



## Highlights for H1 FY 2005

 We make it happen

- ❖ Interim dividend per share doubled-3<sup>rd</sup> year in a row
- ❖ Increased clothing and footwear market share to 29,5%
- ❖ Retail sales up 31%
- ❖ Trading profit up 111%
- ❖ Profit from credit and financial services of R94m
- ❖ Interim headline earnings per share up 88%  
(22% from extra trading week)
- ❖ Account base increased by 230 000 over past 6 months





## Non-Financial Highlights H1 FY 2005

 We make it happen

- ❖ Top two clothing brands (No. 1-Jet, No. 2-Edgars) in Sunday Times/Markinor Top Brands Survey
- ❖ 1<sup>st</sup> in Retail Sector, 12<sup>th</sup> overall in Deloitte & Touche "Best Company to Work For" survey
- ❖ Award for Best Annual Report in the Commercial, IT, Non-Financial Services sector from the Institute of Chartered Secretaries and Administrators and the JSE
- ❖ 7<sup>th</sup> in Ernst & Young "Excellence in Financial Reporting" awards
- ❖ First in Investor Relations for Industrial Companies in Financial Mail awards
- ❖ Award for Best Investor Relations Officer in non-FITSE/JSE Top 40 company from IR Magazine






## Financial Highlights H1 FY 2005

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	Sept 2004	Sept 2003*	Sept 2002*
Headline EPS (cents)	968	516	303
Growth in Headline EPS (%)	88	70	229
DPS (cents)	494	247	123
Growth in DPS (%)	100	101	242
Operating Profit to Sales (%)	11,5	7,9	8,1
Gearing	0,03	(0,02)	(0,23)
Stockturn (times)	5,7	5,0	4,4

*\*Restated*

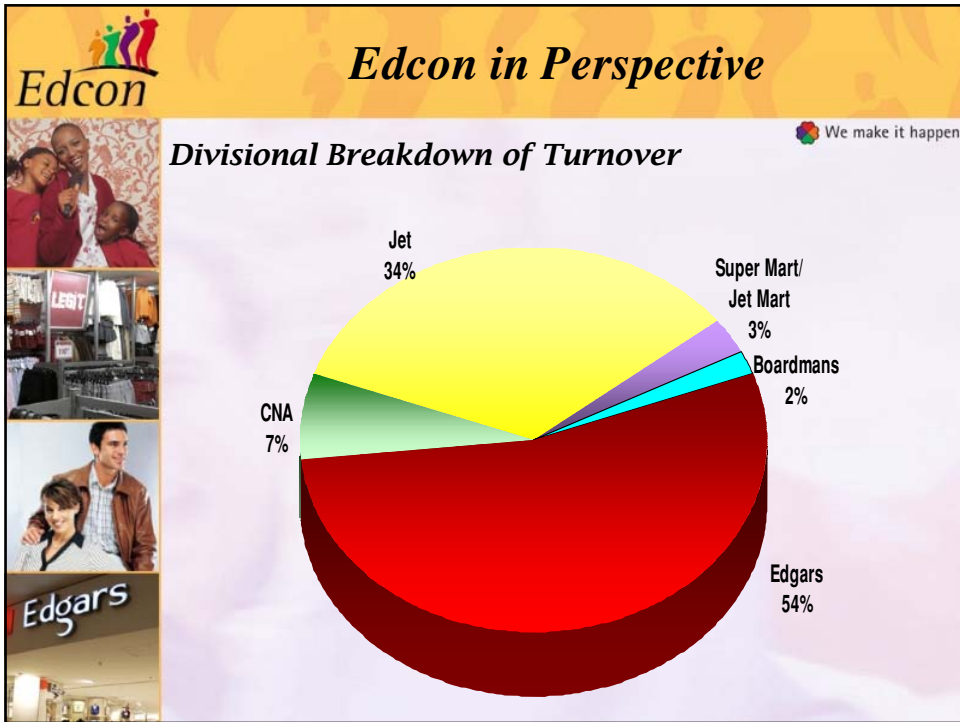


## Income Statements

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	Sept 2004 Rm	Sept 2003 Rm *	% Change
<i>Retail Sales</i>	6 029,8	4 592,2	31
<b>Cost of Sales</b>	<u>(3 616,6)</u>	<u>(2 821,3)</u>	
<i>Gross Profit</i>	2 413,2	1 770,9	36
Store Costs	(1 085,2)	(874,1)	
Other net Operating Costs	<u>(729,2)</u>	<u>(613,4)</u>	
<i>Trading Profit</i>	598,8	283,4	111
Credit & Financial Services Profit	93,6	79,6	
<i>Operating Profit before Financing Costs</i>	692,4	363,0	
Net Financing Costs	<u>(7,7)</u>	<u>(25,3)</u>	
<i>Profit before Taxation</i>	684,7	337,7	103
Taxation	<u>(235,5)</u>	<u>(114,0)</u>	
<i>Earnings Attrib to Ordinary Shareholders</i>	<u>449,2</u>	<u>223,7</u>	101
<i>Headline EPS</i>	968	516	88
<i>Dividend per share</i>	494	247	100

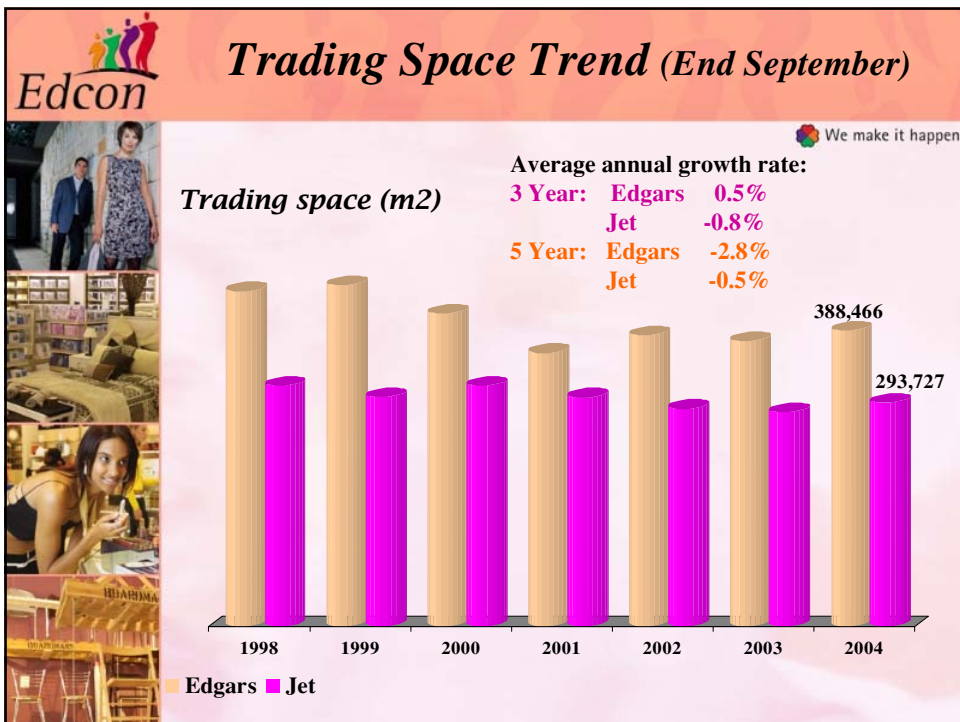
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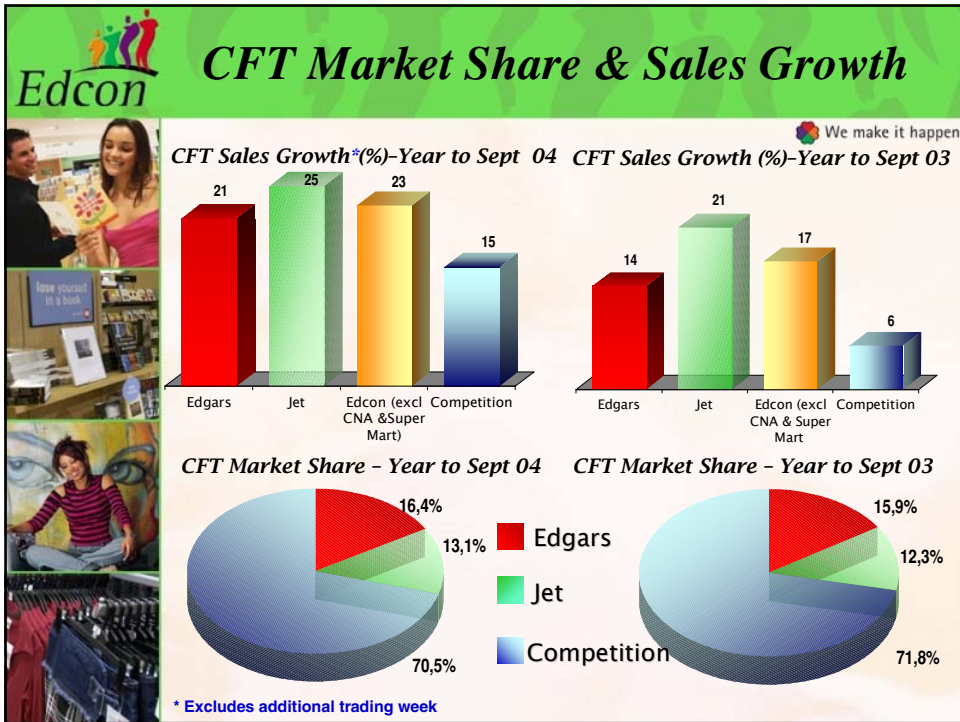
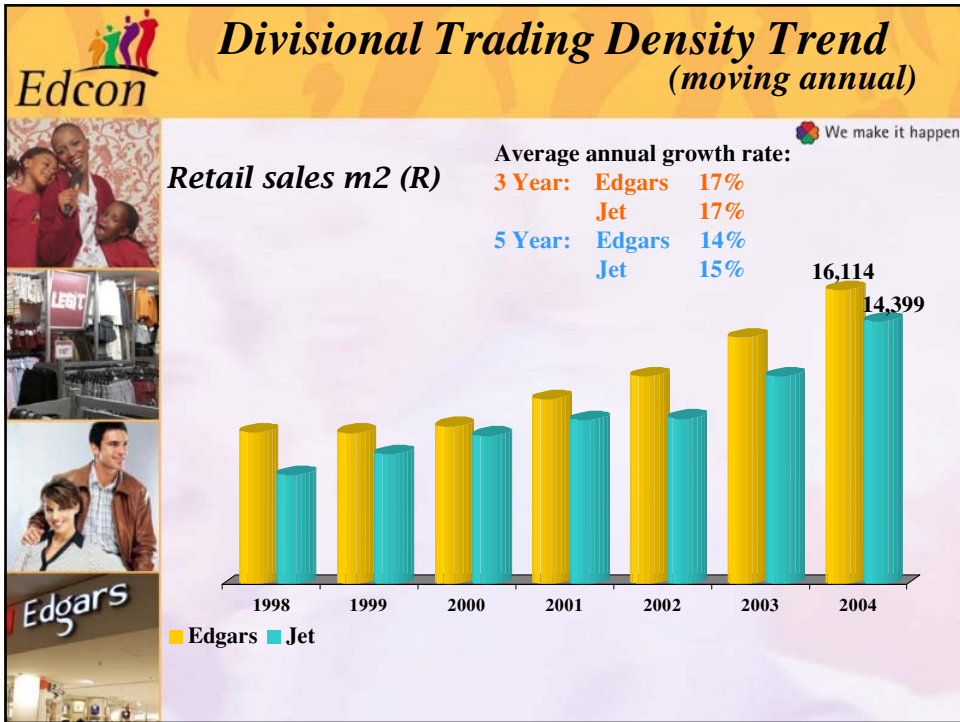


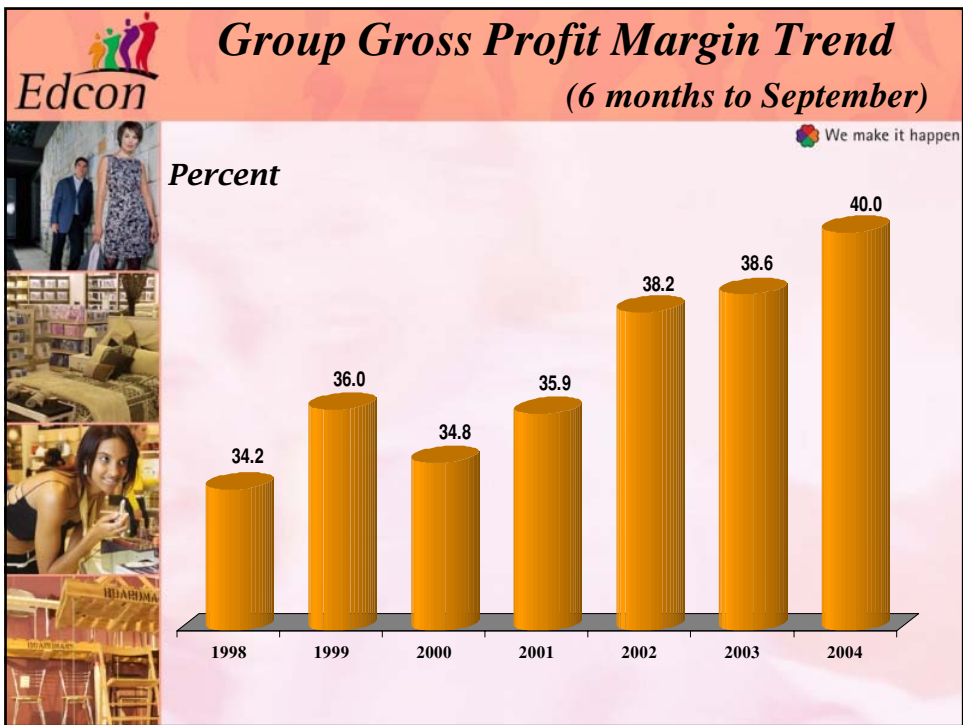
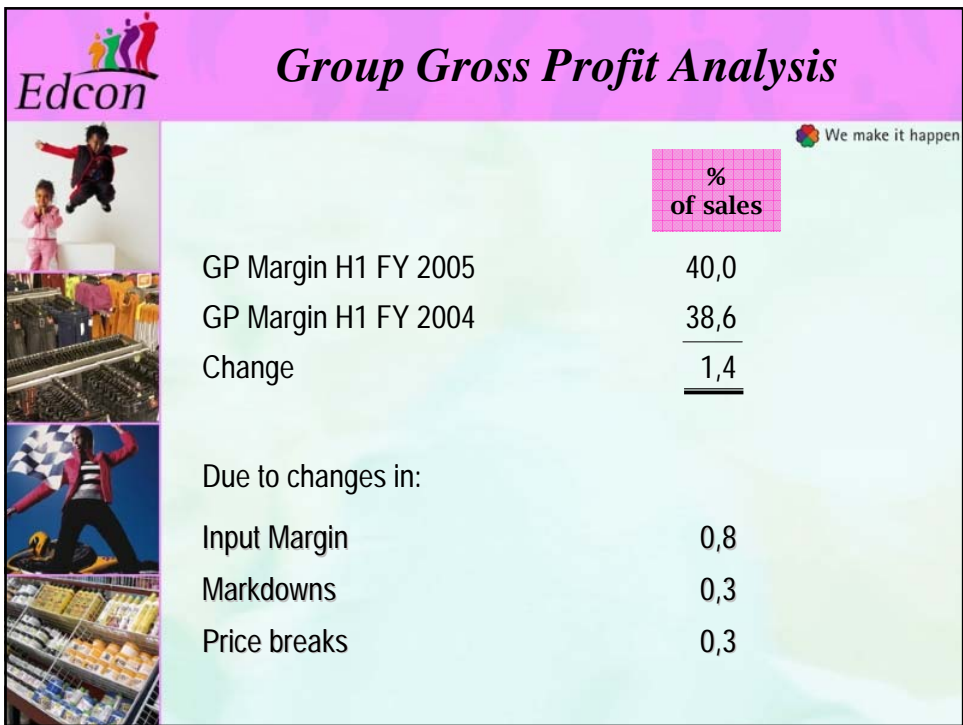
**Edcon** *Divisional Analysis of Sales and Trading Space*

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	Total			CFTA & Other-Excl extra week				Cellphones			Stores		Ave Space % Growth
	Sept 2004 Rm	Sept 2003 Rm	% Change	% Change	% Inflation	Overall Volumes % Change	Like for Like Volumes % Change	Sept 2004 Rm	Sept 2003 Rm	% Change	Sept 2004	Sept 2003	
Edgars	3 280	2 543	29	21	1	20	17	234	143	64	163	151	3
CNA	414	345	20	14	(7)	21	7	55	45	22	192	149	14
Boardmans	98										25		
Jet	2 073	1 517	37	30	(10)	40	36	212	158	34	296	270	4
Super Mart / Jet Mart	165	187	(12)	(7)	(9)	2	(28)				20	15	30
<b>TOTAL</b>	<b>6 030</b>	<b>4 592</b>	<b>31</b>	<b>24</b>		<b>28</b>	<b>19</b>	<b>501</b>	<b>346</b>	<b>45</b>	<b>696</b>	<b>585</b>	<b>9</b>

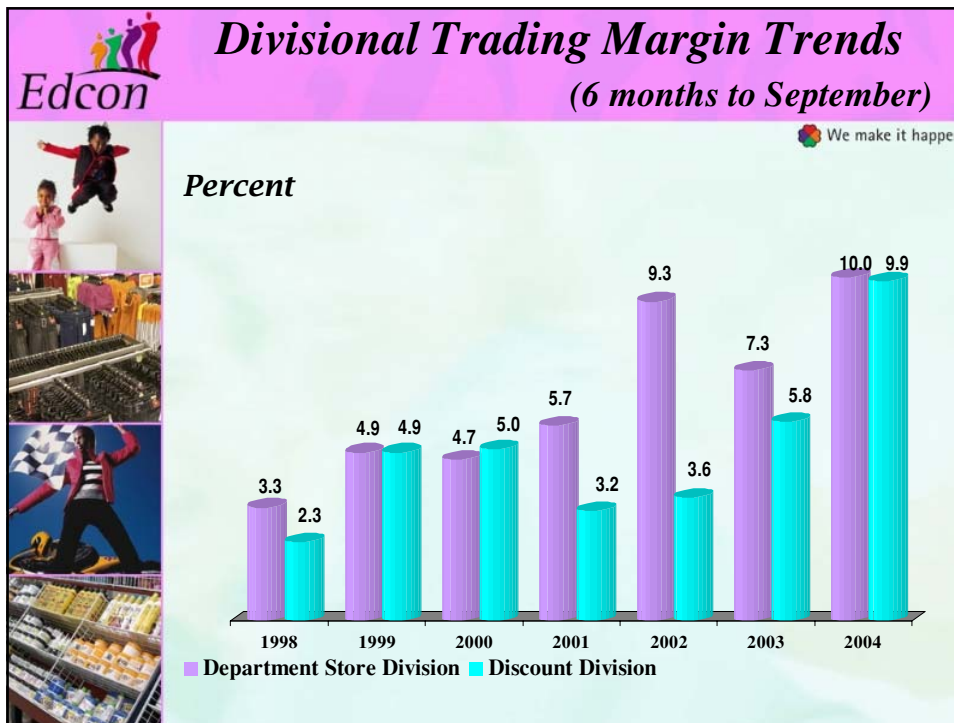






Edcon <i>Divisional Analysis of Gross Profit Margins</i>		We make it happen	
	Sept 2004 %	Sept 2003 %	
<b>Department Store Division</b>			
Edgars	42,6	40,4	
CNA	31,1	37,4	
Boardmans	38,8		
<b>Division</b>	<b>41,2</b>	<b>40,1</b>	
<b>Discount Division</b>			
Jet	39,4	37,2	
Super Mart/Jet Mart	20,6	26,1	
<b>Division</b>	<b>38,0</b>	<b>36,0</b>	
<b>Group</b>	<b>40,0</b>	<b>38,6</b>	

Edcon <i>Divisional Analysis of Trading Profit</i>		We make it happen		
	Sept 2004 Rm	Sept 2003 Rm	% Change	
<b>Retail sales</b>				
Department Store Division	3 792,3	2 887,9	31	
Discount Division	2 237,5	1 704,3	31	
<b>Group sales</b>	<b>6 029,8</b>	<b>4 592,2</b>	<b>31</b>	
<b>Trading profit</b>				
Department Store Division	379,1	211,8	79	
Discount Division	221,2	98,5	125	
Manufacturing	(1,0)	(18,8)	95	
Amortisation of intangibles	(0,5)	(8,1)		
<b>Group trading profit</b>	<b>598,8</b>	<b>283,4</b>	<b>111</b>	



**Edcon** *Analysis of Operating Profit*

*We make it happen*

	Sept 2004 Rm	Sept 2003 Rm*	% Change
Retail sales	6 029,8	4 592,2	31
Gross profit	2 413,2	1 770,9	36
Store expenses	(1 085,2)	(874,1)	24
Chain management expenses	(158,5)	(144,3)	10
Club income	57,5	44,0	31
Chain direct profit	1 227,0	796,5	54
Credit & financial services	93,6	79,6	18
Systems	(292,5)	(259,4)	13
Human resources costs	(88,5)	(61,9)	43
Other head office costs	(246,2)	(173,0)	42
Manufacturing loss	(1,0)	(18,8)	95
<b>Operating profit</b>	<b>692,4</b>	<b>363,0</b>	<b>91</b>

\*Restated

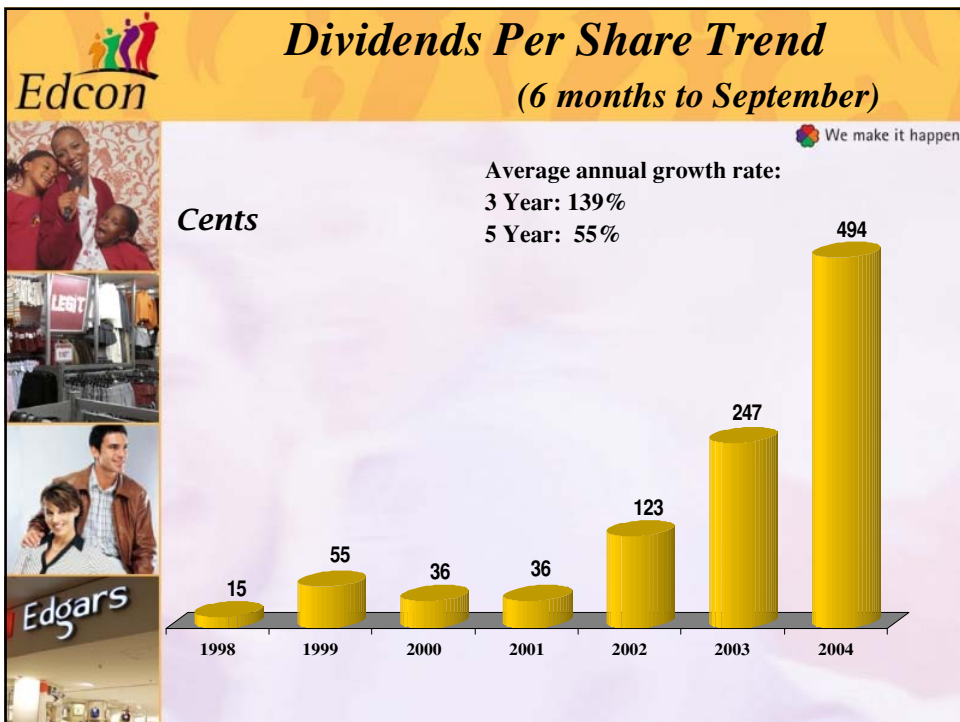
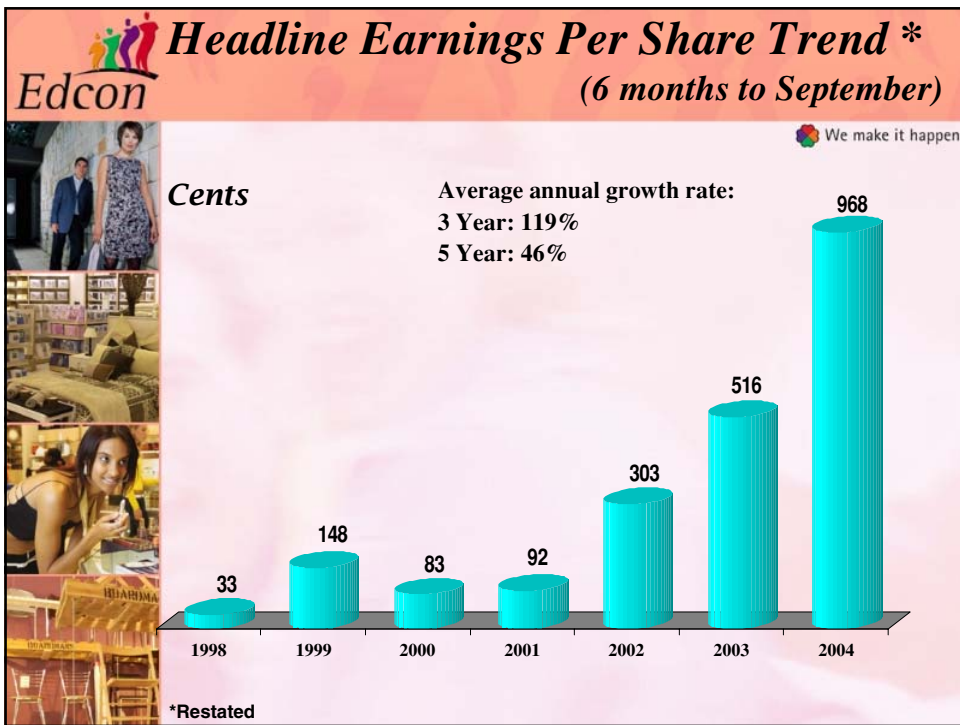
**Edcon** *Analysis of Selected Operating Costs* We make it happen


	Sept 2004 Rm	Sept 2003 Rm	% Change
<b>Store expenses</b>	1 085,2	874,1	24
Existing chains	1 043,6	874,1	19
ThisDay & Boardmans	41,6		
<b>Systems</b>	292,5	259,4	13
Existing chains	277,1	259,4	7
Boardmans	15,4		
<b>Human Resources</b>	88,5	61,9	43
Training and development	26,6	14,7	81
Flexible staffing costs	24,4	16,1	52
Other	37,5	31,1	21
<b>Other head office costs</b>	246,2	173,0	42
Including the following one-off items:			
Head office revamp	47,8	0,4	
AIDS programme	9,0		

**Edcon** *Fully Diluted EPS Calculation* We make it happen


	Sept 2004 Rm	Sept 2003 Rm *
<b>Group attributable earnings</b>	449,2	223,7
<b>Plus: Interest on convertible debentures net of tax</b>		3,3
<b>Diluted earnings</b>	<u>449,2</u>	<u>227,0</u>
	<b>000's</b>	<b>000's</b>
<b>Weighted shares in issue</b>	46 177	43 791
<b>Potential shares from options outstanding</b>	5 259	3 071
<b>Shares from conversion of convertible debentures</b>		2 144
<b>Shares used for calculation of fully diluted EPS</b>	<u>51 376</u>	<u>49 006</u>

\* Restated





*Cashflow Statement  
and  
Balance Sheet*



## *Consolidated Cash Flow Statements*


	Sept 2004 Rm	Sept 2003 Rm
<i>Cash retained from operating activities</i>		
Operating profit	692,4	363,0
Depreciation & amortisation	137,0	117,3
Other non-cash items	7,0	(7,3)
<i>Cash "EBITDA"</i>	<u>836,4</u>	<u>473,0</u>
Reduction in working capital (Note 1)	40,7	(102,3)
<i>Cash generated from operating activities</i>	<u>877,1</u>	<u>370,7</u>
Net financing costs paid	(7,7)	(25,3)
Taxation paid	(240,8)	(210,7)
<i>Cash inflow from operations</i>	<u>628,6</u>	<u>134,7</u>
Dividends paid	(239,2)	(80,9)
<i>Net cash retained</i>	<u>389,4</u>	<u>53,8</u>
Cash outflow from investment activities	(277,6)	(137,6)
<i>Cash effects of financing activities</i>		
Decrease in shareowner funding	(21,4)	19,3
Decrease in interest bearing debt	(1,5)	(94,4)
<i>Net cash outflow from financing activities</i>	<u>(22,9)</u>	<u>(75,1)</u>
<i>Increase in cash and cash equivalents</i>	<u>88,9</u>	<u>(158,9)</u>
Note 1: Inventories	(122,9)	(101,2)
Trade accounts receivable / other debtors	(699,3)	(228,6)
Net proceeds of securitisation	933,7	
Accounts payable	(70,8)	341,1




## Investment Activities

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	Sept 2004 Rm	Sept 2003 Rm
Increase in property, plant & equipment	(199,0)	(137,6)
Acquisition of Boardmans	(78,6)	
<i>Net cash utilised</i>	<u>(277,6)</u>	<u>(137,6)</u>

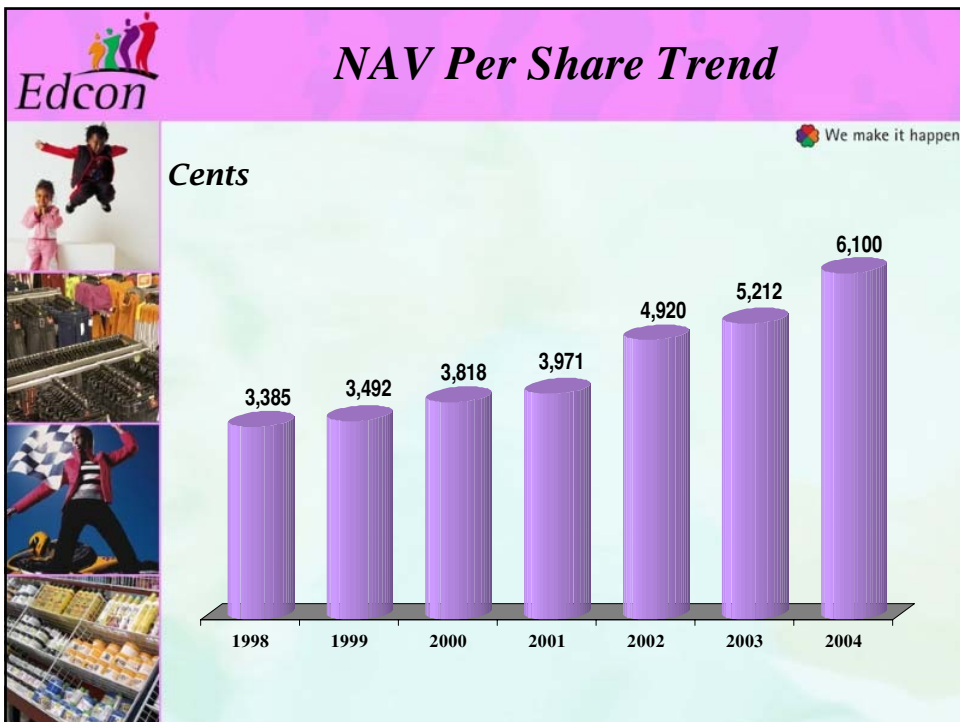
## Balance Sheets

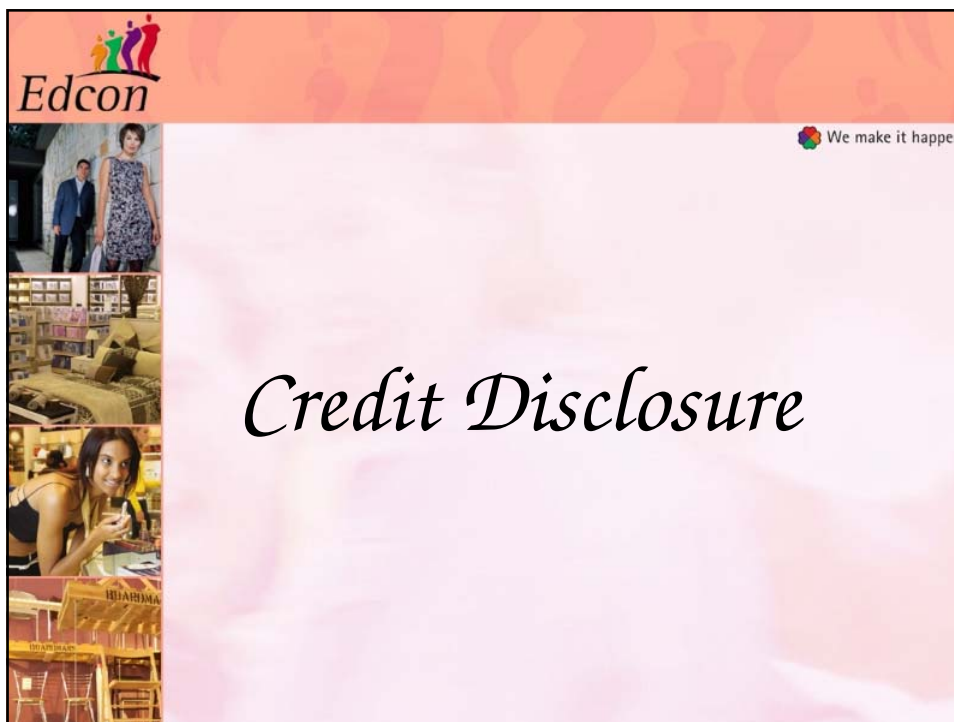
 We make it happen

	Sept 2004 Rm	Sept 2003 Rm *
<b>Assets</b>		
<i>Non current assets</i>		
Properties, fixtures, equipment and vehicles	809,0	715,3
Goodwill and trademarks	79,6	95,4
Investments	575,7	400,0
<b>Total non-current assets</b>	<u>1 464,3</u>	<u>1 210,7</u>
<i>Current assets</i>		
Inventories	1 399,3	1 285,4
Accounts receivable & prepayments	2 070,6	1 905,5
Cash & cash equivalents	287,1	136,1
<b>Total current assets</b>	<u>3 757,0</u>	<u>3 327,0</u>
<b>Total assets</b>	<u>5 221,3</u>	<u>4 537,7</u>
<i>Equity &amp; liabilities</i>		
<i>Capital &amp; reserves</i>		
Ordinary shareowners' equity	2 843,2	2 290,7
Preference share capital/Minority interest	0,3	0,6
<b>Total shareowners' equity</b>	<u>2 843,5</u>	<u>2 291,3</u>
Interest bearing debt	365,0	89,0
<b>Total capital employed</b>	<u>3 208,5</u>	<u>2 380,3</u>
<i>Interest free liabilities</i>		
Current payables	1 914,4	2 119,2
Deferred taxation	98,4	38,2
<b>Total interest free liabilities</b>	<u>2 012,8</u>	<u>2 157,4</u>
<b>Total equity &amp; liabilities</b>	<u>5 221,3</u>	<u>4 537,7</u>



\*Restated


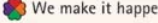





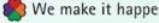



## Credit Disclosure

	Sept 2004 Rm	Sept 2003 Rm *
Cost of credit	(11,1)	(12,1)
Financial services profit	<u>104,7</u>	<u>91,7</u>
Credit & financial services profit (per income statement)	93,6	79,6
Notional financing costs allocated on own debtors	<u>(116,0)</u>	<u>(123,0)</u>
<b>Total cost of credit</b>	<b>(22,4)</b>	<b>(43,4)</b>
Net financing costs (per income statement)	(7,7)	(25,3)
Notional financing receipts allocated	116,0	123,0
Group net financing receipts	<u>108,3</u>	<u>97,7</u>
<b>Total profit from financing</b>	<b><u>85,9</u></b>	<b><u>54,3</u></b>

\*Restated

		<h2>Credit Division</h2>	
			
		Sept 2004	Sept 2003
		Rm	Rm
		<b>OntheCards</b>	
Initial discount		(5)	-
Discount		(14)	(39)
Other income		44	50
<b>Net profit</b>		<u>25</u>	<u>11</u>
		<b>Own Book</b>	
Interest from customers		186	169
Net bad debt		(74)	(41)
Doubtful debt provision		(57)	(26)
Release of provision on OtC debtors		50	
Other income		11	6
<b>Net profit</b>		<u>116</u>	<u>108</u>
Collection costs		(156)	(141)
Profit from Financial Services		105	92
Profit on purchase of RAG book		4	10
<b>Credit &amp; financial services profit</b>		<u>94</u>	<u>80</u>

		<h2>Credit Division Statistics</h2>	
			
		Sept 2004	Sept 2003
		Rm	Rm
		<b>Debtors books</b>	
Own gross book		1 836	1 621
Less provision		(118)	(113)
RAG gross debtors		-	16
Less RAG provision		-	(16)
OntheCards		3 316	2 369
<b>Total combined debtors' books</b>		<u>5 034</u>	<u>3 877</u>
<b>Interest bearing-combined book</b>		<b>70%</b>	<b>63%</b>
<b>Interest free-combined book</b>		<b>30%</b>	<b>37%</b>

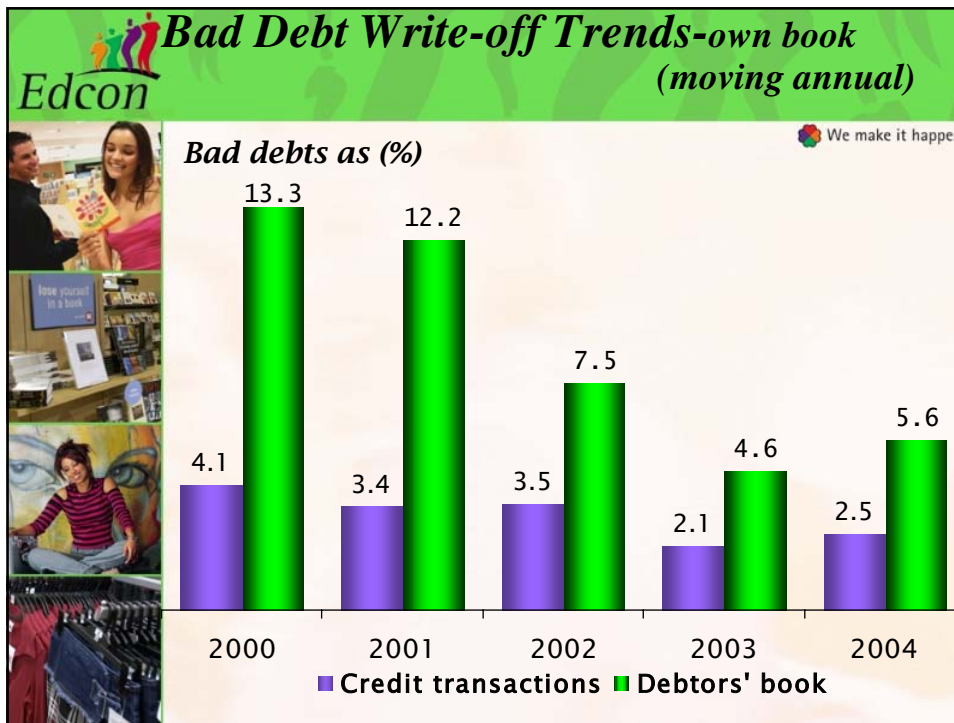
**Edcon** *Credit Division Statistics cont.* We make it happen

	Sept 2004	Sept 2003
Weighted average Usury rate (%)	21,0	28,3
Credit sales as % of total sales	62,8	60,0
Growth in credit sales (%)	36,3	13,6
Active accounts with debit balances (millions)	3,2	2,7
Average credit utilisation (%):Department Store Division	36,1	34,6
Discount Division	49,9	47,5
Average account balance (R):Department Store Division	1 699	1 555
Discount Division	1 450	1 241
Average installment due (R):Department Store Division	245	233
Discount Division	177	160
Collections versus total due (%)	118	105

**Edcon** *Credit Division Statistics cont.* We make it happen

	Sept 2004	Sept 2003
Growth in collections – total book (%)	29,0	18,2
Net write off to debtors balances %-own book (ma)	5,6	4,6
Net write off to debtors balances %-total book (ma)	5,7	6,3
Net bad debt write off to credit transactions %-own book (ma)	2,5	2,1
Net bad debt write off to credit transactions %-total book (ma)	2,7	3,0
Doubtful debt provision as % of debtors (exc. RAG)	6,4	7,0
Additional doubtful debt provision as % of debtors (exc RAG)	0,7	
% able to purchase	87	87

ma-moving annual



**Edcon** *Black Economic Empowerment-4 Pillars*

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- ❖ Employment Equity-Black staff per category:
 

	Current	March 2000
❖ Senior management	23%	8%
❖ Management	54%	31%
❖ Skilled staff	84%	67%
❖ Semi skilled staff	92%	83%
❖ Unskilled staff	99%	90%
- ❖ Corporate social investment
  - ❖ R 16m expenditure in FY 2004
  - ❖ Focused on social development (66%) and education (27%)
- ❖ Procurement
  - ❖ In process of building supplier database
- ❖ Equity ownership
  - ❖ 1,9 million share options allotted to black employees
  - ❖ Work in progress



**Edcon** We make it happen

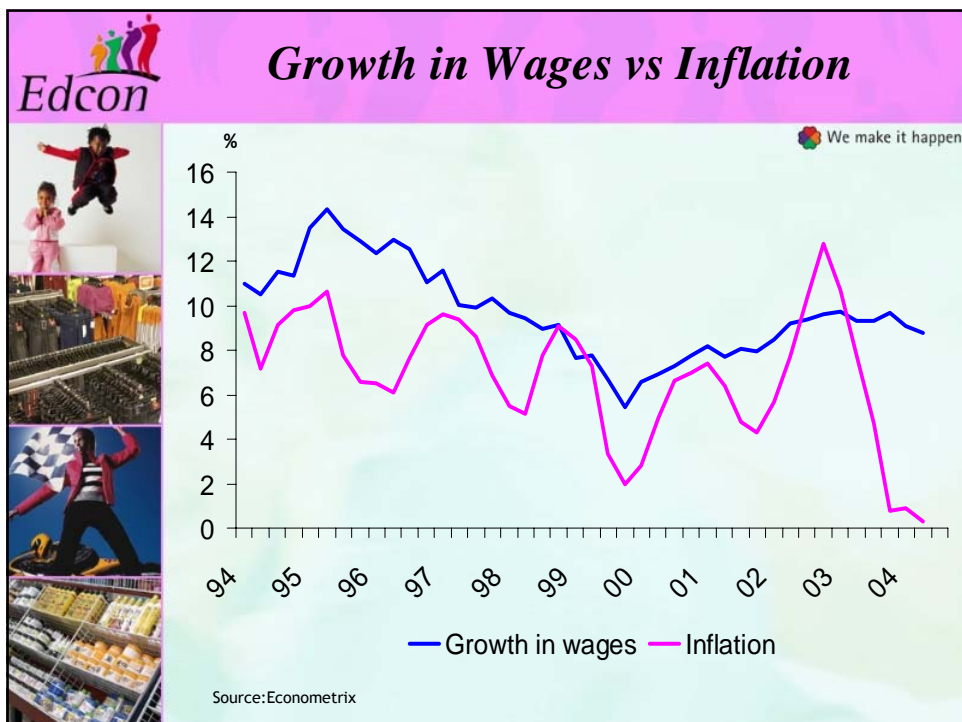
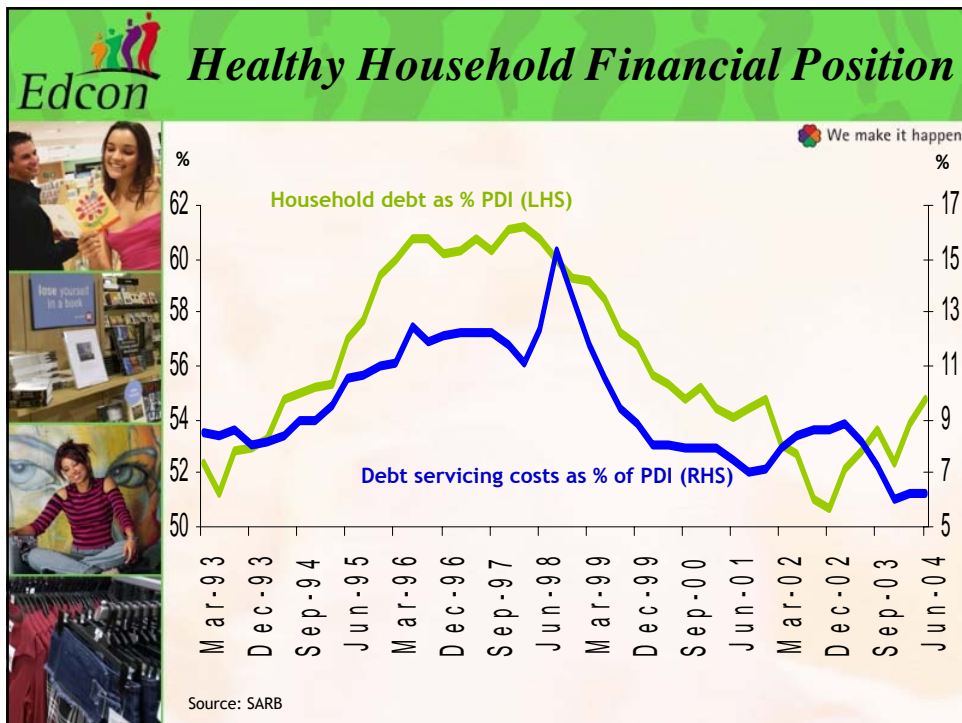
## *Macro Economic Factors*

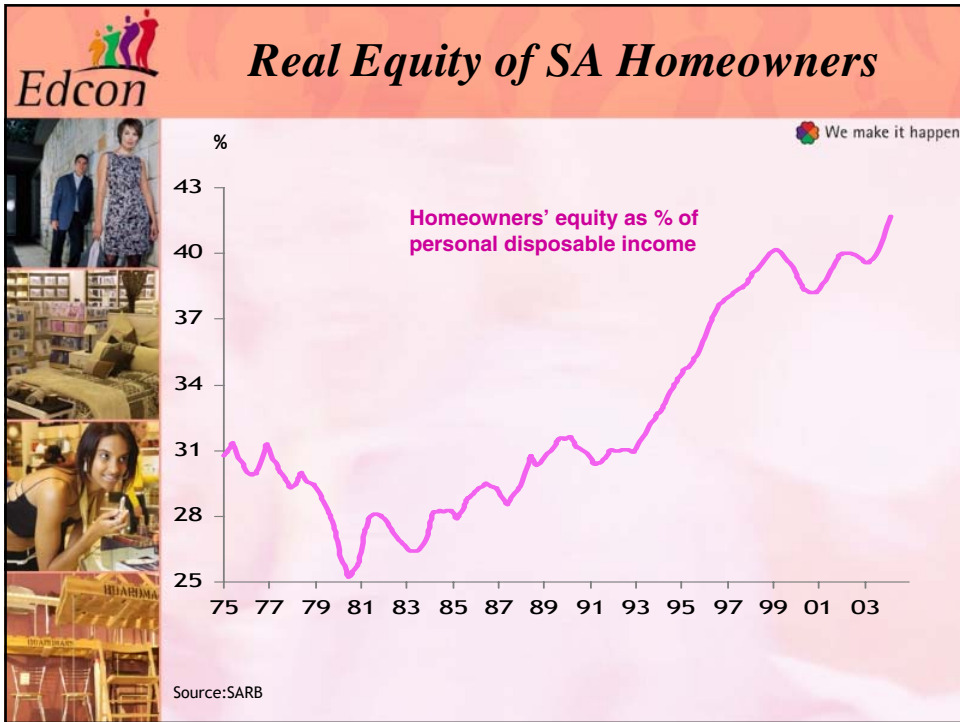


**Edcon** We make it happen

## *Cyclical Drivers of Current Retail Growth*

- ❖ Usury rate down 900 basis points since June 2003
- ❖ Prime interest rate down 600 basis points since June 2003
- ❖ Household debt levels close to 10 year lows
- ❖ Household interest burden at 10 year lows
- ❖ Decline in rate of food inflation (average 1,9% for 6 months to September 2004 vs 8,1% to September 2003)
- ❖ Real wage increases
- ❖ Aggregate tax breaks of over R50 billion
- ❖ Wealth effect from rising housing prices





**Secular Factors Extending the Cycle**

- ❖ Clothing and footwear have become relatively cheap
  - ❖ average inflation of 1% pa over 10 years vs 6% pa for total HCE
- ❖ Shift from public to private sector consumption
- ❖ Emerging consumer market
- ❖ Structurally lower inflation
- ❖ Structurally lower interest rates
- ❖ Government's Public Works Programme-R165bn
- ❖ More stable interest rate and inflation environment

Economic policy co-ordination between the SA Reserve Bank and Government focusing on growth






**Edcon** *How are Key Risk Areas Managed?*  
**Merchandising**


    

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- ❖ 'State of the art' merchandise management systems - Retek, Arthur 4, ProClarity and Nautilus.
- ❖ Improved merchandise information right down to store-SKU level
- ❖ Improved planning, forecasting and re-projection processes to monitor and respond quickly to changes in the market
- ❖ Automated replenishment of core products (EDI)
- ❖ Centralised pricing, markdown and promotions
- ❖ Allocation system balancing inventory to customer demand
- ❖ Communication with key suppliers via the Intranet
- ❖ Highly productive distribution and cost effective logistics
- ❖ Tight supply chain management
- ❖ Customer data warehouse which tracks buying behaviour
- ❖ Progressive markdowns-inventory not held for sale events
- ❖ Extensive testing before buying in depth
- ❖ High stock turns

**Edcon** *How are Key Risk Areas Managed?*  
**Credit**

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- ❖ Moved from judgemental decision making to scientifically developed strategies
- ❖ Scorecards used at time of initial credit granting
- ❖ Application and Behavioural scores cross-matrixed with bureau scores
- ❖ Scores run through profitability model
- ❖ Credit granting based on risk profiling
- ❖ Behavioural scores used for credit limit management
- ❖ Collections now based on behavioural scores
- ❖ Early handing over of unprofitable accounts to external collection agencies
- ❖ 3 versus 13 credit offices
- ❖ Credit management measured monthly down to individual level
- ❖ Predictive diallers





# *Edcon into the future*






## *Edcon's Prospects*

- ❖ Continuation of strong sales growth in October 2004
- ❖ Capex of R354m in H2 FY 2005
- ❖ 11% more space at beginning of H2 2005 vs H2 2004
- ❖ Heavily dependent on key November/December trading period
- ❖ FY 2005 headline EPS up approximately 60% of which 53<sup>rd</sup> trading week will contribute around 7%



## Store Opening Programme

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Chain	Stores End H1 2005	New Stores H2 2005
Edgars (incl Red Square, Prato)	163	14
Boardmans	25	7
CNA	192	4
Jet (Incl Legit, Jet Shoes)	296	46
Super Mart/Jet Mart	20	4

❖ 8% additional space year FY 2005 on FY 2004, 5% average for FY 2005



## New Stores-Key Locations

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Chain	New Stores H2 FY 2005	New Stores FY 2006
Edgars	Festival Mall	Waterfall Mall
	Gateway	Bloemfontein
	Key West	Garden Route
	Clearwater	Paarl
	Woodhill	Worcester
	Cape Gate	Killarney Mall
	Jet	Mafekeng
Mdanstane		Kanyamanze
Cape Gate		Bara Mall
Festival Mall		Garden Route
Clearwater		Bloemfontein
Woodhill		Shoshanguve
Ondangwa		Worcester
		Kamakwekeza



## Growth Strategy-Chain Store Division



**Edgars & Boardmans**

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- ❖ Turnover growth:
  - ❖ Store openings
  - ❖ Relaunch Boardmans' merchandise ranges
  - ❖ New business opportunities:
    - ❖ Increased upmarket clothing ranges
    - ❖ Increased outsize ranges
    - ❖ Increased petite ranges
    - ❖ Expand bedding and bath ranges into Boardmans
    - ❖ Expand kitchen and table top ranges into Edgars
  - ❖ Increased credit utilisation in Boardmans
  - ❖ Enhance customer service
  - ❖ Improve knowledge, skills, motivation of staff
- ❖ Margin expansion:
  - ❖ Leverage information to improve merchandise management
  - ❖ Improve operating efficiencies



## Growth Strategy-Chain Store Division



**CNA**

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- ❖ Turnover growth:
  - ❖ Store openings
  - ❖ Improve in-store service and customer retention
  - ❖ Merchandise stores based on reliable sales history
- ❖ Margin expansion:
  - ❖ Improve supplier relationships and networks
  - ❖ Aggressive growth of high margin businesses- stationery/cards/giftwrap
  - ❖ Improve levels of operating efficiency



## Growth Strategy-Discount Division

We make it happen



### Jet

- ❖ Turnover Growth
  - ❖ Store openings
  - ❖ Roll-out of Jet Shoes
  - ❖ Enhance value proposition
- ❖ Margin Expansion
  - ❖ Increase merchandise category dominance
  - ❖ Improve levels of operating efficiency



## Growth Strategy-Discount Division

We make it happen



### Super Mart/Jet Mart

- ❖ Turnover Growth
  - ❖ SKUs dramatically reduced-some up to 50%
  - ❖ Reduced average selling prices-some by 20%
  - ❖ Getting volumes behind selected core items
  - ❖ New store openings
- ❖ Margin expansion
  - ❖ Stopped buying from cash and carries
  - ❖ Relooking at suppliers that cannot meet Edcon requirements and are unreliable
  - ❖ Re-engineering processes around imports




## Growth Strategy- Financial Services Division


 We make it happen




- ❖ Increase penetration of insurance products across account base
- ❖ Grow size of customer base
- ❖ Roll out of personal loans
- ❖ Introduce basic investment products
- ❖ Expected profit from financing R200 million (FY 2004-R135 million)




## Growth Beyond FY 2005


 We make it happen




- ❖ Expansion of Edgars and Jet store base
  - ❖ FY 2006 new space (year on year)
    - ❖ 10% Edgars & Boardmans
    - ❖ 2% CNA
    - ❖ 9% Jet
    - ❖ 7% Super Mart
- ❖ Productivity improvements across both divisions
- ❖ Introduction of further financial services products
- ❖ Recovery of CNA and Super Mart
- ❖ Further acquisitions as appropriate



## 3 Year Targets

 We make it happen

	Target FY 2007	FY 2004	FY 2003
ROE	25%	28,3%	15,7%
Retail Sales	R16bn	R10,5bn	R8,3bn
Gross profit margin	40%	39,0%	38,6%
Trading margin-Department Store Division	12%	9,1%	7,9%
Trading margin-Discount Division	11%	9,0%	4,8%
Operating profit margin	12%	10,3%	7,3%
Stock turn	6,0x	5,2x	4,7x



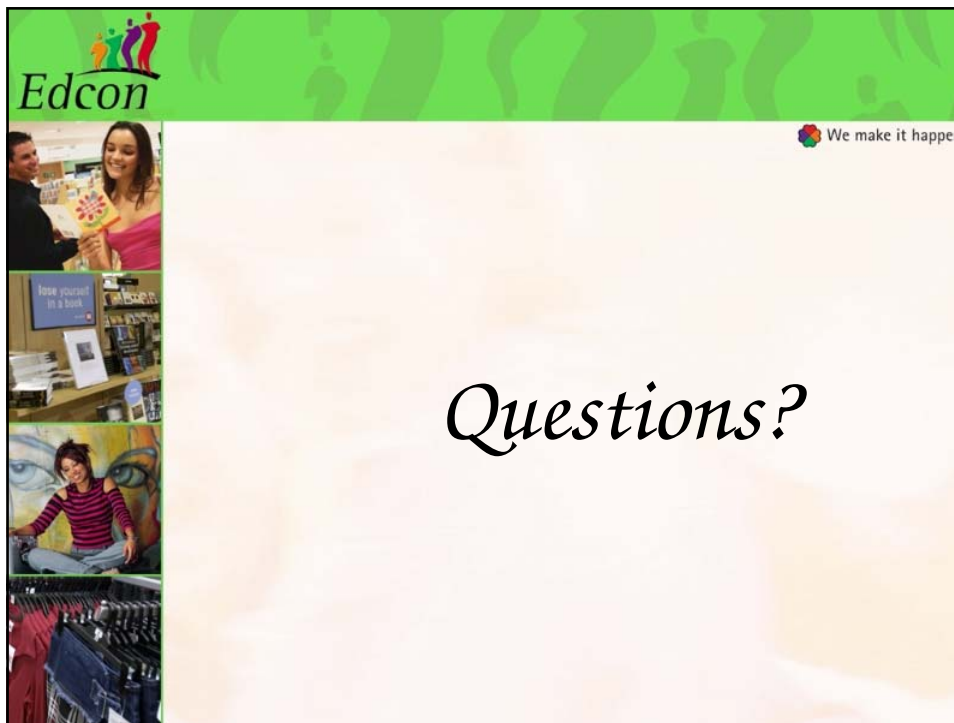

## Commitment to Sustainability

 We make it happen

- ❖ Edcon is the dominant player in the South African CFTA market
- ❖ Edcon intends to become an important player in the general goods and homewares market
- ❖ Edcon is a completely different business from what it was in the last economic downturn
- ❖ Sustainable business practices are in place across all chains to take the company forward
- ❖ The group is financially strong and well positioned for growth
- ❖ There is talented, motivated, committed management in place across the whole of Edcon

***Edcon's vision:***  
*To be the consumers' store of choice for the products we sell in the markets we trade and to create wealth for the benefit of all stakeholders*





**Edcon** We make it happen

*Questions?*



**Edcon** We make it happen

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