

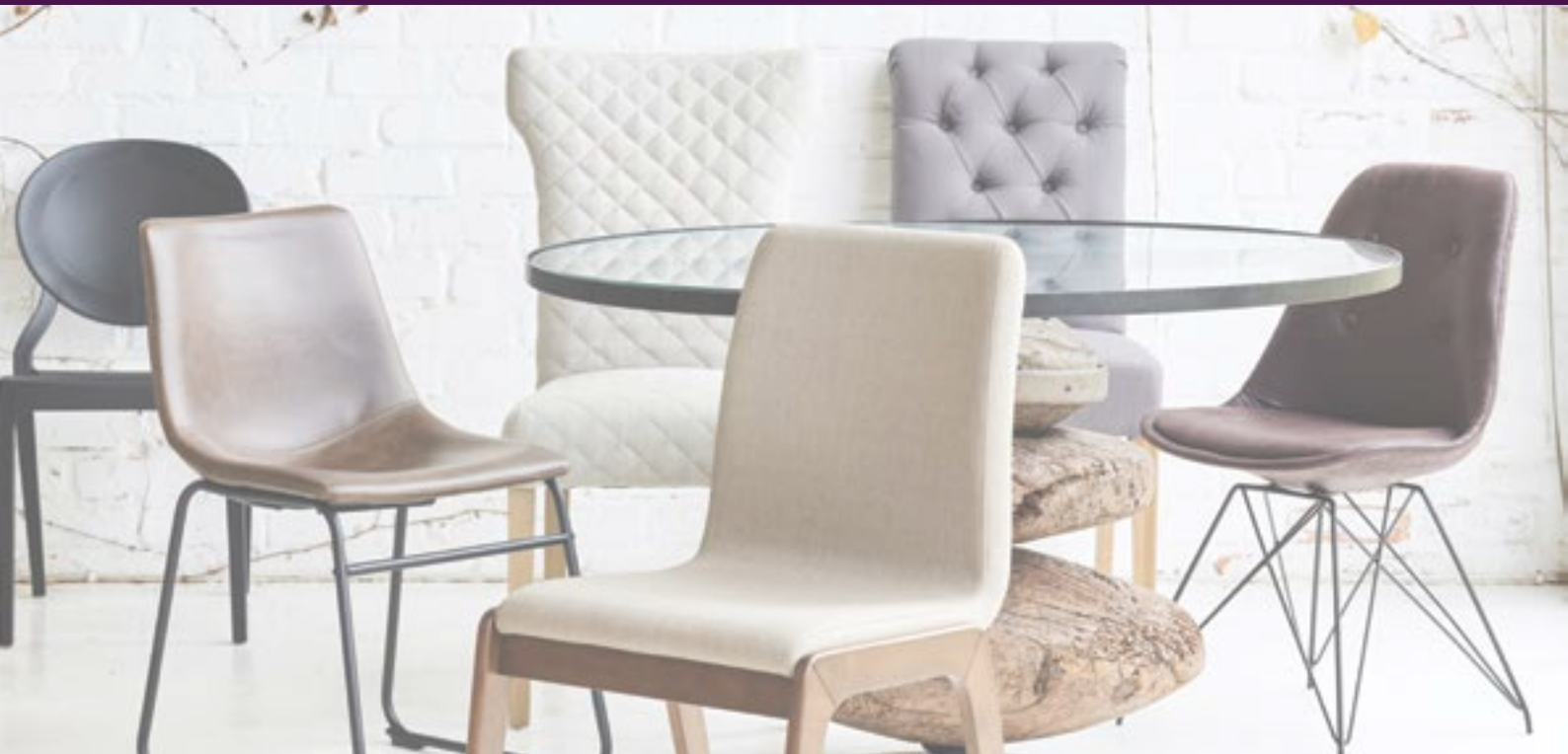
OUR BUSINESS MODEL

Our business model describes the activities that transform our resources, through a range of business processes, into outputs and outcomes that guide us towards our vision of being the leading fashion lifestyle retailer in Africa whilst growing our international footprint. It is a process that creates value for all stakeholders (read more about this in the section on outcomes) while delivering on our strategic objectives over the short, medium and long term.

TFG creates value for customers by providing them with an unrivalled choice at various price points through our portfolio of leading desirable merchandise and by delivering superior service to our customers, either when they visit one of our 3 328 outlets, or when they purchase from one of our online sites.

TFG's value creation approach is based on the concept of shared value, which aims to address economic and social issues directly in the countries in which we operate. Shared value innovates across the value chain to increase productivity and create new markets or enabling environments. To qualify as shared value, initiatives must produce measurable results in both financial and social terms.

TFG differentiates itself from other retailers through its unique portfolio of brands, geographic spread and customer retention initiatives. This provides us with the ability to respond to our operating environment in ways that ensure growth and profitability. Read more about our operating environment and retail trends on page 46.



OUR RESOURCES

We make use of the following resources in our business model:

01

FINANCIAL

TFG's pool of funds consists of funds reinvested in the Group, turnover generated, interest income, income from our customer value-added products, share capital and a combination of long-term and short-term loans from capital providers.

02

MANUFACTURED

The stores, distribution network and general infrastructure throughout our markets in Africa and international, which enable us to procure, import, manufacture, deliver and sell our products and services.

03

INTELLECTUAL

The intangibles, such as brand names, that constitute our product or service offerings and provide our competitive advantage.

04

HUMAN

The skills and experience vested in our employees that enable us to implement our strategy and deliver our products and services.

05

SOCIAL AND RELATIONSHIP

The key long-term relationships we cultivated with customers, suppliers and business partners, particularly to enhance broad-based black economic empowerment and facilitate job creation, but also to support and develop our communities through our various CSI projects.

06

NATURAL

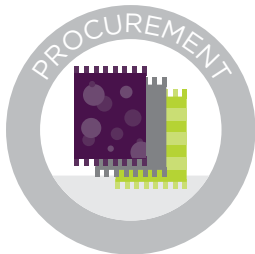
The resources we use for the production of goods, such as water, cotton, gold, silver and diamonds, monitored and managed to optimise our procurement practices and integrate sustainability enablers across the Group.

OUR CORE BUSINESS

TFG consists of a portfolio of diverse retail brands, both in TFG Africa and TFG International. The portfolio offers a broad range of products, designed, manufactured and procured locally and abroad. These products are sold to our customers through physical outlets and online platforms.

OUR BUSINESS MODEL CONTINUED

BUSINESS ACTIVITIES



Within each of the TFG Africa retail trading divisions, turnover levels are strategically forecasted and stock purchases are planned in accordance with the planned levels of turnover. A portion of the required stock is procured upfront, both from local suppliers and through imports. The remainder of stock is procured through the utilisation of replenishment and quick response models and processes (mainly local procurement), based on actual trading patterns and sales trends. TFG Design and TFG Manufacturing, including our Prestige factories, are strategically aligned to this model and provide the majority of our quick response apparel.

Trading divisions within TFG International procure their own stock based on similar methodology described above, except for replenishment. In place of replenishment, our UK divisions have an open-to-buy policy, which allows for flexibility and freedom within season.



Read more ...

- » Sustainability overview report – localisation of supply chain (online)
- » Chief Financial Officer’s report – managing exchange rates on page 58
- » Risk Committee report – weakening economy leading to collapse of key suppliers on page 116

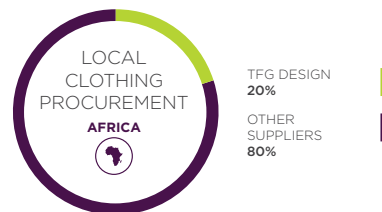


TFG Design supplies approximately 20% of TFG Africa’s local clothing procurement. The manufacturing of clothing designed by TFG Design is split equally between TFG Manufacturing (Prestige) and other local cut, make and trim (CMT) factories whom they have strategic alliances with.

Prestige’s manufacturing is done in two factories, namely Maitland and newly expanded Caledon. In-house manufacturing increases the quick response capability for TFG Africa.

TFG International has a strong emphasis on design with c80% seasonal requirements managed by their own in-house design team. They have an established process for selecting fabrics and picking up on trends to develop into their signature styles. Manufacturing is done by an established long-term supply base.

- Quick response units represent 43% of total TFG manufactured units (2016: 34%)
- Prestige Clothing’s Maitland and Caledon factories employs 961 employees (2016: 949)



Read more ...

- » Sustainability overview report – localisation of the supply chain (online)
- » Strategy performance review – Caledon factory on page 72
- » Risk Committee report – the loss of head office buildings or distribution centres and dependency on key suppliers on page 116



TFG Africa’s distribution of goods throughout South Africa and into African markets is managed via eight distribution centres. A mixed model of own and outsourced road transport is applied. Online order dispatch is managed through an outsourced third party from two warehouses.

Warehousing and distribution for TFG International is based on an outsourced model.

2017 statistics related to units distributed via TFG Africa distribution centres:

- 10,27 units transported per litre of fuel used
- 1,43% logistics costs as a % of turnover
- 60,1 million units picked by the distribution centres

TOTAL DISTRIBUTION CENTRE m²



* An expanded distribution centre opened in Midrand, Johannesburg in order to be closer to our customers, which improves speed and agility.

Read more ...

- » Sustainability overview report – resource efficiency (online)
- » Risk Committee report – the loss of head office buildings or distribution centres on page 116

STRATEGIC RESPONSE: Profit Customer Growth Leadership



TFG has developed into a leading fashion lifestyle retailer by leveraging:

- Broad retail experience
- Continued expansion of footprint
- Strong operational support
- Market-leading store design capabilities

The Group has 2 589 outlets in TFG Africa, which constitute 79,8% of total retail turnover. These outlets are leased on longer-term contracts with an average period of five years. Outlets sell physical products, accept returns and transact with customers through a TFG-developed point-of-sales system. All employees in outlets are employed by TFG either on a full-time or contract/casual basis.

- 18,5% growth in cash turnover
- 2,3% growth in credit turnover

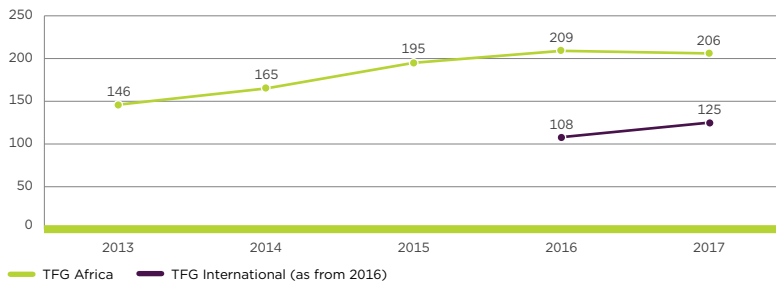


IN STORE
94,6%
ONLINE
5,4%



CASH
60,7%
CREDIT
39,3%

New outlet openings



Merchandising, such as visual elements and displays, is executed through brand teams, with promotions determined by a team consisting of planners, buyers and marketers. Consumer credit applications are processed in store, online or telephonically with a 2 050-seat call centre, providing customer application and day-to-day service support, as well as value-added product marketing.

The Group has 739 outlets in TFG International, which constitute 14,8% of total retail turnover. These outlets consist of stores and concessions, with stores leased on contract with an average period of nine years. Concessions are arrangements with key department store partners from whom the Group occupies an agreed floor space area (referred to as "mat") dedicated to our product.

Ten brands trade through online platforms. Online turnover constitutes 5,4% of total retail turnover.



The publishing portfolio publishes 15 different lifestyle magazines. TFG Africa customers have the option to subscribe to these magazines via their accounts or by purchasing them from selected retail stores nationwide.

The insurance portfolio offers a product range that comprises long and short-term insurance products. The 15 products on offer are available mainly to account holders.

Account holders can also purchase airline and data contracts from One2One (O2O), a division of TFG Africa.

TFG Africa has a customer rewards programme, Rewards & More, providing benefits to its customers. Members of the programme earn vouchers every time they make a purchase at any TFG outlet, which is redeemable on their next purchase. They also benefit from exclusive offers and birthday vouchers. All account holders are automatically registered on the programme while cash customers may choose to register.

- 2,7 million active credit Rewards & More customers (2016: 2,9 million)
- 7,6 million active cash Rewards & More customers (2016: 5,4 million)
- 15 publications available
- 15 insurance products available

Read more ...

- » Performance review: Retail operations on page 78
- » Risk Committee report - operational risks impacting the retail trading environment on page 116
- » Our footprint on page 24
- » Our brands on page 28

Read more ...

- » Performance review: Customer value-added products on page 82

OUR BUSINESS MODEL CONTINUED

OUTPUTS

Outputs of the TFG business model consist of the following:

PRODUCTS AND SERVICES

Our products and services include clothing, homeware and furniture, jewellery, cosmetics and cellphones, sold through 22 brands in 34 countries.

Read more about these in the Our brands section on page 28.

They also include 15 magazines and 15 insurance products offered to our customers in TFG Africa.

Read more about these in the Performance review: Customer value-added products on page 82.

BY-PRODUCTS AND WASTE

In all our business activities, we focus on reducing manufacturing waste and implementing lean systems. We maintain high levels of efficiency and waste reduction in TFG Manufacturing operations and actively promote lean principles in our partnerships with our CMT factories.

RESOURCE EFFICIENCY

Over the last three years, carbon emission intensities reduced per:

EMPLOYEE
5,0%

SQUARE
METRE
7,4%

EBITDA
12,7%

» Read more about our waste management activities in the 2017 Sustainability overview online.

BUSINESS MODEL OUTCOMES

The outcomes of our business activities include the internal and external consequences for our stakeholders and our resources, acknowledging that these can be positive or negative, and collectively result in the value that we create over time. The value that we have created during the year is detailed below with further information in Our stakeholders on page 40.

VALUE CREATED PER STAKEHOLDER GROUP

01

FOR CUSTOMERS:

- Providing a choice of local and international brands that are desirable, innovative and creative
- Giving access to responsible and affordable credit

02

FOR MERCHANDISE SUPPLIERS, LANDLORDS, CONCESSION PARTNERS AND KEY SERVICE PROVIDERS:

- Creating a profitable and sustainable market
- Developing an ethical local supply chain and optimised logistics
- Ensuring a reliable tenant with a long-term location strategy

03

FOR EMPLOYEES:

- Investing in employee training and development
- Providing a rewarding work environment
- Offering market-related compensation
- Rewarding performance

TRADE-OFFS

In our strategic and tactical business decisions, we have to prioritise some resources and some stakeholder outcomes above others. Examples of these decisions include:

We have more than one brand offering in each market segment – each with a different investment requirement. Due to limited financial resource availability, brand support will be directed in favour of the brand that is able to generate the greatest returns for the Group. The trade-off

04

FOR COMMUNITIES:

- Providing small business support
- Promoting entrepreneurial opportunities
- Providing employment in local communities

05

FOR GOVERNMENT AND REGULATORS:

- Participating in the development of and supporting new regulations and legislation
- Participating in initiatives to improve competitiveness of the industry
- Contributing to fiscal revenue through our tax payments

06

FOR SHAREHOLDERS:

- Delivering long-term returns supported by good governance

will create value for the brand and customers but might reduce financial resources available for other brands or shareholders in the short term.

When we aim to attract, retain and develop the best talent, there is a trade-off between hiring less experienced employees at a lower employment cost and the impact of their lower experience levels and additional training costs required.

