

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**

STEINHOFF: UPDATE ON PROPOSALS TO EXTEND UPCOMING MATURITIES OF THE GROUP SERVICES DEBT

Steinhoff International Holdings N.V. is referred to as “SIHNV” or the “Company” and with its subsidiaries, “Steinhoff” or the “Group”; “Group Services Debt” means the indebtedness under (i) the Contingent Payment Undertakings (“CPUs”) entered into by SIHNV; and (ii) the debt facilities entered into by Steenbok Lux Finco 1 S.à.r.l. (“LuxFinco 1”), Steenbok Lux Finco 2 S.à.r.l. (“LuxFinco 2”) and Hemisphere International Properties B.V. (“Hemisphere”) (the instruments together, the “Group Services Debt Facilities”), each as amended from time to time.

Introduction

Steinhoff is pleased to announce that it has entered into a framework support agreement (“**Support Agreement**”) with its largest financial creditors (the “**Original Participating Lenders**”) representing approximately 64% of the total Group Services Debt (excluding intercompany holdings). The Board considers that the Support Agreement provides a stable platform for Steinhoff to achieve the consents necessary to extend the maturity of the Group Services Debt from the current maturity date of 30 June 2023 to at least 30 June 2026, together with various related re-organisation steps and transactions (the “**Maturity Extension Transaction**”).

If SIHNV shareholders agree to the Maturity Extension Transaction, they will retain 20% of the economic interest in the post-closing equity of the Group, with the financial creditors being entitled to receive the balance. If they do not agree, shareholders will no longer have any interest in the Group.

Steinhoff now seeks the support of its financial creditors and shareholders for the terms of the Maturity Extension Transaction, including long term maturity extensions across the Group Services Debt. The Maturity Extension Transaction will maintain the stable platform for continued value creation and monetisation of Steinhoff's portfolio of assets.

THE SUMMARY BELOW SETS OUT A HIGH-LEVEL OVERVIEW OF THE SUPPORT AGREEMENT AND THE TERMS OF THE MATURITY EXTENSION TRANSACTION. THE PROPOSED TERMS ARE SUBJECT TO CONTRACT, FINAL APPROVALS AND IMPLEMENTATION. ACCORDINGLY, THERE IS NO CERTAINTY THAT THE EXTENSION AND RELATED TERMS WILL BE CONCLUDED.

Overview of Key Terms of the proposed Maturity Extension Transaction

The Maturity Extension Transaction will result in:

- An extension of the maturity date under the Group Services Debt Facilities, associated CPUs of the Company and intercompany loans to at least 30 June 2026, with two twelve-month extension options available with majority lender consent under each of the Group Services Debt Facilities (inter-conditional consents);
- The refinancing or amendment and extension of SEAG Facility A1 and SEAG Facility B1, with SEAG Facility A2 lenders receiving the full benefit of the SEAG CPU thereafter. SEAG A2 lenders will also benefit from a reclassification of existing Facility A2 into an instrument which is fully covered by the SEAG CPU (sized at 87% of the existing SEAG Facility A2), with the excess (13%) to be reclassified to SEAG Facility B2 or a new tranche fungible with SEAG Facility B2 (which does not benefit from a CPU). This represents an increase in CPU coverage for the SEAG Facility A2 lenders from 80.3% to 87%.
- Lenders with commitments in excess of EUR100m across the SFHG facilities, the SEAG facilities and the Hemisphere facilities who become party to the Support Agreement on or before 31 December 2022 (and who do not subsequently breach the terms of the Support Agreement) benefiting from a ROFO and ROFR, on a pro rata basis, in respect of the refinancing of SEAG Facility A1 and B1.
- A resetting of the SEAG Facility A2 coupon at 10.0% (compounding semi-annually) from 30 June 2023 from the current 10.75%. To ensure full CPU coverage for SEAG Facility A2 going forwards, the notional rate under the SEAG CPU will be aligned to grow at the same rate.
- Amendments to the relevant debt documents of the Group resulting in CPU holders being paid ahead of any holders of equity instruments issued by SIHNV.
- A “solvent distribution regime” to facilitate an efficient distribution of the Group's assets at fair value directly to financial creditors, subject to any legal and regulatory restrictions, if debt has not been discharged in full at extended maturity (or following any earlier acceleration). The regime includes limited recourse terms and “solvent liquidation” provisions for the benefit of SIHNV (including any new ultimate parent of the Group) and its subsidiaries.

The key economic terms are summarised below

Facility	Current terms	Proposed amendment
SEAG A1		
Amount (per 30 June 2023)	EUR693m	Unchanged. Expected to be refinanced prior to 30 June 2023
Maturity date (debt and CPU maturity)	30 June 2023, with a six-month extension option	Unchanged. Expected to be refinanced prior to 30 June 2023
Interest rate	7.875% PIK, semi-annual	Unchanged. Expected to be refinanced prior to 30 June 2023

Facility	Current terms	Proposed amendment
CPU and Recovery cap	First ranking claim on SEAG CPU 5.0% PIK, semi-annual	Facility to be refinanced or amended, such that it no longer benefits from CPU
SEAG B1		
Amount (per 30 June 2023)	EUR29m (excl. intra-group)	Unchanged. Expected to be refinanced prior to 30 June 2023
Maturity date	30 June 2023, subject to a six-month extension option	Unchanged. Expected to be refinanced prior to 30 June 2023
Interest rate	7.875% PIK, semi-annual	Unchanged. Expected to be refinanced prior to 30 June 2023
SEAG A2		
Amount (per 30 June 2023)	EUR5,436m	SEAG A2 lenders to benefit from a resized EUR4,729m new Facility A2 (87% of existing), fully covered by SEAG CPU EUR707m (13%) to be reclassified to SEAG Facility B2 or a new tranche fungible with SEAG Facility B2. Existing Facility A2 lenders to hold reclassified commitments pro rata to existing. New terms of SEAG B2 and the new tranche summarised below
Maturity date (debt and CPU maturity)	30 June 2023, subject to a six-month extension option	30 June 2026, with two one-year extension options
Interest rate	10.75% PIK, semi-annual	10.0% PIK, semi-annual
CPU	Second ranking claim on SEAG CPU behind SEAG A1	Sole beneficiary of SEAG CPU
Recovery cap	5.0% PIK semi-annual, implying 80.3% coverage as of 30 June 2023	10.0% PIK semi-annual, amount set at EUR4,729m as of 30 June 2023 (aligned with Facility A2 to provide full CPU coverage going forwards)
SEAG B2		
Amount (per 30 June 2023)	EUR230m (excl. intra-group)	EUR937m (excl. intra-group and incl. EUR707m reclassified from SEAG A2 and held by SEAG A2 lenders pro rata)
Maturity date	30 June 2023, subject to a six-month extension option	30 June 2026, with two one-year extension options
Interest rate	10.75% PIK, semi-annual	10.0% PIK, semi-annual
SFHG A1		
Amount (per 30 June 2023)	EUR2,537m	Unchanged
Maturity date (debt and CPU maturity)	30 June 2023, subject to a six-month extension option	30 June 2026, with two one-year extension options
Interest rate	10.0% PIK, semi-annual	Unchanged
CPU	Benefits from 21/22 CPU and S155 Settlement Note	Unchanged
Recovery cap	10.0% PIK, semi-annual	Unchanged
SFHG A2		
Amount (per 30 June 2023)	EUR1,738m	Unchanged
Maturity date (debt and CPU maturity)	30 June 2023, subject to a six-month extension option	30 June 2026, with two one-year extension options
Interest rate	10.0% PIK, semi-annual	Unchanged

Facility	Current terms	Proposed amendment
CPU	Benefits from 23 CPU	Unchanged
Recovery cap	10.0% PIK, semi-annual	Unchanged
SFHG Super Senior		
Amount (per 30 June 2023)	EUR 57m	Unchanged
Maturity date (debt and CPU maturity)	30 June 2023, subject to a six-month extension option	30 June 2026, with two one-year extension options
Interest rate	10.0% PIK, semi-annual	Unchanged

Overview of the Support Agreement

The Support Agreement provides the Group and its stakeholders with a period of stability whilst the relevant consents are obtained, documents are negotiated, and arrangements are put in place to implement the proposed Maturity Extension Transaction. The Support Agreement has been signed by the Company, Steenbok Newco 3 Ltd ("**Newco 3**") and each of the Original Participating Lenders, representing approximately 64% of the Group Services Debt (excluding intercompany holdings). Other Steinhoff Group entities and other financial creditors may accede to the Support Agreement in due course.

Financial Creditor Accession and Early Bird Fee

For financial creditors, a copy of the Support Agreement is available on the relevant debt domain set up for the facility in which the financial creditor holds a participation or from the relevant facility agent, together with instructions on how to execute an accession letter to accede to the Support Agreement. Any queries regarding the accession process should be directed to directed to Houlihan Lokey (ProjectPurpleHL@hl.com).

Financial creditors who sign or accede to the Support Agreement by 5.00 p.m. London time on 31 December 2022 (the "**Early Bird Fee Deadline**"), and who do not subsequently breach the terms of the Support Agreement, will be eligible for an early bird fee (the "**Early Bird Fee**") equal to their pro-rata share of:

- in respect of SFHG A1 and A2 financial creditors, a fee payable by SFHG (LuxFinco 1) in an amount equal to 0.50% of the total SFHG A1 and A2 debt; and
- in respect of the SEAG A2 and B2 financial creditors, a fee payable by SEAG (LuxFinco 2) in an amount equal to 0.50% of the total SEAG A2 and B2 debt.

Work Fee

Each of the Original Participating Lenders who remains signed up to the Support Agreement and is not in breach of any of its terms, shall be paid a work fee (the "**Work Fee**") equal to their pro-rata share of:

- in respect of their SFHG A1 and A2 debt, a fee payable by SFHG (LuxFinco 1) in an amount equal to 0.50% of the total SFHG A1 and A2 debt; and
- in respect of their SEAG A2 and B2 debt, a fee payable by SEAG (LuxFinco 2) in an amount equal to 0.50% of the total SEAG A2 and B2 debt.

The Early Bird Fee and Work Fee are to be paid on a cashless basis, through the issuance of commitments under new debt tranches in each of the SFHG and SEAG debt (as applicable), on a super-senior basis, accruing interest at 10% PIK on a semi-annual basis after 31 December 2022, with no CPU, maturing on 30 June 2026.

Overview of the timetable under the Support Agreement:

The Support Agreement seeks to secure the support of at least 80% of the financial creditors under each Group Services Debt Facility.

The Support Agreement will provide the necessary stability to implement the Maturity Extension Transaction by the “Long Stop Date” of 30 June 2023, subject to limited termination events. If the Maturity Extension Transaction is not achieved by that date the Long Stop Date can be extended:

- to a date up to 31 December 2023, by SIHNV, Newco 3 and a simple majority of CPU creditors; or
- to a date beyond 31 December 2023, by SIHNV, Newco 3 and 80% of creditors under each of the Group Services Debt Facilities.

Overview of Proposed Equity Re-organisation

In light of the assessment that the value of the Group's assets continue to be less than its liabilities and will remain so as at 30 June 2023, and subject to further due diligence and structuring, the commercial terms of the Maturity Extension Transaction provide that the individual CPU creditors will be entitled to receive equity in SIHNV (or any successor entity or other entity replacing SIHNV as ultimate parent of the Group). The Maturity Extension Transaction proposes that the financial creditors will be entitled, individually and independently, to receive 100% of the voting rights and at least 80% of the economic interest in the post-closing equity of the Group.

The remaining 20% of economic interests in the post-closing equity of the Group will be issued to existing shareholders in the form of a new instrument ranking economically *pari passu* with the equity instruments issued to the financial creditors, provided that the equity re-organisation is approved by shareholders at a general meeting to be held in Q1 2023.

If the Maturity Extension Transaction proceeds, then in view of:

- the fact that the individual financial creditors will obtain independent voting rights and (at least) 80% of the potential economic interest in the post-closing equity of the Group as a condition to extending the maturity dates of the Group Services Debt; and
- the very material extent to which the equity interest currently is, and expected to remain, out of the money,

the expectation is that on or following implementation of the Maturity Extension Transaction the existing SIHNV shares, and their current listings, will fall away, with no financial compensation payable to existing shareholders (except for the shareholders retaining the 20% economic interest in the post-closing equity of the Group if the equity re-organisation is approved by shareholders at a general meeting as explained above). The ultimate holding company of the restructured Group is anticipated to be an unlisted company.

The final terms of the implementation in relation to future equity structure remain to be finalised.

If the equity restructuring referred to in the preceding paragraphs is not approved by the shareholders at the general meeting, it is intended that 100% of the economic interests and voting rights in the post-closing equity of the Group will be issued to the individual financial creditors either through a Dutch restructuring process or, if that is not pursued or is not achieved by 30 June 2023, as a result of the financial creditors becoming entitled to implement the equity reorganisation by way of a share pledge enforcement alongside the implementation of other terms of the Maturity Extension Transaction. In these circumstances, SIHNV would lose its interests in the underlying Group businesses and assets and shareholders would retain no economic interest in the restructured Group.

Overview of Considerations

As previously reported, Steinhoff currently has Group Services Debt totalling c. EUR10 billion which has a maturity date of 30 June 2023.

The Group Services Debt is disclosed under Corporate and Treasury Services in note 10 of SIHNV's unaudited results for the six months ended 31 March 2022. The Group Services Debt Facilities are held by a number of different financial creditors some of whom are invested across a number of Group Services Debt Facilities.

Extending the maturity date of debt of this quantum and complexity would be an extremely difficult and complex task in normal markets, however the nature of the agreements, together with the developments during the year including those listed below, have made this process even more challenging:

- There are complexities inherent in the nature of the Group Services Debt, including cross defaults, inter-connectivity and multiple investors each with unique time horizons and interests.
- The current global uncertainties have increased both risk aversion and interest rates.
- The market values of Steinhoff's operating entities (ultimately the underlying security for the Group Services Debt) have been under pressure broadly in line with the global capital markets.
- By contrast, the significant liabilities under the Group Services Debt continue to accrue interest at material levels.

Consequently, to date it has not been possible to de-lever the Group through investment and asset disposals and/or refinancing as quickly as originally anticipated.

In order to maintain the financial stability and therefore avoid the consequences of the Group Services Debt maturing on 30 June 2023, the proposed extension and related terms addresses the total Group Services Debt and allows further time to fully realise the Group's investments and assets.

Next steps

Steinhoff contemplates that the next steps are as follows:

- Engagement with the Group's financial creditors to seek further support for the proposed terms and accessions by the financial creditors to the Support Agreement before the Early Bird Deadline.
- Further development and finalisation of terms of the proposed extension and agreement on long form documentation.
- Seeking the necessary financial creditor and regulatory approvals required, as well as approval from the shareholders at a general meeting, and/or, if necessary, court approvals in one or more relevant jurisdictions.

Steinhoff will work to implement the Maturity Extension Transaction on or before 30 June 2023.

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

"Taking into account the economic and other challenges currently facing the Group this is ultimately a very good deal for the Group. The extension allows time for the Group to realise the inherent value of its investments in a controlled manner. As such we are greatly encouraged by the progress made so far and we urge all stakeholders to support the finalisation and implementation of these proposals."

Whilst the Group believes that the Support Agreement constitutes an important and positive step towards the proposed extension of the Group Services Debt, there is no certainty that the necessary commercial and legal agreements and arrangements will be concluded to successfully implement the proposed transaction. Accordingly, shareholders and other investors in the Company are advised to exercise caution when dealing in the securities of the Group.

Further information and updates will be provided to the market as and when available.

The Company has a primary listing on the Frankfurt Stock Exchange and a secondary listing on the JSE Limited.

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Steinhoff cannot guarantee the accuracy and completeness of forward-looking statements. A number of important factors, not all of which are known to Steinhoff or are within its control, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. Steinhoff expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, a change in expectations or for any other reason.

Stellenbosch, 15 December 2022

JSE Sponsor: PSG Capital