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Trading results for the first quarter ended 3 July 2010

(excluding consolidation of OtC)

Trading Environment

- South Africa economic environment improving
  - Higher GDP growth
  - Lower interest rates and declining inflation
  - Further roll out of social grants and extensive government capital expenditure programmes
- Offset somewhat by job losses and stubbornly high levels of consumer debt
- Tightening of credit implemented last year still had a 3% impact on sales growth for this quarter, anniversary of implementation was June 2010
- World Cup did not have material impact on total sales

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Actions taken to improve performance

- **Sales growth slowdown**
  - *Actions*
    - Key personnel changes
    - Refocused product assortments
    - Creation of centralised planning function
    - Revamp/refitting stores
  - *Results*
    - Sales comps continuously improving since 2009 – from 8.8% down in the quarter to December 09 to 0.7% up in the current year
- **Gross Margin deterioration**
  - *Actions*
    - Creating of centralised sourcing function to drive effectiveness
    - Tighter controls on stock levels and hence markdowns and promotional activity
  - *Results*
    - Gross profit margin improved by 230 bps in Q1 FY 2011

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Actions taken to improve performance

- **Controlling costs**
  - *Actions*
    - Improve store labour productivity
    - Reduced corporate overheads
  - *Results*
    - Corporate costs over the past 12 months 6% lower than previous year
- **Management of Credit book**
  - *Actions*
    - Tightened credit for higher risk customers and removed selected products from credit offering
  - *Results*
    - All key metrics for credit book improving

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Trading results for the 1st Quarter FY 2011

All data presented below is based on comparable weeks

- Retail sales up 2.2% to R5.4bn
- Divisional retail sales growth:

	Total
Edgars	2.7%
CNA	3.1%
Discount	1.3%

- Group Like for Like sales growth was up 0.7% on last year, compared to 8.8% down in the quarter to December 2009 and 4.7% down in the quarter to March 2010.
- Average trading space grew 2.0% to 1.3 million sqm
- 1224 stores versus 1242 last year

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Trading results for the 1st Quarter FY 2011 *(cont.)*

- Credit sales were 50% of total compared with 53% last year
- Gross Profit margin of 38.3% from 36.0%
- Profit from credit and financial services up R41 million to R139 million
- Adjusted EBITDA up 10.8% to R808 million
- Cash utilised by operating activities down to R201 million from R230 million last year

Gross Profit Margins

	FY11	FY10
Edgars	42.6%	39.8%
CNA	30.6%	33.1%
Discount division	34.2%	31.8%
Group	38.3%	36.0%

Credit Highlights for 1st Quarter for FY 2011

- Profit from credit of R23 million, up from loss of R4 million in FY10
- Bad debts to average debtors of 12.4%, down from 12.9% at FY10 year end
- After tax earnings of financial services JV up 13.7% to R116 million
- Active account base of 3.9 million, down from 4.3 million last year

Cash Flow for 1st Quarter for FY 2011 *(excl. OtC)*

- Increase in working capital of R998 million compared with R945 million increase last year
- Cash net interest expense of R437 million compared with R497 million last year
- Capex was R100 million compared with R109 million last year. Includes:
  - R69 million store fixtures
  - R29 million in IT infrastructure

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Liquidity and Capital Resources

- Euro Notes (net of derivatives) of R19.1 billion
- Notes issued by OtC II R4.3 billion
- Revolving credit facility–R972 million utilised (maximum drawing during FY2011 R1.1 billion). Total facility is R3.5 billion
- Cash on hand R1.1 billion (including OtC), which more than covers the revolver credit draw
- Securitisation and Receivables financing
  - In August a further securitisation tap issue was completed for R1.4 billion to refinance:
    - R445 million notes maturing July 2010
    - R955 million notes maturing October 2012
  - Issuance lowered the cost and extended the maturity of existing notes

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Liquidity and Capital Resources *(cont.)*

- Current Hedging position:
  - Interest rates on notes are still fixed and currency hedged until June 2011
  - Currency hedged on principal until June 2012
  - In ongoing and constructive discussions with hedge counterparties
    - Put in place appropriate hedging beyond maturities of existing programs
    - Minimise uncertainty of any potential obligation in 2012

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Outlook

- We are cautiously optimistic about the year ahead but the economy still faces some short term challenges
  - Positives
    - Soft base in Q2/Q3 FY10
    - Further growth in GDP
    - Lower interest rates and declining inflation
    - Real wage growth
  - Negatives
    - Job losses in the past year
    - High levels of consumer debt
    - High increases in utility prices
- Medium/long term prospects looking more positive
  - GDP growth expected to continue
  - Improved quality of credit book
  - Government infrastructure spend program
  - Impact of lower inflation and interest rates
  - Further roll-out of social grants

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