

THE FOSCHINI GROUP LTD
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Share code : TFG - TFGP
ISIN : ZAE000148466 - ZAE000148516
("TFG")

STATEMENT BY THE CEO AT THE ANNUAL GENERAL MEETING

At TFG's 79th Annual General Meeting held today, CEO Doug Murray updated the meeting as follows:

RESULTS FOR 2016

The group produced a good result for the year with total retail sales growth of 31,2%. Excluding the impact of Phase Eight, the group achieved retail sales growth of 11,6% with comparable sales growth of 5,7%.

Cash sales growth excluding Phase Eight was stronger in the second half of the year resulting in full year cash sales growth of 18,4%. Credit sales growth was slightly slower in the second half, impacted by the introduction of the Affordability Regulations which we estimate cost the group approximately R170 million in creditworthy turnover. Despite this, full year credit sales growth was 5,9%, up from 4,3% in the previous year.

On 24 March 2016 the group acquired, through Phase Eight, all the issued share capital of Whistles, a contemporary fashion brand for men and women. As the acquisition was at the end of our financial year, our 2016 results did not include any trading relating to Whistles. However, Whistles' at-acquisition balance sheet was consolidated as at 31 March 2016.

Headline earnings per share from continuing operations, excluding the once-off acquisition costs incurred in relation to the acquisition of Whistles in the 2016 financial year and Phase Eight in the 2015 financial year, increased by 17,6% to 1 055,8 cents per share from 897,9 cents per share in the previous year. A final scrip distribution with a cash alternative of 385,0 cents per share was declared representing an increase of 18,5%. Accordingly, the

total distribution for the year amounted to 691,0 cents per share, an increase of 17,5%, reflecting the growth in the underlying continuing operations.

PROSPECTS FOR THE 2017 FINANCIAL YEAR

I would now like to comment briefly on the group's prospects for 2017.

- The outlook for the South African economy remains challenging with muted growth prospects, expected higher inflation and interest rates, currency volatility and continued political uncertainty.

- The global economic environment also remains uncertain.

- Our strategic objectives are however clear and we continue to remain focused on these strategies which brings a diversification to the group across product categories, cash and credit sales, targeted LSM markets and different geographies. We believe this diversification positions us well through uncertain and challenging economic times.

- 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 plan to open in excess of 50 Phase Eight and 18 Whistles outlets internationally. We have also continued our e-commerce roll-out with the launch of Foschini cosmetics and our Markham and Fabiani brands, adding to our existing 7 brands already online.

- Total sales growth for the first five months of this financial year is 17,2% including our international division, comprising Phase Eight and Whistles. Turnover excluding our international division, grew by 9,5% over the previous period with same store sales growth of 3,5%. Cash sales growth remains strong at 19,5%. Credit sales growth at 1,5% has been severely impacted by the reduction in new accounts as a result of the Affordability Regulations and we estimate the loss to creditworthy turnover to be approximately R300 million for this period.

- Our international division, Phase Eight and Whistles, is performing well and in line with management's expectations. All

strategic objectives set for this year are on track with Whistles already generating a positive EBITDA.

- Crime related losses continue to escalate significantly and is of great concern. To curb these costs we have invested in various measures to identify trends and coordinate investigations and we have embarked on the roll-out of a revised and enhanced security strategy.
- Growth in our retail debtors' book has slowed marginally due to the lower credit sales but is in line with management's expectation.
- 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. We believe that continued commitment to our strategy will support our efforts to achieve a reasonable result for the coming year. We are however mindful of the current environment in South Africa and the challenges posed by sluggish economic growth, low consumer confidence and the negative impact of the Affordability Regulations.

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

6 September 2016

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