

**REPORT PURSUANT TO SECTION 265 (1) DUTCH BANKRUPTCY ACT,
DATED 30 AUGUST 2021 IN THE SUSPENSION OF PAYMENTS OF:**

STEINHOFF INTERNATIONAL HOLDINGS N.V.

Amsterdam District Court

Suspension of payments number: C/13/21/4 S

Date of Voting Hearing: 3 September 2021

SoP Administrators: F. Verhoeven and C.R. Zijderveld

Supervisory Judges: K.M. van Hassel and C.H. Rombouts

1. INTRODUCTION	3
1.1. Course of key events	3
1.2. SIHPL Section 155 Proposal	5
1.3. Role SoP Administrators; SIHNV Composition Plan	5
2. KEY ELEMENTS OF SIHNV COMPOSITION PLAN	7
2.1. Types of creditors and offered compensation	7
2.2. Treatment of categories of creditors	9
2.3. Valuation methodologies	11
2.4. Performance of the SIHNV Composition Plan	13
3. FINANCIAL REVIEW	13
3.1. Liquidation scenario	13
3.2. Key observations Financial Advisor	16
Claim value	16
Value of PPH	16
4. ANALYSIS	18
4.1. Introduction	18
4.2. NCWO test	19
4.3. Performance of the SIHNV Composition Plan	21
4.4. Reasonable and fair treatment of creditors	24
4.5. Other	29
5. CONCLUSION	29

1. INTRODUCTION

1.1. Course of key events

- 1.1.1. Steinhoff International Holdings N.V. ("**SIHNV**") is incorporated in the Netherlands and it is the top holding company of the Steinhoff Group¹, a group of companies primarily active in the production and sale of household articles and general goods through various (retail) enterprises in Europe, South Africa, the United States and Australasia. Before SIHNV was incorporated as the top holding company, the Steinhoff Group's ultimate parent, was an entity currently named Steinhoff International Holdings Proprietary Limited ("**SIHPL**") and it is incorporated in South Africa.
- 1.1.2. By a press release dated 5 December 2017, SIHNV announced that possibly accounting irregularities had occurred. Since then both SIHNV and SIHPL, as well as the Steinhoff Group's former auditor (the "**Deloitte Firms**") and several former directors of the group, have been held liable by (representatives of) claimants and have become the subject of various claims and legal proceedings in the Netherlands, Germany and South Africa. These proceedings have been initiated by investors, former investors or their representatives and/or successors, including various so-called active claimant groups ("**ACGs**").
- 1.1.3. The events described in the announcement of 5 December 2017 (and certain announcements made shortly thereafter), resulted in an immediate liquidity shortfall for SIHNV. Third party financing became due and payable and SIHNV and its relevant affiliates entered into negotiations with certain financial creditors of the Steinhoff Group. On 20 July 2018 a lock-up agreement was concluded with these financial creditors in which, amongst other things, a standstill was agreed in respect of payment obligations of SIHNV, SIHPL, and certain other relevant subsidiaries (e.g., Steinhoff Europe AG ("**SEAG**"), Steinhoff Finance Holding GmbH ("**SFHG**") and Stripes U.S. Holding, Inc.).
- 1.1.4. The negotiations and agreements concluded between SIHNV and these financial creditors, gave SIHNV (and, as a consequence, the Steinhoff Group) the opportunity to stabilise its financial position for a period of three years and to explore more sustainable restructuring solutions to safeguard its immediate future. The Steinhoff Group went through several restructuring proceedings to restructure various layers of debt. For the implementation of those restructuring proceedings the Steinhoff Group - *inter alia* - entered into a Company Voluntary Arrangement ("**CVA**") in respect of debts owed by SEAG and SFHG and that were guaranteed by SIHNV. The agreements of SEAG and SFHG under their respective CVAs were adopted on 14 December 2018 after a vote by the respective requisite majority of creditors present at a creditors' meetings and were subsequently implemented through several credit agreements, Contingent Payment Undertakings

¹ Unless defined otherwise, capitalised terms used in this report have the meaning assigned to them in Schedule 1 to the SIHNV Composition Plan.

("SEAG/SFHG CPUs") and an agreement, generally referred to as the Umbrella Agreement.

- 1.1.5. Apart from restructurings at the level of SEAG and SFHG, SIHNV also was involved in the restructuring of its indirect subsidiary Hemisphere International Properties B.V. ("**Hemisphere**") through the entry into a credit agreement and a Contingent Payment Undertaking (the "**Hemisphere CPU**" and, together with the SEAG/SFHG CPUs, the "**CPUs**"). As a result of the CVAs as well as the Hemisphere restructuring, SIHNV became bound by various CPUs. The CPUs are newly created financial debt instruments that replaced multiple guarantees previously issued by SIHNV. For more background on these financial restructurings, reference is made to the corporate Steinhoff website (www.steinhoffinternational.com).²
- 1.1.6. As a further phase in its restructuring processes the Steinhoff Group intends to come to an overall settlement with the claimants mentioned in paragraph 1.1.2 above by means of a Dutch law composition plan (*ontwerp van een akkoord*) offered by SIHNV in this suspension of payments (the "**SIHNV Composition Plan**") and a compromise or arrangement proposed by SIHPL to the creditors and claimants defined therein pursuant to section 155 of the South African Companies Act No. 71 of 2008 (the "**SIHPL Section 155 Proposal**"). This overall settlement also provides for certain contributions by the Deloitte Firms and several D&O Insurers. These elements together, provide for a settlement as envisaged by SIHNV and SIHPL and is also referred to as the "**Steinhoff Group Settlement**".
- 1.1.7. Attached as **Annex 1** is a simplified structure chart of the Steinhoff Group also showing the main debt and the structure of the CPUs.
- 1.1.8. On 15 February 2021, SIHNV requested the Amsterdam District Court to grant a provisional suspension of payments (*voorlopig verleende surseance van betaling*; "**SoP**"). Attached to its SoP request, SIHNV filed a first draft of the SIHNV Composition Plan. On that same date the Amsterdam District Court granted SIHNV the SoP and appointed F. Verhoeven as administrator (*bewindvoerder*) and K.M. van Hassel and C.H. Rombouts as supervisory judges (*rechters-commissarissen*) (the "**Supervisory Judges**"). On 18 February 2021, the Amsterdam District Court appointed C.R. Zijdeveld as co-administrator (together with F. Verhoeven referred to as the "**SoP Administrators**").
- 1.1.9. The SIHNV Composition Plan has been amended on 23 March 2021, 15 June 2021 and 11 August 2021. This report primarily addresses the amended plan of 11 August 2021.
- 1.1.10. The Amsterdam District Court initially determined the consultation on the SIHNV Composition Plan on 30 June 2021. At the request of the SoP Administrators, this date

² SIHNV (and SIHPL) also operate a separate website, dealing with issues relating directly to the SoP process and the Section 155 process; see para. 1.1.10.

was rescheduled to 3 September 2021, 09.30 (CET) (the "**Voting Hearing**"). Also, on 5 March 2021 the Amsterdam District Court decided that the SoP Administrators were allowed (i) to engage a claims administrator for the SoP claims filing process and (ii) to publish relevant announcements and convocations via <https://steinhoffsettlement.com/> (the "**Website**")

- 1.1.11. The SoP Administrators, in consultation with SIHNV, and in accordance with the relevant provisions in the Dutch Bankruptcy Act ("**DBA**"), requested the Amsterdam District Court to appoint a committee of representation (*commissie van vertegenwoordiging*) (the "**SoP Committee of Representation**"), consisting of representatives of the most important creditors and categories of creditors at SIHNV level. This request was opposed by an (alleged) creditor and a creditor representative group. On 28 May 2021, the Amsterdam District Court granted the request. This judgment was appealed by a creditor representative group; this appeal was declared inadmissible on 29 June 2021.
- 1.1.12. The SoP Committee of Representation consists of 15 members, of which four are independent. The SoP Committee of Representation members will cast a vote on the SIHNV Composition Plan instead of individual creditors at the Voting Hearing. Reference is made to the Website for the exact composition of the SoP Committee of Representation.

1.2. SIHPL Section 155 Proposal

- 1.2.1. The SoP Administrators understand that the SIHNV Composition Plan will only become effective if the SIHPL Section 155 Proposal becomes effective (and vice-versa the same applies as well). The SoP Administrators understand that this inter-conditionality is driven by the aim to come to finality, i.e. the Steinhoff Group Settlement. The date on which both plans become fully effective (in accordance with their terms) is also referred to as the "**Settlement Effective Date**".
- 1.2.2. The SIHPL Section 155 Proposal will be voted upon on 6 September 2021. The board of directors of SIHPL informed the SoP Administrators that certain legal proceedings against SIHPL are pending as of the date of this report. This report does not contain an overview or assessment of the SIHPL Section 155 Proposal. The SoP Administrators refer to the Website for more information in that respect.

1.3. Role SoP Administrators; SIHNV Composition Plan

- 1.3.1. For an explanation of the actual role of the SoP Administrators reference is made to the public reports as published on the Website. Also, for more information on the background to the SoP process, as well as other information and documents that may be of relevance to creditors, the SoP Administrators refer to the Website.
- 1.3.2. The SoP Administrators have not been involved in the preparation of the SIHNV Composition Plan (including the amendments). In accordance with section 252 DBA, the SIHNV Composition Plan has been prepared by SIHNV and it is proposed by SIHNV.

- 1.3.3. The SoP Administrators are not advisors, legal, financial, or otherwise, to (any member of) the Steinhoff Group, any stakeholder or individual creditor³ or to the joint creditors of SIHNV. Creditors can form an independent opinion on the merits of the SIHNV Composition Plan and obtain external legal and/or financial advice if necessary. Whilst the SIHNV Composition Plan will be voted upon by the SoP Committee of Representation, individual creditors have been given the opportunity to provide their views and opinions on the plan to the SoP Committee of Representation, SIHNV and the SoP Administrators.⁴
- 1.3.4. This report is based on the SoP Administrators' understanding of the SIHNV Composition Plan. For a full and complete overview (and understanding) of the SIHNV Composition Plan, the SoP Administrators refer to the document itself (including, for the avoidance of doubt, all its schedules as well as other (related) documents, as posted on the Website).
- 1.3.5. In as far as voting on the SIHNV Composition Plan is concerned, each member of the SoP Committee of Representation must personally weigh up the matter and take a decision on the substance of the SIHNV Composition Plan and the consequences related to the acceptance or rejection of thereof, and then vote as he or she may deem fit.
- 1.3.6. The SoP Administrators assume that the members of the SoP Committee of Representation, in the context of the considerations to be made by them on the merits of the SIHNV Composition Plan, have read the SIHNV Composition Plan (including, for the avoidance of doubt, its schedules) and other relevant documentation as is published on the Website.
- 1.3.7. The SoP Administrators have had regular interactions with the independent members of the SoP Committee of Representation and have been interviewed by the full SoP Committee of Representation. The SoP Committee of Representation has developed a thorough process to allow its members to assess the SIHNV Composition Plan. As part of this process the SoP Committee of Representation has pro-actively requested and collected information.
- 1.3.8. This report and the information and views contained therein is governed by the scope of section 265 DBA. Although SIHNV and its advisors have taken a constructive stance and have, where required, provided the SoP Administrators with relevant input, the SoP Administrators cannot and do not guarantee that the information contained in this report is complete or correct.
- 1.3.9. Moreover, the efforts and decisions made by SIHNV in the years preceding the SoP can by their nature not fully be revisited by the SoP Administrators (assuming they would be

³ In this report, when referring to a "creditor" or to "creditors", it is assumed that each such a creditor has a valid or admitted claim against SIHNV. The SoP Administrators understand that certain types of creditors' claims are only recognised by SIHNV under the condition that the SIHNV Composition Plan will become effective in accordance with its terms.

⁴ See notice of 17 August 2021 as published on the Website.

bound to do so under Dutch law). As a result, and also considering the limited time available to the SoP Administrators to prepare this report, the SoP Administrators have focused their efforts on what they believe to be the key elements of the SIHNV Composition Plan. Hence, this report is not intended to give a complete overview or assessment of SIHNV's financial position and the SIHNV Composition Plan and should not be read or construed as such. It is intended to describe the SoP Administrators' findings in broad outline.

- 1.3.10. The SoP Administrators have engaged EY Strategy and Transactions as their financial advisor (the "**Financial Advisor**") to assess certain key financial aspects of the SIHNV Composition plan. More specifically, the Financial Advisor reviewed the technical and financial assumptions used for the Liquidation Comparator (Schedule 6 to the SIHNV Composition Plan), the Valuation Principles (Schedule 7 to the SIHNV Composition Plan) and the Steinhoff Allocation Plan (Schedule 3 to the SIHNV Composition Plan).
- 1.3.11. The Financial Advisor based its assessment on information provided by SIHNV and the Analysis Group Ltd. ("**AG**"). AG has been engaged by Linklaters LLP (the legal advisor to SIHNV and SIHPL) on behalf of SIHNV. For an extensive overview of the scope and limitations of the Financial Advisor's work for the SoP Administrators reference is made to **Annex 2**. The Financial Advisor finalised its work on 30 August 2021. Based on work products provided by the Financial Advisor, the SoP Administrators prepared their own summary and understanding of certain financial key items of the SIHNV Composition Plan (see paragraph 3).
- 1.3.12. One (alleged) creditor provided input to the SoP Administrators in the context of this report. By way of a notice dated 17 August 2021, the SoP Administrators invited creditors to provide their views on the SIHNV Composition Plan. Apart from the one creditor mentioned, no other input has been received to date. In addition, the SoP Committee of Representation put certain questions to the SoP Administrators. The SoP Administrators have addressed these questions in a response letter, the interview with the SoP Committee of Representation and in this report.
- 1.3.13. The SoP Administrators requested SIHNV to review a final draft of this report in order to inspect it for any factual incorrectness or inconsistencies. This report was provided to the SoP Committee of Representation and published on the Website on 30 August 2021. The SoP Administrators may issue a further or amended report.

2. KEY ELEMENTS OF SIHNV COMPOSITION PLAN

2.1. Types of creditors and offered compensation

- 2.1.1. The SoP Administrators understand that the SIHNV Composition Plan is the result of multi-party negotiations that were aimed at providing finality in respect of the issues that arose in the context of the events disclosed on and after 5 December 2017. It is for that reason

that the SIHNV Composition Plan has a certain complexity. In this paragraph, the SoP Administrators will set out their high-level understanding of SIHNV Composition Plan.

2.1.2. The SIHNV Composition Plan distinguishes seven categories of creditors:

1. SIHNV MPC Claimants: creditors with (alleged) claims for damages against SIHNV that relate to the Events and/or the Allegations⁵, arising from the acquisition of shares in SIHNV listed on the Frankfurt Stock Exchange of Johannesburg Stock Exchange between close of business on 6 December 2015 and close of business on 5 December 2017, insofar as these shares were still held on close of business on 5 December 2017.
2. SIHNV Contractual Claimants: creditors with (alleged) claims against SIHNV that relate to the Events and/or the Allegations, resulting from the conclusion of contracts with certain Steinhoff Group companies under which SIHNV issued or delivered shares in exchange for the contribution or assets of or payment of money by those creditors.
3. SIHNV Financial Creditors: creditors with financial claims against SIHNV under the CPUs entered into by SIHNV.
4. Intra-Group Creditors: creditors with claims against SIHNV arising from two intra-group loans.
5. Non-Qualifying Claimants: parties who have initiated legal proceedings against SIHNV and who do not qualify as SIHNV MPC Claimants or SIHNV Contractual Claimants.
6. Contingent Creditors: creditors who do not fall under one of the aforementioned categories. These are mainly (alleged) creditors currently unknown to SIHNV.
7. Other Unsecured Creditors: creditors with commercial claims, in particular certain service providers.

2.1.3. The SoP Administrators understand that the SIHNV Financial Creditors, Intra-Group Creditors and Other Unsecured Creditors are the only creditors that are acknowledged payable (*worden erkend*) by SIHNV. All other categories of creditors are in the SIHNV Composition Plan acknowledged by SIHNV for the purpose of the implementation of the SIHNV Composition Plan only, and if that implementation fails, SIHNV – as the SoP Administrators understand – will continue to oppose the claims held by these categories of creditors.

⁵ The SIHNV Composition Plan refers to the events disclosed on and after 5 December 2017 (and the issues that arose afterwards) as the "Events" and the "Allegations"; this terminology is used in this report as well. Please also refer to footnote 1.

- 2.1.4. All categories of creditors listed above qualify as general unsecured creditors and as such are subjected to the SoP. By virtue of these categories, SIHNV makes a distinction between type of claims; the categories do not intend to create class voting (to the extent that would even be possible under Dutch law). To date, the SoP Administrators have not come across creditors who assert a preference (*voorrecht*) or a right of pledge or mortgage (*pand- of hypotheekrecht*) in respect of any of SIHNV's assets.
- 2.1.5. The various categories of creditors are treated differently. This treatment is driven by the different nature of the claims held. For example, SIHNV MPC Claimants assert tort claims, SIHNV Contractual Claimants primarily assert rescission claims and SIHNV Financial Creditors have contractual claims arising from financial agreements. Within a category, creditors in general are treated equally.

2.2. Treatment of categories of creditors

The SIHNV Composition Plan offers SIHNV MPC Claimants, SIHPL MPC Claimants and SIHNV Contractual Claimants a pro rata payment in proportion to the nominal value of their claims. The gross amount available to make this payment is set out in the table below (the "**Gross Settlement Fund**"). Certain costs are deducted from this and as a result, a fund is available from which these claimants will be paid; the SIHNV Composition Plan refers to this fund as the "**SoP Settlement Fund**".

	Total estimated settlement amount
SIHNV and SIHPL Market Purchase Claimants	EUR 442m
SIHNV Contractual Claimants	EUR 171m
Total	EUR 613m

- 2.2.1. The Gross Settlement Fund has a cash portion and a share portion. The cash portion is EUR 153,200,000 and ZAR 2,616,300,000. The share portion consists of 349,000,000 PPH Shares (valued at ZAR 15 per share). The cash / share allocation can change as provided for under the SIHNV Composition Plan; e.g. SIHNV has the option to convert the share portion into a cash portion. Out of the EUR 613 million in funds, approximately EUR 432 million is expected to be recovered by SIHNV MPC Claimants and SIHNV Contractual Claimants, with the remainder to be recovered by SIHPL MPC Claimants. In this latter respect, SIHNV is to receive compensation from SIHPL for paying SIHPL MPC Claimants

to this extent, in the form of a loan note with priority ranking to be issued by SIHPL in the sum of EUR 164 million.

- 2.2.2. The foregoing distinctions in the cash and settlement portions, the currency and the allocation between the SIHPL MPC Claimants, SIHNV MPC Claimants and SIHNV Contractual Claimants are based on estimates made by SIHNV and AG. These estimates depend on, among other things, the size of the groups of claimants that bring claims and are entitled to receive payment under the SIHNV Composition Plan.
- 2.2.3. The SIHNV MPC Claimants and SIHNV Contractual Claimants may claim additional payment from the Deloitte Firms and the D&O Insurers as made available in support of the Steinhoff Group Settlement. The contributions from the Deloitte Firms and the D&O Insurers are not part of but should be considered as additional compensation to the consideration made available by SIHNV.
- 2.2.4. The contribution by the Deloitte Firms is EUR 70.34 million: EUR 55.34 million for all SIHPL and SIHNV MPC Claimants and EUR 15 million for certain SIHPL and SIHNV Contractual Claimants. The contribution by the D&O Insurers is EUR 70.5 million: EUR 55.5 million for SIHNV and SIHPL MPC Claimants and EUR 15 million for certain SIHPL and SIHNV Contractual Claimants.
- 2.2.5. For completeness' sake, it is noted that on 11 August 2021 SIHPL announced an amendment of the SIHPL Section 155 Proposal. More precisely, SIHPL is offering the SIHPL MPC Claimants an additional amount of ZAR 3,214 million (approx. EUR 188 million). This amount is not available to SIHNV MPC Claimants or SIHNV Contractual Claimants and it is not part of the SoP Settlement Fund. The SoP Administrators do not have a view on this amendment as it relates to the SIHPL Section 155 Proposal.
- 2.2.6. By operation of the SIHNV Composition Plan becoming effective, SIHNV MPC Claimants and SIHNV Contractual Claimants grant a final discharge of any and all claims in relation to the Events and/or the Allegations against (inter alia) SIHNV, the Steinhoff Group and – also subject to receipt by SRF of the settlement amounts payable by the Deloitte Firms and the D&O Insurers – certain former Steinhoff Group directors and officers (the "**D&Os**"), the D&O Insurers and the Steinhoff auditors (be it that creditors that wish to recover from the funds provided by the Deloitte Firms and the D&Os and D&O insurers also need to separately sign for release of the Steinhoff auditors and the D&Os and the D&O Insurers).
- 2.2.7. Claims of SIHNV MPC Claimants and SIHNV Contractual Claimants are valued by the Claims Administrator on the basis of certain Valuation Principles as set out in the SIHNV Composition Plan.
- 2.2.8. Non-Qualifying Claimants and Contingent Creditors can receive payment from a separate reserve fund (the "**Reserve Fund**"), amounting to the same percentage that SIHNV MPC Claimants and SIHNV Contractual Claimants receive on the nominal value of their claims.

Non-Qualifying Claimants and Contingent Creditors are only entitled to payment to the extent such claim is established by a binding judgement or a settlement with SIHNV.

- 2.2.9. By operation of the SIHNV Composition Plan becoming effective, the Non-Qualifying Claimants and Contingent Creditors grant final discharge of any and all claims in relation to the Events and/or the Allegations against (inter alia) SIHNV, the Steinhoff Group and – also subject to receipt by SRF of the settlement amounts payable by the Deloitte Firms and the D&O Insurers – certain former D&Os, the D&O Insurers and the Steinhoff auditors (be it that creditors that wish to recover from the funds provided by the Deloitte Firms, the D&Os and D&O insurers, also need to separately sign for release of the Steinhoff auditors, the D&Os and the D&O Insurers). Non-Qualifying Claimants and Contingent Creditors retain the right to (continue) pursuing the binding determination of their claims against SIHNV in legal proceedings.
- 2.2.10. SIHNV Financial Creditors, Intra-Group Creditors and Other Unsecured Creditors do not receive immediate compensation under the SIHNV Composition Plan. These creditors accept that SIHNV will first discharge any liability towards (mainly) the SIHNV MPC Claimants and the SIHNV Contractual Claimants (thus allowing the cash outflow required to effectuate the SIHNV Composition Plan) before making a recovery against SIHNV. Recourse for the SIHNV Financial Creditors thus is limited to any of SIHNV's assets remaining after such payments.
- 2.2.11. In addition, the maturity date of the CPUs held by SIHNV Financial Creditors will be extended until 30 June 2023 if the SIHNV Composition Plan becomes effective (with the option of an additional extension of six months).
- 2.2.12. The SIHNV Financial Creditors will (by operation of the SIHNV Composition Plan) grant a final discharge of any and all claims in relation to the Events and/or the Allegations against (inter alia) SIHNV, the Steinhoff Group and – also subject to receipt by SRF of the settlement amounts payable by the Deloitte Firms and the D&O Insurers – certain former D&Os, the D&O Insurers and the Steinhoff auditors, without being eligible to receive payment out of the settlement amounts provided by the D&O Insurers and the Deloitte Firms.

2.3. Valuation methodologies

- 2.3.1. The SIHNV Composition Plan applies different valuation methodologies per type of claims.
- 2.3.2. The claims of SIHNV MPC Claimants are valued with a method based on the extent to which relevant shares were overpriced in the period between 6 December 2015 c.o.b. and 6 December 2017 c.o.b. This is calculated based on the decrease in value of the SIHNV shares as a result of the disclosures in the first week of December 2017 (the Inflation Methodology as defined in the SIHNV Composition Plan). The SoP Administrators understand the calculation as follows:

- the total amount of what a SIHNV MPC Claimant overpaid during the relevant period as a result of an inflated share price on the relevant purchase dates, **minus**
 - the total amount of what a SIHNV MPC Claimant has received during the relevant period as result of a sale at an inflated share price on the relevant sales dates.
- 2.3.3. The Inflation Methodology calculates the estimated difference between the actual share price and the hypothetical share price if the Events and/or Allegations had not taken place (i.e., estimated inflation), in both cases at the time of the relevant purchases. The Claim Value is the sum of the estimated inflation included in all purchases by a claimant minus the estimated inflation included in all sales by a claimant.
- 2.3.4. The claims of SIHNV Contractual Claimants, irrespective whether these claims are based on rescission or damages, are valued using a method that is based on:
- a consideration of the original price at which the relevant shares were acquired, **minus**
 - a post-December 2017 floor price as a measure of the actual value of the shares (including certain other adjustments, e.g., to take into account dividends received from those shares) (the Rescission Methodology as defined in the SIHNV Composition Plan).
- 2.3.5. The Rescission Methodology calculates the difference between the original transaction price on the one hand and the "actual value" of the shares using a post-December 2017 "minimum price" of a relevant transaction (minus certain benefits enjoyed in connection with holding those shares). The Claim Value is the original transaction price minus dividends, any sales proceeds and the "minimum price" for shares that were still held on 5 December 2017.
- 2.3.6. The SoP Administrators understand that the reason for the different valuation methodologies used for claims held by SIHNV MPC Claimants and SIHNV Contractual Claimants respectively, is the different legal bases for these claims. The claims of SIHNV Contractual Claimants are based on contractual liability (i.e., misrepresentation or error, (possibly) leading to a right to terminate a contract and/or claim damages). The claims of SIHNV MPC Claimants are based on non-contractual liability (tort) arising from purchases made on the stock exchange based on allegedly misleading disclosures by SIHNV or SIHPL.
- 2.3.7. The value of the claims of Non-Qualifying Claimants and Contingent Creditors would be the value resulting from a binding judgement or settlement between relevant parties.
- 2.3.8. The SIHNV Composition Plan does not contain a valuation method for the claims of SIHNV Financial Creditors, Intra-Group Creditors and Other Unsecured Creditors, because they are not entitled to immediate payment under the SIHNV Composition Plan. Aside from this, less or no subjectivity exists when calculating the amount of the claims held by these creditors (most claims follow from contracts that exactly set out the amount).

2.4. Performance of the SIHNV Composition Plan

- 2.4.1. In order to give effect to the SIHNV Composition Plan and the SIHPL Section 155 Proposal upon the Settlement Effective Date, Stichting Steinhoff Recovery Foundation ("**SRF**") was incorporated on 24 August 2021. SRF is governed by a board of directors, of which two directors are independent from the Steinhoff Group. The chairperson is independent and has a casting vote in case of a tie in decision making.
- 2.4.2. SRF will receive the Gross Settlement Fund. In the execution of the SIHNV Composition Plan SRF will distribute the SoP Settlement Fund and the additional contributions by the Deloitte Firms and the D&O insurers to the SIHNV MPC Claimants, the SIHPL MPC Claimants, certain SIHNV Contractual Claimants and certain SIHPL Contractual Claimants. SRF will do so pursuant to the SRF and Claims Administration Conditions (Schedule 2 to the SIHNV Composition Plan).
- 2.4.3. SRF will become bound to the SIHNV Composition Plan as of the Settlement Effective Date by countersigning the SIHNV Composition Plan.
- 2.4.4. The SoP Administrators understand that any claim for payment from the SoP Settlement Fund or the Reserve Fund arising from the SIHNV Composition Plan shall be subject to an expiry period (*vervaltermijn*) which ends on the Bar Date: the date falling three months after the Settlement Effective Date.

3. FINANCIAL REVIEW

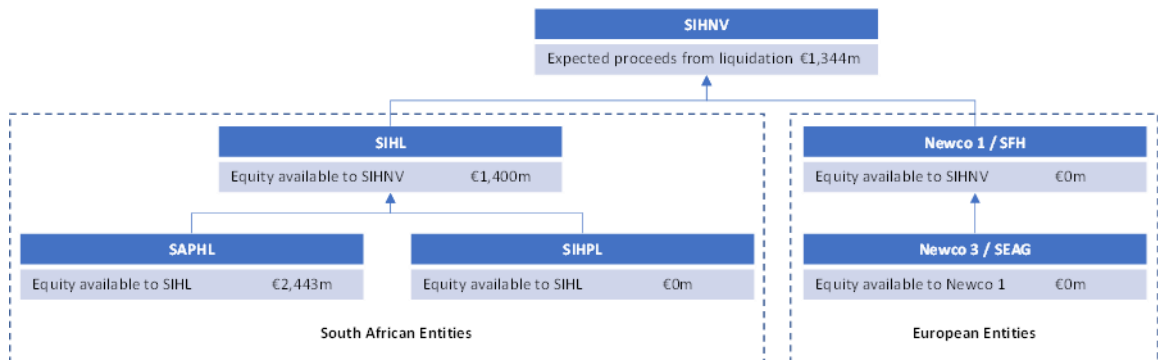
3.1. Liquidation scenario

- 3.1.1. The Liquidation Comparator is a simplified simulation of a hypothetical liquidation of SIHNV on a standalone basis (*enkelvoudig*). For more background, reference is made to paragraph 123 of Part A of the SIHNV Composition Plan.
- 3.1.2. The SoP Administrators understand that the Liquidation Comparator is an analysis prepared by AG; SIHNV has included the Liquidation Comparator to the SIHNV Composition Plan and as such relies on it. The calculations made by AG are subject to numerous technical and financial assumptions.
- 3.1.3. On a simplified basis, the entire Steinhoff Group (i.e. consolidated) can be split into two parts: the European businesses and the South African businesses. This split also follows from the group structure. SIHNV owns shares in two major holding companies: (i) Steinhoff Investment Holdings Limited ("**SIHL**"), holding all the entities that own the South African Businesses (the "**South African Entities**") and (ii) Steenbok Newco 1 Ltd. ("**Newco 1**") holding all the entities that own the European businesses (as well as some businesses in the USA and Australasia) (the "**European Entities**"). Also see Annex 1 in this context.
- 3.1.4. AG assessed the theoretical liquidation value of these two holding structures (representing the vast majority of assets and liabilities of SIHNV) under the assumption that a liquidation

would commence on 31 August 2021 and whereby all assets are forecast to be sold during an 18-month period and the group's liquidation would end after approximately ten years at which stage a final distribution to SIHNV's creditors is made.

- 3.1.5. AG has assessed the liquidation value of the two main holding companies, as well as their four major subsidiaries (six entities in total). This entails a significant simplification of the full legal structure of the Steinhoff Group of companies which consist of over 500 legal entities. The analysis performed by AG is therefore not an actual entity-by-entity liquidation assessment.
- 3.1.6. According to AG, in a liquidation scenario, the liabilities of the European Entities exceed the liquidation value of their respective assets, leaving no distributable equity value in the share capital of Newco 1. Therefore, no liquidation proceeds would be up-streamed to SIHNV from the European Entities.
- 3.1.7. AG estimates there will be EUR 2,443 million of positive equity value in the South African Entities. This is mainly driven by the expected value of Steinhoff Africa Holdings Pty Ltd. ("**SAHPL**"); no distributable equity value is assumed in SIHPL in a liquidation scenario. The largest and key contributing asset to the positive equity in SAHPL is its 68% equity stake in Pepkor Holdings Ltd. ("**PPH**"). PPH is a listed entity, trading on the Johannesburg Stock Exchange.
- 3.1.8. In its baseline scenario AG assumes that after the disposal of the PPH stake (and other less material South African assets), proceeds can be distributed from the South African Entities to SIHL in August 2024, and after having satisfied the liabilities at SIHL, an estimated EUR 1,400 million of equity value would be left at SIHL as of 31 August 2026; this amount will be available to distribute to SIHNV. After adding additional cash (presumably cash-at-hand at SIHNV level at that time) and subtracting liquidation costs at SIHNV, SIHNV would have EUR 1,344 million of expected liquidation proceeds as of 31 August 2031 to be distributed to SIHNV's claimants (see graph below).⁶

⁶ As mentioned, these numbers refer to AG's baseline scenario. In a low case PPH scenario, SIHNV would have approximately €1,064m of asset value available as of 31 August 2031, and in the high PPH case, SIHNV would have approximately €1,644m of asset value available as of 31 August 2031.



Source: Simplified Summary of AG's Liquidation Analysis – reference is made to AG Report dated 12 August 2021, Exhibit 2

- 3.1.9. AG estimates that in its baseline scenario claims held by the SIHNV MPC Claimants and SIHNV Contractual Claimants (including interest) would amount to EUR 5,036 million as of 31 August 2021. The total amount of other claims, including claims under the CPUs and claims held by intercompany creditors, would be EUR 9,877 million. In total, SIHNV's liabilities would amount to EUR 14,913 million. SIHNV estimates that on this basis SIHNV MPC Claimants and SIHNV Contractual Claimants would, on the aggregate of their claims, receive EUR 391 million in liquidation proceeds (discounted to 31 August 2021).
- 3.1.10. Expressed in percentage recoveries, in the baseline scenario the present value of the expected recovery for creditors in a liquidation scenario would be 7.8% as of 31 August 2021 (see table below). The expected recovery applies for all SIHNV claimants, as they are treated on a *pari passu* basis.

Total SIHNV Litigant Claims (per August 2021)

Currency: €m	Baseline Scenario	High Case Scenario	Low Case Scenario
SIHNV Contractual Claims	2,013	2,013	2,013
SIHNV MPC	3,023	5,578	1,564
Total SIHNV Litigant Claims A	5,036	7,591	3,577
CPU Creditor claims B	9,182	9,182	9,182
Intercompany claim C	695	695	695
Total SIHNV Claims	14,912	17,468	13,453

Total Recovery in Liquidation

	Baseline Scenario	High Case Scenario	Low Case Scenario
Mean expected liquidation proceeds available to SIHNV liabilities as of August 2031 D	1,344	1,344	1,344
SIHNV Litigant claims recovery August 2031 $E = D \times (A / (A + B + C))$ E	454	584	357
Present value SIHNV litigant claims recovery August 2021 $F = E / 1.015^{10}$ F	391	503	308
Recovery in liquidation			
Including statutory interest on claims $G = F / A$ G	7.8%	6.6%	8.6%
Excluding statutory interest on claims $H = F / (A / 1.077)$ H	8.4%	7.1%	9.3%

- 3.1.11. AG's 'high case' and 'low case' scenarios in the table above are driven by differences in values and the amount of claims expected to be filed by SIHNV MPC Claimants, i.e. how many claimants will actually file claims and for which amounts? In the 'high case' more claims are filed with a higher than expected total value; in the 'low case' fewer claims are filed. Each scenario assumes that SIHNV MPC Claimants and SIHNV Contractual Claimants successfully bring claims.⁷
- 3.1.12. Given that the liquidation value available to claimants at the level of SIHNV is mostly driven by the liquidation value of PPH, AG also prepared an analysis showing a 'low PPH case' and a 'high PPH case'. These are scenarios where the proceeds of the liquidation as compared to the baseline scenario are lower than estimated ('low PPH case') or higher than estimated ('high PPH case') by applying various discount factors. In these scenarios, the present value of expected recoveries in liquidation drops to 6.2% in the 'low PPH case'; in a 'high PPH case', the present value of expected recoveries rises to 9.6% (these scenarios are not included in the table above).

3.2. Key observations Financial Advisor

- 3.2.1. The Financial Advisor made a number of observations regarding AG's approach and assumptions in estimating the value of claims expected to be filed by the SIHNV MPC Claimants and SIHNV Contractual Claimants and (in connection therewith) the value of the key assets in the South African Entities and European Entities.

Claim value

- 3.2.2. The Financial Advisor supports the overall approach taken by AG to estimate the claim value of the SIHNV Contractual Claimants at EUR 2,013 million as per August 2021. The Financial Advisor also supports the overall approach taken by AG to estimate the claim value of the SIHNV MPC Claimants at EUR 3,023 million (baseline) as per August 2021. Also, the claim value of the SIHNV MPC Claimants in the high case scenario (EUR 5,578 million) and low case scenario (EUR 1,564 million) appears to be understandable.

Value of PPH

- 3.2.3. For the South African Entities (and to the extent relevant, the European Entities), the Financial Advisor analysed the key assumptions used by AG to assess the total liquidation value of their key assets and the impact on the estimated liquidation proceeds. Mainly driven by an assessment of the liquidation value of the 68% equity stake in PPH by the South African Entities, the Financial Advisor identified illustrative sensitised total liquidation

⁷ It is uncertain in a liquidation scenario whether those claimants will in fact be able to bring claims successfully, given the complexity of the underlying claims and the fact that SIHNV (and possibly other stakeholders) dispute the validity of such claims. If these claimants are not successful, this reduces the aggregate claim values in liquidation and consequently improves the relative recoveries of other (acknowledged) creditors.

proceeds in a range of EUR 2,003 million (low case) to EUR 2,291 million (high case). AG, in comparison, calculates expected liquidation proceeds of EUR 1,344 million.

- 3.2.4. The 68% equity stake in PPH is valued by AG at EUR 1,634 million on 31 August 2031, whereas the Financial Advisor identified illustrative sensitised PPH value in the range of EUR 2,257 million and EUR 2,512 million. The difference between AG and the Financial Advisor is mainly explained by a difference of opinion on the assumed (liquidation) discount to be applied on a "block sale" scenario of the PPH shares in an assumed 18-month timeframe in a liquidation scenario.
- 3.2.5. AG highlights that the (forced) sale of the 68% PPH stake in a liquidation scenario is subject to significant discounts in the range of 25% to 50% (at an average 38% in the baseline scenario). The Financial Advisor recognises (and agrees to) the need to apply a discount, but it disagrees with certain assumptions AG uses to underpin its discount. On balance, the Financial Advisor takes the view that a lower discount would be more appropriate and assumes a discount of 15% in a low case and 11% in a high case.

Illustrative sensitised recovery in liquidation percentage

- 3.2.6. Based on the liquidation waterfall assumed by AG, the identified illustrative sensitised total liquidation values of the South African and European assets result, in a baseline scenario and according to calculations made by the Financial Advisor, in an expected recovery in liquidation of 11.6% (low) to 13.2% (high). As mentioned above, the difference in outcome is mainly driven by the assessment of the liquidation value of the 68% equity stake in PPH.
- 3.2.7. The Financial Advisor notes with emphasis that (also given the limitations of its scope of work), these sensitised recovery in liquidation percentages should not be read as an adjusted view by the Financial Advisor of the recovery in liquidation percentage as assessed by AG but that these have been calculated to show an illustrative scenario without altering any of the other parameters in the AG liquidation model.
- 3.2.8. Although the sensitised recovery in liquidation percentages as calculated by the Financial Advisor are higher than AG's calculation of an expected recovery in settlement (8.6% as per August 2021) and the expected recovery in liquidation (7.8% as per August 2021), the Financial Advisor highlights that these sensitised recovery percentages should not be assessed in isolation. Other non-quantifiable risks and upsides should also be included in the assessment of the recovery percentages in a liquidation or settlement scenario. The Financial Advisor has highlighted certain non-quantifiable risks and upsides (see below).
- 3.2.9. Both AG and the Financial Advisor have identified material liquidation execution risks ("**Execution Risks**"). AG considers certain Execution Risks regarding the liquidation of the assets as a part of its liquidation discounts but did not separately quantify those Execution Risks. The Financial Advisor does not consider Execution Risks to be part of the liquidation discounts on the PPH shares. AG, despite considering Execution Risks, only partially adjusts for or quantifies its calculation of the liquidation discounts on the PPH shares for

Execution Risks. The Financial Advisor also did not adjust for or quantify Execution Risks outside of the context of liquidation discounts on the PPH shares, since this was outside of its scope of work.

- 3.2.10. On a conceptual level, the following Execution Risks can be identified (non-exhaustive):
1. the risk of additional tax and non-tax claims arriving in a liquidation scenario;
 2. the risk of not having regulatory approvals (partially or in full) for upstreaming cash out of South African to SIHNV;
 3. the risk of a refusal of recognition of a non-South African insolvency office holder (in the event that SIHNV is put into formal insolvency proceedings); and
 4. (operational) disentanglement issues, delays in the timeline, unexpected market and/or regulatory events.
- 3.2.11. The inherent complexities and uncertainties caused by Execution Risks, make it difficult to quantify their impact on the eventual proceeds / recovery rates in case of a liquidation. To provide an indication, the Financial Advisor notes that if its calculations of the outcome in a recovery in liquidation (range of 11.6% (low case) to 13.2% (high case), as per August 2021) are subjected to value erosion due to Execution Risks in a range of 26% (low case) and 35% (high case), the outcome in liquidation would be equal or less than the outcome in a recovery in settlement (of 8.6% in August 2021).
- 3.2.12. Execution Risks are avoided in a settlement scenario. The SIHNV Composition Plan assumes the distribution of fixed amounts rather than fixed recovery percentages. As a result, any unclaimed funds in a settlement scenario are redistributed to claimants that come forward – this may result in higher recoveries compared to a liquidation scenario.
- 3.2.13. In a liquidation scenario, there is a risk that other claims are filed and that despite being disputed still need to be accounted for, whereas under the SIHNV Composition Plan that risk is excluded. As a result, in a liquidation scenario, lower recovery percentages are not unlikely (despite the fact that the Financial Advisors calculates potential higher estimated liquidation proceeds than AG).
- 3.2.14. Based on the above, the Financial Advisor highlights that a settlement scenario appears to provide high certainty on the recovery percentage for the claimants, whereas a liquidation scenario entails a number of risks which could materially decrease the recovery in liquidation percentage.

4. ANALYSIS

4.1. Introduction

- 4.1.1. In this section of the report the SoP Administrators address several items they deem relevant for the assessment of the SIHNV Composition Plan. In doing so, the SoP

Administrators also (where relevant) consider these items in the context of the confirmation refusal grounds as included in section 272 (2) DBA.

4.2. NCWO test

- 4.2.1. Pursuant to section 272 (2) sub 1 DBA, the value of the 'SIHNV estate' should not substantially exceed the value that is distributed pursuant to the SIHNV Composition Plan. This test could also be referred to as a 'no creditor worse off test' ("**NCWO Test**"). In order to give substance to a NCWO Test, scenarios alternative to the SIHNV Composition Plan need to be determined and reviewed. The question that needs answering is what the 'expected alternative or 'reasonable alternative' to the SIHNV Composition Plan is.
- 4.2.2. Often the most realistic alternative to adoption and confirmation of a composition plan, is a bankruptcy liquidation. In the case of SIHNV, it is not certain whether the alternative would indeed be a bankruptcy liquidation. The operational status of the Steinhoff Group is such that *if* certain creditors would be willing to further extent payment obligations SIHNV could – in the immediately foreseeable future – probably fulfil its debts if and when they become due. It is in this context that it is relevant that SIHNV only recognises claims as filed by SIHNV MPC Claimants and SIHNV Contractual Claimants for the purpose of reaching the Steinhoff Group Settlement (also by means of the SIHNV Composition Plan). It is thus not unlikely that – should the SIHNV Composition Plan fail – SIHNV would not be declared bankrupt.
- 4.2.3. However, insofar as the SoP Administrators can assess and are in a position to make predictions about SIHNV's future, should the SIHNV Composition Plan fail, it is likely to assume that the window of opportunity that SIHNV has to come to the Steinhoff Group Settlement will more likely than not be closed. Besides the compensation offered under the SIHNV Composition Plan, this plan (i) is to a large degree conditional on the cooperation of parties that have agreed to either grant standstills and other extensions of looming liabilities; and (ii) benefits from the monetary contributions by the Deloitte Firms and D&O Insurers. The commitment of these parties was hard fought by SIHNV and as the SoP Administrators understand, these commitments are not likely to be either maintained for a long period of time or easily re-negotiated if the SIHNV Composition Plan fails to become effective.
- 4.2.4. This means that for the purposes of determining what the alternative would be, the assumption is that SIHNV would sell ('liquidate') its assets in order to satisfy its creditors. To a certain extent it is relatively indifferent whether SIHNV's assets would be liquidated via a bankruptcy process or whether this would be done otherwise. SIHNV – in order to repay its creditors – would need to liquidate its assets in an as controlled as possible manner. Hence, the assumption that, regardless of whether a liquidation is controlled by a bankruptcy trustee or by SIHNV itself, in both situations:
 - all assets will (to the extent possible) be liquidated in an orderly manner;

- SIHNV's material liabilities will be subjected to further litigation both in respect of validity (i.e. does a claimant have a due and payable claim?) as well as ranking (is a shareholder claimant's claim subordinated or not?)⁸;
 - additional assets now made available under the SIHNV Composition Plan (contributions from the Deloitte Firms and the D&O Insurers) could only (possibly) be monetised through litigation or renewed settlement efforts; and
 - costs of the liquidation will increase.
- 4.2.5. The Liquidation Comparator as prepared by AG assumes a 'liquidation' to be the alternative to the SIHNV Composition Plan. The SoP Administrators conclude that a 'liquidation' as used in the Liquidation Comparator sufficiently aligns with how the SoP Administrators define a liquidation for the purposes of determining the alternative as set out above.
- 4.2.6. As follows from paragraph 3.2, the Financial Advisor's illustrative sensitised calculation of what the recovery would be in a liquidation scenario, results in a recovery rate between 11.6% and 13.2%. In comparison, the offer under the SIHNV Composition Plan (base case scenario) amounts to a recovery rate of 8.6%, whereas AG assumes a recovery of 7.8% in liquidation. As mentioned in paragraph 3.2 above, the Financial Advisor emphasises that it is not automatically said that a recovery rate of 11.6% is a realistic outcome; it is merely indicative.
- 4.2.7. Both AG and the Financial Advisor identify Execution Risks in the context of a liquidation (see paragraph 3.2.10). The Financial Advisor takes the view that, given the specific environment the Steinhoff Group operates in and given its size and operational complexity, the Execution Risks are significant, be it that the Financial Advisor is not able to quantify these risks in meaningful detail. Quantifying this risk requires analyses that fall outside of the scope of work as agreed with the Financial Advisor.
- 4.2.8. Notwithstanding, and subject to certain caveats, the Financial Advisor has calculated (as an illustrative scenario) that in case the Execution Risks would materialise (in a low case scenario) as a proxy to be set at 26%, the recovery rate for creditors would equal the recovery rate of 8.6% in case the SIHNV Composition Plan becomes effective (35% in a high case scenario).
- 4.2.9. The SoP Administrators observe that on balance the key assumptions and valuations as used by AG appear to have been made on a prudent basis and are understandable considering the inherent complexity involved and the restrictions the Steinhoff Group faces due to the distressed situation it finds itself in. The exception to this observation, lies in the assumption used to calculate the PPH stake in a liquidation scenario. The SoP Administrators, based on the input by the Financial Advisor, believe there are reasons to

⁸ Such litigation may be triggered by the debtor itself, an insolvency office holder if formal insolvency proceedings would be opened but also by other creditors, like the SIHNV Financial Creditors.

come to an initial higher value of the PPH stake, be it that it is not unlikely that in an actual liquidation scenario – also due to the effects of Execution Risks – the actual recovery rate for creditors will end up being (significantly) lower than the outcome calculated by the Financial Advisor as an illustrative sensitivity.

- 4.2.10. Aside from the mathematical approach as taken by AG and the Financial Advisor, the SoP Administrators note that the outcome of a liquidation process as described in a model (as is the case for the Liquidation Comparator) is 'hypothetical' and based on multiple assumptions, many of which are subject to debate. As a result (and as is generally accepted) valuations are not the result of exact science. In this respect the SoP Administrators add the following.
- 4.2.11. Apart from the financial aspects, the SoP Administrators see other aspects that require consideration. For instance, in case the SIHNV Composition Plan does not become effective, both SIHNV MPC Claimants and SIHNV Contractual Claimants run additional risks.
- 4.2.12. As SIHNV has taken the formal position that both categories of claims are only recognised for the values under the SIHNV Composition Plan and conditional upon the plan's execution, such claimants will have to start or – as the case may be – continue legal proceedings against SIHNV. Such proceedings in various countries will be protracted and costly and carry an inherent risk. Creditors run a significant risk that SIHNV MPC Claimants or SIHNV Contractual Claimants are unable to prove their respective claims in a respective court of law.
- 4.2.13. The current offer under the SIHNV Composition Plan whereby these creditors receive payment for settled claim amounts with the certainty that payment is received relatively soon, likely is preferable and appears to be considered preferable as evidenced by the ACGs expression of support.
- 4.2.14. Certain of the aforementioned circumstances provide creditors with a distinct and quantifiable advantage compared to the alternative (i.e. a liquidation). In addition, the SoP Administrators take the view that it is far from certain that creditors are worse off under the SIHNV Composition Plan, compared to the alternative.

4.3. Performance of the SIHNV Composition Plan

- 4.3.1. Section 272 (2) sub 2 DBA, requires that performance of the SIHNV Composition Plan is sufficiently safeguarded. In this respect, the SoP Administrators identify certain points of attention.

Funds flow process

- 4.3.2. The proceeds for the SoP Settlement Fund originate out of the Steinhoff Group, more specific mostly out of SAHPL. The SoP Administrators have been informed about the flow of funds process in this respect and have received a draft of the funds flow agreement to

which the relevant Steinhoff Group-entities will become a party. The SoP Administrators understand that the flow of funds, in shortest of summaries, means that relevant subsidiaries (i.e. Ainsley Holdings (Pty) Ltd. as holder of 68% of the PPH shares), SIHPL and SAHPL) will free up and distribute funds within the Steinhoff Group by way of settling intercompany balances (if any) and by making dividend payments. Once received by SIHNV, SIHNV will transfer the relevant proceeds to SRF. SIHPL and SAHPL will also be funding SRF directly.

- 4.3.3. The SoP Administrators understand that at the date of this report, the flow of funds process (and the related legal documentation) has not yet been finalised by SIHNV and the Steinhoff Group. The fact that the required steps are not finalised yet is not an issue at present. SIHNV needs to evidence at the confirmation hearing that the Gross Settlement Fund will be available to SRF immediately prior to the Settlement Effective Date. In this context the SoP Administrators note the Steinhoff Group intends to conclude South African law governed security rights in favour of SRF. These rights will be vested over cash and PPH shares in favour of SRF. In case the relevant Steinhoff Group entity that will be under an obligation to fund the Settlement Fund as described in paragraph 4.3.2., misses a due payment to SRF before the Settlement Effective Date, SRF will be able to enforce its security rights over the secured assets. The SoP Administrators understand that this security will be put in place as soon as possible.
- 4.3.4. The fact that the SoP Settlement Fund will be put outside of the control of SIHNV and also otherwise will no longer be part of the SIHNV estate, provides a level of certainty for creditors for the performance of the SIHNV Composition Plan. This is strengthened by the fact that SRF is controlled by independent directors and will be granted a security as described above. In addition, the rules and guidelines for SRF to make distributions (the SRF and Claims Administration Conditions) are mechanical in nature. It is expected that SRF will not often need to apply judgment, safeguards have been put in place: creditors who disagree with SRF can avail themselves of a dispute mechanism.
- 4.3.5. In summary, the SoP Administrators understand that the performance of the SIHNV Composition Plan appears to be sufficiently guaranteed due to the following:
1. All payments resulting from the SIHNV Composition Plan will be made by SRF.
 2. SRF is set up as an independent entity governed by a board of newly appointed directors, with two directors being entirely independent from the Steinhoff Group.
 3. SRF has appointed Computershare as the claims administrator to function independently from both SIHNV and individual creditors.
 4. The SRF and Claims Administration Conditions (Schedule 2 to the SIHNV Composition Plan) intend to provide for a clear and unbiased treatment of creditors by SRF (with the option to resolve disputes efficiently via binding advice (see Schedule 5 to the SRF and Claims Administration Conditions)).

5. Although the flow of funds process (including related documents) has not yet been finalised by SIHNV, the SoP Administrators have no indications that this will not be set up and executed in a manner that effects a timely transfer of the Gross Settlement Fund to SRF.
- 4.3.6. SIHNV has informed the SoP Administrators that it will ensure that sufficient funds are kept for Non-Qualifying Claimants and Contingent Creditors via the so-called 'Reserve Fund' and that the Reserve Fund will be in place after the Bar Date. As is the case for the Gross Settlement Fund, SIHNV could be held to sufficiently evidence at the confirmation hearing that the Reserve Fund will be in place in time.

Litigation in South Africa

- 4.3.7. At the time of issuance of this report, SIHNV is engaged in litigation in South Africa. A provisional order has been sought for the liquidation of SIHNV by certain applicants that are also referred to as the 'Tekkie Town Claimants' (also see announcements made by SIHNV on its website, www.steinhoffinternational.com). The SoP Administrators have intervened in these proceedings. The SoP Administrators intervened also because pursuant to Dutch law, the SoP has universal effect. This being the case, there should be no basis to make SIHNV subject to foreign insolvency proceedings such as the currently pending provisional liquidation application.
- 4.3.8. In the event the Tekkie Town Claimants are successful in this liquidation application, especially if this were to occur before the Settlement Effective Date or before the turnover of the Gross Settlement Fund to SRF, the performance of the SIHNV Composition Plan could be in jeopardy. SIHNV have informed the SoP Administrators that it has reasonable prospects of success dismissing the relevant application.
- 4.3.9. At the time of this report also other relevant litigation is pending in South Africa against SIHPL. SIHNV and SIHPL informed the SoP Administrators that it is likely that SIHPL will be successful in all pieces of litigation. The SoP Administrators understand from SIHNV and SIHPL that for this reason, the pending litigation should not obstruct the performance of the SIHNV Composition Plan.
- 4.3.10. In addition, it appears to the SoP Administrators that the Steinhoff Group cannot allow itself to be led by the threat of pending or announced litigation. A different stance would seriously hamper the process of finalising the Steinhoff Global Settlement, because in that case any opposing creditor could frustrate the process by initiating proceedings.
- 4.3.11. The SoP Administrators note that SIHPL has expressed its confidence that the SIHPL Section 155 Proposal may be expected to receive sufficient support to get approved and sanctioned in South Africa.

4.3.12. In view of all of the above, the SoP Administrators conclude that at present it cannot be determined that the litigation pending before South Africa courts prevents or will prevent a proper performance of the SIHNV Composition Plan.

4.4. Reasonable and fair treatment of creditors

4.4.1. Section 272 (2) sub 3 DBA aims to protect creditors against a composition plan whereby individual creditors are favoured over other creditors or that has been concluded on unfair grounds.

4.4.2. Under Dutch law (and in the context of a suspension of payments composition plan) creditors with equal rights should be treated equally (*paritas creditorum*). It is possible to deviate from the principle of *paritas creditorum* provided it does not lead to great unfairness and there are reasonable and objective grounds for a deviation.⁹ In this context the following elements can be of interest.

Treatment of categories of creditors

4.4.3. The SIHNV Composition Plan makes a distinction between various categories of unsecured creditors. Within the various categories of creditors, no real distinction is made. The categorisation is based on the differences in claims held or alleged. Creditors within the same category are in general treated equally, both because (i) claims of creditors within the same category are valued identically and (ii) the distribution percentage for claims of creditors within the same category is identical.

4.4.4. The SIHNV Composition Plan distinguishes the following overall categories of unsecured creditors:

1. SIHNV MPC Claimants and SIHNV Contractual Claimants;
2. SIHNV Financial Creditors, Intra-Group Creditors and Other Unsecured Creditors; and
3. Non-Qualifying Claimants and Contingent Creditors.

4.4.5. In essence and for the purpose of this report, the most relevant category of creditors is the SIHNV MPC Claimants, the SIHNV Contractual Claimants and the SIHNV Financial Creditors.

4.4.6. Other Unsecured Creditors are involved for minor amounts and can likely be deemed to have *de facto* preference due to set off positions or otherwise. The Intra-Group Creditors have the benefit of a continuation of the group in case the Steinhoff Global Settlement succeeds and seemingly for that reason do not participate in any distribution. Finally, the Non-Qualifying Claimants and Contingent Claimants are apparently not numerous, but

⁹ E.g. see court of appeal Amsterdam 30 November 1938, *NJ* 1939, p. 1982, and district court of Utrecht 9 August 1989, *NJ* 1990/399 (*Breevast*).

more importantly, they are disputed by SIHNV, be it that via the Reserve Fund these claimants may get a pro-rata distribution in case a binding court judgment or settlement would dictate so.

- 4.4.7. Generally speaking, a distinction as made in the SIHNV Composition Plan – according to which different categories of unsecured creditors are offered (a different combination of) cash, securities and/or the preservation of certain contractual rights – should be acceptable.
- 4.4.8. More in detail, the SoP Administrators understand that the SIHNV MPC Claimants and SIHNV Contractual Claimants, as well as the SIHNV Financial Creditors are treated differently in the SIHNV Composition Plan in terms of (i) payment/distribution and (ii) claim valuation.

Distribution

- 4.4.9. The SIHNV Composition Plan distinguishes between distribution in a combination of cash and (possibly) shares and preservation of contractual rights.
1. SIHNV MPC Claimants and Contractual Claimants will – in return for a full and final release – receive a payment in cash and PPH shares.
 2. SIHNV Financial Creditors, do not receive immediate compensation, but their contractual rights are preserved.
- 4.4.10. SIHNV equally offers SIHNV MPC Claimants and SIHNV Contractual Claimants a distribution in cash and partially in PPH shares. SIHNV Financial Creditors obtain a preservation of their rights whilst not receiving any immediate payment. (except for holders of the Hemisphere CPU – see paras. 68 and 103 of part A of the SIHNV Composition Plan). In addition, the SIHNV Financial Creditors release SIHNV (and other Steinhoff Group entities, related parties, the Deloitte Firms, certain former D&O's and the S&O Insurers) from any and all claims that they may have in relation to the Events and/or Allegations.
- 4.4.11. By means of the SIHNV Composition Plan, SIHNV settles with the SIHNV MPC Claimants and the SIHNV Contractual Claimants any loss that may have resulted from the Events and/or Allegations. In addition, the SIHNV Financial Creditors allow the SIHNV MPC Claimants and SIHNV Contractual Claimants to make a recovery from the Deloitte Firms and the D&O Insurers without having a similar benefit. In essence, this means that as a result of the Steinhoff Group Settlement the SIHNV Financial Creditors will be the only remaining relevant category of creditors for SIHNV with claims that will not be immediately due and payable.
- 4.4.12. The SoP Administrators believe this different treatment to appear acceptable considering that:

1. the SIHNV Financial Creditors in essence are allowing SIHNV MPC Claimants and SIHNV Contractual Claimants to (i) receive payment on claims the SIHNV Financial Creditors only agree to be recognised by SIHNV under the SIHNV Composition Plan and (ii) be paid first, and (iii) in respect of the funds made available by the D&O Insurers, and the Deloitte Firms, allowing the SIHNV MPC Claimants and SIHNV Contractual Claimants to take sole recourse.
 2. The claims of SIHNV MPC Claimants and SIHNV Contractual Claimants are recognised for the purposes of the SIHNV Composition Plan and will therefore receive (i) certainty of payment, (ii) distribution of cash and PPH shares out of the SoP Settlement Fund and (iii) distribution of cash made available by D&O Insurers and the Deloitte Firms.
 3. the SIHNV Composition Plan is the result of extensive negotiations between various categories of creditors and various SIHNV creditors have expressed that they consider the Steinhoff Group Settlement and its implementation to be in the best interest of all parties involved.
- 4.4.13. In the SoP Administrators' opinion, the preservation of the contractual rights of SIHNV Financial Creditors does not lead to unfairness and there appear to be objective grounds to treat the claims held by these creditors differently from claims held by other unsecured creditors of SIHNV.
- 4.4.14. The SoP Administrators are not aware of any secret favouritism nor have the SoP Administrators assessed that the SIHNV Composition Plan has been established by deceit, by favouring one or more creditors or by other unfair means.
- 4.4.15. The SoP Administrators point out that the appointment of the SoP Committee of Representation contributes to the prevention of a SIHNV Composition Plan favouring one specific creditor or category of creditors. Even if an agreement favouring a creditor were to have been concluded between creditors and SIHNV and if such favouring had influenced the formation of the composition plan, (and again: this has not been assessed), those individual creditors are not allowed to vote on the SIHNV Composition Plan. The members of the SoP Committee of Representation cast their votes on the SIHNV Composition Plan and although these members have been nominated by the various creditors and represent their interests, they are expected to vote on the SIHNV Composition Plan as they deem fit. The latter is especially true for the independent members on the SoP Committee of Representation as these members have not been nominated by the various creditor groups and as such do not represent any particular, individual interest.
- 4.4.16. In the context of equal treatment of creditors, the SoP Administrators point out two specific items:

1. The cost compensation to Active Claimant Groups (representative groups for MPC Claimants; "**ACGs**") by SAHPL.
2. SIHNV Financial Creditors that hold the Hemisphere CPU will receive an immediate payment in PPH shares and cash whilst other SIHNV Financial Creditors receive no immediate payment.

(1) *Cost Compensation ACGs*

- 4.4.17. In respect of the cost compensation offered to the ACGs, the SoP Administrators understand that the ACGs do not have a direct claim against SIHNV for the cost compensation and that this compensation is paid by SAHPL. As such, it does not directly dilute the SoP Settlement Fund and Reserve Fund.
- 4.4.18. The SoP Administrators understand this payment to be a crucial element in order to arrive at the Steinhoff Group Settlement. The ACGs apparently have made costs in pursuing a settlement with the Steinhoff Group, and the ACGs continue to make costs, for instance in the context of claim filings. A contribution to of these costs is part of the commercial undertakings in the context of the Steinhoff Group Settlement. A cost contribution provision in itself does not fall outside the scope of permissible undertakings under Dutch contract law.
- 4.4.19. The cost compensation is not secretly offered but rather publicly communicated. In light of these circumstances, the SoP Administrators do not believe the cost compensation to be in conflict with section 272 (2) sub 3 DBA.

(2) *Hemisphere CPU Payment*

- 4.4.20. The SoP Administrators understand that under the relevant finance documents related to the Hemisphere CPU, SIHNV has the obligation to make the payment as disclosed under the SIHNV Composition Plan. The SIHNV Composition Plan states that this is the result of a 'commercial bargain'.
- 4.4.21. The SoP Administrators have been informed that this payment under the Hemisphere CPU probably cannot be crammed down. An attempt to cram down the Hemisphere CPU in the SoP process will likely fail due to the fact that this would trigger a default of the financing at the Hemisphere level. This in turn will likely trigger cross-defaults resulting in financial instability for of the group as a whole.
- 4.4.22. This being the case – also when considering a payment of EUR 66 million out of a total settlement fund of EUR 1,600 million – the SoP Administrators view the different treatment of the Hemisphere CPU as understandable.

Claim valuation

- 4.4.23. In terms of claim valuation, the SIHNV Composition Plan distinguishes between two valuation methodologies: Inflation Methodology and Rescission Methodology. MPC

Claimants are valued according to the Inflation Methodology and Contractual Claimants are valued according to the Rescission Methodology.

- 4.4.24. The claims of SIHNV Financial Creditors, Intra-Group Creditors and Other Unsecured Creditors correspond with the value of the claim as laid down in the respective contracts and are as such not subject to valuation.
- 4.4.25. The SoP Administrators are of the opinion that certain valuation principles need to be part of the structure of the SIHNV Composition Plan. Without valuation principles, it would not be possible to treat creditors within the same category on an equal basis.
- 4.4.26. Under Dutch law, tort claims are considered as claims which contain an undetermined or uncertain value. The value of such claims is difficult to estimate. In estimating such claims, the application of objective and general valuation principles significantly contributes to the equal treatment of claimants.
- 4.4.27. The SoP Administrators understand that many claims against SIHNV may be governed by other laws than Dutch law (e.g., German or South African law) complicating the question on how to value the claims.
- 4.4.28. The use of objective and reasonable valuation principles in the SIHNV Composition Plan, such as providing for a universal application among similarly situated creditors, promotes the equal treatment of unsecured creditors. The application of the Valuation Principles across the full spectrum of tort claimants, secures an equal standard pursuant to which distributions can be made.
- 4.4.29. This is in contrast to the breach of a *pari passu* treatment which would follow in case no valuation principles are imposed and instead would need to rely on judgement by different courts in different jurisdictions.
- 4.4.30. In the SoP Administrators' opinion, the difference in valuation methodology between MPC Claimants and Contractual Claimants does not lead to unfairness or injustice and there are reasonable and objective grounds to apply the Valuation Principles to the different categories of unsecured creditors.

Bar Date

- 4.4.31. The SoP Administrators understand that if creditors do not file a claim prior to the Bar Date, this will result in a loss of their share in the proceeds available for distribution. Thus, a cancellation of claims is effective if creditors fail to submit their claims prior to the Bar Date (the date falling three months after the Settlement Effective Date).
- 4.4.32. In Dutch SoP proceedings, no statutory basis is provided for a bar date (other than in bankruptcy proceedings). However, the Bar Date in the SIHNV Composition Plan does not apply during the SoP Proceedings since the Bar Date only becomes effective after the

SoP has ended. The Bar Date is part of the SIHNV Composition Plan and as such it is a contractual matter between SIHNV and its creditors.

- 4.4.33. A three-month period until the Bar Date may be seen as short, but in the SoP Administrators' view it is not. The way the SIHNV Composition Plan operates, distributions cannot be made until the total quantum of filed claims is known. An extended bar date would thus delay payments to claimants who filed their claims in time. In addition, the SoP Administrators note that in the period preceding the Bar Date (i.e. as of the start of the SoP) the SIHNV Composition Plan has been available, thus the applicability of the Bar Date is also known for a significant period of time.
- 4.4.34. The SoP Administrators believe that setting a bar date makes sense within the framework of the performance of the SIHNV Composition Plan and that this Bar Date is reasonable.

4.5. Other

- 4.5.1. For the sake of completeness, the SoP Administrators note that it seems that the SIHNV Composition Plan has overwhelming support from the various creditor constituencies. This is a relevant indicator as to the degree of anticipated acceptance of the SIHNV Composition Plan and needs to be weighed accordingly when assessing it.

5. CONCLUSION

- 5.1.1. When considering the merits of the SIHNV Composition Plan one should try to formulate the best possible answer to this question: should a creditor prefer the certainty of the offer made under the SIHNV Composition Plan over the uncertainty of what it may on an individual basis recover if the SIHNV Composition Plan would not come into effect?
- 5.1.2. The SoP Administrators hold the view that a reasonable acting SIHNV MPC Claimant or SIHNV Contractual Claimant, having reviewed the information available, would prefer the payment offered under the SIHNV Composition Plan. The SoP Administrators specifically note in this context that one of the main drivers of the SIHNV Composition Plan is to formalise settlement of (purported) claims made in the context of the Events and Allegations. A typical characteristic of settlements of these types of claims, is the element of finality. Finality can for both sides (i.e. debtor and creditor) very well be almost or equally as important as the agreed economics.

SIHNV and certain creditors have reserved their respective rights to fully contest and litigate any and all claims made by SIHNV MPC Claimants and SIHNV Contractual Claimants, should the SIHNV Composition Plan not become effective. In such scenario, individual claims will be brought against SIHNV and protracted and costly litigation will likely follow. On an individual basis, some SIHNV MPC Claimants or SIHNV Contractual Claimants might be successful, some might receive nothing at all. A composition plan that not only recognises these claims, but also applies similar, transparently communicated

valuation principles to these claims, results in a more equal treatment of creditors belonging to the same category.

In addition, the SoP Administrators also see value in the agreement SIHNV reached with the Deloitte Firms and the D&O Insurers. This value is relatively easily made accessible to creditors eligible to it in connection with the SIHNV Composition Plan. In case the SIHNV Composition Plan does not become effective, unlocking this or any such value would also require costly and protracted litigation, possibly on an individual basis.

- 5.1.3. With respect to other creditors (SIHNV Financial Creditors), the SIHNV Composition Plan provides certainty because claims brought by SIHNV MPC Claimants or SIHNV Contractual Claimants are resolved. As a result of the SIHNV Composition Plan the Steinhoff Group will become a financially more stable counterpart to the SIHNV Financial Creditors.
- 5.1.4. Lastly, the SoP Administrators stress that – and this applies to all categories of SIHNV's creditors – a liquidation will be time consuming and will lead to or add uncertainty for all creditors. It is not unlikely that a liquidation scenario may result in a worse outcome for the joint creditors compared to what is offered under the SIHNV Composition Plan.
- 5.1.5. On balance the SoP Administrators deem the SIHNV Composition Plan to offer an equitable consideration and outcome to all creditors concerned.
- 5.1.6. This paragraph 5 is an integral part of this report and as such can only be understood and construed in the context of the entire report and thus should not be read or interpreted in isolation.

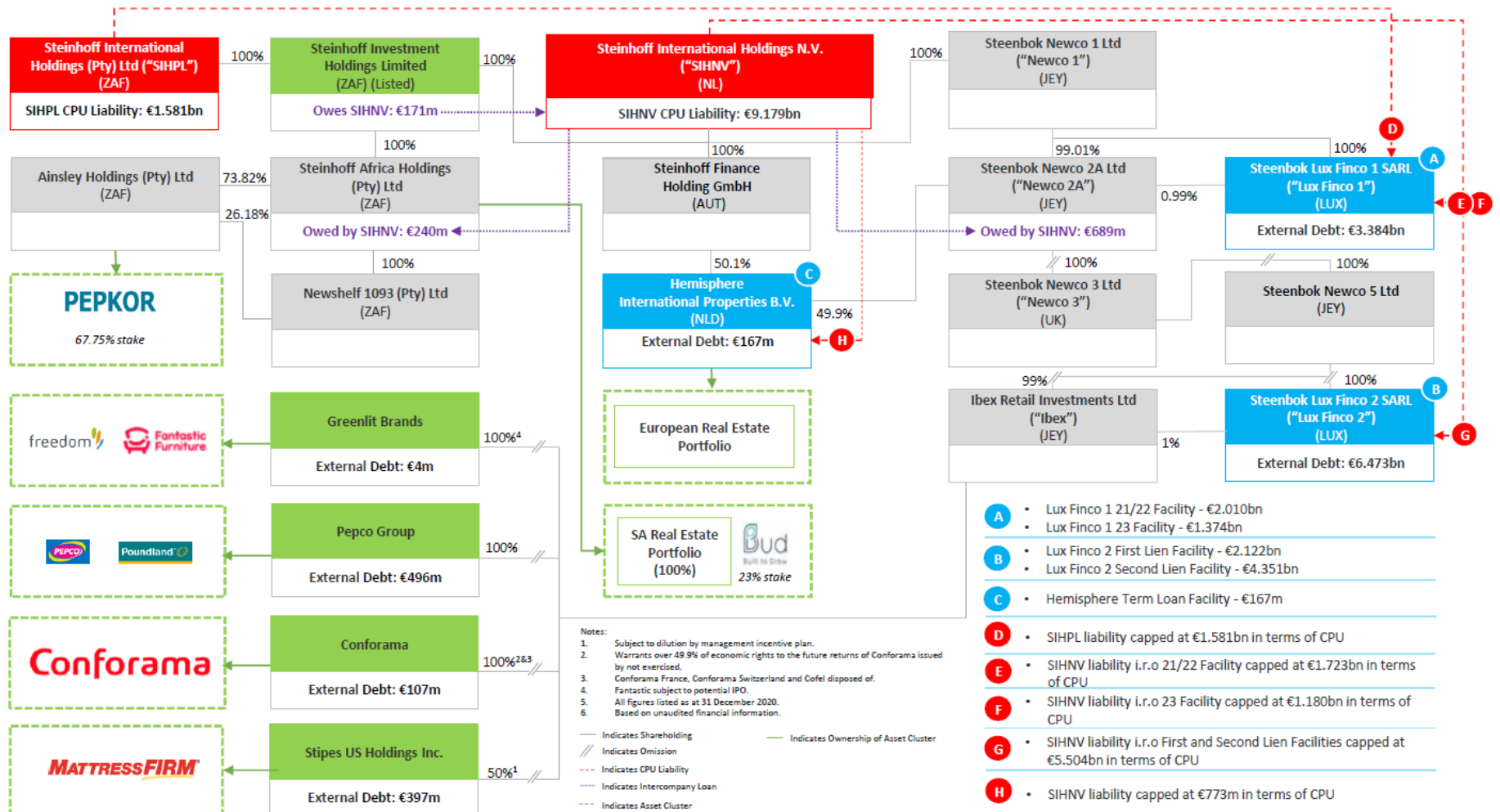
Amsterdam, 30 August 2021,

F. Verhoeven and C.R. Zijderveld,

SoP Administrators

HOUTHOFF

Annex 1 Steinhoff Group – Simplified Structure Chart



Simplified Group Structure as at 31 December 2020

Annex 2 - scope and limitations of the Financial Advisor's work

Introduction Financial Advisor

As per 20 May 2021 the SoP Administrators engaged EY Strategy and Transactions as their financial advisors (the “**Financial Advisor**”) to assess certain key financial aspects of the SIHNV Composition Plan. More specifically the Financial Advisor performed the following analysis:

Analyse the Steinhoff Allocation Plan (Schedule 3), Valuation Principles (Schedule 7) and Liquidation Comparator (schedule 6), containing the underlying financial and technical assumptions and calculations which are included in the SIHNV Composition Plan in order to submit the Administrators with relevant financial information which can be used in the assessment of the SIHNV Composition Plan and to use their advisory report in the suspension of payment proceedings of SIHNV in the Netherlands.

EY has concluded its report on 30 August 2021 after coordination with SIHNV’s board and advisors for factual alignment.

Limitations of the scope of work of the Financial Advisor

The work performed by the Financial Advisor consisted primarily analytical procedures applied to the data, information and explanations provided to the Financial Advisor. In both the Financial Advisor’s engagement letter and Report the limitation of the Financial Advisor scope of work is extensively described. Below we have listed the key limitations of the Financial Advisor’s scope of work:

- The work performed has not been provided in accordance with auditing, review or other standards generally accepted in the Netherlands and do not, therefore, constitute any opinion or report as issued within the framework of audits. In addition, none of the work performed qualify as a legal opinion;
- The (updated) Liquidation Comparator is highly sensitive to several key assumptions which are based on estimates and made by SIHNV and its advisors. The Financial Advisor has performed a sanity-check on these variables and has considered the reasonableness of the assumptions used within the analysis. The Financial Advisor did not consider or has been requested to identify any (possible) alternatives to the SIHNV Composition Plan and (updated) Liquidation Comparator or performed an independent valuation of SIHNV’s assets;
- The Financial Advisor did not review legal documentation and has relied upon summaries and interpretations of contractual positions provided by SIHNV and their legal advisors;
- SIHPL S155 Proposal was out of scope for the Financial Advisor;
- The Financial Advisor was not able to perform an analysis of the theoretical liquidation value on an entity-by-entity basis as SIHNV and its advisors have not performed their

liquidation analysis at an individual company level. SIHNV has performed a theoretical liquidation analysis at the level of the main six holding companies only.