20 September 2016
This notice is important and requires your immediate attention

EDCON HOLDINGS LIMITED (“EDCON”)

UNAUDITED TRADING UPDATE

FOR THE 52 WEEKS ENDED 26 MARCH 2016 AND FOR THE 13 WEEKS ENDED 25 JUNE 2016

DISCLAIMER

Edcon Limited ("Edcon," and together with its consolidated subsidiaries, the "Group" or the "Edcon Group") is providing the following trading update (the "Trading Update") which provides an update on the Group's financial performance for the financial year ended 26 March 2016 and the 13-week period ended 25 June 2016, and also contains certain information taken from the internal planning budget of the Group's management, which was provided to stakeholders in connection with discussions concerning the comprehensive restructuring (the "Restructuring") of the Group's capital structure.

This Trading Update or any part of it is for informational purposes only and does not constitute, and should not be construed as, part of any offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for, any securities in the Group and it is not intended to provide the basis of any investment decision nor does it nor is it intended to form the basis of any contract for acquisition of or investment in the Group, financial promotion, or any offer or invitation in relation to any acquisition of or investment in the Group in any jurisdiction, nor should it be considered as legal, financial or tax advice in relation to the same.

This financial information contained in this Trading Update is based on management accounts, rather than derived from our financial statements for fiscal year 2016 or the first quarter 2017, as applicable. Our independent auditors, Deloitte & Touche, have not audited, reviewed, compiled or performed any procedures with respect to the financial data included herein. Accordingly, our independent auditors do not express an opinion or any other form of assurance with respect thereto. The preliminary results presented herein are based on a number of assumptions that are subject to inherent uncertainties and subject to change. We cannot assure you that, upon completion of our financial statements for fiscal year 2016 over the next several weeks, or fiscal year 2017, as applicable, and the review by our independent auditors of our results for fiscal year 2016 or fiscal year 2017, as applicable, we will not report materially different results than those indicated herein.

This Trading Update includes forward-looking statements, including certain estimates and budgets that the Group has provided to some of its creditors and other stakeholders, which are based on the Group's current expectations and projections about future events. All statements other than statements of historical facts included in this Trading Update, including statements regarding the Group's future financial position, risks and uncertainties related to its business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, including our plans for future costs savings and synergies may be deemed to be forward-looking statements. Words such as "believe," "expect," "anticipate," "may," "assume," "plan," "intend," "will," "should," "estimate," "risk" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. In the course of preparing such forward-looking statements, the Group has taken into account historical financial performance and made certain assumptions that management of the Group has deemed to be reasonable. None of the information contained in the forward-looking statements has been independently verified and no representation or warranty, express or implied, is made by the Group as to the information or opinions contained in any forward-looking statement. Any forward-looking statements contained in this Trading Update are made only as of the date of this Trading Update.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Edcon cautions you that forward-looking statements are not guarantees of future performance and that the actual results of operations, financial condition and liquidity and the development of the industry in which Edcon operates may differ materially from those made in or suggested by the forward-looking statements contained in this Trading Update. Consequently, you should not place undue reliance on these forward-looking statements. Some of the risks and uncertainties that may cause Edcon's actual results to differ materially from those expressed or implied by, or described in, the forward-looking statements in this trading update are described in the section entitled "Risk Factors" of Part A, and which Edcon urges you to read and consider in conjunction with this trading update. No member of the Group is under any obligation to keep current any of the information (including any forward-looking statements) contained in this Trading Update, and any opinions expressed in it are subject to change without notice. Furthermore, the Group disclaims any obligation to update their views of any of the risks and uncertainties presented in this Trading Update or in the Group's Financial Report. Nothing in this Trading Update will create an obligation on behalf of the Group to provide information similar to the information contained in this Trading Update in the future. None of the information contained on the Group's website is incorporated by reference into or otherwise deemed to be linked to this Trading Update.

Prospective investors are reminded that past financial performance is not a reliable indicator of any potential future performance, and prospective and current investors are solely responsible for making their own independent appraisal of and investigations into the financial and other information presented in this Trading Update. No member of the Group assumes any obligation to review or confirm analyst expectations or estimates. Nothing in this Trading Update constitutes investment advice.

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PART A

EDCON HOLDINGS LIMITED (“EDCON”)

UNAUDITED TRADING UPDATE

FOR THE 52 WEEKS ENDED 26 MARCH 2016

BUSINESS

Edcon Holdings Limited (together with its subsidiaries, "the Group" or "Edcon" or "we" or "us") is southern Africa's largest non-food retailer. We have been in operation for more than 80 years and have expanded our footprint to 1,542 stores as at 26 March 2016, including 213 stores in eight countries outside of South Africa. During the current financial period, we operated our business under four principal operating divisions comprising nine key store chains as well as mono-branded stores throughout southern Africa.

- Our *Edgars* division, which consists of department stores targeted at middle-to-upper-income customers, includes store chains *Edgars*, *Edgars Active*, *Edgars Shoe Gallery*, *Boardmans* and *Red Square* as well as our mono-branded stores, and accounted for 51.3% of total retail sales in the 52-week period ended 26 March 2016. We had 559 stores in our Edgars division (including mono-branded stores) and an average retail space of 846 thousand square meters for the financial year 2016.
- Our Discount division, which consists of discount stores selling value merchandise targeted at lower- to middle-income customers, includes store chains *Jet*, *Legit* and *Jet Mart*, and accounted for 38.8% of total retail sales in the 52-week period ended 26 March 2016. We had 732 stores in our Discount division and an average retail space of 642 thousand square meters for the financial year 2016.
- We are also a leading retailer of books and magazines in South Africa under our *CNA* division, which accounted for 6.9% of total retail sales in the 52-week period ended 26 March 2016. As at 26 March 2016 we had 198 stores in our CNA division and an average retail space of 79 thousand square meters for the financial year 2016.
- Our business in Zimbabwe is independently managed and reported. It accounted for 3.0% of total retail sales reported in the 52-week period ended 26 March 2016. As at 26 March 2016 we reported 53 stores and an average retail space of 40 thousand square meters for the 52-week period.

We have secured exclusive rights to a number of international brands in South Africa, including *Topshop, Tom Tailor, Mac, Lipsy, Bobbi Brown, Lucky Brand, Dune, TM Lewin, Salsa, Jigsaw, Calvin Klein, Khiels, Victoria Secrets Beauty and Accessories, Vince Camuto, River Island, Doc Martens, Jo Malone and Gosh.* Most of these brands are still relatively new to South Africa and are available on an exclusive basis in our Edgars stores as well as being rolled out in mono-branded stores. We also hold a controlling stake in companies holding the exclusive rights to *Accessorize, La Senza* and *Inglot.* As at 26 March 2016, we had a total of 85 mono-branded stores. The results of both the shop-in-shop and stand-alone stores are included in the Edgars division.

We also sell mobile phones, related accessories and airtime across all of our divisions, which accounted for 11.0% of our total retail sales in the 52-week period ended 26 March 2016. Our popular retail store chains allow us to serve a wide cross-section of society in the countries in which the Group operates.

We also offer credit and insurance products to the Group's customers via our strategic partnerships,. We still hold our own foreign book and our own second look credit book, which are worth R321 million and R164 million, respectively, and consolidate the Edgars Zimbabwe book of R481 million, which is managed by Edgars Zimbabwe as of 26 March 2016.

The Group also owns a controlling stake in Celrose Proprietary Limited which controls Eddels Proprietary Limited, which are manufacturing businesses. Celrose manufactures apparel whilst Eddels manufactures footwear.

Our *Thank U* rewards program, which was introduced in 2012, allows customers to earn *Thank U* points for their purchases in most of our stores which can be redeemed on future purchases. As at 26 March 2016, the *Thank U* rewards program had over 12 million members.

Our primary operations are in South Africa where the Group generated 88% of our retail sales in fiscal year 2016. The rest of our operations are in neighbouring Namibia, Botswana, Lesotho, Swaziland, Mozambique, Ghana, Zimbabwe and Zambia, where we operate 213 retail outlets. Edgars Zimbabwe is managed independently and

disclosed as a separate division. The Group generated revenues of R29,352 million, including retail sales of R27,147 million.

Although our retail businesses are divided into three principal divisions, excluding operations in Zimbabwe, we maintain seven operating segments namely Edgars, Discount, CNA, Manufacturing, Credit and Financial Services, Edgars Zimbabwe and Group Services.

SHAREHOLDERS AND MANAGEMENT

Shareholders

Edcon Holdings Limited's shareholders are Edcon (BC) S.A.R.L, The Edcon Staff Empowerment Trust (the "Empowerment Trust") and ten further trusts. Edcon (BC) S.A.R.L is a société à responsabilité limitée incorporated in Luxembourg and holds 81% of the ordinary shares of Edcon Holdings Limited. The Empowerment Trust was created in July 2005 as part of our Black Empowerment Equity (BEE) program and its beneficiaries are predominantly black employees. The Staff Empowerment Trust holds shares entitling it in aggregate to 11% of the votes at any general meeting of Edcon Holdings Limited.

The remaining shareholders in Edcon Holdings Limited are the Founder Investor Trusts, Independent Investor Trusts and Tertiary Investor Trusts. These trusts, the beneficiaries of which include members of Edcon management and directors of Edcon who are considered to be related parties, collectively hold 8% of the shares of Edcon Holdings Limited.

Directors and management

Edcon has a unitary board structure comprising three executive directors, four non-executive directors and five independent non-executive directors. Our board has delegated authority for the day-to-day affairs of the Group to the Executive Management Group, which includes the chief executive officer, the chief financial officer, and the chief executives of the Edgars and Discount divisions.

Jurgen Schreiber resigned as the Managing Director and Chief Executive Officer (CEO) on 18 August 2015, joining the Group as non-executive director on that date and resigning as non-executive director effective 31 March 2016. Dr U Ferndale and RB Daniels were appointed as interim joint Chief Executive Officers and resigned on 30 September 2015 when BJ Brookes joined the Group as Managing Director and Chief Executive Officer effective 30 September 2015.

On 16 June 2016, the Group announced the appointment of R Vaughan as Chief Financial Officer (CFO) effective 27 July 2016. T Clerckx resigned effective 22 July 2016. R Vaughan has been the Deputy Group Financial Officer for 4 years, is a qualified Chartered Accountant and has significant experience in a diverse set of roles including with Goldman Sachs and Deutsche Bank.

B Gebauer, the Chief Executive for the Edgars division resigned effective 2 March 2016 and B Brookes is currently the acting Chief Executive of the Edgars division.

The following non-executive board changes also took place during FY16: (i) J Schreiber joined as a non-executive director effective 18 August 2015 and resigned as a non-executive director effective 31 March 2016; (ii)LL von Zeuner resigned as a non-executive director effective 10 December 2015; (iii) DH Brown resigned as a non-executive director effective 31 December 2015; (iv) KDM Warburton joined as a non-executive director effective 1 February 2016; (v) A Alvarez III joined as a non-executive director effective 21 April 2016; and (vi) D Fraumann joined as a non-executive director effective 31 May 2016.

A Transaction Committee was formed as a board sub-committee in April 2016, pursuant to the signing of the Coupon Deferral Term Sheet. The Committee is comprised of three independent directors (i) K Warburton, (ii) D Fraumann and (iii) A Alvarez (the Chief Restructuring Officer), as well as B Brookes (CEO) and R Vaughan (CFO). The Transaction Committee is mandated to manage and review all strategic initiatives and restructurings.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL AND OTHER DATA

The following historical financial data relates to the unaudited consolidated financial statements for the 52-week period ended 26 March 2016, the 52-week period ended 28 March 2015 and the 52-week period ended 29 March 2014. These consolidated financial statements are not audited by Deloitte & Touche. Unless the context requires otherwise, references in this notice to "financial year 2016" (or "FY2016") and "financial year 2015" (or "FY2015") and "financial year 2014" (or "FY2014") shall mean the 52-week period ended 26 March 2016, the 52-week period ended 28 March 2015 and the 52-week period ended 29 March 2014 respectively.

Throughout these reports Edgars refers to the Edgars division, which comprises Edgars, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery and the mono-branded stores while Discount refers to the Discount division, which comprises Jet, Jet Mart and Legit.

This trading update is presented in advance of the implementation of the Restructuring and the annual audited financial statements for FY 2016.

MANAGEMENT DISCUSSION AND ANALYSIS OF UNAUDITED TRADING UPDATE

Operational Highlights

Pertaining to the 52-week period ended 26 March 2016 compared to the prior comparative period

- *Deleveraging of €298 million on conclusion of the Exchange Offer and Amend & Extend of bank loans*
- *Net accounting gain on Exchange Offer of R4,141 million - deleveraging effect of the Exchange Offer*
- *Customer-centric strategic plan announced in December 2015*
- *Retail sales decreased by 1.3% to R27,147 million*
- *Retail cash sales increased by 5.3%*
- *Retail credit sales decreased by 10.2%*
- *Second-look trade receivables book grows in excess of 100%*
- *Controllable costs well managed*
- *Adjusted EBITDA decreased by 1.7% to R2,639 million*

Introduction

Operation results

The overall trading environment for the FY2016 was challenging primarily due to an increase in income taxes, rising unemployment, rising interest rates, drought-induced rise in domestic grain prices and sustained weak Rand exchange rate. The factors affected the growth of household income as a result, and consumer confidence as reported by the Bureau for Economic Research, declined close to its lowest point in 14 years during FY2016, which further weighed on consumer spending. Group retail sales decreased 1.3% to R27,147 million compared to financial year 2016 while comparative store sales declined by 3.2%. Cash sales performance for the Group increased by 5.3% compared to FY2015 despite the challenging trading environment. However, credit sales decreased by 10.2% and were mainly affected by low consumer confidence and low household incomes, as well as new credit affordability regulations which came into effect in September 2015. We estimate that the introduction of the new credit affordability regulations during FY2016 negatively affected retail sales by approximately R297 million. Credit sales contributed 38.8% of total retail sales in FY2016 compared to 42.7% in FY2015. The Group continues to supplement the Absa credit offering through the in-house second look credit solution, and Edcon's second look trade receivables book has returned acceptance rates to a healthier level and has assisted in slowing the decline in credit sales. As at 26 March 2016, the second look trade receivables book had grown 116% compared to 28 March 2015.

Group gross profit margins decreased from 37.2% to 36.7% mainly as a result of increased clearance markdowns particularly in the Edgars division combined with increased input costs as a result of the declining Rand.

Sound cost management limited the decrease in adjusted EBITDA to only 1.7% and adjusted EBITDA in FY2016 was R2,639 million in compared to R2,684 million in FY2015. Total capital investments over the year were R552 million, a decrease of R485 million, or 46.8% compared to capital investments of R1,037 million in financial year 2015. Average space increased 2.7% year on year.

The Edgars division, which includes mono-branded stores, reported total retail sales of R13,929 million, in line with the R13,929 million reported in financial year 2015, with cash sales growth of 8.2% and a decline in credit sales of 8.5%. Comparable store sales reduced 2.8%, mainly due to the decline in credit sales and challenging trading environments within central business district localised stores. Gross profit margin in the Edgars division decreased by 1.0% from 39.5% in FY2015 to 38.5% in FY2016, primarily due to the declining Rand, which increased input costs combined with increased clearance markdowns. Edgars' average space increased 4.6%, including the rollout of mono-branded stores.

The Discount division decreased sales by R242 million, or 2.2%, from R10,771 million in fiscal year 2015 to R10,529 million in fiscal year 2016 and comparable store sales decreased 3.8%. Sales were impacted by a

double digit decline in credit sales of 15.2%, which was only partially offset by a 5.1% increase in cash sales. Gross profit margin increased by 10 basis points from 34.9% to 35.0% mainly as a result of well managed clearance markdowns and continued improvements in buying and pricing architecture. Average space increased 1.4%.

Sales from operations outside of South Africa were in line with sales reported in fiscal 2015, despite credit tightening during fiscal year 2016 in Swaziland, Lesotho, Botswana and in particular Namibia, following the sale of the majority of the Namibian trade accounts receivable book to Absa on 1 July 2014 as well as a decrease in consumer confidence in Zimbabwe, which negatively affected sales growth in local currency in that country. The negative impact on retail sales as a result of credit tightening and reduced consumer confidence in Zimbabwe was offset by exchange gains as a result of the weaker Rand on consolidation of foreign entities.

At the end of the financial year, cash and cash equivalents were R1,693 million, an increase of R405 million or 31.4%, compared to R1,288 million in fiscal year 2015. As at 26 March 2016, net debt was R25,379 million, an increase of R1,417 million, or 5.9%, from R23,962 million reported at 28 March 2015, mainly as a result of the devaluation of the Rand against the Euro and US dollar during fiscal 2016 negating the positive deleveraging effect of the Exchange Offer detailed below. The ZAR depreciated against the Euro from EUR:R13.12 at 28 March 2015 to EUR:R17.26 at 26 March 2016. The US dollar likewise depreciated from USD:R12.04 to USD:R15.46. Net debt at 26 March 2016 at fiscal year 2015 exchange rates would have been R20,726 million, R4,653 million lower than the R25,379 million reported at 26 March 2016 and R3,236 million lower than that reported at 28 March 2015.

The primary focus of the Group continues to be the needs of its vast customer base and the return of the business to its leading position in the market. The strategic plan is customer-centric and focuses on simplicity, and people empowerment. A restructuring of management roles and responsibilities has been completed for the delivery of these strategic objectives in the financial period ending 25 March 2017 and beyond.

Exchange Offer and Amend & Extend

In June 2015, we launched and Exchange Offer for the Group's €425 million fixed rate notes which were due 30 June 2019, which was concluded on 27 November 2015. The total deleveraging effect on the Group as a result of the Exchange Offer was €298 million, including a decrease in cash-pay leverage of approximately 25% and a reduction at the time of the Group's annual net cash interest payments of approximately R1 billion. As a result of the Exchange Offer, we recognised a net accounting gain of R4,141 million in FY2016, which is excluded from adjusted EBITDA. Additionally, in November 2015, the Group successfully reached an agreement with all of its bank lenders to extend the maturity of over R7.9 billion of bank debt and additionally secured a Super Senior Refinancing Facility of €123 million, which, was utilised to refinance the R1,010 million floating rate notes due 4 April 2016 and the Super Senior Liquidity Facility due 30 September 2016 (together, the "Amend & Extend").

Trading update

Key operational data

Retail sales growth (%)	***FY2014 Actual***	***FY2015 Actual***	***FY2016 Actual***	***FY2014 LFL[1]***	***FY2015 LFL[1]***	***FY2016 LFL[1]***
Edgars	2.7	1.8	0.0	(2.7)	(2.6)	(2.8)
Discount	7.4	2.5	(2.2)	3.2	(0.3)	(3.8)
CNA	3.2	(5.6)	(7.2)	3.1	(7.5)	(7.1)
Zimbabwe[2]	28.9	23.7	2.9	27.4	20.8	9.2
Total	5.1	2.0	(1.3)	0.5	(1.6)	(3.2)

(unaudited)

(1) Like-for-like sales (same store sales).
(2) On a constant currency basis retail sales decreased 13.7% and LFL sales decreased 8.0% in FY2016.

(unaudited)

Gross profit margin (%)	***FY2014***	***FY2015***	***FY2016***	***pts change[1]***
Edgars	38.6	39.5	38.5	(1.0)
Discount	34.1	34.9	35.0	0.1
can	31.1	30.5	29.9	(0.6)
Zimbabwe	48.6	45.9	45.3	(0.6)
Total	36.5	37.2	36.7	(0.5)

(1) FY2016 % change on FY2015.

(unaudited)

Other	***FY2014***	***FY2015***	***FY2016***	***pts change[1]***
Total number of stores	1 403	1 500	1 542	2.8
Average retail space ('000 sqm)	1 492	1 565	1 607	2.7
Customer accounts ('000s)[2]	3 789	3 496	3 400	(2.7)
Thank U cards ('000s)[3]	11 000	12 000	12 000	-

(1) FY2016 % change on FY2015.
(2) Customer accounts includes Zimbabwe customer credit accounts of 142,796 FY2014, 168,763 FY2015 and 181,979 FY2016.
(3) Thank U card numbers are rounded down to closest million.

Edcon's retail business comprises three principal retail divisions, each of which are discussed in turn below.

Edgars

The Edgars division retail sales remained flat in fiscal 2016 compared to fiscal 2015 while same-store sales were 2.8% lower, negatively impacted by an 8.5% decline in credit sales. The credit sales contribution reduced from 48.9% of total sales in fiscal 2015 to 44.8% of total sales. Cash sales increased 8.2% over the same period. Edgars stores showed good performance in cosmetics, homewares and menswear offset by a weaker than expected performance in ladieswear and cellular.

Average space increased by 4.6% to 846 thousand square meters when compared to fiscal 2015. During the year ended 26 March 2016, Edcon opened ten Edgars stores, six Boardmans, fourteen Edgars Active, five Red Square, one Edgars Sale store and thirteen new mono-branded stores. During the same period, Edcon closed twenty-three stores in the Edgars division (seven Edgars, four Edgars Active, six Boardmans and six mono-branded stores) bringing the total number of stores in the Edgars division to 559, including mono-branded stores.

Gross margin was 38.5% for the financial year 2016, a decrease from 39.5% for the financial year 2015 due to increased clearance activity and higher input costs as a result of the weaker Rand.

Discount

The Discount division's retail sales decreased by 2.2% and same store retail sales decreased by 3.8% in fiscal year 2016, primarily as a result of poor performances in childrenswear and footwear as well as a 15.2% decline in credit sales. Credit sales contribution reduced significantly from 36.4% of total retail sales in the prior year to 31.6% of total retail sales. Cash sales increased by only 5.1% over the same period. Menswear performed well and the remaining categories performed in line or slightly better than fiscal 2015.

Average space increased by 1.4% to 642 thousand square meters when compared to the 2015 financial year. During the year we opened twenty-four Jet stores, eleven Legit and four Jet Marts and closed twenty-six stores (nineteen Jet, three Jet Marts and four Legit stores) bringing the total number of stores in the Discount division to 732.

Gross profit margin of the Discount division increased from 34.9% for financial year 2015 to 35.0% for financial year 2016, as higher input costs and clearance activity were well managed within the Discount division and continued strategies to improve buying and pricing architecture contributed to maintain the gross profit margin.

CNA

CNA retail sales decreased 7.2% and same store retail sales decreased 7.1%. The decrease was primarily as a result of a reduction in average space of 6.2%, and negative cash and credit sales of 3.4% and 17.9% respectively, which impacted sales performance across most categories. During the year eight new stores were opened and five were closed, bringing the total number of CNA stores to 198.

Gross margin decreased from 30.5% for financial year 2015 to 29.9% for financial year 2016 mainly due to product mix.

African expansion

The total number of Edcon group stores outside of South Africa increased by 13, from 200 at the end of financial year 2015, to 213 at the end of financial year 2016. Retail sales from these stores decreased marginally by 0.1% (1.1% decrease excluding Zimbabwe). Retail sales were impacted by credit tightening in Swaziland, Lesotho, and Botswana and in particular in Namibia, following the sale of the Namibian book to Absa on 1 July 2014 as well as reduced consumer confidence in Zimbabwe, affected by economic factors in that country. The negative impact on retail sales as a result of credit tightening and reduced consumer confidence in Zimbabwe was offset by exchange gains as a result of the weaker Rand on consolidation of foreign entities. Retail sales in Zambia and Ghana continued to perform well. Sales from stores outside South Africa contributed 12.0% (9.2% excluding Zimbabwe) of retail sales for the financial year 2016, up from 11.8% (8.9% excluding Zimbabwe) in the prior comparative period.

Credit and financial services

Edcon, excluding Edgars Zimbabwe, lost 108 thousand credit customers during FY2016 compared to the end of financial year 2015. On a twelve month rolling basis excluding Edgars Zimbabwe, credit sales decreased from 42.3% in the FY2015 period to 37.9% of total retail sales in FY2016. In September 2015, the National Credit Regulator implemented credit affordability regulations negatively affecting retail sales by approximately R297 million in the current fiscal 2016. The Group's in-house second look trade receivables book, although still small, has returned acceptance rates to healthier levels and has assisted in slowing the decline in credit sales. Edcon will continue to supplement its Absa credit offering through the in-house second look credit solution. As at 26

March 2016, Edcon's second look trade receivables book has grown by R88 million, or 116% to R164 million at 26 March 2016, compared to R76 million as at 28 March 2015.

As at 26 March 2016, the Group has ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale on the Statement of Financial Position as a buyer could not be found at an acceptable price.

In July 2015, the Group outsourced existing consumer credit services excluding those carried out by Edgars Stores Limited in Zimbabwe, which is separately managed. The arrangement is expected to result in an approximate R200 million service cost reduction in the initial two year period of the arrangement.

Share of profits from the insurance business decreased by R22 million or 2.9% over the prior comparative period, to R725 million for the financial year 2016 from R747 million in financial year 2015. The decline in profits was impacted by the lower number of credit customers as store credit is a prerequisite for a policy.

Financial review

Summary financial information

				(unaudited)
Rm	***FY2014***	***FY2015***	***FY2016***	***% change***[1]
Total revenues[2]	28 942	29 546	29 352	(0.7)
Retail sales	26 974	27 510	27 147	(1.3)
Gross profit	9 842	10 245	9 974	(2.6)
Gross profit margin (%)	36.5	37.2	36.7	(0.5 pts)
Capital expenditure	1 349	1 037	552	(46.8)
Adjusted EBITDA[3]	2 622	2 684	2 639	(1.7)
Net debt including cash and derivatives	22 678	23 962	25 379	5.9
Net debt/adjusted EBITDA	8.6	8.9	9.6	0.7x

(1) FY2016 % change on FY2015.

(2) FY2014 and FY2015 have been re-presented as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale. The results of operations previously presented in discontinued operations in the Consolidated Statement of Comprehensive Income has been re-presented and included in income from continuing operations for all periods presented.

(3) See table on page 15 which reconciles trading profit/loss to adjusted EBITDA.

Revenues

Total revenues decreased by R194 million, or 0.7%, from R29,546 million in fiscal year 2015 to R29,352 million in fiscal year 2016. The decrease in total revenues is commensurate with the decrease in retail sales of R363 million as a result of the challenging trading environment, which resulted from an increase in income taxes, rising unemployment and rising interest rates, the drought as well as a sharp depreciation in the Rand. Cash sales increased 5.3% in fiscal year 2016 compared to fiscal year 2015, while credit sales decreased by 10.2% impacted largely by the change in affordability regulations implemented in September 2015 with total retail sales declining 1.3% compared to fiscal year 2015. The decrease in total revenues as a result of unsatisfactory retail sales performance, was partially offset by an increase in club fees of R40 million due to the pricing mix particularly in the Edgars division as customers migrated to the VIP Club from the classic club, finance charges on trade receivables of R72 million as Edcon's in-house second look trade receivables book continued to grow, additional finance income of R31 million due to higher cash balances on hand during fiscal year 2016, additional administration fee income from Absa of R17 million, and an increase in manufacturing sales to third parties of R31 million.

Retail gross profit

Gross profit was 36.7% for fiscal year 2016, a decrease from 37.2% for fiscal year 2015 largely due to higher levels of promotional activity required to offset negative credit sales. Furthermore, we were unable to pass through higher product costs caused by a weaker Rand in fiscal year 2016 to our customers through price increases. Margin improvements in the Discount division were offset by declining margins in the Edgars, CNA and Zimbabwe divisions.

Reconciliation of EBITDA and Adjusted EBITDA

The following table reconciles loss for the period to EBITDA and adjusted EBITDA for each of the periods indicated:

Rm	***FY2014***	***FY2015***	***FY2016***	***(unaudited)*** ***% change***[1]
Trading profit[2]	1 213	1 305	987	(24.4)
Depreciation and amortisation	1 137	1 079	1 004	
Net asset write off[3]	11	37	19	
Gain on sales of written down trade receivables[4]		(42)	(29)	
Loss/(profit) from brands to be exited[5]	(5)	-	8	
Rand depreciation adjustment[6]			52	
Other non-recurring costs[7]	266	305[8]	598	
Adjusted EBITDA[2]	2.622	2 684	2 639	(1.7)

(1) FY2016 % change on FY2015.

(2) FY2014 and FY2015 have been re-presented where necessary as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale in the Consolidated Statement of Financial Position and as discontinued operations in the Consolidated Statement of Comprehensive Income. The results of operations previously presented in discontinued operations in the Consolidated Statement of Comprehensive Income has been re-presented and included in income from continuing operations for all periods presented.

(3) Relates to assets written off in connection with the closure of stores, net of related proceeds where applicable.

(4) Relates to gains realised on the sale of a portfolio of written down trade receivables.

(5) Adjustment to remove the EBITDA gain or loss achieved from certain brands being Express, Geox, Lucky Brand and One Green Elephant which the Group has strategically agreed to exit.

(6) Foreign exchange gains recognised below the trading profit line which hedged the exposure in cost of sales as a result of the significant devaluation of the Rand.

(7) Non-recurring costs in FY2014 related to the sale of the trade receivables book in the amount of R116 million, employee restructure costs of R93 million and post-retirement medical aid buyout of R57 million; non-recurring costs in FY2015 related to the sale of the trade receivables book in the amount of R73 million, employee restructure costs of R69 million and onerous lease charges of R137 million, post-retirement medical aid buyout credit of R23 million, once-off lease adjustment of R49 million; and non-recurring costs in FY2016 related to employee restructure costs of R72 million, onerous lease charges of R123 million and R1 million lease cancellation cost, post-retirement medical aid buyout cost of R26 million, once-off lease adjustment of R33 million, penalty costs of R57 million, transitional project related expenditure of R70 million and strategic initiative costs of R216 million.

(8) Reclassified by R55 million for costs accrued relating to the Exchange Offer reclassified on the Statement of Comprehensive Income below trading profit.

As at 26 March 2016, the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale on the Statement of Financial Position in the consolidated financial statements as a buyer could not be found at an acceptable price. As a result, the Group no longer reports pro-forma adjusted EBITDA, which reported normalised earnings on the basis of 100% of the trade receivables book accounted for as though all trade accounts receivable which were previously classified as held-for-sale had been sold and Group earned a fee similar to that under the Absa relationship. In addition, the Group has taken a strategic decision to exit certain international brands including Express, Geox, Lucky Brand and One Green Elephant. Adjusted EBITDA for the Group, relating to each of these brands has been restated in fiscal year 2014 and 2015 to exclude adjusted EBITDA relating to these brands.

The table below reconciles previously reported pro-forma adjusted EBITDA to adjusted EBITDA reported on page 15 for fiscal year 2014 and fiscal year 2015:

		(unaudited)
Rm	***FY2014***	***FY2015***
Pro-forma adjusted EBITDA previously reported(1)	2 687	2 725
Net income/(loss) from previous card programme(2)	(29)	23
Net income from new card programme(3)	(31)	(22)
Adjusted EBITDA previously reported(1)	2 627	2 726
Gain on sales of written down trade receivables(4)		(42)
Loss/(profit) from brands to be exited(5)	(5)	-
Adjusted EBITDA(6)	2 622	2 684

(1) Pro-forma adjusted EBITDA and Adjusted EBITDA as reported in the Annual Report for Edcon Holdings Limited for the 52 weeks ended 28 March 2015.

(2) Net income/(loss) derived from 100% of the trade receivables including finance charges revenue, bad debts and provisions are added back as no longer accounted for as a discontinued operation.

(3) Pro-forma fee earned by Edcon under the new arrangement with Absa, based on 100% of the trade receivables book, now excluded as the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.

(4) Relates to gains realised on the sale of a portfolio of written down trade receivables in fiscal year 2015.

(5) Adjustment to remove the EBITDA gain or loss achieved from certain brands being Express, Geox, Lucky Brand and One Green Elephant which the Group has strategically agreed to exit.

(6) Adjusted EBITDA as reported on page 15.

Costs

				(unaudited)
Rm	***FY2014***	***FY2015***	***FY2016***	***% change***(1)
Store costs	5 700	6 277	6 463	3.0
Other operating costs(2)	3 791	3 804	3 650	(4.0)
Store card credit administration costs(3)	800	557	417	(25.1)
Non-recurring costs(4)	266	305(5)	598	96.1

(1) FY2016 % change on FY2015.

(2) Other operating costs as per consolidated financial statements, before costs in notes (3) and (4) below.

(3) Relates to costs associated with the administration of the store credit card funded by Absa or Edcon. Fiscal year 2014 and fiscal year 2015 have been re-presented by R244 million and R116 million respectively as the Group has ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as discontinued operations.

(4) FY2014 costs relating to the sale of the trade receivables book of R116 million, employee restructure costs of R93 million and post-retirement medical aid buyout of R57 million; FY2015 costs relating to the sale of the trade receivables book of R73 million, employee restructure costs of R69 million and onerous lease charges of R137 million, post-retirement medical aid buyout credit of R23 million, once-off lease adjustment of R49 million and FY2016 employee restructure costs of R72 million, onerous lease charges of R123 million and R1 million lease cancellation cost, post-retirement medical aid buyout of R26 million, once-off lease adjustment of R33 million, penalty costs of R57 million, transitional project related expenditure of R70 million and strategic initiative costs of R216 million.

(5) Re-presented by R55 million for costs accrued relating to the Exchange Offer reclassified on the Statement of Comprehensive Income below trading profit.

Total store costs were well managed during the current fiscal year increasing by only R186 million, or 3.0%, from R6,277 million in fiscal year 2015 to R6,463 million in fiscal year 2016 mainly as a result of an improved focus on stock control at stores, thereby reducing store stock losses, lower transactional fees, a reduction is the straight-lining component on store leases based on the lease age profile and a decrease in asset write-offs as capital expenditure normalised, offset by an increase in security and utility costs compared to fiscal year 2015. Manpower costs were well managed increasing 2.4%. Rental and manpower costs constituted 62.0% of total store costs in fiscal year 2016.

Other operating costs, excluding non-recurring and non-comparable costs associated with administrating the trade accounts receivable book, decreased by R154 million, or 4.0%, from R3,804 million in fiscal year 2015 to R3,650 million in fiscal year 2016. Income from Absa for administering the book in financial year 2016 of R734 million is included in other income.

Depreciation and amortisation

The depreciation and amortisation charge decreased by R75 million, or 7.0% to from R1,079 million in fiscal year 2015 to R1,004 million for fiscal year 2016 mainly due to capital expenditure normalising during the period, an increase in landlord contributions received for store fit-outs and an ageing information technology infrastructure.

Foreign exchange management

Edcon applies a strategy of hedging committed foreign denominated orders, the impact of which appears below the trading profit line. These forward contracts combined with selling price inflation absorb the impact of a weakening Rand on losses reported for the period.

				(unaudited)
Rm	***FY2014***	***FY2015***	***FY2016***	***% change***(1)
Derivative gains/(losses)	603	(601)	743	
Foreign exchange (losses)/gains	(2 458)	998	(4 515)	
Net movement gains/(losses)	(1 855)	397	(3 772)	(950.1)

(1) FY2016 % change on FY2015.

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of fiscal year 2016, 28% of the Group's total gross debt was hedged by virtue of it being denominated in local currency, whilst 72% was unhedged. During the fiscal year ending 26 March 2016, the ZAR depreciated against the Euro from EUR:R13.12 at 28 March 2015 to EUR:R17.26 at 26 March 2016 and the US dollar likewise depreciated from USD:R12.04 to USD:R15.46. The significant movement in the Rand equivalent of unhedged Euro and US dollar denominated debt resulted in significant net losses.

Net financing costs

				(unaudited)
Rm	***FY2014***	***FY2015***	***FY2016***	***% change***(1)
Finance income	40	33	64	
Financing costs	(2 668)	(3 414)	(4 272)	
Net financing costs	(2 628)	(3 381)	(4 208)	(24.5)

(1) FY2015 % change on FY2014.

Net financing costs increased by R827 million, or 24.5%, from R3 381 million in financial year 2015 to R4,208 million in financial year 2016. This increase is primarily as a result of the devaluation of the Rand against the Euro and US dollar coupled with financing costs incurred relating to the Exchange Offer and the Amend & Extend concluded in November and December 2015. Cash paid net finance costs decreased by R1,320 million, or 42.5%, from R3,103 million in fiscal year 2015 to R1,783 million in fiscal year 2016 following the successful settlement of the Exchange Offer in November 2015. Additionally, in March 2016, the Group approached the holders of its USD 250 million, EUR617 million 9.5% senior secured fixed rate notes due 2018 and lenders under its ZAR-denominated term loan due 2017 with a proposal to defer certain cash interest payments until December 2016. The proposal to defer cash interest payments on these debt instruments was accepted by the requite number of noteholders and lenders and concluded on 14 April 2016, as a result of which the Group deferred its cash interest payment obligations on these debt instruments until mid-December 2016.

Cash flow

Operating cash inflow before changes in working capital decreased by R786 million, or 31.4%, from R2,502 million in fiscal year 2015 to R1,716 million in fiscal year 2016, mainly due to weak trading performance as a result of which trading profit decreased by R318 million, or 24.4%, from R1,305 million in fiscal year 2015 to R987

million for fiscal year 2016, as well as due to fees in the amount of R550 million paid in connection to the Exchange Offer.

In FY2016, the Group recorded a working capital outflow of R292 million compared to an inflow of R573 million in financial year 2015 due to:

(i) A decrease in proceeds from the sales of the trade accounts receivable books, which were R29 million in financial year 2016 compared to R356 million in financial year 2015;

(ii) A net decrease in trade receivables of R12 million in financial year 2016 compared to a net increase of R181 million in financial year 2015;

(iii) An increase in sundry receivables and prepayments of R90 million in financial year 2016 compared to an increase of R78 million in 2015 financial year, mainly due to amounts owed to the Group by an associate formed during fiscal year 2016;

(iv) An increase in inventory of R271 million in financial year 2016 compared to a decrease in inventory of R80 million in financial year 2015 mainly due to the weaker than anticipated retail trading performance; and

(v) An increase in trade and other payables of R28 million in financial year 2016 compared to an increase of R396 million in financial year 2015 due to working capital initiatives which extended supplier payment terms with the Group.

Net cash outflow from operating activities decreased by R282 million from an outflow of R165 million in fiscal year 2015 to an outflow of R447 million in fiscal year 2016, primarily as a result of weaker trading performance, fees incurred relating to the Exchange Offer and negative working capital cash flows as detailed above, partially offset by a reduction in net finance cash costs of R1,320 million, or 42.5%, from R3,103 million in fiscal year 2015 to R1,783 million in fiscal year 2016 following the successful settlement of the Exchange Offer and the acceptance of the Group's proposal to defer certain cash interest payments until December 2016, as well as a reduction in income taxes paid in the amount of R49 million, or 35.8%, from R137 million in fiscal year 2015 to R88 million in fiscal year 2016 due to weaker trading results.

Capital expenditure

				(unaudited)
Rm	***FY2014***	***FY2015***	***FY2016***	***% change***(1)
Edgars	873	577	263	
Expansion	*271*	*270*	*209*	
Refurbishment	*602*	*307*	*54*	
Discount	212	180	78	
Expansion	*110*	*89*	*70*	
Refurbishment	*102*	*91*	*8*	
CNA	16	14	13	
Edgars Zimbabwe	32	33	20	
IT	194	223	149	
Other corporate capex	22	10	29	
	1 349	1 037	552	(46.8)

(1) FY2016 % change on FY2015.

Capital expenditure decreased by R485 million, or 46.8%, to R552 million for the financial year 2016, from R1,037 million in the financial year 2015. In the financial year 2016, the Group opened 96 new stores were opened which, combined with store refurbishments, resulted in investments in stores of R354 million (excluding Edgars Zimbabwe), compared to financial year 2015 during which we opened 142 new stores, resulting in an investment in stores of R771 million (excluding Edgars Zimbabwe). Edcon invested R149 million in information systems infrastructure in the financial year 2016 compared to R223 million in the financial year 2015.

Net debt, liquidity and capital resources

The primary source of short-term liquidity is cash on hand. The amount of cash on hand is affected by a number of factors including retail sales, working capital levels, supplier payment terms, timing of payment for capital expenditure projects, debt service obligations and tax payment requirements. Working capital requirements fluctuate during each month, depending on when suppliers are paid and when sales are generated, and throughout the year depending on the seasonal build-up of net working capital. The Group funds peaks in its working capital cycle, which typically occur in October and March, with cash flows from operations, drawings under its various facilities and other initiatives.

Rm[1]	Cash	PIK	FY2014	FY2015	FY2016
Super senior debt					
ZAR Revolving credit facility			1 210	2 865	
ZAR Super Senior RCF Term Loan due 31 December 2017	*J+5.00%*	*3.00%*			3 249
EUR Super Senior Refinancing Facility due 31 December 2019[2]	*E+4.00%*	*8.00%*			2 033
ZAR Super Senior Hedging Debt due 31 December 2017	*JIBAR*	*8.00%*			662
EUR Super Senior Term Loan due 31 December 2017	*EURIBOR*	*8.00%*			638
ZAR Floating rate notes due 4 April 2016	*J+6.25%*		1 010	1 005	
EUR Super Senior PIK notes due 30 June 2019		*8.00%*			1 876
Senior secured debt					
ZAR term loan due 31 December 2017[3]	*J+7.00%*	*3.00%*[4]	4 008	4 083	3 011
EUR fixed rate note due 1 March 2018	*9.50%*		8 691	7 881	10 504
USD fixed rate note due 1 March 2018	*9.50%*		2 603	2 981	3 845
Deferred option premium			1 102	1 076	
Lease liabilities			273	364	340
EUR Senior secured PIK Toggle notes due 30 June 2019	*9.75% (no toggle)*	*12.75% (toggle)*			482
Senior					
EUR fixed rate notes due 30 June 2022[5]		*5.00%*			51
EUR fixed rate notes due 30 June 2019[5]	*13.375%*		5 948	5 381	
Other loans[6]			173	254	331
Gross debt			25 018	25 890	**27 022**
Derivatives			(1 930)	(640)	50
Cash and cash equivalents			(410)	(1 288)	(1 693)
Net debt			22 678	23 962	**25 379**

(1) FX rates at end FY2014 were R10.56 :$ and R14.54:€; FY2015 were R12.04:$:and R13.12:€ and FY2016 were R15.46:$:and R17.26:€
(2) Will spring to mature on the same date as the Super Senior RCF Term Loan and Super Senior LC Facility unless certain refinancing conditions are satisfied.
(3) The maturity of the Group's ZAR term loan was extended from 16 May 2017 to 31 December 2017 during fiscal year 2016.
(4) Rising to 4.00% from 30 June 2016.
(5) The maturity of the original 2019 Notes not tendered has been extended to 30 June 2022 and the interest rate reduced to 5.0% as part of the amendments with respect to the Exchange Offer. Additionally, the aggregate outstanding principal amount of the notes not tendered in the Exchange Offer was reduced.
(6) The portion of this debt relating to Zimbabwe was R170 million in fiscal year 2014, R234 million in fiscal year 2015 and R278 million in fiscal year 2016.
(7) At the end of the period R247 million of a Super Senior LC facility were utilised for guarantees and LC's.

At the end of the financial year cash and cash equivalents were R1,693 million, an increase of R405 million or 31.4%, compared to R1,288 million in fiscal year 2015. As at 26 March 2016, net debt was R25,379 million, an increase of R1,417 million, or 5.9%, from R23,962 million reported at 28 March 2015, mainly as a result of the devaluation of the Rand against the Euro and US dollar during fiscal 2016 and as a result of the settlement of the

Exchange Offer for the Group's €425 million 13.375% Senior Notes due 2019 (the "Existing 2019 Notes"). The Exchange Offer had a total deleveraging effect on the Group of €298 million, and cash pay leverage was reduced by approximately 25%. Additionally, as a result of the Exchange Offer, annual net cash interest payments were reduced by approximately R1 billion. During fiscal year 2016, the ZAR depreciated against the Euro from EUR:R13.12 at 28 March 2015 to EUR:R17.26 at 26 March 2016 and the US dollar likewise depreciated from USD:R12.04 to USD:R15.46. Net debt at 26 March 2016 at fiscal year 2015 exchange rates would have been R20,726 million, R4,653 million lower than the R25,379 million reported at 26 March 2016 and R3,236 million lower than that reported at 28 March 2015.

Exchange Offer and Amend & Extend

In the Exchange Offer, Edcon offered holders of its Existing 2019 Notes to exchange each €1,000 in principal amount of Existing 2019 Notes (plus accrued and unpaid interest) for either (i) €350 in principal amount of New Super Senior PIK Notes issued by Edcon Limited (Option A) or (ii) (A) a pro rata portion of warrants issued by Edcon Holdings Limited which are exercisable for, and constitute rights to distribution relating to, Edcon Holdings Limited warrant shares upon certain exit events, (B) €100 in principal amount of New Super Senior 8% PIK Notes issued by Edcon Limited and; (C) €150 in principal amount of New Senior Secured 9.75%/12.75% PIK-toggle notes issued by Edcon Limited. Additionally, noteholders who validly tendered their Existing 2019 Notes and consent prior to an early consent deadline received an additional early consent fee of €50 per €1,000 of tendered Existing 2019 Notes, which fee was paid in the form of New Super Senior 8% PIK Notes.

In connection with the Exchange Offer, Edcon Holdings Limited obtained the consents of holders of more than 90% of the principal outstanding amount of the Existing 2019 Notes to effect certain amendments to the Existing 2019 Notes, including an amendment that (i) interest on the Notes will be paid in kind (and no longer in cash) at a rate of 5.0% per annum, starting on 30 June 2015, (ii) the maturity of the Notes not tendered in the Exchange Offer be extended to 30 June 2022 and (iii) the principal amount of Notes not tendered in the Exchange Offer were reduced by 72.5% (together, the "Existing 2019 Notes Amendments"). After giving effect to the results of the Exchange Offer and the Existing 2019 Notes Amendments, Edcon Holdings Limited had approximately €3 million in aggregate principal amount of Existing 2019 Notes outstanding (See footnote 5 to the table set forth in "- *Net debt, liquidity and capital resources*"). In connection with the reduction in the outstanding principal amount of Existing 2019 notes, the Group derecognised the Existing 2019 Notes in accordance with IAS 39 and recognised the amended Existing 2019 Notes as the €3 million fixed rate Senior Notes on 27 November 2015.

Furthermore, during November 2015, the Group secured a Super Senior Refinancing Facility of €123 million which it utilised to refinance the R1,010 million Floating rate notes due 4 April 2016 and the Super Senior Liquidity Facility due 30 September 2016, which it had previously incurred in connection with the Exchange Offer in July 2015. As a result of reaching a successful agreement with the bank lenders under the ZAR Revolving Credit Facility, ZAR Term loan and deferred option premiums concerning the amendment and extension of the Group's bank debt during November and December 2015, none of the Group's material debt obligations will mature until December 2017.

EVENTS AFTER THE REPORTING DATE

Exercise of put option

Under the ALI group of companies' sale agreement, the non-controlling shareholders have a put option exercisable no sooner than 4 April 2016. On 8 April 2016, the non-controlling shareholders exercised their right to put their interest of 49.9% to Edcon Limited. The fair value of the put option is determined based on an EBITDA multiple, as determined in accordance with the terms and conditions of the contractual arrangement. A gross amount of R57 million including interest of R1 million is payable to the non-controlling interests in three instalments as follows (i) R28 million on 29 July 2016, (ii) R14 million on 31 August 2016 and; (iii) R14 million due on 30 September 2016.

Deferral of interest payments on senior secured fixed rate notes

During March 2016, Edcon Limited approached the Noteholders of the USD 250 million, EUR 317 million and EUR 300 million senior secured fixed rate notes due 2018 with the proposal to defer certain cash interest payments until mid-December 2016. The offer was accepted by the requisite majority of the Noteholders and concluded on 14 April 2016.

Bridge financing of R1.5 billion

On 8 July 2016, the Group secured a combined R1.5 billion in bridge financing denominated in US dollars and Euros, which was made available by a group of Noteholders and bank lenders in two tranches upon the satisfaction of certain conditions precedent. On 12 July 2016, the Group received the first tranche being a net amount of R651 million.

Group Executive Changes

On 18 July 2016, the Group announced changes to its executive management under the restructured divisions including; A Levermore, the former Chief Operating Officer of the Edgars division was promoted to Chief Executive taking over from B Brookes who was acting in the Edgars division Chief Executive role. Dr U Ferndale was appointed Chief Executive of the Discount division replacing A Williams. A Jury previously Head of Strategy was promoted to Chief Executive of the Specialty Stores division replacing G Napier.

We have fully implemented the previously announced change in our reporting structures which show the re-alignment of our operational divisions to accomplish the objectives laid out in our new strategic plan. In line with our new strategic plan, the Edgars division now comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Legit and our Mono-branded stores.

RISK FACTORS

Risks Relating to Our Business and Industry

If our cash provided by operating and financing activities continues to be insufficient to fund our cash requirements, we will face substantial near-term liquidity problems.

We used a substantial amount of cash in our operating activities during fiscal year 2016. Our cash uses are currently projected in 2017 to exceed our cash provided by operating activities and we have extremely limited availability under our existing facilities. Our cash uses (outside of operating activities) are primarily capital expenditures and interest expense. Our financing costs are substantial, and amounted to R4,272 million during fiscal year 2016. Our working capital requirements and cash provided by operating activities can vary greatly from quarter to quarter and from year to year, depending in part on the level, variability and timing of our sales and general market conditions.

If our cash requirements exceed the cash provided by our operating activities, then we would look to our cash balance to satisfy those needs, which will likely not be sufficient in the near term and our existing facilities are fully drawn. Current credit and capital market conditions combined with our recent history of operating losses and negative cash flows, as well as projected industry and macroeconomic conditions in South Africa, may restrict our ability to access capital markets in the near term and any such access would likely be at an increased cost and under more restrictive terms and conditions than the ones of our current debt. Further, such constraints may also affect our agreements and payment terms with vendors. We may face further liquidity pressure if our suppliers require us to pay up front or upon delivery of products. On 8 July 206, the Group secured a combined R1.5 billion in bridge financing, denominated in UD dollars and Euros, which was made available by a group of Noteholders and bank lenders in two tranches upon the satisfaction of certain conditions precedent. On 12 July 2016, the Group received the first tranche in the amount of R651 million, which has eased some of our liquidity pressure. However, absent access to additional liquidity and/or other sources of external financial support, including accommodations from key customers, we expect that our liquidity position, which is severely constrained, is likely to decline further.

We may be required to sell assets or cease operations to improve our short-term liquidity, even though such asset sales may impair our ability to operate our business and compete effectively, which may depress the long-term value of our business, and such measures may be unsuccessful or only temporarily successful in improving our liquidity position.

Our liquidity continues to be adversely affected by the recent and ongoing adverse economic and industry conditions. Additionally, the deferral of cash pay interest on our 2018 senior secured notes and the senior secured term loan will expire in December 2016, which would further increase our cash-pay obligations.

While we have agreed a path to the restructuring of our capital structure with certain of our creditors, see "*Part B-Trading Update for the 13-week period ended 25 June 2016—Recent Developments—Execution of Restructuring Support Agreement with Creditors*, there can be no guarantee that the proposed restructuring of our debt will be successfully implemented. Should the restructuring proposal fail, we would revisit the options we have previously considered, including asset disposals, sales of business lines and other measures to raise cash. However, such measures may either be unsuccessful or only temporarily successful in improving our liquidity situation. Such measures could also harm our long-term prospects and undermine our future potential for growth and profitability. Ultimately, however, no assurance can be given that such measures would be effective, and we may be required to pursue a restructuring through insolvency proceedings, which would involve significant uncertainties, potential delays and risks of extended, multi-jurisdictional litigation for us and our creditors.

A long and protracted process of engaging with capital providers, including in connection with the implementation of an out-of-court restructuring, could adversely impact our management and otherwise adversely affect our business.

A protracted process of engaging with our capital providers, including in connection with the implementation of the Restructuring described in "*Part B-Trading Update for the 13-week period ended 25 June 2016—Recent Developments—Execution of Restructuring Support Agreement with Creditors*," could disrupt our business and would divert the attention of our management from operation of our business and implementation of our business plan, and may also cause some of our members of management to leave our company. If we fail to implement the Restructuring on a timely basis, any alternative we pursue, including a South African business rescue or another in-court restructuring, may take substantial time to consummate. A protracted business rescue process would also likely result in a large amount of negative publicity, which would harm our brand. It is also likely that such a prolonged financial restructuring or bankruptcy proceeding would cause many of our suppliers to ship product to us only on terms that are unfavorable to us, or not at all. If we are unable to obtain inventory on customary terms, we would likely not be able to continue as a viable business.

Continued unfavorable macroeconomic factors may decrease consumer demand for our retail goods.

Macroeconomic factors such as interest rates, consumer indebtedness, Rand devaluation, rising inflation and employment levels affect consumer demand for our goods. South African households are still considered to be financially fragile, exacerbated by the recent slowdown in unsecured lending, following strong growth in credit in the recent past. Moreover, South Africans at the lower end of the socioeconomic spectrum have continued to feel the effect of the global economic downturn more severely due to low employment growth coupled with wage strikes, power outages and significant increases in electricity, food and property rates, interest rate hikes and taxes in South Africa. The expansion of the provision of social grants has also slowed more recently, impacting lower-end consumer spending. Consumer indebtedness, persistently high unemployment, strike action, limited power infrastructure, a leveling off of social grants and lower consumer confidence have had and could continue to have a material adverse effect on our retail sales and results of operations.

Our results are also effected by other macroeconomic factors, such as the prevailing economic climate, levels of unemployment, real disposable income, salaries and wage rates, including any increase as a result of payroll cost inflation or governmental action to increase minimum wages or contributions to pension provisions, the availability of consumer credit and consumer perception of economic conditions. Economic growth performance and prospects have deteriorated in South Africa over the past few years, affecting public finances and exacerbating social and political tensions. The national government net debt continues to rise. The substantial portion of our revenues are generated from our South African stores, and the general slowdown in South African GDP growth and the uncertain economic outlook has and will likely continue to adversely affect consumer spending habits, which may reduce our retail sales and adversely impact our results of operations.

Moreover, many of the items we sell, particularly higher margin fashion and homeware products, represent discretionary purchases, and we have experienced a marked decrease in sales in certain of our product categories. Given the continuing difficult macroeconomic climate, we expect to continue to experience a decline in retail sales, which may be proportionally greater than the level of general economic decline. Therefore, continued unfavorable economic conditions in South Africa could have a material adverse effect on our financial condition and results of operations.

Our credit sales could further decline due to a reduction in the availability of credit under our existing consumer credit programs, changes in the terms of our private label store card program, including any future regulatory requirements, or other factors.

We maintain Edgars and Jet private label store card programs, and through an arrangement with Absa, Absa extends credit to our customers in South Africa and a large portion of our customers in Namibia. Absa issues our private label store cards to our customers and we receive a net fee for providing certain IT and administrative

services with respect to the program. During fiscal year 2016, purchases completed with our private label store cards accounted for 38.8%, down from 42.7% in the prior comparative period. The continued inability or unwillingness of Absa to provide support for our private label store card program may continue to result in a decrease in store card sales to our customers, which could negatively impact our overall sales given customers' reduced purchasing capacity. As the credit provider with the ultimate exposure to the credit risks of our cardholders, Absa has discretion to turn down store card applicants upon an assessment of each applicant's credit risks and in light of Absa's screening and credit requirements. Furthermore, changes in local regulation governing store card business practices, including marketing, underwriting, pricing and billing that may come into effect in the future or tightening of credit from a deterioration of the economic situation in South Africa, could place additional restrictions on consumer credit programs, including limiting the types of promotional credit offerings that may be offered to consumers. These changes could make it even more difficult for Absa to extend credit to our customers, which could also have a material adverse effect on our results of operations. In September 2015, the National Credit Regulator implemented credit affordability regulations which has negatively affected our retail sales and may continue to affect our retail sales in the future.

In addition to our strategic partnership with Absa, we continue to explore measures to address the credit sales decline, including the continued roll-out of our in-house National Credit Act compliant second-look credit solution, as well as seeking out a possible second-look credit provider to supplement the Absa funded credit proposition. However, efforts to secure a third party second-look credit provider have stagnated in light of negative publicity about uncertainty around our capital structure. If our credit sales do not improve, which also depends on a successful cooperation with any potential second-look credit provider, this would also have a material adverse effect on our results of operations.

We face the risk of adverse changes in our supplier relationships.

While we believe that our relationships with our suppliers are generally satisfactory, and that our size and consequent purchasing needs make us an important partner to many of our suppliers, they may nonetheless modify the terms of our relationships due to our financial and operational performance or position, general economic conditions currently prevailing in South Africa or otherwise. We do not have long-term arrangements with most of our suppliers to guarantee availability of merchandise, particular payment terms or the extension of credit limits. Instead, most of these arrangements are short-term in nature, typically on standard 30 to 75-day payment terms dependent on the nature of the supplier. We have recently experienced increased pressure from suppliers as a result of news reports surrounding the sustainability of our capital structure. In some cases, the banks through which our suppliers factor our receivables have been messaging to suppliers that they should reduce their exposure to Edcon. Should any of our current suppliers decide to terminate or substantially curtail their relationship with us over concerns that we may not be able to pay for supplies, we may not be able to find alternative suppliers, and our retail sales, results of operations and liquidity may be adversely affected. If our current suppliers were to stop selling merchandise to us on acceptable terms, including as a result of our financial condition, we may be unable to procure the same merchandise from other suppliers in a timely and efficient manner and on acceptable terms, or at all. A significant unfavorable change in our relationships with key suppliers could adversely impact our business, and could mean that we cannot supply merchandise in our stores on an acceptable basis. In addition, any significant change in the terms that we have with our key suppliers including, payment terms, return policies, the discount or margin on products could adversely affect our financial condition and liquidity. For example, if our suppliers do not extend trade credit to us and require payment on demand, we would have a significant liquidity crisis and would not likely be able to find alternative financing to fund our trade payables. If several material suppliers ceased to extend trade credit, and we could not access other means of paying for necessary supplies, we would likely not be able to continue to do business as a going concern and could file for a South African Business Rescue proceeding. Many of our suppliers rely on credit insurers to guarantee our payment of trade payables with respect to the merchandise those suppliers provide to us. We do not have a direct relationship with these credit insurers, but if they perceive our financial condition as weak, they may require us to post collateral or guarantees to continue to provide credit insurance, or may cease providing credit insurance entirely. News reports regarding challenges with our capital structure have and may lead credit insurers to take steps, such as those described above, to mitigate perceived risks associated with exposure to

us. In the absence of factoring, these suppliers reduce credit lines, ask for shorter terms, or seek cash on delivery or payment in advance.

Our business could be adversely affected by disruptions in our supply chain.

Any significant disruption or other adverse event affecting our relationship with any of our major suppliers could have a material adverse effect on the results of our financial condition and our operations. If we need to replace any of our major suppliers, we may face risks and costs associated with a transfer of operations. In addition, a failure to replace any of our major suppliers on commercially reasonable terms, or at all, could have a material adverse effect on our financial condition and results of our operations.

The concentration of our suppliers will increase as we proceed with our ongoing strategy to reduce the number of our suppliers. Our ongoing strategy to expand our supplier base in markets such as Mauritius, Bangladesh, Madagascar and various countries in sub-Saharan Africa places us at risk if merchandise is in short supply in those locations. In addition, such suppliers may be unwilling to provide us with merchandise if we do not place orders at an internationally competitive order level or at a level competitive with large-volume customers. In the event that one or more of our major suppliers chooses to cease providing us with merchandise or experiences operational difficulties, and we are unable to secure alternative sources in a timely manner or on commercially beneficial terms, we may experience inventory shortages or other adverse effects on our business. If our suppliers are unable or unwilling to continue providing us with merchandise under our presently agreed terms, including as a result of our significantly increased leverage, or if we are unable to obtain goods from our suppliers at prices that will allow our merchandise to be competitively priced, there could be a material adverse effect on our retail sales, results of operations and liquidity.

The cost and availability of our supplies are dependent on many factors, including: (i) the base price of raw material costs, such as cotton and wool, as well as the cost of individual product components; (ii) freight costs; and (iii) rebates and discounts earned from suppliers.

Moreover, we purchase a portion of our products in markets outside of South Africa, principally in Asia, and the number of our foreign suppliers may increase as we proceed with our strategy to partner with suppliers in low-cost countries. We face a variety of risks generally associated with doing business in foreign markets and importing merchandise from these regions, including: (i) currency risks; (ii) political instability; (iii) increased security requirements applicable to foreign goods; (iv) the imposition of duties and taxes, other charges and restrictions on imports; (v) risks related to our suppliers' labor practices, environmental matters or other issues in the foreign countries or factories in which our merchandise is manufactured; (vi) delays in shipping; and (vii) increased costs of transportation.

In addition, the ongoing challenging economic environment could have a number of adverse effects on our supply chain. The inability of suppliers to access liquidity, or the insolvency of suppliers, could lead to delivery delays or failures.

Any of these risks, in isolation or in combination, could adversely affect our reputation, financial condition and results of operations. New initiatives may be proposed that may have an impact on the trading status of certain countries and may include retaliatory duties or other trade sanctions which, if enacted, could increase the cost of products purchased from suppliers in such countries or restrict the importation of products from such countries. The future performance of our business will partly depend on our foreign suppliers and may be adversely affected by the factors listed above, all of which are beyond our control.

We are dependent upon certain major suppliers for our private-label merchandise.

We do not manufacture the majority of our own merchandise but instead work closely with a number of suppliers. During fiscal year 2016, our largest supplier of our private-label apparel accounted for 3.5% of our total purchases, and our largest five suppliers accounted for 14.9% of such purchases. We depend on our suppliers

to ship merchandise on time and within our quality standards. The loss of one or more of our major suppliers, particularly at critical times during the year, could have a material adverse effect on our results of operations or financial condition.

We may not be able to accurately predict or fulfill customer preferences or demand.

A large portion of our sales are from fashion-related products, which are subject to volatile and rapidly changing customer tastes. The availability of new products and changes in customer preferences make it more difficult to predict sales demand accurately. As a multi-product retailer, our success depends, in part, on our ability to effectively predict and respond to quickly changing consumer demands and preferences and to translate market trends into attractive product offerings. Our ability to anticipate and effectively respond to changing customer preferences and tastes depends, in part, on our ability to attract and retain key personnel in our buying, design, merchandising, marketing and other functions. Competition for such personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in future periods.

Furthermore, some of our products are manufactured offshore. Accordingly, in some instances we must enter into contracts for the purchase and manufacture of merchandise well in advance of the applicable selling season. The long lead times between ordering and delivery make it more important to accurately predict, and more difficult to fulfil, the demand for items.

There can be no assurance that our orders will match actual demand. If we are unable to successfully predict or respond to sales demand or to changing styles or trends, our sales will be lower and we may be forced to rely on additional markdowns or promotional sales to dispose of excess or slow-moving inventory or we may experience inventory shortfalls on popular products, any of which could have a material adverse effect on our financial condition and results of operations. In addition, a number of other factors, including changes in personnel in the buying and merchandising function, could adversely affect product availability.

Our business is affected by foreign currency fluctuations.

We realise a majority of our revenue, and incur a significant portion of our costs and expenses, in rand. We purchase approximately 8.6% of our products directly from markets outside of South Africa denominated in a foreign currency, principally in Asia, and the number of our foreign suppliers may increase as we proceed with our strategy to partner with suppliers in countries with low production costs. A part of our costs incurred through indirect suppliers, who denominate their costs in rand but are exposed to foreign currency fluctuation. The cost of foreign-sourced products is affected by the fluctuation of the relevant local currency against the rand or, if priced in other currencies, the price of the merchandise in currencies other than the rand. Although we hedge approximately 76% of all committed orders, changes in the value of the rand relative to foreign currencies may increase our cost of goods sold and, if we are unable to pass such cost increases on to our customers, decrease our gross margins, our sales and ultimately our earnings.

In addition, a substantial portion of our indebtedness, including our outstanding 2018 EUR fixed rate notes, 2018 USD fixed rate notes, EUR Super senior refinancing facility, EUR Super senior term loan, EUR super senior PIK notes, EUR senior secured PIK-toggle notes and the EUR senior secured fixed rate notes are denominated in foreign currency, i.e., the euro. We currently have no hedging arrangements in place with respect to these notes, and currency fluctuations in the future may affect our ability to service our foreign currency denominated indebtedness, including payments in euro on the 2018 EUR fixed rate notes, 2018 USD fixed rate notes and the EUR Super senior refinancing facility.

The rand has fallen from an exchange rate of R12.04 to the U.S. dollar on 28 March 2015 to R15.46 to the U.S. dollar on 26 March 2016 and from R13.12 to the euro on 28 March 2015 to R17.26 to the euro on 26 March 2016. Weakness of the rand may adversely affect our profitability as we purchase significant quantities of merchandise denominated in foreign currency. See *"Management's discussion and Analysis of Unaudited Trading Update* for discussion of the effects of the weakening Rand on our business.

We cannot assure you that we will be able to manage our currency risks effectively or that any volatility in currency exchange rates will not have a material adverse effect on our financial condition or results of operations or on our ability to make principal and interest payments on our indebtedness.

If we are unable to renew or replace our store leases or enter into leases for new stores on favorable terms, or if any of our current leases are terminated prior to the expiry of its stated term and we cannot find suitable alternate locations, our growth and profitability could be harmed.

We lease all of our store locations. We typically occupy our stores under operating leases with terms of between five and ten years, with options to renew for additional multi-year periods thereafter. In the future, we may not be able to negotiate favourable lease terms. In addition, many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. Our inability to renew the lease agreements in relation to our stores or to meet the requirement for higher rental payments may cause our occupancy costs to be higher in future years or may force us to close stores in desirable locations. Some of our leases have early cancellation clauses, which permit the lease to be terminated by us or the landlord if certain sales levels are not met in specific periods or if the shopping center in which the relevant store is located does not meet specified occupancy standards. In addition to future minimum lease payments, some of our store leases provide for additional rental payments based on a percentage of net sales, or percentage of rent, if sales at the respective stores exceed specified levels, as well as the payment of common area maintenance charges, real property insurance and real estate taxes. As we expand our store base, our lease expense and our cash outlays for rent under the lease terms will increase. An adverse change in the terms of our store lease agreement or our inability to satisfy the requirements under these agreements may have a material adverse effect on the results of our operations, profitability and financial condition. In addition, if we are unable to renew existing leases or lease suitable alternative locations, or enter into leases for new stores on favourable terms, our growth and our profitability may be significantly harmed.

We depend on cash flow from operations to pay our lease expenses. If our business does not generate sufficient cash flow from operating activities to fund these expenses, we may not be able to service our lease expenses, which could materially harm our business. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, amongst other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. Our inability to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close could materially adversely affect us.

Any negative impact on the reputation of, and value associated with, our brand names could adversely affect our business.

Our brand names represent an important asset of our business. Maintaining the reputation of, and value associated with, our brand names is essential to the success of our business. Significant negative publicity (including with respect to our liquidity position), widespread product recalls or other events could also cause damage to our brand names. We rely on marketing to strengthen our brand names, but our marketing initiatives may prove to be ineffective. Substantial erosion in the reputation of, or value associated with, our brand names could have a material adverse effect on our financial condition and results of operations. Similarly, any erosion in the reputation of a third-party brand for which we have exclusive license agreements in South Africa could have a material adverse effect on our financial condition and results of operations.

Our business could suffer as a result of weak retail sales during peak selling seasons.

Our business is subject to seasonal peaks. Historically, our most important trading periods in terms of retail sales, operating results and cash flow have been the Easter and Christmas seasons, with approximately one third of our retail sales occurring in April, November and December combined, for our fiscal year 2016. We incur significant additional expenses in advance of the Easter and Christmas seasons in anticipation of higher retail

sales during those periods, including the cost of additional inventory, advertising and hiring additional employees. In previous years, our investment in working capital has peaked in early- to mid-March, October and November and has fallen significantly in April and January. If, for any reason, retail sales during our peak seasons are significantly lower than we expect, we may be unable to adjust our expenses in a timely fashion and may be left with a substantial amount of unsold inventory, especially in seasonal merchandise that is difficult to liquidate. In that event, we may be forced to rely on significant markdowns or promotional sales to dispose of excess inventory, which could have a material adverse effect on our financial condition and results of operations. At the same time, if we fail to purchase a sufficient quantity of merchandise, we may not have an adequate supply of products to meet consumer demand, which may cause us to lose retail sales.

Our business can be adversely affected by unseasonal weather conditions.

Our results are affected by periods of abnormal or unseasonal weather conditions. For example, periods of warm weather in the winter could render a portion of our inventory incompatible with such unseasonal conditions. Adverse weather conditions early in the season could lead to a slowdown in retail sales at full price followed by more extensive markdowns at the end of the season. Prolonged unseasonal weather conditions during one of our peak trading seasons could adversely affect our turnover and, in turn, our financial condition and results of operations. In addition, extreme weather conditions, such as floods, may make it difficult for our employees and customers to travel to our stores.

The sector in which our business operates is highly competitive.

The retail market in the markets in which we operate is highly competitive, particularly with respect to product selection and quality, store location and design, price, customer service, credit availability and advertising. We compete at national and local levels with a wide variety of retailers of varying sizes and covering different product lines across all geographic markets in which we operate. For example, in the Edgars division, we compete directly with Woolworths, Truworths and Foschini. In the Discount division, we compete with Mr. Price, Ackermans and PEP. In addition, the South African retail sector has experienced a consolidation of market formats as retail companies diversify in other sectors of the retail market. Our credit and financial services business faces competition from other retail companies, such as Truworths and Foschini, which offer financial services to their customers. Increased competition from our existing competitors or new entrants to the market could result in lower prices and margins or a decrease in our market share, any of which could have a material adverse effect on our financial condition and results of operations. In addition, international competitors have entered our market, creating increased competition, as in the case of Cotton On, Zara, H&M and, through its acquisition stake in Massmart, Wal-Mart.

We face a variety of competitive challenges including: (i) anticipating and quickly responding to changing consumer demands; (ii) maintaining favourable brand recognition and effectively marketing our products to consumers in several diverse market segments; (iii) developing innovative fashion products in styles that appeal to consumers of varying age groups and tastes; (iv) sourcing and distributing merchandise efficiently; (v) competitively pricing our products; and (vi)responding to changes in consumer behaviour resulting from changes in the economic conditions and consumer spending patterns.

Actions taken by our competitors, as well as actions taken by us to maintain our competitiveness and reputation, can and will continue to place pressure on our pricing strategy, margins and profitability, and could have a material adverse effect on our financial condition and results of operations. Some of our competitors may have greater financial resources, greater purchasing economies of scale and/or lower cost bases, any of which may give them a competitive advantage over us. Our competitors also may merge or form strategic partnerships, which could cause significant additional competition for us.

We may not be able to obtain the capital required to implement our business plan, which may force us to limit the scope of our operations and adversely impact our revenues.

In connection with implementing our business plans, we have significantly reduced our capital needs in the medium term, for example by streamlining our operations and store management. However we still may not have sufficient capital to fund our future operations without additional capital investments. Our capital needs will depend on numerous factors, including our profitability, our ability to secure financing, our ability to generate revenues and our ability to attract and retain customers. We cannot assure you that we will be able to obtain capital in the future to meet our needs. If we cannot obtain additional funding, we may be required to limit the implementation our business plan, limit our marketing efforts and decrease or eliminate our intended capital expenditures.

Our growth depends in part on our ability to open and operate new stores profitably.

One of our business strategies is to expand our base of retail stores. For fiscal year 2017, we plan to spend approximately R600 million of total capital expenditure, of which we expect to spend approximately R190 million on new stores. Should we be unable to implement this strategy, our ability to increase our sales, profitability and cash flow could be impaired. Although the anticipated growth in new space is expected to decrease, to the extent that we are unable to open and operate new stores profitably, our sales growth would come only from increases in same-store sales. We may be unable to implement our strategy if we cannot identify suitable sites for additional stores, negotiate acceptable leases, access sufficient capital to support store growth, or hire and train a sufficient number of qualified employees. This could be exacerbated by our intention to decrease our level of capital expenditure in the coming years.

We rely on our key personnel and we face strong competition to attract and retain qualified managers and employees.

We are highly dependent on our key personnel who have extensive experience in, and knowledge of, our industry. In addition, our business faces significant and increasing competition for qualified management and skilled employees. We have instituted a number of programs to improve the recruitment and retention of managers and employees, and we invest substantially in their training and professional development. However, these programs may prove unsuccessful and, in conditions of constrained supply of skilled employees, there is a risk that our well-trained managers and employees will accept employment with our competitors. The loss of the service of our key personnel or our failure to recruit, train and retain skilled managers and employees could have a material adverse effect on our retail sales, results of operations and liquidity.

We depend heavily on our IT systems to operate our business.

We rely to a significant degree on the efficient and uninterrupted operation of our various computer and communications systems to operate and monitor all aspects of our retail business and our credit and financial services business, including, in respect of our retail business, sales, warehousing, distribution, purchasing, inventory control, and merchandise planning and replenishment. Any significant breakdown or other significant disruption to the operations of our primary sites for all of our computer and communications systems could significantly affect our ability to manage our IT systems, which in turn could have a material adverse effect on our financial condition and results of operations.

A continued reduction in the availability or failure to maintain the full functionality and integrity of our IT systems that are used to manage our private label store card program underwritten by Absa could have an adverse effect on our financial condition and results of operations.

Our IT and telecommunications systems are used to manage our private label store card program underwritten by Absa. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt the operation of our private label store card program.

Because our IT and telecommunications systems interface depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, system failures or service denials could result in a deterioration of Absa's ability to process new credit applications, collect payments and provide customer service, thereby compromising our ability to support our private label store card program effectively, which may result in damage to our reputation and/or result in a loss of customer business, any of which could have a material adverse effect on our financial condition and results of operations.

We could experience labor disputes that could disrupt our business.

Most of our store and warehouse employees are represented by trade unions and covered by collective bargaining or similar agreements that are subject to periodic renegotiation. Although we negotiated a new a two-year collective bargaining agreement in May 2015 with the South African Commercial, Catering and Allied Workers Union (the "SACCAWU"), the biggest trade union active amongst our employees, current and future collective bargaining negotiations may not prove successful and could result in the disruption of our operations. Such current and future collective bargaining negotiations may result in an increase in our labour costs. In addition, our employees could join in national labour strikes, boycotts or other collective actions. Any work stoppages and labour disruptions or any increase in our labour costs could materially adversely affect our retail sales, results of operations and financial condition.

Labour disputes and other workforce-related issues have been prevalent in certain industries in South Africa. Labour disputes affecting our suppliers or social unrest in South Africa generally may also negatively impact our business, by disrupting our supply chain or causing a reduction in the spending capacity of our customers. We have had no recent labour disputes which have resulted in material stoppages.

We are subject to complaints, claims and legal actions that could affect us.

We are party to various complaints, claims and legal actions in the ordinary course of our business. These complaints, claims and legal actions, even if successfully disposed of without direct adverse financial effect, could have a material adverse effect on our reputation and divert our financial and management resources from more beneficial uses. If we were to be found liable under any such claims, our results of operations could be adversely affected.

Changes in tax regulations may have an adverse effect on our results of operations and financial condition.

Changes in tax regulations have had and may in the future have negative effects on our business, financial condition, results of operations and prospects. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of taxable income. Such uncertainties with respect to tax regulations may hinder our ability to effectively plan for the future and to implement our business plan. Our tax and similar payments, as well as customs duties and foreign currency payments, are subject to audits by the tax authorities and, should any irregularities be identified, interest and monetary penalties could be imposed on us. In addition, some transactions with our subsidiaries may also be challenged for tax reasons.

Compliance with privacy and information laws and requirements could be costly, and a breach of information security or privacy could adversely affect our business.

We are subject to privacy and information laws and requirements governing our use of identifiable data relating to customers, employees and others. At present, data protection in South Africa is regulated under the Protection of Personal Information Act, 2013 (the "**POPI Act**").The right to privacy is a fundamental right that is protected both under of South Africa's common law and under section 14 of the Constitution of the Republic of South Africa, which provides individuals with the right to have their private or personal information protected against disclosure by other persons.

The POPI Act aims to bring South Africa in line with international data protection law, including that of the European Union, by introducing measures to ensure that the processing of personal information (of both natural and juristic persons) is safeguarded. The POPI Act introduces eight "Information Protection Conditions" which regulate the processing (both automated and non-automated) of personal information. These include the collection, receipt, recording, organization, collation, storage, updating or modification, retrieval, alteration, consultation or use, the dissemination by means of transmission, distribution or making available in any other form, and the merging, linking, as well as the restriction, degradation, erasure or destruction of information. The POPI Act also regulates the transfer and storage of information outside of South Africa as well as the use of personal information for direct marketing. In addition, the Act establishes an information regulator which is empowered to monitor and enforce compliance with its provisions. A failure to comply with the POPI Act, once the relevant provisions come into effect, will be an offence and may also attract financial penalties for the Issuer.

Compliance with such laws and requirements may require us to make necessary systems changes and implement new administrative processes. If a data security breach occurs, our reputation could be damaged and we could experience lost sales, fines or lawsuits.

We may be unable to protect our trademarks and other intellectual property or may otherwise have our brand names harmed.

We believe that our registered trademarks and other intellectual property have significant value and are important to the marketing of our products and business. While we intend to take appropriate action to protect our intellectual property rights, we may not be able to sufficiently prevent third parties from using our intellectual property without our authorization. The use of our intellectual property by others could reduce or eliminate any competitive advantage we have developed, causing us to lose sales or otherwise harm the reputation of our brands names. In addition, we may be subject to claims of breaches of intellectual property rights from third parties, which may result in legal proceedings and negative publicity.

Maintenance of our competitive position is partially dependent on our ability to license well-recognised international apparel brands.

Although we own many of our own private-label brands, we also rely on our ability to attract, retain and maintain good relationships with apparel brand licensors that have strong, well-recognized brands and trademarks, such as Nike, Adidas, Guess, Playtex, Puma, Levis, Mango, Forever New, Tom Tailor, Lipsy, TM Lewin, Topshop and Topman and River Island. Our license agreements are generally for an initial term of five years, subject to renewal, and there can be no assurance that we will be able to renew these licenses. Furthermore, many of our license agreements require minimum royalty payments, and if we are unable to generate sufficient sales and profitability to cover these minimum royalty requirements, we may be required to make additional payments to the licensors that could have a material adverse effect on our business and results of operations. These relationships with licensors may be affected by our current or future liquidity status. In addition, because certain of our license agreements are non-exclusive, new or existing competitors may obtain licenses with overlapping product or geographic terms, resulting in increased competition for a particular market.

The growth of our business is in part dependent on our relationships with Absa as well as with Hollard Insurance, our insurance joint operation partner, and we may enter into additional joint venture relationships. If we were to lose these relationships, or the benefits we derive from these relationships were to diminish, our growth rates and our business would be harmed.

We rely on certain commercial and corporate partners to help drive our net revenues and profitability growth rates. In November 2012, for example, we entered into a long-term strategic relationship with Absa to continue to provide our customers with access to credit under our private label store card program. Absa provides critical services, such as credit underwriting and funding of the book, and we earn an administration fee for our front-facing services and maintenance of the credit book. In addition, we offer our customers Edgars and Jet branded insurance products through our business arrangement formed with Hollard Insurance. Hollard Insurance

underwrites all insurance products and provides the insurance business with actuarial and compliance support. We also earn a fee for use of our brands in marketing the insurance products. We have considered entering into joint venture relationships with certain other parties in connection with sales of our assets to raise liquidity, and will monitor any such opportunities that arise in the future in order to improve liquidity.

If our relationships with these partners were to be damaged or lost, or the benefits we derive from these relationships were to be diminished, whether by our own actions, the actions of one or more governmental entities, the actions of our competitor or the actions of Absa or Hollard Insurance themselves, our growth rates and our business would be harmed. Furthermore, if these partners are unable to continue operations or perform obligations under their respective contractual arrangements with us, we may be required to identify new commercial and corporate partners which may divert management resources from other matters and otherwise interrupt our sales cycle. Moreover, we may be unsuccessful in finding replacement partners, which could have a material adverse effect on our profitability and operations.

***An adverse change in economic, political and social conditions in South Africa or regionally may adversely affect economic conditions generally and demand for our products specifically, and cause our revenue, profitability and cash flow to decline*.**

We generated 88% of our retail sales in South Africa in fiscal year 2016. Economic, political and social conditions in South Africa have a significant direct impact on our business. South Africa has relatively high levels of unemployment, poverty and crime, and a relatively low level of education. These problems, in part, have hindered investments in South Africa, prompted the emigration of skilled workers and negatively affected economic growth. Although it is difficult to predict the effect of these problems on South African businesses or the South African government's efforts to solve them, these problems, or the policy prescriptions enacted, may adversely affect economic conditions generally and demand for our products specifically. Government policies aimed at alleviating and redressing the disadvantages and lack of services suffered by the majority of citizens under previous South African governments may also have an adverse effect on economic conditions and our operations. There has also been economic, political and social instability in the countries surrounding South Africa, which may negatively affect South African economic, political or social conditions. An adverse change in the economic, political or social conditions in South Africa as well as regional instability may have a material adverse effect on our profitability, financial condition and results of operations.

Xenophobic attacks on foreigners in South Africa, and consequently negative South African sentiment in countries in the rest of Africa, may have a negative material adverse effect on our profitability, financial condition and results of operations.

There are risks associated with an investment in emerging markets such as South Africa, including: (i) adverse changes in economic and governmental policy; (ii) relatively low levels of disposable consumer income; (iii) relatively high levels of crime, including the risk of robberies of cash in transit; (iv) unpredictable changes in the legal and regulatory environment; (v) relatively high levels of corruption; (vi) the inconsistent application of existing laws and regulations; and (vii) relatively slow or insufficient legal remedies.

Since 1999, during the years of GDP growth, the SARB has focused on controlling inflation as its primary monetary policy. Since the global economic downturn in 2008, the SARB has adjusted its focus on inflation in favour of growth-oriented monetary policies, although growth has slowed somewhat in recent years. Year-on-year inflation is currently within the target range of 3% to 6%, with inflation for April 2016 recorded at 6.2%, above the central bank's target range. There is a risk that the inflation outlook in South Africa may destabilise South Africa's macroeconomic performance. This may be impacted by global and local circumstances including the strength of the South African currency, which continues to be volatile.

An adverse change in economic, political or social conditions in South Africa or neighbouring countries or emerging markets generally may adversely affect the value of the rand, economic conditions in South Africa generally or demand for our products specifically, which may have a material adverse effect on our profitability,

financial condition and results of operations. In addition, any such adverse change may negatively affect investor sentiment towards South Africa or emerging markets generally.

Our results may be adversely affected by increases in energy costs.

Energy costs in South Africa have increased dramatically in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our suppliers. Future rises in energy costs could adversely affect consumer spending and demand for our products and could increase our operating costs, both of which could have a material adverse effect on our financial condition and results of operations.

Until the implementation of the Restructuring, we continue to be indirectly owned and controlled by investment funds advised by Bain Capital, and their interests as equity holders may conflict with yours as a Holder.

We continue to be indirectly owned and controlled by investment funds advised by Bain Capital. The interests of our equity holders may not in all cases be aligned with your interests. For example, if we encounter financial difficulties or are unable to pay our debts as they mature, the interests of our equity holders might conflict with those of the Holders. In addition, our equity holders may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investments, even though such transactions might involve risks to Holders. Furthermore, such investment funds or their affiliates may in the future own businesses that directly or indirectly compete with us. They also may pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us.

Disruptions or breakdowns in South African infrastructure could disrupt our business.

Our operations rely on the continued ability of South African infrastructure to support our business activities. Disruptions in the provision of basic services such as transport, water and electricity impact our ability to reach our customers and our customers' ability to shop in our stores. For example, the strikes at rail and other transportation providers in the past have delayed the transportation of our merchandise. The rapid growth of the population and economy of South Africa has placed pressure on the existing infrastructure of the country. For example, over the last few year significant power shortages by Eskom, the state-owned electricity provider have resulted in rolling load shedding. This results in planned power outages during which time all power to a particular suburb or area is switched off for up to several hours, depending on the level of load shedding required. Stage 1 to 3 load shedding is well understood in the country and information on these outages is made available on short notice based on unplanned or planned maintenance requirements as well as unplanned shortages. These arrangements have been implemented to prevent a total blackout of power for the country. The impact of these arrangements on industry are significant and are expected to continue to have a material impact in the future. The continued short supply of power and any failure on the part of the South African government to invest in adequate infrastructure could adversely affect our retail sales, financial condition and results of operations.

South African currency exchange control restrictions could hinder our ability to procure and/or repay foreign-denominated financings.

The Exchange Control Regulations restrict the exchange of currency between residents of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (the "Common Monetary Area") on the one hand, and non-residents of the Common Monetary Area, on the other hand. In particular, South African companies are: (i) generally not permitted to export capital from South Africa, or grant security or financial assistance [including guarantees] to non-residents, hold foreign currency in excess of certain limits or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities; (ii) prohibited from using transfer pricing and excessive interest rates on foreign loans as a means of expatriating currency; and (iii) generally not permitted to acquire an interest in a foreign venture without the

approval of the South African exchange control authorities and are subject to compliance with the investment criteria of the South African exchange control authorities.

These restrictions could hinder our ability to procure financings provided by non-resident lenders in the future. While the South African government has relaxed exchange controls in recent years, it is difficult to predict what action, if any, the government may take in the future with respect to exchange controls. The government may continue to relax or abolish exchange controls in the future. However, if the government were to tighten exchange controls, these restrictions could further hinder our ability to procure foreign-denominated financings in the future and could adversely impact our liquidity and results of operations.

The high rates of HIV infection in South Africa could cause us to lose skilled employees, incur additional costs or adversely affect economic conditions generally or demand for our products specifically, each of which could cause our retail sales, liquidity and results of operations to decline.

South Africa has one of the highest reported HIV infection rates in the world. The exact impact of increased mortality rates due to AIDS-related deaths on the cost of doing business in South Africa and the potential growth rate of the economy is unclear at this time. We may lose employees with valuable skills due to AIDS-related deaths, and our results of operations and financial condition could be materially adversely affected if we lose such employees. In addition, we may incur education and prevention costs. Our results of operations and liquidity could be materially adversely affected if our employee health-related expenses increase. Moreover, increased mortality rates due to AIDS-related deaths may slow the population growth rate, cause the South African population to decline or significantly increase the overall cost of doing business in South Africa, which may affect economic conditions generally and demand for our products specifically. The effect of HIV infection on both our employees and on the South African market may have a material adverse effect on profitability, financial condition and results of our operations.

PART B

EDCON HOLDINGS LIMITED ("EDCON")

UNAUDITED TRADING UPDATE

FOR THE THREE-MONTH PERIOD ENDED 25 JUNE 2016

SUMMARY OF FINANCIAL AND OTHER DATA

This trading update relates to the unaudited consolidated financial statements for the 13-week period ended 25 June 2016.

The unaudited historical financial data in the Summary of Financial and Other Data of Edcon Holdings Limited and its subsidiaries (the "Group"), relates to the three-month period ended 27 June 2015 and the three-month period ended 25 June 2016. Unless the context requires otherwise, references in this notice to (i) "first quarter 2016" and "first quarter 2017" shall mean the 13-week period ended 27 June 2015 and the 13-week period ended 25 June 2016, respectively and (ii) "fiscal 2016" and "fiscal 2017" shall mean the 52-week period ended 26 March 2016 and the 52-week period ending 25 March 2017, respectively.

Throughout this Part B, Edgars refers to the Edgars division, which comprises Edgars, Discount refers to the Discount division, which comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Legit and our Mono-branded stores.

Management discussion and analysis of financial performance

Highlights

Pertaining to the first quarter 2017 compared to first quarter 2016:

- Supply restricted due to credit risk by large number of trading partners
- Business managed for cash flow
- Clearance of excess inventory which will continue into the second quarter
- Significant vacancies in the office making sales and customer focus limited
- Restructuring to chain profit and loss with a 35% reduction in head office staffing numbers interrupted sales focus
- Transaction with creditors and daily cash management taking up significant time of executive management
- Late warm winter, together with Easter shift
- Retail cash sales decreased by 2.7%
- Retail credit sales decreased by 15.6%
- Gross profit margin decreased 200 basis points (bps) from 38.0% in the first quarter 2016 to 36.0% in the first quarter 2017 mainly as a result of the weaker Rand and increased clearance activity
- Adjusted EBITDA significantly affected by difficult trading conditions, down 53.8%
- Execution of restructuring support agreement with creditors

Introduction

Implementation of New Reporting Structure

Commencing with first quarter 2017, we have fully implemented the previously announced change in our reporting structures which show the realignment of our operational divisions to accomplish the objectives laid out in the new strategic plan. In line with the new strategic plan the Edgars division comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Cellular management costs, Legit and our Mono-branded stores. Through-out this report, the comparative divisional results have been restated as necessary to present the information on a comparable basis.

Operating environment in context of levered capital structure

The levered capital structure has had a significant impact on the business and its performance in the quarter. Certain suppliers have limited supply of product to the Group, whilst others have not supplied at all. The high cost of credit insurance, need for extended payment terms and high-focus on short-term cash generation have placed pressure on the cost of goods sold and level of clearance and promotional activity, impacting on the gross profit margin realised. The capital structure has impacted on the businesses ability to retain and attract staff resulting in an excessive amount of vacancies within key merchandising positions within the organisation. The engagement with lenders on resolution of the capital structure has proved to be a significant distraction for management across the business.

Overview of Operational Results

The challenges of the capital structure have been significant for the business. These were exacerbated by a late warm winter being the highest on record and an Easter shift with the Easter period falling in the comparative period in the previous quarter but not in the current quarter. otal retail sales decreased R527 million, or 8.1%, to R5,973 million for the first quarter 2017 from, R6,500 million in the first quarter 2016 as a result of credit sales declining by a further 15.6% compared to the first quarter 2016, while retail cash sales remained relatively flat. Declining credit sales have been affecting Edcon's results since the sale of its trade receivables book in November 2012. The effect of the affordability regulations implemented in September 2015, on the current

quarter sales, is estimated to be approximately R189 million. In the first quarter 2017, credit sales contributed 38.6% of total sales, a decrease of 3.4% from 42.0% in the first quarter 2016. The overall trading environment remains subdued with weak economic growth combined with higher inflation, currency weakness, increased interest rates, unemployment and rising food prices continuing to weigh on consumer confidence and the overall macro environment.

Gross profit margin declined 200bps from 38.0% in the first quarter 2016 to 36.0% in the first quarter 2017. The decline in gross margin was the result of an unfavorable trading environment, particularly due to the weaker Rand, which did not allow us to pass through higher input costs in full to our already constrained consumers.

Following the decrease in gross profit of R317 million, adjusted EBITDA for the quarter likewise decreased by R374 million, or 53.8%, to R321 million for the first quarter 2017, from R695 million in the first quarter 2016. On 14 April 2016, the Group obtained creditor support to defer up to R1.6 billion of certain cash interest payments under its 9.5% Euro and US dollar denominated senior notes due in 2018 and its senior term loan facility to December 2016.

Recent Developments

Changes in Senior Management

On 18 July 2016, the Group made and announced the following Chief Executive appointments: (i) Andrew Levermore was promoted to become Chief Executive of the Edgars division. Bernie Brookes was previously acting in the Chief Executive role. Andrew has more than three decades of retail experience across three continents and has led start-ups as well as country leadership roles of established global retailers and brings a wealth of experience across operations, buying, planning, merchandising and marketing; (ii) Dr. Urin Ferndale, previously out Chief Operating Officer, was appointed as the Chief Executive of the Discount division following the decision by Andrew Williams to return to the United Kingdom for family reasons. Dr Urin Ferndale joined Edcon in 1999 as the Group Human Resources. Dr Urin Ferndale holds a PhD from the University of Johannesburg and a BA and an MBA from the University of the Western Cape; (iii) Andy Jury was appointed as the Chief Executive of the Specialty division following the decision by Garth Napier to pursue interests outside Edcon. Previously Andy was the Chief Executive of Strategy and Business Development and has been with the Group since 2008 where he has performed a broad range of roles. He has an MBA from Said Business School and a Bachelor of Business Science (Honours) from the University of Cape Town.

Andrew Thorndike was appointed as the Chief Operations Officer on 18 July 2016, where he continues in his current role managing Group Sourcing, Quality Assurance, Strategic Procurement, Supply Chain Management and Logistics and has taken on the additional responsibility of the management of the property portfolio and operations support previously managed by Dr U. Ferndale. Andrew Thorndike has 23 years' experience as a manager in the development and execution of operational, organisational and strategic improvement and transformation initiatives on an international level, predominantly in retail and consumer packaged goods industries and has a Master's degree in Mining and Energy Technology (Dipl. – Ing).

Execution of Restructuring Support Agreement with Creditors

Introduction

On 20 September, 2016, certain entities in the Edcon Group and certain of the Edcon Group's creditors, accounting for at least 80% of the outstanding principal amount of the secured debt of the Edcon, provided signatures in respect of a lock-up agreement (the "LUA"), pursuant to which the parties to the LUA will agree to the key terms of a comprehensive restructuring of the Edcon Group's entire capital structure (the "Restructuring"), including a significant decrease in the outstanding amount of third-party debt of Edcon Limited ("Edcon") and a transfer of control over the Edcon Group's operating companies from Bain Capital to certain of the Edcon Group's

existing creditors (the “Control Transfer”). The LUA is expected to become binding shortly, subject to the satisfaction to certain conditions precedent.

The Restructuring is expected to materially improve the liquidity position of the Edcon Group to ensure ongoing operations as well as address the current high structural leverage and cash interest burden on the operating company. The extended maturities and additional funding should facilitate the ongoing operational turnaround and allow management to refocus onto running the business and executing its strategic plan. Furthermore, the Restructuring should alleviate concerns of key stakeholders such as suppliers, landlords and credit insurers, and make Edcon a more attractive place to work and shop.

Implementation and Control Transfer

The LUA contemplates that the Restructuring will be implemented between the Edcon Group and certain of the Edcon Group’s creditors (consensually or, where necessary, pursuant to South African Compromise Proceedings under Section 155 of the South African Companies Act of 2008). It is contemplated that the Control Transfer will be effected pursuant to an enforcement of a share pledge over a holding company of the Edcon Group and the transfer of the entire outstanding shares in such entities to a newly established holding company (“Parent”), which is expected to be a wholly-owned subsidiary of two other newly established holding companies (“Holdco 1” and “Holdco 2”), each of which are expected to be incorporated and tax resident in South Africa. At completion, the majority of the shares in Holdco 2 are expected to be owned by the holders of the Edcon Group’s existing 2018 Senior Secured Notes and 2019 Senior Secured PIK Toggle Notes and lenders under the Edcon Group’s existing ZAR Senior Secured Term Loan (or their respective nominees). A new governance structure will be put in place, including provisions relating to transfers of shares, pre-emption rights, tag-along rights and drag-along rights, board composition and reserved matters requiring the consent of specific majorities of shareholders.

The BEE trust and management investors will receive certain economic rights on a distribution to Holdco 2’s shareholders and on certain pre-determined exit events.

Operating Group Indebtedness

As part of the Restructuring and subject to the satisfaction of various conditions, certain of the lenders under the existing ZAR Super Senior RCF Term Loan and LC Facility have agreed to commit to provide a ZAR-denominated R575 million New Revolving Credit Facility. The Restructuring is proposed to also involve the amendment and restatement of Edcon’s existing ZAR Super Senior RCF Term Loan and LC Facility into a new ZAR-denominated R3,597 million senior secured Converted Revolving Facility (R1,250 million), Term Loan Facility and LC Facility, available to Edcon. Furthermore, pursuant to the LUA, the Edcon Group’s existing Super Senior Liquidity Facility (excluding Facility A3 and, subject to certain liquidity tests, Facility A1) is proposed to be amended and restated and shall comprise the existing EUR-denominated Facility A2, available to Edcon (in an original principal amount of €123.25 million plus accrued and unpaid interest to date).

The New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility LC Facility and the Super Senior Liquidity Facility will rank *pari passu* amongst each other, be secured on a super senior basis by substantially all of the assets of Edcon and its subsidiaries, together with some of the assets of the Parent and will contain LMA-style customary affirmative and negative covenants, which will be adjusted to give Edcon flexibility to operate its day-to-day business activities and permit Edcon to make certain administrative parent company payments. The covenants will be set at a level reflecting the leverage and liquidity position of the operating companies of the Edcon Group. The New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility and LC Facility will mature on the earliest to occur of (i) 31 December 2019, (ii) the earliest maturity date of the Super Senior Liquidity Facility, and (iii) three months prior to the maturity date of any other indebtedness of the Edcon Group which benefits from security granted by the Edcon Group’s operating companies, and may be extended upon payment of a fee. The Super Senior Liquidity Facility will mature on the earliest of (i) 31 December 2017, (ii) the earliest maturity date of the New Revolving Credit Facility, Converted Revolving Facility, Term Loan Facility and LC Facility, and (iii) three months prior to the maturity date of any other

indebtedness of the Edcon Group which benefits from security granted by the Edcon Group's operating companies, and may be extended to 31 December 2018 upon meeting certain financial ratios.

The New Revolving Credit Facility, Converted Revolving Facility and Term Loan Facility will bear interest of JIBAR + 5% cash and 3% PIK per annum. The LC Facility will bear interest of JIBAR + 5% cash and 3% PIK per annum. The Super Senior Liquidity Facility will bear interest of EURIBOR (zero floor) + 4% cash (increasing to 9% on and from the maturity extension) and 8% PIK per annum.

New Holding Company Indebtedness

New Holdco 1 Notes

The Restructuring is proposed to involve the issuance by New Holdco 1 of approximately R2,250 million-equivalent of USD-denominated New Holdco 1 PIK A-1 Notes, to refinance Facility A3 and, subject to Edcon meeting a certain liquidity test, repay Facility A1 and provide additional fresh liquidity to the Edcon Group.

The Facility A3 lenders have committed to convert their approximately R810 million-equivalent USD-denominated Facility A3 claims into New Holdco 1 PIK A-1 Notes. In addition, approximately R1,490 million-equivalent of notes may be subscribed to by the holders of the Edcon Group's existing 2018 Senior Secured Notes, 2019 Senior Secured PIK Toggle Notes and 2019 Super Senior PIK Notes and lenders under the Edcon Group's existing ZAR Senior Secured Term Loan and EUR Super Senior Term Loan. Each subscriber to the New Holdco 1 PIK A-1 Notes will receive a pro rata share of a fee equal to 15% of the undiluted equity in Holdco 2.

Certain creditors have committed to purchase the full amount of the New Holdco 1 PIK A-1 Notes in the event the subscription is not fully taken up by the eligible creditors. These committed creditors are entitled to a fee of 3% of the aggregate principal amount of such commitments, which will be payable in the USD-equivalent of up to approximately R69,600,000 of additional New Holdco 1 PIK A-1 Notes.

The counterparties to the existing second super senior hedging arrangements will have their claims converted into USD-denominated New Holdco 1 PIK A-2 Notes at a ratio of 0.95:1, to be issued by Holdco 1 on or about the completion date of the Restructuring.

The New Holdco 1 PIK A-1 Notes and the New Holdco 1 PIK A-2 Notes are expected to rank *pari passu* amongst each other and be secured by substantially all assets of Holdco 1 and a first-ranking share pledge over Parent, but will not benefit from any security over the operating companies of the Edcon Group. Pursuant to the LUA, the New Holdco 1 PIK A-1 Notes and the New Holdco 1 PIK A-2 Notes are expected to contain certain affirmative and negative covenants, with basket and covenant levels set to reflect the current liquidity position and leverage of the Edcon Group and its post-Restructuring capital structure.

The New Holdco 1 PIK A-1 and New Holdco 1 PIK A-2 Notes will mature on 31 December 2022, and will bear interest of 25% PIK per annum and 5% PIK per annum, respectively. A make whole premium of up to 4 years from issuance will apply in case of a redemption of the New Holdco 1 PIK A-1 Notes.

New Holdco 2 Notes

It is expected that claims of holders of Edcon's existing 2019 Super Senior PIK Notes and lenders under the existing Super Senior Term Loan will be converted into approximately €170 million New Holdco 2 PIK A Notes to be issued by Holdco 2 on or about the completion date of the Restructuring. In addition, 50% of the claims of holders of Edcon's existing 2018 Senior Secured Notes and 2019 Senior Secured PIK Toggle Notes and lenders under the Edcon Group's existing ZAR Senior Secured Term Loan (the "**Senior Secured Claims**") are expected to be converted into the USD equivalent of approximately ZAR9.6 billion of New Holdco 2 PIK B Notes (which may be denominated in ZAR at the option of each relevant creditor), which are expected to rank junior to the New Holdco 2 PIK A Notes. The remaining 50% of the Senior Secured Claims are expected to be converted into equity in New Holdco 2.

The New Holdco 2 PIK A and B Notes are expected to be secured by substantially all assets of Holdco 2 and a first-ranking share pledge over Holdco 1, but will not benefit from any security over the operating companies of the Edcon Group or Holdco 1. Upon an enforcement of such security, holders of New Holdco 2 PIK B Notes will only receive the proceeds from such enforcement once holders of the New Holdco 2 PIK A Notes have been paid in full. Pursuant to the LUA, the New Holdco 2 PIK A Notes and New Holdco 2 PIK B Notes are expected to contain certain affirmative and negative covenants, with basket and covenant levels set to reflect the current liquidity position and leverage of the Edcon Group and its post-Restructuring capital structure.

The New Holdco 2 PIK A and New Holdco 2 PIK B Notes will mature on 31 December 2022, and will bear interest of 8% PIK per annum and 3% PIK per annum, respectively (with certain adjustments to the PIK margin on the New Holdco PIK B Notes that are held in ZAR).

Conditions to the Effectiveness of the Restructuring

The Restructuring, including the Control Transfer, is subject to certain conditions (or the waiver of such conditions) set out in the term sheets relating to the Restructuring, including the Restructuring receiving clearance from the Competition Commission of South Africa and other relevant regulatory authorities in Africa.

There can be no guarantee that the Restructuring as contemplated by the LUA will be implemented in the terms set out above, and any restructuring of the Edcon Group may be on significantly different terms to the one set forth in this announcement or not be consummated at all. Furthermore, the Restructuring of the Edcon Group may take a significant amount of time. There can be no assurance that clearance from the Competition Commission of South Africa and other relevant regulators in Africa will be granted in a timely manner or at all.

Sale of Legit business

On 15 September 2016, the Group agreed to the sale of its Legit business for R637 million (the “Legit Sale”) to Retailability Proprietary Limited, a retail fashion holding company which operates over 200 stores across South Africa, Namibia and Botswana (including the Beaver Canoe and Style chains) and, in which Metier Private Equity is a material shareholder. This Group believes that the Legit sale is aligned with Edcon’s strategic drive to create a simpler, more agile business that is focused on carefully selected offerings in which the Group believes it can add significant value.

The closing of the Legit Sale is subject to various conditions precedent including, Competition Commission approval as well as the satisfaction of certain other customary closing conditions, and requires the consent of certain of the Group’s secured lenders. The sale is expected to be concluded by 28 February 2017.

Trading update

Key operational data

	(unaudited) Retail sales growth (%)				(unaudited) Gross profit margin (%)		
	Q1:FY16 Actual	*Q1:FY17 Actual*	*Q1:FY16LFL(1)*	*Q1:FY17 LFL(1)*	*Q1:FY16 Actual*	*Q1:FY17 Actual*	*pts change(2)*
Edgars	(1.1)	(10.2)	(5.4)	(12.0)	43.0	40.4	(2.6)
Discount	(3.3)	(9.2)	(4.7)	(9.4)	33.9	32.0	1.8
Specialty	2.1	(3.6)	0.4	(7.8)	33.9	33.6	(0.4)
Edgars Zimbabwe(3)	17.1	6.9	20.2	6.9	49.3	43.5	(5.8)
Total	(0.9)	(8.1)	(3.6)	(9.8)	38.0	36.0	(2.0)

	Q1:FY16Actual	*Q1:FY17 Actual*	*% change*
Total number of stores	1 527	1 555	1.8
Average retail space ('000 sqm)	1 599	1 618	1.2
Customer credit accounts ('000s)(4)	3 371	3 099	(8.1)

(1) Like-for-like sales (same store sales).
(2) Q1:FY17 % change on Q1:FY16.
(3) On a constant currency basis retail sales growth declined 16.7% and LFL growth declined 16.7% in Q1:FY17.
(4) Excludes Edgars Zimbabwe customer credit accounts Q1:FY17 of 174 046 and Q1:FY16 of 168 107.

Edgars

Retail sales in the Edgars division decreased by 10.2% for the first quarter 2017 when compared to the first quarter 2016. Total cash sales weakened, decreasing 4.7% during the first quarter 2017 compared to the first quarter 2016 and credit sales decreased by 15.3% compared to the first quarter 2016. Same-store sales in the first quarter 2017 were 12.0% lower compared to the first quarter 2016.

Average space increased 2.0% when compared to the first quarter 2016. During the first quarter 2017, we opened one Edgars store compared to six stores during the first quarter 2016. During the same time we closed three Edgars stores and one Edgars sales store during the first quarter 2017, bringing the total number of stores in the Edgars division to 203 as at 25 June 2016, down from 206 as at 26 March 2016.

Gross margin was 40.4% for the first quarter 2017, down from the 43.0% in the first quarter 2016 due to the weaker Rand and higher markdown activity.

Discount

The Discount division has been significantly affected by Edcon's declining credit sales. Total sales declined by 9.2% and same store sales declined by 9.4% in the first quarter 2017 compared to the first quarter 2016. Cash sales decreased by 2.4%, while credit sales declined by 20.8%.

Average space remained flat compared to the first quarter 2016. During the period we opened six Jet stores and closed seven Jet stores, bringing the total number of stores in the Discount division to 519 as at 25 June 2016, down from 520 as at 26 March 2016.

In the first quarter of 2017, gross profit margin decreased to 32.0% from 33.9% in the first quarter of 2016 as a result of increased markdown activity and the impact of the weaker Rand.

Specialty

Sales in the Specialty division decreased by 3.6% in the first quarter compared to the first quarter 2016, and same store sales were 7.8% lower for the first quarter 2017 compared to the first quarter 2016. Credit sales decreased 11.9% while cash sales remained relatively flat compared to the first quarter 2016.

Average space increased 2.0% compared to the first quarter 2016. During the period, we opened one Edgars Active store, four Boardmans stores, one Red Square, three Legit, three CNA and eight mono-branded stores and closed one Legit store and two CNA stores bringing the total number of stores in the Specialty division to 780 stores as at 25 June 2016, up from 763 stores as at 26 March 2016.

Gross margin declined to 33.6% for the first quarter 2017 from 33.9% in the first quarter 2016.

African expansion

Sales from countries other than South Africa decreased by 8.1% over the first quarter 2017, and contributed 12.0% (9.6% excluding Zimbabwe) of retail sales for the first quarter 2017, up from 11.4% (9.4% excluding Zimbabwe) in the prior comparative period. The decrease in retail sales is due to the ongoing impact of credit tightening in foreign countries such as Namibia, Botswana, Lesotho and Swaziland implemented in fiscal year 2016. Retail sales in Zambia and Ghana continued to grow. Edcon now has 215 stores outside of South Africa (including 53 in Zimbabwe), which is an increase of two stores from 213 stores as at 26 March 2016.

Credit and financial services

As at 26 March 2016, the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale on the Statement of Financial Position as a buyer could not be found at an acceptable price.

On a twelve month rolling basis, credit sales (excluding Zimbabwe) decreased from 41.3% total retail sales in the first quarter 2016 to 38.1% in the first quarter 2017. Excluding Zimbabwe, Edcon had 272 thousand fewer credit customers than the first quarter 2016. The Group continues to be affected by the affordability regulations implemented by the National Credit Regulator in September 2015. The impact of the affordability regulations on the current quarter sales is estimated to be approximately R189 million. Edcon continues rolling out an in-house, National Credit Act compliant credit solution to customers. The in-house trade receivables book grew by approximately R14 million over the quarter to R177 million.

Edcon’s share of the profits from the insurance business increased by 26.1% from the prior comparative period to R203 million for the first quarter 2017, largely due to an increase in premiums and a reduction in claims during the quarter.

Financial review

Summary financial information

Rm	First quarter (unaudited) 2016	2017	% change
Total revenues[(1)]	6 994	6 527	(6.7)
Retail sales	6 500	5 973	(8.1)
Gross profit	2 470	2 153	(12.8)
Gross profit margin (%)	38.0	36.0	(2.0pnt)
Adjusted EBITDA[(2)]	695	321	(53.8)
Capital expenditure	117	149	27.4
Net debt including cash and derivatives	24 193	25 658	6.1
LTM adjusted EBITDA	2 742	2 265	(17.4)
Net debt/LTM adjusted EBITDA	8.8x	11.3x	2.5x

(1) Q1:FY16 has been re-presented as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(2) See table below which reconciles trading profit/loss to adjusted EBITDA.

Revenues

Total revenues declined by R467 million, or 6.7%, from R6,994 million in the first quarter 2016 to R6,527 million in the first quarter 2017 mainly as a result of weaker retail sales as a result of credit sales declining a further 15.6% during the period compared to the prior period, while retail cash sales remained relatively flat. The overall trading environment remained subdued with weak economic growth, combined with higher inflation, currency weakness, increased interest rates, unemployment and rising food prices continuing to weigh on consumer confidence and the overall macro environment. Additionally, income from club fees declined as well as manufacturing sales to third parties.

Retail gross profit

Gross profit margin declined 200bps from 38.0% in the first quarter 2016 to 36.0% in the first quarter 2017. The decline in the gross margin was the result of the unfavorable trading environment, particularly the weaker Rand, in which we could not fully pass through higher input costs to already constrained consumers.

Adjusted EBITDA

The following table reconciles trading profit to adjusted EBITDA:

	First quarter (unaudited)		
Rm	*2016*	*2017*	*% change*
Trading (loss)/profit(1)	420	(263)	(62.6)
Depreciation and amortisation	249	244	
Net asset write off(2)	5	5	
Loss/(profit) from brands to be exited(3)	(1)	3	
Other non-recurring costs(4)	22	332	
Adjusted EBITDA(1)	695	321	(53.8)

(1) Q1:FY16 has been re-presented as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(2) Relates to assets written off in connection with store conversions, net of related proceeds.
(3) Adjustment to remove the EBITDA gain or loss achieved from certain brands being Express, Geox, Lucky Brand and One Green Elephant which, the Group has strategically agreed to exit.
(4) Relates to costs associated with the corporate and operational overhead reductions of R5 million in Q1:FY16, onerous lease reversals of R11 million in Q1:FY16, transitional project related expenditure of R78 million in Q1:FY17, strategic initiative costs of R246 million (Q1:FY16 R28 million) and a non-recurring of R8 million relating to our strategic partnership with Absa in Q1:FY17.

As at 26 March 2016, the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale on the Statement of Financial Position in the consolidated financial statements as a buyer could not be found at an acceptable price. Consequently, the Group no longer reports pro-forma adjusted EBITDA, which reported normalised earnings on the basis of 100% of the trade receivables book accounted for as though all trade accounts receivable which were previously classified as held-for-sale had been sold and the Group had earned a fee similar to that under the Absa relationship. In addition, the Group has taken a strategic decision to exit certain international brands including Express, Geox, Lucky Brand and One Green Elephant. Adjusted EBITDA relating to each of these brands has been restated in the first quarter of 2016 to exclude adjusted EBITDA relating to these brands.

The table below reconciles previously reported pro-forma adjusted EBITDA in the first quarter 2016 to adjusted EBITDA reported above:

	First quarter (unaudited)
Rm	*2016*
Pro-forma adjusted EBITDA previously reported(1)	696
Net income/(loss) from previous card programme(2)	9
Net income from new card programme(3)	(9)
Adjusted EBITDA previously reported(1)	696
Loss/(profit) from brands to be exited(4)	(1)
Adjusted EBITDA(6)	695

(1) Q1:FY16 has been re-presented as a result of ceasing to classify the trade receivables card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(2) Net income/(loss) derived from 100% of the trade receivables including finance charges revenue, dad debts and provisions added back as no longer accounted for as a discontinued operation.
(3) Pro-forma fee earned by Edcon under the new arrangement with Absa, based on 100% of the trade receivables book, now excluded as the Group ceased to classify the trade receivables store card portfolio in Lesotho, Namibia, Botswana and Swaziland as held-for-sale.
(4) Adjustment to remove the EBITDA gain or loss achieved from certain brands being Express, Geox, Lucky Brand and One Green Elephant which the Group has strategically agreed to exit.
(5) Adjusted EBITDA as reported above.

Costs

Rm	First quarter (unaudited) 2016	2017	% change
Store costs[1]	1 583	1 703	7.6
Other operating costs[1]	836	816	(2.4)
Store card credit administration costs[2]	92	100	8.7
Non-recurring costs[3]	22	332	1409.1

(1) Other operating costs as per consolidated financial statements, before costs in notes (2) and (3) below. In Q1:FY16 store costs and other operating costs have been reclassified in line with the new Group structure by R8 million respectively.
(2) Relates to costs associated with the administration of the store credit card funded by Absa or Edcon.
(3) Relates to costs associated with the corporate and operational overhead reductions of R5 million in Q1:FY16, onerous lease reversals of R11 million in Q1:FY16, transitional project related expenditure of R78 million in Q1:FY17, strategic initiative costs of R246 million (Q1:FY16 R28 million) and a non-recurring of R8 milion relating to our strategic partnership with Absa in Q1:FY17.

Total store costs increased by R120 million, or 7.6%, from R1,583 million in the first quarter 2016 to R1,703 million in the first quarter 2017, mainly due to higher rental costs that increased by 10.2%, an increase in manpower costs of 7.7% and higher utility costs which increased 14.9%. Rental costs are a function of space and contractual lease agreements. Efforts to manage rental costs are ongoing. Rental and manpower constituted 59.9% of total costs for the first quarter of 2017.

Other operating costs, excluding non-recurring and store card credit administration costs, decreased by R20 million, or 2.4%, from R836 million in the first quarter 2016 to R816 million in the first quarter 2017.

Income of R84 million from Absa for administering the trade receivables book sold is included in other income.

Depreciation and amortisation

The depreciation and amortisation charge decreased by R5 million, or 2.0%, from R249 million in the first quarter 2016 to R244 million in the first quarter 2017 due to a reduction in the depreciation charge to profit and loss relating to information technology (“IT”) capital expenditure which the Group has continuously reduced over the past 3 years.

Net financing costs

Rm	First quarter (unaudited) 2016	2017	% change
Interest received	11	15	
Financing costs	(864)	(882)	
Net financing costs	(853)	(867)	1.6

Net financing costs increased by R14 million, or 1.6%, from R853 million in the first quarter 2016 to R867 million in the first quarter 2017. This increase is primarily as a result of higher foreign exchange rates.

Foreign exchange management

Edcon applies a strategy of hedging all committed foreign denominated orders, the impact of which appears below the trading profit line. These forward contracts and some inflation in selling prices have absorbed the impact of a weaker Rand when compared to the same period in the prior year.

	First quarter (unaudited)		
Rm	2016	2017	% change
Derivative losses	(53)		
Foreign exchange (losses)/gains	(583)	432	
Fair value adjustment for put option	31	-	
Net movement	(605)	432	(71.4)

Edcon manages its foreign exchange risk on liabilities on an ongoing basis. At the end of the first quarter 2017, 28% of the Group's total gross debt is hedged by virtue of it being denominated in local currency, whilst 72%, is unhedged. The foreign exchange positive net movement during the current quarter is as a result of the ZAR appreciating against the EUR from EUR:R17.26 as at 26 March 2016 to EUR:R16.81 as at 25 June 2016 and against the USD from USD:R15.46 to USD:R15.19. The Rand however remained weaker when compared to the first quarter 2016, depreciating against the EUR from EUR:R13.64 to EUR:R16.81 and against the USD from USD:R12.20 to USD:R15.19.

Cash flow

Operating cash inflow before changes in working capital decreased by R566 million from R669 million in the first quarter 2016 to R103 million in the first quarter 2017 mainly due to the weaker trading performance.

Cash outflow from working capital amounted to R135 million in the first quarter 2017, compared to an inflow of R162 million in the first quarter 2016, attributable to:

(vi) A net decrease in trade receivables of R62 million in the first quarter 2017 compared to a decrease of R40 million in the first quarter 2016;

(vii) An increase in other receivables and prepayments of R233 million in the first quarter 2017 compared to an increase of R150 million in the first quarter 2016 driven by an amount owing by a third party debtor in first quarter 2017 which can fluctuate between either sundry debtors or sundry creditors of which, the classification is timing dependent;

(viii) An increase in inventory of R163 million in the first quarter 2017 compared to an increase of R37 million in the first quarter 2016 as a result of lower than anticipated retail sales which has increased the inventory levels on hand as at 25 June 2016 ; and

(ix) An increase in trade and other payables of R199 million in the first quarter 2017 compared to an increase of R309 million in the first quarter 2016. The decrease of R110 million mainly as a result reduced purchases in the first quarter 2017 when compared to the first quarter 2016 as a result of the Easter shift to March 2016 in the current calendar year.

Net cash outflow from operating activities of R373 million, decreased by R968 million, compared to an inflow of R595 million in the prior comparative quarter mainly due to weaker trading performance and the negative working driven by an increase in inventories and sundry receivables.

Capital expenditure

Rm	First quarter (unaudited)		
	2016	*2017*	*% change*
Edgars	(5)	46	
Expansion	*(18)*	*13*	
Refurbishment	*13*	*33*	
Discount	26	21	
Expansion	*26*	*7*	
Refurbishment	-	*14*	
Specialty	36	35	
Expansion	*32*	29	
Refurbishment	*4*	6	
Edgars Zimbabwe	-	23	
IT	57	36	
Other corporate capex	3	20	
	117	181	54.7

(1) The Q1:FY16 comparatives have been re-classified for the changes made to the divisions. The R18 million credit for expansion in the Edgars division relates to landlord contributions received in that quarter in excess of capex spend.

Capital expenditure increased by R64 million to R181 million in the first quarter 2017, from R117 million in the first quarter 2016. In the first quarter 2017, 27 new stores were opened which, combined with store refurbishments, resulted in investments in stores of R102 million excluding Zimbabwe, compared to the first quarter 2016 where 42 new stores were opened resulting in an investment in stores of R57 million, excluding Zimbabwe. The increase in capital expenditure in the first quarter 2017 compared to the prior comparative quarter to mainly due to higher contributions from landlords received in the prior quarter. Edcon invested R36 million in information systems infrastructure in the first quarter 2017 compared to R57 million in the first quarter 2016.

The Group is planning to spend over R600 million for fiscal year 2017.

Net debt, liquidity and capital resources

The primary source of short-term liquidity is cash on hand. The amount of cash on hand is influenced by a number of factors, including retail sales, working capital levels, supplier and debt service payment terms, timing of payments for capital expenditure projects and tax payment requirements. Working capital requirements fluctuate during each month, depending on when suppliers are paid and when sales are generated, and throughout the year depending on the seasonal build-up of net working capital. Edcon funds peaks in its working capital cycle, which typically occur in October and March, with cash flows from operations, drawings under its various facilities and other initiatives.

Rm[1]	Cash	PIK	First quarter (unaudited) 2016	2017
Super senior debt				
ZAR Revolving credit facility			2 864	
ZAR Super Senior RCF Term Loan due 31 December 2017	*J+5.00%*	*3.00%*		3 297
EUR Super Senior Refinancing Facility due 31 December 2019[2]	*E+4.00%*	*8.00%*		2 075
ZAR Super Senior Hedging Debt due 31 December 2017	*JIBAR*	*8.00%*		675
EUR Super Senior Term Loan due 31 December 2017	*EURIBOR*	*8.00%*		633
ZAR Floating rate notes due 4 April 2016	*J+6.25%*		1 006	
EUR Super Senior PIK notes due 30 June 2019		*8.00%*		1 842
Senior secured debt				
ZAR term loan due 31 December 2017[3]	*J+7.00%*	*3.00%*[4]	4 112	3 020
EUR fixed rate note due 1 March 2018	*9.50%*		8 217	10 244
USD fixed rate note due 1 March 2018	*9.50%*		3 023	3 780
Deferred option premium			1 102	
Lease liabilities			362	319
EUR Senior secured PIK Toggle notes due 30 June 2019	*9.75% (no toggle)*	*12.75% (toggle)*		481
Senior				
EUR fixed rate notes due 30 June 2022[5]		*5.00%*		50
EUR fixed rate notes due 30 June 2019[5]	*13.375%*		5 604	
Other loans[6]			292	304
Gross debt			26 582	**26 720**
Derivatives			(656)	50
Cash and cash equivalents			(1 733)	(1 112)
Net debt			24 193	**25 658**

(1) FX rates at end Q1:FY16 were R12.20 $ and R13.64:€ and at the end of Q1:FY17 were R15.19:$ and R16.81:€.
(2) Will spring to mature on the same date as the Super Senior RCF Term Loan and Super Senior LC Facility.
(3) The ZAR term loan was extended from 16 May 2017 to 31 December 2017 during fiscal year 2016.
(4) Rising to 4.00% from 30 June 2016.
(5) The maturity of the original 2019 Notes not tendered was extended to 30 June 2022 and the interest rate reduced to 5.0% as part of the amendments with respect to the Exchange Offer concluded in fiscal year 2016.
(6) The portion of this debt relating to Zimbabwe was R229 million in Q1:FY17 and R276 million in Q1:FY16.
(7) At the end of the period R206 million of a Super Senior LC facility were utilised for guarantees and LC's.

The total net debt increased 1.1%, or R279 million, from the end of the fourth quarter 2016 mainly due to currency movements.

On 14 April 2016, the Group obtained creditor support to defer up to R1.6 billion of certain cash interest payments under its 9.5% Euro and US dollar denominated senior notes due in 2018 and its senior term loan facility to December 2016.

As part of its ongoing effort to improve its financial performance, implement its strategic plan and maximise the liquidity position of the Group, through an ongoing process with major creditors to achieve a comprehensive restructuring of the entire capital structure which is expected to include a significant reduction in the current outstanding indebtedness, on 8 July 2016, the Group announced the requisite support from existing bondholders and bank lenders were obtained allowing the Group to access up to R1.5 billion in bridge financing which will be made available by a group of bondholders and bank lenders. The bridge financing was approved by the South African Reserve Bank and is denominated in US dollars and Euros. On 12 July 2016, the Group received the first tranche net amount of R651 million.

Corporate Information

Edcon Holdings Limited
Incorporated in the Republic of South Africa
Registration number 2006/036903/06

Non-executive directors
DM Poler* (Chairman), EB Berk*, MS Levin* (resigned 31 March 2015), ZB Ebrahim₸, RB Daniels*, M Osthoff*** (appointed 1 April 2015), DH Brown₸ (resigned 31 December 2015), TF Mosololi₸, LL von Zeuner₸ (resigned 10 December 2015), J Schreiber*** (appointed as Non-executive director 18 August 2015; resigned with effect from 31 March 2016), KDM Warburton₸ (appointed 1 February 2016), A Alvarez III*₸ (with effect from 21 April 2016), D Fraumann*₸ (appointed 31 May 2016).

Executive directors
BJ Brookes **** (Managing Director and Chief Executive Officer, appointed 30 September 2015), Dr U Ferndale and RB Daniels (interim joint Chief Executive Officers, appointed 18 August 2015, resigned 30 September 2015), J Schreiber***(resigned 18 August 2015), R Vaughan (Chief Financial Officer, appointed 27 July 2016), T Clerckx** (Chief Financial Officer, resigned 22 July 2016), Dr U Ferndale (Chief Operations Officer).

*USA ** BELGIUM ***GERMAN ****AUSTRALIAN
₸ Independent Non – Executive Director

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CM Vikisi

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Annex

Certain Internal Budget and Other Information

The following budget information is derived from management's internal planning budget and was provided to certain stakeholders of the Group in connection with discussions concerning the Restructuring. The Group cautions you that the following budget information is not a guarantee of future performance and that the actual results of operations, financial condition and liquidity and the development of the industry in which the Group operates may differ materially from those made in or suggested by the following budget information. Consequently, you should not place undue reliance on these forward-looking statements. For a more detailed discussions of the limitations of the budget information provided herein, please also refer to "—Disclaimer" in the main body of the Trading Update.

Unless otherwise indicated in this Annex, the financial information provided in this "Certain Internal Budget and Other Information" section is based on the Group's new financial reporting structure, as described in more detail in "Part B—Management Discussion and Analysis of Financial Performance." Pursuant to this new reporting structure, the Edgars division comprises Edgars, the Discount division comprises Jet and Jet Mart and the Specialty division comprises CNA, Red Square, Boardmans, Edgars Active, Edgars Shoe Gallery, Cellular management costs, Legit and our Mono-branded stores. As a result, the historical figures and results of the Edcon Group presented in this Annex may not be directly comparable to the historical results of the Edcon Group presented elsewhere in this Trading Update.

CERTAIN HISTORICAL RESULTS OF OPERATION

For the fiscal year ended March 26, 2016, based on information available to the Group from unaudited management accounts, the divisions of Edcon recorded the following performance: Edgars division ("Edgars") recorded net sales of R10.9 billion, gross profit margin of 41%, EBITDA margin of 13% and credit & financial services ("C&FS") profit of R653 million. Discount division ("Discount") recorded net sales of R9.6 billion, gross profit margin of 33%, EBITDA margin of 9% and C&FS profit of R470 million. Specialty division excluding the Group's cellular business ("Specialty") recorded net sales of R5.9 billion, gross profit margin of 33%, EBITDA margin of 0.3% and C&FS profit of R84 million. Specialty division including the Group's cellular business recorded net sales of R8.0 billion, gross profit margin of c. 30% and EBITDA margin of c. 14%.

FINANCIAL BUDGET

Based on management's internal planning budget, the Group expects its net sales to increase by an average of c. 2% year-on-year through FY2020 following an anticipated decrease in 2017. Over the same period, the Group estimates its gross profit margin to increase to c. 38% and EBITDA margin to increase to c. 8% by the end of FY2020. The Group estimates annual C&FS profits to be c. R1.2 billion by the end of FY2020.

Furthermore, based on management's internal planning budget, the Group expects Edgars net sales to increase by an average of c. 1.5% year-on-year through FY2020 following an expected decrease in 2017. Furthermore, the Group estimates gross profit margin of Edgars to increase c. 43% and EBITDA margin to increase to c. 14% by the end of FY2020. During the same period, the Group expects annual C&FS profit for Edgars to be c. R640 million.

The Group has budgeted for net sales in Discount to increase by an average of c. 2.5% year-on-year through the end of FY2020, following an expected decrease in FY2017. Furthermore, the Group estimates the gross profit margin of Discount to remain relatively flat and EBITDA margin to decrease to c. 6.5% by the end of FY2020. During the same period, the Group expects annual C&FS profit for Discount to decrease to c. R360 million.

The Group has budgeted for net sales in Specialty to increase by an average of c. 2% year-on-year through the end of FY2020. Furthermore, the Group estimates the gross profit margin of Specialty to increase to c. 36% and EBITDA margin to increase to c. 1% by the end of FY2020, following an expected decrease in FY2017. During the same period, the Group expects annual C&FS profit for Specialty to decrease to c. R170 million.

Based on management's internal planning budget, the Group estimates that like-for-like cash sales in Edgars will decrease by c. 3% through the end of FY2018 and increase by c. 10% in each of FY2019 and FY2020. The Group has budgeted for a sharp decline in like-for-like credit sales in excess of 10% through the end of FY2018, with an average increase of c. 4.5% year-on-year through the end of FY2020 thereafter.

Based on management's internal planning budget, the Group estimates that like-for-like cash sales in Discount will increase by an average of c. 4.5% year-on-year through the end of FY2020. The Group has budgeted for a sharp decline in like-for-like credit sales in excess of 15% in FY2017, with an average increase of 4% year-on-year through the end of FY2020 thereafter.

The Group owns a 55% interest in Celrose, a South African apparel manufacturer, for which it has budgeted sales of c. R400 million and EBITDA of c. R20 million for FY2017.

The Group has budgeted for capital expenditures of c. R600 million for FY2017, with new store capital expenditure representing c. 30%. Capital expenditures are expected to remain at similar levels through the Budget Period. The Group expects new store capital expenditure to decrease to c. 11% for the remainder of the Budget Period. Based on current trading results, and taking into account estimated total capital expenditures, the Group has budgeted for annual changes in cash of c. R(1,200) million in FY 2017, and c. R1,200 million to R1,600 million in the years thereafter. Based on historical trading information available to management, the Group estimates that its liquidity need will peak in November 2016 at around R150 million, assuming the second tranche under the Edcon Group's bridge facility in the net amount of approximately R700 million is made available to the Edcon Group following the execution of a lock-up agreement relating to the Restructuring with the required minimum number of the Edcon Group's existing creditors. There can be no assurance that the Edcon Group and its creditors will reach an agreement with respect to the Restructuring in a timely manner, or at all, or that the second tranche under the bridge facility will be made available to the Edcon Group. The Edcon Group's actual peak liquidity for FY 2017 may be significantly higher.

We continue to be in discussions with our creditors concerning the comprehensive restructuring of our capital structure, which may include, amongst other things, a debt for debt swap (at par or with a haircut reflecting the relative position of the original debt in Edcon's capital structure) and a debt for equity swap. Additionally, in connection with the restructuring, it is currently anticipated that certain of the Edcon Group's existing lenders will provide the Edcon Group with additional liquidity in the form of additional indebtedness, a part of which is expected to be provided by lenders under the Edcon Group's bridge facility and a part of which is expected to be provided by other existing lenders, including certain bondholders. Such additional indebtedness is expected to bear interest at a rate above current market rates, reflecting the leverage and liquidity position of the Edcon Group, as well as the position of such additional debt in the Edcon Group's post-restructuring capital structure. It is expected that certain of the Edcon Group's financial indebtedness will contain customary affirmative and negative covenants, which will be adjusted to give Edcon Limited flexibility to operate its day-to-day business activities and permit Edcon Limited to make certain administrative parent company payments. The covenants will be set at a level reflecting the leverage and liquidity position of the operating companies of the Edcon Group. Discussions are ongoing and no agreement has yet been reached. There can be no guarantee that we will reach an agreement with our creditors in the near term or at all. Should we be unable to significantly reduce our debt burden, our liquidity situation may further deteriorate.

CREDIT BOOK AND RELATED BUSINESS

As of March 26, 2016, the Group's receivable book had a net book value of R606 million, and delinquency rates were slightly in excess of 20%. For credit accounts opened since 2011, approximately 45% of total spend in the first 48 months happens in the first year, and then drops and remains stable thereafter.

Over the Budget Period, the Group estimates its second-look credit book to grow its number of accounts by a compounded annual growth rate of 35%. However, despite the estimated growth in its own credit book, the Group has budgeted for a year-on-year average decline of c. 6% of credit sales through the end of FY2020.

STORES AND LEASES

Based on stores opened in FY2016 and stores already opened during FY2017, the Group has budgeted to open c. 60 new stores during the Budget Period, of which the Group estimates approximately half to be Specialty stores with the remainder being Edgars, Jet and Jet Mart stores.

Over the Budget Period, of all existing store leases, 19%, 23%, 17% and 12% will be up for renewal in FY2017, FY2018, FY2019 and FY2020, respectively. Based on an analysis of its existing store portfolio as at the end of FY2016 and the Group's budgeted store openings during the Budget Period, the Group estimates that the total number of stores is to decrease by approximately 9% by the end of FY2020.

Across Edgars stores, the average sales density is approximately R11,000 per square meter. Across Jet and Jet Mart stores, the average sales density is approximately R17,000 per square meter. Across the Group's estate, rent as a percentage of net sales is on average c. 9.5%.

STRATEGIC INITIATIVES

The Group is currently in the process of rolling out improvements to its Edgars, Jet and Jet Mart stores, as well as certain Specialty division stores, which the Group had previously implemented successfully in selected pilot stores. Beginning with the start of FY2017 through the end of FY2020 (the "Budget Period"), based on the initial implementation in selected stores, the Group has budgeted for a cumulative revenue increase of c. R2 billion and cumulative gross profit increase of c. R400 million from this rollout. There can be no guarantee that the Group will be in a position to successfully roll out these improvements in the manner or timeframe anticipated, or at all.

Furthermore, over the past year, the Group has been working on several cost reduction initiatives, which primarily relate to headcount reductions at its head office, which concluded in March 2016 ("Lean HQ"), an overhaul of procurement policies ("Goods Not For Resale") and improved merchandise sourcing. Over the Budget Period, the Group estimates the cumulative financial impact of these initiatives to reach c. R1.7 billion, of which c. R400 million are expected to be contributed from Lean HQ, c. R800 million are expected to be provided by Goods Not For Resale and c. R500 million are expected to be derived from improved merchandise sourcing. The Group has budgeted for aggregate benefits from working capital improvements of c. R1 billion over the Budget Period, of which the Group estimates c. R250 million to come from a reduction in trade payables and c. R700 million to R800 million to come from a reduction in inventory. There can be no guarantee that the Group will be in a position to successfully implement all or any of these cost reductions in the manner or timeframe anticipated, or at all. Consequently, there can be no guarantee that the Group will be able to realize the costs savings discussed in this paragraph.

In addition, the Group is currently in the process of clearing inventories aged over six months and estimates an increase in sales in excess of c. R200 million and an adverse impact to gross profit of c. R300 million during the current fiscal year beyond current financial projections. Accounting for the clearance of aged inventories and certain other initiatives is aimed at improving short-term liquidity not budgeted by the Group, while the adverse impact to budgeted EBITDA for FY2017 is estimated at c. R400 million. There can be no guarantee that the Group will be in a position to successfully clear aged inventory for the prices and in the timeframe anticipated or at all.

INFORMATION TECHNOLOGY

The Group has various outsourcing agreements with regards to its information technology ("IT") function. Following initial discussions with service providers, the Group estimates that it can achieve between R100 million and R150 million in annual cost savings from renegotiating some of its contracts. However, to date the Group has not initiated renegotiations of any IT contracts. There can be no guarantee that the Group will be able to successfully renegotiate any or all of its IT contracts. Consequently, the Group may not realize any or all of these identified cost savings.

The Group is currently evaluating various investments in its IT infrastructure for which total costs are estimated at c. R1.4 billion and the payback period is estimated at two years. To date, no concrete decision concerning investments in IT have been made by the Group.