

GEN – General – Steinhoff International Holdings N.V.

Censure imposed by the JSE on Steinhoff International Holdings N.V. (“**Company**” or “**Steinhoff**”)

The JSE hereby informs stakeholders of the following findings in respect of the Company:

Financial statements

1. Steinhoff published its audited annual financial statements for the year ended 30 September 2017 (“**2017 AFS**”) on 7 May 2019 which contained restatements to previously published results to correct accounting irregularities, questionable transactions and prior period errors (“**restatements**”) in accordance with International Financial Reporting Standards (“**IFRS**”).
2. The restatements extended over a number of years. As a result, the Company restated its 2016 consolidated financial statements and its statement of financial position as at 1 July 2015.
3. As disclosed by Steinhoff in the 2017 AFS, the financial impact of the restatement of the 2015 and prior financial years were material in that:
 - i. the opening balance of equity for the period ended 30 September 2016 was adjusted downward about 62% from €13,428 billion to €5,134 billion;
 - ii. total assets inclusive of cash and cash equivalents, decreased by about 35% from circa €23 billion to €14.9 billion; and
 - iii. Steinhoff’s cash and cash equivalents decreased by about 81% from €2.7 billion to €517 million.
4. The financial impact of the restatement of the 2016 financial year was material in that:
 - i. total equity decreased by about 62% from circa €15.9 billion to €6 billion;
 - ii. total assets inclusive of cash and cash equivalents, decreased by about 35% from circa €32 billion to €21 billion;
 - iii. Steinhoff’s cash and cash equivalents decreased by about 76% from €2.8 billion to €687 million;

- iv. profit of €1.4 billion decreased to a loss of €237 million, a change of approximately 116%;
- v. total comprehensive income of €446 million decreased to a comprehensive loss of €1 043 billion, a decrease of about 334%;
- vi. the 2016 headline earnings per share of 37.7 cents decreased to a headline loss per share of 6.7 cents representing a downward adjustment of about 118%; and
- vii. the 2016 earnings per share of 37.8 cents decreased to a loss per share of 7.6 cents representing a downward adjustment of 120%.

5. The Company's previously published financial information for the 2016, 2015 and prior financial periods did not comply with IFRS and was incorrect, false and misleading in material aspects and this incorrect information was disseminated to shareholders, the JSE and the investing public. In these circumstances the JSE found that Steinhoff's financial statements failed to comply with section 8.62(b) of the JSE Listings Requirements for the period ended 30 June 2015 and prior financial periods; and General Principle (v) for the fifteen months ended 30 September 2016.

Disposal of assets to the Genesis Group

- 6. On 7 December 2015, Steinhoff International Holdings Limited ("**Steinhoff Limited**") moved its primary listing to the Frankfurt Stock Exchange under the new name Steinhoff International Holdings N.V. with a secondary listing on the JSE.
- 7. Prior to the listing of Steinhoff International Holdings N.V. on the Frankfurt Stock Exchange and during a period when Steinhoff Limited had its singular and primary listing on the JSE, the JSE has established that Steinhoff Limited disposed of the following European businesses to the Genesis Group:
 - i. sale of Steinhoff Global Investments GmbH ("**SGI**") on 18 November 2015 for a sale consideration of €2.5 billion ("**SGI Transaction**"); and
 - ii. sale of the Kika-Leiner retail business operational rights to use certain Steinhoff brand names in territories where Steinhoff was not yet operating ("**Operational Rights**") in September 2015 for a sale consideration of €1.2 billion ("**Operational Rights Transaction**").

Hereafter collectively referred to as the "**Disposals**".

8. In accordance with the provisions of section 9 the Listings Requirements, categorisation of the SGI Transaction (12.16%) and the Operational Rights Transaction (6.19%), individually and on an aggregated basis, amounted to category 2 transactions based on Steinhoff's market capitalisation at the time of the Disposals. In the case of a category 2 transaction, an issuer is required to publish an announcement on SENS containing details of such transaction immediately after the terms have been agreed. Steinhoff at the time failed to announce or disclose the Disposals when the terms were agreed to or when the transactions were concluded/implemented or at any relevant time thereafter.
9. In addition, the Disposals were not disclosed in Steinhoff's financial results for the fifteen months ended 30 September 2016 in accordance with the requirements of IFRS at the time of publication.
10. In these circumstances, the JSE found that Steinhoff at the relevant time failed to comply with section 9.15 of the Listings Requirements for its failure to publish SENS announcements when the terms of the Disposals were agreed; and General Principle (iii) of the Listings Requirements for its failure to ensure that full, equal and timeous public disclosure was made to the market regarding activities of the Company that were price sensitive at the relevant time; and General Principle (v) dealing with the accuracy of the Company's 2016 financial statements which requires issuers to ensure that all parties involved in the dissemination of information into the market place observe the highest standards of care in doing so.

JSE's decision to censure Steinhoff

11. The accuracy and reliability of financial information published by companies are of critical importance in ensuring a fair, efficient and transparent market. The provisions of the Listings Requirements, which impose various important obligations on listed companies in respect of the disclosure of financial information, contributes to the integrity of the market and promotes investor confidence. The Company and its directors are therefore obliged at all relevant times to ensure that all financial information and reports that are published are, in all material aspects, accurate and correct. In addition hereto, the investing public relies on a company's published financial information to make important investment decisions.

12. Issuers have a duty to comply with the Listings Requirements at all times which is aimed at ensuring that investors and potential investors receive relevant and important information timeously to allow investors to make informed decisions; and is simultaneously aimed at investor protection and investor confidence. SENS announcements must be published timeously and within the required timeframes of the Listings Requirements to ensure that investors and potential investors are made aware of pertinent changes that are being proposed by an issuer.

13. For these reasons and with reference to the JSE's findings of breach, the JSE has decided to impose the following penalties on Steinhoff:

For the breach of section 8.62(b) in respect of the Company's financial statements for 30 June 2015 and prior financial periods and General Principle (v) for the fifteen months ended 30 September 2016:

- i. A public censure and the maximum permissible fine of R7 500 000 (seven million five hundred thousand rand) as the previously published financial information did not comply with IFRS and was, in the view of the JSE, incorrect, false and misleading in material aspects;

For the breach of section 9.15 and General Principle (iii) and (v) in respect of the Disposals:

- ii. A public censure and a fine of R5 000 000 (five million rand) for failure to disclose the SGI Transaction on SENS at the time and in the financial results for the fifteen months ended 30 September 2016 when published; and
- iii. A public censure and a fine of R1 000 000 (one million rand) for failure to disclose at the time the Operational Rights Transaction on SENS and in the financial results for the fifteen months ended 30 September 2016 when published.

14. The JSE has considered all the relevant facts and information currently at its disposal in deciding on an appropriate censure and financial penalty as a result of Steinhoff's transgressions of the Listings Requirements at the time which include: Steinhoff's internal review that uncovered the accounting irregularities; its full co-operation and assistance in the JSE's investigation; the ongoing restructure of the Steinhoff Group; the administrative penalty imposed on the Company by the FSCA; the remedial actions undertaken by the Board post December 2017 and the interests of current shareholders, the JSE and the investing public in general. In these circumstances, the JSE is of the view that the fine is appropriate if regard is had to the nature of the transgressions, the circumstances that resulted in the

transgressions by Steinhoff and the interests of Steinhoff's shareholders, the JSE and the investing public.

15. The fine imposed against Steinhoff will be appropriated in settlement of any future costs incurred by the JSE which may arise through the enforcement of the provisions of the Listings Requirements as contemplated in section 11(4) of the Financial Markets Act, 19 of 2012 read with section 1.25 of the Listings Requirements.
16. It is important to note the provisions of section 11(5) of the Financial Markets Act, which stipulates that the Listings Requirements are binding on companies and their directors. The JSE is therefore duty bound to properly investigate all potential breaches of the Listings Requirements by companies and their directors and to take the necessary and appropriate action if the Company and/or its directors failed to comply with the provisions of the Listings Requirements.

Other parties regulated by the JSE

17. This concludes the JSE's process in respect of the Company as a juristic person. The investigation into the conduct of individuals that presided at the Company during the periods in question and who are bound by the Listings Requirements is ongoing.

20 October 2020