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*Investor Presentation*

**Trading Results for the period ended 26 December 2009**

*(excluding consolidation of OtC)*

# Q3 FY 2010
# Excluding consolidation of OtC

# Opening Comments

As outlined in our call in November, due to the difficult economic environment that unfolded in South Africa last year, management initiated aggressive steps from mid year to reduce risk, improve cash flow and position Edcon for future growth. Growth of the debtors' book was restricted for higher risk customers and the use of credit on certain lower margin products was discontinued. Additionally, inventories were tightened, we opened less space than planned and expenses were rigorously controlled. These steps achieved their working capital and cash flow objectives but had a negative impact on operating performance for the third quarter 2010.

As a result retail sales were down 6.4% for the third quarter, gross profit margins were maintained, the adjusted EBITDA margin decline in earlier quarters of fiscal 2010 was reversed and cash flow generation was strong with cash generated from operating activities up 42.8% to R2,385 million. In addition, the successful refinancing of receivables facilities in November 2009 boosted liquidity further.

# Trading results for the 3rd Quarter FY 2010

- Retail sales down 6.4% to R7.0bn
- Divisional retail sales growth:

| | Total |
|---|---|
| Edgars | -7.0% |
| CNA | - 4.2% |
| Discount division | - 6.0% |

- Group Like for Like sales were down 8.8% on last year
- Average trading space grew 4.9% to 1.327 million sqm
- 1 250 stores versus 1 221 last year



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# Trading results for the 3rd Quarter FY 2010 (cont.)

- Credit sales were 51% of total compared to 53% last year
- Gross Profit margin of 38.4% , the same as last year
- Profit from credit and financial services increased from R156m to R253m (includes R117m profit on sale of receivables to OtC II)
- Adjusted EBITDA down 8.8% to R1,340m
- Cash generated by operations up 42.8%
- Total net borrowings are R1,560 million lower than the same time last year



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# Gross Profit Margins

| | Q3 FY10 | Q3 FY09 |
|---|---|---|
| Edgars | 43.0% | 42.9% |
| CNA | 32.9% | 31.9% |
| Discount Division | 33.8% | 34.0% |
| Group | 38.4% | 38.4% |

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# Cash Flow for 3rd Quarter for FY 2010 (excl. OtC)

- Reduction in working capital of R1,042m compared with R183m decrease last year
- Cash generated from operating activities up to R2,385m from R1,670m (a rise of 42.8%)
- Cash net interest expense of R483m (R540m incl. OtC)
- Capex was R132m compared with R180m last year
  - R95m store fixtures
  - R32m in IT infrastructure

# Credit Highlights for 3rd Quarter for FY 2010

- Profit from credit of R140m, up from R71m profit in FY09 (includes R117m profit from sale of receivables to OtC II)
- Bad debts to average debtors of 12.7%, up from 12.0% last year
- Active account base of 4.1 million, compared to 4.2 million last year
- After tax earnings of financial services JV up 32.9% to R113m



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# Nine months to December 2009 excluding consolidation of OtC

# Trading results for Year to Date FY 2010

- Retail Sales down 3.7%
- Divisional Retail Sales Growth

| | Total |
|---|---|
| Edgars | - 3.8% |
| CNA | -1.7% |
| Discount Division | - 4.0% |

- Group like for like sales growth was down 6.6% on last year
- Gross profit margin of 37.0%, from 38.1%

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# Trading results for Year to Date FY 2010 (cont.)

- Adjusted EBITDA down 14.6% to R2,463 million
- Profit from Credit and Financial Services down from R186 million to R91 million
- Cash generated by operations up 32.7%
- Capex was R345 million compared with R478 million last year



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# Liquidity and Capital Resources

- Notes (net of derivatives) of R18.7bn
- Notes issued by OtC II R4.3bn
- Revolving credit facility – R351m utilised
- Cash on hand R1.1b (R1.5b including OtC)
- Maximum drawdown during FY 2010:
  - Borrowing Base (including OtC) R3.4bn
  - Revolving Credit R2.6bn



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# Liquidity and Capital Resources (cont.)

- Total Facilities:
  - Notes issued by OtC II R4.3bn
  - Revolving Credit R3.5bn

- Securitisation and Receivable financing
  - Borrowing base facility matures in June 2010
  - In November 2009, a further R3.3 billion was raised in a securitisation
  - Funds raised were used to pay down commitments under the existing receivables facilities

- Current hedging position :
  - Interest rates on notes are still fixed and currency hedged until June 2011
  - Currency hedged on principal until June 2012
  - We continue to monitor appropriateness of hedging strategy

# Commentary on Results

- South Africa economic environment remained challenging
  - Negative economic growth
  - Job losses
  - High levels of consumer debt
  - Interest rates have come down by 500bps but debt to household income ratio still at 79% so no short term benefit to sales
  - High increase in utility prices
- Tightened credit granting to reduce credit risk in period of negative economic growth
- Ladieswear and home still being impacted by merchandise assortment challenges. Cellular and food impacted by the credit tightening

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# Actions taken to Mitigate Risks

- Strong focus on cash flow generation
  - Reduced capex spend – R453m in FY10, from R569m in FY09
  - Store expansion will slow – an additional 4.7% will be added in FY10
  - Cost containment initiatives will result in lower corporate overheads
- Reduce debtors book risk
  - Tightened credit granting for higher risk customers
  - Conservative provisioning for bad debts
- Labour productivity improvement in stores
- Stock levels below last year, inventory current, markdowns up to date

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# Outlook

- Short-term retail conditions challenging due primarily to:
  - Slow economic growth
  - Job losses in the past year
  - High levels of consumer debt
  - High increases in utility prices

- Medium/long term prospects still look good
  - Government infrastructure spend program
  - Impact of lower inflation and interest rates
  - Further roll-out of social grants
  - Medium term GDP growth projections are more positive
  - Impact of 2010  World Cup



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