

NEWS RELEASE FROM EDCON

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Edcon posts solid first quarter results

Against the backdrop of a difficult trading environment, Edcon reported satisfactory adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) of R789 million for the quarter ended 28 June 2008. This reflects growth of 7% on the prior year.

Edcon's retail sales grew by 8% to R4.8 billion. Comparable store sales were the same as last year, with average selling prices rising by 1%. The company traded out of 1 154 stores at the end of June 2008 (up from 959 stores in June 2007), amounting to a 12% increase in average retail space during the year. Excluding the Discom chain, which was acquired in September 2007, Edcon grew average retail space by 6%.

Rising interest rates and the impact of the National Credit Act dampened credit sales which accounted for only 53% of the total, compared with 58% the same quarter of the previous year.

The credit and financial services division reported a net profit of R111 million, up from R44 million last year. Following an aggressive account opening programme in prior years, the size of Edcon's customer base was maintained at 4.1 million active accounts. With higher levels of consumer indebtedness, collections from customers became increasingly difficult over the year, however; net bad debts were 11.9% of average debtors, only marginally higher than the rate achieved last year of 11.6%.

At the end of June 2008, Edcon had current borrowings of R486 million under its revolving credit facility and R3.9 billion under its borrowing base facility,

against facilities of R3.5 billion and R6.5 billion respectively. The company also had R484 million in cash and cash equivalents.

In June 2008, Edcon completed a repurchase of floating rate notes listed on the Irish Stock Exchange. Notes with a nominal value of €252 million were repurchased at 55% of the face value. As a result, Edcon recognised a gain of R1,377 million in addition to the EBITDA stated above.

Management believes that operating cash flows, together with borrowing facilities will be more than sufficient to fund Edcon's debt servicing obligations and operational cash flow needs, including capital expenditure and contractual commitments, for the foreseeable future. The company has effectively hedged substantially all its exposure to interest rate changes and currency depreciation on its long term offshore borrowings.

ENDS

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