Steinhoff International Holdings Limited

(Incorporated in the Republic of South Africa)

(Registration Number 1998/003951/06)

Share Code: SHF

ISIN: ZAE000016176

("Steinhoff" or "the Company")

DETAILED TERMS ANNOUNCEMENT RELATING TO THE ACQUISITION BY STEINHOFF OF A CONTROLLING INTEREST IN PEPKOR HOLDINGS PROPRIETARY LIMITED ("PEPKOR") AND RELATED MATTERS

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1. **Introduction**

The board of directors of Steinhoff is pleased to announce that agreements have been concluded between, *inter alia,* Steinhoff, Titan Premier Investments Proprietary Limited ("Titan"), Thibault Square Financial Services Proprietary Limited ("Thibault"), Brait Mauritius Limited ("Brait") and Pepkor management in terms of which Steinhoff or its nominated subsidiary will acquire an effective 92.34% interest in the equity share capital of Pepkor for a total purchase consideration of R62.8 billion ("the Acquisition"). In terms of the Acquisition, Steinhoff intends acquiring Titan's effective equity interest in Pepkor of 52.47% from Titan ("the Titan Transaction"), 37.06% from Brait ("the Brait Transaction") and 2.81% from Pepkor management ("the Management Transaction"). The remaining shares in Pepkor are held by Pepkor management. Titan and Thibault are privately held companies. Dr. Christo Wiese, who is a non-executive director of Steinhoff, is a beneficiary of a family trust, which is the ultimate controlling shareholder of Titan and Thibault. The effective date of the Acquisition will be the second business day after the fulfillment, or waiver, as the case may be, of the last condition precedent as outlined in paragraph 7.

Shareholders holding, collectively, 50% of the issued share capital of Steinhoff have indicated their support for the Acquisition and intend voting in favour of all resolutions required for its implementation.

2. **Background to Pepkor**

Founded in 1965, Pepkor manages a portfolio of retail chains operating in 16 countries across 3 continents. Pepkor reported revenue of R38.2 billion for the financial year ended 30 June 2014, which was generated in the following geographies:

- South Africa and surrounding countries (63%);
- Rest of Africa (5%);

- Australia (23%); and
- Eastern Europe (9%).

Pepkor trades from approximately 1.7 million square metres of retail space and provides employment to more than 32 000 people. Its 12 main retail brands are mainly focused on the discount and value market segments and also include some specialty and service brands.

The combined product range comprises:

- clothing, footwear and apparel; and
- homewares, household goods and cellular products and services.

Pepkor operates on a decentralised business model supported by central group services, and focuses on supply chain optimisation to protect and enhance its discount positioning.

3. **Rationale for the Acquisition**

Steinhoff was listed on the Johannesburg Stock Exchange ("JSE") in 1998 through the merger of European and South African furniture and household goods businesses under Steinhoff as their common holding company. Steinhoff is a vertically integrated retailer operating in the value conscious segment of the European, Southern African and Pacific Rim furniture and household goods markets. For the financial year ended 30 June 2014, the proportion of revenues and operating profits that Steinhoff generated from its non-South African operations were 74% and 90%, respectively. In addition to its South African property division, Steinhoff's investments in South Africa comprise investments in three separately listed companies, JD Group Limited (86%), KAP Industrial Holdings Limited (44.7%) and PSG Group Limited (19%).

As announced on SENS on 4 August 2014, Steinhoff completed an equity capital raising of R18.2 billion and, in conjunction with an Austrian incorporated holding company ("Holdco AG"), is in the process of preparing for Holdco AG's listing on the Frankfurt Stock Exchange ("FSE"), accompanied by an Inward listing on the JSE ("the Listings"). Should all Conditions Precedent listed in paragraph 7 below be fulfilled, or waived, as the case may be, the implementation of the Acquisition will be concluded prior to the Listings becoming effective.

Pepkor is an attractive acquisition opportunity for Steinhoff given its strong market position, robust operating model, well executed multi-brand strategy, positioning for future growth opportunities and highly experienced management team. Additional key business attributes include:

- Highly recognisable brands, including Pep, Africa's largest retailer;

- Pepco, the number 1 non-food retailer in Poland and one of the fastest growing in Eastern Europe;
- Strong multinational footprint, operating in 16 countries across 3 continents;
- Excellent track-record of double digit sales growth;
- Pepkor operates in the high-growth, value-orientated market segment (LSM 1-6), providing goods to lower-end consumers;
- Pepkor's high cash generative sales model with limited credit sales allows the business to rapidly grow from internally generated resources with average cash conversion over the past 3 financial years:
    i. pre-capex: 99% of EBITDA, and
    ii. post-capex: 69% of EBITDA.
- Successful growth track-record in Eastern Europe and Southern Africa with substantial future growth potential, and its ideal positioning to embark on expansion into Europe.

The Acquisition is also particularly compelling given that it will strengthen Steinhoff's position within the discount retail market segment. Discount retailers have benefited from the recent "flight to value" trend which has been most noticeable among less affluent customers. Customers across the spectrum are "trading down" as discount retailers have become more socially acceptable, offering improved variety and quality. In addition, discount retailers have expanded operations through rapid new store openings, thereby gaining market share from traditional retailers. This underlying consumer trend is expected to continue even after the anticipated economic recovery due to the:

- increased market presence of discount retailers providing greater access to consumers;
- increasing transparency (especially online) across retailers' prices allowing consumers to bargain hunt more effectively; and
- increased transaction volumes and basket spend as the discount channel is increasingly accepted as a complementary shopping channel.

Steinhoff believes that the Acquisition will further enhance its position as a leading listed global vertically integrated retail group in terms of size, geographic spread, operating scale and product diversity. The Acquisition will provide, *inter alia,* the following additional benefits to Steinhoff, thereby further enhancing the Company's growth prospects:

- diversification into faster moving clothing, apparel and cellular retail product ranges allowing Steinhoff to enhance its earnings and revenue mix;
- bolstering of the complementary retail activities of Steinhoff and Pepkor, through existing product, customer and footprint overlap, adding to the scale and growth profile

of the combined business. Steinhoff's product offerings include a large portion of goods and products that are similar to Pepkor's retail proposition;

- the ability of the combined business to accelerate its expansion throughout Europe, including, *inter alia*, the roll-out of Pepkor's formats in terms of a 'one-stop shop' offering to common discount sector customer bases, by utilising Steinhoff's existing large format store footprint;
- significant cost synergies through combining purchasing, sourcing and logistics infrastructure, greater volume discounts from suppliers and more favourable shipping and other logistic rates from key sourcing destinations; and
- potential for meaningful omni-channel, cross pollination and footprint optimisation opportunities within existing trading formats of the Steinhoff and Pepkor networks.

Upon implementation of the Acquisition, Steinhoff's *pro forma* revenues and EBITDA will have amount to R156 billion and R18.7 billion, respectively, in respect of its financial year ended 30 June 2014.

4. Purchase Consideration

The purchase consideration payable for Titan's (acting through certain of its wholly-owned subsidiaries) effective 52.47% directly and indirectly held equity interest in Pepkor will be settled through a series of transaction steps, resulting in Thibault, subscribing for approximately 609.1 million ordinary shares in Steinhoff ("Steinhoff Shares") at an issue price of R57.00 per Steinhoff Share ("Titan Purchase Price"). The Titan Transaction constitutes a related party transaction for Steinhoff in terms of the JSE Listings Requirements ("Listings Requirements") and will require a fairness opinion and, in terms of section 41(1) of The Companies Act, 2008 as amended ('the Act"), the approval of 75% of Steinhoff shareholders ("Steinhoff Shareholders"), other than Titan and its associates. Thibault and Titan (in respect of their existing shareholding in Steinhoff) will collectively hold 19.9% of the issued ordinary shares in Steinhoff post the implementation of the Acquisition, which Steinhoff shares will be subject to the Voting Pool as described in paragraph 5 below.

The purchase consideration payable for Brait's 37.06% directly and indirectly held equity interest in Pepkor will be settled by the issue of 200 million Steinhoff Shares ("Brait Consideration Shares") at R57.00 per Steinhoff Share and a payment of R15 billion in cash, translating to a total consideration of R26.4 billion (the "Brait Purchase Price").

The Brait Consideration Shares will be subject to:

- pre-emptive rights in favour of Steinhoff should Brait wish to sell any of the Brait Consideration Shares, enabling Steinhoff and Brait to co-operate towards an orderly execution of Brait's exit of any of the Brait Consideration Shares. Accordingly the

Brait Consideration Shares will be included in the Voting Pool arrangements referred to in paragraph 5 below; and

- a guarantee from Steinhoff that minimum gross proceeds of R57.00 per Brait Consideration Share will be realised, if Brait disposes of any of the Brait Consideration Shares during the period of 12 months from the date of issue thereof, which contingent liability has been laid off by Steinhoff to a financial institution.

Steinhoff will fund the cash element of the Brait Purchase Price from its existing cash resources, debt facilities and funding commitments.

The purchase consideration payable in respect of the Management Transaction will be settled by the issue of 29.9 million Steinhoff Shares ("Management Consideration Shares") at R57.00 per Steinhoff Share.

5. **Voting Pool, Change of Control and Waiver of Mandatory Offer to minorities**

Upon the implementation of the Acquisition and after the transfer by Steinhoff of its rights of pre-emption in respect of the Brait Consideration Shares to the Voting Pool, in particular after the condition precedent in paragraph 7.4 below has been fulfilled, Titan, Thibault, Brait, the Steinhoff family and certain of the directors and management of Steinhoff and Pepkor ("Voting Parties"), will collectively hold or control more than 35% of the issued Steinhoff Shares, and will enter into the voting pool agreement ("the Voting Pool"). The Voting Pool is considered by the directors of Steinhoff to be in the long term interests of Steinhoff and all its stakeholders in terms of continuity and succession planning.

As the Voting Parties will jointly control more than 35% of the voting rights attached to the Steinhoff Shares after the implementation of the Acquisition, its conclusion will give rise to an obligation on the Voting Parties to make a mandatory offer in terms of section 123 of the Act to the remaining Steinhoff Shareholders ("the Mandatory Offer"). Accordingly, independent Steinhoff Shareholders, being the Steinhoff Shareholders other than the Voting Parties, will be asked by ordinary resolution to waive the Mandatory Offer ("the Waiver") in terms of Regulation 86(4) of the Companies Regulations, 2011 ("the Companies Regulations"). The Takeover Regulation Panel ("the TRP") has indicated that it is willing to consider the application to grant an exemption from the obligation to make the Mandatory Offer if the majority of independent Steinhoff Shareholders waive their entitlement to receive the Mandatory Offer as aforesaid. Steinhoff Shareholders who wish to make representations to the TRP relating to the exemption shall be given an opportunity after the posting of the circular referred to in paragraph 10 below and before the TRP ruling is considered.

6. **Fairness opinion**

Dr. Christo Wiese, a non-executive director of Steinhoff, is a beneficiary of a family trust, which is the ultimate controlling shareholder of Titan and Thibault. In terms of paragraph 10.1(b)(i) and (ii) of the Listings Requirements, Dr. Christo Wiese is a related party to the Titan Transaction as he is both a director of Steinhoff and a director and majority shareholder of Pepkor. As such, in terms of paragraph 10.4(f) of the Listings Requirements, a fairness opinion is required from an independent professional expert acceptable to the JSE, indicating whether the terms of the Acquisition are fair to Steinhoff Shareholders. In addition, as the Waiver will be governed by the Companies Regulations, a fairness opinion from an independent expert acceptable to the TRP will be required as to the Waiver's fairness in respect of Steinhoff Shareholders. KPMG Services Proprietary Limited has been appointed by Steinhoff as the independent professional expert to consider the terms and conditions of the Acquisition and the Waiver.

7. **Conditions Precedent**

The Acquisition will be subject to the fulfillment of or, where applicable, waiver, as the case may be, *inter alia*, the following conditions precedent by 31 May 2015, or such later date as the contracting parties may agree in writing:

7.1. the JSE and the TRP approving the circular to Steinhoff Shareholders including the notice of general meeting to be convened for the purposes of seeking Steinhoff Shareholders' approval of all resolutions required pursuant to the Listings Requirements, the Act, and the Companies Regulations. Steinhoff Shareholders holding collectively, 50% of the issued Steinhoff Shares, support the Acquisition and intend to vote in favour of all of the resolutions required for its implementation, including the Waiver;

7.2. the JSE granting a listing of the 609.1 million Steinhoff Shares to be issued in respect of the Titan Transaction by no later than 7 February 2015, and the 200 million Brait Consideration Shares and the 29.9 million Management Consideration Shares by no later than 31 May 2015;

7.3. the agreement recording the Voting Parties being concluded and the Waiver being approved by the requisite majority of independent Steinhoff Shareholders in general meeting;

7.4. the TRP exempting the Voting Pool from the obligation to make the Mandatory Offer and such exemption becoming final;

7.5. the required Regulatory approvals being obtained, in particular, the unconditional approval of the South African and any other relevant Competition Authorities;

7.6. Steinhoff Shareholders holding not more than 5% of the issued Steinhoff Shares exercise their Appraisal Rights pursuant to the provisions of the Act in respect of a specific Special Resolution which will be required to be approved at the general meeting referred to in paragraph 9 below;

7.7. a fairness opinion (referred to in paragraph 6 above) being obtained to the effect that: (i) the agreements recording the Acquisition; and (ii) the Waiver are fair to Steinhoff Shareholders;

7.8. the consent of counterparties being obtained to the acquisition in respect of any change of control covenants which are applicable to all Pepkor's agreements which are agreed to be material to its business; and

7.9. the agreements recording the Titan Transaction and the Brait Transaction becoming unconditional in accordance with their terms and conditions, in addition to the conditions precedent not listed in paragraph 7.1 to paragraph 7.8 above.

8. ***Pro forma* financial effects**

The *pro forma* financial effects set out in the announcement have been prepared for illustrative purposes only in order to provide information about the impact of the Transaction on Steinhoff had the Transaction occurred on 1 July 2013 for income statement purposes and on 30 June 2014 for statement of financial position purposes.

The *pro forma* financial effects are presented in accordance with the Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of International Financial Reporting Standards (IFRS).

The *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, may not give a fair reflection of Steinhoff's financial position, changes in equity, results of operations or cash flows after the Transaction.

The accounting policies applied in quantifying *pro forma* adjustments are consistent with Steinhoff's accounting policies as at 30 June 2014. The *pro forma* financial information incorporates the audited results of Pepkor for the twelve months ended 30 June 2014. Steinhoff is satisfied with the quality of these results of Pepkor, as extracted from the audited accounts to 30 June 2014.

The table below sets out the *pro forma* financial effects of the Acquisition on Steinhoff Shareholders for the following key metrics in respect of Steinhoff and Pepkor's financial years ended 30 June 2014:

30 June 2014	**As Reported**	***Pro forma* after rights offer of 350 million shares**	***Pro forma* after the Acquisition**	**Change (%)**
Continuing and discontinued operations:				
Headline earnings per share (cents)	443.5	415.7	343.4	-17.4%
Fully diluted headline earnings per share (cents)	402.0	384.3	329.2	-14.3%
Basic earnings per share (cents)	496.8	460.9	375.6	-18.5%
Diluted earnings per share (cents)	444.3	421.3	358.9	-15.3%
Net asset value per share (cents)	3 946	4 111	4 510	9.7%
Tangible net asset value per share (cents)	797	1 412	2 500	77.1%
Number of shares in issue (million)	2 100	2 450	3 289	34.2%
Weighted average number of shares in issue (million)	1 977	2 327	3 166	36.0%
Fully diluted weighted average number of shares in issue (million)	2 488	2 838	3 677	29.6%

Notes and assumptions:

1. The "As Reported" column represents the audited Basic earnings, Headline earnings, Diluted earnings and Diluted headline earnings per share from continuing and discontinued operations as reported in respect of the year ended 30 June 2014.

2. The "*Pro forma* after rights offer of 350 million shares" column represents the reported audited numbers, but as adjusted for the effects of the rights offer which closed on 1 August 2014 and raised net proceeds, after transaction costs of R341 million, of R17.9 billion in equity capital. The rights offer entailed the issue of 350 million Steinhoff shares at R52 per share. It has been assumed that the net proceeds had been received for Income statement purposes on 1 July 2013, used to reduce interest bearing debt and assuming a reduction in interest charges of 6% before taxation. The interest adjustment is of a continuing nature. For the purposes of the net asset value effect, it is assumed that the net proceeds of the rights offer had been received on 30 June 2014.

3. The "*Pro forma* after the Acquisition" column includes 92.34% of the audited attributable profits of Pepkor in respect of the year ended 30 June 2014, and has been calculated on the assumption that the acquisition had been effective on 1 July 2013, as well as providing for the interest effect on R15 billion borrowed funds at an after taxation interest rate of 5.82% for income statement purposes. The interest adjustment is of a continuing nature. Pepkor had net profits of R2.1 billion for the financial period ended 30 June 2014.

4. The "As reported" net asset value and tangible net asset value per share represents the calculation based on the 30 June 2014 statement of financial position of Steinhoff and the "*Pro forma* after Acquisition" column includes the value of the 839 million consideration shares at R57 per share that are to be issued in respect of the Acquisition based on the assumption that the Acquisition took place on 30 June 2014. As at 30 June 2014, Pepkor had a net asset value of R7 billion.

5. Once-off transaction costs of R40 million and Securities Transaction Tax of R157 million have been deducted against equity.

6. There are no other post balance sheet events which need adjustment to the pro forma financial information.

Post the Acquisition, Steinhoff's gearing ratio (net interest bearing debt : equity), based on its 30 June 2014 Statement of Financial Position (as adjusted for the proceeds of the R18.2 billion capital raise concluded on 1 August 2014) will increase from 12% to 19%, while its EBITDA interest cover will decrease from 15.9 times to 8.3 times.

9. General Meeting

The Company will convene a general meeting of Steinhoff Shareholders in order to obtain the necessary shareholder approvals to implement the Acquisition ("General Meeting"). It should be noted that Titan and its associates, including Dr. Christo Wiese, will be precluded from voting on all of the JSE resolutions in respect of the approval of the Acquisition, whereas the Voting Parties will be precluded from voting in respect of the Waiver.

Further details of the Acquisition, including salient dates, as well as further particulars of the Listings and its separate shareholder and other approvals required, will be published in due course.

10. Documentation

A circular, detailing the Acquisition and a notice of General Meeting, will, subject to the approval of the JSE and TRP, be posted to Steinhoff Shareholders on or about 15 December 2014.

By order of the Steinhoff Board

Wynberg, Sandton

25 November 2014

Transaction Sponsor and financial advisor to Steinhoff

Investec Bank Limited

Company Sponsor

PSG Capital (Pty) Ltd

Financial advisers to Steinhoff

Citigroup Global Markets Limited, Deutsche Bank, Barclays, Commerzbank

Joint financial advisers to Titan

Rand Merchant Bank (a division of FirstRand Bank Limited), HSBC Bank plc

Financial adviser to Brait

Rand Merchant Bank (a division of FirstRand Bank Limited)

Attorneys to Steinhoff

Werksmans Incorporated

Cliffe Dekker Hofmeyr Incorporated

Girard Hayward Incorporated

Attorneys to Titan

Werksmans Incorporated

Attorneys to Brait

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Independent professional expert to Steinhoff

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Reporting accountants to Steinhoff

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