

THE FOSCHINI GROUP LTD
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STATEMENT BY THE CEO

At TFG's 78th Annual General Meeting held today, CEO Doug Murray updated the meeting as follows:

RESULTS FOR 2015

The 2015 financial year was characterised by two key strategic actions being the disposal of the RCS Group during June 2014 as well as the acquisition of Phase Eight during January 2015. As the results of Phase Eight were only included for two months of our financial year, the numbers that I will now refer to are stated excluding the impact of Phase Eight.

The group produced a solid result for the year in a difficult trading environment, particularly in the credit side of our business.

Credit sales growth at 4,3% were curtailed by the continued implementation of appropriate credit risk measures. Cash sales continued to grow strongly at 19,6% reflecting the ongoing strategic focus in this area as well as the desirability of our merchandise and the quality of the retail experience offered in our stores. Our total retail turnover increased by 10,8% with comparable sales growth of 5,5%. Headline earnings per share from continuing operations, excluding the once-off acquisition costs incurred in relation to Phase Eight, increased by 9,7% to 897,9 cents per share. Our final distribution, in the form of a scrip with a cash dividend alternative, increased by 10,9% to 325,0 cents per share with a total distribution for the year of 588,0 cents per share - an increase of 9,7% reflecting the growth in the underlying operations.

PROSPECTS FOR THE 2016 FINANCIAL YEAR

I would now like to comment briefly on the group's prospects for 2016.

- While early signs of improvement are evident in the credit side of our business, we nevertheless expect the credit cycle and the South African economic environment to remain challenging.
- In line with our strategy for long-term growth we will continue to open new stores and anticipate increasing trading space by approximately 6% in sub-Saharan Africa in the current year. In addition, we are planning to open in excess of 100 Phase Eight outlets internationally. We have also continued our e-commerce roll-out with the launch of Totalsports, Sportscene and Duesouth in June 2015.
- Total sales growth for the first five months of this financial year is 33,1% including Phase Eight. Turnover excluding Phase Eight, grew by 9,7% over the previous period with same store sales growth of 4,3%. Credit sales growth at 5,8% continues to grow at similar levels to last year's second half and is in line with management's expectations, given our commitment to the continued implementation of strict credit risk measures. Cash sales growth remains strong at 14,8%.
- Turnover for the last 2 months of July and August has shown a stronger trend with growth of 11,3%.
- Phase Eight is in the process of being fully integrated into our business processes and is meeting all strategic objectives set for the year thus far. Their turnover for this period is in line with management's expectations.
- Our retail debtors' book continues to perform within management's expectations.
- Credit compliance remains a key focus area particularly in light of ongoing developments in credit legislation. We continue to engage constructively with the regulators and significant effort has been invested in ensuring compliance with the Affordability Regulations which will shortly come into effect.

- Load shedding remains a concern as does crime related losses which continue to escalate. We continue to investigate and put in place initiatives to best control these costs.
- In order to curb the impact of electricity tariff increases which are in excess of CPI, effort continues to be invested in various initiatives aimed at improving our electricity consumption.
- We are pleased with the early signs of improvement in the credit cycle and continued strong cash sales growth and believe the group is well positioned to deliver a satisfactory result for this year. As always, the second half of the year is heavily dependent on Christmas trading, which will largely determine the performance of the group in the second half.

ACKNOWLEDGMENTS

Once more on behalf of my fellow board members and myself I thank all our dedicated staff for their hard work and continued excellent performance during the year.

Cape Town

1 September 2015

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