



CLICKS GROUP  
LIMITED

ANNUAL GROUP RESULTS  
for the year ended 31 August 2011



Retail turnover up  
**10.9%**

Diluted headline  
EPS up  
**18.1%**

Total distribution of  
**125.0** cents

Return on equity increases to  
**62.2%**

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# FINANCIAL SUMMARY

		Year to 31 August 2011	Year to 31 August 2010	% change	
<b>Consolidated statement of comprehensive income</b>					
Turnover	R'000	14 102 919	13 276 277	6.2%	
Gross profit	R'000	3 223 746	2 903 592	11.0%	
Total income	R'000	3 912 681	3 529 684	10.9%	
Headline earnings	R'000	655 432	575 609	13.9%	
Net interest charge	R'000	(33 626)	(38 751)	(13.2%)	
<b>Consolidated statement of financial position</b>					
Equity	R'000	965 187	1 141 328	(15.4%)	
Interest-bearing borrowings	R'000	375 236	133 171	181.8%	
Total assets	R'000	4 254 783	4 110 138	3.5%	
<b>Consolidated statement of cash flows</b>					
Net cash effects of operating activities	R'000	381 564	188 386	102.5%	
Capital expenditure	R'000	225 926	231 667	(2.5%)	
Depreciation and amortisation	R'000	158 285	136 775	15.7%	
<b>Performance</b>					
Turnover growth	%	6.2	9.0		
Comparable stores' turnover growth	%	6.9	11.2		
Gross profit growth	%	11.0	15.3		
Gross profit margin	%	22.9	21.9		
Total income growth	%	10.9	14.5		
Total income margin	%	27.7	26.6		
Operating margin	%	6.6	6.2		
Inventory days		60	55		
Current ratio	:1	0.9	1.0		
Return on total assets	%	15.7	13.9		
Return on shareholders' interest	%	62.2	50.8		
Shareholders' interest to total assets	%	22.7	27.8		
Interest-bearing debt to shareholders' interest at year-end	%	38.9	11.7		
Interest-bearing debt, including cash, to shareholders' interest at year-end	%	37.1	(1.7)		
<b>Statistics</b>					
Number of permanent employees		8 309	8 064	3.0%	
Number of stores		590	561	5.2%	
Weighted retail trading area	m <sup>2</sup>	224 000	212 769	5.3%	
<b>Share statistics</b>					
Number of ordinary shares in issue (gross)	'000	270 652	284 007	(4.7%)	
Number of ordinary shares in issue (net of treasury shares)	'000	252 959	266 283	(5.0%)	
Weighted average number of shares in issue (net of treasury shares)	'000	262 118	271 073	(3.3%)	
Weighted average diluted number of shares in issue (net of treasury shares)	'000	262 515	272 277	(3.6%)	
Headline earnings per share	cents	250.1	212.3	17.8%	
	– basic	cents	249.7	211.4	18.1%
	– diluted	cents	37.0	30.5	21.3%
Distribution per share	cents	88.0	75.7	16.2%	
	– interim	cents	2.0	2.0	
	– final	cents	4 170	3 750	11.2%
Distribution cover	times	4 706	3 799		
Share price	cents	3 500	1 960		
	– closing	cents	382	429	(11.0%)
	– high	cents	221	271	(18.5%)
	– low	cents	11 286 188	10 650 263	6.0%
Net asset value per share	cents	10 548 390	9 985 613	5.6%	
Net tangible asset value per share	cents	16.7	17.7		
Market capitalisation (gross)	R'000	466 251	306 424		
Market capitalisation (net of treasury shares)	R'000	177.9	113.0		
Price earnings ratio	times	93.2	93.5		
Volume of ordinary shares traded	'000	545	1 826		
Percentage of ordinary shares traded	%	420	1 720		
Free float	%	125	106		
Shareholders' return	cents				
Increase in share price	cents				
Distribution per share	cents				
<b>Other information</b>					
Inflation rate					
CPI	%	5.3	3.5		
Internal selling price inflation	%	1.6	5.4		
Interest rates					
Prime overdraft rate	– closing	%	9.0	10.0	
	– average	%	9.1	10.3	
<b>FTSE/JSE Africa share indices</b>					
All Share Index		31 006	27 254	13.8%	
General Retailers Index		45 547	34 216	33.1%	
Food and Drug Retailers Index		58 993	51 349	14.9%	
<b>Exchange rate</b>					
Rand/US dollar	– closing	R/US\$	7.07	7.37	
	– average	R/US\$	6.91	7.27	

# COMMENTARY

Operating margin up to  
**6.6%**



## Overview

Trading conditions became increasingly challenging during the year and the group also encountered the high base set in 2010, which included the FIFA 2010 World Cup™. Selling price inflation continued to decline and averaged only 1.6% for the year, compared to 5.4% in the previous year, which impacted turnover growth by almost four percentage points.

In this environment, the Clicks chain reported strong growth in turnover and operating profit as the brand showed real sales volume growth and continued to gain market share. The performance of UPD, the group's pharmaceutical wholesaler, was negatively impacted by the absence of an increase in the single exit price (SEP) of medicines by the Department of Health for 2011.

The group continues to be highly cash generative and remains committed to returning excess capital to shareholders, repurchasing shares totalling R552 million during the year.

Return on shareholders' equity (ROE) increased from 50.8% to 62.2% for the year, boosted by share buy-backs of approximately R300 million in the last six weeks of the financial year. Management has increased the medium-term target for ROE to 55% – 65%.

## Financial performance

Retail turnover growth of 10.9% was driven by the strong performance of the Clicks chain which reported sales growth of 13.0%. Selling price inflation for the retail businesses was 0.6% for the year compared to 5.4% in 2010. UPD increased turnover by 4.2% as price inflation in the wholesale business declined to 3.3%. Group turnover was 6.2% higher at R14.1 billion.

Total income, comprising gross profit and total income, increased by 10.9%.

Operating expenses increased by 9.9%. Expense growth was well contained in the second half of the year, with retail costs growing by 7.7%. UPD reduced expenses by 5.6% in the second six

months through improved operating efficiencies, and expenses for the year were 0.1% lower than 2010.

Operating margin improved by 40 basis points to 6.6%, resulting in a 13.9% increase in operating profit for the period.

Headline earnings increased by 13.9% to R655 million. Diluted headline earnings rose by 18.1% to 249.7 cents, benefiting from the group's share buy-back programme. Diluted HEPS has grown at a compound rate of 28.6% over the past five years.

A final distribution of 88.0 cents per share has been declared, bringing the total distribution for the year to 125.0 cents, an increase of 17.7%.

Inventory days in stock moved from 55 to 60 days and inventory levels were 14.7% higher at year-end, mainly as a result of stock levels in UPD returning to normalised levels.

Cash inflow from operations increased by R244 million over 2010 to R677 million, with R226 million used for capital expenditure and R848 million returned to shareholders through share buy-backs and distributions.

## Trading performance

Clicks posted real sales growth of 12.0% and continued to grow its share of the increasingly competitive healthcare market. Clicks opened its 400th store in August 2011 as 31 new outlets were added during the period, the highest number in a single year. The national pharmacy footprint was extended to 283 with the opening of a further 32 dispensaries. The Clicks operating margin improved from 6.9% to 7.7% owing to good buying and supply chain management, while Clicks maintained its aggressive pricing strategy. Operating profit increased by 25.8%.

Musica's performance slowed in the second half and turnover for the year was 5.9% lower as the decline in the CD and DVD markets accelerated. Musica maintained market shares and showed good growth in gaming, technology and accessories.





Opened  
**400<sup>th</sup>**  
 Clicks store

The Body Shop's operating profit increased by 3.5% despite the brand experiencing price deflation of 6.6%.

UPD increased wholesale turnover by 4.2%, impacted by lower inflation, further decline in independent pharmacies and the changing product mix with faster growth in sales of lower value generic medicines. Operating profit was 19.4% lower than the prior year owing to the lack of a trading gain on SEP. Despite the challenging conditions UPD increased its share of the private pharmaceutical wholesale market from 22.7% to 23.1%.

### Prospects

Consumer spending is expected to remain muted in the current uncertain economic climate. Inflation is anticipated to remain low and no SEP increase is expected for 2012. The group will face increasing cost pressures in employment, property, transport and utilities.

The focus for the year ahead will therefore be on driving volume and containing costs.

The group remains well positioned in the medium term through the market leadership and growth potential of its brands.

Capital expenditure of R257 million has been committed for 2012 and trading space is planned to increase by 4% to 5%.

As a result of the group's continued strong cash generation, the board has resolved to reduce the distribution cover from 2.0 to 1.8 times from the 2012 financial year, which will further enhance returns to shareholders.

### Shareholder distribution

The board of directors has approved a final distribution of 88.0 cents per ordinary share (2010: 75.7 cents per share) subject to the approval being granted by shareholders at the general meeting to be held on 17 January 2012. The source of the ordinary distribution will be a capital reduction out of share premium.

In addition the board has approved a distribution of 12.5 cents per ordinary "A" share. The distribution is declared in terms of the rules of the employee share ownership programme implemented with effect 2 February 2011 that entitles the ordinary "A" shareholders to an annual distribution equal to 10% of the cumulative distribution declared in relation to an ordinary share in a financial year. The source of the ordinary "A" share distribution will be from distributable reserves.

Shareholders are advised of the following salient dates relating to the distributions:

Last day to trade "cum" the distribution	Friday, 20 January 2012
Shares trade "ex" the distribution	Monday, 23 January 2012
Record date	Friday, 27 January 2012
Payment to shareholders	Monday, 30 January 2012

Share certificates may not be dematerialised or rematerialised between Monday, 23 January 2012 and Friday, 27 January 2012, both days inclusive.

The directors of the company have determined that dividend cheques amounting to R50.00 or less due to any one ordinary shareholder will not be paid unless a written request to the contrary is delivered to the transfer secretaries, Computershare Investor Services (Proprietary) Limited, by no later than close of business on Friday, 20 January 2012, being the day that the shares trade "cum" the distribution. Unpaid dividend cheques will be aggregated with other such amounts and donated to a charity to be nominated by the directors.

By order of the board

**David Janks**  
 Company secretary  
 20 October 2011

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Year to 31 August 2011	Year to 31 August 2010	% change
Revenue	14 800 089	13 912 673	
Turnover	14 102 919	13 276 277	6.2%
Cost of merchandise sold	(10 879 173)	(10 372 685)	4.9%
<b>Gross profit</b>	<b>3 223 746</b>	<b>2 903 592</b>	<b>11.0%</b>
Other income	688 935	626 092	10.0%
<b>Total income</b>	<b>3 912 681</b>	<b>3 529 684</b>	<b>10.9%</b>
Expenses	(2 975 091)	(2 706 412)	9.9%
Depreciation and amortisation	(149 714)	(128 095)	16.9%
Occupancy costs	(422 596)	(389 746)	8.4%
Employment costs	(1 496 491)	(1 399 378)	6.9%
Other costs	(906 290)	(789 193)	14.8%
<b>Operating profit</b>	<b>937 590</b>	<b>823 272</b>	<b>13.9%</b>
Loss on disposal of property, plant and equipment	(6 250)	(6 476)	(3.5%)
Impairment of intangible asset	–	(7 685)	
<b>Profit before financing costs</b>	<b>931 340</b>	<b>809 111</b>	<b>15.1%</b>
Net financing costs	(33 626)	(38 751)	(13.2%)
Financial income	8 235	10 304	(20.1%)
Financial expense	(41 861)	(49 055)	(14.7%)
<b>Profit before taxation</b>	<b>897 714</b>	<b>770 360</b>	<b>16.5%</b>
Income tax expense	(246 749)	(206 550)	19.5%
<b>Profit for the year</b>	<b>650 965</b>	<b>563 810</b>	<b>15.5%</b>
<b>Other comprehensive income/(loss):</b>			
Exchange differences on translation of foreign subsidiaries	(220)	(1 368)	
<b>Cash flow hedges</b>	<b>2 105</b>	<b>–</b>	
Change in fair value of effective portion	2 924	–	
Deferred tax on movement of effective portion	(819)	–	
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>1 885</b>	<b>(1 368)</b>	
<b>Total comprehensive income for the year</b>	<b>652 850</b>	<b>562 442</b>	
Profit attributable to:			
Equity holders of the parent	650 932	565 413	
Non-controlling interest	33	(1 603)	
	<b>650 965</b>	<b>563 810</b>	
Total comprehensive income attributable to:			
Equity holders of the parent	652 817	564 045	
Non-controlling interest	33	(1 603)	
	<b>652 850</b>	<b>562 442</b>	
<b>Reconciliation of headline earnings</b>			
Total profit for the year attributable to equity holders of the parent	650 932	565 413	
Adjusted for:			
Loss on disposal of property, plant and equipment	4 500	4 663	
Impairment of intangible assets	–	5 533	
<b>Headline earnings</b>	<b>655 432</b>	<b>575 609</b>	<b>13.9%</b>
Headline earnings per share (cents)			
– basic	250.1	212.3	17.8%
– diluted	249.7	211.4	18.1%
Earnings per share (cents)			
– basic	248.3	208.6	19.0%
– diluted	248.0	207.7	19.4%
Weighted average number of shares in issue (net of treasury shares)	('000) 262 118	271 073	(3.3%)
Weighted average diluted number of shares in issue (net of treasury shares)	('000) 262 515	272 277	(3.6%)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 31 August 2011	As at 31 August 2010
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>1 414 484</b>	1 383 175
Property, plant and equipment	949 906	888 053
Intangible assets	301 579	314 473
Goodwill	103 510	105 335
Deferred tax assets	53 756	51 907
Loans receivable	5 733	23 407
<b>Current assets</b>	<b>2 840 299</b>	2 726 963
Inventories	1 802 557	1 571 248
Trade and other receivables	998 944	869 279
Loans receivable	17 901	15 149
Cash and cash equivalents	17 790	152 052
Derivative financial assets	3 107	119 235
<b>Total assets</b>	<b>4 254 783</b>	4 110 138
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>965 187</b>	1 141 328
Share capital	2 999	2 841
Share option reserve	40 943	24 600
Cash flow hedging reserve	2 105	–
Treasury shares	(703 070)	(510 850)
Non-distributable reserves	(1 834)	(1 614)
Distributable reserve	1 623 329	1 625 669
Equity attributable to equity holders of the parent	964 472	1 140 646
Non-controlling interest	715	682
<b>Non-current liabilities</b>	<b>264 829</b>	296 723
Interest-bearing borrowings	19	16 579
Employee benefits	92 473	96 274
Deferred tax liabilities	46 695	68 559
Operating lease liability	125 642	115 311
<b>Current liabilities</b>	<b>3 024 767</b>	2 672 087
Trade and other payables	2 431 756	2 290 883
Employee benefits	164 669	202 569
Provisions	5 217	6 244
Interest-bearing borrowings	375 217	116 592
Income tax payable	44 489	46 808
Derivative financial liabilities	3 419	8 991
<b>Total equity and liabilities</b>	<b>4 254 783</b>	4 110 138

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Number of shares '000	Share capital	Share premium
<b>Balance at 1 September 2009</b>	276 306	3 029	-
<b>Transactions with owners, recorded directly in equity</b>			
<b>Contributions by and distributions to owners</b>			
Additional shares issued	8 533	86	249 693
Distributions to shareholders	-	-	(249 693)
Share-based payment reserve movement	-	-	-
Treasury shares cancelled	-	(274)	-
Net cost of own shares purchased	(18 556)	-	-
Treasury shares purchased	(20 439)	-	-
Disposal of treasury shares	1 883	-	-
Total contributions by and distributions to owners	(10 023)	(188)	-
<b>Changes in ownership interests in subsidiaries that do not result in loss of control</b>			
Acquisition of subsidiary	-	-	-
Total changes in ownership interests in subsidiaries	-	-	-
<b>Total transactions with owners</b>	(10 023)	(188)	-
<b>Total comprehensive income for the year</b>			
Profit for the year	-	-	-
Other comprehensive income for the year	-	-	-
<b>Balance at 31 August 2010</b>	<b>266 283</b>	<b>2 841</b>	<b>-</b>
<b>Transactions with owners, recorded directly in equity</b>			
<b>Contributions by and distributions to owners</b>			
Additional shares issued	6 988	70	299 657
Employee share ownership plan shares issued	29 153	291	-
Distributions to shareholders	-	-	(299 657)
Share-based payment reserve movement	-	-	-
Treasury shares cancelled	-	(203)	-
Net cost of own shares purchased	(49 465)	-	-
Treasury shares purchased	(49 806)	-	-
Disposal of treasury shares	341	-	-
<b>Total transactions with owners</b>	<b>(13 324)</b>	<b>158</b>	<b>-</b>
<b>Total comprehensive income for the year</b>			
Profit for the year	-	-	-
Cash flow hedge reserve	-	-	-
Exchange differences on translation of foreign subsidiaries	-	-	-
<b>Balance at 31 August 2011</b>	<b>252 959</b>	<b>2 999</b>	<b>-</b>



Share option reserve	Treasury shares	Non-distributable reserve	Cash flow hedging reserve	Distributable reserve	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
24 549	(488 258)	(5 233)	-	1 588 891	1 122 978	2 285	1 125 263
-	(249 779)	-	-	-	-	-	-
-	5 068	-	-	(86)	(244 711)	-	(244 711)
51	-	-	-	-	51	-	51
-	526 233	-	-	(525 959)	-	-	-
-	(304 114)	-	-	(2 590)	(306 704)	-	(306 704)
-	(321 862)	-	-	-	(321 862)	-	(321 862)
-	17 748	-	-	(2 590)	15 158	-	15 158
51	(22 592)	-	-	(528 635)	(551 364)	-	(551 364)
-	-	4 987	-	-	4 987	-	4 987
-	-	4 987	-	-	4 987	-	4 987
51	(22 592)	4 987	-	(528 635)	(546 377)	-	(546 377)
-	-	(1 368)	-	565 413	564 045	(1 603)	562 442
-	-	-	-	565 413	565 413	(1 603)	563 810
-	-	(1 368)	-	-	(1 368)	-	(1 368)
<b>24 600</b>	<b>(510 850)</b>	<b>(1 614)</b>	<b>-</b>	<b>1 625 669</b>	<b>1 140 646</b>	<b>682</b>	<b>1 141 328</b>
-	(299 727)	-	-	-	-	-	-
-	(291)	-	-	-	-	-	-
-	4 220	-	-	(70)	(295 507)	-	(295 507)
<b>16 343</b>	-	-	-	-	<b>16 343</b>	-	<b>16 343</b>
-	651 652	-	-	(651 449)	-	-	-
-	(548 074)	-	-	(1 753)	(549 827)	-	(549 827)
-	(552 406)	-	-	-	(552 406)	-	(552 406)
-	4 332	-	-	(1 753)	2 579	-	2 579
<b>16 343</b>	<b>(192 220)</b>	-	-	<b>(653 272)</b>	<b>(828 991)</b>	-	<b>(828 991)</b>
-	-	(220)	2 105	650 932	652 817	33	652 850
-	-	-	-	650 932	650 932	33	650 965
-	-	-	2 105	-	2 105	-	2 105
-	-	(220)	-	-	(220)	-	(220)
<b>40 943</b>	<b>(703 070)</b>	<b>(1 834)</b>	<b>2 105</b>	<b>1 623 329</b>	<b>964 472</b>	<b>715</b>	<b>965 187</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2011	Year to 31 August 2010
<b>Cash effects of operating activities</b>		
Operating profit before working capital changes (refer note 1)	1 075 227	836 994
Working capital changes (refer note 2)	(105 055)	(203 492)
Cash generated by operations	970 172	633 502
Interest received	8 156	9 376
Interest paid	(29 269)	(34 851)
Taxation paid	(271 988)	(174 930)
Cash inflow from operating activities before distributions	677 071	433 097
Distributions paid to shareholders	(295 507)	(244 711)
Net cash effects of operating activities	381 564	188 386
<b>Cash effects of investing activities</b>		
Investment in property, plant and equipment and intangible assets to maintain operations	(70 160)	(86 404)
Investment in property, plant and equipment and intangible assets to expand operations	(145 541)	(120 074)
Acquisition of business, net of cash acquired	(10 225)	(21 689)
Acquisition of remaining interest in subsidiary	–	(3 500)
Proceeds from disposal of property, plant and equipment	1 572	1 516
Decrease in loan receivables	15 001	19 436
Net cash effects of investing activities	(209 353)	(210 715)
<b>Cash effects of financing activities</b>		
Purchase of treasury shares	(552 406)	(321 862)
Proceeds from disposal of treasury shares	2 579	15 158
Interest-bearing borrowings raised	243 354	71 331
Net cash effects of financing activities	(306 473)	(235 373)
Net decrease in cash and cash equivalents	(134 262)	(257 702)
Cash and cash equivalents at the beginning of the year	152 052	409 754
<b>Cash and cash equivalents at the end of the year</b>	<b>17 790</b>	<b>152 052</b>

# NOTES TO THE STATEMENT OF CASH FLOWS

R'000	Year to 31 August 2011	Year to 31 August 2010
<b>Cash flow information</b>		
<b>1 Profit before working capital changes</b>		
Profit before taxation	897 714	770 360
Adjustment for:		
Depreciation and amortisation	158 285	136 775
Reversal of previous unrealised foreign exchange differences	(7 745)	(16 966)
Unrealised foreign exchange loss	3 237	7 745
Operating lease accrual	10 331	9 471
Loss on disposal of property, plant and equipment	6 250	6 476
Impairment of intangible asset	–	7 685
Fair value adjustment – derivatives	(41 797)	(123 354)
Equity-settled share option costs	15 326	51
Net finance cost	33 626	38 751
	<b>1 075 227</b>	<b>836 994</b>
<b>2 Working capital changes</b>		
Increase in inventories	(231 309)	(136 180)
(Increase)/decrease in trade and other receivables	(130 302)	36 498
Disposal of derivative financial instruments	161 032	72 420
Increase/(decrease) in trade and other payables	152 256	(128 856)
Decrease in employee benefits	(55 705)	(47 364)
Decrease in provisions	(1 027)	(10)
	<b>(105 055)</b>	<b>(203 492)</b>

# OPERATIONAL SEGMENTAL STATEMENT OF INCOME

R'000	Retail		
	Year to 31 August 2011	Year to 31 August 2010	% change
Segment revenue	11 132 599	10 034 780	
Turnover	10 792 845	9 727 869	10.9%
Cost of merchandise sold	(7 592 351)	(6 895 244)	10.1%
Gross profit	3 200 494	2 832 625	13.0%
Other income	339 754	306 911	10.7%
<b>Total income</b>	<b>3 540 248</b>	<b>3 139 536</b>	<b>12.8%</b>
Segment expenses	(2 737 419)	(2 470 451)	10.8%
Depreciation and amortisation	(136 155)	(114 481)	18.9%
Occupancy costs	(420 846)	(388 030)	8.5%
Employment costs	(1 375 123)	(1 275 313)	7.8%
Other operating costs	(805 295)	(692 627)	16.3%
Operating profit	802 829	669 085	20.0%
(Loss)/profit on disposal of property, plant and equipment	(6 263)	(6 359)	
Impairment of intangible assets	–	(7 685)	
Segment result	796 566	655 041	21.6%

## ANALYSIS OF SHAREHOLDERS

Fund managers or shareholders managing 3% or more of the issued share capital:

Major fund managers	Aug 2011 Percentage of shares	Aug 2010 Percentage of shares	Geographic distribution of shareholders	Aug 2011 Percentage of shares	Aug 2010 Percentage of shares
Public Investment Corporation (SA)	12.1%	16.9%	South Africa and Africa	39.4%	52.9%
Baillie Gifford & Co (UK)	5.8%	–	Offshore holdings	60.6%	47.1%
Morgan Stanley Investment Management (UK)	5.6%	6.0%	USA and Canada	35.0%	29.3%
William Blair (US)	4.6%	3.1%	United Kingdom and Ireland	10.9%	7.4%
Oasis Asset Management (SA)	3.8%	4.6%	Europe	7.7%	7.0%
Fidelity Management & Research (US)/International (UK)	3.6%	12.3%	Other countries	7.0%	3.4%
Vontobel Asset Management (US)	3.2%	1.6%			

	UPD			Intragroup elimination		Total		
	Year to 31 August 2011	Year to 31 August 2010	% change	Year to 31 August 2011	Year to 31 August 2010	Year to 31 August 2011	Year to 31 August 2010	% change
	<b>5 870 836</b>	5 622 555		<b>(2 211 581)</b>	(1 754 966)	<b>14 791 854</b>	13 902 369	
	<b>5 518 974</b>	5 298 670	4.2%	<b>(2 208 900)</b>	(1 750 262)	<b>14 102 919</b>	13 276 277	6.2%
	<b>(5 499 675)</b>	(5 219 690)	5.4%	<b>2 212 853</b>	1 742 249	<b>(10 879 173)</b>	(10 372 685)	4.9%
	<b>19 299</b>	78 980	(75.6%)	<b>3 953</b>	(8 013)	<b>3 223 746</b>	2 903 592	11.0%
	<b>351 862</b>	323 885	8.6%	<b>(2 681)</b>	(4 704)	<b>688 935</b>	626 092	10.0%
	<b>371 161</b>	402 865	(7.9%)	<b>1 272</b>	(12 717)	<b>3 912 681</b>	3 529 684	10.9%
	<b>(240 353)</b>	(240 665)	(0.1%)	<b>2 681</b>	4 704	<b>(2 975 091)</b>	(2 706 412)	9.9%
	<b>(13 559)</b>	(13 614)	(0.4%)	<b>-</b>	-	<b>(149 714)</b>	(128 095)	16.9%
	<b>(2 831)</b>	(2 804)	1.0%	<b>1 081</b>	1 088	<b>(422 596)</b>	(389 746)	8.4%
	<b>(121 368)</b>	(124 065)	(2.2%)	<b>-</b>	-	<b>(1 496 491)</b>	(1 399 378)	6.9%
	<b>(102 595)</b>	(100 182)	2.4%	<b>1 600</b>	3 616	<b>(906 290)</b>	(789 193)	14.8%
	<b>130 808</b>	162 200	(19.4%)	<b>3 953</b>	(8 013)	<b>937 590</b>	823 272	13.9%
	<b>13</b>	(117)		<b>-</b>	-	<b>(6 250)</b>	(6 476)	
	<b>-</b>	-		<b>-</b>	-	<b>-</b>	(7 685)	
	<b>130 821</b>	162 083	(19.3%)	<b>3 953</b>	(8 013)	<b>931 340</b>	809 111	15.1%



# OPERATIONAL SEGMENTAL STATEMENT OF FINANCIAL POSITION

R'000	Retail	
	As at 31 August 2011	As at 31 August 2010
<b>SEGMENT ASSETS</b>		
<b>Segment non-current assets</b>	<b>1 179 382</b>	<b>1 143 211</b>
Property, plant and equipment	800 400	736 142
Intangible assets	299 622	312 560
Goodwill	18 855	19 524
Deferred tax assets	53 436	51 578
Intragroup loans	1 336	–
Loans receivable	5 733	23 407
<b>Segment current assets</b>	<b>1 958 844</b>	<b>2 095 176</b>
Inventories	1 350 567	1 273 622
Trade and other receivables	194 548	171 431
Intragroup loans	390 452	390 452
Loans receivable	17 901	15 149
Cash and cash equivalents	2 269	125 287
Derivative financial assets	3 107	119 235
<b>Total segment assets</b>	<b>3 138 226</b>	<b>3 238 387</b>
<b>SEGMENT EQUITY AND LIABILITIES</b>		
<b>Segment equity</b>	<b>676 036</b>	<b>980 596</b>
Share capital	2 999	2 841
Share option reserve	41 243	24 600
Cash flow hedging reserve	2 105	–
Treasury shares	(703 070)	(510 850)
Non-distributable reserves	(685)	(617)
Distributable reserve	1 333 444	1 464 622
Equity attributable to equity holders of the parent	676 036	980 596
Non-controlling interest	–	–
<b>Segment non-current liabilities</b>	<b>446 368</b>	<b>329 865</b>
Interest-bearing borrowings	–	16 566
Intragroup loans	186 475	40 021
Employee benefits	87 556	89 408
Deferred tax liabilities	46 695	68 559
Operating lease liability	125 642	115 311
<b>Segment current liabilities</b>	<b>2 015 822</b>	<b>1 927 926</b>
Trade and other payables	1 436 550	1 567 631
Intragroup loans	–	–
Employee benefits	151 050	185 527
Provisions	5 217	6 244
Interest-bearing borrowings	375 097	115 359
Income tax payable	44 489	44 174
Derivative financial liabilities	3 419	8 991
<b>Total segment equity and liabilities</b>	<b>3 138 226</b>	<b>3 238 387</b>

	UPD		Intragroup elimination		Group	
	As at 31 August 2011	As at 31 August 2010	As at 31 August 2011	As at 31 August 2010	As at 31 August 2011	As at 31 August 2010
	422 913	279 985	(187 811)	(40 021)	1 414 484	1 383 175
	149 506	151 911	-	-	949 906	888 053
	1 957	1 913	-	-	301 579	314 473
	84 655	85 811	-	-	103 510	105 335
	320	329	-	-	53 756	51 907
	186 475	40 021	(187 811)	(40 021)	-	-
	-	-	-	-	5 733	23 407
	1 528 926	1 261 691	(647 471)	(629 904)	2 840 299	2 726 963
	462 891	312 480	(10 901)	(14 854)	1 802 557	1 571 248
	1 050 514	922 446	(246 118)	(224 598)	998 944	869 279
	-	-	(390 452)	(390 452)	-	-
	-	-	-	-	17 901	15 149
	15 521	26 765	-	-	17 790	152 052
	-	-	-	-	3 107	119 235
	1 951 839	1 541 676	(835 282)	(669 925)	4 254 783	4 110 138
	300 052	175 586	(10 901)	(14 854)	965 187	1 141 328
	-	-	-	-	2 999	2 841
	(300)	-	-	-	40 943	24 600
	-	-	-	-	2 105	-
	-	-	-	-	(703 070)	(510 850)
	(1 149)	(997)	-	-	(1 834)	(1 614)
	300 786	175 901	(10 901)	(14 854)	1 623 329	1 625 669
	299 337	174 904	(10 901)	(14 854)	964 472	1 140 646
	715	682	-	-	715	682
	6 272	6 879	(187 811)	(40 021)	264 829	296 723
	19	13	-	-	19	16 579
	1 336	-	(187 811)	(40 021)	-	-
	4 917	6 866	-	-	92 473	96 274
	-	-	-	-	46 695	68 559
	-	-	-	-	125 642	115 311
	1 645 515	1 359 211	(636 570)	(615 050)	3 024 767	2 672 087
	1 241 324	947 850	(246 118)	(224 598)	2 431 756	2 290 883
	390 452	390 452	(390 452)	(390 452)	-	-
	13 619	17 042	-	-	164 669	202 569
	-	-	-	-	5 217	6 244
	120	1 233	-	-	375 217	116 592
	-	2 634	-	-	44 489	46 808
	-	-	-	-	3 419	8 991
	1 951 839	1 541 676	(835 282)	(669 925)	4 254 783	4 110 138

# BUSINESS UNIT SEGMENTAL ANALYSIS

for the year ended 31 August 2011

R'000	Clicks*		Musica		The Body Shop	
	31 Aug 2011	31 Aug 2010	31 Aug 2011	31 Aug 2010	31 Aug 2011	31 Aug 2010
<b>Statement of financial position</b>						
Property, plant and equipment	537 557	469 573	51 139	56 955	10 518	11 619
Intangible assets	289 258	293 984	1 888	2 382	4	6
Goodwill	18 855	19 524	–	–	–	–
Inventories	1 203 108	1 114 106	135 541	151 991	11 918	7 525
Trade and other receivables	174 473	155 338	13 377	12 252	1 593	1 510
Cash and cash equivalents	7 457	6 190	129	121	57	58
Other assets	3 369	3 645	–	–	–	–
<b>Total assets</b>	<b>2 234 077</b>	<b>2 062 360</b>	<b>202 074</b>	<b>223 701</b>	<b>24 090</b>	<b>20 718</b>
Employee benefits – non-current	13 108	16 182	1 645	1 789	–	569
Operating lease liability	110 580	100 630	13 179	12 533	1 883	2 148
Trade and other payables	1 168 222	1 241 857	72 329	106 329	9 815	5 619
Employee benefits – current	90 896	105 419	9 907	15 493	1 441	2 892
Other liabilities	3 079	1 159	1 783	1 469	–	–
<b>Total liabilities</b>	<b>1 385 885</b>	<b>1 465 247</b>	<b>98 843</b>	<b>137 613</b>	<b>13 139</b>	<b>11 228</b>
<b>Net assets</b>	<b>848 192</b>	<b>597 113</b>	<b>103 231</b>	<b>86 088</b>	<b>10 951</b>	<b>9 490</b>
<b>Statement of comprehensive income</b>						
Turnover	9 789 459	8 664 788	895 600	952 133	107 786	110 948
Gross profit	2 828 286	2 445 008	299 099	317 862	73 109	69 755
Other income	317 819	281 084	20 379	25 021	1 556	806
Expenses	(2 395 269)	(2 129 373)	(288 060)	(290 388)	(54 090)	(50 690)
Operating profit	750 836	596 719	31 418	52 495	20 575	19 871
<b>Ratios</b>						
Increase/(decrease) in turnover	% 13.0	16.7	(5.9)	0.5	(2.8)	5.2
Selling price inflation	% 1.0	5.8	(2.4)	2.7	(6.6)	0.1
Comparable stores' turnover growth	% 8.5	12.8	(6.2)	0.3	(3.3)	0.5
Gross profit margin	% 28.9	28.2	33.4	33.4	67.8	62.9
Total income margin	% 32.1	31.5	35.7	36.0	69.3	63.6
Operating expenses as a percentage of turnover	% 24.5	24.6	32.2	30.5	50.2	45.7
Increase/(decrease) in operating expenses	% 12.5	17.0	(0.8)	1.0	6.7	8.5
Increase/(decrease) in operating profit	% 25.8	27.3	(40.2)	4.1	3.5	21.6
Operating profit margin	% 7.7	6.9	3.5	5.5	19.1	17.9
Inventory days	63	65	83	87	125	67
Trade debtor days	11	9	–	–	–	–
Trade creditor days	45	49	24	40	37	–
Number of stores	400	369	148	152	42	40
as at 31 August 2010/2009						
opened	32	26	5	3	2	3
closed	(1)	(3)	(9)	(7)	–	(1)
Number of pharmacies	283	251	–	–	–	–
as at 31 August 2010/2009						
new	8	27	–	–	–	–
converted	24	18	–	–	–	–
closed	–	(1)	–	–	–	–
Total leased area	m <sup>2</sup> 261 363	245 078	30 780	30 741	2 892	2 802
Weighted retail trading area	m <sup>2</sup> 194 887	183 430	26 923	27 195	2 190	2 144
Weighted annual sales per m <sup>2</sup> **	R 48 770	45 924	33 265	35 011	49 217	51 748
Number of permanent employees	6 642	6 366	773	811	122	112

\* Includes the results of Clicks Direct Medicines

\*\* Sales relating to Clicks excludes Clicks Direct Medicines for the purposes of weighted annual sales per m<sup>2</sup>

Group Services		Total retail operations		UPD		Intragroup elimination		Total operations	
31 Aug 2011	31 Aug 2010	31 Aug 2011	31 Aug 2010	31 Aug 2011	31 Aug 2010	31 Aug 2011	31 Aug 2010	31 Aug 2011	31 Aug 2010
201 186	197 995	800 400	736 142	149 506	151 911	-	-	949 906	888 053
8 472	16 188	299 622	312 560	1 957	1 913	-	-	301 579	314 473
-	-	18 855	19 524	84 655	85 811	-	-	103 510	105 335
-	-	1 350 567	1 273 622	462 891	312 480	(10 901)	(14 854)	1 802 557	1 571 248
5 105	2 331	194 548	171 431	1 050 514	922 446	(246 118)	(224 598)	998 944	869 279
(5 374)	118 918	2 269	125 287	15 521	26 765	-	-	17 790	152 052
468 596	596 176	471 965	599 821	186 795	40 350	(578 263)	(430 473)	80 497	209 698
677 985	931 608	3 138 226	3 238 387	1 951 839	1 541 676	(835 282)	(669 925)	4 254 783	4 110 138
72 803	70 868	87 556	89 408	4 917	6 866	-	-	92 473	96 274
-	-	125 642	115 311	-	-	-	-	125 642	115 311
186 184	213 826	1 436 550	1 567 631	1 241 324	947 850	(246 118)	(224 598)	2 431 756	2 290 883
48 806	61 723	151 050	185 527	13 619	17 042	-	-	164 669	202 569
656 530	297 286	661 392	299 914	391 927	394 332	(578 263)	(430 473)	475 056	263 773
964 323	643 703	2 462 190	2 257 791	1 651 787	1 366 090	(824 381)	(655 071)	3 289 596	2 968 810
(286 338)	287 905	676 036	980 596	300 052	175 586	(10 901)	(14 854)	965 187	1 141 328
-	-	10 792 845	9 727 869	5 518 974	5 298 670	(2 208 900)	(1 750 262)	14 102 919	13 276 277
-	-	3 200 494	2 832 625	19 299	78 980	3 953	(8 013)	3 223 746	2 903 592
-	-	339 754	306 911	351 862	323 885	(2 681)	(4 704)	688 935	626 092
-	-	(2 737 419)	(2 470 451)	(240 353)	(240 665)	2 681	4 704	(2 975 091)	(2 706 412)
-	-	802 829	669 085	130 808	162 200	3 953	(8 013)	937 590	823 272
-	-	10.9	14.7	4.2	5.2	26.2	30.7	6.2	9.0
-	-	0.6	5.4	3.3	5.5	-	-	1.6	5.4
-	-	6.9	11.2	-	-	-	-	6.9	11.2
-	-	29.7	29.1	0.3	1.5	-	-	22.9	21.9
-	-	32.8	32.3	6.7	7.6	-	-	27.7	26.6
-	-	25.4	25.4	4.4	4.5	-	-	21.1	20.4
-	-	10.8	14.6	(0.1)	10.5	-	-	9.9	14.1
-	-	20.0	24.9	(19.4)	(7.2)	-	-	13.9	16.1
-	-	7.4	6.9	2.4	3.1	-	-	6.6	6.2
-	-	65	67	31	22	-	-	60	55
-	-	11	9	60	55	-	-	46	42
-	-	43	48	66	53	-	-	57	52
-	-	590	561	-	-	-	-	590	561
-	-	561	540	-	-	-	-	561	540
-	-	39	32	-	-	-	-	39	32
-	-	(10)	(11)	-	-	-	-	(10)	(11)
-	-	283	251	-	-	-	-	283	251
-	-	251	207	-	-	-	-	251	207
-	-	8	27	-	-	-	-	8	27
-	-	24	18	-	-	-	-	24	18
-	-	-	(1)	-	-	-	-	-	(1)
-	-	295 035	278 621	-	-	-	-	295 035	278 621
-	-	224 000	212 769	-	-	-	-	224 000	212 769
-	-	46 911	44 588	-	-	-	-	46 911	44 588
383	343	7 920	7 632	389	432	-	-	8 309	8 064

# DEFINITIONS

## Capital expenditure

### Maintenance capital expenditure

Capital expenditure incurred in replacing existing capital expenditure or capital expenditure with a return below the group's required return.

### Growth capital expenditure

Capital expenditure that is not maintenance capital expenditure.

## Cash flow

### Financing activities

Activities that result in changes to the capital and funding structure of the group.

### Investing activities

Activities relating to the acquisition, holding and disposal of capital assets and long-term investments.

### Operating activities

Activities that are not financing or investing activities that arise from the operations conducted by the group.

## Comparable stores' turnover growth

Sales growth expressed as a percentage of growth for stores that have been operating for the full period during the current and previous financial years.

## Current ratio

Current assets at year-end divided by current liabilities at year-end.

## Distribution cover

Undiluted headline earnings per share for the year divided by the distribution per share for the year.

## Distribution per share

Distribution per share is the actual interim cash dividend and/or capital distribution paid and the final cash dividend and/or capital distribution declared, expressed as cents per share.

## Earnings per share

### Earnings per share

Profit for the year divided by the weighted average number of shares in issue for the year.

### Diluted earnings per share

Profit for the year divided by the weighted average diluted number of shares in issue for the year.

### Headline earnings per share

Headline earnings divided by the weighted average number of shares in issue for the year.

### Diluted headline earnings per share

Headline earnings divided by the weighted average diluted number of shares in issue for the year.

## Effective tax rate

The tax charge in the income statement as a percentage of profit before tax.

## Free float

The number of ordinary shares that are freely tradable on the JSE Limited, excluding treasury shares and shares held by directors and employee share schemes.

## Gross profit margin

Gross profit expressed as a percentage of turnover.

## Headline earnings

Profit for the year adjusted for the after-tax effect of goodwill impairment and certain other capital items.

## IFRS

International Financial Reporting Standards, as adopted by the International Accounting Standards Board ("IASB"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

Clicks Group's consolidated financial statements are prepared in accordance with IFRS.

## Interest-bearing debt, including cash, to shareholders' interest at year-end

Interest-bearing debt (including bank overdraft), net of cash balances, at the end of the year divided by shareholders' interest at the end of the year.

## Inventory days

Closing inventory at year-end divided by the cost of merchandise sold during the year, multiplied by 365 days.

## King III

The revised King Code and Report on Corporate Governance for South Africa, released in 2009, which sets out principles of good corporate governance for South African companies.

## Living Standards Measure (LSM)

The South African Advertising Research Foundation (SAARF) LSM is a widely used marketing research tool in South Africa and a unique means of segmenting the market. It divides the population into 10 LSM groups, 10 (highest) to 1 (lowest), grouping people according to their living standards using criteria such as ownership of major appliances and access to services.

## Market capitalisation

The closing market price per share at year-end multiplied by the number of ordinary shares in issue at year-end.

## Net asset value per share

Net assets at year-end divided by the number of ordinary shares in issue at year-end (net of treasury shares).



## Net tangible asset value per share

Net assets at year-end, less intangible assets (such as goodwill and trademarks), divided by the number of ordinary shares in issue at year-end (net of treasury shares).

## Operating profit

Operating profit before financing costs, as reported in the group consolidated statement of comprehensive income, adjusted to exclude goodwill impairment, impairment of property, plant and equipment, profit on disposal of businesses and profit/loss on disposal of property, plant and equipment.

## Operating profit margin

Operating profit expressed as a percentage of turnover.

## Percentage of ordinary shares traded

The number of ordinary shares traded on the JSE Limited during the year as a percentage of the weighted average number of ordinary shares in issue (net of treasury shares).

## Price earnings ratio

The closing market price per share at year-end divided by diluted headline earnings per share for the year.

## Return on shareholders' interest (ROE)

Headline earnings expressed as a percentage of the average shareholders' interest for the year.

## Return on total assets (ROA)

Headline earnings expressed as a percentage of the average total assets for the year.

## Segmental reporting

### Operational segment

A distinguishable type of operation within the group.

### Business unit segment

A distinguishable trading brand or component of the group.

## Selling price inflation

The change in the weighted average selling price of a sample of products for the year relative to the previous year expressed as a percentage of the weighted average selling price of the same sample of products for the previous year. Only products sold in both the current and previous years are included in the sample.

## Shareholders' interest

Share capital and share premium (reduced by the cost of treasury shares) and other reserves comprising equity.

## Shareholders' interest to total assets

The shareholders' interest divided by the total assets at the year-end.

## Total income

Gross profit plus other income.

## Total income margin

Total income expressed as a percentage of turnover.

## Trade creditor days

Closing trade creditors at year-end (adjusted to exclude VAT) divided by the cost of merchandise sold during the year, multiplied by 365 days.

## Trade debtor days

Closing trade debtors at year-end (adjusted to exclude VAT) divided by sales for the year, multiplied by 365 days.

## Treasury shares

Issued shares in Clicks Group Limited held by a group company in terms of an approved share repurchase programme, the New Clicks Holdings Share Trust and the Clicks Group Employee Share Ownership Trust.

## Weighted average number of shares

The number of ordinary shares in issue, increased by shares issued during the year and reduced by treasury shares purchased or shares cancelled during the year, weighted on a time basis for the period during which they have participated in the income of the group.

## Weighted average diluted number of shares

The weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares.

# PRESENTATION



## PRESENTATION OUTLINE

- Review of the year David Kneale
- Financial results Michael Fleming
- Trading performance Michael Harvey and David Kneale
- Outlook David Kneale
- Questions



## REVIEW OF THE YEAR

DAVID KNEALE

## REVIEW OF THE YEAR

- **Challenging trading conditions**
  - Second half particularly tough
  - Selling price inflation only 1.6%
- **Continued strong performance from Clicks**
  - Real volume growth
  - Gaining market share
- **Difficult year for UPD**
  - No Single Exit Price (SEP) increase
  - Independent pharmacy still dedining
- **Musica slowed dramatically in second half**

CLICKS GROUP 2011 ANNUAL RESULTS 2011 4

# PRESENTATION

## REVIEW OF THE YEAR (continued)

- Group operating margin increased by 40 bps
- Continuing to generate cash
- Investing for growth
  - R226m capital expenditure
  - 400<sup>th</sup> Clicks store opened
- Returning funds to shareholders
  - Active capital management programme

CLICKS GROUP ANNUAL RESULTS 2011



## FINANCIAL RESULTS

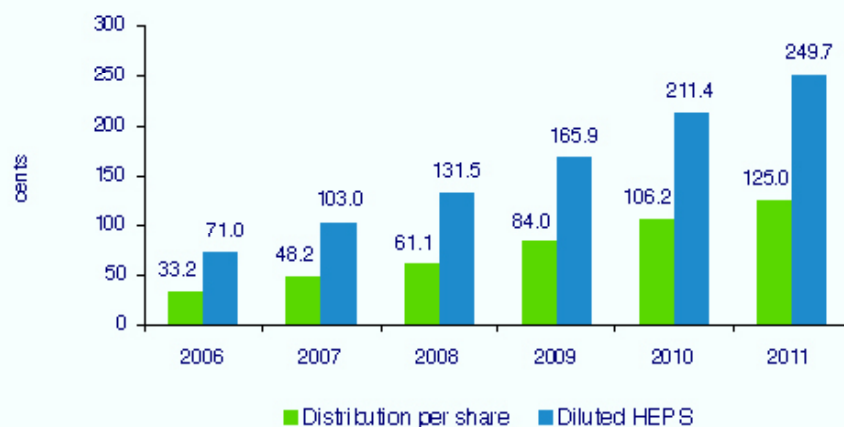
MICHAEL FLEMING

## FINANCIAL HIGHLIGHTS

- Group turnover up **6.2%**
  - Retail turnover up **10.9%**
  - UPD turnover up **4.2%**
- Operating margin up from 6.2% to **6.6%**
- Diluted headline EPS up **18.1%** to 249.7 cps
- Total distribution of 125.0 cps, up **17.7%**
- ROE increases from 50.8% to **62.2%**

CLICKS GROUP ANNUAL RESULTS 2011 7

## SUSTAINED FINANCIAL PERFORMANCE



- 5-year compound annual growth in diluted HEP S of **28.6%** and DPS of **30.4%**

CLICKS GROUP ANNUAL RESULTS 2011 8



# PRESENTATION

## TURNOVER

R'm	2011	2010	% change	% same store growth	% inflation
Clicks	9 789	8 665	13.0	8.5	1.0
Musica	896	952	(5.9)	(6.2)	(2.4)
The Body Shop	108	111	(2.8)	(3.3)	(6.6)
<b>Total retail</b>	<b>10 793</b>	<b>9 728</b>	<b>10.9</b>	<b>6.9</b>	<b>0.6</b>
UPD	5 519	5 298	4.2		3.3
Intragroup turnover	(2 209)	(1 750)	26.2		
<b>Total group</b>	<b>14 103</b>	<b>13 276</b>	<b>6.2</b>		<b>1.6</b>

CLICKS GROUP ANNUAL RESULTS 2011 7

## TOTAL INCOME

	2011 R'm	2010 R'm	% change	2011 % margin	2010 % margin
Clicks	3 146	2 726	15.4	32.1	31.5
Musica	319	343	(6.8)	35.7	36.0
The Body Shop	75	71	5.8	69.3	63.6
<b>Total retail</b>	<b>3 540</b>	<b>3 140</b>	<b>12.8</b>	<b>32.8</b>	<b>32.3</b>
UPD	371	403	(7.9)	6.7	7.6
Intragroup	2	(13)			
<b>Total group</b>	<b>3 913</b>	<b>3 530</b>	<b>10.9</b>	<b>27.7</b>	<b>26.6</b>

- Clicks income benefited from good buying and supply chain management
- UPD income in FY2010 included R26m stock gain from SEP increase

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## OPERATING EXPENDITURE - RETAIL

R'm	2011	2010	% change
Depreciation and amortisation	136	114	18.9
Occupancy costs	421	388	8.5
Employment costs	1 375	1 275	7.8
Other operating costs	805	693	16.3
<b>Total retail costs</b>	<b>2 737</b>	<b>2 470</b>	<b>10.8</b>

- Employment costs - IFRS2 charge of R15m for ESOP scheme  
- Pharmacist salaries up 16% in same stores
- Other operating costs - Electricity and water costs R83m (2010: R64m)  
- Incentive hedge benefit of R41m (2010: R123m)
- Expenses up only 7.7% in second half

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## OPERATING EXPENDITURE - UPD

R'm	2011	2010	% change
Depreciation and amortisation	14	14	(0.4)
Occupancy costs	3	3	1.0
Employment costs	121	124	(2.2)
Other operating costs	102	100	2.4
<b>Total UPD costs</b>	<b>240</b>	<b>241</b>	<b>(0.1)</b>

- Expenses down 5.6% in second half
- Permanent headcount reduced by 10%

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# PRESENTATION

## OPERATING PROFIT

	2011 R'm	2010 R'm	% change	2011 % margin	2010 % margin
Clicks	751	597	25.8	7.7	6.9
Musica	31	52	(40.2)	3.5	5.5
The Body Shop	21	20	3.5	19.1	17.9
<b>Total retail</b>	<b>803</b>	<b>669</b>	<b>20.0</b>	<b>7.4</b>	<b>6.9</b>
UPD	131	162	(19.4)	2.4	3.1
Intragroup	4	(8)			
<b>Total group</b>	<b>938</b>	<b>823</b>	<b>13.9</b>	<b>6.6</b>	<b>6.2</b>

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## INVENTORY

	Days in stock*		Inventory (R'm)		
	2011	2010	2011	2010	% change
Clicks	63	65	1 203	1 114	8.0
Musica	83	87	136	152	(10.8)
The Body Shop	125	67	12	8	58.4
<b>Total retail</b>	<b>65</b>	<b>67</b>	<b>1 351</b>	<b>1 274</b>	<b>6.0</b>
UPD	31	22	463	312	48.1
Intragroup inventory			(11)	(15)	
<b>Total group</b>	<b>60</b>	<b>55</b>	<b>1 803</b>	<b>1 571</b>	<b>14.7</b>

- UPD inventory normalised

\* At cost price

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## CASH GENERATION

R'm	2011	2010
Profit before tax	898	770
Non-cash adjustments	177	67
Working capital changes, excl derivative	(266)	(275)
Disposal of derivative hedge	161	72
Net interest and tax paid	(293)	(201)
<b>Cash inflow from operations</b>	<b>677</b>	<b>433</b>

- The group continues to be highly cash generative

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## CASH UTILISATION

R'm	2011	2010
<b>Cash inflow from operations</b>	<b>677</b>	<b>433</b>
Capital expenditure	(226)	(231)
Distributions paid	(296)	(245)
Share buybacks	(552)	(322)
Other investing activities	17	21
Other financing activities	246	86
<b>Net cash utilised</b>	<b>(134)</b>	<b>(258)</b>

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# PRESENTATION

## FINANCIAL OUTLOOK

- Low selling price inflation to continue
- 4-5% retail trading space growth
- Continued focus on cost management
- Full year IFRS 2 charge of R28m for ESOP
- R257m capex planned
  - Including R152m for stores and R65m for systems
- Further HEPS benefit from FY2011 buybacks
- Distribution cover lowered from 2.0 to 1.8 times

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## MEDIUM-TERM FINANCIAL TARGETS

	2011 – 2013 target	Achieved in 2011	2012 – 2014 target
ROE (%)	50 – 60	62.2	55 – 65*
ROA (%)	14 – 18	15.7	14 – 18
Inventory days	50 – 55	60	55 – 60*
Group operating margin (%)	6.0 – 7.0	6.6	6.0 – 7.0

### Operating margin (%)

Clicks	6.5 – 7.5	7.7	7.0 – 8.0*
UPD	2.7 – 3.0	2.4	2.5 – 3.0*
Musica	5.0 – 6.0	3.5	3.0 – 4.0*
The Body Shop	14.0 – 16.0	19.1	18.0 – 20.0*

\* Targets revised

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## TRADING PERFORMANCE

MICHAEL HARVEY  
& DAVID KNEALE

The Clicks+ logo is displayed in blue and green. Below it are three images: a collection of medicine bottles, a mortar and pestle with fruit, and a pharmacist in a white coat smiling at a woman holding a baby.

# PRESENTATION

## OVERVIEW



- Strong sales growth
- More competitive environment
- Market share growth in healthcare
- Low price inflation meant greater focus on cost management
- Operating profit up 25.8%
- Opened highest number of new stores to date



## SALES PERFORMANCE



R'm	% change	% contribution
Health		
Scheduled medicines*	24.9	27.2
Front shop health	13.1	27.3
Beauty	5.4	23.8
General merchandise	8.4	21.7
Total turnover	13.0	100.0

\* Includes Clicks Direct Medicines

## SALES PERFORMANCE (continued)



### Health

- Clicks dispensary sales +25.4%
- Baby +21.5%
- Vitamins and supplements +11.1%

### Beauty

- Colour cosmetics +5.4%
- Haircare +3.4%
- Skincare +4.1%
- Fine fragrance +23.5%

### General merchandise

- Electrical and hi-tech +12.2%
- Homewares +4.2%
- Confectionery +8.3%
- Cellular +17.1%



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## MARKET SHARE



%	Aug 2011	Aug 2010
<b>Health</b>		
Retail pharmacy*	15.4	13.1
Front shop health**	37.9	36.8
<b>Beauty</b>		
Haircare***	29.5	28.3
Skincare***	31.8	32.6
Colour cosmetics****	28.6	29.9
<b>General merchandise</b>		
Small household appliances*****	21.3	20.0

\* For the local counter pharmacy    \*\* For HJ Nielsen    \*\*\* For H.J.C    \*\*\*\* For G+A

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# PRESENTATION

## STORE AND PHARMACY PRESENCE



- **400 stores at August 2011**
  - Opened 31 stores – ahead of target
- **283 dispensaries at August 2011**
  - 32 dispensaries opened
  - 71% of stores have dispensaries
  - 77 pharmacies less than 2 years old
- **104 clinics**
  - 247 000 customer visits
  - Launched Helping Hand Trust



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## PEOPLE AND OPERATIONS



- **Supply chain**
  - 94.5% of merchandise through Clicks DCs
  - Product availability at 95.6%
- **Customer Service Excellence programme (CSEP) in 291 stores**
- **Sustainable solutions to attracting pharmacists**
  - Pharmacist turnover down from 34% to 23%
  - 53 bursaries awarded to pharmacy students
  - Pharmacy Blueprint project piloted – to be rolled out from January 2012



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## CUSTOMERS AND BRAND



- ClubCard membership now 3.4m
  - Net growth of 300 000 members
  - 76.7% of sales (2010: 74.8%)
  - R220m paid out in cashback vouchers
  - 2.4m cardholders on pharmacy database
- Private label now 18.2% of sales
  - Front shop increased to 24.2%
  - 29 private label medicines on shelf
- Rated 1<sup>st</sup> for pricing and value in health and beauty\*

\* Per TNS Brand Tracker



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## OUTLOOK



- Trading conditions expected to remain challenging
- Low inflation to continue
- Focus on continuing to drive volume and leveraging ClubCard
- Cost control key to sustaining profit growth
- Strong pipeline of new stores
  - Expect to again be at upper end of 20 – 30 target range
  - 30 – 40 new dispensaries
- Increased medium-term operating margin target of 7.0% – 8.0%

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# PRESENTATION



## TURNOVER



	% change	% contribution
Clicks	29.1	40.0
Hospitals	3.5	28.0
Link pharmacy	1.6	17.3
Other independent pharmacy and doctors	(32.6)	12.2
Export	(9.1)	2.5
<b>Total wholesale turnover</b>	<b>4.2</b>	<b>100.0</b>

## PERFORMANCE



- Market share increased from 22.7% to 23.1%\*
- Scheduled medicines up 5.7%
  - Originators +2.7%
  - Generics +14.6%
- Front shop sales declined by 9.3%
- Product availability improved to 92%
- Restructuring of buying and planning complete
- Costs decreased by 0.1%

\* MAT per MS



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## OUTLOOK

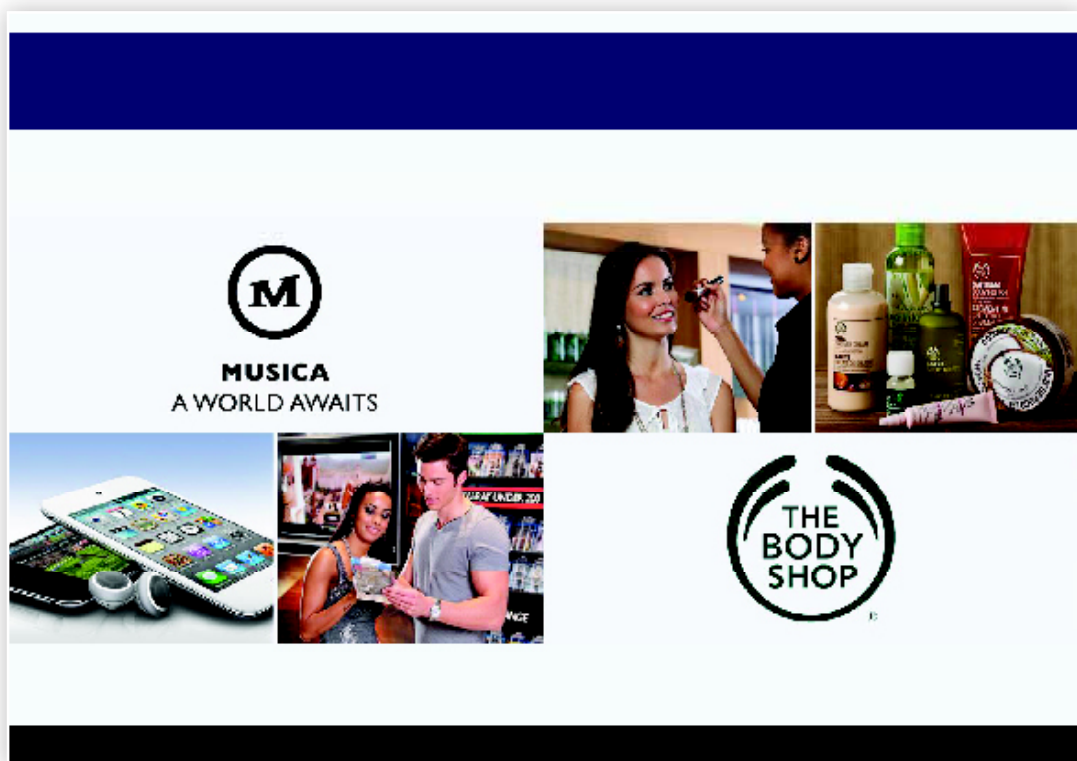


- Drive wholesale turnover growth
  - Improve front shop range and pricing
  - Improve product availability
- Business process improvements
- Engage the MCC on the issuing of an export licence
- Engage with the DoH on logistics fees regulation
- Grow the distribution agency business
  - R600m notional turnover in FY2011
  - Contracts for R600m won in last 4 months, to commence during FY2012

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# PRESENTATION



## PERFORMANCE AND OUTLOOK



	% change	% contribution	Market share <sup>**</sup>
CDs	-13.6%	46%	41%
DVDs	-9.4%	26%	27%
Gaming	+11.4%	17%	9%
Technology and accessories	+60.7%	7%	

- Market shares maintained despite closing 4 stores
- Good growth in gaming, technology and accessories
- Reshaping the business
  - Robust approach to lease renewals
  - Expect to close at least 10 stores in FY2012



<sup>\*\*</sup> For equivalent FY11

## PERFORMANCE AND OUTLOOK

## THE BODY SHOP.

- Unit sales maintained
- Margin benefited from strong Rand
- “Love Your Body” loyalty programme launched
  - 100 000 customers enrolled
  - 44% of sales
- 2 new stores planned in FY2012
- Focus on
  - Leveraging the “Love Your Body” database
  - Roll out in Clicks stores



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## OUTLOOK

DAVID KNEALE

# PRESENTATION

## OUTLOOK

- Muted consumer spending growth
- Health and beauty market will remain highly competitive
- Continued low inflation
  - No SEP increase expected for 2012
- Upward cost pressures
- No significant regulatory change anticipated
- Focus is on
  - Volume growth
  - Cost containment

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## OUTLOOK (continued)

- Medium-term, the group remains well positioned
- Clicks is the leading health and beauty brand, with the widest footprint
  - Continue to roll out new stores and dispensaries
- UPD is the only full-range national pharmaceutical wholesaler
  - Opportunity to secure distribution agency contracts
- Strong cash generation ability
- Increased distribution payout ratio

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THANK YOU

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