Trading Results for the period ended 27 December 2008

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Q3 FY 2009
Excluding consolidation of OtC

Highlights for 3rd Quarter FY 2009

- Retail sales up 9.7% to R7.5bn
- Divisional retail sales growth:

	Total
Edgars	8.2%
CNA	6.1%
Discount division excl Discom	9.4%
Discount Division	12.3%

- Group Like for Like sales growth was up 6.7% on last year
- Average trading space grew 6.2% to 1.265 million sqm
- Closed at 1 221 stores versus 1 141 last year
- Credit sales were 53% of total vs 54% in FY 08

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Highlights for 3rd Quarter FY 2009 (cont.)

- Gross Profit margin of 38.4%, from 37.9%
- Clothing and footwear market share marginally up
- Trading profit up 14.7% to R1 253 million
- Adjusted EBITDA up 13.0% to R1 487 million
- Adjusted EBITDA margin of 19.8% from 19.2%
- Profit from credit and financial services up 36.8% to R156 million

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Gross Profit Margins

	FY 2009 %	FY 2008 %
Group	38.4	37.9
Edgars	42.9	42.3
CNA	31.9	33.3
Discount Division	34.0	33.1
Discount Division excl Discom	35.3	34.0

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Cash Flow for 3rd Quarter FY 2009 (excl OtC)

- Cash generated from operating activities before working capital up 27.9% to R1 487 million
- Working capital increased by R183m, following a R669m reduction last year
- Cash interest expense of R470m (R558m incl OtC)
- Capex of R180m, compared to R245m last year
  - R129m store fixtures
  - R49m IT infrastructure

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Credit Highlights for 3rd Quarter FY 2009

- Profit from credit (excluding Financial Services) of R71m from a profit of R39m
  - Additional trading profit of R39m from OtC
- Moving annual bad debts to average debtors of 12.0%, from 11.6% last year
- After tax earnings of financial services JV R85m, up 13.3% from last year
- Active account base of approximately 4.2 million, 54,000 more than last year

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Nine months to December 2008 excluding consolidation of OtC

Highlights for Year to Date FY 2009

- Retail Sales up 9.9%, excluding Discom 6.6%
- Division Retail Sales growth:

	Total
Edgars	7.2%
CNA	5.9%
Discount division excl Discom	5.8%
Discount Division	14.4%

- Group like for like sales growth was up 3.5% on last year
- Gross profit margin of 38.1%, from 38.0%

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Highlights for Year to Date FY 2009 (cont.)

- Adjusted EBITDA up 10.6% to R2 914 million
- Adjusted EBITDA margin of 16.7% from 16.6%
- Trading profit before costs associated with the PE transaction up 9.2% to R2 586 million
- Profit from Credit and Financial Services up from R271 million to R406 million
- Operating cash flow before working capital rose 19.9% to R2 895 million
- Capex was R478 million compared with R497 million last year.

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Liquidity and Capital Resources

- Notes (net of derivatives) of R18.8bn
- Borrowing base facility–R3.9bn
  - R0.8bn utilised by Edcon
  - R2.6bn utilised by OtC
- Revolving credit facility–R388m utilised
- Maximum drawdown during FY 2008:
  - Borrowing Base (including OtC) R3.9bn
  - Revolving Credit R1.7bn
- Total Facilities:
  - Borrowing Base R6.5bn
  - Revolving Credit R3.5bn
- Interest rates on notes are still fixed
- Currency hedge in place for outstanding notes
- Borrowing base facility matures in June 10. We have already started looking at alternatives

Commentary on Results

- South Africa remained in a challenging economic environment
  - High food inflation
  - Slow down in economic growth - we have seen the first quarter of negative GDP
  - High interest rates and levels of debt
  - Rand weakness
- These factors were offset by
  - External factors
    - Lower base – lfl growth slowed as we moved through last year
    - NCA now in the base
  - Internal factors
    - Reaping the benefits of strategic initiatives – will discuss in more detail
    - Focus on cost containment
    - Content improvement in previously deficient categories
    - Reduced markdown as % to sales

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Challenges

- Weaker Rand
  - Partly offset by the sourcing initiatives (which I will discuss in more detail)
  - All our competitors are also impacted. We are twice the size therefore have more flexibility
  - We remain 100% covered on all imported goods at time of placing the order
  - Bonds are hedged to June 2012

- Inflation and Costs
  - Focus on store costs and productivity
  - Limit growth on corporate departments including IT and HR
  - Reduction in capex
  - Store expansion will slow (I will discuss in more detail)

Challenges (cont.)

- Customer experience
  - Reduce stockouts
  - Improve store processes
  - Improve stock balancing across stores
  - Benefits from restructure of merchandise team
- Impact of lower interest on profit from credit and financial services
  - Access new customers
  - Improve cross-selling of financial services products
  - Explore data mining opportunities
  - Improve collection efficiency

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Space Roll Out

- Target space growth of 10% in FY 2009 and 6% in FY 2010
- Achieved 91% of FY 2009 space target and 100% of FY 2010 space secured
- Rentals for new premises in line with those of established stores
- Revisited our assumptions and commitments in light of a potentially deteriorating consumer environment

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Procurement initiatives

- The work on streamlining our supply chain is an ongoing process
- We have identified and consolidated key product categories representing approximately 20% of our purchases
- These will yield savings of 3-4%
- On a product by product basis we will make a call on whether to pass the benefits on to the consumer in our selling prices and thereby increase market share or retain them and increase our margins
- As such, there is no definitive value we can give you for these initiatives
- There is still further work to be done on this in terms of our remaining product categories
- Created a centralised sourcing team to facilitate consolidated purchasing
- Challenges include inflation in some of the low-cost-country suppliers and the Rand depreciation

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Macro Economic Outlook

- Retail conditions challenging due primarily to:
  - High food inflation
  - Slow down in economic growth
  - Projected job losses in South Africa
- As well as:
  - High interest rates
  - High levels of consumer debt
  - National Credit Act
  - Falling consumer confidence
- We still remain positive about the medium term due to spin offs from over R670bn of infrastructure spending over the next 3 years and 2010 World Cup
- But the impact of recessions in South Africa's trading partners will have an impact on SA. This has and will continue to lead to job losses, slower growth, higher inflation on our input prices due to the weaker Rand and a fall in interest rates by mid next year.

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Summary

- The short term will continue to be challenging based on all the macroeconomic factors we have discussed. Next financial year may be more difficult than the current year. As a result we've being cautious in how we lend to new customers and slowed new store openings. Also, we will focus on reducing overheads in head office and stores.
- However, we continue to be optimistic about the medium to long term prospects for Edcon and the South African retail environment
- In addition to the strategic initiatives outlined earlier, we believe Edcon remains in a position to grow its business profitability as a result of
  - Leading market position
  - Established, industry-leading brands
  - Largest consumer credit database
  - Strong operating performance and cash flow generation
  - Experienced management team plus high calibre of new recruits
  - Strong equity sponsor – Bain capital

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