



MEDIA RELEASE

Edcon launches ‘compromise sanction process’ for proposed capital restructuring

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Johannesburg, 13 December 2016: Following the announcements on 20 September 2016 and 13 October 2016 (the “Transaction Announcements”) that Edcon’s creditors will acquire a significant shareholding in the Group in exchange for a rearrangement of Edcon’s debt, the Board of Edcon has today announced the launch of the ‘compromise sanction process’ for the proposed financial restructuring of the Group (“Restructuring”).

The final terms of the Restructuring that Edcon is now seeking to implement are substantially similar to the terms announced in the Transaction Announcements, whereby Edcon’s creditors will assume control of the Group in a debt for equity swap arrangement.

It is intended that the Restructuring will be approved at various meetings over the next few weeks. This is pursuant to South African Compromise Proceedings under Section 155 of the South African Companies Act of 2008. If approved at those meetings, court sanction will be sought in early to mid-January 2017, with the Restructuring closing shortly thereafter.

The Restructuring will completely transform Edcon’s capital structure, and is designed to reduce the operating company’s current third-party debt position from approximately R29 billion to approximately R7 billion, once completed.

Edcon’s Chief Executive, Bernie Brookes, commented, “This is the last hurdle in the transformation of Edcon’s capital structure, and I am very pleased that we will soon be able to move forward with our debt burden having been substantially reduced. In tandem with the Restructuring, we continue to advance all of our other change initiatives at a rapid rate. We have made tremendous progress enhancing the customer experience with better service levels and product offerings, improving employee motivation and authority levels, as well as simplifying many of the processes and structures within the Group. We believe these initiatives will return Edcon and its various stores to be leading retailers in their respective sectors”.

Update on Fiscal Year Financial Performance

For the eight-month period ended 30 November 2016, based on preliminary internal information available to Edcon, Group sales have been slightly ahead and gross profit



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margin has been slightly behind of Edcon's internal financial forecasts, in each case declining 7% when compared to the similar period last fiscal year. Credit sales have been in line with Edcon's internal financial forecasts.

For the seven-month period ended 29 October 2016, based on information available to Edcon from management accounts, Adjusted EBITDA was R435 million. Edcon's fiscal year-to-date performance has been affected by a large scale stock clearance initiative, adverse macro-economic conditions in South Africa, and uncertainty surrounding the Restructuring.

As part of its internal financial forecasting process, Edcon periodically assesses how varying levels of sales growth and profitability may affect the Group's future financial performance. Edcon also regularly assesses measures for potentially increasing sales and reducing costs, and has recently identified sales and cost initiatives through June 2017 that could increase EBITDA by up to R300 million.

This press release includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. By their nature, the forward-looking events described in this press release may not be accurate or occur at all. Accordingly, you should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made.

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About Edcon

Edcon is South Africa's largest non-food retailer, with a market share of the South African clothing and footwear (C&F) market nearly twice that of its nearest competitor, trading through a range of retail formats. The Group has grown from opening its first store in 1929, to trading in 1548 stores (as at 24 September 2016) in South Africa, Botswana, Mozambique, Namibia, Swaziland, Lesotho, Zambia, Ghana and Zimbabwe. Edcon has been recognised in national surveys as one of the top companies to work for in South Africa and continues to make significant progress in its equity and transformation goals.

For more information, please visit the Edcon website: www.edcon.co.za