

Steinhoff International Holdings N.V.

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Steinhoff Investment Holdings Limited

(Incorporated in the Republic of South Africa)

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Proposed Settlement of Litigation Claims Arising from Legacy Accounting Issues

Steinhoff International Holdings N.V. ("**SIHNV**" or the "**Company**" and with its subsidiaries, the "**Group**") and the former South African holding company for such subsidiaries, Steinhoff International Holdings Proprietary Limited ("**SIHPL**"), announce a proposed settlement to conclude the complex legal claims, and ongoing and pending litigation proceedings, arising from the legacy accounting issues first announced in December 2017.

In the Company's presentation to shareholders at the general meeting on 30 August 2019, the Company's Management Board expressed its view that resolution of the litigation proceedings and legal claims was in the best interests of all stakeholders. The possibility of such a settlement had been agreed with the Company's financial creditors as part of the financial restructuring concluded in August 2019. While the Group continues to make tangible progress with its business restructuring efforts, most recently reaching agreement to dispose of the Conforama businesses in France, providing compensation to those shareholders at December 2017 who suffered financial loss represents the next phase of the Group's restructure.

Any settlement needs to be considered against the background of the financial position of Steinhoff and its significant levels of financial indebtedness. In addition, as previously reported, the Group's underlying businesses have been impacted by Covid-19 which, together with the effect of adverse currency movements, is likely to negatively impact current valuations. Notwithstanding those issues, the proposed terms represent an increase in the amount contemplated under the 2019 restructured financings and therefore will require financial creditors' consent.

The Group has been working hard for many months to manage the competing interests of its stakeholders and at the same time protect the Group's businesses and their employees. These competing interests and the Group's financial limitations constrain what is achievable in balancing the interests of all stakeholders. It is an extremely challenging task, but it is the Steinhoff Board's intention to resolve the outstanding claims on a fair basis, to provide closure for the claimants, and to deliver stability to the underlying businesses and their employees.

The Company's development of a settlement proposal has progressed sufficiently to a point where the Group is today announcing the terms of a proposed settlement to resolve substantially all of the relevant claims and proceedings.

Louis du Preez, Chief Executive Officer and Management Board member, said:

"Settlement of the outstanding litigation was identified as being the second step in our plan. Compensating shareholders who suffered losses in December 2017 has been one of our key objectives together with protecting the livelihoods of our employees and recovering value for creditors. The proposed settlement terms being announced today are the culmination of 12 months of intensive effort. Although there is no certainty yet that we will be able to conclude this settlement, in our view these terms are firmly in the best interests of all stakeholders. We urge all claimants to engage positively with us and support our proposal to resolve the outstanding legacy claims."

The Group's Approach to a Global Settlement of Legacy Claims

The Group faces complex, multi-jurisdictional claims initiated by multiple parties relating to the alleged accounting irregularities announced in December 2017. Approximately 90 separate legal proceedings have been commenced against the Company and SIHPL in the Netherlands, Germany and South Africa. Not all claimants have yet sought to quantify their alleged damages, but the combined claims of those that have sought to do so are in excess of ZAR136 billion (EUR7 billion at a ZAR/euro rate of 19.5). In addition to proceedings against Group entities, claims have also been made against, amongst others, former directors and officers of Group entities.

All claims against the Company and SIHPL are being disputed in ongoing litigation proceedings and there remains material uncertainty as to the outcome of all of these legal proceedings. If all such claims were ultimately established in the amounts asserted, it is clear that the net asset value of the Group would fall far short of the amount required to satisfy them in full. In such circumstances, liquidation proceedings would ensue which would, in the Company's view, materially impair the value of assets available for distribution and adversely affect the timing and amount of the claimants' recoveries relative to the proposed settlement.

During the last 12 months, the Company and SIHPL, assisted by the Litigation Working Group, have been engaged with a number of stakeholders with differing claims pending across multiple jurisdictions. The Company's objective throughout has been to achieve a comprehensive global settlement.

The Group has formulated proposed settlement amounts for various claimant groups in light of the characteristics of, and risks affecting, their claims, the Group's ability to continue trading and to maximise the asset values available to it, and the likely outcomes for claimants if the Group was unable to do so, assuming the claimants succeeded in establishing their disputed claims, and liquidation ensued. The proposed settlement terms also have regard to the adverse impact of the Covid-19 pandemic on the value of the Group's underlying businesses and the effect of currency movements.

A global settlement of litigation claims was contemplated when the Group's financings (which as at 30 September 2019 and excluding operating company financings, stood at

EUR 9.24 billion and which continue to accrue interest) were restructured and extended by agreement of its financial creditors in August 2019. The proposed terms of the settlement provide for payments materially in excess of the permission granted by financial creditors in 2019 and will require fresh consent from financial creditors. The financial creditors are being asked to make additional concessions including the extension to the maturity of their loans to the Group.

Against this background, the primary objectives of the Company's Management and Supervisory Boards and the SIHPL Board in formulating the proposed settlement have been:

- to achieve a settlement of litigation claims that allocates the available value and assets of the Company and SIHPL fairly and equitably among the parties who have claims against the Company and SIHPL;
- to achieve a settlement that fairly reflects the compromise of legal issues, priorities of payment, availability of alternative recoveries and other issues faced by the litigants on their own account and in relation to others;
- to further stabilise the Group to maximize the value available to be distributed to its stakeholders by marshalling cash, preserving the going concern value of the Group's businesses and avoiding further litigation costs;
- to ensure the continuity of the Group's operations in order to safeguard the jobs of the thousands of employees of Steinhoff's underlying businesses and, by preserving the value of those underlying businesses, to protect the broader universe of stakeholders; and
- to conclude and to implement the settlement of the legacy claims on the proposed terms as soon as possible.

The proposed settlement reflects the necessary balance of competing interests and the financial limitations on the Group, including the negative outlook and implications for all stakeholders if the proposed restructure fails and assuming the claimants succeeded in establishing their disputed claims.

Benefits of the proposed settlement

The proposed settlement will, if successful, offer significant benefits to the Group and its stakeholders, including the litigation claimants. Notably:

- it will provide litigation claimants with certainty of outcome relative to the cost and uncertainty associated with protracted, expensive and unpredictable court processes in pursuing their claims;
- it will largely resolve the material contingent liabilities faced by SIHNV and SIHPL as a result of the ongoing litigation;
- it will thereby help the ongoing work to stabilise and support the continued operations of the Group aimed at preserving business value for its stakeholders and employees;
- it will save the Group (and other parties) the very material costs of litigating the numerous legal proceedings across multiple jurisdictions;
- it will avoid the need for Steinhoff management (and litigants) to commit material time to the supervision of the conduct of the legal proceedings; and

- Steinhoff management will be able to devote their full attention to the continued improvement of the underlying businesses and the development of plans to realise value and de-leverage the Group's balance sheet.

Nature of Legacy Claims

The litigation claimants can be categorised into three broad groups: (i) "market purchase claimants" – being those parties that acquired Steinhoff securities on the market; (ii) "contractual claimants" – being those parties who sold their businesses to Steinhoff in consideration for shares in Steinhoff or otherwise acquired shares in Steinhoff pursuant to agreements with Steinhoff; and (iii) "non-qualifying claimants" – being those parties who have brought claims that are neither market purchase claims nor contractual claims and are not proposed to be included in this settlement. In summary:

- **Market purchase claimants:** Market purchase claims ("**MPCs**") arise in respect of market traded securities. In respect of the period prior to the Company's Frankfurt Stock Exchange listing becoming effective on 7 December 2015, any such claims are in respect of shares of SIHPL (the former holding company of the Group) ("**SIHPL MPCs**") and, following such event, any such claims are in respect of shares of the Company ("**SIHNV MPCs**").

There are a large number of potential MPCs many of whom are represented by, or have vested their interests to, active claimant groups ("**ACGs**"). The Company currently estimates that in excess of half of the total MPC claimants are South African residents or entities.

- **Contractual claimants:** There are a limited number of contractual claimants with alleged claims against the Company and a greater number of contractual claimants with alleged claims against SIHPL, but at both the Company and SIHPL the claim values are material, albeit disputed.
- **Non-qualifying claimants:** Certain claims have been brought against the Company and/or SIHPL that do not fall into either of the two categories detailed above as these claimants did not purchase shares in the Company or SIHPL on the market or by way of a contract with either the Company or SIHPL.

Settlement Proposal Details

The detailed terms of the proposal ("**Settlement Term Sheet**") can be found on the Company's website at the following web-address: <https://www.steinhoffinternational.com/settlement-litigation-claims.php>.

The terms of the proposal reflect key features of the parties' respective claims, including:

- the legal basis for the claim;
- the laws of the jurisdiction in which the claim is brought;
- the nature and extent of the loss claimed;
- legal uncertainties affecting the claim and recoverability of loss; and
- the financial position of the Steinhoff entity against which the claim is asserted.

The terms of the settlement proposal are, in summary, as follows:

- **Market purchase claimants:** The Company will settle eligible SIHNV MPCs and SIHPL MPCs for a total settlement consideration amount of EUR266 million. This settlement consideration will be paid 50 per cent in cash funded from the South African sub-group and 50 per cent in shares of Pepkor Holdings Limited (the Group's South African retail subsidiary, "**PPH**"), settled at a deemed price per share of ZAR15. No lock up restriction on future sale of the PPH shares is required in respect of PPH shares transferred to the MPC claimants. SIHNV estimates that approximately 173 million PPH shares (or 4.6 per cent of the total PPH issued share capital) will be transferred to MPC claimants as a result of the settlement.

Allocation of the settlement consideration as between the MPC claimants, including the treatment of any unclaimed amounts allocated to MPCs, will be determined in accordance with an allocation methodology proposed by the Company and set out in the Settlement Term Sheet.

In addition, in order to facilitate recoveries to market purchase claimants the Group is considering making available an amount of up to EUR 30 million to pay in respect of certain fees, costs and work undertaken by the ACGs on the terms to be specified in the settlement documents. The specific terms of the proposal remain under consideration.

- **SIHNV contractual claims:** Contractual claims against the Company will be settled at the same relative recovery rate as the MPCs against the Company. The Company estimates the total amount required to settle such contractual claimants to be in the region of EUR104 million. Such settlement consideration will also be paid 50 per cent in cash and 50 per cent in PPH shares settled at a deemed price per share of ZAR15. Consistent with the proposal in relation to the market purchase claimants settled by SIHNV, no lock up restriction on sales of allocated PPH shares is required from the Company's contractual claimants.

The Company estimates that approximately 67 million PPH shares (or 1.8 per cent of the total PPH issued share capital) will be transferred to Company contractual claimants.

- **SIHPL contractual claims:** SIHPL will settle the claims made against it by contractual claimants from its own resources. SIHPL contractual claims (other than claims by Thibault and Wiesfam) will be settled for a total amount of approximately ZAR1.5 billion (EUR76 million at a ZAR/euro rate of 19.5). The claims of Thibault and Wiesfam will be settled for a proportionally lower recovery rate in the total nominal amount of approximately ZAR7.9 billion (EUR406 million at a ZAR/euro rate of 19.5). The settlement consideration will also be paid 50 per cent in cash and 50 per cent in PPH shares at a deemed price per share of ZAR15. Subject as follows, SIHPL contractual claimants will be required to agree to lock up PPH shares allocated to them for 180 days from the effective date of settlement.

In respect of the SIHPL contractual claimants BVI and Cronje & others who are current employees and managers of PPH, SIHPL proposes that their settlement consideration be entirely in the form of PPH shares at a deemed settlement price of ZAR13.5 per share, provided that they agree to a three year lock up restriction on the sale of those PPH shares from the effective date of the settlement.

The Company estimates that approximately 345 million PPH shares (or 9.3 per cent of the total PPH issued share capital) will be transferred to SIHPL contractual claimants assuming BVI and Cronje & others take up their option to be paid entirely in PPH shares.

- **Non-qualifying claims:** No specific proposal is being made for the settlement of other claims, and the Company or SIHPL will continue to defend them on the basis that any liability in respect of the same is denied. If any such claim against the Company ultimately succeeds, it will be entitled to settlement consideration at the same rate as MPC and contractual claims against the Company. If any such claim against SIHPL ultimately succeeds, it will be entitled to payment in full.
- **Claim verification & disputes:** The Company is contemplating establishing a new Dutch *stichting* foundation together with supporting arrangements in South Africa (for South African claimants) to act as the Steinhoff Recovery Foundation ("**SRF**"). The purpose of the SRF will be to administer and distribute the settlement consideration paid by, or on behalf of, the Company. It will be governed by a board of newly appointed directors with majority independence from the Steinhoff Group. Claimants will be required to submit their claims for verification prior to receiving settlement payments. SRF intend to retain Computershare to assist it to administer and verify claims prior to payment of the settlement consideration.
- **Recoveries independent from other sources:** The settlement consideration provided by Steinhoff is independent from recoveries that claimants may make from other sources and any such recoveries (if any) will be incremental to the settlement consideration proposed by Steinhoff.
- **Financial creditors:** The SIHNV and SIHPL financial creditors holding contingent payment undertakings ("**CPUs**") (other than creditors holding Hemisphere International Properties B.V. CPUs), will not be eligible to receive any distribution as part of the proposed settlement in respect of their claims under the SIHNV CPUs and the SIHPL CPUs. Instead, they will be asked to provide their consent for the proposed global settlement and to waive any tortious (delictual) claims they may have against the Group, D&O insurers and auditors. In addition, the financial creditors will be asked for a consent to extend the maturity date of the CPUs and the underlying debt obligations by 18 months to 30 June 2023 with an option for a further 6 month extension on the approval of a lower CPU creditor voting threshold. As part of these arrangements, effective from implementation of the proposed settlement the Company will provide security to its CPU creditors over its shares in Steinhoff Investments Holdings Limited ("**SIHL**") and over any outstanding loan claim payable by SIHL to SIHNV. This extension is an important component of the overall settlement and of the continuation of the stable platform for the Steinhoff Group. To the extent necessary, the Group will consider English law

schemes of arrangement to implement the consents required. Otherwise, the SIHNV financial creditors will retain their contractual rights against SIHNV and SIHPL under the terms of the CPUs.

- **Post settlement PPH Holding & SIHPL balance sheet:**

PPH: The Company estimates that the settlement will result in Steinhoff continuing to hold in excess of 50 per cent of PPH shares.

SIHPL: SIHPL is the former South African listed entity prior to the 2015 scheme of arrangement and share exchange and has no current trading activity. The proposed terms of the SIHPL settlement include measures aimed at winding up the affairs of SIHPL over time on a solvent basis. In addition to the proposed settlement of relevant MPC and contractual claims it is proposed that with effect from the effective date of the settlement:

- following implementation, SIHPL will receive the rights under the legacy loan owed by Titan Premier Investment Pty Ltd ("**Titan**") to Steenbok NewCo 2A (formerly owed to Steinhoff Finance Holding GmbH) ("**Titan Loan**") for deferred cash consideration;
- the term for repayment of the Titan Loan to SIHPL will be extended by 5 years at a PIK coupon of 5.04 per cent per annum compounding semi-annually and Titan will provide security for the Titan Loan obligations in favour of SIHPL;
- as part of the consideration for the Company settling all MPCs, including those against SIHPL, SIHPL will issue a loan note in favour of SIHNV in the amount of up to EUR100 million ("**SIHNV Loan Note**"); and
- SIHPL CPU claimants are requested to agree terms to assist SIHPL to conclude its affairs on a solvent basis in due course.

Further details in relation to the post settlement SIHPL balance sheet are set out in the Settlement Term Sheet.

Implementation and conditionality

The competing stakeholder interests, the financial position of Steinhoff and the complex multi-jurisdictional nature of the litigation make implementation of the proposed settlement uniquely challenging. The Company has therefore been considering a number of options to achieve the necessary certainty and finality required by the Company and stakeholders.

One of the options currently available to Steinhoff to implement the global settlement is by a composition plan which will be submitted in draft form (*ontwerp van akkoord*) immediately on the filing of the request for a Suspension of Payments (*surseance van betaling*) procedure in the Netherlands by the Company and a pre-prepared compromise plan pursuant to section 155 of the Companies Act 71 of 2008 in South Africa by SIHPL. The Company and SIHPL continue to consider whether there may be appropriate settlement mechanisms to supplement and/or replace such implementation procedures.

In addition to achievement of the necessary levels of support by claimants to the Group's proposal, the settlement will be conditional on, among other things:

- consent of the Group's financial creditors under the terms of the Group's restructured debt financings. A request for consent from the Group's financial creditors will be launched shortly; and
- consent of the South African Reserve Bank in respect of certain elements of the proposal and to facilitate the funding of the settlement proposal.

There is no assurance as to whether those consents will be forthcoming.

Timetable and Next Steps

The Company will provide updates on the progress and the outcome of the consent requests.

Shareholders and any other claimants are advised to seek independent legal, financial and tax advice in respect of the Steinhoff settlement proposal. Financial creditors can contact Kirkland & Ellis (London) in respect of any questions arising in relation to the proposals as they relate to the financial creditors.

Documentation to be completed by any claimant for the purposes of supporting the proposed settlement will be available shortly at the Steinhoff website set out below.

Further information

Further information on the proposed settlement, including the Settlement Term Sheet and a Frequently Asked Questions document, is available at: <https://www.steinhoffinternational.com/settlement-litigation-claims.php>.

Alternatively, Steinhoff's investor relations team can be contacted at settlement@steinhoff.co.za.

Important Note

The Group's settlement proposal is made on the basis that it does not represent an admission of any liability in respect of any of the various claims made against any member of the Group or any directors, officers, or employees, past or present.

Caution

Efforts to conclude and implement the proposed global settlement on terms acceptable to the Company and SIHPL will continue and Steinhoff will update the market on progress. There is no certainty that the proposed settlement will be finally concluded. Shareholders and other investors in the Company are advised to exercise caution when dealing in the securities of the Group.

JSE Sponsor: PSG Capital

Stellenbosch, 27 July 2020