

# SENS ANNOUCEMENT

(the “Announcement”)

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## ISSUER

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Shoprite Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1936/007721/06)  
ISIN no: ZAE000012084  
JSE share code: SHP  
NSX share code: SRH  
LUSE share code: SHOPRITE

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## BROKER

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Pangaea Securities Limited  
[a member of the Lusaka Securities Exchange]  
Regulated and Licensed by the Securities and Exchange Commission Zambia

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## AUTHORISATION

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Approval for this Announcement has been granted  
by:

- The Lusaka Stock Exchange
- Securities and Exchange Commission

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## DISCLAIMER AND RISK WARNING

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The announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

**14 December, 2016**

Steinhoff International Holdings N.V.  
(Incorporated in the Netherlands)  
(Registration number: 63570173)  
Share Code: **SNH**  
ISIN: **NL0011375019**  
("Steinhoff" or the "Company")

Shoprite Holdings Limited  
(Incorporated in the Republic of South Africa)  
(Registration number: 1936/007721/06)  
JSE Share Code: **SHP**  
NSX Share Code: **SRH**  
ISIN: **ZAE000166997**  
("Shoprite")

## **JOINT DETAILED CAUTIONARY ANNOUNCEMENT RELATING TO THE ESTABLISHMENT OF AN AFRICAN RETAIL CHAMPION**

### **1. Background**

Shareholders of Steinhoff and Shoprite are hereby advised that the largest shareholders of both companies, namely the Public Investment Corporation SOC Limited ("**PIC**") and Titan Premier Investments Proprietary Limited ("**Titan**") (a company ultimately controlled by a family trust of Dr. Christo Wiese) have initiated and facilitated discussions between the Steinhoff and Shoprite board of directors regarding the potential combination of their respective African retail businesses, with the objective of establishing a diversified African retail business of significant scale and international geographical reach that could be regarded as the retail champion of Africa ("**Retail Africa**") ("**Proposed Transaction**").

The vision to create Retail Africa, which will be a formidable entity, having its roots firmly entrenched in Africa, is shared by both the PIC and Titan. Accordingly, both shareholders have indicated that they are fully supportive of an initiative which could lead to the creation of Retail Africa.

In terms of the Proposed Transaction, it is envisaged that Shoprite will acquire Steinhoff's African retail operations, consisting of:

- Pepkor Africa: Pep SA, Ackermans, Speciality Group, including Shoe City, John Craig, Refinery and Dunns, as well as the Pep and Ackermans African operations;
- JD Group: Russels, Bradlows, Rochester, Incredible Connection, Hi-fi Corporation, Sleepmasters and financial services;
- Steinbuild, including Buco, Pennypinchers, Timbercity and Hardware warehouse; and
- Tekkie Town (collectively known as "**Steinhoff Africa Retail**").

Shoprite will issue new ordinary shares to Steinhoff in consideration, pursuant to which Steinhoff will receive a significant equity interest in Shoprite. The value for Steinhoff Africa Retail will be negotiated taking into account the best interests of both Steinhoff and Shoprite shareholders.

From Shoprite's perspective, the Proposed Transaction is expected to position the combined businesses of Retail Africa as the leading multi-format discount retailer on the African continent. Retail Africa, locally bred, will have the required size and scale to compete with any other international retailer, making it a compelling value proposition for Retail Africa's value conscious African customer base. As the largest retailer in Africa, Retail Africa will employ approximately 186,000 people. It is expected that the Proposed Transaction will further enhance Retail Africa's position as an employer of choice and it is also anticipated that the Proposed Transaction will not result in any job losses. The combined group's growth plans could lead to future job creation in various countries.

In addition to the above, Steinhoff has entered into an in principle agreement with the PIC and Titan to acquire their interests in Shoprite as part of the Proposed Transaction in the form of a Steinhoff share-for-Shoprite share exchange, subject to an exchange ratio to be agreed ("**the Exchange Ratio**") which may ultimately result in Steinhoff acquiring control of Retail Africa. This Exchange Ratio will be negotiated taking into account the consideration price for Steinhoff Africa Retail on the basis that the Proposed Transaction will not be earnings dilutive to Steinhoff shareholders.

In addition, Steinhoff may be required to extend a mandatory offer based on the same Exchange Ratio to other Shoprite shareholders to acquire their Shoprite ordinary shares ("**Offer**"). If this is the case, such Offer will be in the form of a Steinhoff share-for-Shoprite share exchange, at the Exchange Ratio. Shoprite shareholders will, however, at all times have the election right to retain their exposure to listed Retail Africa directly or be free to choose to accept the Offer, should it be made.

The boards of directors of both Shoprite and Steinhoff remain fully supportive of maintaining Retail Africa's separate listing on the Johannesburg Stock Exchange and are committed to the preservation of an appropriate free float of Retail Africa ordinary shares.

## **2. Rationale**

The Proposed Transaction will result in Steinhoff's African exposure being held through a strategic interest, within a separately listed entity with sufficient liquidity, which can be independently valued as an African retail champion. Additionally, through Retail Africa, Steinhoff's African assets will be exposed to additional growth opportunities. The Proposed Transaction would allow Steinhoff, as a group, to strengthen its exposure and relevance to the African consumer, through the diversified global retail platform that would include Africa's leading fast moving consumer goods, household goods and furniture retailer.

It is expected that Retail Africa's value proposition will provide its shareholders with a sustainable business where the growth and margin improvement opportunities are greater than the current

individual businesses. The collective product ranges, expertise, infrastructure and size of Retail Africa will provide a unique and differentiated customer value proposition, operating in South Africa and in 14 African countries in which established infrastructure sharing will take place.

These benefits would be likely to include: infrastructure and services sharing; product specialisation; product diversification; supply chain optimisation; customer loyalty, choice and convenience; and people management and benefits, such as, access to additional skills, and attracting retail talent.

On a *pro forma* combined basis, Retail Africa would have had revenue and EBITDA of approximately ZAR200 billion and ZAR15 billion respectively, for the twelve month period ended 30 June 2016, with a strengthened balance sheet structure to support further organic and acquisitive growth in its diverse, but complementary constituent businesses.

### **3. Cautionary**

The boards of directors of Shoprite and Steinhoff have agreed to enter into formal negotiations with regard to the Proposed Transaction which negotiations, if successfully concluded, may have a material effect on the price of both companies' securities. Accordingly, shareholders of both Steinhoff and Shoprite are advised to exercise caution when dealing in their securities until further details pertaining to the Proposed Transaction are announced. Any forecast financial information contained in this announcement has not been reviewed or reported on by the companies' external auditors.

Stellenbosch and Cape Town

14 December 2016

Financial Adviser and Transaction Sponsor to Steinhoff

Rand Merchant Bank (A division of FirstRand Bank Limited)

Sponsor to Steinhoff

PSG Capital (Pty) Ltd

Sponsor to Shoprite

Nedbank Corporate and Investment Banking

Legal Advisers to Steinhoff

Cliffe Dekker Hofmeyr Incorporated

Linklaters LLP

Legal Advisers to Shoprite

Werksmans Attorneys