



Vereniging VEB NCVB

Postbus 240, 2501 CE Den Haag
Amaliastraat 7, 2514 JC Den Haag

T: +31 (0)70 313 00 00
F: +31 (0)70 313 00 99

I: www.veb.net
E: info@veb.net

Rek: ABN-AMRO 51.70.19.485
K.v.K: 40408053

Steinhoff International Holdings N.V.
Herengracht 466
NL-1017 CA Amsterdam

Management Board

Mr M.J. Jooste, former CEO

Mr D.M. van der Merwe, COO
Mr A.B. La Grange, CFO

Supervisory Board

Dr D. Konar
Dr S.F. Booyesen
Ms H.J. Sonn
Ms A. Krüger-Steinhoff
Dr M.T. Lategan
Mr B.E. Steinhoff
Mr T.L.J. Guibert
Dr C.H. Wiese
Mr J.D. Wiese
Dr J. van Zyl
Mr C.E. Daun
Mr J. Naidoo

Copy to:

Stibbe N.V.
Attn Mr A.F.J.A. Leijten
Beethovenplein 10
NL-1077 WM Amsterdam

BY WRIT AND BY EMAIL

Date: 8 December 2017

Reference: 2017 043 GK

Subject: VEB/Steinhoff International Holdings N.V.; notice of liability, invitation to consult under Section 3:305a, para. 2, Dutch Civil Code, objections under Section 2:349 Dutch Civil Code

Dear Sirs, Madams,

The Dutch Investors' Association [*Vereniging van Effectenbezitters*] and the European Investors' Association IVZW (hereafter collectively referred to as "**the VEB**") wish to draw your attention to the following.

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1. Introduction

- 1.1 In conformity with its object as laid down in its Articles of Association, the VEB represents the interests of investors in the broadest meaning of the word, including the investors that are or were invested in Steinhoff International Holdings N.V. (“**Steinhoff**”).
- 1.2 The Dutch Investors’ Association is an association under Dutch law within the meaning of Section 3:305a of the Dutch Civil Code [*Burgerlijk Wetboek*]. It may independently bring legal actions, aiming to protect similar interests of other persons to the extent that it represents those interests.
- 1.3 The European Investors’ Association is an association under Belgian law. It may independently bring legal actions.

2. Press release dated 6 December 2017

- 2.1 We would refer to Steinhoff’s press release of Wednesday 6 December 2017, titled “*Investigation & CEO resignation*”.
- 2.2 In the press release, Steinhoff states as follows.

“The Supervisory Board of Steinhoff advised shareholders that new information has come to light which relates to accounting irregularities requiring further investigation. The Supervisory Board, in consultation with the statutory auditors of the Company, has approached PWC to perform an independent investigation.”

“Markus Jooste, CEO of Steinhoff has tendered his resignation with immediate effect and the Board has accepted the resignation.”

“Steinhoff will update the market as the aforesaid investigation proceeds. The Company will publish the audited 2017 consolidated financial statements when it is in a position to do so. In addition, the Company will determine whether any prior years’ financial statements will need to be restated.”

“The Supervisory Board has appointed its Chairman, Dr Christo Wiese, as Executive Chairman (Delegated Supervisory Chairman) on an interim basis. In addition, Pieter Erasmus, the previous CEO of Pepkor Group, has agreed to join Dr Wiese in an executive advisory capacity to assist with managing the group’s various retail interests around the world. Dr Wiese and the Board will supplement the management team and will embark on a detailed review of all aspects of the Company’s business with a view to maximising shareholder value.”

“Shareholders and other investors in Steinhoff are advised to exercise caution when dealing in the securities of the Group.”



- 2.3 Not only does it follow from the passage quoted above that publication of the financial statements for the financial year ended 30 September 2017 (“**the 2017 Financial Statements**”) will be postponed, but also that it is being investigated whether the prior years’ financial statements – including the financial statements for the 2016 financial year ended 30 September 2016 (“**the 2016 Financial Statements**”) – will need to be restated.
- 2.4 The communications of Wednesday 6 December 2017 have led to unprecedented uncertainty among investors.
- 2.5 This uncertainty was stirred up by Steinhoff’s update, provided by press release dated 7 December 2017.

“Shareholders are referred to the AD HOC announcement released on 5 December 2017 in which the company advised the market that the company’s audited results will be delayed pending further investigation.

“Accounting

“The Supervisory Board has today given further consideration to the issues subject to the investigation and to the validity and recoverability of certain non-South African assets of the company which amount to circa EUR6bn.

“Liquidity

“The company wishes to provide additional comfort on the company’s liquidity. In this regard, the company has today received expressions of interest in certain non-core assets that will release a minimum of €1bn of liquidity. In addition, the Company’s subsidiary Steinhoff Africa Retail Limited (STAR) will today formally commit to the refinancing of its long-term liabilities due to the company. It is expected that the STAR refinancing will be concluded on better terms than those applicable to STAR’s current liabilities due to Steinhoff, given the strong cash flow inherent in its business. The additional liquidity of circa EUR2bn expected to be achieved through these measures will strengthen the Company’s balance sheet and should provide additional comfort to stakeholders of the Company’s ability to be able to fund its existing operations and reduce debt.

“CFO

“Furthermore, based on the current information at the Board’s disposal there is no evidence to suggest that the CFO had any involvement in the matters under investigation. Therefore, the Company wishes to confirm that its CFO, Ben La Grange, remains in his position. Ben La Grange has resigned from his position as CEO of STAR in order to focus solely on his role as CFO of the Company at this time.

“Caution

“Shareholders and other investors in the company are advised to exercise caution when dealing in the securities of the group.”

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- 2.6 It follows from this press release that Steinhoff doubts the valuation of certain non-South African assets. In the 2016 Financial Statements, these assets were apparently valued at approximately EUR 6 billion.
- 2.7 The endings of both press releases contain a highly unusual warning for Steinhoff shareholders and other investors (see the two underlined passages).
- 2.8 The two press releases led to sharp drops in value on Wednesday 6, Thursday 7 and Friday 8 December 2017, with the Steinhoff share's market value plunging almost 80%.
- 2.9 As a consequence, investors incurred significant damage.
- 2.10 The situation in respect of the previously reported fraud and the related (forensic) investigations, in particular, raises major questions.
- 2.11 On 24 August 2017, Steinhoff resolutely denied all rumours regarding any fraud.

“Steinhoff shareholders are referred to the statements made by Manager Magazin. The company rejects the allegations of dishonesty contained in the statements. In particular substantial facts and allegation are wrong or misleading. In the information published we note that the source of some of the allegations is a former joint venture partner with whom the group's subsidiaries are embroiled in litigation.

“Shareholders are also referred to the press release dated 4 December 2015 in which the Company confirmed that one of its German subsidiaries Steinhoff Europe Group Services GmbH (SEGS) has been involved in an investigation focusing on the adherence to and arms' length valuation and proper accounting pursuant to German GAAP.

“Shareholders are referred to the various updates released on this investigation confirming that the company appointed legal and external audit firms in Germany to investigate the matter independently. They have concluded that no evidence exists that any of the transactions raised by the investigation in terms of section 331 HGB can give rise to any contravention of any provision of German commercial law and were reflected correctly in the statement of financial position of the company.

“The group has engaged constructively with the authorities to find a solution. No further investigations have been initiated nor any searches conducted as alleged in the article. [...]”

- 2.12 On 4 December 2017, Steinhoff announced, without any reservation, that it would publish its financial statements for 2017 on 6 December (without an auditor's report), stating that the (forensic) investigations had not yielded any additional information.



“The Supervisory Board of Steinhoff confirms that the 2017 consolidated financial statements will be released albeit in unaudited form on schedule on 6 December 2017. In connection with the audit of the consolidated financial statements of the Company for the financial year ended 30 September 2017, the Supervisory Board and the statutory auditors of the Company have not yet finalised their review of certain matters and circumstances, most of which were raised by the criminal and tax investigation in Germany (as previously reported). No additional information came to light to change the previous views expressed regarding the investigation. The Company expects to publish the audited 2017 consolidated financial statements before 31 January 2018.”

2.13 It is the question whether Steinhoff adequately informed its shareholders, not only in the press releases issued before 6 December 2017. Given that the valuation of assets of approximately EUR 6 billion is doubted, the 2016 Financial Statements, in all likelihood, do not provide a true and fair view of Steinhoff’s capital and results either.

3. Notice of liability under Section 2:139/2:150 and Section 6:162 Dutch Civil Code

3.1 The VEB takes the position that the 2016 Financial Statements and the press releases issued before 6 December 2017 misrepresented and still misrepresent the company’s position, within the meaning of Sections 2:139 and 2:150 of the Dutch Civil Code and within the meaning of Section 6:162 of the Dutch Civil Code. Steinhoff’s financial statements preceding the 2016 Financial Statements may also be at issue.

3.2 The VEB in any case hereby holds Steinhoff, its former CEO, and the current managing and supervisory directors liable for any damage that has arisen due to the publication of the documents referred to.

3.3 Parties investing in Steinhoff that have bought or acquired their shares and/or derivatives, or held such shares and/or derivatives, have relied on those documents and incurred considerable damage (“**the Duped Steinhoff Investors**”).

3.4 The Duped Steinhoff Investors in any case include the investors that bought their shares prior to the press release of Wednesday 6 December 2017 and in any case held those shares through 6 December 2017. They also include the investors that bought shares on 7 and 8 December and were later confronted with even more bad news as divulged by Steinhoff after 6 December 2017.

3.5 The Duped Steinhoff Investors have incurred this damage, because they bought or held shares on the basis of statements that provided a much too positive view of Steinhoff.

3.6 It follows from Steinhoff’s press releases dated 6 and 7 December 2017 that investors are still in the dark as to the state of affairs at Steinhoff. Apparently, not all relevant information has as yet come to light, let alone been factored into the market value.

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3.7 Within that framework, the VEB for now takes the position that the period during which the Duped Steinhoff Investors incurred damage runs on, all the more so because Steinhoff announced that it had not yet completed its own internal investigation. Due to this uncertainty, the VEB is compelled to reserve any and all rights in respect of the period of wrongful acting and the period during which the Duped Steinhoff Investors incurred damage.

4. Objections within the meaning of Section 2:349 Dutch Civil Code

4.1 The VEB is sending you this letter within the framework of issuing a notice of liability regarding the misrepresentation in the 2016 Financial Statements, under Sections 2:139 and 2:150 of the Dutch Civil Code, or Section 6:162 of the Dutch Civil Code. The same holds true for the misrepresentation in the press releases issued before 6 December 2017.

4.2 In addition, the VEB has serious objections regarding the situation at Steinhoff as set forth in this letter, including:

- improper management and the provision of misleading information;
- improper management in terms of absent sound internal control structure at Steinhoff;
- misleading of investors based on too rosy presentation in the 2016 Financial Statements and possibly earlier years, and in the press releases referred to in this letter; and
- the serious malperformance by the Supervisory Board, by failing to provide effective supervision and acting decisively.

4.3 Within this framework, the VEB reserves any and all rights to add to its objections. The VEB expressly states that it already submits those objections to you within the framework of Section 2:349 of the Dutch Civil Code.

5. Invitation to consult under Section 3:305a, paragraph 2, Dutch Civil Code

5.1 The VEB would like to consult with you about an amicable settlement, absent which the VEB considers itself at liberty to institute legal proceedings against you.

5.2 For the record, it is hereby stated that the VEB extends this invitation to you within the framework of Section 3:305a, paragraph 2, of the Dutch Civil Code.

5.3 The VEB would like to hear from you on **22 December 2017** at the latest.

Yours faithfully,

P.M. Koster
Director

Dr P.W.J. Coenen
Deputy Director/Attorney at law

G.F.E. Koster
Attorney at law

The Dutch Investors' Association

The European Investors' Association

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