Steinhoff International Holdings N.V.
(Incorporated in the Netherlands)
(Registration number: 63570173)
Share Code: SNH
ISIN: NL0011375019

Steinhoff Investment Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1954/001893/06)
JSE Code: SHFF
ISIN: ZAE000068367

Media Release: Message from the Management Board

Steinhoff International Holdings N.V. (the "Company" or "Steinhoff") and with its subsidiaries, the "Group")

The Company has today published its unaudited Half-year Report, including the Condensed Financial Statements, for the six-months ended 31 March 2019. This report is available on the Company's website http://steinhoffinternational.com/. This Report contains the following Message from the Management Board.

Message from the Management Board

We remain on a journey to address past deficiencies, to restore trust in the Group and to build a recovery in value for our stakeholders.

While our work is far from finished, and tough tasks still lie ahead, we can be clear that progress was made in the first half of the financial year. We continued our essential effort to stabilise the Group, progressing the complex and technical work necessary to complete our financial restructuring, while also helping to enhance the long-term stability and growth prospects of our operating companies.

Inevitably, the costs of this process, both in terms of financial resource and management time, continue to be substantial, and they have had a significant impact on our reported results for the period. Advisory fees for the Reporting Period amounted to €82 million. This total included €11 million relating to the forensic investigation and technical accounting support, and €30 million relating to creditor adviser fees. While every effort is made to limit costs, we expect this to remain our reality for some time.

We are also clear that, at the operating company level, the Group retains significant strengths as a well-diversified global retail business with a number of strong local brands and leading positions in attractive growth markets. Some of our individual businesses, such as Pepkor Africa and Pepkor Europe continue to perform robustly, while others remain in turnaround but are reporting more encouraging recent trade, such as Mattress Firm. There is value within the Group and, during the first half, we took the first steps on the long journey to restoring it.

Financial performance

Despite the many challenges we faced in the six months ended 31 March 2019, the Group's consolidated net sales from continuing operations increased by 3% to €6 862 million (2018: €6 666 million), with strong contributions from Pepkor Europe (+13%) and Pepkor Africa (+2%). Segmental EBITDA, from continuing operations, increased by 71% to €393 million (2018: €230 million). Further information on the performance of the Group's individual operating businesses is contained within the accompanying Operational Review.

Achievements in the period

Against a very challenging backdrop, the Group was successful in achieving a number of important milestones in the Reporting Period.

- The demanding and complex task of finalising and publishing the 2017 and 2018 Annual Reports was successfully achieved. The publication today of this report for the first half of the 2019 financial year addresses the Company's disclosure backlog and brings its financial reporting back up to date. In the circumstances in which we found ourselves after the disclosures of December 2017, this was a highly complex process requiring a sustained effort from multiple teams both from within, and outside of, the business. Finalisation of the accounts is a major achievement that will allow us to begin to normalise communications with the financial markets after a prolonged period of disruption.

- In parallel, another critical milestone was achieved in March 2019 when PwC completed its forensic investigation and delivered its report to Werksmans, the Group's lawyers. The PwC report's findings are the product of a wide-ranging investigation, in South Africa and other relevant jurisdictions, over a 14-month period. While the content of the PwC Report is confidential, and subject to legal privilege and other restrictions, the findings have contributed significantly to the financial restatements and the completion of the 2017 and 2018 Consolidated Financial Statements. It is also being used to assist decision making on areas for further investigation and remedial work. The Company provided the market with an overview of this report on 15 March 2019.

- We recognised that, to move forward, the Group had to address its past governance failings and new, stronger structures for oversight and control needed to be put in place. The reconstituted Management and Supervisory Boards acted quickly to stabilise the Group and ensure its survival, and to investigate the accounting and governance issues. They continue to work well together.

- Danie van der Merwe stepped down as Acting CEO and from the Management Board at the end of December 2018, Alexandre Nodale resigned as Deputy CEO and member of the Management Board on 11 April 2019 and Philip Dieperink will step down from both his membership of the Management Board of Steinhoff and as CFO after the 2019 AGM.

- Theodore de Klerk has been designated as the Group CFO with effect from 1 September 2019.

- Our loyal and hard-working management teams within the operating businesses remained stable and focused on their operations throughout the period. Their dedication has been exemplary and they deserve our sincere gratitude.

- Our efforts to address the Group's liquidity issues through a financial restructuring made steady progress through the period. In November 2018, SEAG and SFHG, the two subsidiaries where most of the Group's financial creditors are concentrated, launched a debt restructuring through an English Company Voluntary Arrangement ("CVA") process. The SEAG and SFHG CVAs are nearing the point at which they can be implemented, which will secure a period of financial stability for the Group until 31 December 2021, allowing us to focus fully on our operational performance.

While the broad scope of this task and necessary legal steps have made this a complex and time-consuming process, the date for implementation of the restructuring is now in sight.

- Our work in prior periods to secure additional operational funding, agree the Lock-up Agreement with our lenders, complete restructurings of our Hemisphere property business and of other businesses, and generate additional liquidity from a sale of certain assets, laid the foundation for further activity in the period.

- In November 2018, Mattress Firm emerged from Chapter 11 proceedings, having successfully exited approximately 640 underperforming stores, and with a recovery plan in place that is already beginning to deliver significantly improved performance.

- Subsequent to the period end, Conforama reached agreement with its creditors to raise the new funds necessary to restructure its operations and improve its financial performance. Further, on 2 July 2019 Conforama announced a restructuring project aimed at restoring sustainable competitiveness.

- On 10 June 2019, Pepkor Europe received approval from the SEAG and SFHG creditors to refinance its existing credit facilities.

Remediation Plan

We are seeking to build on the progress made to date to strengthen our recovery, with the clear objective of stabilising the Group in a way that ensures the long-term security and growth of its underlying operations, maximises stakeholder returns and protect value. This will enable the Group to establish a new foundation for increasing free cash generation, to reduce the level of debt and, over time, to create value for stakeholders.

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

In the meantime, fundamental changes are already being made across the organisation, with a renewed focus on the customer, tighter control of capital, accelerated efforts to reduce our cost base, and initiatives aimed at maintaining local market leadership.

Litigation

The Group has received many shareholder and vendor claims and notices of regulatory investigation, and litigation remains a significant outstanding challenge. The Management Board, assisted by a litigation committee, and the Group's attorneys, continue to work towards a resolution of outstanding claims against the Group. In parallel, we are also evaluating potential claims we may have against third parties, and recoveries against implicated entities and individuals are being initiated where appropriate. Recently issued proceedings against members of the former management team are such steps in this process.

Outlook

As we look back on the progress made in the first half, we are both realistic and encouraged in our outlook. Realistic because we know that uncertainties persist and we still face many tough challenges on the road to rehabilitation but encouraged that progress has been made and the next phase of our recovery is beginning to come into focus.

The hard work on the financial restructuring in the first half and prior periods will, in all likelihood, shortly come to fruition, bringing with it the stability that will allow us to turn the page and concentrate fully on maximising value from our operating companies.

While trading conditions in the period ahead will reflect a tougher global economy, at operating level Steinhoff remains a geographically well-diversified, global retail group providing everyday products at affordable prices, through a stable of strong local brands. Businesses such as Pepkor Africa and Pepkor Europe continue to grow strongly while others such as Mattress Firm and Conforama remain in turnaround but retain strong market positions and significant recovery potential.

Our strategic direction is clear: we will focus on our operations, realise value where appropriate and plan to reduce our debt levels.

There is much to do but we have a plan and a belief in the ability of this business and its people to deliver it.

Appreciation

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

JSE Sponsor: PSG Capital

Stellenbosch, 12 July 2019