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DATED 12 May 2005

STEINHOFF EUROPE AG (1)

HOMESTYLE CAPITAL (JERSEY) LIMITED (2)

and

HOMESTYLE GROUP PLC (3)

AGREEMENT

for the subscription and sale of
redeemable preference shares in the issued share capital of
HOMESTYLE CAPITAL JERSEY LIMITED

THE CERTIFICATE THAT THIS
IS A TRUE COPY OF THE
ORIGINAL DOCUMENT

Walker Morris
25 May 2005

WALKER MORRIS

WALKER MORRIS

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THIS AGREEMENT is made on

12 May

2005

BETWEEN:

- (1) **STEINHOFF EUROPE AG** incorporated in Austria under number FN38031d whose registered office is at Rennweg 77 Brunn an Gebirge, 2345 Austria (**Steinhoff**);
- (2) **HOMESTYLE CAPITAL (JERSEY) LIMITED** (company number:90100) whose registered office is at Whitely Chambers, Don Street, St Helier, Jersey JE4 9WG (**JerseyCo**); and
- (3) **HOMESTYLE GROUP PLC** (company number: 2287644) whose registered office is at 520 Europa Boulevard, Westbrook, Warrington, WA5 7TP (**Homestyle**).

IT IS AGREED AS FOLLOWS:

1 INTERPRETATION

1.1 In this agreement the following words have the following meanings:

Business Day means a day on which dealings take place on the London Stock Exchange;

First Admission means the admission of the First Vendor Placing Shares to the Official List of the UK Listing Authority becoming effective in accordance with paragraph 7.1 of the Listing Rules and admission to trading of such shares becoming effective in accordance with the LSE Admission Standards;

First Admission Date means the date on which First Admission occurs;

First Preference Shares means 1,905,575 cumulative redeemable preference shares of no par value in the capital of JerseyCo;

First Subscription Sum means £1,905,575;

First Vendor Placing Shares means 3,464,682 new Ordinary Shares;

FSMA means the Financial Services and Markets Act 2000;

LSE Admission Standards means the Admission and Disclosure Standards issued by the London Stock Exchange for companies seeking to be admitted to trading;

Listing Rules means the listing rules made under section 74 FSMA (as amended from time to time);

London Stock Exchange means London Stock Exchange plc;

Long Stop Date means 8 June 2005;

Ordinary Shares means ordinary shares of 25 pence each in the capital of Homestyle;

Press Announcement means the press announcement relating to the refinancing of Homestyle in the agreed form;

Second Admission means admission of the Second Vendor Placing Shares to the Official List of the UK Listing Authority becoming effective in accordance with paragraph 7.1 of the Listing Rules and admission to trading of such shares becoming effective in accordance with the LSE Admission Standards;

Second Admission Date means the date on which Second Admission takes place;

Second Preference Shares means the 1,874,068 cumulative redeemable preference shares of no par value in the Capital of JerseyCo;

Second Subscription Sum means £1,874,068;

Second Vendor Placing Shares means 3,407,397 new Ordinary Shares;

UK Listing Authority means the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV FSMA.

- 1.2 Any headings are inserted for convenience only and shall not affect the construction of this agreement.
- 1.3 A reference to a document **in the agreed form** means in the form of the draft or proof of the document signed for the purposes of identification by or on behalf of the parties with such alterations (if any) as may subsequently be agreed by or on behalf of the parties.
- 1.4 Any phrase introduced by the terms **including, includes, in particular** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

2 CONDITIONS RELATING TO FIRST PREFERENCE SHARES

- 2.1 Completion of the obligations under this agreement relating to the First Preference Shares (other than the obligation under clause 2.5) are conditional upon:

- 2.1.1 the Press Announcement being released not later than 8.30 am on the date of this agreement; and
 - 2.1.2 First Admission taking place no later than 8.00 am on 25 May 2005.
- 2.2 If any of the conditions specified in clause 2.1 shall not have been fulfilled in all respects (or waived by Steinhoff in whole or in part) or if any of such conditions shall have ceased to be capable of being fulfilled, by the time and/or date specified in this agreement for it to be fulfilled the obligations of Homestyle, JerseyCo and Steinhoff under this agreement relating to the First Preference Shares shall *ipso facto* cease and determine and no party shall have any claim against the others for costs, damages, charges, compensation or otherwise.
- 2.3 If the obligations of Homestyle, JerseyCo and Steinhoff under this agreement shall determine pursuant to clause 2.2 Homestyle shall immediately make an announcement to that effect in terms agreed with Steinhoff.
- 2.4 Steinhoff shall, in its absolute discretion and subject to such conditions as it considers appropriate, be entitled to waive fulfilment of all or any of the conditions specified in clause 2.1 (other than that in sub-clause 2.1.2) and/or to extend the time and date by which any of the conditions in clause 2.1 above may be satisfied to not later than 2.30 pm on the Long Stop Date.
- 2.5 Homestyle undertakes to use its reasonable endeavours to procure that each of the conditions stated in clause 2.1 is fulfilled and that First Admission takes place by the due time and/or date referred to in each case or by such later time and/or date (not being later than 2.30 pm on the Long Stop Date) as may be agreed by Steinhoff and, in such latter respect, Steinhoff agrees to provide such assistance as is reasonable and appropriate in the circumstances.

3 AGREEMENT TO SUBSCRIBE FOR FIRST PREFERENCE SHARES

- 3.1 Subject to:
 - 3.1.1 the fulfilment, satisfaction or waiver (to the extent possible) of the conditions set out in clause 2.1 above; and
 - 3.1.2 the carrying out by Homestyle of its obligations under clause 4,

Steinhoff agrees to subscribe and pay for, and Jersey Co agrees to allot, the First Preference Shares at a subscription price per First Preference Share of £1.00 in accordance with the following provisions of this clause.

- 3.2 Upon fulfilment or satisfaction of the conditions and obligations referred to in clause 3.1 and as consideration for the allotment to Steinhoff of the First Preference Shares credited as fully paid up, Steinhoff undertakes to Homestyle and Jersey Co to pay to Jersey Co the First Subscription Sum in accordance with clause 3.4.
- 3.3 Homestyle shall procure that Jersey Co shall allot and issue the First Preference Shares to Steinhoff credited as fully paid up on the basis that such allotment shall be subject to, and shall only take effect upon, fulfilment or satisfaction of the conditions referred to in clause 3.1 and, at such time, Homestyle shall procure that Jersey Co shall forthwith enter the name of Steinhoff in the register of members of Jersey Co held at its registered office in Jersey and, if requested, issue a share certificate to Steinhoff for the First Preference Shares.
- 3.4 The consideration for the allotment of the First Preference Shares shall be Steinhoff's undertaking in clause 3.2 and the First Preference Shares issued to Steinhoff shall accordingly be credited as fully paid up immediately upon satisfaction of the conditions referred to in clause 3.1 and the allotment of the First Preference Shares taking effect. In satisfaction of such undertaking and subject to fulfilment or satisfaction of the conditions and obligations referred to in clause 3.1, on the First Admission Date Steinhoff shall pay to Jersey Co the First Subscription Sum by crediting such account as Homestyle on behalf of JerseyCo may have notified to Steinhoff in advance of such payment.

4 TRANSFER OF FIRST PREFERENCE SHARES

4.1 Subject to:

- 4.1.1 the fulfilment or satisfaction of the conditions set out in clause 2.1; and
- 4.1.2 the carrying out by Jersey Co of its obligations under clause 3,

Steinhoff agrees to transfer to Homestyle the First Preference Shares held by it and Homestyle agrees to accept the transfer of the legal and beneficial ownership of such First Preference Shares free from all encumbrances whatsoever.

- 4.2 Simultaneously with Admission (or on such other later date as Homestyle and Steinhoff may agree), Steinhoff shall deliver or shall procure the delivery to the registered office of Jersey Co in Jersey (or such other place as Homestyle shall stipulate) a transfer duly executed in favour of Homestyle of the First Preference Shares allotted to Steinhoff pursuant to clause 3 together with the relevant share certificate.
- 4.3 The consideration for the transfer of the legal and beneficial ownership of the First Preference Shares shall be the allotment and issuance by Homestyle of the First Vendor Placing Shares to Steinhoff.
- 4.4 Homestyle agrees with Steinhoff that it shall allot the First Vendor Placing Shares credited as fully paid and free from all liens, charges and encumbrances, conditionally only upon First Admission.
- 4.5 The First Vendor Placing Shares will be allotted on terms that they will, when issued and fully paid or credited as fully paid, rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of this agreement.

5 CONDITIONS RELATING TO SECOND PREFERENCE SHARES

- 5.1 Completion of the obligations under this agreement relating to the Second Preference Shares (other than the obligation under clause 5.5) is conditional upon:
- 5.1.1 the Circular (as defined in the Press Announcement) being issued no later than 25 May 2005; and
- 5.1.2 Second Admission taking place no later than 8.00 am on 8 June 2005.
- 5.2 If the conditions specified in clause 5.1 shall not have been fulfilled in all respects (or waived by Steinhoff in whole or in part) or if any of such conditions shall have ceased to be capable of being fulfilled, by the time and/or date specified in this agreement for it to be fulfilled the obligations of Homestyle, JerseyCo and Steinhoff under this agreement relating to Second Preference Shares shall *ipso facto* cease and determine and no party shall have any claim against the others for costs, damages, charges, compensation or otherwise.
- 5.3 If the obligations of Homestyle, JerseyCo and Steinhoff under this agreement shall determine pursuant to clause 5.2 Homestyle shall immediately make an announcement to that effect in terms agreed with Steinhoff.

- 5.4 Steinhoff shall, in its absolute discretion and subject to such conditions as it considers appropriate, be entitled to waive fulfilment of all or any of the conditions specified in clause 5.1 (other than that in sub-clause 5.1.2) and/or to extend the time and date by which any of the conditions in clause 5.1 above may be satisfied to not later than 2.30 pm on the Long Stop Date.

6 AGREEMENT TO SUBSCRIBE FOR SECOND PREFERENCE SHARES

6.1 Subject to:

- 6.1.1 the fulfilment, satisfaction or waiver (to the extent possible) of the conditions set out in clause 5.1 above; and
- 6.1.2 the carrying out by Homestyle of its obligations under clause 7,

Steinhoff agrees to subscribe and pay for, and Jersey Co agrees to allot, the Second Preference Shares at a subscription price per Second Preference Share of £1.00 in accordance with the following provisions of this clause.

- 6.2 Upon fulfilment or satisfaction of the conditions and obligations referred to in clause 6.1 and as consideration for the allotment to Steinhoff of the Second Preference Shares credited as fully paid up, Steinhoff undertakes to Homestyle and Jersey Co to pay to Jersey Co the Second Subscription Sum in accordance with clause 6.4.
- 6.3 Homestyle shall procure that Jersey Co shall allot and issue the Second Preference Shares to Steinhoff credited as fully paid up on the basis that such allotment shall be subject to, and shall only take effect upon, fulfilment or satisfaction of the conditions referred to in clause 5.1 and, at such time, Homestyle shall procure that Jersey Co shall forthwith enter the name of Steinhoff in the register of members of Jersey Co held at its registered office in Jersey and, if requested, issue a share certificate to Steinhoff for the Second Preference Shares.

7 TRANSFER OF SECOND PREFERENCE SHARES

7.1 Subject to:

- 7.1.1 the fulfilment or satisfaction of the conditions set out in clause 5.1; and
- 7.1.2 the carrying out by Jersey Co of its obligations under clause 6,

Steinhoff agrees to transfer to Homestyle the Second Preference Shares held by it and Homestyle agrees to accept the transfer of the legal and beneficial ownership of such Second Preference Shares free from all encumbrances whatsoever.

- 7.2 Simultaneously with Admission (or on such other later date as Homestyle and Steinhoff may agree), Steinhoff shall deliver or shall procure the delivery to the registered office of Jersey Co in Jersey (or such other place as Homestyle shall stipulate) a transfer duly executed in favour of Homestyle of the Second Preference Shares allotted to Steinhoff pursuant to clause 3 together with the relevant share certificate.
- 7.3 The consideration for the transfer of the legal and beneficial ownership of the Second Preference Shares shall be the allotment and issuance by Homestyle of the Second Vendor Placing Shares to Steinhoff.
- 7.4 Homestyle agrees with Steinhoff that it shall allot the Second Vendor Placing Shares credited as fully paid and free from all liens, charges and encumbrances, conditionally only upon Second Admission.

8 ANNOUNCEMENTS

Save as required by law or the UK Listing Authority, the London Stock Exchange or any regulatory authorities, no announcement, statement or written communication (other than the Press Announcement) concerning the matters referred to in this agreement will be made or despatched by or on behalf of Homestyle, Steinhoff or JerseyCo to any third party between the date of this agreement and Second Admission without the prior approval of the other parties to this agreement.

9 TIME OF THE ESSENCE

- 9.1 Any time, date or period mentioned in this agreement may be extended by mutual agreement between Homestyle and Steinhoff.
- 9.2 As regards any time, date or period originally fixed or any time, date or period so extended as aforesaid, time shall be of the essence.
- 9.3 All references in this agreement to a time of day are to London time.

10 COUNTERPARTS

This agreement may be entered into in any number of counterparts and by the parties to it on separate counterparts, each of which when executed and delivered shall be an original, but all the

counterparts shall together constitute one and the same instrument. The parties further agree that this agreement may be executed and delivered by the exchange of facsimile signatures and that such signatures are intended to be fully effective, valid and binding.

11 GENERAL

- 11.1 No variation of this agreement shall be effective unless made in writing and signed by or on behalf of the parties to this agreement.
- 11.2 A person who is not a party to this agreement has no right to enforce any term of this agreement but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.
- 11.3 No failure or delay in exercising or enforcing any right or remedy under this agreement shall constitute a waiver of that right or remedy and no single or partial exercise or enforcement of any right or remedy under this agreement shall preclude or restrict the further exercise or enforcement of that right or remedy. A waiver of a breach of any of the terms of this agreement or of a default under this agreement does not constitute a waiver of any other breach or default and shall not affect the other terms of this agreement. A waiver or a breach of any of the terms of this agreement or of a default under this agreement will not prevent a party from subsequently requiring compliance with the waived obligation. The rights and remedies provided in this agreement are cumulative and not exclusive of any rights and remedies provided by law.

12 NOTICES

- 12.1 Any notice or document to be served under this agreement may be delivered or it may be sent by:
 - 12.1.1 first class recorded delivery post; or
 - 12.1.2 facsimile transmission,to the party to be served at its address specified on page 1 of this agreement or at any other address which the party to be served may have notified to the other parties in accordance with this clause.
- 12.2 For the avoidance of doubt notice given under this agreement shall not be validly served if sent by e-mail.

12.3 Any notice or document referred to in clause 13.1 above shall be deemed to have been served:

12.3.1 if delivered, at the time of delivery, or

12.3.2 if sent by post, at 10.00 am on the second Business Day after the day it is posted, or

12.3.3 if sent by facsimile transmission, one hour after the time of despatch if despatched before 4.00 p.m. on any Business Day and if a transmission report is received confirming a successful transmission and in any other case at 10.00 am on the Business Day following the date of despatch.

12.4 In proving service it shall be enough to prove that delivery was made, that the envelope containing the notice or document was properly addressed and posted as a prepaid first class recorded delivery letter or that the facsimile transmission was properly addressed and despatched.

13 GOVERNING LAW AND JURISDICTION

13.1 This agreement shall be governed by and construed in accordance with the laws of England. The parties submit for all purposes connected with this agreement to the exclusive jurisdiction of the High Court of Justice in England and Wales.

13.2 JerseyCo irrevocably designates and authorises Homestyle to accept service of all legal process arising out of this agreement.

IN WITNESS of which the parties to this agreement have executed it as a deed and delivered it on the date first written in this agreement.

EXECUTED AS A DEED)

by STEINHOFF EUROPE AG)

acting by:)

Director

Director/Secretary

EXECUTED AS A DEED)

by HOMESTYLE CAPITAL)

(JERSEY) LIMITED acting by:)

Director

Director

EXECUTED AS A DEED)

by HOMESTYLE GROUP PLC)

acting by:)

Director

Director/Secretary