

NEWS RELEASE FROM EDCON

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***Edcon tightens credit granting, delivers strong cash generation and presents conservative Q2 results***

Edcon today reported adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) of R386 million for the 13 weeks ended 26 September 2009. This reflects a decline of 38% on the same quarter last year. However cash generated by operating activities was up from R328 million to R936 million a result of a deliberate cash management focus in a tough trading environment.

"We continue to be conservative in a tough environment, in Q2 we focused on cash generation, tightening credit granting, controlling costs and stock levels", said Steve Ross, CEO of Edcon.

Negative economic growth in South Africa set the backdrop for a decline in Edcon's retail sales of nearly 6% to R4.5 billion compared to R4.7 billion recorded in Q2 2009. Credit sales reduced from 52% last year to 49% for 2010's second quarter as restrictions were imposed on higher risk customers.

Good childrenswear sales in both Edgars and the Discount Division underpinned the results; Edgars also reported strong sales of menswear while Discount Division's footwear range performed well and CNA reported increased turnover of books and magazines.

Cost management was a major focus for Edcon and store costs grew by only 4.8% despite the addition of 6.5% average retail space. Similarly, other operating costs were 3% lower than last year.

"This decrease resulted from lower costs in logistics and distribution as well as cost saving initiatives undertaken in corporate departments such as information technology," adds Ross. "Our cost control focus is coupled with productivity enhancement initiatives across the company."

In the debtors' book, net bad debts at 12.1% of debtors' balances were at the same level as that reported last year. The credit and financial services division reported a reduction in net profits of R90 million compared from the R139 million earned for the same period

last year, primarily due to lower interest income associated with a reduction in the interest rate charged to customers.

"We believe that our conservative approach to managing risks in terms of credit granting, controlling costs and stock levels, will reap benefits in the coming months, as the economy starts to recover," concludes Ross.

ENDS (535 words)

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