

NEWS RELEASE FROM EDCON

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***Edcon consolidation, business transformation programme delivers improved year end results***

Key operating highlights of Edcon's annual results for the year ended 2 April 2011:

- ❖ Adjusted EBITDA up 8.1% to R3,160 million
- ❖ Comparable "same store" sales increased by 5.3%
- ❖ Combined credit activities (excluding OtC) delivered a 27% increase in operating profit
- ❖ Continued strong cash generation even as the business resumes its growth trajectory

Edcon's annual results indicate improved performance across the group, principally resulting from ongoing business transformation initiatives. These include a focus on merchandising execution, management of the debtors book, maintaining a conservative stance on Edcon's credit activities and tight control over store operating expenses and working capital.

Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 8.1%. These results mirror the overall improvement in the South African economy following a period of low interest rates and improved consumer confidence.

"I'm encouraged by our consistent positive growth throughout the year," says Jurgen Schreiber, Edcon's new CEO from April 2011. "This performance has been underpinned by improved connections with our targeted consumer segments and successful marketing in support of enhanced product offers. However, there is much work still to be done and we need to improve merchandising in certain underperforming areas such as footwear and menswear."

Total sales increased by 6.1%, with comparable store sales up 5.3%. Credit sales accounted for 49% of total sales, down from 50% achieved the year before. The 9.5% rise in cash sales endorses the improvement in product offering.

Edcon's department store division (which includes Edgars, Boardmans, Red Square) increased retail sales by 7.1%, largely due to strong growth from ladieswear, menswear

and cellular. CNA's retail sales grew 3.9%, primarily from growth in stationery and cellular. The discount division (which includes Jet, Jet Mart, Jet Shoes, Legit and Discom) increased retail sales by 5.3% chiefly through sales growth in cosmetics, home products and cellular.

Gross profit margin was stable at 36.9%, with lower markdowns offsetting the impact of input price inflation.

Credit and financial services operating profit increased by 26.8%. This arose primarily from management's initiatives which commenced during 2009 to reduce the availability of credit to higher risk customers, whilst simultaneously improving collection activities. The annualised bad debts as a percentage of average debtors were 10.9%; down from 12.9% in the prior year.

The group reported strong cash generation, with a reduction in net short-term debt of R1,585 million. During the year foreign currency hedges of R5,001 million were settled. The settlement amounts were ultimately funded through the issue of R4,616 million in Eurobonds and R1,010 million in South African bonds.

"Our outlook remains positive and ongoing focus on our business transformation initiatives positions us well for the year ahead in South Africa's improved economic landscape," Schreiber concludes.

ENDS (592 words)

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