

Operational update

Distribution and Warehousing Network Limited

(Incorporated in the Republic of South Africa)

(Registration number 1984/008265/06)

Share code: DAW & ISIN code: ZAE000018834

("DAWN" or "the Company" or "the Group")

OPERATIONAL UPDATE

DAWN wishes to provide an update on the operational performance of the Group for the financial

year ended 31 March 2016.

The implementation of the turnaround strategy for F2016, which was reflected in the interim results

reported for the first 6 months ended September 2015, has been severely impacted during the

second 6 months, by:

1. a loss in Grohe DAWN Watertech, in which DAWN holds a minority (49%) stake, had an

adverse impact on the total earnings of the Group. This had a direct impact on earnings at

the associated company investment level and as well as an impact on the Building Trading

segment of DAWN being GDW's largest customer (see below);

2. a slow-down of Government-spend and -payments, impacting the Infrastructure segment

of DAWN, mainly in the Trading businesses;

3. difficult trading conditions and currency losses in its rest of Africa operations; and

4. loss-making and non-core subsidiary businesses detracted from the performance of the

Group (see below).

Grohe DAWN Watertech associated company investment ("GDW"):

The underperformance at GDW was mainly due to the delayed approval of working capital funding

facilities by the new controlling shareholder, directly impacting on the efficiency of the five factories

in GDW. This impact was most visible in the disrupted supply chain of product into the market,

which also negatively impacted the revenue and results of the Building Trading segment of DAWN.

The managing shareholder, together with the board of GDW, implemented comprehensive changes

to the management team as well as its representation on the board of directors. The new

management team and board of directors have initiated a turnaround strategy and a business plan is

in process of being finalised by the managing shareholder for review by DAWN. In further support of

the turnaround at GDW the newly appointed interim CEO of DAWN, Stephen Connelly, will join the

board of GDW. He will be supported by Derek Tod who will remain on the GDW board for the

foreseeable future notwithstanding his retirement as CEO of the DAWN group which was announced

on 26 April 2016.

Turnaround strategy:

A sub-committee of the board of directors, comprising the chairman of the board, Diederik Fouche,

the lead independent director, Lou Alberts, and Stephen Connelly (interim CEO of DAWN from 1

June 2016), together with the CFO, Dries Ferreira, and the CE Solutions, René Roos, is evaluating and

monitoring the progress against the turnaround strategy and identifying further performance

improvements and operational efficiencies, including reviewing the exit of non-core and loss making

businesses. This sub-committee has also been tasked with reviewing the underperforming and non-

core businesses' carry values where a likely risk of impairment has been identified.

DAWN was successful with its plans to further reduce operating costs this year and the promised

savings objectives were achieved. Before considering the impacts of inflation (approximately R60

million) and investment-related cost growth (approximately R18 million) the absolute savings

achieved was R168 million (net saving of R90 million).

The financial information in this announcement have not been reviewed nor reported on by DAWN's

auditors.

3 May 2016

Johannesburg

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