Quarterly update

3 MONTHS ENDED SEPTEMBER 2016 (UNAUDITED)

12 MONTHS ENDED SEPTEMBER 2016 (UNAUDITED)

FOR LIFE

- CLOTHING
- FOOTWEAR
- HOUSEHOLD GOODS
- PERSONAL ACCESSORIES
- CELLULAR PRODUCTS
- SELECTED FINANCIAL SERVICES

FOR THE HOME

- FURNITURE
- HOUSEHOLD GOODS
- APPLIANCES
- HOME ACCESSORIES
- CONSUMER ELECTRONICS AND TECHNOLOGY PRODUCTS
- BUILDING MATERIALS AND DIY PRODUCTS

Quarterly update

3 MONTHS ENDED SEPTEMBER 2016 (UNAUDITED)
12 MONTHS ENDED SEPTEMBER 2016 (UNAUDITED)

IN THIS REPORT

€179.99
CONFORAMA

€6.99
BEST&LESS

€3.99
ACKERMANS

€10.50
BEST&LESS

€980.00
LEINER

STEINHOFF Group highlights

(€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15[1]	Growth
Steinhoff group revenue	**3 369**	**3 004**	12.1%	13 427	12 473	7.7%
Revenue: Retail	3 164	2 737	15.6%	12 433	11 320	9.8%
Household goods	1 962	1 640	19.6%	7 651	6 581	16.3%
General merchandise	895	758	18.0%	3 600	3 418	5.3%
Automotive	307	339	(9.4%)	1 182	1 321	(10.5%)
Revenue: External supply chain[2]	205	267	(23.2%)	994	1 153	(13.8%)
Operating profit (EBIT)	**327**	**291**	12.5%	1 510	1 386	8.9%
Adjusted operating profit[3]	**352**	**291**	21.1%	1 535	1 386	11.1%
Operating margin	**9.7%**	**9.7%**	–	11.2%	11.1%	10 bps
Adjusted operating margin	**10.5%**	**9.7%**	80 bps	11.4%	11.1%	30 bps

1 Pro forma including general merchandise for 12 months
2 Excluding intra-group supply
3 Adjusted for one-off charges/gains and restructuring costs

QUARTERLY HIGHLIGHTS Three months ended 30 September 2016

Revenue improved by 12% to €3 369m

Operating profit improved by 13% to €327m

Entrenched Steinhoff's global market share in bedding with the acquisition of **Mattress Firm** in the USA and the investment in **Cofel** in France

Expanded the general merchandise product segment through the successful acquisition of **Poundland** in the United Kingdom and **Tekkie Town** in South Africa

LETTER FROM THE CEO

Dear shareholder,

As this calendar year is drawing to a close and I reflect on the past year, I recognise that this has been one of the most transformative years in the 53-year history of Steinhoff. The 2016 financial year started off with the group's listing in Frankfurt exactly one year ago on the 7th of December 2015.

Following this, the executive committee met to discuss a full agenda that included opportunities in many geographic regions, industries and sales channels, as identified by our operational teams. It is important to note that, given our decentralised management structure, and through complete empowerment of our operational teams worldwide, most opportunities are identified and presented to the executive committee for consideration by the regional management teams. These teams ultimately become responsible for these investments.

The number of transactions brought to us during this year highlighted two important trends. Firstly, the fact that the operational management teams are confident that we have built a comprehensive and efficient supply chain that enables us to differentiate ourselves as retailers. Secondly, it became quite evident that the prevailing market volatility and uncertainty are exposing businesses to an increasing number of risks. A unique skillset, and in many cases a central support base or service centre, is required to manage these risks and this is not always available in the domain of many, very successful, small to medium size businesses. In addition, the rise of the digital era and an ever-changing consumer re-enforces the need for a wider, more diverse skillset.

Therefore, from that first executive committee meeting held in this year, my team and I realised that this year will present a unique opportunity for the group to partner with and invest in many successful companies to which the procurement, scale, logistics and services suite that Steinhoff has accumulated and developed over the years, could add value.

Given the many regulations surrounding these transactions, we were very restricted in what we were allowed to share with the market until these transactions became unconditional. It gives me great pleasure to be able to share with you the opportunities these new acquisitions will bring to Steinhoff.

Bedding strategy

Mattresses and bedding has been a key strategic product category for Steinhoff since inception. In fact, it is this product category that categorically proved the success of the backward integration strategy that we have followed since the 1990s. In this regard, and in most markets where we operate, we are already one of the leading mattress distributors, with vast operations including foam production, mattress and bed manufacturing and assembly plants, retail and a comprehensive suite of services including company-operated home-delivery logistics. A bespoke sleep analyser, the Comfort Station, has also been designed to be used globally by the group.

The acquisition of **Mattress Firm** will form the world's leading multi-brand mattress retail distribution network and facilitate Steinhoff's first entry into the United States of America (USA). The North American mattress industry is a healthy industry and has demonstrated long-term stability and consistent growth over nearly three decades.

Mattress Firm represented an attractive investment proposition to Steinhoff through its national footprint and leadership in the USA mattress retail market. In addition, the acquisition gives us access to a great management team in this territory that demonstrates exceptional ambition and energy to further grow market share and increase margins.

In the shorter term, the priorities at Mattress Firm will be to:

- complete the integration of the Sleepy's business
- complete the brand conversion of all Sleepy's and Sleep Train stores (expected April 2017).

Once this is complete, the business will concentrate on improving margins by:

- driving increased efficiencies through the supply chain; and
- increasing market share by capitalising on national advertising and improving product range dynamics.

The combined business was consolidated within Steinhoff's results from 30 September 2016 and will therefore contribute to the group's results for the full 12 months in the 2017 financial year. Sales for this period is expected to be approximately \$3.8 billion. Excluding approximately \$30 million of restructuring charges still to be expensed, the restructured business is targeting EBITDA and EBIT margins of approximately 9.0% and 6.5% respectively.

In order to further drive our bedding strategy in Europe, Steinhoff announced in July 2016 that it will be investing in 50% of the equity of **Groupe Cofel (Cofel)** – the leading mattress manufacturer in France.

This transaction will further strengthen the group's vertical integration strategy in the mattress category in western European markets. Steinhoff currently operates two mattress factories in the United Kingdom, four in Australia, and through its investment in KAP Industrial Holdings, six factories in South Africa.

The strategic partnership with Cofel will enhance the group's access to the five factories operated in France and market-leading Bultex, Epeda and Merinos brands, thereby supporting sustainability of supply and improving the ability to manage efficiencies throughout the supply chain. Although the investment will be equity-accounted from 1 January 2017, the contribution to Steinhoff will be immaterial during the 2017 financial year.

Increased relevance and product range to existing customer base

Following the success of the PEP&CO and the GHM! launch in the United Kingdom, the decision was made to expand operations and bring more scale to the business. The group has been relatively successful, but lacked the necessary scale to complete its general merchandise offering to the existing customer base.

In line with the company's strategy to increase its relevance and product range to its core customer base in value and discount markets, and in support of the decision to substantially scale the successful PEP&CO model in the United Kingdom, the **Poundland** acquisition presented a unique opportunity to the group to satisfy both these strategic initiatives.

With approximately 900 stores in the United Kingdom and Ireland and 10 pilot stores in Spain, Poundland is one of Europe's largest single-price value general merchandisers, generating annual turnover of approximately GBP1.3 billion. During the due diligence process, the group finalised its value creation plan that will focus on:

- optimising the product range through an alliance with PEP&CO, which will benefit both brands;
- optimising a combined United Kingdom store portfolio for the Steinhoff group;
- leveraging the group's management capability and regional infrastructure to accelerate expansion into continental Europe;
- optimising the group's sourcing infrastructure and group-wide freight relationships to create economies of sale;
- streamlining into the group's logistics, distribution and warehouse infrastructure; and
- maximising synergies from central overhead structures across all Steinhoff businesses in the United Kingdom.

Poundland was consolidated in the group from 30 September 2016. The value-creation plan will be implemented in the next three years and is expected to grow the current EBITDA and EBIT margins of approximately 3.0% and 2.0% respectively.

Similarly, **Tekkie Town** presents a good opportunity to the group to maximise supply chain benefits and add further scale to the buying power of the group in footwear. Trading from approximately 325 stores, mainly located in South Africa, Tekkie Town targets the value and brand-conscious customer. The product range focuses on branded product, which attracts a more mainstream customer and represents higher volumes with a greater value focus. In 2016, Tekkie Town sold approximately 2.8 million pairs of shoes, generating turnover of R1.3 billion, with the business earning approximately 16.0% EBIT margins. The transaction was approved by the South African Competition Authorities and approval from the Namibian authority is expected in December 2016.

Lastly, the acquisition of **Fantastic Holdings** Limited in Australia is expected to become unconditional in December 2016, and will start contributing to the group in January 2017. Fantastic Furniture generates annual turnover of approximately AUD544 million through its 129 stores, supported by four manufacturing operations. This acquisition in Australia will be highly complementary to Steinhoff's existing Asia Pacific household goods brands. The combined group will position Steinhoff as the second largest furniture retailer in Australia by market share. The brand portfolio will be focused on mattresses and furniture, covering the value spectrum from entry-level to premium, with differentiation on specialist (mattress) store formats and complete solution brands in furniture.

The combined group's value creation plan focuses on:

- Individual retail brands representing significant growth opportunity with limited cannibalisation of Steinhoff Asia Pacific's (SAP) existing brands;
- SAP's proven supply chain model that can incorporate Fantastic Furniture brands to reduce operating costs and improve margins;
- SAP and Fantastic Furniture both have manufacturing operations that can be leveraged to provide further operational and margin benefits across each of the combined group's retail brands; and
- The scale offered by the six retail brands in household goods enables SAP to create complete homemaker centres, thereby leveraging better terms and efficiencies in the market.

Results for the quarter ended 30 September 2016

In September 2016, the group reported a full set of financial results with comprehensive analysis of trading for the 12 months ended 30 June 2016. In the operational review section of this report we will focus on the results for the quarter ended 30 September 2016. In annexure 2 we include an income statement for the 12 months ended 30 September 2016, being the new financial year for the company as resolved at the general meeting held in May 2016.

Outlook

Revenue

In countries such as France, Switzerland and Austria where the group enjoys material market share, trading closely approximates the market. In regions such as Germany, Spain, Portugal and eastern Europe where the group is actively expanding its footprint, market share growth is expected to continue. In the United Kingdom and Australasia focus remains on increasing market share in all segments of the resilient bedding market. Sales momentum, as measured in constant currency, is continuing in the African region.

Operating margin

The group remains confident in its ability to keep prices to consumers low, and to continue to improve operating margins due to:

- increased efficiencies in its integrated supply chain;
- relative scale within the business and specifically in strategic product categories; and
- increased operating leverage given the growing store footprint and market share growth.

Taxation

The regulatory investigation of the group's German subsidiary is continuing. As reported in September the group is confident that the matter will be resolved amicably.

The group remains confident that the annual tax rate can be sustained at 15% for the short to medium term.

Employees

As of 30 September 2016, Steinhoff N.V. and its subsidiaries employed approximately 105 800 employees across the world, as confirmed in note 2 of the financial statements. This employee base adequately reflects the level of resource necessary to manage and trade the business worldwide, and management expects this level of capacity and organisation to continue in the coming year.

Research and development

Research and development forms part of the daily operations of the group' subsidiaries worldwide. The group will continue to manage and prioritise these in the foreseeable future.

Markus Jooste
Chief executive officer

Forward-looking statements

This report contains management's view on future developments based on information currently available and is subject to risks and uncertainties, as described in the section 'Risk Factors – Risks relating to the Group's Business' on pages 47 to 57 of the Frankfurt Stock Exchange prospectus, which can be accessed on the group's website at www.steinhoffinternational.com. These risks are outside the control of management, and in the event that underlying assumptions turn out to be inaccurate or risks contained in the prospectus materialise, actual results may differ materially from those included in these statements.

Management and the group do not assume any obligation to update any forward-looking statements made beyond statutory disclosure obligations.

OPERATIONAL REVIEW

Quarter ended 30 September 2016

Total group revenue for the quarter increased by 12.1% to €3 369 million. Revenue generated by the retail operations increased by 15.6% to €3 164 million. As expected, external supply chain revenue decreased by 23.2% to €205 million compared to the previous quarter. This decrease in revenue is as a result of capacity being re-directed to owned retailers as part of the group's procurement strategy, and has a positive effect on margin.

TOTAL RETAIL REVENUE DEVELOPMENT: QUARTER TO SEPTEMBER 2016

	Total Retail[1]	Household goods[1]	General merchandise	Automotive
Growth compared to previous period	15.6%	19.6%	18.0%	(9.4%)
Adjusted for foreign currency impact	4.7%	2.1%	8.3%	9.7%
Growth in constant currency revenue	**20.3%**	**21.7%**	**26.3%**	**0.3%**

[1] Excludes global supply chain revenue

The sales momentum in the retail operations remains satisfactory. Adjusted for the impact of currency fluctuations, retail sales in constant currency increased by 20.3%. The newly acquired kika-Leiner and Iliad group businesses contributed €278 million to constant currency revenue during the quarter, and needs to be eliminated when measuring the growth of the core business against the comparative period.

Margin evolution

€m	QUARTER TO SEPTEMBER 2016			12 MONTHS TO SEPTEMBER 2016		
	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15[1]	Growth
Revenue						
Household goods	**2 167**	1 907	13.6%	**8 645**	7 734	11.8%
General merchandise	**895**	758	18.0%	**3 600**	3 418	5.3%
Automotive	**307**	339	(9.4%)	**1 182**	1 321	(10.5%)
	3 369	3 004	**12.1%**	**13 427**	12 473	**7.7%**
Operating profit						
Household goods	**241**	219	10.1%	**1 110**	1 013	9.6%
General merchandise	**75**	63	19.6%	**361**	334	8.1%
Automotive	**11**	9	19.8%	**39**	39	–
	327	291	**12.5%**	**1 510**	1 386	**8.9%**
Operating profit margin						
Household goods	**11.1%**	11.5%		**12.8%**	13.1%	
General merchandise	**8.4%**	8.3%		**10.0%**	9.8%	
Automotive	**3.5%**	2.7%		**3.3%**	3.0%	
Group operating margin	**9.7%**	9.7%		**11.2%**	11.1%	
Adjusting for effect of one-off restructuring costs	0.8%			0.2%		
Adjusted operating profit margin	**10.5%**	9.7%		**11.4%**	11.1%	

[1] Pro forma including general merchandise for 12 months

Central to group strategy is the entrenched focus of our decentralised management teams on driving efficiencies in the supply chain and minimising cost. This increases the group's competitive advantage to supply its value-conscious customer base with a wide range of low-priced products.

As is highlighted in the table above, the margin development for the core business remains on track.

Adjusting for the one-off and non-comparable effects on the core business, the group earned an operating profit margin of 10.5% on sales during the quarter, ahead of the 9.7% earned in the comparative quarter of the previous year. This margin development is encouraging, especially taking into account that the core margin is not adjusted for the costs inherent in the group's comprehensive store opening and refurbishment programmes, expensed in the period in which they occurred.

The group remains confident that its global integrated supply chain and investment in central shared services are increasing the scalability of the business, and will continue to drive efficiencies and increased margin for the core and newly acquired businesses.

Household goods

KEY FINANCIALS (€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15	Growth
Revenue	2 167	1 907	13.6%	8 645	7 734	11.8%
Proportion of group revenue	64%	64%		64%	62%	
Operating profit (EBIT)	241	219	10.1%	1 110	1 013	9.6%
Adjusted operating profit (EBIT)[1]	266	219	21.6%	1 135	1 013	12.0%
Operating profit margin	11.1%	11.5%	(40 bps)	12.8%	13.1%	(30 bps)
Adjusted operating profit margin	12.3%	11.5%	80 bps	13.1%	13.1%	–

[1] Adjusted for one-off charges and restructuring costs

For the three months ended 30 September 2016, the household goods retail segment improved revenue by 13.6% to €2 167 million (3MSep15: €1 907 million).

In analysing the retail sales momentum (thereby excluding global supply chain revenue), total retail sales for the three months increased to €1 962 million (3MSep15: €1 640 million), representing growth of 19.6%. In the table below, revenue growth is further adjusted to demonstrate the impact of the currency fluctuation and acquisitions.

RETAIL REVENUE DEVELOPMENT (EXCLUDING EXTERNAL SUPPLY CHAIN)	3MSEP16	12MSEP16
Retail revenue growth compared to previous year	19.6%	16.3%
Adjusted for foreign currency impact	2.1%	3.1%
Growth in constant currency	**21.7%**	**19.4%**
Adjustment for new business (kika-Leiner and Iliad)	(16.9%)	(15.9%)
Organic sales increase	**4.8%**	**3.5%**

Note: To analyse organic growth, the revenue contribution from the newly acquired kika-Leiner and Iliad groups need to be considered and eliminated in the three months ended September 2016 (€278 million) and 12 months ended September 2016 (€1 044 million).

The decline in the JD Group revenue in South Africa over the 12-month period was planned as part of the group restructure and distorts the growth figure for the segment as a whole. All European business units reported single-digit sales growth in line with that reported for the 12 months ended June 2016.

Despite a tough quarter as a result of the reversal of a buoyant market in France, Conforama increased sales by 2% for the quarter. Profitability and cash flow at Conforama were particularly encouraging due to good product mix dynamics, with strong growth in furniture and home decoration products supporting gross margins.

€24.99
CONFORAMA

€19.99
CONFORAMA

€1250
SNOOZE

€299
KIKA-LEINER

€41.50
FREEDOM

In Switzerland, the group is holding its own, despite a particularly challenging market. The decision was taken to close Confo Déco (dedicated home decoration concept stores) in this territory. The remainder of the international division is performing well with continued strong like-for-like sales growth experienced in Iberia and the Balkans.

The European Retail Management (ERM) business continues to perform well in all territories where it operates. The sales growth in the European business units is particularly encouraging, given the fact that the European summer months are historically a slow period for the household goods business. The German business continues to show solid growth numbers in its existing store base, supplemented by growth in new stores at lower sales densities (given that these stores typically take 24 to 36 months to reach optimal trading densities).

Following a period of rapid restructuring within the Austrian business, pro forma sales in Austria continued to decline in the quarter under review, but is showing good momentum for the remainder of the year. The good growth experienced throughout the eastern European region is continuing, and all efforts are focused on further developing this region.

Despite the prevailing uncertainty brought about by the Brexit vote and the decline of the pound, the bedding and furniture retail business in the United Kingdom performed exceptionally well. Revenue growth, on both like-for-like basis and in real terms, continued its growth trajectory in line with that reported in June 2016. Similarly, the Australian business is performing well, led by solid consumer confidence and a strengthening housing market in that region. The renewed focus on dedicated mattress and bedding studios within the furniture brands continues to drive increased revenue, while supporting improved gross margins.

In South Africa, most of the closures of the unprofitable stores in the JD Group are now complete, with €25 million of the planned €30 million being expensed for the restructuring in the current period. Overheads and operating costs have been substantially reduced and are now at a level that enables the group to better compete in the market. Therefore, the focus of the group will be on market share gains and profitable growth during the next 12 months.

General merchandise

KEY FINANCIALS (€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15[1]	Growth
Revenue	895	758	18.0%	3 600	3 418	5.3%
Proportion of group revenue	27%	25%		27%	27%	
Operating profit (EBIT)	75	63	19.6%	361	334	8.1%
Operating profit margin	8.4%	8.3%	10 bps	10.0%	9.8%	20 bps

[1] Pro forma including general merchandise for 12 months

For the three months ended 30 September 2016, the general merchandise retail segment improved revenue by 18.0% to €895 million (3MSep15: €758 million).

REVENUE DEVELOPMENT	3MSEP16	12MSEP16
Growth compared to previous period	18.0%	5.3%
Adjusted for foreign currency impact	8.3%	14.2%
Growth in constant currency	**26.3%**	**19.5%**

Adjusted for currency fluctuations relating to mostly the South African rand, the general merchandise segment increased sales by 26.3% during the quarter.

African region: South Africa

This year marks the 17th consecutive year of double-digit revenue and operating profit growth in this region. A particularly strong like-for-like performance in the clothing, footwear and homeware product range of 7.9% reaffirms the group's relevance in this market segment. Price increases were kept to a minimum and an exceptional performance by the division on cost savings, aided by increased supplier support and minimal markdowns (<4%) during the period, resulted in the large inflationary effect on prices (relating to dollar strength) being partly absorbed. This supported market share growth.

The business continued to drive market share in entry-level mobile handsets with growth in excess of 20% experienced in this product category. The strategy of capitalising on its expansive and conveniently located footprint, supported by the approximately 98 000 Flash devices operative in the informal sector of the economy is gaining momentum. Good growth is being realised on ancillary services such as electricity, cable-TV payments and money transfers, thereby improving group profitability.

€1.99
PEP

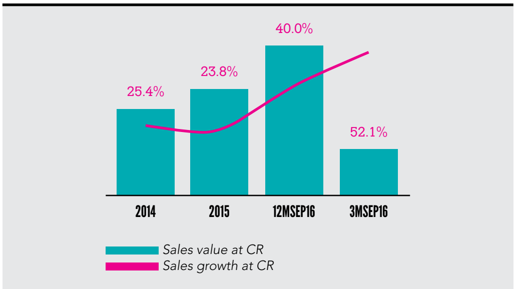
€3.15
BEST&LESS

€47
FLASH

African region: Rest of Africa

Excluding South Africa, the remainder of the African region represents approximately 5% of the general merchandise division's sales. The strong constant currency sales growth momentum in this region (demonstrated by the table below) is expected to slow down for the remainder of the year.

SALES TREND – CONSTANT CURRENCY RATE (CR)



Currency volatility impacts gross margins and product inflation, thereby leading to lower demand due to affordability constraints. Notwithstanding this, the business will continue to protect its market share, and maintain and build its brand in its already well-established formal retail footprint on the African continent.

European division

The eastern European division continued its growth trajectory, with like-for-like sales growth during the quarter exceeding 20% in all countries, with a particularly strong performance in Hungary and Romania, which now represents approximately 16% of total eastern European sales. Poland remains the biggest contributor for the European division.

The eastern European region recorded excellent growth in its key product categories, namely home decoration and textile (+40%) and babywear and kidswear (+35%), entrenching its market share positioning and sustainability of low-price leadership in this region.

Following the launch in July 2015, the PEP&CO concept in the United Kingdom is trading in line with expectation, with better than expected revenue per square metre performance metrics in strategic areas.

Having reached the critical performance metrics, the concept is now ready to expand, and investigations for cross-pollination of product, store and property network and supply chain initiatives with the newly-acquired Poundland business are in progress.

Australasian division

During the quarter the business in Australasia performed well, with increased like-for-like sales and much improved profitability. This resulted from lower costs and the introduction of more discount ranges to stimulate footfall.

Automotive

KEY FINANCIALS (€m)	3MSEP16	3MSEP15	Growth	12MSEP16	12MSEP15	Growth
Revenue	307	339	(9.4%)	1 182	1 321	(10.5%)
Proportion of retail revenue	9%	11%		9%	11%	
Operating profit (EBIT)	11	9	19.8%	39	39	–
Operating profit margin	3.5%	2.7%	80 bps	3.3%	3.0%	30 bps

The automotive retail segment reported a decrease in revenue of 9.4% to €307 million (3MSep2015: €339 million) for the three months ended 30 September 2016.

REVENUE DEVELOPMENT	3MSEP16	12MSEP16
Growth compared to previous period	(9.4%)	(10.5%)
Adjusted for foreign currency impact	9.7%	17.1%
Growth in constant currency	0.3%	6.6%

When adjusting for currency fluctuations in South African rand, revenue was stable compared to the previous quarter, increasing slightly by 0.3%. This performance should be evaluated against the performance of the South African motor industry, in particular new vehicle sales, which has declined compared to the previous year.

Revenue and margin were supported by the extensive brand portfolio and the release of new models in the entry-level and volume segments of the market, which the company specifically targets. Given the decline in new vehicle sales, revenue growth in the used vehicles and parts and service units increased, thereby supporting the increased margin earned by the division.

Operating profit improved by 19.8% to €11 million (3MSep2015: €9 million) as a result of the advantageous mix of new and used, as well as good cost control in the business.

€29 157 (excl. extras)
UNITRANS MOTORS


MATTRESSFIRM
SuperCenter
SALE


£1

Financial review October 2015 to September 2016

Change in financial year-end of Steinhoff International Holdings N.V.

At the extraordinary general meeting held on 30 May 2016, shareholders approved the change in the financial year-end to 30 September. Accordingly, the extension of the 2016 financial year to 30 September 2016 has resulted in a one-off reporting period of 15 months ending 30 September 2016.

Scheme of arrangement and reverse acquisition

A scheme of arrangement was approved by the Steinhoff International Holdings Limited (Steinhoff) shareholders, whereby Steinhoff International Holdings N.V. (Steinhoff N.V.) acquired the entire issued share capital of Steinhoff. As consideration, the Steinhoff shareholders received one ordinary share in Steinhoff N.V. for each Steinhoff share transferred. The scheme became operative on 7 December 2015 and Steinhoff became a wholly owned subsidiary of Steinhoff N.V.

Steinhoff was delisted from the main board of the Johannesburg Stock Exchange (JSE) and Steinhoff N.V. ordinary shares were listed on the Prime Standard of the Frankfurt Stock Exchange (FSE) as a primary listing, and the main board of the JSE by way of a secondary listing.

The acquisition has been accounted for in terms of IFRS 3: Business Combinations (IFRS 3), using the principles of a reverse acquisition. The existing Steinhoff group was identified as the acquirer in the transaction, and Steinhoff N.V. (including the kika-Leiner group) was the acquiree. Steinhoff N.V. (including the kika-Leiner group) is therefore subject to an IFRS 3 fair valuation. At the reporting date, the group has applied initial accounting for the business combination, and therefore the IFRS 3 fair valuation is still provisional. As part of this transaction, a reverse acquisition reserve originated and was calculated as the group's market capitalisation on 7 December 2015 (€5 per ordinary share), less the stated capital balance on that date. The share capital of the group increased by the same amount.

Restatement due to change in functional and presentation currency

As part of the Frankfurt listing and the reverse acquisition, the parent company, Steinhoff N.V. changed its functional and presentation currency from South African rand to euro. The currency restatement is explained in more detail in note 32 of the financial statements.

Corporate activity

Convertible bond conversions

During the period, conversion notices were received from holders of the convertible bonds due 2017 and 2018. In total, 201.3 million ordinary shares of Steinhoff were issued to bondholders and €2.7 million was paid in cash to redeem the remainder of the bonds. As at 30 September 2016, only the convertible bonds due 2021, 2022 and 2023 remain in issue.

Convertible bond due 2022

On 30 July 2015, Steinhoff Finance Holding GmbH issued a seven-year, euro-denominated convertible bond to raise €1 116 million (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 1.25% per annum and is convertible into 150 million Steinhoff N.V. ordinary shares at an initial conversion price of €7.44 per share (representing an initial conversion premium of 35% to the prevailing underlying volume-weighted average (VWAP) share price at the date of pricing). The issue and redemption price of the bond is 100%. The bond is convertible into Steinhoff N.V. ordinary shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond is listed on the Open Market (Freiverkehr) of the FSE.

Convertible bond due 2023

On 21 April 2016, Steinhoff Finance Holding GmbH issued a seven-and-a-half-year, euro-denominated convertible bond to raise €1 100 million (before expenses). The bond pays interest semi-annually in arrears at a fixed rate of 1.25% per annum and is convertible into 141.8 million Steinhoff N.V. ordinary shares at an initial conversion price of €7.76 per share (representing an initial conversion premium of 40% to the prevailing underlying VWAP share price at the date of pricing). The issue and redemption price of the bond is 100%. The bond is convertible into Steinhoff N.V. ordinary shares at the election of the bondholders. The company holds, subject to conditions, rights on early redemption. The bond is listed on the Open Market (Freiverkehr) of the FSE.

Iliad Africa Limited (Iliad)

Steinhoff N.V. purchased Iliad for a total cash consideration of €79.6 million. All conditions precedent were fulfilled and Iliad became an indirect subsidiary of Steinhoff N.V. on 1 January 2016. Iliad delisted from the JSE on 12 January 2016.

JD Group's Financial Services

During the period, the group disposed of JD Group's Financial Services division (including insurance operations) to a European private equity consortium.

Mattress Firm Holdings Corporation (Mattress Firm)

Steinhoff N.V. and Mattress Firm entered into a definitive merger agreement under which Steinhoff N.V. acquired Mattress Firm for an equity value of US$2.4 billion. The acquisition date was 19 September 2016 and only the statement of financial position was consolidated from 30 September 2016.

Poundland Group PLC (Poundland)

Steinhoff N.V. purchased Poundland on 16 September 2016 for a total cash purchase consideration of GBP587 million. The 23.6% stake held at acquisition date was revalued to fair value at this date. Only the statement of financial position of Poundland was consolidated from 30 September 2016.

Capital increase

Following the acquisitions of Mattress Firm and Poundland, Steinhoff N.V.´s management board resolved to increase its issued and outstanding share capital on 27 September 2016, whereby:

- 162 million new ordinary shares were subscribed for by Upington Investment Holdings B.V. (Upington), a company ultimately controlled by a family trust of Dr Christo Wiese, Steinhoff N.V.´s largest shareholder and chairman of Steinhoff N.V.´s supervisory board (the Upington Subscription).
- 152 million existing ordinary shares (which were classified as treasury shares for the purposes of IFRS) were acquired by Upington (the Upington Purchase).
- 60 million new ordinary shares were subscribed for by Lancaster 101 Proprietary Limited (Lancaster) pursuant to a fully funded South African Black Economic Empowerment transaction. The Public Investment Corporation, Steinhoff N.V.´s second largest shareholder facilitated the Lancaster Subscription (the Lancaster Subscripton).
- an additional 110 million new ordinary shares were offered to institutional investors via an accelerated bookbuild.

Total gross proceeds to Steinhoff N.V. from the above transactions were €2 447 million. In consideration for the commitments in terms of the Lancaster Subscription, the Upington Subscription and the Upington Purchase, Upington and Lancaster received an underwriting commission of 2.5% of the respective subscription price and purchase price, as applicable. The underwriting commission has been accounted for as a charge against share premium.

NET DEBT

The gearing of the group remains at acceptable levels with net debt of €5.2 billion at 30 September 2016. The net debt:equity ratio ended at 33%, which is well within self-imposed group covenant levels of 50% net debt:equity.

The net debt balance increased from the 30 June 2015 reported balance, as a result of acquisition debt of €4.4 billion relating to predominantly Mattress Firm and Poundland and a net increase from convertible bonds issued and redeemed of €1.4 billion. This increase was offset by the cash from the capital increase on 27 September 2016. The cash was largely used to settle the bridge to equity loan of the Mattress Firm acquisition. These transactions are discussed in more detail elsewhere in this report.

NET DEBT	€m
Non-current interest bearing liabilities	7 142
Current interest bearing liabilities	274
Bank overdrafts	646
Gross debt	8 062
Cash and cash equivalents	(2 861)
Net debt	5 201
Equity	15 967
Net debt : equity	33%

When assessing the net debt:EBITDA ratio, it is important to note that the net debt balance at 30 September 2016 includes the debt raised for both the Mattress Firm and Poundland acquisitions, but the EBITDA number excludes the results from these businesses. As such, we present a pro forma net debt:EBITDA calculation for the 12-month period ended 30 September 2016 below.

EBITDA	€m
12 months to September 2016	1 768
Mattress Firm pro forma*	308
Poundland pro forma^	45
Pro forma EBITDA	2 121
Net debt : EBITDA (times)	2.5

* Calculated on $3.8bn sales at 9% EBITDA margin
^ Calculated on £1.3bn sales at 3% EBITDA margin

The EBITDA interest cover was maintained at healthy levels, even after considering the impact of the above transactions.

NET FINANCE CHARGES	€m
12 months to September 2016	161
Mattress Firm pro forma	44
Poundland pro forma	10
Pro forma net finance charges	215
EBITDA interest cover (times)	9.9

The group had access to unutilised borrowing facilities of €3 billion as at 30 September 2016.

DISTRIBUTION

In terms of Steinhoff's dividend policy, Steinhoff declares dividends annually. Due to the change in financial year-end to 30 September and the fact that dividends were historically paid annually in November/December, Steinhoff's management board, with the approval of Steinhoff's supervisory board, declared an interim distribution of 12 euro cents per ordinary share, which was paid to Steinhoff's shareholders on 6 December 2016. Under Dutch law, the final dividend declared will require the approval from shareholders at Steinhoff's annual general meeting. To this end, Steinhoff's management board, with the approval of Steinhoff's supervisory board, will propose a final dividend of 15 euro cents per ordinary share for the 15-month period ended 30 September 2016. Taking into account the interim distribution of 12 euro cents per ordinary share paid on 6 December 2016, the remaining dividend will amount to 3 euro cents per ordinary share and will be payable in the form of cash, Steinhoff ordinary shares, or a combination of both. The final Steinhoff dividend will be approved at the annual general meeting, which will be held on 14 March 2017, and the remaining dividend of 3 euro cents per ordinary share will only become payable if approved at the general meeting.

Annual report

The group's annual report will be available on the company's website.

Ben la Grange
Chief financial officer

Annexure 1 – Store network development

HOUSEHOLD GOODS			STORE			
		30 Jun 2016	OPENINGS	CLOSURES	30 Sep 2016	Retail area m² ('000)
Australia	Snooze	81	1	–	82	88
	Poco	2	–	–	2	12
Australia and New Zealand	Freedom	62	1	–	63	125
Austria	kika-Leiner	50	–	–	50	506
Croatia	Emmezeta	7	–	–	7	63
Czech Republic	kika-Leiner	8	–	–	8	55
France	Conforama	204	1	–	205	742
Germany	Poco	112	2	–	114	660
Hungary	Extreme Digital	14	1	–	15	1
	kika-Leiner	8	–	–	8	64
Iberia	Conforama	36	2	–	38	158
Italy	Conforama	15	–	–	15	124
Netherlands	Poco	1	–	–	1	6
Poland	Abra	102	3	(2)	103	71
	Poco	1	–	–	1	5
Romania	kika-Leiner	1	–	–	1	11
Serbia	Conforama	1	–	–	1	12
Slovakia	kika-Leiner	4	–	–	4	22
South Africa	Poco	1	–	–	1	7
Southern Africa	Bradlows, Rochester, Russells, Sleepmasters, Incredible Connection, HiFi Corp	945	1	(84)	862	463
	SteinBuild	137	–	–	137	360[1]
Switzerland	Conforama	23	–	(2)	21	80
	Lipo	21	–	–	21	72
United Kingdom	Bensons for Beds	280	2	(4)	278	156
	Harveys	155	6	(1)	160	140
United States of America	Mattress Firm	–	3 505	–	3 505	1 667[2]
TOTAL RETAIL OUTLETS		2 271	+3 525	(93)	5 703	
TOTAL RETAIL SPACE (m²)						5 670

[1] *Estimated retail area pertaining to the Iliad stores included*
[2] *Mattress Firm was acquired on 30 September 2016*

GENERAL MERCHANDISE

		30 Jun 2016	STORE OPENINGS	STORE CLOSURES	30 Sep 2016	Retail area m² ('000)
Australia and New Zealand	Best&Less, Harris Scarfe, Mozi, Postie+, Store&Order	331	2	(8)	325	347
France	MacDan	23	1	–	24	32
Poland, Slovakia, Czech Republic, Romania, Hungary	PEPCO	939	36	–	975	359
Rest of Africa	Pep, Powersales	294	7	(9)	292	117
Southern Africa	Ackermans	560	17	–	577	388
	Pep	1 971	23	(4)	1 990	735
	Dunns, John Craig, Shoe City, Refinery	520	3	(9)	514	131
United Kingdom	PEP&CO, GHM!	52	2	–	54	19
	Poundland	–	874	–	874	472[3]
TOTAL RETAIL OUTLETS		4 690	+965	(30)	5 625	
TOTAL RETAIL SPACE (m²)						2 600

[3] *Poundland was acquired on 30 September 2016*

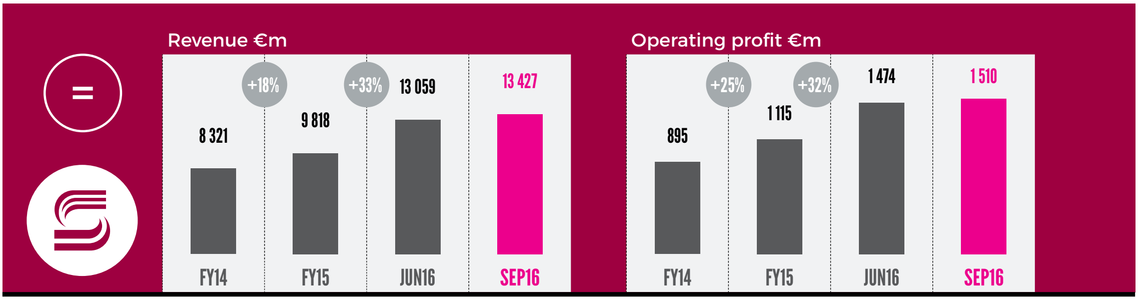
AUTOMOTIVE

		30 Jun 2016	STORE OPENINGS	STORE CLOSURES	30 Sep 2016	Retail area m² ('000)
Southern Africa	Unitrans	91	–	–	91	346
	Hertz	48	2	–	50	23
TOTAL RETAIL OUTLETS		139	+2	–	141	
TOTAL RETAIL SPACE (m²)						369

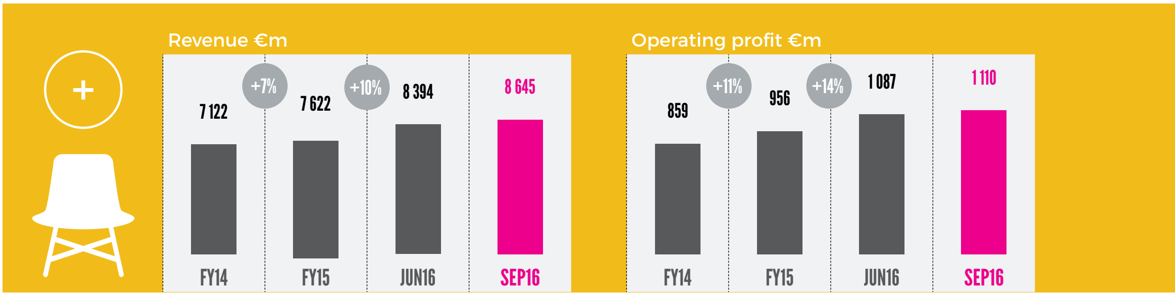
TOTAL GROUP RETAIL OUTLETS		7 100	+4 492	(123)	11 469	
TOTAL RETAIL SPACE (m²)						8 639

Annexure 2 – Historic performance

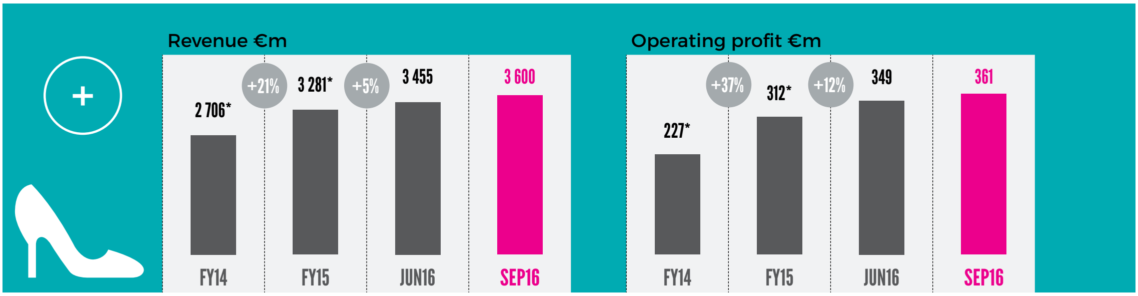
STEINHOFF GROUP



HOUSEHOLD GOODS

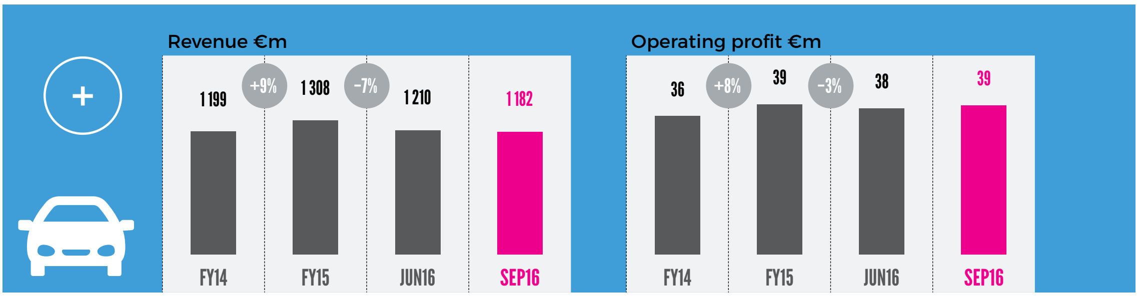


GENERAL MERCHANDISE



Pro forma for 12 months

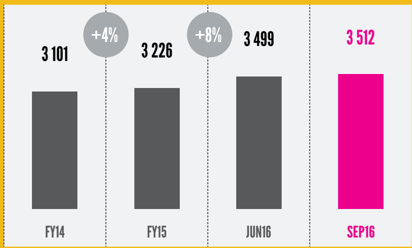
AUTOMOTIVE



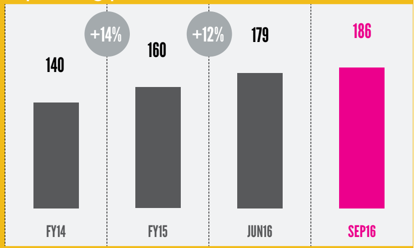
FY refers to the financial year of 12 months, JUN16 refers to 12 months ended 30 June 2016, SEP16 refers to 12 months ended 30 September 2016

CONFORAMA

Revenue €m

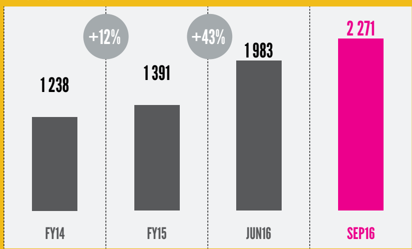


Operating profit €m

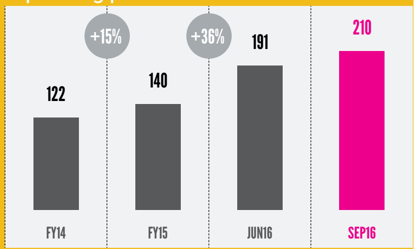


ERM

Revenue €m

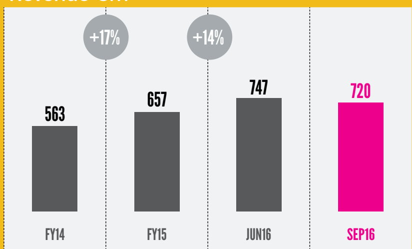


Operating profit €m

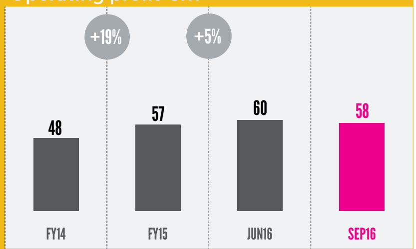


UNITED KINGDOM

Revenue €m

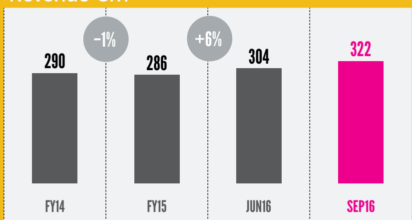


Operating profit €m

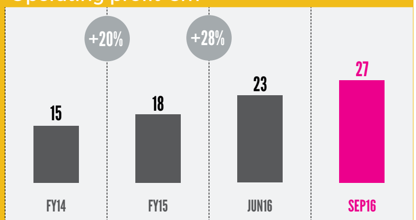


AUSTRALASIA

Revenue €m

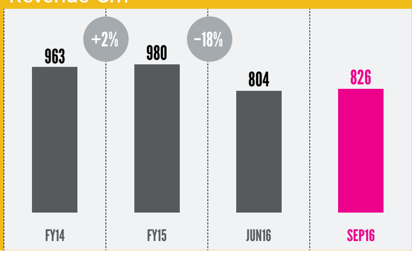


Operating profit €m

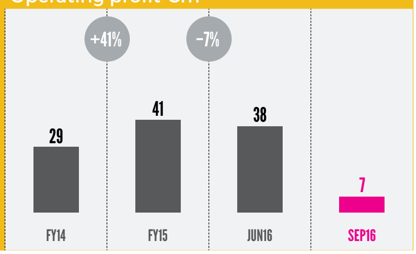


AFRICA

Revenue €m



Operating profit €m



FY refers to the financial year of 12 months, JUN16 refers to 12 months ended 30 June 2016, SEP16 refers to 12 months ended 30 September 2016

Annexure 2 – Historic performance

SEASONALITY ANALYSIS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016 (FY16)

	Q1FY16 Oct–Dec	Q2FY16 Jan–Mar	Q3FY16 Apr–Jun	Q4FY16 Jul–Sep	FY16 Oct–Sep €m
Revenue					
Household goods	26%	26%	23%	25%	8 645
General merchandise	30%	20%	25%	25%	3 600
Automotive	26%	24%	24%	26%	1 182
	28%	**24%**	**23%**	**25%**	**13 427**
Operating profit					
Household goods	33%	22%	23%	22%	1 110
General merchandise	37%	9%	33%	21%	361
Automotive	23%	23%	27%	27%	39
	34%	**19%**	**25%**	**22%**	**1 510**
Operating margin					
Household goods	16.0%	11.1%	12.8%	11.1%	12.8%
General merchandise	12.3%	4.4%	13.5%	8.4%	10.0%
Automotive	2.9%	3.2%	3.9%	3.5%	3.3%
	13.8%	**9.0%**	**12.2%**	**9.7%**	**11.2%**

	H1FY16 Oct–Mar	H2FY16 Apr–Sep	FY16 Oct–Sep €m
Revenue			
Household goods	52%	48%	8 645
General merchandise	50%	50%	3 600
Automotive	50%	50%	1 182
	52%	**48%**	**13 427**
Operating profit			
Household goods	55%	45%	1 110
General merchandise	46%	54%	361
Automotive	45%	55%	39
	53%	**47%**	**1 510**
Operating margin			
Household goods	13.6%	11.9%	12.8%
General merchandise	9.2%	10.9%	10.0%
Automotive	3.0%	3.7%	3.3%
	11.6%	**10.9%**	**11.2%**

RESULTS FOR THE 12 MONTHS ENDED 30 SEPTEMBER 2016

SUMMARISED CONSOLIDATED INCOME STATEMENT	€m
Continuing operations	
Revenue	13 427
Operating profit before depreciation, amortisation and capital items (EBITDA)	1 768
Depreciation and amortisation	(258)
Operating profit before capital items	1 510
Capital items	(10)
Earnings before finance charges, dividend income, equity accounted earnings and taxation	1 500
Net finance charges	(161)
Dividend income	3
Share of profit of equity accounted companies	72
Profit before taxation	1 414
Taxation	(192)
Profit for the year from continuing operations	1 222
Profit for the year from discontinued operations	6
Profit for the year	1 228
Attributable to:	
Owners of the parent	1 224
Non-controlling interests	4
Profit for the year	1 228

ADDITIONAL INFORMATION	
WEIGHTED AVERAGE NUMBER OF SHARES (m)	**3 721**
DILUTIVE WEIGHTED NUMBER OF SHARES (m)	**4 113**
Continuing operations (cps)	
Basic earnings per share	32.1
Headline earnings per share	31.9
Diluted earnings per share	30.3
Diluted headline earnings per share	30.1
Currency (rand:euro)	16.4289

Annexure 3 – Executive management

Management board

Markus Jooste (55)
BAcc, CA(SA)
Group chief executive officer

Danie van der Merwe (58)
BCom, LLB
Group chief operating officer

Ben la Grange (42)
BCom (Law), CA(SA)
Group chief financial officer

Supervisory board

Steve Booysen (54)
BCompt (Hons) (Accounting), MCompt, DCom (Accounting), CA(SA)

Claas Daun (73)
BAcc, CA

Thierry Guibert (45)
MBA (FR)

Len Konar (62)
BCom, MAS, DCom, CA(SA), CRMA
Deputy chairman

Angela Krüger-Steinhoff (45)
BCom (Economic Science)

Theunie Lategan (59)
BAcc (Hons), MCompt, DCom (Accounting), CA (SA), Advanced Diploma Banking Law

Heather Sonn (44)
BA (Political Science), MSc (International Business)

Bruno Steinhoff (79)

Johan van Zyl (60)
BSc (Agricultural Science), BSc (Hons)(Agric) (cum laude), M.Sc (Agric)(cum laude), D.Sc(Agric), PhD (Economics)

Christo Wiese (75)
BA, LLB, DCom (hc)
Chairman

Jacob Wiese (35)
BA, MA (International Economics & Management) (Italy), LLB

Executive management

Johann du Plessis
Executive: Legal services

Pieter Erasmus
Group managing director: Pepkor

Piet Ferreira
Executive: Mergers and acquisitions

Peter Griffiths
Chief executive officer: JD Group

Stéhan Grobler
Executive: Group treasury and financing activities

Jo Grové
Executive deputy chairman: KAP Industrial Holdings Ltd

Frikkie Nel
Finance executive

Mariza Nel
Executive: Corporate services

Alexandre Nodale
Chief executive officer: Conforama

Hein Odendaal
Executive: Group audit

Peter Pohlmann
Chairman, supervisory board: ERM

Dirk Schreiber
Chief financial officer: Steinhoff Europe

Sean Summers
Chief executive officer: UK Retail

Annexure 4 – Financial calendar

Quarter one – Trading update	Tuesday, 28 February 2017
Annual general meeting of Steinhoff International Holdings N.V.	Tuesday, 14 March 2017
Anticipated payment date of final distribution (if and when approved)	Monday, 20 March 2017
Interim results	Wednesday, 7 June 2017
Quarter three – Trading update	Thursday, 31 August 2017
Financial year 2017 – Publication of results	Wednesday, 6 December 2017

Corporate and contact information

Registration number

63570173

Registered office	Business office
Herengracht 466, 1017 CA Amsterdam, The Netherlands PO Box 15803 1001 HC Amsterdam	Block D, De Wagenweg Office Park, Stellentia Road, Stellenbosch 7600 RSA

Website

www.steinhoffinternational.com

Auditors

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
The Netherlands

PO Box 58110
1040 HC
Amsterdam
The Netherlands

Company secretary

Steinhoff Secretarial Services Proprietary Limited
28 Sixth Street
Wynberg
Sandton 2090
(PO Box 1955, Bramley 2018)

South African sponsor

PSG Capital Proprietary Limited
(Registration number 2002/017362/06)
Building 8
Ground Floor, DM Kisch House
Inanda Green Business Park
54 Wierda Road West
Wierda Valley
Sandton 2196
(PO Box 987, Parklands 2191)

South African transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196
(PO Box 61051, Marshalltown 2107)

Commercial banks

Commerzbank AG
Strawinskylaa 2501
1077 22 Amsterdam

PO Box 75444, 1070 Amsterdam

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.

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

www.steinhoffinternational.com