

# AGM - Presentation to Shareholders Management Board

## 20 April 2018



**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



**AUTOMOTIVE**

- : NEW VEHICLES
- : PRE-OWNED VEHICLES
- : HEAVY ROAD VEHICLES
- : ACCESSORIES, PARTS AND SERVICES
- : CAR RENTAL

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# Management Board Update

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- Overview of process
- Litigation
- Regulatory interaction
- Key priorities and next steps

- Immediately after 5 December 2017, management's initial priorities were to safeguard the Steinhoff Group's liquidity to enable continued trading by our operating companies and to preserve value for all of our stakeholders
- The Group's operations continue to trade:
  - c.12,000 outlets open every day
  - Retail revenue for Q1-18 reported at c.€5bn
  - 130,000 employees across c.30 countries
- Management's priorities remain focused on developing the Group's restructuring plan, maintaining stability and managing the ongoing operations of the Group
- However, the Group's financial position remains very challenged
- Notwithstanding these difficult circumstances, our operational management teams and employees have responded extremely well

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## In the wake of December's events, the Group has reconstituted its leadership team

### MANAGEMENT BOARD

- Danie van der Merwe was appointed as Acting CEO
- Management Board was reconstituted with the following proposed appointments:
  - Alex Nodale, as Deputy CEO
  - Philip Dieperink, as Group CFO
  - Louis du Preez, as Commercial Director
  - Theo de Klerk, as COO
- Establishment of Executive Committee to support Management Board and changes made at the operational level

### RESTRUCTURING CAPABILITIES

- Richard Heis appointed as Chief Restructuring Officer
  - Experienced international restructuring specialist
- Restructuring Executive Committee installed
- Project Management Office installed, supporting additional work streams

## LIQUIDITY CRISIS (DEC-17)

- The Group faced an urgent liquidity crisis in December 2017
  - Loss of virtually all available funding under existing facilities (incl. credit insurance)
  - Group drained of working capital
  - Pressurised liquidity position further impacted by trading seasonality

## LIQUIDITY MEASURES

- Since December 2017, the Group has:
  - Established and improved near-term liquidity forecasting
  - Safeguarded operating company liquidity through c.€750m in secured financings
  - Realised selected assets in South Africa and Europe:
    - Divestment of PSG Group stake
    - Divestment of Showroomprivé stake and other selected European assets
  - Implemented other cash mitigation initiatives (capex reviews, cost savings)

## LIQUIDITY OUTLOOK

- The Group has been relying on asset realisations to fund ongoing working capital, interest and professional fees, but this is not sustainable
- Steinhoff International Holdings N.V. will not declare any dividends until further notice

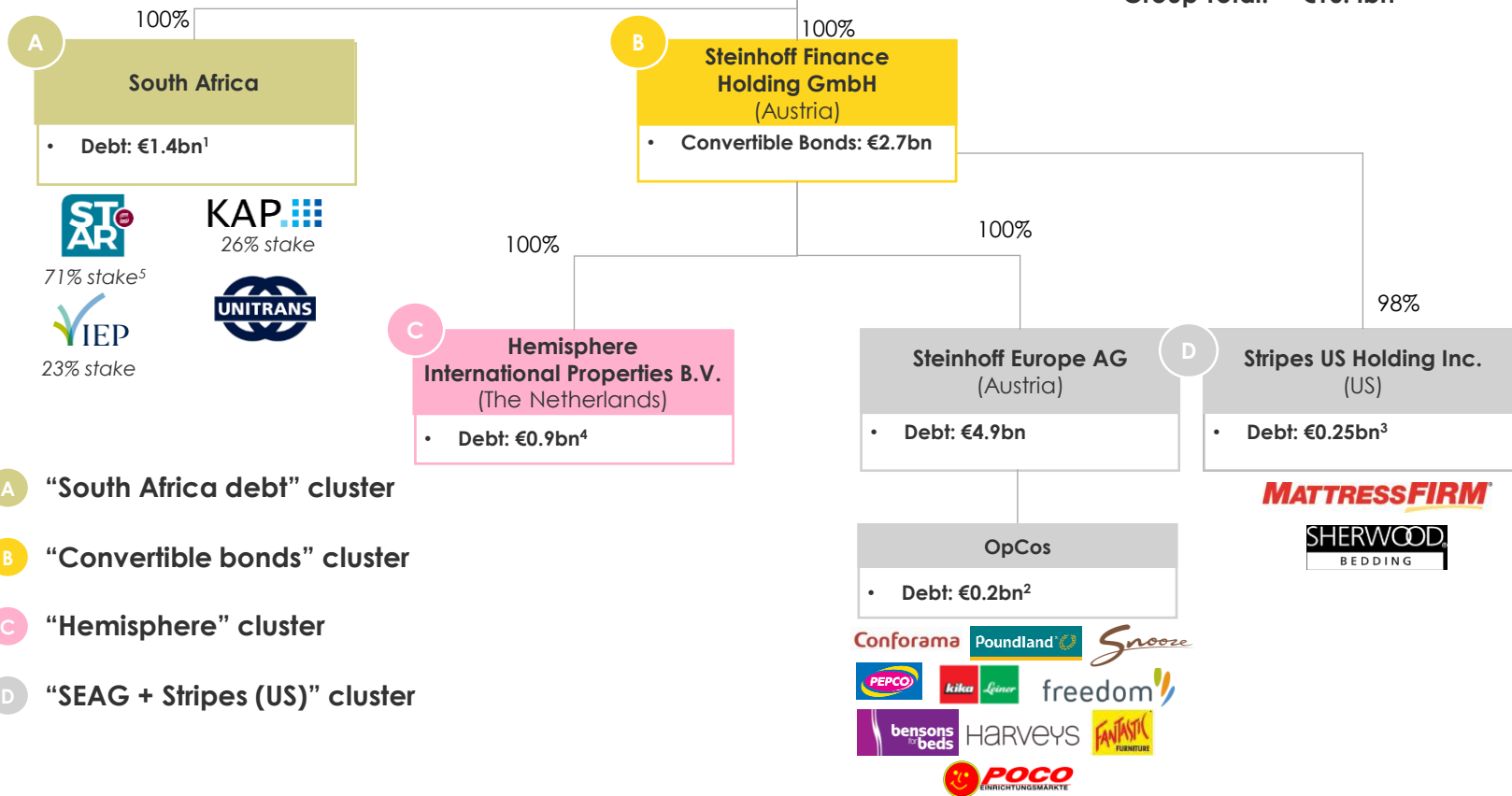
- Steinhoff owns a diverse range of businesses with decentralised management
- Unsecured debt was historically raised at Group level to fund the acquisition of, and capital investment in, these businesses
- The Parent Company (i.e. Steinhoff International Holdings N.V.) has guaranteed almost all of these financings
- The Group debt structure may broadly be considered as 4 “clusters”, each with a distinct exposure to the underlying operating companies
- Each debt cluster has its own set of characteristics that need to be considered in any restructuring plan
- Geographical, regulatory and legal considerations are relevant to the movement of value through the Group

# Overview of Current Group External Financing

**Steinhoff International Holdings N.V.**  
(The Netherlands)  
*Guarantor to majority of Group Financings*

**Outstanding External Debt as at 31-Mar-18:**

Total Europe: €8.7bn  
Total US: €0.25bn  
Total Africa: €1.4bn<sup>1</sup>  
**Group Total: €10.4bn**



- A** “South Africa debt” cluster
- B** “Convertible bonds” cluster
- C** “Hemisphere” cluster
- D** “SEAG + Stripes (US)” cluster

Note: Unaudited figures as at 31-Mar-18. FX as per 31-Mar-18

1. Includes outstanding amount of asset finance and finance leases at Unitrans Automotive Pty Ltd of €0.2bn. The balance of €1.2bn expected to be repaid in the next couple of weeks (see page 11)  
 2. Includes Conforama, Asia Pacific, Kika Leiner and Puris but excludes any drawn amounts under the £260m Pepkor Europe facility. Excludes JV debt  
 3. Includes RCF and ABL facilities  
 4. Includes mortgages and finance leases  
 5. As at 12-Apr-18, post sale of 6% stake



## CREDITOR ENGAGEMENT

- The Group has been engaging with its creditors across the debt clusters to create a window of stability and to develop a restructuring plan
- This requires continuous dialogue with creditors and their various representatives across the various clusters and jurisdictions
- The Group is currently operating under an informal standstill with creditors
- Debt rollovers and lender requests are being managed on an ongoing basis
- The general waiver process is on hold pending presentation to creditors of the restructuring plan, evidencing a sustainable capital structure going forwards

## PRINCIPLES OF CREDITOR TREATMENT TO DATE

- South Africa
  - Paid interest
  - Repaying debt
- Europe
  - Paid interest
  - No repayment of debt

# Restructuring Plan - Objectives

- The development of a restructuring plan is a significant exercise given the complexity of the Group's debt and corporate structure
- The plan is being developed to achieve four key objectives:



# Envisaged Debt Cluster Treatment

**The Group expects to reduce its debt burden further through various methods including sale of assets**

## SOUTH AFRICA

- Refinancing and redemption of South African debt is underway:
  - South African Medium Term Note programme settled (R7.6 billion / €520m)
  - Sold 17% stake in KAP for R3.7 billion (€251m) (remaining stake of 26%)
  - Sold 6% stake in STAR for R3.75 billion (€254m) (remaining stake of 71%)
  - Repayment of intercompany loan from STAR of c.R16bn (€1bn) expected to be completed in the next couple of weeks

## HEMISPHERE INT. PROPERTIES B.V.

- The Group is engaging with creditors on an extension of the August 2018 maturity (€750m)

## STEINHOFF FINANCE HOLDING

- The Group is engaging with the holders of the 2021 and 2022 Convertible Notes
- It is intended that the 2023 Convertible Notes will be dealt with as part of the SEAG / Stripes (US) proposal

## SEAG / STRIPES (US)

- The Group continues to engage on a restructuring plan, which will include the treatment of the upcoming maturities of c.€770m in July & August 18

## PwC swiftly appointed in December 2017 to conduct an independent forensic investigation

### PURPOSE & APPROACH

- Key aims are to determine as expeditiously as possible:
  - What happened?
  - What is the financial impact?
  - Who is responsible?
- PwC is engaging regularly with the Audit Committee, executive management and Deloitte
- Reporting to the Supervisory Board
- Provide clarity to stakeholders

### SCALE OF INVESTIGATION

- Unrestricted scope and unhindered process – critical to uncover the truth and leave no stone unturned
- Exercise involves significant scale and complexity, spanning a number of financial years
- Investigation divided into separate workstreams
  - Workstreams run in parallel to expedite preparation of final report
- To date 4.4 million records have been accumulated and over 320,000 documents scanned in hard copy in various executive offices
- PwC has conducted a series of internal and external interviews

# PwC Investigation Overview (2/2)

## PROGRESS TO DATE

- Confirmed a pattern of transactions undertaken over a number of years across a variety of assets classes that led to the material overstatement of income and asset values of the Group
- The Group has and will continue to provide unrestricted access and full cooperation to the PwC team
- Findings to date will assist management in the preparation of unaudited interim financial statements for the period ending 31 March 2018

## PROCESS TO CONCLUSION

- PwC will assist the Group in determining the financial effect of the identified transactions
- PwC currently expects the investigation to be substantially completed by the end of 2018
- The Group will communicate any material developments at the appropriate time, whilst being cognisant of the sensitivities around the investigation and possible legal proceedings

## 2018 REPORTING PROCESS

- Trading update for Q1 (quarter ended 31 December 2017) provided on 28 February 2018
- Unaudited interim Group results to be announced in June 2018, to include:
  - Income statements for the 6 months ended 31 March 2018 and 31 March 2017
  - Balance sheet as at 31 March 2018, 31 March 2017 and 30 September 2017
  - Cash flow statements for the 6 months ended 31 March 2018 and 31 March 2017
  - Trading update for the 6 months ended 31 March 2018 and restated 2017 comparatives
- Trading update for Q3 (August 2018)
- Aim to release full year audited 2018 Group results at the end of January 2019

## 2017 FULL YEAR GROUP RESULTS

- The Group aims to release its full year audited 2017 results by the end of December 2018

## SHAREHOLDERS LITIGATION

- VEB, the Dutch Investors' Association, initiated proceedings against the company on 2 February 2018 in Amsterdam, bringing a collective action on behalf of the shareholders that the VEB claims to represent
- VEB submitted several claims for declaratory relief in relation to alleged damage suffered by those shareholders due to investing in Steinhoff
- Steinhoff has filed a number of preliminary motions, i.e. contesting the jurisdiction of the Amsterdam district court and requesting the court to authorise third party contribution proceedings to be instituted against the former CEO
- VEB is opposing the preliminary motions (except for the contribution proceedings sought against the former CEO)
- A decision on the further process of the proceedings is to follow
- No damages can be awarded in these proceedings; subsequent proceedings necessary
- Similar proceedings have also been initiated in Germany on 19 December 2017. However, the company has not been served with any legal documents yet
- Several other entities are threatening Steinhoff with claims, as yet no litigation has been instituted

## VENDOR CLAIMS

- Group entities have received demands against them from a number of vendors who sold assets to the Group in prior years
- The Group is currently in communication with these parties
- No formal legal proceedings have been instituted to date

## GERMAN PROCEEDINGS

- German proceedings in relation to the ultimate ownership interests in POCO are pending
  - The Seifert related entities (“Seifert Entities”) are contesting the existing forfeiture of their 50% shareholding in POCO by Steinhoff. Steinhoff’s position is that the forfeiture was valid
  - In addition, the Seifert Entities have brought a separate claim against Steinhoff, by which they are seeking forfeiture of Steinhoff’s 50% shareholding in POCO. Steinhoff is defending this attempted forfeiture
  - German Courts set high hurdles for forfeiture of shares owned by a fellow shareholder. On the basis of the evidence currently available, it is unclear whether either forfeiture attempt would ultimately be deemed valid by the Courts
  - Should the Court find either of the forfeitures to be valid, POCO would be liable to pay compensation for the fair market value of those forfeited shares. The quantum of the fair market value would be determined through an expert opinion by an independent valuation appraiser. In the event that POCO did not have sufficient funds to make such payment, each shareholder has already guaranteed to provide POCO with the necessary funds
- The first oral hearing in these proceedings is scheduled for 25 April 2018

## AMSTERDAM ENTERPRISE CHAMBER

- The Amsterdam Enterprise Chamber ruled in February 2018 with regards to accounting treatment (not ownership) that the Company was correct to consolidate POCO as a controlled interest in its 2016 accounts
  - However, it has ordered that the company amend the 2016 accounts to change its consolidation treatment of POCO from a 100% controlling interest to a 50% controlling interest and release the related settlement liability
  - The Group intends to comply with the Amsterdam ruling until further clarity is obtained in the German ownership proceedings



<b>OVERVIEW</b>	<ul style="list-style-type: none"><li>• AIH Investment Holding AG (“AIH”) is an intermediate holding company which in turn indirectly owns Conforama</li><li>• There are two legal proceedings regarding AIH pending before the Vienna Commercial Court</li></ul>
<b>LOAN CLAIM</b>	<ul style="list-style-type: none"><li>• The Seifert entities are currently claiming against AIH and Steinhoff Europe AG (“SEAG”) an amount of €249m plus interest and costs in respect of the outstanding portion of c.€300m loan advanced in 2011</li><li>• Steinhoff is opposing this claim</li><li>• The next hearing date is scheduled for early May 2018, with further dates set for 2018</li></ul>
<b>EQUITY CLAIM</b>	<ul style="list-style-type: none"><li>• The parties at the time (2011) also entered into a convertible loan arrangement. Under this agreement a Seifert entity advanced €70k which it now claims entitles it to a 50% shareholding in AIH</li><li>• Steinhoff is opposing this claim. This matter is currently on hold pending the finalisation of the taking of evidence or testimony in the loan proceedings referred to above</li></ul>

All litigation referred to in this presentation is sub judice and covered by legal privilege. A provision has previously been raised in respect of the Seifert claims, the adequacy of which is being reviewed as part of the restatement of the Group accounts. Upon advice received, we can not divulge more details at this stage

- The Group's ordinary shares continue to trade on the FSE and JSE
  - Regular contact ongoing with Steinhoff's principal regulators (the AFM in the Netherlands, the FSE and Bafin in Frankfurt and the JSE in Johannesburg) with regard to the status of Steinhoff's listings
  - The Group is not aware that any regulator is currently seeking a suspension of the listings
- The preference shares of Steinhoff Investment Holdings Limited (c.€100m face value) have been suspended from trading on the JSE since 1 March 2018
- Investigations by South African Financial Services Board, Johannesburg Stock Exchange and South African Companies and Intellectual Properties Commission are ongoing
- Steinhoff is in ongoing communications and is cooperating fully and openly with regulators in all relevant jurisdictions

# Key Priorities and Next Steps

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**Maintain focus on supporting underlying businesses**

**Preserve and generate additional liquidity**

**Continue to develop and build support for restructuring plan with the Group's financial creditors**

**Restore regular financial reporting cycle**

**Uncover the truth and prosecute any wrong-doing**



**STEINHOFF**  
INTERNATIONAL HOLDINGS N.V.

# Further Information (as per AGM narrative)



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- **Supervisory Board Appointments**
- **Remuneration**
- **Auditors**
- **Hawks Investigation**
- **Communication**

- Heather Sonn was appointed acting chair in December 2017
- Independent board sub committee was appointed to strengthen independent governance in December 2017
  - Johan van Zyl (chair) (independent non-executive director)
  - Heather Sonn (independent non-executive director)
  - Steve Booysen (independent non-executive director)
- Nominations to the Supervisory Board
  - Supervisory Board (non-executive directors)
    - Khanyisile Kweyama
    - Moira Moses
    - Hugo Nelson
    - Peter Wakkie
    - Alexandra Watson
- The Supervisory Board believes it is essential for the recovery of the company and its future restructuring that shareholders reappoint Dr Steve Booysen, Ms Angela Kruger-Steinhoff and Ms Heather Sonn as members of the Supervisory Board. These directors provide continuity to the processes undertaken as well as to the efforts of the new Supervisory Board nominees

- Remuneration proposed in the AGM notice relates to base pay of Supervisory Board directors
  - Remuneration was determined with reference to competitors and peer companies as well as considering the need to retain and attract Supervisory Board directors in light of the company's situation
  - The proposed fees for 2018 include no increase on the fee level of 2017
- Proposed payment for additional work performed by Supervisory Board directors have been removed from the AGM resolution
  - Newly constituted remuneration committee will review any potential payments to Supervisory Board directors
  - All payments to Supervisory Board directors need to be approved by shareholders

- Steinhoff is not opposed to the rotation of auditors, but believes the continuation of Deloitte as auditor until the completion of the current financial year of September 2018 is essential
- One of the company's main priorities is the expeditious finalisation of audited consolidated financial statements for the 2017 financial year, and the revised statements for the 2015 and 2016 financial years. Deloitte is already involved in these matters, and the appointment of a new auditor midway through a financial year will lead to unacceptable delays in the completion of these statements
- The Supervisory Board believes that Deloitte is best placed to apply the outcome of the forensic processes in completing the 2018 audit
- With a September financial year-end, the 2018 audit process will start a few weeks after this AGM to ensure a timely completion of the 2018 audit
- Subsequent to the 2018 audit, the appointment of an audit firm for the 2019 financial year will be subject to a global tender process



## Hawks investigation (South African Government's Directorate for Priority Crime Investigation)

- As a result of investigations to date, the head of the audit committee has reported the former CEO, Markus Jooste, to the South African government's Directorate for Priority Crime Investigation unit, the Hawks, as prescribed by section 34(1)(b) of the Prevention and Combatting of Corrupt Practices Act 2004, on the suspicion that he has committed offences thereunder. This matter is now in the hands of the Hawks for further investigation and potential prosecution
- Steinhoff supplied all information and supplementary information requested by the Hawks to date and will continue to do so in future. Steinhoff also wishes to confirm that its representatives has met with the Hawks personally at Director and legal team level on four different occasions and trust that this is a true indication of its commitment to full co-operation with the investigative team of the Hawks

- Given the gravity of the Group's situation since the events of 5 December 2017 and subsequently, you will appreciate that the Board (including the individuals present here) is legally and otherwise quite constrained in what it is able to communicate publicly, while the work on accounts restatements and forensic investigations is ongoing
- We are working hard to establish stability in the Group, to finalise reliable financial statements and to ensure that the investigations are far enough advanced to enable us to begin taking the legal and other necessary steps we intend to take based on the findings. We will communicate more fully in public as soon as we are able to do so