Steinhoff International Holdings, N.V.

Liquidation Scenario Valuation and Analysis of Claim Recoveries

Analysis Group

27 August 2021

Contents

I. EXECUTIVE SUMMARY

Analysis Group, Ltd ("AG") has been engaged by Linklaters LLP ("Counsel") on behalf of Steinhoff International Holdings, N.V. ("Steinhoff," "Steinhoff NV," or "NV"), to perform an analysis of a hypothetical liquidation of Steinhoff NV beginning on 31 August 2021 and to estimate the expected recoveries of the various liability claims at Steinhoff NV and its subsidiaries. In particular, AG has been asked to quantify the expected recovery of NV shareholder litigant claims ("NV Litigants" and "NV Litigant Claims").[1]

AG has made the following general assumptions about a hypothetical liquidation of Steinhoff NV, based on discussions with Counsel.[2] Additional assumptions and inputs are further summarized in **Exhibit 1**.

- A liquidation of Steinhoff NV will commence on 31 August 2021 and its assets will be sold over an 18-month period. On average, the proceeds from liquidation will be recovered on 31 August 2022, one year after the start of liquidation;[3]
- The liquidation will give rise to legal, professional, and liquidator fees, and other costs which will reduce the proceeds available for distribution to NV Litigants and other creditors;
- Proceeds from the liquidation of assets in each Steinhoff holding company will first satisfy each holding company's liability claims and costs of liquidation, and remaining proceeds (equity), if any, will be up-streamed to Steinhoff NV.

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1 AG was instructed to prepare the analysis on the basis of a 31 August 2021 liquidation start date.

2 Discussions with Counsel have included discussions with Werksmans attorneys.

3 Proceeds from liquidation include both cash-on-hand and proceeds from selling assets.

- Proceeds from the asset liquidations will be up-streamed to Steinhoff NV approximately five years after the start of the liquidation, on 31 August 2026.
- NV creditors, including the NV Litigants, will receive a distribution from the NV proceeds on 31 August 2031, approximately five years after receipt of proceeds at Steinhoff NV.
- NV liquidation proceeds will be distributed proportionally ("*pari passu*") between NV Litigant Claims and other NV creditor claims based on the face value plus accrued interest of liabilities outstanding as of 31 August 2021.

To conduct the analysis, AG reviewed the following categories of information and materials:

- Documents prepared by Steinhoff, including but not limited to, presentations to lenders and financial statements of Steinhoff's operating subsidiaries;
- Restructuring documents, including but not limited to, documents pertaining to the proposed Company Voluntary Arrangement and Contingent Payment Undertaking;
- Publicly available data and information, including but not limited to, news articles and market data;
- Data received from Steinhoff, including Computershare and Orient shareholding records; and
- Discussions with Steinhoff representatives and Counsel.

A. Liquidation Analysis of Steinhoff NV as of 31 August 2021

Steinhoff NV owns assets under two major holding companies: Steinhoff Investment Holdings Limited ("SIHL") in South Africa and Newco 1, formerly known as Steinhoff Finance Holdings GmbH ("SFH") in Austria. AG assessed the liquidation value of the two holding companies, as well as their subsidiaries, Steinhoff International Holdings Proprietary Limited ("SIHPL"), Steinhoff Africa Holdings Proprietary Limited ("SAHPL"), and Newco 3, formerly known as Steinhoff Europe AG ("SEAG"). The following is a general summary of the results of AG's liquidation analysis. Steinhoff NV's corporate structure and value in a liquidation scenario are summarized in **Exhibit 2**. In summary:

- In a liquidation scenario, the liabilities of Newco 1 and Newco 3 exceed the liquidation value of their assets, leaving no equity value. Therefore, no liquidation proceeds would be up-streamed to Steinhoff NV from Newco 1.
- AG estimated €2,443M of positive equity value in SAHPL and no positive equity value in SIHPL in a liquidation scenario. The largest and key contributing asset to the positive equity value in SAHPL is its 68% equity stake in Pepkor Holdings ("PPH").
- After up-streaming cash from SAHPL to SIHL in August 2024, and satisfying the liabilities at SIHL, an estimated €1,400M of equity value would be left at SIHL as of 31 August 2026 and be available to up-stream to NV.
- After adding additional cash and subtracting liquidation fees at NV, NV would have €1,344M of asset value as of 31 August 2031. (*See* **Exhibit 2**.)
- In addition to this baseline recovery estimate, AG also evaluates a low and high recovery case, based on the 10^{th} (low) and 90^{th} (high) percentile Monte Carlo

outcomes of the liquidation of the 68% equity stake in PPH. In the low case, NV would have approximately €1,078M of asset value as of 31 August 2031, and in the high case, NV would have approximately €1,664M of asset value as of 31 August 2031.

B. Expected Recovery of NV Litigant Claims

The expected recovery of NV Litigant Claims was calculated based on their *pro rata* share of the liability claims against Steinhoff NV based on the value of those claims as of 31 August 2021. AG estimates that total NV Litigant Claims, plus interest, would be €5.04B as of 31 August 2021, and the total other claims, including CPU Claims and intercompany Claims, would be €9.88B. Using this baseline claim estimate, AG estimates that the Steinhoff NV liquidation proceeds distributed to NV Litigants on 31 August 2031, and adjusted for inflation to be equivalent to Euro value as of 31 August 2021, would be €391M. Therefore, the present value of the expected recovery of NV Litigant Claims as of 31 August 2021 would be 7.8c/Euro (*see* **Exhibit 3**). This is equal to the expected recovery of other NV claims, as they are treated on a *pari passu* basis. AG further estimates that in the low PPH case, the present value of expected recoveries declines to 6.2c/Euro, and in the high PPH case, the present value of expected recoveries rises to 9.6c/Euro.

II. BACKGROUND INFORMATION

A. Steinhoff Business Overview

Steinhoff NV is a "global retail and furniture manufacturing conglomerate" that is comprised of more than 10 operating companies consisting of businesses in the "retail brands, equity investments, manufacturing units and support functions (including sourcing and logistics)."[4] Steinhoff NV was initially incorporated in 1998 as SIHL and listed on the Johannesburg Stock Exchange ("JSE");[5] in late 2015, the company entered a scheme of arrangement through which SIHL shareholders swapped their shares in SIHL for shares in a new holding company that Steinhoff NV incorporated in the Netherlands, the shares of which were listed on both the JSE and the Frankfurt Stock Exchange ("FSE"). SIHL became a subsidiary of Steinhoff NV at the time of the scheme of arrangement.[6,7] For the twelve months ending 30 September 2017, Steinhoff earned approximately €18.8 billion in total revenue from its assets located in the United States, Europe, Africa, and Australasia.[8]

SIHL is comprised of two subsidiary holding companies, SIHPL and SAHPL.[9] While SIHPL is a financial shell company,[10] SAHPL holds Steinhoff NV's South African operating companies, the most important of which is PPH, in which SAHPL holds a 68% stake.[11] PPH is a

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4 FTI Consulting, "Project Orange Phase I - Independent Business Review Volume I - Group Overview," 25 May 2018, p. 20.

5 Morgan Stanley, Steinhoff NV Report, "Steinhoff International Holdings Ltd: An Introductory Guide," 2 December 2015, pp. 1-2.

6 Note that in a restructuring that occurred since December 2017, the existing SIHL referenced here was renamed SIHPL, and a new parent company, SIHL, was created, which is the parent to SIHPL and SAHPL. The SIHL discussed in context of the liquidation analysis in this report refers to the current entity, i.e. the parent company.

7 Steinhoff NV, Prospectus, 7 August 2015, pp. 34-37. Steinhoff NV, Prospectus, 19 November 2015, pp. 1, 70.

8 Steinhoff NV, Audited Results for the Year Ended 30 September 2017, p. 46.

9 FTI Consulting, "Project Orange Phase I - Independent Business Review Volume IX - Africa," 25 May 2018, p. 20.

10 Steinhoff NV, "Presentation," 19 December 2017, available at http://www.steinhoffinternational.com/downloads/2017/20171219-bank-presentation.pdf, p. 18.

11 Steinhoff NV held a 71% stake in PPH as of 2017, which has since been reduced to the current stake of 68%. Steinhoff NV, Audited Results for the Year Ended 30 September 2017, pp. 44-45, 260-261. Bloomberg, L.P.

"South African headquartered discount and value retail conglomerate listed on the JSE."[12] **Exhibit 4** describes the businesses of the South African assets.

Steinhoff NV's other primary holding company, Newco 1, is comprised of two "clusters"—Hemisphere International Properties B.V. ("Hemisphere"), a European real estate portfolio, and Newco 3, which holds many of the company's operating companies in the United States, Europe, and Australasia.[13] Hemisphere is a "property holding company… that include[s] offices, warehouses, factories, retail units and vacant land spread across 12 countries in Europe."[14] Hemisphere is in the process of winding down its portfolio. Newco 3's assets include Pepco Group, a publicly traded discount retailer in Europe, Stripes US Holding Inc., which owns Mattress Firm,[15] and other companies such as Greenlit, which consists of a portfolio of Household goods and manufacturers and retailers.[16] Since Newco 1 is an Austrian entity,

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12 Several of PPH's key brands include PEP, the "[l]argest single-brand retailer in southern Africa, offering affordable… clothing, footwear, textiles, homeware and cellular products at the lowest possible price" and Ackermans, a "[v]alue retailer selling everyday contemporary casual wear at affordable prices." For the year ending 30 September 2017, PPH earned €3.9 billion in revenue; *See* FTI Consulting, "Project Orange Phase I - Independent Business Review Volume IX - Africa," 25 May 2018, p. 30; Steinhoff NV, "Presentation," 19 December 2017, available at http://www.steinhoffinternational.com/downloads/2017/20171219-bank-presentation.pdf, pp. 23-24; Steinhoff NV, Audited Results for the Year Ended 30 September 2017, p. 46.

13 Steinhoff NV, Audited Results for the Year Ended 30 September 2017, pp. 12-13; Steinhoff NV, "Presentation," 19 December 2017, available at http://www.steinhoffinternational.com/downloads/2017/20171219-bank-presentation.pdf, p. 12.

14 As of 30 September 2017, the net book value of the Hemisphere portfolio was €2.2 billion. *See* FTI Consulting, "Project Orange Phase I - Independent Business Review Volume XI - Hemisphere," 25 May 2018, p. 11. The value of Hemisphere has since decreased due to disposals, and no equity value is expected to flow back to Steinhoff due to external debt held by the company.

15 Steinhoff NV, "Presentation," 19 December 2017, p. 16; Steinhoff International Holdings N.V., Audited Results for the Year Ended 30 September 2017, pp. 12-13. Mattress Firm entered a chapter 11 bankruptcy process in late 2018. Following this, Newco 3 owned 50% of Stripes, the holding company of Mattress Firm, subject to future dilution by the new management incentive plan. *See* 2020 Steinhoff Annual Report, p. 13.

16 Steinhoff Annual Report 2020, p. 33.

these assets under Newco 1 are collectively referred to as "European assets." **Exhibit 4** describes the businesses of the European assets.

B. Accounting Misstatements and Shareholder Litigation

On 4 December 2017, Steinhoff NV announced that it would delay the release of its audited 2017 financial statements, as the auditors were still reviewing issues related to a previously reported tax investigation in Germany.[17] Steinhoff's shares declined €0.62 during the course of 4 and 5 December 2017 relative to its closing price of €3.42 on 1 December 2017,[18] closing at €2.80 on 5 December 2017.[19] After the market closed on 5 December 2017, Steinhoff NV announced that it had requested an independent investigation by PricewaterhouseCoopers ("PwC")[20] into accounting irregularities identified by the Board and that Steinhoff NV's CEO, Markus Jooste, had tendered his resignation with immediate effect.[21] The stock price declined 60 percent from its closing price of €2.80 on 5 December 2017 to a closing price of €1.11 on 6 December 2017.[22] After the market closed on 6 December 2017, Steinhoff released another press release in which it elaborated that the issues identified involved the "validity and

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[17] Steinhoff NV Press Release, "Announcement of 2017 Results and update on the 2017 audit process," 4 December 2017.

[18] 1 December 2017 was a Friday and the last trading day before 4 December 2017.

[19] Bloomberg, L.P.

[20] PwC has been instructed by Werksmans Attorneys, as counsel to Steinhoff, to conduct this work.

[21] Steinhoff NV Press Release, "Steinhoff announces investigation into accounting irregularities and resignation of CEO," 5 December 2017.

[22] Bloomberg, L.P.

recoverability" of "circa €6bn" in assets.[23] From the closing price of €1.11 on 6 December 2017, Steinhoff's price declined another 43 percent to €0.63 at the closing of 7 December 2017.[24]

PwC began its investigation in December 2017[25] and Steinhoff has made a number of incremental disclosures related to the misstatements subsequent to the previously mentioned initial disclosures. Steinhoff announced on 13 December 2017 that it would restate its 2016 financial statements, which could "no longer be relied upon,"[26] and, on 2 January 2018, announced that it would also restate its 2015 financial statements.[27] On 29 June 2018, Steinhoff released its unaudited half-year 2018 financial statements, which included unaudited, restated half-year 2017 financial statements, and also included a write-off of approximately €10 billion of assets.[28] On 15 March 2019, Steinhoff issued a summary of PwC's work titled "Overview of Forensic Investigation."[29] That summary disclosed that Steinhoff NV recorded "fictitious and/or irregular transactions" that were implemented by "[a] small group of Steinhoff Group former executives and other non Steinhoff executives … [which] substantially inflat[ed] the profit and asset values of the Steinhoff Group over an extended period"[30] PwC found that fictitious or

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[23] Steinhoff NV Press Release, "Ad Hoc: Steinhoff Update On Market Concerns Following Delay In Audited Results Due To Further Investigations Required," 6 December 2017.

[24] Bloomberg, L.P.

[25] Steinhoff NV, Audited Results for the Year Ended 30 September 2017, p. 7.

[26] "UPDATE 1-Steinhoff to restate 2016 financial results," *Reuters*, 13 December 2017.

[27] Steinhoff NV Press Release, "Steinhoff - Restatement of financial statements of subsidiary companies," 2 January 2018.

[28] Steinhoff NV, Unaudited Half-Year Results for the Six Months Ended 31 March 2018, p. 49; Motsoeneng, Thomas, "Steinhoff takes $12 billion writedown after accounting scandal," *Reuters*, 29 June 2018.

[29] Steinhoff NV, "Overview of Forensic Investigation," 15 March 2019, available at http://www.steinhoffinternational.com/downloads/2019/overview-of-forensic-investigation.pdf, pp. 2-4.

[30] Steinhoff NV, "Overview of Forensic Investigation," 15 March 2019, available at

irregular transactions were included in Steinhoff's financial statements as early as 2009.[31] On 9 May 2019, Steinhoff released its audited 2017 financial statements, and restated 2016 financial statements.[32] Litigation has commenced against the company in multiple jurisdictions, however, much of the litigation has not progressed to the point of a judgment on the merits.

III. VALUATION METHODOLOGY

A. Standard of Value

For purposes of this analysis, AG estimated the liquidation value of Steinhoff NV, assuming an 18-month liquidation period beginning on 31 August 2021. The sale of assets in a liquidation typically results in a lower value than in a standard fair market transaction. To estimate the liquidation values of assets held in Steinhoff's South African and European holding companies, we first determine their fair market value, and estimate the likely discount required to dispose of those assets in a liquidation. The fair market standard of value reflects the price at which an asset would change hands between a willing buyer and a willing seller, both being adequately informed of the relevant facts and neither being compelled to buy or to sell.[33] A liquidation value, in contrast, reflects the discounted price at which an asset would change hands in a circumstance where the seller is forced to sell the asset over a certain timeframe in an

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http://www.steinhoffinternational.com/downloads/2019/overview-of-forensic-investigation.pdf, pp. 2-4.

31 Steinhoff NV, "Overview of Forensic Investigation," 15 March 2019, available at http://www.steinhoffinternational.com/downloads/2019/overview-of-forensic-investigation.pdf, p. 5.

32 Steinhoff NV Press Release, "Steinhoff - Publication of 2017 Annual Results," 9 May 2019; Steinhoff NV, Audited Results for the Year Ended 30 September 2017.

33 Holthausen, Robert W., and Mark E. Zmijewski, *Corporate Valuation: Theory, Evidence & Practice*, 1st Ed., Cambridge Business Publishers, LLC, 2014, p. 4.

insolvency scenario. Due to the potential lack of bidders and relative negotiating power of potential buyers in an expedited liquidation sale, a discount is often necessary to induce market demand and complete liquidation sales.[34]

For each asset, AG determined the fair market value of the asset by reference to a stock price, carrying value, value implied by the traded price of comparable companies, or other relevant valuation methodology.[35] For some assets, the fair market value included an adjustment for lack of marketability.[36] Then, AG determined the liquidation value for Steinhoff NV's assets by applying a reasonable liquidation discount to reflect the cost necessary to facilitate the sale of a large quantity of assets within a limited period of time.[37]

B. Costs of Liquidation and Holding Company Liabilities

After estimating the liquidation values of Steinhoff's assets, the analysis traces the asset proceeds as they move up-stream to the various holding companies and ultimately to Steinhoff NV. The proceeds from liquidating the assets of the holding companies are first allocated to pay

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34 *See* Holthausen, Robert W., and Mark E. Zmijewski, *Corporate Valuation: Theory, Evidence & Practice*, 1st Ed., Cambridge Business Publishers, LLC, 2014, p. 5; Albuquerque, Rui and Enrique Schroth, "The Value of Control and the Costs of Illiquidity," *The Journal of Finance,* Vol. 70, No. 4, August 2015, pp. 1405-1455.

35 *See* **Exhibits 8**, **9**, and **10**.

36 The valuation discount for lack of marketability is applicable regardless of whether the asset is sold in a liquidation context or not.

37 An examination of 71 companies undergoing reorganizations reports an average expected liquidation discount of 32%, with a maximum of 82%. *See* Alderson, Michael J., and Brian L. Betker, "Liquidation Costs and Accounting Data," *Financial Management*, Vol. 25, No. 2, Summer 1996, pp. 25-36. The authors examined filings by companies undergoing Chapter 11 bankruptcy. The liquidation discounts are calculated as the difference between the companies' disclosed going-concern value and the liquidation values of the companies' assets. Other studies of asset liquidations show discounts as high as 50%, (*See* the case of Trump Shuttle), 68% (*See* the case of retailer Campeau), and even 70%. *See* Shleifer, Andrei, and Robert W. Vishny, "Liquidation Values and Debt Capacity: A Market Equilibrium Approach," *The Journal of Finance*, Vol. 47, No. 4, September 1992, pp. 1343-1366.

the costs associated with liquidating the assets and to pay liabilities at the holding company levels. Each Steinhoff holding company has liabilities and agreements that describe the ranking of each liability and the process for calculating the amount (including interest) to be paid in a liquidation scenario.[38] **Exhibit 2** reports the liabilities at each level of the Steinhoff structure, as well as the remaining equity in the holding companies after liquidating the assets, paying the costs of liquidation, and satisfying debt obligations. Proceeds after satisfying liabilities at the holding company levels are distributed up to any parent company, which uses these funds as well as any proceeds from the sale of its own assets to pay its liabilities and liquidation costs. This process continues until remaining funds from SIHL and Newco 1 are up-streamed to NV.

C. NV Liquidation Value: Simplified Monte Carlo Approach

To estimate the liquidation value of each Steinhoff asset, AG considered three primary inputs—the observed or calculated pre-discount value of the asset, a discount for lack of marketability, and a liquidation discount—all of which can take on a range of values. Instead of choosing precise point estimates from the ranges of values, AG used a Monte Carlo model to estimate a distribution of outcomes from the liquidation by randomly sampling from the range of values for each input.[39] Specifically, in each round of simulation, the model draws one pre-discount asset value, one marketability discount (if applicable), and one liquidation discount

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[38] As part of our review, we have looked at organizational charts, CVA proposals, loan facility agreements, intercreditor agreements, intercompany loan agreements, summons, contingent payment undertakings, and umbrella agreements, among others.

[39] Monte Carlo models are a generally accepted tool for incorporating uncertainty into an analysis. *See* Weil, Roman L., Daniel G. Lentz, and Elizabeth A. Evans, *Litigation Services Handbook: The Role of the Financial Expert*, 6th Edition, John Wiley & Sons, Inc., 2017, Chapter 4, p. 26.

from the respective range of inputs for each asset.[40] The model estimates one liquidation value for each of the assets (based on the selected inputs).[41]

In this report, we present results based on a simplified Monte Carlo approach, in which the simulation is conducted only on PPH liquidation value, and the mean liquidation values for all other assets are used. As discussed in more detail in Section IV, asset value at NV in liquidation depends almost entirely on liquidation proceeds from PPH. Specifically, in Europe, the proceeds from liquidating the European assets would not be enough to satisfy the liabilities at Newco 3 and Newco 1. As such, no liquidation proceeds flow up-stream to NV as equity value and therefore, liquidation values of the European assets have very limited impact on NV Litigant recovery. In South Africa, the vast majority of equity value up-streamed to NV results from PPH proceeds and cash-on-hand. While there is some uncertainty in IEP liquidation proceeds,[42] the 10th to 90th percentile recoveries for IEP are only €108m to €128m.

The simplified Monte Carlo simulation was repeated 1,000 times, which produced 1,000 realizations of liquidation value for PPH, 1,000 estimates of equity available to NV, and 1,000 estimates of the present discounted value of the expected recovery of NV Litigant Claims.

Exhibit 2 reports the mean values of the liquidation[43] that result in expected proceeds from liquidation to NV of €1,344M, after the payment of liquidator fees. Asset values shown

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40 For some assets, there is just one type of discount, or no discounts at all. *See* **Exhibits 8**, **9**, and **10**.

41 Liquidation value = pre-discount value x (1 - marketability discount) x (1 - liquidation discount).

42 IEP is a South African investment holding company partially owned by SAHPL. See Section IV.C.

43 The mean liquidation outcome is calculated based on the mean proceeds of each liquidated asset, including PPH.

include interest earned on liquidation proceeds,[44] if any, and are converted from ZAR to euros at the appropriate forward rates. The 10th and 90th percentile values of the proceeds at NV based on the 1,000 Monte Carlo simulations are €1,078M and €1,664M respectively.[45]

IV. LIQUIDATION VALUE OF THE STEINHOFF NV ASSETS

In this section, we describe the valuation of the Steinhoff NV assets on a liquidation basis. We start with Steinhoff's South African assets: PPH, SA Properties, IEP, and cash at SAHPL. As the liabilities of the Steinhoff European holding companies greatly exceeded the expected liquidation value of the assets, we describe the valuation of the Steinhoff's European assets only briefly.

A. Pepkor Holdings ("PPH")

PPH is a holding company based in South Africa with diversified retail subsidiaries. Pepkor was acquired by Steinhoff NV in November 2014 for ZAR 62.8 billion (€4.6 billion as of November 2014).[46] On 20 September 2017, PPH was listed by Steinhoff NV on the JSE under

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[44] AG has been instructed to assume that the cash proceeds for liquidating SAHPL would earn interest at an applicable risk-free South African interest rate until the proceeds are up-streamed to NV in 2026. AG assumes that any proceeds would be invested in South African treasury bills, which yielded around 7% from 2016-2020. The rate has dropped due to the COVID-19 pandemic, but AG assumes this will recover around 5% on average for the period between August 2022 and August 2026, when liquidation proceeds at SAHPL are assumed to earn interest. *See* International Monetary Fund, Interest Rates, Government Securities, Treasury Bills for South Africa [INTGSTZAM193N], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/INTGSTZAM193N, 21 July 2021.

[45] Alternatively, we can run the full Monte Carlo simulation that captures uncertainties in proceeds of all liquidated assets. For reasons discussed in this section, the results based on the full Monte Carlo model are very similar to these based on the simplified Monte Carlo model, given that the liquidation value of PPH is the key driver of the liquidation outcome. In the full model, the 10th and 90th percentile values of the proceeds at NV are €1,076M and €1,655M respectively.

[46] *See* Stevis, Matina, and Ian Walker, "Steinhoff to Buy Pepkor for $5.7 Billion," *The Wall Street Journal*, 25 November 2014.

the name Steinhoff Retail Africa (STAR).[47] In 2018, the name was changed back to Pepkor Holdings.[48] Steinhoff NV, through its subsidiary, SAHPL, currently owns approximately 68% of PPH, the most valuable of Steinhoff NV's South African assets.[49]

1. Liquidation of PPH Stock

PPH is a publicly traded security on the JSE, and therefore has an observable market price. As of 30 June 2021, PPH stock traded at an average price of ZAR 20.15 over the prior 30 trading days. *See* **Exhibit 5** for PPH stock price throughout 2020 and 2021, showing the price declining from just under ZAR 20 in early 2020, to under ZAR 10 during 2020, and back up to ZAR 20 recently. As such, the share price has been volatile over the past year and a half, and it is uncertain where the price will be at the outset of a hypothetical liquidation. In addition, Steinhoff would be selling its stake in PPH in a liquidation, therefore, the fair market, traded price of the PPH shares at the start of the liquidation is not an appropriate estimate of the value Steinhoff would receive in a liquidation of its PPH holdings. Rather, the value received by Steinhoff in the liquidation would be expected to be lower, as described below.

In a liquidation scenario in which a liquidator would be required to complete the liquidation within 18-months, it is unlikely that PPH could be sold in a private transaction to an individual buyer who might be willing to pay the current share price (or potentially pay a control premium). There are a number of reasons why such a sale is highly unlikely. PPH is a very large

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47 *See* JSE, "Steinhoff Africa Retail to List on the JSE," 20 September 2017, accessed 24 May 2019, available at https://www.jse.co.za/articles/Pages/Steinhoff-Africa-Retail-lists-on-the-JSE.aspx.

48 *See* JSE SENS, "Finalisation Announcement Relating to the Change of Name," 3 August 2018, accessed 30 May 2019, available at www.sharedata.co.za/v2/Scripts/SENS.aspx?id=315938.

49 *See* Section II.A.

asset, and there is limited set of other South African retail companies, and none are large enough to be reasonable purchasers of PPH and each would face significant antitrust hurdles. A non-South African retail company could potentially execute a purchase of the size of PPH, but there are numerous additional complexities that make such a purchase highly unlikely. First, a private purchaser would be required to receive competition clearance from the South African competition authority, if they operated in the same markets as PPH, and such competition clearance often includes general regulatory scrutiny, and can take months, if not years to complete.[50] Such a process would be potentially prohibitive in a 18-month liquidation, and would require extensive due diligence for a purchaser to ensure that they could achieve clearance. Second, South Africa has black economic empowerment (BEE) regulations that require certain levels of black ownership and funding ratios in the BEE codes, which create additional complexity, due diligence time, and potential cost for a foreign purchaser unfamiliar with such regulations.[51] Third, a purchaser buying more than 35 percent of a public company in South Africa is required to make an offer to purchase the remaining shareholdings at either the current purchase price or the highest share price over the prior six months.[52] In the case of PPH, this would be a requirement to offer to purchase the remaining 32 percent of the company, and a purchaser would also be required by regulators to have the cash ready to make such a purchase. Finally, there are significant capital controls in South Africa, which while they would allow

[50] For example, PPH's attempted to sell its Building Material Retail division, however the South African competition authorities did not clear the merger after a nearly 2-year investigation.

[51] *See, e.g.*, https://www.nortonrosefulbright.com/en-za/knowledge/publications/fe87cd48/broad-based-black-economic-empowerment--basic-principles.

[52] *See e.g.*, https://www.bowmanslaw.com/wp-content/uploads/2016/10/The-Chambers-Global-Practice-Guide-on-Corporate-MandA.pdf, p. 13-14.

investment in the country, could make taking value out of the country difficult. This would potentially make a private foreign buyer wary of investing in a large South African asset, or at very least add time to the due diligence process.

Taken together, these requirements impose a significant potential cost on any private purchaser of PPH. In addition, given these complexities, we expect that a reasonable liquidator would not attempt to negotiate a private sale, given the 18-month period in which PPH would need to be liquidated. Such a liquidator would face a severe risk that significant time would be spent in due diligence on the various issues outlined above, and spent attempting to negotiate a private transaction. If such a negotiation fell through due to the aforementioned issues, the liquidator could be left with 68 percent of a public company and no purchaser, which would be an untenable position for the liquidator to risk leaving themselves in. As such, while a private sale of PPH cannot be completely ruled out, even at a steeply reduced price, the probability such a path would (1) be taken by a liquidator and (2) result in a completed sale, is very low. Therefore, we assume that a liquidator would sell PPH in block sales into the market in the liquidation to be more confident that they could achieve liquidation in the allotted timeframe.

2. Estimation of the PPH Stock Price as of 31 August 2021

As shown in **Exhibit 5**, the 30-day volume-weighted average price (VWAP) for PPH as of 30 June 2021 was ZAR 20.15. The PPH price is projected to grow to ZAR 20.28 as of 31 August 2021 based on the price of future contracts on PPH stock expiring in September 2021. We used this projected price as the market value of PPH stock just before the assumed liquidation is announced.

Exhibit 5 also shows the price of PPH stock has fluctuated between ZAR 16.55 and ZAR 20.90 within the two months before 30 June 2021.[53] Due to inherent volatilities in the stock price, the value of Steinhoff NV's PPH holdings may fluctuate between the time this analysis was prepared and the beginning of the assumed liquidation on 31 August 2021. As noted above, the PPH share price has been below ZAR 10 and over ZAR 20 over the past year and a half, so there is a significant uncertainty in where the PPH share price will be at the start of the hypothetical liquidation.

Starting from the PPH's 30-day VWAP of ZAR 20.15 as of 30 June 2021, we forecasted possible price paths of the PPH stock from 30 June 2021 to 31 August 2021 using a Geometric Brownian Motion, a standard model for forecasting stock price paths.[54] To capture the uncertainty of future stock movements at the time of the analysis, we approximated the distribution of PPH price by simulating 100,000 price paths.[55] The 10th and 90th percentile of the projected PPH price as of 31 August 2021 is ZAR 17.16 to ZAR 23.48.

3. *Liquidation Discount*

We estimate a wide range of potential total discount to current share price in the liquidation, with a range of 25 percent to 50 percent, and a mean discount of 38 percent. This

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53 Bloomberg, L.P.

54 The Geometric Brownian Motion model projects a stock path by simulating random and independent daily changes in stock price. In our model, we set a risk-free rate of 3.70%, based on the ratio between current PPH stock price and the price of future contracts on PPH stock expiring in June 2021. We also set the volatility of PPH stock to be approximately 35%, based on the 60-trading-day volatility of PPH stock as of 30 June 2021. Bloomberg, L.P.

55 The simulations are made using a Monte Carlo model, a generally accepted method that calculates a range of possible outcomes for a random process, such as stock price movements, through repeated random sampling. The top and bottom 5% of the simulated prices are truncated, so the projected distribution of PPH price is based on 90,000 price paths.

wide range reflects the significant uncertainty of the outcome and the significant risks and complexities with executing such a liquidation. There are no comparable liquidations of very large stakes of public companies in South Africa with which to easily model the appropriate discount, and we are unaware of data that can be easily and reliably used to estimate the discount. Ultimately, it is difficult to project exactly how the market will react to the news of the insolvency and liquidation of PPH, and how large the discounts will need to be to induce demand for 68% of the shares of PPH in the market. As such, we come to our estimate of the appropriate total discount range based on evidence from prior block sales by Steinhoff outside of liquidation, academic research on liquidation discounts, and insight into the complexities of such a liquidation and views of reasonable liquidation discounts from South African bankers familiar with the PPH and the South African market.

An announcement that Steinhoff is in liquidation, and the understanding by market participants that Steinhoff's 68% PPH stake will need to be liquidated over a relatively short period of time, could potentially cause a selloff in the market that would cause a decline in the PPH share price. Such an announcement would create significant risk and uncertainty for the 32% minority shareholders. Existing PPH shareholders of the other 32% PPH stake would rationally be uncertain about the future value of their shares and the impact of the upcoming liquidation, and likely expect the market price of PPH shares to decline, which could trigger a sell-off, or "run," leading to a decline in the price of PPH stock from the current price.[56] In

[56] Such "runs" have been observed among distressed companies. For example, companies that filed for bankruptcy saw immediate post-announcement price declines with averages between 21.5% and 25%, while examination of distressed financial institutions reveal single day stock price declines as high as 90%. *See* Dawkins, Mark, and Linda Bamber, "Does the Medium Matter? The Relations among Bankruptcy Petition Filings, Broadtape

addition, there would also be uncertainty regarding the commercial impact on PPH from a Steinhoff liquidation. The market reaction to an announcement of Steinhoff's liquidation could be similar that in December 2017, when PPH's share price declined by 22.8% in one day, as trading volume increased to roughly 18 times the average daily trading volume.

In addition, the average daily trading volume of PPH stock in 2021 is approximately 4.0 million shares, and the PPH 68% block (2.48 billion shares) is roughly 621 times that daily trading volume. If Steinhoff's PPH shares were sold in equal increments each trading day for 18 months, its daily sales of PPH would be approximately 6.5 million shares. In other words, even the most gradual and steady liquidation process would require PPH's daily trading volume to more than *double* its usual volume every day for 18-months (an increase in volume from 4.0 million to 10.5 million per day). Put differently, the supply of PPH shares on the market would effectively double, and likely have a large negative impact on the share price of PPH, either immediately after announcement of the liquidation or over the course of the liquidation as the shares were placed into the market.

Disclosure, and the Timing of Price Reactions," *The Journal of Finance*, Vol. 53, No. 3, June 1998, p. 1151; *see* also Dawkins, M., et al., "Systematic Share Price Fluctuations after Bankruptcy Filings and the Investors Who Drive Them," *The Journal of Financial and Quantitative Analysis*, Vol. 42, No. 2, June 2007, p. 405; *see* also Helwege, Jean, and Gaiyan Zhang, "Financial Firm Bankruptcy and Contagion," *Review of Finance*, 2016, p. 1328. Enron, during its accounting fraud scandal, experienced a spike in trading volume that was 54 times its average daily volume on 28 November 2001, which led to an 85% price decline. Similarly, Bear Stearns, during the financial crisis, experienced a spike in trading volume that was 11 times its average daily volume on 17 March 2008, which led to an 84% price decline. While PPH on its own is neither distressed nor situated in a financial crisis, an announcement of a Steinhoff liquidation could put the company's stock under similar downward sell-side pressure. If only one-fifth of PPH's remaining shareholders decide to sell, the stock's trading volume would spike to over 50 times the average daily trading volume, comparable to the "run" from Enron stock. Furthermore, a "run" on a smaller scale can be observed in PPH's own stock price history. When Steinhoff's fraud was disclosed on 6 December 2017, PPH's share price declined by 22.8%, as trading volume increased to 82 million shares (roughly 18 times the average daily trading volume). On the next day, as negative news about Steinhoff continued to trickle out, PPH's stock price declined further, by 10.5%, as trading volume remained high at 80 million shares. These declines were largely sustained, as PPH never recovered to the 5 December 2017 closing price of ZAR 24.6 per share. Bloomberg, L.P.

In order to generate enough demand for blocks of shares in the market, the liquidator would also have to offer additional discounts to the prevailing share price, which, as noted above, is likely to have already declined from the initial price just before the outset of the liquidation. Block sales typically require discounts to the current share price to generate demand for the shares. **Exhibit 6** summarizes five block sales of shares in three Steinhoff companies—KAP Industrial, PSG Group, and PPH (previously under the name of STAR). All of these sales were conducted through accelerated book builds to private buyers at a discount to the traded stock prices, however were done *outside* of liquidation.

The largest of these five sales in terms of stake size, the 27 March 2019 sale of a 26% stake in KAP, required a 9.4% discount to the traded price.[57] The sales of the four other smaller stakes were also conducted at a discount to the traded price. Overall, the discounts range from 2.6% to 9.4%.

However, Steinhoff NV's 68% PPH stake represents a much larger block compared to the stake size in any of these prior Steinhoff sales. The liquidator could not simply use multiple small blocks to sell the 68% of PPH, and expect to be able to liquidate the second, third, or tenth block at the same discount as the first. This is because the block discount is largely driven by the demand in the market. As noted above, the total volume of shares to be sold in this liquidation is over 600 times the daily volume of PPH shares traded, as such, to generate demand, a steep

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[57] The sale also caused a statistically significant abnormal KAP stock price decline of 7.87%. Abnormal decline refers to the portion of a stock price change that cannot be attributed to general market conditions. A decline is statistically significant when it cannot reasonably be attributed to random idiosyncratic movements of the stock price.

discount will likely be necessary, as demand for shares equal to 68% of PPH could only be found at much lower prices (i.e., larger discounts). As such, we extrapolate a potential discount for the PPH block from the five smaller block sales' stake sizes. For example, the 12 April 2018 sale of a 5.8% stake in PPH at a 2.6% discount implies a 27% discount for the sale of the 68% block of PPH stock.[58] Using the observed discounts from the other block sales, we infer a range of potential discounts (outside of liquidation) for the 68% block of PPH stock from 16% to 45% on **Exhibit 6.**

In addition, on 23 June 2020, PPH offered 172.5 million new shares at a discount of 6.2%,[59] which implies a 60% discount for Steinhoff's 2.48 billion stake.[60] While not a block sale of existing shares, but a placement of new shares, and outside of liquidation, the large extrapolated discount is evidence of the potential discount that could be incurred in the liquidation of PPH.

As noted, these are small block sales, so we extrapolate discounts to account for the much larger volume of PPH shares to be placed in the market. In addition, these small block sales were all done outside of a liquidation process, so were not forced or done on an accelerated timeline.[61]

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58 Calculated as 100% - (100% - 2.6%)^(68%÷5.8%) = 27%. This is equal to the compounded discount resulting from consecutive sales of 5.8% blocks at a 2.6% discount, until the full 68% block is sold.

59 JSE SENS, "Results of Accelerated Bookbuild Offering of Pepkor Holdings Limited Ordinary Shares," 24 June 2020.

60 Calculated as 1 - (1 - 6.2%) ^ (2.48 / 0.1725) = 60%.

61 Note that we previously calculated a blockage discount based on generally accepted option models, to which we added a separate liquidation discount to account for the market reaction and risks associated with the liquidation. A blockage discount on a sale of 2.48 billion PPH shares over an 18-month period can be estimated using option models that calculate the cost to fully hedge against potential price declines during the 18-month sales period. Using standard valuation models, such as the Black-Scholes model, we estimated the ex-ante blockage discount to be 9% to 15% on a sale of a 68% block of PPH shares. However, the blockage discount is based on current market data, which does not encompass the actual impact of Steinhoff's insolvency or the actual constraints and

As such, they are indicative of a range of potential discounts, but given the differences between the small blocks sold outside of liquidation, and the need to extrapolate to represent much larger block sales in liquidation, this range is relied on as an indication of potentially appropriate liquidation discounts. This wide range and discount quantum captures the significant risks and uncertainties associated with executing such a liquidation on a compressed timeline using block sales given.

Academic research also supports a significant and wide range of potential liquidation discounts. An examination of 71 companies undergoing reorganizations reports an average expected liquidation discount of 32%, with a maximum of 82%, estimated as the difference between the going-concern value of the firms' assets and the liquidation value of those assets.[62] Other studies of asset liquidations show discounts as high as 50%, (*see* Trump Shuttle), 68% (*see* Campeau), and even 70%.[63] The wide range of potential discounts, and widely varying liquidation scenarios included in the academic literature, including asset sales by distressed companies and sales of distressed companies themselves, outside of South Africa, mean that the

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risks of a liquidation of PPH in South Africa. In addition, the way in which this blockage discount interacts with the liquidation discount is conceptually difficult. Taken alone, a blockage discount significantly understates the likely discount that would be needed to liquidate PPH in a Steinhoff insolvency in the illiquid South African market. As described herein, extrapolation of actual block sales, demand for large block sales, academic literature, and input from South African bankers provides the basis for a more straightforward and conceptually appropriate approach.

[62] *See* Alderson, Michael J., and Brian L. Betker, "Liquidation Costs and Accounting Data," *Financial Management*, Vol. 25, No. 2, Summer 1996, p. 30. The authors examined filings by companies undergoing Chapter 11 bankruptcy. The liquidation discounts are calculated as the difference between the companies' disclosed going-concern value and the liquidation values of the companies' assets.

[63] *See* Shleifer, Andrei, and Robert W. Vishny, "Liquidation Values and Debt Capacity: A Market Equilibrium Approach," *The Journal of Finance*, Vol. 47, No. 4, September 1992, p. 1358. The authors describe the significant discounts taken by firms to sell assets in liquidation.

range of potential discounts is indicative of the range of potential PPH discounts, but not a definitive predictor of the appropriate range.

Finally, we rely on input provided by South African bankers, with experience in the relevant South African market, to inform our estimated discount range. In 2020, bankers engaged by Pepkor suggested that placing 1.15 billion new PPH shares (less than half of Steinhoff's 2.48 billion stake) would incur a 30% discount to the then traded price alone. Even without extrapolating, a 30% discount, outside of a liquidation is indicative of the potential discounts that would occur in liquidation for large blocks placed into the market. Extrapolating that discount to account for the full 68% block implies a 54% discount.[64]

In addition, the company sought the views of two international investment banks' South African branches, which have been involved in the placement of PPH shares, to elicit their views on the potential discounts that might be incurred in an 18-month liquidation of PPH via block sales.

The bankers cited many complexities arising from attempting to execute block sales of such a large volume of shares in South African market, including the lack of institutional demand within the country and the limited current foreign interest in PPH. They noted that they saw no practical way in which to dispose of 68% of PPH in an accelerated, predictable, and orderly fashion. They suggested that the best available option would likely be a number of very large block sales, however, they noted that practically, it would still be very difficult and risky to execute such a liquidation.

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[64] Calculated as 1 - (1 - 30%) ^ (2.48 / 1.15) = 54%.

Their view is that in such a block sale liquidation, the liquidating bank would struggle to find subscribers for the first large block sale when it would be known to subscribers that additional large block sales would follow. Subscribers to the first block sale would expect that the latter block sales would further depress the market price, and that the latter block sales would be expected to be executed at a larger discount than the first block sale to generate additional demand. Therefore, potential subscribers to the first block sale would have incentive to delay and wait for the latter block sales, or to require a very large discount to take part in the first subscription. As such, the mechanics of such a liquidation, where it is known that there would be multiple large block sales, would result in significant difficulties executing the initial block sale without offering a very large discount.

As such, the bankers' view is that any approach to liquidation using block sales would likely "decimate" the market price. They expect that when the liquidation and first block sale was announced, the market would have a very negative reaction, and then likely further negative reactions as the additional block sales were negotiated and priced.

They also highlighted other concerns about whether any leading investment banks would take on the mandate to liquidate PPH, as it would be perceived as highly risk to the bank, likely to require significant indemnities from the liquidator to alleviate those risks, and would potentially alienate clients who had traded in PPH shares with the bank at higher prices in the past. They stated that such a liquidation would not be a mandate they would accept as leading banks in the South African market.

Ultimately, they suggested that given these constraints, and the risks that such a liquidation could be completed without decimating the market price, their best case indicative range of expected discounts in such a liquidation would be 30 to 50%.

As described in **Exhibit 7**, there are a number of other qualitative factors that point to a significant discount. For example, general uncertainty about economic and political conditions in South Africa, and low South African economic growth projections may dissuade potential buyers, especially foreign buyers, from investing in PPH stock. While PPH has performed well over the past year, it has underperformed the FTSE/JSE stock market index since the beginning of the pandemic in early 2020.

As such, based on the qualitative review, evidence from prior block sales, academic research, and the insights from South African bankers, as well as the significant execution risks associated with the liquidation, we estimate a range of 25% to 50% discount to current PPH share price, with a mean discount of 38%.

Exhibit 8 summarizes the calculation of PPH liquidation value. The mean liquidation value of PPH as of 31 August 2024 is estimated to be €1.63B.

As discussed above, there is uncertainty in both the price path of PPH stock and the total discount Steinhoff would eventually incur in a liquidation. Therefore, the actual proceeds from the PPH sale could be either lower or higher than €1.63B. Based on the Monte Carlo simulation, which takes into account the range of outcomes in both the PPH projected share price and the blockage and liquidation discounts, the liquidation value of PPH as of 31 August 2024 is estimated to be €1.36B at the 10^{th} percentile and €1.97B at the 90^{th} percentile. The relatively lower proceeds at the 10^{th} percentile result from simulations with low PPH prices and/or high total discounts. To put the 10^{th} percentile outcome in context, if we assume the mean total discount of 38% is fixed, the PPH price would be ZAR 16.83 (down from the mean value ZAR 20.28) as of the start of liquidation to result in PPH proceeds of €1.36B.

Alternatively, if we assume that the PPH price as of the start of liquidation is fixed at the mean projected value of ZAR 20.28, the total discount would be 49% (up from 38%) to result in the same €1.34B proceeds. In other words, to reach the 10th percentile outcome, the share price at the start of the liquidation would be ZAR 3.45 lower than our mean projection, or the average liquidation price of the shares would be 49% rather than the 38% in our mean projection.

Similarly, the relatively higher proceeds at the 90th percentile result from Monte Carlo simulations with high PPH prices and/or low total discounts. If we assume that total discount is fixed at the mean discount of 38%, the PPH share price would be ZAR 24.43 (i.e., ZAR 4.15 higher) as of the start of liquidation to result in PPH proceeds of €1.97B. Alternatively, if we fix the PPH price as of the start of liquidation at the mean projected value of ZAR 20.28, a total discount of 25% (i.e., a 13% smaller discount) would result in €1.97B proceeds.

B. South Africa Properties ("SAPS")

Steinhoff Africa Property Services (Pty) Limited ("SAPS") is a "Property Holding and Investment Company with a portfolio comprising 105 properties" across various commercial categories including dealerships, development, mixed groups, industrial units, offices, retail units, truck depots, vacant land, and warehouses. Of the 91 occupied properties, 61 were occupied by Steinhoff intercompany tenants such as PPH as of May 2018.[65]

As of January 2020, Steinhoff began the process of selling off its entire SAPS portfolio and liquidating the company. As of 1 October 2020, there were 41 companies left in the portfolio. 21 of those were sold through 3 June 2021 for a total of ZAR 598M, of which ZAR

[65] FTI Consulting, "Project Orange Phase I - Independent Business Review Volume IX - Africa," 25 May 2018, pp. 67-68.

252M of proceeds have not already been added in the SAHPL cash balance (i.e., the ZAR 252M are assumed as part of the liquidation proceeds, while proceeds included in cash balance are considered a part of SAHPL's cash already). Steinhoff expects that 8 more properties in the process of being sold or planning to be sold will generate an additional ZAR 499M. Finally, Steinhoff has entered into an agreement with the tenant of the remaining 12 properties, PPH, to sell the properties for an issuance of 70 million shares in PPH, which implies a value of 878M based on AG's projected liquidation sale price of PPH shares.[66] This results in total liquidation proceeds of ZAR 1,629M, or €95M as of 31 August 2021.[67]

C. IEP Group

IEP Group ("IEP") is a South African investment holding company that has investments in finance, infrastructure, chemicals, industrial services and building material firms. Investec Bank Ltd and SAHPL are amongst its largest shareholders. SAHPL holds 26.0% of IEP.[68]

The value of IEP is estimated using two methods. First, between 2019 and 2020 we observe that the market value of IEP decreased by approximately 8.1% to ZAR 10,882M as of 31 December 2020.[69] Assuming that IEP value changes at the same annualized rate in 2021, its value would be approximately ZAR 10,288M as of 31 August 2021. Alternatively, between 31

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66 "10.1.3 SAPS Property Status Memo 3 June 2021"; "MASTER Property Summary 30 March 2021". Value of PPH Shares calculated as 70,000,000*ZAR 20.28*(1-38%), using the mean projected PPH share price and discount rate.

67 Calculated using the forward exchange rate of 17.09 ZAR per EUR (the average of bid and ask price) for 31 August 2021 as of 30 June 2021. Bloomberg, L.P.

68 "Attachment 4 - IEP directors valuation.pdf."

69 IEP Group Board, "IEP Covenant Valuation," p. 2; "Attachment 4 - IEP directors valuation.pdf."

December 2020 and 4 June 2021, the FTSE/JSE Top40 Index[70] grew by 34.21% on an annualized basis.[71] From 4 June 2021, the index is projected to decrease by 0.03% on an annualized basis through August 2021, based on futures contracts. Assuming that IEP value changes at an annualized rate of 34.21% between 31 December 2020 and 4 June 2021, and then at an annualized rate of -0.03% from 4 June 2021 to 31 August 2021, the value of IEP would grow approximately 13% from 31 December 2020, and be equal to ZAR 12,329M as of 31 August 2021. Therefore, we estimated the value of a 26.0% stake in IEP to be between ZAR 2,674M and ZAR 3,204M, or €156M to €187M, before adjusting for marketability and liquidation discounts.[72]

To the above asset valuations, we apply a marketability discount of 13% to 21% and a liquidation discount of 5% to 10%. The marketability discount is estimated from "restricted stock" studies that compare the prices of restricted vs. non-restricted shares in public companies.[73] Academic studies support a marketability discount of between 13% and 21%.[74] The liquidation discount is based on studies of asset sales by distressed firms. The studies report that minority equity stakes in publicly traded non-financial firms experience fire sale discounts of approximately 8%, while block sales (holdings of over 5% of the firm) experience fire sale

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70 As described by Bloomberg, L.P, the index is "a capitalization weighted index. Companies included in this index are the 40 largest companies by market capitalization included in the FTSE/JSE All Shares Index."

71 Bloomberg, L.P.

72 Calculated using the forward exchange rate of 17.09 ZAR per EUR (the average of bid and ask price) for 31 August 2021 as of 30 June 2021. Bloomberg, L.P.

73 The IEP Shareholder Agreement indicates that there was a lock-up period prohibiting the sale of shares until 2020. FTI Consulting, "Project Orange Phase I - Independent Business Review Volume IX - Africa," 25 May 2018, p. 76.

74 Hitchner, James R., Financial Valuation, 4th Edition, John Wiley & Sons, Inc., 2017, pp. 460-461.

discounts of 13% to 14%.[75] Due to the nature of the assumed liquidation, we conservatively estimate a lower liquidation discount for IEP in the range of 5% to 10%.

Exhibit 9 summarizes our valuation of IEP. Based on our analysis, the mean expected proceeds from a liquidation of IEP is approximately €119M. Aside from PPH, IEP is the only other South African asset that we estimate to have a range of potential liquidation proceeds. Based on a Monte Carlo simulation, the 10th percentile and the 90th percentile of the proceeds are €108 million and €128 million, respectively. As discussed in Section III.C, while there is some uncertainty in IEP liquidation proceeds, the impact on NV assets is very small compared to the impact of uncertainty in PPH liquidation proceeds. For simplicity, we use the €119 million mean proceeds under the simplified Monte Carlo approach described in this report.

D. SAHPL Cash-on-Hand

As of 3 April 2021, Steinhoff management reported that SAHPL held ZAR 13,431 in cash on its balance sheet. Steinhoff expects that before liquidation commences SAHPL will pay off its intercompany loan to SIHPL, reducing balances by ZAR 6,699M (accounting for interest).[76] This results in a total balance of cash at SAHPL of ZAR 6,733M at liquidation start. The SAHPL cash-on-hand will be kept in ZAR through 31 August 2024, at which time distribution of liquidation proceeds will occur at SAHPL. Any remaining cash and other liquidation proceeds will be held in ZAR through 31 August 2026, when they are converted to

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[75] Dinc, Serdar, Isil Erel, and Rose Liao, "Fire Sale Discount: Evidence from the Sale of Minority Equity Stakes," *Journal of Financial Economics*, Vol. 125, No. 3, 2017, p. 475.

[76] "SIHPL-SAH loan repayment".

EUR and up-streamed to SIHL (and then further to NV).[77] When the cash is up-streamed from SIHL to NV on 31 August 2026, it is also assumed to be converted at the projected August 2026 ZAR/EUR foreign exchange rate, as of 30 June 2021.

E. European Assets

Steinhoff's European assets include Pepco Group, Greenlit Brands (formerly known as Steinhoff APAC), Mattress Firm, Conforama, LIPO, and European Manufacturing.[78]

1. Pepco Group

Pepco Group is a discount variety retailer based in Europe. It owns and operates the PEPCO and Dealz brands in Europe, and the Poundland brand in the United Kingdom.[79] On 26 May 2021 Pepco Group was listed on the Warsaw Stock Exchange at a listing price of PLN 40.00 per share, an approximate market capitalization of €5 billion.[80] Since the IPO the stock has risen to PLN 49.00 per share as of 30 June 2021.[81] Following the IPO, Steinhoff has reduced its stake to 454 million shares, or 78.89% of the company.[82]

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77 As described above, AG has been instructed to assume that the cash at SAHPL would earn interest at an applicable risk-free South African interest rate until the proceeds are up-streamed to NV in 2026, and AG estimates that the applicable South African rate based on treasury bills is equal to 5%.

78 In addition, the European assets includes Hemisphere, but it is expected to generate any liquidation proceeds.

79 2020 Steinhoff Annual Report, p. 33.

80 Steinhoff Press Release, "Pepco Group lists on the Warsaw Stock Exchange," 26 May 2021.

81 Bloomberg, L.P.

82 Steinhoff Press Release, "Pepco Group lists on the Warsaw Stock Exchange," 26 May 2021; Bloomberg, L.P. IPO proceeds of €1 billion are held in cash at Newco 3, and used to repay debt in liquidation.

The fair value of Steinhoff's stake is estimated based on the 30-day VWAP of Pepco Group as of 30 June 2021 of PLN 46.02. This value, multiplied by the number of shares held by Steinhoff, results in a valuation of Steinhoff's stake of PLN 20.9 billion, or €4.6 billion, as of August 2021.[83] AG estimates a 10 to 30% liquidation discount to this value based on evidence from Steinhoff's bankers from during the IPO process, in which they found a 20% discount would be required to place the entire company into the market. We view this as a conservative discount, as the bankers' analysis of the potential placement discount was outside of the context of liquidation and in an orderly sale. Alternatively, in liquidation, the company could place multiple smaller blocks into the market, however, as described above with respect to PPH, liquidation discounts are typically quite large. The 20% mean discount for Pepco is smaller than the 38% mean discount for PPH due to the relative liquidity of European capital markets, possibility of a private sale to an individual buyer, and relatively less onerous regulatory requirements, and relatively more stable economic and political environment. This 20% mean discount results in an average post-discount valuation of €3,514 million as of 31 August 2024.

2. Other European Assets

The valuation method and expected proceeds from a liquidation of the other European assets are summarized in **Exhibit 10**. Each asset was valued using comparable public company multiples, with the exception of Conforama, which was valued based on the expected proceeds

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[83] Calculated using the forward exchange rate of 4.53 PLN per EUR (the average of bid and ask price) for 31 August 2021 as of 30 June 2021. Bloomberg, L.P.

from the sale of the rest of its business. Marketability[84] and liquidation discounts were then applied to obtain the liquidation value of these assets.

As shown in **Exhibit 2**, the proceeds from liquidating these assets would not be enough to satisfy the liabilities at Newco 3. The estimated liabilities are more than double the estimated assets at Newco 3 (€13.9 billion liabilities to €6.0 billion assets), so there does not appear to be any reasonable scenario in which there is equity value in Newco 3. Newco 1 similarly has liabilities that significantly exceed assets. Therefore, even if asset values at Newco 3 unexpectedly increased to such an extent that some value could flow up to Newco 1, there does not seem to be a possible scenario in which that value could also cover the liabilities at Newco 1, such that any value could flow up-stream from Newco 1 to NV.

V. LIQUIDATOR FEES AND OTHER PROFESSIONAL FEES

Based on discussions with Counsel, AG estimated and deducted various costs associated with the liquidation of the Steinhoff companies from the liquidation proceeds prior to the assumed distribution to claimholders. Specifically, we assume the following costs associated with the liquidation, which are also summarized in **Exhibit 1**.

- South Africa professional and liquidator fees at SAHPL equal to approximately ZAR 100M, or €5M to be paid in August 2024.[85] At SIHL and SIHPL, these

[84] A marketability discount of 20% to 30% is based on literature that compares a) financial multiples from private company acquisitions to b) multiples of publicly traded companies. Such "private company discounts" implicitly take into account the value of control received by the acquirers of the private companies. *See* Hitchner, James R., Financial Valuation, 4th Edition, John Wiley & Sons, Inc., 2017, p. 439.

[85] AG assumed that liquidator fees are paid when the other liabilities are settled. Based on discussion with Counsel.

amounts are estimated to be ZAR 100M and ZAR 225M, or €5M and €8M, respectively. Fees at SIHL will be paid in August 2024, and fees at SIHPL will be paid in August 2028.

- Liquidator fees at Newco 3 equal to approximately €50-55M over the liquidation period, and €20-25M at Newco 1 in August 2024.[86]
- Professional fees (accounting, legal, advisory, and other) incurred to liquidate approximately €7B in assets and to resolve approximately €23B of debt[87] in the European operating companies are estimated to be €20-30M for Newco 3, and €10-15M for Newco 1.[88]
- Dutch liquidator fees at NV equal to approximately €50-60M over the liquidation period.
- In South Africa, bonds of security are required by the liquidators and impose costs at SIHL, SIHPL, and SAHPL of ZAR 1,000M, ZAR 1,786M, and ZAR 949M respectively, based on the rate of 0.575% determined by the Master of the High Court in South Africa.

Total assumed fees for the liquidation of the entire Steinhoff corporate structure are approximately €354M.

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86 Based on discussion with Counsel.

87 These figures include assets and liabilities at Newco 3 and Newco 1. *See* **Exhibit 2**.

88 Based on discussion with Counsel.

VI. ESTIMATION OF STEINHOFF NV LITIGANT CLAIMS

In addition to the previously described analysis of the liquidation value of the Steinhoff assets and estimate of cash available for liquidation at NV, to estimate liquidation recoveries to NV Claimants, we estimate the value of the potential litigation claims against NV. These NV Litigants share in the remaining liquidation proceeds (after paying liquidation costs and satisfying liabilities in the Europe and South African operating companies) distributed by NV along with the other remaining claimants, *pari passu*, based on the size of their respective claims. Our estimates of the potential litigation claims are premised on the assumption that the numerous, complex claims will be successful. In fact, the validity and success of these claims is highly uncertain in a hypothetical liquidation, in contrast to a settlement where they would be accepted at their currently estimated value.

Steinhoff shareholders who purchased shares during the period in which Steinhoff allegedly made misstatements may have a litigation claim against SIHNV. While some NV Litigants have brought Claims, at present, the Claim methodologies and amounts that will be accepted by courts have not been decided, and therefore AG makes reasonable estimates of those claims using consistent and widely adopted approaches.

A. Description of Steinhoff NV Litigants

The potential NV Litigants can be divided into two groups, those who signed contracts with Steinhoff to purchase shares ("NV Contractual Claimants") and those who purchased Steinhoff shares on the market ("NV Market Purchase Claimants" or "NV MPCs"). The NV Contractual Claims include claims made by the Tekkie Town Claimants, who received 43 million Steinhoff shares as part of Steinhoff's acquisition of Tekkie Town in August 2016, and

Lancaster 101 Proprietary Limited Claimants ("Lancaster 101"), who received 60 million shares in a subscription agreement with Steinhoff in September 2016. They also include Mr. Christo Wiese's Upington claim, which is based on his receipt of 314 million shares in a subscription agreement in September 2016. The value of the NV Contractual Claims are included in AG's estimate of the NV Litigant Claims, and are valued using a rescission method, described below.

The NV MPC Claims include shareholders who purchased shares on the open market between 7 December 2015 and 5 December 2017, and who held shares through 5 December 2017, and therefore were potentially damaged by any inflation in the Steinhoff share price arising from the alleged misstatements.

Purchasers of shares prior to 7 December 2015 have potential litigation claims against SIHPL, comprising both SIHPL Contractual Claims and SIHPL MPCs, but do not have claims against NV.[89, 90] In addition, there is a small set of insider shareholders and others, who are assumed to not have valid claims against NV. These include former directors and officers of Steinhoff who are deemed to have participated in the alleged wrong-doing as well as Steinhoff itself which held treasury shares that are not deemed eligible to participate in any liquidation distribution.

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89 Such purchasers are required to have held some shares as of 5 December 2017 to have a claim.

90 Shareholders who purchased shares both prior to December 2015 and thereafter may have claims against both SIHPL and SIHNV. However, there is no duplication of claims; estimated claims related to share purchases prior to December 2015 give rise to claims against SIHPL while those related to share purchases after December 2015 give rise to claims against SIHNV.

B. Steinhoff NV Contractual Claims

AG estimated the NV Contractual Claims as rescission claims for the shares purchased by Tekkie Town, Lancaster, and Upington.[91] A rescission claim is premised on returning the Claimants to the identical position they would have been in, had they never purchased the shares after accounting for any benefits received from holding the shares. As such, AG estimated the rescission claim value for the Tekkie Town, Lancaster, and Upington claims as:

- The amount each party paid (or the monetary equivalent of company shares used) to purchase the Steinhoff shares;[92]
- less the value received from any sales of the Steinhoff shares;
- less any dividends received;
- less a residual value of shares held through 5 December 2017, equal to the average share price at July 2018.[93]

As a result, Tekkie Town has an estimated €109.3 million claim, Lancaster has an estimated €269.1 million claim, and Upington has an estimated €1,490.9 million claim.

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[91] AG applies the rescission methodology regardless of whether these Claimants assert rescission or only delictual damages.

[92] For contractual transactions involving the exchange of another entity's shares for Steinhoff shares, the value of those exchanged shares at the time of the transaction was used.

[93] Specifically, the residual share price of €0.157 per share is used which corresponds to the SIHNV VWAP for the SIHNV shares listed on the Frankfurt Stock Exchange for the 30 days starting on the first trading day post the publication of SIHNV's 2018 half-year results on 29 June 2018.

Figure 1. Estimated Nominal SIHNV Contractual Claims[94]

Claimant	Initial Shares	Estimated Claims (MM)
Tekkie Town	43,000,000	€ 109.3
Lancaster	60,000,000	€ 269.1
Upington	314,000,000	€ 1,490.9
Total	**417,000,000**	**€ 1,869.2**

C. Steinhoff NV Market Purchase Claims

Inflation claims are based on the premise that during the period in which a company, in this case Steinhoff, made misstatements about its financial condition, the share price was potentially artificially high, or inflated. Shareholders who purchased shares during the period in which the share price was inflated overpaid for those shares, by the amount of the inflation. Shareholders who sold shares during the period benefitted, as they were overcompensated for those shares, also by the amount of the inflation. Inflation claims for each shareholder are therefore estimated as the total amount of each shareholder's overpayments due to inflation in the share price at the time of purchase, less any amounts of overcompensation at the time of sale due to inflation. To calculate the NV Inflation Claims, AG identified the period over which the Steinhoff share price was allegedly inflated, estimated the share price inflation over that period, and applied those estimates to the purchases and sales made by the relevant shareholders, and identified the portion of those inflation claim estimates applicable to NV (rather than SIHPL).

94 The Lancaster NV Contractual Claim includes the PIC/GEPF Contractual Claim.

1. Relevant Period

Based on Steinhoff's summary of PwC's investigation, the first known fictitious and/or irregular transactions were recorded by Steinhoff in its Financial Year (FY) 2009 financial report. Therefore, we defined the "relevant period" over which Steinhoff shares were potentially inflated, as 2 March 2009 (the date of the Mid-Year (MY) 2009 financial reports) to 5 December 2017 (the date after the first potential curative disclosure of the misstatements).[95,96]

2. Inflation Estimates

To estimate inflation in the Steinhoff shares as a result of the alleged misstatements during the relevant period, AG first estimated the *maximum* inflation in the share price. Typically, when there are accounting misstatements, the size and impact of the misstatements inflating the stock price increases over time. While there is limited information about the alleged Steinhoff misstatements, the number and size of irregular transactions increased over the period and there were no clear curative disclosures prior to December 2017. Therefore, we assumed that inflation was largest at the end of the relevant period, and estimated the maximum inflation

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95 This period is based on the 15 March 2019 "Overview of Forensic Investigation," which indicates that the earliest known fictitious and/or irregular transactions were recorded by Steinhoff in its FY 2009 financial reports. As Steinhoff released unaudited mid-year financial results on 2 March 2009, we assume this date as the start of the relevant period as these statements may have included misstatements that were later incorporated in the *audited* full year financials for 2009. *See*, Steinhoff NV, "Overview of Forensic Investigation," 15 March 2019, available at http://www.steinhoffinternational.com/downloads/2019/overview-of-forensic-investigation.pdf; *see also*, Steinhoff NV, Unaudited Interim Results for the Six Months Ended 31 December 2008, available at https://irhosted.profiledata.co.za/steinhoff/2017_feeds/SensPopUp.aspx?id=133963.

96 The inflation claim methodology requires that shareholders hold shares as of 5 December 2017 to have a NV MPC Claim. However, as detailed below, the analysis assumes the share price was still inflated on 6 December 2017 due to a further disclosure made after market close that day, so inflation is measured through 7 December.

in Steinhoff's share price based on the decline in the share price following Steinhoff's disclosure of the misstatements to the market in December 2017.[97]

To estimate the impact of the disclosures, AG used a market model regression to predict the Steinhoff price based on the Johannesburg All Shares (JALSH) and the Stoxx 600 (SXXP) indices throughout the relevant period, and calculated the abnormal negative return in the Steinhoff share price on 6 and 7 December 2017, and between 4 and 7 December 2017.[98]

During the trading day on 4 December 2017, Steinhoff announced that the release of its audited financial statements would be delayed due to issues related to a German tax investigation.[99] Steinhoff's share price declined €0.62 over 4 and 5 December following this news. As described below, AG included the abnormal stock price decline on these days in the "high" inflation sensitivity.

After the market closed on 5 December 2017, Steinhoff disclosed that it had identified accounting irregularities and that CEO Markus Jooste had tendered his resignation with

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97 We assume that the market for Steinhoff shares was efficient. Analysis Group has not performed tests of market efficiency on the shares, but Steinhoff had significant daily trading volume, and traded on two major stock exchanges, consistent with characteristics of efficient markets.

98 The market model is designed to account for the impact of broader market movements on the Steinhoff share price to determine the component of the Steinhoff returns that are abnormal, i.e., unexplained by the model. Specifically, a log-log model specification was used where the daily returns are specified as $close\_price_n$ / $close\_price_{n-1}$ using total return price series for Steinhoff (JSE) and the market indices that are adjusted for the applicable risk-free rates (3-month SA yield for Steinhoff and JALSH; German corresponding for SXXP). The model also includes flags for each quarter of the relevant period and separate flags for each of 4, 5, 6, and 7 December 2017. The estimated daily inflation on those four dates corresponds to the value of the respective coefficient converted back from natural log to normal values multiplied by the actual (not total return) Steinhoff closing price that day. The inflation per share value for each day is then converted to a Euro-denominated value using the prevailing EURZAR exchange rate for each day. As detailed below, the daily inflation per share values are then combined to arrive at overall maximum inflation values.

99 The release has a time stamp of 08:25 on 4 December 2017 so we considered the entire day's trading activity when estimating inflation in the share price before this date. *See*, Steinhoff NV Press Release, "Announcement of 2017 Results and update on the 2017 audit process," 4 December 2017.

immediate effect. After the market closed on 6 December 2017, Steinhoff announced that it had identified issues with the "validity and recoverability" of "circa €6bn" in assets. As these announcements occurred after the market closed, the stock price would react to the news on the following day, and we observe that the share price declined €2.25 per share on 6 and 7 December, which was a two-day decline of more than 75 percent.[100]

AG considered two alternative scenarios for estimating share price inflation based on the sequence of disclosures outlined above. To estimate a "low" inflation case, AG measured the abnormal negative return (the return net of market effects) in Steinhoff's share price on December 6 and 7. The total abnormal negative return on these two days is €2.19 and is statistically significant at a 1 percent level. To create a "high" inflation case, AG measured the total abnormal negative return (the return net of market effects) in Steinhoff's share price on 4, 5, 6 and 7 December. The total abnormal negative return on these four days is €2.81 and is statistically significant at a 1 percent level.[101]

3. *Inflation Estimate Throughout Relevant Period*

Two approaches are used to estimate the level of inflation in the share price throughout the period. First, AG assumed that the amount of inflation in the share price increased at a constant rate from €0.00 per share in March 2009 to €2.19 per share (or €2.81 per share) in December 2017 (the "Simple *Pro Rata*" approach). Second, due to the significant negative restatement of the asset values and profits in the restated FY 2016 and 2017 financial statements,

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[100] This decline is the actual decline in the share price. The abnormal return of €2.19 per share is described below.

[101] Note that the share price decline on 4 and 5 December was €0.62 per share, which was also the amount of the abnormal return on these days.

we assumed that share price inflation increased at a constant rate from €0.00 per share in March 2009 to the maximum inflation of €2.19 per share (or €2.81 per share) in December 2015, after which we assumed the maximum level of inflation was present through December 2017 (the "2016 Fixed Inflation" approach).

The two measures of maximum inflation and the two methods for estimating inflation levels in the share price throughout the relevant period result in four inflation scenarios. **Exhibit 11A s**hows the inflation per share under the four scenarios. We take the simple average of the daily inflation values across the four scenarios to arrive at a single inflation estimate for each day as shown by the black line in **Exhibit 11A**. **Exhibit 11B** shows the estimated counterfactual Steinhoff price after deducting the estimated average inflation from the actual JSE share price. This daily inflation value is then used to calculate inflation claims based on share purchases and sales during the relevant period, as described below.

4. Shareholder Purchases and Sales

To identify the relevant purchases and sales of Steinhoff shares during the relevant period, AG relied on Steinhoff shareholder data prepared by a shareholder data analytics firm, Orient Capital.[102] Orient Capital used publicly available sources and detailed data from Computershare (Steinhoff's stock transfer company) containing Steinhoff shareholders and shares held, to create monthly reports of Steinhoff shareholdings for the Steinhoff board. To identify shareholder purchases and sales during the relevant period, AG used the 2009 to 2017 monthly or quarterly Orient Capital shareholding reports.[103] We assume that when a

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102 "Orient Capital," available at https://www.orientcap.com/.

103 Prior to August 2014, the available reports from Orient were on a quarterly rather than monthly basis.

shareholder's shares increase from one monthly report to the next, the shareholder purchased shares during that month, and similarly when a shareholder's shares decrease between two consecutive reports, the shareholder sold shares during that month.[104] The last available report from Orient Capital during the relevant period is as of the end of day 5 December 2017 so we use the shareholdings from this report to determine which shares were damaged for the purposes of estimating inflation claims.[105] We exclude the aforementioned NV Contractual Claimants, SIHPL Contractual Claimants, and other aforementioned shareholders believed to not have a valid claim against Steinhoff. This leaves approximately 2,900 million shares with potential inflation claims against NV or SIHPL, i.e. shares with MPC claims.

5. *Calculation of NV Inflation Claims*

The purchases and sales made by each shareholder over the relevant period are matched with the inflation per share for the corresponding date of the transaction. Inflation Claims are calculated as the inflation per share multiplied by the number of shares purchased less offsets for

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[104] AG performed additional data cleaning on the Orient Capital reports to ensure consistency of shareholder names over time because there appears to be data entry discrepancies in the shareholder name field where the same shareholder apparently was recorded with slightly different names across periods. For example, the beneficial owner "Old Mutual Life Assurance" is no longer in the data for certain periods but a new entry appears with the name "Old Mutual Life Assurance *Co*" (emphasis added). Left uncleaned, the calculations would assume a sale by one shareholder (e.g., Old Mutual Life Assurance) and a purchase by another (e.g., Old Mutual Life Assurance Co") at the time of the name change, thereby attributing higher damages to those shares. To address such instances, AG reviewed and cleaned the shareholder names for the top 200 shareholders corresponding to 86 percent of shareholdings as of December 2017 and corrected what appeared to be data entry discrepancies in coding of shareholder names. Separately, in August 2014, the Orient data changed format and a significant portion of the shareholders' names changed, so we reviewed the top 200 shareholders corresponding to 81 percent of the holdings at that point to standardize their names across time. To the extent that there are additional names that should be matched up, the estimate of NV Inflation Claims will be overstated.

[105] The report from Orient Capital is dated 8 December 2017 but is understood to reflect shareholdings as of 5 December 2017.

inflation inherent in shares sold multiplied by the number of shares sold. The logic of the calculation is that the shareholders who purchased inflated shares overpaid for the shares, and would have paid less (by the amount of inflation). In contrast, a shareholder who sold shares during the relevant period did so at an inflated price and therefore benefitted from the alleged misstatements.[106] Shares sold after 6 December 2017 are assumed to have been sold with no inflation and therefore those sales provide no offset against claims.

To estimate the NV portion of the Total Inflation Claims we identify the total estimated inflation on all purchases prior to 7 December 2015 (i.e., SIHPL purchase inflation) and the total inflation on purchases on or after 7 December 2015 (i.e., NV purchase inflation) for each shareholder. We then add up the total offsets from sales for each shareholder over the entire relevant period, allocate those offsets between SIHPL and NV based on the ratio of the SIHPL and NV purchase inflation, and subtract those offsets from the SIHPL and NV purchase inflation to calculate the SIHPL and NV Inflation Claims for each shareholder.[107] In the context of the analysis of SIHNV liquidation, the SIHPL Inflation Claims are not considered.

Applying the methodology described above, we estimate a baseline nominal total NV Market Purchase Claim value of approximately €2,810 million. AG then brings the value of the NV MPC Claims forward from December 2017 to August 2021, using an annual rate of interest

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[106] Shareholders with negative damages (i.e., those who gained more from selling with inflation than they lost from purchasing with inflation) are excluded from the damages calculation and would not recover in liquidation.

[107] For example, if purchase inflation at NV is estimated at €100 while purchase inflation at SIHPL is at €50, for a total purchase inflation of €150, and total sale inflation offsets are €60, the NV Inflation Claim is calculated as follows: The portion of offsets attributed to NV is €40 (€60 total offsets x (€100 NV purchase inflation / €150 total purchase inflation) and NV Inflation Claims are €60 (€100 purchase inflation less €40 offset allocation).

of 2% per year.[108] Total NV MPC Claims, after interest, are estimated to be approximately €3,020 million.

Given the uncertainty around the true value of the NV Litigant Claims that may be accepted by the courts and how these claims may be valued, we also estimate "low" and "high" sensitivities on the NV MPC Claim estimates.[109]

The "low" claims sensitivity scenario is premised on the fact that not all potential NV Market Purchase Claimants may pursue their claims. For this scenario, we assume that only MPC Claimants who have already come forth in settlement negotiations would likely make their claim in liquidation. We estimate a "low" nominal total NV MPC Claim value of approximately €1,450 million, which corresponds to approximately €1,560 million as of August 2021 after considering interest.

The "high" claims sensitivity scenario assumes that all potential NV Market Purchase Claimants come forth and bring claims in liquidation, and that the shares underlying those claims were actually purchased later than expected and therefore have higher associated purchase inflation than estimated in the baseline claims scenario. We estimate a "high" nominal total NV MPC Claim value of approximately €5,180 million, which corresponds to approximately €5,580 million as of August 2021 after considering interest.[110]

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[108] The 2% interest is compounded annually and is based on the Dutch statutory interest rate on claims.

[109] Note that the "low" claims sensitivity corresponds to lower estimated claims, which results in *higher* recoveries for the NV Litigants. Conversely, the "high" claims sensitivity corresponds to higher estimated claims and therefore *lower* liquidation recoveries.

[110] Note that the "high" claims are much higher than the baseline scenario for two related reasons. First, the assumption that the shares were purchased later than expected means that shares that have claims against SIHPL, as they were purchased before December 2015, have claims against NV in this scenario if they are now deemed purchased after December 2015. Second, the shares are now considered purchased later in time and therefore at higher purchase inflation as the inflation line is increasing over time, which results in higher claims.

D. Total Steinhoff NV Litigant Claims

Combining the NV Inflation Claims and NV Vendor Claims, we estimate the range of total Steinhoff NV Litigant Claims to be between €3,580 million and €7,590 million with a baseline estimate of €5,040 million, as summarized below. Note we do not estimate a range of potential Contractual Claims, as the nature and detail of these claims are relatively well established and understood.

Figure 2. Summary of NV Litigant Claim Estimates (August 2021 Values)

Scenario	NV Contractual Claims	NV MPC	Total
Baseline	€ 2,012.8	€ 3,022.9	**€ 5,035.8**
Low Claims	€ 2,012.8	€ 1,564.0	**€ 3,576.9**
High Claims	€ 2,012.8	€ 5,578.5	**€ 7,591.3**

All values in €, millions

VII. ESTIMATION OF RECOVERY BY NV LITIGANT CLAIMANTS

A. Baseline

Based on the liquidation analysis, NV would have €1,344M in assets as of 31 August 2031 to be distributed across all NV liabilities.

As there are insufficient funds at the NV level to pay all the claims and liabilities, each claimant would only receive a portion of the remaining proceeds from NV. In the liquidation scenario, AG assumes that the NV Litigant Claims would have the same level of priority as other NV liabilities -- that is, they rank *pari passu* with other claims. Therefore, the liquidation proceeds would be distributed *pro rata* based on claim amounts as of August 2021. The value of NV's other liabilities for purposes of the *pro rata* calculation, which includes guarantees for 2021/2022 debt, 2023 debt and Newco 3 debt, as well as the NV-Newco 1 intercompany loan, is calculated based on the agreements governing those liabilities and equal their principal and interest values at the start of liquidation, 31 August 2021 (see **Exhibit 1**). AG determined that the NV Litigants would receive a baseline estimate of 34% of the liquidation proceeds at NV (based on their *pro rata* share) or €454M in the baseline scenario in August 2031 (see **Exhibit 3**).

After calculating the expected recovery for the NV Litigant Claims as of August 2031, we convert the value of that recovery to August 2021, for comparison with a settlement reached at that point. To do so, we rely upon the projected Eurozone inflation rate to estimate the relative value of one Euro in August 2031 compared with one Euro in August 2021. The European Central Bank reports a measure of inflation known as the Harmonised Index of Consumer Prices, a measure of consumer prices for all countries in the euro area.[111] As of Q2 2021, the European Central Bank estimates inflation to be 1.6% in 2021, 1.3% in 2022, and 1.7% per year over the next five years.[112] AG therefore discounted the 2031 proceeds by 1.5% per year, an overall discount of approximately 14% to account for this expected inflation. The expected present value of recoveries by NV Litigants as of 31 August 2021 is therefore €391M. This corresponds to a recovery rate of approximately 7.8cents/€ under the baseline scenario.

Below we provide sensitivities on the PPH liquidation value and the size of the market purchase claims. However, it is important to note that there are a number of inputs and

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[111] European Central Bank, "Measuring inflation - the Harmonised Index of Consumer Prices (HICP)," accessed 28 April 2021, available at https://www.ecb.europa.eu/stats/macroeconomic_and_sectoral/hicp/html/index.en.html.

[112] European Central Bank, "HICP Inflation forecasts," accessed 22 July 2021, available at https://www.ecb.europa.eu/stats/ecb_surveys/survey_of_professional_forecasters/html/table_hist_hicp.en.html.

assumptions that could have an impact on the outcome of the liquidation comparator relative to the baseline estimates.

For example, a delay in the liquidation timeline would have a negative impact on the current value of recoveries, while a faster liquidation timeline would increase the current value of recoveries. In addition, as much of the value at NV is derived from the South African entities, and those assets are held and liquidated in Rand, depreciation of the Rand relative to the Euro, in excess of the depreciation currently projected in the August 2026 forward exchange rate, would have a negative impact on the current value of recoveries. A strengthening of the Rand, relative to the current projections, would alternatively result in a positive impact on the current value of recoveries. Finally, if the South African risk-free interest rate does not recover to an average of 5% during the August 2021 to 2026 period, recoveries at NV would be reduced. Alternatively, if that risk-free interest rate rises above 5%, recoveries at NV would be increased. Our baseline estimates of all of these inputs are current best estimates, based on available data and reasonable assumptions, but over the course of the 10-year liquidation period, the ultimate values are likely to diverge from current best estimates.

B. PPH Sensitivity

AG also evaluates a low and high recovery case, based on estimated reasonable low and high recoveries on the 68% equity stake in PPH. In the low case, which relies on the 10th percentile Monte Carlo recovery for PPH, NV would have approximately €1,078M of asset value as of 31 August 2031, and in the high case, which relies on the 90th percentile Monte Carlo recovery for PPH, NV would have approximately €1,664 of asset value as of 31 August 2031. Assuming the baseline claims values, and using the same discount rate, this results in estimated recoveries to the NV Litigant Claims of €314M under the low PPH sensitivity and €484M under the high PPH sensitivity scenario, which correspond with a recovery rate of 6.2 cents/€ under the low sensitivity and 9.6 cents/€ under the high sensitivity. (*See* **Exhibits 12A** and **12B**.)

C. Claims Sensitivity

As described above, we estimate a high and low claims scenario. An important point to note is that these sensitivities would affect the recovery rate (i.e., higher claims result lower recovery per Euro claim) in liquidation, but they would have a similar impact in settlement, because the claims would also be expected to increase or decrease consistently in settlement. As such, in liquidation and in settlement, an increase in claims results in lower recovery per Euro of claim, and a decrease in claims results in a higher recovery per Euro of claim. Given this relationship, the claims sensitivities and ultimate size of the claims is not particularly important for a comparison between settlement and liquidation.

Nonetheless, using the low NV Litigant Claims estimate of €3,577 million, we estimate that, assuming the baseline estimated €1,344 million asset value available at NV as of 31 August 2031 and the same discount rate, the recoveries to the NV Litigant Claims would be €308 million. (*See* **Exhibit 12C.**)

Using the high NV Litigant Claims estimate of €7,591 million, we estimate that, assuming the baseline estimated €1,344 million asset value available at NV as of 31 August 2031 and the same discount rate, the recoveries to the NV Litigant Claims would be €503 million. (*See* **Exhibit 12D**.)