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THE FOSCHINI GROUP LIMITED

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**RESULTS  
PRESENTATION**

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017






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@home OF COURAGEOUS IDEAS @homelivingspace OF COURAGEOUS IDEAS AMERICANSWISS CHARLES & KEITH in collaboration with colette **CONNOR** donna DUESOUTH EXACT  
Fabiani. **FIX** FOSCHINI G-STAR RAW hi *Johnny* MARKHAM MAT & MAY next *Phase Eight*  
**ROCKWEAR** BOUTIQUE 281 STREET 1001 S O D A **PC** **sportscene** STERNS 1896 TAROCASH **TOTALSPORTS** **WHISTLES** yd.



**AGENDA**

 Doug Murray <i>Chief Executive Officer</i>	 Anthony Thunström <i>Chief Financial Officer</i>	 Jane Fisher <i>Group Director</i>
– Economy and retail environment	Doug Murray	
– Business overview & review of the period	Doug Murray	
– Financial review	Anthony Thunström	
– TFG Financial Services	Jane Fisher	
– Outlook	Doug Murray	

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ECONOMY AND RETAIL ENVIRONMENT – SOUTH AFRICA		
	Latest period	Comparative period
CPI % y-o-y (Sept 2017 vs Sept 2016)	5,1	6,1
GDP (Q2 2017 q-o-q growth)	2,5	3,1
FNB/BER Consumer Confidence Index (Q2 2017 vs Q2 2016)	-9	-11
RMB/BER Business Confidence Index (Q3 2017 vs Q3 2016)	35	42

Source: Stats SA, BER

- Political and economic uncertainty continues to constrain the South African economy
- Local credit ratings remain under threat of downgrade
- Actual GDP for calendar year 2016 was 0,3%
- Outlook for SA economy:
  - BER forecast for full year 2017 GDP growth: 0,6%
  - BER inflation outlook average 5,3% and 5,1% in 2017 and 2018
  - No further interest rate movements expected in the short term

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## ECONOMY AND RETAIL ENVIRONMENT – UK

	Latest period	Comparative period
CPIH % change on year (Sept 2017 vs Sept 2016)	2,8	1,3
GDP (Q3 2017 q-o-q growth)	0,4	0,4
GfK Consumer Sentiment Index (Sept 2017 vs Sep 2016)	-9	-1
CBI Business Optimism index (Q3 2017 vs Q3 2016)	5	-47

Source: Office for National Statistics, Tradingeconomics.com

- Political and economic uncertainty relating to outcome of Brexit negotiations and a weaker government following the summer elections remains, resulting in nervousness amongst consumers and potential impact on spending
- The British currency remains weak, particularly against the Euro
- Actual GDP for calendar year 2016 was 1,8%, projected at 1,6% for 2017
- However, rising inflation and the unemployment rate at 4,3%, its lowest since 1975, have led to the expectations of tightening in monetary policy



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## ECONOMY AND RETAIL ENVIRONMENT – AUSTRALIA

	Latest period	Comparative period
CPI % change on year (Q3 2017 vs Q3 2016)	1,8	1,3
GDP (Q2 2017 q-o-q growth)	0,8	0,8
Westpac Melbourne Institute Index of Consumer Sentiment (y-o-y Sept 2017 vs Sept 2016)	-3,4	8,0
NAB Business Confidence (Q3 2017 vs Q3 2016)	7	5

Source: Australian Bureau of Statistics, Westpac-Melbourne Institute, Tradingeconomics.com, National Australia Bank, Reserve Bank of Australia

- Annual GDP growth was 1,8% for June 2016 – June 2017 (year ended Dec 2016: 2,4%) and is projected at 2% - 3% for 2017
- CPI indicates low levels of inflationary pressure
- Consumer sentiment remains subdued
- Unemployment remains under 6% and stable – which is positive



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## BUSINESS OVERVIEW & REVIEW OF THE PERIOD

### BUSINESS OVERVIEW

Market Segment	Brands
UPPER MARKET	AMERICAN SWISS, CHARLES & KEITH, hi*, G-Star RAW, @home, @homelivingspace, DUESOUTH, Fabiani, next, Phase Eight, WHISTLES
MID MARKET	MAT & MAY, sportscene, TOTALSPORTS, colette, donna, FOSCHINI, MARKHAM, SODA, STERNS, TAROCASH, yd.
VALUE MARKET	CONNOR, EXACT, FIX, ROCKWEAR

- Diverse group with a successful portfolio of 27 leading fashion retail brands
- Diversification through:
  - Cash and credit sales
  - Geography – 3 809 outlets in 32 countries
  - Full OMNI offering – brick and mortar, concessions and online
  - Broad product offering across various merchandise categories:
    - Clothing, jewellery, homeware & furniture, cellphones and cosmetics

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## SIGNIFICANT CHANGES DURING THE PERIOD

### CHANGES IN GROUP STRUCTURE

- TFG London
  - Phase Eight and Whistles: fully comparable
- TFG Australia
  - G-Star Australia: 6 months' trading included in current period, no trading in prior period (effective date 3 April 2017)
  - Retail Apparel Group: 2 months' trading included in current period, no trading in prior period (effective date 24 July 2017)

### CAPITAL RAISE

- R2,5 billion Accelerated Bookbuild launched 31 July 2017 to fund acquisition of RAG
  - 17,2 million ordinary shares issued at R145 per share
  - Shares issued at 0,9% premium to 30-day VWAP
  - Offer 3 times oversubscribed

### CHANGES IN E-COMMERCE

- Launched online selling of @homelivingspace and Exact brands
  - 17 of our 27 brands now trade online

### CHANGES IN INTEREST RATE ENVIRONMENT

- TFG Africa:
  - Current financial year: repo rate in South Africa reduced by 0,25% to 6,75% in July 2017
  - Prior financial year: no changes to repo rate
- TFG London:
  - Prior financial year: Interest rate in UK reduced from 0,5% to 0,25% on 4 August 2016
- TFG Australia:
  - Unchanged at 1,5%



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## SEPTEMBER 2017: SALIENT FEATURES

Headline earnings growth excluding acquisition costs	<b>+5,6%</b>	(Constant currency = +7,9%)
HEPS growth (excl acquisition costs)	<b>+1,6%</b>	(Constant currency = +3,9%)
HEPS (cents) (excl acquisition costs)	<b>504,9</b>	
Interim dividend (cents per share)	<b>325,0</b>	
Growth in interim dividend	<b>+1,6%</b>	

	GROUP Sept 2017	GROUP March 2017	GROUP Sept 2016
Net bad debt as a % of debtors' book (TFG Africa)	<b>10,9</b>	11,3	12,1
Debt / equity - recourse	<b>46,0%</b>	53,6%	53,2%
Debt / equity - total	<b>58,5%</b>	65,3%	67,6%



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## SEGMENTAL PERFORMANCE: TFG AFRICA

	TFG AFRICA Sept 2017	TFG AFRICA Sept 2016	TFG AFRICA % change Sept 2017	TFG AFRICA % change Sept 2016
Retail turnover (Rm)	9 300,0	8 860,1	5,0	9,5
Gross margin (%)	46,7	45,5		
EBITDA excl acquisition costs (Rm)	1 809,4	1 665,3	8,7	7,1
Operating margin excl acquisition costs (%)	16,8	16,5		
New outlets	74	83		
Closed outlets	30	19		
Total outlets at end of period	2 633	2 526		

- Turnover and EBITDA growth in line with management's expectation
- Cost saving initiatives to continue
- Gross and operating margin improvement



## SEGMENTAL PERFORMANCE: TFG LONDON

	TFG LONDON Sept 2017	TFG LONDON Sept 2016	TFG LONDON % change
Retail turnover (GBP'm)	133,0	127,8	4,1
Gross margin (%)	63,6	63,9	
EBITDA (GBP'm)	14,8	16,3	(9,2)
Underlying EBITDA (GBP'm)	15,4	14,9	3,4
Operating margin (%)	8,6	10,6	
Underlying operating margin (%)	9,1	9,5	
New outlets	46	46	
Closed outlets	39	14	
Total outlets at end of period	746	695	

- Turnover growth driven by online channels as consumers shop less in high street in favour of e-commerce channels
- Phase Eight concession partners online sales negatively impacted by system platform changes in the UK
  - Despite this, TFG London total online contribution now 28,3%
- Underlying EBITDA and operating margin:
  - Adverse impact in H1 2017/18 compared to H1 2016/2017 due to Brexit exchange rate movements





## SEGMENTAL PERFORMANCE: TFG AUSTRALIA

	RAG Sept 2017 2 months	G-STAR Sept 2017 6 months	TFG AUSTRALIA Sept 2017
Retail turnover (AUD'm)	78,1	10,2	88,3
Gross margin (%)	64,6	56,1	63,6
EBITDA excl acquisition costs (AUD'm)	10,7	(0,5)	10,2
Operating margin excl acquisition costs (AUD'm)	10,5	(7,6)	8,4
New outlets	22	2	24
Closed outlets	8	-	8
Total outlets at end of period	414	16	430

- TFG Australia: RAG
  - 2 months included
  - EBITDA and operating margin ahead of expectations
- TFG Australia: G-Star
  - 6 months included
  - Stock availability issues during H1 largely resolved



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## TURNOVER: BY MERCHANDISE CATEGORY

	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)	GROUP % change	TFG AFRICA % change ZAR	% same store growth TFG AFRICA	TFG LONDON % change GBP
Clothing	9 703,0	8 639,9	12,3	7,4	2,8	4,1
Jewellery	680,2	687,3	(1,0)	(1,0)	(2,5)	
Cellphones	903,7	890,8	1,5	1,5	(1,1)	
Homeware & furniture	664,8	670,3	(0,8)	(0,8)	(4,5)	
Cosmetics	517,4	527,4	(1,9)	(1,9)	(3,9)	
Total	12 469,1	11 415,7	9,2	5,0	1,0	4,1

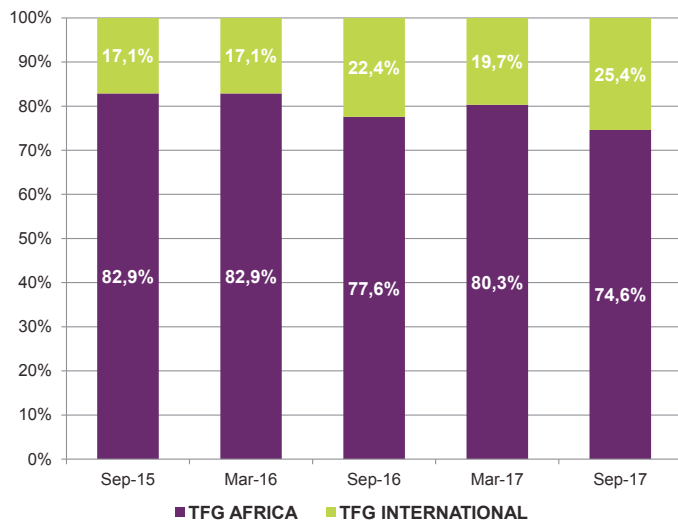
- Pleasing turnover growth coming off a high base in the corresponding period (Sept 2016: 16,9%)
- Turnover growth in constant currency: 12,6% (vs 9,2% above)
- Clothing: Strong turnover growth in difficult trading environments
- Jewellery: sector particular sensitive to economic conditions and confidence levels
  - Growth still well ahead of market
- Cellphones: turnover growth impacted by stock availability at key price points and high base (Sept 2016: 20,3%)
- Homeware & furniture: impacted by significant discounting in the market
- Cosmetics: impacted by significant discounting in the market



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## TURNOVER: GEOGRAPHIC CONTRIBUTION



- TFG International contribution continues to increase
  - Sept 2017 contribution 27,7% in constant currency
- Total e-commerce turnover contribution to total Group turnover now constitutes 6,0% (Sept 2016: 5,7%)



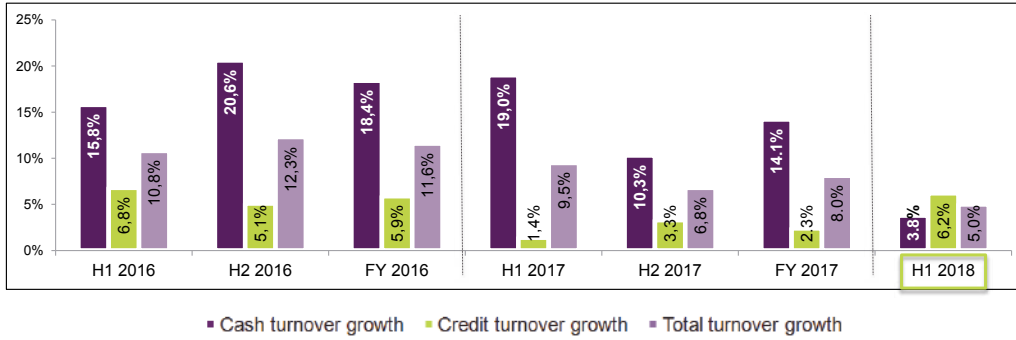
## TURNOVER: CASH VS CREDIT TURNOVER

	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)	GROUP % change	TFG AFRICA % change ZAR	TFG LONDON % change GBP
Cash sales	7 788,1	7 006,8	11,1	3,8	4,1
Credit sales	4 681,0	4 408,9	6,2	6,2	
Total	12 469,1	11 415,7	9,2	5,0	4,1

- Cash turnover
  - Contribution to total turnover 62,5% (Sept 2016: 61,4%)
    - TFG Africa: 49,7% contribution (Sept 2016: 50,2%)
  - TFG Africa cash turnover growth coming off a historically high base (Sept 2016 growth: 19,0%)
- Credit turnover
  - Contribution to total turnover 37,5% (Sept 2016: 38,6%)
  - As expected, credit turnover growth stronger with negative impact of Affordability Regulations now in the base (Sept 2016 growth: 1,4%)



## TURNOVER: TFG AFRICA CASH VS CREDIT TURNOVER GROWTH



- 10-year cash turnover CAGR of 13,6% and credit turnover CAGR of 7,0%
- H1 2018 low cash turnover growth due to high base and weak trading environment
- H1 2018 credit turnover growth stronger as negative impact of Affordability Regulations is in the base



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FINANCIAL REVIEW

## FINANCIAL REVIEW: INCOME STATEMENT HIGHLIGHTS

	GROUP Sept 2017	GROUP Sept 2016	GROUP % change
Revenue (Rm)	13 972,2	12 854,9	8,7
Retail turnover (Rm)	12 469,1	11 415,7	9,2
Gross margin (%)	51,0	49,6	
Total trading expenses (Rm)	6 029,7	5 369,5	12,3
Net bad debt (Rm)	464,6	485,6	(4,3)
Operating margin (%)	14,7	15,1	
Headline earnings growth (excluding acquisition costs) (%)	5,6	8,1	
HEPS (excluding acquisition costs) (cents)	504,9	496,8	1,6

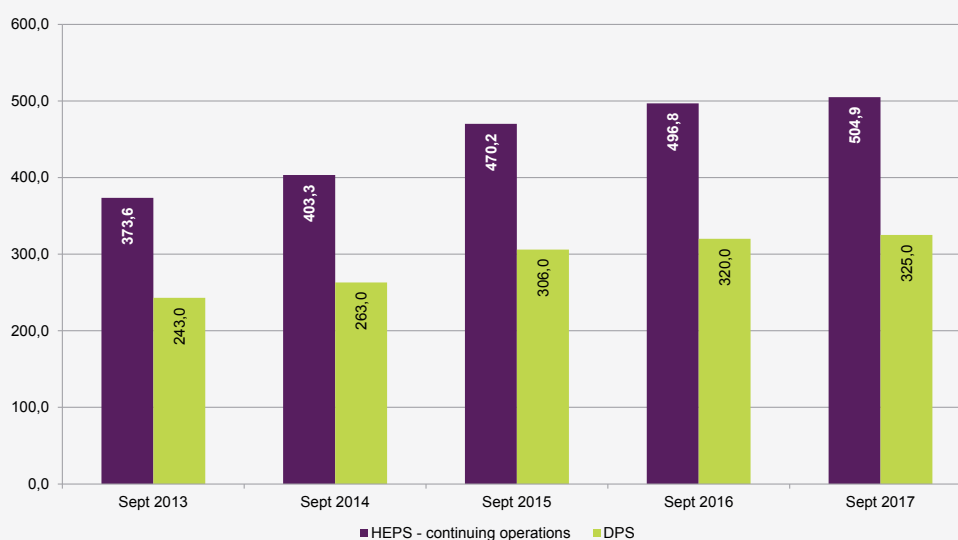
- Retail turnover up 12,6% in constant currency



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## GROUP EARNINGS & DISTRIBUTIONS



\* HEPS excludes acquisition costs



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## REVENUE

	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)	GROUP % change	TFG AFRICA % change ZAR	TFG LONDON % change GBP
Retail turnover	12 469,1	11 415,7	9,2	5,0	4,1
Interest income	883,2	862,8	2,4	2,3	-
Other revenue	619,9	576,4	7,5	7,5	
<b>Group total</b>	<b>13 972,2</b>	<b>12 854,9</b>	<b>8,7</b>	<b>4,9</b>	<b>4,1</b>

- TFG Africa:
  - Turnover +5,0% - refer previous slides
  - Interest income
    - Repo rate cut of 0,25% in July 2017
    - Gross book growth of 4,4% (Sept 2016: 4,1%)
  - Other revenue
    - Strong recovery at 7,5% (Sept 2016: 2,1% negative growth) due to stabilisation of account base and new initiatives
- TFG London:
  - Turnover +4,1% - refer previous slides



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## GROSS PROFIT

	GROUP Sept 2017	GROUP Sept 2016	GROUP % change	TFG AFRICA % change ZAR	TFG LONDON % change GBP
Gross profit (Rm)	6 359,8	5 659,4	12,4	7,8	3,7
Gross margin (%)	51,0	49,6			

- Group gross margin improved to 51%
- TFG Africa
  - Gross margin increased to 46,7% (Sept 2016: 45,5%)
  - Improved gross margin across all merchandise categories with the exception of cosmetics
  - Merchandise deflation of 0,7% (clothing merchandise deflation of 1,8%)
- TFG London
  - Gross margin 63,6% (Sept 2016: 63,9%)
  - Impact of currency movements post Brexit
- TFG Australia
  - Gross margin 63,6%



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## TRADING EXPENSES

	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)	GROUP % change	TFG AFRICA % change ZAR Sept 2017	TFG AFRICA % change ZAR Sept 2016	TFG LONDON % change GBP
Depreciation and amortisation	(331,3)	(261,8)	26,5	19,1	27,7	20,7
Employee costs	(2 062,4)	(1 799,9)	14,6	6,3	11,4	1,8
Occupancy costs	(1 461,1)	(1 171,5)	24,7	12,4	13,8	9,7
Other net operating costs	(1 710,3)	(1 650,7)	3,6	5,0	8,1	9,8
<b>Trading expenses before net bad debt</b>	<b>(5 565,1)</b>	<b>(4 883,9)</b>	<b>13,9</b>	<b>8,3</b>	<b>11,9</b>	<b>7,5</b>
Net bad debt	(464,6)	(485,6)	(4,3)	(4,3)	(4,2)	
<b>Total trading expenses</b>	<b>(6 029,7)</b>	<b>(5 369,5)</b>	<b>12,3</b>	<b>6,8</b>	<b>9,7</b>	<b>7,5</b>

- Expenses before bad debt growing at 8,3% (TFG Africa) and 7,5% (TFG London) respectively - cost saving initiatives continue
- Depreciation and amortisation - 4,7% movement excluding impact of useful life change in FY2016

### TFG Africa

- Employee costs
  - Annual salary and promotional increase approx 7,5%
- Occupancy costs
  - Space growth 2,5%; normal lease escalations average 6,3% (prev 7,1%); 3% non-comp enlargements and new stores H1 2017
- Other costs
  - Continued investment in e-commerce, analytics and forensics as these activities become increasingly important

### TFG London

- Employee costs
  - Low growth despite new outlet openings and annual increases as a result of optimisation of staffing models
- Occupancy costs
  - Business rate increase in April 2017 following significant revaluation that takes place every 5 years in UK market
- Other costs
  - Continued investment in e-commerce together with higher third party online commissions driven by strong online growth and increased online marketing

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## FINANCE COST

	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)	GROUP % change	TFG AFRICA % change ZAR	TFG LONDON % change GBP
Finance cost	(339,4)	(307,5)	10,4	14,2	(5,2)

- Overall level of finance cost remain within management's expectation
  - TFG Africa:
    - Increased level of term funding and RAG bridge loan
  - TFG London:
    - Decrease as a result of accelerated repayment of debt due to strong cash generation

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## WORKING CAPITAL MANAGEMENT

	GROUP Sept 2017 (Rm)	GROUP March 2017 (Rm)	GROUP % change	TFG AFRICA % change ZAR	TFG LONDON % change GBP
Trade receivables	7 121,0	7 000,7	1,7	1,7	-
Other receivables	1 106,7	1 017,1	8,8	3,8	(4,6)
Stock	6 276,0	5 511,2	13,9	(0,3)	(7,7)
	<b>14 503,7</b>	<b>13 529,0</b>	<b>7,2</b>	<b>1,0</b>	<b>(6,5)</b>
Trade and other payables	(3 388,9)	(2 751,3)	23,2	8,3	(25,8)
	<b>11 114,8</b>	<b>10 777,7</b>	<b>3,1</b>	<b>(0,5)</b>	<b>13,0</b>

- Trade receivables growing faster than prior period (Sept 2016: -0,4%)
- Other receivables' balance moved in line with operational requirements
- Stock well controlled both for TFG Africa and TFG London
- Trade and other payables – timing of payments



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## BORROWINGS

	GROUP Sept 2017 (Rm)	GROUP March 2017 (Rm)
Interest-bearing debt	8 546,5	7 749,2
Less: cash	(744,8)	(878,5)
Net borrowings Group	7 801,7	6 870,7
Less: TFG Australia net borrowings (non-recourse)	(263,2)	130,5
Less: TFG London net borrowings (non-recourse)	(1 396,0)	(1 368,2)
<b>TFG Africa borrowings</b>	<b>6 142,5</b>	<b>5 633,0</b>
<b>TFG Africa (recourse debt) gearing</b>	<b>46,0%</b>	<b>53,6%</b>
<b>Group gearing</b>	<b>58,5%</b>	<b>65,3%</b>

- TFG Australia debt on balance sheet for the first time
- TFG London net debt down GBP 4,3m due to repayment of debt
- Significantly improved gearing levels post capital raise



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FREE CASH FLOW		
	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)
Operating profit before acquisition costs and finance costs (EBIT)	1 833,2	1 729,1
Add back: depreciation and amortisation	331,3	261,8
EBITDA	2 164,5	1 990,9
Less: taxation*	(502,0)	(515,3)
Operating profit before depreciation and amortisation after taxation	1 662,5	1 475,6
Less: capex	(372,3)	(435,8)
Less: working capital cash movement	(73,8)	(268,2)
<b>Free cash flow</b>	<b>1 216,4</b>	<b>771,6</b>

\* Effective tax rate used

- 8,7% improvement in EBITDA
- Capex down by 14,6%
- Working capital cash down by 72,5%
- Free cash flow up by 58%

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CAPEX		
	GROUP Sept 2017 (Rm)	GROUP Sept 2016 (Rm)
Stores	178,5	218,5
IT	83,4	103,5
TFG London	56,7	54,8
TFG Australia	22,6	-
Other	31,1	59,0
<b>Total</b>	<b>372,3</b>	<b>435,8</b>

- Capex down 14,6% despite inclusion of TFG Australia
- Store capex down by 18,3%
  - Mall expansion / revamp such as Mall of Africa, Eastgate, Menlyn in the base
  - 74 new outlets in TFG Africa vs 83 outlets in the corresponding 6 months
- IT capex cyclical based on major developments
- Other
  - Prior period included costs related to Caledon factory

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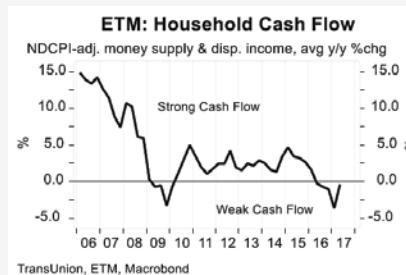
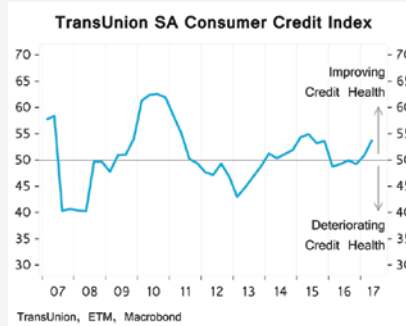




## TFG FINANCIAL SERVICES

### TFG FINANCIAL SERVICES: INDUSTRY REVIEW

- The consumer credit index improved in Q2 2017 to 53,8 from 50,8 in Q1:
  - Indicates that credit health is improving
  - Non-performing loans growth continues to decline
  - Revolving credit (credit cards and store cards) utilisation however, remains high at over 50%, as generally high levels of indebtedness and weak economic growth remain challenges for household disposable income
- Household cash flow improved to -0,4% year on year in Q2 2017, helped by lower rates of inflation
- Headline CPI has been declining year on year and in July 2017 the SARB cut the repo rate for the first time in 5 years



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## TFG FINANCIAL SERVICES: CREDIT PERFORMANCE

	September 2017 (Rm)	September 2016 (Rm)	% change
Income	1 028,4	1 016,0	1,2
Net bad debt	(464,6)	(485,6)	(4,3)
Credit costs	(272,7)	(273,6)	(0,3)
<b>EBIT</b>	<b>291,1</b>	256,8	13,4

- Income growth of 1,2% (Sep 2016: +15,7%)
  - Gross book growth of 4,4% (Sep 2016: +4,1%)
  - New maximum prescribed interest rates effective 6 May 2016
  - 25bps repo rate cut July 2017
- Net bad debt decreased by 4,3% (Sep 2016: -4,2%)
  - Growth in bad debt write off slows to 0,7% (Sep 2016: +13,7%)
  - Maintained strong recoveries growth at 13,3% (Sep 2016: +29,0%)
  - Improved debtors' book construct results in a lower level of impairment
- Credit costs decreased by 0,3% (Sep 2016: -1,3%)
  - Operational efficiencies have generated savings
  - Continued investment in validations, analytics and e-commerce capabilities



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## TFG FINANCIAL SERVICES: ACCOUNT BASE AND CREDIT TURNOVER

Key indicators	September 2017	September 2016	% change
Number of active accounts ('000)	2 463,1	2 448,6	0,6
Credit turnover (Rm)	4 681,0	4 408,9	6,2
Credit turnover as a % of total retail turnover (TFG Africa only)	50,3	49,8	

- The impact of affordability regulations are comparable:
  - Active account growth improves to 0,6% due to process improvements and increased accept rates (Sep 2016: -8,2%)
  - Accept rates have increased without changing risk appetite levels, driving positive new account growth
- Strong recovery in credit turnover growth rate of 6,2% (Sep 2016: +1,4%)
- Resilience of credit turnover reflected in increased share of total turnover



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## TFG FINANCIAL SERVICES: CREDIT STATISTICS

Key debtors statistics	September 2017	March 2017	September 2016
Net debtors' book (Rm)	7 121,0	7 000,7	6 669,5
Overdue values % to debtors' book	12,5	13,9	14,3
% able to purchase	84,3	81,8	82,1
Net bad debt write off as a % of credit transactions	8,1	8,2	8,4
Net bad debt write off as a % of debtors' book	14,0	13,9	14,0
Net bad debt as a % of debtors' book	10,9	11,3	12,1
Doubtful debt provision as a % of debtors' book	11,0	11,8	13,0

- Net debtors' book growth for the year improves to 6,8% (Sep 2016: +5,2%)
- Book growth exceeds bad debt write off growth, but net bad debt write off as a % of debtors' book maintained at prior year levels given book sales moved to the second half of the year
- Continued strong collections performance translates to a healthier book and recoveries performance maintained at higher yields, results in a lower provisioning requirement



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## TFG FINANCIAL SERVICES: CUSTOMER VALUE ADDED PRODUCTS

	September 2017 (Rm)	September 2016 (Rm)	% change
Publishing net income	91,4	81,5	12,1
Insurance net income	106,2	91,7	15,8
Mobile one2one airtime net income	26,5	31,4	(15,6)
<b>EBIT</b>	<b>224,1</b>	204,6	9,5
Number of new product / service launches	1	3	

- Portfolio growth off the back of active credit account stabilisation
- Publishing and Insurance
  - Income reflecting strong growth off a soft base in 2016
  - We believe the growth will normalise to inflationary rates for the full year
- One2one
  - Reflects the impact of industry pressure
  - We expect, given operational improvement, product bundling, leveraging of the customer base and new data product offerings, that the full year view will reflect improvement



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## TFG FINANCIAL SERVICES: REGULATION

Regulation	Update
Affordability Regulations	Legal proceedings against the dti and NCR are ongoing. Matter was heard at the High Court in August. No ruling as yet.
Proposed Debt Forgiveness/ Debt relief	The draft Bill is currently before the portfolio committee for review. A comprehensive impact assessment will have to be done before the Bill is approved.
Proposed Extended NCR Powers	It has been proposed that the NCR will be given additional powers e.g. power to impose fines. This is still under discussion in Parliamentary Committee meetings.
National Credit Act	The NCR has reported TFG which operates a substantial, diversified publishing and insurance business, to the NCT ("Tribunal") based on the TFG Club product. The contention is that the product is not compliant. TFG are of the opinion that the Club product is compliant and have sourced additional counsel opinions to confirm this view.

## TFG FINANCIAL SERVICES: STRATEGY

Focus	Approach
Customer	<ul style="list-style-type: none"> <li>- Review credit products and features based on customer need identified</li> <li>- Increase account acquisition</li> <li>- Optimise credit opportunity through application of further refined scorecard technology</li> <li>- Leveraging an expanded set of value added products to the cash rewards base</li> </ul>
Group Analytics	<ul style="list-style-type: none"> <li>- Leveraging the power of data and analytics to optimise business strategies</li> <li>- Application of merchandise analytics to optimise product mix, quantities and distribution</li> <li>- Creating a single view of a customer, which enables more personalised and relevant communication and increases engagement levels</li> </ul>
Accounting and Reporting	<ul style="list-style-type: none"> <li>- Well positioned and prepared for the implementation of IFRS9</li> </ul>



## OUTLOOK & GUIDANCE FOR H2 FY2018

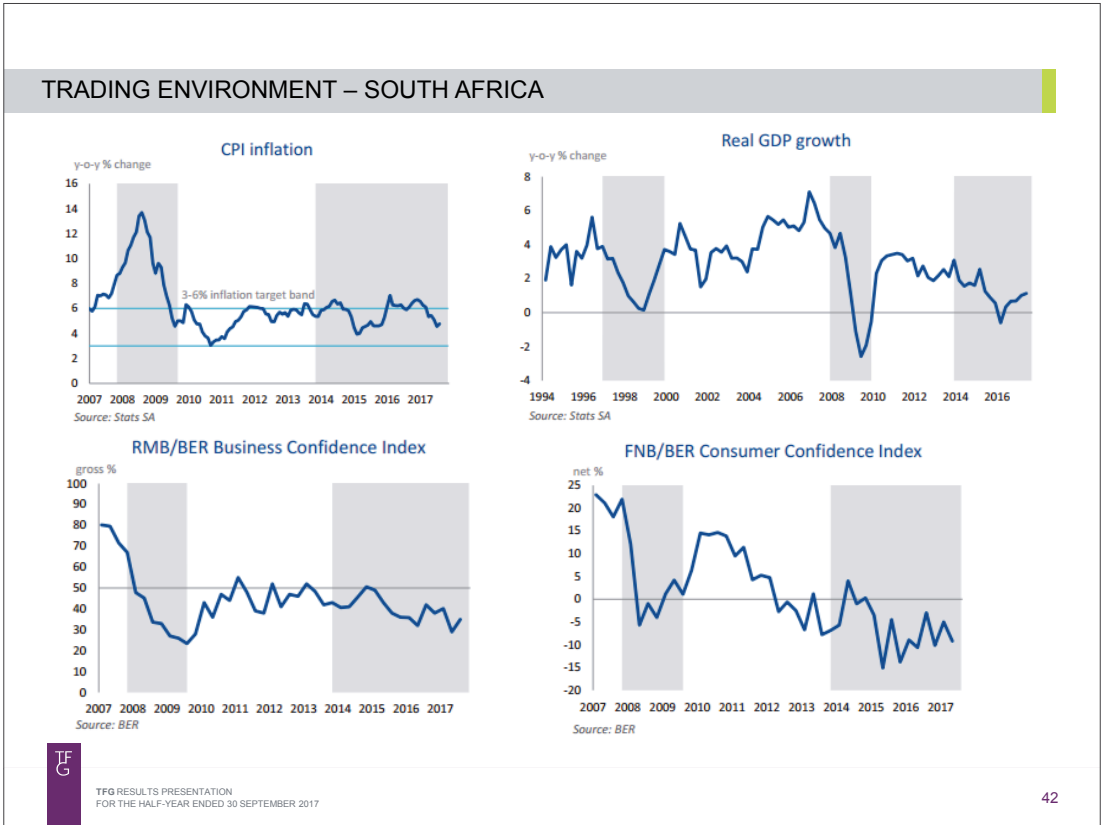
- Political and economic uncertainty continues in 2 of the 3 key markets we trade in
- Current trend of cash and credit sales growth to continue
- Gross margin to be maintained
  - Product inflation anticipated to be flat or negative for most merchandise categories
- Space growth
  - In excess of 270 outlets planned for FY2018
    - TFG Africa – approximately 170 new outlets
    - TFG London – approximately 60 new outlets
    - TFG Australia – approximately 40 new outlets
- Continued focus on key strategic initiatives with particular focus on:
  - Superior customer experiences
  - Cost control
  - Working capital management
  - Capital optimisation
- Continued profitable international expansion
- Total retail turnover growth for the first 5 weeks of the second half is at similar levels to the first half in constant currency





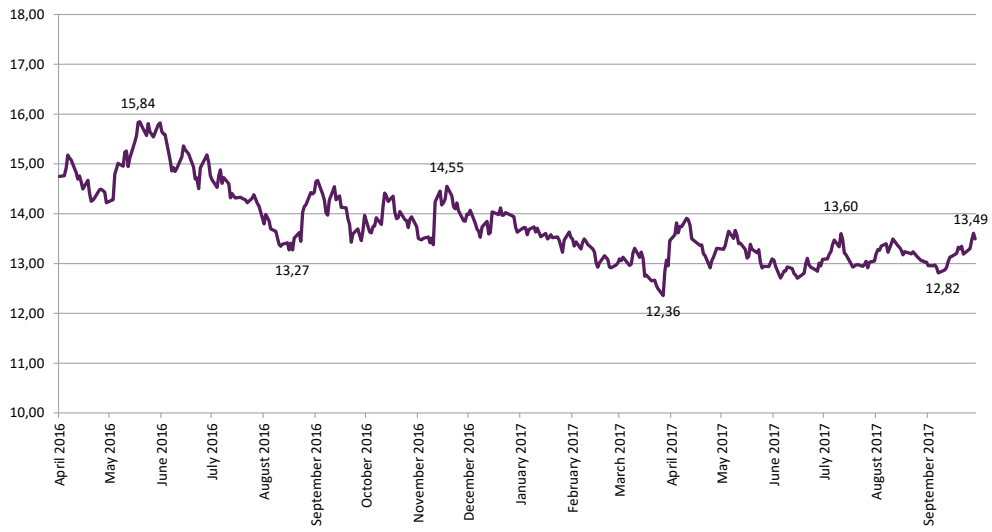
## DISCLAIMER

THIS ANNOUNCEMENT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS WITH RESPECT TO THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE FOSCHINI GROUP LIMITED AND ITS SUBSIDIARIES, WHICH BY THEIR NATURE INVOLVE RISK AND UNCERTAINTY BECAUSE THEY RELATE TO EVENTS AND DEPEND ON CIRCUMSTANCES THAT MAY OCCUR IN THE FUTURE.



## TRADING ENVIRONMENT – SOUTH AFRICA

### ZAR / USD exchange rate since April 2016



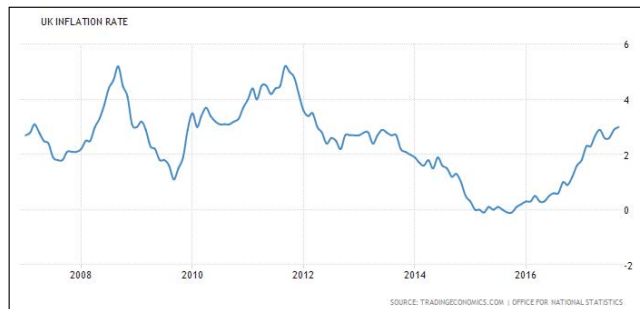
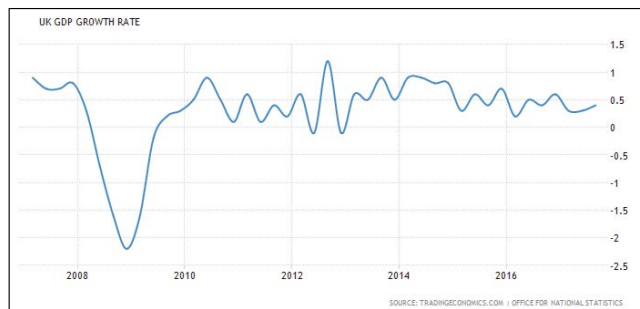
Source: SARB



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## TRADING ENVIRONMENT - UK

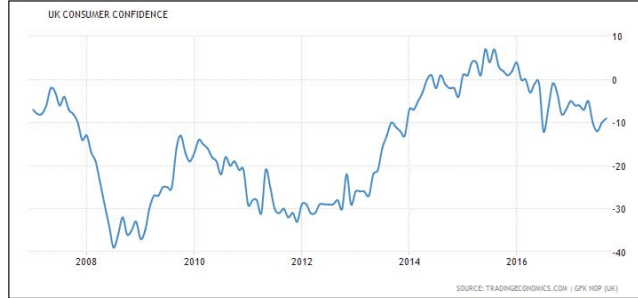
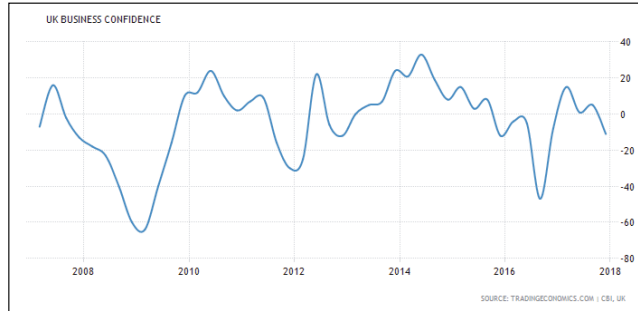


TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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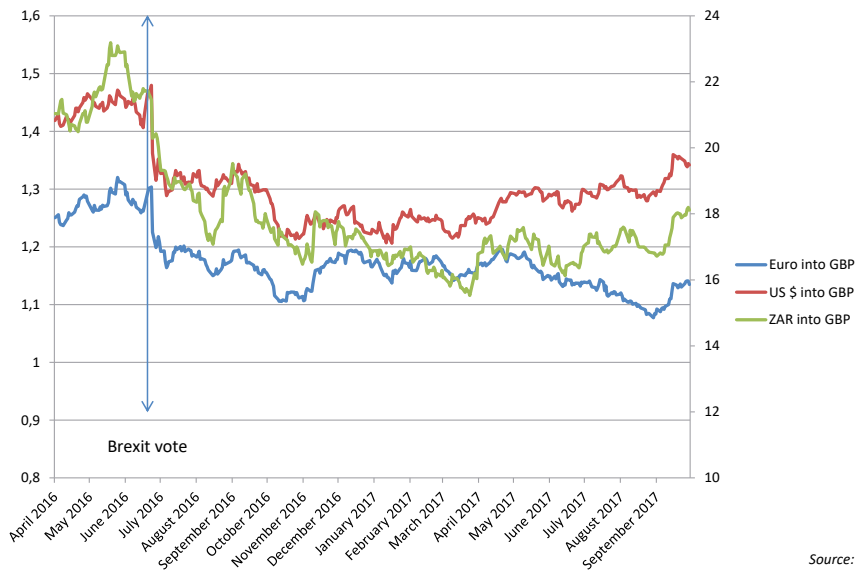
TRADING ENVIRONMENT - UK



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

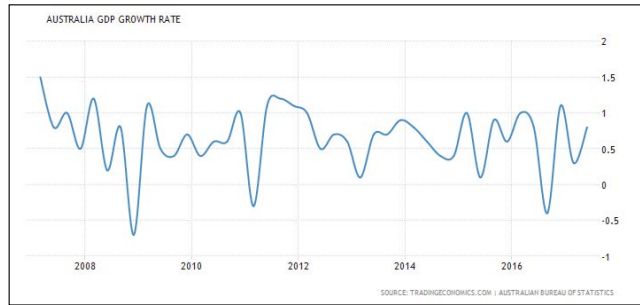
TRADING ENVIRONMENT - UK

GBP Exchange Rate since April 2016



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

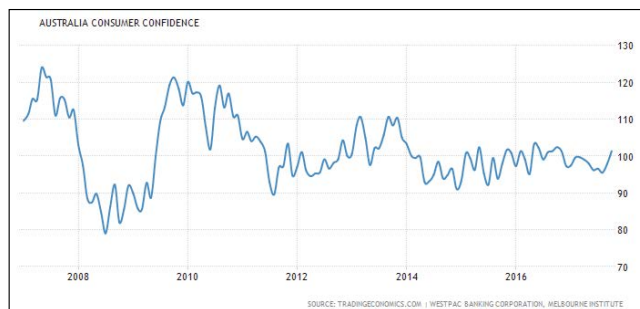
## TRADING ENVIRONMENT - AUSTRALIA



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## TRADING ENVIRONMENT - AUSTRALIA



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## TFG MISSION AND VALUES



### MISSION

To be the leading fashion lifestyle retailer in Africa whilst growing our international footprint by providing innovative products, creative customer experiences and by leveraging our portfolio of diverse brands to differentiate our offering. Our talented and engaged people will always be guided by our values, social conscience and customer-centric mindset.

### VALUES

TFG believes that teamwork coupled with professionalism in all aspects of retailing will continue to be the foundation for the future.

#### PASSIONATE ABOUT SERVICE

We passionately and truly believe that the customer comes first

#### RESILIENCE

We have the courage of our convictions and the boldness to constructively challenge

#### INTEGRITY

Our word is our honour, we are honest and ethical

#### DIGNITY AND RESPECT

We treat everyone the way we want to be treated

#### EMPOWERMENT

We embrace diversity and create equal opportunity for all in a supportive environment

#### EXCELLENT PERFORMANCE

We are accountable and drive performance in a creative and innovative way

PRIDE<sup>2</sup>



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## GROUP FOOTPRINT



### 3 809 OUTLETS IN 32 COUNTRIES:

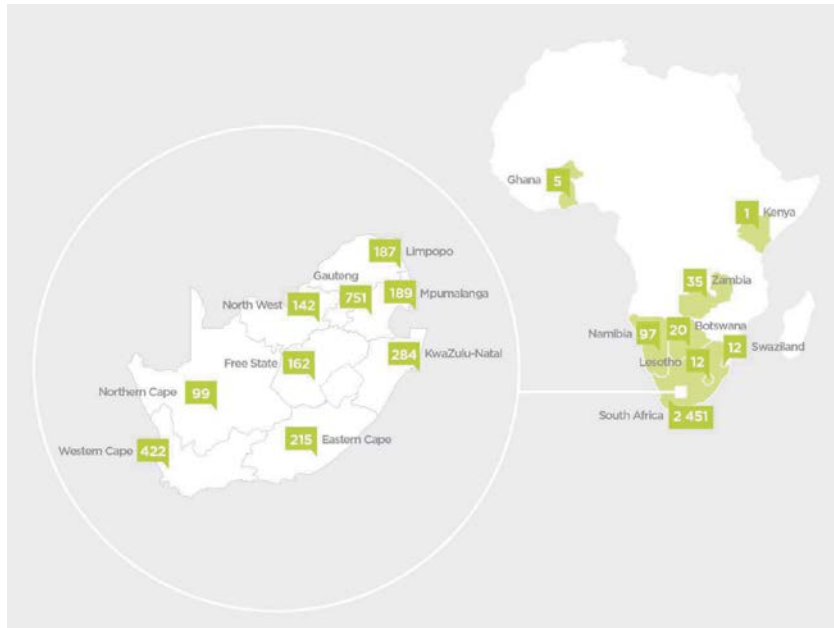
- TFG Africa: 8 countries
  - South Africa: 2 451 outlets
  - Rest of Africa: 182 outlets in 7 countries
- TFG International: 24 countries
  - TFG London: 746 outlets
  - TFG Australia: 430 outlets



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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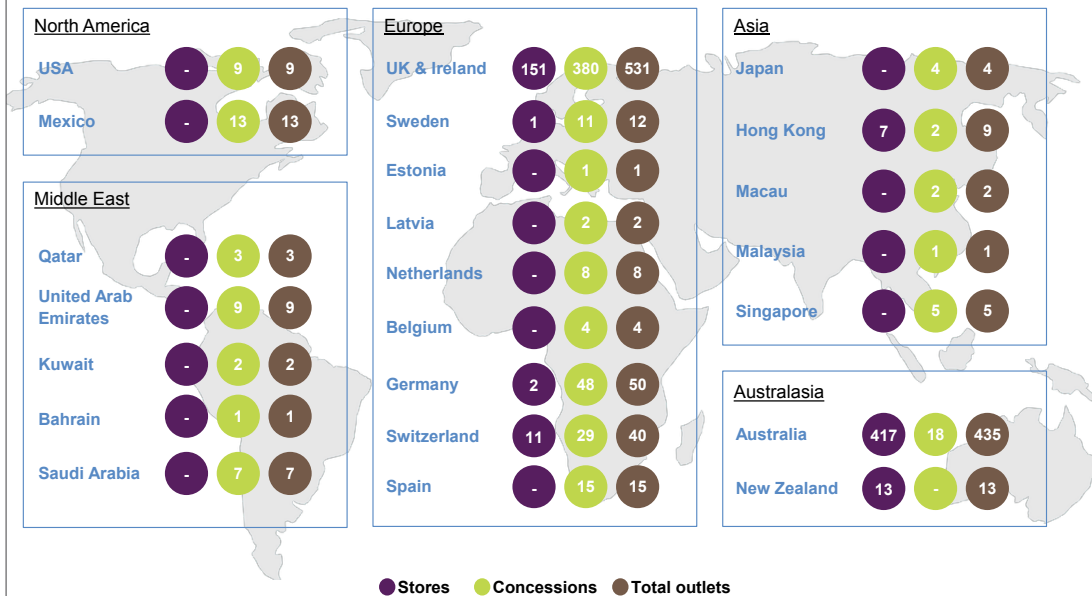
## FOOTPRINT: TFG AFRICA



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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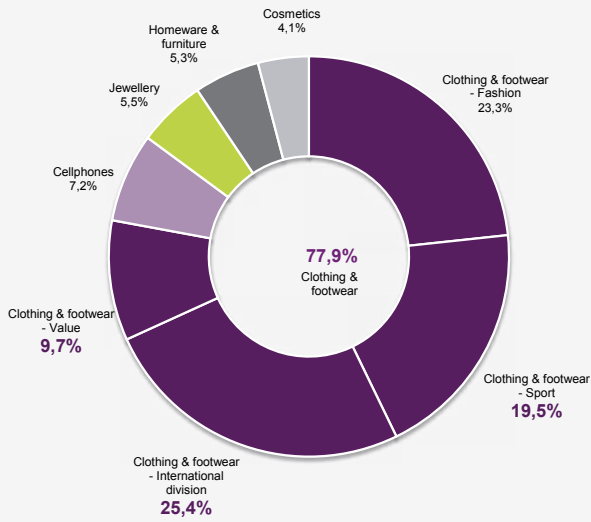
## FOOTPRINT: TFG INTERNATIONAL



TFG RESULTS PRESENTATION  
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

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## TURNOVER: MERCHANDISE CATEGORY CONTRIBUTION



- Diversification across different merchandise categories strengthens the Group
- TFG International contribution increased to 25,4% (Sept 2016: 22,4%)
  - 27,7% contribution in constant currency
- Turnover contributions across other merchandise categories broadly in line with prior period
  - Clothing & footwear 77,9% vs 75,7%
  - Cellphones 7,2% vs 7,8%
  - Jewellery 5,5% vs 6,0%
  - Homeware & furniture 5,3% vs 5,9%
  - Cosmetics 4,1% vs 4,6%



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Sept 2017 Unaudited Rm	Sept 2016 Unaudited Rm	March 2017 Audited Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2 792,3	2 380,1	2 469,0
Goodwill and intangible assets	8 236,9	4 861,4	4 675,9
Participation in export partnerships	-	10,6	-
Deferred taxation asset	683,9	519,7	483,6
	<b>11 713,1</b>	<b>7 771,8</b>	<b>7 628,5</b>
<b>Current assets</b>			
Inventory	6 276,0	5 126,5	5 511,2
Trade receivables - retail	7 121,0	6 669,5	7 000,7
Other receivables and prepayments	838,8	726,3	771,0
Concession receivables	267,9	272,8	246,1
Participation in export partnerships	-	2,5	-
Cash	744,8	973,5	878,5
	<b>15 248,5</b>	<b>13 771,1</b>	<b>14 407,5</b>
<b>Total assets</b>	<b>26 961,6</b>	<b>21 542,9</b>	<b>22 036,0</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of The Foschini Group Limited</b>			
<b>Non-controlling interest</b>	<b>4,1</b>	<b>4,5</b>	<b>4,2</b>
<b>Total equity</b>	<b>13 342,5</b>	<b>9 951,1</b>	<b>10 515,3</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing debt	5 724,9	4 119,4	4 442,2
Put option liability	113,2	40,7	74,7
Cash-settled share incentive scheme	7,3	7,2	6,8
Operating lease liability	323,8	247,8	255,7
Deferred taxation liability	915,5	381,5	337,9
Post-retirement defined benefit plan	241,6	225,2	233,1
	<b>7 326,3</b>	<b>5 021,8</b>	<b>5 350,4</b>
<b>Current liabilities</b>			
Interest-bearing debt	2 821,6	3 589,0	3 307,0
Trade and other payables	3 388,9	2 933,5	2 751,3
Operating lease liability	18,9	11,4	15,2
Taxation payable	59,3	31,6	92,6
	<b>6 288,7</b>	<b>6 565,5</b>	<b>6 166,1</b>
<b>Total liabilities</b>	<b>13 615,0</b>	<b>11 587,3</b>	<b>11 516,5</b>
<b>Total equity and liabilities</b>	<b>26 961,6</b>	<b>21 542,9</b>	<b>22 036,0</b>

## CONDENSED CONSOLIDATED INCOME STATEMENT

	6 months ended 30 Sept 2017 Unaudited Rm	6 months ended 30 Sept 2016 Unaudited Rm	% change	Year ended 31 March 2017 Audited Rm
Revenue	13 972,2	12 854,9		26 413,6
Retail turnover	12 469,1	11 415,7	9,2	23 548,7
Cost of turnover	(6 109,3)	(5 756,3)		(11 845,2)
Gross profit	6 359,8	5 659,4		11 703,5
Interest income	883,2	862,8		1 736,9
Other income	619,9	576,4		1 128,0
Trading expenses	(6 029,7)	(5 369,5)		(10 757,2)
Operating profit before acquisition costs and finance costs	1 833,2	1 729,1	6,0	3 811,2
Acquisition costs	(48,6)	-		-
Finance costs	(339,4)	(307,5)		(607,4)
Profit before tax	1 445,2	1 421,6		3 203,8
Income tax expense	(404,2)	(378,8)		(851,3)
Profit for the period	1 041,0	1 042,8		2 352,5
<b>Attributable to:</b>				
Equity holders of The Foschini Group Limited	1 040,2	1 042,3		2 351,4
Non-controlling interest	0,8	0,5		1,1
Profit for the period	1 041,0	1 042,8		2 352,5
<b>Earnings per ordinary share (cents)</b>				
<b>Total</b>				
Basic	475,1	494,5	(3,9)	1 108,0
Diluted (basic)	472,5	491,6	(3,9)	1 098,6
<b>Earnings per ordinary share (excluding acquisition costs) (cents) - (note 10)</b>				
Headline	504,9	496,8	1,6	1 099,2
Diluted (headline)	502,1	493,9	1,7	1 089,9
Weighted average ordinary shares in issue (million)	219,0	210,8		212,2







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