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Presentation of consolidated results

For the quarter ended 28 September 2013

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Agenda

Strategic and operational update

Jürgen Schreiber
CEO

Financial review

Mark Bower
Deputy CEO & CFO

Looking forward

Jürgen Schreiber
CEO

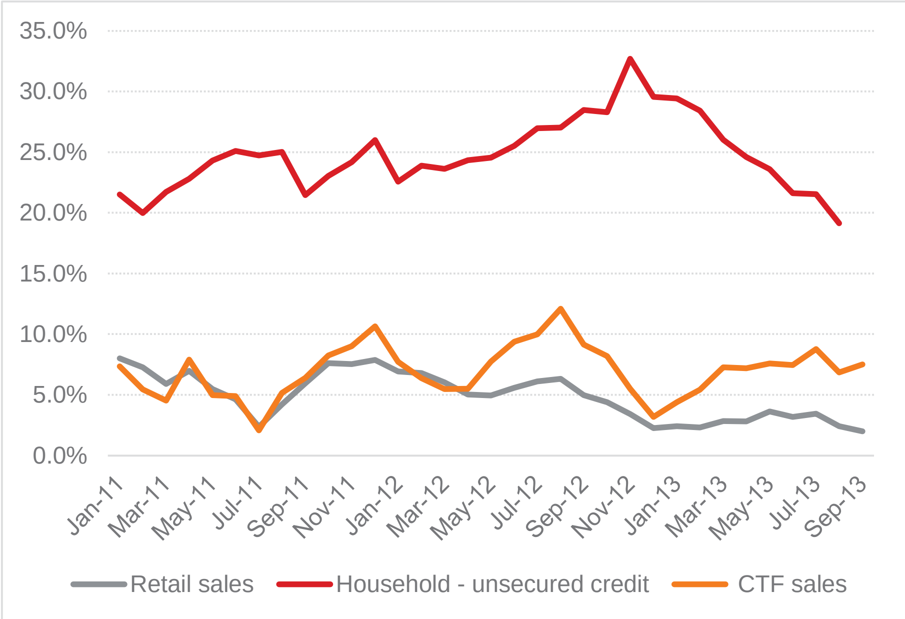
Strategic and operational update

Trading environment

Macro backdrop

- Unsecured lending growth still slowing
- Apparel sales growth continues to outperform total retail sales
- Consumer confidence muted
  - Different higher and lower LSM considerations
- ZAR volatility
- Interest rates remain low
- Inflation within 3-6% range

Credit growth versus retail sales [1]



(1) Stats SA and Nedbank – September 2013

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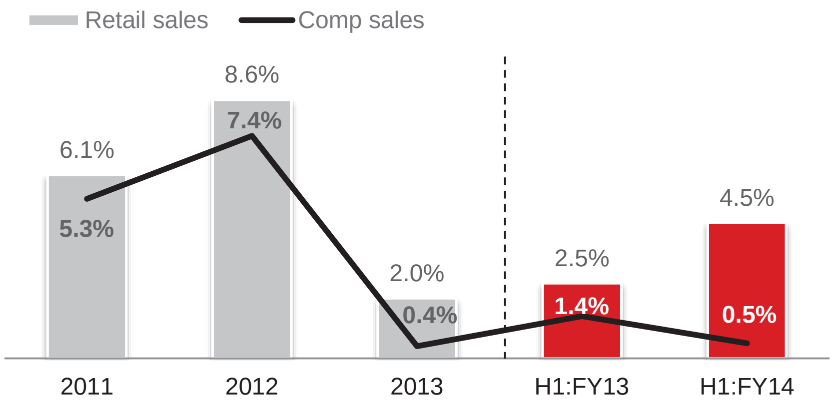
Key strategic levers remain priority

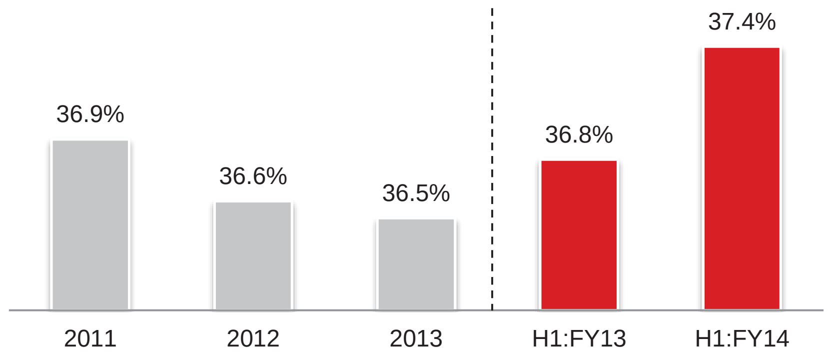
Comparable store growth	• Revamp stores and service • Store optimisation • Assortment: brands and improved private label • Leverage loyalty programme
Margin expansion	• Sourcing • Pricing management • Group efficiencies
New space growth	• Grow existing format footprint • Rollout of tested new formats • Expand into rest of Africa
Credit	• Leverage customer database to broaden financial services offering

Performance against strategic levers

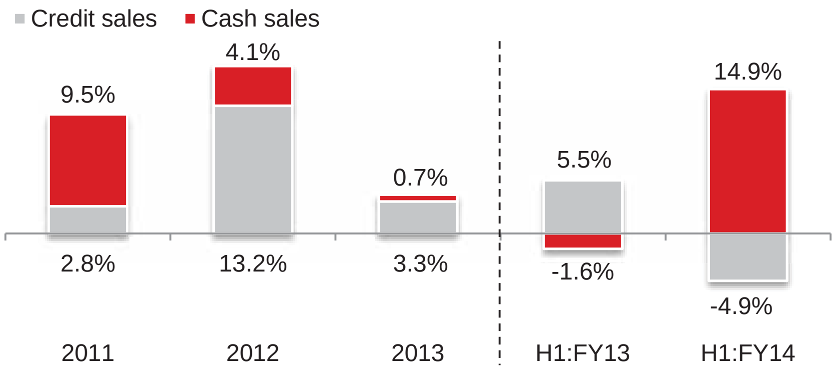
Sales growth



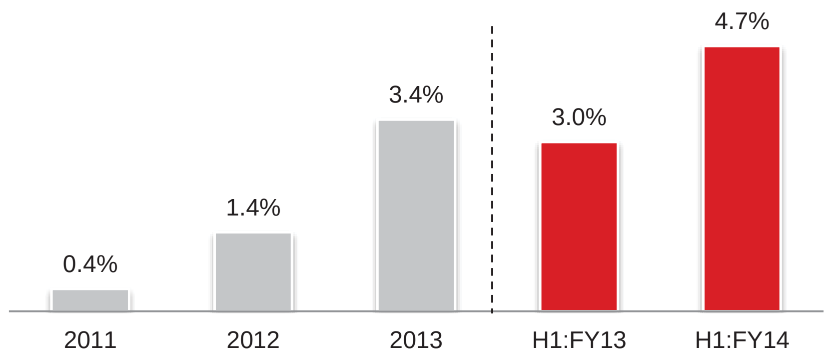
Margin expansion(1)



Credit and cash



New space growth(2)



Note: All FY numbers for 2011, 2012 and 2013 exclude Edgars Zimbabwe; (1) Gross profit margin; (2) Average space growth for the period

Highlights for Q2:FY14

Improved operational performance	Improved Profitability	Delivery against strategic plan
• Retail sales up 5.9% to R6.0 billion • Cash sales growth of 17.4% • Retail sales from operations outside South Africa up 25.5%	• Gross profit up 6.2% to R2.2 billion • Pro forma adjusted EBITDA up 9.3% to R481 million	• Increase in average space of 5.1% • Edgars refurbishment almost complete • Discount divisional performance remains sound

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Edgars division performance for Q2:FY14

Sales growth

- Retail sales growth driven by new Edgars Active and clearance activity
- Cash sales growth of 15.3%
- Refurbishment project progressing on schedule
- “New Edgars” marketing initiated in October

Retail Sales

3.4%

LFL

1.6%

New space growth

- 16 new own stores in the quarter (and 4 closures)
    - 7 Edgars Active, 3 Red Square, 1 Edgars and 1 Edgars Shoe Gallery
- 46 new mono-branded stores, 43 due to acquisition

Average

750.1m^2

466 stores

5.6%

Margin expansion

- Margin pressure expected to continue in the short term
- Operating profit down as absolute cost investment associated with change programme impacted a small quarter

GP margin

38.6%

0.3pts

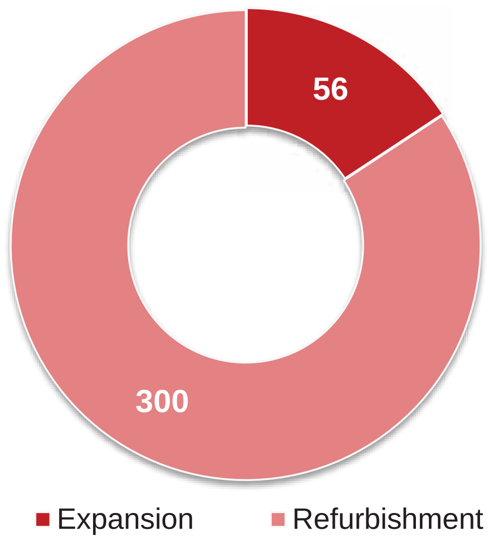
Main contributor Edgars still impacted by change programme…

Capital investment key to transformation

- Total of R356m spent in the quarter
  - R528 million spent for H1:FY14
  - R810m budgeted for FY14
- Edgars refurbishment project on track
  - Completed 61 of the 72 stores and cumulative spend of R443m at end of Q2:FY14, Q2:FY14 spend of R328m
  - Remain on track to complete all but one of the stores before the start of the Christmas trading period
  - Total capex cost in FY14 for 72 stores of R527m
- Inglot, La Senza and Accessorize acquisition effective 1 September 2013

Capex Q2:FY14

(R millions)



Store optimisation and people support progressing well

	1 **Refurbishment**	2 **Store optimisation**	3 **People support**
Description and key objectives	• Standardise store layouts • Optimise space allocation • Implement new fixture set and visual merchandising • New product content (brands) *"Deliver a refreshed, consistent and compelling theatre of shopping"*	• Optimise all processes from receiving to replenishment • Enhance daily store functionality • Improve transaction speed and customer service *"Drive standardisation and efficiency improvements in enabling store processes"*	• Stores appropriately staffed • Improved training programmes • Construct store talent pipeline *"Ensure the right people with right skills are serving our customers"*

Discount division performance for Q2FY14

Sales growth

- Retail sales growth driven by cash sales of 21.5%
- Benefits of turnaround measures starting to come through
- Strong performance in ladies and menswear

Sales
10.3%

LFL
5.4%

New space growth

- Space growth through 18 new stores (and 10 closures):
  - 3 Jet
  - 3 Jet Mart
  - 2 Legit

Average

600.5m^2

666 stores

5.1%

Margin expansion

- Improved GP margin as strategic initiatives continue to deliver results
- Operating profit increased due to cost management improvements and leveraging impact of a small quarter

GP margin

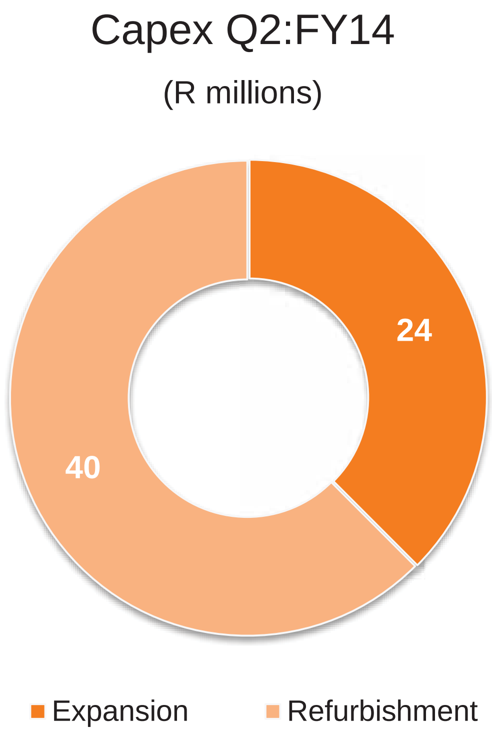
32.3%

1.0 pts

Sound performance…

Measured capital expansion programme

- Total of R64 million spent in the quarter
  - R141 million spent for H1:FY14
  - R233 million budgeted for in FY14
- Strong performance in Rest of Africa
  - Number of stores increased to 154 from 115 in 2Q:FY13



Note: African performance includes Edgars, Edgars Active, Jet and Jet Mart stores

CNA division performance for Q2FY14

Sales growth

- Retail sales up 3.6%
- Growth in digital supportive of sales growth

Sales

3.6% ↑

LFL

1.6% ↑

New space growth

- Space decrease in line with strategy of right sizing and store conversions
- Capex spend of R5m
  - R11m H1:FY14

Average

89.0 m^2

194 stores

0.4% ↓

Margin

- Margin maintained despite unfavorable product mix
- Operating profit increased

GP margin

30.9%

0.2 pts ↑

Priority is optimisation of space and product selection…

Financial review

Key financial considerations for Q2:FY14

Sale of book

- Portion of the trade receivables book sold thus far of 93%
  - R683 million remains classified as held-for-sale
  - Only foreign trade receivables still to be sold (Botswana, Namibia, Botswana, Lesotho and Swaziland)
- Pro forma adjusted EBITDA adjusted to give effect to Absa transaction as if 100% of the book has been sold
  - Reported numbers remain relevant
  - Expect to sell or collect all trade receivables

Events after the reporting date

- During October 2013 Edcon extended hedges on coupon for €317m and $250m notes to 15 March 2015 through cross currency swaps
- On 14 November 2013 Edcon Holdings Limited closed the offering for €425m of fixed rate senior notes due May 2019.
  - Tender offer and redemption (to close 14 December 2014) of all outstanding floating rate senior notes due June 2015 from the proceeds of the 2019 notes

Statement of comprehensive income

Q2:FY13	Q2:FY14	% change	(R millions)	H1:FY13	H1:FY14	% change
5 683	6 017	5.9	Retail sales	11 696	12 222	4.5
2 029	**2 154**	**6.2**	**Gross profit**	**4 307**	**4 566**	**6.0**
35.7	*35.8*	*0.1pnt*	*Gross profit margin*	*36.8*	*37.4*	*0.6pnt*
164	259		Other income	322	502	
(1 205)	(1 320)		Store costs	(2 412)	(2 615)	
(984)	(1 116)		Other operating costs	(1 805)	(2 254)	
165	184		Income from joint operation	315	358	
169	**161**		**Trading profit**	**727**	**557**	
440	**481**	**9.3**	**Pro forma adjusted EBITDA**	**1 109**	**1 208**	**8.9**

Growth in pro forma adjusted EBITDA

Q2:FY13	Q2:FY14	% change	(R millions)	H1:FY13	H1:FY14	% change
169	**161**		**Trading profit**	**727**	**557**	
261	286		Depreciation & amortisation	533	554	
2	2		Net asset write off	16	2	
211	1		Profit/(Loss) before tax from discontinued operations	306	(14)	
85	46		Non-recurring (income)/costs[(1)]	(2)	112	
728	**496**		**Adjusted EBITDA**	**1 580**	**1 211**	
(364)	(28)		Net income from previous card programme [(2)]	(609)	(25)	
76	13		Net income from new card programme [(3)]	138	22	
440	**481**	**9.3**	**Pro forma adjusted EBITDA**	**1 109**	**1 208**	**8.9**
7.7%	8.0%	***0.3pts***	*Pro forma adjusted EBITDA margin*	*9.5%*	9.9%	***0.4pts***

1) Relates to one off strategic initiatives in Q2:FY13 of R83m, expenses on termination of the Mastercard agreement in Q2:FY13 of R2m, costs associated with the sale of the trade receivables book in Q2:FY14 of R36m and costs associated with corporate and operational overhead reductions in Q2:FY14 of R10m
2) Pro forma income “lost” to Absa for the portion of the book sold including finance charges revenue, bad debts and provisions
3) Net income derived from 100% of the trade receivables including finance charges revenue, bad debts and provisions.

Update on cost programme

(R millions)	Q2:FY14
LTM pro forma adjusted EBITDA (reported)	**2 859**
Permanent adjustments:	
Corporate and operational overhead reductions	58
Renegotiation of contracts	94
LTM pro forma adjusted EBITDA (incl. adjustments)	**3 011**
Normalised pro forma net debt/LTM pro forma adjusted EBITDA (times)	6.7

- No new cost initiatives included, but further work required
- Benefit of approx R74 million included in the quarter's profit

Cost analysis for Q2:2014

Other operating costs

- Good cost containment with other operating costs increasing only 4.9%
- Store card administration costs not in comparative but included in discontinued operations in prior year
- Non-recurring costs include
  - One off strategic initiatives in Q2:FY13 of R83m
  - Costs associated with the sale of the trade receivables book in Q2:FY14 of R36m
  - Costs associated with corporate and operational overhead reductions in Q2:FY14 of R10m

(R millions)	Q2:FY13	Q2:FY14	% change
Other operating costs	899	943	*4.9*
Store card administration		127	
Non-recurring (income)/costs	85	46	
Total other operating costs	984	1 116	

Store costs

- Store costs increased 9.5%
  - Due to change programme in Edgars' division
  - Discount divisional costs well maintained
- Rental and manpower costs (which constitute 61.5% of store costs) increased by only 6.7% and 7.6% respectively, notwithstanding space growth

Credit opportunities being explored

Credit management

- Continued evolution of collaborative relationship with Absa
- Ongoing review to identify and implement process improvements
  - Electronic system shortens processing time and improves customer experience
- Best in class application scorecard being built
  - Implementation post-Christmas

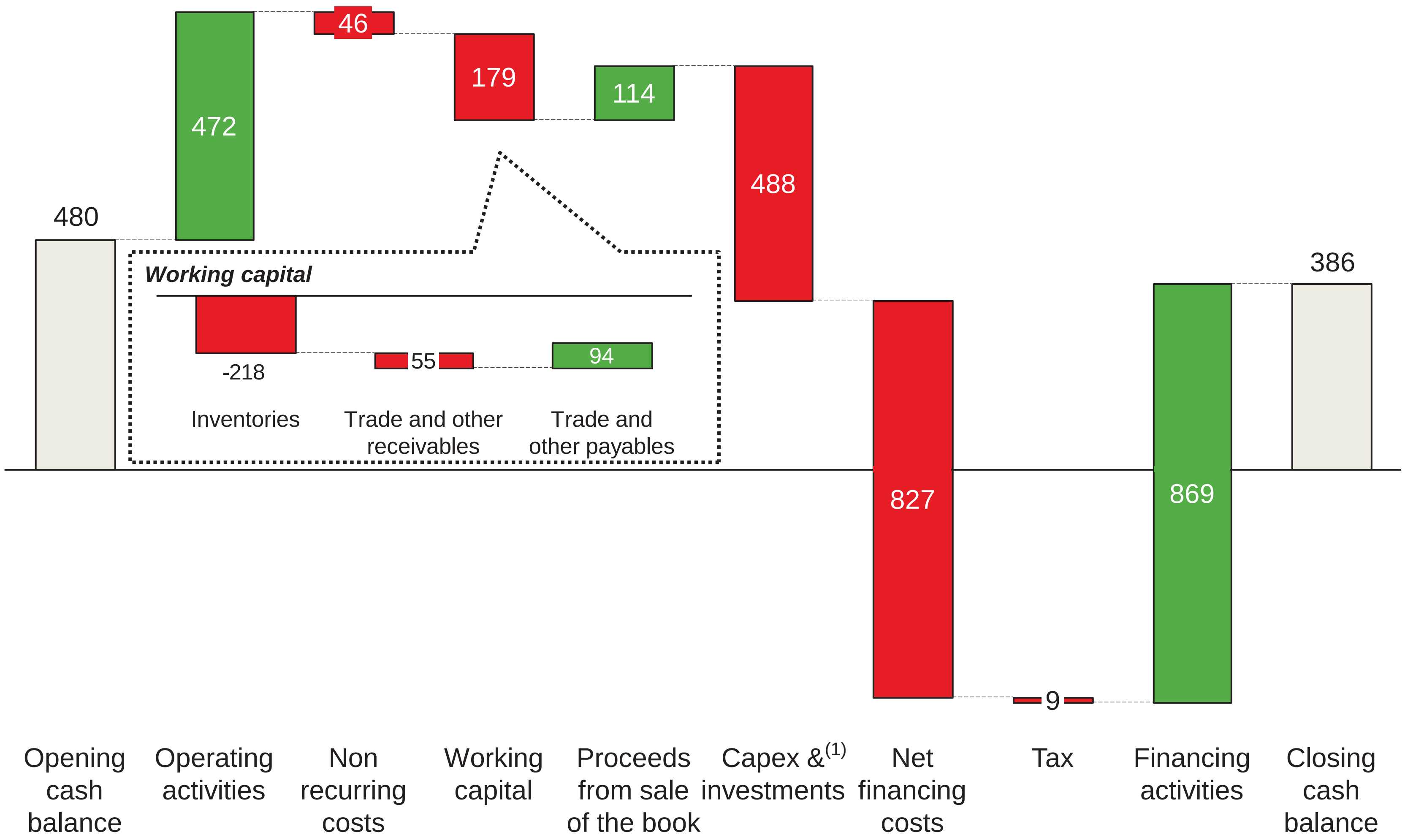
Sales growth initiatives

- New products to a wider range of customers
  - 6-month interest free credit
  - Additional facilities to top customers
- Connecting Edcon's marketing analytics and Absa's credit risk capability to optimise credit limits and drive spend
  - Leverage Thank U
  - Cross marketing to Edcon and Absa customers

Long term opportunities

- Cross-leverage store networks
  - Edcon storecard services at Absa ATMs and branches
  - Additional banking and personal finance services at Edcon stores
- Data analytics
- Payments ecosystem

Cashflow for Q2:FY14

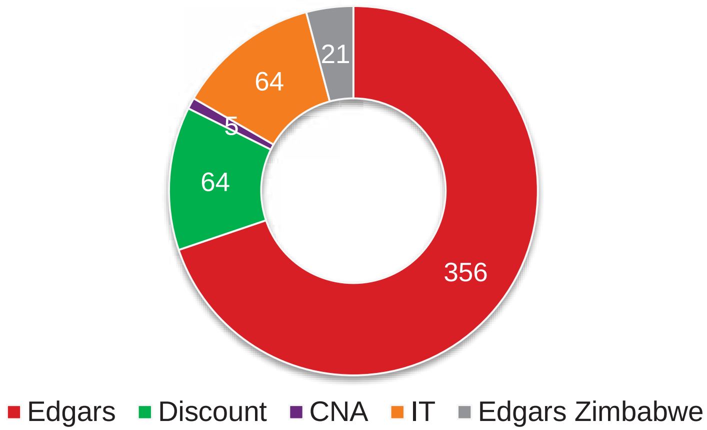


(1) Includes R427m of capital expenditure and R61m of other investing activities

Capex investment for Q2:2014

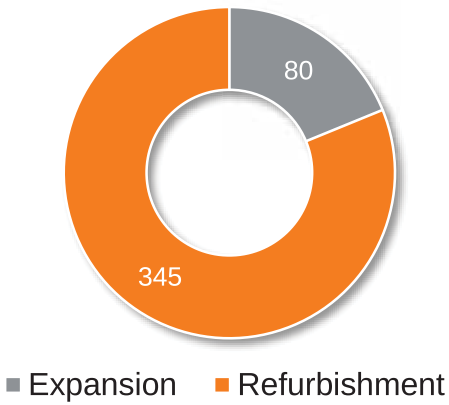
Total capex breakdown

(R millions)



Store capex mix

(R millions)



Refurbishment still the priority

- Total capex, excluding leases, of R510m for Q2:FY14
  - 32 stores opened (excl. 4 conversions)
- Significant increase in store spend to R425m from R119m in Q2:FY13
  - Edgars refurbishment project costs of R328m for Q2:FY14
- Expecting to spend R1 175m of capex for FY14
  - Total cost of transformation project R527m

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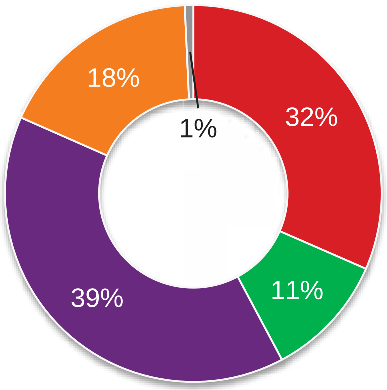
Liquidity and capital resources

Key considerations

- Undrawn RCF of R2 561m
  - R3 717m matures 31 December 2016
  - R250m matures on 31 March 2014
  - Maximum utilisation R1,464m in Q2:FY14
- Proceeds from sale of the book still to come of approximately R683m
- Refinanced the 2015 € FRN's

Hedging of gross debt



(R millions)	Q2:2014 Drawn [1]
Super senior secured	
Revolving credit facility in ZAR	1 406
2016's ZAR Floating notes – J+625bps	1 010
Senior secured	
ZAR Term loan – J+700bps	3 994
2018's € Fixed rate – 9.5%	8 085
2018's $ Fixed rate – 9.5%	2 463
Deferred option premium	587
Lease liabilities	294
Senior	
2015's € FRN's – E+550bps	5 104
Other loans[2]	168
Gross debt	**23 111**
Derivatives	(1 800)
Cash on hand	(386)
Net debt	**20 925**

(1) September 28, 2013 FX Rates used for translation ZAR/USD R 10.02 ZAR/EURO R13.60
(2) R165 million relates to Edgars Zimbabwe

Looking forward

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Outlook

- Settle changes in top 72 Edgars stores including ongoing assortment improvements
  - People and processes
  - Inflow of new brands
  - Enhanced private label assortments
- Maintain Discount division strategy and further enhance position
- Increased imperative to improve credit sales potential
- Continue to develop winning *Thank U* loyalty card programme
- Execute on space growth pipeline and vision for rest of Africa
- Leverage specialty store opportunities

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Thank you

For more information

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Edgars Edgars active Shoe Gallery boardmans Red Square Jet Jet Mart LEGiT cna