INTERIM REPORT
six months to
September 1999

Edcon

Edgars Consolidated Stores Limited (Formerly Edgars Stores Limited)

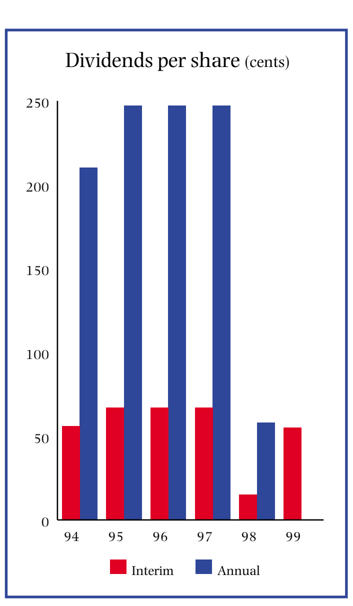
SALIENT FEATURES

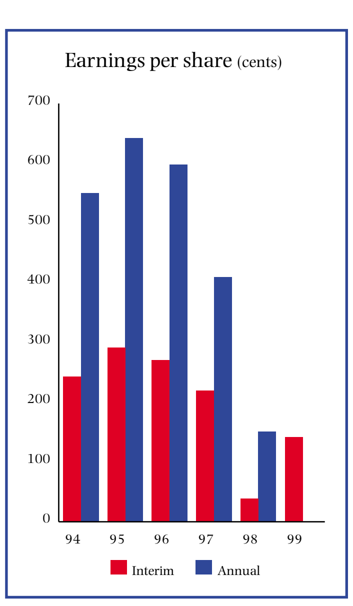
- *Further good progress on turnaround programme*
- *Retail sales rise by 9%*
- *Attributable earnings exceed expectations – up 262% to R82 million*
- *Interim dividend 55 cents per share compared with 15 cents last year*
- *Gearing ratio reduced from 0,32 to 0,24*

Edgars | Sales House | Jet | Manufacturing Division | abc | cuthberts

Income Statement

	1999 26 weeks September Rm (unaudited)	1998 26 weeks September Rm (unaudited)	1999 52 weeks March Rm (audited)
Retail sales	**2 992,3**	2 737,4	5 849,8
Cost of sales	**1 914,6**	1 800,3	3 834,1
Gross profit	**1 077,7**	937,1	2 015,7
Expenses	**895,4**	850,5	1 787,2
Trading profit	**182,3**	86,6	228,5
Net financing costs	**48,1**	62,3	121,4
Profit before taxation	**134,2**	24,3	107,1
Taxation	**45,3**	9,7	38,9
Profit after taxation	**88,9**	14,6	68,2
Attributable to outside shareholders	**(7,4)**	7,9	17,6
Earnings attributable to ordinary shareholders	**81,5**	22,5	85,8
DIVISIONAL ANALYSIS			
Retail sales			
Edgars	**1 787,0**	1 748,5	3 612,9
Sales House	**398,0**	379,0	851,4
Jet	**557,3**	362,3	867,8
Shoecorp	**121,9**	113,8	239,6
Zimbabwe	**75,8**	86,5	180,0
Other	**52,3**	47,3	98,1
Total retail sales	**2 992,3**	2 737,4	5 849,8
Trading profit			
Edgars	**104,3**	58,4	162,6
Sales House	**34,0**	19,6	58,9
Jet	**23,7**	0,9	21,8
Shoecorp	**6,2**	(0,7)	4,2
Zimbabwe	**15,6**	13,7	31,2
Other	**(1,5)**	(5,3)	(50,2)
Group trading profit	**182,3**	86,6	228,5
Weighted average number of ordinary shares in issue (000)	**57 376**	56 965	56 965
Earnings per ordinary share (cents)			
attributable earnings basis	**142**	39	151
headline earnings basis	**146**	33	148
Dividends per ordinary share (cents)	**55**	15	58





Comment

THE RETAIL ENVIRONMENT

Declining interest rates lifted consumer confidence somewhat in the period under review but growth in private consumption expenditure on semi-durables has remained modest. Clothing, footwear, textiles and accessory sales, reported by the Retailers' Liaison Committee, are estimated to have increased by 4,9%, in nominal terms, in the six months to September 1999. Sectoral inflation remains low at just 1%.

GROUP RESULTS

Progress on the turnaround programme has been good. As Easter sales were included in the first six months of last year and mindful of the unseasonably warm winter, the reported growth in group sales of 9% exceeded internal expectations. This performance suggests that Edcon has already regained some market share. Importantly, however, these sales have been far more profitable. Markdowns and the advertising spend are well down on last year. Gross profit, in consequence, improved by a commendable 15%. Expenses were well controlled and escalated by only 5%. Lower average borrowings, declining interest rates and reduced corporate taxation all facilitated an impressive rise of 262% in attributable earnings.

At the individual chain level, although growth in Edgars was modest, the profit conversion rate improved substantially, auguring well for the future. Sales House matched market performance and by redefining its customer's needs, its clothing sales have improved steadily, particularly in the last three months. The robust turnaround at Jet progressed apace by delivering focused wanted merchandise ranges at remarkable prices. Results reported by the new management team at Shoecorp improved steadily. The decline in the value of the Zimbabwe dollar over the year dampened what would otherwise have been a sterling performance by Edgars Zimbabwe. Importantly, the losses in the manufacturing and agency divisions are now being reduced significantly.

In terms of the group's policy of covering dividends 2,6 times, an interim cash dividend of 55 cents per ordinary share has been declared.

FINANCIAL POSITION

Investment activities were constrained and, in spite of working capital requirements of R200 million, being debtor funding in particular, the increase in net borrowings during the six months was limited to R3 million. Inventories, at some 3% below last year, are current and far more competitively priced. Closing gearing was reduced further from 0,32 last September to only 0,24.

YEAR 2000

The programme to ensure that the group is year 2000 compliant commenced in July 1997. All identified tasks, including extensive integrated testing, have now been completed satisfactorily. Resources are currently dedicated to the development of detailed business continuity plans, especially as regards unexpected external interruptions to trading activities. In addition to the capital costs of the enterprise-wide software developments, in total R21 million has been spent on the year 2000 initiatives and a further R2 million is expected to be required to complete the project. All expenditure has been written off as incurred.

PROSPECTS

Lower interest rates should stimulate economic activity and consumer spending in the months ahead. This, coupled with dramatic and already proven changes to many facets of Edcon's offerings to customers, should ensure that the group delivers against its previously published plan for the year of "modest sales growth, but substantially improved earnings".

For and on behalf of the board

W S MacFarlane
Chairman

S M Ross
Chief Executive

INTERIM CASH DIVIDEND

Notice is hereby given that the interim ordinary dividend (No. 106) of 55 cents per share in respect of the 26 weeks ended 2 October 1999 has been declared payable to the holders of ordinary shares registered in the books of the company at the close of business on 19 November 1999. The dividend is declared payable in the currency of the Republic of South Africa and dividend cheques will be posted on or about 13 December 1999.

On behalf of the board

D J Viviers
Group Secretary

Johannesburg
3 November 1999

Cash Flow Statement

	1999 26 weeks September Rm (unaudited)	1998 26 weeks September Rm (unaudited)	1999 52 weeks March Rm (audited)
Cash retained from operating activities			
Trading profit	**182,3**	86,6	228,5
Depreciation	**104,4**	96,5	196,4
Other non-cash items	**3,0**	(2,3)	(2,9)
Working capital requirements	**(200,3)**	(138,3)	(22,6)
Cash generated from operating activities	**89,4**	42,5	399,4
Net financing costs paid	**(48,1)**	(62,3)	(121,4)
Taxation refund/(paid)	**10,1**	(39,5)	(82,4)
Cash inflow from operations	**51,4**	(59,3)	195,6
Dividends paid	**(25,7)**	(13,2)	(21,8)
Net cash retained	**25,7**	(72,5)	173,8
Cash utilised in investment activities	**(28,6)**	(93,8)	(223,2)
Cash effects of financing activities			
Increase in shareholder funding	**—**	—	13,0
Increase in interest bearing debt	**43,1**	168,5	52,3
Net cash inflow from financing activities	**43,1**	168,5	65,3
Increase in cash and cash equivalents	**40,2**	2,2	15,9

Balance Sheet

	1999 September Rm (unaudited)	1998 September Rm (unaudited)	1999 March Rm (audited)
Shareholders' funds			
Ordinary	**2 113,6**	2 030,1	2 061,9
Outside	**37,9**	52,8	31,6
	2 151,5	2 082,9	2 093,5
Interest bearing debt	**640,0**	735,3	596,9
Total capital employed	**2 791,5**	2 818,2	2 690,4
Fixed assets			
Operating assets	**859,0**	825,6	860,6
Trade marks	**14,4**	21,2	17,1
Other	**22,4**	8,3	22,2
	895,8	855,1	899,9
Current assets			
Inventories	**1 137,3**	1 177,0	1 083,2
Accounts receivable and prepayments	**1 722,7**	1 613,7	1 715,1
Cash and cash equivalents	**122,8**	64,8	81,4
	2 982,8	2 855,5	2 879,7
Interest free liabilities			
Current	**957,2**	777,5	959,1
Deferred taxation	**129,9**	114,9	130,1
	1 087,1	892,4	1 089,2
Net assets	**2 791,5**	2 818,2	2 690,4
Gearing ratios			
Net interest bearing debt/total shareholders' funds	**0,24**	0,32	0,25
Total liabilities/total shareholders' funds	**0,80**	0,78	0,81
Future capital expenditure	**Rm**	Rm	Rm
Contracted	**55,4**	118,1	9,8
Authorised but not contracted	**90,6**	45,9	164,4
Net equity per ordinary share (cents)	**3 684**	3 539	3 594

Edcon

Edgars Consolidated Stores Limited
(Registration number: 05/22751/06)
(Incorporated in the Republic of South Africa)

This interim report has been prepared in accordance with the accounting policies outlined in the 1999 annual report.

These results can be viewed on the internet at: http://www.tandr.co.za

BASTION GRAPHICS