CLICKS GROUP LIMITED

INTERIM GROUP RESULTS

for the six months ended 29 February 2012

Group turnover up	Diluted headline EPS up	Interim dividend up	Return on equity increases to
6.8%	**7.6%**	**19.2%**	**60.7%**

COMMENTARY

Trading environment

The six month period to 29 February 2012 was characterised by tough trading conditions.

The retail trading environment has been highly competitive, with increased promotional activity to attract value conscious consumers. Low or negative selling price inflation has also led to a slowdown in the growth of the health and beauty market.

In this challenging climate the group has nevertheless increased its volumes and share of the total health and beauty market, thereby maintaining its competitive advantage.

Financial performance

Group turnover increased by 6.8% to R7.7 billion, with selling price deflation of 0.2% for the period. Retail turnover grew by 8.3% with price inflation of 0.1%, while UPD increased turnover by 5.0% as price deflation averaged 0.5%. In this low inflationary environment all the group's businesses showed real growth in sales.

Total income, comprising gross profit and other income, increased by 6.9% and the total income margin at 28% was consistent with the comparable period.

The group has focused on cost management and operating expense growth was well contained at 7.3%. Retail costs increased by 7.4% (comparable costs up 2.7%) despite the opening of 30 new Clicks stores and 29 dispensaries in the past 12 months. UPD's cost growth of 10.2% includes further investment in distribution capacity, while comparable costs grew by 5.0%.

Operating profit increased by 5.8% for the period and the group's operating margin declined slightly from 6.5% to 6.4%.

Headline earnings increased by 3.2% to R333 million. Diluted headline earnings per share benefited from the group's share buy-back programme and grew by 7.6% to 131.5 cents.

The interim dividend was increased by 19.2% to 44.1 cents per share. As previously advised to shareholders, the board has reduced the distribution cover from 2.0 times to 1.8 times for the 2012 financial year, in line with the commitment to return surplus cash to shareholders.

Inventory days in stock moved from 59 to 66 days. Inventory levels were 20.4% higher at the end of the period as Clicks and UPD bought additional stock ahead of supplier price increases. Stock levels are expected to normalise by year-end.

The group remains strongly cash generative with cash inflow from operations totalling R214 million.

Return on shareholders' equity (ROE) increased to 60.7% from 55.8% in 2011.

Trading performance

The Clicks chain grew turnover by 9.6% and benefited from new store openings during the period. Comparable store sales increased by 5.5%. The store base increased to 412 following the addition of 12 new stores in the past six months, while the pharmacy footprint was expanded by 12 to 295. Clicks increased its retail pharmacy market share to 16.1% (2011: 14.5%). The operating margin came under pressure from an aggressive promotional programme and changed sales mix, with operating profit increasing by 5.7%.

Musica performed well in a declining market and was impacted by industry deflation and continued store closures. The brand increased market share in CDs, DVDs and gaming and grew operating profit by 11.7%. The Body Shop posted a strong performance for the first half, with turnover increasing by 14.5% and operating profit by 18.4%.

UPD grew wholesale turnover by 5.0% and increased its share of the private pharmaceutical market to 23.2% (2011: 22.9%). Four new distribution agency contracts were taken on during the period. Operating profit increased by 3.3%.

Prospects

The health and beauty markets are expected to remain highly competitive. Selling price inflation is anticipated to be less than 2% for the full year.

In these market conditions, the group's focus will be on driving volume growth and containing costs. Management is committed to maintaining the investment in the longer term growth of the business, with capital expenditure of R183 million committed for the second half of the year.

The group remains well positioned in the medium-term through the market leadership and growth potential of both Clicks and UPD.

Full-year earnings forecast

The group currently anticipates that diluted headline earnings per share for the year to 31 August 2012 will increase by between 6% and 11% over the previous financial year.

This forecast is based on the following assumptions: The health and beauty markets will remain highly competitive; selling price inflation will be below 2% for the financial year; further organic growth will be generated from store expansion, the opening of additional pharmacies and the benefit of distribution agency contracts; and there will be no marked changes in trading conditions, the regulatory environment and in the macro-economy that will impact on consumer spending.

Shareholders are advised that this forecast has not been reviewed or reported on by the group's independent auditor.

Interim dividend

The board of directors has approved and declared a gross interim ordinary dividend of 44.1 cents per share (2011: 37.0 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

Additional information

In determining the Dividends Tax ("DT") to withhold in terms of the Income Tax Act, Secondary Tax on Companies ("STC") credits amounting to 44.1 cents per share, utilised by the company should be taken into account. Shareholders will therefore receive a dividend of 44.1 cents net of DT. The company has 276 123 498 ordinary shares in issue and its income tax reference number is 9061/745/71/8.

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

	2012
Last day to trade "*cum*" the dividend	Friday, 22 June
Shares trade "*ex*" the dividend	Monday, 25 June
Record date	Friday, 29 June
Payment to shareholders	Monday, 2 July

Share certificates may not be dematerialised or rematerialised between Monday, 25 June 2012 and Friday, 29 June 2012, both days inclusive.

The directors of the company have determined that dividend cheques amounting to R50.00 or less due to any 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, 22 June 2012, being the day the shares trade "*cum*" the dividend. 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

26 April 2012

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

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

Consolidated statement of comprehensive income

R'000	Six months to 29 February 2012 (unaudited)	Six months to 28 February 2011 (unaudited) (restated)*	% change	Year to 31 August 2011 (restated)*
Revenue	**8 022 039**	7 495 901	7.0	14 833 118
Turnover	**7 657 499**	7 166 768	6.8	14 135 948
Cost of merchandise sold	**(5 873 924)**	(5 485 442)	7.1	(10 879 173)
Gross profit	**1 783 575**	1 681 326	6.1	3 256 775
Other income	**361 200**	324 266	11.4	688 935
Total income	**2 144 775**	2 005 592	6.9	3 945 710
Expenses	**(1 655 839)**	(1 543 291)	7.3	(3 008 120)
Depreciation and amortisation	**(83 309)**	(72 401)	15.1	(149 714)
Occupancy costs	**(229 697)**	(208 434)	10.2	(422 596)
Employment costs	**(817 255)**	(768 469)	6.3	(1 496 491)
Other costs	**(525 578)**	(493 987)	6.4	(939 319)
Operating profit	**488 936**	462 301	5.8	937 590
Loss on disposal of property, plant and equipment	**(2 579)**	(2 509)	2.8	(6 250)
Profit before financing costs	**486 357**	459 792	5.8	931 340
Net financing costs	**(25 108)**	(17 213)	45.9	(33 626)
Financial income	**3 340**	4 867	(31.4)	8 235
Financial expense	**(28 448)**	(22 080)	28.8	(41 861)
Profit before taxation	**461 249**	442 579	4.2	897 714
Income tax expense	**(130 078)**	(121 690)	6.9	(246 749)
Profit for the period	**331 171**	320 889	3.2	650 965
Other comprehensive (loss)/income:				
Exchange differences on translation of foreign subsidiaries	**(93)**	66		(220)
Cash flow hedges	**(3 003)**	–		2 105
Change in fair value of effective portion	**(4 171)**	–		2 924
Deferred tax on movement of effective portion	**1 168**	–		(819)
Other comprehensive (loss)/income for the period, net of tax	**(3 096)**	66		1 885
Total comprehensive income for the period	**328 075**	320 955		652 850
Profit attributable to:				
Equity holders of the parent	**331 085**	320 863		650 932
Non-controlling interest	**86**	26		33
	331 171	320 889		650 965
Total comprehensive income attributable to:				
Equity holders of the parent	**327 989**	320 929		652 817
Non-controlling interest	**86**	26		33
	328 075	320 955		652 850
Earnings per share (cents)	**130.8**	121.8	7.4	248.3
Diluted earnings per share (cents)	**130.8**	121.6	7.6	248.0

* Refer note 1.2

Headline earnings reconciliation

R'000	Six months to 29 February 2012 (unaudited)	Six months to 28 February 2011 (unaudited)	% change	Year to 31 August 2011 (audited)
Total profit for the period attributable to equity holders of the parent	**331 085**	320 863		650 932
Adjusted for:				
Loss on disposal of property, plant and equipment	**1 857**	1 806		4 500
Headline earnings	**332 942**	322 669	3.2	655 432
Headline earnings per share (cents)	**131.6**	122.4	7.5	250.1
Diluted headline earnings per share (cents)	**131.5**	122.2	7.6	249.7

Condensed consolidated statement of financial position

R'000	As at 29 February 2012 (unaudited)	As at 28 February 2011 (unaudited)	As at 31 August 2011 (audited)
Non-current assets	**1 413 884**	1 378 980	1 414 484
Property, plant and equipment	**959 216**	924 052	949 906
Intangible assets	**301 510**	307 032	301 579
Goodwill	**103 510**	103 510	103 510
Deferred tax assets	**43 870**	28 201	53 756
Loans receivable	**5 778**	16 185	5 733
Current assets	**3 216 643**	2 624 550	2 840 299
Inventories	**2 060 097**	1 710 711	1 802 557
Trade and other receivables	**1 053 883**	848 621	998 944
Loans receivable	**9 181**	15 745	17 901
Cash and cash equivalents	**88 401**	40 324	17 790
Derivative financial assets	**5 081**	9 149	3 107
Total assets	**4 630 527**	4 003 530	4 254 783
Equity and liabilities			
Total equity	**1 082 755**	1 015 933	965 187
Non-current liabilities	**254 031**	254 043	264 829
Interest-bearing borrowings	**–**	10 046	19
Employee benefits	**83 675**	80 172	92 473
Deferred tax liabilities	**38 254**	42 047	46 695
Operating lease liability	**132 102**	121 778	125 642
Current liabilities	**3 293 741**	2 733 554	3 024 767
Trade and other payables	**2 567 899**	2 353 250	2 431 756
Employee benefits	**124 637**	155 678	164 669
Provisions	**2 167**	5 375	5 217
Interest-bearing borrowings	**545 603**	174 828	375 217
Income tax payable	**47 718**	38 583	44 489
Derivative financial liabilities	**5 717**	5 840	3 419
Total equity and liabilities	**4 630 527**	4 003 530	4 254 783

Notes

Accounting policies

1.1 These interim financial results for the six months ended 29 February 2012 have been prepared in compliance with International Financial Reporting Standards ("IFRS"), the AC 500 Standards as issued by SAICA, the disclosure requirements of IAS 34,the South African Companies Act (71 of 2008, as amended) and have been consistently applied with those adopted for the year ended 31 August 2011.

The information contained in the interim report has neither been audited nor reviewed by the group's external auditors. These condensed financial statements have been prepared under the supervision of M Fleming CA(SA), the Chief Financial Officer of the group.

1.2 The statement of comprehensive income as at 28 February 2011 and 31 August 2011 have been restated for the reclassification of income and expenses between turnover, cost of sales, other income and other operating expenses. This has resulted in an increase in cost of sales in Clicks of R13.4 million (28 February 2011) and R49.9 million (31 August 2011) with a corresponding increase in other income. Within UPD turnover has increased by R29.2 million (28 February 2011) and R82.9 million (31 August 2011) with a corresponding increase in other operating expenses. The inter-segmental elimination increased by R13.4 million (28 February 2011) and R49.9 million (31 August 2011) relating to turnover and cost of sales with a corresponding increase in the elimination relating to other income and other operating expenses of a similar amount. There has been no impact on profit, statement of financial position, statement of changes in equity or statement of cash flows.

Condensed consolidated statement of cash flows

R'000	Six months to 29 February 2012 (unaudited)	Six months to 28 February 2011 (unaudited)	Year to 31 August 2011 (audited)
Operating profit before working capital changes	**591 237**	503 774	1 075 227
Working capital changes	**(235 462)**	35 495	(105 055)
Net interest paid	**(17 307)**	(11 033)	(21 113)
Taxation paid	**(124 043)**	(131 910)	(271 988)
Cash inflow from operating activities before distributions	**214 425**	396 326	677 071
Distributions paid to shareholders	**(225 616)**	(199 112)	(295 507)
Net cash effects of operating activities	**(11 191)**	197 214	381 564
Net cash effects of investing activities	**(90 457)**	(112 212)	(209 353)
Capital expenditure	**(99 174)**	(108 651)	(215 701)
Acquisition of businesses	**–**	(10 225)	(10 225)
Other investing activities	**8 717**	6 664	16 573
Net cash effects of financing activities	**172 259**	(196 730)	(306 473)
Purchase of treasury shares	**–**	(251 483)	(552 406)
Other financing activities	**172 259**	54 753	245 933
Net increase/(decrease) in cash and cash equivalents	**70 611**	(111 728)	(134 262)

Condensed consolidated statement of changes in equity

R'000	Six months to 29 February 2012 (unaudited)	Six months to 28 February 2011 (unaudited)	Year to 31 August 2011 (audited)
Opening balance	**965 187**	1 141 328	1 141 328
Purchase of treasury shares	**–**	(251 483)	(552 406)
Disposal of treasury shares	**1 973**	1 963	2 579
Total comprehensive income for the period	**328 075**	320 955	652 850
Share-based payment reserve movement	**13 136**	2 282	16 343
Distributions to shareholders	**(225 616)**	(199 112)	(295 507)
Total	**1 082 755**	1 015 933	965 187
Dividend/distribution per share (cents)			
Interim proposed/paid	**44.1**	37.0	37.0
Final declared/paid	**–**	–	88.0
	44.1	37.0	125.0

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 29 February 2012 (unaudited)					
Clicks	5 381 727	362 904	2 418 661	72 113	1 358 534
Musica	504 913	36 843	226 262	2 193	184 155
The Body Shop	67 415	15 384	26 958	1 239	13 939
United Pharmaceutical Distributors	2 866 016	74 631	2 123 363	4 900	1 744 748
Inter-segmental	(1 162 572)	(826)	(886 986)	–	(875 259)
Total reportable segmental balance	7 657 499	488 936	3 908 258	80 445	2 426 117
Non-reportable segmental balance	–	(27 687)	722 269	19 227	1 121 655
Total group balance	7 657 499	461 249	4 630 527	99 672	3 547 772
Six months to 28 February 2011 (unaudited) (restated)*					
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	2 729 818	72 263	1 887 382	5 870	1 641 561
Inter-segmental	(1 061 455)	601	(931 689)	–	(917 436)
Total reportable segmental balance	7 166 768	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	7 166 768	442 579	4 003 530	109 270	2 987 597
Twelve months to 31 August 2011 (restated)*					
Clicks	9 789 459	750 836	2 234 077	173 278	1 385 885
Musica	895 600	31 418	202 074	10 520	98 843
The Body Shop	107 786	20 575	24 090	1 797	13 139
United Pharmaceutical Distributors	5 601 891	130 808	1 951 839	10 701	1 651 787
Inter-segmental	(2 258 788)	3 953	(835 282)	–	(824 381)
Total reportable segmental balance	14 135 948	937 590	3 576 798	196 296	2 325 273
Non-reportable segmental balance	–	(39 876)	677 985	19 405	964 323
Total group balance	14 135 948	897 714	4 254 783	215 701	3 289 596

	As at 29 February 2012 (unaudited)	As at 28 February 2011 (unaudited)	As at 31 August 2011 (audited)
Non-reportable segmental profit before taxation consists of:			
Loss on disposal of property, plant and equipment	**(2 579)**	(2 509)	(6 250)
Financial income	**3 340**	4 867	8 235
Financial expense	**(28 448)**	(22 080)	(41 861)
	(27 687)	(19 722)	(39 876)

* Refer note 1.2

Supplementary information

	As at 29 February 2012 (unaudited)	As at 28 February 2011 (unaudited)	As at 31 August 2011 (audited)
Number of ordinary shares in issue (gross) ('000)	**276 123**	268 303	270 652
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross) ('000)	**305 277**	297 457	299 805
Number of ordinary shares in issue (net of treasury shares) ('000)	**253 259**	260 518	252 959
Weighted average number of shares in issue (net of treasury shares) ('000)	**253 063**	263 522	262 118
Weighted average diluted number of shares in issue (net of treasury shares) ('000)	**253 191**	263 945	262 515
Net asset value per share (cents)	**428**	390	382
Net tangible asset value per share (cents)	**268**	232	221
Depreciation and amortisation (R'000)	**87 354**	76 789	158 285
Capital expenditure (including acquisition of businesses) (R'000)	**99 672**	119 495	225 926
Capital commitments (R'000)	**182 826**	131 730	257 100