

20 August 2012

This notice is important and requires your immediate attention.

**EDCON HOLDINGS PROPRIETARY LIMITED (“EDCON”)
SUMMARY OF GROUP TRADING RESULTS FOR THE THREE-MONTH
PERIOD ENDED 30 JUNE 2012**

SUMMARY OF FINANCIAL AND OTHER DATA

The following Summary of Financial and Other Data should be read in conjunction with the Group Condensed Financial Statements and related notes thereto in the second half of this notice. However, the Summary of Financial and Other Data, including the Management discussion and analysis section, excludes the impact of consolidating OntheCards Investments II Proprietary Limited (“OtC”). For ease of use a reconciliation of the financial information presented in the tables of the Summary of Financial and Other Data section and the Group Condensed Financial Statements is provided directly after the tables in this section.

The unaudited historical financial data in the Summary of Financial and Other Data and the Group Condensed Financial Statements of Edcon and its subsidiaries (“the Group”) attached hereto, relates to the three-month period ended 2 July 2011 and the three-month period ended 30 June 2012. Unless the context requires otherwise, references in this notice to (i) “first quarter 2012” and “first quarter 2013” shall mean the 13-week period ended 2 July 2011 and the 13-week period ended 30 June 2012, respectively, and (ii) “fiscal 2012” and “fiscal 2013” shall mean the 52-week period ended 31 March 2012 and the 52-week period ending 30 March 2013, respectively.

Throughout these reports Edgars refers to the Edgars division, which comprises Edgars, Red Square, Boardmans and Edgars Active stores while Discount refers to the Discount division, which comprises Jet, Jet Mart and Legit as well as Discom prior to the conversion/closure of these stores.

The statements in this section regarding industry outlook, our expectation regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward looking statements. These forward looking statements are subject to numerous risks and uncertainties. Our actual results may differ materially from these contained or implied by any forward looking statements.

	First Quarter (in millions) (unaudited)	
	2012 ⁽¹⁾	2013 ⁽¹⁾
Comprehensive income data		
Revenues	R 6 090	R 6 206
Retail sales	5 816	5 922
Cost of sales	(3 605)	(3 691)
Gross profit	2 211	2 231
Other income	127	287
Store costs	(1 094)	(1 183)
Other operating costs	(689)	(821)
Additional depreciation and amortisation ⁽³⁾	(147)	(125)
Retail trading profit	408	389
Income from joint ventures	133	150
Trading profit	541	539
Net fair value movement on notes and associated derivatives	(170)	(188)
Discount on repurchase of senior secured notes	36	
Profit before financing costs	407	351
Net financing costs	(711)	(688)
Taxation	95	103
Loss for the period from continuing operations	(209)	(234)
Profit from discontinued operations	42	43
Loss for the period	(167)	(191)
Other financial data		
Adjusted EBITDA ⁽⁵⁾	R 908	R 798
Operating lease expense	392	422
Adjusted EBITDAR	1 300	1 220
Capital expenditure (excluding finance leases)	436	197
Depreciation and amortisation	285	271
Select operating data		
Number of stores	1 191	1 151
Same store sales growth (%)	6	1
Average retail space (in '000 sqm)	1 333	1 368
Number of customer credit accounts (in '000s)	3 740	3 854

	First Quarter (in millions) (unaudited)			
	2012 ⁽¹⁾		2013 ⁽¹⁾	
Financial position data				
Working capital	R	3 025	R	3 357
Total assets		30 598		32 287
Total debt at unhedged rates		20 513		22 270
Total net debt including cash and derivatives		20 973		22 298
Total shareholders' funds including shareholder's loan		4 733		3 271
Cash flow data				
Operating cash inflow before changes in working capital	R	884	R	1 011
Working capital movement		(997)		310
Cash (utilised)/generated by operating activities		(113)		1 321

1) All figures presented in the summary financial statements above exclude the impact of consolidating OtC.

Reconciliation of the data presented above and the Group Condensed Financial Statements

The following tables reconcile financial information which is presented in the Group Condensed Financial Statements attached hereto which consolidate OtC, to the data presented in the Summary of Financial and Other Data above. Also refer to note 5 in the Group Condensed Financial Statements for the impact of consolidating OtC.

	First Quarter (in millions) (unaudited)			
	2013			
	Including OtC	Consolidation adjustments for OtC	Excluding OtC	
Comprehensive income data				
Revenues	R	6 216	R	10 ⁽²⁾
Profit from discontinued operations, net of tax		76		33
				6 206
				43
Other financial data				
Adjusted EBITDA ⁽⁵⁾	R	842	R	44
				798
Financial position data				
Total debt at unhedged rates	R	26 570	R	4 300
Total net debt including cash and derivatives		25 771		3 473
				22 270
				22 298
Cash flow data				
Operating cash inflow before changes in working capital	R	1 055	R	44
Working capital movement		353		43
				1 011
				310

2) Comprises of interest earned on cash balances held by OtC.

	First Quarter (in millions) (unaudited)					
	2012					
	Including OtC		Consolidation adjustments for OtC		Excluding OtC	
Comprehensive income data						
Revenues	R	6 097	R	7 ⁽⁴⁾	R	6 090
Profit for the period from discontinued operations, net of tax		106		64		42
Other financial data						
Adjusted EBITDA ⁽⁵⁾	R	995	R	87	R	908
Financial position data						
Total debt at unhedged rates	R	24 813	R	4 300	R	20 513
Total net debt including cash and derivatives		24 607		3 634		20 973
Cash flow data						
Operating cash inflow before changes in working capital	R	971	R	87	R	884
Working capital movement		(975)		22		(997)

- 3) This additional depreciation and amortisation relates to the amortisation of intangibles and the incremental depreciation arising from the fair value adjustments in relation to the private equity transaction. These figures are included in "Other operating costs" in the Group Condensed Financial Statements attached hereto.
- 4) Comprises of interest earned on cash balances held by OtC.
- 5) The following table reconciles net loss to EBITDA and adjusted EBITDA.

	First Quarter (in millions) (unaudited)			
	2012 ⁽¹⁾		2013 ⁽¹⁾	
Loss for the period	R	(167)	R	(191)
Taxation		(76)		(85)
Net financing costs		711		688
Depreciation & amortisation		285		271
EBITDA	R	753	R	683
Net fair value movement on notes and associated derivatives ^(a)		170		188
Transitional projects related expenditure ^(b)		18		56
Edcon Master Card termination receipt ^(c)				(143)
Discount on repurchase of senior secured notes ^(d)		(36)		
Net asset write-off ^(e)		3		14
Adjusted EBITDA ^(f)	R	908	R	798

- a) We have executed currency and interest rate derivatives to hedge the repayment of the interest and principal on the respective floating and fixed rate notes. This adjustment relates to the revaluation of the notes to the spot exchange rate and change in the fair value of the related cross currency swaps.
- b) This relates to consulting costs incurred for various Transitional projects.
- c) This is the settlement that was received from Standard Bank Group Limited as a result of the termination of the Edcon Master Card agreement.
- d) During May 2011, the Group completed a repurchase of a portion of the senior secured floating rate notes with a nominal value of €39 million for €35 million, being 90% of the face value. As a result of the buy-back, the Group recognised a gain, net of associated fees, of R36 million.
- e) This adjustment relates to assets written off net of related proceeds.
- f) Adjusted EBITDA includes the results of the credit book as a continuing operation.

Management discussion and analysis

Overview

Salient features pertaining to the first quarter 2013 include:

- ❖ Retail sales up 1.8%
- ❖ Same store sales up 0.9%
- ❖ Adjusted EBITDA down 12.1%
- ❖ Improved cash generation

Although cash generation improved for the quarter and gross profit margins remained relatively stable, retail sales were behind expectations and costs negatively impacted Adjusted EBITDA. The quarter's results consisted of two distinct trading periods. Retail sales for the first two months of the quarter decreased 0.6% compared to an 7.8% increase in sales for June as the weather turned colder. The Edgars division has been impacted by the fact that implementation of various strategic and operational initiatives remain at an early stage. Discount division performance on a like-for-like basis remains fundamentally on track, despite the seasonal weakness in the first two months.

An important development for Edgars, which will only make an impact in the next financial year, is the announcement that Edcon, together with House of Busby Proprietary Limited ("Busby"), has been granted the exclusive South African franchise rights for Topshop Topman, the UK-based retail fashion phenomena. The inclusion of Topshop Topman is an important pillar of the overall revised Edgars chain strategy but needs to be seen in the context of the various initiatives being undertaken to reinvigorate the stores and attract customers. Rollout will initially be through stand-alone stores, later complemented by shop-in-shops, exclusively within key Edgars stores.

The Edgars division grew retail sales by 1.9% for the quarter as the positive contribution of the conversion of certain Discom stores to Edgars Active provided a cushion to overall sales performance. On a like-for-like basis there was a 2.5% reduction in retail sales. Edgars was negatively impacted by a weaker first part of the quarter with like-for-like sales decreasing 4.9% in April and May when compared to the prior comparative period and increasing 1.7% in June. Aggressive markdown activity in the latter part of the quarter also decreased gross profit from 42.5% in the prior comparative period to 41.1%.

Retail sales in the Discount division were negatively impacted by the closure of the Discom stores which benefitted the Edgars division. Like-for-like sales increased 5.1% for the quarter, again negatively impacted by the like-for-like growth in retail sales in April and May which was 1.4%, but positively impacted by a sound 14.0% increase in like-for-like retail sales in June. Encouragingly, Discount experienced market share gains in several important categories and reported improvements in their clothing margins resulting in the Discount division increasing its gross profit margin from 33.2% in the first quarter 2012 to 34.0% in the first quarter 2013. The improvement in gross profit margin was also aided by the closure of the lower margin Discom stores.

Retail sales increased 1.9% in CNA which also increased its gross margin from 33.2% in the first quarter 2012 to 33.9% in the first quarter 2013.

Good progress has continued to be made in respect of the various transitional projects instituted in the previous financial year. The transitional projects are vital to the aspirations of the Group and include both operational as well as strategic change. The initiatives are further progressed in Discount than in Edgars.

Finally, as announced on 6 June 2012, Edcon has entered into agreements with Absa Bank Limited ("Absa Bank") for Absa Bank to acquire the accounts and receivables of Edcon's private label store card portfolio for

approximately R10 billion, as well as the establishment of a long-term strategic relationship for the provision of credit to Edcon customers. This is an important strategic change and significant progress has been made with respect to fulfilling the conditions precedent relating to the transaction, which is expected to close before the end of the calendar year. Accordingly, the provision of credit by Edcon has been disclosed as a discontinued operation and the prior year numbers adjusted. Receivables have been reclassified as assets held for resale, while the Standard Bank Master Card relationship has been terminated with a resultant receipt from Standard Bank Group Limited of R143 million. In order to deliver the receivables in OtC to Absa Bank, OtC will be unwound and note holders settled.

Retail sales

Retail sales increased by R106 million, or 1.8%, from R5,816 million in the first quarter 2012 to R5,922 million in the first quarter 2013, with same store sales increasing by 0.9% on the prior period.

Credit sales for the last twelve months to the end of the first quarter 2013 increased from 49% in the prior year to 51% of total retail sales.

Gross profit

Gross profit increased by R20 million, or 0.9%, from R2,211 million in the first quarter 2012 to R2,231 million in the first quarter 2013. The decrease in gross margin from 38.0% in the first quarter 2012 to 37.7% in the first quarter 2013 was primarily as a result of mark down activity required to clear winter merchandise which had built up given the unseasonably late and warm winter.

Store costs

Store costs increased by R89 million, or 8.1%, from R1,094 million in the first quarter 2012 to R1,183 million in the first quarter 2013. The primary drivers of this increase were rental, electricity and water costs.

Other operating costs

Other operating costs increased by R132 million, or 19.2%, from R689 million in the first quarter 2012 to R821 million in the first quarter 2013. This significant increase is primarily as a result of costs related to the transitional projects.

Depreciation and amortisation

As a result of a change in the mix of assets and their respective useful lives, depreciation and amortisation decreased by R14 million or 4.9%, from R285 million in the first quarter 2012 to R271 million in the first quarter 2013.

Credit and financial services operating profit

Credit and financial services operating profit (reflected in continued and discontinued operations) increased by R18 million, or 9.3%, from R194 million in the first quarter 2012 to R212 million pre taxation in the first quarter 2013. This increase was primarily due to 12.8% higher profits from the insurance joint ventures following increased insurance sales. The consolidated annualised impairment of receivables as a percentage of average receivables has decreased to 6.7% for the first quarter 2013 from 10% in the first quarter 2012 reflecting the stringent credit criteria applied in prior years. The consolidated provision for impairment of receivables increased to 8.9% for first quarter 2013 from 8.1% in the first quarter 2012 due to a rise in arrear accounts following our increased recruitment of new credit accounts. The number of active accounts increased by approximately 114 000 or 3%, from 3.7 million in the first quarter 2012 to over 3.8 million in the first quarter 2013 following an increased credit marketing focus.

Net financing costs

Net financing costs decreased by R23 million, or 3.2%, from R711 million in the first quarter 2012 to R688 million in the first quarter 2013. This decrease is primarily as a result of our shareholder's loan being designated as interest free from February 2012, offset by increased charges on notes as a result of hedging. Our strategy is to hedge approximately 60% of the principal of the foreign denominated notes utilising cross currency swaps and 100% of the associated coupon payments through to March 2014.

Cash flow

Operating cash inflow before changes in working capital increased by R127 million, or 14.4%, from R884 million in the first quarter 2012 to R1,011 million in the first quarter 2013.

Compared to an increase of R997 million for the first quarter 2012, working capital decreased by R310 million in the first quarter 2013. This was principally due to:

- (i) an increase in total receivables of R127 million in the first quarter 2013 compared to an increase of R364 million in the first quarter 2012;
- (ii) a decrease in inventory of R61 million in the first quarter 2013 compared to an increase of R38 million in the first quarter 2012; and
- (iii) an increase in payables of R376 million in the first quarter 2013 compared to a decrease of R595 million in the first quarter 2012, due to a payment cycle shift.

Primarily due to the positive effect of the working capital movement, operating activities generated cash of R1,321 million, as opposed to the R113 million utilised in the prior year.

Capital expenditure decreased by R239 million, or 54.8%, to R197 million in the first quarter 2013, from R436 million in the first quarter 2012. This reflects the purchase of the head office property for R226 million in the prior year. We opened 43 new stores (including 20 conversions) and closed 59 stores (including conversions) which, combined with store refurbishments, resulted in investments in store fixtures of R99 million.

In addition we invested R68 million in information systems infrastructure in the first quarter 2013 compared to R117 million in the first quarter 2012.

Liquidity and capital resources

Our primary source of short-term liquidity is cash on hand, our revolving credit facility and the receivables backed notes issued by OtC. The amount of cash on hand and the outstanding balance of our revolving credit facility are influenced by a number of factors, including retail sales, working capital levels, supplier payment terms, timing of payment for capital expenditure projects, and tax payment requirements.

Our working capital requirements fluctuate during each month, depending on when we pay our suppliers and collect receivables, and throughout the year depending on the seasonal build-up of inventory and accounts receivable. We fund peaks in the working capital cycle with cash flows from operations and drawings under our revolving credit facility. At 30 June 2012 our total net debt including cash and derivatives (excluding OtC) of R22,298 million consisted of (i) the carrying value of Floating Rate Notes of R15,535 million, (ii) the carrying value of Fixed Rate Notes of R5,174 million, (iii) super senior secured notes of R1,010 million, (iv) borrowings under the revolving credit facility of R211 million, (v) finance lease liability of R340 million, (vi) net derivatives of R316 million, less (vii) cash and cash equivalents of R288 million. In addition, OtC's net debt of R3,473 million consisted of (i) Receivables-Backed Notes issued of R4,300 million, less (ii) cash and cash equivalents of R827 million.

At 30 June 2012, the total limit under the Super Senior Revolving Credit Facility was R2,467 million, maturing between December 2013 and March 2014. The maximum utilisation of the revolving credit facility during the first quarter 2013 was R1,595 million. The Group increased its Super Senior Revolving Credit Facility by a further R1,500 million on 23 July 2012 to a total of R3,967 million. These facilities all mature on 31 March 2014. The OtC Receivables-Backed Notes issued by OtC consist of R4,300 million notes and are due between July 2012 and April 2017.

As discussed in the "Overview" above, we have concluded agreements with Absa Bank which include *inter alia* the sale of the accounts and receivables relating to our private label store card portfolio for a cash consideration of approximately R10 billion. This transaction is expected to close before the end of the calendar year.

We believe that operating cash flows, amounts available under the Super Senior Revolving Credit Facility, OtC Receivables Backed Notes and proceeds from the sale of our accounts and receivables to Absa Bank will be sufficient to fund our debt service obligations and operations, including capital expenditure and contractual commitments, through to 30 March 2013.

CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

In preparing our Group Condensed Financial Statements, our management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Actual results in the future could differ from these estimates, and this may be material to our group condensed financial statements. Significant estimates and judgments made relate to credit risk valuation adjustments in determining the fair value of derivative instruments to reflect non-performance risk, a provision for impairment of receivables, allowances for slow-moving inventory, residual values, useful lives and depreciation methods for property, equipment and vehicles, pension fund and employee benefit obligations, operating leases, loyalty points deferred revenue, intangible asset impairment tests and the derecognition of financial instruments. Other judgments made relate to classifying financial assets and liabilities into categories.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received net of returns and customer loyalty points, excluding discounts, rebates and sales taxes or duty.

Revenue comprises retail sales of merchandise, manufacturing sales, club fees, revenue from joint ventures, dividends, interest and finance charges accrued to the Group.

Sales of merchandise

Revenue from the sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods. Such income represents the net invoice value of merchandise provided to such third parties – excluding discounts, the fair value of loyalty points, value-added and general sales tax. The Group chains that contribute to the revenue from the sale of merchandise are the Edgars division, CNA division and the Discount division.

Loyalty points programme

The Group operates a loyalty points programme that allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Group's retail stores. The points can then be redeemed as discount against merchandise purchases. The fair value of points which includes the expected redemption rate attributed to the credits awarded, is deferred as a provision and recognised as revenue on redemption of the vouchers by customers.

Manufacturing sales

Revenue from manufacturing and other operations is recognised when the sale transactions giving rise to such revenue are concluded.

Club fees

Club fees are recognised as revenue as incurred.

Finance charges

Finance charges on arrear account balances are accrued on a time proportion basis, recognising the effective yield on the underlying assets.

Revenue from joint ventures

Group customers are offered Edgars and Jet branded insurance products, in pursuance of a joint venture formed with Hollard Insurance (“Hollard”). Hollard underwrites all insurance products and further provides the joint venture with actuarial and compliance support. The Group provides product distribution, marketing and billing and premium collection services. The joint venture sells to both credit customers and cash customers. The joint venture is managed by a dedicated team of people from both Hollard and the Group. The interest in joint ventures is accounted for using the equity method. Under the provision of the joint venture agreement, the Group charges the joint venture a fee for the continued management of the debtors and maintenance of systems. The Group also charges the joint venture a fee for the use of the Group’s brands in the marketing of the insurance products.

The profit share is shared on a product by product basis applying the profit share percentage as agreed between the parties from time to time.

The Group has a closed book for the Edgars and Jet Legal Plan underwritten by Zurich Insurance Ltd. Europ Assistance provides risk management and policy fulfillment services. Under the provisions of the joint venture agreement, if the policy premiums exceed the claims and expenses, the net profit is distributed as a dividend. New business on the Legal Plans is underwritten by Hollard as from 13 April 2011. Hollard replaced Zurich as the underwriter from the start of the 2011 financial year.

Dividends

Dividends are recognised when the right to receive payment is established.

Interest received

Interest received is recognised using the effective interest rate method.

Trade and other receivables

Subsequent to initial measurement, receivables are recognised at amortised cost less a provision for impairment of receivables. A provision for impairment is made when there is objective evidence (such as default or delinquency of interest and the principal) that the Group will not be able to collect all amounts due under the original terms of the trade receivable transactions. Impairments are recognised in profit or loss as incurred. Delinquent accounts are impaired by applying the Group’s impairment policy recognising both contractual and ages of accounts. Age refers to the number of months since a qualifying payment was

received. The process for estimating impairment considers all credit exposures, not only those of low credit quality and is estimated on the basis of historical loss experience, adjusted on the basis of current observable data, to reflect the effects of current conditions. The Group assesses whether objective evidence of impairment exists individually for receivables that are individually significant, and individually or collectively for receivables that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed receivable, whether significant or not, the receivable is included in a group of receivables with similar credit risk characteristics and that group of receivables is collectively assessed for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss; to the extent the carrying value of the receivable does not exceed its cost at the reversal date.

Leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred from the lessor to the Group as lessee. The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Assets subject to finance leases are capitalised at the lower of the fair value of the asset, and the present value of the minimum lease payments, with the related lease obligation recognised at the same value. Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life if the Group does not obtain ownership thereof.

Finance lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease rentals with fixed escalation clauses are charged against trading profit on a straight-line basis over the term of the lease.

In the event of a sub-lease classified as an operating lease, lease rentals received are included in profit or loss on a straight-line basis.

Inventories

Retail trading inventories are valued at the lower of cost, using the weighted average cost, and net realisable value, less an allowance for slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business less necessary costs to make the sale. In the case of own manufactured inventories, cost includes the total cost of manufacture, based on normal production facility capacity, and excludes financing costs. Work-in-progress is valued at actual cost, including direct material costs, labour costs and manufacturing overheads.

Factory raw materials and consumable stores are valued at average cost, less an allowance for slow-moving items.

The allowance for slow-moving inventory is made with reference to an inventory age analysis. All inventory older than 18 months is provided for in full as it is not deemed to be readily disposable.

Financial instruments

Financial instruments are initially measured at fair value, including transaction costs, except those at fair value directly through profit or loss, when the Group becomes a party to contractual arrangements. The subsequent measurement of financial instruments is dealt with in subsequent notes. Where the Group can legally do so, and the Group intends to settle on a net basis, or simultaneously, related positive and negative values of financial instruments are offset.

The Group's financial assets include trade and other receivables, derivatives and cash and cash equivalents which are classified as either loans and receivables or as derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge as appropriate. The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments and are classified as either loans and borrowings and derivatives at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial assets and financial liabilities at initial recognition. All regular way purchases and sales of financial assets are recognised on the date of trade, being the date on which the Group commits to purchase or sell the asset.

Derivative Financial instruments

The Group uses derivative financial instruments such as foreign currency contracts, cross currency swaps and interest rate swaps to manage the financial risks associated with their underlying business activities and the financing of those activities. The Group does not undertake any trading activity in derivative financial instruments.

Derivative financial instruments are initially measured at their fair value on the date on which a derivative portfolio contract is entered into and are subsequently remeasured at fair value. For hedge accounting purposes, derivative financial instruments are designated at inception as fair value, cash flow or net investment hedges as appropriate.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market interest rates for similar instruments. The fair value of cross currency swaps is determined by reference to market interest rates and forward exchange rates for similar instruments. A credit risk valuation adjustment is incorporated to appropriately reflect the Group's own non-performance risk and the respective counterparty's non-performance risk in the fair value measurement. The significant inputs to the overall valuations are based on market observable data or information derived from or corroborated by

market observable data, including transactions, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Where models are used, the selection of a particular model to value the derivative depends upon the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Group uses similar models to value similar instruments. Valuation models require a variety of inputs including contractual terms, market prices, yield curves and credit curves.

The credit risk valuation adjustments are calculated by determining the net exposure of each derivative portfolio (including current and potential future exposure) and then applying the Group's credit spread, and each counterparty's credit spread to the applicable exposure.

The inputs utilised for the Group's own credit spread are based on estimated fair market spreads for entities with similar credit ratings as the Group. For counterparties with publicly available credit information, the credit spreads over the benchmark rate used in the calculations represent implied credit default swap spreads obtained from a third party credit provider.

In adjusting the fair value of derivative contracts for the effect of non-performance risk, the Group has not considered the impact of netting and any applicable credit enhancements such as collateral postings, thresholds, mutual puts and guarantees. The Group actively monitors counterparty credit ratings for any significant changes.

For the purposes of hedge accounting, hedges are classified as either fair value hedges where they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

For cash flow hedges, the gains or losses that are recognised in other comprehensive income are transferred to profit or loss in the same period in which the hedged item affects the profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to profit or loss for the period.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in other operating costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised on a straight line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of the indefinite life is reviewed annually to determine whether the indefinite life basis continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets are derecognised on disposal or when no future economic benefits are expected through use of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the intangible asset is derecognised. Expenditure on internally developed and maintained intangible assets is expensed through profit or loss. Expenditure incurred to maintain brand names is charged in full to profit or loss as incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision will be reassessed at each statement of financial position date taking into account the latest estimates of expenditure required and the probability of the outflows. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability except those that have been taken into account in the estimate of future cash flows. Where discounting is used, the increase in a provision due to the passage of time is recognised as an interest expense in profit or loss. A provision is used only for the expenditures for which the provision was originally recognised.

Loyalty points deferred revenue

The Group operates a loyalty points programme which allows customers to accumulate points when they purchase merchandise, subject to certain criteria, in the Groups retail stores. The points can then be redeemed as discount against merchandise purchases. The Group accounts for award credits as a separately identifiable component of the sales transaction in which they are granted. The consideration in respect of the initial sale is allocated to award credits at their fair value through profit or loss and is accounted for as a provision (deferred revenue) in the statement of financial position.

The fair value of an individual award credit is determined using estimation techniques reflecting the weighted average of a number of factors. A rolling 12-month historical trend forms the basis of the calculations. The number of points not expected to be redeemed by members is also factored into the estimation of fair value. Historical redemption trends are also used to determine the long and short-term portion of the deferred revenue liability. A level of judgment is exercised by management in determining the fair value of the points.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition will be met if the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale and the sale must be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the statement of comprehensive income, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes. The resulting profit or loss net of tax is reported separately in the statement of comprehensive income.

Group Condensed Financial Statements
Edcon Holdings Proprietary Limited

Group Condensed Statement of Financial Position (unaudited)

	2012 30 June Rm	2012 31 March Rm	2011 2 July Rm
ASSETS			
Non-current assets			
Properties, fixtures, equipment and vehicles	2 497	2 471	2 497
Intangible assets	17 394	17 481	17 920
Employee benefit asset	154	154	
Equity accounted investment in joint ventures	11	67	21
Derivative financial instruments	819	472	68
Deferred tax	1 168	1 030	1 049
Total non-current assets	22 043	21 675	21 555
Current assets			
Inventories	3 109	3 170	2 664
Trade, other receivables and prepayments	370	10 426	9 571
Derivative financial instruments	2		
Cash and cash equivalents	1 115	1 083	1 248
	4 596	14 679	13 483
Assets of disposal group classified as held for sale	10 091		
Total current assets	14 687	14 679	13 483
Total assets	36 730	36 354	35 038
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Share capital and premium	2 153	2 153	2 148
Other reserves	(726)	(688)	(769)
Retained loss	(7 102)	(6 887)	(5 134)
Shareholder's loan – equity	8 290	8 290	
Total equity	2 615	2 868	(3 755)
Non-current liabilities – shareholder's loan			
Shareholder's loan	665	659	8 400
Total equity and shareholder's loan	3 280	3 527	4 645
Non-current liabilities – third parties			
Interest bearing debt	23 869	23 533	24 555
Finance lease liability	303	301	
Lease equalisation	406	399	422
Derivative financial instruments	52	63	199
Employee benefit liability	184	182	131
	24 814	24 478	25 307
Total non-current liabilities	25 479	25 137	33 707
Current liabilities			
Interest bearing debt	2 361	2 901	258
Finance lease liability	37	28	
Current taxation	268	241	237
Deferred revenue	152	80	
Derivative financial instruments	1 085	797	911
Trade and other payables	4 733	4 302	3 680
Total current liabilities	8 636	8 349	5 086
Total equity and liabilities	36 730	36 354	35 038
Total managed capital per IAS 1	29 850	30 290	29 458

Group Condensed Statement of Comprehensive Income (unaudited)

	Note	2012 30 June Rm	2011 2 July Rm
Continuing operations			
Total revenues	3	6 216	6 097
Revenue - retail sales		5 922	5 816
Cost of sales		(3 691)	(3 605)
Gross profit		2 231	2 211
Other income		287	127
Store costs		(1 183)	(1 094)
Other operating costs		(946)	(836)
Retail trading profit		389	408
Income from joint ventures		150	133
Trading profit		539	541
Discount on repurchase of senior secured notes			36
Derivative gain/(loss)		1	(9)
Foreign exchange loss		(189)	(161)
Foreign exchange loss on foreign notes		(316)	(449)
Foreign exchange gain on cash flow hedges		127	288
Profit before net financing costs		351	407
Interest received		11	20
Profit before financing costs		362	427
Financing costs		(777)	(812)
Loss before taxation		(415)	(385)
Taxation		124	117
Loss for the period from continuing operations		(291)	(268)
Discontinued operations			
Profit for the period from discontinued operations, net of tax	4	76	106
LOSS FOR THE PERIOD		(215)	(162)
Attributable to:			
Owners of the parent		(215)	(162)
Other comprehensive income after tax:			
Exchange differences on translating foreign operations		3	(3)
Cash flow hedges		(41)	(166)
Other comprehensive income for the period, net of tax		(38)	(169)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(253)	(331)
Attributable to:			
Owners of the parent		(253)	(331)

Group Condensed Statements of Changes in Equity (unaudited)

	Share capital and premium Rm	Foreign currency translation reserve Rm	Cash flow hedging reserve Rm	Revaluation surplus Rm	Retained loss Rm	Shareholder's loan Rm	Total equity Rm
Balance at 2 April 2011	2 148	(35)	(568)	3	(4 972)		(3 424)
Total comprehensive income		(3)	(166)		(162)		(331)
Loss for the period					(162)		(162)
Other comprehensive income for the period		(3)	(166)				(169)
Balance at 2 July 2011	2 148	(38)	(734)	3	(5 134)		(3 755)
Balance at 31 March 2012	2 153	(30)	(661)	3	(6 887)	8 290	2 868
Total comprehensive income		3	(41)		(215)		(253)
Loss for the period					(215)		(215)
Other comprehensive income for the period		3	(41)				(38)
Balance at 30 June 2012	2 153	(27)	(702)	3	(7 102)	8 290	2 615

Group Condensed Statement of Cash Flows (unaudited)

	2012 30 June Rm	2011 2 July Rm
Cash retained from operating activities		
Profit before net financing costs from continuing operations	351	407
Profit before tax from discontinued operations	106	148
Depreciation	184	182
Amortisation	87	104
Foreign exchange loss	189	161
Derivative (gain)/loss	(1)	9
Discount on repurchase of senior secured notes		(36)
Other non-cash items	139	(4)
Operating cash inflow before changes in working capital	1 055	971
Working capital movement	353	(975)
Inventories	61	(38)
Trade accounts receivable	(87)	(424)
Other receivables and prepayments	54	48
Trade and other payables	325	(561)
Cash inflow/(outflow) from operating activities	1 408	(4)
Interest received	11	20
Financing costs paid	(637)	(560)
Taxation paid	(1)	(31)
Net cash inflow/(outflow) from operating activities	781	(575)
Cash utilised in investing activities		
Net investment in fixtures, equipment and vehicles	(197)	(210)
Net investment in property		(226)
Net cash outflow from investing activities	(197)	(436)
Cash effects of financing activities		
(Decrease)/increase in interest bearing debt	(540)	258
Issue of super senior secured notes		1 010
Settlement of super senior secured term loan		(985)
Decrease in finance lease liability	(12)	
Buy back of senior secured notes		(338)
Net cash outflow from financing activities	(552)	(55)
Increase/(decrease) in cash and cash equivalents	32	(1 066)
Cash and cash equivalents at the beginning of the period	1 083	2 315
Currency adjustments		(1)
Cash and cash equivalents at the end of the period	1 115	1 248

Notes to the Financial Statements (unaudited)

1. Basis of preparation

Edcon Holdings Proprietary Limited's Group Condensed Financial Statements ("Financial Statements") are prepared in accordance with International Financial Reporting Standards ("IFRS") and stated in Rands ("R").

These Financial Statements are presented in accordance with IAS 34 *Interim Financial Reporting*. Accordingly, certain information and note disclosures normally included in the annual financial statements have been condensed or omitted.

These Financial Statements have not been audited or reviewed by an auditor. In the opinion of management, all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods have been made.

In preparing these Financial Statements, the same accounting principles and methods of computation are applied as in the Audited Group Financial Statements of Edcon Holdings Proprietary Limited on 31 March 2012 and for the period then ended.

These Financial Statements should be read in conjunction with the audited Financial Statements as at and for the period ended 31 March 2012 as included in the 2012 Audited Group Annual Financial Statements of Edcon Holdings Proprietary Limited.

Going concern

The going concern assumption has been considered after including the Shareholder's loan in the assessment. To the extent required to maintain the solvency of the Group, the Shareholder's loan is subordinated to the claims of all of the creditors of the Group.

Notes to the Financial Statements (unaudited) *continued*

	2012 30 June Rm	2011 2 July Rm
2. SEGMENTAL RESULTS		
2.1 Revenues		
Edgars	3 152	3 089
CNA	426	418
Discount	2 472	2 422
Manufacturing	16	15
		14
Financial Services	149	
Group Services	1	13
	6 216	6 097
2.2 Retail sales		
Edgars	3 083	3 027
CNA	426	418
Discount	2 413	2 371
	5 922	5 816
2.3 Number of stores		
Edgars	341	267
CNA	195	203
	61	72
Discount		
	1 151	1 191
2.4 Operating profit		
Edgars	595	683
CNA	13	17
Discount	304	316
Manufacturing	5	1
Credit and Financial Services	256	281
Group Services ¹	(716)	(743)
	457	555
Discontinued operations	(106)	(148)
	351	407

¹ Included in the allocation to the Group Services segment is corporate overheads, derivative expense, transitional projects related expenses, discount on notes buy back, foreign exchange gain and amortisation of intangible assets and additional depreciation as a result of the private equity transaction in 2007.

Notes to the Financial Statements (unaudited) *continued*

	2012	2011
	30 June	2 July
	Rm	Rm
3. REVENUES		
Retail sales	5 922	5 816
Club fees	128	113
Income from joint ventures	139	133
Interest received	11	20
Manufacturing sales to third parties	16	15
	6 216	6 097

4. DISCONTINUED OPERATIONS

On 5 June 2012, Edcon entered into agreements with Absa Bank Limited ("Absa Bank") for Absa Bank to acquire the accounts and receivables of Edcon's private label store card portfolio for approximately R10 billion as well as the establishment of a long-term strategic relationship for the provision of credit to Edcon customers. Significant progress has been made with respect to fulfilling the conditions precedent relating to the transaction, which is expected to close before the end of the calendar year.

The results of the discontinued operation are as follows:

Total revenues	549	485
Income from credit	549	485
Expenses from credit	(443)	(337)
Trading profit and profit before taxation	106	148
Taxation	(30)	(42)
Profit for the period	76	106

Notes to the Financial Statements (unaudited) *continued*

	2012 30 June Rm	2011 2 July Rm
5. Consolidation of OntheCards Investments II Proprietary Limited		
Included in the Group Condensed Statement of Comprehensive Income by line are the following amounts:		
<i>Continuing operations</i>		
Total revenues	10	7
Interest received ^(a)	10	7
Profit before financing costs	10	7
Financing costs	(88)	(89)
Loss before taxation	(78)	(82)
Taxation	21	22
Loss for the period from continuing operations	(57)	(60)
<i>Discontinued operations</i>		
Profit for the period from discontinued operations	33	64
(Loss)/profit for the period	(24)	4

a) Comprises of interest earned on cash balances

Notes to the Financial Statements (unaudited) *continued*

	2012 30 June Rm	2012 31 March Rm	2011 2 July Rm
5. Consolidation of OntheCards Investments II Proprietary Limited (continued)			
Included in the Group Condensed Statement of Financial Position by line, are the following balances:			
ASSETS			
Non-current assets			
Intangible assets	79	79	79
Held-to-maturity investments			(78)
Loan – Edcon Proprietary Limited	(2 062)	(2 062)	(2 062)
Deferred tax	63	53	109
Total non-current assets	(1 920)	(1 930)	(1 952)
Current assets			
Held-to-maturity investments	(78)	(78)	
Trade, other receivables and prepayments		5 708	5 658
Cash and cash equivalents	827	818	666
	749	6 448	6 324
Assets of disposal group classified as held for sale	5 614		
Total current assets	6 363	6 448	6 324
Total assets	4 443	4 518	4 372
EQUITY AND LIABILITIES			
Equity attributable to shareholders			
Retained profit/(loss)	9	33	(88)
Total equity	9	33	(88)
Non-current liabilities – third parties			
Interest bearing debt	2 150	2 150	4 300
Total non-current liabilities	2 150	2 150	4 300
Current liabilities			
Interest bearing debt	2 150	2 150	
Trade and other payables	134	185	160
Total current liabilities	2 284	2 335	160
Total equity and liabilities	4 443	4 518	4 372
Total managed capital per IAS 1	4 309	4 333	4 212

Notes to the Financial Statements (unaudited) *continued*

	2012 30 June Rm	2011 2 July Rm
5. Consolidation of OntheCards Investments II Proprietary Limited		
<i>(continued)</i>		
Included in the Group Condensed Statement of Cash Flows by line, are the following amounts:		
First quarter Statement of Cash Flows		
Profit before financing costs from discontinued operations	44	87
Operating cash inflow before changes in working capital	44	87
Working capital movement	43	22
Trade accounts receivable	94	(12)
Trade and other payables	(51)	34
Cash inflow from operating activities	87	109
Interest received	10	7
Financing costs paid	(88)	(89)
Increase in cash and cash equivalents	9	27
Cash and cash equivalents at the beginning of the period	818	639
Cash and cash equivalents at the end of the period	827	666

Corporate Information

Edcon Holdings Proprietary Limited

Incorporated in the Republic of South Africa

Registration number 2006/036903/07

Non-executive directors

DM Poler* (Chairman), EB Berk*, M Levin*, ZB Ebrahim, MMV Valentiny**

Executive directors

J Schreiber *** (Managing Director and Chief Executive Officer), MR Bower, U Ferndale

*USA ** BELGIUM ***GERMANY

Group Secretary

CM Vikisi

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London E14 5AL

United Kingdom

Listing Agent & Irish Paying Agent

The Bank of New York Mellon (Ireland) Limited

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Republic of Ireland

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JSE Debt Sponsor

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1 Merchant Place

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Sandton Telephone: +27 11 282-8118