THE FOSCHINI GROUP LIMITED
Reg. No.: 1937/009504/06
Code: TFG
ISIN: ZAE000148466
("TFG" and "Group" or "the Company")

COVID-19 and Trading update for the three months ended 27 June 2020 and update on the potential acquisition of certain commercially viable assets of Jet

As previously announced on SENS on 15 May 2020 and 18 June 2020, the impact of the global COVID-19 pandemic has been felt across all of our operations since the beginning of March 2020. It had a significant effect on our businesses and on retail turnover for the three months ended 27 June 2020. Scenario planning continues to be critical to our forward planning.

Trading update for the three months ended 27 June 2020

The Group's consolidated retail turnover declined 43.0% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, with significant trading disruptions caused by Government-enforced lockdowns and regulations on social distancing in all three of our major operating territories – South Africa, the United Kingdom and Australia. The global economic environment remains constrained and consumers continue to experience significant economic pressure.

TFG Africa

TFG Africa's retail turnover declined 38.4% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, predominantly as a result of all TFG Africa's South African operations being closed from 27 March 2020 to 30 April 2020. c.80% of the stores re-opened from 1 May 2020, with all stores adhering to strict COVID-19 safety protocols. Performance was strong in May and TFG Africa achieved retail turnover growth of 0.6% compared to the same period in the previous financial year, notwithstanding the fact that 447 jewellery stores were still closed during the month due to the prevailing lockdown restrictions. Excluding the jewellery stores, retail turnover growth in May was up 7.9%^ compared to the previous financial year. All TFG Africa stores re-opened from 1 June 2020 with trading more subdued in the month of June (retail turnover declined 13.8% compared to the same period in the previous financial year) with lower levels of footfall observed in the regional shopping centres.

^ *Pro forma management account numbers used to calculate an indicative retail turnover growth.*

Within TFG Africa, the retail turnover decline when compared to the same period in the previous financial year in the respective merchandise categories was as follows:

Merchandise category	**Total retail turnover decline / growth***					**Contribution to TFG Africa retail turnover (1 April – 27 June)**
	April	**May**	**June**	**1 April – 27 June**	**3 May – 27 June**	
Clothing	(92,7%)	(0,2%)	(21,8%)	(41,4%)	(12,0%)	69,8%
Homeware	(91,9%)	2,6%	22,3%	(25,0%)	13,0%	8,8%
Cosmetics	(92,0%)	(23,4%)	(32,0%)	(51,5%)	(27,7%)	3,6%
Jewellery	(98,5%)	(89,9%)	(16,3%)	(70,3%)	(53,8%)	2,9%
Cellphones	(83,7%)	88,6%	39,2%	5,1%	63,0%	14,9%

Total	**(92,1%)**	**0,6%**	**(13,8%)**	**(38,4%)**	**(7,1%)**	**100,0%**

* *Given the number of store closures at various periods during the three months ended 27 June 2020, providing a comparable retail turnover number for the period is not considered to be meaningful.*

For the three months ended 27 June 2020, cash retail turnover declined 31.8% when compared to the same period in the previous financial year. E-commerce retail turnover growth for the period was significantly stronger than expected at 109.8% compared to the same period in the previous financial year, contributing 5.0% to total retail turnover for the period.

TFG Africa credit

A conservative credit appetite and restricted approval criteria remain in place. Credit retail turnover contracted by 47.1% for the three months ended 27 June 2020 compared to the same period in the previous financial year.

As previously announced on SENS on 15 May 2020, cash collections in respect of our debtors' book were strong in the month of May, the month from which customers could again make account payments in our stores and as a result of customers continuing to adopt the electronic and other alternative payment channels made available to them.

For the 3 months ended 27 June 2020, cash collections were above expectation but still down on the same period in the previous financial year.

TFG London

TFG London's pound sterling-denominated retail turnover declined 68.5% for the three months ended 27 June 2020 when compared to the same period in the previous financial year, against the backdrop of a disrupted environment, characterised by Government-enforced lockdowns that temporarily prevented all physical store and concession sales in almost all of TFG London's UK, European and Rest of the World operations. The store and concession estate gradually re-opened during May and June (in the UK from 15 June 2020), albeit with significantly lower than usual levels of footfall across all markets, particularly in central London and commuter locations which rely on public transport, as well as on office and tourist trade, both of which are yet to return. TFG London's own branded websites traded up 2.4% in the quarter compared to the same period in the previous financial year, supported by strong sales of casual clothing. 3rd party online channels were however weaker, driving an overall reduction in total e-commerce pound sterling denominated retail turnover of 21.2% for the period when compared to the same period in the previous financial year.

TFG Australia

TFG Australia's Australian dollar-denominated retail turnover declined 42.4% for the three months ended 27 June 2020 when compared to the same period in the previous financial year. All stores were closed on 27 March 2020 in response to Government restrictions and regulations on social distancing and the re-opening of outlets commenced in April, with all outlets re-opened by the end of May. Trade has been impacted by individual States having different levels of restrictions based on the number of active COVID-19 cases and recently, the Victorian Government announced a lockdown (in parts of the State) due to indications of a second wave of infections, although stores are expected to remain open on minimum rosters. E-commerce retail turnover growth for the three months ended 27 June 2020 was strong in Australian dollar terms at 74.0% when compared to the same period in the previous financial year.

The retail turnover decline during the three months ended 27 June 2020 when compared to the same period in the previous financial year in each of our business divisions was as follows:

Business division	**Currency**	**Total retail turnover decline**	**Contribution to Group retail turnover**
TFG Africa*	R	(38,4%)	66,9%
TFG London#	£	(68,5%)	15,4%
TFG Australia*	A$	(42,4%)	17,7%
Group*	**R**	**(43,0%)**	**100,0%**

* *Given the number of store closures at various periods during the three months ended 27 June 2020, providing a comparable retail turnover number for the period is not considered to be meaningful.*

\# *TFG London trades, inter alia, through department store concessions. As concessions by nature change floor space on a continuous basis, a comparable retail turnover number is not calculated.*

Pro forma information

Pro forma management account information for TFG Africa was used in this announcement for illustrative purposes only to provide an indicative retail turnover growth for this business division.

Retail turnover for the month of May relating to the TFG Africa jewellery stores was removed to illustrate the impact of the TFG Africa jewellery stores that were not able to trade in May 2020.

This pro forma information, because of its nature, may not be a fair reflection of the Group's results of operations, financial position, changes in equity or cash flows. There are no events subsequent to the reporting date which require adjustment to the pro forma information.

The pro forma management account retail turnover numbers used were:

	Year ending March 2021	**Year ended March 2020**	**% change**
	R'm	R'm	
TFG Africa retail turnover for the month of May**	1 568,2	1 559,6	0,6%
Less TFG Africa jewellery retail turnover for the month of May**	(13,4)	(118,3)	(88,7%)
Comparable TFG Africa	1 554,8	1 441,3	7,9%

** *The adjustment is based on management accounts. The Group is satisfied with the quality of these management accounts which are unaudited.*

The directors are responsible for compiling the pro forma financial information in accordance with the JSE Limited Listings Requirements and in compliance with the SAICA Guide on Pro Forma Financial Information. The underlying information used in the preparation of the pro forma financial information has been prepared using the accounting policies in place for the year ended 31 March 2020 in respect of May 2019 retail turnover figures and accounting policies in place for the year ending 31 March 2021 in respect of May 2020 retail turnover figures.

Strategic initiatives in dealing with COVID-19 Update

The COVID-19 pandemic remains dynamic and continues to evolve at different stages throughout the jurisdictions within which we operate. We are adapting our business as effectively as possible to deal with the dynamic environment within which we operate, with the aim of creating long term value for our staff, customers and shareholders. As previously announced, we have accessed

Government funding, where available to us, in each of our territories of operation. We also continue to prioritize cost savings initiatives across all our operations and our business optimization initiatives in TFG Africa.

Submission of conditional offer to acquire selected JET stores and related assets

On 10 July 2020, TFG submitted a conditional offer to acquire certain commercially viable stores and selected assets of JET, a division of Edcon Limited ("Edcon") for a cash purchase consideration of R480 million ("Proposed Transaction"). Edcon is currently in business rescue in terms of the Companies Act. Edcon's business rescue practitioners have accepted the terms of TFG's conditional offer. TFG has been granted exclusivity to negotiate and finalise the terms and conclude the Proposed Transaction.

JET is a leading Southern African retailer (by brand recognition and market share) and would provide TFG with a strategically important expansion into the value segment of the Southern African retail apparel market. The Proposed Transaction enables TFG to acquire selected parts of the JET business, a unique opportunity which previously was not possible and is expected to give TFG significant scale at an attractive price. The transaction construct provides TFG with structural risk mitigants, as detailed below, and establishes a value retail pillar for the TFG business that would be costly and difficult to replicate organically. The Proposed Transaction will also include the transfer of selected key executives and staff of JET to ensure sufficient management capacity and continuity to deliver on the current turnaround plan for JET and discussions are well advanced in terms of a proposed transition plan.

TFG's conditional offer envisages:

- the acquisition of the JET brand;
- the assumption of a minimum of 371 commercially viable JET stores ("Commercially Viable Stores"). Included in the Commercially Viable Stores, is a distribution centre located in Durban, South Africa and certain stores in Botswana, Lesotho, Namibia and Eswatini;
- the acquisition of the associated property, plant and equipment for the Commercially Viable Stores and the Durban distribution centre;
- the acquisition of the rights in and to the JET Club; and
- all existing stock holdings with a minimum stock value of no less than R800 million ("Minimum Stock Value"). In the event that value of the stock on hand is less than the Minimum Stock Value at the closing date, TFG will proportionately adjust the purchase consideration by the percentage by which the actual stock value is less than the Minimum Stock Value.

As part of the conditional offer, TFG will assume the operational commitments associated with the Commercially Viable Stores only, such as employee and lease commitments, albeit on a renegotiated basis. Certain head office staff and functions will also be assumed. TFG is finalising its assessment of the capital requirements of the business and currently does not believe this would result in a significant change in the capital requirements for the overall TFG Group.

TFG are actively engaging with the business rescue practitioners and other key stakeholders in order to progress to a binding offer on an accelerated basis. The Proposed Transaction is subject to customary conditions precedent for a transaction of this nature, including amongst others, the renegotiation of store leases, requisite transitional services arrangements being agreed, TFG Board approval and the approval by the relevant regulatory authorities.

TFG does not anticipate that the Proposed Transaction will be a categorised transaction in terms of the Listings Requirements of the JSE Limited.

TFG will keep shareholders informed of developments relating to the Proposed Transaction.

Update on the proposed Rights Offer

Further to the SENS announcement issued by the Company on 18 June 2020 in relation to, amongst other things, the proposed fully underwritten renounceable rights offer by the Company ("Rights Offer") and the convening of an extraordinary general meeting of TFG shareholders to be held on 16 July 2020 to approve matters relating to implementation of the Rights Offer ("EGM"), shareholders are advised that the Company is in the process of finalising the circular to shareholders in relation to the Rights Offer ("Circular") and has today submitted the Circular to the JSE for formal approval. Subject to certain conditions, including the adoption of the resolutions by the requisite majority of TFG shareholders at the EGM, the Company expects to be in position to proceed with Rights Offer and publication of the Circular as soon as practicable following the EGM.

Annual general meeting

Shareholders are referred to the market notice issued by the Financial Services Conduct Authority ("FSCA") and communicated by the JSE on 3 April 2020, granting an extension of financial reporting periods and are advised that the Company will be utilising the two-month extension period afforded to issuers in that notice.

The Company's financial year-end was 31 March 2020. Accordingly, in the normal course, the Company would have been required to distribute its audited annual financial statements together with the notice of annual general meeting ("AGM") to shareholders by no later than 31 July 2020.

Management is in the process of finalising these documents and will publish them, along with the integrated annual report by no later than 31 August 2020 and shareholders will be notified via SENS.

Shareholders are advised that this trading update has not been reviewed or reported on by the Company's external auditors.

Important information

This announcement does not constitute or form a part of any offer or solicitation or advertisement to purchase and/or subscribe for any securities in the United States or in any jurisdiction in which such offer of securities for sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Securities may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into the United States unless they are registered or are exempt from registration under the U.S. Securities Act of 1933, as amended. The Company does not intend to register any offering in the United States (or any other jurisdiction) or to conduct a public offering in the United States (or any other jurisdiction).

Cape Town
13 July 2020

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