INTERIM CONDENSED CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2017

CLICKS GROUP
LIMITED

CONTENTS

Group turnover up
8.5%

Clicks turnover up
13.1%

Operating margin up
30 bps

Diluted headline EPS up
13.5%

Interim dividend up
15.8%

Return on equity of
47.2%

COMMENTARY

Overview

Clicks Group produced another strong health and beauty retail trading performance in the slowing consumer spending environment. The Clicks chain again demonstrated its resilience and increased sales by 13.1%, reporting good volume growth and market share gains in all core merchandise categories. Key to the performance was buoyant Christmas trading with customers responding positively to the great value offer and differentiated product ranges.

During the period Clicks implemented a long-term outsourcing agreement with the Netcare Group and took over the management of 37 Medicross pharmacies and opened Clicks front shops in 41 Netcare hospitals.

UPD, the group's pharmaceutical distributor, delivered excellent growth in operating profit of 22.1% through efficient cost and inventory management.

The group's performance for the six months translated into growth of 13.5% in diluted headline earnings per share (HEPS) to 232 cents per share while the interim dividend has been increased by 15.8% to 88 cents per share. The group continues to deliver a high return on equity of 47.2%.

Financial performance

Group turnover increased by 8.5% to R13.1 billion, with retail sales growing by 11.8% and distribution turnover by 7.5%. Selling price inflation for the group was contained to 4.8%.

Total income increased by 10.9% to R3.5 billion. The group's total income margin improved by 60 basis points to 26.7% owing to the favourable mix impact with the faster growth in retail.

Retail expense growth of 11.6% was contained below sales growth despite the investment in new stores and pharmacies, including the integration of the Medicross pharmacies and Netcare front shops. Comparable retail costs increased by 6.4% for the six months. UPD demonstrated excellent cost control and reduced expenses by 2.2% over the prior period.

Operating profit increased by 14.7% to R840 million as both retail and distribution increased margin, with the group operating margin expanding by 30 basis points to 6.4%.

Inventory was well managed. Days in stock were consistent with the prior period at 73 days while inventory levels were 7.6% higher, below the rate of sales growth.

Cash inflow from operations before working capital changes increased by 9.4% to R972 million. Capital expenditure of R249 million (H1 2016: R203 million) was invested during the first half, mainly in new stores and pharmacies, store refurbishments, supply chain and information technology.

Trading performance

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 13.1%, with strong growth in pharmacy and front shop health. Comparable store sales grew by 8.4%.

Clicks reached the 600-store mark following the opening of a net 89 new stores. The pharmacy network was expanded to 459 as a net new 59 pharmacies were opened.

UPD increased wholesale turnover by 9.6%, ahead of the pharma market growth of 5.6%, with market share increasing to 24.6%. The core customers of Clicks and the private hospital groups now account for 81.4% of UPD's wholesale turnover.

Outlook

Consumer spending will continue to be constrained in the months ahead, with low economic growth, higher taxes and ongoing political turbulence weighing negatively on disposable income and consumer sentiment.

The health and beauty markets in which the group operates are relatively resilient and in the current environment management will focus on protecting income, controlling costs and managing cash efficiently.

The group remains strongly cash generative and will continue to fund organic growth through the operating cash flows produced by the business. Capital investment has been increased to R577 million for the full financial year to support the increased scale of the group.

Full-year earnings forecast

The directors forecast that diluted HEPS for the financial year ending 31 August 2017 will increase by between 11% and 16% over the 2016 financial year.

The forecast is based on the following key assumptions:

- the consumer spending environment will remain constrained in the second half of the financial year; and
- retail selling price inflation should average between 5% and 6% for the financial year.

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 an interim gross ordinary dividend for the period ended 28 February 2017 of 88.0 cents per share (2016: 76.0 cents per share). The source of the dividend will be from distributable reserves and paid in cash.

Additional information

Dividends Tax ("DT") of 20% amounting to 17.6 cents per ordinary share will be withheld in terms of the Income Tax Act. Ordinary shareholders who are not exempt from DT will therefore receive a dividend of 70.4 cents net of DT.

The company has 245 967 313 ordinary shares and 29 153 295 ordinary "A" shares in issue. Its income tax reference number is 9061/745/71/8.

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

Last day to trade "cum" the dividend	Tuesday, 27 June 2017
Shares trade "ex" the dividend	Wednesday, 28 June 2017
Record date	Friday, 30 June 2017
Payment to shareholders	Monday, 3 July 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 June 2017 and Friday, 30 June 2017, 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 Tuesday, 27 June 2017, 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

Matthew Welz
Company Secretary

21 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Six months to 28 February 2017 (unaudited)	Six months to 29 February 2016 (unaudited)	% change	Year to 31 August 2016 (audited)
Revenue	**13 800 328**	12 704 866		25 530 967
Turnover	**13 125 101**	12 093 347	8.5	24 170 879
Cost of merchandise sold	**(10 297 945)**	(9 545 841)	7.9	(19 156 612)
Gross profit	**2 827 156**	2 547 506	11.0	5 014 267
Other income	**671 772**	608 103	10.5	1 353 833
Total income	**3 498 928**	3 155 609	10.9	6 368 100
Expenses	**(2 658 735)**	(2 423 410)	9.7	(4 796 464)
Depreciation and amortisation	**(137 089)**	(121 900)	12.5	(252 662)
Occupancy costs	**(375 846)**	(340 526)	10.4	(682 827)
Employment costs	**(1 396 524)**	(1 244 372)	12.2	(2 550 731)
Other costs	**(749 276)**	(716 612)	4.6	(1 310 244)
Operating profit	**840 193**	732 199	14.7	1 571 636
Loss on disposal of property, plant and equipment	**(2 109)**	(3 098)	(31.9)	(6 388)
Profit before financing costs	**838 084**	729 101	14.9	1 565 248
Net financing costs	**(27 864)**	(18 182)	53.3	(52 851)
Financial income	**3 455**	3 416	1.1	6 255
Financial expense	**(31 319)**	(21 598)	45.0	(59 106)
Share of profit of an associate	**1 417**	–	100.0	2 254
Profit before taxation	**811 637**	710 919	14.2	1 514 651
Income tax expense	**(228 886)**	(201 913)	13.4	(420 779)
Profit for the period	**582 751**	509 006	14.5	1 093 872
Other comprehensive (loss)/income:				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translation of foreign subsidiaries	**(2 853)**	6 522		(526)
Cash flow hedges	**(18 653)**	(109)		(6 580)
Change in fair value of effective portion	**(25 907)**	(151)		(9 139)
Deferred tax on movement of effective portion	**7 254**	42		2 559
Other comprehensive (loss)/income for the period, net of tax	**(21 506)**	6 413		(7 106)
Total comprehensive income for the period	**561 245**	515 419		1 086 766
Earnings per share (cents)	**246.4**	213.3	15.5	460.5
Diluted earnings per share (cents)	**231.4**	203.5	13.7	436.7

HEADLINE EARNINGS RECONCILIATION

R'000	Six months to 28 February 2017 (unaudited)	Six months to 29 February 2016 (unaudited)	% change	Year to 31 August 2016 (audited)
Total profit for the period	**582 751**	509 006		1 093 872
Adjusted for:				
Loss net of tax on disposal of property, plant and equipment	**1 518**	2 230		4 599
Headline earnings	**584 269**	511 236	14.3	1 098 471
Headline earnings per share (cents)	**247.0**	214.2	15.3	462.4
Diluted headline earnings per share (cents)	**232.0**	204.4	13.5	438.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	As at 28 February 2017 (unaudited)	As at 29 February 2016 (unaudited)	As at 31 August 2016 (audited)
Non-current assets	**2 642 084**	2 165 828	2 507 207
Property, plant and equipment	**1 442 171**	1 284 961	1 345 024
Intangible assets	**439 915**	405 020	434 083
Goodwill	**103 510**	103 510	103 510
Deferred tax assets	**506 822**	195 123	347 400
Investment in associate	**20 375**	19 666	20 282
Loans receivable	**9 521**	13 246	9 521
Financial assets at fair value through profit or loss	**22 030**	19 946	16 145
Derivative financial assets	**97 740**	124 356	231 242
Current assets	**6 419 638**	6 210 054	5 869 689
Inventories	**3 990 146**	3 708 736	3 478 717
Trade and other receivables	**2 153 476**	2 248 338	2 012 696
Loans receivable	**8 733**	–	8 476
Cash and cash equivalents	**115 598**	227 888	369 800
Derivative financial assets	**151 685**	25 092	–
Total assets	**9 061 722**	8 375 882	8 376 896
Equity and liabilities			
Total equity	**2 732 426**	1 889 767	2 452 241
Non-current liabilities	**315 142**	316 058	405 541
Employee benefits	**131 060**	124 839	215 132
Operating lease liability	**184 082**	186 553	190 409
Financial liability held at fair value through profit or loss	**–**	4 666	–
Current liabilities	**6 014 154**	6 170 057	5 519 114
Trade and other payables	**5 623 569**	5 730 139	5 148 411
Employee benefits	**276 503**	165 841	241 986
Provisions	**6 733**	5 745	6 939
Interest-bearing borrowings	**–**	200 800	–
Income tax payable	**90 033**	66 340	92 476
Derivative financial liabilities	**14 914**	1 192	26 971
Financial liability at fair value through profit or loss	**2 402**	–	2 331
Total equity and liabilities	**9 061 722**	8 375 882	8 376 896

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Six months to 28 February 2017 (unaudited)	Six months to 29 February 2016 (unaudited)	Year to 31 August 2016 (audited)
Operating profit before working capital changes	**972 264**	888 782	1 846 993
Working capital changes	**(242 456)**	(47 224)	(19 467)
Net interest paid	**(22 452)**	(13 025)	(38 831)
Taxation paid	**(225 375)**	(242 258)	(443 793)
Cash inflow from operating activities before dividends paid	**481 981**	586 275	1 344 902
Dividends paid to shareholders	**(469 309)**	(406 051)	(585 757)
Net cash effects from operating activities	**12 672**	180 224	759 145
Net cash effects from investing activities	**(248 826)**	(218 556)	(454 765)
Capital expenditure	**(249 424)**	(203 437)	(432 959)
Other investing activities	**598**	(15 119)	(21 806)
Net cash effects from financing activities	**(18 048)**	(134 518)	(335 318)
Purchase of treasury shares	**–**	(290 171)	(290 171)
Acquisition of derivative financial asset	**(39 064)**	(45 147)	(45 147)
Settlement of derivative financial asset	**21 016**	–	–
Interest-bearing borrowings raised	**–**	200 800	–
Net decrease in cash and cash equivalents	**(254 202)**	(172 850)	(30 938)
Cash and cash equivalents at the beginning of the period	**369 800**	400 738	400 738
Cash and cash equivalents at the end of the period	**115 598**	227 888	369 800

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	**Six months to 28 February 2017 (unaudited)**	Six months to 29 February 2016 (unaudited)	Year to 31 August 2016 (audited)
Opening balance	**2 452 241**	2 012 807	2 012 807
Purchase of treasury shares	**–**	(290 171)	(290 171)
Dividends paid to shareholders	**(469 309)**	(406 051)	(585 757)
Total comprehensive income for the period	**561 245**	515 419	1 086 766
Share-based payment reserve movement	**188 249**	57 763	228 596
Total	**2 732 426**	1 889 767	2 452 241
Dividend per share (cents)			
Interim declared/paid	**88.0**	76.0	76.0
Final paid	**–**	–	196.0
	88.0	76.0	272.0

SEGMENTAL ANALYSIS

The group's reportable segments under IFRS 8 are Retail and Distribution.

R'000	**Turnover**	**Profit before taxation**	**Total assets**	**Capital expenditure**	**Total liabilities**
Six months to 28 February 2017 (unaudited)					
Retail	**9 238 486**	**700 094**	**4 222 425**	**214 485**	**2 730 164**
Distribution	**5 845 637**	**139 565**	**5 424 363**	**15 971**	**4 040 332**
Inter-segmental	**(1 959 022)**	**534**	**(2 354 696)**	**–**	**(2 319 814)**
Total reportable segmental balance	**13 125 101**	**840 193**	**7 292 092**	**230 456**	**4 450 682**
Non-reportable segmental balance	**–**	**(28 556)**	**1 769 630**	**18 968**	**1 878 614**
Total group balance	**13 125 101**	**811 637**	**9 061 722**	**249 424**	**6 329 296**
Six months to 29 February 2016 (unaudited)					
Retail	8 263 200	623 516	3 969 322	172 547	2 672 891
Distribution	5 436 703	114 304	5 429 748	6 003	4 272 078
Inter-segmental	(1 606 556)	(5 621)	(2 257 612)	–	(2 226 633)
Total reportable segmental balance	12 093 347	732 199	7 141 458	178 550	4 718 336
Non-reportable segmental balance	–	(21 280)	1 234 424	24 887	1 767 779
Total group balance	12 093 347	710 919	8 375 882	203 437	6 486 115
Twelve months to 31 August 2016 (audited)					
Retail	16 640 227	1 305 687	3 937 799	323 243	2 605 804
Distribution	11 054 959	276 005	5 177 762	34 286	3 900 597
Inter-segmental	(3 524 307)	(10 056)	(2 425 935)	–	(2 390 519)
Total reportable segmental balance	24 170 879	1 571 636	6 689 626	357 529	4 115 882
Non-reportable segmental balance	–	(56 985)	1 687 270	75 430	1 808 773
Total group balance	24 170 879	1 514 651	8 376 896	432 959	5 924 655

R'000	**As at 28 February 2017 (unaudited)**	As at 29 February 2016 (unaudited)	As at 31 August 2016 (audited)
Non-reportable segmental profit before taxation consists of:			
Loss on disposal of property, plant and equipment	**(2 109)**	(3 098)	(6 388)
Financial income	**3 455**	3 416	6 255
Financial expense	**(31 319)**	(21 598)	(59 106)
Share of profit of an associate	**1 417**	–	2 254
	(28 556)	(21 280)	(56 985)

SUPPLEMENTARY INFORMATION

		As at 28 February 2017 (unaudited)	As at 29 February 2016 (unaudited)	As at 31 August 2016 (audited)
Number of ordinary shares in issue (gross)	('000)	**245 967**	246 138	246 138
Number of ordinary shares in issue including "A" shares issued in terms of employee share ownership programme (gross)	('000)	**275 120**	275 291	275 291
Number of ordinary shares in issue (net of treasury shares)	('000)	**236 524**	236 524	236 524
Weighted average number of shares in issue (net of treasury shares)	('000)	**236 524**	238 624	237 565
Weighted average diluted number of shares in issue (net of treasury shares)	('000)	**251 821**	250 110	250 501
Number of ordinary shares purchased	('000)	**–**	3 360	3 360
Net asset value per share	(cents)	**1 155**	799	1 037
Net tangible asset value per share	(cents)	**925**	584	809
Depreciation and amortisation	(R'000)	**143 481**	127 517	264 144
Capital expenditure	(R'000)	**249 424**	203 437	432 959
Capital commitments	(R'000)	**327 976**	251 300	577 400

ACCOUNTING POLICIES AND NOTES

1.1 These condensed consolidated financial statements for the six months ended 28 February 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

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

The accounting policies used in the preparation of the financial results for the six months ended 28 February 2017 are in terms of IFRS and are consistent with those applied in the Audited Annual Financial Statements for the year ended 31 August 2016.

1.2 Related party transactions for the current year are similar to those disclosed in the group's annual financial statements for the year ended 31 August 2016. No significant related party transactions arose during the current year.

1.3 During the period under review, the Clicks Group entered into a long-term rental agreement with the Netcare Group. In terms of the agreement Clicks will manage the 37 retail pharmacies in Medicross medical and dental centres and the 45 Netcare hospital front shop operations. This transaction has not resulted in any material impact to either the statement of comprehensive income or the statement of financial position.

1.4 No shares were repurchased during the current period. On 1 February 2017, the company cancelled and delisted 170 450 ordinary shares previously held as treasury shares.

1.5 The carrying value of all financial instruments approximates fair value. All financial instruments are held at amortised cost, with the exception of derivative instruments, the investment in Guardrisk Insurance Company Limited and a contingent consideration liability arising from the investment in associate which are accounted for at fair value through profit or loss. The fair value of financial instruments that are not traded in active markets are determined by using valuation techniques; if all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. All financial instruments accounted for at fair value through profit or loss are considered to be level 2 investments except for the financial liability relating to the contingent consideration liability arising from the investment in associate which is considered to be a level 3 liability and is not material. There have been no transfers between levels 1, 2 and 3 during the year.

1.6 The majority of the current and non-current derivative financial assets are to hedge obligations under the cash-settled share compensation scheme.

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), NN Gobodo*, F Jakoet*, DA Kneale# (Chief Executive Officer), M Rosen*
* Independent non-executive # British

Company secretary: M Welz

Registration number: 1996/000645/06

Share code: CLS **ISIN:** ZAE000134854 **CUSIP:** 18682W205

Transfer secretaries: Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196. PO Box 61051, Marshalltown 2107

Sponsor: Investec Bank Limited

This information, together with additional detail, is available on the Clicks Group Limited website:

www.clicksgroup.co.za