CLICKS GROUP LIMITED

INTERIM CONDENSED CONSOLIDATED RESULTS

For the six months ended 28 February 2011

Retail turnover up	Diluted headline EPS up	Interim distribution of	Return on equity increases to
13.5%	22.2%	37.0 cents	55.8%

COMMENTARY

Overview

The Clicks chain delivered another strong performance in the six months to 28 February 2011 ("the period") in a retail environment where consumers have remained cautious and value conscious. UPD, the group's pharmaceutical wholesaler, maintained market share in a challenging environment.

A feature of the reporting period has been the steady decline in selling price inflation which measured 2.1% for the six-month period compared to 8.6% in the prior period.

The group's diluted headline earnings per share increased by 22.2% to 122.2 cents. The financial performance has been enhanced by the benefits of the ongoing capital management programme.

Return on equity increased to 55.8% from 46.2% in 2010 and R450 million was returned to shareholders during the period through a combination of share buy-backs and distributions.

Management continues to invest in stores, systems and people for longer term sustainability. A broad-based employee share ownership scheme was introduced to accelerate transformation and black economic empowerment, as well as to retain and attract scarce and specialist skills.

Financial performance

Retail turnover increased by 13.5% as a result of the performance from the Clicks chain. Selling price inflation for the retail businesses was 0.9% compared to 7.9% in 2010. In this low inflationary environment Clicks showed strong real sales growth of 14.7% for the period.

UPD increased turnover by 7.6% as price inflation declined to 4.4%.

Group turnover increased by 8.9% to R7.2 billion.

Total income, comprising gross profit and other income, rose by 13.9%.

Operating expenses increased by 13.2%. Retail cost growth of 13.9% was impacted by the aggressive pharmacy and store expansion programme in Clicks and the increasing cost of pharmacists. UPD's cost growth was contained at 5.9%.

Operating margin improved by 50 basis points to 6.5%, resulting in a 16.5% increase in operating profit to R462 million.

Headline earnings increased by 17.4% to R323 million. Diluted headline earnings per share continues to benefit from the share buy-back programme and increased by 22.2% to 122.2 cents. This is in line with the earnings guidance contained in the group's trading statement on 24 March 2011.

The interim distribution was increased by 21.3% to 37 cents per share.

Inventory days in stock moved from 56 to 59 days, while inventory levels were 13.5% higher at the end of the reporting period.

The group continues to be highly cash generative with the cash inflow from operations totalling R396 million for the period. Cash was primarily used for capital expenditure (R119 million), distributions to shareholders (R199 million) and share buy-backs (R251 million).

Trading performance

Clicks increased turnover by 15.8% as the brand grew market share across key merchandise categories. Comparable store sales grew by 12.6%. The opening of a further 15 dispensaries extended the national pharmacy footprint to 266, while the store base increased to 382 following the opening of 13 stores. Clicks lifted operating margin from 6.6% to 7.0% through better margins on front shop products and further improvements in shrink and waste management. This off-set the margin dilution of dispensary where Clicks continues to price aggressively. Operating profit increased by 23.5%.

UPD increased wholesale turnover by 7.6% as the market slowed as a result of lower inflation and the faster growth in sales of lower value generic medicines. UPD has maintained its 23.4% share of the private pharmaceutical wholesale market. Operating profit increased by 1.2%.

Musica's turnover was 2.5% lower as the CD and DVD markets in the country continued to decline. Gaming and lifestyle merchandise showed good growth. Turnover in The Body Shop was 5.2% down as the brand experienced selling price deflation of 10.0%.

Prospects

The trading environment remains challenging. Selling price inflation is expected to stay low for the remainder of the financial year while the business faces continuing inflationary pressures from higher wages and utility costs. UPD is expected to face a tougher second half as no increase has been granted in the single exit price (SEP) of medicines for 2011.

However, the group's focused strategy ensures that the brands remain competitively advantaged, with good organic growth prospects in the health and beauty markets.

Full-year earnings forecast

The group currently anticipates that diluted headline earnings per share for the year to 31 August 2011 will increase by between 17% and 22% over the previous financial year.

This forecast is based on the following assumptions: The group's operational and trading performance for the second half will continue in line with the results achieved for the period under review; further organic growth will be generated from store expansion and the opening of additional pharmacies; and there will be no marked changes in trading conditions, the regulatory environment and in the macroeconomy that will impact on consumer spending.

Interim distribution

The board of directors has approved an interim distribution of 37.0 cents per share (2010: 30.5 cents per share). The source of the distribution will be either from distributable reserves and paid in cash as a dividend or as a capital reduction out of share premium. The source of the distribution will be made known on or before Friday, 17 June 2011.

Shareholders are advised of the following salient dates in respect of the interim distribution:

Last day to trade "cum" the interim distribution	Friday, 24 June 2011
Shares trade "ex" the interim distribution	Monday, 27 June 2011
Record date	Friday, 1 July 2011
Payment in respect of the interim distribution	Monday, 4 July 2011

Share certificates may not be dematerialised or rematerialised between Monday, 27 June 2011 and Friday, 1 July 2011, both days inclusive.

By order of the board

David Janks
Company Secretary

14 April 2011

Registered address: Cnr Searle and Pontac Streets, Cape Town 8001
PO Box 5142, Cape Town 8000

Directors: DM Nurek* (Chairman), F Abrahams*, JA Bester*, BD Engelbrecht, M Fleming (Chief Financial Officer), MJ Harvey, F Jakoet*, DA Kneale# (Chief Executive Officer), N Matlala*, M Rosen*
* Independent non-executive # British

Transfer secretaries: Computershare Investor Services (Proprietary) Limited
70 Marshall Street, Johannesburg 2001 PO Box 61051, Marshalltown 2107

Sponsor: Investec Bank Limited

Registration number: 1996/000645/06 **Share code:** CLS **ISIN:** ZAE000134854

Condensed Statement of Comprehensive Income

R'000	Six months to 28 Feb 2011 (unaudited)	Six months to 28 Feb 2010 (unaudited) (restated)*	% change	Year to 31 August 2010 (audited)
Revenue	7 480 082	6 861 712	9.0	13 912 673
Turnover	7 150 949	6 565 754	8.9	13 276 277
Cost of merchandise sold	(5 485 442)	(5 109 066)	7.4	(10 372 685)
Gross profit	1 665 507	1 456 688	14.3	2 903 592
Other income	324 266	289 808	11.9	626 092
Expenses	(1 527 472)	(1 349 710)	13.2	(2 706 412)
Depreciation and amortisation	(72 401)	(60 508)	19.7	(128 095)
Occupancy costs	(208 434)	(193 266)	7.8	(389 746)
Employment costs	(768 469)	(694 079)	10.7	(1 399 378)
Other costs	(478 168)	(401 857)	19.0	(789 193)
Operating profit	462 301	396 786	16.5	823 272
Loss on disposal of property, plant and equipment	(2 509)	(1 175)		(6 476)
Impairment of intangible asset	–	–		(7 685)
Profit before financing costs	459 792	395 611	16.2	809 111
Net financing costs	(17 213)	(19 379)	(11.2)	(38 751)
Financial income	4 867	6 150		10 304
Financial expense	(22 080)	(25 529)		(49 055)
Profit before taxation	442 579	376 232	17.6	770 360
Income tax expense	(121 690)	(103 473)	17.6	(206 550)
Profit for the period	320 889	272 759	17.6	563 810
Other comprehensive income/(loss):				
Exchange differences on translation of foreign subsidiaries	66	(467)		(1 368)
Other comprehensive income/(loss) for the period, net of tax	66	(467)		(1 368)
Total comprehensive income for the period	320 955	272 292		562 442
Profit attributable to:				
Equity holders of the parent	320 863	274 109		565 413
Non-controlling interest	26	(1 350)		(1 603)
	320 889	272 759		563 810
Total comprehensive income attributable to:				
Equity holders of the parent	320 929	273 642		564 045
Non-controlling interest	26	(1 350)		(1 603)
	320 955	272 292		562 442
Earnings per share (cents)	121.8	100.2	21.6	208.6
Diluted earnings per share (cents)	121.6	99.7	22.0	207.7

* Comparative figures have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business. Refer to note 1.2.

Headline Earnings Reconciliation

R'000	Six months to 28 Feb 2011 (unaudited)	Six months to 28 Feb 2010 (unaudited)	% change	Year to 31 August 2010 (audited)
Total profit for the period attributable to equity holders of the parent	320 863	274 109		565 413
Adjusted for:				
Loss on disposal of property, plant and equipment	1 806	846		4 663
Impairment of intangible asset	–	–		5 533
Headline earnings	322 669	274 955	17.4	575 609
Headline earnings per share (cents)	122.4	100.5	21.8	212.3
Diluted headline earnings per share (cents)	122.2	100.0	22.2	211.4

Condensed Consolidated Statement of Cash Flows

R'000	Six months to 28 Feb 2011 (unaudited)	Six months to 28 Feb 2010 (unaudited)	Year to 31 August 2010 (audited)
Operating profit before working capital changes	503 774	376 681	836 994
Working capital changes	35 495	(324 699)	(203 492)
Net interest paid	(11 033)	(14 291)	(25 475)
Taxation paid	(131 910)	(99 463)	(174 930)
Cash inflow/(outflow) from operating activities before distributions	396 326	(61 772)	433 097
Distributions paid to shareholders	(199 112)	(162 790)	(244 711)
Net cash effects of operating activities	197 214	(224 562)	188 386
Net cash effects of investing activities	(112 212)	(74 586)	(210 715)
Capital expenditure	(109 270)	(84 898)	(206 478)
Acquisition of businesses	(10 225)	–	(25 189)
Other investing activities	7 283	10 312	20 952
Net cash effects of financing activities	(196 730)	21 635	(235 373)
Purchase of treasury shares	(251 483)	(145 101)	(321 862)
Other financing activities	54 753	166 736	86 489
Net decrease in cash and cash equivalents	(111 728)	(277 513)	(257 702)

Condensed Consolidated Statement of Changes in Equity

R'000	Six months to 28 Feb 2011 (unaudited)	Six months to 28 Feb 2010 (unaudited)	Year to 31 August 2010 (audited)
Opening balance	1 141 328	1 125 263	1 125 263
Acquisition of additional interest in subsidiary	–	–	4 987
Net cost of own shares purchased	(249 520)	(136 889)	(306 704)
Total comprehensive income for the period	320 955	272 292	562 442
Share-based payment reserve movement	2 282	301	51
Distributions to shareholders	(199 112)	(162 790)	(244 711)
Total	1 015 933	1 098 177	1 141 328
Distribution per share (cents)			
Interim proposed/paid	37.0	30.5	30.5
Final declared/paid	–	–	75.7
	37.0	30.5	106.2

Supplementary Information

	As at 28 February 2011 (unaudited)	As at 28 February 2010 (unaudited)	As at 31 August 2010 (audited)
Number of ordinary shares in issue (gross) ('000)	268 303	281 546	284 007
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross) ('000)	297 457	281 546	284 007
Number of ordinary shares in issue (net of treasury shares) ('000)	260 518	270 609	266 283
Weighted average number of shares in issue (net of treasury shares) ('000)	263 522	273 555	271 073
Weighted average diluted number of shares in issue (net of treasury shares) ('000)	263 945	274 890	272 277
Net asset value per share (cents)	390	406	429
Net tangible asset value per share (cents)	232	256	271
Depreciation and amortisation (R'000)	76 789	64 977	136 775
Capital expenditure (including acquisition of businesses) (R'000)	119 495	84 898	231 667
Capital commitments (R'000)	131 730	139 557	249 833

Condensed Consolidated Statement of Financial Position

R'000	As at 28 February 2011 (unaudited)	As at 28 February 2010 (unaudited)	As at 31 August 2010 (audited)
Non-current assets	1 378 980	1 333 177	1 383 175
Property, plant and equipment	924 052	840 602	888 053
Intangible assets	307 032	308 233	314 473
Goodwill	103 510	96 124	105 335
Deferred tax assets	28 201	56 539	51 907
Loans receivable	16 185	31 679	23 407
Current assets	2 624 550	2 692 914	2 726 963
Inventories	1 710 711	1 506 827	1 571 248
Trade and other receivables	848 621	891 201	869 279
Loans receivable	15 745	16 842	15 149
Cash and cash equivalents	40 324	132 241	152 052
Derivative financial assets	9 149	145 803	119 235
Total assets	4 003 530	4 026 091	4 110 138
Equity and liabilities			
Total equity	1 015 933	1 098 177	1 141 328
Non-current liabilities	254 043	286 281	296 723
Interest-bearing borrowings	10 046	32 082	16 579
Employee benefits	80 172	73 419	96 274
Deferred tax liabilities	42 047	69 547	68 559
Operating lease liability	121 778	111 233	115 311
Current liabilities	2 733 554	2 641 633	2 672 087
Trade and other payables	2 353 250	2 197 512	2 290 883
Employee benefits	155 678	219 556	202 569
Provisions	5 375	5 273	6 244
Interest-bearing borrowings	174 828	194 178	116 592
Income tax payable	38 583	18 839	46 808
Derivative financial liabilities	5 840	6 275	8 991
Total equity and liabilities	4 003 530	4 026 091	4 110 138

Segmental Analysis

The group's reportable segments under IFRS 8 are as follows:
Clicks (including Clicks Direct Medicines), Musica, The Body Shop and United Pharmaceutical Distributors (UPD)

R'000	Turnover	Profit before taxation	Total assets	Capital expenditure	Total liabilities
Six months to 28 February 2011 (unaudited)					
Clicks	4 912 245	343 449	2 061 176	88 681	1 248 851
Musica	527 292	32 994	261 527	7 119	119 350
The Body Shop	58 868	12 994	26 752	1 173	10 506
United Pharmaceutical Distributors	2 700 643	72 263	1 887 382	5 870	1 641 561
Inter-segmental	(1 048 099)	601	(931 689)	–	(917 436)
Total reportable segmental balance	7 150 949	462 301	3 305 148	102 843	2 102 832
Non-reportable segmental balance	–	(19 722)	698 382	6 427	884 765
Total group balance	7 150 949	442 579	4 003 530	109 270	2 987 597
Six months to 28 February 2010 (unaudited)*					
Clicks	4 242 584	278 134	1 813 011	57 553	1 100 592
Musica	540 947	36 433	246 350	6 488	120 356
The Body Shop	62 087	12 643	24 926	1 776	11 351
United Pharmaceutical Distributors	2 510 600	71 376	1 646 645	6 057	1 542 288
Inter-segmental	(790 464)	(1 800)	(692 526)	–	(683 884)
Total reportable segmental balance	6 565 754	396 786	3 038 406	71 874	2 090 703
Non-reportable segmental balance	–	(20 554)	987 685	13 024	837 211
Total group balance	6 565 754	376 232	4 026 091	84 898	2 927 914
Twelve months to 31 August 2010 (audited)					
Clicks	8 664 788	596 719	2 062 360	148 034	1 465 247
Musica	952 133	52 495	223 701	17 180	137 613
The Body Shop	110 948	19 871	20 718	3 146	11 228
United Pharmaceutical Distributors	5 298 670	162 200	1 541 676	18 200	1 366 090
Inter-segmental	(1 750 262)	(8 013)	(669 925)	–	(655 071)
Total reportable segmental balance	13 276 277	823 272	3 178 530	186 560	2 325 107
Non-reportable segmental balance	–	(52 912)	931 608	19 918	643 703
Total group balance	13 276 277	770 360	4 110 138	206 478	2 968 810

Non-reportable segmental profit before taxation consists of:	As at 28 Feb 2011 (unaudited)	As at 28 Feb 2010 (unaudited)	As at 31 August 2010 (audited)
Loss on disposal of property, plant and equipment	(2 509)	(1 175)	(6 476)
Impairment of intangible asset	–	–	(7 685)
Financial income	4 867	6 150	10 304
Financial expense	(22 080)	(25 529)	(49 055)
	(19 722)	(20 554)	(52 912)

* Comparative figures have been restated for the reallocation of the operating lease liability and certain trade and other receivables and trade and other payables between Group Services, Clicks, Musica and The Body Shop which is aligned to the group disclosure at 31 August 2010. Refer to note 1.3.

Notes

1. Accounting policies

1.1 These interim financial results for the six months ended 28 February 2011 have been prepared in accordance with accounting policies that comply with International Financial Reporting Standards ("IFRS") and the disclosure requirements of IAS 34 and have been consistently applied with those adopted for the year ended 31 August 2010 with the following exception:

During the period, the group adopted the following new and amended IFRS to the extent that they are applicable to its activities which have had no impact on the results presented:

– IAS 24 "Related Party Disclosures"

– Annual improvements to IFRS (May 2010)

1.2 The results for the six months ended 28 February 2010 have been restated for the reclassification of certain expenses between occupancy costs and other costs within the UPD business which is aligned to the group disclosure at 31 August 2010. The impact on the statement of comprehensive income for the six months ended 28 February 2010 is a R7.5 million decrease in occupancy costs and a corresponding increase of R7.5 million in other costs. There is a nil net impact on the statement of comprehensive income and statement of financial position for the six months ended 28 February 2010.

1.3 The results as at 28 February 2010 have been restated for the reallocation of the operating lease liability and certain trade and other receivables and trade and other payables between Group Services, Clicks, Musica and The Body Shop which is aligned to the group disclosure at 31 August 2010. The impact on the disclosure of segmental assets as at 28 February 2010 is a R94.1 million decrease in trade and other receivables in Group Services and a corresponding increase of R81.7 million and R12.4 million in Clicks and Musica respectively. The impact on the disclosure of segmental liabilities as at 28 February 2010 is the reallocation of operating lease liabilities of R67.0 million from Group Services to Clicks and a R474.1 million increase in trade and other payables in Group Services with a corresponding decrease of R469.7 million, R4.2 million and R0.2 million in Clicks, Musica and The Body Shop respectively. There is a nil net impact on the statement of financial position as at 28 February 2010.