CHIEF EXECUTIVE OFFICER'S REPORT

Against a backdrop of challenging trading circumstances and political and economic uncertainty across all the territories we trade in, the Group produced a satisfactory result for the year. Our strategic objectives, encompassing the diversification of our Group, have clearly supported this year's result on the back of several years of good turnover and earnings growth.

The key features of our performance during the year are as follows:

- Group turnover up 11,6% to R23,5 billion (TFG Africa: +8,0%)
- Headline earnings excluding acquisition costs up 6,8%
- Headline earnings per share excluding acquisition costs up 4,1% to 1 099,2 cents
- Final dividend of 400,0 cents per share, total dividend of 720,0 cents per share – an increase of 4,2%
- Total cash component of turnover at 60,7% (TFG Africa: 51,1%)
- Strong cash turnover growth of 18,5% (TFG Africa: 14,1%)

Credit turnover, impacted by the reduction in new account openings as a result of the Affordability Regulations, grew by only 2,3% during the year.

Further information on our financial performance is provided in our Chief Financial Officer's report on page 58.

VALUE ADDED DURING THE YEAR

In line with our growth in earnings per share, we have declared a total dividend for the year of 720,0 cents per share – an increase of 4,2%. Our interim dividend was 320,0 cents per share and our final dividend was 400,0 cents per share. Our dividend yield at year end, based on the year-end share price, was 4,7%.

At the year end, our share price was trading at R154,49, reflecting a historic price earnings ratio of 13,94.

STRATEGIC DEVELOPMENTS DURING THE YEAR

The key developments during the year with regard to our strategic pillars were the following:

Customer

- The Group adopted the "Voice of Customer" process to obtain feedback from customers to enhance the customer experience and to monitor progress.
- The TFG Retail Academy, which focuses on customer service training, has been launched.
- The continued roll-out of e-commerce provide our customers with further brand offerings.

Leadership

- A number of executives attended international development programmes and/or local business schools with international footprints as part of our ongoing leadership talent development.
- As part of our positioning for future growth, a new Group Director Human Resources was appointed during the year.
- We continued our investment in employee training with 126 806 training interventions during the year at a total cost of R138,2 million.
- The Group's performance-based culture was further enhanced with all performance objectives now linked to the Group's business strategy.

Profit

- A new manufacturing facility was opened in Caledon, featuring green technology and the latest technology in sewing machines and cutting equipment.
  - This will further enhance our quick response capabilities and will lead to the creation of additional employment opportunities for the local community.

OUR STRATEGIC OBJECTIVES, ENCOMPASSING THE DIVERSIFICATION OF OUR GROUP, HAVE CLEARLY SUPPORTED THIS YEAR'S RESULT ON THE BACK OF SEVERAL YEARS OF GOOD TURNOVER AND EARNINGS GROWTH.

DOUG MURRAY

- Enhanced focus on cost-efficiencies, capital optimisation and working capital management has ultimately resulted in increased free cash flow during the year.

Growth

- The Group opened 331 outlets during the year (206 in Africa and 125 internationally) while 128 outlets were closed.
- Net trading space in TFG Africa increased by 4,4% during the year.
- A further three brands launched their e-commerce offering during the year, bringing the total number of TFG brands selling online to 10.
- In pursuit of longer-term growth, the Group expanded its international brands through:
  - the acquisition of Damsel in a Dress;
  - the acquisition of 14 G-Star Raw outlets in Australia post year end; and
  - entering into an agreement to acquire 100% of the Retail Apparel Group (RAG), an Australian menswear speciality retailer, post year end.

All of the above developments have continued to strengthen and benefit the Group through the diversification of:

- cash and credit turnover – cash sales now account for 60,7% of the Group's turnover;
- the geographic representation of the Group – at year end the Group had 3 328 outlets in 34 countries;
- sales channels – online product offering in addition to traditional store and concession product offering; and
- its portfolio of brands across sectors.

RAG ACQUISITION

Post year end, the Group entered into an agreement to acquire the entire issued share capital of RAG, which is a leading speciality menswear apparel retailer in Australia. They have a portfolio of five brands, trading out of 400 outlets.

The strategic rationale for the acquisition was as follows:

- The alignment of RAG's product and value positioning with TFG's current multi-brand offering.
- RAG's differentiated low risk product strategy aligns well to TFG Africa's significant menswear business.
- RAG's established store and online channels provide a strong platform for the expansion of TFG's brands into Australasia.
- Enhanced geographic diversification for TFG provides earnings and currency hedge while entrenching its position in Australia.

This acquisition adheres to our previously reported strict criteria:

- A proven, profitable track record
- A strong management team, committed to staying on to continue to grow the business
- Good future growth prospects
- A strong position in a niche product/market category

We expect the transaction to be concluded during the second quarter of our 2018 financial year, with the remaining conditions precedent being:

- Approval from the Australian Foreign Investment Review Board
- Certain of RAG's lessors providing consent to the change in ownership

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

AFRICA

PERFORMANCE – TFG AFRICA

Clothing within TFG Africa had a strong performance in a tough market with growth of 8,6% and same store growth of 3,0%.

Jewellery continues to be a difficult retail area but still had positive turnover growth of 1,4% (same store turnover growth: -0,8%).

Cellphones had strong turnover growth of 15,3% based on a market-relevant product range. Same store turnover grew by 11,4%.

Homeware and furniture as well as cosmetics continued to be impacted by significant discounting within the market. Homeware and furniture turnover grew by 5,9%, with same store turnover growth of -3,2%. Cosmetics turnover grew by 2,3% with a flat same store turnover growth.

INTERNATIONAL

PERFORMANCE – TFG INTERNATIONAL

Performance within TFG International was ahead of expectation and peer group performance for the year with good progress made on the strategic targets set for both Phase Eight and Whistles.

With the inclusion of Whistles' turnover from April 2016, turnover grew to £251,8 million from £173,7 million at March 2016, an increase of 45,0%. Their operational EBITDA was £30,0 million (March 2016: £26,0 million), an increase of 15,1%.

Both Phase Eight and Whistles will continue to focus on their current successful strategic objectives in the next financial year, with Whistles continuing the implementation of its clearly defined turnaround strategy.

RISK OVERVIEW

The Group continues to enhance its risk methodologies and related processes and aims to embed similar processes across TFG Africa and TFG International. The significant risks identified in the 2017 report are similar to those identified in previous years. The instability and uncertainty of the global economy is still a key area of concern TFG strives to mitigate through diversification and conservative management processes. The increased number of jurisdictions in which the Group operates, along with changing legislation, creates an increasing complex regulatory landscape that we navigate with the assistance of relevant legal expertise and our in-house Compliance and Legal teams.

A key risk for any retailer is managing the risk of fashion and their ability to ensure that their merchandise remains appealing to their target audience. We manage this risk on an ongoing basis through our buying processes and in addition, believe our business model of in-house design and production, as well as our focus on quick response and replenishment, are key differentiators in this regard.

The South African operations are still hampered by increased levels of crime and started a project of enhancing and strengthening our security and investigation capabilities in the last year. Since our customers are also hampered by rising costs and an unstable economy, we strive to improve our customer service, merchandise availability and range, and accessibility to our products through various channels.

Our risk processes are continuous and risks and opportunities are identified and measured through the year across all business units.

Further information on our risks, risk methodologies and related processes can be found in our Risk Committee report on page 116.

SUSTAINABILITY

We continued to position our sustainability strategy in the shared value space, with a strong focus on local supply chain development. This enables us to focus on the creation of shared value – in both financial and social terms – within our core supply chain operations. Four enablers support our local supply chain focus, namely employee empowerment, resource efficiency, socio-economic development and governance, ethics and accountability.

The links between our business strategy and sustainability strategy are highlighted on page 65 of this report. Further information on our sustainability initiatives, progress and approach can be found in our Sustainability overview report, which is available on our website.

PEOPLE

Our performance this year would not have been possible without our more than 23 400 employees. Their talent and commitment to our Group remain key strengths and key differentiators.

To this end, we continued to invest in the development of our employees and spent the equivalent of 3,8% of our total payroll cost on training this year.

Employment equity and transformation remain key focus areas for TFG Africa with 93,2% of our South African employees, as at March 2017, being from designated groups.

PROSPECTS

Political and economic uncertainty continues to cloud the outlook for both our domestic and the global economy.

As previously mentioned, the Affordability Regulations have had, and will continue to have, a negative impact on the Group's credit turnover. TFG considers itself a responsible and professional granter of credit. It is concerning that creditworthy customers are impacted by the Affordability Regulations to such an extent that they can no longer access credit responsibly. The Group, together with two other major listed retailers, has initiated legal action against the National Credit Regulator (NCR) and Department of Trade and Industry (dti) in connection with the Affordability Regulations. With the negative impact of the credit regulations now in our base, we anticipate stronger credit turnover growth off this lower base, which should not be allowed to mask the underlying impact these regulations have on the long-term credit prospects of our Group and the retail industry.

Despite the economic outlook, we believe that our continued commitment to our strategic objectives around Customer, Leadership, Profit and Growth will support our future success. In line with our strategy for long-term growth, we anticipate opening in excess of 150 new outlets in TFG Africa in the year ahead, which will increase trading space by approximately 5%. In addition, we are planning to open in excess of 110 TFG International outlets. Our investment in the UK and Australian markets strengthens our diversified portfolio of brands and provides a solid platform for further growth opportunities in these markets.

APPRECIATION

I would like to thank our Chairman, Michael Lewis, for his invaluable input and contribution during the past year.

I would also like to thank my colleagues on the Supervisory Board for their guidance and direction, and my colleagues on the Operating Board for their input and support during the year.

To our employees, thank you for your contribution to our Group this year. Without you, our performance and success would not have been possible.

Lastly, to our customers, shareholders and stakeholders, thank you for your support of our Group this year. I trust your loyalty will continue to be rewarded.

Doug Murray
Chief Executive Officer

29 June 2017