

## STEINHOFF INTERNATIONAL HOLDINGS LIMITED

Incorporated in the Republic of South Africa

(Registration Number 1998/003951/06)

Share code: SHF

ISIN: ZAE00016176

("Steinhoff" or "the Company")

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### ACQUISITION BY STEINHOFF OF A 20% SHAREHOLDING IN PSG GROUP LIMITED

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#### 1. Introduction

The board of directors of Steinhoff announces that agreement has been reached for Steinhoff to acquire a 20% shareholding in PSG Group Limited ("PSG"), subject to the fulfillment of the conditions precedent referred to in paragraph 5 below. The PSG shares will be acquired by Steinhoff from certain shareholders of PSG, being Dr. CH Wiese (through an entity controlled and/or associated to him), Mayfair Speculators Proprietary Limited ("Mayfair") (indirectly associated with Mr MJ Jooste, the Chief Executive Officer ("CEO") of Steinhoff) and Thembeke Capital Limited (collectively the "Vendors") and comprise approximately 36.9 million shares in PSG ("the Transaction"). This shareholding represents 20% of PSG's current issued share capital, net of treasury shares.

#### 2. Steinhoff's strategic positioning and rationale for the Transaction

Steinhoff is an active investment holding company listed on the JSE Limited (the "JSE"), with a current market capitalisation of R 40.8 billion. Since inception, its investment strategy has been focused on investing in complementary assets that could provide benefits to, or derive benefits from, the existing businesses within its portfolio.

As announced at Steinhoff's FY11 results presentation (published on 6 September 2011), Steinhoff has firmly established the future strategic positioning of the group's constituent businesses, into three distinct operating units:

- Steinhoff Europe, an integrated mass market retailer of furniture and household goods, predominately serving the discount segment. Since Steinhoff's initial investment in household goods manufacturing, this business unit has emerged as the world's second biggest integrated retailer of furniture and household goods;
- Steinhoff Africa, a diversified industrial company operating in the logistics, integrated timber and industrial raw materials sectors, including its associate investment in KAP International Holdings Limited ("KAP"). As announced on SENS on 18 October 2011 (the "October Announcement"), Steinhoff will implement a reverse-takeover of KAP through the disposal of Steinhoff Africa's Industrial Assets to KAP ("the KAP Transaction"). If implemented, the KAP Transaction will result in KAP becoming an 88% held subsidiary of Steinhoff; and
- JD Group Limited ("JD Group"), an emerging market retailer of furniture and household goods, motor vehicles and DIY products, supported by a consumer finance business. Subject to, *inter alia*, the implementation of the KAP Transaction and, if applicable, the exercise of call options referred to in the October Announcement, Steinhoff's interest in KAP would reduce to approximately 62% and JD Group will become a subsidiary of Steinhoff.

The above investments are supplemented by a worldwide property portfolio comprising commercial, industrial and retail real estate assets. Furthermore, Steinhoff has an in-house international Group Services team providing numerous strategic and support services on an arms-length market related basis, to its constituent businesses.

Steinhoff's investment approach includes taking non-controlling interests in strategic quality assets, with potential synergistic benefits to the existing Steinhoff investments, but with strong management teams, capable of organically growing their market share and earnings, independent of any corporate activity. The proposed investment in PSG, which has a proven track record of growing and maximizing total shareholder returns through its investment in a host of quality assets, many of which could provide synergistic benefits to the existing Steinhoff investments, provides Steinhoff with such an opportunity.

#### 3. The Transaction

##### 3.1 PSG's underlying investments

PSG is an investment company listed on the JSE, with a current market capitalisation, net of treasury shares, of R 8.7 billion. PSG has investments in 35 underlying companies with a combined market value of approximately R71 billion, that operate across industries that include financial services, banking, agriculture, education, construction, manufacturing, mining and renewable energy. At its last interim reporting date of 31 August 2011 the underlying "sum-of-the parts" valuation of PSG was R52.34 per PSG share. For further details of PSG's underlying investments and its latest interim results announcement for the six months period ended 31 August 2011, Steinhoff shareholders are referred to [www.psggroup.co.za](http://www.psggroup.co.za).

##### 3.2 Terms of the Transaction

Steinhoff will acquire 36 915 781 PSG shares from the Vendors for a total consideration of R1 617.5 million, as follows:

- 3 500 000 PSG shares for a consideration of R160.6 million, or R45.89 per PSG share, being the 30-day volume weighted average traded price (“VWAP”) per PSG share up to and including 11 October 2011, which will be settled in cash; and
- 33 415 781 PSG shares for a consideration of R1 456.9 million, or R43.60 per PSG share, to be settled by the issue to the respective Vendors of 64 068 955 Steinhoff shares at R22.74 per share. The purchase price per PSG share has been agreed on the basis of the 30-day VWAP up to 11 October 2011, less a discount of 5%, and the issue price per Steinhoff share on the basis of its 30-day VWAP up to that date.

#### **4. Financial effects**

The pro forma financial effects of the acquisition on Steinhoff’s earnings per share, headline earnings per share and net asset value per share would have been less than 3% and therefore not considered to be significant in terms of the Listings Requirements of the JSE (the “Listings Requirements”).

#### **5. JSE Small Related Party Transaction**

The aggregate purchase consideration in respect of 20 000 000 PSG shares, which will be acquired from Mayfair, which is indirectly associated with Mr Jooste, amounts to R880 million, being 2.2% of Steinhoff’s current market capitalisation, and this part of the Transaction is therefore classified as a Small Related Party Transaction in terms of the Listings Requirements (“the Related Party Acquisition”). Accordingly, by virtue of Mr Jooste being the CEO of Steinhoff, and hence a “Related Party” to Steinhoff in terms of the Listings Requirements, KPMG Services Proprietary Limited (“KPMG”) was appointed by Steinhoff as Independent Expert to opine on the Related Party Acquisition. In this regard, KPMG has expressed the opinion that the terms and conditions of the Related Party Acquisition are fair to the shareholders of Steinhoff and its opinion has been accepted by the JSE. A copy of KPMG’s opinion is available for inspection at the registered office of Steinhoff for a period of 28 days from the date hereof.

Although the board of Steinhoff acknowledges that Mr Jooste and Mayfair may not be related or inter-related in terms of section 2 of the Companies Act, No 71 of 2008 (“the Companies Act”), the board resolved that the issue to Mayfair of 31 635 884 Steinhoff shares should in any event be subjected to the passing of a special resolution by shareholders of the Company in terms of section 41 of the Companies Act (“the Special Resolution”).

The board has further resolved to proceed with the implementation of the Transaction with each individual Vendor as soon as a listing has been granted by the JSE for the relevant number of Steinhoff consideration shares, except for the issue of the Steinhoff shares to Mayfair which will be subject to the approval of the Special Resolution. In this regard an application for such listing has been submitted to the JSE.

The board of directors of the Company has determined that the Special Resolution be passed by written consent in terms of section 60 of the Companies Act, which provides that a resolution that could be voted on at a shareholders meeting may instead be submitted for consideration to the shareholders entitled to exercise voting rights in relation to the resolution, and be voted on in writing by shareholders entitled to exercise voting rights in relation to the resolution, within 20 business days after the resolution was submitted to them. A notice containing the Special Resolution will be posted to shareholders on 22 December 2011.

Messrs Jooste and Mouton (being directors of both Steinhoff and PSG) have recused themselves from all deliberations by the directors of Steinhoff in respect of the Transaction. The Transaction, as presented by the executive directors (to the exclusion of Mr Jooste), was unanimously approved by the non-executive directors of Steinhoff (to the exclusion of Mr Mouton), all of whom have no interest in PSG, or in the outcome of the Transaction, other than in their capacities as non-executive directors of Steinhoff.

A further announcement relating to the Special Resolution will be published in due course.

15 December 2011  
Wynberg, Sandton

**Investment Bank**  
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**Sponsor**  
PSG Capital Proprietary Limited

**Independent Expert**  
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