



**Trading results for the
First quarter ended
2 July 2011**

(excluding consolidation of OtC)

Trading results

All data presented below is based on comparable weeks

- ❖ Retail sales up 7.3% to R5.8bn
- ❖ Divisional retail sales growth:

	Total
Edgars	7.8%
CNA	3.2%
Discount	7.6%

- ❖ Group Like for Like sales were up 6.0% on last year
- ❖ Average trading space grew by 0.6% to 1.3 million sqm
- ❖ 1 191 stores versus 1 224 last year



Trading results *(cont.)*

- ❖ Credit sales were 52% of total compared with 50% last year
- ❖ Gross Profit margin at 38.0% down from 38.3% last year
- ❖ Profit from credit and financial services up 39.6% to R194 million
- ❖ Adjusted EBITDA up 12.4% to R908 million



Gross Profit Margins

	FY 2011 %	FY 2012 %
Edgars	42.6	42.5
CNA	30.6	33.3
Discount	34.2	33.2
Group	38.3	38.0



Credit Highlights

- ❖ Profit from credit of R61 million, from a profit of R23 million in FY11
- ❖ Bad debts to average debtors of 10.0%, down from 12.4% at Q1 FY11 year end
- ❖ After tax earnings of financial services JV up 14.7% to R133 million
- ❖ Active account base of 3.7 million, down from 3.9 million last year



Cash Flow *(excl. OtC)*

- ❖ Operating cash inflow before working capital of R884 million compared with R797 million last year
- ❖ Increase in working capital of R997 million compared with R998 million increase last year
- ❖ Cash net interest expense of R458 million compared with R437 million last year
- ❖ Capex was R436 million compared with R100 million last year. Includes:
 - R226 million net investment in head office building (part of a transaction whereby we subsequently sell and leaseback the building)
 - R93 million store fixtures
 - R117 million IT systems infrastructure



Liquidity and Capital Resources

- ❖ Euro Notes (net of derivatives) of R20.3 billion
- ❖ ZAR notes of R1 billion issued during the period. Proceeds utilised to replace R985 million super senior loan
- ❖ Notes issued by OtC II R4.3 billion
- ❖ Revolving credit facility – R258 million utilised. Total facility is R3.1 billion
- ❖ Cash on hand R582 million (R1,248 million including OtC)
- ❖ Current Hedging position:
 - Interest rates on notes are still fixed and currency hedged until March 2014
 - Currency hedged on 60% of the principal until March 2014



Trading Environment

- ❖ South Africa economic environment still favourable for retailers
 - Sound GDP growth
 - Low interest and inflation rates
 - Real wage increases
 - Further roll out of social grants and extensive government capital expenditure programmes
- ❖ Offset somewhat by job losses and stubbornly high levels of consumer debt and high increases in electricity prices



Key focus areas going forward:

- ❖ Merchandise range and flow of goods
- ❖ Real estate expansion strategy and portfolio
- ❖ Operational efficiency in stores
- ❖ Credit and financial services strategy
- ❖ Cash flow generation



Outlook

We are more optimistic about the year ahead building on:

- ❖ The strength of the South African economy (which is holding up despite the international economic concerns) and its healthy medium term fundamentals, albeit short-term challenges remain
- ❖ Edcon's improved execution and momentum following the benefits from the transitional projects

