

Dis-Chem Pharmacies Limited  
("Dis-Chem" or "the Company")  
(Incorporated in the Republic of South Africa)  
(Registration number 2005/009766/06)  
Share code: DCP  
ISIN: ZAE000227831

REVIEWED INTERIM CONDENSED CONSOLIDATED RESULTS  
for the six months ended 31 August 2018

#### COMMENTARY

##### Overview

Despite a tough economic environment, the Dis-Chem Group reports positive results with improved market shares across all its core categories and continues to produce attractive returns to shareholders.

Earnings attributable to shareholders and headline earnings both grew by 10.5% over the corresponding period in the prior year ("corresponding period"). Earnings per share and headline earnings per share are both 51.7 cents per share, an increase of 10.5%.

Chief executive, Ivan Saltzman: "The continuing increase in the fuel price along with the 1% increase in the VAT rate continues to put pressure on consumers. After tough trading conditions in April, we experienced another extremely tough trading month in July. Subsequently we have seen trading improvements in August and then again in September suggesting consumer confidence is improving slightly. It is pleasing to note that in each of the last six months we have made market share gains in all of our core categories confirming the success and importance of our everyday low price strategy and the availability of choice for our customers. Our superior trading densities, high average basket size and spend by our Benefits Programme members further points to the loyalty that our brand enjoys in this market."

##### Financial performance

During the six-month period from 1 March 2018 to 31 August 2018, Dis-Chem recorded Group revenue growth of 9.4% to R10.5 billion.

Retail revenue grew by 9.8% to R9.6 billion with comparable store revenue at 3.5% and selling price inflation of only 1.2%. Comparable store revenue and selling price inflation were, and will continue to be, negatively impacted by the 1.26% Single Exit Price ("SEP") increase effective 1 March 2018. The SEP is prescribed by the Department of Health and impacts approximately a third of Dis-Chem's retail sales. Wholesale revenue grew by 15.1% to R7.4 billion.

Total income, comprising of gross profit and other income, grew by 13.5% to R3.1 billion. The Group's total income margin improved from 28.3% to 29.4% as a result of a focused exercise by categories to review and increase gross margin across inelastic products. The Group also continues to benefit from better trade terms with suppliers as it grows market share.

Retail expenses grew by 13.2% as the Group invested in 18 new stores over the comparable period. Wholesale expenses grew by 15.4% as a result of the investment in the new Cape Town facility as well as the extension of space in the Delmas facility over the last 12 months. Cost efficiency remains a focus as the Group now has wholesale operations that are more geographically aligned with its retail store base and the independent pharmacy market that the Group intends to access.

Operating profit grew by 8.3% to R0.7 billion, with the Group operating margin being 6.7%. Retail operating margin grew by 11% to R0.8 billion. The Wholesale segment incurred an operating loss amounting to R46 million (EBITDA loss of R25 million). After the reporting period, on a monthly basis, the wholesale segment is breaking even at an Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") level.

Net finance costs declined by 10.4% to R77 million, primarily due to the R37.5 million quarterly repayments of the term debt.

Working capital continues to be well managed and the Group's net working capital improved from 36.4 days at 28 February 2018 to 35.7 days at August 2018. Creditors' days have continued to improve due to concentrated efforts on supply chain finance offered to the Group's vendor base. The Group is holding increased levels of inventory, especially in the retail segment, due to a concern of potential labour unrest at certain wholesale facilities.

Total capital expenditure of R156 million comprised of R119 million of expansionary expenditure as the Group invested in seven additional stores as well as information technology enhancements across both the retail and wholesale segments. The balance of R37 million relates to replacement expenditure incurred to maintain the existing retail and wholesale network.

#### Trading performance

##### Retail

Retail revenue grew by 9.8% to R9.6 billion and was negatively impacted by the 1.26% SEP increase. The SEP is prescribed by the Department of Health and impacts approximately a third of the Group's retail revenue. Total dispensary revenue growth was 8.2% lagging the average front shop revenue growth of 10.8%. In the absence of an additional SEP increase during the remainder of the financial period, we expect dispensary revenue to continue to lag our front shop categories; Personal Care and Beauty, Healthcare and Nutrition and Baby Care.

In the current period, the Group has opened seven new stores, including flagship stores in Sandton and Gateway, resulting in 136 stores at August 2018. The addition of new space together with maturing space is the most prominent driver of retail growth.

In FY2018, the Group added 21 new stores which contributed R667 million to revenue in the six-month period under review. At August 2018, the Group added seven new stores adding R155 million to revenue.

##### Wholesale

Wholesale revenue grew by 15.1% to R7.4 billion. Revenue to our own retail stores, still the biggest contributor to wholesale sales grew by 16.5% as we achieved over 80% of internal supply. The Local Choice revenue growth continues to be very positive coming in at 15.6% and now contributing 5% to overall wholesale revenue. We expect to increase external sales with the acquisition of Quenets Proprietary Limited, a wholesaler in the Western Cape, once final approval is received from the Competition Commission.

##### Directorate

No changes have been made to the board since year-end or the prior corresponding period.

##### Outlook

For the six weeks to 14 October 2018, Group revenue grew by 10.3% with comparable store revenue by 3.3%. The Group expects that the consumer will continue to remain constrained due to the continuing increase in the fuel price and overall cost of living. As was the case previously, the resilient markets in which the Group operates will offer protection against the weak environment; the Group is well positioned to benefit from additional consumer disposable income.

The Group remains focused on adding retail stores. Two stores have been added since the reporting period and an additional 13 store openings are planned through to February 2019. We reiterate our guidance to end the full year with a minimum of 151 stores.

##### Earnings guidance for FY2019

Referring to the trading update on 19 July 2018, the Group expects full-year earnings per share ("EPS") to be between 92.3 cents and 98.7 cents implying an increase of between 16% and 24%, compared to the EPS of 79.6 cents for the 12 months ended 28 February 2018. Earnings growth is expected to improve in the second half of the financial year as the benefits of the higher SEP granted in March 2017 predominantly impacts the base for the interim results to 31 August 2018.

We continue to expect to break even at an EBITDA level in the Wholesale division for the FY2019 period. This will be driven by additional scale on the back of internal and independent pharmacy sales growth as we access new

markets as a result of our newly invested warehouse space. Additionally, cost efficiency remains a focus as we now have wholesale operations that are more geographically aligned with our retail store base and the independent pharmacy market that we intend to access.

The financial information in the outlook and earnings guidance paragraphs have not been audited, reviewed or reporting on by the Group's external auditors

#### Dividends declaration

Notice is hereby given that a gross interim cash dividend of 20.69678 cents per share, in respect of the interim ended 31 August 2018 has been declared based on 40% of headline earnings. The number of shares in issue at the date of this declaration is 860 084 483. The dividend has been declared out of income reserves as defined in the Income Tax Act, 1962, and will be subject to the South African dividend withholding tax ("DWT") rate of 20% which will result in a net dividend of 16.55742 cents per share to those shareholders who are not exempt from paying dividend tax. Dis-Chem's tax reference number is 9931586144.

The salient dates relating to the payment of the dividend are as follows:

- Last day to trade cum dividend on the JSE: Tuesday, 30 October 2018
- First trading day ex dividend on the JSE: Wednesday, 31 October 2018
- Record date: Friday, 2 November 2018
- Payment date: Monday, 5 November 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 31 October 2018 and Friday, 2 November 2018, both days inclusive. Shareholders who hold ordinary shares in certificated form ("certificated shareholders") should note that dividends will be paid by cheque and by means of an electronic funds transfer ("EFT") method. Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by EFT only to such certificated shareholder. Certificated shareholders who do not have access to any EFT facilities are advised to contact the company's transfer secretaries, Computershare Investor Services Proprietary Limited at Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196; on 011 370 5000; or on 0861 100 9818 (fax), in order to make the necessary arrangements to take delivery of the proceeds of their dividend.

Shareholders who hold ordinary shares in dematerialised form will have their accounts held at their CSDP or broker credited electronically with the proceeds of their dividend.

#### Approval

The interim reviewed condensed consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the directors on 16 October 2018.

On behalf of the Board

Ivan Saltzman  
Chief Executive Officer

Rui Morais  
Chief Financial Officer

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 31 August 2018 (Reviewed) R'000	Restated* Six months to 31 August 2017 (Reviewed) R'000	Six-month % change	Restated* Year to 28 February 2018 (Reviewed) R'000
Revenue from contracts with customers	10 464 943	9 568 612	9.4	19 479 553

Cost of sales	(7 858 142)	(7 197 358)	9.2	(14 710 016)
Gross profit	2 606 801	2 371 254	9.9	4 769 537
Other income	471 667	340 307	38.6	686 271
Total income	3 078 468	2 711 561	13.5	5 455 808
Other expenses	(2 373 467)	(2 060 587)	15.2	(4 330 728)
Operating profit	705 001	650 974	8.3	1 125 080
Net financing costs	(76 664)	(85 572)	(10.4)	(160 082)
- Finance income	9 223	4 660		28 321
- Finance costs	(85 887)	(90 232)		(188 403)
Profit before taxation	628 337	565 402	11.1	964 998
Taxation	(168 577)	(155 999)	8.1	(266 696)
Profit/Total comprehensive income for the year, net of tax	459 760	409 403	12.3	698 302
Profit attributable to:				
- Equity holders of the parent	445 011	402 877		684 254
- Non-controlling interests	14 749	6 526		14 048
Earning per share (cents)				
- Basic	51.7	46.8		79.6
- Diluted	51.7	46.8		79.6

\* Refer to note 2

#### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 August 2018 (Reviewed) R'000	Restated* As at 31 August 2017 (Reviewed) R'000	Restated* As at 28 February 2018 (Reviewed) R'000
<b>ASSETS</b>			
Non-current assets	1 755 671	1 496 540	1 664 700
Property, plant and equipment	1 213 619	1 098 357	1 182 394
Intangible assets	387 957	247 127	300 461
Deferred taxation	154 095	151 056	181 845
Current assets	6 661 332	4 935 977	5 470 665
Inventories	4 358 618	3 578 075	3 947 937
Trade and other receivables	1 211 878	1 074 026	1 118 855
Loans receivable	185 375	88 945	113 876
Taxation receivable	1 667	9 164	9 998
Cash and cash equivalents	903 794	185 767	279 999
Total assets	8 417 003	6 432 517	7 135 365
<b>EQUITY AND LIABILITIES</b>			
Equity and reserves	1 968 752	1 460 533	1 630 992
Share capital	6 155 554	6 155 554	6 155 554
Common control reserve	-	(990 991)	-
Retained earnings/(loss)	432 817	(3 704 030)	97 481
Other reserves	(4 619 619)	-	(4 622 043)
Non-controlling interest	65 379	27 290	55 147
Total equity	2 034 131	1 487 823	1 686 139
Non-current liabilities	1 306 593	1 446 406	1 388 846
Finance lease obligation	618 723	625 450	621 543
Operating lease obligation	226 695	194 579	213 198
Loans payable	424 604	571 000	499 605
Contingent consideration	36 571	55 377	54 500
Current liabilities	5 076 279	3 498 288	4 060 380
Trade and other payables	3 755 539	2 852 113	3 262 280
Employee-related obligations	127 365	123 734	146 014

Deferred revenue (contract liability)	61 771	99 893	81 292
Contingent consideration	20 956	22 769	21 749
Finance lease obligation	15 014	3 944	9 943
Loans payable	172 093	200 424	198 798
Taxation payable	49 863	33 783	32 790
Bank overdraft	873 678	161 628	307 514
Total equity and liabilities	8 417 003	6 432 517	7 135 365

\* Refer to note 2

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Retained earnings/ (loss) R'000	Common control reserve R'000	Other reserves R'000	Non- controlling interest R'000	Total R'000
Restated balance at 28 February 2017*	6 140 554	(4 043 701)	(990 991)	-	23 581	1 129 443
Profit/Total comprehensive income for the year	-	402 877	-	-	6 526	409 403
Shares issued during the year	15 000	-	-	-	-	15 000
Dividends paid	-	(63 206)	-	-	(2 817)	(66 023)
Restated balance at 31 August 2017*	6 155 554	(3 704 030)	(990 991)	-	27 290	1 487 823
Profit/Total comprehensive income for the year	-	281 377	-	-	7 522	288 899
Change in ownership interest in subsidiary	-	50 179	-	-	26 104	76 283
Transfer to other reserves	-	3 631 052	990 991	(4 622 043)	-	-
Dividends paid	-	(161 097)	-	-	(5 769)	(166 866)
Restated balance at 28 February 2018*	6 155 554	97 481	-	(4 622 043)	55 147	1 686 139
Profit/Total comprehensive income for the year	-	445 011	-	-	14 749	459 760
Change in ownership interest in subsidiary	-	(135)	-	-	1 468	1 333
Share-based payment expense	-	-	-	2 424	-	2 424
Dividends paid	-	(109 540)	-	-	(5 985)	(115 525)
Balance at 31 August 2018 (reviewed)	6 155 554	432 817	-	(4 619 619)	65 379	2 034 131

\* Refer to note 2

#### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 31 August 2018 (Reviewed) R'000	Six months to 31 August 2017 (Reviewed) R'000	Year to 28 February 2018 (Reviewed) R'000
Cash flow from operating activities	384 671	187 061	348 473
Cash inflow from trading operations	791 315	746 355	1 323 624
Movement in working capital	(111 477)	(257 733)	(295 931)
Finance income received	13 745	4 660	23 836
Finance costs paid	(70 716)	(77 768)	(164 424)
Taxation paid	(122 671)	(162 430)	(305 743)
Dividends paid	(115 525)	(66 023)	(232 889)

Cash flow from investing activities	(222 187)	(189 726)	(396 050)
Additions to property, plant and equipment and intangible assets			
- To maintain operations	(37 466)	(41 305)	(78 242)
- To expand operations	(118 610)	(131 504)	(295 586)
Proceeds on disposal of property, plant and equipment and intangible assets	3 615	83	1 123
Acquisition of subsidiary and assets and liabilities in business combination, net of cash acquired	(69 726)	(17 000)	(23 345)
Cash flow from financing activities	(104 853)	(100 835)	(107 577)
Long-term loans repaid	(75 000)	(76 000)	(153 410)
Contingent consideration paid	(23 133)	(22 941)	(22 941)
Finance lease repayment	(6 720)	(1 894)	(6 226)
Change in ownership interest in subsidiary	-	-	75 000
Net increase/(decrease) in cash and cash equivalents	57 631	(103 500)	(155 154)
Cash and cash equivalents at beginning of year	(27 515)	127 639	127 639
Cash and cash equivalents at end of year	30 116	24 139	(27 515)

#### EARNINGS PER SHARE

	Six months to 31 August 2018 (Reviewed) R'000	Restated* Six months to 31 August 2017 (Reviewed) R'000	Restated* Year to 28 February 2018 (Reviewed) R'000
Reconciliation of profit for the year to headline earnings			
Profit attributable to equity holders of the parent	445 011	402 877	684 254
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	16	(78)	(25)
Taxation	(4)	23	7
Headline earnings	445 023	402 822	684 236
Earnings per share (cents)			
- Basic	51.7	46.8	79.6
- Diluted	51.7	46.8	79.6
Headline earnings per share (cents)			
- Basic	51.7	46.8	79.6
- Diluted	51.7	46.8	79.6

\* Refer to note 2

	Six months to 31 August 2018 (Reviewed)	Six months to 31 August 2017 (Reviewed)	Year to 28 February 2018 (Reviewed)
Reconciliation of shares in issues to weighted average number of shares in issue			
Total number of shares in issue at beginning of the period	860 084 483	859 273 673	859 273 673
Shares issued during the year weighted for the period outstanding	-	788 777	799 703

Total weighted number of shares in issue at the end of the period	860 084 483	860 062 450	860 073 376
Share options issued during the period	109 710	-	-
Total diluted weighted number of shares in issue at the end of the period	860 194 193	860 062 450	860 073 376

#### SEGMENTAL INFORMATION

The Group has identified two reportable segments being Retail and Wholesale.

	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
Six months to 31 August 2018 (reviewed)				
External customers	9 600 518	864 425	-	10 464 943
Inter-segment	-	6 569 466	(6 569 466)	-
Total turnover	9 600 518	7 433 891	(6 569 466)	10 464 943
Cost of sales	(7 298 752)	(6 813 360)	6 253 970	(7 858 142)
Gross profit	2 301 766	620 531	(315 496)	2 606 801
Other income	489 029	27 842	(45 204)	471 667
Total income	2 790 795	648 373	(360 700)	3 078 468
Other expenses (excluding depreciation and amortisation)	(1 958 236)	(673 540)	354 129	(2 277 647)
Depreciation and amortisation	(75 459)	(20 361)	-	(95 820)
Net finance costs	(46 264)	(30 400)	-	(76 664)
Profit/(loss) before tax	710 836	(75 928)	(6 571)	628 337
Earnings before interest, tax, depreciation and amortisation (EBITDA)	832 559	(25 167)	(6 571)	800 821
Capital expenditure	(130 346)	(25 730)	-	(156 076)
Total assets	6 446 516	4 747 462	(2 776 975)	8 417 003
Total liabilities	3 952 676	3 612 125	(1 181 929)	6 382 872
Gross profit margin	24.0%	8.3%		24.9%
EBITDA margin	8.7%	(0.3%)		7.7%
Operating margin	7.9%	(0.6%)		6.7%

	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
Restated six months to 31 August 2017 (reviewed)*				
External customers	8 746 467	822 145	-	9 568 612
Inter-segment	-	5 637 759	(5 637 759)	-
Total turnover	8 746 467	6 459 904	(5 637 759)	9 568 612
Cost of sales	(6 620 092)	(5 894 438)	5 317 172	(7 197 358)
Gross profit	2 126 375	565 466	(320 587)	2 371 254
Other income	352 034	15 339	(27 066)	340 307
Total income	2 478 409	580 805	(347 653)	2 711 561
Other expenses (excluding depreciation and amortisation)	(1 726 740)	(578 755)	336 676	(1 968 819)
Depreciation and amortisation	(69 295)	(22 473)	-	(91 768)
Net finance costs	(53 154)	(32 418)	-	(85 572)
Profit/(loss) before tax	629 220	(52 841)	(10 977)	565 402
Earnings before interest, tax, depreciation and amortisation (EBITDA)	751 669	2 050	(10 977)	742 742
Capital expenditure	(108 385)	(64 424)	-	(172 809)
Total assets	5 255 101	4 057 387	(2 879 971)	6 432 517
Total liabilities	3 133 450	2 725 018	(913 774)	4 944 694

Gross profit margin	24.3%	8.8%	24.8%
EBITDA margin	8.6%	0.0%	7.8%
Operating margin	7.8%	(0.3%)	6.8%

	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
Restated twelve months to 28 February 2018 (reviewed)*				
External customers	17 906 653	1 572 900	-	19 479 553
Inter-segment	-	11 481 381	(11 481 381)	-
Total turnover	17 906 653	13 054 281	(11 481 381)	19 479 553
Cost of sales	(13 538 580)	(12 063 447)	10 892 011	(14 710 016)
Gross profit	4 368 073	990 834	(589 370)	4 769 537
Other income	704 331	47 686	(65 746)	686 271
Total income	5 072 404	1 038 520	(655 116)	5 455 808
Other expenses (excluding depreciation and amortisation)	(3 626 131)	(1 166 498)	635 353	(4 157 276)
Depreciation and amortisation	(132 561)	(40 891)	-	(173 452)
Net finance costs	(101 945)	(58 137)	-	(160 082)
Profit/(loss) before tax	1 211 767	(227 006)	(19 763)	964 998
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 446 273	(127 978)	(19 763)	1 298 532
Capital expenditure	(308 842)	(64 986)	-	(373 828)
Total assets	5 253 133	4 332 658	(2 450 426)	7 135 365
Total liabilities	3 218 692	3 117 477	(886 943)	5 449 226
Gross profit margin	24.4%	7.6%		24.5%
EBITDA margin	8.1%	(1.0%)		6.7%
Operating margin	7.3%	(1.3%)		5.8%

\* Refer to note 2

#### FAIR VALUE HIERARCHY

The information below analyses financial assets and liabilities that are carried at fair value or financial assets and liabilities that have carrying amounts that differ from their fair values:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
August 2018			
Financial liabilities at fair value through profit and loss			
- Contingent consideration	-	-	57 527
August 2017			
Financial liabilities at fair value through profit and loss			
- Contingent consideration	-	-	78 146
February 2018			
Financial liabilities at fair value through profit and loss			
- Derivative liability	-	1 500	-
- Contingent consideration	-	-	76 249

The derivatives represent forward exchange contracts (FECs). The fair value of the FEC liability is measured with reference to market data. The key input into this valuation is the forward exchange rate as provided by a reputable bank.

The fair value of the contingent consideration payable is measured with reference to the performance forecasts which can be used to estimate future cash flows. The key inputs into this valuation are the estimated future cash flows and the average discount rate of 11.4% (2017: 12.9%) used to determine the present value of the future

cash flows.

	As at 31 August 2018 (Reviewed) R'000	As at 31 August 2017 (Reviewed) R'000	As at 28 February 2018 (Reviewed) R'000
Reconciliation of recurring Level 3 fair value movements:			
Opening balance	76 249	97 312	97 312
Payments	(23 133)	(22 941)	(22 941)
Interest	4 411	5 890	10 744
Release to other income (1)	-	(2 115)	(10 735)
Fair value adjustment	-	-	1 869
Closing balance	57 527	78 146	76 249

(1) Relates to an amount, reflected in other income, that was not paid by the Company due to performance conditions not being met and expected future performances not being met.

A reasonable movement in the unobservable inputs would not significantly impact the fair value of the contingent consideration as at the end of the reporting period and therefore not significantly impact profit after tax or equity.

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the period ended August 2018 and 2017.

#### COMMITMENTS

	As at 31 August 2018 (Reviewed) R'000	As at 31 August 2017 (Reviewed) R'000	As at 28 February 2018 (Reviewed) R'000
Operating lease commitments			
- Within one year	450 299	396 303	437 145
- Two to five years	1 624 226	1 551 222	1 652 874
- Over five years	954 533	1 056 864	1 064 360
Finance lease commitments			
- Within one year	74 995	68 079	70 793
- Two to five years	288 697	304 982	292 726
- Over five years	1 161 107	1 268 942	1 187 783

#### ADDITIONAL INFORMATION

	31 August 2018	31 August 2017	28 February 2018
Ordinary shares in issue:	860 084 483	860 084 483	860 084 483
Closing share price (R/share)	R33.83	R29.50	R34.40
Six-month (twelve-month) share price (high) (R/share)	R38.00	R30.60	R39.95
Six-month (twelve-month) share price (low) (R/share)	R25.57	R21.50	R21.40
Net asset value per share (WANOS) (cents/share)	236.5	173.0	196.0
Net asset value per share (actual shares at			

year-end) (cents/share) 236.5 173.0 196.0

NOTES TO THE REVIEWED INTERIM CONDENSED CONSOLIDATED RESULTS

1. These interim condensed consolidated financial results for the six months ended 31 August 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act of South Africa and the JSE Listings Requirements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 28 February 2018.

The directors take full responsibility for the preparation of these interim condensed consolidated financial results, which has been prepared under the supervision of Mr Rui Morais CA(SA), the Chief Financial Officer of the Group.

The accounting policies and methods of computation used in the preparation of the interim condensed consolidated financial results are consistent in all material respects with those applied in the Group's annual financial statements as at 28 February 2018, except for the adoption of IFRS 15 and IFRS 9 the impact of which is shown in note 2. None of the other new standards, interpretations and amendments effective as of 1 March 2018 have had a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The Group's assessment of the financial impact of the adoption of IFRS 16: Leases has identified the following which will impact the financial results when adopted:

- IFRS 16: Leases, predominately relating to stores, will be brought onto the Statement of Financial Position. The quantitative impact of this standard is expected to be material due to the number of store leases in place. Due to new leases being entered into and lease renewals occurring on a regular basis the exact amount of the impact of the new standard is difficult to estimate. The Group currently intends to adopt IFRS 16 by applying the full retrospective approach. Effective from 1 January 2019.

2. Restatement of comparative figures

The Group adopted IFRS 15, 'Revenue from Contracts with Customers' in the current financial period and elected to apply the standard on a full retrospective basis whereby the cumulative effect of the retrospective application is recognised by adjusting the opening retained profits for the earliest comparative period presented (which for the Group is the comparative period beginning on 1 March 2017). None of the practical expedients were used in the restatement. The impact has resulted in the recognition of a right to return liability and right to return asset on a gross basis. Another IFRS 15 key area of impact are the changes in the principal versus agent recognition of third party vouchers and coupons whereby these transactions are now recognised on a net basis.

In addition, a new sub-total line has been disclosed on the face of the Statement of Comprehensive Income called Total income. This additional line item has been included in order to show the total of gross profit and other income for the period in order to give information that Dis-Chem believes is important to a user of the financial statements.

	August 2017 (previously stated) R'000	Restatement R'000	Adjusted Total R'000
Statement of Financial Position			
Trade and other receivables	1 068 952	5 074	1 074 026
Trade and other payables	(2 845 702)	(6 411)	(2 852 113)
Deferred taxation	150 682	374	151 056

Retained loss	3 703 067	963	3 704 030
Statement of Comprehensive Income			
Revenue from contracts with customers	9 605 723	(37 111)	9 568 612
Cost of sales	(7 234 576)	37 218	(7 197 358)
Gross profit	2 371 147	107	2 371 254
Taxation	(155 969)	(30)	(155 999)
	2 215 178	77	2 215 255
Basic and diluted earnings per share (cents)	46.8		46.8

	February 2018 (previously stated) R'000	Restatement R'000	Adjusted Total R'000
Statement of Financial Position			
Trade and other receivables	1 113 313	5 542	1 118 855
Trade and other payables	(3 255 259)	(7 021)	(3 262 280)
Deferred taxation	181 431	414	181 845
Retained earnings	(98 546)	1 065	(97 481)
Statement of Comprehensive Income			
Revenue from contracts with customers	19 560 462	(80 909)	19 479 553
Cost of sales	(14 790 890)	80 874	(14 710 016)
Gross profit	4 769 572	(35)	4 769 537
Taxation	(266 706)	10	(266 696)
	4 502 866	(25)	4 502 841
Basic and diluted earnings per share (cents)	79.6		79.6

Revenue from contracts with customers can be further disaggregated between the following retail categories:

	As at 31 August 2018 %	As at 31 August 2017 %	As at 28 February 2018 %
Dispensary	37	37	37
Personal care and beauty	27	27	27
Healthcare and nutrition	20	20	20
Baby care	6	6	7
Other	10	10	9
	100	100	100

3. Dis-Chem enters into certain transactions with related parties. A finance lease was previously entered into with Columbia Falls Property 7 Proprietary Limited on which rental of R31 million was incurred during the six-month period (2017: R30 million). This finance lease obligation amounted to R617 million at 31 August 2018 (2017: R621 million). Rental paid to other related party property companies amounted to R35 million at 31 August 2018 (2017: R23 million).

Amounts owing from MSDS No.3 Proprietary Limited, Eleador Proprietary Limited and Mathimba Proprietary Limited at 31 August 2018 amounted to R21 million, R3 million and R22 million respectively (2017: R43 million, R3 million and Rnil respectively). Amounts owing to Josneo Proprietary Limited and Minlou Proprietary Limited at 31 August 2018 amounted to R12 million and R2 million respectively (2017: R37 million and R2 million respectively).

Amounts owing from Dis-Chem Bothamed, Dis-Chem Namibia, Dis-Chem Swakopmund, Dis-Chem Dunes and Geniob (all Proprietary Limited's) at 31 August 2018 amounted to R59 million (2017: R12 million).

4. There were no impairments of assets in the current and prior comparable period.

5. During the period, no shares were issued (2017: 810 810 shares worth R15 million).

On 1 June 2018, 276 269 shares on the Forfeitable Share Plan and 1 325 970 options on the Share Appreciation Rights Plan were awarded and accepted.

6. During June 2018, the group acquired 100% of the shares of Bemax Proprietary Limited, an import company of retail products. The main shareholder of this company is a related party to key management personnel of Dis-Chem Pharmacies Limited and received 80% of the purchase consideration transferred.

The provisional fair values of the identifiable assets and liabilities of the company as at the date of acquisition were:

Assets	R'000
Property, plant and equipment	112
Trade and other receivables	11 952
Inventories	17 091
Other intangibles	15 623
Liabilities	
Trade and other payables	(5 586)
Bank overdraft	(376)
Taxation owing	(2 462)
Deferred tax	(4 374)
Total identifiable net assets at fair value	31 980
Non-controlling interest	-
Goodwill arising on acquisition	37 370
Purchase consideration transferred	69 350

The goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

The previous owners of Bemax, to ensure an alignment of interest, will also be entitled to an additional payment of a percentage of Bemax's net profit after tax as long as they are still employed by Dis-Chem and meet certain performance conditions.

During the current year, the Group sold 10% of their interest in Dis-Chem Jubilee Proprietary Limited for R1.3 million and 25% of their interest in Dis-Chem Ballito Lifestyle Proprietary Limited for an additional 5% interest in Dis-Chem Ballito Junction Proprietary Limited.

In the prior year on 1 April 2017, the group acquired certain assets and liabilities of Optipharm Proprietary Limited, a pharmaceutical courier.

The fair values of the identifiable assets and liabilities of the company as at the date of acquisition were:

Assets	R'000
Property, plant and equipment and software	16 027
Trade receivables	8 767
Other intangibles	121 273
Cash and cash equivalents	5 082
Liabilities	
Finance lease	(1 272)
Trade and other payables	(173 989)
Bank overdraft	(25 000)
Loan payable	(10 000)
Deferred tax	(33 849)
Total identifiable net assets at fair value	(92 961)
Non-controlling interest at fair value	-

Goodwill arising on acquisition  
Purchase consideration transferred

92 961

-

The goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised.

7. No material subsequent events have taken place since reporting date, except for the potential acquisition of Quenets Proprietary Limited and Springbok Proprietary Limited.

Both acquisitions are awaiting Competition Commission approval and therefore control has not yet passed to Dis-Chem.

8. These reviewed interim condensed consolidated results have been reviewed by independent external auditors, Ernst & Young Inc. and their unmodified review report is available for inspection at the Company's registered office. The review was performed in accordance with ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors.

Shareholders are advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a full copy of the auditor's report from Dis-Chem's registered office.

#### SUPPLEMENTARY INFORMATION

##### Directors

##### Independent non-executive directors

LM Nestadt	(South African)
MJ Bowman	(South African)
A Coovadia	(South African)
JS Mthimunya	(South African)
MSI Gani	(South African)

##### Executive directors

IL Saltzman	(South African)	
LF Saltzman	(South African)	
RM Morais	(South African)	
SE Saltzman	(South African)	(Alternate for L F Saltzman)

Company registration number  
2005/009766/06

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Company secretary  
WT Green

Registered auditors  
Ernst & Young Inc.  
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DCP

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Transfer secretaries  
Computershare Investor Services Proprietary Limited  
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Midrand

17 October 2018