed restrictions such as reduced trading hours and range restrictions. Across May 2020, as restrictions were lifted, stores reopened progressively, to the point where over 95% of the estate was trading by the end of the month. Encouragingly, since re-opening revenue has trended back towards pre-lockdown levels.

While initial trading has been better than expected, as stores benefited from pent-up demand at re-opening, the sustainability of this demand is uncertain. The Group's main trading subsidiaries, with their more resilient and defensive discount and value offering, are, however, confident that they are well positioned to gain market share in the post-COVID-19 'new economy'.

The outlook remains uncertain and it is too early to determine the full impact of the pandemic on the performance of the Group for the 2020 financial year. It is clear, however, that the virus outbreak and resulting restrictions will have a negative impact on overall turnover and the underlying business performance during this period.

Each of the Group's large operating subsidiaries is independently funded and is not dependent on the Group for financial support. Currently all subsidiaries, excluding Conforama France, are producing stronger cash flows than originally anticipated and have sufficient liquidity to support their current management forecast.

As certain countries have eased lockdown measures earlier than the Group's forecasts anticipated, and with post lockdown sales performance materially better than our forecast assumptions, the Group's cash position as of early June was significantly stronger than anticipated at the outbreak of the pandemic. The Group's cash forecast and requirements are being kept under active review and structures enabling quick decision making are in place to ensure that if any further initiatives are required to protect the Group's position they can be implemented swiftly.

## *Going concern*

In determining the appropriate basis of preparation for the 2019 Consolidated Financial Statements, the Management Board is required to consider whether the Group can continue in operational existence for the foreseeable future. With the conclusion and implementation of the CVA, the existing debt instruments in SEAG and SFHG were reissued with effect from 14 December 2018, 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. The Group and the Company's cash flow forecasts 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 of the 2019 Consolidated Financial Statements. However, the Management Board draws shareholders' attention to the following material uncertainties that are key in arriving at the forecasted cash flows, namely:

### Litigation and Regulation

As disclosed above, the Group and the Company are subject to several legal claims and regulatory investigations. A key assumption in both the Group and Company cash flow forecasts is that no material judgements or fines are issued against the Group or Company that will become payable during the next 12 months. The Supervisory Board and the Management Board, assisted by the Litigation Working Group, 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. Defences have been filed by the Group in various legal proceedings and the Company and applicable subsidiaries have co-operated with various regulators in their investigations. However, there remains a material uncertainty as to the ultimate impact of litigation and regulatory enforcement on the liquidity of the Group. The majority of the claims and fines do not have an impact on the 2019 Consolidated Financial Statements. These claims are contingent liabilities and have been disclosed in note 22.3 to the 2019 Consolidated Financial Statements.

### Tax

Tax remains a material uncertainty, as the tax impact of the accounting irregularities identified, and the consequential effects thereof, remain uncertain. This situation is exacerbated by the fact that these irregularities impact multiple jurisdictions and the finalisation of their treatment will require substantial analysis and negotiation with multiple tax authorities. 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 issued by the relevant tax authorities. The steps necessary for the implementation of the CVAs were 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 ultimate tax consequences, with a view to ensuring that the associated element of risk arising from the CVAs is mitigated.

### COVID-19

*Supply-side*

The risk of the COVID-19 pandemic on the supply of inventory throughout the Group is a significant uncertainty of which the extent and ultimate impact is unknown. The supply chain impact of imported inventory could be material to certain of our operating businesses where significant volumes of inventory are imported from affected countries. Alternative sourcing could have a severely adverse effect on margins. However, businesses in the Group are taking a number of steps to mitigate any potential effect, including alternative sourcing arrangements.

*Demand-side*

Many of the countries in which the Group does business implemented broad-based steps to contain the spread of COVID-19, resulting in significant restrictions on movement and public gatherings, and the closure of commercial facilities. These measures resulted in the partial or full closure of a number of the Group's general merchandise stores, or restrictions on trading hours, in a number of markets, including South Africa, France, Spain, Poland and the Czech Republic.

As a result, turnover will in all probability reduce, particularly in general merchandise, and this will continue for the duration of these restrictions. The performance of the Group's fast-moving consumer goods focused businesses has been more resilient, partially offsetting this impact.

While the Group is confident that the actions it is taking to address the impact of the COVID-19 pandemic are appropriate and timely, the situation remains fast changing and uncertain and is subject to continuous review.

### Conclusion

The Management Board draws shareholders' attention to the following facts:

(i) that in the Group's 2019 Consolidated Financial Statements liabilities exceed 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 the Company are to continue as a going concern, the Management Board and the operational management team require sufficient time to continue stabilising the Group and re-establishing value at operational level. This will enable the Group and the Company to realise assets in a non-distressed fashion and thus maximise value, enhancing the Group's ultimate ability 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 litigation initiated against the Group will need to be sought and implemented.

## *The Company's dividends on Ordinary Shares*

Given the Group's ongoing liquidity constraints, the Management Board, with the approval of the Supervisory Board, has resolved not to propose dividends on the Group's Ordinary Shares until further notice. On the Reporting Date and at the 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 Steinhoff Investment Holdings Limited preference shares on the JSE

Steinhoff Investment Holdings Limited ("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 therefore suspended by the JSE effective 1 March 2018 and remains suspended. The consolidated and separate annual financial statements for the year ended 30 September 2019 were released on 29 May 2020, ahead of the release of the delayed annual financial statements for the earlier years, in order to give the market the most recent financial information as soon as possible. It is Steinhoff Investments' intention that the financial statements for the earlier years will be released before the end of 2020 and that regular reporting will resume with effect from the 2020 full year results. These preference shares are included as non-controlling interest: preference share capital.

### Preference share dividends – SINVH

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

On 22 August 2019, the board of SINVH declared a gross dividend of 419.33733 South African cents per SINVH preference share, paid on Monday 14 October 2019.

On 21 February 2020, the board of SINVH declared a gross dividend of 416.90753 South African cents per SINVH preference share, paid on Monday 30 April 2020.

The SINVH preference shares dividends are payable in South African Rands and are subject to local dividend withholding tax of 20%.

## *Events after the Reporting Date*

Aside from the corporate activity, the extra-ordinary general meeting, the outbreak of the COVID-19 pandemic and the change in Chairperson, all as set out above, no other material events have occurred after the Reporting Date.

## *2019 Separate Financial Statements relating to Steinhoff International Holdings N.V.*

The Company's financial statements, reflecting the Company as a separate global holding company, are included after the 2019 Consolidated Financial Statements. Holding company stand-alone financial statements are often confusing in nature as the operational transactions take place within the group 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 the recognition or derecognition of financial liabilities arising from guarantees related to debt of subsidiary companies).

During the Reporting Period, the Company derecognised its commitment to financial liabilities arising from guarantees related to its subsidiary company pre-CVA debt totalling €6 392 million (2018: recognised €905 million), recognised additional financial liabilities of €1 916 million relating to Contingent Payment Undertakings and further impaired the investments in its subsidiaries by €9 million (2018: €940 million). For further information refer to notes 2.2, 5.1 and 9.2 to the 2019 Separate Financial Statements.

## External audit

The 2019 Consolidated Financial Statements have been audited by the external auditor, Mazars Netherlands ("Mazars"), and their opinion is set out in the 2019 Consolidated Financial Statements. As was the case for the 2017 and 2018 Consolidated Financial Statements, the external auditor has given a 'disclaimer of opinion'. In addition, in this report Mazars has also included an emphasis of matter.

Given the specific circumstances of the Company, in preparing the 2019 accounts the Management Board was 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 2019 Consolidated Financial Statements.

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 its 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 Mazars for the 2019 Consolidated Financial Statements. In its auditor's report Mazars details its reasons for arriving at this conclusion and it is clear that the Company has once again found itself in the extremely rare circumstance described above, namely that because of multiple uncertainties, Mazars cannot form an opinion on the Financial Statements due to the potential interaction of the uncertainties and their cumulative effect on the 2019 Consolidated Financial Statements.

The uncertainties listed and explained in the Audit Opinion are as follows:

1. Material uncertainty related to going concern
2. Material uncertainty with respect to litigation
3. Material uncertainty with respect to uncertain tax positions
4. Material uncertainty with respect to the share in the investment in Conforama
5. Material uncertainty with respect to the audit evidence of Conforama
6. Material uncertainty with respect to the foreign currency translation reserve

Mazars has also included the following emphasis of matter:

1. Control conclusions on certain entities
2. Contingent payment undertakings (CPU) valuation in the separate financial statements

## Appreciation

While much more remains to be done, the Group made significant progress during the year. In particular, the finalisation and implementation of the financial restructure was a substantial achievement that required a tremendous effort by all involved.

The number of employees at the year-end amounted to 108 361.

We would like to take this opportunity to thank senior management and employees of all the Group's operating businesses for their leadership and loyalty, for persevering and preserving value for the Group under extremely challenging circumstances.

We would also like to thank all members of the Supervisory Board, who have provided guidance and support.

Finally, to all employees at the various central offices of the Group, our most sincere thanks for your relentless hard work and determination to help us overcome the many challenges we faced during the year.

# SECTION 2: OPERATIONAL REVIEW

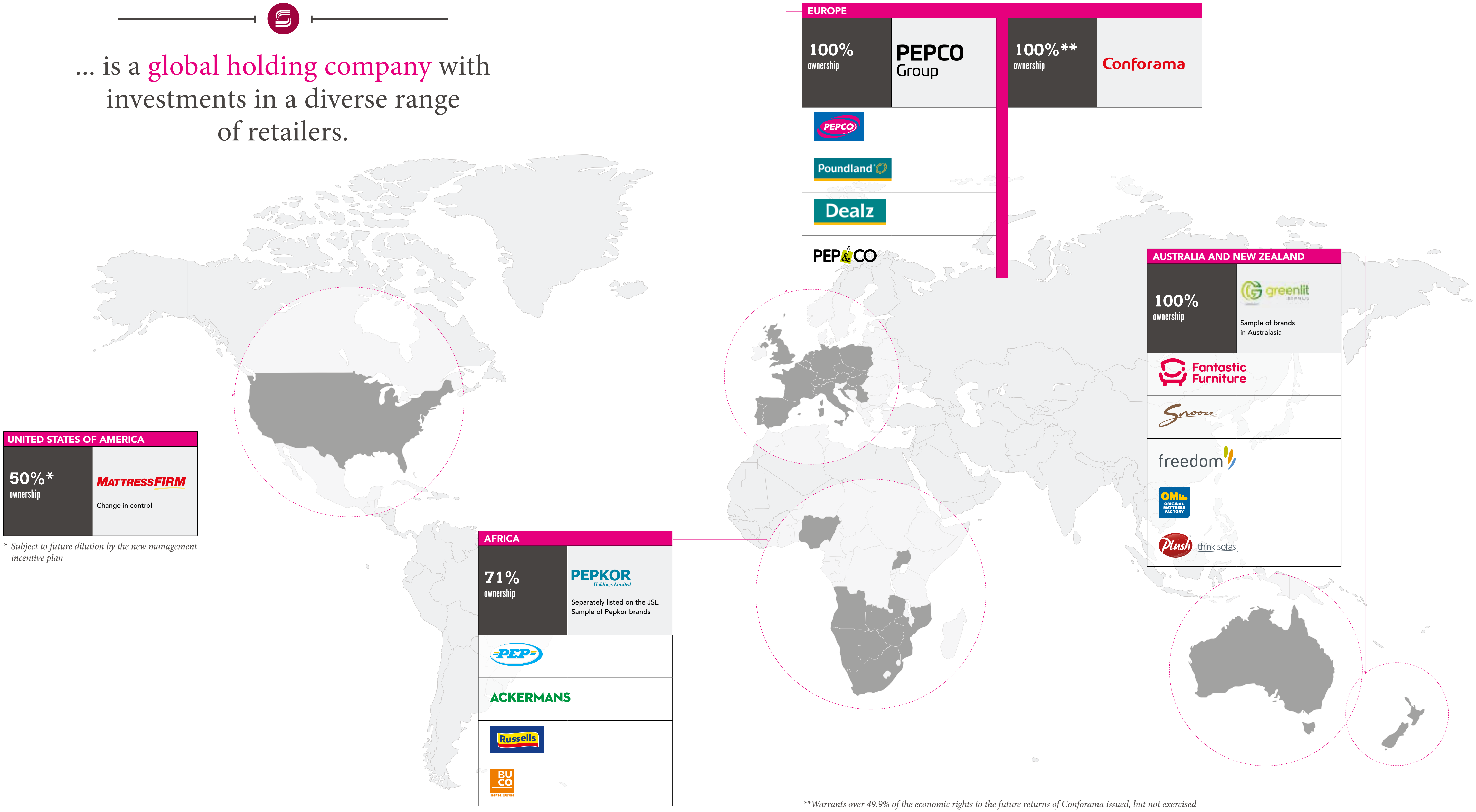
The operational review focuses on the 2019 Reporting Period. Please refer to the "Message from the Management Board" and the "Financial and Business Review" in this Annual Report for more comments on the impact of COVID-19 subsequent to the Reporting Date. Furthermore, please refer to the quarterly trading update for the three months ended 31 December 2019 for commentary on the first quarter of the 2020 financial year.

## INDEX

# Steinhoff today ...

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






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

***Warrants over 49.9% of the economic rights to the future returns of Conforama issued, but not exercised*

## Introduction

The Group reported revenue growth from continuing operations of 5% to €12.0 billion for the period under review (FY18: €11.4 billion).

For continuing operations, the Group's operational segmental EBITDA increased by 10% to €877 million (FY18: €794 million) and operational EBIT per segmental reporting increased by 10% to €645 million (FY18: €584 million). Corporate and treasury services reduced largely as a result of a reduction of €53 million in forex profits to a forex loss of €16 million in FY19 (FY18: €37 million forex profit). After the impact of corporate and treasury services, total segmental EBITDA from continuing operations increased by 3% to €791 million (FY18: €771 million) and total EBIT per segmental reporting from continuing operations remained constant at €561 million (FY18: €560 million) (refer to page 36 and 37 for a full reconciliation of segmental EBITDA and EBIT).

Operational management within the various investments continued to focus on operational improvements, cash flows, expense management and profitability.

Revenue growth was driven by the general merchandise businesses in Europe (Pepco Group) and Africa (Pepkor Africa), both of which continued to expand during the year. Pepco Group, in particular, is growing at a rapid pace, driven by further expansion of its store footprint in central and eastern Europe. The household goods businesses, including Conforama and Greenlit Brands, experienced more challenging trading conditions, with new store openings being considered only on a highly selective basis and capex projects being subject to strict critical evaluation. Mattress Firm continues to make good progress with its turnaround strategy.

Further simplification of the Group's portfolio was a key objective throughout the year and significant progress was made with various divestment processes during the period. These came to fruition in the period following the year-end, with the disposals of the Blue Group (UK household goods), Greenlit Brands' general merchandise division, the Unitrans automotive business, ABRA and Sherwood all being completed or in progress. The results for these businesses are therefore presented as discontinued operations.

| REVENUE FROM CONTINUING OPERATIONS (€M) | FY19 | FY18 | % change |
|---|---|---|---|
| **EUROPE AND UNITED KINGDOM** | | | |
| **Total Europe and United Kingdom** | 7 024 | 6 660 | 5 |
| Pepco Group | 3 420 | 3 049 | 12 |
| Conforama | 3 417 | 3 402 | – |
| All other | 187 | 209 | (11) |
| **AFRICA** | | | |
| **Pepkor Africa** | 4 307 | 4 126 | 4 |
| **AUSTRALASIA** | | | |
| **Greenlit Brands – household goods** | 658 | 648 | 2 |
| **CORPORATE AND TREASURY SERVICES** | | | |
| **Corporate and treasury services** | 3 | 1 | >100 |
| **Total Group revenue from continuing operations** | **11 992** | **11 435** | **5** |

| REVENUE FROM DISCONTINUED OPERATIONS (€M)<br>Revenue from discontinued operations are not comparable to prior periods as explained in further detail in the relevant sections | FY19 | FY18 |
|---|---|---|
| **UNITED STATES OF AMERICA (US) – CHANGE IN CONTROL OPERATIONS*** | | |
| Mattress Firm | | |
| Revenue for the twelve-month period | 2 686 | 2 660 |
| Revenue for the ten-month period 22/11/2018 – 30/09/2019 (equity accounted) | (2 347) | |
| Revenue for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | 339 | 2 660** |
| **AFRICA, EUROPE AND UNITED KINGDOM, AUSTRALIA AND US – DISPOSALS OR HELD-FOR-SALE** | | |
| Automotive | 1 506 | 1 502 |
| All other | 832 | 1 748 |
| Greenlit Brands – general merchandise | 620 | 641 |
| Properties | 22 | 35 |
| **Total Group revenue from discontinued operations** | **3 319** | **6 586** |

* *Following the completion of the 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 has been 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 up to and until 21 November 2018 , although the Group retains a 50% shareholding in Mattress Firm. For more details, refer to the Mattress Firm section of the Financial and Business review and note 1 of the 2019 Consolidated Financial Statements.*

***Represents revenue for the 12-month period FY18*

## EBITDA FROM CONTINUING OPERATIONS (€M)

| | FY19 | FY18 | % change |
|---|---|---|---|
| **EUROPE AND UNITED KINGDOM** | | | |
| **Total Europe and United Kingdom** | **360** | **269** | **34** |
| Pepco Group | 326 | 243 | 34 |
| Conforama | 42 | 32 | 31 |
| All other | (8) | (6) | (33) |
| **AFRICA** | | | |
| **Pepkor Africa** | 496 | 489 | 1 |
| **AUSTRALASIA** | | | |
| **Greenlit Brands – household goods** | 21 | 36 | (42) |
| **Total operational segmental EBITDA from continuing operations** | **877** | **794** | **10** |
| **Corporate and treasury services** | **(86)** | **(23)** | **(>100)** |
| **Total segmental EBITDA from continuing operations** | **791** | **771** | **3** |

## EBITDA FROM DISCONTINUED OPERATIONS (€M)

| EBITDA from discontinued operations are not comparable to prior periods as explained in further detail in the relevant sections | FY19 | FY18 |
|---|---|---|
| **UNITED STATES OF AMERICA (US) – CHANGE IN CONTROL OPERATIONS*** | | |
| Mattress Firm | | |
| EBITDA for the twelve-month period | 10 | (125) |
| EBITDA for the ten- month period 22/11/2018 – 30/09/2019 (equity accounted) | (57) | |
| EBITDA for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | (47) | (125)** |
| **AFRICA, EUROPE AND UNITED KINGDOM, AUSTRALIA AND US – DISPOSALS OR HELD-FOR-SALE** | | |
| Automotive | 60 | 58 |
| All other | (56) | (93) |
| Greenlit Brands – general merchandise | 10 | 7 |
| Properties | (8) | 63 |
| **Total segmental EBITDA from discontinued operations** | **(41)** | **(90)** |

* *Following the completion of the 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 has been 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 up to and until 21 November 2018 , although the Group retains a 50% shareholding in Mattress Firm. For more details, refer to the Mattress Firm section of the Financial and Business review and note 1 of the 2019 Consolidated Financial Statements.*

***Represents EBITDA for the 12-month period FY18*

| OPERATING PROFIT/(LOSS) ADJUSTED FOR MATERIAL NON-OPERATIONAL ITEMS ("EBIT") FROM CONTINUING OPERATIONS (€M) | FY19 | FY18 | % change |
|---|---|---|---|
| **EUROPE AND UNITED KINGDOM** | | | |
| **Total Europe and United Kingdom** | 231 | 147 | 57 |
| Pepco Group | 259 | 185 | 40 |
| Conforama | (15) | (24) | 38 |
| All other | (13) | (14) | 7 |
| **AFRICA** | | | |
| **Pepkor Africa** | 416 | 416 | – |
| **AUSTRALASIA** | | | |
| **Greenlit Brands – household goods** | (2) | 21 | (>100) |
| **Total operational EBIT per segmental reporting from continuing operations** | **645** | **584** | **10** |
| **Corporate and treasury services** | (84) | (24) | (>100) |
| **Total EBIT per segmental reporting from continuing operations** | **561** | **560** | **–** |

| OPERATING PROFIT/(LOSS) ADJUSTED FOR MATERIAL NON-OPERATIONAL ITEMS ("EBIT") FROM DISCONTINUED OPERATIONS (€M) | | |
|---|---|---|
| EBIT from discontinued operations are not comparable to prior periods as explained in further detail in the relevant sections | FY19 | FY18 |
| **UNITED STATES OF AMERICA (US) – CHANGE IN CONTROL OPERATIONS*** | | |
| Mattress Firm | | |
| Operating profit for the twelve-month period | 10 | (202) |
| Operating profit for the ten-month period 22/11/2018 – 30/09/2019 (equity accounted) | (57) | |
| Operating profit for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | (47) | (202)** |
| **AFRICA, EUROPE AND UNITED KINGDOM, AUSTRALIA AND US – DISPOSALS OR HELD-FOR-SALE** | | |
| Automotive | 60 | 45 |
| All other | (79) | (146) |
| Greenlit Brands – general merchandise | (2) | (7) |
| Properties | (18) | 21 |
| **Total EBIT per segmental reporting from discontinued operations** | **(86)** | **(289)** |

* *Following the completion of the 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 has been 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 up to and until 21 November 2018 , although the Group retains a 50% shareholding in Mattress Firm. For more details, refer to the Mattress Firm section of the Financial and Business review and note 1 of the 2019 Consolidated Financial Statements.*

***Represents EBIT for the 12-month period FY18*

# Europe and United Kingdom

## Pepco Group (formerly Pepkor Europe)

Pepco Group is a fast-growing, multi-format, pan-European discount variety retailer, trading through the PEPCO, Poundland and Dealz brands from approximately 2 700 stores in 14 territories across Europe. Pepco Group's vision is to become the largest discount variety retailer in Europe.

Further information regarding Pepco Group can be found online at www.pepcogroup.eu.

| REVENUE (€M) | FY19 | FY18 | Change % |
|---|---|---|---|
| **Total revenue Pepco Group** | **3 420** | **3 049** | **12** |
| PEPCO (central and eastern Europe) | 1 627 | 1 283 | 27 |
| Poundland (including Dealz) | 1 793 | 1 766 | 2 |
| **EBITDA (€M)** | | | |
| Pepco Group | 326 | 243 | 34 |
| **OPERATING PROFIT (€M)** | | | |
| Pepco Group | 259 | 185 | 40 |

Pepco Group continued to report strong results in the period under review. Revenue increased by 12% to €3 420 million, driven primarily by continued expansion of the PEPCO format in central and eastern Europe. At 30 September 2019, Pepco Group traded from 2 694 stores, an increase of 14% year-on-year, as it continued with its disciplined store roll-out plan.

Pepco Group increased EBITDA by 34% to €326 million during the period under review. Operating profit increased by 40% to €259 million, with this increase reflecting the combined benefit of continued scale efficiencies in PEPCO and initial traction within Poundland to reduce store rents in line with prevailing market conditions and to reduce product shrinkage levels.

The development of the infrastructure to support the Group's future growth projections continued with ongoing construction of a new distribution centre in Hungary, that opened in spring 2020, to support the continued expansion of PEPCO's store network, and the acquisition of Oracle as the Group commenced its multi-year programme to replace its existing enterprise software.

PEPCO's growth reflects continued expansion of its store estate combined with continued strong like-for-like sales growth of 6.1%. PEPCO expanded its store portfolio by 20% year-on-year, opening a net 305 new stores in the period under review, including 20 stores in Bulgaria, PEPCO's eleventh country market.

Like-for-like sales growth was above inflation in all key markets and showed a broadly consistent profile by both country and store cohort. It was driven primarily by PEPCO's continued price leadership, its attractive value for money proposition and its convenient locations.

Poundland continued to outperform the wider UK high street, with its competitive differentiation being enhanced by 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 reshape its store portfolio, balancing the exit from stores in weaker catchments with carefully selected new store opportunities in more attractive locations. During the period, Poundland opened 28 new stores in the UK and the Republic of Ireland and relocated a further ten to new larger sites, more favourable locations, or sites with advantageous contract terms. These stores continue to deliver strong returns on invested capital. On a net basis, Poundland decreased its portfolio by three stores during the period, operating 837 stores as at 30 September 2019.

The Dealz business in mainland Europe continues to trade well, tripling its store base in Poland and Spain from 16 stores to 53 stores at year-end. As planned, Dealz completed the closure of its legacy French operation during the second quarter, allowing the Group to focus resources on the exciting growth opportunity in Spain and Poland. The Polish offer has benefited from the introduction of key local brands that can now be accessed because of Dealz's growing scale.

# Conforama

Conforama operates an extensive retail network across Europe, with approximately 300 stores in France, Spain, Portugal, Italy, Switzerland, Croatia and Serbia.

Conforama's core product lines comprise furniture, decoration, a range of homeware appliances and electronic goods.

Conforama announced a financial restructuring in April 2019 to raise the necessary funds to restructure its operations and improve its financial performance. As part of this plan, Conforama raised new funding of €316 million and issued warrants for 49.9% of the economic rights to the future returns of Conforama to the providers of this new capital on 29 May 2019 (please refer to the accompanying Financial and Business Review for more detail). Subsequently, in July 2019, the Group announced a significant restructuring plan in France, which included store closures and a reduction in headcount, as explained in more detail in the Financial and Business Review as well as note 4.2.9 and 21.5 of the 2019 Consolidated Financial Statements.

| (€M) | FY19 | FY18 | Change % |
|---|---|---|---|
| Revenue | 3 417 | 3 402 | – |
| EBITDA | 42 | 32 | 31 |
| Operating profit | (15) | (24) | 38 |

In the period under review, the Conforama Group reported constant revenue of €3 417 million (FY18: €3 402 million). Like-for-like revenue decreased by 3%.

During the Reporting Period, Conforama's international operations comprising all Conforama territories outside of France delivered revenue growth of 3% (in constant currency), which was offset by a weaker performance in France where revenue fell by 2%.

Sales in France were negatively impacted by the 'Gilets Jaunes' ('yellow vest') protests in the first quarter. The performance in France improved in the second half of the 2019 Reporting Period, underpinned by a stronger performance in the third quarter.

Revenue growth for the Conforama international operations was supported by the new stores. Revenue grew in Iberia, Italy and the Balkans, while revenue growth in a competitive Swiss market was slightly negative (in constant currency) for the period under review.

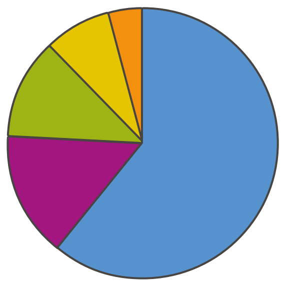
Revenue in the furniture and white goods product category showed solid growth, with other categories, especially grey goods (mobile phones, computers, etc.) remaining under pressure.

Operational EBITDA for the period under review was negatively impacted by reduced sales in France. As stated above, the operational performance in France improved during the second half of the year, reflecting an increased margin and strict cost control, although the business remains loss-making.

Profitability was impacted by the inclusion of an onerous lease provision of €15 million relating to the stores to be closed under the restructuring plan. In addition, Conforama reported one-off professional fees of €10 million relating to the financial restructuring in April 2019.

The position of Conforama's business in France has remained uncertain in the period following the COVID-19 outbreak and, to date, the Group has been unable to secure the state-guaranteed loan, for which it was eligible, to support the business through this difficult period. Conforama France is currently exploring near term options, including a potential sale of the business. All stores have reopened post-closing due to COVID-19 restrictions and trade has been above the initial post opening expectations through end of June 2020.

**REVENUE BY REGION**



| | |
|---|---|
| France | 61% |
| Iberia | 15% |
| Switzerland | 12% |
| Italy | 8% |
| Balkans | 4% |

# All other

Excludes South African properties, which are disclosed in the properties section of the Operational review.

| REVENUE (€M) | FY19 | FY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | **187** | **209** | **(11)** | |
| Lipo | 167 | 166 | 1 | (3) |
| Sourcing and logistics | 20 | 43 | (53) | |
| **DISCONTINUED OPERATIONS** | **832** | **1 748** | | |
| UK household goods | 593 | 631 | | |
| ABRA | 51 | 55 | | |
| Sherwood | 122 | 46 | | |
| Manufacturing, sourcing and logistics | 66 | 300 | | |
| ERM: kika-Leiner | – | 673 | | |
| ERM: Extreme Digital | – | 43 | | |
| **EBITDA (€M)** | | | | |
| **CONTINUING OPERATIONS** | **(8)** | **(6)** | **(33)** | |
| Lipo | 3 | 3 | – | (3) |
| Sourcing and logistics | (11) | (9) | (22) | |
| **DISCONTINUED OPERATIONS** | **(56)** | **(93)** | | |
| UK household goods | (52) | (30) | | |
| ABRA | (3) | (1) | | |
| Sherwood | 13 | 10 | | |
| Manufacturing, sourcing and logistics | (14) | 6 | | |
| ERM: kika-Leiner | – | (79) | | |
| ERM: Extreme Digital | – | 1 | | |
| **OPERATING PROFIT (€M)** | | | | |
| **CONTINUING OPERATIONS** | **(13)** | **(14)** | **7** | |
| Lipo | – | (2) | 100 | 100 |
| Sourcing and logistics | (13) | (12) | (8) | |
| **DISCONTINUED OPERATIONS** | **(79)** | **(146)** | | |
| UK household goods | (72) | (55) | | |
| ABRA | (4) | (3) | | |
| Sherwood | 11 | 8 | | |
| Manufacturing, sourcing and logistics | (14) | (2) | | |
| ERM: kika-Leiner | – | (95) | | |
| ERM: Extreme Digital | – | 1 | | |

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

### Lipo

In a competitive Swiss market, the furniture retailer Lipo reported revenue growth of 1% to €167 million (2018: €166 million). When measured in constant currency against the Swiss franc, Lipo's total revenue decreased by 3% and like-for-like revenue decreased by 1%, with the business operating at break-even operating profit levels.

# Discontinued operations

### UK

On 15 November 2019, the Group announced that, in line with its strategy of simplifying the Group's portfolio and deleveraging the balance sheet, it had reached agreement to sell Blue Group Hold Co Ltd, the UK household goods division, to Alteri Investors.

### ABRA

The Group sold the ABRA business in September 2019.

### Sherwood

The Group disposed of its 80% interest in Sherwood during January 2020.

### 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 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) | FY19 | FY18 |
|---|---|---|
| **DISCONTINUED OPERATIONS** | | |
| **Revenue external** | **22** | **35** |
| Europe | 12 | 26 |
| Africa | 10 | 9 |
| **EBITDA (€M)** | | |
| **DISCONTINUED OPERATIONS** | | |
| **Internal and external** | **(8)** | **63** |
| Europe – other | (23) | (3) |
| Europe – kika-Leiner | – | 50 |
| Africa | 15 | 16 |
| **OPERATING PROFIT (€M)** | | |
| **DISCONTINUED OPERATIONS** | | |
| **Internal and external** | **(18)** | **21** |
| Europe – other | (33) | (14) |
| Europe – kika-Leiner | – | 20 |
| 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.

Completion of the disposal process for Hemisphere, the European property portfolio, is anticipated as soon as possible.

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 of the impairments are disclosed in note 1.2.1 and note 9 of the 2017 Consolidated Financial Statements.

# Africa

## Pepkor Africa

Pepkor Africa has the largest retail store footprint in southern Africa, with more than 5 400 stores operating across 11 African countries. The majority of its retail brands operate in the discount and value segment of the market.

| REVENUE (€M) | FY19 | FY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **Total revenue** | **4 307** | **4 126** | **4** | **9*** |
| **EBITDA (€M)** | | | | |
| **Total EBITDA** | **496** | **489** | **1** | **8** |
| Pepkor Africa | 496 | 454 | 9 | 15* |
| Steinhoff N.V. BVI reversal | – | 29 | | |
| Steinhoff N.V. share-based payment reversal | – | 6 | | |
| **OPERATING PROFIT (€M)** | | | | |
| **Total operating profit** | **416** | **416** | **–** | **6** |
| Pepkor Africa | 416 | 381 | 9 | 16* |
| Steinhoff N.V. BVI reversal | – | 29 | | |
| Steinhoff N.V. share based-payment reversal | – | 6 | | |

* *As per Pepkor Africa income statement for Pepkor Africa reported continuing operations*

Pepkor Africa achieved a commendable operating result for the 2019 financial year, despite a very difficult retail environment where consumer spending remained constrained, fuelled by high levels of unemployment and low economic growth. Pepkor Africa's defensive discount and value market positioning, disciplined focus on customer needs and low cost of doing business enabled it to deliver a resilient performance in this challenging environment.

Pepkor Africa continued its expansion and opened 338 new stores, expanding the group's footprint to 5 415 stores. The group's flexible store formats enable it to open stores closer to its customers' homes, saving them transport costs, and creating opportunities for more frequent customer visits.

With 56 100 employees, Pepkor Africa remains one of the largest employers in the South African retail sector and will continue to focus on strengthening its core competencies and assets to capitalise on the opportunities presented by current market conditions.

As explained in note 1.2.3 of the 2017 Consolidated Financial Statements, Steinhoff management considered the date from which the BVI structure should be consolidated by the Steinhoff Group and concluded that this was during March 2015, when it acquired the Pepkor Group. Therefore, Steinhoff N.V. already recognises the full external debt of BVI. As a consequence, although the one-off ZAR440 million (€29 million) financial guarantee costs are shown as an expense in the Pepkor Africa segment in FY18, these are reversed at the Steinhoff group level as part of the consolidation process and do not have an impact on Steinhoff International Holdings N.V.'s consolidated results.

### PEP and Ackermans

In aggregate, PEP and Ackermans (operating divisions of Pepkor Africa), reported merchandise sales growth of 6.3% and like-for-like growth of 2.6%, driven by a stronger performance during the second half of the financial year.

Within the core Clothing, Footwear and Home (CFH) product categories, retail selling price inflation strengthened to 4.8% for the year, compared to a period of deflation in the prior year. As a result, total volume growth in CFH slowed to 1.5%, compared to a very high base in the prior year. The retail brands continue to leverage their extensive store networks to offer customers additional products and services.

## PEP

PEP maintained its price-leadership position in the discount market despite the continued pressure on its target customer resulting from high levels of unemployment and limited spending power. The business (including Dealz, as discussed below), opened 117 new stores, which equates to 3.8% space growth.

Best Price Leadership (BPL) was maintained, with strong growth in the Babies and Home categories. The PEPhome concept achieved strong growth and now has 239 stores.

Positive growth in handset sales was re-established following a price correction in February for entry-level smartphones within the Cellular offering.

Financial services achieved a 41% increase in the number of transactions to more than 67 million. Fast-Moving Consumer Goods (FMCG) continued to grow aggressively through range and private label expansion. PAXI, which distributes parcels for customers and SMEs, is proving very successful with more than 850 000 parcels distributed during the year.

The new Dealz discount variety format continued to perform satisfactorily as the concept continued to develop. The store openings programme remains on target and 11 stores opened during FY19, resulting in 15 stores in total.

## Ackermans

Ackermans continued to gain significant market share through its customer value proposition aimed at 'women with kids in their lives', despite volatile trading patterns. Ackermans opened 81 new stores during the year, expanding the store network to 806 stores, which represents 8.2% space growth. In addition, healthy credit sales growth was achieved, resulting in the credit sales contribution increasing to 18.6% compared to 17.5% in the prior year.

Solid growth was achieved in most core product categories, while continued experimentation with the stand-alone Ackermans Woman retail concept provided valuable learnings in terms of customer preferences and shopping experience. At year-end, 14 stand-alone Ackermans Woman stores were in operation and the footprint will be expanded to 30 stores in FY20.

The new AckXperience store, which was launched in Sandton in October 2019, with a new, contemporary store design and integrated technology, was well received by customers. Ackermans' e-commerce strategy is on track with Click & Collect launching in selected product categories at selected stores.

Cellular reported strong growth of nearly 20%, supported by inflation and good sales performance in smartphones.

The new 90 000 $m^2$ Hammarsdale distribution centre was commissioned during the year and will support the future growth plans of the business.

## PEP Africa

PEP Africa, excluding Zimbabwe, contributed 3.2% to group revenue in FY19, reporting strong sales growth of 14.3% and like-for-like sales growth of 13.5% on a constant currency basis. In reporting currency terms, sales increased by 1.1%.

The African business is in a consolidation phase and 14 stores were closed, reducing the store network to 313 stores in total, excluding Zimbabwe. The decision to exit Zimbabwe was based on the continued adverse macroeconomic conditions affecting trade, and the weakening currency. Operations in Nigeria performed very well following selective store relocations to smaller cities and towns, which proved to be successful. In Angola, the successful introduction of cellular products benefited performance, but the lower oil price resulted in a significant weakening of the currency, which impacted on reported performance.

## Speciality

The Speciality division reported sales growth of 7.7% and like-for-like growth of 3.0%. This included strong performances by the apparel retail brands, while the footwear retail brands faced more challenging market conditions. The total store footprint across the five retail brands was expanded to 949 stores, with 72 store openings during the year. All retail brands were successfully integrated into the new Hammarsdale distribution centre, which is shared with Ackermans.

Tekkie Town continues to address stock-holding and other inefficiencies in the business to enhance the quality of earnings, while Shoe City achieved healthy market share gains.

John Craig and Refinery delivered very good performances, with increased profitability, while the turnaround of Dunns is progressing well, with aggressive sales growth resulting in a significant reduction in losses.

For more detail on Pepkor Africa and its other businesses, please refer to its results announcement for the Reporting Period on the website www.pepkor.co.za.

# Automotive – discontinued operations

| (€M) | FY19 | FY18 |
|---|---|---|
| **Revenue** | **1 506** | **1 502** |
| **EBITDA** | **60** | **58** |
| **Operating profit** | **60** | **45** |

In March 2019, the Group announced that it has reached an in-principle agreement to dispose of the Automotive operations. This transaction was finalised in December 2019.

As can be seen in the results recorded above, EBITDA is the same as the segmental EBIT in FY19. For accounting purposes, in terms of IFRS 5, depreciation recorded for held-for-sale assets needs to be reversed from the date of such classification. This increased segmental EBIT resulted in an increased net asset value position for the held-for-sale business, and in return this increased net asset value position is considered for impairment in accordance with IFRS 5. In this case the net accounting impact on operating profit is nil, however, as impairments are disclosed as capital items, segmental EBIT is increased by the quantum of the depreciation.

# United States of America

## Mattress Firm – equity accounted

Mattress Firm is the leading speciality bed retailer in the United States, with its approximately 2 500 retail stores nationwide making it the largest bed retail footprint in the country.

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 and note 1 of the 2019 Consolidated Financial Statements.

| REVENUE (€M) | FY19 | FY18 | Change % |
|---|---|---|---|
| Revenue for the twelve-month period | 2 686 | 2 660 | 1 |
| Revenue for the ten-month period 21/11/2018 – 30/09/2019 (equity accounted) | (2 347) | | |
| Revenue for the period 01/10/2018 – 21/11/2018 included in segmental results | 339* | 2 660** | |
| **EBITDA (€M)** | | | |
| Operational EBITDA | 131 | | |
| One-off Chapter 11 restructuring costs | (121) | | |
| EBITDA for the twelve-month period | 10 | (125) | >100 |
| EBITDA for the ten-month period 22/11/2018 – 30/09/2019 | (57) | | |
| EBITDA for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | (47)* | (125)** | |
| **OPERATING PROFIT (€M)** | | | |
| Operating profit for the twelve-month period | 10 | (202) | 100 |
| Operating profit for the ten-month period 22/11/2018 – 30/09/2019 (equity accounted) | (57) | | |
| Operating loss for the two-month period 01/10/2018 – 21/11/2018 included in segmental results | (47)* | (202)** | |

* *The split before and after Chapter 11 implementation previously disclosed at interims (31 March 2019) was based on management accounts for the two-month period ended 30 November 2018. This has now been updated to reflect revenue, EBITDA and operating profit for the period ended 21 November 2019.*

***Represents revenue, EBITDA and operating loss for the twelve-month period FY18.*

Mattress Firm reported disappointing performances in the 2017 and 2018 reporting periods, as explained in more detail in the 2017 and 2018 Annual Reports.

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. This process was the cornerstone of Mattress Firm's turnaround 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. In addition, approximately 100 stores were closed during the period under review through natural lease expirations.

Following the successful exit from Chapter 11 in November 2018, the performance trends in the business have been far more encouraging.

Despite a 22% reduction in the store base year-on-year, USD revenue decreased by only 4% for the twelve months under review. Encouragingly, like-for-like sales increased by 8%, representing the sixth consecutive quarter of positive like-for-like sales growth. Following the Chapter 11 process in the first quarter, like-for-like sales of at least high single digits were achieved for the next three quarters of the Reporting Period.

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

For the period under review, the profit margin was impacted by non-recurring restructuring costs of $136 million (€121 million), largely consisting of lease rejection payments to landlords, store closure costs and professional fees.

While still at low levels, profitability represented a significant improvement compared to the prior period and continues to trade ahead of budget.

Excluding non-recurring expenses, EBITDA margin exceeded 5% for the last three quarters of the 2019 financial year.

As can be seen in the results recorded above, EBITDA is the same as the segmental EBIT in FY19. For accounting purposes, in terms of IFRS 5, depreciation recorded for held-for-sale assets needs to be reversed from the date of such classification up until the date it became an associate.

# Australasia

## Greenlit Brands

Greenlit Brands is an integrated retailer and manufacturer of household goods, with retail stores throughout Australia and New Zealand.

| REVENUE (€M) | FY19 | FY18 | Change % | Constant currency change % |
|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | |
| Household goods | 658 | 648 | 2 | 4 |
| **DISCONTINUED OPERATIONS** | | | | |
| General merchandise | 620 | 641 | | |
| **EBITDA (€M)** | | | | |
| **CONTINUING OPERATIONS** | | | | |
| Household goods | 21 | 36 | (42) | (40) |
| **DISCONTINUED OPERATIONS** | | | | |
| General merchandise | 10 | 7 | | |
| **OPERATING PROFIT (€M)** | | | | |
| **CONTINUING OPERATIONS** | | | | |
| Household goods | (2) | 21 | (>100) | (>100) |
| **DISCONTINUED OPERATIONS** | | | | |
| General merchandise | (2) | (7) | | |

Economic conditions in Australia weakened during the year 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.

### Household goods – continued operations

Overall, the performance of the household goods division was boosted by results from Fantastic Furniture, which experienced strong like-for-like sales growth, illustrating the resilience of the value price segment where Fantastic is positioned. Overall, the household goods division reported revenue growth of 2% (4% in constant currency). Like-for-like written sales were flat.

Profitability for the period was impacted by the challenging trading environment, which negatively affected margins.

### General merchandise – discontinued operations

On 18 November 2019, Greenlit Brands announced that it had reached agreement to divest its general merchandise division, comprising Best & Less, Harris Scarfe, Postie (NZ) and Debenhams, to Allegro Funds, to enable it to focus on its household goods business. This transaction was completed on 2 December 2019.

# Steinhoff corporate and treasury services

| CORPORATE AND TREASURY SERVICES (€M) | FY19 | FY18 | Change % |
|---|---|---|---|
| | **(84)** | **(24)** | **(>100)** |
| Head office costs | (55) | (58) | (5) |
| Audit fees | (13) | (16) | (19) |
| Forex gains/(losses) | (16) | 37 | (>100) |
| PSG derivative gains/(losses) | – | 13 | (100) |

Head office costs include costs such as salaries, rent, travel and consultancy fees.

### Audit fees

The scope of external audit services increased significantly during 2018 and 2019. In terms of accounting principles, these expenses can only be recognised once incurred. As the 2017 and 2018 Annual Reports were only finalised in May and June 2019 respectively, certain audit fees relating to these Annual Reports were included within the 2019 Reporting Period. Similarly, the audit of the 2019 Annual Results only commenced after the conclusion of the 2019 financial year and will be expensed in the 2020 Reporting Period.

# STORE NETWORK DEVELOPMENT

| CONTINUING OPERATIONS | | 30 Sept 2018 | STORE Openings | STORE Closings | 30 Sept 2019 | Closing retail m² ('000) |
|---|---|---|---|---|---|---|
| **PEPCO GROUP** | | 2 360 | **412** | (78) | **2 694** | 1 300 |
| Pepco | Poland, Romania, Czech Republic, Hungary, Slovakia, Croatia, Slovenia, Lithuania, Latvia, Estonia, Bulgaria | 1 499 | **347** | (42) | **1 804** | 804 |
| Poundland, Dealz*, PEP&CO stand-alone stores | United Kingdom, Republic of Ireland | 861 | **65** | (36) | **890** | 496 |
| **PEPKOR (AFRICA)** | | 5 197 | **338** | (120) | **5 415** | 2 434 |
| PEP | Southern Africa | 2 231 | **117** | (21) | **2 327** | 832 |
| Ackermans | Southern Africa | 731 | **81** | (6) | **806** | 477 |
| PEP Africa** | Rest of Africa | 308 | **19** | (14) | **313** | 120 |
| Speciality | Southern Africa | 911 | **72** | (34) | **949** | 242 |
| Furniture and appliances | Southern Africa | 760 | **35** | (34) | **761** | 341 |
| Appliances and electronics | Southern Africa | 132 | **12** | (5) | **139** | 88 |
| Building materials | Southern Africa | 124 | **2** | (6) | **120** | 334 |
| **CONFORAMA** | | 327 | **14** | (1) | **340** | 1 299 |
| | France^ | 229 | **7** | – | **236** | 766 |
| | Iberia | 47 | **4** | (1) | **50** | 211 |
| | Switzerland | 20 | **2** | – | **22** | 95 |
| | Italy | 18 | **1** | – | **19** | 134 |
| | Croatia | 10 | – | – | **10** | 76 |
| | Serbia | 3 | – | – | **3** | 17 |
| **OTHER** | | 22 | – | (1) | **21** | 75 |
| Lipo | Switzerland | 22 | – | (1) | **21** | 75 |
| **GREENLIT BRANDS** | | 311 | **17** | (11) | **317** | 378 |
| Fantastic^^ | Australia | 155 | **14** | (2) | **167** | 179 |
| Snooze | Australia | 91 | **1** | (4) | **88** | 78 |
| Freedom | Australia and New Zealand | 65 | **2** | (5) | **62** | 121 |
| **TOTAL CONTINUING OPERATIONS** | | **8 217** | **781** | (211) | **8 787** | 5 486 |
| **CHANGE IN CONTROL OPERATIONS** | | | | | | |
| **MATTRESS FIRM** | United States of America | 3 241 | **37** | (744) | **2 534** | 1 206 |
| **DISCONTINUED OPERATIONS** | | | | | | |
| UK household goods (Bensons for Beds and Harveys) | | 397 | | | | |
| Greenlit general merchandise | | 324 | | | | |
| Automotive | | 162 | | | | |
| ABRA | | 117 | | | | |
| Pepkor Zimbabwe stores | | 39 | | | | |
| **TOTAL STORES PREVIOUSLY REPORTED FOR 2018** | | **12 497** | | | | |

** Dealz stores in Spain (16) and Poland (37)*
*** Excludes discontinued operations in Zimbabwe*
*^ Includes Mon Lit Et Moi stores (8), Mon Lit Et Moi franchisees (14), Maison Dépôt stores (10) and Conforama franchisees (9)*
*^^Fantastic includes Fantastic Furniture, Plush and OMF stores*

# EXCHANGE RATES

| | AVERAGE TRANSLATION RATE | | | CLOSING TRANSLATION RATE | | |
|---|---|---|---|---|---|---|
| | FY19 | FY18 | % change | 30 September 2019 | 30 September 2018 | % change |
| EUR:ZAR | 16.1733 | 15.5493 | 4.0 | 16.5576 | 16.4337 | 0.8 |
| EUR:PLN | 4.3007 | 4.2444 | 1.3 | 4.3782 | 4.2774 | 2.4 |
| EUR:GBP | 0.8844 | 0.8848 | 0.0 | 0.8857 | 0.8873 | (0.2) |
| EUR:AUD | 1.6033 | 1.5655 | 2.4 | 1.6126 | 1.6048 | 0.5 |
| EUR:USD | 1.1281 | 1.1904 | (5.2) | 1.0889 | 1.1576 | (5.9) |
| EUR:CHF | 1.1225 | 1.1615 | (3.4) | 1.0847 | 1.1316 | (4.1) |

ANNEXURES TO OPERATIONAL REVIEW
*continued*

# 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 | IC-Code | Origin Entity | Country of origin entity | Valid for FY2018 | Valid for FY2019 |
|---|---|---|---|---|---|---|---|---|
| **GROUP: SISL** | | | | | | | | |
| Steinhoff International Sourcing and Trading Ltd. | Hong Kong | China (Hong Kong) | 2461089 | 270 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd. | Hong Kong | China (Hong Kong) | 644662 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Trading Services Ltd. | Hong Kong | China (Hong Kong) | 2463978 | 271 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Investment HK Ltd | Hong Kong | China (Hong Kong) | 2584507 | 280 | Steinhoff International Investment HK Ltd | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – India RO | Gurgaon | India | F04370 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – Indonesia RO | Jakarta | Indonesia | 28/1/IUP3A-T/P-4/Nas/2017 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – Pakistan RO | Karachi | Pakistan | 03.078.508.3-011.000 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – Vietnam RO | Ho Chi Minh City | Vietnam | 79-02944-01 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing (Shenzhen) Ltd. | Shenzhen | China | 914403000589890340 | 236 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing (Shanghai) Ltd. | Shanghai | China | 91310000MA1GBH5W31 | 273 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing India Private Limited | Gurgaon | India | U74999HR2019FTC081761 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | N | Y |
| **GROUP: STEINHOFF UK** | | | | | | | | |
| Steinhoff Europe AG | Cheltenham | UK | BR020565 | 050 | Steinhoff Europe AG | Austria | Y | Y |
| Steinhoff Finance Holding GmbH | Cheltenham | UK | BR020564 | 203 | Steinhoff Finance Holding GmbH | Austria | Y | Y |
| Steinhoff UK Retail | Dublin | Ireland | 906518 | 174 | Steinhoff UK Retail Ltd | UK | Y | N |
| **GROUP: CONFORAMA** | | | | | | | | |
| Divisov (Conforama Suisse) | Mechnov 33 – 25726 Divisov | Czech Republic | VAT no: CZ68421776 | 718 | Conforama Suisse | Switzerland | Y | Y |
| **GROUP: PEPCO** | | | | | | | | |
| Fully Sun China Limited – Bangladesh | Bangladesh | India | TIN- 4404-3933-6667 | 380 | Fully Sun China Limited (HK) | China (Hong Kong) | Y | Y |
| Fully Sun China Limited – Taiwan | Taiwan | China | Reg no 53665194 | 380 | Fully Sun China Limited (HK) | China (Hong Kong) | Y | Y |
| Fully Sun China Ltd. India Liason Office | Gurugram, Haryana | India | F04915 | 380 | Fully Sun China Ltd | Hong Kong | Y | N |
| Fully Sun China Ltd. | Dhaka | Bangladesh | 393120132180 | 380 | Fully Sun China Ltd | Hong Kong | Y | N |
| Isle of Man | Isle of Man | UK (Isle of Man) | Tax reference No: C145894-73 | 368 | Poundland Limited | UK | | Y |
| Ireland | Ireland | UK (Ireland) | Tax reference: 9798866A | 368 | Poundland Limited | UK | | Y |
| Retail Holdings Sarl | Zug | Switzerland | CHE-110.261.548 | 376 | Retail Holdings sarl | Luxemburg | Y | N |
| **OTHER** | | | | | | | | |
| Standard Properties sp. z o.o. | Westerstede | Germany | HRB 205133 Oldenbrug | 046 | Standard Propterties sp. z o.o. | Poland | Y | N |

# SECTION 3: RISK MANAGEMENT

The Management Board manages the risk associated with the Group's activities in consultation with the operational management teams and reports to the Audit and Risk Committee and the Supervisory Board.

## INDEX

## *Introduction*

The Management Board has established a clear risk management framework with well-defined accountabilities to counter risks at Group and operational subsidiary level. Subsequent to the implementation of this risk management framework, the Management Board identify and analyse risks associated with the strategy and the activities of the Group. This organisational structure and distribution of accountabilities places the responsibility for the processes of risk review and risk mitigation with the operational subsidiaries' management, who owns the risk. Risks are identified, monitored and mitigated on an ongoing basis.

## *Risk management and internal control environment*

An overview of the risk management and internal control environment during the Reporting Period is set out below.

### Internal control

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

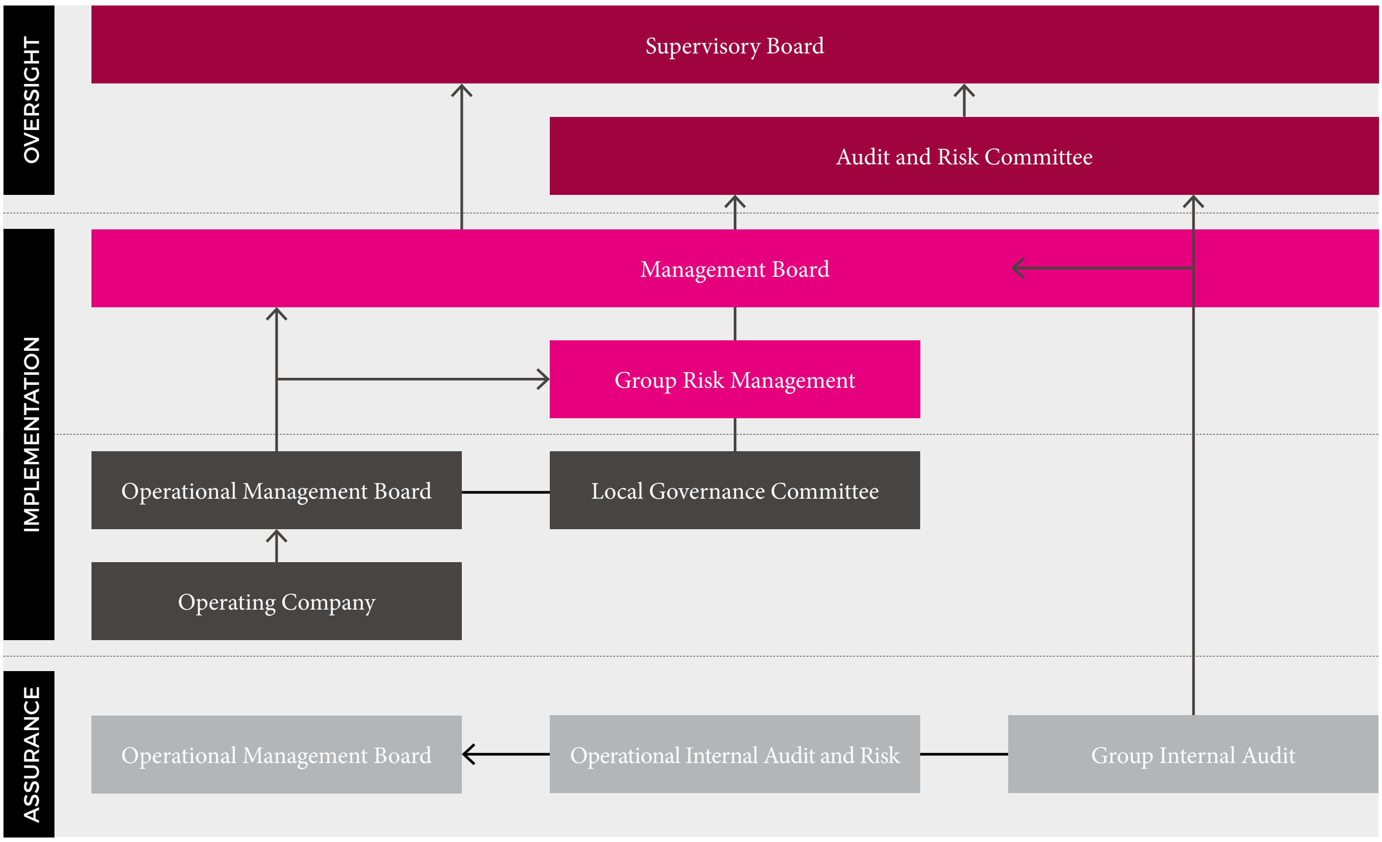
Risk management and control systems established by the risk management framework, have been designed to allow each OpCo to own, identify, evaluate and treat risk appropriately, and to ensure effective risk control mechanisms are implemented to mitigate residual risk exposure. The risk management and control systems are reviewed, assessed and monitored by the Management Board with the assistance of the established Group risk function. Each of the Group's operational subsidiaries are required to apply risk management and control systems. These systems include a risk register detailing, quantifying, classifying, prioritising risks and mitigation action plans for improvement.

The Group risk management and control systems allow each OpCo to set its own 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 risks are optimally addressed.

Quarterly reports are presented to the Audit and Risk Committee after due consideration by the Management Board during which follow-up measures are considered and reviewed.

### 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 for the reporting period is presented below.



### Risk appetite and risk tolerance

Risk appetite is the level of risk that the Company is prepared to take in pursuit of its strategic objectives. Risk appetites differ between operational subsidiaries based on their specific lines of business, sector, culture and objectives. 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. The Group risk appetite varies per objective area and type of risk.

(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 Principle Risks; short-term financial stability requirements are prioritised ahead of long-term growth objectives.

(ii) Financial risk
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.

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

### Risk management assurance

Operational management is responsible for managing risk and ensuring effective internal control systems are in place. Group risk management facilitates and supports the Management Board in the design and execution of internal risk management and control systems. 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 operational management to examine, evaluate, report and make recommendations. The operational internal audit functions report these evaluations and recommendations to the operational management and Group internal audit. The Group internal audit function reports to the Management Board and the Audit and Risk Committee on this information received from the operational internal audit functions. The adequacy and efficacy of the Group's risk management and internal control systems are included in the internal audit reporting.

The appointment of the Chief Compliance and Risk Officer with effect from 1 July 2019 and the continuous implementation of the Remediation Plan are key focus areas to improve the Group's risk management processes.

No major failings in the internal risk management and control systems were brought to the attention of the Management Board during the Reporting Period.

The Management Board is constantly striving to improve the internal risk and control systems. Any improvements or changes to these systems are discussed with the Audit and Risk Committee and the Supervisory Board.

## *Principal risks*

The Management Board has identified the following principal risks during the Reporting Period. These risks applicable to our business strategy should not be regarded as exhaustive and evolve due to internal and external factors. There may be additional risks of which the Management Board is currently unaware.

## 1 LITIGATION

**RISK RATING: High**

**The uncertainty relating to legal actions against the Group is high, with legal actions arising from combined claims resulting in material financial exposure.**

The multiplicity of actions, including class actions, have been filed by, and on behalf of, individual and institutional investors in several jurisdictions adds additional complexity to this risk.

**HOW WE ARE MITIGATING THE RISK**

The litigation working group oversees and provides advice to the Management Board on litigation.

The litigation working group together with the Group's legal advisors assess the merits of claims.

The litigation working group will continue to advise on exploring ways of resolving and settling litigation.

The Management Board reports to the Supervisory Board on litigation.

## 2 FINANCIAL STABILITY

**RISK RATING: High**

**The ongoing management of liquidity remains material for the financial stability of the Group.**

Due to the extent of the accounting irregularities, the late publication of the 2017 and 2018 Consolidated Financial Statements and the PwC forensic investigation (Phase I), certain financial creditors withdrew/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 suppliers' credit insurance; resulted in a significant decrease in supplier credit facilities and, in certain instances, demand for prepayments.

**HOW WE ARE MITIGATING THE RISK**

Appointment of appropriate advisors to assist the Group in engaging with stakeholders.

Identify non-core assets and continue the disposal process of these assets to reduce debt and support liquidity.

With the assistance of our advisors, develop restructuring plans and engage with financial creditors to obtain their support.

The implementation of the CVA with the financial creditors of SEAG and SFHG, effective 13 August 2019, has significantly reduced the risk of financial instability.

Obtain independent financing facilities at operational level.

Detailed financial reporting on operational results to financial creditors.

The introduction of detailed cash management procedures.

Entered into a Lock-Up agreement and a three-year agreement with the Hemisphere financial creditors.

Engage with all stakeholders, including providing market information in the form of quarterly updates.

The publication of the 2019 half-year interim financial results.

Ongoing investigations including the PwC forensic investigation (Phase II).

Publication of the 2017 and 2018 Consolidated Financial Statements of the Company.

## 3 TAX COMPLIANCE

**RISK RATING: High**

**Due to the Group's operations across multiple jurisdictions, each with its own tax regulations, in-depth knowledge is required in order to ensure ongoing compliance. Consequently, reliance is placed on in-country advisors.**

The restatement of the Group's Consolidated Financial Statements may give rise both short- and long-term tax related consequences.

Due to backlogs experienced by local tax authorities, the restated financial results would not have been considered by the local tax authorities yet and as a result the impact of potential tax adjustments, fines, penalties and/or refunds is unknown.

Loss of people in key business areas and the loss of corporate knowledge further increase the risk as the rationale for past decisions and transactions may be lost. This may result in Group Companies being unable to provide detailed responses to tax enquiries from tax authorities. Current and future tax audits may give rise to further risks regarding tax positions taken by the Group in the past. Additional tax liabilities may arise in the case of adverse outcomes in any settlement negotiations, which could have a material effect on the Group's financial position and liquidity.

Furthermore, as a multi-national group, there are a number of cross-border related party transactions in place in all spheres of the Group's business. Due to the increased focus of revenue authorities on transfer pricing arrangements, the Group faces potential risks in this context. If a tax authority concludes that the transactions under review are not at arm's length, the Group's tax liability would increase. Furthermore, the Group may incur significant legal expenses and devote substantial time to addressing these matters.

### HOW WE ARE MITIGATING THE RISK

Frequent updating of tax risk registers and constant communication with the various reporting groups within the Group.

Central Group monitoring and reporting of tax matters have been implemented and continues, which includes close involvement of the Chief Financial Officer.

Appointment of appropriate tax specialists in the relevant affected jurisdictions to help advise on the current position in each jurisdiction.

## 4 REGULATORY COMPLIANCE

**RISK RATING: High**

**During the Reporting Period, certain Group companies were not compliant with corporate laws and regulations in relation to the late publication of annual financial statements.**

The risk of failure to comply with corporate laws and regulations extends across several jurisdictions, is significant and could result in liability, including, but not limited to, mandatory shutdowns, damages, criminal prosecutions, financial fines and penalties, injunctive actions and loss of trade agreements and contracts.

### HOW WE ARE MITIGATING THE RISK

This is a key focus of the finance functions across the Group in conjunction with the external statutory auditors.

The Group is continuously engaging with relevant regulators.

External legal specialists are continuously engaged to provide regulatory support where required.

Our finance function continuously engages with the external auditors to expeditiously complete the single entity accounts in respect of the 2017, 2018 and 2019 annual financial statements.

Going forward, Risk Management and Internal Audit will remain key focus areas of both the Management Board, the Audit and Risk Committee and the Supervisory Board.

## 5 COMMERCIAL SUSTAINABILITY OF OPCOS

**RISK RATING: Medium**

**The Company's future operating results and value will depend upon the ability of each OpCo to preserve and increase their value through organic growth and improved efficiencies.**

### HOW WE ARE MITIGATING THE RISK

Non-core and underperforming assets and product lines have mostly been disposed of and is a continuous process.

Operational management is responsible and accountable for the commercial sustainability of their respective businesses.

Alternative sources to finance the operations have been obtained and are continuously being explored by operational management.

The improvement in supply chain processes.

Planning of strategic distribution centre locations.

## 6 TALENT MANAGEMENT AND RETENTION

**RISK RATING: Medium**

**The Group's future success will depend on its ability to manage, attract and retain skilled and qualified human capital.**

The loss of key individuals could result in short term instability.

### HOW WE ARE MITIGATING THE RISK

The endeavours of Group and operational management continue to focus on attracting and retaining talented and experienced resources.

Incentive and retention programmes have been introduced and are continuously being considered.

## 7 BRAND

**RISK RATING: Medium**

**The Company has experienced significant brand damage which continues to impact negatively on investor confidence and the operations of the OpCos.**

### HOW WE ARE MITIGATING THE RISK

The implementation of the debt restructuring has contributed positively towards rebuilding investor confidence.

The stability in the Management Board and transparent processes initiated with all stakeholders further contribute towards rebuilding the brand.

The composition of the Supervisory Board in terms of newly appointed independent directors.

Publishing the 2019 Consolidated Financial Statements.

Cooperation with regulatory authorities in multiple jurisdictions.

Where appropriate objecting to and filing appeal against adverse decisions and related actions taken by regulatory authorities.

## *Principal risk comparison to the prior year*

During the previous financial year, the principal risks of "fraud and ethics" and the "growth plans and disposal of non-core assets" were reported. These are no longer considered principal risks during the current financial year. Fraud and unethical behaviour are no longer considered a principal risk of the Company by the Management Board due to the restructuring of group services functions, improved controls and significant progress in the implementation of the remedial actions of the Remediation Plan during the period under review. The ethical tone that is set at the top by the Management Board in their dealings and the absolute zero tolerance for fraudulent and unethical behaviour have substantially lowered the risk. The disposal processes of non-core or non-performing assets are far advanced and associated growth plans have been finalised during the current financial year, and therefore this risk is no longer considered to be significant to the Company.

## *Principal risk post year-end*

At the date of this Annual Report, the Group faces a significant risk in respect of COVID-19 and the impact on the financial well-being and performance of the OpCos. The effects are closely monitored by the Management Board and operational management and mitigated through considering alternative suppliers, shipping methods, reducing and cancelling ordered quantities, improvements to the end-to-end supply chain process and a concerted effort on the management of liquidity and the sourcing of alternative financing.

## *Principal risks: OpCos*

The principal risks identified by operational management for reporting, evaluation and consideration by the Management Board include the following non-exhaustive list of risks and is not ranked in a critical order of significance:

(i) Adverse economic cycles and trends;

(ii) Supply chain failure;

(iii) Adverse supplier credit facilities/terms;

(iv) Competition;

(v) Talent management and retention;

(vi) Regulatory compliance, including health and safety;

(vii) Failure to meet customer needs;

(viii) Reputation and brand association with Steinhoff;

(ix) Fraud and ethics violations; and

(x) Technology infrastructure failure and cyber security.

In order to assess the risk of each of the OpCos, it is important to understand that these businesses operate in different markets across multiple jurisdictions, cultures and geographies.

If the principal risks as presented above realise this would have a significant adverse impact on the future existence of the Group.

## *Financial risk management*

The Group's ability to manage financial risk was improved and assisted by the successful implementation of the CVA on 13 August 2019.

The Group's financial instruments are listed in the 2019 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 Management Board to ensure optimal risk mitigation.

### Liquidity risk management

The significant liquidity risk faced by the Company and its OpCos during the Reporting Period remained. Refinancing activities were, and continue to be, actively pursued at our operational subsidiaries. The implementation of the CVA created an improvement in the liquidity risk faced by the Group due to the amendment of the maturity date for all external debt at Group level to 31 December 2021, as well as the introduction of accruing for interest rather than regular cash payment of such. 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 first repayment of the restructured debt has taken place during November 2019.

### Currency volatility risk management

Currency volatility risk management is still severely constrained due to no trading facilities available at the Group level whilst the availability of facilities at operational level is limited by either volume (restricted facilities) or 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 rates. As stated previously, several asset disposals were required to ensure free cash flow with the current negative interest environment in Europe increasing the risk. Implementation of the CVA has enabled the Group to focus on improved interest rate management going forward.

### Credit risk management

The credit risk faced by the Company and its OpCos during the Reporting Period remained substantial as short-term credit facilities were severely diminished and/or withdrawn. The Company and Group's creditworthiness was materially affected. As a result, suppliers refused to extend credit and payment terms due to the withdrawal of credit insurance for the Group. Other supplier payment terms were shortened due to the uncertainty surrounding the Group's financial position. The implementation of the CVA has enabled the Group to start improving the management of credit risk.

## *Code of Conduct compliance*

The Management Board is responsible for ensuring that adequate frameworks and control systems are in place at OpCos to detect fraud and irregularities. The responsibility to detect and prevent fraud remains with management at an operational subsidiary level. This is emphasized through continuous sensitisation of operational internal audit functions as well as inclusion of such focus in internal audit processes. The operational internal audit function reports fraud and ethics violations to operational management. These reports are escalated to the Management Board and to the Audit and Risk Committee. Such reports include associated remedial actions.

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 Group currently operates.

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 the Company'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 operational management. Although these values are therefore in principle a matter of operational responsibility, the application thereof is monitored by the Management Board at a Group level.

Furthermore, the Group has adopted a whistle-blower 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 whistle-blower 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 which is based on the Group's risk profile and loss history. Where possible, predicable risk has been retained within the operational entities, or within the captive facility(ies) where economical to do so. The Management Board review and consider unpredictable risks identified by management, and defensive strategies are adopted where appropriate. Internal and external factors are monitored in order to identify current and emerging risks. Quarterly reporting to the Audit and Risk Committee continues.

The Group pursues a strategy of mitigating its insurable risks through a combination of self-insurance and commercial insurance coverage. The objective pursued is to ensure that the Group is always protected against significant and/or catastrophe losses while keeping the cost of risk at optimal efficient levels through a prudent combination of retention and risk transfer to the insurance markets. During the Reporting Period certain of the operational subsidiaries were self-insured through a 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.

The Group's Directors and Officers liability insurance coverage is fully sourced from the international insurance market. The ongoing challenge remains to secure adequate limits and to manage the claims put to the market following the events of December 2017.

## *Remediation Plan*

During the previous Reporting Period, the Management Board developed a Remediation Plan, containing a wide range of measures to limit the possible recurrence within the Group of irregularities and instances of non-compliance with laws and regulations in the future.

The Remediation Plan is being implemented by the Group Compliance and Risk function, under Management Board responsibility, with updates being provided to the Management Board on a monthly basis. The Supervisory Board is overseeing the overall implementation of the Remediation Plan and receives quarterly updates from both the Management Board and the Audit and Risk Committee.

Work during the Reporting Period was concentrated on the continuous improvements to policies and procedures, both at the Company and OpCos. Significant further progress was made with the implementation of these remedial actions during the Reporting Period.

The Remediation Plan has been sub-divided into sections based on the issues to be addressed. A brief overview of the remedial action taken in each area during the Reporting Period is provided below:

### Governance and control

A number of appointments were made to strengthen the Group Compliance and Risk function, including the new role of Chief Compliance and Risk Officer. A Remediation and Best Practice Committee, reporting to the Management Board, was established. This committee meets monthly to discuss progress made with the implementation of the Remediation Plan and to review outstanding actions.

The Supervisory Board and its committees were recomposed during the 2018 and 2019 Reporting Periods. The Supervisory Directors followed an induction programme.

### Policies and procedures

Updating Group policies and procedures in respect of financial accounting and supplier and contract management, was a key focus throughout the Reporting Period. Significant progress was made but this process remains a principle area of activity. An updated whistleblowing policy was approved and the Group Compliance and Risk function is assisting the OpCos with a review of their current whistleblowing functions.

### Actions emanating from the Forensic Report

As previously reported, the PwC forensic report was completed during the Reporting Period. Further investigations, dealing with specific matters identified in the report, and that in the view of the Special Supervisory Board sub-committee dealing with the forensic investigations of the Group warrant further examination, are continuing. These matters include the investigation of possible claims against third parties and entities.

The PwC forensic investigation identified a number of specific governance and procedural matters in respect of the Management Board. Certain proposed amendments to the Articles were adopted by the General Meeting in August 2019 and a number of new processes have subsequently been implemented, addressing the issues in full.

Those matters arising from the forensic investigation concerning the finance department were also largely dealt with and finalised, the exception being certain tax matters which, as discussed in the Financial and Business Review, are ongoing. In addition, where the necessary governance improvement actions impacted the Company Secretarial function, such changes were implemented.

### Regulatory and legal matters

The Company is continuing to communicate and liaise with all relevant regulatory bodies and enforcement agencies and is cooperating in full as and when requested.

Specific requirements and measures in respect of the Group's business partners and special purpose vehicles are in progress.

# SECTION 4: 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.

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## *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 2019 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 of the Company and of the enterprises connected with it whose data are included in the 2019 Consolidated Financial Statements and the Annual Report describes the substantial risks with which the Company is being 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 Management Board has 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 Management Board has worked at continuing to improve the processes and procedures regarding financial reporting by means of:

(i) clear target setting and monitoring together with the reset of roles and responsibilities within the finance teams globally;

(ii) proper archiving and securing of company data, enhanced by information sharing and centralisation of information;

(iii) implementation of the consolidation system for global consolidation;

(iv) implementation of new accounting systems for transactional processing in the UK as well as system improvements in local processing of holding entities onto a system previously done manually and without proper segregation; and

(v) implementation of software to manage the preparation of financial statements, which aligns with regulatory requirements set by South African regulators;

and it is of the opinion that:

(i) the Annual 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; and

(iii) 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 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 continues to revolve 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 principal 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.

All five Managing Directors who held office during the Reporting Period (or part thereof) were male and Managing Directors appointed have been nominated based on the above criteria, taking into account the qualifications required in view of the challenges faced by Steinhoff. Within the context of the nomination and appointment of Managing Directors, the Supervisory Board selects candidates based on such qualifications and regardless of gender which is in accordance with the above diversity policy. Due to the resignations of Managing Directors Danie van der Merwe, Philip Dieperink and Alexandre Nodale during the Reporting Period, on the Reporting Date both remaining Managing Directors had South African nationality (100%) and lived in South Africa. If and when selecting and nominating candidates for the Management Board, the Supervisory Board will take the diversity policy into consideration to safeguard a balanced apportionment of the seats of the Management Board, including objective (ii) above.

On the Reporting Date, four out of eight Supervisory Directors were female (50%) and five out of eight Supervisory Directors had South African nationality (62.5%) 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. Both Paul Copley and David Pauker were subsequently appointed by the General Meeting on 30 August 2019. If and when selecting and nominating candidates for the Supervisory Board, the profile of the Supervisory Board and the diversity policy will be taken into consideration.

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. To this end, on 19 December 2019, Steinhoff's South African subsidiary, Steinhoff Africa Holdings (Pty) Ltd. sold 25.1% of their stake in Unitrans motor business to Kapela.

## 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 orphaned children affected by severe trauma, 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 children, who are called beneficiaries, which gradually expanded to approximately 400 beneficiaries in 2019. Steinhoff's financial contribution is the primary funds used for the programme. The aim of Steinhoff's involvement in this initiative is to provide children who are affected by HIV/Aids and severe trauma 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 or where the child was removed from an abusive environment by a court judgement. 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 today to assist with the care of the beneficiaries, especially the smaller children, are 'graduates' from the programme 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.

In addition, with the help of Steinhoff, Abraham Kriel runs a training facility that provides a limited number of learnerships for the Abraham Kriel graduates or their family members to equip the individual with a skill i.e. building and plastering, tiling and painting, assistant chef etc. which they can use to earn an income and break the poverty circle.

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 give 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 ZAR4.7 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 Knysna Initiative for Learning and Teaching (KILT) has made significant progress since its launch in April 2017. 2019 has seen KILT consolidating its programme to become what they believe will be a leading model of systemic school support in South Africa. From their initial, and ongoing focus on the funding of teacher and auxiliary staff posts in 2017 and the upgrading of ablution facilities, KILT now delivers 13 other projects at all levels of the school system across 17 schools and 12 000 learners - mostly from very disadvantaged communities. The support projects range from Leadership Development to Psycho-social, remedial and reading support, study clubs, sport, math's & science and Lego Robotics.

KILT is doing a feasibility study on supporting phased-in self-sustaining energy and water harvesting as it is relevant to South African circumstances and KILT's view on sustainable school support in the future. Within a year of implementation, this will potentially save approximately 30% of the schools' utility expenses which will result in the schools to start having discretionary money to address some of their own infrastructure challenges that cannot be funded from the Steinhoff annual donation.

2020 will see KILT focus more on teacher support programmes that will begin to address the overwhelming evidence of poor teaching outcomes in South Africa. This will be filtered through the KILT-affiliated educator body by introducing Community of Practice methodology across projects.

Communities of practice are formed by profession-related peers who engage in a process of collective learning in a shared domain of human endeavour.

The financial contribution from Steinhoff for the Reporting Period amounts to ZAR14.9 million. The sponsorship with KILT amounts to ZAR15 million in donation annually for a period of five years starting from 2017.

## *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**
30 June 2020

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

**T.L. (Theodore) de Klerk**
*Chief Financial Officer*

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 DCGC, the Management Board and the Supervisory Board are responsible for the corporate governance of the Company.

The Company is a public limited liability company incorporated under the laws of the Netherlands, has its corporate seat in Amsterdam, the Netherlands and its head office in South Africa. The Company is registered with the Trade Register in 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 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 DCGC is available at www.mccg.nl.

## *Management Board*

The role of the Management Board is to manage the Company. Pursuant to the 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 describe the powers, duties, as well as working methods and the decision-making process of the Management Board. The most recent version of 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. In February 2020, the Supervisory Board resolved that settlement of litigation in excess of EUR 50 million is subject to the approval of the Supervisory Board. The Regulations of the Management Board were revised accordingly.

### 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. If and when selecting and nominating candidates for the Management Board, the diversity policy is taken into consideration.

Pursuant to the 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 or removal shall be made upon a proposal by the Supervisory Board. A Managing Director may also be suspended by the Supervisory Board at any time. 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 referred to in the preceding full sentence is not met, a second General Meeting as referred to in Section 2:120, subsection 3, of the DCC 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 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 of this requirement.

***Composition of the Management Board***

As at the Reporting Date and as at the date of this Annual Report, the Management Board consisted and consists of Louis du Preez and Theodore de Klerk. Alexandre Nodale resigned as Deputy CEO and Managing Director on 11 April 2019, Philip Dieperink stepped down as CFO and Managing Director on 31 August 2019, by mutual consent.

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

**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. Until 31 December 2019, Danie van der Merwe assisted Louis du Preez and the Management Board.

**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 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. He currently continues to serve as a director of several other Group companies.

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.

Until his resignation as CFO and Managing Director on 31 August 2019, he also served as a director of several group companies and 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. In 2008 he was 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 Holdings Limited from 1 October 2017 until 3 April 2019. He currently continues to serve as a director of several Group companies.

Effective 1 September 2019, the Supervisory Board designated Theodore de Klerk as CFO.

**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

Until 13 November 2018, Danie van der Merwe served as a non-executive director on the board of KAP. Danie van der Merwe also served as non-executive director on the board of Pepkor (previously named Steinhoff Africa Retail Limited). 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, and Louis du Preez 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, resolutions, authority to represent and committees

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.

The Management Board follows a regular meeting schedule with meetings held approximately every other week.

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.

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 then be put in writing. The Management Board may, at any time, change the duties and the composition of each committee.

The Management Board remains collectively responsible for decisions prepared and/or taken by such committee.

### 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, Ewoud van Gellicum was the Company Secretary of Steinhoff International Holdings N.V.

### Chief Compliance and Risk Officer

Louis Strydom was appointed Chief Compliance and Risk Officer and tasked with the implementation of the Remediation Plan. He was also appointed as the Company's senior internal auditor and risk manager, replacing the previous senior internal auditor and risk manager. He reports directly to the CEO and has a reporting responsibility to the Audit and Risk Committee. Louis Strydom joined the Group on 1 July 2019.

## *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). The latest version of the Regulations of the Supervisory Board can 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.

There were no conflicts of interest with any Managing Directors nor Supervisory Directors reported during the Reporting Period.

Reference is made to note 29 (Related-party transactions) of the 2019 Consolidated Financial Statements for a description of any related party transactions.

### 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 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 the profile of the Supervisory Board into consideration 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.

**H.J. (Heather) Sonn**
*(South African) (Female)*
*(date of birth: 20 October 1971)*

*BA (Political Science), MSc Foreign Service/ International Affairs (international trade and finance, international business, negotiation, southern Africa development matters)*

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 board of Steinhoff Investment Holdings Limited, a board member of Gamiro Investment Group and of Reinsurance Group of America SA.

On the Reporting Date, she also served on the Board of non-profit organisation, GreenCape as 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 served as chairperson of the Nomination Committee.

On 18 May 2020 Heather Sonn resigned from all functions at the Steinhoff Group, and specifically as the chairperson of both the Company and Steinhoff Investment Holdings Limited.

**P.N. (Peter) Wakkie**
*(Dutch) (Male)*
*(date of birth: 22 June 1948)*

*LLB*

Peter Wakkie was re-appointed to the Supervisory Board on 30 August 2019, for a period that runs with effect from the conclusion of the AGM on 30 August 2019 until the close of the Company's annual General Meeting to be held in 2021.

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 (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. He also served as the chairman of the supervisory board of TomTom N.V. until April 2019.

**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.

On 22 May 2020, the Supervisory Board designated Moira Moses as chairperson of the Supervisory Board and appointed her as chairperson of the Nomination Committee.

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 enjoyed a successful career in the motor industry holding the position of Managing Director of Land Rover, Volvo and Jaguar in Southern Africa from 2000 to 2004. Ms Moses was with Transnet Limited from 2005 – 2012 and held the position of Group Executive, Capital Projects. She has held a number of Non-Executive Board positions including Transnet Limited, Viamax (Pty) Ltd, Afrisam Group and MTN Group Limited. From 2007 to 2015 she served on the Board of the Public Investment Corporation, and from 2009 to 2018 at the Government Employees Pension Fund. She is currently on the Boards of Kansai Plascon Africa Limited and Thusanang Trust, a non-profit organisation focused on child education. With effect from 29 October 2018, she was appointed as non-executive director of Steinhoff Investment Holdings Limited and is a member of the Audit Committee of Steinhoff Investment Holdings Limited. On 22 May 2020 Moira was appointed as the Chairperson of Steinhoff Investment Holdings Limited.

**Dr. 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. With effect from 30 August 2019, he was appointed as non-executive director of Steinhoff Investment Holdings Limited and is a member of the Audit Committee of Steinhoff Investment Holdings Limited.

**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 she served as Chairperson of the board of Passenger Rail Agency of SA (PRASA) from 2018 to 2020.

**S.F. (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 a number of listed companies. Steve Booysen served as an independent non-executive director on the board of Steinhoff Investment Holdings Limited and was 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. He stepped down from the Supervisory Board on 30 August 2019.

**A. (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 and Commerzbank AG in Germany. She also served on the advisory committee of HSH Nordbank AG until 31 December 2017.

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. She resigned from the Supervisory Board on 30 August 2019.

**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 chairman of the Company's Audit and Risk Committee, and a member of 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 currently the Chairman 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 a director of WWF – SA, and until December 2019 she was 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, and on 22 May 2020 she was appointed as the Deputy chairperson of the board of the same company.

## Supervisory Board (re-)appointments

Peter Wakkie was re-appointed as Supervisory Director on 30 August 2019. Paul Copley and David Pauker were appointed as independent Supervisory Directors on 30 August 2019. Their curricula vitae are given below.

**P.D. (Paul) Copley**
*(British) (Male)*
*(date of birth: 4 May 1975)*

*BA Hons (English Language & Literature), Chartered Accountant (ICAEW), Insolvency Practitioner (JIEB)*

Paul Copley is a UK chartered accountant and licensed insolvency practitioner. He spent 20 years at PwC, working principally in Business Recovery Services, in both formal insolvency and restructuring roles. Most notably, he was appointed Joint Administrator of Lehman Brothers International (Europe), where he worked full-time from 2008 to 2014. Whilst at PwC, Paul was also Joint Receiver of OW Bunker, the world's largest independent marine fuel distributor. Paul left PwC in 2016 to take up the role of CEO of Kaupthing ehf. He currently also serves as the Managing Director of Aldan Management and is Concurrent Administrator of Phones 4U Limited. In October 2019, he reprised his role as Joint Receiver of OW Bunker.

Paul also serves on the board of Noble Group Holdings Limited as a non-executive director.

**D.I. (David) Pauker**
*(United States) (Male)*
*(date of birth: 21 March 1959)*

*B.S. (Industrial and Labour Relations)*

David Pauker earned a bachelors' degree in Industrial and Labour Relations in 1981 and in 1984 he obtained a degree in law from the Columbia Law School. He spent 25 years at Goldin Associates, a turnaround and restructuring advisory firm based in New

York, retiring in 2015 as the firm's Executive Managing Director and practice leader. At Goldin, he was senior advisor to companies and institutional investors and oversaw independent investigations of corporate affairs. He has acted as C-suite officer for many companies undergoing reorganization.

In 2016, he was appointed as Chief Restructuring Officer for Essar Steel Minnesota; the company emerged from bankruptcy and was reorganised as Mesabi Metallics. He has held numerous roles on boards throughout his career and is currently Chairman the Board of the Government Development Bank Debt Recovery Authority of Puerto Rico. He also serves on the boards of Lehman Brothers (post-reorganisation) and the Residential Capital Trust.

As at the Reporting Date, the Supervisory Board consisted of the following eight members: Heather Sonn (Chairperson), Peter Wakkie (Deputy Chairman), Paul Copley, Khanyisile Kweyama, Moira Moses, Hugo Nelson, David Pauker and Alexandra Watson.

Following the resignation of Heather Sonn on 18 May 2020 and the designation of Moira Moses as chairperson on 22 May 2020, the Supervisory Board as at the date of this Annual Report consists of the following seven members: Moira Moses (chairperson), Peter Wakkie (deputy chairman), Paul Copley, Khanyisile Kweyama, Hugo Nelson, David Pauker and Alexandra Watson.

### 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 may, as it may deem necessary, establish such other committees pertaining to the Supervisory Board and the performance of its duties. 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. The Supervisory Board has a further standing committee, namely the Governance, Social and Ethics Committee and a voluntary committee, namely the Forensic Investigation Committee.

The Regulations of the Supervisory Board and its standing 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. The regulations describe the powers, duties, as well as working methods and the decision-making process of the Audit and Risk Committee. The most recent version of the regulations of the Audit and Risk Committee can be viewed on the Company's website www.steinhoffinternational.com.

## Human Resources and Remuneration Committee

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:

(i) 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. The regulations describe the powers, duties, as well as working methods and the decision-making process of the Human Resources and Remuneration Committee. The most recent version of the regulations of the Human Resources and Remuneration Committee 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) 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 profile of the Supervisory Board 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 profile of the Supervisory Board;
(vii) to supervise the policy of the Management Board regarding the selection criteria and appointment procedures for the Senior Management (other than Managing Directors);
(viii) to review the diversity policy of the Supervisory Board annually; and
(ix) to undertake an annual assessment of the functioning of the Nomination Committee, and report findings to the Supervisory Board.

The Supervisory Board established regulations for the Nomination Committee. The regulations describe the powers, duties, as well as working methods and the decision-making process of the Nomination Committee. The most recent version of the regulations of the Nomination Committee can be viewed on the Company's website www.steinhoffinternational.com.

## Voluntary committees

### Governance, Social and Ethics Committee

The following Supervisory Directors were members of the committee during the Reporting Period: Peter Wakkie (chairman), Steve Booysen, Alexandra Watson, and Khanyisile Kweyama. A representative of the Social & Ethics Committee of Steinhoff Investment Holdings Limited has a standing invitation to attend meetings of the committee. The most recent version of the regulations of the committee can be viewed on the Company's website www.steinhoffinternational.com.

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.

### Forensic Investigation Committee

The voluntary committee engages with PwC in respect of their forensic investigation. The committee consisted of the following members: Peter Wakkie (chairman), Moira Moses, Alexandra Watson, Paul Copley and Managing Director Louis du Preez.

## Litigation Working Group

The joint working group, established by the Supervisory Board and the Management Board, enables 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.

## 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. All five Managing Directors who held office during the Reporting Period (or part thereof) were male. If and when selecting and nominating candidates for the Management Board, the diversity policy is taken into consideration.

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. This diversity policy has formed part of the deliberations of the Supervisory Board within the context of nominating and appointing Managing Directors, taking into account the qualifications required in view of the challenges faced by Steinhoff.

On the Reporting Date, four out of eight Supervisory Directors were female (50%) and five out of eight Supervisory Directors had South African nationality (62.5%) 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.

Both Paul Copley and David Pauker were subsequently appointed by the General Meeting on 30 August 2019. If and when selecting and nominating candidates for the Supervisory Board, the profile of the Supervisory Board and the diversity policy are taken into consideration.

## 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.

On 30 August 2019, the General Meeting resolved to make the following amendments to the Articles:

*Capital reduction*

The General Meeting resolved to reduce the nominal value of each Ordinary Share from EUR 0.50 per Ordinary Share to EUR 0.01 per Ordinary Share. The capital reduction served the purpose of settling Company losses in the aggregate amount of EUR 2,111,766,300.56, as part of the measures required under Section 2:108a of the DCC. No shares were cancelled as a result of the capital reduction.

*Implementation of changes to remuneration provisions*

The Articles were amended to provide that the Company shall have a policy on the remuneration of the Supervisory Board, to be adopted by the General Meeting and that the remuneration policies of the Management Board and the Supervisory Board will be adopted by the General Meeting with a simple majority of the votes cast, and to remove certain references to sections of the Dutch Civil Code which are no longer required.

*Right of suspension*

Under the previous Articles, only the General Meeting had the right to suspend Managing Directors in accordance with the terms as referred to in the Articles. The amendment also grants the Supervisory Board the right to suspend Managing Directors at any time.

*Supervisory Board approval rights*

Under the previous Articles, the Supervisory Board had restricted authority to subject resolutions of the Management Board to its prior approval. The amendment removed these restrictions. The Management Board shall be notified in writing of the resolutions that will be subjected to prior approval of the Supervisory Board.

*Agenda of annual general meeting*

For costs and efficiency purposes, the list with suggested items of the agenda of annual general meeting items was removed from the Articles.

*Simplified legal merger and demerger procedures*

The Articles now provide that the Management Board may resolve to (i) effect a merger if the Company is the acquiring company in the merger, and (ii) effect a demerger if (a) the Company is an acquiring company in the demerger, or (b) the Company is the demerging company provided that the acquiring company/ companies is/are incorporated pursuant to the demerger and the Company will become the sole shareholder thereof, all subject to Supervisory Board approval.

### 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 the 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. During the Reporting Period, it became apparent to the Management Board that the equity of the Company had fallen below this threshold. The General Meeting to be held for this purpose coincided 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 18-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 DCC, 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. No extension or further authorisations to issue or to grant rights to subscribe for or to acquire Ordinary Shares has since been proposed.

## *Dutch Corporate Governance compliance*

The Company is required to report on its compliance with the Dutch Corporate Governance Code ("DCGC"). Pursuant to the DCGC, any deviations from it require explanation in accordance with the DCGC's 'comply or explain' principle. During the Reporting Period, the Company was compliant with the relevant principles and best practice provisions of the DCGC, with the exception of the following:

**3.4.1 (iv)** This best practice provision provides that the remuneration report should 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.
In deviation of this best practice provision, the Remuneration Report does not contain pay ratios because, due to the 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 and in light of the intended sale of further Group Companies and/or the reorganisation within Group Companies, no representative reference group can be determined that will allow consistency and comparison in subsequent years. The Company shall annually review if pay ratios can be described or not.

***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.

All five Managing Directors who held office during the Reporting Period (or part thereof) were male and Managing Directors appointed have been nominated based on the above criteria, taking into account the qualifications required in view of the challenges faced by Steinhoff. Within the context of the nomination and appointment of Managing Directors, the Supervisory Board selects candidates based on such qualifications and regardless of gender which is in accordance with the above diversity policy. 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. However, during the Reporting Period, Danie van der Merwe, Alexandre Nodale and Philip Dieperink all resigned. Consequently, on the Reporting Date the Management Board consisted of the two remaining Managing Directors, Louis du Preez and Theodore de Klerk, who both have South African nationality and live in South Africa. If and when selecting and nominating candidates for the Management Board, the diversity policy will be taken into consideration to safeguard a balanced apportionment of the seats of the Management Board. In light of the challenges Steinhoff faces and the importance to retain and appoint Managing Directors who have the necessary qualifications to safeguard Steinhoff's future, it is unclear when such an apportionment will be realised, and this may be on a longer term than originally envisaged. Steinhoff will however continue to strive to respect and realise its diversity policy on a continuing basis.

On the Reporting Date, four out of eight Supervisory Directors were female (50%) and five out of eight Supervisory Directors had South African nationality (62.5%) 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. Both Paul Copley and David Pauker were subsequently appointed by the General Meeting on 30 August 2019. If and

when selecting and nominating candidates for the Supervisory Board, the profile of the Supervisory Board and the diversity policy are taken into consideration.

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 €0.01 each**

**4 000 000 000 Preference Shares with a nominal value of €0.01 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 depositary receipts thereof) are admitted to a listing on a regulated stock exchange, as referred to in section 2:86c of the DCC, 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 2019:

| Date notification requirement | Party obliged to notify | Voting right/share capital interest | Percentage |
|---|---|---|---|
| 7 December 2015 | M.J. Jooste | Share capital interest | 1.77% |
| 7 December 2015 | M.J. Jooste* | Voting right | 32.50% |
| 28 September 2016 | Citigroup Inc. | Share capital interest | 5.73% |
| 28 September 2016 | Citigroup Inc. | Voting right | 5.73% |
| 14 December 2017 | Public Investment Corporation SOC Ltd | Voting right | 9.91% |
| 14 December 2017 | Public Investment Corporation SOC Ltd | Share capital interest | 9.91% |
| 9 February 2018 | C.H. Wiese | Share capital interest | 6.20% |
| 9 February 2018 | C.H. Wiese | Voting right | 6.20% |
| 24 May 2019 | Invesco Limited | Share capital interest | 3.09% |
| 24 May 2019 | Invesco Limited | Voting right | 3.09% |

** This person was party to the Voting Pool Arrangements, as a result of which he had a combined voting right (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 AFM. It is noted that overview of substantial notifiable shareholdings as at 30 September 2019 as shown above may not be complete or accurate. This overview has 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 one shareholder listed above may not have notified the AFM that its voting right fell below the aforementioned threshold. Steinhoff International Holdings N.V. is not responsible for listing the substantial notifiable shareholdings and has relied on the AFM public register.

There were no transactions between the Company and legal or natural persons who hold at least ten per cent of the shares during the Reporting Period.

### 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.

As the Voting Pool Arrangements as referred to in the 2018 Annual Report were terminated in December 2017, the Company no longer has any anti-takeover measures in place.

### Agreements between shareholders which may result in restrictions of the transfer of securities or voting rights

The Company is not aware of any agreements between shareholders which may result in restrictions of the transfer of securities or voting rights.

### 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.

ANNUAL REPORT 2019
PART III

# 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 initial appointment | Date of resignation | Current term | Independent | Committee member |
|---|---|---|---|---|---|---|---|
| Heather Sonn* | 47 | Chairperson | 30-11-2015 | N/A | 2018–2022 | Yes | Nomination Committee |
| Peter Wakkie | 71 | Deputy Chairman | 20-04-2018 | N/A | 2018–2021 | Yes | Governance, Social and Ethics Committee, Litigation Working Group, Forensic Investigation Committee |
| Paul Copley | 44 | N/A | 30-08-2019 | N/A | 2019-2022 | Yes | Audit and Risk Committee, Litigation Working Group, Forensic Investigation Committee |
| Hugo Nelson | 49 | N/A | 20-04-2018 | N/A | 2018–2022 | Yes | Audit and Risk Committee, Human Resources and Remuneration Committee |
| David Pauker | 60 | N/A | 30-08-2019 | N/A | 2019-2023 | Yes | Nomination Committee, Litigation Working Group |
| Alexandra Watson | 63 | N/A | 20-04-2018 | N/A | 2018–2022 | Yes | Audit and Risk Committee, Nomination Committee, Governance, Social and Ethics Committee, Forensic Investigation Committee |
| Moira Moses** | 54 | N/A | 20-04-2018 | N/A | 2018–2022 | Yes | Audit and Risk Committee, Human Resources and Remuneration Committee, Forensic Investigation Committee |
| Khanyisile Kweyama | 54 | N/A | 20-04-2018 | N/A | 2018–2022 | Yes | Governance, Social and Ethics Committee, Human Resources and Remuneration Committee |

** Resigned from the Supervisory Board on 18 May 2020.*
*** Designated as chairperson of the Supervisory Board and appointed as chairperson of the Nomination Committee on 22 May 2020.*

On 30 August 2019, the General Meeting appointed Paul Copley and David Pauker to the Supervisory Board and reappointed Peter Wakkie.

## *Independence*

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 DCGC were fulfilled.

## *Induction programme*

As part of the induction programme, the Supervisory Directors received presentations regarding risk management and internal audit within the Group, as well as on relevant Dutch legal and corporate governance matters.

## *Supervisory Board meetings, attendance, involvement with strategy, activities report and evaluations*

During the Reporting Period, quarterly Supervisory Board meetings were held on 4 December 2018, 27 February 2019, 11 July 2019 and 28 August 2019, where all the Managing Directors who were in office during the Reporting Period attended the meetings. Nominee Supervisory Directors, Paul Copley and David Pauker, attended various Supervisory Board meetings during the Reporting Period.

The table below provides the attendance by each Supervisory Director at both the quarterly and special meetings.

| | Attendance at Supervisory Board meetings during the Reporting Period | | | | |
|---|---|---|---|---|---|
| Name | Date First Meeting | Date Last Meeting | Total Meetings | Missed meetings | Attendance Percentage |
| S.F. Booysen* | 3 October 2018 | 28August 2019 | 13 | 1 | 92% |
| A. Krüger-Steinhoff* | 3 October 2018 | 28 August 2019 | 13 | 1 | 92% |
| K.T. Kweyama | 3 October 2018 | 28 August 2019 | 13 | 6 | 54% |
| M.A. Moses | 3 October 2018 | 28 August 2019 | 13 | 0 | 100% |
| H.A. Nelson | 3 October 2018 | 28 August 2019 | 13 | 2 | 85% |
| H.J. Sonn | 3 October 2018 | 28 August 2019 | 13 | 0 | 100% |
| P.N. Wakkie# | 3 October 2018 | 28 August 2019 | 13 | 2 | 85% |
| A. Watson | 3 October 2018 | 28 August 2019 | 13 | 1 | 92% |

** Resigned on 30 August 2019*
*#Reappointed on 30 August 2019*

During the Reporting Period, the Supervisory Board, amongst other matters:

(i) discussed the Group strategy, the implementation of this strategy by the Management Board and the principal risks associated with this strategy;

(ii) discussed progress and developments in relation to the restructuring and the resulting financial stability of the Group;

(iii) was advised on all major sale transactions undertaken by the Group;

(iv) received reports on progress with the litigation strategy;

(v) after receiving advice from the Audit and Risk Committee, and input from the Management Board, nominated Mazars for appointment as the Company's Statutory External Auditor for the period ended 30 September 2019, with Onno Opzitter as the lead audit partner;

(vi) after receiving advice from the Audit and Risk Committee, approved the replacement of the most senior internal auditor;

(vii) approved the internal audit plan;

(viii) reviewed the profile of the Supervisory Board;

(ix) nominated Peter Wakkie for re-appointment and Paul Copley and David Pauker for appointment to the Supervisory Board at the General Meeting;

(x) reviewed the rotation schedule of the Supervisory Board;

(xi) reviewed the Regulations of the Supervisory Board, the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Nomination Committee, and the Governance, Social and Ethics Committee; and

(xii) performed an evaluation of its own functioning, the functioning of the Audit and Risk Committee, the Nomination Committee, the Human Resources and Remuneration Committee, and the Governance, Social and Ethics 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, the implementation thereof and the associated risks.

### *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, the Human Resources and Remuneration Committee, and the Governance, Social and Ethics Committee. The evaluations were conducted through the completion of questionnaires, which covered substantive aspects, interaction between Supervisory Directors, interaction with the Management Board, the events that occurred during the period of assessment and from which lessons can be learned, as well as the composition, size, competencies and expertise of the Supervisory Board, the 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.

The Nomination Committee furthermore initiated the Supervisory Board's evaluation of the functioning of the Management Board as a whole and of the individual Managing Directors. The Nomination Committee, through its Chairperson, held various consultations throughout the year with Supervisory Directors and with other key stakeholders to establish a view of the performance of the Management Board through targeted questioning and an observation of performance, results and stakeholder feedback. In addition, a panel consisting of two members of the Nomination Committee, Heather Sonn and Alexandra Watson, and the Chairperson of the Human Resources and Remuneration Committee, Moira Moses, conducted reviews with each of the Managing Directors to establish their opinions on the functioning of the Managing Directors as well as Management Board.

The Chairperson also met with the Chief Compliance and Risk Officer, Louis Strydom and the Company Secretary, Ewoud van Gellicum, to solicit their feedback with a specific focus on ensuring that key risks, if any, had been identified and that any necessary mitigation steps had been planned and were being implemented.

The Managing Directors agreed that the Management Board had complementary skills and competencies. They also felt that there had been a strong working relationship, and a healthy environment to challenge decisions and conclusions in order to arrive at the best possible outcomes for the Company and its stakeholders. The Regular meetings of the Management Board, where heads of departments attended and reported on critical work-streams and projects, had provided a structured platform for engagement and decision-making and greater alignment and support amongst the teams supporting the Management Board.

## *Committees of the Supervisory Board*

### Report of the Audit and Risk Committee

| Composition | Meetings |
|---|---|
| As at the date of this Annual Report, the committee consists of, Alexandra Watson (chairperson), Hugo Nelson and Paul Copley. On 30 August 2019, Steve Booysen resigned from the Supervisory Board and as a member of the committee. Alexandra Watson replaced him as chairperson of the committee. On 25 June 2020 Moira Moises stepped down as a member of the committee. | Pursuant to the Regulations of the committee, the committee meets as often as deemed necessary for the proper functioning of the committee and meets at least four times each financial year. During the Reporting Period, the committee held eight formal meetings. Nominee Supervisory Directors, Paul Copley and David Pauker, attended various committee meetings during the Reporting Period. |

**Meeting attendance**

| | Attendance of members of the Audit and Risk Committee during the Reporting Period | | | | |
|---|---|---|---|---|---|
| Name | Date First Meeting | Date Last Meeting | Total Meetings | Missed meetings | Attendance Percentage |
| S.F. Booysen* | 30 November 2018 | 27 August 2019 | 8 | 0 | 100% |
| H.A. Nelson | 30 November 2018 | 27 August 2019 | 8 | 0 | 100% |
| M.A. Moses | 30 November 2018 | 27 August 2019 | 8 | 1 | 88% |
| A. Watson | 30 November 2018 | 27 August 2019 | 8 | 0 | 100% |

** Resigned from the Supervisory Board on 30 August 2019*

**Activities of the Audit and Risk Committee**

During the Reporting Period, the Audit and Risk Committee, amongst other matters:

(i) reviewed the quarterly financial results and their announcement for approval by the Supervisory Board;

(ii) reviewed internal control reports, tax reports, and the tax policy, cyber security risks, litigation reports, treasury reports and whistle-blowers reports;

(iii) received updates from Deloitte with respect to the external audit of the 2017 and 2018 Consolidated Financial Statements, as well as the separate financial statements;

(iv) approved the Remediation Plan and received regular updates on its implementation;

(v) received updates from PwC in respect of its forensic investigation to the extent relevant for the finalisation of the external audit of the 2017 and 2018 Consolidated Financial Statements;

(vi) received a presentation from Deloitte in respect of their audit of the 2017 and 2018 Consolidated Financial Statements;

(vii) reviewed Deloitte's draft audit report in respect of the 2017 and 2018 Consolidated Financial Statements;

(viii) discussed Deloitte's draft audit opinion in respect of the 2017 and 2018 Consolidated Financial Statements;

(ix) discussed the Management Board's in-control statement with the Management Board and with Deloitte;

(x) met with Deloitte outside the presence of the Management Board;

(xi) met with the Head of Internal Audit outside the presence of the Management Board;

(xii) reviewed the effectiveness and design of the internal risk management and control systems;

(xiii) reviewed and recommended that the Supervisory Board approve the internal audit charter;

(xiv) reviewed and recommended that the Supervisory Board approve the internal audit plan;

(xv) assessed the functioning of Deloitte and reported on this and on the relationship with Deloitte to the Supervisory Board;

(xvi) advised the Supervisory Board that Mazars be nominated for appointment as the Company's Statutory External Auditor for the 2019 Reporting Period with Onno Opzitter as the lead audit partner;

(xvii) 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 Louis Strydom be appointed as the senior internal auditor of the Group within the meaning of the DCGC; and

(xviii) performed an evaluation of its own functioning.

## Report of the Human Resources and Remuneration Committee

| Composition | Meetings |
| --- | --- |
| As at the date of this Annual Report, the committee consists of Hugo Nelson (chairperson), David Pauker and Khanyisile Kweyama. On 25 June 2020 Moira Moses stepped down from the committee and Hugo Nelson replaced her as chairperson of the committee. On that same date David Pauker was appointed as member of the committee. | Pursuant to the Regulations of the committee, the committee meets as often as deemed necessary for the proper functioning of the committee and meets at least twice each financial year. During the Reporting Period, the committee held seven formal meetings. |

### Meeting attendance

| | Attendance of members of the Human Resources and Remuneration Committee during the Reporting Period | | | | |
| --- | --- | --- | --- | --- | --- |
| Name | Date First Meeting | Date Last Meeting | Total Meetings | Missed meetings | Attendance Percentage |
| K.T. Kweyama | 23 October 2018 | 10 July 2019 | 7 | 4 | 43% |
| M.A. Moses | 23 October 2018 | 10 July 2019 | 7 | 0 | 100% |
| H.A. Nelson | 23 October 2018 | 10 July 2019 | 7 | 0 | 100% |

### Activities of the Human Resources and Remuneration Committee

During the Reporting Period, the Human Resources and Remuneration Committee, amongst other matters:

(i) performed a review of the performance conditions and prepared a proposal for the payment of the annual bonus and the vested tranche of the cash-based long-term incentive in respect of each of the Managing Directors for the Reporting Period;

(ii) prepared a proposal for a conditional annual bonus award and a cash-based long-term incentive award in respect of each of the Managing Directors for the financial year ending 30 September 2020;

(iii) discussed measures to retain key personnel with the Management Board;

(iv) performed a review of the Supervisory Directors fees, taking into consideration a benchmark study performed by an external remuneration advisor and prepared a proposal for Supervisory Directors' fees;

(v) discussed whether a meaningful reference group could be determined to establish a pay ratio within the Group;

(vi) prepared a Remuneration Report in respect of the Reporting Period; and

(vii) performed an evaluation of its own functioning.

## Report of the Nomination Committee

| Composition | Meetings |
|---|---|
| As at the date of this Annual Report, the committee consists of Moira Moses (chairperson), Alexandra Watson and David Pauker. On 30 August 2019, Angela Krüger-Steinhoff resigned from the Supervisory Board and as a member of the committee. On 18 May 2020 Heather Sonn resigned from the Supervisory Board and also as the chairperson of the Nomination Committee. | Pursuant to the Regulations of the committee, the committee meets as often as deemed necessary for the proper functioning of the committee and meets at least once each financial year. During the Reporting Period, the committee held one formal meeting. |

### Meeting attendance

| Name | Attendance of members of the Nomination Committee during the Reporting Period | | | | |
|---|---|---|---|---|---|
| | Date First Meeting | Date Last Meeting | Total Meetings | Missed meetings | Attendance Percentage |
| H.J. Sonn* | 11 July 2019 | 11 July 2019 | 1 | 0 | 100% |
| A. Krüger-Steinhoff** | 11 July 2019 | 11 July 2019 | 1 | 0 | 100% |
| A. Watson | 11 July 2019 | 11 July 2019 | 1 | 0 | 100% |

** Resigned from the Supervisory Board on 18 May 2020*
*** Resigned from the Supervisory Board on 30 August 2019*

### Activities of the Nomination Committee

During the Reporting Period, the Nomination Committee, amongst other matters:

(i) discussed succession planning for Managing Directors;

(ii) initiated the process that led to the proposed designation of Theodore de Klerk as CFO, upon the departure of Philip Dieperink;

(iii) reviewed the size and composition of the Management Board and the required expertise of the Managing Directors;

(iv) reviewed the size and composition of the Supervisory Board and the required expertise of the Supervisory Directors;

(v) proposed the nomination of Peter Wakkie for re-appointment, and David Pauker for appointment to the Supervisory Board;

(vi) reviewed the Supervisory Board profile;

(vii) initiated the evaluation of the functioning of individual Managing Directors and Supervisory Directors; and

(viii) initiated 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.

## Report of the Governance, Social and Ethics Committee

| Composition | Meetings |
|---|---|
| Until its dissolution on 25 June 2020, the committee consisted of Peter Wakkie (chairperson), Alexandra Watson, and Khanyisile Kweyama. On 30 August 2019, Steve Booysen resigned from the Supervisory Board and as a member of the committee. | Pursuant to the Regulations of the committee, the committee meets as often as deemed necessary for the proper functioning of the committee and meets at least twice each financial year. During the Reporting Period, the committee held three formal meetings. |

### Meeting attendance

| Name | Attendance of members of the Governance, Social and Ethics committee during the Reporting Period | | | | |
|---|---|---|---|---|---|
| | Date First Meeting | Date Last Meeting | Total Meetings | Missed meetings | Attendance Percentage |
| S.F. Booysen* | 4 December 2018 | 28 August 2019 | 3 | 0 | 100% |
| K.T. Kweyama | 4 December 2018 | 28 August 2019 | 3 | 2 | 33% |
| P.N. Wakkie | 4 December 2018 | 28 August 2019 | 3 | 0 | 100% |
| A. Watson | 4 December 2018 | 28 August 2019 | 3 | 0 | 100% |

** Resigned from the Supervisory Board on 30 August 2019*

### Activities of the Governance, Social and Ethics Committee

During the Reporting Period, the Governance, Social and Ethics Committee, amongst other matters:

(i) discussed the role, duties and responsibilities of the committee under South African law;

(ii) received reports on the Group corporate social responsibility schemes;

(iii) discussed the status, implementation and enforcement of group policies;

(iv) discussed the status of the implementation of the Remediation Plan;

(v) reviewed the reporting lines of local/operational management into the Management Board;

(vi) reviewed a description of group staff functions and their reporting lines;

(vii) made recommendations for amendments to the Articles;

(viii) reviewed compliance with the DCGC;

(ix) reviewed the articles of association of Ibex;

(x) discussed the reporting lines of the CCRO; and

(xi) reviewed the Whistleblowers Policy and the effectiveness of the whistleblowers hotline facility.

ANNUAL REPORT 2019
PART IV

STEINHOFF
INTERNATIONAL HOLDINGS 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 performance.

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## *Introduction*

The current remuneration policy was approved at the Annual General Meeting (AGM) of 1 December 2015. Since then, the Group has undergone a great number of changes as it engages in a complex restructuring process following the events of December 2017. The new Human Resources and Remuneration Committee and the Supervisory Board have been engaged in redesigning a remuneration framework, in a consultative manner with employees and the Company's stakeholders. There are consequences of the Policies and Performance Measures that were in place in the Company previously, and in this report we have tried to provide a transparent summary of these. We have also reported on some of the changes that have already been made to hold the Management Board and Senior staff accountable for the successful delivery of the strategic plan.

**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*

The Remuneration Policy applies to both Managing Directors and other Senior Managers. Senior Managers are members of the Executive Committee. However, no Executive Committee has been established by the Management Board in the Reporting Period. The current Remuneration Policy was approved by the General Meeting on 1 December 2015.

## *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.

Deviations of the remuneration elements in the Remuneration Policy is permitted only in extraordinary circumstances, when deemed necessary in the interests of the Company. Any deviations from the Remuneration Policy will be disclosed in the Annual Report.

### 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.

Performance conditions include financial, operational and transformation targets, representing in excess of 80% of the potential annual bonus. Where performance conditions 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 shall review the performance conditions annually to ensure that these are appropriate, given the economic context and the performance expectations for the Company or relevant division.

The Supervisory Board has the discretion to defer all or part of the annual bonus payment on terms to be agreed on an annual basis, dependent on the performance conditions applicable to such bonuses and the longer-term measurement that could be implied by such performance conditions.

### LTIs

Pursuant to the Remuneration Policy, the Managing Directors and other Senior Managers participate in the ESRS, which was approved by the general meeting of the Company's legal predecessor, Steinhoff International Holdings Limited, on 6 December 2010 and amended and approved by the General Meeting on 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 Directors or other Senior Managers are entitled to expense allowances required for the proper performance of their duties. The contracts with Managing Directors do not contain any 'golden parachute' provisions. There are no Managing Directors with a notice period of more than one (1) year and none of their contracts include predetermined compensation as a result of termination exceeding eighteen (18) month's salary and benefits.

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*

With the implementation of the Remuneration Policy due cognisance was given to continuous extraordinary circumstances that commenced after the events of December 2017, which contributes to the long-term value preservation. These circumstances include the following:

- A complete restructuring of the Management Board and Supervisory Board members following the allegations of financial irregularities;
- Completion and release of a forensic report that looked into the affairs of the Group;
- The related and required improvements in governance structures and processes;
- Restatement of previous financial results and the late reporting of financial results that had to take into account the findings of the forensic investigation;
- Restructuring of the Company debt where the scope of work necessary to complete the financial restructuring was wide ranging, complex and highly technical, involving hundreds of creditors, specialist legal and financial advice and parallel processes across multiple jurisdictions;
- The sheer volume of announcements made by the Group in the lead-up to August 2019, on both financial reporting and restructuring activities, amply demonstrates the scale of endeavours to stabilise the Group;
- Disposals of a number of businesses to stabilise and rebase the Group;
- Ongoing management of operations that were impacted by liquidity constraints, and
- The appointment of new Group Auditors.

### Management Board changes

During the Reporting Period, Danie van der Merwe resigned on 31 December 2018 as acting CEO and Managing Director, but remained with the Group until his retirement effective 31 December 2019. During this period he assisted the incoming CEO and the Management Board. He earned a monthly salary of €83 333 inclusive of all benefits and did not earn any variable pay during this period. The Supervisory Board designated Commercial Director and Managing Director, Louis du Preez, as Chief Executive Officer during 2019.

Alexandre Nodale resigned as deputy CEO and Managing Director and Philip Dieperink resigned as CFO and Managing Director. They both resigned by mutual consent and both were paid their respective contractual severance. Following a robust selection process, the Supervisory Board designated Operations Director and Managing Director, Theodore de Klerk, as Chief Financial Officer. As at the Reporting Date and at the date of this Annual Report, the Management Board consists of Louis du Preez and Theodore de Klerk.

### Remuneration of the Managing Directors

Upon the proposal of the Human Resources and Remuneration Committee, the Supervisory Board approved the remuneration for the Managing Directors, which comprised of an increase of their respective base salaries, an annual bonus and the vested portion of their long-term cash incentive, both variable components were conditional upon achievement of specific performance conditions.

The Supervisory Board performed a scenario analysis for each individual Managing Director. In doing so, the Human Resources and Remuneration Committee presented to the Supervisory Board the following scenarios for the annual bonus opportunity:

a) The on-target opportunity based on a maximum annual bonus allocation of 75% of base salary, should the Managing Director achieve all the performance conditions; and

b) The below target opportunity based on an annual bonus allocation of 50% of the base salary for the performance conditions achieved in accordance with their weightings.

### Base salary

Upon the recommendation of the Human Resources and Remuneration Committee, the Supervisory Board approved a base salary increase for Louis du Preez effective 1 January 2019 and an increase for Theodore de Klerk effective 1 September 2019 upon their appointment as CEO and CFO, respectively.

### Annual bonus

During the Reporting Period and given the extraordinary circumstances and significant progress made to the short- to medium term strategy implementation, the Supervisory Board, upon the recommendation of the Human Resources and Remuneration Committee, approved an annual bonus to the Managing Directors. The annual bonus was conditional on achieving performance conditions that were critical to ensure the operational continuity of the Company.

The performance conditions for the Managing Directors were:

(i) The finalisation of a financial restructure plan (20% weighting);

(ii) The preparation and publication of the 2017 Consolidated Financial Statements and the 2018 Consolidated Financial Statements (15% weighting);

(iii) The establishment of the litigation work group and the commencement of seeking redress from those who caused the Group injury (15% weighting);

(iv) The disposal of (two approved) non-core assets (15% weighting);

(v) Stakeholder management and regulator engagement (15% weighting);

(vi) Institute governance and controls throughout the Group with the formulation of a remediation plan (10% weighting); and

(vii) The management and restructure of OpCos in support of the financial restructure plan which includes the restructure of Mattress Firm and Conforama (10% weighting).

A performance evaluation panel, consisting of members of the Nomination Committee, the Human Resources and Remuneration Committee, and the Audit and Risk Committee, evaluated the performance of each of the Managing Directors individually and reported each Managing Directors' achievement to the Human Resources and Remuneration Committee. The Supervisory Board, upon recommendation of the Human Resources and Remuneration Committee, determined that all of the above performance conditions were met and approved a bonus allocation to the Managing Directors of 75% of their base salary. This allocation would further be multiplied with the weighting of the objective achieved at the end of the Reporting Period.

### Employee Share Rights Scheme to Cash-based LTI Scheme

There have been no deviations from the procedure for implementation of the Remuneration Policy.

Throughout the Reporting Period, and given the extraordinary circumstances, the Company continued to face challenges in retaining key individuals in critical positions and attracting the right calibre individuals in critical vacant positions. Due to the collapse of the Company's share price, the share-based LTI scheme ("ESRS") could no longer fulfil its purpose of retaining, attracting and motivating Managing Directors and eligible employees.

Given these extraordinary circumstances, the Human Resources and Remunerations Committee felt it prudent to propose an appropriate long-term incentive for Managing Directors and employees in key positions. The Supervisory Board approved the replacement of the share-based LTI scheme with a cash-based LTI for Managing Directors and eligible employees. In doing so, the Supervisory Board exercised its right to deviate from the Remuneration Policy and approved an annual cash-based LTI allocation. Under the terms of the cash-based LTI, one third of such LTI allocation becomes payable after a performance evaluation on the annual anniversary of the allocation date, provided the performance conditions set for the specific annual allocation, are achieved.

The cash-based LTI performance conditions for the Managing Directors were as follows:

(i) 50% weighting of the allocation based on retention, whereby the Managing Director had to be in active employment with the Group on the date of payment; and

(ii) 50% weighting of the allocation based on the achievement of the bonus performance conditions.

The Supervisory Board intends to present a revised Remuneration Policy for adoption by the General Meeting at the 2020 AGM which will include a cash-based LTI instead of a share-based LTI.

The ESRS remained active for historically allocated open grants to be measured and for the scheme to run its course. The 2017 financial year grant remained the last open grant in the ESRS.

The total remuneration for Louis du Preez for the Reporting Period consists of 44% base salary and 54% variable pay. The total remuneration for Theodore de Klerk for the Reporting Period consists of 45% base salary and 52% variable pay. For Philip Dieperink, the total remuneration for the period consists of 36% base salary, 27% variable pay and 36% contractual severance. The total remuneration for Alexandre Nodale consists of 38% base salary, 54% contractual severance and 8% Company contribution on benefits. Neither Danie van der Merwe nor Alexandre Nodale received any annual bonus or any LTI cash scheme payout during the Reporting Period. The Company contribution on benefits for all Managing Directors varies between 2% and 8% of total remuneration depending on the relevant country of residence and relevant employment laws in place.

### Closing out the ESRS scheme

The potential vesting date for the 2017 financial year grant was 1 March 2020.

However, the vesting measurement of the 2019 financial year could only be performed in conjunction with the finalisation and audit of the 2019 Consolidated Financial Statements.

The vesting criteria for the 2017 financial year grant and the result of the performance hurdle measurement based on the Group's performance were:

(i) Growth – Headline earnings per share ("HEPS")
RESULT OF MEASUREMENT: Outperformance of our peer groups is unlikely; the Group has negative earnings from 2017 up to 2019, which represents the three-year measurement period.

(ii) Cash from operations as a percentage of operating profit
RESULT OF MEASUREMENT: Utilising segmental EBITDA (thus, excluding capital items) from continuing operations; the Group has not met these criteria as cash generated as a percentage of operating profit was negative.

(iii) Returns – measured as HEPS divided by equity ("ROE")
RESULT OF MEASUREMENT: A hurdle was initially set at 7% for developed markets and 15% for developing markets. With the Group reporting losses, it could not outperform the ROE targets.

(iv) Qualification for annual bonus – Share scheme participants must have qualified for participation in their respective divisions' annual incentive bonus schemes, which would include meeting their respective key performance indicators. Because the Group's performance hurdles were not met, this requirement was not measured.

Similar to the 2016 financial year grant, the Group's financial performance hurdles for the 2017 financial year grant were not all met and therefore the grant could not vest. The ESRS was discontinued during the 2018 Reporting Period and consequently no grants were made under the ESRS in the Reporting Period.

In relation to the below overview, no Shares were repurchased or issued in relation to the ESRS during the Reporting Period. A total of 389 employees participated in the ESRS for the 2017 financial year grant and a total of 17 243 690 share rights were granted. Supervisory Directors did not participate in the ESRS and therefore this section does not apply to Supervisory Directors.

| SHARE RIGHTS MANAGEMENT BOARD | Offer date | Conditional vesting date | Number of rights as at 30 September 2018 | Number of rights forfeited during the Reporting Period | Number of rights exercised during the Reporting Period | Number of rights as at 30 September 2019 |
|---|---|---|---|---|---|---|
| **Management Board** | | | | | | |
| **Danie van der Merwe** | | | | | | |
| | March 2016 | March 2019[1] | 335 509 | (335 509) | – | – |
| | March 2017 | March 2020[3] | 490 484 | (490 484) | – | – |
| | | | 825 993 | (825 993) | – | – |
| **Philip Dieperink** | | | | | | |
| | March 2016 | March 2019[1,2] | 122 923 | (122 923) | – | – |
| | March 2017 | March 2020[2,3] | 140 462 | (140 462) | – | – |
| | | | 263 385 | (263 385) | – | – |
| **Theodore de Klerk** | | | | | | |
| | March 2016 | March 2019[1,2] | 67 301 | (67 301) | – | – |
| | March 2017 | March 2020 [2] | 83 438 | – | – | 83 438 |
| | | | 150 739 | (67 301) | – | 83 438 |
| **Alexandre Nodale** | | | | | | |
| | March 2016 | March 2019[1,2] | 198 255 | (198 255) | – | – |
| | March 2017 | March 2020[2,3] | 294 290 | (294 290) | – | – |
| | | | 492 545 | (492 545) | – | – |
| **Total Management Board** | | | 1 732 662 | (1 649 224) | – | 83 438 |
| **Other employees** | | | | | | |
| | March 2016 | March 2019[1] | 5 997 134 | (5 997 134) | – | – |
| | March 2017 | March 2020[1] | 7 934 717 | (536 828) | – | 7 397 889 |
| | | | 13 931 851 | (6 533 962) | – | 7 397 889 |
| | | | **6 721 122** | **(6 721 122)** | **–** | **–** |
| | | | **8 943 391** | **(1 462 064)** | **–** | **7 481 327** |
| **Total ESRS participants** | | | **15 664 513** | **(8 183 186)** | **–** | **7 481 327** |

[1] *The 2016 grant was assessed during June 2019 and the share rights were forfeited in the 2019 Reporting Period. In April 2020 the 2017 grant was measured against its vesting criteria and due to the performance hurdles not having been met, the 2017 grant did not vest. For the 2019 Reporting Period, the assessment is that the 2017 grant is highly unlikely to vest, therefore no values were attributed to any of the shares in the statement of profit and loss.*

[2] *Granted prior to being a Management Board member.*

[3] *Shares forfeited upon resignation.*

No new share rights were granted during the 2018 or 2019 Reporting Periods.

REMUNERATION REPORT
*continued*

## 2019 Managing Directors' remuneration

*Base salary, pension and bonus*

The table below summarises the Managing Directors' total remuneration for the Reporting Period and also provides an overview of total remuneration for Managing Directors, former and current, over the past four years. Only a four-year period is covered. This is because the Management Board was only constituted in December 2015, which forms part of the 2016 financial year. The remuneration development is in line with the company scorecard development and what is required to ensure the continuation of operations.

| | Basic remuneration[2] €'000 | Pension contributions €'000 | 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 | Severance payments €'000 | IFRS 2 share-based payment expense[4] €'000 | Total remuneration and fees €'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | |
| Danie van der Merwe[5] | 230 | 11 | – | – | – | – | – | – | – | 241 |
| Louis du Preez | 1 200 | 62 | – | – | – | – | 1 462 | – | – | 2 724 |
| Philip Dieperink[6] | 1 500 | 62 | 1 | – | – | – | 1 125 | 1 500 | – | 4 188 |
| Theodore de Klerk | 958 | 59 | – | – | – | – | 1 083 | – | – | 2 100 |
| Alexandre Nodale[7] | 1 060 | 46 | 175 | – | – | – | – | 1 500 | – | 2 781 |
| Subtotal Management Board | 4 948 | 240 | 176 | – | – | – | 3 670 | 3 000 | – | 12 034 |
| Key management personnel[11] | 6 828 | 359 | 268 | 1 824 | 1 210 | 4 791 | 1 019 | – | 409 | 16 708 |
| Total Management Board and other key management | 11 776 | 599 | 444 | 1 824 | 1 210 | 4 791 | 4 690 | 3 000 | 409 | 28 742 |
| **2018** | | | | | | | | | | |
| Markus Jooste[8] | 322 | 4 | – | – | – | – | – | – | – | 326 |
| Ben la Grange[9] | 219 | 6 | – | – | – | 965 | – | – | – | 1 190 |
| Danie van der Merwe | 992 | 36 | – | – | – | 536 | 600 | – | – | 2 164 |
| Louis du Preez[10] | 792 | 44 | – | – | 482 | – | 600 | – | – | 1 918 |
| Philip Dieperink[10] | 1 180 | 69 | 18 | 300 | – | – | 900 | – | – | 2 467 |
| Theodore de Klerk[10] | 629 | 43 | – | 133 | – | 161 | 600 | – | – | 1 566 |
| Alexandre Nodale[10] | 809 | 51 | 137 | 559 | – | – | 600 | – | – | 2 156 |
| Subtotal Management Board | 4 943 | 253 | 155 | 992 | 482 | 1 662 | 3 300 | – | – | 11 787 |
| Executive committee[11] | 9 115 | 361 | 615 | 1 717 | 436 | 9 236 | 548 | – | 11 434 | 33 462 |
| Total Management Board and executive committee | 14 058 | 614 | 770 | 2 709 | 918 | 10 898 | 3 848 | – | 11 434 | 45 249 |
| **2017** | | | | | | | | | | |
| Markus Jooste | 2 469 | 24 | – | 2 700 | 563 | 2 479 | – | – | 237 | 8 472 |
| Ben la Grange | 976 | 24 | – | 850 | 563 | 901 | – | – | 69 | 3 383 |
| Danie van der Merwe | 1 226 | 24 | – | 1 100 | 563 | 338 | – | – | 122 | 3 373 |
| Subtotal Management Board | 4 671 | 72 | – | 4 650 | 1 689 | 3 718 | – | – | 428 | 15 228 |
| Executive committee | 5 451 | 168 | 2 | 4 161 | 3 769 | 2 829 | – | – | 496 | 16 876 |
| Total Management Board and executive committee | 10 122 | 240 | 2 | 8 811 | 5 458 | 6 547 | – | – | 924 | 32 104 |
| **2016*** | | | | | | | | | | |
| Markus Jooste | 2 691 | 62 | – | 1 980 | 476 | 416 | – | – | 1 897 | 7 522 |
| Ben la Grange | 1 074 | 26 | – | 484 | 416 | 416 | – | – | 564 | 2 980 |
| Danie van der Merwe | 1 295 | 60 | – | 1 000 | 312 | 156 | – | – | 975 | 3 798 |
| Subtotal Management Board | 5 060 | 148 | – | 3 464 | 1 204 | 988 | – | – | 3 436 | 14 300 |
| Executive committee | 7 275 | – | – | 5 717 | 936 | 1 788 | – | – | 3 937 | 19 653 |
| Total Management Board and executive committee | 12 335 | 148 | – | 9 181 | 2 140 | 2 776 | – | – | 7 373 | 33 953 |

[1] *Other contributions mainly include company contributions to 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 2016 and 2017 bonuses that were deferred to the 2018 Reporting Period were paid in October 2017 prior to the December 2017 events. In addition, the last portion of the deferred strategic bonuses payable in the 2019 Reporting Period to Ben la Grange and Danie van der Merwe were not paid.*

[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] *Resigned on 31 December 2018 as Management Board member.*

[6] *Resigned on 31 August 2019.*

[7] *Resigned on 11 April 2019, remuneration for the month of April is included.*

[8] *Resigned on 5 December 2017.*

[9] *Resigned on 4 January 2018. Ben la Grange continued to provide services to the Group until September 2018. The consultancy fees paid with regard to these services amounted to €324 072 and were not included in the disclosure above.*

[10] *Appointed on 20 April 2018. The remuneration for 2018 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.*

[11] *Key management personnel remuneration for the 2018 Reporting Period 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.*

** 15-month period*

*Amounts charged to subsidiaries*

There were no remuneration amounts, paid to any current or former Managing Director, charged to any Group company included in the 2019 Consolidated Financial statements. In respect of fees paid to Supervisory Directors and charged to Group subsidiaries, please refer to the table on page 105.

*Clawbacks*

On 14 June 2019, claw back proceedings were instituted before the South Africa High Court against former CEO Markus Jooste and former CFO Ben La Grange for the repayment of annual bonuses, special project bonuses, irregular payments and the value of shares awarded to them for the period 2009 to the date of their termination. The matter is pending.

The Company has not instituted any clawback claims against any of the current Managing Directors or Supervisory Directors.

## 2019 Supervisory Directors' remuneration

***Supervisory Board Remuneration***

Pursuant to the DCGC, remuneration for the Supervisory Board members should reflect the time spent and the responsibilities of their role. The Human Resources and Remuneration Committee engaged the external international remuneration firm Korn Ferry to outline case examples of distressed companies, as well as the approach taken towards remuneration of those companies' non-executive directors. The outline also included the structure and level of fees.

Upon the recommendation of the Human Resources and Remuneration Committee, the Supervisory Board resolved to maintain the fee structure of fixed membership fees for membership of the Supervisory Board and committee membership. In order to compensate Supervisory Directors for the anticipated workload, and to take into account the responsibilities of their role, the Supervisory Board made the following proposal to the General Meeting:

(i) an increase in the fixed Supervisory Board membership fee of €30 000;

(ii) an increase in the Deputy Chair fee of €90 000;

(iii) an increase in the Audit and Risk Committee fee membership of €5 000; and

(iv) a decrease in the membership fee of the Human Resources and Remuneration Committee.

The Supervisory Board undertook to submit a proposal for Supervisory Board fees at each annual General Meeting.

| REMUNERATION OF THE SUPERVISORY BOARD | AGM Approved 2018 €'000 | AGM Approved 2019 €'000 |
|---|---|---|
| Supervisory Board member fees | | |
| Chairperson of the Supervisory Board | 300 | **300** |
| Deputy-Chairperson of the Supervisory Board | 130 | **220** |
| Any other member of the Supervisory Board | 100 | **130** |
| Additional committee fees | | |
| Chairperson of the Audit and Risk Committee | 50 | **50** |
| Member of the Audit and Risk Committee | 25 | **30** |
| Chairperson of the Nomination Committee | 20 | **20** |
| Member of the Nomination Committee | 10 | **10** |
| Chairperson of the Human Resources and Remuneration Committee | 30 | **30** |
| Member of the Human Resources and Remunerations Committee | 20 | **15** |
| Chairperson of the Governance, Social and Ethics Committee | 20 | **20** |
| Member of the Governance, Social and Ethics Committee com | 10 | **10** |
| Member of the Group Litigation Working Group | N/A | **30** |

The remuneration paid to each of the current and former Supervisory Directors during the Reporting Period, including four previous reporting periods, is set out in the table below. Only a four-year period is covered. This is because the Supervisory Board was only constituted in December 2015, which forms part of the 2016 financial year.

| REMUNERATION OF THE SUPERVISORY BOARD MEMBERS | 2019 €'000 | 2018 €'000 | 2017 €'000 | 2016* €'000 |
|---|---|---|---|---|
| Steve Booysen[10] | | | | |
| – Steinhoff International Holdings N.V. | **155** | 175 | 170 | 66 |
| – Other Group entities | **42** | 29 | – | – |
| Dave Brink[12] | – | – | – | 46 |
| Paul Copley[9] | **113** | 14 | – | – |
| Claas Daun[5] | – | 46 | 110 | 42 |
| Thierry Guibert[4] | – | 34 | 100 | 34 |
| Len Konar[5] | – | 83 | 200 | 119 |
| Khanyisile Kweyama[1] | **143** | 70 | – | – |
| Theunie Lategan[5] | – | 65 | 155 | 58 |
| Jannie Mouton[12] | – | – | – | 25 |
| Moira Moses[1] | | | | |
| – Steinhoff International Holdings N.V. | **162** | 73 | – | – |
| – Other Group entities | **30** | – | – | – |
| Jayendra Naidoo[3] | – | 29 | 54 | – |
| Hugo Nelson[1] | **155** | 73 | – | – |
| David Pauker[11] | | | | |
| – Steinhoff International Holdings N.V. | **73** | – | – | – |
| – Other Group entities | **163** | – | – | – |
| Heather Sonn[13] | | | | |
| – Steinhoff International Holdings N.V. | **337** | 285 | 100 | 34 |
| – Other Group entities | **61** | 29 | – | – |
| Angela Krüger-Steinhoff[10] | **107** | 111 | 100 | 27 |
| Bruno Steinhoff[5,7] | – | 338 | 450 | 563 |
| Paul van der Bosch[12] | – | – | – | 313 |
| Johan van Zyl[6] | – | 55 | 100 | 9 |
| Peter Wakkie[1] | **168** | 75 | – | – |
| Alex Watson[1] | | | | |
| – Steinhoff International Holdings N.V. | **157** | 73 | – | – |
| – Other Group entities | **35** | – | – | – |
| Christo Wiese[2,8] | – | 257 | 1 764 | 1 981 |
| Jacob Wiese[2] | – | 21 | 100 | 9 |
| | **1 901** | 1 935 | **3 403** | **3 326** |

** 15-month period*

*[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] Appointed 30 May 2016 and 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 Proprietary Limited.*

*[9] Paul Copley was nominated to the Supervisory Board in August 2018. Although not officially appointed until the AGM held on 30 August 2019, he received fees for his services provided to the Group in the capacity of a Supervisory Board member.*

*[10] Resigned on 30 August 2019.*

*[11] David Pauker was nominated to the Supervisory Board in February 2019. Although not officially appointed until the AGM held on 30 August 2019, he received fees for his services provided to the Group in the capacity of a Supervisory Board member.*

*[12] Retired 30 May 2016.*

*[13] Resigned on 18 May 2020.*

There were no rights to acquire shares in the capital of the Company nor any Subsidiary granted to any Supervisory Directors.

### Loans, advance payments or guarantees to Managing Directors and Supervisory Directors

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

Paul Copley was nominated to the Supervisory Board in August 2018. For the period until his appointment on 30 August 2019, he received a fee as consultant of an amount equal to the membership fee of the Supervisory Board.

David Pauker was appointed as a nominee director of SIHPL in February 2019, in addition to his SIHPL appointment, he was nominated as Supervisory Director and subsequently appointed by the General Meeting on 30 August 2019. For the period until his appointment, he received a fee as consultant of an amount equal to the membership fee of the Supervisory Board.

### Pay ratios

Pursuant to best practice provision 3.4.1 (iv) of the 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 the 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.

## *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 consideration the principles and best practice provisions of the DCGC, as well as the Dutch legislation which implemented the Revised Shareholders' Rights Directive (2017/828/EU) (the "Implementation Legislation"). The Supervisory Board will submit these remuneration policies for approval at the annual General Meeting to be held in 2020.The Remuneration Report only addresses the manner in which the remuneration relates to the current Remuneration Policy, without taking into account the new requirements to a remuneration policy under the Implementation Legislation. In preparing this Remuneration Report, there was no advisory vote of the AGM to take into account, but the advisory vote to be cast at the next AGM shall be taken into account in the next Remuneration Report.

The Remuneration Policy can be viewed on the Company's website www.steinhoffinternational.com.

ANNUAL REPORT 2019
PART V

STEINHOFF
INTERNATIONAL HOLDINGS N.V.

# ANNEXURES

INDEX

# SHARE STATISTICS

| STOCK EXCHANGE | FSE | JSE |
|---|---|---|
| Stock Exchange | **FSE** | **JSE** |
| Stock Symbol | **SNH Xetra** | **SNH SJ** |
| Listing type | **Primary** | **Secondary** |
| ISIN | **NL0011375019** | **NL0011375019** |
| Initial listing | **Dec 2015** | **Sep 1998** |
| Opening share price | **€0.14** | **R2.30** |
| Closing share price | **€0.06** | **R0.98** |
| Highest share price during period | **€0.15** | **R2.54** |
| Lowest share price during period | **€0.05** | **R0.94** |
| Volume traded during period (million) | **5 750** | **1 457** |
| Value traded during period (million) | **€608** | **R2 403** |
| Market capitalisation (million)[1] | **249** | **4 065** |
| Number of shares in issue (million)[1] | **4 148** | **4 148** |

[1] *As at 30 September 2019, net of treasury shares.*

# FINANCIAL CALENDAR

| | |
|---|---|
| 2020 Half-year results | **Friday, 31 July 2020** |
| Annual general meeting | **Friday, 28 August 2020** |
| Q3 Trading update – quarter ended 30 June 2020 | **Friday, 28 August 2020** |

# 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**

Mazars Accountants N.V.
(License number 13000408)
Watermanweg 80
3067 GG Rotterdam
The Netherlands
(PO Box 23123, 3001 KC Rotterdam, The Netherlands)

**Company secretary**

Sarah Radema

**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
(Private Bag X9000, Saxonwold 2132)

**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 2019

# STEINHOFF INTERNATIONAL HOLDINGS N.V.

## Consolidated and separate financial statements for the period ended 30 September 2019

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**STEINHOFF INTERNATIONAL HOLDINGS N.V.**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
*for the period ended 30 September 2019*

| CONSOLIDATED STATEMENT OF PROFIT OR LOSS<br>*for the period ended 30 September 2019* | Notes | 2019<br>€m | Restated[1]<br>2018<br>€m |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **11 992** | 11 435 |
| Cost of sales[2] | | **(7 337)** | (7 075) |
| **Gross profit** | | **4 655** | 4 360 |
| Other income | 4.1 | **160** | 136 |
| Distribution expenses | 4.3 | **(684)** | (673) |
| Administration expenses | 4.3 | **(3 584)** | (3 307) |
| Other expenses | 4.2 | **(936)** | (295) |
| **Operating (loss)/profit** | | **(389)** | 221 |
| Finance costs | 5 | **(1 085)** | (646) |
| Income from investments | 5 | **90** | 68 |
| Share of profit of equity accounted companies | 10.3 | **11** | 58 |
| Impairment of equity accounted companies | 10.3 | **–** | (3) |
| **Loss before taxation** | | **(1 373)** | (302) |
| Taxation | 6.1 | **(22)** | (218) |
| **Loss from continuing operations** | | **(1 395)** | (520) |
| **Discontinued operations** | | | |
| Loss from discontinued operations | 1.2 | **(449)** | (672) |
| **Loss for the period** | | **(1 844)** | (1 192) |
| **(Loss)/profit attributable to:** | | | |
| Owners of Steinhoff N.V. | | **(1 622)** | (1 247) |
| Non-controlling interests | 28.1 | **(222)** | 55 |
| **Loss for the period** | | **(1 844)** | (1 192) |
| **Basic and diluted loss per share (cents)** | | | |
| From continuing operations | 7 | **(28.2)** | (13.9) |
| From discontinued operations | 7 | **(10.9)** | (16.2) |
| | | **(39.1)** | (30.1) |

[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 2019*

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME<br>*for the period ended 30 September 2019* | Notes | 2019<br>€m | Restated[1]<br>2018<br>€m |
|---|---|---|---|
| **Loss for the period** | | **(1 844)** | (1 192) |
| **Other comprehensive income/(loss)** | | | |
| ***Items that will not be reclassified subsequently to profit or loss (net of tax):*** | | | |
| Net remeasurement adjustments on defined benefit plans | | **(17)** | (4) |
| | | **(17)** | (4) |
| ***Items that may be reclassified subsequently to profit or loss (net of tax):*** | | | |
| Net exchange losses on translation of foreign operations and translation of net investment in foreign operations | | **(59)** | (61) |
| Exchange differences relating to hyperinflation | | **–** | 3 |
| Foreign currency translation reserve and cash flow hedge reclassified to profit or loss on disposal of investment – Continued operations | 4.2.4 | **100** | 89 |
| Foreign currency translation reserve and cash flow hedge reclassified to profit or loss on disposal of investment – Discontinued operations | 1.4 | **82** | (41) |
| Net fair value gain on cash flow hedges and other assets and liabilities measured at fair value through other comprehensive income | | **2** | 42 |
| Other comprehensive income / (loss) of equity accounted companies | 10.3 | **1** | (1) |
| | | **126** | 31 |
| **Total other comprehensive income for the period** | | **109** | 27 |
| **Total comprehensive loss for the period** | | **(1 735)** | (1 165) |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Owners of Steinhoff N.V. | | **(1 513)** | (1 220) |
| Non-controlling interests | | **(222)** | 55 |
| **Total comprehensive loss for the period** | | **(1 735)** | (1 165) |
| **Total comprehensive (loss)/income attributable to owners of the parent arises from:** | | | |
| Continuing operations | | **(1 144)** | (505) |
| Discontinued operations | | **(369)** | (715) |
| **Total comprehensive loss for the year** | | **(1 513)** | (1 220) |

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

The accompanying notes are an integral part of the Consolidated Financial Statements.

**STEINHOFF INTERNATIONAL HOLDINGS N.V.**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*as at 30 September 2019*

| CONSOLIDATED STATEMENT OF FINANCIAL POSITION *as at 30 September 2019* | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 8 | **4 295** | 4 485 |
| Intangible assets | 8 | **1 676** | 1 826 |
| Property, plant and equipment | 9 | **1 352** | 2 146 |
| Investment property | 9 | **–** | 134 |
| Investments in equity accounted companies | 10 | **208** | 430 |
| Other financial assets | 11 | **332** | 311 |
| Deferred tax assets | 6.3 | **162** | 201 |
| Trade and other receivables | 12.1 | **9** | 3 |
| | | **8 034** | 9 536 |
| **Current assets** | | | |
| Inventories | 14 | **2 130** | 2 155 |
| Trade and other receivables | 12.1 | **954** | 1 143 |
| Taxation receivable | 12.2 | **65** | 73 |
| Other financial assets | 11 | **178** | 261 |
| Cash and cash equivalents | 15 | **1 795** | 1 275 |
| | | **5 122** | 4 907 |
| Assets classified as held-for-sale and disposal groups | 34 | **1 445** | 1 927 |
| | | **6 567** | 6 834 |
| **Total assets** | | **14 601** | 16 370 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Ordinary share capital (net of treasury shares) | 26 | **41** | 2 070 |
| Share premium (net of treasury shares) | 26 | **10 537** | 8 364 |
| Other reserves | 25 | **(1 230)** | (1 177) |
| Accumulated losses | 25 | **(11 719)** | (9 778) |
| **Total equity attributable to owners of Steinhoff N.V.** | | **(2 371)** | (521) |
| Non-controlling interests | 28 | **1 273** | 1 162 |
| **Total equity** | | **(1 098)** | 641 |
| **Non-current liabilities** | | | |
| Borrowings | 16.2 | **10 371** | 2 027 |
| Employee benefits | 20 | **133** | 115 |
| Deferred tax liabilities | 6.3 | **397** | 556 |
| Provisions | 21 | **118** | 182 |
| Trade and other payables | 17.1 | **49** | 69 |
| | | **11 068** | 2 949 |
| **Current liabilities** | | | |
| Trade and other payables | 17.1 | **2 402** | 2 581 |
| Taxation payable | 17.2 | **216** | 228 |
| Employee benefits | 20 | **109** | 147 |
| Provisions | 21 | **290** | 175 |
| Borrowings | 16.2 | **999** | 8 363 |
| | | **4 016** | 11 494 |
| Liabilities directly associated with assets classified as held-for-sale and disposal groups | 34 | **615** | 1 286 |
| | | **4 631** | 12 780 |
| **Total equity and liabilities** | | **14 601** | 16 370 |

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 2019*

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *for the period ended 30 September 2019* | Ordinary share capital €m | Share premium €m | Treasury share capital €m | Treasury share premium €m | 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 | Sundry reserves €m | Total ordinary equity attributable to owners of Steinhoff N.V. €m | Non-controlling interests €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total equity at 1 October 2017** | 2 155 | 8 801 | (48) | (207) | (8 540) | 144 | (1 154) | 7 | (186) | (48) | 924 | 1 166 | 2 090 |
| Loss for the period | – | – | – | – | (1 247) | – | – | – | – | – | (1 247) | 55 | (1 192) |
| Other comprehensive loss for the period | – | – | – | – | – | – | 6 | – | – | 21 | 27 | – | 27 |
| **Total comprehensive (loss)/income for the period** | – | – | – | – | (1 247) | – | 6 | – | – | 21 | (1 220) | 55 | (1 165) |
| **Transactions with the owners in their capacity as owners:** | | | | | | | | | | | | | |
| Net treasury shares purchased and attributed (note 26.5) | – | – | (37) | (230) | – | – | – | – | – | – | (267) | – | (267) |
| Preference dividends | – | – | – | – | – | – | – | – | – | – | – | (19) | (19) |
| Ordinary dividends | – | – | – | – | – | – | – | – | – | – | – | (3) | (3) |
| Derecognition of subsidiaries with non-controlling interests | – | – | – | – | – | – | – | – | – | – | – | (40) | (40) |
| Transactions with non-controlling interests without change in control | – | – | – | – | – | – | – | – | 36 | – | 36 | 160 | 196 |
| Attributable share of other reserves relating to equity accounting (note 10.3) | – | – | – | – | 20 | – | – | – | – | (19) | 1 | – | 1 |
| Share-based payments | – | – | – | – | – | – | – | 5 | – | – | 5 | – | 5 |
| Redemption of preference shares | – | – | – | – | – | – | – | – | – | – | – | (157) | (157) |
| Transfers due to share scheme recharge arrangements | – | – | – | – | (2) | – | – | 2 | – | – | – | – | – |
| Transfers to other reserves upon disposal of subsidiaries | – | – | – | – | (9) | – | – | – | (4) | 13 | – | – | – |
| Transfers to reserves relating to assets held-for-sale and disposal groups | – | – | – | – | – | – | – | – | – | – | – | – | – |
| **Total equity at 30 September 2018** | 2 155 | 8 801 | (85) | (437) | (9 778) | 144 | (1 148) | 14 | (154) | (33) | (521) | 1 162 | 641 |
| Effect of adopting IFRS 9 – Financial Instruments, net of taxation (note 36.1) | – | – | – | – | (58) | – | – | – | – | – | (58) | – | (58) |
| **Restated balance as at 1 October 2018*** | 2 155 | 8 801 | (85) | (437) | (9 836) | 144 | (1 148) | 14 | (154) | (33) | (579) | 1 162 | 583 |
| Loss for the period | – | – | – | – | (1 622) | – | – | – | – | – | (1 622) | (222) | (1 844) |
| Other comprehensive income for the period | – | – | – | – | – | – | 123 | – | – | (14) | 109 | – | 109 |
| **Total comprehensive (loss)/income for the period** | – | – | – | – | (1 622) | – | 123 | – | – | (14) | (1 513) | (222) | (1 735) |
| **Transactions with the owners in their capacity as owners:** | | | | | | | | | | | | | |
| Net treasury shares purchased and attributed (note 26.5) | – | – | 4 | (4) | – | – | – | – | – | – | – | – | – |
| Reduction of the nominal value of shares | (2 112) | 2 112 | 79 | (79) | – | – | – | – | – | – | – | – | – |
| Preference dividends | – | – | – | – | – | – | – | – | – | – | – | (8) | (8) |
| Ordinary dividends | – | – | – | – | – | – | – | – | – | – | – | (19) | (19) |
| Transactions with non-controlling interests without change in control | – | – | – | – | – | – | – | – | – | – | – | (5) | (5) |
| Share-based payments – Pepkor Africa ESRS (note 32.1.2 & 32.4) | – | – | – | – | – | – | – | 7 | – | – | 7 | – | 7 |
| Share-based payments – Equity options on loan (note 32.1.2 & 32.4) | – | – | – | – | – | – | – | 1 | – | – | 1 | – | 1 |
| Conforama warrants consideration (note 16.6 & 28.2) | – | – | – | – | (322) | – | – | – | – | – | (322) | 400 | 78 |
| Preference shares redeemed (Mattress Firm restructure) | – | – | – | – | 33 | – | – | – | – | – | 33 | (33) | – |
| Transfer to share premium upon derecognition of the convertible bonds | – | 144 | – | – | – | (144) | – | – | – | – | – | – | – |
| Equity options to SSUK and Town Investments expire (note 26.5) | – | (37) | – | 37 | 14 | – | – | (14) | – | – | – | – | – |
| Transfers to other reserves upon disposal of subsidiaries and investments | – | – | – | – | 14 | – | – | – | (12) | – | 2 | (2) | – |
| **Total equity at 30 September 2019** | 43 | 11 020 | (2) | (483) | (11 719) | – | (1 025) | 8 | (166) | (47) | (2 371) | 1 273 | (1 098) |

* *The effect of adopting IFRS 15 – Revenue from Contracts with Customers was not material(note 36)*

Refer to note 25 for description of nature and purpose of each reserve.

The value of the main component of other reserves is: Actuarial gains reserve €54 million (2018: €39 million).

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 2019*

| CONSOLIDATED STATEMENT OF CASH FLOWS *for the period ended 30 September 2019* | Notes | 2019 €m | 2018 €m |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash utilised in operations | 23.1 | **(152)** | (17) |
| Dividends received | 10.3 | **37** | 15 |
| Ordinary dividends paid | | **(19)** | (5) |
| Preference dividends paid | | **(8)** | (19) |
| Interest received | 5 | **60** | 50 |
| Interest paid | 5 & 16.2 | **(152)** | (432) |
| Taxation paid | | **(284)** | (228) |
| **Net cash outflow from operating activities** | | **(518)** | (636) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment and investment property | 9 | **(308)** | (544) |
| Proceeds on disposal of property, plant and equipment and intangible assets | 8 & 9 | **191** | 219 |
| Additions to intangible assets | 8 | **(41)** | (45) |
| Proceeds from disposal of group companies[1] | 12 | **397** | – |
| Acquisition of subsidiaries and businesses, net of cash on hand at acquisition | 24 | – | (30) |
| Disposal of businesses net of cash | 1.4 | **(99)** | (23) |
| Proceeds from the disposal of investments in equity accounted companies | | | |
| KAP | 10.3 | **293** | 234 |
| POCO | 1.4 | **271** | – |
| PSG | 10.3 | – | 798 |
| Atterbury Europe and SRP | 10.3 | – | 304 |
| Payments for investments in equity accounted companies | 10.3 | **(3)** | (3) |
| Loans to affiliated parties[2] | | – | (582) |
| Repayments of loans by affiliated parties | | – | 94 |
| Payments for other investments and loans | | **23** | (40) |
| Proceeds from sale or maturity of other investments or repayments of other loans | | – | 49 |
| Net cash inflow from investing activities | | **724** | 431 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of preference share equity | | – | (96) |
| Increase in treasury shares, net of transaction costs | | – | (269) |
| Net shares sold to non-controlling interests | 28.2 | – | 232 |
| Repayments of borrowings | 16 & 23.2 | **(824)** | (1 447) |
| Proceeds from borrowings | 16 & 23.2 | **1 004** | 2 455 |
| Net cash inflow from financing activities | | **180** | 875 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **386** | 670 |
| Effects of exchange rate translations on cash and cash equivalents | | **190** | (18) |
| Cash and cash equivalents at beginning of the period | | **1 375** | 723 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **1 951** | 1 375 |
| **Reconciliation of Cash and Cash Equivalents at end of period** | | | |
| Cash and cash equivalents | 15 | **1 795** | 1 275 |
| Cash and cash equivalents held-for-sale | 34 | **156** | 100 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | | **1 951** | 1 375 |

[1] *kika-Leiner was sold during the 2018 Reporting Period, the proceeds were received during the 2019 Reporting Period. Refer to note 12.*

[2] *Loans to affiliated parties during the 2018 Reporting Period mostly include the preference share subscription in Lancaster 102 (refer to note 11.1.1) and loans advanced to Titan (refer to note 11.1.2).*

The accompanying notes are an integral part of the Consolidated Financial Statements.

**STEINHOFF INTERNATIONAL HOLDINGS N.V.**
**BASIS OF PREPARATION**
*for the period ended 30 September 2019*

## Reporting entity

Steinhoff N.V. is a public limited liability company incorporated under the laws of the Netherlands and is registered with the Trade Register in the Netherlands under number 63570173, with tax residency in South Africa. The Company has a primary listing on the FSE with a secondary listing on the JSE. The Consolidated Financial Statements of Steinhoff International Holdings N.V. for the period ended 30 September 2019 comprise the Group and the Group's interest in equity accounted companies. The Group is primarily a global holding company with investments in a diverse range of retail businesses. The Group operates in Africa, Australasia, Europe, the United Kingdom and the United States of America.

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 adopted 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 2018, 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.

Accounting policies set out here have been applied consistently to all periods presented.

All new accounting standards that became effective in the current reporting period have been adopted.

Refer to note 36 for details on the change in accounting policies.

### Historical cost convention

The financial statements are prepared under the historical cost convention adjusted for the effects of inflation where entities operate in hyperinflationary economies and for the revaluation of certain financial instruments to fair value. During the 2019 Reporting Period, the Angolan economy was reconsidered in accordance with the accounting principles set out in IAS 29: Financial Reporting in Hyperinflationary Economies, and has been considered to be out of hyperinflation. In the 2018 Reporting Period, the Angolan economy was assessed as hyperinflationary.

### Going concern

In determining the appropriate basis of preparation of the 2019 Consolidated Financial Statements, the Management Board is required to consider whether the Group and the Company can continue in operational existence for the foreseeable future.

With the conclusion and implementation of the CVA (also refer to Note 16 – Borrowings), the existing debt instruments in SEAG and SFHG were reissued with effect from 14 December 2018, with a common maturity date of 31 December 2021. No cash interest is payable during 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. The Group and the Company's cash flow forecasts 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 of the 2019 Consolidated Financial Statements.

However, the Management Board draws shareholders' attention to the following material uncertainties that are key in arriving at the forecast cash flows, namely:

*Litigation and Regulation*

The Group and the Company are subject to several legal claims and regulatory investigations (also refer to Note 22 – Commitments and Contingencies). A key assumption in both the Group and the Company's cash flow forecasts is that no material judgements or fines are issued against the Group or Company that will become payable during the next 12 months. The Supervisory Board and the Management Board, assisted by the Litigation Working Group, 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. Pleading and notices have been filed by the Group in various legal proceedings and the Company and applicable subsidiaries have co-operated with various regulators in their investigations. However, there remains a material uncertainty as to the ultimate impact of litigation and regulatory enforcement on the liquidity of the Group. The majority of the claims and fines do not have an impact on the 2019 Consolidated Financial Statements. These claims are contingent liabilities and have been disclosed in note 22.3 to the 2019 Consolidated Financial Statements.

## *Basis of preparation* *(continued)*

### Going concern (continued)

*Litigation and regulation (continued)*

At the same time, the Group is also evaluating its position on potential claims it may have against third parties and recoveries against implicated entities and individuals are being initiated where appropriate. Certain individuals have been joined as parties to proceedings on the basis that if claims against the Group are successful, the Group should be entitled to an indemnity in respect of, or a contribution towards, those claims. The Group also intends to recover amounts paid to certain former members of, inter alia, the Management Board of Steinhoff. On 19 June 2019 the Company launched proceedings against former CEO Markus Jooste and former CFO Ben la Grange in the High Court of South Africa, Western Cape Division, Cape Town, South Africa to recover certain salary and bonus payments paid to the former CEO and CFO.

*Tax*

Tax remains a material uncertainty, as the tax impact of the accounting irregularities identified, and the consequential effects thereof, remain uncertain. This is exacerbated by the fact that these irregularities impact multiple jurisdictions and the finalisation of their treatment will require substantial analysis and negotiation with multiple tax authorities. A key assumption is therefore that the tax assumptions built into the current cash forecasts, for both the Group and Company, continue to apply and that no unexpected valid material assessments are issued by the relevant tax authorities. The steps necessary for the implementation of the CVAs were complex and multi-jurisdictional, potentially 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 ultimate tax consequences, with a view to ensuring that the associated element of risk arising from the CVAs is mitigated.

*COVID-19*

#### Supply-side

The risk of the COVID-19 pandemic on the supply of inventory throughout the Group, is a significant uncertainty of which the extent and ultimate impact is unknown. The supply chain impact of imported inventory could be material to certain of our operating businesses where significant volumes of inventory are imported from affected countries. Alternative sourcing could have a severely adverse effect on margins. However, businesses in the Group are taking a number of steps to mitigate any potential effect, including alternative sourcing arrangements.

#### Demand-side

Many of the countries in which the Group does business have implemented broad-based steps to contain the spread of COVID-19, resulting in significant restrictions on movement and public gatherings, and the closure of commercial facilities. These measures have resulted in the partial or full closure of a number of the Group's general merchandise stores, or restrictions on trading hours, in a number of European markets including South Africa, France, Spain, Poland and the Czech Republic.

As a result, turnover will in all probability reduce, particularly in general merchandise, and this will continue for the duration of these restrictions. The performance of the Group's fast-moving consumer goods focused businesses has been more resilient, partially offsetting this impact.

While the Group is confident that the actions it is taking to address the impact of the COVID-19 pandemic are appropriate and timely, the situation is rapidly changing and remains uncertain and is subject to continuous review.

*Conclusion*

The Management Board draws attention to the following facts:

- that in the Group’s 2019 Consolidated Financial Statements liabilities exceed assets, and
- that these material uncertainties extend beyond the foreseeable future (except for COVID-19).

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 the Company are to continue as a going concern, the Management Board and the operational management team require sufficient time to continue stabilising the Group and re-establishing value at operational level. This will enable the Group and the Company to realise assets in a non-distressed fashion and thus maximise value, enhancing the Group’s ultimate ability to repay or reduce debt and to protect and maximise value to all stakeholders. At the same time a solution for the litigation initiated against the Group 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.

## *Areas of critical judgements and estimates*

The preparation of Consolidated Financial Statements requires management to make judgements and estimates that affect the application of accounting policies and the reported values of assets, liabilities, income and expenses. Actual results may differ from these estimates. Judgements have been made after taking into account all currently available information, but these could change if additional relevant information comes to light.

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

| Judgements | Note reference |
|---|---|
| **Going concern assumption** | **Basis of preparation** |
| **Consolidation decisions** | |

Management's assessment of whether the Group controls/controlled the following entities required significant judgements.

| Main Group | Entities related to/subsidiaries of the Main Group | Treated as controlled | Note reference |
|---|---|---|---|
| Newco 3 Group | | Yes | Basis of preparation |
| | Pepco Poland sp.z o.o* | Yes | Basis of preparation |
| | Poundland Group Limited* | Yes | Basis of preparation |
| | Greenlit Brands Proprietary Limited* | Yes | Basis of preparation |
| | Steinhoff UK Retail Limited* | Yes | Basis of preparation |
| | Conforama Group* | Yes | Refer below |

** Principal subsidiaries are those identified by management as contributing materially to the consolidated results or financial position of the Group.*

In preparing these Consolidated Financial Statements, Steinhoff N.V. had to conclude whether or not it had control over certain entities following various governance structure changes resulting from the restructuring transactions. Concluding that the Group controls Newco 3 resulted in the full consolidation and disclosure of its debt, assets, cash flow and operating results.

Management had two options, either to place the Group into liquidation, which would have been value destructive and would not have provided the optimal value preservation in the circumstances for all stakeholders, or to pursue a debt and business restructuring process by entering into agreements with its lenders to ensure that value preservation and maximisation in the underlying assets is achieved as a common objective for all stakeholders.

The Group engaged in tireless negotiations with its lenders, bondholders and other financial creditors to restructure its finances. These rigorously negotiated agreements resulted in extensive protective rights being provided to the creditors to address historical shortcomings in governance and to improve standards of independence and disclosure. These protective rights are not in the normal course of business and are due to historical extraordinary circumstances. The Company has setup intermediate holding companies whose purpose, design and relevant activities will include acting as an intermediate holding company for the SEAG group in the management of its investments, the resolution of the legacy issues within the SEAG cluster, the repayment of the restructured financial debt and the selection of assets for disposal on appropriate terms. As part of the nomination rights that the creditors have agreed with the Company, the creditors have nominated certain individuals to be considered for appointment by Steinhoff N.V. as directors. These individuals are considered to have the skillset to help oversee the restructure and pay down the debt in an orderly manner thereby extracting greater value out of the assets. The assets and liabilities within Newco 3 represent a substantial portion of the Group.

Although the creditor-nominated directors nominees will represent a majority of the board of Newco 3, being a key body in determining the path to repaying the Group's debt (which is the purpose with which they have been tasked), the Management Board in concluding that the Group controls Newco 3 has considered various factors surrounding the shareholding and governance structures of Newco 3 and determined that:

- The Company, in consultation with its creditors, has designed the purpose of the entity;
- The Company will have oversight, involvement, and has the ability to affect change in the course of this intermediate holding company;
- The independent directors are independent professionals and have no obligation to act in accordance with instructions from creditors and have been nominated based on their skillset relevant to the purpose of the SEAG cluster; and their independence from the legacy issues of Steinhoff N.V.;
- Steinhoff N.V. has the appointment right of all the directors on the newly constituted boards;
- Steinhoff N.V. has the legal right to remove these directors. Where a creditor nominated director is removed as a director by the shareholder, the consequences are governed by protective rights included in the Facilities Agreements.
- These protective rights allow Steinhoff N.V. to dismiss the creditor nominated director with cause, if dismissed without cause then it creates a potential event of default. This leaves a broad discretion with Steinhoff N.V. in exercising its power of dismissal. This includes the ability to dismiss a director who does not act with regard to the interests of the Company and its stakeholders generally. Legally the dismissal rights are not diminished due to potential consequences;
- The debt is the Company's and the debt has not been extinguished;
- The Company has an overall guarantee for the SEAG cluster of entities, refer to the separate financial statements and the accounting treatment of the underlying CPU's;
- The Company still holds 100% of Newco 3's ordinary shares;
- The Company is accountable for the success of the overall restructuring and therefore has built-in additional ways to influence the outcome despite the design of the entity and the assignment of directors;

## *Areas of critical judgements and estimates* *(continued)*

| Judgements (continued) | Note reference |
|---|---|
| **Consolidation decisions (continued)** | |

Newco 3 Group (continued)

- The composition of the body of creditors will be shifting over time and the creditors do not operate as a single block;
- The relevant board of directors do not act on their own behalf and neither do they act only on behalf of the lenders who nominated them. They act on behalf of the company and therefore need to act on behalf of all stakeholders of the company irrespective of who nominated them;
- The governance rights agreed to by the Group are to ensure that the creditors' interests are protected. Given the significant level of debt, the creditors have been given significantly more protection rights than usual;
- The Group has the power to direct the relevant activities through the strategic roadmap provided to these boards as part of the restructure process, in a way that is consistent with the wider Group strategy.

The Group is fully exposed to the losses of this group of companies and the Group is directing the group wide process of recovering the maximum value for all stakeholders across the whole group. The Management Board has weighed the facts and circumstances as set out above and believes that the Company maintains control of Newco 3 (the SEAG cluster of entities) and should therefore continue to consolidate Newco 3, resulting in the debt and underlying assets remaining on its balance sheet.

| Main Group | Entities related to/subsidiaries of the Main Group | Treated as controlled | Note reference |
|---|---|---|---|
| Conforama Group | | Yes | Basis of preparation |
| | Conforama Investissement | Yes | Basis of preparation |
| | Conforama Développement | Yes | Basis of preparation |
| | Conforama Holding SA | Yes | Basis of preparation |

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 which provided the framework for the refinancing negotiations. This ruling allowed Conforama to implement its financial restructuring. The Conforama restructuring resulted in a governance structure being set up in a way that supported the Group's objective of maximizing the recovery for all stakeholders and were instituted with agreement of the Group(via Newco 3) and in a way that was consistent with the objective of the entire Group. At the Reporting Date, the Group has retained its indirect equity ownership of 99.99% of the ordinary shares although the group structure has changed.

The key terms of the financial restructuring included:

- A total nominal value of €316 million new money financing;
- One golden share named "Class 1 Preference Share" (the "Golden Share") was created on 3 April 2019. It was initially owned by Conforama Investissement and was transferred on 15 April 2019 to Equities Gestion acting as trustee under a trust agreement in relation to the Golden Share, also dated 15 April 2019. Pursuant to the terms and conditions of the Golden Share, the specific rights attached to it (including veto rights and the right to direct the appointment of more than half of the board members) are conditional upon the occurrence of a "Triggering Event", i.e., the opening of insolvency/pre-insolvency proceedings and/or an event of default under the Conforama finance documents. The Triggering Event would ultimately lead to the activation of a new governance structure; and
- Conforama Holding SA also issued on 29 May 2019 a total of 205,242,947 warrants (the "Warrants") which, if and when exercised, are "convertible" into 205,242,947 Class 2 Preference Shares. Pursuant to their terms and conditions, the Warrants may only be exercised within a certain period of time before the occurrence of an "Exercise Event". An Exercise Event is the occurrence of any of the following:
  (i) any distribution of any nature whatsoever made from time to time by the company for the benefit of its shareholders;
  (ii) a Listing, Partial Exit or Change of Control, within the meaning given to these terms on the terms and conditions;
  (iii) any voluntary or judicial liquidation of the company; or
  (iv) the date which is six months prior to 29 May 2029.

If all the Warrants were to be exercised (which is an individual decision to be made by each holder of Warrants during the relevant Exercise Period), they are "convertible" into 205,242,947 Class 2 Preference Shares. Class 2 Preference Shares bear significant financial rights, as they together give right by priority to 49.90% of all shareholders' proceeds in case of a Distribution, Exit or Liquidation. However, each Class 2 Preference Share bears only one voting right, and therefore the potential exercise of all Warrants would have little impact per se on the allocation of voting powers within the company. In particular, Conforama Développement would continue holding more than 99% of the ordinary shares issued by Conforama Holding SA.

At the 30 September 2019 Reporting Date and up to the date of release of the 2019 Consolidated Financial Statements, no such Triggering Event had occurred; therefore, the Golden Share (and the rights attached thereto) was disregarded for control assessment purposes. Similarly, the Warrants, even though issued, are neither exercised nor exercisable; therefore, the Warrants and the rights attached thereto, were also disregarded for control assessment purposes. The triggering of the Golden Share and the exercise of the Warrants are not linked. The issuance of the Warrants would not result in the loss of control but only provide a financial right to the warrant holder to 49.90% of all shareholders' proceeds in case of a distribution. Any future Triggering Event attached to the Golden Share, may result in Newco 3 losing control of Conforama and will have to be assessed at that time as new governance requirements would be introduced.

## *Areas of critical judgements and estimates* *(continued)*

| Judgements (continued) | Note reference |
|---|---|
| **Consolidation decisions (continued)** | |

Conforama Group (continued)

The Group has the ability to appoint all the directors through Newco 3, with the CEO being appointed by the other four Conforama board members. Two of the directors are nominated by the creditors who hold the warrants.

The creditor-nominated directors must be independent from the creditors and are only appointed with the support of the Group. The Group has the right to dismiss all the directors without cause, although there may be repercussions unless there is evidence that the directors were not fulfilling their fiduciary duty to act in the best interest of Conforama and they would have to be replaced with creditor nominated directors if applicable.

In reaching the abovementioned conclusion, it is based on the critical judgement that the Group controls Newco 3.

The Management Board has considered the shareholding and governance structures of Conforama as explained above 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.

Further consideration was given on whether the Warrants issued on 29 May 2019 should be recognised as a non-controlling interest in the Group's Consolidated Financial Statements.

The Warrants, if and when exercised, are "convertible" into 205,242,947 Class 2 Preference Shares. The Class 2 Preference Shares provide the holders thereof the right to 49.9% of dividends (declared at Conforama's discretion) as well as to a proportion of the net liquidation proceeds in the event that Conforama is liquidated. The Class 2 Preference Shareholders' right to net liquidation proceeds is on substantially the same terms as the ordinary shareholders (i.e. net liquidation proceeds will first be employed to settle the par value of the shares held by all the shareholders pro-rata to their stake in Conforama's share capital, following which the remainder will be settled to the ordinary and the Class 2 Preference Shareholders based on the dividend portion formula).

The Class 2 Preference Shares will therefore be classified as a non-controlling interest in the Group's Consolidated Financial Statements as it provides the holders thereof the right to the equity of Conforama.

As it has been determined that the Class 2 Preference Shares will be classified as a non-controlling interest in the Consolidated Financial Statements, consideration should be given to whether the unexercised Warrants will also be classified as a non-controlling interest.

Based on the terms governing the exercise of the Warrants, the Warrants will be exercised once any form of equity return is provided to the ordinary shareholders (i.e. a dividend distribution of any form and/or net liquidation proceeds from a liquidation event) and mandatorily by 29 May 2029 if not yet exercised by such date. The Warrants therefore provide the holders thereof with the right to equity returns from issuance date and not only from the date that the Warrants are exercised. This would therefore result in the issued Warrants being classified as a non-controlling interest from issuance date.

Management have therefore determined that 49.9% of Conforama's equity should be attributed to non-controlling interest.

In the case of Conforama the non-controlling interest is still the subject of lawsuits. Management have therefore considered the information available, despite ongoing uncertainty in certain areas, and determined that no percentage should be attributed to non-controlling interest relating to the lawsuits.

| Entity | Note reference |
|---|---|
| Conforama: non-controlling interest attributable to Seifert entities | Note 29 |

| Main Group | Entities related to/subsidiaries of the Main Group | Treated as controlled | Note reference |
|---|---|---|---|
| Campion Group | | No | Basis of preparation |
| | Wands, including its subsidiaries Cencap and FGI | No | Basis of preparation |
| | Sunnyside and Sutherland UK | No | Basis of preparation |
| | Plum Tree | No | Basis of preparation |
| | GT Branding | Yes | Basis of preparation |
| | Town Investments (until January 2019) | No | Basis of preparation |

**Campion Group**
In January 2019, the Group concluded various settlement agreements with the Campion Group, the main terms of which included the settlement of a number of outstanding loans owing to the Group in exchange for the receipt by the Group of a number of investments including:

- Approximately 25.5 million Brait shares;
- Approximately 30 million Steinhoff shares (held by SSUK and Town Investments);
- Legal ownership of Town Investments; and
- Legal ownership of 55% of GT Branding.

The recovery received, in terms of the settlement agreement reached with the Campion Group, for previously impaired loans was considered not material. Refer to note 4.2.2 a) for further information.

**SSUK**
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 4.2.5 and note 32.2 for share-based payment expenses relating to the share funding transactions.

## *Areas of critical judgements and estimates* *(continued)*

| Judgements (continued) | Note reference |
|---|---|
| **Consolidation decisions (continued)** | |

**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 settlement with the Campion Group.

**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.

Town Investments was established with assistance from the Group in order to acquire Steinhoff shares. There was insufficient evidence during the 2018 Reporting Period to suggest that the Group controlled the activities of Town Investments in the absence of holding voting rights despite strong indicators of control. The Group was exposed to variable returns arising from the loan funding provided to acquire the shares.

Management concluded that for the 2018 Reporting Period it should not consolidate Town Investments but 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 were the shares in Steinhoff N.V., the repayment of the loan to the Group is dependent on the performance of the underlying Steinhoff shares. The Group was therefore exposed to negative returns from Town Investments in respect of the funding it has provided, and the third party shareholders of Town Investments were exposed to possible upside to the extent the value of the Steinhoff shares exceeds the funding provided by the Group. In substance, such a structure is akin to Steinhoff N.V. issuing a call option on its own shares, and a share-based payment expense should therefore be recognised. The Group did not consolidate this entity during the 2018 Reporting Period, but management did recognise the Steinhoff shares held by Town Investments as treasury shares and recognised the related share based payment expense.

During the 2019 Reporting Period 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. The 17.9 million Steinhoff shares continue to be treated as treasury shares.

| Main Group | Entities related to/subsidiaries of the Main Group | Treated as controlled | Note reference |
|---|---|---|---|
| Other | | | |
| | BVI | Yes | |
| | Mattress Firm (until 21 November 2018) | Yes | Note 1 |

**BVI**
BVI was founded in 2011 by the senior management of Pepkor Africa with the objective of enabling senior employees of Pepkor Africa to share in the growth of the company over a long term by indirectly owning shares in Pepkor Africa through the BVI structure. Pepkor Africa 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"). Certain companies within the Pepkor Africa Group guaranteed the RMB funding.

BVI shares not allocated to employees were taken up by a Pepkor Africa Group company with the purpose of later allocating these shares to employees joining the scheme.

On 20 April 2015, following the acquisition of Pepkor Africa by the Group, the Pepkor Africa 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 employer 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 Africa group and later the Steinhoff share value. Since the Group's acquisition of Pepkor Africa, 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 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 has limited financial information of BVI and therefore deemed the value of the treasury shares to approximate BVI's capital raised and the funding procured.

## *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 for impairment as required under IFRS 9 Financial Instruments.

**Treatment of transactions involving Steinhoff shares funded by the Group**

**Substance of transaction akin to an option**
Management had to apply judgment 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 has 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-substances options in respect of the Steinhoff's shares, in some cases triggering a share-based payment expense. Measuring the share-based payment involved a number of judgements and estimates in respect of both the classification as cash or equity settled and the determination of the inputs of the valuation model.

The details of funded share purchase arrangements are referenced below:

| Transaction | Note reference |
|---|---|
| SSUK | Note 32.2 |
| Town Investments | Note 32.2 |

| **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. Prior to the restructuring being put in place, a number of covenants relating to existing debt had been breached. As the financial creditors had not been obligated to condone the covenant breaches, the loans could have been called and therefore were required to be recognised as current liabilities in the 2018 Reporting Period. 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 did consider the terms of the Lock-Up Agreement entered into on 11 July 2018 not substantial enough to allow for derecognition of historic liabilities and recognition of new non-current liabilities.

Management has assessed that the CVA has resulted in substantially different terms to the lenders and as a result the original loans were derecognised during the 2019 Reporting Period and new financial liabilities recognised. This treatment results in the recognition of any costs or fees incurred in profit or loss in the Reporting Period. Costs where there was a constructive obligation were expensed over the relevant period even though the replacement of the debt was only treated as occurring on 14 December 2018. At the 2018 Reporting Date, the remaining life of the loans and borrowings existing at that date was assessed, and all unamortised capitalised fees were expensed.

| **Impact assessment of the new IFRS 16: Leases** | **Note 37** |
|---|---|

The application of IFRS 16 will have a material impact on the Group's statement of financial position, statement of comprehensive income and classification in the statement of cash flows for the 2020 Reporting Period. Management prepared an estimate of the impact this standard will have on the 2020 Reporting Period based on a review of the leasing arrangements within the Group.

The expected and actual impact will be different as a result of:

- The finalisation of the validation of completeness and accuracy of the identified contracts
- New lease contracts to be entered into in 2020 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 and note 35** |

## *Areas of critical judgements and estimates* *(continued)*

| 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 |
|---|---|
| **Transitions** | |
| IFRS 9: Financial Instruments | The Group has elected to apply IFRS 9 Financial Instruments retrospectively, it has elected not to restate its comparative financial information and will only restate opening retained earnings balance as at 1 October 2018. |
| IFRS 15: Revenue from Contracts with Customers | The Group has elected to apply IFRS 15 using the modified retrospective approach by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to opening balance of equity at 1 October 2018. No adjustment was required in view of materiality. |
| **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.<br>**Inter-company transactions between continuing and discontinued operations**<br>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. |
| **Statement of other comprehensive income** | |
| Hyperinflation | In the Reporting Period, Pepkor Africa's Angolan operations were assessed in accordance with the criteria stipulated in IAS 29: Financial Reporting in Hyperinflationary Economies and, based on the factors indicated under judgements, concluded that the country was no longer considered in a hyperinflationary economy. During the 2018 Reporting Period, Pepkor Africa's operations in Angola were reported in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies following its classification as a hyperinflationary economy. |
| **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 detail of the main components of cash flow from discontinued operations are disclosed in the notes to the financial statements. |
| Basis of preparation – Cash flows | The Group has elected to present the cash flows using the indirect method. The indirect method adjusts accrual basis net profit or loss for the effects of non-cash transactions. |

## *Areas of critical judgements and estimates* *(continued)*

*Exchange rates*

The following table present the exchange rates used by the Group.

| | Average translation rate | | | Closing translation rate | | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | % change | 30 September 2019 | 30 September 2018 | % change |
| EUR:ZAR | **16.1733** | **15.5493** | **4.0** | **16.5576** | **16.4337** | **0.8** |
| EUR:PLN | **4.3007** | **4.2444** | **1.3** | **4.3782** | **4.2774** | **2.4** |
| EUR:GBP | **0.8844** | **0.8848** | **0.0** | **0.8857** | **0.8873** | **(0.2)** |
| EUR:AUD | **1.6033** | **1.5655** | **2.4** | **1.6126** | **1.6048** | **0.5** |
| EUR:USD | **1.1281** | **1.1904** | **(5.2)** | **1.0889** | **1.1576** | **(5.9)** |
| EUR:CHF | **1.1225** | **1.1615** | **(3.4)** | **1.0847** | **1.1316** | **(4.1)** |

### Approval

The 2019 Consolidated Financial Statements were prepared under the supervision of the Management Board of the Company and were authorised for issue on 30 June 2020.

## 1. *Discontinued operations*

In order to fund operations, repay debt 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 the businesses included in the following former reportable segments were disposed of or classified as held-for-sale during the 2018 and 2019 Reporting Periods. These businesses have been presented as discontinued operations:

| **Identified for inclusion in 2019 Reporting Period:**<br>**Segment** | **Businesses** |
|---|---|
| European Properties | Hemisphere properties |
| Greenlit Brands | General Merchandise division |
| All Other segment | Abra |
| | Blue Group |
| | Pritex |
| | Properties – Africa |
| | Sherwood |

These disposals have also necessitated a restatement of segmental reporting (refer note 2).

| **Identified for inclusion in 2018 Reporting Period:**<br>**Segment** | **Businesses** |
|---|---|
| European Retail Management ("ERM") | kika-Leiner OpCos |
| | POCO |
| | Extreme Digital |
| European Manufacturing, Sourcing and Logistics | Impuls and Puris |
| | Steinpol |
| | E-llis |
| Mattress Firm | Mattress Firm |
| Automotive | Unitrans |
| European Properties | kika-Leiner PropCos |

Refer to note 34 for more information on the held-for-sale assets and liabilities.

### European Properties

*Hemisphere properties*

Hemisphere is an indirect wholly owned subsidiary of Steinhoff N.V. and holds a portfolio of European properties. The European property portfolio comprises office, retail and warehouse space.

On 26 July 2018 Hemisphere entered into a Lock-Up Agreement which comprised of approximately 90% of the value of the Hemisphere lenders. 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.

On 5 September 2018 a restructuring was implemented due to the financial indebtedness of Hemisphere. This resulted in a new, secured, three-year term loan facility of approximately €775 million owed by Hemisphere in replacement of its old debt facilities. Since then, following the sale of the kika-Leiner related property companies and certain other individual assets, approximately €415 million has been applied towards repayment of interest and principal of this facility by Hemisphere.

On 13 December 2018 Hemisphere entered into a formal disposal plan with Wells Fargo securities International Limited (Eastdil Secured LLC), for the sale of interests held by Hemisphere in its portfolio of properties including the sale of Hemisphere's direct and indirect subsidiaries. The sale process will comprise either the sale of properties themselves, or the sale of the shares in the companies owning the properties.

The above agreement is also in compliance with the Term Loan Facility Agreement dated 5 September 2018. The Hemisphere group, under the terms of its Term Loan Facility Agreement, is required to dispose of its property portfolio and utilise the proceeds to make repayments against its financial liabilities.

Hemisphere property portfolio met the criteria to be classified as held-for-sale on 30 June 2019.

## 1. *Discontinued operations* *(continued)*

### European Properties (continued)

*Hemisphere properties (continued)*

The Hemisphere property disposal processes have been affected by the COVID-19 pandemic to varying extents. Some of the processes have experienced delays and, in the case of the Industrial & Logistics portfolio, the buyer was not willing and able to complete Phase 1 of the disposal on 31 March 2020 as required by the sale and purchase agreement. Irrespective of these developments, the company remains committed to a sale of the Hemisphere properties and the directors continue to believe that the held-for-sale classification remains appropriate for these assets.

*kika-Leiner PropCos*

kika-Leiner PropCos held the Austrian and Central Eastern European properties of the European Properties segments.

Further details on the disposal is provided under the kika-Leiner OpCos heading in this note.

### Greenlit Brands – General Merchandise

On 18 November 2019 Greenlit Brands announced its agreement to divest its General Merchandise division to Allegro Funds for approximately €39 million. The brands being disposed include Best & Less, Harris Scarfe, Postie and Debenhams Australia. This transaction was completed in early December 2019. The remaining Household Goods division is recognised as a continuing operation in the Greenlit Brands (previously Australasia) segment.

At 30 September 2019 Greenlit Brands – General Merchandise met the criteria to be classified as held-for-sale.

### All Other segment

*Abra*

The Group concluded the sale of Abra during October 2019. Abra met the criteria to be classified as held-for-sale on 30 September 2019.

*Blue Group*

On 15 November 2019, the Group announced that in line with the strategy of simplifying its portfolio and deleveraging the balance sheet it had reached agreement to sell the Group's household goods division, Blue Group Holdco Limited to Alteri Investors.

At 30 September 2019 the Blue Group met the criteria to be classified as held-for-sale.

*Pritex*

Pritex Limited, the manufacturer of acoustic and thermo-acoustic insulation products for the diverse range of automotive and industrial markets was disposed of on 24 May 2019 together with a real estate property it occupied to Saint-Gobain High Performance Solutions UK Limited. Refer to note 1.4.

*Properties – Africa*

The Group has commenced a process post March 2019 to dispose of the remaining property portfolio of the African property portfolio. Management considered various disposal options for their African property portfolio in order to optimise the balance sheet and unlock value for shareholders.

The disposal portfolio consists of retail, office, warehouse, vacant land and residential properties, which includes properties tenanted by third party tenants. The list of properties in each portfolio have been identified and offers are currently being assessed against the valuations conducted for each of the properties.

At 30 September 2019 the Africa property portfolio met the criteria to be classified as held-for-sale.

*Sherwood*

The Group disposed of its 80% interest in Sherwood during January 2020 to Tempur Sealy for approximately €47 million. At 30 September 2019 Sherwood met the criteria to be classified as held-for-sale.

## 1. Discontinued operations *(continued)*

### 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 operating companies were sold for a nominal consideration, whilst the consideration for the kika-Leiner PropCos 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 kika-Leiner PropCos 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 equity-accounted investment. An assessment was performed by management during the 2018 Reporting Period that concluded, based on settlement negotiations relating to previous ownership lawsuits, the investment in POCO should be 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.

*Extreme Digital*

The Group disposed of its 50.48% interest in Extreme Digital, an online retailer in Hungary, on 30 January 2018.

### 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. From 30 June 2018 the investment in Impuls and Puris was classified as held-for-sale.

*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 met the criteria to be classified as held-for-sale on 30 September 2018.

*E-llis*

E-llis International BVBA, a wholly owned subsidiary of the Group, providing logistics services, was disposed on 30 June 2018.

The above businesses made up the majority of the European Manufacturing, Sourcing and Logistics segment. 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.

### 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 has been ongoing since May 2018. From 30 September 2018 the Automotive business met the criteria to be classified as held-for-sale.

The effective sale date has been determined as 25 November 2019. Unitrans will be fully consolidated up to this date.

The Automotive business was a separate reportable segment and has therefore been disclosed as a discontinued operation.

The remaining 25.1% of the shares were sold to Kapela on 19 December 2019.

## 1. *Discontinued operations* *(continued)*

### 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. 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.

The Group retained a 50.1% equity interest in Mattress Firm. Both the lenders' and the Group's shareholding are subject to a total dilution up to 10% by a management incentive plan.

The Management Board has considered the shareholding and governance structures of Mattress Firm and determined that the Group lost control of Mattress Firm on 21 November 2018. The value of the associate recognised on the day the Group loss control was based on 5x EBITDA multiple (September 2021 EBITDA).

Mattress Firm was included as a discontinued operation until 21 November 2018, and thereafter as an equity accounted investment.

The businesses discussed above are presented as discontinued operations in the consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of cash flows for the period ended 30 September 2019, as required by IFRS. Comparative information has been restated accordingly.

The detail of assets classified as held-for-sale is presented in note 34.

# 1. Discontinued operations *(continued)*

## 1.1 Adjustment of the prior period statement of profit or loss for discontinued operations

| | 2018 | | |
|---|---|---|---|
| | Previously reported €m | Adjusted for discontinued operations €m | Continuing operations presented €m |
| **Continuing operations** | | | |
| Revenue | 12 827 | (1 392) | 11 435 |
| Cost of sales | (7 851) | 776 | (7 075) |
| **Gross profit** | 4 976 | (616) | 4 360 |
| Other income | 195 | (59) | 136 |
| Distribution expenses | (702) | 29 | (673) |
| Administration expenses | (4 098) | 791 | (3 307) |
| Other expenses | (291) | (4) | (295) |
| **Operating loss** | 80 | 141 | 221 |
| Finance costs | (655) | 9 | (646) |
| Income from investments | 68 | – | 68 |
| Share of profit of equity accounted companies | 58 | – | 58 |
| Impairment of equity accounted companies | (3) | – | (3) |
| **Loss before taxation** | (452) | 150 | (302) |
| Taxation | (222) | 4 | (218) |
| **Loss for the period** | (674) | 154 | (520) |
| **Loss attributable to:** | | | |
| Owners of Steinhoff N.V. | (729) | 154 | (575) |
| Non-controlling interests | 55 | – | 55 |
| **Loss from continuing operations** | (674) | 154 | (520) |
| **Basic loss per share (cents)** | (17.6) | 3.7 | (13.9) |

# 1. *Discontinued operations* *(continued)*

## 1.2 Statement of profit or loss for discontinued operations

| | Notes | 2019 €m | Restated[1] 2018 €m |
|---|---|---|---|
| Revenue | | **3 319** | 6 586 |
| Cost of sales | | **(2 211)** | (3 726) |
| **Gross profit** | | **1 108** | 2 860 |
| Other income | | **44** | 111 |
| Distribution expenses | | **(72)** | (333) |
| Administration expenses | | **(1 152)** | (2 883) |
| Other expenses | | **(275)** | (208) |
| Impairments | 1.2.1 | **(252)** | (215) |
| Net gain/(loss) on disposal of property, plant and equipment | 1.2.2 | **59** | (34) |
| Foreign currency reserve reclassification to profit or loss | 1.2.3 & 1.4 | **(82)** | 41 |
| **Operating loss** | | **(347)** | (453) |
| Finance costs | | **(151)** | (37) |
| Income from investments | | **6** | 5 |
| Share of profit of equity accounted companies | | **3** | 9 |
| Impairment of equity accounted companies | | **–** | (24) |
| Loss on disposal of discontinued operations/disposal group | 1.4 | **54** | (147) |
| **Loss before taxation** | | **(435)** | (647) |
| Taxation | | **(14)** | (25) |
| **Loss for the period** | | **(449)** | (672) |
| **Loss attributable to:** | | | |
| Owners of Steinhoff N.V. | | **(451)** | (673) |
| Non-controlling interests | | **2** | 1 |
| **Loss for the period** | | **(449)** | (672) |

[1] *Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

# 1. Discontinued operations *(continued)*

## 1.2 Statement of profit or loss for discontinued operations (continued)

| | Notes | 2019 €m | Restated[1] 2018 €m |
|---|---|---|---|
| **1.2.1 Impairment** | | | |
| Goodwill | 34 | **83** | 20 |
| Intangible assets | 34 | **36** | 128 |
| Investment property | 34 | **16** | – |
| Property, plant and equipment | 34 | **103** | 64 |
| Other | 34 | **14** | 3 |
| | | **252** | 215 |
| Impairments in the current period represents the write down to fair value less cost to sell for the following disposal groups Greenlit – General Merchandise (€93 million), Automotive (€47 million), Sherwood (€31 million), Blue Group (€50 million) and Properties – Africa (€31 million). Refer to note 34. | | | |
| **1.2.2 (Profit)/Loss on disposal of property, plant and equipment and intangible assets** | | **(59)** | 34 |
| **1.2.3 Cumulative other comprehensive income reclassified to profit or loss on disposal or derecognition of investment** | | | |
| Foreign currency translation reserve | 1.4 | **82** | (35) |
| Cash flow hedge reserve and fair value reserve | | **–** | (6) |
| **Total other expenses from discontinued operations** | | **275** | 208 |

[1]*Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

## 1.3 Presentation of discontinued operations in the statement of cash flows

| | 2019 €m | Restated[1] 2018 €m |
|---|---|---|
| **Cash flows from discontinued operations** | | |
| Net cash outflow from operating activities | **(269)** | (356) |
| Net cash inflow from investing activities | **211** | (1) |
| Net cash inflow from financing activities | **6** | 355 |
| **Net cash outflow** | **(52)** | (2) |

[1] *Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

# 1. *Discontinued operations* *(continued)*

## 1.4 Details of the disposal of subsidiaries and equity investments classified as discontinued operations

| 30 September 2019 | POCO €m | Mattress Firm €m | Steinpol €m | Other[1] €m | Total €m |
|---|---|---|---|---|---|
| **Carrying value of assets and liabilities at date of disposal** | | | | | |
| **Assets** | | | | | |
| Goodwill | – | 2 | | | 2 |
| Intangible assets | – | 536 | 2 | – | 538 |
| Property, plant and equipment | – | 166 | 16 | 1 | 183 |
| Investments in equity accounted companies | 271 | – | – | – | 271 |
| Other financial assets | – | 37 | – | – | 37 |
| Inventories | – | 168 | 16 | 1 | 185 |
| Trade and other receivables | – | 94 | 27 | 6 | 127 |
| Taxation receivable | – | 28 | 1 | – | 29 |
| Cash and cash equivalents | – | 118 | 9 | 3 | 130 |
| **Liabilities** | | | | | |
| Borrowings | – | (486) | – | – | (486) |
| Provisions | – | (227) | (1) | – | (228) |
| Employee benefits | – | (6) | (2) | – | (8) |
| Deferred tax liabilities | – | (125) | – | – | (125) |
| Trade and other payables | – | (295) | (64) | (3) | (362) |
| Taxation payable | – | – | – | (1) | (1) |
| **Carrying value of assets and liabilities at date of disposal** | 271 | 10 | 4 | 7 | 292 |
| Gain on disposal | – | 34 | 13 | 7 | 54 |
| **Total consideration** | 271 | 44 | 17 | 14 | 346 |
| **Net cash inflow arising on disposals** | | | | | |
| Total consideration | 271 | 44 | 17 | 14 | 346 |
| Less remeasurement of fair value of investments in equity accounted companies | | (44) | | | (44) |
| Less cash on hand at date of disposal | – | (118) | (9) | (3) | (130) |
| **Net cash inflow/(outflow)** | 271 | (118) | 8 | 11 | 172 |
| Net cash inflow from equity accounted investments | 271 | – | – | – | 271 |
| Net cash outflow from subsidiaries | – | (118) | 8 | 11 | (99) |
| Gain on sale before income tax and reclassification of FCTR | – | 34 | 13 | 7 | 54 |
| Reclassification of FCTR | – | (82) | – | – | (82) |
| **(Loss)/gain on sale after FCTR release** | – | (48) | 13 | 7 | (28) |

*[1]Other consists of Pritex and Steinhoff Risk Solutions Proprietary Limited.*

# 1. *Discontinued operations* *(continued)*

## 1.4 Details of the disposal of subsidiaries and equity investments classified as discontinued operations (continued)

| 30 September 2018 | | kika-Leiner €m | Other €m | Total €m |
|---|---|---|---|---|
| Total 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)/gain on sale before income tax and reclassification of FCTR** | | (166) | 19 | (147) |
| Reclassification of FCTR[1] | | 35 | – | 35 |
| Reclassification of cash flow hedge reserve and fair value reserve | | 6 | – | 6 |
| Income tax expense on gain | | – | (10) | (10) |
| **(Loss)/gain on sale after income tax** | | (125) | 9 | (116) |

*[1]The FCTR pertains to both the kika-Leiner Opcos and PropCos and has been presented as one amount.*

## 1.5 Segmental information relating to discontinued operations

| | 2019 | 2018 | | |
|---|---|---|---|---|
| | Discontinued operations €m | Previously reported €m | Adjustment for discontinued operations €m | Discontinued operations presented €m |
| **Segmental revenue from discontinued operations** | | | | |
| European Properties | **12** | 16 | 10 | 26 |
| Mattress Firm | **339** | 2 660 | – | 2 660 |
| Automotive | **1 506** | 1 502 | – | 1 502 |
| Greenlit Brands – General Merchandise | **620** | – | 641 | 641 |
| All Other | | | | |
| European Retail Management | **–** | 716 | – | 716 |
| European Manufacturing, Sourcing and Logistics | **66** | 300 | – | 300 |
| Blue Group | **593** | – | 631 | 631 |
| Properties – Africa | **10** | – | 9 | 9 |
| Abra | **51** | – | 55 | 55 |
| Sherwood | **122** | – | 46 | 46 |
| **Net external revenue from discontinued operations*** | **3 319** | 5 194 | 1 392 | 6 586 |

* *Revenue between discontinued operations have been eliminated.*

# 1. Discontinued operations *(continued)*

## 1.5 Segmental information relating to discontinued operations (continued)

### Operating loss before depreciation and amortisation adjusted for material non-operational items ("EBITDA")

| | 2019 €m | Restated[1] 2018 €m |
|---|---|---|
| **EBITDA reconciles to the operating loss per statement of profit or loss from discontinued operations as follows:** | | |
| Operating loss from discontinued operations | **(347)** | (453) |
| Depreciation and amortisation | **45** | 199 |
| Other expenses considered material non-operational items | **275** | 208 |
| Intercompany eliminations with continuing operations | **(14)** | (44) |
| **EBITDA per segment reporting from discontinued operations** | **(41)** | (90) |
| European Properties | **(23)** | 47 |
| Mattress Firm | **(47)** | (125) |
| Automotive | **60** | 58 |
| Greenlit Brands – General Merchandise | **10** | 7 |
| All Other | **(41)** | (77) |
| **EBITDA from discontinued operations as presented** | **(41)** | (90) |

[1] *Comparative numbers have been restated as a result of classifying certain segments as discontinued operations.*

### Operating loss adjusted for material non-operational items ("EBIT")

| | 2019 €m | Restated[1] 2018 €m |
|---|---|---|
| **EBIT reconciles to the operating loss per statement of profit or loss from discontinued operations as follows:** | | |
| Operating loss from discontinued operations | **(347)** | (453) |
| Other expenses considered material non-operational items | **275** | 208 |
| Intercompany eliminations with continuing operations | **(14)** | (44) |
| **EBIT per segment reporting from discontinued operations** | **(86)** | (289) |
| European Properties | **(33)** | 6 |
| Mattress Firm | **(47)** | (202) |
| Automotive | **60** | 45 |
| Greenlit Brands – General Merchandise | **(2)** | (7) |
| All Other | **(64)** | (131) |
| **EBIT from discontinued operations as presented** | **(86)** | (289) |

[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 Chief operating decision maker for all periods under review.

The Group has disclosed the following reportable segments in respect of the 2019 Reporting Period and has restated the segment disclosures of the 2018 Reporting Period accordingly.

The Chief operating decision maker examines the Group's performance both from a product and geographical perspective and has identified the following six reportable segments of its business based on how information is accumulated and reported to the Chief operating decision maker:

- **Conforama**
  Conforama operates furniture retail stores across Europe with the majority of its stores in France, Switzerland, Italy and Iberia. This segment includes the Conforama property portfolio. The Chief operating decision maker monitors the performance of Conforama on a consolidated basis.
- **Pepco Group (previously 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' performances are reviewed together as Pepco Group by the Chief operating decision maker.
- **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). The General Merchandise segment has been classified as a discontinued operation. Refer to note 1. Major brands include Fantastic, Freedom and Best&Less. The Chief operating decision maker monitors the performance of Greenlit Brands on a consolidated basis.
- **Pepkor Africa**
  Pepkor Africa is listed on the JSE. Revenue in Pepkor Africa 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 Africa also operates in the building supplies and furniture divisions where revenue is derived from sales of 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 Chief operating decision maker 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 segments**
  Included in "All Other" are operating segments that did not meet the requirements of a reportable segment per IFRS 8. These segments are neither sufficiently material in size nor unique in their geography to warrant separate disclosure. Included in this category are the businesses of Lipo (operating from Switzerland) and the remaining European Logistics and Sourcing businesses.

## 2. Segment information *(continued)*

### Measures reported to the Chief operating decision maker

*Revenue*

Segment revenue excludes Value Added Tax. Intersegment revenue is eliminated in the segment from which it was sold.

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 | 2019 Total segment revenue €m | 2019 Intersegment revenue €m | 2019 Revenue from external customers €m | Restated[1] 2018 Total segment revenue €m | Restated[1] 2018 Intersegment revenue €m | Restated[1] 2018 Revenue from external customers €m |
|---|---|---|---|---|---|---|
| Conforama | **3 417** | **–** | **3 417** | 3 402 | – | 3 402 |
| Pepco Group | **3 451** | **31** | **3 420** | 3 054 | 5 | 3 049 |
| Greenlit Brands | **668** | **10** | **658** | 659 | 11 | 648 |
| Pepkor | **4 307** | **–** | **4 307** | 4 126 | – | 4 126 |
| Corporate and treasury services | **9** | **6** | **3** | 15 | 14 | 1 |
| All Other | **221** | **34** | **187** | 266 | 57 | 209 |
| | **12 073** | **81** | **11 992** | 11 522 | 87 | 11 435 |
| Intercompany revenue from discontinued operations* | **(10)** | **(10)** | **–** | (6) | (6) | – |
| | **12 063** | **71** | **11 992** | 11 516 | 81 | 11 435 |

* *The intercompany revenue from discontinued operations has already been eliminated from "Revenue from external customers".*

| Revenues from external customers – by geography from continuing operations | 2019 €m | Restated[1] 2018 €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 | **664** | 648 |
| France | **2 102** | 2 153 |
| Poland | **835** | 705 |
| Rest of Africa | **468** | 147 |
| Rest of Europe | **2 348** | 2 244 |
| South Africa | **3 835** | 3 979 |
| United Kingdom | **1 740** | 1 559 |
| | **11 992** | 11 435 |

[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)*

### Measures reported to the Chief operating decision maker (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 Chief operating decision maker and are therefore not allocated to the segments.

### Operating profit or loss before depreciation and amortisation adjusted for material non-operational items ("EBITDA")

Segment performance is measured on continuing operations' EBITDA and represents segment revenue less segment expenses excluding depreciation amortisation and other expenses considered material non-operational items 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 (loss)/profit per statement of profit or loss as follows: | Notes | 2019 €m | 2018 Previously reported €m | 2018 Adjusted for discontinued operations €m | 2018 Continuing operations presented €m |
|---|---|---|---|---|---|
| Operating (loss)/profit per statement of profit or loss | | **(389)** | 80 | 141 | 221 |
| Depreciation and amortisation | 4.3.1 | **230** | 266 | (55) | 211 |
| Other expenses considered material non-operational items | 4.2 | **936** | 291 | 4 | 295 |
| Intercompany eliminations (discontinued operations) | | **14** | 133 | (89) | 44 |
| **EBITDA per segment reporting** | | **791** | 770 | 1 | 771 |
| **EBITDA per segment:** | | | | | |
| Conforama | | **42** | 32 | – | 32 |
| Pepco Group | | **326** | 243 | – | 243 |
| Greenlit Brands | | **21** | 43 | (7) | 36 |
| Pepkor Africa | | **496** | 489 | – | 489 |
| Corporate and treasury services | | **(86)** | (23) | – | (23) |
| European Properties | | **–** | (3) | 3 | – |
| All Other | | **(8)** | (11) | 5 | (6) |
| | | **791** | 770 | 1 | 771 |

[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 material non-operational items ("EBIT")

Segment performance is measured on continuing operations' EBIT and represents segment revenue less segment expenses excluding material non-operational 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.

| | | | 2018 | | |
|---|---|---|---|---|---|
| **EBIT reconciles to the operating (loss)/profit per statement of profit or loss as follows:** | **Notes** | **2019 €m** | **Previously reported €m** | **Adjusted for discontinued operations €m** | **Continuing operations presented €m** |
| Operating (loss)/profit per statement of profit or loss | | **(389)** | 80 | 141 | 221 |
| Other expenses considered material non-operational items | 4.2 | **936** | 291 | 4 | 295 |
| Intercompany eliminations (discontinued operations) | | **14** | 133 | (89) | 44 |
| **EBIT per segment reporting** | | **561** | 504 | 56 | 560 |
| **EBIT per segment:** | | | | | |
| Conforama | | **(15)** | (24) | – | (24) |
| Pepco Group | | **259** | 185 | – | 185 |
| Greenlit Brands | | **(2)** | 14 | 7 | 21 |
| Pepkor Africa | | **416** | 416 | – | 416 |
| Corporate and treasury services | | **(84)** | (24) | – | (24) |
| European Properties | | **–** | (14) | 14 | – |
| All Other | | **(13)** | (49) | 35 | (14) |
| | | **561** | 504 | 56 | 560 |

[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

Segment assets are measured in the same way as in the 2018 Consolidated Financial Statements. Assets that are not considered to be segment 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.

Investment in equity accounted companies and short and long term investments (financial assets) are monitored by the Chief operating decision maker 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 (both current and non-current) 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 2019 €m | 30 September 2018 €m |
|---|---|---|
| Total assets per statement of financial position | **14 601** | 16 370 |
| *Less:* Cash and cash equivalents | **(1 795)** | (1 275) |
| *Less:* Investments in equity accounted companies | **(208)** | (430) |
| *Less:* Long-term investments and loans | **(332)** | (311) |
| *Less:* Short-term investments and loans | **(178)** | (261) |
| *Less:* Assets classified as held-for-sale | **(1 445)** | (1 927) |
| **Segmental assets** | **10 643** | 12 166 |
| **Segmental assets:** | | |
| Conforama | **1 608** | 1 979 |
| Pepco Group | **3 121** | 2 787 |
| Greenlit Brands – Household Goods | **446** | 497 |
| Pepkor Africa | **5 398** | 5 284 |
| Corporate and treasury services | **15** | 87 |
| All Other | **55** | 584 |
| European Properties | **–** | 645 |
| Greenlit Brands – General Merchandise | **–** | 303 |
| | **10 643** | 12 166 |

## 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 this 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 2019 €m | 30 September 2018 €m |
|---|---|---|
| Total non-current assets per statement of financial position | **8 034** | 9 536 |
| *Less:* Deferred tax assets | **(162)** | (201) |
| *Less:* Long-term investments and loans (financial assets) | **(332)** | (311) |
| **Segmental non-current assets** | **7 540** | 9 024 |
| Africa | **4 150** | 4 676 |
| Europe (including the United Kingdom) | **3 054** | 3 867 |
| Australasia | **336** | 419 |
| United States of America | **–** | 62 |
| | **7 540** | 9 024 |

## 2. *Segment information* *(continued)*

### Segmental net debt

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 Chief operating decision maker.

| | 30 September 2019 | | |
|---|---|---|---|
| | Cash and cash equivalents €m | Current and non-current borrowings €m | Net Debt €m |
| Conforama | **198** | **(256)** | **(58)** |
| Pepco Group | **274** | **(484)** | **(210)** |
| Greenlit Brands | **29** | **(33)** | **(4)** |
| Pepkor Africa | **237** | **(1 049)** | **(812)** |
| Corporate and treasury services | **980** | **(9 187)** | **(8 207)** |
| European Properties | **36** | **(361)** | **(325)** |
| All Other | **41** | **–** | **41** |
| | **1 795** | **(11 370)** | **(9 575)** |

| | 30 September 2018 | | |
|---|---|---|---|
| | Cash and cash equivalents €m | Current and non-current borrowings €m | Net Debt €m |
| Conforama | 134 | (137) | (3) |
| Pepco Group | 194 | (323) | (129) |
| Greenlit Brands | 31 | (113) | (82) |
| Pepkor Africa | 234 | (978) | (744) |
| Corporate and treasury services | 548 | (8 115) | (7 567) |
| European Properties | 39 | (724) | (685) |
| All Other | 95 | – | 95 |
| | 1 275 | (10 390) | (9 115) |

## 3. Revenue

| | 2019 €m | Restated[1] 2018 €m |
|---|---|---|
| **Revenue from contracts with customers** | | |
| Sale of goods and related revenue | **11 789** | 11 124 |
| Other revenue[3] | **40** | 90 |
| **Other sources of revenue** | | |
| Financial services income[2] | **163** | 221 |
| **Total revenue from continuing operations (note 2)** | **11 992** | 11 435 |

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

[2] *Financial services income relates mainly to Capfin SA, a subsidiary of Pepkor Africa, which provides unsecured credit to customers under the Capfin brand. Pepkor Africa commenced funding of the loan book on 20 March 2019.*

[3] *Other revenue mainly relate to rental income.*

ACCOUNTING POLICY:

Revenue from contracts with customers

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation.

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.

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 agent and is remunerated on a commission basis only the commission income and not the value of the business transaction is included in revenue.

*Discounts*

Different discounts are recognised depending on the nature of the customer. Some discounts are unconditional, such as cash discounts and early payment discounts. Unconditional discounts are recognised as a reduction in revenue at the same moment as the related sales transaction. Conditional discounts to customers such as volume and promotional rebates are recognised based on estimated target realisation. The estimation is based on accumulated experience supported by historical and current sales information.

*Right of return*

The Group estimates variable consideration to be included in the transaction price for the sale of goods where customers are entitled to a right of return within a specified time frame. The Group uses projection methods to forecast sales returns that are based on historical return data. Any significant changes in experience as compared to historical return patterns will impact the expected return percentages estimated by the group. Estimated return percentages are updated regularly and the refund liability adjusted accordingly.

Revenue is recognised for the major business activities using the methods outlined below:

*Sale of goods and related revenue*

The Group operates retail stores selling general merchandise and household goods. Revenue from the sale of goods is recognised at a point in time when performance obligation is met. Performance obligation to customer is met once control of goods transfer to customers.

Payment is usually received via cash, debit card or credit card. Related card transaction costs are recognised in the statement of comprehensive income as other expenses. When goods are sold under instalment sale agreements, the present value of the instalment sale payments is recognised as a receivable using the effective interest rate computed at initial recognition.

## 3. Revenue *(continued)*

ACCOUNTING POLICY:

Revenue from contracts with customers (continued)

*Sale of goods and related revenue (continued)*

Lay-by revenue is recognised on the initiation of the contract with the customer for the clothing and general merchandise segment, as this is deemed to be when control of the goods passes to the customer. The Group recognises revenue at the amount of consideration to which they expect to be entitled and for which a significant reversal of revenue is not considered probable. A contract liability for the expected possible unsuccessful lay-bys is recognised as an adjustment to revenue as well as an asset (with a corresponding adjustment to cost of sales) representing its right to recover the products from the customer. The Group uses projection methods to forecast unsuccessful lay-bys that are based on historical data. Any significant changes in experiences compared to historical patterns will impact the percentages estimated by the group. Estimated percentages are updated regularly and the contract liability for unsuccessful lay-bys is adjusted accordingly.

Lay-by revenue is recognised when the final payment for the goods is received from the customer for the furniture, appliances and electronics and building materials segments as this is deemed to be when control of the goods passes to the customer and all performance obligations are met. Proceeds from these lay-by sales are recognised as contract liabilities, and the revenue is deferred until all the performance obligations are met.

Deposits received from customers are recognised as deferred revenue. These balances are considered contract liabilities, as they are received prior to the satisfaction of performance obligations.

Recognising revenue from major business activities

*Financial services revenue*

*Effective interest income*

Financial services revenue comprises mainly of interest income and financial service fee revenue.

Interest earned is recognised on a time-proportion basis. The Group calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets other than credit-impaired assets. When financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost (gross carrying amount less the allowance for expected credit losses) of the financial asset. If the financial asset is no longer deemed to be credit-impaired, the Group reverts to calculating interest income on a gross basis.

*Collection revenue*

Service fee revenue is earned based on a fixed percentage of outstanding debtor balances collected on behalf of third parties. Performance obligations are deemed to be met once the Group recovers the outstanding balance from a debtor or portion thereof, at which point the revenue is recognised.

*Refund obligations and warrantees*

Return obligations generally include obligations for refunds and assurance type warrantee obligations and are accounted for as provisions in accordance with IAS 37.

## 4. *Material items included in profit or loss and breakdown of expenses by nature*

| | Notes | Continuing operations 2019 €m | Restated[1] 2018 €m |
|---|---|---|---|
| **4.1 Other income** | | | |
| **4.1.1 Other income** | | | |
| Commission received[1] | | 57 | 56 |
| Bad debts recovered | | 11 | 4 |
| Sundry rental income[2] | | 18 | 20 |
| Other income | | 74 | 56 |
| | | 160 | 136 |

[1] *Relate mainly to commissions received on ancillary services provided by Pepkor Africa €38 million (2018: €37 million) and Conforama €18 million (2018: €18 million).*
[2] *Relate mainly to Conforama.*

### 4.2 Other expenses

The Group has identified a number of non-operational 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.

| | Notes | Continuing operations 2019 €m | Restated 2018 €m |
|---|---|---|---|
| **4.2.1 Impairment** | | | |
| Goodwill | 8 | 42 | 6 |
| Intangible assets | 8 | 71 | 1 |
| Property plant and equipment | 9 | 276 | 10 |
| Other | | – | 4 |
| | | 389 | 21 |
| **4.2.2 Impairment of financial assets** | | | |
| *a) Brait/Fulcrum UK* | | 20 | 32 |

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.

The Fulcrum loan was settled as part of the Campion Group settlement in the 2019 Reporting Period by the delivery of 25.5 million shares in Brait. Prior to the settlement of the Plum Tree loan, a further impairment of €17 million was recognised in the 2019 Reporting Period. The Brait shares were sold for €37 million, resulting in a further loss of €3 million bringing the impairment in the current period to €20 million loss.

| | Notes | Continuing operations 2019 €m | Restated 2018 €m |
|---|---|---|---|
| *b) Other* | | 2 | 10 |
| | | 22 | 42 |
| **4.2.3 Loss on derecognition of financial liabilities** | | | |
| Derecognition of convertible bonds | 16.7.1 | 85 | – |

## 4. *Material items included in profit or loss and breakdown of expenses by nature* (continued)

| | Notes | Continuing operations 2019 €m | Restated[1] 2018 €m |
|---|---|---|---|
| **4.2 Other expenses** (continued) | | | |
| **4.2.4 Cumulative other comprehensive income reclassified to profit or loss on disposal or derecognition of investment** | | | |
| Foreign currency translation reserve* | | **100** | 99 |
| Fair value reserve on available-for-sale financial assets | | **–** | (10) |
| | | **100** | 89 |
| *The FCTR relating to the disposal of the investment in equity accounted companies was reclassified during the 2018 and 2019 Reporting Periods. The 2019 Reporting Period FCTR relates to the KAP disposal and the 2018 Reporting Period FCTR related mainly to PSG. | | | |
| **4.2.5 Share-based payments – equity-settled relating to loans granted** | | **1** | 1 |
| 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. | | | |
| **4.2.6 Loss/(profit) on disposal of property plant and equipment and intangible assets** | | **19** | (8) |
| **4.2.7 (Profit)/loss on sale and partial sale of investments** | | | |
| **Material equity accounted investments** | | | |
| Profit on the disposal of PSG | 10.6 | **–** | (24) |
| Profit on the partial disposal of KAP | 10.6 | **(55)** | (82) |
| Loss on disposal of Atterbury Europe | 10.2 | **–** | 133 |
| Other | | **–** | 6 |
| | | **(55)** | 33 |
| **4.2.8 Fees relating to forensic investigation, advisory and restructure of the businesses** | | **158** | 117 |
| As a result of the December 2017 events it has been necessary for the Group to engage 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 principal 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. | | | |
| **4.2.9 Operations restructuring charges** | | | |
| Conforama restructure | 21.5 | **217** | – |
| **TOTAL OTHER EXPENSES FROM CONTINUING OPERATIONS** | | **936** | 295 |

[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 | Continuing operations 2019 €m | Restated[1] 2018 €m |
|---|---|---|---|
| **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: | | | |
| **4.3.1 Depreciation and amortisation** | | | |
| Depreciation | 9 | **199** | 185 |
| Amortisation | 8 | **31** | 26 |
| | | **230** | 211 |
| Included in distribution and administration expenses | | **229** | 210 |
| Included in cost of sales | | **1** | 1 |
| | | **230** | 211 |
| **4.3.2 Employee benefit expenses** | | | |
| Salaries and wages | | **1 718** | 1 693 |
| Share-based payments: equity-settled | 32.4 | **7** | 4 |
| Share-based payments: cash-settled | 32.1.3 | **18** | 18 |
| Contributions to defined benefit plans (post-retirement benefit expenses) | | **6** | 7 |
| Contributions to defined contribution plans (post-retirement benefit expenses) | | **19** | 19 |
| | | **1 768** | 1 741 |
| 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. | | | |
| **4.3.3 Net foreign exchange (gains)/losses** | | | |
| Net (gain)/loss on forward exchange contracts | | **(15)** | 18 |
| Net (gain)/loss on conversion of monetary assets | | **(25)** | (38) |
| | | **(40)** | (20) |
| **4.3.4 Fair value gains (excluding forward exchange contracts)** | | | |
| Fair value adjustment on financial assets through profit or loss | | **–** | (14) |
| **4.3.5 Operating lease charges – properties** | | | |
| Rental of properties | | **877** | 835 |
| **4.3.6 Operating lease charges – other** | | | |
| Leases of plant equipment vehicles and other | | **22** | 22 |
| **4.3.7 Other distribution and administration expenses** | | **1 412** | 1 206 |
| **TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS[2]** | | **4 268** | 3 980 |
| Distribution expenses | | **684** | 673 |
| Administration expenses | | **3 584** | 3 307 |
| **TOTAL DISTRIBUTION AND ADMINISTRATION EXPENSES FROM CONTINUING OPERATIONS** | | **4 268** | 3 980 |

[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 increase in other distribution and administration expenses are largely due to the growth in Pepco Poland's growth in business / chain of stores with related increase in sales and gross profit*

# 4. *Material items included in profit or loss and breakdown of expenses by nature (continued)*

## 4.3 Operating expenses by nature (continued)

### 4.3.8 Auditor fees – continuing and discontinued operations

On 12 November 2019, at an Extraordinary General Meeting held in Amsterdam, the resolution to appoint Mazars Accountants N.V. as the Company's statutory audit firm for the financial year ended 30 September 2019 was duly approved.

Audit fees are billed monthly for work performed and expensed in profit or loss. The 2019 audit was performed during the 2020 Reporting Period and will be expensed in the 2020 Reporting Period when billed. The budgeted audit fees for the audit of the 2019 financial statements of Steinhoff N.V. and its subsidiaries are as follows:

| | Mazars Accountants N.V. €m | Other Mazars member firms and affiliates €m | Total €m |
|---|---|---|---|
| Audit of the financial statements of Steinhoff N.V. and its subsidiaries | 5 | 5 | 10 |
| Other audit services | – | – | – |
| Tax services | – | – | – |
| Other-non-audit services | – | – | – |
| | 5 | 5 | 10 |

The audit of the Group's 2017 Consolidated Financial Statements was performed over the 2017, 2018 and 2019 Reporting Periods and expensed in the applicable reporting period. The majority of the audit of the Group's 2018 Consolidated Financial Statements was performed and expensed in the 2019 Reporting Period.

| | Other audit firms | |
|---|---|---|
| | 2019 €m | 2018 €m |
| Audit of the financial statements of Steinhoff N.V. and its subsidiaries | 19 | 16 |
| Other audit services | 1 | 6 |
| Tax services | 7 | 6 |
| Other-non-audit services | – | – |
| | 27 | 28 |

Fees for audit services include the audit of the financial statements of the Company and its subsidiaries. Fees for other audit services include review of interim financial statements, sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include agreed-upon procedures and advisory services.

## 5. *Finance costs and income from investments*

| | Notes | Finance Costs €m | Income from Investments €m | Net income /(costs) €m |
|---|---|---|---|---|
| **2019** | | | | |
| Dividends received* | | | **22** | **22** |
| Finance costs and income from investments: | | | | |
| (Bank overdrafts)/Cash and cash equivalents | | **(38)** | **37** | **(1)** |
| Convertible bonds | 16.2 | **(221)** | **–** | **(221)** |
| Instalment sale agreements | | **(24)** | **–** | **(24)** |
| Loans | 16.2 | **(758)** | **18** | **(740)** |
| Transaction costs accrued and amortised (note 5.1) | 5.1 & 16.2 | **(44)** | **–** | **(44)** |
| Other | | **–** | **13** | **13** |
| | | **(1 085)** | **90** | **(995)** |
| **Restated[1] 2018** | | | | |
| Dividends received | | – | 20 | 20 |
| Finance costs and income from investments: | | | | |
| (Bank overdrafts)/Cash and cash equivalents | | (154) | 32 | (122) |
| Convertible bonds | | (77) | – | (77) |
| Instalment sale agreements | | (24) | – | (24) |
| Loans | | (147) | 11 | (136) |
| Transaction costs accrued and amortised | 5.1 | (180) | – | (180) |
| Other | | (64) | 5 | (59) |
| | | (646) | 68 | (578) |

* *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.*
[1]*Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*

### ACCOUNTING POLICY:

#### Interest

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 expenses 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.

## 5. *Finance costs and income from investments* *(continued)*

### 5.1 Transaction costs accrued and amortised

| | 2019 €m | 2018 €m |
|---|---|---|
| The Group entered into the Lock-Up Agreement during the 2018 Reporting Period and CVAs with lenders of SEAG and SFHG during the Reporting Period, as explained in note 16.5. | | |
| SEAG and SFHG fees accrued consisted of: | | |
| Consent fees | **(21)** | (74) |
| Early bird and lock-up fees | **(10)** | (55) |
| Roll-over fees | **(13)** | (37) |
| | **(44)** | (166) |
| The fees were negotiated during the Lock-Up Agreement but were contingent on the success of the CVA implementation. Although the fees only become payable upon successful implementation of the CVA, management believes that the progress made with the CVA during the 2018 Reporting Period and public communications regarding the matter has created a constructive obligation to complete the CVA in which case the fees will become due and payable. | | |
| It is also management's view that the nature of the fees incurred in terms of the CVA is more akin to an enhancement of the return to be earned by the lenders to encourage them to take up the new debt instruments arising from the restructure process. Debt premiums need to be expensed when the fees are incurred under IFRS 9. | | |
| During the 2018 Reporting Period management assessed the obligation to pay these fees to lenders and determined that the Group had a constructive obligation and accrued for the fees outstanding resulting in a €166 million inclusion of transactional fees in 2018 Reporting Period statement of profit or loss and €44 million expensed in the 2019 Reporting Period. | | |
| *SEAG and SFHG fees amortised:* | | |
| During the 2018 Reporting Period the Group re-estimated the remaining term of the SEAG and SFHG debt and due to it being classified as short-term, all previously capitalised costs were amortised during the 2018 Reporting Period. | **–** | (14) |
| | **(44)** | (180) |

## 6. *Taxation*

Steinhoff N.V. is a South African tax resident.

For periods ending 30 September 2019 and 30 September 2018 the corporate taxation rate in South Africa is 28%. Capital gains are 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 outcomes 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.

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.

## 6. *Taxation* *(continued)*

### Significant accounting estimate and judgments

*Uncertain tax positions*

Uncertainty exists regarding the tax impact of the items described hereunder. A comprehensive review of these items and an investigation by tax authorities could result in a restatement of unrecognised tax losses.

Management has estimated the tax consequences associated with the alleged accounting irregularities. Where specific items were identified that probably would result in an increase in taxable profit, they were recognised. In the case of specific items that could result in a reduction of taxable profit and where it is uncertain whether they will be allowed by the relevant tax authorities, these items were ignored.

The tax position of the single entities impacted by the restatement of the Group's financial statements may give rise to both short- and long-term tax related consequences. Due to backlogs experienced by local tax authorities, the restated financial results would not have been considered by the local tax authorities as yet and as a result the impact of potential tax adjustments, fines, penalties and/or refunds is unknown at present. Due to the uncertainty associated with such tax items, there is a possibility that the final outcome may differ significantly from the current estimates.

Furthermore, as a multi-national group, there are a number of cross-border related party transactions in place in all spheres of the Group's business. In light of the revenue authorities' increased focus on transfer pricing matters the Group faces potential risks as its related party transactions may be challenged by the relevant tax authorities.

The steps required to complete the CVA were complex and multi-jurisdictional, which gave rise to an element of risk regarding the tax consequences thereof. The Group engaged with professional tax advisors in the different jurisdictions to mitigate the associated risks.

Investigations are still in progress by the German Tax authorities in respect of certain German legal entities which investigations include the review of Corporate tax, Withholding tax and Value Added Tax.

Certain of these risks may be significant and could result in a potential outflow of resources.

The Group is addressing the risks identified above. Central Group monitoring and reporting of tax matters have been implemented and continues, which includes close involvement of the Chief Financial Officer together with the appointment of appropriate tax specialists in the relevant affected jurisdictions to help advise on the current position in each jurisdiction.

### 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: | 2019 €m | Restated[1] 2018 €m |
|---|---|---|
| **Current tax** | | |
| Income tax | | |
| Current period | **99** | 177 |
| Prior period adjustments | **45** | 18 |
| Capital gains tax | **26** | 13 |
| Withholding tax | **74** | 11 |
| | **244** | 219 |
| **Deferred tax** | | |
| Originating and reversing temporary differences – current period | **62** | 18 |
| Utilisation of previously unrecognised tax losses and temporary differences | **(286)** | (37) |
| Changes in taxation rates | **–** | (7) |
| Adjustments relating to prior period | **2** | 25 |
| | **(222)** | (1) |
| **Total tax from continuing operations** | **22** | 218 |
| **Components of the tax expense from discontinued operations:** | | |
| Current tax | **18** | – |
| Deferred tax | **(4)** | 25 |
| | **14** | 25 |
| **Total tax expense/(income) recognised in profit or loss** | **36** | 243 |

[1] *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)*

### 6.1 Income tax expense recognised in profit or loss (continued)

| Major components of the tax expense from continuing operations: | 2019 €m | Restated[1] 2018 €m |
|---|---|---|
| **Reconciliation of rate of taxation** | | |
| Loss before income tax from continuing operations | **(1 373)** | (302) |
| Loss before income tax from discontinued operations | **(435)** | (647) |
| | **(1 808)** | (949) |
| South African standard rate of taxation at 28% | **506** | 266 |
| Effect of different statutory taxation rates of subsidiaries in other jurisdictions and capital gains tax in South Africa[1] | **(145)** | (171) |
| Effect of non-deductible expenses and tax exempt income[2] | **(342)** | (4) |
| Unrecognised tax losses[3] | **(281)** | (308) |
| Effect of profit of equity accounted companies | **3** | 16 |
| Prior period adjustments | **(47)** | (31) |
| Change in rate adjustments | **–** | 54 |
| Withholding taxes[4] | **(17)** | (49) |
| Utilisation of previously unrecognised tax losses and temporary differences[5] | **286** | 37 |
| Previously unrecognised tax losses raised | **1** | – |
| Other reconciling items | **–** | (53) |
| **Total tax expense recognised in profit or loss** | **(36)** | (243) |

[1] *The foreign tax rate differential relates predominantly to Swiss entities and the corporate tax rate in Switzerland of 8.5%.*

[2] *The effect of non-deductible expenses and tax exempt income mainly relates to the Group restructuring*

[3] *The unrecognised tax losses related predominantly to Conforama group and other Corporate and Treasury services companies. (2018: The unrecognised tax losses related predominantly to Mattress Firm and the Conforama group)*

[4] *Withholding taxes provided for on distributions made*

[5] *Utilisation of previously unrecognised tax losses and temporary differences mainly in Genesis Investments Alpha and Lidstone*

## 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 2019 €m** | **30 September 2018 €m** | **30 September 2019 €m** | **30 September 2018 €m** | **30 September 2019 €m** | **30 September 2018 €m** |
| Intangible assets and goodwill | **(23)** | (22) | **(247)** | (340) | **(270)** | (362) |
| Property, plant and equipment | **15** | 28 | **(85)** | (96) | **(70)** | (68) |
| Provisions | **81** | 92 | **(1)** | 1 | **80** | 93 |
| Equity component of convertible bonds/warrants | **–** | – | **(50)** | (16) | **(50)** | (16) |
| Share-based payments | **2** | 4 | **–** | (3) | **2** | 1 |
| Taxation losses | **26** | 43 | **–** | – | **26** | 43 |
| Other | **61** | 56 | **(14)** | (102) | **47** | (46) |
| Balance at end of the period | **162** | 201 | **(397)** | (556) | **(235)** | (355) |

Included in Other are deferred taxes attributable to prepayments, operating leases, the equity component of the convertible bonds and unrealised foreign currency gains.

| | | Net | |
|---|---|---|---|
| **Reconciliation of movement in deferred tax (liability)/asset** | **Notes** | **30 September 2019 €m** | **30 September 2018 €m** |
| Balance at beginning of period | | **(355)** | (531) |
| Effect of adopting IFRS 9 – Financial Instruments, net of taxation | 36.1.3 | **2** | – |
| Balance restated | | **(353)** | (531) |
| Deferred tax of businesses acquired | 24 | **–** | 2 |
| Deferred tax of subsidiaries derecognised | | **2** | 7 |
| Amounts charged directly to other comprehensive income: | | | |
| Cash flow hedging reserve and fair value reserves | | **–** | (7) |
| Exchange differences on translation of foreign operations | | **–** | 10 |
| Amounts charged directly to equity: | | | |
| Convertible bond, actuarial gains reserve and share-based payment reserves | | **1** | 1 |
| Current period charge | | | |
| From continuing operations | 6.1 | **222** | (1) |
| From discontinued operations | 6.1 | **4** | (25) |
| Transferred to held-for-sale assets or liabilities | 34 | **(60)** | 148 |
| Exchange difference on translation of foreign operations | | **(51)** | 41 |
| **Balance at end of the period** | | **(235)** | (355) |

# 6. *Taxation* *(continued)*

## 6.3 Deferred tax assets and liabilities (continued)

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| **Unrecognised tax losses** | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Unrecognised taxation losses | **4 172** | 2 550 |

Deferred tax assets have not been recognised in respect of these items as it is not yet certain that future taxable profits will be available against which the Group can realise the benefits therefrom.

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| **Recognised tax losses** | | |
| Estimated recognised taxation losses available for offset against future taxable income | **79** | 168 |
| **Total recognised and unrecognised tax losses** | **4 251** | 2 718 |

As stated above, there is uncertainty regarding the tax impact of the alleged accounting irregularities and tax investigations. The comprehensive tax review of the consequences of the alleged accounting irregularities and the investigation by tax authorities could result in a restatement of unrecognised taxation losses.

## 6.4 Expiry profile of tax losses

The majority of the unrecognised tax losses relate to operations in Europe where certain jurisdictions have expiry dates regarding utilisation of the losses. The remaining balance relates to other jurisdictions, which are not subject to expiry dates regarding utilisation.

## 7. *Loss per share*

| | 2019 Cents | Restated[1] 2018 Cents |
|---|---|---|
| The calculation of per share numbers uses the exact unrounded numbers. This 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 | **(28.2)** | (13.9) |
| From discontinued operations | **(10.9)** | (16.2) |
| Basic and diluted loss per share | **(39.1)** | (30.1) |
| **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 to 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 gains or losses (or components of these). | | |
| From continuing operations | **(17.8)** | (10.2) |
| From discontinued operations | **(6.1)** | (8.1) |
| **Headline loss per share** | **(23.9)** | (18.3) |

[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.

During the 2019 Reporting Period consideration was given if the Conforama Warrants that were issued (refer to note 16.6) are dilutive in nature. Profits or losses of Conforama will be allocated to the non-controlling interest (i.e. the Warrant holders) from initial issuance date. There will be no impact on profit or loss attributable to the ordinary equity holders on the conversion of the warrants into Class 2 Preference Shares and therefore, there will be no dilutive effect on EPS.

### Reconciliations of denominator and numerator

### 7.1 Weighted average number of ordinary shares

| | Notes | 2019 Million | 2018 Million |
|---|---|---|---|
| Issued ordinary shares at beginning of the period | 26.2 | **4 310** | 4 310 |
| Effect of treasury shares held | 26.3 | **(163)** | (166) |
| Weighted average number of ordinary shares at end of the period for the purpose of basic and dilutive loss per share and headline loss per share | | **4 147** | 4 144 |

### 7.2 Basic loss and headline loss attributable to owners of Steinhoff N.V.

| | Notes | Continuing operations €m | Discontinued operations €m | Total €m |
|---|---|---|---|---|
| **2019** | | | | |
| Basic loss for the period attributable to owners of Steinhoff N.V. | | **(1 171)** | **(451)** | **(1622)** |
| Adjusted for remeasurement items | 7.3 | **433** | **199** | **631** |
| **Headline loss attributable to owners of Steinhoff N.V.** | | **(738)** | **(252)** | **(991)** |
| **Restated[1]** | | | | |
| **2018** | | | | |
| Basic loss for the period attributable to owners of Steinhoff N.V. | | (574) | (673) | (1 247) |
| Adjusted for remeasurement items | 7.3 | 153 | 336 | 489 |
| **Headline loss attributable to owners of Steinhoff N.V.** | | (421) | (337) | (758) |

[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

The presentation of headline earnings per share, as an alternative measure of earnings per share, is mandated under JSE Listing Requirements. It is calculated in accordance with Circular 4/2018 "Headline Earnings" as issued by the South African Institute of Chartered Accountants.

| | Notes | 2019 Gross of taxation and non-controlling interests €m | 2019 Net of taxation and non-controlling interests €m | Restated[1] 2018 Gross of taxation and non-controlling interests €m | Restated[1] 2018 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** | | **411** | **290** | 24 | 24 |
| Goodwill | 4.2.1 | **42** | **42** | 6 | 6 |
| Intangible assets | 4.2.1 | **71** | **48** | 1 | 1 |
| Property, plant and equipment | 4.2.1 | **276** | **184** | 10 | 10 |
| Investments in equity accounted companies | 10.3 | **–** | **–** | 3 | 3 |
| Other | | **22** | **16** | 4 | 4 |
| **Foreign currency translation reserve and fair value reserve reclassified to profit or loss on disposal of investment** | 4.2.4 | **100** | **100** | 89 | 91 |
| **Loss on derecognition of financial liability** | 4.2.3 | **85** | **61** | – | – |
| **Loss/(profit) on disposal of property, plant and equipment and intangible assets** | 4.2.6 | **19** | **10** | (8) | (8) |
| **(Profit)/loss on sale and partial sale of investments** | 4.2.7 | **(55)** | **(29)** | 33 | 46 |
| | | **560** | **433** | 138 | 153 |
| **Discontinued operations** | | | | | |
| **Impairment**[2] | | **252** | **215** | 239 | 196 |
| Goodwill | 1.2.1 | **83** | **83** | 20 | 20 |
| Intangible assets | 1.2.1 | **36** | **31** | 128 | 99 |
| Investment property | 1.2.1 | **16** | **11** | | |
| Property, plant and equipment | 1.2.1 | **103** | **79** | 64 | 50 |
| Financial instruments | 1.2.1 | **14** | **11** | 3 | 3 |
| Investments in equity accounted companies | 1.2.1 | **–** | **–** | 24 | 24 |
| **Foreign currency translation reserve and cash flow hedge reserve reclassified to profit or loss on disposal of investment** | 1.2.4 & 1.4 | **82** | **82** | (41) | (41) |
| **(Profit)/loss on disposal of property, plant and equipment, intangible assets and scrapping of vehicle rental fleet** | 1.2.4 & 1.4 | **(59)** | **(48)** | 34 | 34 |
| **(Profit)/loss on sale of disposal of discontinued operations/ disposal group** | | **(54)** | **(50)** | 147 | 147 |
| | | **221** | **199** | 379 | 336 |

[1] *Refer to note 1 for details regarding the restatement of comparative numbers as a result of classifying certain segments as discontinued operations.*
[2] *Impairments in Discontinued operations in the current period relate to IFRS 5 valuations. Refer to note 34.*

## 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 it 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 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.

*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 recognised in profit or loss on a straight-line basis over the assets' estimated useful lives, unless such lives are indefinite.

*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 (CGUs). 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 judgements and estimates

*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. 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.

## 8. *Intangible assets* *(continued)*

| | Notes | 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 2017** | | 4 593 | 2 388 | 98 | 147 | 24 | 7 250 |
| Additions | | – | – | – | 45 | – | 45 |
| Amortisation | | – | – | – | (48) | (4) | (52) |
| From continuing operations | 4.3.1 | – | – | – | (26) | – | (26) |
| From discontinued operations | | – | – | – | (22) | (4) | (26) |
| Disposals | | (18) | (62) | – | (9) | (1) | (90) |
| Acquired on acquisition of businesses | 24.3 | 14 | 5 | – | – | 2 | 21 |
| Impairment | 8.1 | (26) | (118) | (10) | – | – | (154) |
| From continuing operations | 4.2.1 | (6) | – | – | – | – | (6) |
| From discontinued operations | | (20) | (118) | (10) | – | – | (148) |
| Transfer from property, plant and equipment | | – | – | – | – | – | – |
| Transferred to assets held-for-sale | | (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** |
| Additions | | **–** | **–** | **–** | **41** | **–** | **41** |
| Amortisation | | **–** | **–** | **–** | **(33)** | **(1)** | **(34)** |
| From continuing operations | 4.3.1 | **–** | **–** | **–** | **(30)** | **(1)** | **(31)** |
| From discontinued operations | | **–** | **–** | **–** | **(3)** | **–** | **(3)** |
| Disposals | | **–** | **–** | **–** | **(22)** | **–** | **(22)** |
| (Impairment)/Impairment reversal | 8.1 | **(42)** | **(85)** | **–** | **15** | **(1)** | **(113)** |
| Transfer from property, plant and equipment | | **–** | **–** | **–** | **1** | **–** | **1** |
| Transferred to assets held-for-sale | 34 | **(107)** | **(40)** | **–** | **(9)** | **–** | **(156)** |
| Exchange differences on translation of foreign operations | | **(41)** | **(3)** | **–** | **(14)** | **1** | **(57)** |
| **Balance at 30 September 2019** | | **4 295** | **1 585** | **–** | **88** | **3** | **5 971** |
| Cost | | **5 575** | **2 918** | **–** | **213** | **6** | **8 712** |
| Accumulated amortisation and impairment | | **(1 280)** | **(1 333)** | **–** | **(125)** | **(3)** | **(2 741)** |
| **Net book value at 30 September 2019** | | **4 295** | **1 585** | **–** | **88** | **3** | **5 971** |
| 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 |

## 8. *Intangible assets* *(continued)*

| Summary of net carrying value: | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| Goodwill | **4 295** | 4 485 |
| Indefinite useful life trade and brand names | **1 585** | 1 713 |
| Other intangible assets | **91** | 113 |
| | **5 971** | 6 311 |

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 | | Trade and brand names | |
|---|---|---|---|---|
| **The carrying amount per CGU is presented below:** | **30 September 2019 €m** | **30 September 2018 €m** | **30 September 2019 €m** | **30 September 2018 €m** |
| Goodwill and trade and brand names are considered significant classes of intangible assets to the Group. | | | | |
| Conforama | **–** | – | **148** | 200 |
| Greenlit Brands – Household Goods | **141** | 142 | **83** | 85 |
| Pepco Group | **1 626** | 1 645 | **268** | 273 |
| Poundland | **717** | 714 | **120** | 121 |
| Pepco Poland | **909** | 931 | **148** | 152 |
| Pepkor Africa | **2 528** | 2 590 | **1 067** | 1 107 |
| All Other | **–** | – | **19** | 8 |
| | **4 295** | 4 377 | **1 585** | 1 673 |
| The 2018 Reporting Period carrying amount per segments which was transferred to disposal groups or assets held-for-sale during 2019 Reporting period is presented below: | | | | |
| Greenlit Brands – General Merchandise | **–** | 30 | **–** | 17 |
| Sherwood | **–** | 54 | **–** | – |
| Blue Group | **–** | 24 | **–** | 23 |
| Total carrying amount of disposal groups | **–** | 108 | **–** | 40 |
| Total carrying amount for all segments | **4 295** | 4 485 | **1 585** | 1 713 |

## 8. *Intangible assets* *(continued)*

### 8.1 Impairment tests

#### Significant accounting judgements and estimates

*Key assumptions used for the value-in-use or fair value less cost to sell calculations*

The Group tests whether goodwill and indefinite life trade and brand names have suffered any impairment at least on an annual basis. The recoverable amount of the CGU is determined based on either an income approach (value-in-use calculations) or a market approach (fair value less cost to sell) which require the use of assumptions.

The value-in-use 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 approved budgets covered a three or five year period. The cash flows that covered a three year period were extrapolated using estimated medium-term growth rates for year four and five. These growth rates are consistent with the industry and geographic location in which the CGU operates.

CGU specific WACC has been calculated as the product of the CGU's cost of debt and cost of equity and weighted in accordance with the CGU's target capital structure.

The fair value less cost to sell calculation was based on a market multiple which uses a factor derived from a set of comparable peers and forecasted September 2021 EBITDA of the CGU.

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 2018 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:

| | Pepco Group – Pepco Poland | Pepco Group – Poundland | Pepkor Africa[1] |
|---|---|---|---|
| **2019** | | | |
| Pre-tax discount rate | **10.8%** | **9.5%** | **16.2% to 19.8%** |
| Medium-term growth rate | **2.1%** | **1.9%** | **4.5%-10.8%** |
| Long-term growth rate | **2.1%** | **1.2%** | **5.0% to 6.0%** |
| Pre-tax royalty rates | **1.3%** | **0.7%** | **1.0% to 3.0%** |
| Forecasted cash flows – Approved budget | **3 years** | **10 years** | **5 years** |
| **2018** | | | |
| Pre-tax discount rate | 8.9% | 8.8% | 16.4% to 16.9% |
| Medium-term growth rate | 3.0% | 2.0% | 5.4%-11.9% |
| Long-term growth rate | 2.0% | 2.0% | 5.0% to 6.0% |
| Pre-tax royalty rates | 1.3% | 1.8% | 3.0% to 5.0% |
| Forecasted cash flows – Approved budget | 3 years | 5 years | 5 years |

*In the 2018 Reporting Period the borrowing rates for the Group ranged from 8% to 15% compared to 5.85% to 8.5% in the 2019 Reporting Period.*

[1] *Abovementioned disclosure represents a summary of disclosures made by Pepkor Africa, as part of their published 2019 annual financial statements.*

# 8. *Intangible assets* *(continued)*

## 8.1 Impairment tests (continued)

### Significant accounting judgements and estimates (continued)

Management has determined the values assigned to each of the above key assumptions as follows:

**Pre-tax discount rate** CGU specific WACC has been calculated as the product of the CGU's cost of debt and cost of equity and weighted in accordance with the CGU's target capital structure.

**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 approved budgets covering a three year period for forecast years 4 and 5.

**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 all fall within or below industry standards and vary from 0.8% and 1.3% with the Africa group ranging between 1.0% and 3.0%.

**Market multiple** A multiple is applied to a specific financial metric (EBITDA) of a company to calculate the CGU's enterprise value. The only CGU where a market approach was used rather than an income approach was Conforama. The market multiple used was 4.3x September 2021 EBITDA. By way of comparison, comparable companies that currently have a higher EBITDA profitability are currently trading at a median of 6.3x enterprise value to EBITDA multiple. The Group has assessed this as a Level 3 fair value hierarchy.

### Material impairment charges

| | Goodwill | | Indefinite useful life trade and brand names | |
|---|---|---|---|---|
| | 30 September 2019 €m | 30 September 2018 €m | 30 September 2019 €m | 30 September 2018 €m |
| The impairment charge during the period relates to the following CGUs:[2] | | | | |
| **Continuing operations** | | | | |
| Pepkor Africa[1] | (42) | – | (33) | – |
| Conforama[3] | – | – | (52) | |
| Greenlit Brands | – | (6) | – | – |
| **Discontinued operations** | | | | |
| Mattress Firm[4] | – | – | – | (118) |
| Automotive | – | (20) | – | – |
| | (42) | (26) | (85) | (118) |

[1] *The impairment recognised in Pepkor Africa in the 2019 Reporting Period relate to the building materials segment .The general slowdown experienced in the sector at large continued during the 2019 Reporting Period. The building contractors' element of the Business Confidence Index recorded a 20-year low. The current performance, considered in line with the medium-term outlook of the business and the industry, has led to a significant decrease in expected future cash generation relating to the building materials segment.*

[2] *Goodwill and Intangible assets that were transferred to held-for-sale were valued on an IFRS 5 basis. There could therefore be additional impairments recognised subsequent to being classified as held-for-sale as these assets will be valued on the lower of carrying value or fair value less cost to sell. Refer to note 34 for additional information*

[3] *Impairment in Conforama relates to the restructuring and closure of Maison Dépôt's business (10 stores) and the closure of 32 loss-making Conforama stores, while preserving an extensive coverage of French territory. In addition, the plan would aim at adapting the support functions to the realities of the business by reducing the number of staff at headquarters. In the same way, a new store operating model would be implemented in the medium term, in order to ensure the sustainability of the Conforama brand in France, with a dense network throughout the country, as close as possible to the French people. In total, the project could result in a maximum of 1905 job reductions. The bulk of the stores will be closed before September 30, 2020. Only 4 stores will be closed in 2021 Reporting Period. The carrying values of Conforama was written down to its recoverable amount which was determined by reference of its projected September 2021 EBITDA multiple.*

[4] *Impairment charge on the Mattress Firm CGU during the 2018 Reporting Period. 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 by €118 million during the 2018 Reporting Period.*

*As at 30 September 2018, Mattress Firm was considered to be a disposal group. Refer note 1.*

# 8. Intangible assets *(continued)*

## 8.1 Impairment tests (continued)

### Material impairment charges (continued)

*Impact of COVID-19 on the valuation of Goodwill and Intangible Assets:*

The COVID-19 pandemic is causing significant disruptions both on the supplier and customer side for the Group. This will impact the forecasted sales in the coming year. COVID-19 is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period. It is however a disclosure item and the directors and management have considered the impact of the pandemic and whether this will cause the carrying amount of the CGUs to exceed the recoverable amount. At this stage it is still uncertain what impact COVID-19 pandemic will have on the Group and the recoverable amounts.

Below is a table of where the recoverable amount would be equal to its carrying amount if the key assumptions were to change as follow:

| | Goodwill 30 September 2019 €m | Value in use exceeds the carrying amount by €m | Pre-tax discount rate | | Long-term growth rate | | Projected adjusted EBITDA[2] | |
|---|---|---|---|---|---|---|---|---|
| | | | From % | To % | From % | To % | From % | To % |
| Greenlit Brands | 141 | 131 | 12.9% | 21.1% | 1.6% | (8.0%) | 13.2% | 2.3% |
| Pepco Group | 1 626 | | | | | | | |
| Poundland | 717 | 45 | 9.5% | 9.8% | 1.2% | 0.8% | 4.1% | 2.5% |
| Pepco Poland[1] | 909 | | | | | | | |
| Pepkor Africa | 2 528 | | | | | | | |
| – Tekkie Town | 136 | 16 | 16.2% | 16.9% | 6.0% | 5.2% | 9.1% | 7.9% |
| – Building materials[3] | – | | | | | | | |
| – Other[1] | 2 392 | | | | | | | |
| | 4 295 | | | | | | | |

[1] *The recoverable amount for Pepkor Africa (excluding Tekkie Town) and Pepco Poland substantially exceeds the carrying amount of the CGU. No sensitivity analysis is therefore presented in relation to changes in assumptions underpinning the impairment test performed.*

[2] *Projected adjusted EBITDA is expressed as the compound annual growth rates ("CAGR") in the cash-generating units of the plans used for impairment testing. The CAGR is calculated on the estimated 2020 Reporting Period EBITDA as the base.*

[3] *The impairment recognised in Pepkor Africa in the 2019 Reporting Period relate to the building materials segment. Goodwill and other indefinite life intangible assets relating to this segment have been fully impaired.*

*Conforama CGU was already written down its recoverable amount, which was based on fair value less cost to sell.*

## 9. *Property, plant and equipment and investment property*

ACCOUNTING POLICY:

**Owned assets**

Property, plant and equipment are stated at cost to the Group, less accumulated depreciation and impairment losses

**Leased assets**

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. All other leases are classified as operating leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated using the effective-interest method to determine the lease finance costs, which are charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

**Subsequent costs**

The cost is recognised in the carrying amount of an item of property, plant and equipment at the cost of replacing part of such an item when the cost is incurred, if it is probable that additional future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. Costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as an expense when incurred.

**Depreciation**

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over the estimated useful lives 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 |

**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.

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## 9. *Property, plant and equipment and investment property* *(continued)*

| | Notes | Investment property €m | Land and buildings €m | Plant and machinery €m | Leasehold improvements €m | Furniture and fittings €m | Other assets €m | Total €m |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 October 2017** | | 128 | 1 934 | 236 | 539 | 292 | 301 | 3 430 |
| Additions | | 3 | 118 | 90 | 82 | 80 | 234 | 607 |
| Depreciation | | (2) | (45) | (70) | (101) | (83) | (57) | (358) |
| From continuing operations | 4.3.1 | – | (7) | (58) | (60) | (31) | (29) | (185) |
| From discontinued operations | | (2) | (38) | (12) | (41) | (52) | (28) | (173) |
| Disposals | | (8) | (124) | (4) | (3) | (7) | (98) | (244) |
| Impairment | | – | (12) | (5) | (26) | (23) | (8) | (74) |
| From continuing operations | 4.2.1 | – | – | (3) | (1) | (1) | (5) | (10) |
| From discontinued operations | | – | (12) | (2) | (25) | (22) | (3) | (64) |
| Acquisition of businesses | 24.1 | – | 2 | 1 | 1 | 1 | 2 | 7 |
| Disposal of businesses | | – | (607) | (9) | (6) | (51) | (15) | (688) |
| Reclassification | | 15 | 25 | 1 | (6) | 16 | (51) | – |
| Transfer to inventories | | – | – | – | – | – | (61) | (61) |
| Transfer to assets held-for-sale | 34 | – | (72) | (7) | (89) | (40) | (106) | (314) |
| Exchange differences on consolidation of foreign operations | | (2) | (6) | (3) | (4) | (1) | (9) | (25) |
| **Balance at 30 September 2018** | | 134 | 1 213 | 230 | 387 | 184 | 132 | 2 280 |
| Additions | | **1** | **61** | **76** | **65** | **40** | **65** | **308** |
| Depreciation | | **–** | **(23)** | **(66)** | **(78)** | **(47)** | **(27)** | **(241)** |
| From continuing operations | 4.3.1 | **–** | **(13)** | **(58)** | **(64)** | **(38)** | **(26)** | **(199)** |
| From discontinued operations | | **–** | **(10)** | **(8)** | **(14)** | **(9)** | **(1)** | **(42)** |
| Disposals | | **–** | **(74)** | **(9)** | **(26)** | **(2)** | **(6)** | **(117)** |
| Impairment | 4.2.1 | **–** | **(197)** | **(1)** | **(62)** | **(9)** | **(7)** | **(276)** |
| Reclassification | | **–** | **(7)** | **20** | **22** | **3** | **(38)** | **–** |
| Transfer to intangible assets | | **–** | **–** | **–** | **–** | **–** | **(1)** | **(1)** |
| Transfer to inventories | | **–** | **–** | **–** | **–** | **–** | **(3)** | **(3)** |
| Transfer to assets held-for-sale | 34 | **(135)** | **(337)** | **(19)** | **(61)** | **(21)** | **(20)** | **(593)** |
| Exchange differences on consolidation of foreign operations | | **–** | **(14)** | **(6)** | **(1)** | **(1)** | **17** | **(5)** |
| **Balance at 30 September 2019** | | **–** | **622** | **225** | **246** | **147** | **112** | **1 352** |
| Cost | | **16** | **805** | **524** | **660** | **359** | **253** | **2 617** |
| Accumulated depreciation and impairment | | **(16)** | **(183)** | **(299)** | **(414)** | **(212)** | **(141)** | **(1 265)** |
| **Net book value at 30 September 2019** | | **–** | **622** | **225** | **246** | **147** | **112** | **1 352** |
| Cost | | 150 | 1 381 | 573 | 871 | 433 | 278 | 3 686 |
| Accumulated depreciation and impairment | | (16) | (168) | (343) | (484) | (249) | (146) | (1 406) |
| **Net book value at 30 September 2018** | | 134 | 1 213 | 230 | 387 | 184 | 132 | 2 280 |

Carrying values of the main components of the other assets per category are; Capital-work-in-progress (2019: €43 million; 2018: €59 million), vehicles (2019: €22 million; 2018: €24 million) and computer equipment (2019: €42 million; 2018: €51 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.

## 9. *Property, plant and equipment and investment property* *(continued)*

### 9.1 Impairment of Property, plant and equipment

Impairment in Conforama relates to the restructuring and closure of Maison Dépôt's business (10 stores) and the closure of 32 loss-making Conforama stores, while preserving an extensive coverage of French territory. In addition, the plan would aim at adapting the support functions to the realities of the business by reducing the number of staff at headquarters. In the same way, a new store operating model would be implemented in the medium term, in order to ensure the sustainability of the Conforama brand in France, with a dense network throughout the country, as close as possible to the French people. In total, the project could result in a maximum of 1905 job reductions.

The bulk of the stores will be closed before September 30, 2020. Only 4 stores will be closed in 2021 Reporting Period.

Savills valuation was used for all stores owned and leasehold improvements. Based on these valuations an impairment of €4 million to owned stores and €26 million to leasehold improvements were recognised during the 2019 Reporting Period.

Subsequent to the Savills valuation an CGU impairment test was performed on the carrying values of Conforama based on its recoverable amount which was determined by reference of its projected September 2021 EBITDA multiple, an additional impairment to Conforama's property, plant and equipment of €177 million was recognised during the 2019 Reporting Period, the impairment was allocated prorate based on the carrying value of each item.

## 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 gains 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 gain 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 gain or loss from equity to profit or loss when the equity method is discontinued.

## 10. *Investments in equity accounted companies* *(continued)*

ACCOUNTING POLICY: (continued)

Principles of equity accounting (continued)

*Equity method (continued)*

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 year-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.

*Changes in ownership interests*

When the Group ceases to equity account for an investment because of a loss of joint control or significant influence, 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.

*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.

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## 10. *Investments in equity accounted companies* *(continued)*

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

| | | | | | % holding | | Quoted fair value[1] €m | | Carrying value €m | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Name of business** | **Place of business / country of incorporation** | **Nature of business** | **Nature of relationship** | **Notes** | **30 September 2019** | **30 September 2018** | **30 September 2019** | **30 September 2018** | **30 September 2019** | **30 September 2018** |
| **Listed** | | | | | | | | | | |
| KAP[2] | South Africa | Diverse industrial and logistics business | Associate | 10.6 | **–** | 25.9 | **–** | 315 | **–** | 231 |
| **Unlisted** | | | | | | | | | | |
| Cofel SAS | France | Manufacturing | Associate | | **50.0** | 50.0 | * | * | **3** | 6 |
| IEP Group Proprietary Limited | South Africa | Investment company | Associate | | **26.0** | 25.4 | * | * | **192** | 173 |
| Mattress Firm[3] | USA | Speciality bed retailer | Associate | 10.4 | **50.1** | 100.0 | * | * | **9** | – |
| Various other immaterial equity accounted companies | Various | Property, insurance, manufacturing, retail, logistics and financial services | Associates and Joint Ventures | | **24.5 – 50.0** | 24.5 – 50.0 | * | * | **4** | 20 |
| | | | | | | | | | **208** | 430 |

[1] *The 30 September 30-day volume-weighted average share price was used to determine the quoted fair value of the listed investments.*

[2] *A portion of the investment in KAP was disposed of during the 2018 Reporting Period and the remaining investment was disposed of during the 2019 Reporting Period through an accelerated bookbuild for €293 million proceeds.*

* *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. An assessment was performed by management during the 2018 Reporting Period that concluded, based on settlement negotiations relating to previous ownership lawsuits, the investment in POCO should be classified as held-for-sale on 25 April 2018.

The POCO property entity, POCO-Domäne Immobilien Holding GmbH has been equity accounted since initial acquisition. The Group entered into a sale agreement on 4 September 2018 in relation to its 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 retained debt of approximately €140 million, with no recourse to the Group. The total consideration was €271 million. The sale was subject to competition and merger control approvals which were obtained during December 2018. Closing the POCO sale brought the German litigation proceedings with the entities owned by Seifert to an end. Refer to note 1.4.

*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 is 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 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| Balance at the beginning of the period | | **430** | 2 055 |
| Additions | 10.4 | **44** | 1 |
| Impairments | 10.5 | | |
| From continuing operations | | **–** | (3) |
| From discontinued operations | | **–** | (24) |
| Disposals | | **(238)** | (1 363) |
| PSG | 10.6 | **–** | (774) |
| KAP | 10.6 | **(238)** | (152) |
| Atterbury Europe | 10.6 | **–** | (437) |
| Transferred to assets held-for-sale | 34 | **(12)** | (271) |
| Share of: | | | |
| Profit or loss | | | |
| From continuing operations | | **11** | 58 |
| From discontinued operations | | **3** | 9 |
| Other comprehensive income | | **1** | (1) |
| Sundry reserves | | **–** | (19) |
| Dividends received | | **(37)** | (15) |
| Other movements | | **6** | 1 |
| Exchange differences on translation of investments in equity accounted investments | | **–** | 2 |
| **Carrying values of equity accounted companies at the end of the period** | | **208** | 430 |

## 10. Investments in equity accounted companies *(continued)*

### 10.4 Additional investments during the period

*Mattress Firm*

On 5 October 2018, the Group 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. 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 received a USD150 million payment-in-kind facility that has a five-year maturity.

The Management Board has considered the shareholding and governance structures and determined that the Group lost control on 21 November 2018. Mattress Firm was included as a discontinued operation until 21 November 2018, and thereafter as an equity accounted investment in the 2019 Reporting Period.

The associate value recognised was €44 million at 21 November 2018. Refer to note 1.4 for the gain recognised on loss of control of the investment. Earnings after tax for Mattress Firm remain negative for the 2019 Reporting period due to increased interest payable on the new debt.

No other material additional investments were made during the 2019 Reporting Period

### 10.5 Significant accounting judgements relating to impairment of equity accounted investments

The Group considers whether any impairment indicators are present with regards to its investments in equity accounted companies by reference to the quoted fair value, if available, as well as the underlying investments profitability, access to operational funding and any other factors that could impact the investment's ability to deliver returns to the Group.

There were no impairment indicators present as at 30 September 2019.

### 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 4.2.4 and 4.2.7.

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 remaining investment in KAP was disposed of during the 2019 Reporting Period through an accelerated bookbuild for €293 million. A profit of €55 million was recognised on disposal. The FCTR of €99 million was reclassified to profit or loss upon the disposal of KAP.

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 4.2.7. SRP was disposed of at its carrying value.

## 10. *Investments in equity accounted companies* *(continued)*

### 10.7 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.

Adjustments are made for material transactions occurring between 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 have found no material differences that require adjustment.

The table below provide summarised financial information for those associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not our share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

| | Mattress Firm[1] | | KAP | | IEP Group Proprietary Limited | |
|---|---|---|---|---|---|---|
| | Period ended 30 September 2019 €m | Period ended 30 September 2018 €m | Period ended 30 June 2019 €m | Period ended 30 June 2018 €m | Period ended 31 December 2019 €m | Period ended 31 December 2018 €m |
| Revenue | **2 686** | – | – | 1 478 | **851** | 823 |
| Investment income | **–** | – | – | 2 | **8** | 16 |
| Depreciation and amortisation | **(61)** | – | – | (67) | **(62)** | (53) |
| Interest expense | **(113)** | – | – | (48) | **(38)** | (40) |
| Income tax expense | **4** | – | – | (14) | **(36)** | (30) |
| **Profit for the period from continuing operations** | **(172)** | – | – | 104 | **129** | 101 |
| Loss for the period from discontinued operations | **–** | – | – | (1) | **(13)** | (2) |
| **Profit for the period** | **(172)** | – | – | 103 | **116** | 99 |
| Other comprehensive income for the period | **–** | – | – | 3 | **(1)** | 2 |
| **Total comprehensive income for the period** | **(172)** | – | – | 106 | **115** | 101 |

# 10. *Investments in equity accounted companies* *(continued)*

## 10.7 Summarised information in respect of material equity accounted companies (continued)

| | Mattress Firm[1] | | KAP | | IEP Group Proprietary Limited | |
|---|---|---|---|---|---|---|
| | As at 30 September 2019 €m | As at 30 September 2018 €m | As at 30 June 2019 €m | As at 30 June 2018 €m | As at 31 December 2019 €m | As at 31 December 2018 €m |
| Non-current assets | **615** | – | – | 1 217 | **1 212** | 1 208 |
| Current assets | | | | | | |
| Cash and cash equivalents | **161** | – | – | 131 | **86** | 138 |
| Other current assets | **270** | – | – | 388 | **261** | 316 |
| Total current assets | **431** | – | – | 519 | **347** | 454 |
| Non-current liabilities | | | | | | |
| Non-current financial liabilities (excluding trade payables) | **(574)** | – | – | (424) | **(368)** | (168) |
| Other non-current liabilities | **(107)** | – | – | (196) | **(160)** | (173) |
| Total non-current liabilities | **(681)** | – | – | (620) | **(528)** | (341) |
| Current liabilities | | | | | | |
| Current financial liabilities | **(238)** | – | – | (61) | **(23)** | (240) |
| Other current liabilities | **(113)** | – | – | (295) | **(146)** | (159) |
| Total current liabilities | **(351)** | – | – | (356) | **(169)** | (399) |
| Non-controlling interests | – | – | – | (20) | **(147)** | (152) |
| **Net assets** | **14** | – | – | 740 | **715** | 770 |
| % ownership by Group | **50.1%** | 100.0% | **0.0%** | 25.9% | **26.0%** | 25.4% |
| Group's share of net assets | **7** | – | – | 192 | **186** | 196 |
| Adjustment for material transactions and foreign currency differences | – | – | – | – | **6** | (23) |
| | – | | | | | |
| Goodwill | **2** | – | – | 39 | – | – |
| **Carrying amount of the Group's interest** | **9** | – | – | 231 | **192** | 173 |

[1] *Mattress Firm was equity accounted from the date the Group lost control. Refer to note 1.*

## 11. *Other financial assets*

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| **Non-current other financial assets** | | | |
| At amortised cost | 11.1 | **332** | 311 |
| **Current other financial assets** | | | |
| At amortised cost | 11.1 | **178** | 261 |
| **Total other financial assets** | | **510** | 572 |

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each Reporting Period.

### 11.1 At amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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.

| Financial assets at amortised cost including the following debt instruments: | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| Unlisted preference shares – Lancaster 102 | 11.1.1 | **282** | 262 |
| Interest-bearing loans | 11.1.2 | **227** | 280 |
| Non-interest bearing loans | | **1** | 30 |
| | | **510** | 572 |

## 11. *Other financial assets (continued)*

### 11.1 At amortised cost (continued)

#### 11.1.1 Unlisted preference shares

The increase in unlisted preference shares is as a result of an investment in preference shares issued by Lancaster 102 during the 2018 Reporting Period. 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 R4 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. As part of the transaction, Steinhoff Africa also issued debt to the value of R4 billion to Lancaster 102. Refer to note 16.

#### 11.1.2 Interest-bearing loans

*Loan to Titan*

Included in the balance of interest-bearing loans is a loan receivable from Titan of €178 million as at 30 September 2019 (30 September 2018: €203 million) after recognising a credit loss of €34 million on adoption of IFRS 9. 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 (1.5% per annum until 1 September 2018, 10% thereafter) is expected to be repaid on terms agreed by way of settlement agreement entered into on 20 August 2018 (the "Titan Receivable Settlement"). Previously, Titan asserted that lack of SARB approval has prevented on-shore South African payment of the Titan receivable.

A letter of demand was issued by Newco 2A to Titan, dated 22 October 2019 as a result of the failure by Titan to make repayment in accordance with the terms of the Titan Receivable Settlement. Subsequently, on 28 October 2019 Titan initiated a claim against SFHG and Newco 2A for €200 million in response to the letter of demand. SFHG and Newco 2A have filed appearances to defend. It is management's view that the Titan receivable remains recoverable.

*Loan to Plum Tree*

Included in the 2018 Reporting Date balance of interest-bearing loans is a loan receivable from Plum Tree of €57 million as at 30 September 2018. An impairment on this loan of €32 million was recognised in profit or loss in the 2018 Reporting Date. The loan to Plum Tree did not have repayment terms, but was settled as part of the Campion Group settlement by the delivery of 25.5 million shares in Brait valued at €40 million. Subsequent to receiving the Brait shares, a further fair value decrease of €17 million was recorded for the Reporting Period. The Brait shares were sold for €37 million, resulting in a further loss of €3 million. Refer to note 4.2.2(a).

*Rent deposit*

Included in the 2019 Reporting Period balance of interest-bearing loans is deposits for rent paid by Conforama of €34 million.

## 12. Receivables

### 12.1 Trade and other receivables

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| **Financial assets** | | | |
| **Non-current trade and other receivables** | | | |
| Instalment sale and loan receivables | 12.1.5 | **9** | – |
| **Current trade and other receivables** | | | |
| Trade receivables | | **162** | 208 |
| Instalment sale and loan receivables | 12.1.5 | **378** | 155 |
| *Less:* Provision for impairments – Trade receivables | 19.3 | **(22)** | (31) |
| *Less:* Provision for impairments – Instalment sale and loan receivables | 19.3 | **(79)** | (23) |
| Net trade, instalment sale and loan receivables | | **439** | 309 |
| Receivables due from equity accounted companies | 29.5 | **15** | 15 |
| Proceeds due from kika-Leiner disposal | 12.1.2 | **–** | 397 |
| Other amounts due | 12.1.3 | **245** | 215 |
| Derivative financial assets | 19.1 | **33** | 32 |
| | | **732** | 968 |
| **Non-financial assets** | | | |
| **Non-current trade and other receivables** | | | |
| Equalisation of operating lease payments | | **–** | 3 |
| | | **–** | 3 |
| **Current trade and other receivables** | | | |
| Prepayments | | **102** | 125 |
| Value Added Tax receivable | | **119** | 50 |
| Equalisation of operating lease payments | | **1** | – |
| | | **222** | 175 |
| **Total** | | | |
| Non-current trade and other receivables | | **9** | 3 |
| Current trade and other receivables | | **954** | 1 143 |
| | | **963** | 1 146 |

# 12. Receivables *(continued)*

## 12.1 Trade and other receivables (continued)

### 12.1.1 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.

### 12.1.2 Proceeds due from kika-Leiner disposal

The amount due from the purchaser was received during the 2019 Reporting Period upon fulfilment of all conditions precedent.

### 12.1.3 Other amounts due

Included in other amounts due are creditors with debit balances, insurance receivables and various other receivables.

### 12.1.4 Trade and other receivables transferred to held-for-sale

During the 2019 Reporting period additional disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Trade and other receivables reclassified to held-for sale relating to disposal groups identified during the 2019 Reporting Period totalled €48 million. Refer to note 1 for disposal groups identified during the 2019 Reporting Period.

### 12.1.5 Instalment sale and loan receivables

The increase in instalment sale and loan receivables during the 2019 Reporting Period relate mainly to two new credit books in Pepkor Africa. The two new credit books are Connect Financial Solutions (Connect), which supports sales in the JD Group, and the Capfin credit book, which facilitates unsecured lending. The new Connect credit book amounted to €79 million (gross) and the new Capfin credit book amounted to €133 million (gross) at 30 September 2019.

### 12.1.6 Fair values of trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate 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 to their carrying amounts.

### 12.1.7 Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

### 12.1.8 Impairment and risk exposure

Information about the impairment of trade and other receivables, the calculation of the loss allowance, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 19.

### 12.1.9 Adoption of IFRS 9: Financial Instruments

Refer to note 36 for details of restatements relating to new accounting standards effective for the 2019 Reporting Period .

## 12. Receivables *(continued)*

### 12.2 Taxation receivable

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| Taxation receivable | 12.2.1 | **65** | 73 |

#### 12.2.1 Taxation receivable

The taxation receivable includes the merger-effect within Steinhoff Europe Group Services GmBH, together with receivables in Steinhoff UK Holdings and Conforama Investissement SNC.

## 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 | At amortised cost €m | Total carrying values €m |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| Trade and other receivables | 12.1 | **–** | **9** | **9** |
| Other financial assets | 11 | **–** | **332** | **332** |
| Non-current financial assets | | **–** | **341** | **341** |
| Trade and other receivables | 12.1 | **33** | **699** | **732** |
| Other financial assets | 11 | **–** | **178** | **178** |
| Cash and cash equivalents | 15 | **–** | **1 795** | **1 795** |
| Current financial assets | | **33** | **2 672** | **2 705** |
| Borrowings | 16.2 | **–** | **(10 371)** | **(10 371)** |
| Non-current financial liabilities | | **–** | **(10 371)** | **(10 371)** |
| Borrowings | 16.2 | **–** | **(999)** | **(999)** |
| Trade and other payables | 17.1 | **(2)** | **(1 951)** | **(1 953)** |
| Current financial liabilities | | **(2)** | **(2 950)** | **(2 952)** |
| | | **31** | **(10 308)** | **(10 277)** |
| **30 September 2018** | | | | |
| Investments and loans | 11 | – | 311 | 311 |
| Non-current financial assets | | – | 311 | 311 |
| Trade and other receivables | 12.1 | 32 | 936 | 968 |
| Other financial assets | 11 | – | 261 | 261 |
| Cash and cash equivalents | 15 | – | 1 275 | 1 275 |
| Current financial assets | | 32 | 2 472 | 2 504 |
| Borrowings | 16.2 | – | (2 027) | (2 027) |
| Non-current financial liabilities | | – | (2 027) | (2 027) |
| Borrowings | 16.2 | – | (8 363) | (8 363) |
| Trade and other payables | 17.1 | (9) | (2 151) | (2 160) |
| Current financial liabilities | | (9) | (10 514) | (10 523) |
| | | 23 | (9 758) | (9 735) |

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 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| 14.1 | Inventory | | |
| | Merchandise and finished goods | **2 129** | 2 060 |
| | Goods in transit | **84** | 165 |
| | Raw materials and other inventories | **19** | 25 |
| | Inventory before provision | **2 232** | 2 250 |
| | *Less:* provision for inventory write downs* | **(102)** | (95) |
| | Net inventories | **2 130** | 2 155 |
| | * *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 | **(57)** | (88) |
| 14.3 | Inventory pledged as security over borrowings | **23** | 4 |

*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.

*Inventory transferred to held-for-sale*

During the 2019 Reporting period additional disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Inventory reclassified to held-for sale relating to disposal groups identified during the 2019 Reporting Period totalled €184 million. Refer to note 1 for disposal groups identified during the 2019 Reporting Period.

## 15. *Cash and cash equivalents*

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| **Current assets** | | |
| Cash at bank and on hand | **1 320** | 1 118 |
| Funds and deposits on call | **475** | 157 |
| | **1 795** | 1 275 |

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

Cash generated from the sale of POCO and Pepco Group refinancing to the amount of €163 million has been reserved for the repayment of the First Lien Term Loan Facility (refer to note 16).

The Group has restricted cash balances of €14.5 million held by various subsidiaries within the Africa Group. These cash balances are reserved, amongst others, for payments to outside shareholders, litigation and repayment of deposits.

## 16. *Borrowings*

ACCOUNTING POLICY:

Principles of borrowings

*Borrowings*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability 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. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between an existing borrower and lender of debt instruments with substantially different terms should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Substantially different is if the discounted present value of the cash flows under the new terms, including any fees paid (net of any fees received and discounted using the original effective interest rate), is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## 16. *Borrowings* *(continued)*

### 16.1 Analysis of closing balance

| | Notes | 30 September 2019 Current €m | 30 September 2019 Non-current €m | 30 September 2019 Total €m | 30 September 2018 Current €m | 30 September 2018 Non-current €m | 30 September 2018 Total €m |
|---|---|---|---|---|---|---|---|
| **Operating companies** | | | | | | | |
| **Hemisphere** | | | | | | | |
| Term loan facility[2&4] | 16.6 | **327** | **–** | **327** | 397 | 291 | 688 |
| Term loan[2&4] | 16.6 | **34** | **–** | **34** | 36 | – | 36 |
| **Pepco Group** | | | | | | | |
| Term loans and facilities | 16.6 | **1** | **471** | **472** | 1 | 308 | 309 |
| Capitalised finance lease | 16.6 | **–** | **12** | **12** | – | 14 | 14 |
| **Conforama** | | | | | | | |
| Syndicated loan facilities and term loans | 16.6 | **47** | **206** | **253** | 13 | 121 | 134 |
| Capitalised finance lease | 16.6 | **–** | **3** | **3** | 3 | – | 3 |
| **Greenlit Brands** | | | | | | | |
| Term loans and facilities | 16.6 | **–** | **33** | **33** | 7 | 106 | 113 |
| **Pepkor Africa** | | | | | | | |
| Term loans and facilities | 16.6 | **112** | **574** | **686** | 33 | 578 | 611 |
| Preference shares | 27.2 | **–** | **362** | **362** | – | 365 | 365 |
| Instalment sale agreements | 16.6 | **1** | **–** | **1** | 1 | 1 | 2 |
| | | **522** | **1 661** | **2 183** | 491 | 1 784 | 2 275 |
| **Corporate and treasury services** | | | | | | | |
| **Steenbok Lux Finco 1** | | | | | | | |
| 21/22 Term loan facility[2] | 16.5 | **–** | **1 775** | **1 775** | – | – | – |
| 23 Term loan facility[2] | 16.5 | **–** | **1 214** | **1 214** | – | – | – |
| **Steenbok Lux Finco 2** | | | | | | | |
| First lien term loan facility[2] | 16.5 | **163** | **1 912** | **2 075** | – | – | – |
| Second lien term loan facility[2] | 16.5 | **–** | **3 809** | **3 809** | – | – | – |
| **SFHG** | | | | | | | |
| Convertible bonds | 16.7.1 | **–** | **–** | **–** | 2 587 | – | 2 587 |
| Transactions costs[1] | | **–** | **–** | **–** | 52 | – | 52 |
| **SEAG** | | | | | | | |
| Non-convertible European bond | 16.7.2 | **–** | **–** | **–** | 800 | – | 800 |
| German loan notes | 16.7.3 | **–** | **–** | **–** | 772 | – | 772 |
| Syndicated loan facilities, bilateral loans and term loans | 16.7.4 | **–** | **–** | **–** | 3 470 | – | 3 470 |
| Transactions costs [1] | | **–** | **–** | **–** | 113 | – | 113 |
| Other loans | | **–** | **–** | **–** | 14 | – | 14 |
| **SINVH Group** | | | | | | | |
| Loan – Lancaster 102 | 16.8 | **282** | **–** | **282** | 19 | 243 | 262 |
| Preference shares – BVI[3] | | **28** | **–** | **28** | 27 | – | 27 |
| Other | | **4** | **–** | **4** | 18 | – | 18 |
| | | **477** | **8 710** | **9 187** | 7 872 | 243 | 8 115 |
| **Total borrowings** | | **999** | **10 371** | **11 370** | 8 363 | 2 027 | 10 390 |

[1] *Transactions costs relate to all SFHG and SEAG debt. Refer note 5.1.*

[2] *Guaranteed by Steinhoff N.V. through the issuance of CPU. Refer to the Steinhoff N.V. separate financial statements.*

[3] *Classified as current due to the guarantee provided for the preference share funding (refer to note 19.2.3)*

# 16. Borrowings *(continued)*

## 16.2 Reconciliation of borrowings balances

| | Notes | Corporate and treasury services €m | European Properties €m | Pepkor Africa €m | Pepco €m | Conforama €m | Greenlit Brands €m | Total €m |
|---|---|---|---|---|---|---|---|---|
| **Opening balance – 1 October 2018** | | 8 115 | 724 | 978 | 323 | 137 | 113 | 10 390 |
| Repayable within one year | | 7 872 | 433 | 34 | 1 | 16 | 7 | 8 363 |
| Repayable after one year | | 243 | 291 | 944 | 322 | 121 | 106 | 2 027 |
| Effect of adopting IFRS 9 – Financial Instruments, net of taxation | 36.1.3 | – | 19 | – | – | – | – | 19 |
| Restated balance as at 1 October 2018 | | 8 115 | 743 | 978 | 323 | 137 | 113 | 10 409 |
| Derecognition of original debt | | (8 732) | – | – | – | – | – | (8 732) |
| Repayment of debt | | (14) | (389) | (12) | (331) | – | (78) | (824) |
| Repayment of interest | | – | (30) | (99) | (10) | (6) | (7) | (152) |
| Recognition of new debt | | 8 732 | – | – | – | – | – | 8 732 |
| Additional financing | | 178 | – | 93 | 475 | 104 | – | 850 |
| Interest accrued | | 781 | 36 | 99 | 32 | 24 | 7 | 979 |
| Continuing – Loans | 5 | 560 | 36 | 99 | 32 | 24 | 7 | 758 |
| Continuing – Convertible bonds | 5 | 221 | – | – | – | – | – | 221 |
| Transaction fees (additional financing) | 5 | 45 | – | – | – | – | – | 45 |
| Foreign exchange gains or losses | | 33 | 1 | (10) | (5) | (3) | 1 | 17 |
| Reclassification to trade and other payables | | (27) | – | – | – | – | – | (27) |
| Reclassified as held-for-sale | | – | – | – | – | – | (3) | (3) |
| Convertible bond conversions | | (9) | – | – | – | – | – | (9) |
| Loss on derecognition | 4.2.3 | 85 | – | – | – | – | – | 85 |
| **Closing balance – 30 September 2019** | | **9 187** | **361** | **1 049** | **484** | **256** | **33** | **11 370** |
| Repayable within one year | | **477** | **361** | **113** | **1** | **47** | **–** | **999** |
| Repayable after one year | | **8 710** | **–** | **936** | **483** | **209** | **33** | **10 371** |

## 16. *Borrowings* *(continued)*

### 16.3 Contractual maturities of borrowings

The following are the remaining contractual maturities of borrowings at the Reporting Date. The amounts are gross and undiscounted, and include contractual interest payments.

| At 30 September 2019 | Contractual maturities of borrowings 1 – 12 months €m | Between 1 and 2 years €m | Between 2 and 5 years €m | Over 5 years €m | Total €m | Carrying amount €m |
|---|---|---|---|---|---|---|
| **Operating companies** | | | | | | |
| Pepkor Africa | 203 | 374 | 683 | – | 1 260 | 1 049 |
| Conforama | 5 | 3 | 520 | – | 528 | 256 |
| Pepco Group | – | 12 | 541 | – | 553 | 484 |
| Greenlit Brands | 32 | 5 | – | – | 37 | 33 |
| Hemisphere | 8 | 5 | 439 | – | 452 | 361 |
| | **248** | **399** | **2 183** | **–** | **2 830** | **2 183** |
| **Corporate and treasury services** | | | | | | |
| 21/22 Term loan facility | – | – | 2 209 | – | 2 209 | 1 775 |
| 23 Term loan facility | – | – | 1 510 | – | 1 510 | 1 214 |
| First lien term loan facility | – | – | 2 472 | – | 2 472 | 2 075 |
| Second lien term loan facility | – | – | 4 813 | – | 4 813 | 3 809 |
| SINVH Group | 314 | – | – | – | 314 | 314 |
| | **314** | **–** | **11 004** | **–** | **11 318** | **9 187** |
| **Total borrowings** | **562** | **399** | **13 187** | **–** | **14 148** | **11 370** |

### 16.4 Compliance with loan covenants

The Group was in technical breach of a number of its covenants during the 2018 Reporting Period. As a result, the majority of loans, with exception of where subsidiaries entered into new facilities during the 2018 Reporting Period, were deemed repayable on demand and were classified as current on 30 September 2018.

During the 2019 Reporting period the Group successfully implemented its financial restructuring plan (as detailed in the SEAG CVA and SFHG CVA), securing a period of financial stability for the Group until 31 December 2021. The CVAs only has reporting covenants.

## 16. Borrowings *(continued)*

### 16.5 Impact of implementation of CVAs

The Group has been engaged in substantial and complex debt restructuring processes since December 2017. Financial restructuring activity completed in the Reporting Period is summarised below.

*Company Voluntary Arrangements (CVAs)*

As part of the proposed European financial 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 implemented the restructuring plan outlined in the Lock-Up Agreement. The CVA proposals, together with certain supporting documentation, can be downloaded from www.steinhoffinternational.com.

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. Certain relevant terms of the SEAG CVA and the SFHG CVA, including the interim moratoria, continued to apply and the Group continued to work towards the implementation of the financial restructuring.

The Implementation Conditions Notice was issued on 12 July 2019. This prompted a period for the calculation of creditor entitlements under the new debt instruments. The final step was the issuance of the Implementation Commencement Date notice which prompted business transfers and the execution of the necessary documents immediately prior to the final steps and closing.

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 for accounting purposes on 14 December 2018, which was the date the SEAG CVA and the SFHG CVA were approved by the requisite majorities of the creditors, 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.

The Group has announced it intends to implement a number of steps to reduce its debt burden. Within this, the Steenbok Group in particular is now required to be run for the benefit of its creditors (including those under the Facilities Agreements) ahead of the benefit of its shareholders (which are ultimately controlled by the Company). Planned steps include the managed realisation of investments and assets.

The implementation of the CVAs resulted in the original SEAG and SFHG debt being replaced by new term loan facilities entered between the lenders and Steenbok Lux Finco 1 SARL and Steenbok Lux Finco 2 SARL, two newly incorporated entities within the Europe Group. The new facilities have new terms and conditions in terms of the finance documents.

In terms of the new facility agreements all facilities are repayable on 31 December 2021, being the termination date.

| New facility | Facilities replaced |
|---|---|
| 21/22 Term loan facility | 2021 and 2022 convertible bonds |
| 23 Term loan facility | 2023 convertible bonds |
| First lien term loan facility | SEAG debt |
| Second lien term loan facility | SEAG debt |

## 16. Borrowings *(continued)*

### 16.5 Impact of implementation of CVAs (continued)

*Derecognition*

A liability is removed from the balance sheet when it is extinguished (that is, when the obligation is discharged, cancelled or expires). A financial liability (or part of it) is extinguished when the debtor either:

- discharges the liability (or part of it) by paying the creditor, normally with cash, other financial assets, goods or services; or
- is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

A debt is extinguished only if the debtor is legally released from its obligation by the creditor. An exchange between an existing borrower and lender of debt instruments with substantially different terms should be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms of the new debt instruments are deemed to be substantially different if the net present value of the cash flows under the new liability, including any fees paid and received, is at least 10% different from the net present value of the remaining cash flows of the existing liability, both discounted at the original effective interest rate of the original liability.

It was concluded that none of the terms introduced by the LUA would imply an extinguishment of the original debt, nor do they seem to substantially modify the cash flows on the original debt instruments. Therefore, the original debt instruments were not derecognised due to the implementation of the LUA during the 2018 Reporting Period.

On 14 December 2018, being the CVA approval date, the lenders agreed to start implementing the restructuring plan once certain conditions precedent have been fulfilled. From this date interest accrued at newly agreed interest rates, which resulted in a substantial modification of the old debt instruments.

A loss of €85 was calculated as the difference between the carrying amounts of the old debt instruments and the fair value of the new debt instruments and was immediately recognised in profit or loss. The fair value of the instrument was calculated based on discounting the future cash flows, at the effective interest rate. Management is of the opinion that the interest charged on the loan is market related and therefore the effective interest rate equates a fair market interest rate. The interest rate of between 7.875% and 10.75% at which the new facilities will be issued is regarded as market related due to the following reasons:

- Numerous financial institutions and investors were approached for financing, as this was put to the market; and
- Taking into account the financial position of the Group at the time, the interest rate of between 7.875 and 10.75% is reasonable.

## 16. *Borrowings* *(continued)*

### 16.5 Impact of implementation of CVAs (continued)

*Corporate and treasury services*

| Facility | Tranche | Maturity date | Interest rate % | 30 September 2019 Carrying value €m | 30 September 2018 Carrying value €m |
|---|---|---|---|---|---|
| 21/22 Term loan facility | Super senior | 31 December 2021 | 10 | **25** | – |
| | A1 | 31 December 2021 | 10 | **1 750** | – |
| 23 Term loan facility | Super senior | 31 December 2021 | 10 | **14** | – |
| | A2 | 31 December 2021 | 10 | **1 200** | – |
| First lien term loan facility | Super senior | 31 December 2021 | 10 | **57** | – |
| | A1 | 31 December 2021 | 7.875 | **1 938** | – |
| | B1 | 31 December 2021 | 7.875 | **80** | – |
| Second lien term loan facility | A2 | 31 December 2021 | 10.75 | **3 655** | – |
| | B2 | 31 December 2021 | 10.75 | **154** | – |
| | | | | **8 873** | – |
| Portion payable within 12 months included in current liabilities | | | | **(163)** | – |
| Total non-current borrowings | | | | **8 710** | – |

No part of the term loan facilities which is repaid may be drawn down again.

Under the term loan facilities, Newco 3 and SFHG have an obligation to provide the lenders with certain monthly, quarterly and annual financial information.

Steinhoff N.V. and SIHPL entered into CPUs with the lenders whereby Steinhoff N.V. and SIHPL undertakes to repay up to the following amounts for each facility in the event of a default:

| Subsidiary | Facility | Agreement date | Steinhoff N.V. €m | SIHPL €m |
|---|---|---|---|---|
| Steenbok Lux Finco 1 | 21/22 Term loan facility | 13 August 2019 | 1 723 | 1 581 |
| | 23 Term loan facility | 13 August 2019 | 1 180 | – |
| Steenbok Lux Finco 2 | First lien term loan facility | 13 August 2019 | 1 913 | – |
| | Second lien term loan facility | 13 August 2019 | 3 591 | – |
| Hemisphere | Term loan facility | 5 September 2018 | 775 | – |

## 16. Borrowings *(continued)*

### 16.6 Operating companies debt (continued)

*Hemisphere*

| | Maturity date | Interest rate % | 30 September 2019 Carrying value €m | 30 September 2018 Carrying value €m |
|---|---|---|---|---|
| Term loan facility | 31 December 2021 | 10 | **327** | 688 |
| Mortgage loans | Various | 1.7 | **34** | 36 |
| | | | **361** | 724 |
| Portion payable within 12 months included in current liabilities | | | **(361)** | (433) |
| Total non-current borrowings | | | **–** | 291 |

The restructuring of the financial indebtedness of SFHG's subsidiary Hemisphere was implemented on 5 September 2018. This resulted in a new loan facility of approximately €775 million at Hemisphere.

The €397 million proceeds generated from the kika-Leiner sale in the 2018 Reporting Period has been utilised in repayment of the term loan facility during the 2019 Reporting Period.

On 13 December 2018 Hemisphere entered into a formal disposal plan with Wells Fargo securities International Limited (Eastdil Secured LLC), for the sale of interests held by Hemisphere in its portfolio of properties including the sale of Hemisphere's direct and indirect subsidiaries. The sale process will comprise either the sale of properties themselves, or the sale of the shares in the companies owning the properties.

The above agreement is also in compliance with the term loan facility agreement dated 5 September 2018. The Hemisphere group, under the terms of its Facility Agreement, is required to dispose of its property portfolio and utilise the proceeds to make repayments against its financial liabilities.

The term loan facility matures on 31 December 2021 and carries interest at 10% per annum, which is payable semi-annually on a "pay if you can" basis. Any interest not paid in cash is compounded. The shares in the companies owning the Hemisphere property portfolio with a carrying value of €222 million, as well as certain of the properties themselves, serve as security for the Hemisphere term loan facility. No part of the term loan facility which is repaid may be drawn down again.

On 5 September 2018, Steinhoff N.V. entered into a CPU whereby Steinhoff N.V. guarantees an amount of up to €773 million with regard to the term loan facility. Refer to note 9 of the Steinhoff N.V. separate financial statements for the amount that Steinhoff N.V. is expected to pay in terms of the CPU, subject to certain estimation uncertainties.

The mortgage loans have been fully repaid subsequent to the 2019 Reporting Date and is secured by property with a carrying value of €73 million.

Subsequent to the 2019 Reporting Date an additional €49 million has been repaid on the term loan facility.

Under the term loan facility, Hemisphere has an obligation to provide the lenders with certain monthly, quarterly and annual financial information.

Subsequent to the Reporting Date, Hemisphere and its lenders entered into an amendment and restatement deed. Refer to note 35.

The term loan facility is subject to the following financial covenants:

- The aggregate capital expenditure of the Hemisphere group in respect of the 12 month periods below shall not exceed the amount opposite each period.

| 12 month period end | Capital expenditure €m |
|---|---|
| 5 September 2019 | 1 830 000 |
| 5 September 2020 | 2 080 000 |
| 5 September 2021 | 1 620 000 |

# 16. Borrowings *(continued)*

## 16.6 Operating companies debt (continued)

*Pepco Group*

| | Facility €m | Maturity date | Interest rate % | 30 September 2019 Carrying value €m | 30 September 2018 Carrying value €m |
|---|---|---|---|---|---|
| Term loan facility | – | January 2020 and July 2020 | 8 | – | 303 |
| Term loan facility | 475 | February 2022 | 5.85 | **467** | – |
| Mortgage loan | | 31 December 2025 | WIBOR 1M | **5** | 6 |
| **Instalment sale agreements** | | | | | |
| Capitalised finance lease and instalment sale agreements | – | Various | Various | **12** | 14 |
| | | | | **484** | 323 |
| Portion payable within 12 months included in current liabilities | | | | **(1)** | (1) |
| Total non-current borrowings | | | | **483** | 322 |

In January 2018, Pepco Group 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 was refinanced in August 2019 with a new term loan facility of up to €475 million, which was also used to settle all short-term intercompany indebtedness with various Group companies.

No part of the term loan facility which is repaid may be drawn down again.

Subsequent to the Reporting Date a rolling credit facility of €65 million was negotiated of which €53 million has been drawn down as a contingency for the effect of the COVID-19 pandemic.

As a condition of the CVAs, Pepco is bound to additional monthly and quarterly information undertakings.

This term loan facility contains financial covenants which are typical for this type of facility and include minimum EBITDA and minimum cash measured at quarterly intervals. The Pepco Group was compliant with these covenants for the Reporting Period.

# 16. Borrowings *(continued)*

## 16.6 Operating companies debt (continued)

*Conforama*

| | Facility €m | Maturity date | Interest rate % | 30 September 2019 Carrying value €m | 30 September 2018 Carrying value €m |
|---|---|---|---|---|---|
| Tikehau loan facilities | | April 2023 | 12 | **121** | 115 |
| Senior secured bonds | 316 | April 2023 | 22 | **115** | – |
| Bank overdrafts and short-term facilities | | Various | Various | **17** | 19 |
| **Instalment sale agreements** | | | | | |
| Capitalised finance lease and instalment sale agreements | | Various | Various | **3** | 3 |
| | | | | **256** | 137 |
| Portion payable within 12 months included in current liabilities | | | | **(47)** | (16) |
| Total non-current borrowings | | | | **209** | 121 |

By a ruling rendered 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 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. Refer to the areas of critical judgement section of the Basis of Preparation for more detail on the warrants.

On 15 April 2019, Conforama issued senior secured bonds to the amount of €205 million of which the proceeds were used to repay certain intercompany loans and tax liabilities, to finance the turnaround plan and to finance working capital needs of the Conforama group.

As part of the New Money Financing agreement, it was agreed that a second tranche of bonds ("Tranche B Bonds") comprising 111 million bonds at a nominal amount of EUR 1 per bond would be issued at a date not earlier than 1 January 2020, and no later than 28 February 2020 (unless otherwise agreed to by the parties to the contract), provided that certain conditions are met. These bonds would be repayable in full on 15 April 2023.

As additional consideration for the senior secured bonds, the creditors were granted warrants ("Warrants") that effectively granted them 49.9% of the economic rights to the future returns of Conforama (i.e. 49.9% right to returns arising from distributions, exit and / or a liquidation event) through the right to ownership of Class 2 Preference Shares in the future.

The Warrant agreement came into effect on 15 April 2019, with 205,242,947 Warrants issued to bondholders on 29 May 2019.

An Exercise Event, that would trigger the conversion of the warrants into Class 2 Preference Shares, includes any of the following events:

- Listing, partial exit or change in control of Conforama;
- Voluntary or involuntary liquidation of Conforama;
- Any distribution by any nature whatsoever by Conforama for the benefit of shareholders; or
- Six months prior to 29 May 2029.

Since the terms of the Conciliation Agreement clearly indicate that the Warrants were issued to the senior bond holders as consideration for their subscription to the Financing, the issuance of the Warrants and senior bonds were considered as a single event from an accounting point of view. The fair value of the transaction was assessed based on the consideration received at inception and the return afforded to the bond holders via both the repayment of the bonds and the issuance of the Warrants.

The warrants meet the definition of an equity instrument where the senior bonds meet the definition of a financial liability. The transaction was analogised to be a compound financial instrument.

## 16. *Borrowings* *(continued)*

### 16.6 Operating companies debt (continued)

*Conforama* (continued)

The bonds are secured by:

- Issued share capital of and certain intragroup loans to key holding and operating entities;
- Pledge over securities issued by Conforama;
- First priority security over certain real estate properties.;
- Pledge over certain bank accounts of Conforama
- Golden Shares in fiducie for the benefit of the bondholders issued by key entities of the Conforama group

The Tikehau loans are secured by:

- A pledge over certain intragroup receivables;
- A 1st rank mortgage over real estate properties;
- A pledge over the shares of 5 Conforama subsidiaries;
- New money privilege in accordance with article L. 611-11 of the French Commercial code;
- Intergroup guarantees.

The bank overdrafts and short term facilities are secured by:

- A pledge over the inventory of Conforama France.

As part of the refinancing, the Tikehau loan facilities' maturity dates were amended to April 2023.

As a condition of the CVAs, Conforama is bound to additional monthly and quarterly information undertakings.

The bonds contain financial covenants which are typical for this type of facility and includes minimum liquidity, minimum economic EBITDA, maximum loan-to-value ratio and maximum total net leverage ratio. Conforama was compliant with these covenants for the 2019 Reporting Period.

# 16. Borrowings *(continued)*

## 16.6 Operating companies debt (continued)

*Greenlit Brands*

| | Facility €m | Maturity date | Interest rate % | 30 September 2019 Carrying value €m | 30 September 2018 Carrying value €m |
|---|---|---|---|---|---|
| **Greenlit Brands – Household Goods** | | | | | |
| Syndicated facility agreement | 48 | 6 October 2020 | BBSY +3.0% | – | 65 |
| Term loans and facilities | 54 | 6 October 2020 | Various | 33 | 38 |
| **Greenlit Brands – General Merchandise** | | | | | |
| Term loans and facilities | 20 | 6 October 2020 | Various | – | 10 |
| | | | | 33 | 113 |
| Portion payable within 12 months included in current liabilities | | | | – | (7) |
| Total non-current borrowings | | | | 33 | 106 |
| **Included in assets held-for-sale** | | | | | |
| **Greenlit Brands – General Merchandise** | | | | | |
| Term loans and facilities | | | | 3 | – |

The syndicated facility agreement was repaid during the 2019 Reporting Period from proceeds generated from the sale of distribution centres and operating cash flow.

Following the disposal of the General Merchandise division in December 2019, management refinanced its remaining term loans and facilities with a syndicate of Australian banks extending the tenor of facilities to 31 December 2020 and maintaining the normal commercial terms already in place.

As a condition of the CVAs, Greenlit Brands is bound to additional monthly and quarterly information undertakings.

Following the COVID-19 pandemic, Greenlit Brands has drawn down the remaining unused facility in case of potential cash constraints.

## 16. *Borrowings* *(continued)*

### 16.6 Operating companies debt (continued)

*Pepkor Africa*

| | Facility €m | Maturity date | Interest rate % | 30 September 2019 Carrying value €m | 30 September 2018 Carrying value €m |
|---|---|---|---|---|---|
| **Term loans and facilities** | | | | | |
| Term loans | 423 | Various maturities ranging from May 2021 to May 2023 | Three-month JIBAR plus 2% to 2.25% | **423** | 426 |
| Revolving credit facility | 151 | 24 May 2021 | Three month JIBAR plus 2% | **151** | 152 |
| General banking facility | 151 | 364 days | Linked to South African prime rate | **–** | – |
| Bridge facility | 151 | 31 August 2020 | Three month JIBAR plus 1.45% | **91** | – |
| Bank overdrafts and short-term facilities | – | Various | Various | **21** | 33 |
| **Preference shares** | | | | | |
| Class A cumulative redeemable preference shares | 362 | 23 May 2022 | 74% of South African prime rate | **362** | 365 |
| **Instalment sale agreements** | | | | | |
| Capitalised finance lease and instalment sale agreements | – | Various | Various | **1** | 2 |
| Total borrowings | | | | **1 049** | 978 |
| Portion payable within 12 months included in current liabilities | | | | **(113)** | (34) |
| Total non-current borrowings | | | | **936** | 944 |

Pepkor Africa entered into bridge facilities to the value of €151 million on 19 March 2019 for a maximum period of 18 months. The bridge facilities were mainly introduced to fund the growth in the instalment sale receivables and loans to customers. As at 30 September 2019, only €91 million of these facilities were drawn.

Assets with a book value of €1 million (2018: €2 million) are encumbered as disclosed in note 11. No other financial assets have been pledged as collateral for either period presented.

Interest-bearing borrowings bear interest at variable, market-determined rates. These borrowings are measured at amortised cost, which approximates their fair value.

Interest on external borrowings other than the general banking facility are payable quarterly in arrears. The interest on the general banking facility is payable on a monthly basis.

The funding facilities is subject to the following loan covenants

| | Covenant | 30 September 2019 Actual |
|---|---|---|
| Net debt: EBITDA cover | < **2.75** | 1.70 |
| Interest cover | > **4** | 5.42 |

Refer to note 35 for debt raised and new equity placed subsequent to the 2019 Reporting Date.

## 16. *Borrowings* *(continued)*

### 16.7 Original SEAG and SFHG debt reported at the 2018 Reporting Date (this debt has been derecognised in the current Reporting Period)

#### 16.7.1 Convertible and redeemable bonds

The convertible bonds would have been convertible into ordinary shares of Steinhoff N.V., at the option of the holder, or repayable at the dates set out below.

These convertible bonds were derecognised on the successful implementation of the CVA and a loss of €85 million (refer to note 4.2.3) was recognised in the statement of profit or loss.

| | Contractual maturity date | Market implied interest rate* % | Interest rate % | Potential ordinary shares for conversion million | 30 September 2018 Carrying value €m |
|---|---|---|---|---|---|
| Convertible bond 2021 | 30 January 2021 | 6.68 | 4.00 | 120.8 | 452 |
| Convertible bond 2022 | 11 August 2022 | 2.51 | 1.25 | 151.9 | 1 074 |
| Convertible bond 2023 | 21 October 2023 | 2.12 | 1.25 | 141.8 | 1 061 |
| | | | | | 2 587 |

#### 16.7.2 Non-convertible European bond

| | 30 September 2018 €m |
|---|---|
| Non-convertible European bond | 800 |

The non-convertible bond was issued during 2017 and restructured on CVA implementation. The bond accrued interest at 1.875% per annum. Steinhoff N.V. guaranteed this bond.

#### 16.7.3 German loan notes

The German loan notes comprise of various fixed and floating notes with varying maturity dates. Details are set out below:

| | Contractual maturity date | Interest rate % | 30 September 2018 Carrying value €m |
|---|---|---|---|
| Five-year floating rate note | 17 July 2020 | EURIBOR plus 1.25% | 430 |
| Five-year fixed rate note | Various maturities ranging from July 2020 to July 2022 | 0.90 % to 1.88% | 103 |
| Six-year floating rate note | 19 July 2021 | EURIBOR plus 1.35% | 50 |
| Seven-year floating rate note | 18 July 2022 | EURIBOR plus 1.50% | 107 |
| Seven-year fixed rate note | 18 July 2022 | 2.46% | 77 |
| Ten-year fixed rate note | 17 June 2025 | 3.08% | 5 |
| | | | 772 |

# 16. *Borrowings* *(continued)*

## 16.7 Original SEAG and SFHG debt reported at the 2018 Reporting Date (this debt has been derecognised in the current Reporting Period) (continued)

### 16.7.4 Syndicated loan facilities

| | Contractual maturity date | Interest rate % | 30 September 2018 Carrying value €m |
|---|---|---|---|
| Revolving multi-currency credit facility | 2 June 2021 | EURIBOR plus 0.90% | 1 573 |
| Structured term loan | 31 March 2031 | Structured rate of 4.10% plus 1.00% | 28 |
| Syndicated term loans | Various maturities ranging from August 2018 to August 2021 | USD LIBOR plus 1.20% to 1.45% | 1 296 |
| Revolving single-currency facility | 19 October 2018 | Refinancing Rate plus 0.80 % | 166 |
| Multi-currency revolving facility | 30 November 2018 | EURIBOR plus 80 % | 200 |
| Bilateral loans | Various maturities | Various interest rates | 207 |
| | | | 3 470 |

## 16.8 Lancaster 102 liability

The reconstituted board of Steinhoff Africa (appointed on 2 February 2018 and 8 July 2019, respectively) mandated an investigation into the process followed with regards to the issue of the preference shares.

On 28 October 2019, the Steinhoff Africa board concluded that the issue of the preference shares was neither authorised nor permitted in terms of its MOI and is therefore void.

Although the cancellation of the Steinhoff Africa preference shares occurred after the 2019 Reporting Period, management believes that the conditions causing them to be void already existed at the date of 'issue' and as a result, the issued preference share capital as well as any accrued dividends were retrospectively adjusted.

Notwithstanding management's view that the preference share is void, Steinhoff Africa received R4 billion at the time, for which a liability has been raised equal to the preference share investments disclosed in notes 27.2 and 11.1 reflecting management's view that they are directly related.

## 16.9 Fair value

The majority of the debt classified as non-current was renegotiated during the 2019 Reporting Period, taking into account current market conditions and are therefore expected to approximate fair value.

## 16.10 Risk exposures

Details of the Group's exposure to risks arising from borrowings are set out in note 19.

# 17. *Payables*

## 17.1 Trade and other payables

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| **Financial liabilities** | | | |
| **Current trade and other payables** | | | |
| Trade payables | | **1 369** | 1 485 |
| Payables due to equity accounted companies | | **–** | 28 |
| Accruals | 17.1.4 | **370** | 367 |
| Other payables and amounts due | 17.1.5 | **212** | 271 |
| Derivative financial liabilities | 19.1 & 17.1.1 | **2** | 9 |
| | | **1 953** | 2 160 |
| **Non-financial liabilities** | | | |
| **Non-current trade and other payables** | | | |
| Equalisation of operating lease payments | | **49** | 69 |
| **Current trade and other payables** | | | |
| Equalisation of operating lease payments | | **8** | 6 |
| Deferred income | 17.1.2 | **230** | 282 |
| Value Added Tax payable | 17.1.6 | **211** | 133 |
| | | **449** | 421 |
| **Total** | | | |
| Non-current trade and other payables | | **49** | 69 |
| Current trade and other payables | | **2 402** | 2 581 |
| | | **2 451** | 2 650 |

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.

### 17.1.1 Derivatives

Refer to note 18 and 19 for details regarding the determination of their fair values and the types of derivatives, respectively.

### 17.1.2 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.

### 17.1.3 Trade and other payables transferred to held-for-sale

During the 2019 Reporting period additional disposal groups were identified where the carrying value of these assets and liabilities will be recovered principally through a sale transaction rather than through continuing use.

Trade and other payables reclassified to held-for sale relating to disposal groups identified during the 2019 Reporting Period totalled €227 million. Refer to note 1 for disposal groups identified during the 2019 Reporting Period.

## 17. *Payables* *(continued)*

### 17.1 Trade and other payables (continued)

#### 17.1.4 Accruals

Accruals includes employee cost accruals by Conforama, legal accruals in SEAG and unpaid fees relating to the refinancing that was completed in August 2019 by the Group.

On 12 September 2019, FSCA concluded its investigation into alleged contraventions of the Financial Markets Act No 19 of 2012 (FMA 2012) by the Steinhoff Group in the period prior to the events of December 2017. The FSCA has imposed an administrative penalty of ZAR1.5 billion (€92.7 million) on Steinhoff based on its assertion of a contravention of section 81 of the FMA 2012. Noting the Group's current financial position; to avoid penalising innocent Steinhoff shareholders further; in recognition of the fact that the Steinhoff Group is a victim of the alleged conduct perpetrated by former employees and officers of the Company; and in acknowledgement of the co-operation of management to date and the Group's commitment to continue co-operating fully with the FSCA in all future actions taken against any persons allegedly responsible for the wrongdoing, the FSCA has resolved, under Section 173 of the Financial Regulation Act No. 9 of 2017, to remit a portion of the administrative penalty resulting in Steinhoff N.V. paying a penalty of ZAR53 million (€3.2 million). This amount is included in accruals.

#### 17.1.5 Other payables and amounts due

The other payables and amounts due include payables raised by Greenlit Brands on the sale of the General Merchandise division, payables raised by Pepco Group for the settlements of employee related costs and stores settlements and payables raised by Conforama on the France restructure costs.

#### 17.1.6 Value Added Tax payable

The Value Added Tax payable relates partly to Steinhoff Europe Group Services GmbH as a result of tax authority audits conducted on prior years and Conforama.

#### 17.1.7 Contractual maturities of trade and other payables

| | 0 – 3 months €m | 4 – 12 months €m | Year 2 €m | Year 3 – 5 €m | After 5 years €m | Total €m |
|---|---|---|---|---|---|---|
| Trade and other payables (financial liabilities) | 1 775 | 173 | – | 2 | 3 | 1 953 |

### 17.2 Taxation payable

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| Taxation payable | **216** | 228 |

#### Taxation payable

The taxation payable represents Trade tax, Corporate tax and Income tax. The Corporate tax for Steinhoff Europe Group Services GMBH, as a result of the merger of Tau Enterprises, Omega Enterprises and BST Trading during the Reporting Period. SFHG also made provision for real estate transfer tax and other taxes.

## *18. Recognised fair value measurements*

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. *Recognised fair value measurements* *(continued)*

### 18.1 Fair value hierarchy

| | Notes | Level 2 €m | Level 3 €m | Total €m |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| **Assets measured at fair value** | | | | |
| **Financial assets** | | | | |
| **Trade and other receivables** | | | | |
| Derivative – foreign currency forward contracts | 19.1 | **33** | **–** | **33** |
| **Non-listed equity investments** | | | | |
| Mattress Firm[1] | 1 & 10 | **–** | **44** | **44** |
| **Assets held-for-sale[2]** | 34 | **–** | **1 212** | **1 212** |
| **Liabilities measured at fair value** | | | | |
| **Financial liabilities** | | | | |
| **Trade and other payables** | | | | |
| Derivative – foreign currency forward contracts | 19.1 | **(2)** | **–** | **(2)** |
| **Borrowings** | | | | |
| Conforama senior secured bonds[3] | 16.6 | **–** | **(115)** | **(115)** |
| **Liabilities held-for-sale[2]** | 34 | **–** | **(603)** | **(603)** |
| **30 September 2018** | | | | |
| **Assets measured at fair value** | | | | |
| **Financial assets** | | | | |
| **Available-for-sale financial assets** | | | | |
| **Trade and other receivables** | | | | |
| Derivative – foreign currency forward contracts | 19.1 | 32 | – | 32 |
| **Assets held-for-sale[2]** | 34 | – | 1 927 | 1 927 |
| **Financial liabilities** | | | | |
| **Trade and other payables** | | | | |
| Derivative – foreign currency forward contracts | 19.1 | (9) | – | (9) |
| **Liabilities measured at fair value** | 34 | – | (1 286) | (1 286) |

[1] *The Group lost control of Mattress Firm on 21 November 2018. The value of the associate recognised on the day the Group loss control was based on 5x EBITDA multiple (September 2021 EBITDA). Refer to note 1 for more information.*

[2] *Assets and liabilities classified as held-for-sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in impairments recognised through profit and loss as disclosed above. The fair value, of the disposal groups that were impaired, were determined using signed sales agreements. Refer to note 1 for information about the sales agreements and the counterparties to these agreements.*

[3] *As additional consideration for the senior secured bonds, the creditors were granted warrants ("Warrants") that effectively granted them 49.9% of the economic rights to the future returns of Conforama (i.e. 49.9% right to returns arising from distributions, exit and / or a liquidation event) through the right to ownership of Class 2 Preference Shares in the future.*

*Since the terms of the Conciliation Agreement clearly indicate that the Warrants were issued to the senior bond holders as consideration for their subscription to the Financing, the issuance of the Warrants and senior bonds was considered as a single event from an accounting point of view. The fair value of the transaction was therefore assessed based on the consideration received at inception and the return afforded to the bond holders via both the repayment of the bonds and the issuance of the Warrants.*

*The fair value of the consideration in respect of the liability component was measured by discounting the contractual stream of future cash flows (interest and principal) to the present value, at the current rate of interest applicable to instruments of comparable credit status and providing substantially the same cash flows on the same terms, but without the equity component (22%).*

There were no Level 1 financial instruments identified during either 2019 Reporting Period or 2018 Reporting Period.

## 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 PWC 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 2018 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 profit and 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 the operating company'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<br>• Credit rating | • Diversification of bank deposits<br>• 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 for implementing the risk management strategy to ensure that an appropriate risk management framework was operating effectively across the Group. The Supervisory 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.

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)*

## 19.1 Derivatives

| | 30 September 2019 €m | 30 September 2018 €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 the Reporting Date. The Group did not enter into derivative contracts for speculative purposes. The fair values of such contracts at the reporting dates were: | | |
| **Current assets** | | |
| **Trade and other receivables** | | |
| Foreign exchange forward contracts | **33** | 32 |
| Total current derivative financial instrument assets | **33** | 32 |
| **Current liabilities** | | |
| **Trade and other payables** | | |
| Foreign exchange forward contracts | **2** | 9 |
| Total current derivative financial instrument liabilities | **2** | 9 |

# 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.

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 | US dollars €m |
|---|---|---|
| **30 September 2019** | | |
| Trade and other receivables (financial assets excluding financial derivatives) | **4** | **3** |
| Cash and cash equivalents | **79** | **22** |
| Current borrowings | **(34)** | **(3)** |
| Trade and other payables (financial liabilities excluding financial derivatives) | **(9)** | **(80)** |
| Non-current borrowings[1] | **(472)** | **–** |
| Pre-derivative position | **(432)** | **(58)** |
| Derivative effect | **–** | **28** |
| **Open position** | **(432)** | **(30)** |
| **30 September 2018** | | |
| Trade and other receivables (financial assets excluding financial derivatives) | 29 | 1 |
| Cash and cash equivalents | 32 | 38 |
| Current borrowings[2] | (4) | (1 296) |
| Trade and other payables (financial liabilities excluding financial derivatives) | (28) | (143) |
| Non-current borrowings | (11) | (40) |
| Pre-derivative position | 18 | (1 440) |
| Derivative effect | – | 9 |
| **Open position** | 18 | (1 431) |

[1] *The Euro denominated non-current borrowings relate to the Pepco Group facility which was refinanced in December 2018 with a new term loan facility, refer to note 16.6. Pepco Group's functional currency is Poland zloty.*

[2] *The prior year borrowings denominated in US dollars was part of the financial restructure and implementation of CVA, refer to note 16.6. This facility is converted to Euros on the restructure which is also the functional currency of SEAG and SFHG.*

# 19. Financial risk management *(continued)*

## 19.2 Market Risk (continued)

### 19.2.1 Foreign currency risk (continued)

The following significant exchange rates were applied during the Reporting Period and were used in calculating sensitivities:

| | Forecast rate[1] 30 September 2020 | Forecast rate[1] 30 September 2019 | Reporting date spot rate 30 September 2019 | Reporting date spot rate 30 September 2018 |
|---|---|---|---|---|
| *Euro* | | | | |
| UK pound | **0.8000** | 0.8976 | **0.8857** | 0.8873 |
| US dollar | **1.2000** | 1.2547 | **1.0889** | 1.1576 |
| Poland zloty | **4.1000** | n/a | **4.2444** | 4.2774 |

[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 2018.

The impact on the reported numbers, using the forecast rates as opposed to the Reporting Date spot rates, is set out below.

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| ***Through profit/(loss)*** | | |
| British pound strengthening by 9.7% (2018: weakening by 1.2%) to the euro | 2 | – |
| US dollar weakening by 10.2% (2018: weakening by 8.4%) to the euro | 3 | 120 |
| Poland zloty strengthening by 3.4% | (15) | n/a |

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.

# 19. *Financial risk management* *(continued)*

## 19.2 Market Risk (continued)

### 19.2.2 Cash flow and fair value interest rate risk

The Group's borrowings and receivables are carried at amortised cost.

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. Interest under the original loan agreements accrued on a number of facilities since this date. PIK interest on these facilities was accrued from 14 December 2018 at a fixed rate of 10% on all SFHG debt, and a fixed rate of 7.875% to 10.25% on all SEAG debt, compounded semi-annually. The table below represents the contractual interest rate profile at the Reporting Date.

The interest and related terms of the Group's borrowings are disclosed in note 16. As the majority of the Group's borrowings are at a fixed interest rate the cash flow risk is limited. The Group's borrowings are carried at amortised cost and therefore there is no fair value risk.

At the Reporting Date the interest rate profile of the Group's financial instruments was:

| | 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 2019** | | | | | | | |
| Non-current financial assets | **–** | **7** | **–** | **–** | **6** | **328** | **341** |
| Current financial assets | **–** | **832** | **161** | **275** | **358** | **1 046** | **2 672** |
| Non-current financial liabilities | **(510)** | **(937)** | **(30)** | **(7)** | **(8 887)** | **–** | **(10 371)** |
| Current financial liabilities | **(42)** | **(107)** | **(3)** | **(3)** | **(370)** | **(2 425)** | **(2 950)** |
| | **(552)** | **(205)** | **128** | **265** | **(8 893)** | **(1 051)** | **(10 308)** |
| **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) |

# 19. *Financial risk management* *(continued)*

## 19.2 Market risk (continued)

### 19.2.2 Cash flow and fair value interest rate risk (continued)

| | From continuing operations | |
|---|---|---|
| | Interest income €m | Interest expense €m |
| **30 September 2019** | | |
| Financial assets at amortised cost | **68** | **–** |
| Financial liabilities not at fair value through profit or loss | **–** | **1 085** |
| | **68** | **1 085** |
| **30 September 2018** | | |
| Financial assets at amortised cost | 48 | – |
| Financial liabilities not at fair value through profit or loss | – | 646 |
| | 48 | 646 |

*Amounts recognised in profit or loss and other comprehensive income*

No material gains/(losses) were recognised in profit or loss and other comprehensive income in relation to interest rate swaps.

*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.

| | 30 September 2019 €m | 30 September 2017 €m |
|---|---|---|
| ***Through profit/(loss)*** | | |
| EURIBOR – 100 basis point increase | **(6)** | (26) |
| JIBAR and SA prime – 100 basis point increase | **(2)** | (4) |
| LIBOR – 100 basis point increase | **1** | (11) |

A 100 basis point decrease in the above rates would have had an equal, but opposite, effect on profit or loss.

### 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. This loan was settled during January 2019 as part of the Campion settlement. The Brait shares were sold for €37 million leading to a combined pre-tax impairment and loss on disposal in 2019 of €20 million (€17 million fair value adjustment on loan and €3 million loss on sale). Refer to note 4.2.2 (a).

# 19. *Financial risk management* *(continued)*

## 19.3 Credit risk

The Group's concentration of credit risk is assessed as low as its underlying investments are predominantly cash retailers. 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 2019, 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.

The maximum exposure to credit risk at the Reporting Date without taking account of the value of any collateral obtained was:

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| Non-current financial assets | | | |
| Trade and other receivables | 12.1 | **9** | – |
| Other financial assets | 11 | **332** | 311 |
| Current financial assets | | | |
| Trade and other receivables[1] | 12.1 | **699** | 936 |
| Other financial assets | 11 | **178** | 261 |
| Cash and cash equivalents | 15 | **1 795** | 1 275 |
| | | **3 013** | 2 783 |
| Instalment sale and loan receivables[1] | | **378** | 155 |

[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.*

### 19.3.1 Credit risk modelling applied to financial assets at amortised cost

The Group financial assets measured at amortised cost are subject to impairment under the Expected Credit Loss ("ECL") model. The inputs, assumptions and estimation techniques used in measuring ECL are explained below.

***Measurement of ECL in terms of the general model for impairment***

ECLs are measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECLs are the discounted value of the Probability of Default ("PD") and Exposure at Default ("EAD"), of which PD represents the likelihood of a counterparty defaulting on its financial obligation, either over 12 months ("12-month PD") or over the remaining lifetime ("lifetime PD") of the obligation. EAD is based on the amounts the Group expects to be owed at the time of default over the next 12 months ("12-month EAD") or over the remaining lifetime ("lifetime EAD"). The Group calculates Loss Given Default ("LGD") as discounted EAD.

These three components are multiplied together, which effectively calculates the ECL. The ECL is then discounted back to the reporting date, using the original effective interest rate, and aggregated. ECL is a probability weighted outcome.

The 12-month and lifetime EADs are determined based on the probability of default, which varies by type of financial asset.

The Group considers the probability of default on initial recognition of its financial asset measured at amortised cost and whether there has been a Significant Increase in Risk ("SICR") on an ongoing basis throughout each reporting period. To assess whether there is a SICR, the Group compares the risk of a default occurring on these asset as at the reporting date with the risk of default as at the date of initial recognition. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the credit risk team (refer to significant judgements and estimates for the Group's significant judgement exercised in assessing the SICR). Receivables with a significant financing component are grouped into stage 1, 2 and 3 as described below:

Stage 1: On recognition of financial assets, the group recognises a loss allowance based on 12 months ECLs.

Stage 2: When there is an indication that the financial assets has an SICR since origination, the group records a loss allowance for the lifetime ECLs.

# 19. *Financial risk management* (continued)

## 19.3 Credit risk (continued)

### 19.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)

*Measurement of ECL in terms of the general model for impairment (continued)*

Stage 3: Financial assets are considered to be credit-impaired. Financial assets are considered to be credit-impaired when one of more events that have an unfavourable impact on its estimated future cash flows have occurred. The Group records a loss allowance for the lifetime ECLs.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

*Default and credit-impaired assets*

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

| | Criteria used for credit-impaired accounts |
|---|---|
| **Loans to customers** | Debt review accounts and non-performing accounts. As a backstop for all other customers, customers with three consecutive unpaid instalments. |
| **Instalment sale agreements** | Suspected fraud on a loan and loans exceeding maturity date. As a backstop for all other customers, customers with three consecutive unpaid instalments. |
| **Credit sales through store cards** | Three consecutive unpaid instalments/90 days in arrears. |

A credit-impaired account will cure when the customer does not meet the criteria for being a credit-impaired account. For a customer to cure, a significant improvement in the customer's payment behaviour is required.

| | Curing occurs in the following instances |
|---|---|
| **Loans to customers** | Customers with rescheduled loans are deemed to be rehabilitated once they have made contractual payments for 12 months post rescheduling and are up to date with their amended contractual obligations. For all other customers to cure, the customer is required to make 12 months of clean payments. |
| **Instalment sale agreements** | Customers where the facility is 90 days in arrears will cure after the customer has settled arrears causing the 90 days arrears and have maintained less than 90 days arrears for three consecutive months. |
| **Credit sales through store cards** | Customer accounts will cure when three consecutive instalments are paid. Accounts in debt counselling will cure when the customer is deemed to no longer be under debt counselling in terms of the National Credit Act. |

## 19. Financial risk management *(continued)*

### 19.3 Credit risk (continued)

#### 19.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)

*Forward looking factors*

The Group further considers available reasonable and supportive forwarding-looking information without undue cost or effort and for which significant judgements and estimates are applied.

*Measurement of ECL in terms of the provision matrix*

For short-term trade receivables, e.g. trade receivables without a significant financing component, the determination of forward looking economic scenarios may be less significant given that over the credit risk exposure period a significant change in economic conditions may be unlikely, and historical loss rates might be an appropriate basis for the estimate of expected future losses. The Group has elected to apply the provision matrix for trade receivables without a significant financing component and measures the impairment allowance at an amount equal to lifetime ECL. Lifetime ECL is assessed by applying the relevant loss rates to the trade receivable balance outstanding (i.e. a trade receivable age analysis). Due to the diversity of the Group's customer base, the Group used appropriate groupings if the historical credit loss experience showed significantly different loss patterns for different customer segments.

*Write-off policy*

Financial assets are written off when there is no reasonable expectation of recovery of the receivable or part thereof. The write-off periods differ for each type of financing the Group offers to their respective clients and are detailed in the significant judgements and estimates note. Where these financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Subsequent recoveries made are recognised in profit or loss.

*ECLs for the different financial assets at amortised cost within the Group*

*Other financial assets*

Investments and loans consist of unlisted preference shares in Lancaster 102 and interest-bearing and non-interest-bearing loans receivable (see note 11). The ECL on these investments and loans are measured using the general model based on 12-month ECLs as there was no significant increase in credit risk from initial recognition of these bonds.

The Group has assessed ECLs based on past events, current conditions and supportable forecasts, and economic conditions that affect the expected collectability of future cash flows at reporting date and has deemed the ECLs to be insignificant.

*Instalment sale agreements*

Instalment sale agreements relate to the credit purchases of goods by customers within the furniture, appliances and electronics operating segment (the majority of these borrowings are deemed to be secured) (refer to note 12 for more detail on the process of granting instalments to customers). The Group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component.

*Loans to customers*

Loans to customers relates to unsecured loans granted to customers in South Africa for a period of three to 24 months up to the value of ZAR50 000 per loan granted (refer to note 12 for more detail on the process of granting loans to customers). The Group applies the general approach to calculating the ECL allowance for these balances as they are deemed to have a significant financing component.

# 19. *Financial risk management* *(continued)*

## 19.3 Credit risk (continued)

### 19.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)

The loss allowance provision for the Group as at the Reporting Period is determined as follows:

| | Notes | Performing (stage 1) €m | Under-performing (stage 2) €m | Non-performing (stage 3) €m | Total €m |
|---|---|---|---|---|---|
| Expected credit loss rate | | **10.91%** | **64.04%** | **95.18%** | **20.90%** |
| Estimated gross carrying amount of default | 12.1 | **321** | **34** | **24** | **378** |
| 12-month ECL | | (35) | – | – | (35) |
| Lifetime ECL | | – | (21) | (23) | (44) |
| Total ECL | 12.1 | (35) | (21) | (23) | (79) |
| **Net carrying amount** | | **286** | **12** | **1** | **299** |

The loss allowance provision for instalment sale agreements is reconciled to the opening loss allowance as follows:

| | Performing (stage 1) €m | Under performing (stage 2) €m | Non-performing (stage 3) €m | Total €m |
|---|---|---|---|---|
| Balance at beginning of the period (calculated under IAS 39) | – | – | (23) | (23) |
| Amounts restated through opening retained earnings | (2) | (2) | – | (4) |
| Balance at beginning of the period (calculated under IFRS 9) | (2) | (2) | (23) | (27) |
| Provision raised | (34) | (20) | – | (54) |
| Amounts unused reversed | – | 1 | – | 1 |
| Exchange differences on consolidation of foreign operations | 1 | – | – | 1 |
| Balance at end of the period | (35) | (21) | (23) | (79) |

# 19. *Financial risk management* *(continued)*

## 19.3 Credit risk (continued)

### 19.3.1 Credit risk modelling applied to financial assets at amortised cost (continued)

*Trade receivables and other amounts due*

The Group applies the simplified approach to calculating the ECL allowance for trade receivables that do not have a significant financing component. This approach permits the use of the lifetime ECL regardless of stage classification and is based on a provision matrix that incorporates historical credit losses as well as forward-looking information (2018: Provision for bad debts was calculated using the incurred losses approach under IAS 39).

Trade receivables are written off when the customer's outstanding balance has been outstanding for more than 120 days or 30 days in the case of cash on delivery customers.

The loss allowance provision for trade receivables is reconciled to the opening loss allowance as follows:

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| Balance at beginning of the period (calculated under IAS 39) | | (31) | (47) |
| Amounts restated through opening retained earnings | | (1) | – |
| Balance at beginning of the period (calculated under IFRS 9) | | (32) | (47) |
| Provision raised | | (7) | (43) |
| Amounts unused reversed | | 3 | 5 |
| Amounts used during the period | | 11 | 43 |
| Net acquisition of subsidiaries and businesses | | – | (3) |
| Disposal of subsidiaries | | 2 | 6 |
| Reclassification to assets held-for-sale | | (1) | 7 |
| Exchange differences on consolidation of foreign operations | | 2 | 1 |
| Balance at end of the period | 12.1 | (22) | (31) |

| | Expected loss rate % | Gross carrying amount €m | Loss allowance provision €m |
|---|---|---|---|
| **2019** | | | |
| Provision matrix used in the calculation of ECL allowances: | | | |
| Current | 7.8 | 128 | (10) |
| More than 30 days past due | 1.9 | 9 | – |
| More than 60 days past due | 4.5 | 9 | – |
| More than 90 days past due | 75.0 | 16 | (12) |
| | 13.58 | 162 | (22) |

| Ageing of trade and other receivables as required under IAS 39: | 30 September 2018 €m |
|---|---|
| **Past due but not impaired** | |
| **Trade receivables** | |
| Up to 3 months | 72 |
| 3 to 6 months | 24 |
| | 96 |

# 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 significant liquidity risk faced by the Company and its operating entities during the 2019 Reporting Period remained. Refinancing activities were, and continue to be, actively pursued by the operational subsidiaries. The implementation of the CVA created an improvement in the liquidity risk faced by the Group due to the amendment of the maturity date for all external debt at Group level to 31 December 2021 as well as the introduction of accruing for interest rather than regular cash payment of such. 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 first repayment of the restructured debt has taken place during November 2019.

## 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.

The capital risk faced by the Company and its operating entities during the 2019 Reporting Period remained substantial as bank credit facilities were severely diminished and/or withdrawn. The Company and Group's creditworthiness was materially affected. As a result, suppliers refused to extend credit and payment terms due to the withdrawal of credit insurance for the Group. Other supplier payment terms were shortened due to the uncertainty surrounding the Group's financial position. The implementation of the CVA has enabled the Group to start improving the management of capital risk.

The carrying amount of the loans payable in default as well as the terms are disclosed in note 16.

| Distribution to shareholders | 30 September 2019 Euro cents | 30 September 2018 Euro cents |
|---|---|---|
| *Cash dividend to ordinary shareholders*<br>No dividends were declared for the period ended 30 September 2019 (2018: Nil). | – | – |
| *Distribution to SINVH preference shareholders*<br>A preference dividend of 418.09 South African rand cents per share (2018: 427.42 South African rand cents per share) in respect of the period 1 July 2018 to 31 December 2018 (2018: 1 July 2017 to 31 December 2017) was paid on 29 April 2019 (2018: 23 July 2018) to those preference shareholders recorded in the books of the company at the close of business on 26 April 2019 (2018: 20 July 2018). | **26.0** | 27.0 |
| A preference dividend of 419.34 South African rand cents per share (2018: 424.06 South African rand cents per share) in respect of the period 1 January 2019 to 30 June 2019 (2018: 1 January 2018 to 30 June 2018) was paid on 14 October 2019 (2018: 20 August 2018) to those preference shareholders recorded in the books of the company at the close of business on 11 October 2019 (2018: 17 August 2018). | **25.9** | 27.0 |

A solvency and liquidity 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 2019 | | | 30 September 2018 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Current €m | Non-current €m | Total €m | Current €m | Non-current €m | Total €m |
| Leave obligations | 20.1 | **35** | **–** | **35** | 49 | – | 49 |
| Post-retirement medical benefits | | **6** | **–** | **6** | 3 | 1 | 4 |
| Performance-based bonus accrual | 20.3 | **52** | **66** | **118** | 69 | 5 | 74 |
| Other[1] | | **12** | **4** | **16** | 22 | 44 | 66 |
| Defined pension benefits | 20.2 | | | | | | |
| Conforama France Pension Fund | 33.1 | **2** | **67** | **69** | – | 52 | 52 |
| Homestyle Pension Fund | 33.1 | **–** | **(4)** | **(4)** | – | 4 | 4 |
| Other[2] | | **2** | **–** | **2** | 4 | 9 | 13 |
| Total liability | | **109** | **133** | **242** | 147 | 115 | 262 |

[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 comprise immaterial pension funds within the Group, the 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 €35 million (2018: €49 million).

Leave obligations to the amount of €12 million related to disposal groups and has been classified as held-for-sale. Refer to note 34.

### 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 plan assets of the various defined benefit plans throughout the Group 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 the Reporting Date amounted to €66 million (2018: €52 million). There are no plan assets in this fund.

The fund was valued on 30 September 2019, which is in line with Group policies. There are 7 104 (30 September 2018: 7 872) 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 €85 million (2018: €76 million) and the fair value of the plan asset amounted to €89 million (2018: €72 million).

The fund was valued on 30 September 2019, 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 2019 Reporting Period in relation to these contributions was €19 million (2018: €27 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 the Reporting Period, 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 2019 €m | 30 September 2018 €m |
|---|---|---|
| **Balance at the beginning of the period** | **74** | 75 |
| Accrual raised | **121** | 36 |
| Amounts unused reversed | **(44)** | (4) |
| Amounts utilised | **(35)** | (13) |
| Derecognition of subsidiaries | **(4)** | – |
| Exchange differences on consolidation of foreign operations | **(1)** | 1 |
| Reclassification to assets held-for-sale | **(2)** | (21) |
| Reclassification from accruals | **9** | – |
| **Balance at the end of the period** | **118** | 74 |

## 21. *Provisions*

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.

| | | 30 September 2019 | | | 30 September 2018 | | |
|---|---|---|---|---|---|---|---|
| | Notes | Current €m | Non-current €m | Total €m | Current €m | Non-current €m | Total €m |
| Dilapidation, onerous lease and onerous contract provisions | 21.1 | **128** | **5** | **133** | 133 | 68 | 201 |
| Restructuring | 21.5 | **130** | **55** | **185** | – | – | – |
| Warranty provisions | 21.2 | **11** | **19** | **30** | 8 | 24 | 32 |
| Legal claims | 21.3 | **15** | **–** | **15** | 15 | 61 | 76 |
| Contingent liability | 21.4 | **2** | **23** | **25** | 2 | 29 | 31 |
| Other | 21.6 | **4** | **16** | **20** | 17 | – | 17 |
| | | **290** | **118** | **408** | 175 | 182 | 357 |

### Movement in provisions

| | Dilapidation, onerous lease and onerous contract provisions €m | Restructuring €m | Warranty provisions €m | Legal provisions €m | Contingent liability €m | Other €m | Total €m |
|---|---|---|---|---|---|---|---|
| **Balance at 1 October 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 (note 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** |
| Provision raised | **9** | **217** | **18** | **–** | **–** | **15** | **259** |
| Amounts unused reversed | **(10)** | **–** | **–** | **–** | **(6)** | **(8)** | **(24)** |
| Amounts utilised | **(25)** | **(32)** | **(17)** | **(61)** | **–** | **–** | **(135)** |
| Reclassification to liabilities held-for-sale (note 34) | **(42)** | **–** | **(3)** | **–** | **–** | **(4)** | **(49)** |
| Exchange differences on consolidation of foreign operations | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| **Balance at 30 September 2019** | **133** | **185** | **30** | **15** | **25** | **20** | **408** |

## 21. Provisions *(continued)*

### 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. This balance consists largely of a provision for onerous leases by Poundland of €75 million and Greenlit Brands of €25 million.

### 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. These claims are expected to be settled within the next 12 months.

### 21.3 Legal provisions

An agreement was reached during the 2019 Reporting Period with the Pohlmann family with regard to a dispute originating from the 2015 sale of their interest in LiVest GmbH, the holding company for POCO at the time. The provision recognised in the 2017 Reporting Period has therefore been released.

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 concluded that a liability should be attributed to Seifert from the date of termination. A payment of €147 million was 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 reduced the financial liability.

### 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 Restructuring

On 2 July 2019, Conforama announced a restructuring plan for the removal of 1,900 positions (out of 8,229 employees on permanent contracts on June 1, 2019), as well as the closure of 32 Conforama stores and that of 10 Maison Dépôt stores, citing heavy losses. Conforama France incurred operating losses of €500 million in six years.

Key elements included in the restructuring cost are the French restructuring (€194 million), Maison Dépôt restructuring costs (€15 million) and financing and advisory fees associated with the financial restructuring (€20 million). The French restructuring costs include all severance costs, 100% of expected costs to break existing store leases, and the expected costs of dilapidations (renovating and returning stores to their previous state). The total excludes any future expected income arising from the sale of any stores. The restructure will take 18 to 24 months to complete with the closure occurring in the first half of 2020.

### 21.6 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 2019 €m | 30 September 2018 €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 | **66** | 57 |
| Capital expenditure authorised but not contracted for | **25** | 27 |

Capital expenditure will be financed from cash and existing loan facilities.

### 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 warehouse 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 of continuing operations are payable as follows:

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| Next year | **743** | 796 |
| Within two to five years | **1 730** | 1 823 |
| Thereafter | **751** | 695 |
| Total | **3 224** | 3 314 |

Balances denominated in currencies other than euro were converted at the closing rates of exchange ruling at 30 September 2019 and 30 September 2018.

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 Reporting Period relating to operating leases amounted to €877 million (2018: €835 million). Refer to note 4.3.6.

Non-cancellable operating lease commitments have not been discounted.

## 22. *Commitments and contingencies* *(continued)*

### 22.3 Contingent liabilities and other litigation

*Taxation*

There is uncertainty regarding future taxes as a result of the impact of the alleged accounting irregularities as well as a number of ongoing tax audits and investigations. Details are provided in note 6.

*Legal claims*

The contractual claims discussed below were received by the relevant parties during and after the 2018 and 2019 Reporting Periods. 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 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 2019 Reporting Period.

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 Trade 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 (€199 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 and business, alternatively a damages payment of approximately ZAR1.85 billion (€112 million). Pleadings have closed.("the first action")
- The Tekkie Claimants have also instituted a claim against Pepkor, in relation to contractual earn-out payments of up to ZAR890 million (€54 million). Pepkor denies liability and is defending the action that has been instituted by the sellers ("the second action").
- The Tekkie Claimants have recently sought to consolidate the first and second actions, join the Pepkor Holdings Limited, Pepkor Speciality Proprietary Limited and Tekkie Town Proprietary Limited (the "Pepkor Parties") to the first action and effect certain amendments to the pleadings in the first action. The Pepkor parties have opposed such joinder.

#### 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 alleged misrepresentation and restitution as follows:
  i) contractual claim by the Thibault claimants against SIHPL for an amount of ZAR34.7 billion (€2.1 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. During July 2019, Conservatorium Holdings LLC, the legal successor in title to Upington's lenders ("Conservatorium") was granted leave, through Dutch legal proceedings, to levy a prejudgment attachment on Upington's claims against Steinhoff N.V. and SIHPL. As such, in March 2020 Conservatorium initiated intervention proceedings in the High Court of South Africa, for Conservatorium and Upington to be named as plaintiffs in the proceedings. Proceedings are ongoing.

After the Reporting Period, a letter of demand was issued by Newco 2A to Titan dated 22 October 2019. Subsequently, a claim was instituted by Titan on 28 October 2019 against SFHG and Newco 2A for €200 million in response to the Titan letter of demand. SFHG and Newco 2A has defended the action and has raised jurisdictional points. It is management's view that the Titan receivable remains recoverable. Pleadings have closed.

## 22. Commitments and contingencies *(continued)*

### 22.3 Contingent liabilities and other litigation (continued)

*Legal claims (continued)*

#### Titan v SFHG and Newco 2A

- After the 2019 Reporting Period, a letter of demand was issued by Newco 2A to Titan dated 22 October 2019 as a result of the failure by Titan to make repayment in accordance with the terms of the Titan Receivable Settlement. Subsequently, on 28 October 2019 Titan initiated a claim against SFHG and Newco 2A for €200 million in response to letter of demand. SFHG and Newco 2A have appearances defended the action and has raised jurisdictional points. It is management's view that the Titan receivable remains recoverable. Proceedings are ongoing.

#### 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 GT Ferreira Claimants on 10 May 2018 and ordering SIHPL to return to the GT Ferreira Claimants 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 (€71 million). Proceedings are ongoing.

#### 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 alleged 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 (€205 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.
  - ii) 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.

  Proceedings are ongoing.

#### 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 alleged misrepresentations, and claims for damages against the defendants for payment of the amount of ZAR740 million (€45 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 swapped 10.2 million ordinary shares in SIHPL for 3.8 million PSG shares. Proceedings are ongoing.

#### Enrico De Villiers Greyling v SIHPL

- On 15 February 2019, Enrico De Villiers Greyling ("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 or about 24 June 2015 (initially for shares in SIHPL which were converted at listing of Steinhoff N.V.) which Greyling now seeks to cancel on the basis of alleged misrepresentation. There is no alternative claim for damages. Greyling seeks restitution of 500 000 PSG shares in exchange for 1.3 million Steinhoff shares. Proceedings are ongoing.

#### Cronje & Others v SIHPL

- On 29 March 2019 the Plaintiffs (Charl Cronjé, Jacobus du Toit, Annamie Hansen, Leon Lourens, Estelle Morkel, Jacobus Pienaar, Johan van Rooyen, Johan Wasserfall), all members of the management teams of Pepkor Africa and who held shares in this company on that basis, instituted proceedings against SIHPL for ZAR450 million (€27 million) arising out of separate share exchange agreements entered into by them with SIHPL, in terms of which each of them exchanged his or her shares in Pepkor Africa for shares in SIHPL. Later, the plaintiffs became shareholder of Steinhoff N.V. through the Scheme of Arrangement.

## 22. *Commitments and contingencies* *(continued)*

### 22.3 Contingent liabilities and other litigation (continued)

*Legal claims (continued)*

#### 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 relief flowing from the conclusion of a subscription agreement entered into between the litigants, and a sale agreement concluded by Lancaster 101, as well as losses allegedly sustained pursuant to the conclusion of a loan agreement entered into, to fund the sale:
  i) Lancaster 101 claims rescission of the subscription agreement on the basis of alleged misrepresentation in the Group's 2015 Consolidated Financial Statements. Lancaster 101 seeks payment of ZAR4.6 billion (€278 million) against delivery of 60 million Steinhoff shares. Alternatively, Lancaster 101 claims loss on the basis of alleged misrepresentation of the true value of the subscription shares, which it alleges to be ZAR1.00 per share. Lancaster 101 seeks a damages payment of ZAR4.5 billion (€272 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 alleged 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 (€302 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 alleged misrepresentations in Group's 2015 Consolidated Financial Statements, it would not have entered into the loan agreement. Lancaster 101 also seeks payment of ZAR2.1 billion (€127 million) being finance charges payable on the relevant loan amount to February 2019.

  Proceedings are ongoing. In addition, on 16 September 2019, an urgent application was also initiated by Lancaster 101 for the relief in (i) above. The urgency limb of the application was struck from the Court list, but the substantive application is ongoing.

#### HLSW and LSW v AIH

- HLSW GmbH ("HLSW") an entity owned and/or controlled by Seifert filed a complaint in terms of which HLSW requests, inter alia, the transfer of a 50% shareholding in AIH Investment Holding GmbH ("AIH") to it. The Group is contesting the relief sought 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 ("the 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 demanded €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. LSW, the judge limited the scope of the proceedings and in HLSW, the judge postponed the next hearings to the beginning of 2020 at the earliest, as a result of the ongoing evidence in the LSW matter. Refer to note 21.3 for legal provision raised.

#### Hamilton vs Steinhoff N.V. and SIHPL

- In proceedings initiated before the District Court of Amsterdam, Hamilton is seeking declaratory relief and damages flowing from the assertion that Steinhoff N.V. and SIHPL together with the other named parties, allegedly misrepresented their financial position causing the relevant shareholders damage. Steinhoff N.V. filed a submission with preliminary motions and on applicable law in March 2020. On 26 June 2020, Hamilton initiated separate proceedings in the Western Cape High Court claiming damages of ZAR14 billion (€855 million) plus interest.

## 22. *Commitments and contingencies* *(continued)*

### 22.3 Contingent liabilities and other litigation (continued)

*Legal claims (continued)*

**Michael John Morris vs SIHPL**

- Morris instituted action proceedings in December 2019 for ZAR69.4 million (€4 million) claiming damages allegedly sustained flowing from alleged misrepresentations in published financial statements, which allegedly led to Morris' loss.

**Paul Ronald Potter vs SIHPL**

- Potter instituted action proceedings in December 2019 for ZAR69.4 million (€4 million) claiming damages allegedly sustained flowing from alleged misrepresentations in published financial statements, which allegedly led to Potter's loss.

**Francois Johan Malan vs SIHPL**

- Malan instituted action proceedings in June 2020 claiming damages in the amount of ZAR13.2 million (€0.8 million) arising from alleged misrepresentations in published financial statements.

**Peter Andrew Berry vs SIHPL**

- Berry instituted action proceedings in June 2020 claiming damages in the amount of ZAR92.3 million (€5.6 million) arising from alleged misrepresentations in published financial statements.

**Andre Frederick Botha vs SIHPL**

- Botha instituted action proceedings in June 2020 claiming damages in the amount of ZAR13.2 million (€0.8 million) arising from alleged misrepresentations in published financial statements.

**Warren Wendell Steyn vs SIHPL**

- Steyn instituted action proceedings in June 2020 claiming damages in the amount of ZAR13.2 million (€0.8 million) arising from alleged misrepresentations in published financial statements.

**Conservatorium Holdings LLC vs SIHPL, Steinhoff N.V. and 5 Others**

- On 15 May 2020, Conservatorium Holdings LLC ("Conservatorium") initiated action proceedings in South Africa against SIHPL, Steinhoff N.V., Thibault Square Financial Services Proprietary Limited ("Thibault"), Titan Premier Investments Proprietary Limited ("Titan"), Titan Group Investments Proprietary Limited, Christoffel Hendrik Wiese and Jacob Daniel Wiese. Conservatorium sues in its capacity as assignee and successor in title of rights and claims under certain Loan Facilities and Security Agreements (collectively, the "Financing Agreements") concluded in 2016 and 2017 between a consortium of banks (as lenders and cessionaries) and Upington Investment Holdings B.V. ("Upington", an erstwhile subsidiary of Titan), Thibault and Titan (as borrowers and cedants). Conservatorium alleges that on 25 November 2014, Thibault acquired 609 145 624 SIHPL shares for an aggregate consideration of ZAR34.72 billion which were subsequently exchanged for shares in Steinhoff N.V. by virtue of the 2015 scheme of arrangement. Conservatorium alleges that in terms of the Financing Agreements, certain loan facilities were extended to Upington, collateralised by the pledge of 750 million Steinhoff N.V. shares via Upington and Titan. Conservatorium further alleges that it has subsequently acquired:
  i) 94% of the claims, rights and benefits of the lenders against any party under or in connection with the Financing Agreements,
  ii) any and all future claims (including claims against third parties) accruing to the lenders under contract, delict, law, statute or otherwise in connection with the Financing Agreements, and
  iii) certain ancillary rights and claims. Accordingly, Conservatorium claims that but for alleged misrepresentations made by SIHPL, the lenders would not have extended the loan facilities and by doing so have incurred losses of €993,500,000 for which Conservatorium has acquired the right to claim €933,900,000, being 94% thereof, from SIHPL.

  Furthermore, Conservatorium alleges that it is entitled to claim the subscription price that Thibault paid to SIHPL in the amount of ZAR34.72 billion. This matter is ongoing.
- Conservatorium initiated separate proceedings in the Netherlands in January 2020 (the "Dutch Conservatorium Claim"). Conservatorium seeks relief against SIHPL and Steinhoff N.V., in its alleged capacity as a holder of security rights over claims related to Steinhoff shares subscribed for/purchased by Upington in 2016 (being the same claims asserted by Titan, on behalf of Upington against Steinhoff N.V. in the Thibault/Titan proceedings disclosed separately in this Annual Report) in the amount of €1.6 billion (minus proceeds from the execution of pledged shares) in addition to the claims also asserted in the South African proceedings referenced above.

## 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. Dietmar Buchholz was determined to be the model claimant in the KapMug proceedings and has filed pleadings substantiating the declaratory claims. Proceedings are ongoing.
- On 2 February 2018, the VEB initiated a Dutch collective action against Steinhoff N.V. on behalf of all Steinhoff N.V. shareholders that 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. Proceedings are ongoing.
- 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 (€130 million). Proceedings are ongoing.
- 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 (€130 million). BVI has instituted a delictual claim based what it asserts was on false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.
- On 29 March 2019, previous members of management at Pepkor Africa, who had each entered into a share swap agreement with SIHPL whereby their shares in Pepkor Africa 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 (€27 million). These parties have instituted a delictual claim based on what they assert was false and misleading information, with an alternative statutory claim for breach of the South African Companies Act. Proceedings are ongoing.
- 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. Declaratory relief that Steinhoff N.V. acted unlawfully towards investors with respect to the publication of the prospectus dated 19 November 2015, the annual accounts over financial year 2016, interim financial statements and press releases. Deminor seeks to hold Steinhoff N.V. liable for damages in the amounts of €679 million, allegedly suffered by Steinhoff N.V. investors as a result of the alleged misleading information issued and disseminated by Steinhoff N.V. On 5 February 2020, the Deminor proceedings were stayed pending the outcome of the KapMuG proceedings.
- 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. Proceedings are ongoing.
- In August 2018, Ms Dorethea de Bruyn ("De Bruyn") applied for the certification of a class action against SIHPL, Steinhoff N.V. and Steinhoff Secretarial Services Proprietary Limited. De Bruyn seeks, inter alia, leave to act as the representative plaintiff of the members of three proposed classes. The proposed class action alleges that certain alleged accounting irregularities and other financial transactions related to the Steinhoff Group caused investors significant financial losses. If certified, De Bruyn seeks an order to claim damages. On 26 June 2020, De Bruyn's application for certification was dismissed by the Johannesburg High Court. De Bruyn was ordered to pay the costs of the respondents who had opposed the application, including the costs of two counsel, where two counsel were employed.

## 22. Commitments and contingencies *(continued)*

### 22.3 Contingent liabilities and other litigation (continued)

*Shareholder claims (continued)*

- 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. There are various other claims by Steinhoff N.V. shareholders the quantum of which are not material.

  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.

## 23. *Cash flow information*

### 23.1 Cash generated from operations

| | Notes | 2019 €m | 2018 €m |
|---|---|---|---|
| **Operating (loss)/profit from:** | | | |
| Continuing operations | | **(389)** | 221 |
| Discontinued operations | | **(347)** | (453) |
| Adjusted for non-cash adjustments included in continuing and discontinued operations: | | | |
| Profit or loss movement in provision for doubtful debt | 19.3 | **57** | 44 |
| Depreciation and amortisation | 8 & 9 | **275** | 410 |
| Net impairment of loans receivable and other related provisions | 4.2.2 | **22** | 42 |
| Fair value gain on financial instruments | 4.3.5 | **–** | (14) |
| Unrealised foreign exchange losses | | **121** | 9 |
| **Impairments – Continuing operations** | | | |
| Goodwill | 8 | **42** | 6 |
| Intangible assets | 8 | **71** | – |
| Property, plant and equipment | 9 | **276** | 9 |
| **Impairments – Discontinued operations** | | | |
| Goodwill | 1.2.1 | **83** | 20 |
| Intangible assets | 1.2.1 | **36** | 128 |
| Property, plant and equipment | 1.2.1 | **103** | 64 |
| Investment property | 1.2.1 | **16** | |
| Other financial assets | 1.2.1 | **14** | 3 |
| Inventories written down to net realisable value and movement in provision for inventories | 14 | **57** | 88 |
| Net (gain)/loss on disposal and scrapping of property, plant and equipment, vehicle rental fleet and intangible assets | 1.2.2 & 4.2.6 | **(40)** | 27 |
| (Gain)/loss on disposal, part disposal and bargain purchase of investments | 1.4 & 4.2.7 | **(109)** | 33 |
| Share-based payment expense | 4.3.2 & 32 | **25** | 23 |
| Cumulative other comprehensive income reclassified to profit or loss on disposal or derecognition of investment | 1.2.4 & 4.2.3 | **182** | 48 |
| Loss on derecognition of the financial liability | 4.2.3 & 16.2 | **85** | |
| Other non-cash adjustments | | **25** | (36) |
| **Cash generated before working capital changes** | | **605** | 672 |
| Working capital changes: | | | |
| Increase in inventories | | **(191)** | (195) |
| Increase in trade and other receivables | | **(285)** | (114) |
| Movement in net derivative financial liabilities/assets | | **(128)** | (11) |
| Decrease in non-current and current provisions | | **(90)** | (111) |
| Increase in non-current and current employee benefits | | **7** | 20 |
| Decrease in trade and other payables | | **(70)** | (278) |
| Net changes in working capital | | **(757)** | (689) |
| **Cash utilised in operations** | | **(152)** | (17) |

# 23. *Cash flow information* *(continued)*

## 23.2 Liabilities included in financing activities reconciliation

This section sets out an analysis of the movements in interest-bearing loans and borrowings.

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| **Gross debt** | | | |
| Borrowings – repayable within one year (including overdraft) | 16 | **(999)** | (8 363) |
| Borrowings – repayable after one year | 16 | **(10 371)** | (2 027) |
| Total gross debt | | **(11 370)** | (10 390) |

| | Notes | Gross debt €m |
|---|---|---|
| **Reconciliation of gross debt:** | | |
| **As at 1 October 2017** | | **(9 553)** |
| Net proceeds from borrowings per statement of cash flows | | **(1 008)** |
| Acquisitions of subsidiaries | 24.1 | **(10)** |
| Disposal of subsidiaries[1] | | **150** |
| Classification as held-for-sale | 34 | **273** |
| Accrued interest and other fees | | **(252)** |
| Foreign exchange adjustments | | **32** |
| Other non-cash movements | | **(22)** |
| **As at 30 September 2018** | | **(10 390)** |
| Effect of adopting IFRS 9 – Debt premium (additional financing) | | **(19)** |
| Proceeds from borrowings | | **(895)** |
| Repayment of debt | | **824** |
| Repayment of interest | | **152** |
| Derecognition of original debt | | **8 732** |
| Reclassification to trade and other payables | | **27** |
| Recognition of new debt | | **(8 732)** |
| Interest accrued | | **(979)** |
| Foreign exchange gains or losses | 16.2 | **(17)** |
| Reclassified as held-for-sale | | **3** |
| Convertible bond conversions | | **9** |
| Loss on derecognition | | **(85)** |
| **As at 30 September 2019** | | **(11 370)** |

[1] *Consists mainly of the borrowings and short term facilities of the kika-Leiner companies.*

## 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 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[1] Note 24.4 €m | Total 30 September 2019 €m |
|---|---|---|---|
| Group's share of total assets and liabilities acquired | | – | – |
| Purchase price clawback | | (5) | (5) |
| Goodwill attributable to acquisition | 8 | – | – |
| **Total consideration** | | (5) | (5) |
| Purchase price clawback outstanding (included in debtors) | | 3 | 3 |
| **Net cash outflow on acquisition of subsidiaries** | | (2) | (2) |

[1] *During the 2018 Reporting Period, the Pepkor Africa group raised a receivable of ZAR50 million, relating to the BSG clawback, based on the Building Supply Group of companies not achieving the contractually agreed EBITDA during the earnout period ending 30 September 2018. During the year, management and the sellers, Invicta South Africa Holdings Proprietary Limited and NSM Holdings Proprietary Limited, agreed on a full and final settlement of ZAR78 million. The settlement will be paid in three equal instalments, the first falling within the current financial year, on 1 July 2019, and the second and third falling after year-end on 1 October 2019 and 1 April 2020.*

### 24.2 Acquisition of businesses where all conditions precedent have not yet been met

The Competition Commission approved the Pepkor Africa group's acquisition of Abacus Holdco Proprietary Limited on 27 February 2019, and the due diligence investigation was concluded on 15 July 2019. The Pepkor Africa Group has applied to the Prudential Authority for certain approvals, which process is still in progress.

### 24.3 The fair value of assets and liabilities assumed at date of acquisition

| | Notes | BSG Note 24.4 €m | Other immaterial acquisitions Note 24.5 €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 | 6.3 | 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. *Business combinations* *(continued)*

### 24.4 Acquisition of BSG

Effective 1 October 2017, 100% of BSG was acquired by a subsidiary of the Pepkor Group, for an 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 income statement as at 30 September 2018.

### 24.5 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 USA 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.

## 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.

*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.

*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 2019 Number of shares | 30 September 2019 Number of shares |
|---|---|---|---|
| **26.1 Authorised** | | | |
| Ordinary shares of €0.01 each | | **17 500 000 000** | 17 500 000 000 |
| **26.2 Issued** | | | |
| Balance at beginning of the period | | **4 309 727 144** | 4 309 727 144 |
| 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 | | **(170 770 692)** | (95 141 564) |
| Share buy-back by Steinhoff N.V. | | – | (40 377 900) |
| Purchases of Steinhoff shares | | **(12 102 710)** | (36 386 472) |
| Disposal of Steinhoff shares by a subsidiary company | | **409 288** | 4 135 244 |
| Shares issued upon conversion of bonds | | **1 291 027** | – |
| Shares returned to Company | | **(315 317)** | – |
| **Treasury shares held by subsidiaries of the Group** | | **(181 488 404)** | (167 770 692) |
| **Steinhoff shares held by third parties and recognised as treasury shares** | | | |
| Shares purchased by SSUK through granting of loan | | – | (3 000 000) |
| Modification in the terms of share option to SSUK (shares retained) | | **8 000 006** | – |
| Shares returned from SSUK with Campion Settlement | | **12 102 710** | – |
| Balance at the end of the period | | **(161 385 688)** | (170 770 692) |
| **Total issued ordinary share capital** | | **4 148 341 456** | 4 138 956 452 |

| | 30 September 2019 Share capital €m | 30 September 2018 Share capital €m | 30 September 2019 Share premium €m | 30 September 2018 Share premium €m |
|---|---|---|---|---|
| **26.4 Issued** | | | | |
| Balance at beginning of the period | **2 155** | 2 155 | **8 801** | 8 801 |
| Reduction of the nominal value of shares | **(2 112)** | – | **2 112** | – |
| Derecognition of the convertible bonds | – | – | **144** | – |
| Equity options to SSUK and Town Investments expire | – | – | **(37)** | – |
| Balance at the end of the period | **43** | 2 155 | **11 020** | 8 801 |
| **26.5 Treasury shares** | | | | |
| Balance at beginning of the period | **(85)** | (48) | **(437)** | (207) |
| Reduction of the nominal value of shares | **79** | – | **(79)** | – |
| Purchased and attributed shares during the period | **4** | (37) | **(4)** | (230) |
| Equity options to SSUK and Town Investments expire | – | – | **37** | – |
| Balance at the end of the period | **(2)** | (85) | **(483)** | (437) |
| **Total issued ordinary share capital and share premium** | **41** | 2 070 | **10 537** | 8 364 |

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 General Meetings of the Company.

All issued ordinary shares have been fully paid-up.

By amendment to the Articles of Association on 30 August 2019, the nominal value of each ordinary share was reduced from €0.50 to €0.01.

## 26. *Ordinary share capital* *(continued)*

| | 30 September 2019 Number of shares | 30 September 2018 Number of shares |
|---|---|---|
| **26.6 Unissued shares** | | |
| Reserved for bond holders | – | 414 522 268 |
| Shares reserved for future participation in share schemes* | **98 349 803** | 90 166 617 |
| Shares reserved for current participation in share schemes* | **7 481 327** | 15 664 513 |
| Shares under the control of the directors | – | 1 483 611 805 |
| Unissued shares | **13 084 441 726** | 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 future under any of the open grants under the ESRS. Refer to note 32.1.*

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## 27. *Preference stated share capital*

### 27.1 Authorised

| | Classification of preference shares | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Redemption** | **Payment of dividends** | **Classification of instrument** | **30 September 2019 Number of shares** | **30 September 2019 Number of shares** | **30 September 2019 €m** | **30 September 2018 €m** |
| **Steinhoff N.V.** | | | | | | | |
| Non-cumulative financing preference shares of €0.01 | Non-redeemable | Discretionary | Equity | **4 000 000 000** | 20 000 000 000 | **40** | 200 |
| **SIHPL** | | | | | | | |
| Cumulative, non-participating preference shares of no par value | Non-redeemable | Discretionary | Equity | **1 000 000 000** | 1 000 000 000 | **–** | – |
| **SINVH** | | | | | | | |
| Variable rate, cumulative, non-participating preference shares of ZAR0.0001 each | Non-redeemable | Discretionary | Equity | **495 000 000** | 495 000 000 | ***** | * |
| **Steinhoff Africa** | | | | | | | |
| Class A perpetual preference shares (par value ZAR0.01) | Non-redeemable | Discretionary | Equity | **2 000** | 2 000 | ***** | * |
| Class B perpetual preference shares of no par value | Redeemable | Discretionary | Compound | **2 000** | 2 000 | **–** | – |
| Cumulative redeemable preference shares (par value R0.01) | Redeemable | Determined upon issue | Financial liability/ compound instrument | **2 000** | 2 000 | ***** | * |
| **SUSHI[2]** | | | | | | | |
| Series A non-participating, non-redeemable preferred shares (par value $0.01) | Non-redeemable | Discretionary | Equity | **–** | 215 | ***** | * |
| **Ainsley Holdings Proprietary Limited[2]** | | | | | | | |
| Cumulative, redeemable preference shares of no par value | Redeemable | Discretionary | Financial liability | **–** | 60 000 | ***** | * |
| **Pepkor Africa** | | | | | | | |
| Non-redeemable, non-cumulative, non-participating preference shares of no par value | Non-redeemable | Discretionary | Equity | **5 000 000** | 5 000 000 | ***** | * |
| Non-redeemable, cumulative, non-participating preference shares of no par value | Non-redeemable | Discretionary | Equity | **2 500 000** | 2 500 000 | ***** | * |
| Redeemable, non-cumulative, non-participating preference shares of no par value | Redeemable | Discretionary | Financial liability | **2 500 000** | 2 500 000 | ***** | * |
| Class A1 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Discretionary | Financial liability | **10 000 000** | 10 000 000 | ***** | * |
| Class A2 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Discretionary | Financial liability | **10 000 000** | 10 000 000 | ***** | * |
| Class A3 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Discretionary | Financial liability | **10 000 000** | 10 000 000 | ***** | * |
| Class A4 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Discretionary | Financial liability | **10 000 000** | 10 000 000 | ***** | * |
| Class A5 redeemable, cumulative, non-participating preference shares of no par value | Redeemable | Discretionary | Financial liability | **10 000 000** | 10 000 000 | ***** | * |
| **BVI** | | | | | | | |
| Cumulative, redeemable, no par value preference shares | Redeemable | Non-discretionary | Financial liability | **7 850** | 7 850 | ***** | * |

** Amount less than €500 000.*
*[1] By amendment to the Articles of Association on 30 August 2019, the authorised preference shares were reduced to 4 billion.*
*[2] The preference shares were cancelled upon redemption.*

## 27. *Preference stated share capital* *(continued)*

### 27.2 Issued

| | 30 September 2019 Number of shares | 30 September 2018 Number of shares | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|---|
| **Classified as equity** | | | | |
| **SINVH**[1] | | | | |
| In issue at the beginning and end of the year | **15 000 000** | 15 000 000 | **134** | 129 |
| **Steinhoff Africa (class A perpetual preference shares)**[2,6] | | | | |
| In issue at the beginning of the year | – | 1 000 | – | 163 |
| Shares redeemed during the year | – | (1 000) | – | (163) |
| In issue at the end of the year | – | – | – | – |
| **SUSHI** | | | | |
| In issue at the beginning of the year* | **202** | 202 | **33** | 33 |
| Shares redeemed during the year | **(202)** | – | **(33)** | – |
| In issue at the end of the year | – | 202 | – | 33 |
| **Total issued preference stated share capital classified as equity** | **15 000 000** | 15 000 202 | **134** | 162 |
| **Classified as liabilities** | | | | |
| **Steinhoff Africa (class B perpetual preference shares)**[2,6] | | | | |
| In issue at the beginning of the year | – | 2 000 | – | 136 |
| Shares redeemed during the year | – | (2 000) | – | (136) |
| In issue at the end of the year | – | – | – | – |
| **Ainsley Holdings Proprietary Limited**[3,7] | | | | |
| In issue at the beginning of the year | – | 60 000 | – | 373 |
| Shares redeemed during the year | – | (60 000) | – | (373) |
| In issue at the end of the year | – | – | – | – |
| **Steinhoff Africa (cumulative redeemable preference shares)**[4] | | | | |
| In issue at the beginning of the year | **1 000** | – | **262** | – |
| Shares issued during the year | – | 1 000 | - | 262 |
| Accrued dividends | – | – | **26** | – |
| Reclassified as liability | **(1 000)** | – | **(288)** | – |
| In issue at the end of the period | – | 1 000 | – | 262 |

## 27. *Preference stated share capital* *(continued)*

### 27.2 Issued (continued)

#### Classified as liabilities (continued)

| | 30 September 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
|---|---|---|---|---|
| | Number of shares | Number of shares | €m | €m |
| **Pepkor Africa (class A cumulative redeemable preference shares)[5]** | | | | |
| In issue at the beginning of the year | **6 000** | – | **365** | – |
| Shares issued during the year | **–** | 6 000 | **–** | 365 |
| In issue at the end of the year | **6 000** | 6 000 | **365** | 365 |
| | | | | |
| **Summary of preference shares in issue** | | | | |
| Non-controlling interest (note 28) | | | **134** | 162 |
| Liabilities | | | **365** | 627 |
| | | | **499** | 789 |

[1] ***Terms of issued SINVH 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] ***Steinhoff Africa preference shares***
*The Class A and Class B preference shares were redeemed during the 2018 Reporting Period.*

[3] ***Ainsley Holdings Proprietary Limited preference shares***
*The preference shares were redeemed during the 2018 Reporting Period.*

[4] ***Terms of issued Steinhoff Africa preference shares***
*The reconstituted board of Steinhoff Africa (appointed on 2 February 2018 and 8 July 2019) mandated an investigation into the process followed with regards to the issue of the preference shares.*

*On 28 October 2019, the Steinhoff Africa board concluded that the issue of the preference shares was neither authorised nor permitted in terms of its MOI and is therefore void.*

*Although the cancellation of the Steinhoff Africa preference shares occurred after the Reporting Period, management believes that the conditions causing them to be void already existed at the date of 'issue' and as a result, the issued preference share capital as well as any accrued dividends were retrospectively adjusted.*

*Notwithstanding management's view that the preference share is void, Steinhoff Africa received R4 billion at the time, for which a liability has been raised equal to the preference share investments disclosed in notes 27.2 and 11.1 reflecting management's view that they are directly related.*

[5] ***Terms of issued Pepkor Africa preference shares***
*During the 2018 Reporting Period, Pepkor Africa 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 in the 2018 Reporting Period.*

[7] *Guaranteed by Steinhoff N.V., SIHPL and Pepkor Africa. 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 of whether these dividends have been declared. Any preference dividends actually paid have been presented as dividends paid to non-controlling interests.

## 28. *Non-controlling interests*

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.

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.

*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. *Non-controlling interests* *(continued)*

### 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 2019 % | 30 September 2018 % | 30 September 2019 €m | 30 September 2018 €m | 30 September 2019 €m | 30 September 2018 €m |
| Pepkor Africa | **28.99** | 28.99 | **39** | 49 | **996** | 983 |
| Conforama | | – | **(283)** | – | **117** | – |
| Individually immaterial subsidiaries with non-controlling interests | | | **14** | (13) | **26** | 17 |
| | | | **(230)** | 36 | **1139** | 1 000 |
| Preference shares classified as equity (note 27.2) | | | **8** | 19 | **134** | 162 |
| Total non-controlling interests | | | **(222)** | 55 | **1273** | 1 162 |

Any non-controlling interests recognised by the subsidiaries are included in the balances above.

## 28. *Non-controlling interests* *(continued)*

### 28.2 Material Transactions with non-controlling interests

*Conforama Warrants Issued to senior bond holders*

By a ruling rendered 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 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.

On 15 April 2019, Conforama issued senior secured bonds to the amount of €205 million ("Tranche A Bonds") and provided certain conditions are met could issue Tranche B bonds to the amount of €111 million at date no earlier than 1 January 2020, and no later than 28 February 2020 (unless otherwise agreed to by the parties to the contract).

As additional consideration for the senior secured bonds, the creditors were granted warrants ("Warrants") that effectively granted them 49.9% of the economic rights to the future returns of Conforama (i.e. 49.9% right to returns arising from distributions, exit and / or a liquidation event) through the right to ownership of Class 2 Preference Shares in the future.

The Warrant agreement came into effect on 15 April 2019, with 205,242,947 Warrants issued to bondholders on 29 May 2019.

An Exercise Event, that would trigger the conversion of the warrants into Class 2 Preference Shares, includes any of the following events:

- Listing, partial exit or change in control of Conforama
- Voluntary or involuntary liquidation of Conforama;
- Any distribution by any nature whatsoever by Conforama for the benefit of shareholders; or
- Six months prior to 29 May 2029.

The Class 2 Preference Shares provide the holders thereof the right to dividends (declared at Conforama's discretion) as well as to a proportion of the net liquidation proceeds in the event that Conforama is liquidated. The Class 2 Preference Shareholders' right to net liquidation proceeds is on substantially the same terms as the ordinary shareholders (i.e. net liquidation proceeds will first be employed to settle the par value of the shares held by all the shareholders [including the Class 2 Preference Shareholders] pro-rata to their stake in Conforama's share capital, following which the remainder will be settled to the ordinary and the Class 2 Preference Shareholders based on the dividend portion formula).

The Class 2 Preference Shares will therefore be classified as a non-controlling interest in the Consolidated Financial Statements as it provides the holders thereof the right to the equity (i.e. dividends and a portion of net liquidation proceeds) of Conforama.

As it has been determined that the Class 2 Preference Shares will be classified as a non-controlling interest in the Consolidated Financial Statements, consideration was given to whether the unexercised Warrants should also be classified as a non-controlling interest.

Based on the terms governing the exercise of the Warrants, the Warrants will be exercised once any form of equity return is provided to the ordinary shareholders (i.e. a dividend distribution of any form and/or net liquidation proceeds from a liquidation event) and mandatorily by 29 May 2029 if not yet exercised by such date. The Warrants therefore provide the holders thereof with the right to equity returns from issuance date and not only from the date that the Warrants are exercised. This would therefore result in the issued Warrants being classified as a non-controlling interest from issuance date, at a consolidated Group level.

## 28. *Non-controlling interests* *(continued)*

### 28.2 Material Transactions with non-controlling interests (continued)

*Conforama Warrants Issued to senior bond holders (continued)*

#### Measurement of NCI

The issue of the Warrants changed Steinhoff N.V.'s economic interest in Conforama but did not result in a change in control and therefore the transaction is accounted for as equity transactions.

The carrying amount of the non-controlling interest was adjusted to reflect the change in the economic interest in Conforama. The difference between the amount by which the non-controlling interest is adjusted, and the fair value of the consideration paid or received, was recognised in equity and attributed to the Group's equity holders.

The non-controlling interests in Conforama was measure at the proportionate share of Conforama's net assets.

#### Voting rights

The Warrants holds no voting rights. In case all the Warrants were to be exercised (which is an individual decision to be made by each holder of Warrants during the relevant Exercise Period), they would "convert" into 205,242,947 Class 2 Preference Shares. Class 2 Preference Shares bear significant financial rights, as they together give right by priority to 49.90% of all shareholders' proceeds. However, Class 2 Preference Shares do not bear any particular voting rights, such as any right to change the governance structure at the level of Conforama Holding.

In particular, each Class 2 Preference Share will only bear one voting right, and therefore exercise of all Warrants (if and when it happens) will have little impact per se on the allocation of voting powers within the company: Conforama Développement would continue holding more than 99% of the ordinary shares (98 billion) issued by the company.

## 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 2019 | | 30 September 2018 |
|---|---|---|---|
| | €m | €m | €m |
| | Conforama | Pepkor Africa | Pepkor Africa |
| The summarised financial information below represents amounts before intragroup eliminations and consolidation entries. | | | |
| **Summarised Statement of Financial Position** | | | |
| Non-current assets | **759** | **4 043** | 4 136 |
| Current assets | **1 035** | **1 606** | 1 404 |
| Non-current liabilities | **(392)** | **(1 242)** | (1 270) |
| Current liabilities | **(1 163)** | **(988)** | (877) |
| **Summarised Statement of Profit or Loss and Other Comprehensive Income** | | | |
| Revenue | **3 417** | **4 305** | 4 110 |
| **(Loss)/profit for the period** | **(616)** | **134** | 186 |
| (Loss)/profit attributable to owners of the parent | **(333)** | **134** | 185 |
| Loss attributable to the non-controlling interests | **(283)** | **–** | 1 |
| **(Loss)/profit for the period** | **(616)** | **134** | 186 |
| Total comprehensive income attributable to owners of the parent | **(333)** | **112** | 172 |
| Total comprehensive income attributable to the non-controlling interests | **(283)** | **–** | 1 |
| **Total comprehensive income for the period** | **(616)** | **112** | 173 |
| **Summarised Statement of Cash Flows** | | | |
| Net (outflow)/inflow from operating activities | **(93)** | **34** | 162 |
| Net outflow from investing activities | **(61)** | **(97)** | (141) |
| Net (outflow)/inflow from financing activities | **(24)** | **81** | (14) |
| **Net cash (outflow)/inflow** | **(178)** | **18** | 7 |
| 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.

### Critical judgements

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. Where management could not conclude if an entity meets the definition of a related party, that entity was classified as "related or affiliated" and those transactions were disclosed under this note.

*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.

*2019 Reporting Period*

### Bruno Steinhoff and Angela Krüger-Steinhoff related and affiliated entities

Bruno Steinhoff was a Supervisory Board member until February 2018. Angela Krüger-Steinhoff remained a Supervisory Board member until her resignation on 30 August 2019.

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 Bruno Steinhoff and/or Angela Krüger-Steinhoff during the periods presented:

- Bruno Steinhoff Beratungs- und Verwaltungs GmbH
- Steinhoff Familienholding GmbH

### Blake and Associates Holdings Proprietary Limited ("Blake")

Heather Sonn is the major equity shareholder in an investment company called Gamiro Ventures Proprietary Limited ("Gamiro") which owns shares in a company called Blake. In September 2018 the equity of Blake was restructured by means of Blake buying back its shares held by an entity called Geros Gmbh ("Geros") for a consideration of approximately €600 000. Recently acquired information suggests that Geros may have been controlled by Steinhoff N.V., which would then make the Blake/Geros transaction a related party transaction. Gamiro contributed to the funding of the transaction and gained control of Blake as a result of the transaction, which assisted in Blake acquiring B-BBEE credentials.

Blake is a debt collecting company, which includes amongst its clients the JD Group, which is controlled by SINVH via Pepkor Africa. Blake is one of a panel of external debt collectors contracted at arm's length by the JD Group and is subject to the same terms and conditions as other service providers. The Blake relationship with the JD Group is a longstanding one that preceded the JD Group becoming part of the Pepkor Africa Group.

*2018 Reporting Period*

### 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 that 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,
- the payment of €147 million was 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 for Seifert rights.

## 29. *Related-party transactions and control considerations* *(continued)*

*2018 Reporting Period (continued)*

### 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 Pepkor Africa, a material subsidiary. Jayendra Naidoo 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

### 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
- Toerama Proprietary Limited
- Invicta Holdings Limited

### Markus Jooste

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.

### 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 2018 Reporting Period. 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.

All material intergroup transactions are eliminated on consolidation.

## 29. *Related-party transactions and control considerations* *(continued)*

### 29.1 Directorate

The directorate below reflects the Management and Supervisory Board members as at the date this report was approved.

#### Management Board

| | | |
|---|---|---|
| Louis du Preez | Appointed: | 20 April 2018 |
| Theodore de Klerk | Appointed: | 20 April 2018 |

#### Supervisory Board

| | | |
|---|---|---|
| Heather Sonn | Reappointed: | 20 April 2018 |
| | Resigned | 18 May 2020 |
| Khanyisile Kweyama | Appointed: | 20 April 2018 |
| Moira Moses | Appointed: | 20 April 2018 |
| Hugo Nelson | Appointed: | 20 April 2018 |
| Peter Wakkie | Reappointed: | 30 August 2019 |
| Alex Watson | Appointed: | 20 April 2018 |
| Paul Copley | Appointed: | 30 August 2019 |
| David Pauker | Appointed: | 30 August 2019 |

#### Management Board members which resigned during the 2018 and 2019 Reporting Periods

| | | |
|---|---|---|
| Markus Jooste | Resigned: | 5 December 2017 |
| Ben la Grange | Resigned: | 4 January 2018 |
| Danie van der Merwe | Resigned: | 31 December 2018 |
| Alexandre Nodale | Appointed: | 20 April 2018 |
| | Resigned: | 11 April 2019 |
| Philip Dieperink | Appointed: | 20 April 2018 |
| | Resigned: | 31 August 2019 |

#### Supervisory Board members that resigned/retired during the 2018 and 2019 Reporting Periods

| | | |
|---|---|---|
| Claas Daun | Retired: | 28 February 2018 |
| Thierry Guibert | Resigned: | 2 February 2018 |
| Len Konar | Retired: | 28 February 2018 |
| Theunie Lategan | Retired: | 28 February 2018 |
| Jayendra Naidoo | Appointed: | 14 March 2017 |
| | Resigned: | 18 January 2018 |
| Steve Booysen | Reappointed: | 20 April 2018 |
| | Resigned: | 30 August 2019 |
| Bruno Steinhoff | Retired: | 28 February 2018 |
| Angela Krüger-Steinhoff | Reappointed: | 20 April 2018 |
| | Resigned: | 30 August 2019 |
| Johan van Zyl | Resigned: | 17 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 Key management personnel

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 Finance, Risk management and Internal audit.

The number of key management members at 30 September 2019 is 27 (2018: 30).

| Compensation of key management personnel | 2019 €m | 2018 €m |
|---|---|---|
| Short-term employee benefits | **25** | 32 |
| Accrued short-term and long-term benefits | **5** | 4 |
| Share-based payments – related expense | **–** | 11 |
| **Total compensation for the period** | **30** | 47 |

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:

*2019 Reporting Period*

- Transactions with Shoprite entails the rental of stores from Shoprite, and sale of products to Shoprite by Flash and the Building Materials segment.
- 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.
- 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.

*2018 Reporting Period*

- Christo Wiese and Jacob Wiese through Titan and Jayendra Naidoo through Lancaster 101 had an interest in the Shoprite transaction.

  Pepkor Africa 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, the Group 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 €8 million accrued in 2019 (2018: €3.4 million).

## 29. Related-party transactions and control considerations *(continued)*

### 29.3 Interest of key management personnel in contracts (continued)

*2018 Reporting Period (continued)*

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 transactions 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 16.

- 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 Africa. 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 reimbursement of expenses amounting to approximately €1 million as at 30 September 2018.
- Hoffman Inc. rented office space from the Group for an annual amount of approximately €13 000 in the 2018 Reporting Period. Mayfair Speculators Proprietary Ltd ("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.
- 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 2018 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 2018 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) in the 2018 Reporting Period for the use of its Boeing Business Jet B737-72U. An hourly tariff 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 2018 Reporting Period. 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 for the 2018 Reporting Period from Titan Asset Management Proprietary Limited for the use of office space.

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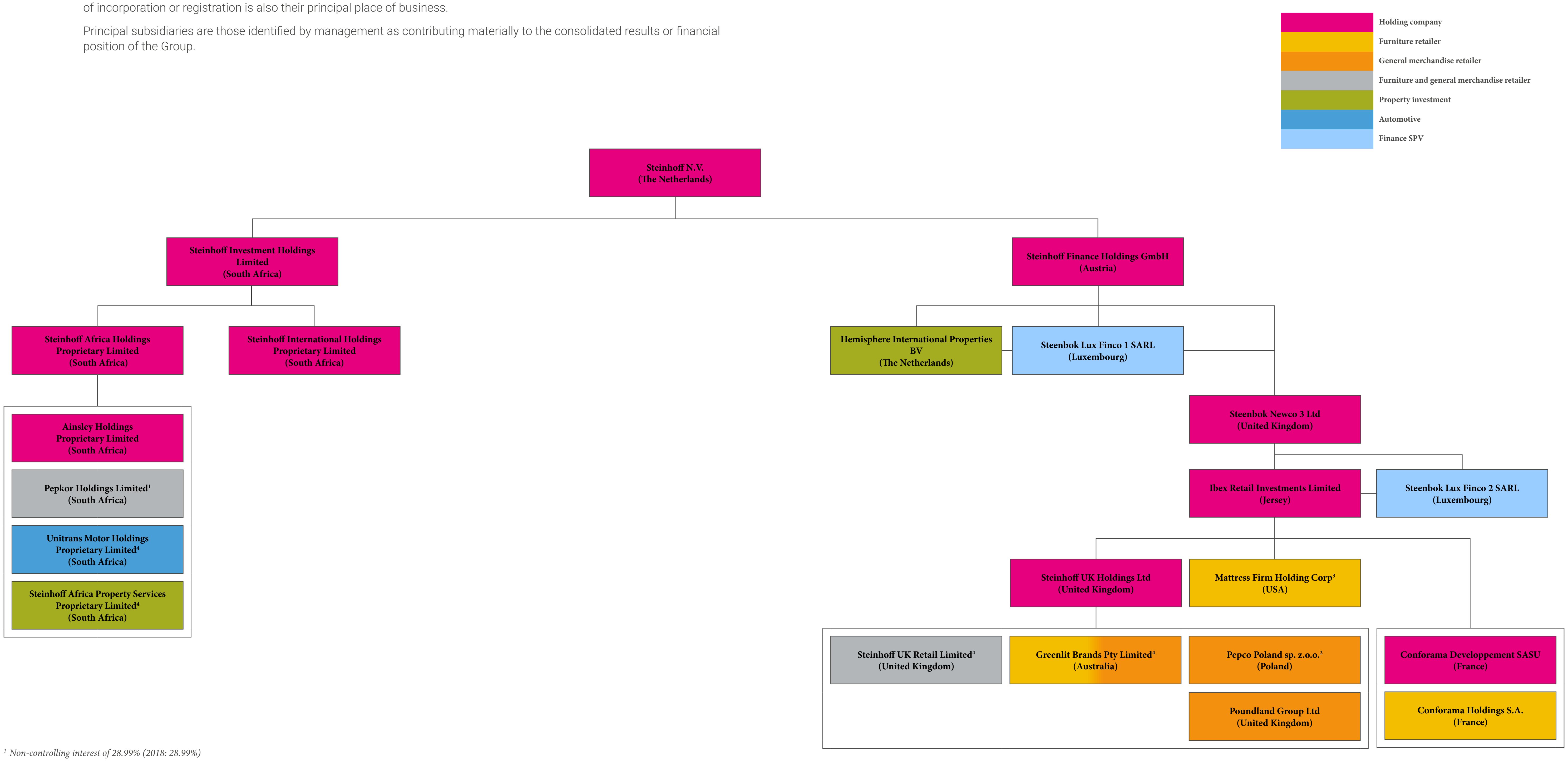
## 29. *Related-party transactions and control considerations* *(continued)*

### 29.4 Principal subsidiaries

The Group's principal subsidiaries at 30 September 2019 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 2019, 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 above structure does not indicate direct interests in subsidiaries and unless otherwise indicated, subsidiaries are wholly owned.

[1] *Non-controlling interest of 28.99% (2018: 28.99%)*
[2] *Non-controlling interest of 2.12%*
[3] *As from 21 November 2018 the Group owns 50.1% of Mattress Firm and recognised the investment as an equity accounted investment form this date.*
[4] *Classified as held-for-sale at 30 September 2019, for Greenlit Brands only General Merchandise division*
[5] *Certain companies were incorporated within the Group to create a new intermediate holding structure below the Company but above the key no-South African businesses and assets of the Steinhoff Group (the "Steenbok Group"). The newly incorporated parent company of the Steenbok Group is Steenbok Newco 3 Limited.*

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## 29. *Related-party transactions and control considerations* *(continued)*

### 29.5 Trading transactions

The following is a summary of material trading transactions and balances outstanding at each reporting date in relation to transactions with investments in equity accounted companies:

| | Notes | Sales by Group €m | Purchases by Group €m | Admin or management fees received by Group €m | Operating expenses recovered by Group €m | Operating expenses paid by Group €m | Rent received by Group €m | Rebates received by Group €m | Rebates paid by Group €m | Interest received by Group €m | Dividends received by Group €m | Receivables due to Group €m | Payables due by Group €m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **30 September 2019** | | | | | | | | | | | | | |
| **Equity Accounted Companies** | | | | | | | | | | | | | |
| KAP and its subsidiaries | a | 6 | (24) | – | – | – | 1 | 2 | – | – | – | – | – |
| Mattress Firm | | 83 | – | – | (2) | – | – | – | (5) | – | – | 1 | – |
| Cofel SAS | b | 3 | (69) | – | – | (4) | – | – | – | – | – | – | – |
| Other equity accounted companies | c | – | (1) | – | – | – | – | – | – | 1 | – | 14 | – |
| | | 92 | (94) | – | (2) | (4) | 1 | 2 | (5) | 1 | – | 15 | – |

| | Notes | Sales by Group €m | Purchases by Group €m | Admin or management fees received by Group €m | Operating expenses recovered by Group €m | Operating expenses paid by Group €m | Rent received by Group €m | Rebates received by Group €m | Rebates paid by Group €m | Interest received by Group €m | Dividends received by Group €m | Receivables due to Group €m | Payables due by Group €m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **30 September 2018** | | | | | | | | | | | | | |
| **Equity Accounted Companies** | | | | | | | | | | | | | |
| KAP and its subsidiaries | a | 19 | (44) | 2 | – | – | – | 3 | – | – | 10 | 2 | (10) |
| PSG Group Limited | | – | – | – | – | – | – | – | – | – | 5 | – | – |
| POCO | | 36 | – | – | – | – | 2 | – | – | – | – | 1 | – |
| Cofel SAS | b | – | (61) | – | – | – | – | – | – | – | – | 1 | (18) |
| Other equity accounted companies | c | – | – | 1 | – | – | – | – | – | 1 | – | 11 | – |
| | | 55 | (105) | 3 | – | – | 2 | 3 | – | 1 | 15 | 15 | (28) |

#### Notes

a Transactions mainly relates to purchases from PG Bison, a subsidiary of KAP, by the Pepkor Africa building materials segment and purchases from Restonic, a subsidiary of KAP, by the Pepkor Africa 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.

## 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 from 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.

### 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.

### Campion Group

In January 2019 the Group concluded various agreements with the Campion Group, the main terms of which included the settlement of a number of outstanding loans owing to the Group in exchange for the receipt by the Group of a number of investments including:

- Approximately 25.5 million Brait shares (note 11.1),
- Approximately 30 million Steinhoff shares held by SSUK and Town Investments (note 32, treated as treasury shares for all periods),
- Legal ownership of Town Investments
- Legal ownership of remaining 55% of GT Branding (Steinhoff had previously treated GT Branding as a controlled entity due to its 45% shareholding)

## 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.

| | Notes | Sales by Group €m | Admin or management fees received 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 |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | |
| Campion Group | a | **78** | **5** | **1** | **(3)** | **–** | **–** | **8** | **(6)** |
| Formal | b | **–** | **–** | **–** | **–** | **(2)** | **–** | **–** | **–** |
| | | **78** | **5** | **1** | **(3)** | **(2)** | **–** | **8** | **(6)** |
| **2018** | | | | | | | | | |
| Campion Group | a | 43 | – | 49 | (12) | – | (1) | 33 | (10) |
| Formal | b | – | – | – | – | (6) | – | – | (1) |
| | | 43 | – | 49 | (12) | (6) | (1) | 33 | (11) |

### Notes

a Sales by the Group are primarily related to Pepkor Africa, through its internal financial administration service operations (Capfin call centre and Van As debt collectors). Pepkor Africa provides administration and collection service to Cencap, related to the JD consumer credit and Capfin loans, provided to Pepkor Africa's customers in return for a fee.

b The Group pays an agents commission to Formal for the property management of some of the Group's UK properties.

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# 31. *Remuneration report*

## 31.1 Remuneration

### 31.1.1 Remuneration of the Management Board and key management personnel

| | Basic remuneration[2] €'000 | Pension contributions €'000 | 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 | Severance payments €'000 | IFRS 2 share-based payment expense[4] €'000 | Total remuneration and fees €'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | | |
| Danie van der Merwe[5] | **230** | **11** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **241** |
| Louis du Preez | **1 200** | **62** | **–** | **–** | **–** | **–** | **1 462** | **–** | **–** | **2 724** |
| Philip Dieperink[6] | **1 500** | **62** | **1** | **–** | **–** | **–** | **1 125** | **1 500** | **–** | **4 188** |
| Theodore de Klerk | **958** | **59** | **–** | **–** | **–** | **–** | **1 083** | **–** | **–** | **2 100** |
| Alexandre Nodale[7] | **1 060** | **46** | **175** | **–** | **–** | **–** | **–** | **1 500** | **–** | **2 781** |
| Subtotal Management Board | **4 948** | **240** | **176** | **–** | **–** | **–** | **3 670** | **3 000** | **–** | **12 034** |
| Key management personnel[11] | **6 828** | **359** | **268** | **1 824** | **1 210** | **4 791** | **1 019** | **–** | **409** | **16 708** |
| **Total Management Board and other key management** | **11 776** | **599** | **444** | **1 824** | **1 210** | **4 791** | **4 690** | **3 000** | **409** | **28 742** |
| **2018** | | | | | | | | | | |
| Markus Jooste[8] | 322 | 4 | – | – | – | – | – | – | – | 326 |
| Ben la Grange[9] | 219 | 6 | – | – | – | 965 | – | – | – | 1 190 |
| Danie van der Merwe | 992 | 36 | – | – | – | 536 | 600 | – | – | 2 164 |
| Louis du Preez[10] | 792 | 44 | – | – | 482 | – | 600 | – | – | 1 918 |
| Philip Dieperink[10] | 1 180 | 69 | 18 | 300 | – | – | 900 | – | – | 2 467 |
| Theodore de Klerk[10] | 629 | 43 | – | 133 | – | 161 | 600 | – | – | 1 566 |
| Alexandre Nodale[10] | 809 | 51 | 137 | 559 | – | – | 600 | – | – | 2 156 |
| Subtotal Management Board | 4 943 | 253 | 155 | 992 | 482 | 1 662 | 3 300 | – | – | 11 787 |
| Executive committee[11] | 9 115 | 361 | 615 | 1 717 | 436 | 9 236 | 548 | – | 11 434 | 33 462 |
| **Total Management Board and executive committee** | 14 058 | 614 | 770 | 2 709 | 918 | 10 898 | 3 848 | – | 11 434 | 45 249 |

[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 2016 and 2017 bonuses that were deferred to the 2018 Reporting Period were paid in October 2017 prior to the December 2017 events. In addition, the last portion of the deferred strategic bonuses payable in the 2019 Reporting Period to Ben la Grange and Danie van der Merwe were not paid.*

[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]*Resigned on 31 December 2018 as Management Board member.*

[6]*Resigned on 31 August 2019.*

[7]*Resigned on 11 April 2019, remuneration for the month of April is included.*

[8]*Resigned on 5 December 2017.*

[9]*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 were not included in the disclosure above.*

[10]*Appointed on 20 April 2018. The remuneration for 2018 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.*

[11]*Key management personnel remuneration for the 2018 Reporting Period 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.*

There are incentive plans for the Management Board based on future key performance indicators on which fulfilment and subsequent approval by Remuneration Committee will result in performance bonuses. Performance bonuses are only recognised once it is probable that it will be achieved.

# 31. *Remuneration report* *(continued)*

## 31.1 Remuneration (continued)

### 31.1.2 Remuneration of the Supervisory Board members

| | Other Group entities | | Steinhoff N.V. | |
|---|---|---|---|---|
| | 2019 €'000 | 2018 €'000 | 2019 €'000 | 2018 €'000 |
| **Supervisory Board members that are in office** | | | | |
| Paul Copley[1] | – | – | **113** | 14 |
| Khanyisile Kweyama[2] | – | – | **143** | 70 |
| Moira Moses[2] | **30** | – | **162** | 73 |
| Hugo Nelson[2] | – | – | **155** | 73 |
| David Pauker[3] | **163** | – | **73** | – |
| Heather Sonn[12] | **61** | 29 | **337** | 285 |
| Peter Wakkie[2] | – | – | **168** | 75 |
| Alex Watson[2] | **35** | – | **157** | 73 |
| **Supervisory Board members that resigned/retired during the 2018 and 2019 Reporting Periods** | | | | |
| Steve Booysen[4] | **42** | 29 | **155** | 175 |
| Claas Daun[5] | – | – | – | 46 |
| Thierry Guibert[6] | – | – | – | 34 |
| Len Konar[5] | – | – | – | 83 |
| Theunie Lategan[5] | – | – | – | 65 |
| Jayendra Naidoo[7] | – | – | – | 29 |
| Angela Krüger-Steinhoff[4] | – | – | **107** | 111 |
| Bruno Steinhoff[5,8] | – | – | – | 338 |
| Johan van Zyl[9] | – | – | – | 55 |
| Christo Wiese[10,11] | – | – | – | 257 |
| Jacob Wiese[10] | – | – | – | 21 |
| | **331** | 58 | **1 570** | 1 877 |

*[1] Paul Copley was nominated to the Supervisory Board in August 2018. Although not officially appointed until the AGM held on 30 August 2019, he received fees for his services provided to the Group in the capacity of a Supervisory Board member.*

*[2] Appointed on 20 April 2018*

*[3] David Pauker was nominated to the Supervisory Board in February 2019. Although not officially appointed until the AGM held on 30 August 2019, he received fees for his services provided to the Group in the capacity of a Supervisory Board member.*

*[4] Resigned on 30 August 2019*

*[5] Retired on 28 February 2018*

*[6] Resigned on 2 February 2018*

*[7] Appointed on 14 March 2017, resigned on 18 January 2018*

*[8] Paid to Bruno Steinhoff Beratungs-und Verwaltungs GmbH as management fees*

*[9] Resigned on 17 April 2018*

*[10] Resigned on 14 December 2017*

*[11] Paid to various entities as management fees. These entities are Grene Properties Proprietary Limited, Chaircorp Proprietary Limited, Titan Financial Services Proprietary Limited and Toerama Proprietary Limited.*

*[12] Resigned on 18 May 2020.*

# 31. *Remuneration report* *(continued)*

## 31.2 Share rights

| | Offer date | Conditional vesting date | Number of rights as at 30 September 2018 | Number of rights forfeited during the Reporting Period | Number of rights as at 30 September 2019 |
|---|---|---|---|---|---|
| **Management Board** | | | | | |
| **Danie van der Merwe** | | | | | |
| | March 2016 | March 2019[1] | 335 509 | (335 509) | – |
| | March 2017 | March 2020[3] | 490 484 | (490 484) | – |
| | | | **825 993** | **(825 993)** | **–** |
| **Philip Dieperink** | | | | | |
| | March 2016 | March 2019[1&2] | 122 923 | (122 923) | – |
| | March 2017 | March 2020[2&3] | 140 462 | (140 462) | – |
| | | | **263 385** | **(263 385)** | **–** |
| **Theodore de Klerk** | | | | | |
| | March 2016 | March 2019[1&2] | 67 301 | (67 301) | – |
| | March 2017 | March 2020[2] | 83 438 | – | 83 438 |
| | | | **150 739** | **(67 301)** | **83 438** |
| **Alexandre Nodale** | | | | | |
| | March 2016 | March 2019[1&2] | 198 255 | (198 255) | – |
| | March 2017 | March 2020[2&3] | 294 290 | (294 290) | – |
| | | | **492 545** | **(492 545)** | **–** |
| **Total Management Board** | | | **1 732 662** | **(1 649 224)** | **83 438** |

[1] *The 2016 grant was assessed during June 2019 and the share rights were forfeited in the 2019 Reporting Period. In April 2020, the 2017 grant was measured against its vesting criteria and due to the performance hurdles not having been met, the 2017 grant did not vest. For the 2019 Reporting Period, the assessment is that the 2017 grant is highly unlikely to vest, therefore no values were attributed to any of the shares in the statement of profit and loss.*

[2] *Granted prior to being a Management Board member.*

[3] *Shares forfeited upon resignation.*

No new shares were granted during the 2018 or 2019 Reporting Periods.

Refer to note 32 for more details regarding the conditions to exercise the rights.

## 31.3 Interest in Steinhoff N.V. share capital based on active Board members as at 30 September 2019

| | Total shares 30 September 2019 | Total shares 30 September 2018 |
|---|---|---|
| **Management Board** | | |
| Danie van der Merwe[1] | **n/a** | 5 049 621 |
| Louis du Preez** | **5 165** | 5 165 |
| Philip Dieperink[1] | **n/a** | 526 562 |
| Theodore de Klerk** | **194 270** | 194 270 |
| Alexandre Nodale[1] | **n/a** | 507 941 |
| | **199 435** | 6 283 559 |
| **Supervisory Board** | | |
| Steve Booysen[1] | **n/a** | 109 074 |
| Angela Krüger-Steinhoff[1] | **n/a** | 825 664 |
| | **–** | 934 738 |

***No change in shareholding from the previous Reporting Date.*

[1] *Resigned during the Reporting Period.*

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 N.V. ESRS*

The Company implemented a long term employee share incentive 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 number 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 2017 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 2018 or 2019 Reporting Periods.

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.

## 32. *Share-based payments* *(continued)*

### 32.1 Employee share scheme (continued)

#### *32.1.1 Steinhoff N.V. ESRS (continued)*

| | 30 September 2019 Number of rights | 30 September 2018 Number of rights |
|---|---|---|
| The number of share rights outstanding is: | | |
| Outstanding at the beginning of the period | **15 664 513** | 33 569 687 |
| Forfeited during the period[1] | **(8 183 186)** | (17 905 174) |
| Outstanding at the end of the period | **7 481 327** | 15 664 513 |

[1] *Certain divisions and individuals did not meet performance targets for the share vesting and forfeited their share rights. The forfeitures in the 2019 Reporting Period included all remaining shares under the 2016 grant.*

#### 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 |
|---|---|
| Fair value of share rights and assumptions: | |
| Fair value at grant date | €4.70 |
| Share price at grant date | €4.98 |
| Expected volatility | 77.07% |
| Dividend yield | 0.00% |
| Risk-free interest rate | 6.66% |
| Date of grant | 1 March 2017 |
| Conditional date of vesting | 1 March 2020 |
| Exercise price | – |

Refer to note 31.2 for the Management Board's interests in the employee share scheme.

#### *32.1.2. Pepkor Africa ESRS*

During the 2019 Reporting Period Pepkor Africa granted 13 167 723 (2018:11 262 942) 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. 421 039 (2018: 1 536 588) were forfeited during the 2019 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 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 (2018: €18 million), was recognised in the statement of 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 4.3.2 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 only remaining share purchase arrangements still open during the 2019 and 2018 Reporting Periods pertain to SSUK and Town Investments.

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. Management has concluded that the Group does not control these entities. Despite not consolidating these entities the Steinhoff shares held by SSUK and Town Investments were recognised as treasury shares, together with the related share-based payments arising from transactions with these entities.

In January 2019 the Group concluded various settlement agreements with the Campion Group, the main terms of which included the settlement of a number of outstanding loans owing to the Group in exchange for the receipt by the Group of a number of investments including, amongst others, approximately 30 million Steinhoff shares held by SSUK and Town Investments.

The in-substance options relating to SSUK expired in the 2019 Reporting Period without complete settlement of the respective loans and some of the underlying Steinhoff shares were returned to Steinhoff N.V. as part of the Campion settlement agreement concluded during January 2019. The settlement agreement stipulated that a portion of the Steinhoff shares will be returned and the loan to be settled. The accounting treatment for the modification to the terms of the option will relate to the extent of the shares retained by SSUK (i.e. the strike price of the option has been modified from the loan balance to zero for the proportion not returned), additional IFRS 2 charge of €1 million was raised during the 2019 Reporting Period. The relating share-based payment reserve was released to retained earnings. Refer to note 29.

## 32. *Share-based payments* *(continued)*

### 32.2 Share-based payment expenses relating to share funding transactions (continued)

#### 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.

The option is deemed to be exercised on the settlement date with Campion on 4 January 2019 (being the maturity date) during the 2019 Reporting Period. As all the underlying Steinhoff shares were returned to the Group, it would be of no accounting consequence as it would be akin to the expiration of an option without being exercised. Steinhoff N.V. would continue to present the shares retained as treasury shares until they are re-issued. The share-based payment reserve was cleared to retained earnings.

### 32.3 Share-based payment expense – equity-settled relating to loans granted

| | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|
| SSUK | 1 | 1 |

### 32.4 Reconciliation of the share-based payment reserve

| | Notes | 30 September 2019 €m | 30 September 2018 €m |
|---|---|---|---|
| Balance at the beginning of the year | | 14 | 7 |
| Transfer to accumulated losses due to share scheme | | – | 2 |
| Adjustments to share based payment reserve: | | | |
| SSUK options expired | | (14) | – |
| Through profit or loss: Employee benefit expense (Pepkor Africa ESRS) | 4.3.2 | 6 | 4 |
| Through profit or loss: Equity options on loans | 4.2.5 | 1 | 1 |
| Balance at the end of the period | | 7 | 14 |

## 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 2019 €m | 30 September 2018 €m | 30 September 2019 €m | 30 September 2018 €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 | **(66)** | (52) | **(85)** | (76) |
| Fair value of plan asset | **–** | – | **89** | 72 |
| Net liability arising from defined benefit obligations | **(66)** | (52) | **4** | (4) |
| **Components of defined benefit cost recognised in total comprehensive income** | | | | |
| Total service cost | **(2)** | (1) | **(1)** | – |
| Net interest expense | **(1)** | (1) | **–** | – |
| Other expenses | **–** | – | **(1)** | (1) |
| Components of defined benefit cost recognised in profit or loss | **(3)** | (2) | **(2)** | (1) |
| Remeasurement on the net defined benefit liability: | | | | |
| Return on plan assets (excluding amounts included in net interest expense) | **–** | – | **17** | 1 |
| Remeasurement gains/(losses) arising from changes in: | | | | |
| Demographic assumptions | **(3)** | (3) | **1** | – |
| Financial assumptions | **(11)** | 2 | **(12)** | 1 |
| Experience adjustments | **1** | (3) | **–** | (1) |
| Components of defined benefit cost recognised in other comprehensive income | **(13)** | (4) | **6** | 1 |
| | **(16)** | (6) | **4** | – |
| **Movements in the present value of the defined benefit obligations** | | | | |
| Opening defined benefit obligations | **(52)** | (48) | **(76)** | (79) |
| Current service cost | **(3)** | (3) | **–** | – |
| Net interest expense | **(1)** | (1) | **(2)** | (2) |
| Remeasurement gains/(losses) arising from changes in: | | | | |
| Demographic assumptions | **(3)** | (3) | **1** | – |
| Financial assumptions | **(11)** | 2 | **(12)** | 1 |
| Experience adjustments | **1** | (3) | **–** | (1) |
| Past service cost | **1** | 2 | **(1)** | – |
| Benefits paid | **2** | 2 | **6** | 4 |
| Exchange differences on consolidation of foreign subsidiaries | **–** | – | **(1)** | 1 |
| Closing defined benefit obligations | **(66)** | (52) | **(85)** | (76) |
| **Movements in the fair value of the plan assets** | | | | |
| Opening fair value of plan assets | **–** | – | **72** | 73 |
| Interest income | **–** | – | **2** | 2 |
| Return on plan assets (excluding amounts included in net interest expense) | **–** | – | **17** | 1 |
| Employer contributions | **2** | 2 | **5** | 3 |
| Other expenses | **–** | – | **(1)** | (1) |
| Settlements | **–** | – | **–** | – |
| Benefits paid | **(2)** | (2) | **(5)** | (4) |
| Exchange differences on consolidation of foreign operations | **–** | – | **(1)** | (2) |
| Closing fair value of plan assets | **–** | – | **89** | 72 |

## 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: (continued)

| | Conforama Pension Fund | | Homestyle Pension Fund | |
|---|---|---|---|---|
| | 30 September 2019 €m | 30 September 2018 €m | 30 September 2019 €m | 30 September 2018 €m |
| **The major categories of plan assets are:** | | | | |
| Equities/diversified growth fund | – | – | **55** | 36 |
| Bonds | – | – | **33** | 26 |
| Cash | – | – | **1** | 10 |
| Total market value of assets | – | – | **89** | 72 |
| **The principal assumptions used for the purposes of the actuarial valuations are:** | | | | |
| Discount rate | **1.8%** | 1.5% | **1.7%** | 2.8% |
| Expected rates of salary increase | **1.5%** | 1.5% | **n/a** | n/a |
| Inflation | **1.5%** | 1.5% | **2.1%** | 3.2% |

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## 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 2019. The balances disclosed below include impairments recognised on the date of classification as held-for-sale.

| | Notes | Automotive €m | Blue Group €m | Greenlit Brands – General Merchandise €m | European Properties €m | Africa Properties €m | Sherwood* €m | Abra €m | Conforama - France store closure €m | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|
| **At 30 September 2019** | | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Goodwill | | – | – | – | – | – | 24 | – | – | 24 |
| Intangible assets | | 68 | 3 | – | – | | – | 1 | – | 72 |
| Property, plant and equipment | | 116 | 29 | – | 225 | 95 | 10 | 3 | 64 | 542 |
| Investment properties | | – | – | – | – | 70 | – | – | – | 70 |
| Investment in equity accounted companies | 10 | – | – | – | – | 12 | – | – | – | 12 |
| Other financial assets | 11 | 26 | – | – | – | – | – | – | – | 26 |
| Deferred tax assets | 6.4 | 21 | 1 | 22 | – | 6 | – | – | – | 50 |
| Inventories | | 195 | 57 | 114 | – | 1 | 6 | 6 | – | 379 |
| Trade receivables | | 52 | 14 | 15 | 7 | 2 | 10 | – | – | 100 |
| Other receivables | | 3 | 9 | – | 1 | 1 | – | – | – | 14 |
| Cash and cash equivalents | | 83 | 45 | 10 | – | – | 16 | 2 | – | 156 |
| **Total assets** | | 564 | 158 | 161 | 233 | 187 | 66 | 12 | 64 | 1 445 |
| **Liabilities** | | | | | | | | | | |
| Borrowings | 16 | (18) | – | (3) | – | – | – | – | – | (21) |
| Provisions | 21 | (35) | (22) | (25) | (2) | – | – | – | – | (84) |
| Deferred tax liabilities | 6.4 | (16) | – | – | – | – | – | – | – | (16) |
| Trade payables | | (193) | (120) | (77) | (6) | (3) | (12) | (9) | – | (420) |
| Other payables | | (27) | (14) | (28) | (4) | – | (1) | – | – | (74) |
| **Total liabilities** | | (289) | (156) | (133) | (12) | (3) | (13) | (9) | – | (615) |
| **Net assets after impairments** | | 275 | 2 | 28 | 221 | 184 | 53 | 3 | 64 | 830 |
| **Non-controlling interest** | | – | – | – | – | – | (3) | – | – | (3) |
| **Impairments recognised through profit or loss** | | (47) | (50) | (93) | – | (31) | (31) | – | – | (252) |
| **Reserves relating to assets held-for-sale and disposal groups** | | (2) | 64 | – | 31 | – | 1 | – | – | 94 |

** Sherwood assets and liabilities reflected at 100%.*

### Fair values of assets and liabilities classified as held-for-sale

Assets and liabilities classified as held-for-sale during the Reporting Period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification, resulting in impairments recognised through profit and loss as disclosed above. The fair value, of the disposal groups that were impaired, were determined using signed sales agreements. Refer to note 1 for information about the sales agreements and the counter-parties to these agreements.

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## 34. *Assets and liabilities classified as held-for-sale* *(continued)*

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.

| | | Automotive | Mattress Firm | Steinpol | POCO | Other | Total |
|---|---|---|---|---|---|---|---|
| | Notes | €m | €m | €m | €m | €m | €m |
| **Balance 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** | | | | | | | |
| 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 |

## 34. *Assets and liabilities classified as held-for-sale* *(continued)*

The following table present a roll-forward of certain non-current assets transferred to held-for-sale during the 2019 Reporting Period

| | Notes | Goodwill €m | Other Intangible Assets €m | Property Plant and Equipment and Investment Property €m |
|---|---|---|---|---|
| **Balance at 30 September 2018** | | 2 | 608 | 314 |
| Transfer to assets held-for-sale | 8 & 9 | 107 | 49 | 593 |
| Disposal of subsidiary | 1.4 | (2) | (538) | (183) |
| Impairments in accordance with IFRS 5 | 1.2.1 | (83) | (36) | (119) |
| Exchange differences on consolidation of foreign operations | | – | (11) | 7 |
| **Balance at 30 September 2019** | | 24 | 72 | 612 |

## 35. *Events occurring after the Reporting Period*

### Disposals of non-core assets to raise funds to repay debt

- On 15 November 2019, Alteri Investors, the specialist European retail sector investor, has reached agreement to acquire Blue Group Hold Co Ltd, owner of Bensons for Beds, Harveys Furniture and upholstery & bedding manufacturers Relyon, Steinhoff UK Beds and Formation Furniture, from the Group for a consideration of €9.3 million.
- On 18 November 2019, the Group announced that Greenlit Brands Pty Ltd, its wholly-owned Australasian subsidiary, has reached an agreement to divest its General Merchandise division to Allegro Funds for €25 million.
- On 25 November 2019 the company sold 74.9% of the issued ordinary shares of Unitrans Motors Holdings Proprietary Limited to CFAO Holdings South Africa Proprietary Limited for proceeds of €239 million (ZAR3.9 billion) which includes repayment of shareholder loan of €42 million (ZAR689 million) and pre-acquisition dividend of €8 million (ZAR125 million).
- On 19 December 2019 the company sold the remaining 25.1.% of the issued ordinary shares of Unitrans Motors Holdings Proprietary Limited to Kapela for proceeds of €56 million (ZAR886.1 million).
- In January 2020, the Group finalised the sale of its 80% equity holding in US manufacturer, Sherwood, to Tempur Sealy for an amount of €47.3 million.
- After year-end the Group decided to dispose of the Conforama Iberia business and embarked on a process to identify potential buyers. An agreement of sale was signed in February 2020, however following the uncertainties around COVID-19 this transaction has subsequently lapsed.
- Subsequent to the 2019 Reporting Date, properties within the European Properties group has been disposed for total proceeds of €272 million.

### Debt refinancing

- On 15 October 2019, Hemisphere and its lenders entered into an amendment and restatement deed which amended the term loan agreement and intercreditor agreement in order to incorporate guarantee obligations (between Hemisphere and its subsidiaries in respect of the debt under the term loan facility agreement) and confirm the remaining security to be provided to the lenders.

### Buyout of minority interest

- During May 2020, Steinhoff Finance Investments Proprietary Limited, the registered beneficial holder of 92% of the issued share capital in Mons Bella Private Partner Investment Proprietary Limited, holder of IEP interest, has acquired the remaining 8% of Mons Bella's issued shares from Chestnut Hill Investments 288 Proprietary Limited (an entity otherwise unrelated to the Group) ("Chestnut Hill") for ZAR72 million (€4 million). The purchase also concludes all legal disputes between the parties. Deal closed on 15 May 2020.

### Corporate activity after the reporting date

- As part of the Group's stated ambition to reduce gearing and the cost of funding while diversifying its sources of funding, Pepkor Africa successfully raised ZAR1 billion in three and five-year bonds issued on 10 March 2020 under its R10 billion domestic medium-term note programme that was approved by the JSE on 2 March 2020. The bonds issued consist of ZAR800 million three-year floating rate notes with a coupon rate of three-month Jibar plus 159 bps and ZAR206 million five-year floating rate notes with a coupon rate of three-month Jibar plus 174 bps. The proceeds from the bond issuance were used to settle the majority of the ZAR1.5 billion bridge funding facility that was repayable in 2020. Pepkor's credit rating was affirmed by Moody's Investors Services on 6 April 2020.
- On 23 June 2020 Pepkor Africa announced a non-pre-emptive placement of up to 172.5 million ordinary shares in the authorised but unissued share capital of the Pepkor Africa to certain institutional investors, representing up to 4.95% of Pepkor Africa's existing issued ordinary shares. The placement was a precautionary measure to strengthen Pepkor Africa's financial flexibility and liquidity position in the light of the continuing COVID-19 pandemic and resulting macro-economic pressure. On 24 June 2020 Pepkor Africa announced the successful implementation of this bookbuild having placed the full 172.5 million shares and raised ZAR1.9 billion. Steinhoff N.V. did not participate in this transaction.
- 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 2019 to 31 December 2019 | Monday, 30 April 2010 | 416.9075 | 25.5842 |

## 35. *Events occurring after the Reporting Period* (continued)

### Changes to the Supervisory Board

- Ms. Heather Sonn, Chairperson of the Supervisory board of the Company, has tendered her resignation from all functions at the Group, and specifically as the Chairperson of both the Company and SINVH., as of 18 May 2020.
- On 22 May 2020, the Supervisory Board appointed Ms Moira Moses as Chairperson of the Supervisory Board, effective immediately.

### 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 be material adjusting events after the reporting period have been disclosed as contingent liabilities in note 22. Legal proceedings not considered adjusting subsequent events are included in this note.

*Consolidation ruling*

- Steinhoff N.V. is engaged in a host of legal proceedings in South Africa and, while the individual litigants differ, Steinhoff considers that there are sufficient overlapping issues and witnesses that renders it more efficient for these proceedings to be consolidated. On 30 April 2020 the Cape High Court dismissed an application for the consolidation of all the litigation based in South Africa. The consolidation application was a procedural request and did not deal with the merits of the underlying matters. The suitability of a consolidation application may be reconsidered by the Court at a later date once matters have been set down and dates for trial applied for, providing an opportunity for Steinhoff N.V. to re-assess this option at that point.

*Competition Commission vs SIHPL and Others*

- This matter involves two referrals issued by the Competition Commission during November 2019. Under the first referral, the Competition Commission has charged a previous subsidiary of SIHPL, namely KAP Diversified Industrial Proprietary Limited ("KAP") of having colluded during the period 2009 to 2014 with its sole local competitor, namely Sonae Arauco South Africa Proprietary Limited ("Sonae") in that they allegedly fixed prices of certain timber products which they both manufactured and sold to merchants. In the second (related) referral, the Competition Commission has charged SIHPL itself with having committed the same offence during that period. The Competition Commission contends that the actual perpetration of the transgressions occurred between representatives of the sale staff of a subsidiary of KAP and their colleagues employed by Sonae. It is not alleged that any SIHPL employee participated in the alleged price fixing or that SIHPL knew or ought to have known that the transgressions were being perpetrated. The Competition Commission seeks a finding against SIHPL exclusively on a contention that by virtue of its shareholding in the KAP group it controlled the business and affairs of KAP and its subsidiaries. SIHPL has initiated review proceedings in the High Court of South Africa to set aside the referral by the Competition Commission.

*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 alleged misrepresentation and restitution as follows:
  - i. contractual claim by the Thibault claimants against SIHPL for an amount of ZAR34.7 billion (€2.1 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
  - 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. During July 2019, Conservatorium Holdings LLC, the legal successor in title to Upington's lenders ("Conservatorium") was granted leave, through Dutch legal proceedings, to levy a prejudgment attachment on Upington's claims against Steinhoff N.V. and SIHPL. As such, in March 2020 Conservatorium initiated intervention proceedings in the High Court of South Africa, for Conservatorium and Upington to be named as plaintiffs in the proceedings. Proceedings are ongoing.

After the Reporting Period, a letter of demand was issued by Newco 2A to Titan dated 22 October 2019. Subsequently, a claim was instituted by Titan on 28 October 2019 against SFHG and Newco 2A for €200 million in response to the Titan letter of demand. SFHG and Newco 2A has defended the action and has raised jurisdictional points. It is management's view that the Titan receivable remains recoverable. Pleadings have closed.

The following legal proceedings have been instituted against the Group after the 2019 Reporting Period and has been deemed as material adjusting events after reporting period and disclosed as contingent liabilities in note 22.

- *Michael John Morris vs SIHPL*
- *Paul Ronald Potter vs SIHPL*
- *Francois Johan Malan vs SIHPL*
- *Peter Andrew Berry vs SIHPL*
- *Andre Frederick Botha vs SIHPL*
- *Warren Wendell Steyn vs SIHPL*
- *Conservatorium Holdings LLC vs SIHPL, Steinhoff N.V. and 5 Others*

On 26 June 2020, De Bruyn's application for certification was dismissed by the Johannesburg High Court. De Bruyn was ordered to pay the costs of the respondents who had opposed the application, including the costs of two counsel, where two counsel were employed.

## 35. Events occurring after the Reporting Period *(continued)*

### COVID-19

The ongoing COVID-19 pandemic is causing significant disruptions both on the supplier and demand side for the Group since its outbreak in February 2020.

- The scale and scope of the global effort to bring the pandemic under control has broadened, resulting in various restrictions on trade, with the United Kingdom, South Africa, the USA and Australia all adopting increased social distancing and other lockdown measures.
- It is expected that the lockdown measures will severely impact the South African economy and the retail sector as consumers face increased unemployment and hardship.
- COVID-19 is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period.

*Supply-side impacts*

At the beginning of the outbreak in February, attention was focused on efforts to mitigate disruption in the supply chain. Many of the businesses in the Group source products from various countries in Asia and some factory supply was negatively impacted by the outbreak and spread of COVID-19. The Group's supply chain is well-diversified and flexible, allowing it to respond rapidly to anticipated inventory shortages and other sourcing challenges. The Group benefited from this agility and was able to address and mitigate these issues, wherever possible, through alternative sourcing and other arrangements. More recently, the affected factories have reopened and are rebuilding capacity.

Shipments of goods from Asian ports were also restricted once production was re-established but proactive management of stock in the supply chain, including swift utilisation of capacity freed up by order cancellations elsewhere, helped reduce the impact. The situation has continued to improve as port operation returns to normal. Overall, while we are still experiencing some delays in sourcing product, these are now reducing and we continue to offset the impact through mitigation strategies.

*Demand-side impacts*

Many of the countries in which we do business have implemented broad-based steps to contain the spread of COVID-19, resulting in significant restrictions on movement and public gatherings, and the closure of commercial facilities. These measures have resulted in the partial or full closure of a number of our general merchandise stores, or restrictions on trading hours, in a number of European markets including France, Spain, Poland and the Czech Republic.

As a result, turnover has reduced, particularly in general merchandise, and this will continue for the duration of these restrictions. The performance of our FMCG focused businesses has been more resilient, partially offsetting this impact.

*Conforama France*

The position of Conforama's business in France has remained uncertain in the period following the COVID-19 outbreak and to date, the Group has been unable to secure the state-guaranteed loan, for which it was eligible, to support the business through this difficult period. Conforama France is currently exploring near term options, including a potential sale of the business. All stores have reopened post-closing due to COVID-19 restrictions and trade has been above the initial post opening expectations through end of June 2020.

*Conclusion*

The extent and duration of the current restrictions on trade remain uncertain and it is too early to determine the exact impact of the pandemic on the performance of the Group for the 2020 financial year. It is clear, however, that the virus outbreak and resulting restrictions will have a negative impact on overall turnover and the underlying business performance during this period.

Operating companies are implementing plans to strengthen their cashflows through both proactive management of their forward purchase order commitments and, where appropriate, by the use of flexible working contracts. The inherent strength and flexibility of the Group's sourcing arrangements is also providing important additional support.

Management are continuing to take an active approach, implementing a range of mitigating strategies to protect profitability and cashflow. Immediate and significant actions are being implemented to reduce costs and optimise liquidity. These include reducing operating expenditures, reducing stock of goods impacted by the trading restrictions, actions to optimise working capital, stopping all but essential capital expenditure, and making use of tax payment and other government relief measures where available.

COVID-19 is a non-adjusting event for the Group in the 2019 Reporting Period and will therefore not have an impact on recognition and measurement of assets and liabilities in the 2019 Reporting Period. It is however a disclosure item. While the Group is confident that the actions it is taking to address the impacts of COVID-19 are appropriate and timely, the situation remains fast moving and uncertain and is being kept under constant review. Refer to note 8.1 for sensitivity analysis done.

## 36. *Changes in accounting policies*

On 1 October 2018, the Group adopted the following accounting standards, effective for financial years ending on or after 1 January 2018. The restatement did not have any material impact on the statement of financial position and statement of cash flows, nor basic earnings per share, diluted earnings per share, headline earnings per share or diluted headline earnings per share.

### 36.1 IFRS 9: Financial Instruments

IFRS 9: Financial Instruments (replacing IAS 39: Financial Instruments: Recognition and Measurement) addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The key impact of IFRS 9 for the Group is due to the new impairment model for financial assets as set out below:

#### 36.1.1 Classification and measurement of financial instruments

The group has reviewed and assessed existing financial assets as at 1 October 2018, based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets with regard to their classification:

| Instrument | Classification: IAS 39 | Classification: IFRS 9 |
|---|---|---|
| Trade and other receivables | Loans and receivables | Amortised cost |
| Loans to customers | Loans and receivables | Amortised cost |
| Unlisted investments | Available for sale | Fair value through other comprehensive income |
| Derivative financial instruments | Derivatives accounted for as hedges | Derivatives accounted for as hedges |
| Financial guarantees | Other financial liabilities | Financial liability at amortised cost |

#### 36.1.2 Impairment of financial assets under the new impairment model

The new impairment model applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15: Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts

At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument.

The key impact of IFRS 9 is the new impairment model for financial assets, impacting the Group's debtors and loan books. The new impairment model reflects expected credit losses based on forward-looking information as opposed to incurred credit losses under IAS 39. The following approaches have been adopted across the Group:

| Financial asset | Approach |
|---|---|
| Retail debtors | Simplified approach |
| Loans to customers | General impairment model |
| Instalment sale receivables | General impairment model |
| Credit sales through store cards | General impairment model |
| Loans to employees and key management | General impairment model |
| Loan to associate | General impairment model |

Financial assets where a 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'. The assessment of credit risk and the estimation of ECL is unbiased and probability-weighted and incorporates all available information that is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

## 36. *Changes in accounting policies* *(continued)*

### 36.1 IFRS 9: Financial Instruments (continued)

#### 36.1.2 Impairment of financial assets under the new impairment model (continued)

As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

For financial assets where objective evidence of impairment exists (stage 3), the standard requires interest income to be calculated on the carrying value of the debtors, after allowance for expected credit losses based on the original effective interest rate.

For trade and other receivables without a significant financing component, the Group has adopted the simplified approach that recognises lifetime ECL regardless of the stage classification. The Group applied a provision matrix based on historical credit loss experience, which was adjusted for forward-looking factors applicable to the trade and other receivables balances and economic factors.

#### 36.1.3 Accounting treatment of debt premium on modified debt instruments

Under the Hemisphere debt restructure certain lenders were eligible to receiving certain fees in the event of a successful restructure. It was management's view that the nature of the fees was akin to an enhancement of the return to be earned by the lenders to encourage them to take up the new debt instruments arising from the restructure process.

Under IAS 39 it was not specified how to account for such modification gains/losses and the Group elected to spread these fees over the maturity of the debt as what was the general practice. IFRS 9 states that debt premiums shall be expensed at the time of modification.

# 36. *Changes in accounting policies* *(continued)*

## 36.1 IFRS 9: Financial Instruments (continued)

### 36.1.4 Effect of adopting IFRS 9: Financial Instruments

The Group has elected to apply the impact of IFRS 9 retrospectively with an adjustment to opening accumulated losses on 1 October 2018, therefore comparative information for the 2018 Reporting Period has not been restated.

#### Impact on the financial statements

| Balance sheet (extract) | 30 September 2018 As originally presented €m | IFRS 9 adjustments €m | 1 October 2018 Restated €m |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 4 485 | – | 4 485 |
| Intangible assets | 1 826 | – | 1 826 |
| Property, plant and equipment | 2 146 | – | 2 146 |
| Investment property | 134 | – | 134 |
| Investments in equity accounted companies | 430 | – | 430 |
| Other financial assets | 311 | – | 311 |
| Deferred tax assets | 201 | – | 201 |
| Trade and other receivables | 3 | – | 3 |
| | 9 536 | – | 9 536 |
| **Current assets** | | | |
| Inventories | 2 155 | – | 2 155 |
| Trade and other receivables | 1 143 | (41) | 1 102 |
| Taxation receivable | 73 | – | 73 |
| Investments and loans | 261 | – | 261 |
| Cash and cash equivalents | 1 275 | – | 1 275 |
| | 4 907 | (41) | 4 866 |
| Assets classified as held-for-sale | 1 927 | – | 1 927 |
| | 6 834 | (41) | 6 793 |
| Total assets | 16 370 | (41) | 16 329 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 2 027 | – | 2 027 |
| Employee benefits | 115 | – | 115 |
| Deferred tax liabilities | 556 | (2) | 554 |
| Provisions | 182 | – | 182 |
| Trade and other payables | 69 | – | 69 |
| | 2 949 | (2) | 2 947 |
| **Current liabilities** | | | |
| Trade and other payables | 2 581 | – | 2 581 |
| Taxation payable | 228 | – | 228 |
| Employee benefits | 147 | – | 147 |
| Provisions | 175 | – | 175 |
| Borrowings | 8 363 | 19 | 8 382 |
| | 11 494 | 19 | 11 513 |
| Liabilities directly associated with assets classified as held-for-sale | 1 286 | – | 1 286 |
| | 12 780 | 19 | 12 799 |
| Total liabilities | 15 729 | 17 | 15 746 |
| Net assets | 641 | (58) | 583 |
| Capital and Reserves | 9 257 | – | 9 257 |
| Non-controlling interest | 1 162 | – | 1 162 |
| Retained Earnings | (9 778) | (58) | (9 836) |
| Total equity | 641 | (58) | 583 |

## 36. *Changes in accounting policies* *(continued)*

### 36.1 IFRS 9: Financial Instruments (continued)

#### 36.1.4 Effect of adopting IFRS 9: Financial Instruments (continued)

| | Accumulated losses €m |
|---|---|
| Closing accumulated losses on 30 September 2018 as previously reported | (9 778) |
| Net adjustment to retained earnings | (58) |
| Opening retained earnings on 1 October 2018 | (9 836) |

#### 36.1.5 Derivatives and hedging activities

On adoption of IFRS 9, the Group elected to apply the hedge accounting requirements under IFRS 9 (2018: the Group applied hedge accounting under the requirements of IAS 39). The most significant change between the two standards is the 'assessment of effectiveness' test that allows greater flexibility for the types of transactions eligible for hedge accounting. Further the effectiveness test has been replaced with the principle of an 'economic relationship'. The Group has assessed its current hedging relationships as well as other possible types of transactions that might be eligible for hedge accounting under the requirement of IFRS 9. The outcome was not material.

### 36.2 Effect of adopting IFRS 15: Revenue from Contracts with Customers

IFRS 15: Revenue from Contracts with Customers (replacing IAS 18: Revenue) is based on the principle that revenue is recognised as the group satisfies performance obligations and when control of a good or service transfers to a customer, rather than the use of the risks and rewards criteria under IAS 18.

The Group has elected to apply IFRS 15 using the modified retrospective approach by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to opening balance of equity at 1 October 2018.

*Accounting for refunds*

It is policy to sell goods with the right of return in terms of current consumer legislation. Such sales are cancelled where the right of return is exercised. Under IFRS 15, a refund liability for the expected refunds to customers is recognised as an adjustment to revenue and is included in trade and other payables. The accumulated experience of the Group's returns has been utilised to estimate such refund liability at the time of sale. Based on past experience, it is estimated that goods returned in a saleable condition will be insignificant. Therefore, the Group does not recognise an asset and a corresponding adjustment to cost of sales for its right to recover the product from the customer where the customer exercises the right of return.

The effect of adopting IFRS 15 on the Group was nominal.

## 37. *Other information*

### New and amended standards adopted by the Group

The following amendments to existing standards are effective for the year ended 30 September 2019 and had no significant effect on the Group's operations, which led to changes in Group accounting policies as detailed below:

| Number | Title |
|---|---|
| Amendments to IFRS 2 | Clarifying how to account for certain types of share-based payment transactions |
| Amendments to IFRS 4 | Insurance Contracts |
| IFRS 9 | Financial Instruments |
| IFRS 15 | Revenue from Contracts with Customers |
| IFRIC 22 | Foreign Currency Transactions and Advance Considerations |

Refer to note 36 for IFRS 9 Financial Instruments impact.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 2019 Reporting Period 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.

| | Date required to be adopted by the Group |
|---|---|
| • Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform | 1 October 2020* |
| • Amendments to IAS 1 and IAS 8: Definition of Material | 1 October 2020* |
| • Amendments to References to the Conceptual Framework in IFRS Standards | 1 October 2020* |
| • Annual Improvements to IFRS Standards 2015-2017 Cycle | 1 October 2019* |
| • Amendments to IAS 19: Plan Amendment, Curtailment or Settlement | 1 October 2019* |
| • Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures | 1 October 2019* |
| • Amendments to IFRS 9: Prepayment Features with Negative Compensation | 1 October 2019* |
| • IFRS 16 Leases | Refer below |
| • Uncertainty over Income Tax Treatments (IFRIC 23) | Refer below |

**These amendments are not expected to have a significant impact on the Group upon adoption.*

| Title of standard | IFRS 16 – Leases |
|---|---|
| **Nature of change** | IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The Group's lease expense, depreciation/amortisation and finance cost will be affected by the new standard.<br><br>The accounting for lessors will not significantly change. |
| **Estimated impact on the financial statements** | The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS16. The standard will affect primarily the accounting for the Group's operating leases.<br><br>Based on the information currently available, the Group's estimated impact will be an increase between €2.4 billion and €2.8 billion for the right-of-use asset accompanied with an increase between €2.7 billion and €3.0 billion in the lease liability. The application of IFRS 16 will have a material impact on the Group's statement of financial position, statement of comprehensive income and classification in the statement of cash flows.<br><br>*Transition*<br>The Group plans to apply IFRS 16 initially on 1 October 2019, using the modified retrospective approach. The method chosen will result in the Group not being required to restate comparative numbers.<br><br>The Group will account for the right-of-use asset from the commencement date of the lease contract with the accompanied lease liability on date of initial application of IFRS 16. |

## 37. *Other information* *(continued)*

New standards and interpretations not yet adopted (continued)

| Title of standard | IFRS 16 – Leases |
|---|---|
| **Actual impact** | It is expected that the actual impact on the financial statements in 2020 Reporting Period will be different as a result of:<br>• The finalisation of the validation of completeness and accuracy of the identified contracts.<br>• New lease contracts to be entered into in 2020 Reporting period |
| **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 financial period commencing on 1 October 2019. |
| **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.<br>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.<br>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.<br>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:<br>• 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.<br>• 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.<br>• 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.

## 37. *Other information* *(continued)*

### Number of full-time equivalent employees

| | 30 September 2019 | 30 September 2018 |
|---|---|---|
| Conforama | **14 522** | 13 345 |
| Pepco Group | **39 972** | 34 758 |
| Greenlit Brands | **3 193** | 2 846 |
| Pepkor Africa** | **49 308** | 46 764 |
| Corporate and treasury services | **108** | 174 |
| Mattress Firm | * | 9 257 |
| Blue group | – | 4 218 |
| All Other*** | **1 258** | 11 692 |
| | **108 361** | 123 054 |

** No employee numbers included since Mattress Firm has been equity accounted from 21 November 2018.*

***Including temporary employees, this will amount to 56 100.*

**** This includes Lipo and the remaining European Logistics and Sourcing businesses. At the 2018 Reporting Date the following discontinued operations were also included in All Other: Automotive, Abra.*

*The prior period has not been restated for discontinued operations.*

### Distribution of profit

*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 article 35 of the Articles of Association, a dividend may be declared out of net income after appropriation to increase and/or form reserves. The allocation of profit remaining after reservations deemed necessary shall be determined by the General Meeting upon proposal of the Management Board, with the approval of the Supervisory Board. The Management Board, with the approval of the Supervisory Board, may propose that the General Meeting 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 2019 Reporting Period.

### Approval and signatories

Stellenbosch (South Africa), 30 June 2020

**Management Board**

Louis du Preez, *Chief Executive Officer and Managing Director*
Theodore de Klerk, *Chief Financial Officer and Managing Director*

**Supervisory Board**

Moira Moses, *Chairperson and Supervisory Director*
Peter Wakkie, *Deputy-Chairman and Supervisory Director*
Paul Copley, *Supervisory Director*
Hugo Nelson, *Supervisory Director*
David Pauker, *Supervisory Director*
Alexandra Watson, *Supervisory Director*
Khanyisile Kweyama, *Supervisory Director*

ANNUAL REPORT 2019

# STEINHOFF INTERNATIONAL HOLDINGS N.V.

## Separate financial statements for the period ended 30 September 2019

INDEX

## STEINHOFF INTERNATIONAL HOLDINGS N.V.
## SEPARATE FINANCIAL STATEMENTS
## FOR THE PERIOD ENDED 30 SEPTEMBER 2019

| SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *for the year ended 30 September 2019* | Notes | 2019 €'000 | 2018 €'000 |
|---|---|---|---|
| Dividend income | 1 | **3 552** | 138 388 |
| Interest income | 1 | **767** | 2 543 |
| **Total income** | | **4 319** | 140 931 |
| Other income[1] | 2.1 | **137** | 18 445 |
| Administrative expenses | 2.3 | **(39 417)** | (18 526) |
| Other gains/(losses) – net | 2.2 | **4 470 919** | (1 829 564) |
| **Operating profit/(loss) for the year before finance cost and tax** | | **4 435 958** | (1 688 714) |
| Finance cost | 3 | **(1 197)** | (9 075) |
| **Operating profit/(loss) for the year before tax** | | **4 434 761** | (1 697 789) |
| Taxation | 4 | **–** | (8 343) |
| **Net profit/(loss) for the year attributable to Steinhoff N.V. shareholders** | | **4 434 761** | (1 706 132) |
| Other comprehensive income | | **–** | – |
| **Total comprehensive income/(loss) for the year attributable to Steinhoff N.V. shareholders** | | **4 434 761** | (1 706 132) |

The accompanying notes are an integral part of the separate financial statements.

[1] *In the 2018 Reporting Period other income largely consisted of a profit of €18 million realised on the release from a parent guarantee related to the redemption of the Steinhoff Africa preference share liability.*

| SEPARATE STATEMENT OF FINANCIAL POSITION *as at 30 September 2019* | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investment in subsidiary companies | 5 | **1 773 690** | 1 765 512 |
| **Current assets** | | | |
| Related party loans receivable | 12 | **189 304** | 308 027 |
| Cash and cash equivalents | 11 | **58 736** | 6 139 |
| | | **248 040** | 314 166 |
| **Total assets** | | **2 021 730** | 2 079 678 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Ordinary share capital | 7 | **43 098** | 2 154 864 |
| Share premium reserve | 7 | **7 522 465** | 5 410 699 |
| Treasury shares | 7 | **(137 468)** | (138 358) |
| Accumulated losses | | **(8 338 778)** | (12 773 539) |
| | | **(910 683)** | (5 346 334) |
| **Non-current liabilities** | | | |
| Borrowings | 9 | **1 979 513** | 63 193 |
| Related party loans payable | 12 | **937 015** | – |
| | | **2 916 528** | 63 193 |
| **Current liabilities** | | | |
| Other payables and accruals | 8 | **12 306** | 7 135 |
| Taxation payable | | **3 401** | 8 343 |
| Borrowings | 9 | **–** | 6 391 751 |
| Related party loans payable | 12 | **178** | 955 590 |
| | | **15 885** | 7 362 819 |
| **Total equity and liabilities** | | **2 021 730** | 2 079 678 |

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 2019**
*continued*

| SEPARATE STATEMENT OF CHANGES IN EQUITY *for the year ended 30 September 2019* | Ordinary stated share capital €'000 | Share premium €'000 | Treasury shares €'000 | Accumulated losses €'000 | Total €'000 |
|---|---|---|---|---|---|
| **Total equity at 1 October 2017** | 2 154 864 | 5 410 699 | – | (11 067 407) | (3 501 844) |
| **Total comprehensive loss for the year** | – | – | – | (1 706 132) | (1 706 132) |
| **Transactions with owners in their capacity as owners** | | | | | |
| Repurchase of Company shares[1] | – | – | (138 358) | – | (138 358) |
| **Balance at 30 September 2018** | **2 154 864** | **5 410 699** | **(138 358)** | **(12 773 539)** | **(5 346 334)** |
| **Total comprehensive loss for the year** | **–** | **–** | **–** | **4 434 761** | **4 434 761** |
| **Transactions with owners in their capacity as owners** | | | | | |
| Issue of shares, net of transaction costs (note 7)[2] | **–** | **–** | **890** | **–** | **890** |
| Reduction in nominal value of shares | **(2 111 766)** | **2 111 766** | **–** | **–** | **–** |
| **Balance at 30 September 2019** | **43 098** | **7 522 465** | **(137 468)** | **(8 338 778)** | **(910 683)** |

[1] *During the 2018 Reporting 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.*

[2] *During the 2019 Reporting Period the company transferred 259 807 of its own shares, held as treasury shares, for the conversion of 2021 bonds.*

## 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.

| SEPARATE STATEMENT OF CASH FLOWS<br>*for the year ended 30 September 2019* | Notes | 2019<br>€'000 | 2018<br>€'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash (utilised in)/generated from operations | 11 | **(29 928)** | 126 550 |
| Tax paid | | **(4 942)** | – |
| Net cash (outflow)/inflow from operating activities | | **(34 870)** | 126 550 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Increase in investment in subsidiaries | 5.2 & 5.3 | **–** | (116 541) |
| Increase in related party loans receivable | | **–** | (87 574) |
| Proceeds received on repayments of related party loans receivable | | **72 726** | 100 273 |
| Net cash inflow/(outflow) from investing activities | | **72 726** | (103 842) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repurchase of Company shares | 7 | **–** | (138 358) |
| Proceeds received from related party loans payable | | **12 268** | 121 858 |
| Repayments of related party loans payable | | **(385)** | (107) |
| Net cash inflow/(outflow) from financing activities | | **11 883** | (16 607) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **49 739** | 6 101 |
| Cash and cash equivalents at beginning of the year | | **6 139** | 48 |
| Effects of exchange rate changes on cash and cash equivalents | | **2 858** | (10) |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR** | | **58 736** | 6 139 |

## *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*

### Statement of compliance

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.

Unless otherwise indicated, these financial statements are prepared on the accrual basis in thousands of euro (€'000). The euro is the Company's presentation and functional currency.

### Historical cost convention

The separate financial statements have been prepared on a historical cost basis.

### Going-concern assessment

The separate financial statements have been prepared on a going concern basis.

In the 2019 Reporting Period, the Company's current assets exceed the current liabilities.

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*

If not stated otherwise, the accounting policies applied are the same as those in the Consolidated Financial Statements.

### Shareholders' equity

The reserves were previously formed under, and are still recognised in accordance with, the Dutch Civil Code.

### Statement of cash flows

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.

### Contingent payment undertakings ("CPUs")

The CPUs were classified as financial liabilities in accordance with IFRS 9. Within the terms of the CPUs there are defined events of default, over and above those in the facilities agreements, the occurrence of which would allow the holders of the Steinhoff N.V. CPUs to declare that the “Maturity Date” has occurred under the respective CPU. This, in turn, would allow those CPU holders to demand payment from Steinhoff N.V.

The CPU contracts, excluding the contingent component, are initially and subsequently measured as the amount that Steinhoff N.V. expects to settle under these contracts, ‘the shortfall’. The shortfall is calculated as the excess of the carrying amount of the debt at year-end in relation to the estimated value of the subsidiaries by whom these debts are owed. In determining these estimated values, management used the same information that was used for impairment testing and determining the fair value less cost to sell of discontinued operations. Please refer to note 8, note 18 and note 34 of the Consolidated Financial Statement for more detail. The contingent liability component is accounted for in accordance with IAS 37.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets, requires an entity to treat the part of a joint and several liability that is expected to be met by other parties as a contingent liability. The guidance in IAS 37 is applicable to contingent liabilities. However, the measurement approach in IAS 37 for joint and several liabilities is generally consistent with the measurement approach for the CPUs. In accordance with IAS 37, it may be possible that under extremely rare circumstances, no reliable estimate of a liability can be made, and as a consequence that contingent liability component may not be recognised, but disclosed.

## *Significant accounting policies* *(continued)*

### Contingent payment undertakings ("CPUs") (continued)

The potential impact of pending litigation and tax uncertainties were not taken into account in determining the estimated disposal proceeds of the underlying businesses. The circumstances that influence the outcome of these matters are so diverse that a reliable estimate of these liabilities could not be made. Withholding-and-dividend taxes that may be payable upon disposal of the underlying business were not included in the valuation of the CPUs as these taxes will be influenced by the outcome of the specifics surrounding the disposal in question and the jurisdiction in which the buyer is domiciled. As such, it is considered impracticable to quantify the taxes that may have to be paid.

Subsequently the CPUs are measured at amortised cost by adjusting the gross carrying amount of the financial liability to reflect the actual and revised shortfall as at the end of the reporting period. Any adjustments are recognised in profit or loss.

## *Changes in accounting policies*

Refer to note 36 of the Consolidated Financial Statements for disclosure regarding new accounting standards adopted by the Company and the Group.

## *Areas of critical judgements and estimates*

### Key assumptions used for the value-in-use calculations used in CPU valuations

The estimated disposal values of the underlying businesses are significant estimates in determining the value of the CPUs. Apart from the fact that the valuation techniques used are inherently subject to estimation uncertainty, the following items may also result in material differences between the actual and estimated disposal values:

- The potential impact of legal claims and tax uncertainties which are not included in the valuation of the CPUs;
- future performance of the underlying businesses and the markets in which they operate;
- the impact that COVID-19 may have on the underlying businesses;
- potential discounts on the sale of the underlying businesses that may be required in order to dispose of these businesses with the required time frame;
- withholding-and-dividend taxes that may be payable upon disposal of the underlying business were not included in the valuation of the CPUs; and
- key sources of estimation uncertainty as disclosed in note 8 of the Consolidated Financial Statements.

Refer to note 6 (Taxation), note 22 (Contingent liabilities) and note 35 (Events occurring after the Reporting Period) of the Consolidated Financial Statements for more details of pending litigation and tax uncertainties

The calculation of the CPUs is subject to significant judgments which includes the following:

- The ability of the Group to utilise loans owed to SIHPL by South African entities in order to settle European debts and the recoverability of these loans. Management considers that these loans could be called on to service the European debts and that they are fully recoverable.
- The initial valuation of the CPU contracts was performed on 30 September 2019 as opposed to 13 August 2019 when the contract originated as management considers that any differences resulting from this stub period are immaterial and obtaining the information required to perform the valuation on 13 August 2019 will result in undue cost and effort for the Group.

## 1. Income

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Dividend income | | |
| Subsidiary companies (note 12) | **3 552** | 138 388 |

Subsidiaries paid cash dividends to the Company during the period. These dividends represent the distribution of profits and reserves of the subsidiary companies.

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Interest income | | |
| Cash and cash equivalents | **–** | 48 |
| Related party loans receivable (note 12) | **767** | 2 495 |
| | **767** | 2 543 |

## 2. *Operating profit/(loss) for the year*

| | Notes | 2019 €'000 | 2018 €'000 |
|---|---|---|---|
| **Material items** | | | |
| **2.1. Other income** | | | |
| 2.1.1 Profit from redemption of Steinhoff Africa preference share liability | | – | 17 991 |
| 2.1.2 Other | | 137 | 454 |
| **TOTAL OTHER INCOME** | | 137 | 18 445 |
| **2.2 Other gains/(losses)** | | | |
| 2.2.1 Net foreign exchange gains and losses<br>Foreign exchange gains and losses are recognised in profit or loss on foreign denominated loans in the separate financial statements. | | 4 810 | 20 388 |
| 2.2.2 Impairment of investment in subsidiary companies<br>a) An impairment of €9.3 million has been recognised on an additional investment made in Steinhoff UK Group Services Limited ("SUKGS").<br>b) The previous year impairments consist of a €767 million impairment of the investment in SINVH, a €100 million impairment on equity contributions made to SFHG, a €16.5 million impairment on an additional investment made in SUKGS and a €57 million impairment on the additional investment made in SIHPL. | 5.1 | (9 322) | (940 416) |
| 2.2.3 Provision for impairment of receivables from related parties<br>Loans receivable from companies within the European Group were fully impaired during the prior year. Included in the provision in the prior year are loans receivable from SUKGS and from SIHPL which were impaired by €1.3 million and €3.8 million, respectively during the prior year. Refer to note 12.2. | | – | (4 490) |
| 2.2.4 Parent guarantees recognised by the Company in profit or loss | 9.2 | – | (905 046) |
| 2.2.5 Financial liabilities recognised by the Company in profit or loss | 9.2 | (1 916 320) | – |
| 2.2.6 Parent guarantees derecognised by the Company in profit or loss | 9.2 | 6 391 751 | – |
| **TOTAL OTHER GAINS/(LOSSES)** | | 4 470 919 | (1 829 564) |
| **2.3 Other administrative expenses** | | | |
| 2.3.1 Other administrative expenses<br>The increase in other administrative expenses is mainly due to fines of €3.92 million, an increase in audit fees of €8.56 million and an increase in legal fees of €13.4 million. Property taxes payable on historical property transactions amounting to €4.5 million were recognised in the 2018 Reporting Period and were a one-off cost. | | (39 417) | (18 526) |
| **TOTAL ADMINISTRATIVE EXPENSES** | | (39 417) | (18 526) |

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.

## 3. *Finance cost*

| | Notes | 2019 €'000 | 2018 €'000 |
|---|---|---|---|
| Related parties | | **1 197** | – |
| Preference share liability | | **–** | 9 075 |
| | | **1 197** | 9 075 |

## 4. *Taxation*

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| **Major components of the tax expense:** | | |
| Current tax | **–** | 8 343 |
| **Reconciliation of the tax expense** | | |
| **Net loss before taxation** | **4 434 761** | (1 697 789) |
| Tax at the applicable tax rate of 28% (South African corporate taxation rate) | **1 241 733** | (475 381) |
| **Tax effect of adjustments on taxable income** | | |
| Impact of not recognising deferred tax assets for losses as recoverability is not assured | **(1 241 733)** | 483 724 |
| **Taxation expense during the period** | **–** | 8 343 |

No tax liability has been recognised as the Company has no taxable income for the year.

## 5. *Investment in subsidiary companies*

ACCOUNTING POLICY:
Investments in subsidiaries
Investments in subsidiaries are carried at cost less impairment provisions as per IAS 27. Investments in subsidiaries are impaired to their recoverable amount.

### Significant accounting judgements and estimates

*SFHG and SUSHI Impairments*

The recoverable amount of these investments were determined based on the discounted value of future dividends that Steinhoff N.V. expected to receive from these investments. Consideration was given to the legal structure of Steinhoff N.V.'s European Group and the legal restrictions as included in the Lock-Up Agreement. If these subsidiaries were to declare dividends or by any form transfer portion of their returns to their parent, those amounts would first accumulate at the SFHG cluster, before they could reach Steinhoff N.V. Considered with the magnitude of the uncertainties resulting from the CVA not being implemented and those related to taxes and litigation within the European Group resulted in the conclusion that it was highly unlikely whether any dividends could reach Steinhoff N.V. Therefore, the recoverable amount of the shares was determined to be zero.

At the end of the 2018 Reporting Period, management considered whether any events or circumstances have occurred that would justify the reversal of the impairments accounted for in the 2017 reporting period. It was concluded that a reversal of impairment was not justified as the uncertainties mentioned above were still present and no expectation of future dividends could be reasonable supported.

Despite the changes brought about by the Group's restructuring activities and its legal situation, as mentioned above, no reversal of impairment has been made in the 2019 Reporting Period. As a result of the restructure, the subsidiaries became the primary obligors under the new debt facilities. The debt burden that these subsidiaries took on exceeds their estimated recoverable amount.

*SINVH*

As at 30 September 2019, management has determined that the recoverable amount of this investment exceeds its carrying amount. However, legal claims (refer to note 22 of the Consolidated Financial Statements for details) were not considered in determining the recoverable amount of this investments as  a reliable estimate of these matters cannot be made. Therefore, management deemed it appropriate not to reverse any of the previous impairment charges raised against this investment.

| | Country of incorporation | Issued share capital | Shareholding % | Total carrying value €'000 |
|---|---|---|---|---|
| **30 September 2019** | | | | |
| Genesis Investments Gamma GmbH | **Austria** | **€35 000** | **100** | **–** |
| SFHG | **Austria** | **€100 000** | **100** | **–** |
| SINVH | **South Africa** | **R275 000** | **100** | **1 747 368** |
| SUKGS | **United Kingdom** | **£200 000** | **100** | **8 178** |
| Sherwood | **United States of America** | **$1** | **100** | **18 144** |
| | | | | **1 773 690** |
| **30 September 2018** | | | | |
| Genesis Investments Gamma GmbH | Austria | €35 000 | 100 | – |
| SFHG | Austria | €100 000 | 100 | – |
| SINVH | South Africa | R275 000 | 100 | 1 747 368 |
| SUKGS | United Kingdom | £200 000 | 100 | * |
| SUSHI | United States of America | $100 | 100 | – |
| Sherwood | United States of America | $1 | 100 | 18 144 |
| | | | | 1 765 512 |

** Less than €500.*

## 5. *Investment in subsidiary companies* *(continued)*

| | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|---|
| Shares at cost | | **4 747 680** | 7 931 333 |
| Less: Impairment provision | | **(2 973 990)** | (6 165 821) |
| Shares at carrying value | Note 5.1 | **1 773 690** | 1 765 512 |

| | Notes | SIHPL €'000 | SINVH €'000 | SFHG €'000 | Sherwood €'000 | SUSHI €'000 | Steinhoff UK Group Services Limited €'000 | Steinhoff Africa €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|---|
| **5.1. Reconciliation of cost of investment and related impairment provisions per subsidiary** | | | | | | | | | |
| **Carrying value of investment in subsidiaries – 1 October 2017** | | – | 2 514 063 | – | 18 144 | – | * | 126 743 | 2 658 950 |
| Equity contributions recognised as investments | 5.2 | – | – | 100 000 | – | – | – | – | 100 000 |
| Additional investments made in subsidiaries | 5.3 & 5.4 | 57 180 | – | – | – | – | 16 541 | – | 73 721 |
| Capital distributions made (resulting from redemption of the preference shares by subsidiary) | | – | – | – | – | – | – | (126 743) | (126 743) |
| Impairment of investment in subsidiaries through profit or loss | 2.2.2 b) | (57 180) | (766 695) | (100 000) | – | – | (16 541) | – | (940 416) |
| **Carrying value of investment in subsidiaries – 30 September 2018** | | **–** | **1 747 368** | **–** | **18 144** | **–** | **–** | **–** | **1 765 512** |
| Loan converted to equity | 5.3 | – | – | – | – | – | **17 500** | – | **17 500** |
| Impairment of investment in subsidiaries through profit or loss | 2.2.2 a) | – | – | – | – | – | **(9 322)** | – | **(9 322)** |
| **Carrying value of investment in subsidiaries – 30 September 2019** | | **–** | **1 747 368** | **–** | **18 144** | **–** | **8 178** | **–** | **1 773 690** |

** Less than €500*

### 5.2 Capital distributions to SFHG

During the prior year, equity contributions of €100 million were made by the Company to SFHG to support liquidity in this business.

### 5.3 Additional investment in SUKGS

Period, an additional investment was made in SUKGS amounting to €16.5 million to support liquidity in this business.

### 5.4 Investment in SIHPL

During the 2018 Reporting 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 SIHPL during the 2018 Reporting Period.

### 5.5 Investment in SUSHI

On 5 October 2018, the company entered into a contribution agreement whereby the SUSHI shares were transferred to SFHG and ultimately to SEAG.

## 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 number 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.

Refer to note 32 of the Consolidated Financial Statements for detailed disclosure regarding the ESRS.

## 7. *Share capital*

| | | 30 September 2019<br>Number of shares | 30 September 2018<br>Number of shares |
|---|---|---|---|
| 7.1 | **Authorised – ordinary** | | |
| | Ordinary shares of €0.01 (2018: €0.50) each | **17 500 000 000** | 17 500 000 000 |
| | By amendment to the Articles of Association on 30 August 2019, the nominal value of each ordinary share was reduced from €0.50 to €0.01. | | |
| 7.2 | **Issued – ordinary** | | |
| | Shares in issue at beginning and the end of the year | **4 309 727 144** | 4 309 727 144 |
| | **Total issued ordinary stated share capital** | **4 309 727 144** | 4 309 727 144 |
| 7.3 | **Treasury shares** | | |
| | Balance at beginning of the period | **40 377 900** | – |
| | Share buy-back by Steinhoff N.V. | **–** | 40 377 900 |
| | Shares issued upon conversion of bonds | **(259 807)** | – |
| | **Balance at the end of the period** | **40 118 093** | 40 377 900 |

* *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.*

| | | 30 September 2019<br>Share capital<br>€'000 | 30 September 2018<br>Share capital<br>€'000 | 30 September 2019<br>Share premium<br>€'000 | 30 September 2018<br>Share premium<br>€'000 |
|---|---|---|---|---|---|
| 7.4 | **Issued – ordinary** | | | | |
| | Balance at beginning of the year | **2 154 864** | 2 154 864 | **5 410 699** | 5 410 699 |
| | Reduction of the nominal value of shares | **(2 111 766)** | – | **2 111 766** | – |
| | **Total issued ordinary stated share capital** | **43 098** | 2 154 864 | **7 522 465** | 5 410 699 |
| | All issued ordinary shares have been fully paid-up. | | | | |
| 7.5 | **Treasury shares** | | | | |
| | Balance at beginning of the year | **(20 189)** | – | **(118 169)** | – |
| | Repurchase of Company shares (still considered issued) | **–** | (20 189) | **–** | (118 169) |
| | Treasury shares issued during the year, net of transaction costs | **130** | – | **760** | – |
| | Reduction of the nominal value of shares | **19 658** | – | **(19 658)** | – |
| | **Balance at the end of the period** | **(401)** | (20 189) | **(137 067)** | (118 169) |

## 7. *Share capital* *(continued)*

| | 30 September 2019<br>Number of shares | 30 September 2018<br>Number of shares |
|---|---|---|
| **7.6 Unissued shares** | | |
| Reserved for bond holders | – | 414 522 268 |
| Shares reserved for future participation in share schemes* | **98 349 803** | 90 166 617 |
| Shares reserved for current participation in share schemes* | **7 481 327** | 15 664 513 |
| Shares under the control of the directors | – | 1 483 611 805 |
| Unissued shares | **13 084 441 726** | 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 2019<br>Number of shares | 30 September 2018<br>Number of shares | 30 September 2019<br>€'000 | 30 September 2018<br>€'000 |
|---|---|---|---|---|
| **7.7 Authorised – preference** | | | | |
| Non-cumulative financing preference shares of €0.01 | **4 000 000 000** | 20 000 000 000 | **40 000** | 200 000 |

No preference shares were issued during either period presented.

By amendment to the Articles of Association on 30 August 2019, the authorised preference shares were reduced to 4 billion.

## 8. *Other payables and accruals*

| | 30 September 2019<br>€'000 | 30 September 2018<br>€'000 |
|---|---|---|
| Other payables and accruals | **12 306** | 7 135 |

Of the amounts accrued in the 2019 Reporting Period, €1.2 million relates to penalty fees payable to the FSE as a result of the late submission of the 2017 Consolidated Financial Statements, €3.2 million relates to an administrative penalty to the FSCA and €2 million (2018: €2 million) relates to underwriting commission payable to Upington as part of the 2016 capital raise.

The fair values of accounts payable are disclosed in note 13.

## 9. *Borrowings*

| | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|---|
| Borrowings consists of the following financial liabilities: | | | |
| Parent guarantees | 9.2 | – | 6 391 751 |
| Contingent Payment Undertakings | 9.2 | **1 979 513** | 63 193 |
| | | **1 979 513** | 6 454 944 |
| Non-current borrowings | | **1 979 513** | 63 193 |
| Current borrowings | | – | 6 391 751 |
| | | **1 979 513** | 6 454 944 |

### 9.1 Financial liabilities

| | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|---|
| **Reconciliation of financial guarantees** | | | |
| 2021, 2022 and 2023 Convertible Bonds | | – | 1 155 650 |
| 2025 Non-convertible Europe bond | | – | 800 000 |
| German Loan Note | | – | 770 000 |
| JP Morgan Multicurrency Revolving Facility | | – | 200 000 |
| Bayerische Landesbank Revolving Facility | | – | 165 500 |
| Multicurrency Rolling Credit Facility | | – | 1 572 661 |
| Syndicated Acquisition Facility | | – | 1 295 784 |
| External Revolving Credit Facility | | – | 172 780 |
| Transaction costs[1] | | – | 212 242 |
| SEAG accrued interest[2] | | – | 47 134 |
| Hemisphere CPU | 9.1.1 | **8 825** | 63 193 |
| SEAG CPU | 9.1.2 | **1 282 099** | – |
| SFHG 21/22 CPU | 9.1.3 | – | – |
| SFHG 23 CPU | 9.1.4 | **688 589** | – |
| | | **1 979 513** | 6 454 944 |
| Portion payable within 12 months included in current liabilities | | – | (6 391 751) |
| Non-current borrowings | | **1 979 513** | 63 193 |

[1] *Transactions costs relating to the restructuring of the SFHG and SEAG debt under the Lock-Up Agreement have been recognised by the Company in the 2018 Reporting Period and comprise all the consent fees, early bird fees, lock-up fees and rollover fees incurred. Recognised transaction costs of €67 million are attributable to SFHG debt and €145 million to SEAG debt. These costs form part of the principal amount of the new facilities.*

[2] *No interest payments were made relating to SEAG debt after 30 June 2018. This resulted in an increase in the accrued interest at the 2018 Reporting Date which has been provided for as part of the principal values of the parent guarantees. Accrued interest up to the date of implementation of the CVA form part of the new facilities' principal amount.*

# 9. Borrowings *(continued)*

## 9.1 Financial liabilities (continued)

*Financial liabilities previously recognised*

Until December 2017, SEAG and SFHG entered into various debt agreements for which Steinhoff N.V. provided guarantees. Due to the alleged accounting irregularities Steinhoff N.V. was already the primary obligor upon signature of those agreements, as the entities identified as primary debtors were already in breach of the agreements at the moment they were entered into. This event of default was a pre-existing condition upon signature of the loan agreements, as a result of misrepresentations and alleged illegal acts committed before and during the period when those agreements were entered into. As a consequence, these guarantees were accounted for as financial liabilities for the years ended 30 September 2017 and 2018 and Steinhoff N.V. recognised the full principal amounts of the debts of SEAG and SFHG. A corresponding increase in the cost of the investment in SUSHI was recognised which was fully impaired by the end of the 2017 reporting period. No investment was recognised in SFHG as it was concluded that the European value chain had insufficient assets to justify recognising an investment.

*Implementation of the SEAG and SFHG CVAs*

The CVAs were implemented on 13 August 2019 being the date of the effective restructure. The CVA implementation in combination with the release of the restrictions imposed by the Lock-Up Agreement resulted in significant changes in the legal structure of the Group and the legal relationship between Steinhoff N.V. and its subsidiaries. This allows the upstream of excess liquidity and provides for the distribution of value from the Steinhoff N.V.'s direct and indirect subsidiary entities in a structured manner in order to service their debts. Furthermore, Steinhoff N.V. is no longer the primary obligor under the newly issued financing facilities. As a result, the refinanced debt can be repaid directly by Steinhoff N.V.'s subsidiaries without having to upstream dividends to Steinhoff N.V. in order to achieve this.

Refer to note 16.5 of the Consolidated Financial Statements for more detail on the CVAs implementation.

*Derecognition of financial liabilities previously recognised by the Company*

As noted above, Steinhoff N.V. is no longer the primary obligor under the refinanced debt facilities. The old debt facilities were substantially modified by the CVA entered into on 14 December 2018.

Legally, Steinhoff N.V. remained the primary obligor under the old debt instruments until 13 August 2019 when those instruments were formally reissued to the newly incorporated Lux Finco's. On this date the carrying amount of the old facilities of €6.4 billion was derecognised and the new SIHPL, SEAG, SFHG 21/22 and SFHG 23 CPU's, which replaced the parent guarantees under the old financing facilities, were recognised at an amount of €2 billion, both through profit or loss.

Refer to note 16.5 of the Consolidated Financial Statements for more detail on the implementation of the CVAs and the derecognition of the old debt instruments.

*SUSHI debt*

During the 2019 Reporting Period as part of the Mattress Firm restructure, the SUSHI debt was assumed by SEAG. The full parent guarantee relating to the SUSHI debt have been derecognised on the implementation of the CVAs.

# 9. *Borrowings* *(continued)*

## 9.1 Financial liabilities (continued)

*Recognition of financial liabilities as determined by CPUs*

On implementation of the CVAs the parent guarantees on the original SEAG and SFHG debt were cancelled and replaced by the following CPUs:

| CPU | Previous debt guaranteed | Guarantors | Previous beneficiary | New beneficiary |
|---|---|---|---|---|
| SIHPL CPU | 2021 Convertible bonds* | SIHPL | SFHG | Steenbok Lux Finco 1 SARL |
| | 2022 Convertible bonds* | SIHPL | SFHG | Steenbok Lux Finco 1 SARL |
| SEAG CPU | 2025 Non-convertible Europe bond | Steinhoff N.V. | SEAG | Steenbok Lux Finco 2 SARL |
| | German Loan Note | Steinhoff N.V. | SEAG | Steenbok Lux Finco 2 SARL |
| | Multicurrency Rolling Credit Facility | Steinhoff N.V. | SEAG | Steenbok Lux Finco 2 SARL |
| | Syndicated Acquisition Facility | Steinhoff N.V. | SEAG | Steenbok Lux Finco 2 SARL |
| | JP Morgan Multicurrency Revolving Facility | Steinhoff N.V. | SEAG | Steenbok Lux Finco 2 SARL |
| | Bayerische Landesbank Revolving Facility | Steinhoff N.V. | SEAG | Steenbok Lux Finco 2 SARL |
| SFHG 21/22 CPU | 2021 Convertible bonds | Steinhoff N.V. | SFHG | Steenbok Lux Finco 1 SARL |
| | 2022 Convertible bonds | Steinhoff N.V. | SFHG | Steenbok Lux Finco 1 SARL |
| SFHG 23 CPU | 2023 Convertible bonds | Steinhoff N.V. | SFHG | Steenbok Lux Finco 1 SARL |

### 9.1.1 Hemisphere CPU

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. As at 30 September 2019, the amount drawn down under this facility amounted to €327 million (2018: €704 million) The decrease in the drawn amount is as a result of the repayment of the facility from the kika-Leiner related property companies and certain other individual assets disposal proceeds.

The Hemisphere CPU was entered into between the Company and the lender group which had the effect of replacing the Steinhoff N.V. parent guarantee provided on the previous syndicated rolling credit facility.

The value of the financial liability to be recognised by the Company is based on the estimated fair value of the remaining properties within the Hemisphere Group.

The potential impact of legal claims and tax uncertainties were not taken into account in determining the shortfall for this CPU as a reliable estimate of the possible outcomes cannot be made.

# 9. Borrowings *(continued)*

## 9.1 Financial liabilities (continued)

*Recognition of financial liabilities as determined by CPUs (continued)*

### 9.1.2 SEAG CPU

All debt previously held by SEAG has been restructured to Steenbok Lux Finco 2 SARL, a newly incorporated direct subsidiary of SFHG. SFHG is the ultimate parent company of the European Group of companies. All original SEAG debt has been consolidated into the First Lien Facility and Second Lien Facility with the first Lien Facility having repayment priority to the Second Lien Facility.

The SEAG CPU was entered into between Steinhoff N.V. and the lender group which had the effect of replacing the Steinhoff N.V. parent guarantees provided on the original SEAG debt instruments. Steinhoff N.V. is the sole guarantor to the First Lien Facility and Second Lien Facility under the SEAG CPU.

The maximum amount which may be recovered from Steinhoff N.V. is limited to the principal amount of the First Lien Facility and Second Lien Facility being €1.9 billion and €3.6 billion respectively.

The European Group is expected to have sufficient assets to repay the First Lien Facility in full and a portion of the Second Lien Facility. Steinhoff N.V. recognised a financial liability to the amount of €1.3 billion through profit or loss on the Second Lien Facility.

The potential impact of legal claims and tax uncertainties were not taken into account in determining the shortfall for this CPU as a reliable estimate of the possible outcomes cannot be made.

### 9.1.3 SFHG 21/22 CPU

The previous 2021 and 2022 convertible bonds issued by SFHG have been replaced by the 21/22 facility held by Steenbok Lux FInco 1 SARL under which €1.8 billion is outstanding as at 30 September 2019. The 21/22 facility is secured by the SIHPL CPU, whereby SIHPL guarantees €1.6 billion, and the SFHG 21/22 CPU, whereby the Company guarantees the principal amount of €1.7 billion.

In the case where the Company is a co-guarantor, and its co-guarantor and subsidiary has sufficient value to carry the obligation of the guarantee, such guarantee is recognised directly by the co-guarantor. The amount that SIHPL will have available to repay, is dependent on SINVH and Steinhoff Africa repaying intercompany loans to the value of €1.5 billion to SIHPL. In terms of a sum-of-the parts calculation performed on the SINVH Group the Steinhoff Africa and SINVH loans are considered to be recoverable.

The disposal value of the assets under the SIHPL CPU combined with those as guaranteed under the SFHG 21/22 CPU were deemed sufficient to fully cover the value of the debt owed under the 21/22 facility, not taking into account the effects of the litigation and tax related uncertainties as set out in the basis of preparation in this valuation. No liability has been recognised for this CPU.

The potential impact of legal claims and tax uncertainties were not taken into account in determining the shortfall for this CPU as a reliable estimate of the possible outcomes cannot be made.

### 9.1.4 SFHG 23 CPU

The 2023 convertible bonds issued previously by SFHG have been replaced by the 23 Facility held by Steenbok Lux Finco 1 SARL under which €1.2 billion is outstanding as at 30 September 2019. This facility is secured by the SFHG 23 CPU whereby SFHG guarantees the principal amount of the facility which is €1.2 billion. The 21/22 Facility and 23 Facility rank pari passu to each other.

The Company recognised a financial liability to the amount of €689 million through profit or loss on initial recognition of this CPU.

The potential impact of legal claims and tax uncertainties were not taken into account in determining the estimated disposal proceeds of the underlying businesses as a reliable estimate of the possible outcomes cannot be made.

## 9. Borrowings *(continued)*

### 9.2 Reconciliation of financial liabilities

| | SFHG | SEAG | SFHG & SEAG | Steinhoff Africa | Hemisphere | Steenbok Lux Finco 2 SARL | Steenbok Lux Finco 1 SARL | |
|---|---|---|---|---|---|---|---|---|
| | 2021, 2022 and 2023 Convertible bonds €'000 | Various debt instru-ments €'000 | Trans-action costs €'000 | 2000 B Class Preference shares €'000 | Hemis-phere CPU €'000 | SEAG CPU €'000 | SFHG 23 CPU €'000 | Total €'000 |
| **30 September 2019** | | | | | | | | |
| Opening balance | 1 155 650 | 5 023 859 | 212 242 | – | 63 193 | – | – | 6 454 944 |
| Parent guarantees derecognised by the Company in profit or loss | (1 155 650) | (5 023 859) | (212 242) | – | | – | – | (6 391 751) |
| Recognition of CPU's | – | – | – | – | (54 368) | 1 282 099 | 688 589 | 1 916 320 |
| **Closing balance** | – | – | – | – | 8 825 | 1 282 099 | 688 589 | 1 979 513 |
| **30 September 2018** | | | | | | | | |
| Opening balance | 1 149 514 | 4 343 204 | – | 135 659 | – | – | – | 5 628 377 |
| Parent guarantees (derecognised)/recognised by the Company in profit or loss (note 2.2.6) | (51 044) | 680 655 | 212 242 | – | 63 193 | – | – | 905 046 |
| Recognised in profit or loss as (reversal of impairment)/ impairment of investment in subsidiary | 57 180 | – | – | (135 659) | – | – | – | (78 479) |
| **Closing balance** | **1 155 650** | **5 023 859** | **212 242** | – | **63 193** | – | – | **6 454 944** |

## 10. *Contingent liabilities*

### Legal claims

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. These amounts are not recognised in the statement of financial position as no reliable estimate of these liabilities can be made.

## 11. *Cash flow information*

### 11.1 Cash generated from operations

| | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|---|
| Loss before tax | | **4 434 761** | (1 697 789) |
| Adjusted for: | | | |
| Unrealised foreign exchange (gains)/losses | | **(4 810)** | (20 407) |
| Impairment of investments in subsidiaries | 2.2.2 | **9 322** | 940 416 |
| Impairment of related party and affiliated loan receivables | 2.2.3 | **–** | 4 490 |
| (Derecognition)/recognition of parent guarantees | 2.2.4 & 2.2.6 | **(6 391 751)** | 905 046 |
| Recognition of financial liabilities | 2.2.5 | **1 916 320** | – |
| Finance cost accrued | 3 & 9.1.5 | **1 197** | 9 075 |
| Profit on sale of shares | | **(137)** | |
| Profit on derecognition of preference share liability | | **–** | (17 991) |
| Cash generated from operations before other payables and accruals changes | | **(35 098)** | 122 840 |
| Changes in other payables and accruals | | | |
| Increase in other payables and accruals | | **5 170** | 3 710 |
| Net changes in other payables and accruals | | **5 170** | 3 710 |
| **Cash generated from operations** | | **(29 928)** | 126 550 |

### 11.2 Net debt reconciliation

| | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|---|
| **Net debt** | | | |
| Cash and cash equivalents | | **58 736** | 6 139 |
| Borrowings – parent guarantees – repayable within one year | 9 | **–** | (6 391 751) |
| Related party loans payable – repayable within one year | | **(178)** | (955 590) |
| Borrowings - financial liabilities – repayable after one year | 9 | **(1 979 513)** | (63 193) |
| | | **(1 920 955)** | (7 404 395) |

### 11.3 Cash and cash equivalents

| | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|
| Cash at bank and in hand | **58 736** | 6 139 |

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

# *11. Cash flow information* *(continued)*

## 11.4. Reconciliation of liabilities arising from financing activities

| | Opening balance €'000 | Derecognition/ recognition of parent guarantees/ CPU's €'000 | Foreign exchange movements €'000 | Set off of loans €'000 | Other non-cash movements €'000 | Cash flows €'000 | Closing balance €'000 |
|---|---|---|---|---|---|---|---|
| **30 September 2019** | | | | | | | |
| Borrowings | **6 454 944** | **(4 475 431)** | **–** | **–** | **–** | **–** | **1 979 513** |
| Loans from related parties | **955 590** | **–** | **(2 529)** | **(27 920)** | **169** | **11 883** | **937 193** |
| | **7 410 534** | **(4 475 431)** | **(2 529)** | **(27 920)** | **169** | **11 883** | **2 916 706** |
| **30 September 2018** | | | | | | | |
| Borrowings | 5 628 377 | 826 567 | – | – | – | – | 6 454 944 |
| Loans from related parties | 848 511 | – | (14 672) | – | – | 121 751 | 955 590 |
| | 6 476 888 | 826 567 | (14 672) | – | – | 121 751 | 7 410 534 |

## 12. *Related party transactions*

| | 30 September 2019 €'000 | 30 September 2018 €'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 (note 1) | – | 138 388 |
| Sherwood | **3 552** | – |
| | **3 552** | 138 388 |
| **Interest income:** | | |
| Mattress Firm Inc (note 1) | **767** | 2 495 |
| **Finance cost:** | | |
| Steenbok Newco 2A Limited | **1 197** | – |
| **Loans receivable from:** | | |
| ***Current*** | | |
| SINVH | **185 833** | 187 234 |
| SIHPL[3] | **3 795** | 3 824 |
| Steinhoff Africa | – | 27 072 |
| Steinhoff at Work Proprietary Limited | – | 1 058 |
| Steinhoff Properties Proprietary Limited | **473** | 478 |
| Pepkor Trading Proprietary Limited | **1 378** | 1 388 |
| Steinbuild Doors and Building Materials Proprietary Limited | **126** | 127 |
| Unitrans Automotive Proprietary Limited | **289** | 291 |
| Steinhoff Europe AG (Austria)[1] | – | 24 919 |
| Steinhoff Europe AG (Switzerland)[1] | **3 880** | 3 880 |
| Mattress Firm Inc | – | 71 674 |
| SUKGS[2] | **2 500** | 20 000 |
| Steenbok Newco 6A Limited | **24 733** | – |
| | **223 007** | 341 945 |
| *Less:* Impairment provision | **(33 703)** | (33 918) |
| | **189 304** | 308 027 |

*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 was 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. A forex adjustment of €0.2 million was recognised in the current period and an impairment reversal of €0.6 million was recognised in the prior period.*

[2] *An impairment of €1.3 million was recognised during the prior period relating to the SUKGS loan.*

[3] *An impairment of €3.8 million was recognised during the period relating to the SIHPL loan.*

The loan to SINVH is unsecured, interest-free and is repayable on demand.

The loan to Mattress Firm Inc carried interest at 7.5% per annum and is fully repaid during the 2019 Reporting Period. The loan was guaranteed by Mattress Firm Inc subsidiaries.

All other loans bear no interest and have no fixed terms of repayment.

## 12. *Related party transactions* *(continued)*

### 12.2 Trading transactions (continued)

| | 30 September 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|
| **Loans payable to:** | | |
| ***Non-Current*** | | |
| Steenbok Lux Finco 1 SARL | **(12)** | – |
| Steinhoff Africa | **(260 949)** | – |
| Steenbok Newco 2A Limited | **(676 054)** | – |
| | **(937 015)** | – |
| **Current** | | |
| SFHG | – | (675 885) |
| Steinhoff Africa | – | (275 145) |
| Steinhoff at Work Proprietary Limited | – | (4 005) |
| SUKGS | – | (388) |
| Steinhoff International Share Trust | **(166)** | (167) |
| Sherwood | **(12)** | – |
| | **(178)** | (955 590) |
| | **(937 193)** | (955 590) |

The loan from Steenbok Lux Finco 1 SARL is unsecured, interest-free and is repayable on 12 August 2022.

The loan from Steinhoff Africa is unsecured, interest-free and is repayable on 31 December 2021.

The loan from SFHG was transferred to Steenbok Newco 2A Limited on 12 August 2019. The loan is unsecured, accrues payment in kind interest at EURIBOR +1.33% per annum, with a minimum interest rate of 1.33% per annum, and is repayable on 31 December 2021.

All other loans are unsecured, 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 | |
|---|---|---|---|
| | Notes | 30 September 2019 €'000 | 30 September 2018 €'000 |
| Related party loans receivable | 12.2 | **189 304** | 308 027 |
| Cash and cash equivalents | 11.3 | **58 736** | 6 139 |
| **Current financial assets** | | **248 040** | 314 166 |
| Borrowings | 9.2 | **(1 979 513)** | (63 193) |
| Related party loans payable | 12.2 | **(937 015)** | – |
| **Non-current financial liabilities** | | **(2 916 528)** | (63 193) |
| Other payables | 8 | **(12 306)** | (7 135) |
| Borrowings | 9.2 | **–** | (6 391 751) |
| Related party loans payable | 12.2 | **(178)** | (955 590) |
| **Current financial liabilities** | | **(12 484)** | (7 354 476) |
| Realised and unrealised foreign exchange gains | 2.2.1 | **4 810** | 20 388 |
| Interest income | 1 | **767** | 2 543 |

No items were classified as "at fair value through profit or loss" or "at fair value through other comprehensive income" (2018: "available for sale", "held to maturity", "at fair value through profit or loss" or "designated as at fair value through profit or loss") during the 2019 Reporting Period.

The carrying amount of financial assets and liabilities approximates its fair value.

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.

## 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 pounds and US dollars 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 2019** | | | |
| Related party loans receivable (note 12) | **1 205** | **189 628** | **–** |
| Cash and cash equivalents | **–** | **47** | **57 404** |
| Other payables and accruals | **(1 701)** | **(3 220)** | **(14)** |
| Related party loans payable (note 12) | **–** | **(261 115)** | **–** |
| Borrowings | **–** | **–** | **–** |
| | **(496)** | **(74 660)** | **57 390** |
| **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) | – |
| Borrowings | (3 532) | – | (1 489 311) |
| | 13 567 | (57 710) | (1 417 739) |

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 2019 | 30 September 2018 | 30 September 2019 | 30 September 2018 |
| South African rand : euro | **15.0000** | 16.2370 | **16.5576** | 16.4337 |
| US dollar : euro | **1.2000** | 1.2547 | **1.0889** | 1.1576 |
| British pound : euro | **0.8000** | 0.8976 | **0.8857** | 0.8873 |

[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 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|
| *Through profit/(loss)* | | |
| Rand strengthening by 9.41% (2018: strengthening by 1.2%) to the euro | **(7 023)** | (691) |
| US dollar weakening by 1.0% (2018: weakening by 8.4%) to the euro | **(5 855)** | 118 921 |
| British pound strengthening by 6.3% (2018: weakening by 1.2%) to the euro | **(48)** | (157) |

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 was:

| | 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 2019** | | | | | | |
| Current financial assets | **47** | **–** | **–** | **58 689** | **189 304** | **248 040** |
| Non-current financial liabilities | **–** | **(676 054)** | **–** | **–** | **(2 240 474)** | **(2 916 528)** |
| Current financial liabilities | **–** | **–** | **–** | **–** | **(12 484)** | **(12 484)** |
| | **47** | **(676 054)** | **–** | **58 689** | **(2 063 654)** | **(2 680 972)** |
| **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) |

*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 2019 €'000 | 30 September 2018 €'000 |
|---|---|---|
| *Increase/(decrease) in pre-tax profit* | | |
| SA prime – 100 basis point increase | **–** | 1 |
| EURIBOR – 100 basis point increase | **(6 761)** | (23 738) |
| LIBOR – 100 basis point increase | **–** | (14 893) |
| | **(6 761)** | (38 630) |

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 2019 €'000 | 30 September 2018 €'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 2019, 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 11 & 12) | **248 040** | 314 166 |
| The maximum exposure to credit risk at the Reporting Date by geographical region was (carrying amounts): | | |
| Continental Europe | **1 285** | 6 002 |
| Southern Africa | **188 146** | 217 785 |
| United Kingdom | **1 205** | 18 705 |
| United States | **57 404** | 71 674 |
| | **248 040** | 314 166 |

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:

| | Notes | Within 1 year €'000 | Years 3 - 5 €'000 |
|---|---|---|---|
| **30 September 2019** | | | |
| Other payables and accruals | 8 | **(12 306)** | **–** |
| Related party loans payable | 12 | **(178)** | **(937 015)** |
| Borrowings | 9 | **–** | **(1 979 513)** |
| | | **(12 484)** | **(2 916 528)** |
| **30 September 2018** | | | |
| Other payables and accruals | 8 | (7 135) | – |
| Related party loans payable | 12 | (955 590) | – |
| Borrowings | 9 | (6 391 751) | (63 193) |
| | | (7 354 476) | (63 193) |

## 13.5 Capital risk management

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued ordinary stated capital and accumulated losses 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 2019*

| | 30 September 2019 | | 30 September 2018 | |
|---|---|---|---|---|
| | Total equity €'000 | Net loss for the period €'000 | Total equity €'000 | Net loss for the period €'000 |
| **Company equity and net loss for the period** | **(910 683)** | **4 434 761** | (5 346 334) | (1 706 132) |
| Adjusted for: | | | | |
| Elimination of intergroup transactions: | | | | |
| Elimination of intergroup dividends received (note 1) | **(3 552)** | **(3 552)** | (138 388) | (138 388) |
| Elimination of impairment of subsidiaries (note 2.2.2) | **9 322** | **9 322** | 940 416 | 940 416 |
| Elimination of impairment/(impairment reversal) of intergroup loans receivable (note 2.2.3) | **–** | **–** | 4 490 | 4 490 |
| Elimination of recognition of parent guarantees (note 2.2.4) | **–** | **–** | 905 046 | 905 046 |
| Elimination of recognition of financial liabilities (note 2.2.5) | **1 916 320** | **1 916 320** | – | – |
| Elimination of derecognition of parent guarantees (note 2.2.6) | **(6 391 751)** | **(6 391 751)** | – | – |
| Share of subsidiaries consolidated loss for the period | **(1 587 100)** | **(1 587 100)** | (1 252 432) | (1 252 432) |
| Share of subsidiaries consolidated other comprehensive income for the period | **109 000** | **–** | 27 000 | – |
| Movement in treasury shares | **(890)** | **–** | (128 612) | – |
| Excess of consideration received from non-controlling interests | **–** | **–** | 36 000 | – |
| Other reserve movements | **(279 000)** | **–** | 5 000 | – |
| Effect of adopting IFRS 9 – Financial Instruments, net of taxation | **(58 000)** | **–** | – | – |
| Prior period share of subsidiaries consolidated total comprehensive income/(loss) for the period and other reserve movements | **4 825 334** | **–** | 4 426 814 | – |
| **Group equity and loss after tax for the period attributable to owners of Steinhoff N.V.** | **(2 371 000)** | **(1 622 000)** | (521 000) | (1 247 000) |

## 15. *Events occurring after the Reporting Period*

- 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.

### COVID-19

Refer to note 35 of the Consolidated Financial Statements for the impact of COVID-19 on the performance of the Company's underlying Operating Companies. The impact of COVID-19 would have a direct effect on the future cash forecasts of these Operating Companies, which in turn will affect the values determined in terms of discounted cash flow valuations and the recoverability of receivables used in the determination of the CPU values.

## 16. *Principal subsidiaries*

The statutory list of all subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (Dutch Civil Code, Book 2, section 379), forms part of the notes to the 2019 Separate Financial Statements and is included herein as an Annexure included under Other Information: Statutory List of all Subsidiaries.

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# OTHER INFORMATION

## To the shareholders and the Supervisory Board of Steinhoff International Holdings N.V.

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To the Annual General Meeting of shareholders and Supervisory Board of Steinhoff International Holdings N.V.

## *Report on the audit of the financial statements for the year ended 30 September 2019 included in the Annual Report*

### Disclaimer of Opinion

We do not express an opinion on the consolidated and separate financial statements for the year ended 30 September 2019 (hereafter "financial statements") of Steinhoff International Holdings N.V. and its subsidiaries (the "Company" and or "Group") included in this Annual Report. Due to the significance of the matters described in the 'Basis for our 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 financial statements as a whole.

### What is our engagement

We are engaged to audit the accompanying financial statements for the year ended 30 September 2019 of the Company, based in Amsterdam, the Netherlands. The financial statements include the consolidated financial statements and the separate financial statements, prepared in accordance with International Reporting Standards as adopted by the European Union (EU-IFRS) as issued by the IASB and with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 30 September 2019;
2. the following statements for the year ended 30 September 2019: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of 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 2019;
2. the following statements for the year ended 30 September 2019: the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Our responsibilities are further described in the "Our responsibility for the audit of the financial statements" section of this report.

We are independent of Steinhoff International Holdings N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit 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).

### Basis for disclaimer of opinion

***Introduction***

The Management Board and the Supervisory Board have elaborated in their reports in the Annual Report on the exceptional circumstances under which the 2017, 2018 and 2019 financial statements were prepared. In preparing the 2017 and 2018 financial statements management was required to make significant judgments, as they described in the basis of preparation of the 2017 and 2018 financial statements. Significant judgements continue to apply when management prepared the 2019 financial statements. As a result, there remain multiple uncertainties that potential interact with each other and for which the cumulative effect could be significant to these 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 renegotiated the terms and conditions of its borrowing facilities with the groups of lenders. This has resulted in the completion of the Company Voluntary Arrangements ("CVA") on 13 August 2019, which defers payment of the principal amount and accrued interest from 14 December 2018 until 31 December 2021. Management has used this as the basis to assess the Company's ability to continue as a going concern. Management has prepared these financial statements on the basis of going concern. Management has included its assessment, and the associated uncertainties for litigation and regulation, tax and COVID-19, in the basis of preparation (Going concern). In which they have included:

"The Management Board draws attention to the following facts:

- that in the Group's 2019 Consolidated Financial Statements liabilities exceed assets, and
- that these material uncertainties extend beyond the foreseeable future (except for COVID-19).

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 Regulation) and note 22.3. Although management is unable to estimate the potential cash outflow in the case of unfavourable decisions by the courts, the potential outflows of cash could be considerable and may also impact the going concern assumption and the determination of the shortfall of the Contingent Payment Undertakings and valuation of the investments in the separate financial statements.

***Material uncertainty with respect to uncertain tax positions***

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 the basis of preparation (Tax) and note 6 (Uncertain tax positions) management concluded that material uncertainties remain in respect of the tax impact of the consequential effect of the restatements and adjustments in multiple tax jurisdictions. Also, the steps necessary for the implementation of the CVAs were complex and multi-jurisdictional, giving rise to an element of risk regarding the tax consequences thereof. Management is currently unable to estimate the potential cash outflow of these tax uncertainties, including the timing thereof. This could also have a significant impact on the ability of the Group to continue as a going concern and the determination of the shortfall of the Contingent Payment Undertakings in the separate financial statements.

***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 judgements), 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. In December 2016 a payment of €147 million was made by the Company, which reduces the financial liability, and which Seifert has recognised as a reduction in his loan receivable.

***Material uncertainty with respect to the audit evidence of Conforama***

The component auditor for Conforama Group has been appointed after 30 September 2019. Due to the COVID-19 pandemic and the inaccessibility of transaction documents, we were unable to perform sufficient audit work on the sales and cost of sales of the consolidated group reporting package of Conforama.

We were therefore unable to obtain sufficient and appropriate audit evidence regarding the sales in the amount of €2.2 billion and cost of sales in the amount of €1.4 billion of Conforama France.

***Material uncertainty with respect to the foreign currency translation reserve***

In note 25 (Nature and purpose of reserves) the composition of the foreign currency translation reserve and the split between Other Comprehensive Income and income for the period 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 movement within, the foreign currency translation reserve. Refer to note 25 and 1.2.3.

### Emphasis of matter

***Control conclusions on certain entities***

We draw your attention to the basis of preparation to the financial statements (Consolidation decisions) which describes the conclusions from management's assessment that the Company has control over certain investments in Europe (Newco 3 and Conforama). The control assessment involved numerous complex and subjective judgements and as such, the facts and circumstances may be amenable to different interpretation.

***Contingent payment undertakings (CPU) valuation in the separate financial statements***

We draw your attention to note 9 to the separate financial statements which describes the uncertainties related to the accounting treatment of the CPU that the Company has issued in respect of certain debts of European subsidiaries following the financial restructuring under the CVA. The Company recognised a financial liability equal to the shortfall, being the difference of the outstanding external debt and the fair value of the underlying investments and assets. The shortfall is subject to significant judgements and contains various assumptions and excludes the impact of the material uncertainty with respect to uncertain tax positions and the material uncertainty with respect to litigation.

## *Report on the other information included in the Annual Report*

In addition to the financial statements and our auditor's report thereon, the Annual Report contains other information that consists of:

- Message from the Management Board;
- Message from the Supervisory Board;
- Report of the Management Board;
- Corporate governance report;
- Report of the Supervisory Board;
- Remuneration report;
- Other information.

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.

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.

Due to the significance of the matters described in the 'Basis for our disclaimer of opinion' section, 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;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

## *Report on other legal and regulatory requirements*

### Engagement

We were engaged by the Supervisory Board as auditor of Steinhoff International Holdings N.V. on 12 November 2019, to conduct the audit for the period ended 30 September 2019.

### No prohibited non-audit services

To our best knowledge and belief 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 frameworks 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 express an opinion on the financial statements based on conducting the audit in accordance with Dutch law, including the Dutch Standards on Auditing. However, due to the matter(s) described in the 'Basis for our disclaimer of opinion' paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Rotterdam, 30 June 2020

**Mazars Accountants N.V.**
**O. Opzitter RA**

## *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. The Management Board, with the approval of the Supervisory Board, may propose that the General Meeting 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 2019 Reporting Period.

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 | IC-Code | Origin Entity | Country of origin entity | Valid for FY2018 | Valid for FY2019 |
|---|---|---|---|---|---|---|---|---|
| **GROUP: SISL** | | | | | | | | |
| Steinhoff International Sourcing and Trading Ltd. | Hong Kong | China (Hong Kong) | 2461089 | 270 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd. | Hong Kong | China (Hong Kong) | 644662 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Trading Services Ltd. | Hong Kong | China (Hong Kong) | 2463978 | 271 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Investment HK Ltd | Hong Kong | China (Hong Kong) | 2584507 | 280 | Steinhoff International Investment HK Ltd | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – India RO | Gurgaon | India | F04370 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – Indonesia RO | Jakarta | Indonesia | 28/1/IUP3A-T/P-4/Nas/2017 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – Pakistan RO | Karachi | Pakistan | 03.078.508.3-011.000 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing Ltd – Vietnam RO | Ho Chi Minh City | Vietnam | 79-02944-01 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing (Shenzhen) Ltd. | Shenzhen | China | 914403000589890340 | 236 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing (Shanghai) Ltd. | Shanghai | China | 91310000MA1GBH5W31 | 273 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | Y | Y |
| Steinhoff International Sourcing India Private Limited | Gurgaon | India | U74999HR2019FTC081761 | 222 | Steinhoff International Sourcing and Trading Ltd. | China (Hong Kong) | N | Y |
| **GROUP: STEINHOFF UK** | | | | | | | | |
| Steinhoff Europe AG | Cheltenham | UK | BR020565 | 050 | Steinhoff Europe AG | Austria | Y | Y |
| Steinhoff Finance Holding GmbH | Cheltenham | UK | BR020564 | 203 | Steinhoff Finance Holding GmbH | Austria | Y | Y |
| Steinhoff UK Retail | Dublin | Ireland | 906518 | 174 | Steinhoff UK Retail Ltd | UK | Y | N |
| **GROUP: CONFORAMA** | | | | | | | | |
| Divisov (Conforama Suisse) | Mechnov 33 – 25726 Divisov | Czech Republic | VAT no: CZ68421776 | 718 | Conforama Suisse | Switzerland | Y | Y |
| **GROUP: PEPCO** | | | | | | | | |
| Fully Sun China Limited – Bangladesh | Bangladesh | India | TIN- 4404-3933-6667 | 380 | Fully Sun China Limited (HK) | China (Hong Kong) | Y | Y |
| Fully Sun China Limited – Taiwan | Taiwan | China | Reg no 53665194 | 380 | Fully Sun China Limited (HK) | China (Hong Kong) | Y | Y |
| Fully Sun China Ltd. India Liason Office | Gurugram, Haryana | India | F04915 | 380 | Fully Sun China Ltd | Hong Kong | Y | N |
| Fully Sun China Ltd. | Dhaka | Bangladesh | 393120132180 | 380 | Fully Sun China Ltd | Hong Kong | Y | N |
| Isle of Man | Isle of Man | UK (Isle of Man) | Tax reference No: C145894-73 | 368 | Poundland Limited | UK | | Y |
| Ireland | Ireland | UK (Ireland) | Tax reference: 9798866A | 368 | Poundland Limited | UK | | Y |
| Retail Holdings Sarl | Zug | Switzerland | CHE-110.261.548 | 376 | Retail Holdings sarl | Luxemburg | Y | N |
| **OTHER** | | | | | | | | |
| Standard Properties sp. z o.o. | Westerstede | Germany | HRB 205133 Oldenbrug | 046 | Standard Propterties sp. z o.o. | Poland | Y | N |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Genesis Investment Gamma GmbH | AUT | FN 381969 w | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steinhoff US Holdings I, Inc (previously Sherwood Group Holdings, Inc) | USA | 6454341 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Steinhoff US Holdings II, LLC (previously Sherwood Acquisition Holdings LLC) | USA | 6438336 | 80% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Sherwood West LLC | USA | 4866401 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Sherwood Southwest LLC | USA | 11000140802 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Sherwood Southeast LLC | USA | 11000140797 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Sherwood Midwest LLC | USA | 16000029518 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Steinhoff Finance Holding GmbH | AUT | FN 345159m | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steenbok Newco 1 Ltd (Jersey) | JEY | 127918 | 100% | 3rd Floor 44 Esplanade, St Helier, Jersey, JE4 9WG |
| Steenbok Lux Finco 1 SARL (LUX) | LUX | B 230 883 | 100% | 56 rue Charles Martel, Luxembourg, 230883 |
| Steenbok Newco 2A Ltd (Jersey) | JEY | 127926 | 100% | 3rd Floor 44 Esplanade, St Helier, Jersey, JE4 9WG |
| Steenbok Newco 2B Ltd (UK) | GBR | 11728129 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steenbok Newco 3 Ltd (UK) | GBR | 11728460 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steenbok Newco 4 Ltd (UK) | GBR | 11728633 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steinhoff Mobel Holding Alpha GmbH | AUT | FN 202439 f | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steinhoff Europe AG | AUT | FN 38031 d | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steenbok Newco 5 Ltd (Jersey) | JEY | 127924 | 100% | 3rd Floor 44 Esplanade, St Helier, Jersey, JE4 9WG |
| Steenbok Lux Finco 2 SARL (LUX) | LUX | B 230 871 | 100% | 56 rue Charles Martel, Luxembourg, 230883 |
| Ibex Retail Investments Limited (previously Steenbok Newco 6A Ltd (Jersey)) | JEY | 127930 | 100% | 3rd Floor 44 Esplanade, St Helier, Jersey, JE4 9WG |
| Steenbok Newco 6 Ltd (UK) | GBR | 11728916 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Norfolk Reinsurance Company Ltd | BMU | 26416 | 100% | |
| Genesis Investment Holding GmbH | AUT | FN 392734 a | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Genesis Branding Holding AG | AUT | FN 381078 i | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steinhoff Global Investments GmbH | AUT | FN 359664 v | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steinhoff Retail GmbH | AUT | FN 328490 z | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steenbok Newco 7 Ltd (UK) | GBR | 11729104 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steinhoff UK Holdings Ltd. | GBR | 03738136 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Southern View Finance UK Ltd. | GBR | 08428498 | 100% | 100 Avebury Boulevard, Milton Keynes, United Kingdom, MK9 1FH |
| CapFin Ltd. | GBR | 4959055 | 100% | 100 Avebury Boulevard, Milton Keynes, United Kingdom, MK9 1FH |
| Retail Holdings Sarl | LUX | B94093 | 100% | 56 rue Charles Martel, Luxembourg, 230883 |
| Pepco Group Limited (previously Pepkor Europe Ltd) | GBR | 09127609 | 100% | Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS |
| PEU (Fin) Ltd | GBR | 11808114 | 100% | Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS |
| PEU (Tre) Ltd | GBR | 11808312 | 100% | Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS |
| Fully Sun China Ltd | HKG | CR 1075298 | 100% | 19/F., Seaview Commercial Building, 21 – 24 Connaught Road West, Hong Kong |
| Pepkor GPS (Shanghai) Co Ltd. | CHN | 310104000350743 | 100% | 8th Floor, H Zone (East), 666 Beijing East Road, Huangpu District, Shanghai |
| PGS Partner India (Private) Ltd | IND | U74999HR2018FTC073537 | 100% | Unit No-128, Suncity Success Tower Sector-65, Golf Course Extn Road, Gurugram Gurgaon HR 122005 India |
| Dealz Poland Sp. z o.o. | POL | KRS 0000692949 | 100% | Budynek Biurowy OMEGA, ul. J.H. Dąbrowskiego 79A p.4, 60-529 Poznań |
| Dealz Espana SL | ESP | B86867512 | 100% | C/Bravo Murillo 192, Madrid, Spain |
| Eezi Global Limited (previously Sapphire 117 Ltd) | GBR | 09000588 | 100% | Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS |
| Poundland UK and Europe Ltd. | GBR | 09127615 | 100% | Poundland Limited, Wellmans Road, Willenhall, England, WV13 2QT |
| Poundland Stores Ltd. | GBR | 02376949 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Group Ltd. | GBR | 08861243 | 100% | Poundland Group Holdings Limited, Wellmans Road, Willenhall, WV13 2QT |
| Poundland Group Holdings Ltd. | GBR | 07036164 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Holdings Ltd. | GBR | 04386329 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Poundland Trustee Ltd. | GBR | 05018557 | 100% | C/O Poundland, Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| M&O Business Systems Ltd. | GBR | 01317353 | 100% | C/O Poundland, Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Homes & More Ltd. | GBR | 03501298 | 100% | C/O Poundland, Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Family Bargains (Retail) Ltd. | GBR | 07248690 | 100% | 1 Reedley Grove, Burnley, United Kingdom, BB10 2LA |
| Dealz Retailing Ireland Ltd. | IRE | 541977 | 100% | Unit 3 Westend Retail Park, Blanchardstown, Dublin 15 |
| Bargain Ltd. | GBR | 03856013 | 100% | Poundland Limited, Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Sheptonview Ltd. | GBR | 01721545 | 100% | C/O Poundland, Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Value Retailing Ltd. | GBR | 07115506 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Retail Ltd. | GBR | 07115540 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Willenhall Ltd. | GBR | 04386315 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Ltd. | GBR | 02495645 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Poundland Far East Ltd. | HKG | CR 0579535 | 100% | Suite 701, 168 Queen's Rd. Central, HK |
| Poundland Elgin Limited | GBR | 12111238 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Pepkor UK Retail Ltd. | GBR | 09288913 | 100% | Oak House, Reeds Crescent, Watford, England, WD24 4QP |
| GHM Stores Ltd. | GBR | 09015100 | 100% | Poundland Ltd, Wellmans Road, Willenhall, West Midlands, England, WV13 2QT |
| Poundland International Ltd. | GBR | 03484379 | 100% | Wellmans Road, Willenhall, West Midlands, WV13 2QT |
| Vaucluse Diffusion SASU | FRA | RCS 306 487 075 | 100% | 19 Rue du Musée 13001 Marseille, France |
| Pepkor Retail Espana S.L. | ESP | B86283751 | 100% | Avda. Baix Llobregat 1-3, Módulo A, Planta Baja Par No., Esc. P, El Prat de Llobregat |
| Pepkor Import B.V. | NLD | KvK 61649112 | 100% | Noord Brabantlaan 265, 5652LD Eindhoven |
| Pepkor France SASU | FRA | RCS 805 402 104 | 100% | 1 Place Boieldieu, Paris, 75002, France |
| Pepkor Europe GmbH | CHE | CH-100.4.795.299-9 | 100% | c/o Kanzlei Pilatushof, Hirschmattstrasse 15, 6003 Luzern |
| Pepco, trogvina na drono, d.o.o. (Pepco Slovenia d.o.o.) | SVN | 7176457000 | 100% | Tržaška cesta 515, Brezovica pri Ljubljani, 1351, Slovenia |
| Pepco d.o.o. (Beograd-Stari Grad, SRB) | SRB | 21457345 | 100% | Francuska 27, 11000 Belgrade, Serbia |
| Pepco Slovakia s.r.o. | SVK | IƒåO 45 868 674 | 100% | Nevädzova 6, Ružinov, Bratislava, 821 01, Slovakia |
| Pepco Retail s.a. | ROU | J40/4655/2013 | 100% | 17 Ceasornicului street, 3rd floor, District 1, Bucharest, Romania |
| Pepco Lithuania UAB | LTU | 304488450 | 100% | Viršuliškių skg. 34-1, Vilniaus, 05131, Lithuania |
| Pepco Latvia SIA | LVA | 40203062113 | 100% | Strelnieku iela 9 – 7, Riga, LV-1010, Latvia |
| Pepco Estonia O√ú | EST | 14249111 | 100% | Sõpruse Pst 145, Kristiine District, Tallinn, 13417, Estonia |
| Pepco Czech Republic s.r.o. | CZE | IƒåO 24294420 | 100% | Prague 4 – Nusle, Hvězdova 1716/2b, PSČ 14078 |
| Pepco Croatia d.o.o. | HRV | MBS 081038164 | 100% | Zagreb (Grad Zagreb), Damira Tomljanovića Gavrana 11 |
| Pepco Bulgaria EOOD | BGR | 205119149 | 100% | Nikola Tesla №5 str., fl. 4, Building BSR 2, Sofia 1574, Bulgaria |
| Pepkor Hungary Kft | HUN | Cg. 01-09-192750 | 100% | H-1138 Budapest, Váci út 187. |
| Pepco Holdings sp. Z.o.o. (PL) | POL | 7811997491 | 100% | ul. Strzeszyńska 73A, 60-479 Poznań |
| Pepco Properties sp. z o.o. (previously Pepkor Properties sp. z o.o.) | POL | KRS 0000356422 | 100% | ul. Strzeszyńska 73A, 60-479 Poznań |
| Pepco Poland sp. z o.o. | POL | KRS 0000111962 | 100% | ul. Strzeszyńska 73A, 60-479 Poznań |
| Konopacka Holdings B.V. | NLD | KvK 58864504 | 100% | Noord Brabantlaan 265, 5652LD Eindhoven |
| Evarts Investments sp. z o.o. | POL | KRS 0000471011 | 100% | ul. Strzeszyńska 73B lok. 4, 60-479 Poznań |
| Cardina Investments sp. z o.o. | POL | KRS 0000424893 | 100% | ul. Strzeszyńska 73B lok. 4, 60-479 Poznań |
| Pepkor Ingatlan Kft. | HUN | Cg. 01-09-300734 | 100% | H-1138 Budapest, Váci út 187. |
| Rawska Holdings B.V. | NLD | KvK 58864385 | 100% | Noord Brabantlaan 265, 5652LD Eindhoven |
| Pepco Italy S.r.l. | ITA | 10941920968 | 100% | Via Michelangelo Buonarroti 39, 20145 Milano (MI), Italy |
| Pepco Group Services Ltd (previously Pepkor Marketing Ltd) | GBR | 10972213 | 100% | Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS |
| Global Finest Ltd | HKG | CR 1563929 | 100% | Unit B, 120 Weston Street, London, United Kingdom, SE1 4GS |
| Universal Insurance PCC Ltd | GGY | 32243 | 100% | |
| Homestyle Pension Company Ltd (previously Homestyle 2007 Scheme Pension Company Ltd) | GBR | 12035045 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Homestyle 2007 Pension Scheme Trustee Ltd. | GBR | 06364468 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Greenlit Brands Pty Ltd. (formerly Steinhoff Asia Pacific Group Holdings Pty Ltd.) | AUS | 612 890 874 | 100% | Steinhoff Asia Pacific, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Greenlit Brands Household Goods Pty Ltd (previously Steinhoff Asia Pacific Holding Pty Ltd) | AUS | 105 828 957 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Greenlit Brands Corporate Solutions Pty Ltd | AUS | 108395651 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| GBL General Merchandise IP Company Pty Limited | AUS | 636261875 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Fantastic Holdings Limited | AUS | 004 000 775 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Furniture Share Plan Pty Limited | AUS | 094 240 874 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Furniture Pty Limited | AUS | 003 688 855 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Furniture (Licensing) Pty Limited | AUS | 074 780 555 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Furniture Limited | NZL | 1015180 | 100% | New Zealand |
| Fantastic Furniture - The Package Deal Kings Limited | NZL | 1015185 | 100% | New Zealand |
| Fantastic Dandenong Property Trust | AUS | ABN 15 782 170 944 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| FHL Distribution Centre Pty Limited | AUS | 114 853 315 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Best Buy Furniture Pty Limited | AUS | 158 159 230 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| White Label Investments Pty Ltd | AUS | 129 690 160 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| White Label Innovations Pty Ltd | AUS | 129 691 443 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| State Marketing and Innovation Corporation Pty Ltd | AUS | 129 691 158 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| The Package Deal Kings Pty Ltd | AUS | 085825912 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Royal Comfort Bedding Pty Ltd | AUS | 120 315 068 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Plush - Think Sofas Pty Limited | AUS | 080 012 595 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Original Mattress Factory Pty Limited | AUS | 116 339 470 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Property Pty Limited | AUS | 109 359 122 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Metal Furniture Manufacturers Pty Limited | AUS | 080 586 983 | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Fantastic Holdings Hong Kong Limited | HKG | CR 1933659 | 100% | |
| Fantastic International Manufacturing - FIM Limited | HKG | CR 1968587 | 60% | |
| Fantastic International Manufacturing Jiangsu Co. Ltd | CHN | | 100% | |
| Cong Ty Tnhh Fantastic Manufacturing (VN) | VNM | 502043000224 | 100% | |
| Fantastic Holdings Performance Hurdle Employee Share Trust | AUS | | 100% | 62 Hume Highway, Chullora NSW 2190, Australia |
| Bravoscar Wholesaling Pty Ltd. | AUS | 108395633 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Bravoscar Finance Company Pty Ltd. | AUS | 107 085 325 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Asteria Australia Pty Ltd. | AUS | 080461338 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Unitrans Unit Trust | AUS | | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Unitrans Property Pty Ltd. | AUS | 611000321 (ACN) | 100% | Steinhoff Asia Pacific, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Steinhoff Commercial Holdings Pty Ltd. | AUS | 108481821 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Steinhoff Bedding Australia Pty Ltd. | AUS | 602775959 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Steinhoff Asia Pacific Ltd. | AUS | 051 493 764 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Snooze Sleep Well Pty Ltd. | AUS | 006 298 755 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Snooze Management Pty Ltd. | AUS | 006 232 720 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Prosequi Pty Ltd. | AUS | 055371625 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Panda Sofa Pty Ltd. | AUS | 081 479 656 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Lonaka Manufacturing Pty Ltd. | AUS | 051752124 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| G&G Furniture Imports Pty Ltd. | AUS | 092 130 688 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Unit Trust | AUS | 59620954087 (ABN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Properties Holding Ltd. | AUS | 103605474 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Moore Park Bedding Pty Ltd. | AUS | 103605456 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Property WA No.2 Pty Ltd. | AUS | 103605349 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Home & Cafe Pty Ltd. | AUS | 124 661 409 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Furniture Partnership | AUS | | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Furniture New Zealand Ltd. | NZL | 1334871 | 100% | |
| Freedom Furniture Australia Pty Ltd. | AUS | 115 732 315 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Brands Pty Ltd. | AUS | 105100525 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Freedom Bedroom Pty Ltd. | AUS | 055781069 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| FGL Property Discretionary Trust | AUS | | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| F.G.L. Property Tee Pty Ltd | AUS | 111 023 299 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Bossanenja Pty Ltd. | AUS | 060569593 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Big Brand Outlet Pty Ltd. | AUS | 104 924 129 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Bayswiss Pty Ltd. | AUS | 086409869 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Swiss Delicatessen & Restaurant Pty Ltd. | AUS | 003323117 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Swiss Deli Retail Pty Ltd. | AUS | 075854572 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Reconquista Pty Ltd. | AUS | 064817223 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Beyond the Square Promotions Pty Ltd. | AUS | 070951343 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Bayteak Pty Ltd. | AUS | 068270575 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Bay Leather Republic Pty Ltd. | AUS | 099 553 036 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Aigls Pty Ltd. | AUS | 079371654 (ACN) | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Unitrans Asia Pacific Pty Ltd. | AUS | 096 249 393 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Steinhoff Pacific Pty Ltd. | AUS | 097 115 369 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Steinhoff Australia Pty Ltd. | AUS | 080 752 807 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| POCO Australia Pty Ltd | AUS | 109 214 495 | 100% | Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia |
| Greenlit Brands General Merchandise Pty Ltd (previously Pepkor South East Asia Pty Ltd) | AUS | 081 408 791 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Epiross Pty Ltd | AUS | 140 709 002 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Best& Less Pty Ltd. | AUS | 003 724 696 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| The Kidstore Pty Ltd | AUS | 159 873 597 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Storecon Pty Ltd | AUS | 163 703 759 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Postie Plus Group Ltd | NZL | 1106529 | 100% | Company sold on 01/12/2019: New Zealand |
| PSEA Direkt Pty Ltd (previously Pepkor Direct Pty Ltd) | AUS | 099635220 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Mozi Australia Pty Ltd | AUS | 128 664 228 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Hongyu (HK) Holdings Limited (liquidation in process) | HKG | 1305198 | 50% | Company sold on 01/12/2019: Hong Kong |
| Harsyn Pty Ltd. | AUS | 123 966 772 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Harrin Australia Pty Ltd. | AUS | 123 876 184 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| PSEA dept. stores Pty Ltd. | AUS | 095 018 803 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Harris Scarfe Securitisation Income Trust No. 1 | AUS | ABN 78 263 322 875 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Harris Scarfe Securitisation Trust No 1 | AUS | | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Harris Scarfe Insurance Pty Ltd. | AUS | 003 511 171 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Harris Scarfe Financial Services Pty Ltd. | AUS | 130 587 496 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Bronsonbay Pty Ltd. | AUS | 106780465 (ACN) | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Allens Stores Pty Ltd. | AUS | 100 437 992 | 100% | Company sold on 01/12/2019. (Supposed previous address: Legal & Compliance Department, Level 4, 1 Epping Road, North Ryde NSW 2113, Austrialia) |
| Fantastic Furniture Ltd (dormant) | GBR | 10734076 | 100% | 5th Floor, Festival House, Jessop Avenue, Cheltenham, England, GL50 3SH |
| Blue Group Hold Co Limited | GBR | 12040448 | 100% | 3rd Floor, The Globe Centre, 1 St James Square, Accrington, Lancashire, England, BB5 0RE |
| Unitrans UK Ltd. | GBR | 05523545 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Unitrans Logistics (UK) Ltd. | GBR | 05523550 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| TechXpress Ltd. (dormant) | GBR | 04383239 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Concorde Logistics Ltd. (dormant) | GBR | 05875484 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Unitrans Ltd. | GBR | 01372780 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Steinhoff UK Retail Ltd. | GBR | 00040754 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Sofa Shed Ltd. (dormant) | GBR | 03065052 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Formation Furniture Ltd (previously Steinhoff UK Upholstery Ltd) | GBR | 03223063 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Steinhoff UK Manufacturing Ltd. | GBR | 04209321 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Relyon Group Ltd. | GBR | 00859590 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Steinhoff UK Beds Ltd. | GBR | 08431253 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Sprung Slumber Ltd (previously Formation Furniture Ltd) (dormant) | GBR | 03421330 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Relyon Ltd. | GBR | 00470381 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Springtex Ltd. (dormant) | GBR | 06418076 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Steinhoff UK Group Properties Ltd. | GBR | 01024575 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Serais Investments Ltd. | GBR | 01264703 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Furniture Shed Ltd (dormant) | GBR | 01884037 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 17) Ltd (dormant) | GBR | 02287644 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 14) Ltd (dormant) | GBR | 02910567 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 1) Ltd (dormant) | GBR | 00281055 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 3) Ltd (dormant) | GBR | 02004313 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 11) (dormant) | GBR | 02236968 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 15) Ltd (dormant) | GBR | 00884341 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Myers Beds Ltd (dormant) | GBR | 03512000 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Localbasis Ltd (dormant) | GBR | 02682140 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Homestyle Operations Ltd (dormant) | GBR | 00619357 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 8) Ltd (dormant) | GBR | 02347258 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Harveys Furniture Ltd (dormant) | GBR | 01768980 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Cargo Homeshop Ltd (dormant) | GBR | 04324585 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Steinhoff UK Furniture Ltd. (dormant) | GBR | 02237159 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Sleepmasters Ltd (dormant) | GBR | 04681122 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Bedshed (dormant) | GBR | 04681132 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 7) Ltd (dormant) | GBR | 00548337 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Staples and Co Ltd (dormant) | GBR | 02186434 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Property Portfolio (No 2) Ltd (dormant) | GBR | 03511999 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Homestyle Group Operations Ltd. | GBR | 03130486 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Bensons Beds Ltd (dormant) | GBR | 04968871 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Slumberland Ltd (dormant) | GBR | 04968903 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Reid Furniture (2014) Ltd (dormant) | GBR | 04243961 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |
| Dunlopillo Ltd (dormant) | GBR | 08996238 | 100% | Company sold on 26/02/2020: 5th Floor, Festival House Jessop Avenue Cheltenham GL50 3SH England |

## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES AS AT 30 SEPTEMBER 2019

*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| The Package Deal Kings Ltd (dormant) | GBR | 10769195 | 100% | 5th Floor Festival House, Jessop Avenue, Cheltenham, Gloucestershire, GL50 3SH |
| Steenbok Newco 8 Ltd (UK) | GBR | 11729128 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steinhoff Holding Beta GmbH | AUT | FN 360096d | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| AIH Investment Holding AG | AUT | FN 360230 a | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| ABRA SA | POL | KRS 0000003143 | 100% | Poland |
| Laguna Holdings B.V. | NLD | KvK 52198588 | 100% | Noord Brabantlaan 265, Eindhoven, 5652 LD, Netherlands |
| Laguna Investments Beta B.V. | NLD | KvK 52199258 | 100% | Noord Brabantlaan 265, Eindhoven, 5652 LD, Netherlands |
| Laguna Investments Alpha B.V. | NLD | KvK 52199061 | 100% | Noord Brabantlaan 265, Eindhoven, 5652 LD, Netherlands |
| Conforama Investissement SNC | FRA | RCS 530 636 695 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Developpement SASU | FRA | RCS 530 637 149 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| CONFO! SASU | FRA | RCS 823 272 489 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Tulo France SASU | FRA | RCS 823 294 681 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Mon Lit et Moi SASU (previously Il était une nuit) | FRA | RCS 819 996 596 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Mon Lit Et Moi Développement S.A.S.U | FRA | 513144972 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Maison Depot SASU | FRA | RCS 823 272 752 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Digital Inv SASU | FRA | RCS 800 321 382 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Holding SA | FRA | RCS 582 014 445 | 99.98% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama France SA | FRA | RCS 414 819 409 | 99.99% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Développement 17 SASU | FRA | | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Développement 12 SASU | FRA | RCS 830 008 397 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Développement 11 SASU | FRA | RCS 829 013 473 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Développement 18 SASU | FRA | | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Fliba doo | HRV | 80220197 | 100% | Croatia |
| Emmezeta Srbija d.o.o. | SRB | | 100% | Serbia |
| Emma Real Estate d.o.o. | SRB | | 100% | Serbia |
| Conforama Développement 15 SASU | FRA | RCS 830 937 389 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SNC Baptiste | FRA | RCS 837 559 525 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI Stella | FRA | RCS 800 540 304 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI Ophelia | FRA | RCS 819 922 733 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI Chloe | FRA | RCS 819 941 691 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Alpha I Beta Omega SNC | FRA | RCS 750 366 213 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI Manda | FRA | RCS 791 955 396 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI La Vallee | FRA | RCS 750 787 459 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI EVA | FRA | RCS 750 790 628 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI Dina | FRA | RCS 791 955 537 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Alpha II Beta Omega SCI | FRA | RCS 750 366 346 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Adour Expansion (ADEX) SA | FRA | RCS 384 699 864 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Steinhoff International Sourcing and Logistics SASU | FRA | RCS 518 495 619 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Suisse SA | CHE | CH-550.0.134.020-6 | 100% | Switzerland |
| Conforama Luxemburg SA | LUX | RCS B48369 | 100% | Luxembourg |
| Conforama Espana SA | ESP | CIF A-79103222 | 100% | Spain |
| Realinvest Conforama SL | ESP | CIF B-64762354 | 100% | Spain |
| Conforama Portugal SA | PRT | NIPC 500625980 | 100% | Portugal |
| Immoconfo 2 SA | PRT | NIF 513596275 | 100% | Portugal |
| Immoconfo 1 SA | PRT | NIF 513596259 | 100% | Portugal |
| Conforama Italy SpA | ITA | REA 1646414 | 100% | Italy |
| Emmezeta Moda Srl | ITA | REA 7776860 | 100% | Italy |
| Conforama Développement 7 SASU | FRA | RCS 823 272 430 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Développement 6 SASU | FRA | RCS 814 646 550 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SICA International Services SARL | CHE | CHE-429.218.390 | 50% | Switzerland |
| Conforama-Casino-Achats SARL (MANO) | FRA | RCS 823 395 686 | 50% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| Conforama Développement 14 SASU | FRA | RCS 831 498 787 | 100% | 80 Boulevard du Mandinet, 77185 Lognes, France |
| SCI Flavia | FRA | RCS 794 225 110 | 100% | |
| LIPO Beteiligungen AG | CHE | CH-270.3.001.910-6 | 100% | |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| LIPO Service AG | CHE | CH-320.3.007.687-9 | 100% | |
| LIPO Einrichtungsm√§rkte AG | CHE | CH-270.3.001.072-7 | 100% | |
| Conforama Investissement 2 SAS | FRA | RCS 814 646 717 | 100% | |
| White Rock Insurance (Gibraltar) PCC Ltd. | GIB | 83887 | 100% | |
| Steinhoff Möbel Holding GmbH | AUT | FN 216023 g | 100% | 2345 Brunn am Gebirge, Rennweg 77 |
| Steinhoff Eta GmbH | DEU | HR B 121276 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| SBG Service GmbH | DEU | HR B 229923 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Pike Sp. z o.o. (previously Global Warehouse and Logistics Sp. z o.o.) | POL | KRS 0000492122 | 100% | ul. Ruska 37/38, 50-079 Wroclaw, Poland |
| Nova Engineering sp. z o.o | POL | KRS 0000015452 | 100% | ul. Ruska 37/38, 50-079 Wroclaw, Poland |
| Pat Cornick International B.V. | NLD | KvK 33238663 | 100% | Noord Brabantlaan 265, Eindhoven, 5652 LD, Netherlands |
| LTW Transport GmbH | DEU | HR B 121277 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Global Warehouse and Logistics West GmbH | DEU | HR B 14908 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Global Warehouse and Logistics Service GmbH | DEU | HR B 209015 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Global Warehouse and Logistics GmbH | DEU | HR B 405797 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Global Warehouse and Logistics AG | CHE | CH-170.3.039.166-1 | 100% | |
| WL Westersteder Lagerhaus GmbH | DEU | HR B 201637 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Cofel SA | FRA | RCS 382 286 904 | 50% | |
| COPIREL SA | FRA | RCS 443 681 903 | 100% | |
| Literie Italia | ITA | BO 503448 | 49% | |
| Euroventes SPRL | BEL | 0432.106.789 | 100% | |
| Bruno Steinhoff Trading GmbH | DEU | HR B 120856 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Steinhoff Schweiz AG | CHE | CH-170.3.026.394-1 | 100% | |
| Steinhoff International Sourcing and Logistics Poland Sp. z o.o. | POL | KRS 0000163475 | 100% | |
| Steinhoff International Sourcing and Trading Ltd. | HKG | CR 2461089 | 100% | 19/F, Seaview Commercial Building, 21-24 Connaught Road West, Hongkong |
| Steinhoff International Sourcing Ltd. | HKG | CR 0644662 | 100% | 19/F, Seaview Commercial Building, 21-24 Connaught Road West, Hongkong |
| Steinhoff International Sourcing Limited - Vietnam RO | VNM | 79-02944-01 | 100% | 5A Tong Huu Dinh Str., Thao Dien Ward, Dist. 2, Ho Chi Minh City, Vietnam |
| Steinhoff International Sourcing Limited - Pakistan RO | PAK | 0073941 | 100% | Cavish Court, A-35, Block 7 & 8 , KCHSU, Shahrah-e-Faisal, Karachi |
| Steinhoff International Sourcing Limited - Indonesia RO | IDN | 28/1/IUP3A-T/P-4/Nas/2017 | 100% | Chase Plaza Podium 2nd Floor,Jl. Jend. Sudirman Kav.21 Jakarta 12920 Indonesia |
| Steinhoff International Sourcing Limited - India RO | IND | F04370 | 100% | Suncity Success Tower, Unit No.124, 1st Floor,Golf Course Extension Road, Sector 65, Gurgaon, 122005, Haryana, India. |
| Steinhoff International Sourcing Limited - G2 Branch | HKG | 22233821 | 100% | |
| Steinhoff International Sourcing (Shenzhen) Ltd. | CHN | 440301503446654 | 100% | 3/F Tower 2,Shenzhen Beihang Mansion,No.53, Gaoxin South 9th road, Nanshan District,Shenzhen,China |
| Steinhoff International Sourcing (Shanghai) Ltd. | CHN | 91310000MA1GBH5W31 | 100% | Room 710,Block T1,Venke Zone One,No 168 Tai Hong Road,Minhang District, Shanghai,P.R.China |
| Steinhoff International Trading Services Ltd | HKG | CR 2463978 | 100% | 19/F, Seaview Commercial Building, 21-24 Connaught Road West, Hongkong |
| Steinhoff Europe AG (Switzerland) | CHE | CH-130.0.009.701-2 | 100% | |
| Retail Interests Ltd. | GBR | 00054380 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| JWC (Int) Ltd. | GBR | 05468786 | 100% | 4th Floor Pall Mall Works, 17 - 19 Cockspur Street, London, England, SW1Y 5BL |
| Lidstone Investments SA | BEL | 0477.506.650 | 100% | |
| LiVest Management GmbH & Co. KG | DEU | HR A 3438 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| LiVest GmbH | DEU | HR B 5991 | 50% | 26655 Westerstede, Zum Stadtpark 2 |
| LiVest Management Verwaltungs GmbH | DEU | HR B 6479 | 100% | 59192 Bergkamen, Industriestraße 39 |
| Steinhoff Digital GmbH | DEU | HR B 225441 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Steenbok Newco 9 Ltd (UK) | GBR | 11729105 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Stripes US Holding, Inc. | USA | 6114835 | 50.1% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Firm Holding Corp. | USA | 4280344 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Mattress Holdco, Inc. | USA | 4277595 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Holding Corp. | USA | 3580672 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Firm, Inc. | USA | 3577556 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Firm - Arizona, LLC | USA | L-1077824-3 | 100% | 3800 N CENTRAL AVE SUITE 460 , PHOENIX, AZ 85012 |
| Maggies Enterprises, LLC | USA | S354948-4 | 100% | C T CORPORATION SYSTEM, 4701 Cox Rd Ste 285, Glen Allen VA 23060 |
| HMK Mattress Holdings, LLC | USA | 5106196 | 100% | CORPORATION SERVICE COMPANY, 251 LITTLE FALLS DRIVE, WILMINGTON, DE 19808 |
| HMK Intermediate Holdings, LLC | USA | 5111362 | 100% | CORPORATION SERVICE COMPANY, 251 LITTLE FALLS DRIVE, WILMINGTON, DE 19808 |
| Dial Operations, LLC | USA | 4840559 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| 1800mattress.com, LLC | USA | 3777268 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| 1800mattress.com IP, LLC | USA | 3777266 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| Acker Realty Holdings, LLC | USA | 2594196 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| 669 Sunrise Realty, LLC | USA | 2341422 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| 45 South York Associates, LLC | USA | 2785428 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| 1520 Sunrise Highway, LLC | USA | 2441495 | 100% | C/O SLEEPY'S, INC., 175 CENTRAL AVENUE SOUTH, BETHPAGE, NEW YORK, 11714 |
| Whitehall Management Partners, LLC | USA | 2959805 | 100% | CORPORATION SERVICE COMPANY, 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110 |
| Viewmont Drive Realty, LLC | USA | 605162 | 100% | CORPORATION SERVICE COMPANY, 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110 |
| South Oyster Bay Realty, LLC | USA | 3389116 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| Scranton Avenue Associates, LLC | USA | 3434068 | 100% | CORPORATION SERVICE COMPANY, 80 STATE STREET, ALBANY, NEW YORK, 12207-2543 |
| Route 352 Management Partners, LLC | USA | 569704 | 100% | CORPORATION SERVICE COMPANY, 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110 |
| Robbinsville 7A Warehouse Group, LLC | USA | 0600160138 | 100% | CORPORATION SERVICE COMPANY, Princeton South Corporate Ctr., Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628 |
| Maple Shade Partners, LLC | USA | 0600086359 | 100% | CORPORATION SERVICE COMPANY, Princeton South Corporate Ctr., Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628 |
| Hazlet Partners, LLC | USA | 0600106166 | 100% | CORPORATION SERVICE COMPANY, Princeton South Corporate Ctr., Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628 |
| Craftsman Realty, LLC | USA | 0766481 | 100% | CORPORATION SERVICE COMPANY, 50 WESTON ST, HARTFORD, CT, 06120 |
| Bethlehem Pike Realty, LLC | USA | 3076997 | 100% | CORPORATION SERVICE COMPANY, 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110 |
| Aramingo Avenue Associates, LLC | USA | 2785430 | 100% | CORPORATION SERVICE COMPANY, 2595 Interstate Drive, Suite 103, Harrisburg, PA 17110 |
| Sleepys, LLC | USA | 4327760 | 100% | CORPORATION SERVICE COMPANY, 251 LITTLE FALLS DRIVE, WILMINGTON, DE 19808 |
| SINT, LLC | USA | 4327737 | 100% | CORPORATION SERVICE COMPANY, 251 LITTLE FALLS DRIVE, WILMINGTON, DE 19808 |
| MD Acquisition, LLC | USA | 5237507 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Discounters Operations, LLC | USA | 5241000 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Discounters IP, LLC | USA | 5239543 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| Mattress Discounters Group, LLC | USA | S2754036 | 100% | CORPORATION SERVICE COMPANY, 100 Shockoe Slip Fl 2, Richmond VA 23219 |
| Custom Fundraising Solutions, LLC | USA | 1769508 | 100% | 28711 NORTH, LINCOLN ROAD, BAY VILLAGE OH 4140 |
| CXV Holdings, LLC | USA | 5122848 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| CCP IV SBS Holdings, LLC | USA | 5122844 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| CCP IV Holdings, LLC | USA | 5122846 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| American Internet Sales, LLC | USA | 5319077 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| The Sleep Train, Inc. | USA | C1277162 | 100% | 818 W Seventh St, Suite 930, Los Angeles, CA 90017 |
| ST San Diego, LLC | USA | 200136210056 | 100% | 818 W Seventh St, Suite 930, Los Angeles, CA 90017 |
| Sleep Country USA, LLC | USA | 1785936 | 100% | c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, New Castle County |
| The Mattress Venture, LLC | USA | 800930049 | 100% | 350 North St. Paul, Dallas, TX 75201 |
| Mattress Giant Corporation | USA | 122977500 | 100% | 1445 Ross Avenue, Suite 3500, Dallas, TX 75202 |
| Steenbok Newco 10 SARL (LUX) | LUX | B 235 929 | 100% | 56 rue Charles Martel, Luxembourg, 230883 |
| Pada Sp. z o.o. | POL | KRS 0000020830 | 99.95% | ul. Ruska 37/38, 50-079 Wroclaw, Poland |
| Steinhoff Service GmbH | DEU | HR B 121300 | 100% | 26655 Westerstede, Zum Stadtpark 2 |
| Steinhoff Europe Consult Sp. z o.o. | POL | KRS 0000013715 | 100% | ul. Ruska 37/38, 50-079 Wroclaw, Poland |
| GT Branding Holding SA | CHE | CHE-250.489.667 | 100% | Avenue de la Gare 46b, 1920 Martigny, Switzerland |
| GT Global Trademarks SA | CHE | | 100% | Avenue de la Gare 46b, 1920 Martigny, Switzerland |
| Hemisphere International Properties B.V. | NLD | KvK 17228592 | 100% | Noord Brabantlaan 265, Eindhoven, 5652 LD, Netherlands |
| HIP DutchCo 1 B.V. | NLD | 74299611 | 100% | |
| HIP DutchCo 2 B.V. | NLD | 74299484 | 100% | |
| Genesis Properties Investment GmbH | AUT | FN 265906 p | 100% | Rennweg 77, Brunn am Gebirge, 2345, Austria |
| Standard Properties Sp. z o.o. | POL | KRS 0000011112 | 100% | Ruska 37/38, Wroclaw, 50- 079, Poland |
| Nova Properties Kft. | HUN | Cg. 20-09-068522 | 100% | Szemere u. 4., Nagykanisza, 8800, Hungary |
| MIVG Upravljanjenekretninama d.o.o. | HRV | MBS 080769092 | 100% | Velimira Skorpika 25, Zagreb, 10090, Croatia |
| Kika Upravljanjenekretninama d.o.o. | HRV | MBS 030098550 | 100% | Velimira Skorpika 25, Zagreb, 10090, Croatia |
| Kappa Immobilien Investment GmbH | DEU | HR B 120873 | 100% | Langebrugger Strasse 5, Westerstede, 26655, Germany |
| Gamma Enterprises GmbH | DEU | HR B 200922 | 100% | Langebrugger Strasse 5, Westerstede, 26655, Germany |
| Hemisphere Zagreb Properties d.o.o. | HRV | 080170626 | 100% | Velimira Skorpika 25, Zagreb, 10090, Croatia |
| Alvaglen Estates Ltd | BHS | IBC 84615 B | 100% | 3 Bayside Executive Park, West Bay Street & Blake Road, PO Box N04875, Nassau, The Bahamas |
| Steinhoff Properties AG | CHE | CH-170.3.038.665-0 | 100% | Sihlbruggstrasse 105, Baar, 6340, Switzerland |
| Steinhoff International Investment HK Ltd (previously Steinhoff Global Sourcing Ltd) | HKG | CR 2584507 | 100% | |
| Standard France SARL | FRA | RCS 821 510 427 | 100% | 80 Boulevard du Mandinet (Lognes), Marne-La-Valee Cedex 2, 77432, France |
| Relyon Holland B.V. | NLD | KvK 16081779 | 100% | Noord Brabantlaan 265, Eindhoven, 5652 LD, Netherlands |
| Steinhoff Investment Holdings Limited | ZAF | 1954/001893/06 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Taycol Investments Proprietary Limited | ZAF | 1973/007137/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff International Holdings Proprietary Limited | ZAF | 1998/003951/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Africa Holdings Proprietary Limited | ZAF | 1969/015042/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinbuild Holdings Proprietary Limited | ZAF | 1995/008188/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Newshelf 1093 Proprietary Limited | ZAF | 2010/018630/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Loungefoam Proprietary Limited (Dormant) | ZAF | 1996/001546/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| IB Investment Holdings Proprietary Limited (Dormant) | ZAF | 1994/003585/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Boundary Terraces No 012 (RF) (Pty) Limited | ZAF | 2017/227519/07 | 70% | 7th Floor Letterstedt House, Cnr Main and Campground Roads, Newlands, Cape Town, 7700, South Africa |
| Ainsley Holdings Proprietary Limited | ZAF | 1964/010191/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Pepkor Holdings Limited (previously Steinhoff Africa Retail Limited) | ZAF | 2017/221869/06 | 71.01% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Holdco Proprietary Limited (previously Pepkor Holdings Proprietary Limited) | ZAF | 2003/020009/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Pepkor Capital (RF) Proprietary Limited | ZAF | 2017/515996/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Proprietary Limited | ZAF | 1965/007765/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Investments Proprietary Limited | ZAF | 1965/004401/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor IP Proprietary Limited | ZAF | 2004/014533/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Finance Proprietary Limited | ZAF | 1968/000148/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Clothing Industries Proprietary Limited | ZAF | 1965/005478/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Jofander Proprietary Limited | ZAF | 1984/002078/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Capfin Proprietary Limited | ZAF | 1980/005783/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Zamori 339 Proprietary Limited | ZAF | 2010/002397/07 | 50% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Africa Retail Properties Limited | ZWE | | 100% | Zambia |
| Pepkor IT Proprietary Limited | ZAF | 1946/022121/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Manufacturing Proprietary Limited | ZAF | 1969/009505/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| N Jacobs and Company Proprietary Limited | ZAF | 1980/005783/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Proprietary Limited | ZAF | 1945/018945/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Beleggings Proprietary Limited (Pep Investments) | ZAF | 1969/004549/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Angola Wholesale Limitada | AGO | 3.656/2010 | 100% | Angola |
| Pep Angola Retail Limitada | AGO | 3.667/2010 | 100% | Angola |
| Ultimo Holdings Proprietary Limited | ZAF | 1980/000294/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Ultimo Properties Proprietary Limited | ZAF | 1960/003498/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| IL Black Properties Aandeleblokmaatskappy Proprietary Limited | ZAF | 1958/002836/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Translink Services S.a.r.l (Luxemburg) (in voluntary liquidation) | LUX | B92931 | 100% | Luxembourg |
| Tendril S.a.r.l. (Luxemburg) | LUX | B149493 | 100% | Luxembourg |
| Pep Stores Zambia Limited | ZWE | 31470 | 100% | Zambia |
| Pep Mozambique Limitada | MOZ | 7205 | 100% | Mozambique |
| Pep Limited (Ghana) | GHA | 79/073 | 100% | Ghana |
| Pep Botswana Holdings Limited | BWA | 1151/72 | 100% | Botswana |
| Pep Africa Limited (Malawi) | MWI | 4717 | 100% | Malawi |
| Harties Stores Botswana Proprietary Limited | BWA | 1988/892 | 100% | Botswana |
| At the Ready Wholesalers Limited (Zambia) | ZWE | 48312/01 | 100% | Zambia |
| Pepkor Africa Proprietary Limited | ZAF | 1983/010915/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Vervaardiging Proprietary Limited | ZAF | 1985/005679/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Printkor Proprietary Limited | ZAF | 1974/003641/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepclo Proprietary Limited | ZAF | 1953/001317/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Mfumu Clothing Proprietary Limited Malawi | MWI | | 100% | Malawi |
| Pep Stores Uganda Limited | UGA | 206990 | 100% | Uganda |
| Pep Stores Proprietary Limited (Nigeria) | NGA | 969937 | 100% | Nigeria |
| Pep Retail Proprietary Limited | ZAF | 1984/002042/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Reef Properties Proprietary Limited | ZAF | 1989/004910/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Namibia Holdings Limited | NAM | 1987/086 | 100% | Namibia |
| Pep Stores Retail Proprietary Limited (Namibia) | NAM | 89/208 | 100% | Namibia |
| Pep Stores Proprietary Limited (Lesotho) | LSO | 72/15 | 100% | Lesotho |
| Pep Stores Proprietary Limited (Swaziland) | SWZ | 77/72 | 100% | Swaziland |
| Pep Stores Peninsula Holdings Proprietary Limited | ZAF | 1973/012536/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepprop Mitchells Plain Proprietary Limited | ZAF | 1985/000662/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pep Stores (Pvt) Ltd Zimbabwe | ZWE | 93/72 | 100% | Zimbabwe |
| At The Ready Wholesalers (Pvt) Ltd | ZWE | 25/78 | 80% | Zimbabwe |
| Pep SA Limited | ZAF | 1972/010710/06 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Beneficiary of: Pep Limited Share Incentive Trust No. 2 | ZAF | | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Beneficiary of: Pep Limited Share Incentive Trust | ZAF | | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Odvest 155 Proprietary Limited | ZAF | 2011/001544/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Greatermans Department Stores Proprietary Limited | ZAF | 1915/001079/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Garhold Proprietary Limited | ZAF | 1990/003284/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Tulip investments 2 Proprietary Limited | ZAF | 1984/009235/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tulip Investments Proprietary Limited | ZAF | 1967/003861/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Swanvest 85 Proprietary Limited | ZAF | 1998/004099/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Jemade Financing Proprietary Limited | ZAF | 1970/001929/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Garlick Holdings Proprietary Limited | ZAF | 1967/003861/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Garlick Department Stores Proprietary Limited | ZAF | 1984/004196/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Flash Mobile Vending Proprietary Limited | ZAF | 2010/000777/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Flash IP Proprietary Limited | ZAF | 2010/001879/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Cash-Hold Proprietary Limited | ZAF | 1986/001922/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Capfin SA Proprietary Limited (previously Southern View Finance SA Proprietary Limited) | ZAF | 2011/126985/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Big D Discount Hyper Proprietary Limited | ZAF | 1948/031045/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| H and A Payne Proprietary Limited | ZAF | 1934/005558/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Ackermans Proprietary Limited | ZAF | 1921/002170/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Ackermans Namibia Proprietary Limited | NAM | 90/393 | 100% | Namibia |
| Ackermans Management Services Proprietary Limited | ZAF | 1984/010534/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Ackermans Lesotho Proprietary Limited | LES | 88/229 | 100% | Lesotho |
| Ackermans Botswana Proprietary Limited | BOT | 95/1379 | 100% | Botswana |
| Ackermans Bophuthatswana Proprietary Limited | ZAF | 1991/070355/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tots n Teens Clothing Proprietary Limited | ZAF | 1981/003196/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| K Fashion Group Proprietary Limited (Previously Justcor Fashion Group (Pty) Ltd) | ZAF | 2006/015570/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Refinery Stores (Namibia) Proprietary Limited | NAM | 2010/0416/07 | 100% | Namibia |
| Ackermans Zambia Proprietary Limited | ZWE | | 100% | Zambia |
| Ackermans Transvaal Proprietary Limited | ZAF | 1926/008492/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Ackermans Transkei Proprietary Limited | ZAF | 1990/060196/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Ackermans Swaziland Proprietary Limited | SWZ | 32/1972 | 100% | Swaziland |
| Wilfred Meyersohn and Company Proprietary Limited | ZAF | 1960/000576/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| W M Twee Proprietary Limited | ZAF | 1986/000789/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Speciality Proprietary Limited (previously Steinhoff Speciality Fashion and Footwear Proprietary Limited) | ZAF | 1998/007991/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| New Dunns Proprietary Limited | ZAF | 1972/013426/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Dunns Stores Botswana Proprietary Limited | BWA | 87/840 | 100% | Botswana |
| Shoe City Holdings Proprietary Limited | ZAF | 1996/008674/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Shoe City Proprietary Limited | ZAF | 1995/010615/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Speciality Stores Swaziland Proprietary Limited | SWZ | 65/1972 | 100% | Swaziland |
| Pepkor Speciality Stores Proprietary Limited (Namibia) | NAM | 79/064 | 100% | Namibia |
| Pepkor Speciality Stores Lesotho Proprietary Limited | LSO | 73/21 | 100% | Lesotho |
| Manrotrade Four Proprietary Limited | ZAF | 2001/004514/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Formatix Ten Proprietary Limited | ZAF | 2001/021137/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| John Craig Proprietary Limited | ZAF | 1950/036084/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| John Craig Namibia Proprietary Limited | NAM | 2011/0678/07 | 100% | Namibia |
| Metrotoy Proprietary Limited | ZAF | 1924/008058/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Van As and Associates Recoveries Proprietary Limited | ZAF | 2014/074508/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tenacity Financial Services Proprietary Limited | ZAF | 2007/003071/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Sim Dynamix Proprietary Limited | ZAF | 2011/008149/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Sim Dynamix IP Proprietary Limited | ZAF | 2012/025212/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Rotrustfin Proprietary Limited | ZAF | 1984/009246/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkorfin Proprietary Limited | ZAF | 1980/003231/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Trading Proprietary Limited | ZAF | 1958/003362/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Moreprop Property Holdings Cape Proprietary Limited (to be de-registered) | ZAF | 1987/004969/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
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*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Maravedi Group Proprietary Limited | ZAF | 1998/023066/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| JD Group International Proprietary Limited | ZAF | 1965/004413/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| JD Group Botswana t/a Hi - Finance | BOT | 88/220 | 100% | Botswana |
| JD Group (Swaziland) Proprietary Limited t/a Bradlows | SWZ | 181/1972 | 100% | Swaziland |
| JD Group (Namibia) Proprietary Limited t/a Morkels and Joshua Doore (Dormant) | NAM | 93/208 | 100% | Namibia |
| JD Group (Lesotho) Proprietary Limited (Dormant) | LES | Nov-85 | 100% | Lesotho |
| JD Financial Services Proprietary Limited (in Namibia) | NAM | 2008/0148 | 100% | Namibia |
| Secureco Three Proprietary Limited (in Namibia) (Dormant) | NAM | 2001/090 | 100% | Namibia |
| Connection Group Holdings Proprietary Limited | ZAF | 1997/005390/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Cloverpark Investments Proprietary Limited (to be deregistered) | ZAF | 2001/000108/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Unitrans Motor Enterprises Proprietary Limited | ZAF | 1989/000813/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Sleepmasters Proprietary Limited | ZAF | 2011/112932/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Profurn Limited | ZAF | 1968/015363/06 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Profurn (Mozambique) Limitada (to be dissolved) | MOZ | | 100% | Mozambique |
| JD Consumer Electronics and Appliances Proprietary Limited | ZAF | 1963/002315/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Incredible Connection (Namibia) Proprietary Limited | NAM | 2001/475 | 100% | Namibia |
| Incredible Connection (Botswana) Proprietary Limited | BWA | 2001/2501 | 100% | Botswana |
| HiFi Corp Zambia Limited | ZWE | 97974 | 100% | Zambia |
| Finserve Mauritius Limited (in process of de-registration) | MUS | 19561/3643 | 100% | Mauritius |
| Prosure Insurance Limited (in process of de-registration) | MUS | 19548/3639 | 100% | Mauritius |
| Connect Financial Solutions Proprietary Limited | ZAF | 2018/431596/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Supreme Furnishers Proprietary Limited | ZAF | 1961/001935/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Supreme Furnishers (Namibia) Proprietary Limited | NAM | 93/451 | 100% | Namibia |
| Protea Furnishers (Namibia) Proprietary Limited t/a Hi - Finance | NAM | 93/450 | 100% | Namibia |
| Supreme Furnishers (Lesotho) Proprietary Limited | LSO | 1992/002839/10 | 100% | Lesotho |
| Protea Furnishers (Botswana) Proprietary Limited (in process of de-registration) | BWA | 84/4992 | 100% | Botswana |
| Joshua Doore Russells (Botswana) Proprietary Limited | BWA | 89/166 | 100% | Botswana |
| Sovereign Proprietary Limited (Botswana) | BWA | 99/4755 | 100% | Botswana |
| Hi - Fi and Electric Warehouse Proprietary Limited (Botswana) t/a Hi - Fi Corp | BWA | 99/1776 | 100% | Botswana |
| Hi - Fi and Electric City (Namibia) Proprietary Limited | NAM | 98/339 | 100% | Namibia |
| Gomotsa Proprietary Limited (in process of de-registration) | BWA | 99/4849 | 100% | Botswana |
| Furniture Traders (Botswana) Proprietary Limited (Dormant) | BWA | 89/1217 | 100% | Botswana |
| Barnetts (Swaziland) Proprietary Limited | SWZ | 778/9/1966 | 100% | Swaziland |
| Aazad Electrical Construction (Botswana) Proprietary Limited t/a Morkels | BWA | 98/497 | 100% | Botswana |
| The Tax Free Warehouse Proprietary Limited Namibia | NAM | 97/427 | 100% | Namibia |
| Pepkor SA Proprietary Limited | ZAF | 1990/003289/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pepkor Retail Proprietary Limited | ZAF | 1986/003435/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| JD Group Proprietary Limited | ZAF | 1981/009108/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |

## OTHER INFORMATION
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*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| The Building Company Proprietary Limited (previously Steinhoff Doors and Building Materials Proprietary Limited) | ZAF | 1972/004708/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Swish Global Trading (Mauritius) | MUS | | 100% | Mauritius |
| Sean Gannon Building Materials Trust | ZAF | IT3560/2004 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| RG Williams Buildings Materials Trust | ZAF | IT1865/2004 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pennypinchers Trusses Western Cape Proprietary Limited | ZAF | 2011/127617/07 | 79% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pennypinchers Sand and Stone Proprietary Limited | ZAF | 2007/027317/07 | 50% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pennypinchers Port Alfred Building Materials Trust | ZAF | IT584/2007 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pennypinchers George Trust | ZAF | IT1184/96 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pennypinchers East London Building Materials Trust | ZAF | IT604/2004 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Pefki Wood Products Proprietary Limited | ZAF | 1993/004401/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Patin Trading 222 Proprietary Limited | ZAF | 2007/020531/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Matola Buildware Limitada (Mozambique) | MOZ | | 100% | Mozambique |
| Marais Schonfeldt Building Materials Trust | ZAF | IT3691/97 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| KH International Proprietary Limited | ZAF | 1944/016830/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| John Mager Timbercity East London Trust | ZAF | IT1461/2006 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Johann van Schalkwyk Boards Trust | ZAF | | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| James Bruce Sholto Douglas Building Materials Trust | ZAF | IT413/2006 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Iliad Africa Limited | ZAF | 1997/011938/06 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Iliad Africa Investments (Pty) Ltd | ZAF | 1999/010559/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Iliad Africa Trading (Pty) Ltd | ZAF | 1997/010059/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| D and A Truss Company (Pty) Ltd (Dormant) | ZAF | 2002/019276/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| D and A Timbers (Pty) Ltd (Dormant) | ZAF | 1998/025853/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Cachet International Holdings (Pty) Ltd (trading as Cachet) | ZAF | 1997/013442/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| CMG Holdings (Pty) Ltd (Dormant) | ZAF | 1999/004206/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| BYM Building Supplies (Pty) Ltd (Dormant) | ZAF | 1995/003883/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| BUCO Western Cape Proprietary Limited (previously Campwell Hardware (Pty) Ltd) | ZAF | 2006/016431/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| B One Holdings (Pty) Ltd (trading as B One) | ZAF | 1988/006069/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| United Steel and Pipe Supplies (Pty) Ltd | ZAF | 1994/003538/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Henk Louwrens Building Materials Trust | ZAF | IT3788/99 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Hardware Warehouse Limited | ZAF | 2007/004302/06 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Golden Dividend 235 Proprietary Limited | ZAF | 2005/034562/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| In line Trading 142 Proprietary Limited | ZAF | 2003/011574/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Gunnar Jensen Building Materials Trust (Namibia) | NAM | T130/05 | 100% | Namibia |
| Frans Loots Building Materials Trust | ZAF | IT3317/96 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Chris Eloff Building Material Trust (Namibia) | NAM | T2/07 | 100% | Namibia |
| Building Supply Group Proprietary Limited | ZAF | 2010/008725/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tiletoria Cape Proprietary Limited | ZAF | 2007/002174/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Next SA Trading Proprietary Limited | ZAF | 2009/012785/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Link International (L) BHD (Malaysia) | MYS | | 100% | |
| Link Quality Control and Services Co (China) | CHN | | 100% | |
| Link International KL Limited (Malaysia) | MYS | | 100% | |
| Floormark Proprietary Limited | ZAF | 2013/058548/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tiletoria Supplies Western Africa (Pty) Limited (Namibia) | NAM | | 100% | Namibia |
| Tiletoria Spec Studio Proprietary Limited | ZAF | 1996/017299/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| MacNeil Proprietary Limited | ZAF | 1985/005691/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| MacNeil JHB Proprietary Limited | ZAF | 1998/012832/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Brands 4 Africa Distribution and Logistics Proprietary Limited | ZAF | 2005/036944/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| One Owl Enterprises Proprietary Limited | ZAF | 1999/014348/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Lodge Stock and Barrel Proprietary Limited | ZAF | 2005/011901/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| MacNeil George Proprietary Limited | ZAF | MacNeil George | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| MacNeil Eastern Cape Proprietary Limited | ZAF | 2002/010074/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| MacNeil Durban Proprietary Limited | ZAF | 2006/026347/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| DCLSA Proprietary Limited | ZAF | 2005/041644/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Yebomanzi Proprietary Limited | ZAF | 2005/038950/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Erf 117746 Nourse Avenue Proprietary Limited | ZAF | 2012/203652/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Anthony Wentworth Building Materials Trust | ZAF | IT5717/96 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Wayne Gerber Building Materials Trust | ZAF | IT1456/98 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Timbercity Witbank Trust | ZAF | IT4540/2007 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Timbercity Roodepoort Boards Trust | ZAF | IT8273/2005 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Timbercity Lowveld Proprietary Limited | ZAF | 2001/008196/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Timbercity Alberton Trust | ZAF | IT3754/2007 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Unitraco Trust | ZAF | IT1028/2000 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Timbercity Potchefstroom Trust | ZAF | IT1758/2008 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Steinbuild William Moffett Trust | ZAF | IT1119/2006 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Uitenhage Building Materials Trust | ZAF | IT2397/2007 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Longbeach Trust | ZAF | IT1868/2004 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Knysna Trust | ZAF | IT2472/2000 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Kimberley Trust | ZAF | IT1757/2008 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Hermanus Trust | ZAF | IT1983/98 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Claremont Trust | ZAF | IT5/97 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers City Trust | ZAF | IT3789/99 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The Pennypinchers Brackenfell Trust | ZAF | IT40/99 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| The I-Glaze Trust | ZAF | IT4242/2007 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tekkie Town Proprietary Limited | ZAF | 2007/020629/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Tekkie Town Lesotho Proprietary Limited | LSO | | 100% | Lesotho |
| Tekkie Town Footwear Namibia Proprietary Limited | NAM | | 100% | Namibia |
| SA POCO Retail Proprietary Limited | ZAF | 1996/011622/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Roadway Properties Proprietary Limited | ZAF | 1997/008647/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Victoria Lewis Furniture Manufacturers Proprietary Limited (Dormant) | ZAF | 1973/016301/07 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Unitrans Motor Holdings Proprietary Limited (previously Alisa Car Sale Proprietary Limited) | ZAF | 1997/017428/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Automotive Proprietary Limited t/a Hertz Rent a Car | ZAF | 1997/009861/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Isuzu Truck Centre Proprietary Limited | ZAF | 2004/016613/07 | 70% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Hertz Private Limited | ZWE | 8410/2013 | 100% | Zimbabwe |
| Double Ring Investments 233 Proprietary Limited | ZAF | 2004/027574/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Autumn Star Trading 306 Proprietary Limited | ZAF | 2004/027632/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Action Motor Group Proprietary Limited | ZAF | 2000/029850/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Action Ford Wes Kaap Proprietary Limited | ZAF | 2016/059759/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Action Ford North West Proprietary Limited | ZAF | 2016/029331/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Vosmar Motors Roodeport Proprietary Limited | ZAF | 2002/005948/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Vosmar Motors Proprietary Limited | ZAF | 2002/020402/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Rentals Proprietary Limited - Botswana | BWA | CO2014/6386 | 100% | Botswana |
| Unitrans Properties 2 Proprietary Limited (previously Lazarus Ford Malmesbury Proprietary Limited) | ZAF | 2014/263184/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Aquarella Investments 174 Proprietary Limited | ZAF | 2005/022984/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Motors Proprietary Limited | ZAF | 1945/019848/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Insurance Limited | ZAF | 1999/001865/06 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Autonation Proprietary Limited | ZAF | 2006/020283/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Autocare Warranty Proprietary Limited | ZAF | 1995/011428/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Retail Services Proprietary Limited | ZAF | 1996/001588/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Rentals (South Africa) Proprietary Limited | ZAF | 1997/017443/07 | 100% | Company sold on 25/11/2019: 38 Ontdekkers Road, Cnr of Ontdekkers and CR Swart Road, Roodepoort, 1724, South Africa |
| Unitrans Rentals (Namibia) Proprietary Limited t/a Hertz | NAM | 98/476 | 100% | Namibia |
| Unitrans Shuttle Service (Namibia) Proprietary Limited (previously Unitrans Rental Services Proprietary Limited (Namibia)) | NAM | 2004/357 | 70% | Namibia |
| Warren Collier Building Materials Trust | ZAF | IT1305/98 | 100% | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| Town Investments Proprietary Limited | ZAF | 2016/159084/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Services Proprietary Limited | ZAF | 1983/006201/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Finance Investments Proprietary Limited | ZAF | 2002/010738/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Mons Bella Private Partner Investments Proprietary Limited | ZAF | 2015/363987/07 | 92% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Manufacturing Proprietary Limited | ZAF | 1968/007966/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Bedding (Namibia) Proprietary Limited - Namibia (Dormant) | NAM | 2001210 | 100% | Windhoek, Namibia |
| Steinhoff At Work Proprietary Limited | ZAF | 1950/037849/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Africa Internal Audit Services Proprietary Limited | ZAF | 1988/000809/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Rainford Aviation Investments Proprietary Limited | ZAF | 1994/004899/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Phahamiso Trading and Investments Proprietary Limited | ZAF | 2010/003510/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Oshikango Foam and Mattress Company Proprietary Limited - Namibia | NAM | 1997162 | 100% | Windhoek, Namibia |
| Hallie Investments Number Three Thousand And Fifty One Proprietary Limited Namibia | NAM | 2011/0811 | 100% | Windhoek, Namibia |
| Steinhoff Secretarial Services Proprietary Limited | ZAF | 1992/004646/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Group Services Proprietary Limited (Dormant) | ZAF | 1988/000802/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Africa Property Services Proprietary Limited | ZAF | 1997/007703/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Makhutzi Wild Ondernemings Eiendoms Beperk | ZAF | 1971/003354/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Lurand Investments Proprietary Limited | ZAF | 1962/004286/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| JD Group Property Holdings Proprietary Limited | ZAF | 2011/006582/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Edidor 197 Proprietary Limited | ZAF | 2011/006996/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Copperzone 185 Proprietary Limited | ZAF | 2011/006981/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Ansec 223 Proprietary Limited (Dormant) | ZAF | 2011/007487/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Valuline 203 Proprietary Limited | ZAF | 2011/010601/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |

## OTHER INFORMATION
## STATUTORY LIST OF ALL SUBSIDIARIES AND AFFILIATED COMPANIES
## AS AT 30 SEPTEMBER 2019
*continued*

This list forms part of the notes to the 2019 separate financial statements and has been referenced therein.

| Entity Name | Incorp. | Reg. No. | Shareholding | Principal place of Business |
|---|---|---|---|---|
| Tanzanite Treasure Trading 7 Proprietary Limited | ZAF | 2011/006190/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Showboat Trade and Invest 17 Proprietary Limited | ZAF | 2008/018137/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Dhlamini 2389 Proprietary Limited (previously Bisonbord Properties Proprietary Limited) | ZAF | 1966/009368/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Attstein Proprietary Limited | ZAF | 2005/028978/07 | 50% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Nulane Investments 40 Proprietary Limited | ZAF | 2004/027788/07 | 75% | Die Klubhuis, Cnr 18th Street and Pi, Hazelwood, 0081, South Africa |
| Adoscore Proprietary Limited | ZAF | 2016/003567/07 | 50% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| 263 Oxford Road Proprietary Limited | ZAF | 1959/001962/07 | 75% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff Properties Proprietary Limited | ZAF | 2001/005911/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| EastWest Real Estate Investments Proprietary Limited (previously Greggaleighk) | ZAF | 2008/010249/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Broadway Business Centre Proprietary Limited | ZAF | 2006/029967/07 | 100% | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Steinhoff UK Group Services Ltd | GBR | 10068169 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Steinhoff Risk Solution Ltd | GBR | 10161665 | 100% | Pall Mall Works, 17-19 Cockspur Street, London, SW1Y 5BL |
| Rainford Isle of Mann Ltd (IoM) (will be liquidated) | IMN | 014512V | 100% | Douglas Chamers, North Quay, Douglas, IM1 4LA, Isle of Man |
| 5113 Inc., US (will be liquidated) (Administratively dissolved on 02/08/2019) | USA | 2016-000735689 | 100% | 1013 Centre Rd, Suite 403-A, Wilmington, DE, 19805, USA |
| IEP Group Proprietary Limited | ZAF | 2015/173069/07 | 25.99% | 15 Chaplin Road, 3rd Floor Illovo, Gauteng, 2196, South Africa |
| Beneficiary of Steinhoff International Share Trust | ZAF | T9633/98 | deemed control | Building B2, Vineyard Office Park, Cnr Adam Tas & Devon Valley Road, Stellenbosch, 7600, South Africa |
| Business Venture Investments No 1499 (RF) Proprietary Limited | ZAF | 2011/002155/07 | deemed control | 36 Stellenberg Road, Parow Industria, 7493, South Africa |
| S'Ya Phanda Proprietary Limied | ZAF | 2019/431627/07 | deemed control | 36 Stellenberg Poad, Parow Industria, 7493, South Africa |
| Aru Game Lodges Proprietary Limited | NAM | CY/2005/0072 | 49% | Namibia |
| Aru Hunting Proprietary Limited | NAM | CY/1998/0383 | 49% | Namibia |
| Veronica Farming Proprietary Limited | NAM | CY/1970/4770 | 49% | Namibia |

ANNUAL REPORT 2019

# 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:

| | |
|---|---|
| **2017 Consolidated Financial Statements** | Consolidated Financial Statements of the Group for the financial period ended 30 September 2017. |
| **2018 Consolidated Financial Statements** | Consolidated Financial Statements of the Group for the financial period ended 30 September 2018. |
| **2019 Consolidated Financial Statements** | Consolidated Financial Statements of the Group for the financial period ended 30 September 2019. |
| **2018 Reporting Date** | 30 September 2018. |
| **2019 Reporting Date or Reporting Date** | 30 September 2019. |
| **2018 Reporting Period** | Period starting on 1 October 2017 up to and including 30 September 2018. |
| **2019 Reporting Period or Reporting Period** | Period starting on 1 October 2018 up to and including 30 September 2019. |
| **2020 Reporting Period** | Period starting on 1 October 2019 up to and including 30 September 2020. |
| **ABRA** | ABRA S.A., a company incorporated under the laws of Poland and registered under number KRS0000003143. |
| **AFM** | Dutch Authority for the Financial Market (Autoriteit Financiële Markten). |
| **Africa Group** | SINVH, together with its subsidiaries, amongst others Pepkor Africa, Unitrans, IEP Group Proprietary Limited and the African property portfolio. |
| **AGM** | Annual General Meeting |
| **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 previously 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. |
| **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 Investments 37 Proprietary Limited, 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, Fulcrum UK, Plum Tree, the Fulcrum Investments Partners SA Group, Sunnyside and Sutherland UK . |
| **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. |

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|---|---|
| **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. |
| **Conforama Group** | Conforama, together with its subsidiaries. |
| **COVID-19** | An ongoing pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The pandemic has led to severe global socioeconomic disruption, the closure of a number of businesses and widespread shortages of supplies. |
| **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. |
| **CPU** | Contingent Payment Undertaking |
| **CVA** | Company Voluntary Arrangements, in respect of SEAG CVA and/or the SFHG CVA (as applicable). |
| **DCC** | Dutch Civil Code |
| **DCGC** | 2016 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).* |
| **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. |

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| **EU** | European Union. |
| **Europe Group** | SFHG, together with its subsidiaries, amongst others Pepco Group, Greenlit Brands, European Properties and Conforama. |
| **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. |
| **Financial and Business Review** | Section 1 of the Management Board Report. |
| **FSE** | Frankfurt Stock Exchanges (Frankfurter Wertpapierbörse). |
| **Fulcrum UK** | Fulcrum Investment Partners (UK) Limited, a company incorporated under the laws of the United Kingdom and registered under number 9795056. |
| **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. |
| **Group** | The group of companies consisting of Steinhoff International Holdings 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 committee 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. |
| **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. |

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| **Impuls** | Briloner Möbel Werke GmbH and Impuls Küchen GmbH, companies incorporated under the laws of Germany and registered under numbers HRB11215 and HRA 3684, respectively. |
| **Internal Auditor** | Internal auditor as referred to in principle 1.3of 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. |
| **Kapela** | Kapela Holdings is a black owned investment holding company |
| **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. |
| **Lipo** | LIPO Beteiligungen AG, a company incorporated under the laws of Switzerland together with its subsidiaries and registered under number CH-040.3.001.910-6. |
| **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. |
| **Mazars** | Mazars Accountants N.V., the Groups external auditor for 2019. |
| **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. |
| **Newco 2A** | Steenbok Newco 2A Limited, a company incorporated and registered under the laws of Jersey with registered number 127926 and with its registered address at 3rd Floor, 44 Esplanade, St Hellier, Jersey. |
| **Newco 3** | Steenbok Newco 3 Limited, a private limited company incorporated under the laws of England and Wales, having its registered office at 5th Floor, Festival House, Jessop Avenue, Cheltenham, GL50 3SH and company number 11728460. |
| **Nomination Committee** | Nomination committee established by the Supervisory Board. |
| **OpCos** | Refer to the operating companies and includes Pepkor Africa, Conforama, Hemisphere, Greenlit, Mattress Firm and Pepkor Europe. |
| **Pepkor Africa** | 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. |

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| **Pepkor Africa Group** | Pepkor Africa, together with its subsidiaries. |
| **Pepco Group** | The pan-European discount variety retailer that includes the brands PEPCO, Poundland and Dealz. |
| **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. |
| **Poundland** | Poundland Group Limited. |
| **PPA** | Purchase price allocation. |
| **Preference Share** | Non-cumulative financing preference share in the capital of the Company. |
| **Pritex** | Pritex Limited, a company incorporated under the laws of England and Wales and registered under number 00618659. |
| **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. |
| **Puris** | Puris Bad Beteiligungsgesellschaft mbH and puris Bad GmbH & Co. KG, companies incorporated under the laws of Germany and registered under numbers HRB9677 and HRA 7178, respectively. |
| **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 11 July 2019 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 noncompliance 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. |
| **SEAG** | Steinhoff Europe AG, a company incorporated under the laws of Austria and registered under number FN 38031d. A wholly owned subsidiary of the Company. |
| **SEAG CVA** | English law company voluntary arrangement proposed by SEAG dated 28 November 2018. |
| **Segmental EBITDA** | EBITDA adjusted to exclude exceptional expenses incurred as disclosed in note 4.2. |
| **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 preference share. |
| **Shareholder** | Holder of one or more Shares. |

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| **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. |
| **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 public limited liability company incorporated under the laws of the Netherlands, having its corporate seat in Amsterdam, the Netherlands, and its head office in South Africa, and registered with the Trade Register in the Netherlands 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. |
| **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 |
| **Steinpol** | Steinpol Central Services sp. Z.o.o., a limited liability company incorporated and organised under the laws of Poland, registered with the commercial register of the National Court Register kept by the District Court in Zielona Góra, VIII Commercial Department of the National Court Register under KRs number 0000214998. |
| **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. |
| **Steenbok Group** | Certain companies were incorporated within the Group to create a new intermediate holding structure below the Company but above the key no-South African businesses and assets of the Steinhoff Group (the "Steenbok Group"). The newly incorporated parent company of the Steenbok Group is Newco 3. |
| **Tekkie Town** | Tekkie Town Proprietary Limited, a company incorporated under the laws of the Republic of South Africa, registered under number 2007/020629/07. |
| **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. |

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| **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 registered 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. |
| **Warrants** | A total of 205,242,947 warrants issued by Conforama Holding SA on 29 May 2019 which, if and when exercised, are "convertible" into 205,242,947 Class 2 Preference Shares |

www.steinhoffinternational.com

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