Clover

Way Better™

Clover Industries Limited

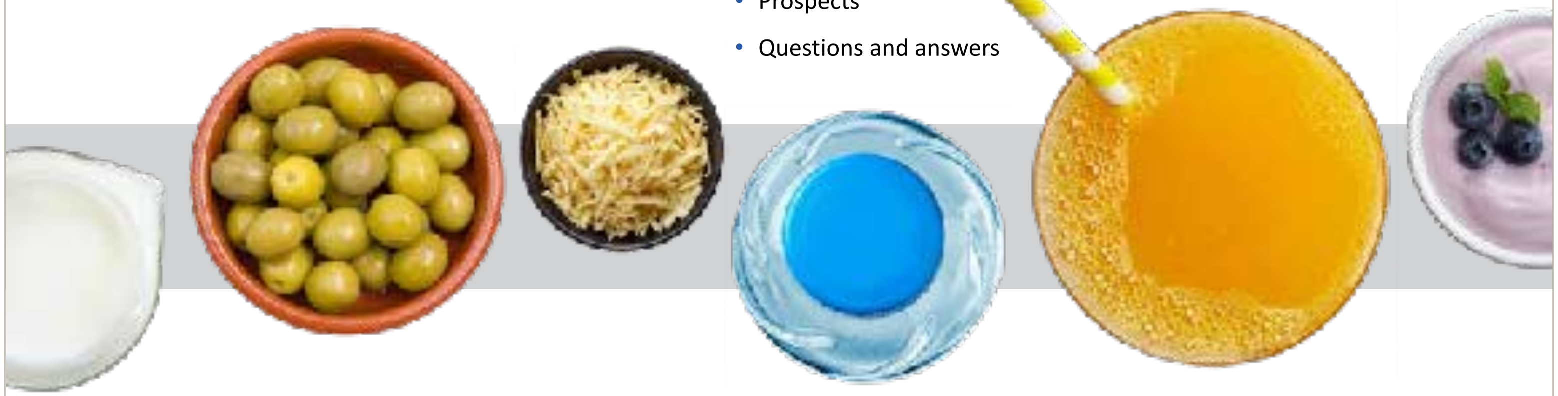
Results

for the year ended 30 June 2017

Clover Way Better™

Agenda

- Highlights
- Segmental and product performance
- Group financial results
- Capital projects
- Prospects
- Questions and answers




Key financial indicators
REVENUE
↑ 2,4%
to R10,058 billion
OPERATING PROFIT
↓ 44,3%
to R314,5 million
EPS
↓ 55,3%
to 83,1 cents
HEADLINE EARNINGS
↓ 65,9%
to R121,6 million
HEPS
↓ 66,2%
to 63,9 cents
TOTAL DIVIDEND PER SHARE
24,21
Cents per share

Major factors that influenced results

Economic challenges and headwinds

MACRO	• Concerns about protectionist trade policies by the new US administration (efforts to tighten import restrictions could ultimately harm economic growth) • Muted macro-economic outlook for sub-Saharan Africa. Currency weakness and foreign exchange liquidity risks prevailed • Weak investment in emerging and developing economies remains a major challenge
SA	• After two consecutive quarters of decline, the South African economy has recovered to a GDP of 2,5% • Major financial impact from the drought which resulted in sustained high commodity prices • Consumer confidence remains lacklustre with discretionary spend under pressure • Food safety remains a concern • Political tensions, including the recent motion of no confidence vote, continue to place risk on SA's sovereign rating
CLOVER	• Drought resulted in above inflationary cost increases on raw materials and ingredients • The culling of herds by producers due to the drought negatively impacted milk flow • Industry remains subject to evolving and increasing regulation, with government recently announcing a sugar tax to be implemented in March next year

Major disruptors that influenced the company

Lower volumes, rising input costs and exit of principal

DECREASE IN VOLUMES	3,5% overall volumes decrease as a result of the prolonged drought, the wetter and cooler summer compared to the heatwave in the comparative period, as well as negative consumer sentiment due to the constrained economic climate. Clover selling prices were also higher and that negatively impacted volumes
DECREASE IN PRINCIPAL INCOME REVENUE	6,2% decrease in overall principal income on the comparative period. Loss of major principal income in previous periods compounded by negative consumer sentiment and the liquidation of a recently signed principal
RISING INPUT COSTS	Substantial increases in input costs resulting from the prolonged drought and Rand volatility. Raw material costs increased by 6%, raw milk prices by an average of 13%, sugar and fruit pulp 13%, and packaging costs by 4,9% Trade support costs increased by 1,9%, mainly due to more advertising campaigns and new product launches
RESTRUCTURING EXPENDITURE	Approximately R46,8 million was spent on retrenchment costs predominately for consolidating the City Deep distribution centres into Clayville, as well as other manufacturing and distribution efficiency drives

Major disruptors that influenced the company

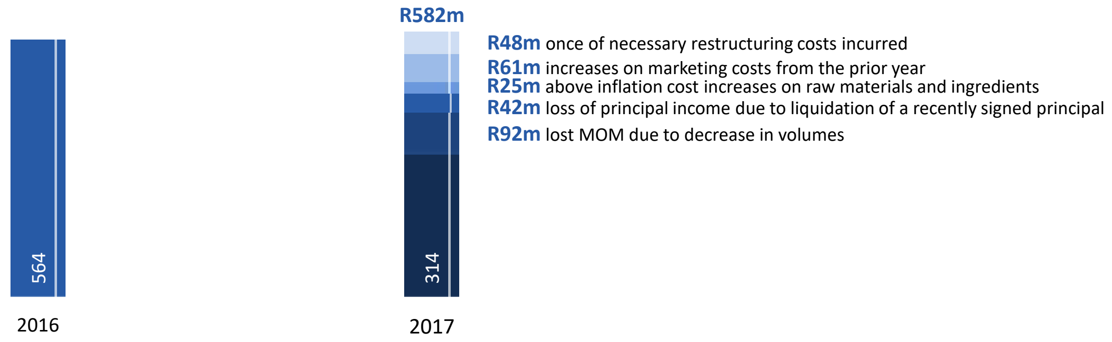
OPERATING PROFIT: 2016
(R'M)

OPERATING PROFIT: 2017
(R'M)

Major disruptors that influenced the company

OPERATING PROFIT: 2016
(R'M)

OPERATING PROFIT: 2017
(R'M)



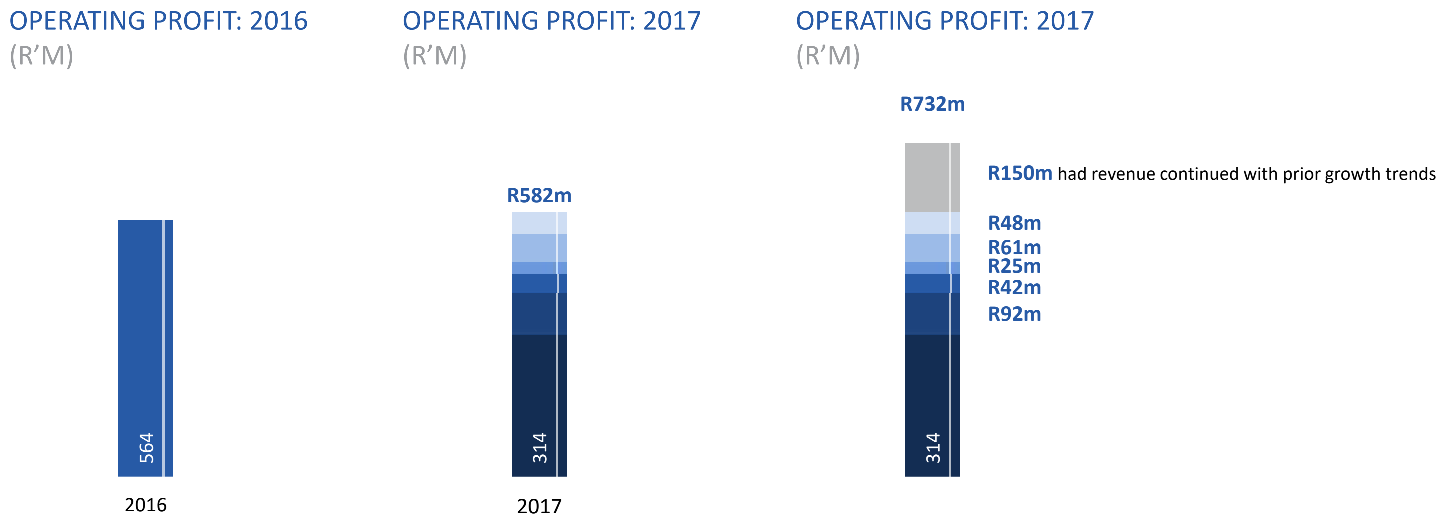
Major disruptors that influenced the company

OPERATING PROFIT: 2016
(R'M)

OPERATING PROFIT: 2017
(R'M)

- Revenue growth in the 2014/15 year was 15%
- Revenue growth in the 2015/16 year was 10%
- Revenue growth in current year was 3,3%
- Had revenue continued at the previous average of 12,5%...

Major disruptors that influenced the company



Major management actions in the current year to mitigate challenges in the environment, industry and company

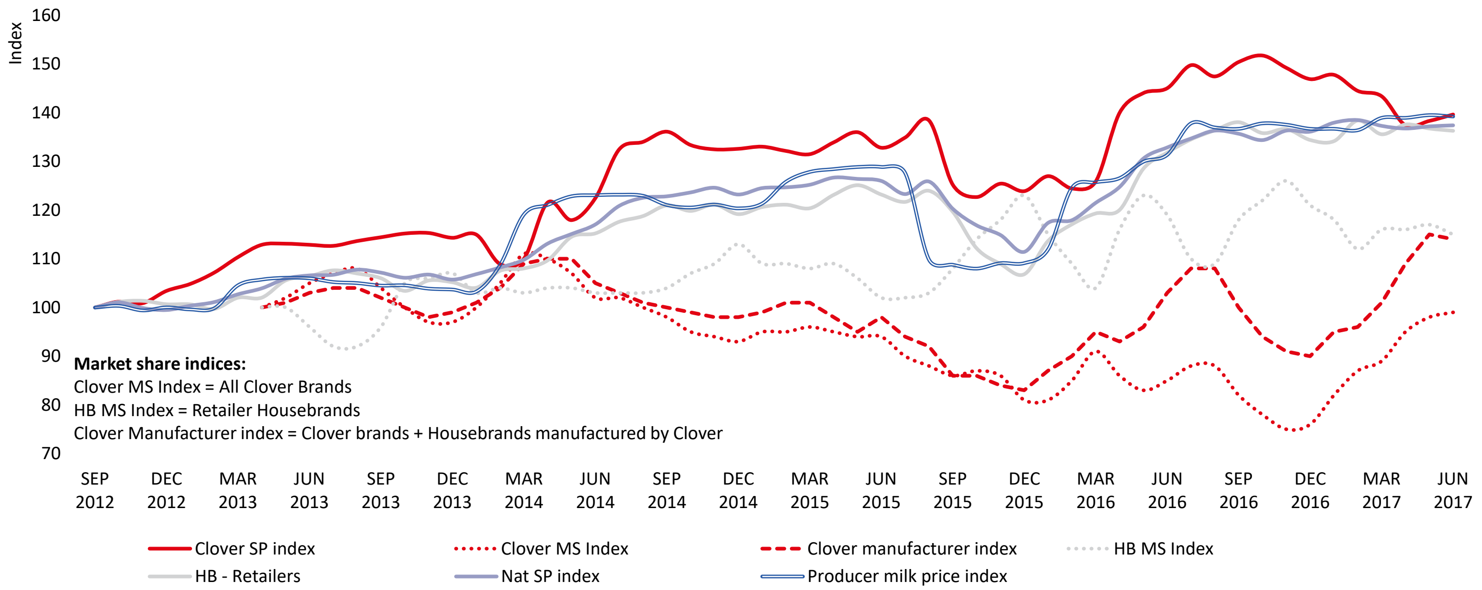
DECREASE IN REVENUE VOLUMES	• Selling prices were increased on average 6,8% to combat the declining sales volumes, resulting in net revenue from the sale of products increasing 3,2% and lower market shares • Clover began dealing in promotions in March and April 2017 to protect our market shares and this yielded positive results
DECREASE IN PRINCIPAL INCOME REVENUE	• The final establishment of DFSA will improve services revenue substantially on the back of a volume growth strategy • Largely mitigated by recent new product launches - albeit off a low base • Continued investment into adjacent categories with good potential - through acquisitions
INPUT COSTS	• Head office incurred no inflationary increases, and reduced its overall spend by 9,6%, mainly by not providing for profit share and other financial linked performance bonuses as well as not filling vacant positions, particularly at executive level • Management did not take a salary increase, which helped limit the annual increase in personnel costs to 4,6%
RESTRUCTURING EXPENDITURE	• Consolidation of City Deep distribution centres into Clayville and other efficiency drives will bode well for the future

Interim results way forward, what have we done?

Operations was focussed on the following in the short-term:	
Implement DFSA structure	✓
Stabilise input costs to normal levels (continue cost saving initiatives across the value chain)	✓
Minimise sugar tax impact	✓
Pursue "zero selling price increase" strategy	✓
Introduce additional principals to replace latest losses	✓
Introduce and finalise Project Sencillo (optimising assets)	✓


Operating
environment
Presented by: Johann Vorster

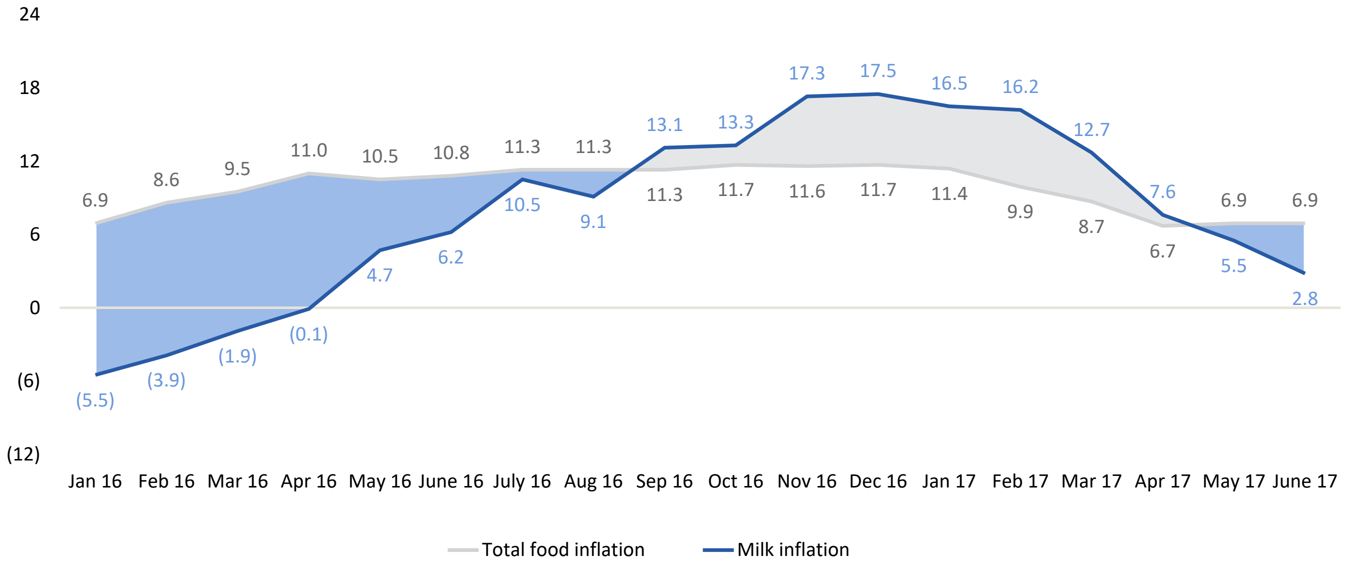
CLOVER RAW MILK PRICE INDEX VS NATIONAL AND DOBs SELLING PRICE INDEX (FRESH- AND UHT MILK)



Major factors that influenced the industry

Cyclical national surplus and selling prices

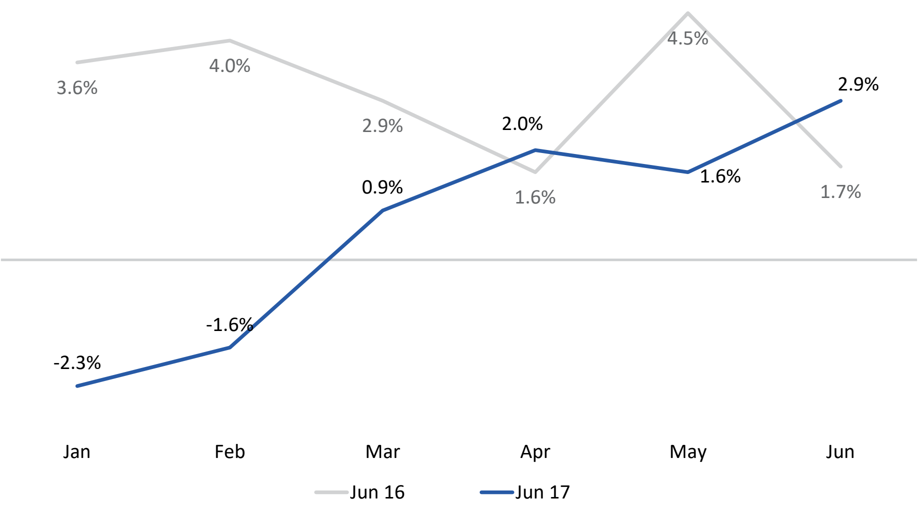
2017 MILK INFLATION VS. TOTAL FOOD INFLATION – MONTH VS. SAME PERIOD 2017 (%)



Source: Total food inflation – www.tradingeconomics.com/Stats SA; Milk inflation – Nielsen RMS December 2016

Operating environment
Total retail sales data for South Africa

YEAR-ON-YEAR VOLUME MOVEMENT (%)



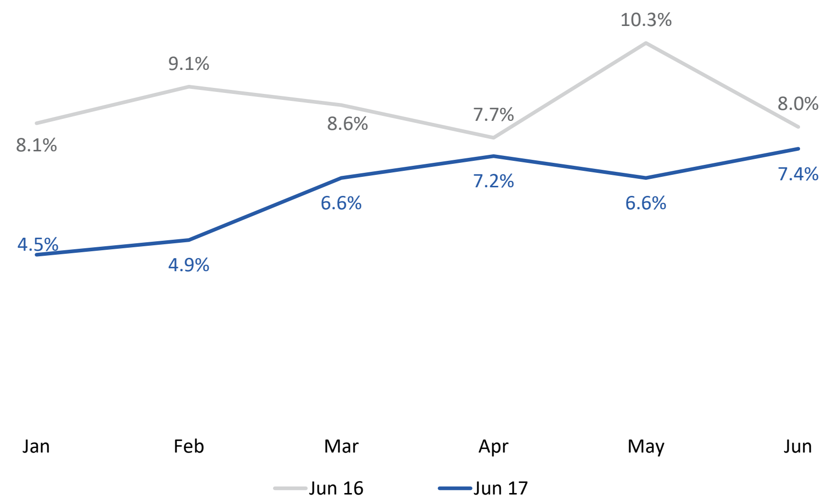
Source: Statistics SA (Statistical Release of Retail Sales Data for June 2016 and 2017)

- Year-on-year retail sales volumes increased by 2,9%
- Clover volumes decreased by 3,5% for the year

Operating environment

Total retail sales data for South Africa

YEAR-ON-YEAR TOTAL SALES MOVEMENT (%)

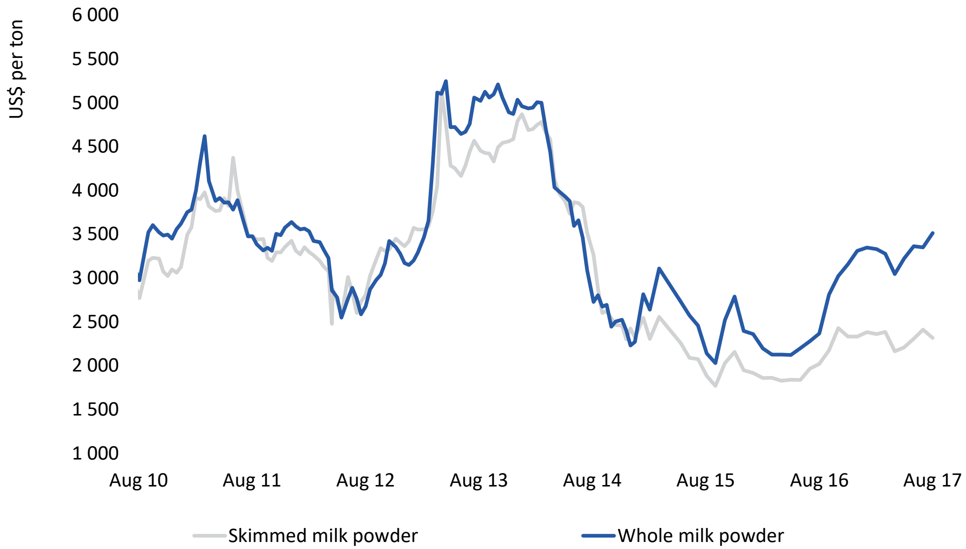


- Year-on-year retail sales increased by 8,0%
- Clovers sale of products increased by 3,3% for the year

Source: Statistics SA (Statistical Release of Retail Sales Data for June 2016 and 2017)

Operating environment

International dairy commodity prices

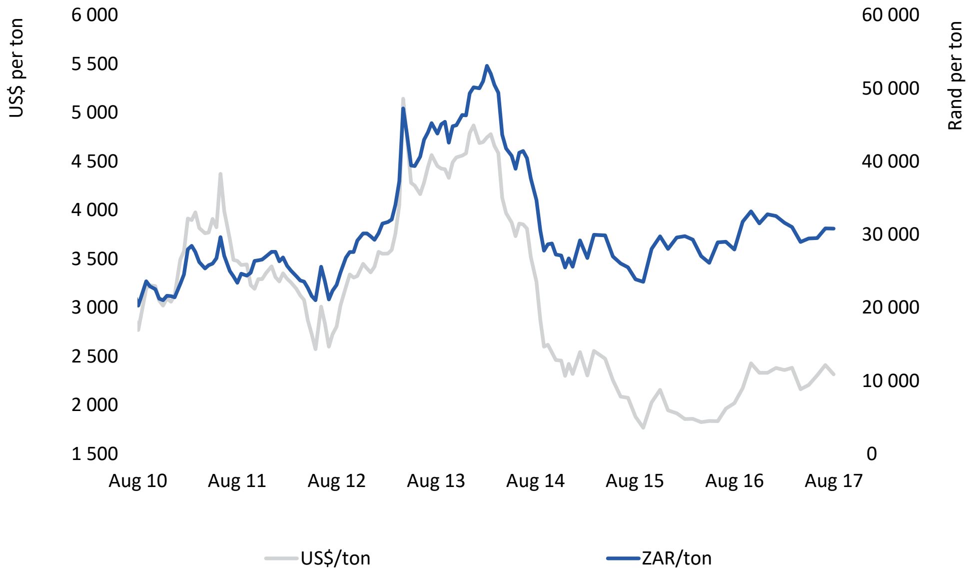


- The International Farm Comparison Network ("IFCN") has reported a firm upward trend in the World Milk Price Indicator since June 2016. This was boosted by a steady decrease in world milk supply
- In June 2017, the world milk price indicator was at its highest level in three years, namely 38,4 USD/100 kg ECM*
- This increase was driven by a surge in butterfat prices - butter prices more than doubled in comparison to the June 2016 level, when its unbroken upward trend started
- SMP and WMP prices stayed at relative low levels, although WMP performed better than SMP

Source: Calculated by Clover using various international sources & the IFCN
*"Energy Corrected Milk", standardised at 4,0% butterfat and 3,3% protein

Operating environment

International SMP prices in US$ and ZAR

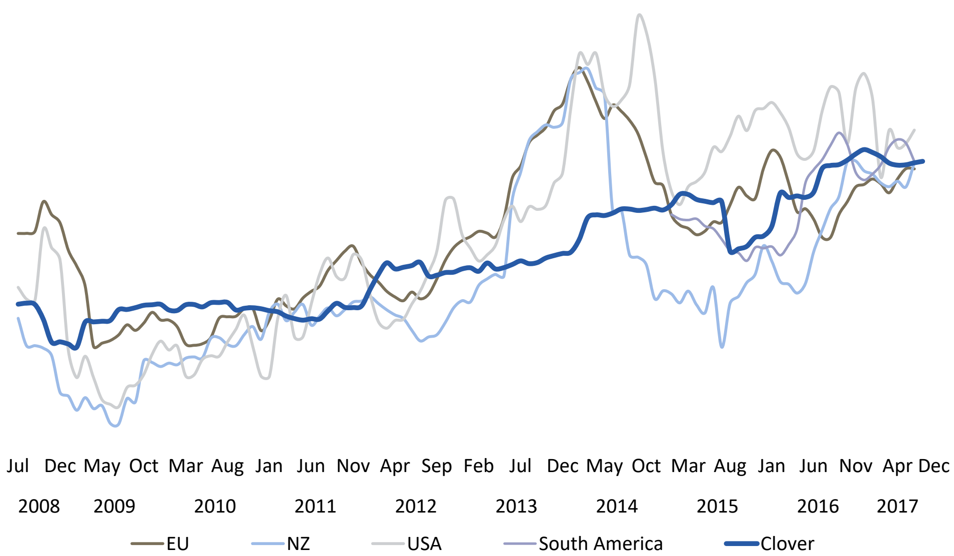


Source: Calculated by Clover using various international sources

- The Rand has strengthened recently due to positive sentiment towards emerging markets
- Although the US$ prices are still low, imports are not that attractive, due to uncertainty and additional costs of warehousing and distribution

Operating environment

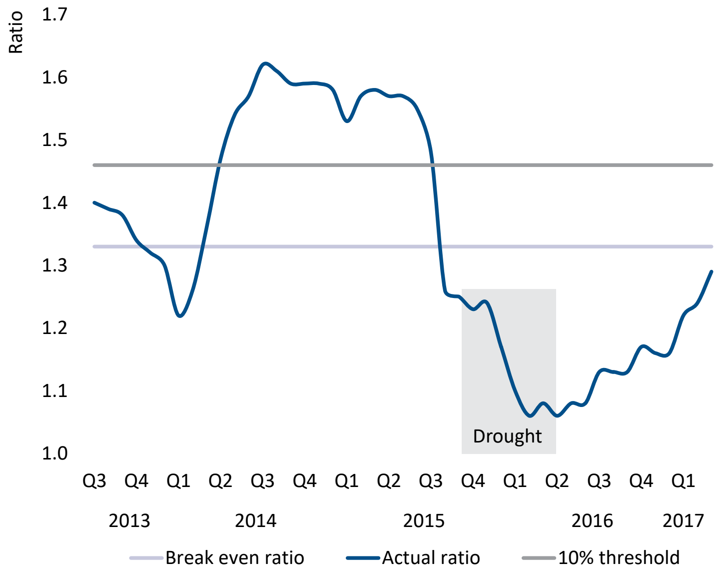
International farm gate milk price trends



- Clover's farm gate milk prices are relatively stable over time
- Volatility in international farm gate milk prices was very high, due to instability in international markets, but it appears that the prices have entered a more stable phase
- Farm gate milk prices in South Africa have firmed due to a prolonged drought in most regions and are currently moving sideways as a result of much improved conditions in most regions

Operating environment

RSA national farm gate milk price to feed cost ratio

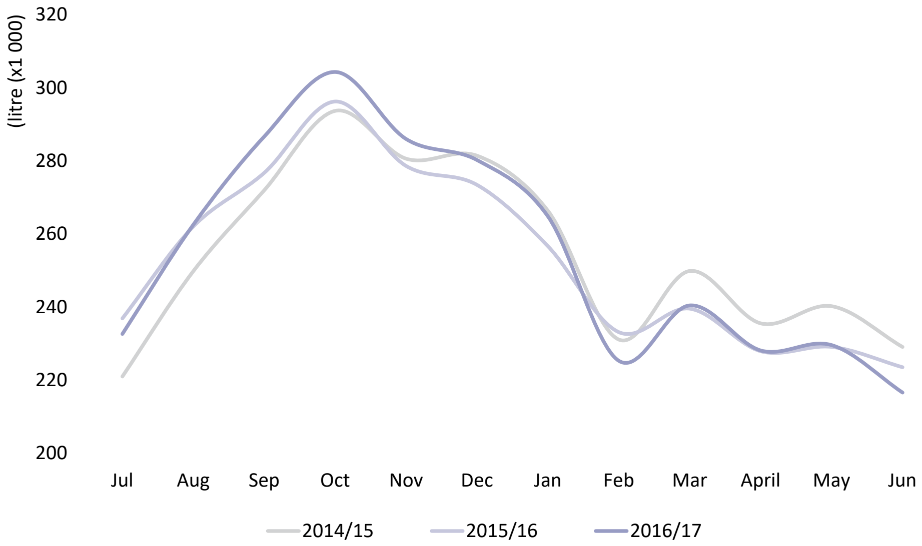


Source: Milk Producers Organisation

- The milk price to feed cost ratio deteriorated dramatically since June 2015 due to increased feed costs and lower milk prices
- The severe and prolonged drought in South Africa has resulted in a continuous increase in feed prices, due to maize shortages and very low availability of good quality roughage
- Especially the maize and soya producing regions received good rains between November 2016 and February 2017 and feed prices in general started to decline. This, as well as farm gate milk price increases and premiums that were introduced in July and October 2016, have led to a continuous improvement in the milk price to feed cost ratio
- Milk flow has started to show stronger than normal growth (especially in KZN) and we are confident that the lower feed prices and a further milk price increase on 1 September 2017 will stabilise and even stimulate more milk production to fulfil the market demand for raw milk

Operating environment

RSA national milk production

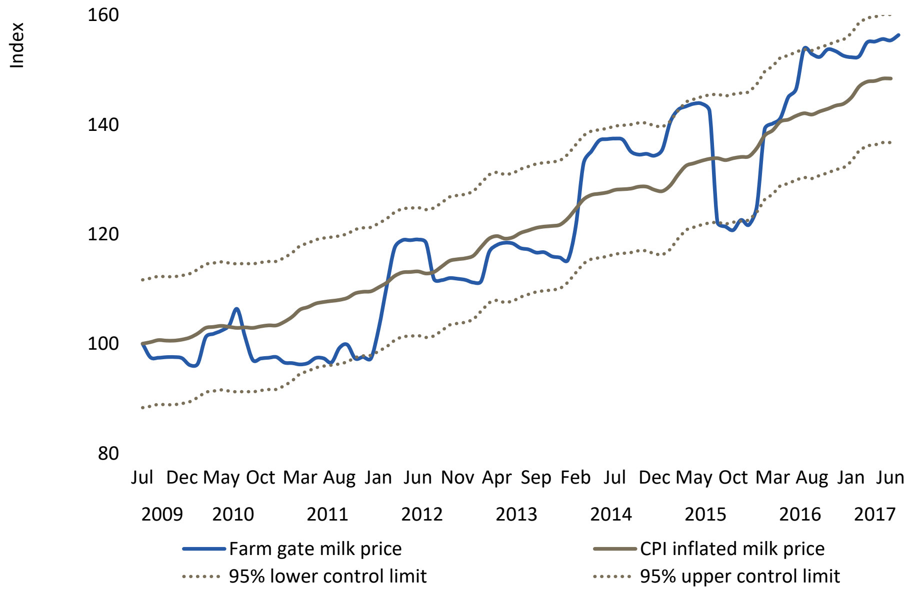


Source: Milk SA

- The national milk production for the 2015/16 Clover financial year was 0,56% **lower** than a very high 2014/15 year
- The national milk intake for the 2016/17 financial year was 3 056 million litres, which was 0,77% **higher** than the 2015/16 year
- The above is testimony to the fact that the national milk intake showed very little growth over the last two years and according to our view, the country's supply and demand should be more or less in balance at this point in time

Operating environment

Clover's farm gate milk price vs. CPI

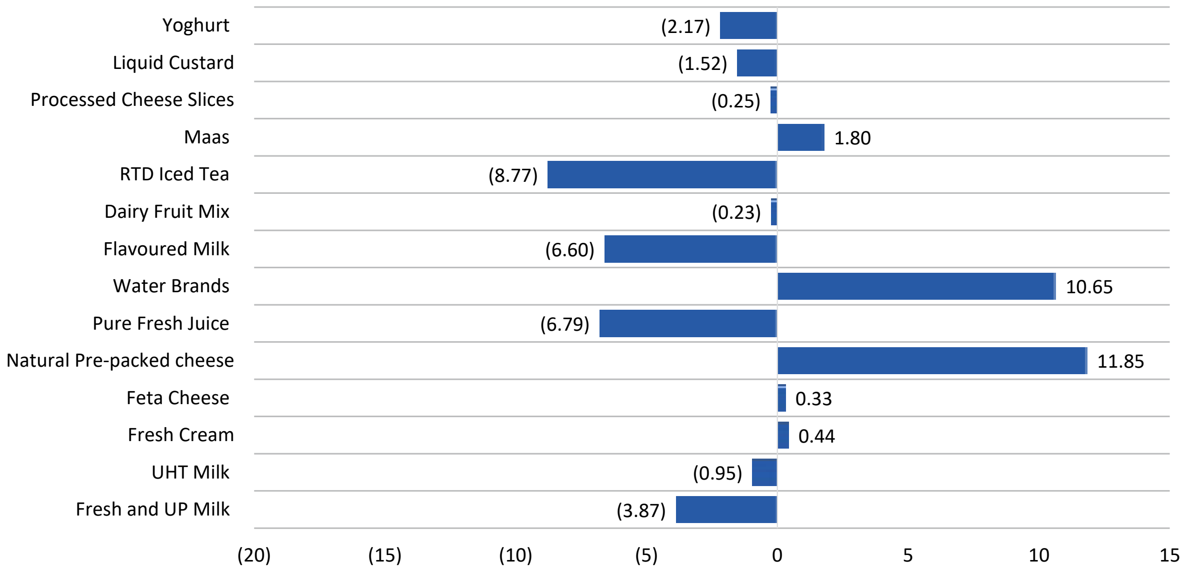


Source: Calculated by Clover

- As a result of the severe drought that followed in most provinces of South Africa, feed became scarce and very expensive
- Clover had to react swiftly with farm gate milk price increases to protect its raw milk source, but the on-farm economy of producers remained under pressure as feed prices soared
- Clover's farm gate milk price is currently between the CPI inflated price and the upper control limit and will move closer to the upper control limit when it is increased on 1 September 2017
- The on-farm economy has subsequently improved and our view is that milk prices will move sideways after the September 2017 increase

Operating environment

Total market volume growth for the year ending 30 June 2017



RTD = Ready to Drink
DFM = Dairy Fruit Mix
SLFJ = Short Life Fruit Juice
UP = Ultra Pasteurised

Source: Nielsen RMS (total SA incl. all store types)


Segmental
and product
performance
Presented by: Johann Vorster

Segmental performance

Contribution to Clover's overall revenue and margin on material (MOM)

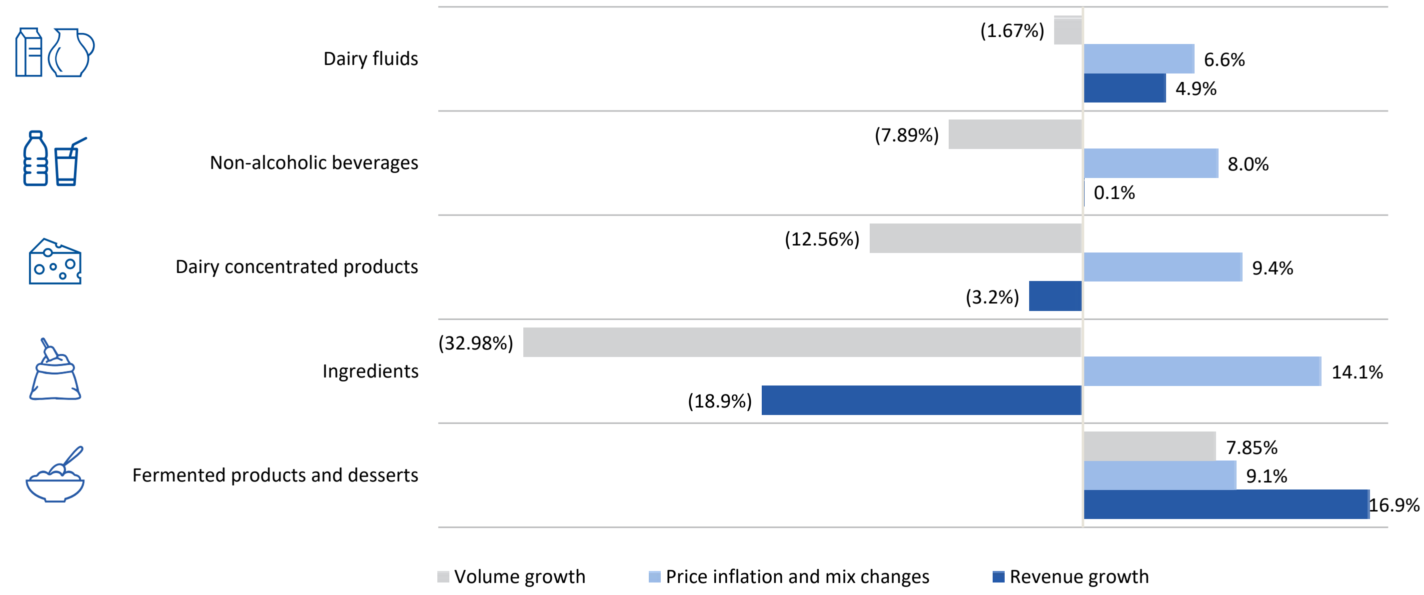
CONTRIBUTION TO REVENUE

Dairy fluids	Non-alcoholic beverages	Dairy concentrated products	Fermented products and desserts	Ingredients
49,4%	25,2%	14,0%	8,5%	2,3%
R 4,64bn	**R 2,37bn**	**R 1,3bn**	**R 794,4m**	**R 216,4m**

CONTRIBUTION TO MOM

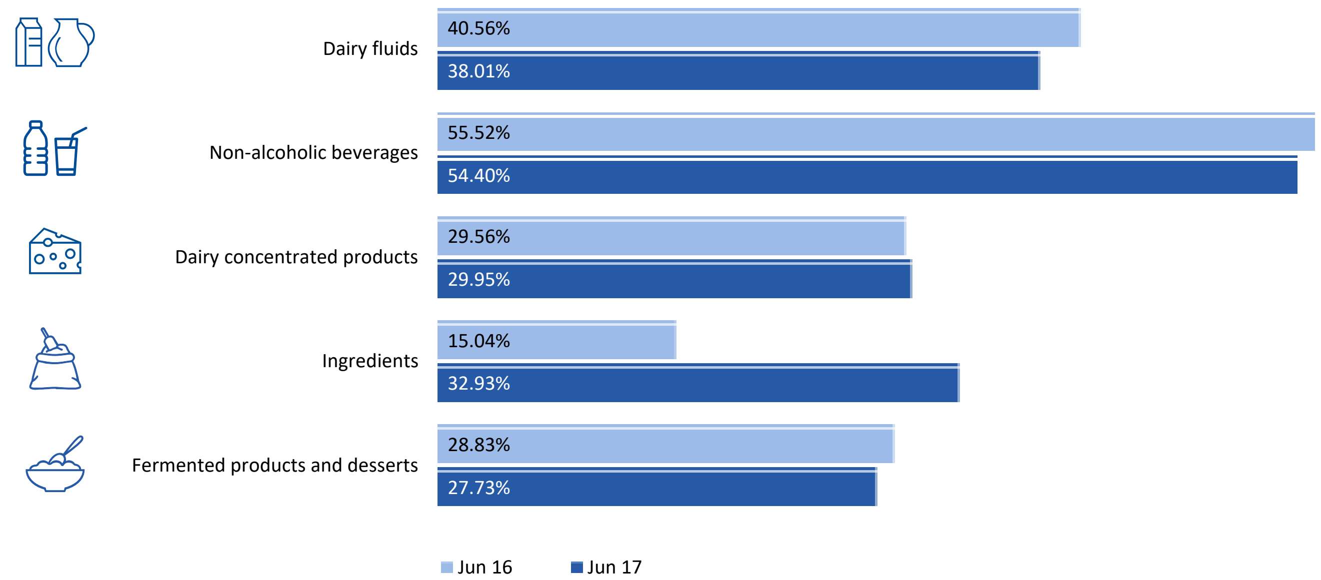
Dairy fluids	Non-alcoholic beverages	Dairy concentrated products	Fermented products and desserts	Ingredients
46,8%	34,2%	10,4%	5,8%	1,9%

Segmental performance
Revenue



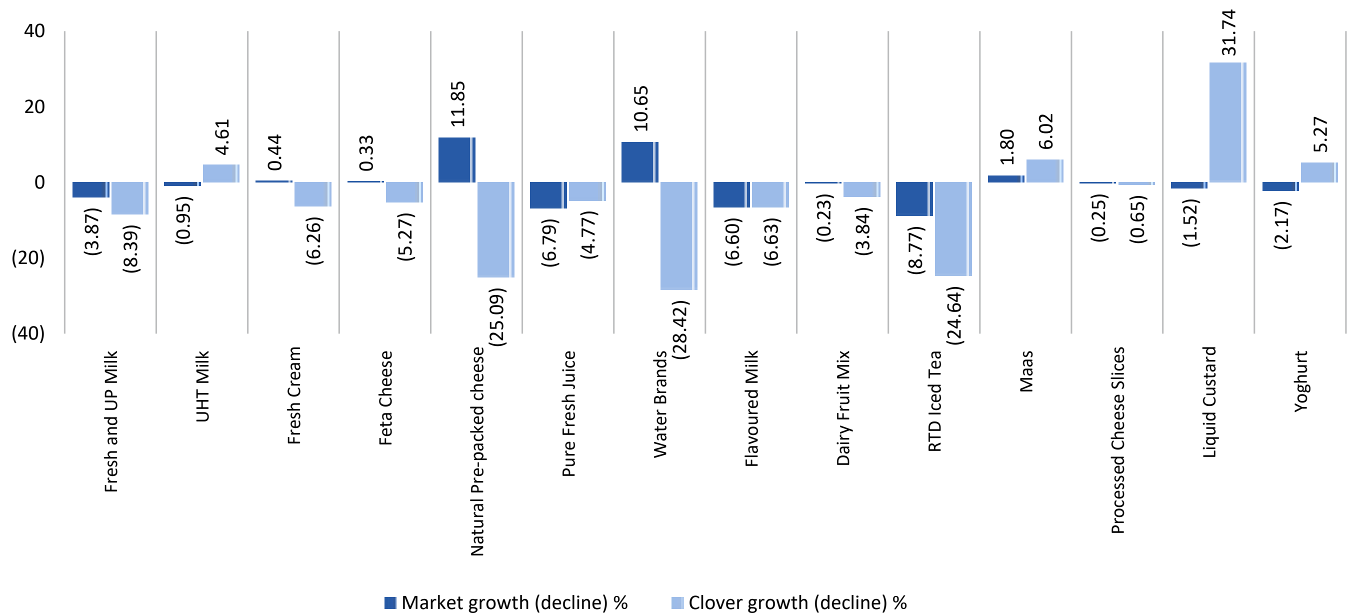
Segmental performance

Margin on materials (MOM) %



Segmental performance

Product volume growth vs market growth



Source: Nielsen RMS (total SA incl. all store types)

Segmental performance

Dairy fluids

Segmental revenue up 4,9%
MOM down 2,6% to 38,0% as a result of average farm gate milk price increase

- Average selling price increases of 6,5% achieved
- Dairy fluids volumes decreased by 1,7% for the period
- Clover’s UHT volumes (including DOBs) increased by 4,6%
- Fresh and ultra-pasteurised milk volumes decreased by 8,4%
- Cream volumes decreased by 6,2% due to stagnant milk flow because of the drought
- Raw materials price & mix variance includes average 13% increase in farm gate milk price
- Cost of packaging materials increased 5,9% on average
- Packaging & material price and mix variance for this segment increased 11,04% on average
- Milk collection costs increased by 6,3% net of the volume impact, primarily as a result of increased labour and energy prices of 8,0%

Segmental performance
Concentrated products

Segmental revenue remained relatively flat
Supported by higher selling prices of 9,4%
Lower volumes of 12,9%, resulted in flat MOM of 30,0%

- Butter & spreads volumes were down 20,0% on the back of limited global and local availability of cream
- Natural pre-packed cheese volumes were down 25,0% as Clover exited the bulk cheese market (some bulk products were still sold to other processors in the prior year)
- Feta volumes were down 5,3% primarily because of higher pricing, and condensed milk volumes were up 3,5%
- Raw materials price & mix variance includes a 13,0% average increase in farm gate milk price
- The cost of packaging materials increased 5,9% on average, and the segmental price & mix variance on packaging & material increased 9,5% on average
- Milk collection costs decreased based on volume decreases

Segmental performance
Ingredients

Segmental revenue down 18,9% on volume losses
MOM increased 17,9% to 32,9% supported by selling price increases

- Average selling price increases of 14,0% materialised
- Ingredients volumes decreased by 33,0% for the period
- The improvement in the cost of material & packaging is directly attributable to the volume decrease, and milk collection costs also improved as a result

Segmental performance
Non-alcoholic beverages

Segmental revenue was flat as price increases countered volume losses

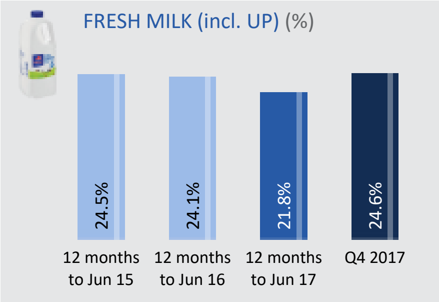
- Average selling price increases of 7,9% materialised; segmental volumes decreased commensurately by 7,9%
  - Pure juice **down** 4,8%
  - Dairy fruit mix **down** 3,8%
  - Nectar **up** 4,9%
  - Ice-Tea **down** 24,6%
  - Water **down** 28,4%
  - Flavoured milk **down** 6,6%
- Contraction in sales as a result of constrained consumer sentiment further compounded by the wetter and cooler summer
- Raw materials and packaging price & mix variance of 12,6% includes an average sugar and fruit pulp price increase of 13,0%
- Packaging materials cost increased 5,9% on average, but other ingredients including artificial sweeteners experienced sharp increases
- The milk collection costs improved as volumes decreased

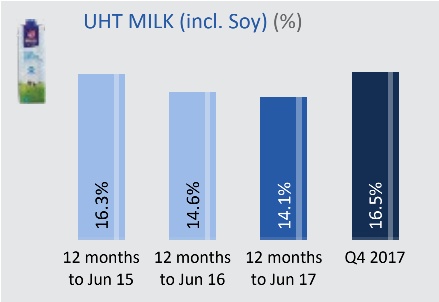
Segmental performance
Fermented products and desserts

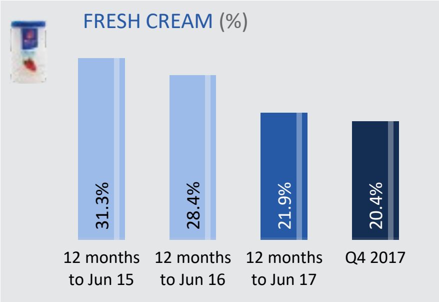
Segmental revenue up 16,9% on selling price and volume increases
MOM down 1,1% to 27,7% on raw milk and ingredient price increases

- Average selling price increases of 9,0% materialised
- Fermented products volumes increased by 8,0%
  - Maas volumes up 6,0%
  - Yoghurt volumes up 5,3%
  - Custard volumes up 32,0%
- Raw materials and packaging price & mix variance of 10,0% includes the average farmgate milk price increase of 13,0% and an average 5,9% increase in the cost of packaging materials
- Milk collection costs improved because of efficiency savings

Segmental performance
Market shares: fluids

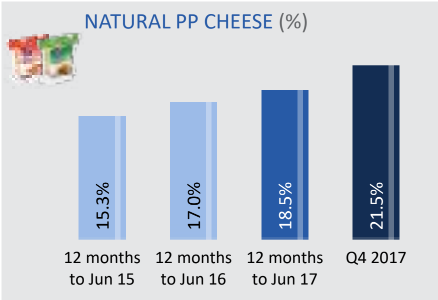


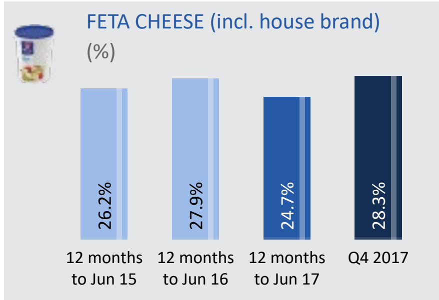


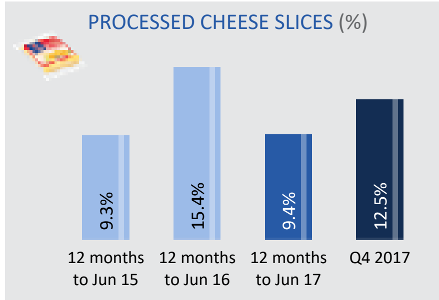


Segmental performance

Market shares: concentrated products

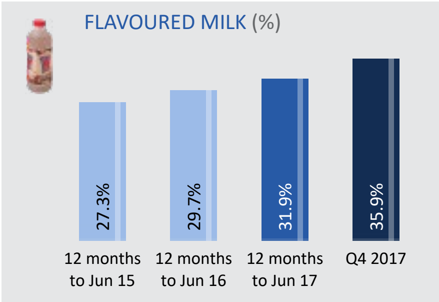


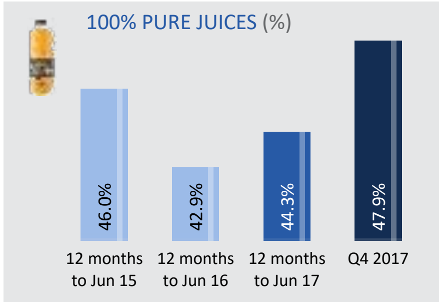


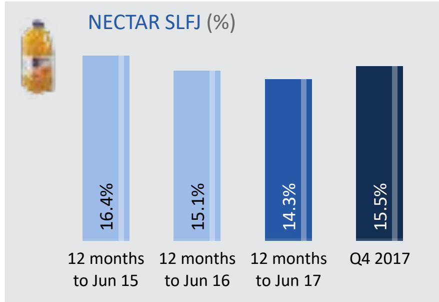


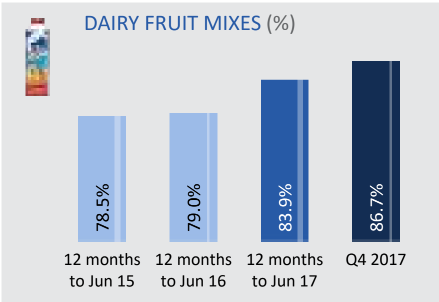
Segmental performance

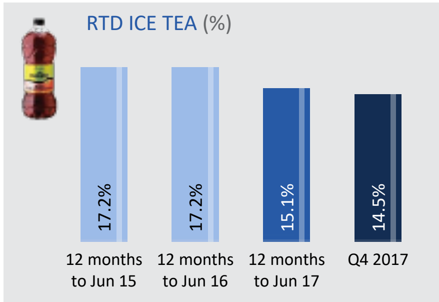
Market shares: beverages

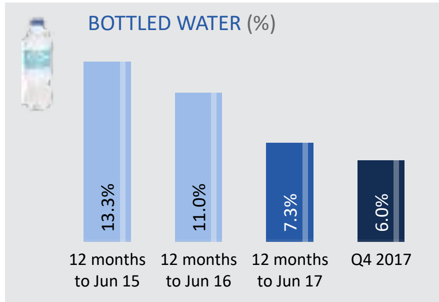






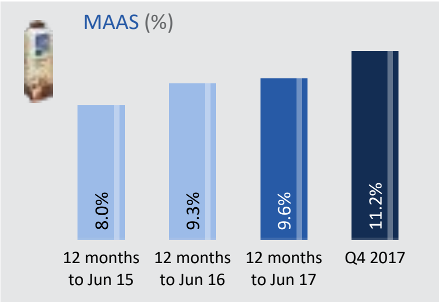


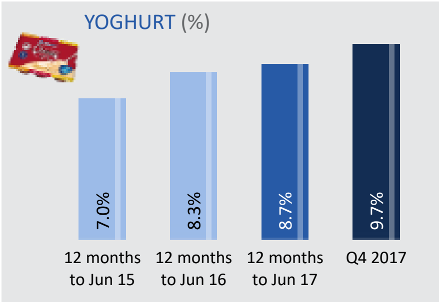


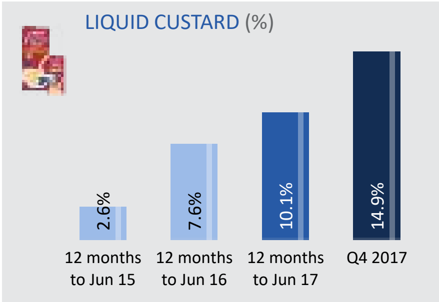


Segmental performance

Market shares: fermented products





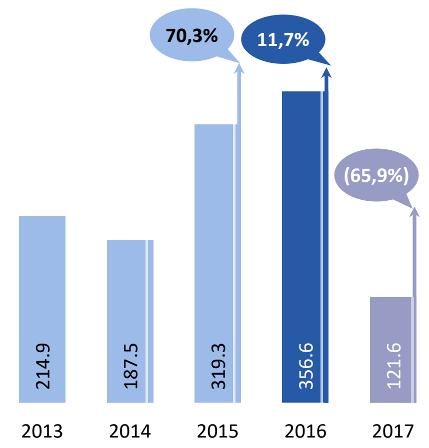



Group
financial
results
Presented by: Elton Bosch

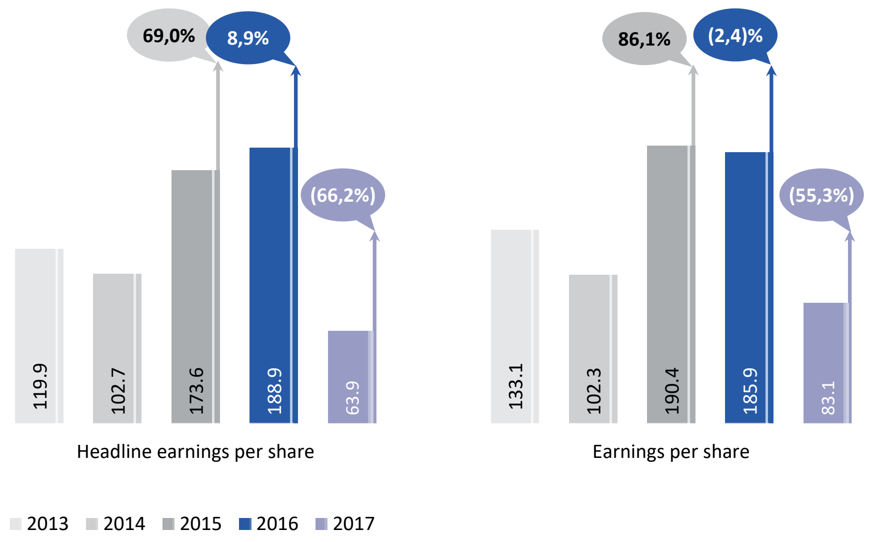
Group financial results

Earnings and headline earnings

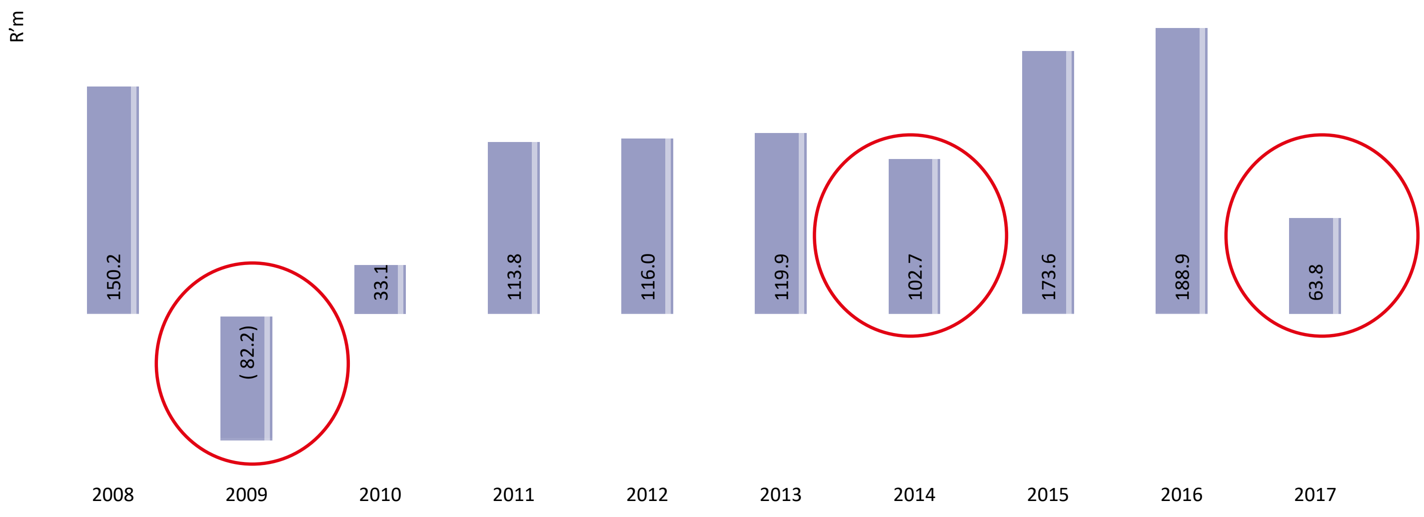
HEADLINE EARNINGS (R'M)



HEADLINE EARNINGS PER SHARE AND EARNINGS PER SHARE (CENTS)



Group financial results
Headline earnings per share history



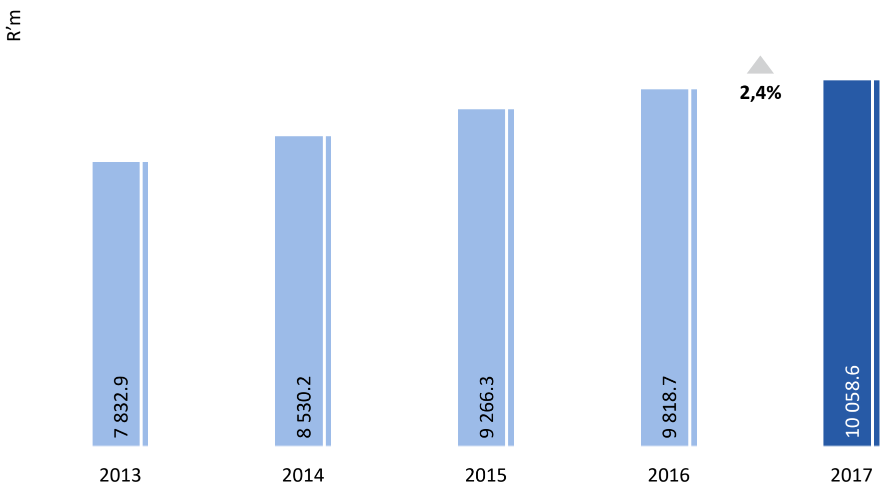
Group financial results

Headline earnings calculation

R'000	**30 June 2017**	30 June 2016
Profit for the year attributable to shareholders of the parent company	**158 258**	350 906
Gross re-measurements excluded from headline earnings	**(42 674)**	(5 776)
Profit on sale of property, plant and equipment and gains on other assets	**(33 404)**	(20 869)
Bargain purchase at acquisition (Clover Good Hope)		(1 721)
Profit on the sale of an investment in subsidiary	**(9 270)**	
Release of foreign currency translation reserve in abandonment of foreign operations		28 366
Tax effect of profit on sale of an investment in subsidiary	**1 392**	
Tax effect of profit on sale of property, plant and equipment and gains on other assets	**4 641**	(87)
Headline earnings attributable to shareholders of the parent company	**121 617**	**356 595**

Group financial results

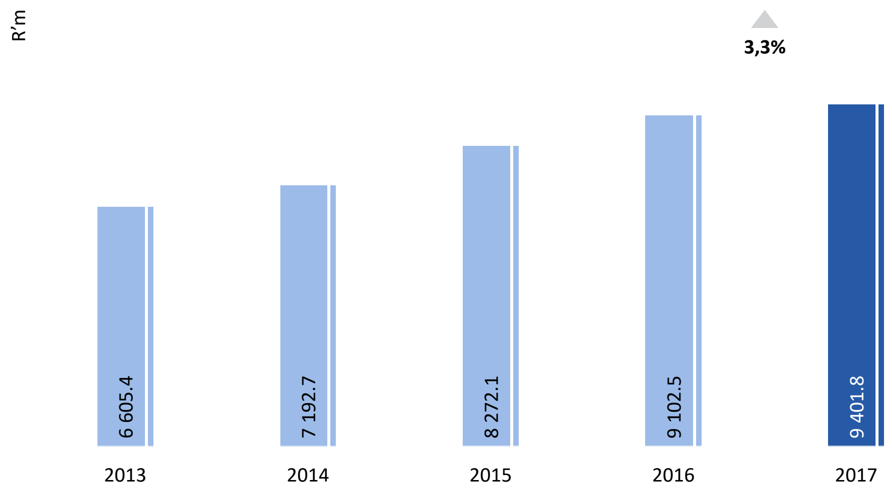
Revenue



- Total revenue up 2,4%:
  - Sales of products increased 3,3%
  - Volume decreases of 3,5%
- CAGR since listing is 7,25%

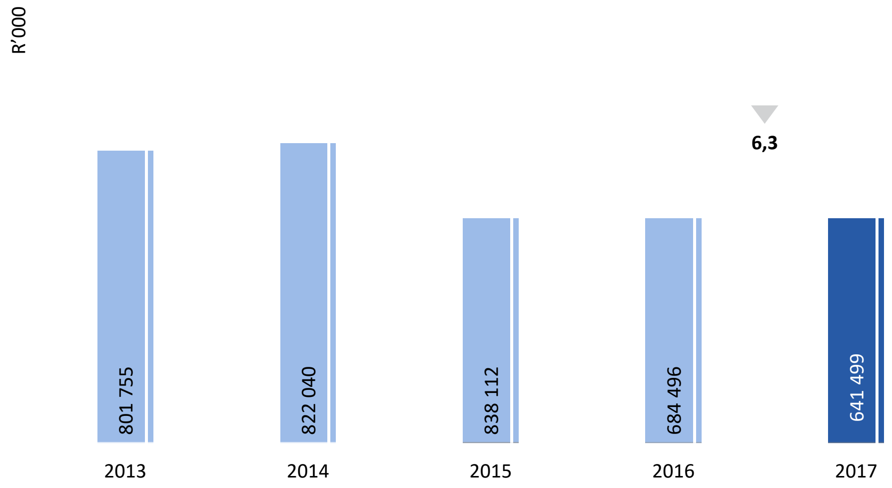
Group financial results

Revenue (sale of products)



- Revenue up 3,3%:
- Volume decrease of 3,5%
- Price and mix increase of 6.8% to curb the muted consumer sentiment, cooler and wetter summer, raw milk and ingredient price increases
- CAGR since listing is 8,8%

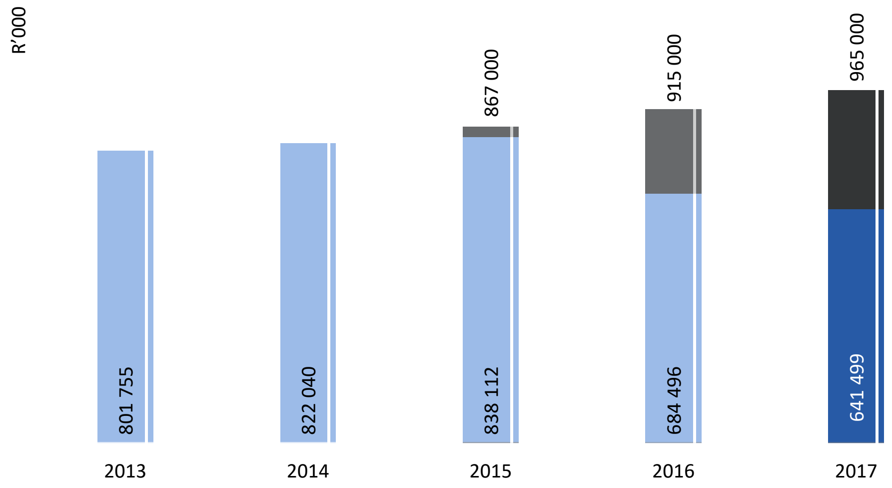
Group financial results
Revenue (services rendered)



- Services rendered to principals contributed R641,5 million to revenue, which was 6,3% or R43,0 million lower than the previous year
- The decrease was primarily because of the subdued market conditions of our principals, as well as the liquidation of a recently signed principal
- The loss of a major principal in prior periods remains a major disruptor to Clovers' overall revenue growth strategy since listing

Group financial results

Revenue (services rendered)



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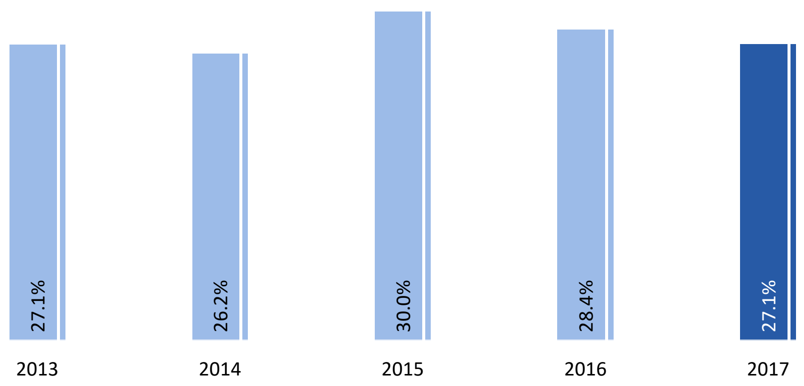
Group financial results

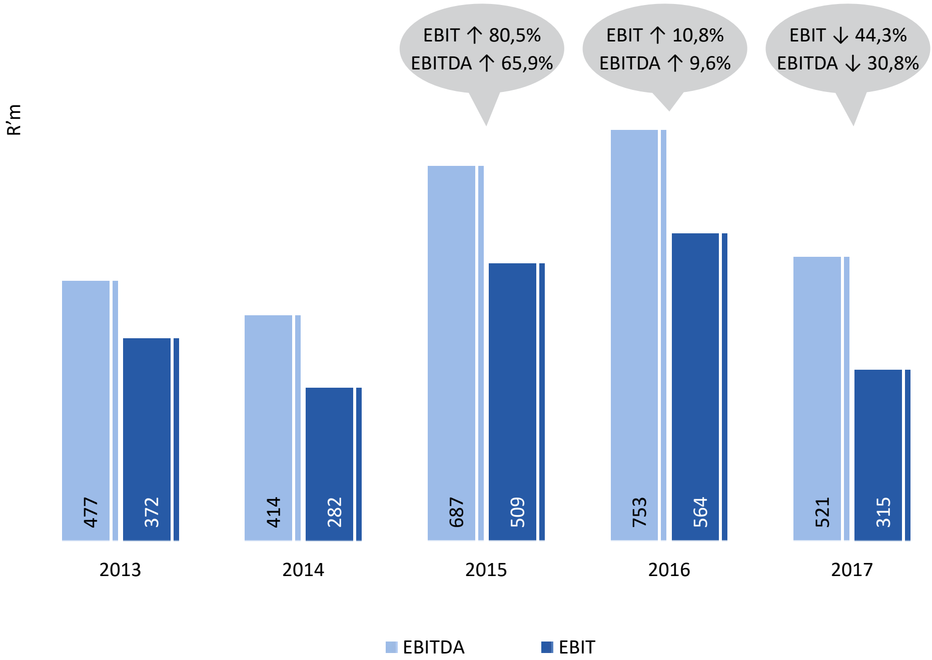
Gross profit %



- Cost of sales increased by 4,4% or R307,5 million in contrast to the 2,4% or R239,9 million growth in revenue
- New product launches and more vigorous advertising costs, resulted in trade support costs rising by 1,9%
- Average raw milk prices were 13,0% higher than the previous year, as producers in the primary industry required protection to stimulate milk flow because of the drought
- Ingredients costs increased by 18,0%, mainly due to lack of availability as a result of the drought
- The 14.8% price and mix variance (excluding volumes) is primarily attributed to fruit pulp concentrate increases, as well as substantial increases in sugar and artificial sweeteners
- Packaging costs increased by 4,9% primarily as a result of:
  - HDPE bottle price increase of 5,2% , while PET bottle prices increased by 5,5%, and cartons increased by 3,3%

Group financial results

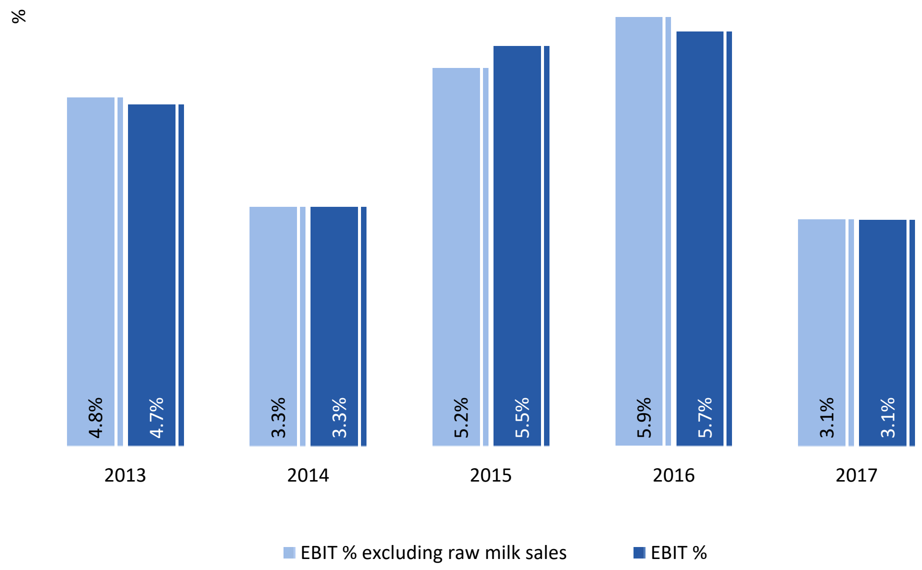
EBIT & EBITDA



- EBIT decreased by 44,3%
- EBITDA decreased 30,8%
- Milk collection costs decreased 3,0% given the general volume decrease due to the drought
- Manufacturing costs rose by 3,7% year on year. Considering the volume decrease, this was primarily because of wage increases, increased outsourced production and energy cost increases
- Due to the predominantly fixed nature of manufacturing costs and the new factories absorbed into the supply chain, unit manufacturing costs increased 6,7%
- Primary distribution costs decreased by 1,9%, mainly due to lower volumes

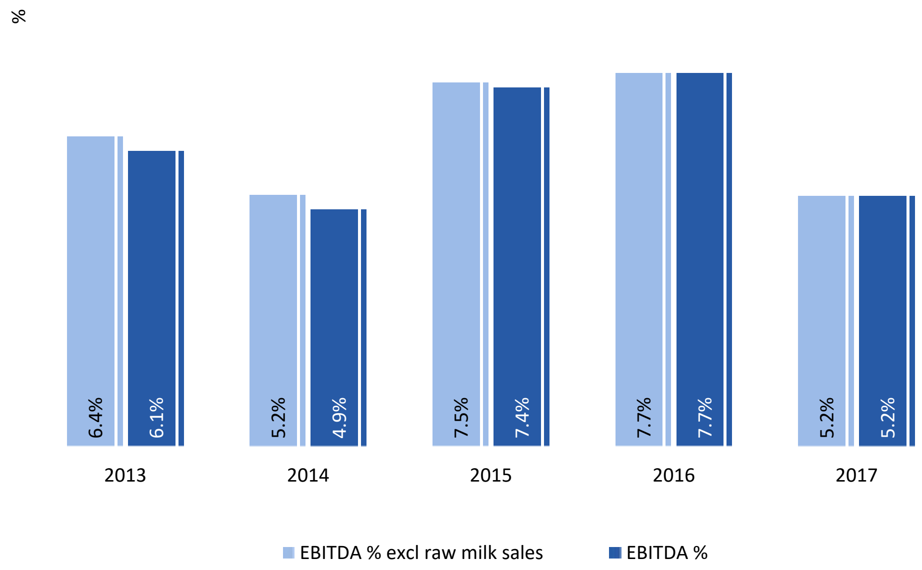
Group financial results

EBIT margin



- Other operating income of R60,2 million mainly constitutes:
  - R33,4 million profit on the sale of property, plant and equipment (PPE) and scrap
  - R9,3 million on the sale of Lactolab

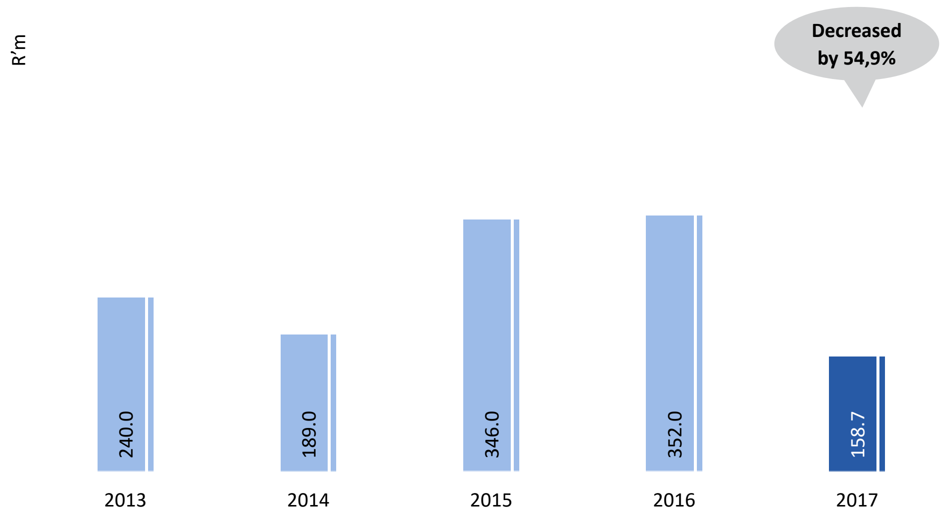
Group financial results
EBITDA margin



- Selling and distribution costs increased by R145,0 million or 7,5%, primarily due to the roll-out of the bottom of the pyramid campaign through Masakhane that cost an additional R45,4million. Excluding Masakhane, these costs only increased 4,8%.
- Clover's staff structure was optimised and new positions were limited, except for the Masakhane roll-out, and personnel expenditure increased 4,6%
- Inflationary costs were contained by negotiating more favourably priced contracts, in particular for vehicle and fleet costs
- Clover spent R60,6 million more on advertising, marketing, research and development costs compared to the prior year

Group financial results

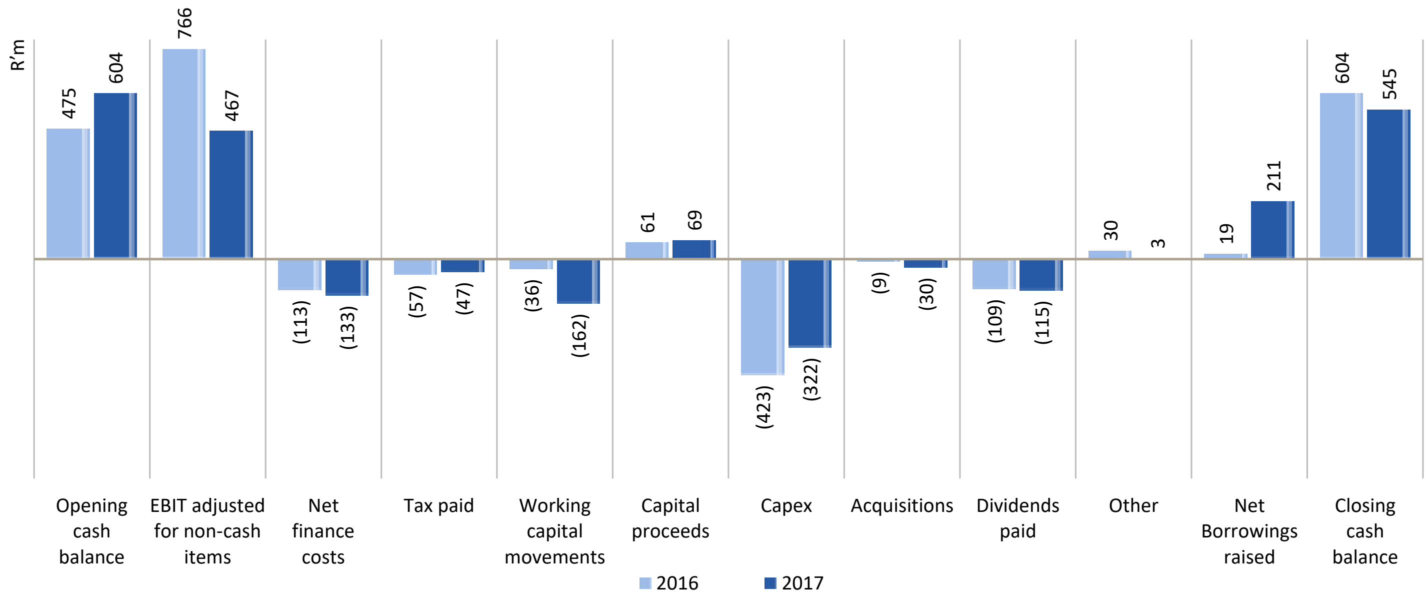
Profit for the period



- Decrease in profit of R 193,2 million attributable to:
  - R250,0 million decrease in operating profit
  - R20,3 million increase in net finance charges
  - R72,9 million decrease in the income tax expense
- Other factors:
  - R4,5 million increase in the share of profits from the Clover Fonterra Ingredients joint venture
  - The effective tax rate was 20,6% which is well below the 28,0% normal corporate tax rate

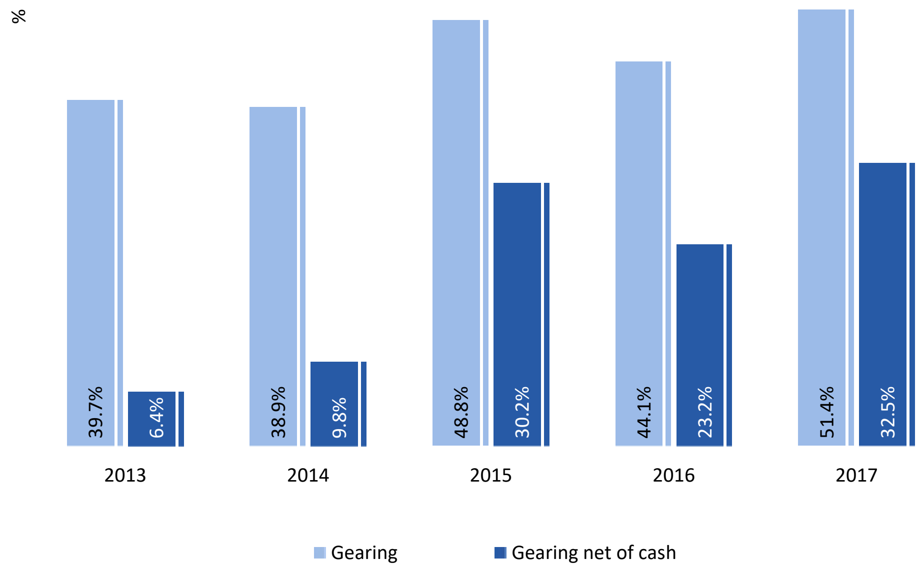
Group financial results

Cash flow



Group financial results

Gearing



Gearing increased mostly due to:

- Lower profits and increased working capital requirements
- Clover's gearing is well within our ability to service interest and repayments

Group financial results

DIVIDENDS

- Stated dividend policy was not applied at the end of the financial year
- 24,21 cents per share interim dividend paid in April 2017
- No final dividend declared by the board
- The total dividend of 24,21 cents for FY2017

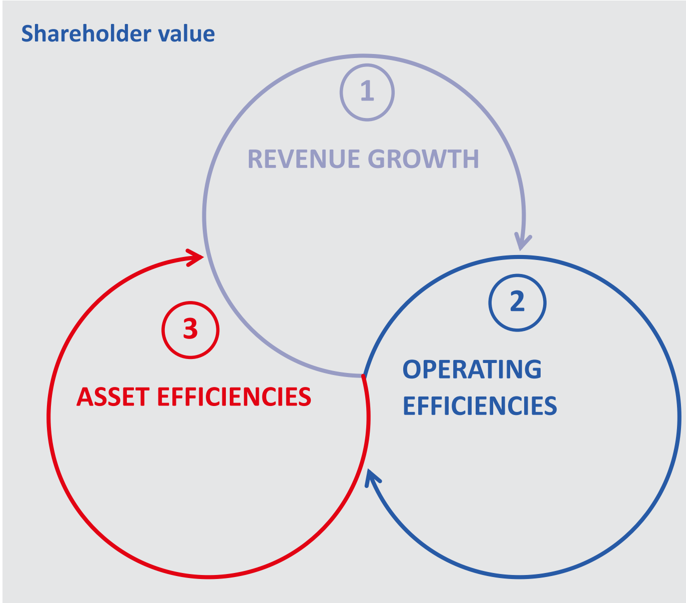

Capital
projects
Presented by: Elton Bosch

Major Capital projects

Description (Rm)	Amount
Clayville (various projects including production and distribution cold room expansion, and masterplan)	**40,7**
Estcourt – Aspen IMF contract	**23,7**
Lichtenburg – General capital expenditure	**14,7**
Clover Waters – Move from Inhle to Doornkloof	**22,5**
RBC – Yoghurt capacity expansion	**69,2**
Queensburgh – Merging of lines	**24,9**
Port Elizabeth – General capex and UHT optimisation	**17,9**
All production branches – Backup power	**17,5**
	231,1

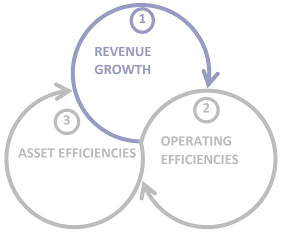

Prospects
Presented by: Johann Vorster

Clover's business strategy



Prospects

WAY FORWARD



Revenue growth

- Bedding down of DFSA structure in pursuit of volume growth
- The drought has abated, and volumes and market shares are being restored
- Incentives were introduced to stimulate the production of butterfat and address the butter shortage in South Africa
- Masakhane roll-out accelerated - job creation

Prospects

WAY FORWARD

Operating efficiencies

- The unbundling of DFSA as a separate entity, eliminating further exposure to the cyclical drinking milk market
- Consumers remain under pressure and discretionary spend will further be affected by inflation, we remain focused on seeking cost efficiencies and more affordable products across our value chain
- Military type discipline on cost saving initiatives to counter selling price inflation
- Material changes to a number of product recipes
- Addressing any material tax impact on products containing sugar

WAY FORWARD

Asset efficiencies

- Aligned with our strategy to expand our value-added portfolio and to support future cost efficiencies and increased sales, we have made significant investments into our production facilities, distribution platform, research and development as well as marketing
- We will continue to explore opportunities where synergies can be leveraged using our infrastructure
- Leverage asset base for optimal efficiencies and limiting new CAPEX spend
- Project Sencillo well underway (optimising factories and simplifying operations)

OPTIMISE
MANUFACTURING PLATFORMS

CONSOLIDATE
DISTRIBUTION FACILITIES

MILK FLOW
OPTIMISATION

OPTIMISE
YIELD OF MILK

OPTIMISE
DISTRIBUTION OPERATIONS

Sencillo: TO SIMPLIFY THE BUSINESS

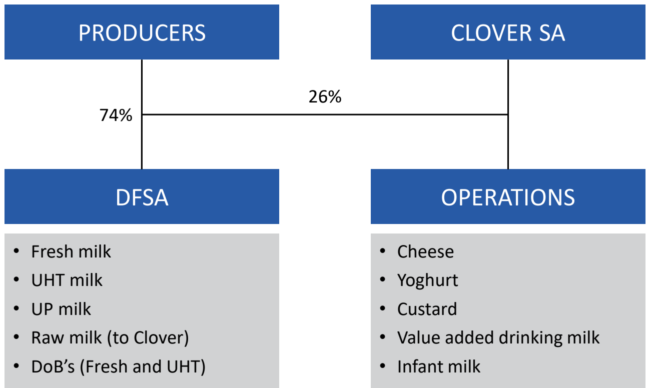
Clover Sencillo

"Way Better Operations"

Unbundling of DFSA

Group financial results

DFSA



In terms of the transfer agreement, Clover holds all the A shares in the new business with 26% voting rights, whilst the milk producers hold all the B shares with a 74% voting right

Group financial results

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	30 June 2017 Audited [1] [2] R'000	Clover After pro forma adjustments R'000	DFSA After pro forma adjustments R'000
Sales of products	3	9 401 842	6 369 535	3 549 806
Rendering of services	4	641 499	1 834 421	
Sale of raw milk		11 907	11 907	1 427 598
Rental income		3 351	3 351	
Revenue		10 058 599	8 219 214	4 977 404
Cost of sales	5	(7 333 041)	(5 529 508)	(4 472 263)
Gross profit		2 725 558	2 689 706	705 141
Other operating income		60 041	60 041	
Selling and distribution costs		(2 089 364)	(2 089 364)	(577 135)
Administrative expenses	6	(284 721)	(284 721)	(92 153)
Restructuring expenses		(48 098)	(48 098)	
Other operating expenses		(48 937)	(48 937)	
Operating profit		314 479	278 627	35 852
Finance income	7	12 647	48 499	
Finance costs		(145 765)	(145 765)	(35 852)
Share of profit in a joint venture		18 486	18 486	
Profit before tax		199 847	199 847	
Taxation		(41 105)	(41 105)	
Profit for the year		158 742	158 742	0

Notes:

1. As per the statement of comprehensive income for the year ended 30 June 2017 per the annual audited consolidated results
2. Please refer to the annexure to the results announcement for the year ended 30 June 2017 for further detail (page 245 in the integrated annual report)
3. The sale of products relating to the non-value added drinking milk that will be excluded from Clover and be part of DFSA in future
4. Clover will provide all the production, distribution, sales and merchandising, marketing and certain administrative service to DFSA at a fee
5. Clover will only procure from DFSA the raw milk it needs for its own branded products
6. Clover will provided certain administrative services to DFSA which DFSA will pay for as part of rendering of services fees
7. Clover will provide the working capital funding to DFSA in the form of an interest bearing facility on which Clover will earn interest on

Appendix

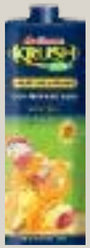
NEW PRODUCTS LAUNCHED

June 2017

Snackpack

June 2017

NutriKids yoghurt



October 2016

Clover Krush long-life

August 2017

Cream O' Naise

Appendix

NEW PRODUCTS LAUNCHED

September 2016

Clover Nolac

September 2016

Clover Care

October 2016

NutriKids

February 2017

Tropika Slenda

Conclusion

Executive team has set high but achievable targets for the year ahead, and is committed to drive value through the following behavioural attributes:

- Consumer centric
- Cost focus
- Ambitious
- Responsive
- Flexible and Supportive


Questions

Notes

Notes

Clover
Way Better™

Clover Industries Limited

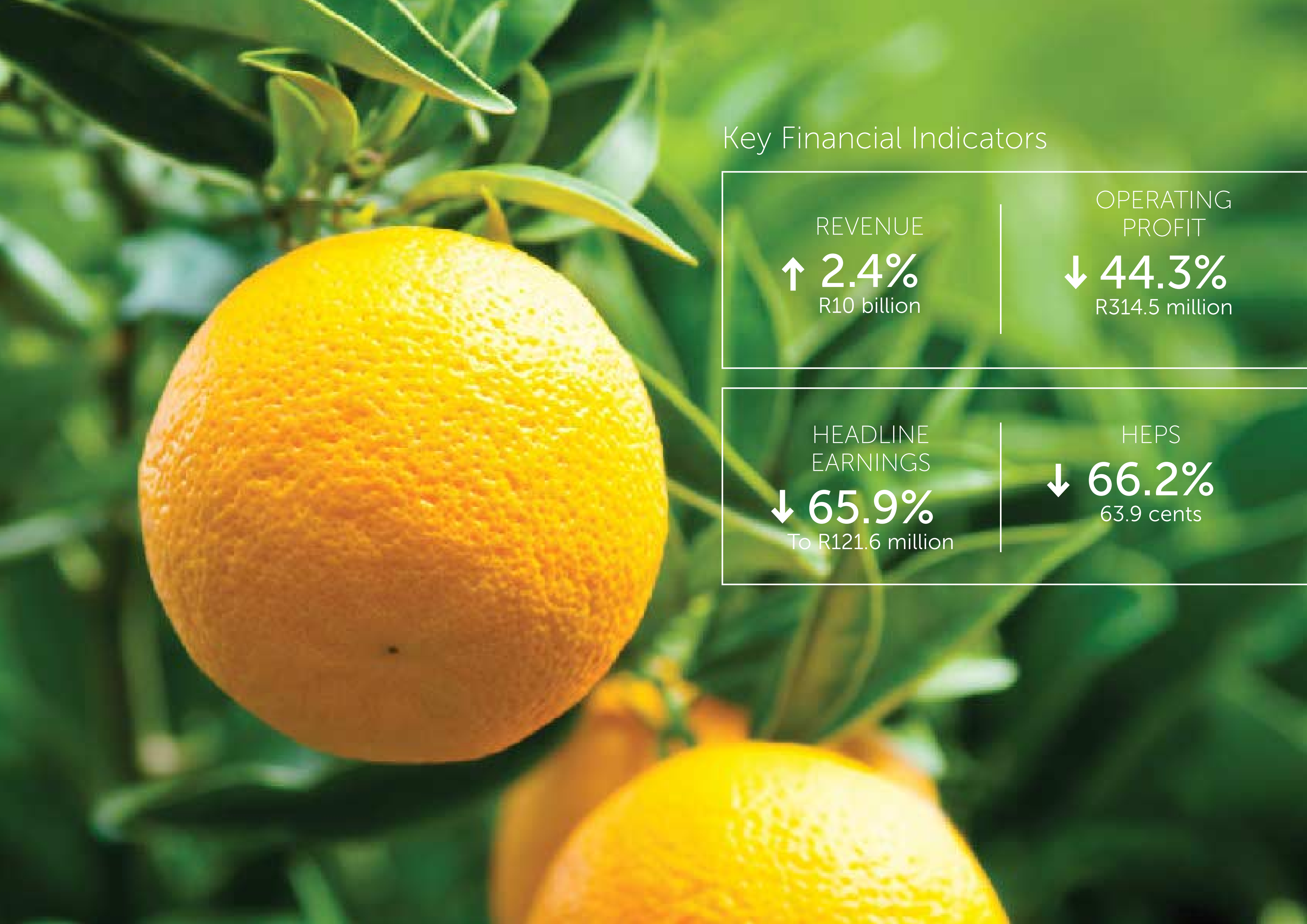
Summarised audited consolidated financial statements

for the year ended 30 June 2017

and

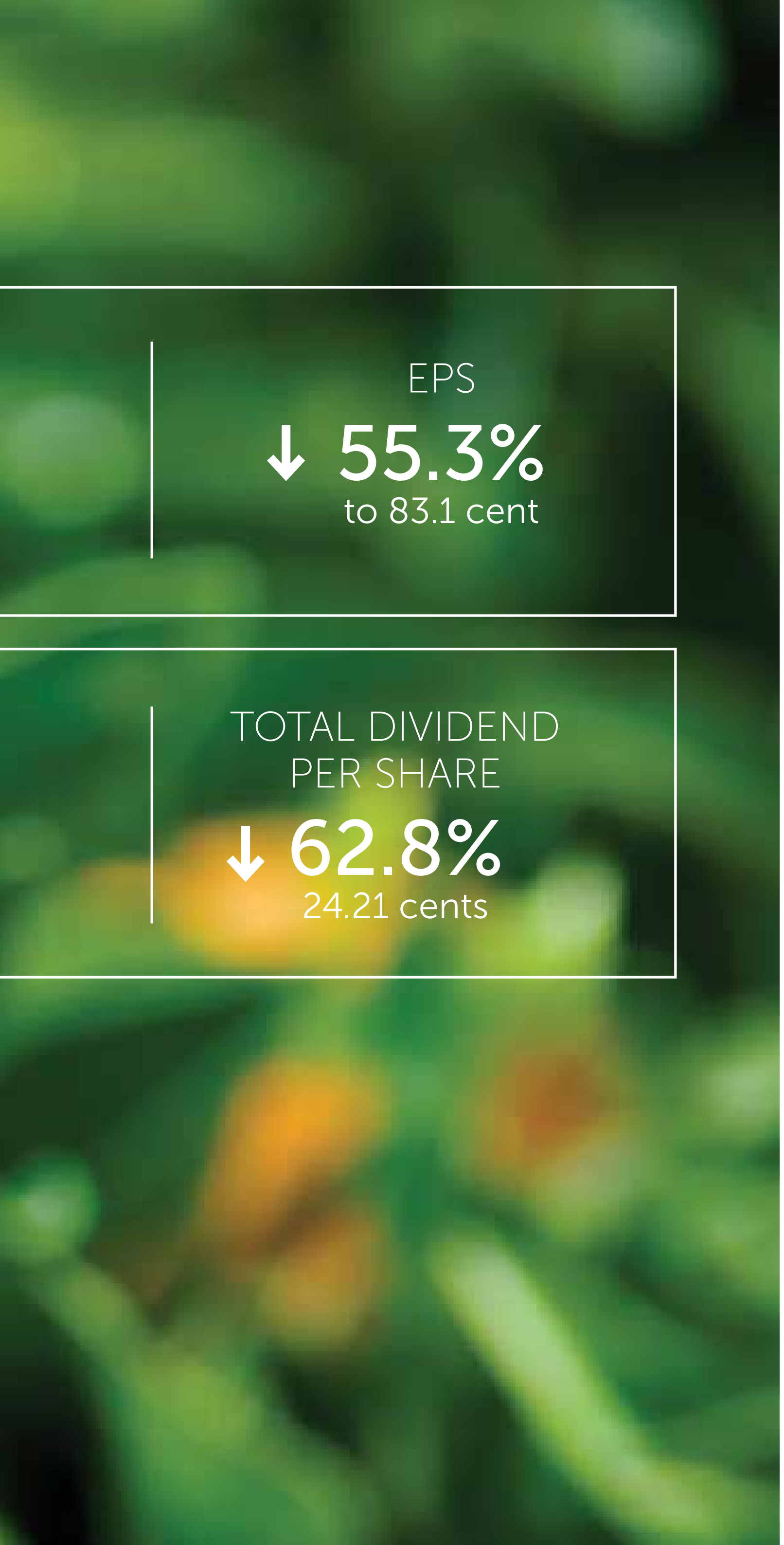
ANNEXURE TO THE SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS (PRO FORMA)
for the year ended 30 June 2017

Clover
Way Better™



Key Financial Indicators

REVENUE ↑ 2.4% R10 billion	OPERATING PROFIT ↓ 44.3% R314.5 million
HEADLINE EARNINGS ↓ 65.9% To R121.6 million	HEPS ↓ 66.2% 63.9 cents



Directorate and Statutory Information

Directors: Non-executive

WI Büchner (Chairman)
TA Wixley# (Lead Independent)(retired 28 November 2016)
SF Booysen (Dr)# (Lead Independent)
JNS du Plessis# (Resigned 11 January 2017)
NV Mokhesi# (Appointed to audit and risk committee 1 January 2017)
B Ngonyama#
NA Smith
PR Griffin (Resigned 28 November 2016)
#Independent
Directors: Executive
JH Vorster (Chief Executive)
ER Bosch (Chief Financial Officer) (To resign as from 31 December 2017)

Company Secretary

J van Heerden

Ordinary share code

JSE: CLR, NSX:CLN

ISIN: ZAE000152377

Registered office

200 Constantia Drive, Constantia Kloof, 1709

Postal address

PO Box 6161, Weltevredenpark, 1715

Telephone

(011) 471 1400

Registration number

2003/030429/06

Tax number

9657/002/71/4

Transfer secretary

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors

Ernst & Young Inc.

Bankers

The Absa Group, Rand Merchant Bank, Investec Bank

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited) (JSE)

IJG Securities (NSX)

Commentary

OPERATIONAL OVERVIEW

Clover faced an exceptionally challenging year as South African food producers and retailers had to contend with several complex and ongoing issues in the economy.

Some impacts such as the prolonged drought, a wetter and cooler summer and rand volatility were beyond our control. The resultant above-inflation input costs, subdued volume growth and continued low consumer spending amidst aggressive competitor pricing meant that we had to take some very tough decisions during the year, to position and sustain the business optimally against a constrained "new reality".

This obviously came at a price as reflected in our subdued financial performance. The fact that the 2015 and 2016 financial results set an exceptionally high benchmark we were very conscious of guarding against short-term, knee-jerk solutions.

Headline earnings decreased by 65,9% or R235,0 million to R121,6 million. This decrease in headline earnings is primarily because of headline operating profit, which decreased by 52,4% or R298,0 million and net finance costs, which increased by 18,0% or R20,3 million.

Revenue improved by 2,4% or R 239,9 million to R10 058,6 million. Sale of products revenue increased by 3,3% to R9 401,8 million, despite overall volume decreases of 3,5 %. This was primarily due to lower selling price increases, necessitated by the drought to recover farm gate raw milk and ingredients price increases, and muted consumer sentiment. The full implementation of a major retailer's distribution centralisation resulted in additional charges against sales in the form of an increased DC allowance. Retailers have generally also been more aggressive with volume rebates and co-operative advertising campaign requirements.

Services rendered to principals contributed R641,5 million to revenue, which was 6,3% lower than the previous year. The decrease was primarily because of the subdued market conditions of our principals, as well as the liquidation of a recently signed principal.

Cost of sales increased 4,4% or R307,5 million, in contrast to the 2,4% or R239,9 million growth in revenue. As a result, gross profit percentage decreased from 28,4% to 27,1% and gross profit decreased by 2,4% or R67,7 million. The gross profit margin was assisted during the year with recipe changes to accommodate the sugar tax, but the full impact will only be realised in future.

In addition, the drought had a major impact on the availability and increased cost of raw milk and fruit pulp. At the time of writing this report, the culling of herds due to the drought still negatively impacts the producers and there is a current challenge to supply the forecasted market with milk, however the milk flow during this spring and summer will determine market conditions for next winter. Clover deliberately maintained its rejuvenated high-volume infrastructure as it was unclear if volumes would return, and fixed costs were therefore relatively stable compared to inflation, and in some instances were even lower and well maintained. Clover however invested significantly in its future through higher marketing costs, research and development costs.

Approximately R46,8 million was spent on retrenchment costs, which are classified as restructuring expenses. This was predominantly for consolidating the City Deep distribution centres into Clayville as well as other manufacturing and distribution efficiency drives that will bode well for the future.

INVESTMENT AND FUNDING

Clover stated in our interim results that selling prices were significantly higher to combat the effects of a prolonged drought primarily in the Highveld, Kwazulu-Natal, and the Western and Eastern Cape. The drought in the Highveld and Kwazulu-Natal was subdued with great summer rainfall, while the sub-optimal conditions in the Western and Eastern Cape prevailed. The country's milk flow was relatively stable when compared to the prior year, but the cooler and wetter summer in December 2016, and the higher selling prices, resulted in volumes decreasing, particularly in the beverage segment. This resulted in Inventory levels increasing by 5,2% or R47,7 million in comparison to the previous corresponding reporting period.

Trade and other receivables were relatively stable and only marginally increased because of the overall increase in revenue of 2,4%.

Clover's lower volumes, accounted for R88,6 million or 6,5% reduction in trade and other payables. There was a reduction in other current financial liabilities of R19,5 million which is mainly as a result of the diesel hedges coming to an end.

Cash generated from operations, before working capital changes, totalled R439,2 million compared to R709,7 million reported in the prior year. Lower cash generation was primarily due to the lower profit recorded. In this year, working capital absorbed R162,2 million of cash compared to the R36,2 million of the prior year. Lower volumes because of the higher selling prices given the cooler and wetter summer, Clover spent R 67,8 million more on inventory in comparison to the previous corresponding period. Trade and other receivables slightly increased compared to last year given the marginal improvement in revenue.

Investment activities consumed R277,7 million in cash compared to R332,6 million in the previous year, following the sale of the Bellville and Stikland properties. Clover also spent R49,8 million less capital on tangible assets.

Commentary (continued)

Group gearing increased from 44,1% to 51,4 % at 30 June 2017. The increased gearing was primarily because of the lower profits and increased working capital requirements. Clover's gearing is well within our ability to service interest and repayments, but we have limited capacity to fund new growth opportunities.

OPERATIONAL RESTRUCTURE

Since listing in 2010, we have been working towards diversifying Clover's business away from low-margin, commoditised bulk dairy products, focusing on higher margin value-added branded food and beverages to improve operating margins across the portfolio. In contrast, profit on traditional dairy products are typically driven by volumes and this would apply to fresh milk, ultra-high temperature milk, ultra-pasteurised milk, skim milk powder, whole milk and bulk cream.

A recent strategic review of our product portfolio highlighted new trends in the milk business model where owner-producers supply the trade directly, as opposed to traditional intermediary companies like Clover. This means that commodity products like fresh, UHT and UP liquid milk ("non-value-added drinking milk") has drifted outside of our core product portfolio.

Since our strategic focus is on value-added product categories, it made strategic sense to transfer the supply and demand side of the volume driven business to a new entity and invest our future funds in more profitable businesses that will suit our business model better, whilst remaining a substantial service provider to the dairy industry.

In one of the biggest milestones since Cielo Blu in 2010, we formed a wholly owned subsidiary (called Dairy Farmers of South Africa (Pty) Ltd ("DFSA")) that will house the non-value added dairy business of Clover with effect from 1 April 2017. DFSA is responsible for the procurement of raw milk as well as the selling, marketing and distribution of the non-value-added drinking milk above.

As communicated on the SENS, the board of directors of Clover announced that the issue and allotment of the B shares in DFSA to the milk producers has been implemented with effect from 1 July 2017 and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

PROSPECTS

Consumer confidence remains lacklustre with discretionary spend under pressure. The improved outlook for inflation and recent reduction in interest rates should provide some relief although the prospect of future interest rate cuts is uncertain.

While the after effects of the prolonged drought will be felt for some time, a gradual recovery in milk and fruit production volumes together with the strengthening of the rand to the dollar should result in a reduction in input cost inflation.

We therefore remain optimistic and excited about Clover's future as we have considered and employed measurable strategies that will return the Company's profitability to historic levels over the medium and longer term.

DIVIDEND CONSIDERATION

During the consideration of the interim dividend for 1H17 the board decided to maintain the interim dividend in line with the prior year's interim dividend and declared a dividend of 24,21 cents per share, although the interim headline earnings were 13.5% lower than the prior interim period's results.

Although the Board communicated in the past that it will follow a progressive dividend policy whereby dividends are as minimum maintained or grown by at least the growth in the headline earnings per share, the Board has resolved not to declare a final dividend due to the current weak economic circumstance and the Group's growth funding requirements. The total dividends for 2016/17 however represent a dividend cover of 2,6 times compared to the 2015/16 dividend cover of 2,9 times.

On behalf of the Board

WI Büchner
Chairman
11 September 2017

JH Vorster
Chief Executive

Summarised Consolidated Statement of Comprehensive Income

For the year ended

	30 June 2017 R'000	30 June 2016 R'000
Sale of products	9 401 842	9 102 469
Rendering of services	641 499	684 496
Sale of raw milk	11 907	22 769
Rental income	3 351	8 983
Revenue	10 058 599	9 818 717
Cost of sales	(7 333 041)	(7 025 497)
Gross profit	2 725 558	2 793 220
Other operating income	60 040	73 688
Selling and distribution costs	(2 089 364)	(1 944 333)
Administrative expenses	(284 721)	(300 461)
Restructuring expenses	(48 098)	(8 493)
Other operating expenses	(48 936)	(49 171)
Operating profit	314 479	564 450
Finance income	12 647	10 139
Finance cost	(145 765)	(122 964)
Share of profit of a joint venture	18 486	14 268
Profit before tax	199 847	465 893
Taxes	(41 105)	(113 992)
Profit for the year	158 742	351 901

Summarised Consolidated Statement of Comprehensive Income (continued)

	30 June 2017 R'000	30 June 2016 R'000
Profit for the year (carried forward from the previous page)	**158 742**	351 901
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translations of foreign operations, net of tax	**(14 510)**	26 461
Exchange differences on translations of foreign operations	**(14 510)**	(1 905)
Reclassified to profit or loss	**–**	28 366
Income tax effect	**–**	–
Net gain/(loss) on cash flow hedges, net of tax	**(2 412)**	2 412
Cash flow hedge fair value adjustment	**(9 294)**	(22 500)
Reclassified to profit or loss	**5 944**	25 850
Income tax effect	**938**	(938)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(16 922)**	28 873
Total comprehensive income for the year, net of tax	**141 820**	380 774
Profit for the year attributable to:		
Equity holders of the parent	**158 258**	350 906
Non-controlling interests	**484**	995
	158 742	351 901
Total comprehensive income attributable to:		
Equity holders of the parent	**141 336**	379 779
Non-controlling interests	**484**	995
	141 820	380 774

Headline Earnings and Headline Earnings Per Share

For the year ended

	30 June 2017 R'000	30 June 2016 R'000
Headline earnings calculation		
Profit for the year attributable to equity holders of the parent company	**158 258**	350 906
Gross remeasurements excluded from headline earnings	**(42 674)**	5 776
Profit on sale of property, plant and equipment and gains on other assets	**(33 404)**	(20 869)
Bargain purchase at acquisition (Clover Good Hope)	**–**	(1 721)
Release of foreign currency translation reserve in abandonment of foreign operation	**–**	28 366
Profit on the sale of an investment in subsidiary	**(9 270)**	–
Taxation effects of remeasurements	**6 033**	(87)
Headline earnings attributable to shareholders of the parent company	**121 617**	356 595
Issued ordinary shares	**190 835 364**	190 314 350
Number of ordinary shares used in the calculation of:		
Earnings per share		
– weighted average	**190 433 237**	188 733 409
Diluted earnings per share		
– weighted average	**192 358 073**	193 021 978
Earnings per share attributable to ordinary equity holders of the parent		
Earnings per share (cents)	**83,1**	185,9
Diluted earnings per share (cents)	**82,3**	181,8
Headline earnings per share (cents)	**63,9**	188,9
Diluted headline earnings per share (cents)	**63,2**	184,7

Summarised Consolidated Statement of Financial Position

As at

	30 June 2017 R'000	30 June 2016 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	2 427 444	2 323 216
Investment properties	9	15
Intangible assets	650 663	612 191
Investment in joint venture	38 946	31 651
Other non-current financial assets	3 165	5 657
Deferred tax assets	45 496	37 019
	3 165 723	3 009 749
Current assets		
Inventories	964 630	916 909
Trade and other receivables	1 341 311	1 308 223
Prepayments	19 844	16 184
Income tax receivable	7 165	–
Cash and short-term deposits	544 863	604 071
	2 877 813	2 845 387
Assets classified as held-for-sale	4 607	10 907
Total assets	6 048 143	5 866 043

Summarised Consolidated Statement of Financial Position (continued)

As at

	30 June 2017 R'000	30 June 2016 R'000
EQUITY AND LIABILITIES		
Equity		
Issued share capital	**9 542**	9 516
Share premium	**892 692**	882 774
Other capital reserves	**78 642**	74 873
Foreign currency translation reserve	**9 637**	24 147
Cash flow hedge reserve	**–**	2 412
Retained earnings	**1 904 349**	1 871 690
Equity attributable to equity holders of the parent	**2 894 862**	2 865 412
Non-controlling interests	**(15 179)**	23 305
Total equity	**2 879 683**	2 888 717
Liabilities		
Non-current liabilities		
Interest-bearing loans and borrowings	**767 621**	931 455
Non-controlling interest put liability	**57 088**	–
Employee-related obligations	**82 595**	73 474
Deferred tax liability	**221 065**	192 358
Trade and other payables	**25 492**	19 311
Other non-current financial liabilities	**9 683**	2 199
	1 163 544	1 218 797
Current liabilities		
Trade and other payables	**1 274 700**	1 363 332
Interest-bearing loans and borrowings	**714 304**	343 015
Other current financial liabilities	**6 141**	25 612
Income tax payable	**–**	9 893
Employee-related obligations	**9 771**	16 677
	2 004 916	1 758 529
Total liabilities	**3 168 460**	2 977 326
Total equity and liabilities	**6 048 143**	5 866 043

Summarised Consolidated Statement of Changes in Equity

For the year ended

	30 June 2017 R'000	30 June 2016 R'000
Balance at 1 July	**2 888 717**	2 584 848
Profit for the year	**158 742**	351 901
Other comprehensive income	**(16 922)**	28 873
Total comprehensive income	**141 820**	380 774
Ordinary shares issued	**731**	44 540
Share-based payment expense recognised	**5 865**	12 697
Share appreciation rights exercised, net of tax	**(1 012)**	(35 347)
Initial recognition of call options	**–**	1 005
Non-controlling interest arising from business combination	**24 234**	8 800
Non-controlling interest put option movement	**(57 088)**	–
Acquisition of non-controlling interest	**(8 354)**	–
Dividends to non-controlling interest	**(490)**	–
Dividends	**(114 802)**	(108 755)
Dividends forfeited	**62**	155
Balance at end of the year	**2 879 683**	2 888 717
Consists of:		
Share capital and premium	**902 234**	892 290
Other capital reserves	**78 642**	74 873
Foreign currency translation reserve	**9 637**	24 147
Cash flow hedge reserve	**–**	2 412
Retained earnings	**1 904 349**	1 871 690
Shareholder equity	**2 894 862**	2 865 412
Non-controlling interest	**(15 179)**	23 305
Total equity	**2 879 683**	2 888 717

Summarised Consolidated Statement of Cash Flows

For the year ended

	30 June 2017 R'000	30 June 2016 R'000
OPERATING ACTIVITIES		
Profit before tax	**199 847**	465 893
Adjustment for non-cash items	**286 451**	300 723
Working capital adjustments	**(162 227)**	(36 230)
Income tax paid	**(47 115)**	(56 938)
Net cash flows (used in)/from operating activities	**276 956**	673 448
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment and other assets	**58 941**	45 533
Interest received	**12 647**	10 139
Acquisition of controlling interest in Clover Good Hope Proprietary Limited	**–**	(2 550)
Acquisition of controlling interest in Clover Frankies Proprietary Limited	**–**	(6 610)
Acquisition of controlling interest in Clover Pride Proprietary Limited	**(29 639)**	–
Disposal of controlling interest in Lactolab Proprietary Limited	**10 275**	–
Government grant received recognised against property, plant, equipment and expenses	**–**	16 097
Capital expenditure: Tangible and intangible assets	**(322 554)**	(423 071)
Cancellation of a finance lease	**3 854**	–
Realised foreign exchange (loss)/gain	**(11 232)**	27 833
Net cash flows used in investing activities	**(277 708)**	(332 629)
FINANCING ACTIVITIES		
Interest paid	**(145 765)**	(122 964)
Dividends paid	**(115 230)**	(108 755)
Non-controlling interest acquired in Clover Frankies Proprietary Limited	**(4 440)**	–
Cancellation of a finance lease	**(3 854)**	–
Repayment of borrowings	**(285 668)**	(254 646)
Proceeds from borrowings	**496 975**	273 939
Net cash flows from financing activities	**(57 982)**	(212 426)
Net (decrease)/increase in cash and cash equivalents	**(58 734)**	128 393
Net foreign exchange difference	**(474)**	242
Cash and cash equivalents at the beginning of the year	**604 071**	475 436
Cash and cash equivalents at the end of the year	**544 863**	604 071

Accounting policies and notes

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

These summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies are consistent in all material respects with those of the previous annual financial statements. New and amended IFRS and IFRIC interpretations were adopted by the Group during the year but these did not have an impact on the Group.

2. SEGMENT REPORTING

The Group's manufacturing, distribution, other assets and liabilities are totally integrated between the different product groups. The Chief Executive Officer (the Chief Operating Decision Maker) is of the opinion that the operations for individual manufacturing, distribution and product groups are substantially similar to one another and that the risks and returns are likewise similar. As a result thereof, the business of the Group is considered to be a single segment, namely Clover Industries Limited ("CIL").

Group operations outside of South Africa are insignificant and therefore not disclosed separately.

The following information regarding the Group's product groups, for which no discrete financial information is available, are presented on a voluntary basis. The Group comprises the following main product groups:

- The dairy fluids products is focused on providing the market with quality dairy fluid products.
- The dairy concentrated products consist of cheese, butter, condensed milk and retail milk powders.
- The ingredients products consist of bulk milk powders, bulk butter, bulk condensed milk, bulk creamers, calf feed substitutes, whey powder and buttermilk powder.
- The non-alcoholic beverages products focus on the development and marketing of non-alcoholic, value-added branded beverages products.
- The fermented products and desserts consist of yoghurt, maas and desserts
- The soya and oil products consist of soya, olive oil and olives. In the comparative year "other" consist of laboratory services rendered by Lactolab.

Accounting policies and notes (continued)

For the year ended	30 June 2017 R'000	30 June 2016 R'000
External revenue from sale of products*		
Dairy fluids	**4 643 600**	4 427 051
Dairy concentrated products	**1 312 575**	1 355 240
Ingredients	**216 424**	266 909
Non-alcoholic beverages	**2 369 071**	2 367 158
Fermented products and desserts	**794 403**	679 481
Olive oil & Soya	**65 769**	6 630
	9 401 842	9 102 469
Margin on material#		
Dairy fluids	**1 764 858**	1 795 746
Dairy concentrated products	**393 180**	400 652
Ingredients	**71 265**	40 146
Non-alcoholic beverages	**1 288 742**	1 314 252
Fermented products and desserts	**220 274**	195 877
Olive oil & Soya	**29 714**	4 754
	3 768 033	3 751 427

* External revenue excludes revenue from the sale of raw milk.

Margin on material consist of sale of products plus sale of raw milk less charges against sales, cost of material and packaging and milk collection cost.

Assets, liabilities and overheads are managed on a Group basis and are therefore not allocated to the product groups.

The Group operates mainly in the geographical area of South Africa. The revenue and assets of the operations outside South Africa are insignificant.

3. EARNINGS PER SHARE

The difference between earnings per share and diluted earnings per share is due to the impact of equity settled unexercised share appreciation rights.

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the year under review the Group acquired property, plant and equipment to the value of R316,8 million and also acquired intangible assets at a cost of R5,7 million. This excludes the effect of the tangible and intangible assets acquired as part of the business combination in note 7.1.

Certain items of property, plant and equipment have been classified as assets classified held-for-sale. It is those assets that are expected to be disposed of within the next 12 months.

5. FOREIGN CURRENCY TRANSLATION RESERVE AND CASH FLOW HEDGE RESERVE

The Group purchases diesel on an ongoing basis as its operating activities in the distribution division require a continuous supply of diesel for the transport of its own products and those of its principals. Due to the recent fluctuations in the commodities market specifically relating to the international price of oil and the effect it had on the price of diesel locally the Group entered into a diesel hedge with RMB in the form of a long-futures contract. The futures contracts do not result in the physical delivery of diesel, but are designated as cash flow hedges to offset the effect of the price changes in diesel.

The fair values are based on the quoted price from RMB for an item with the same expiry date and a similar value, taking into account the ruling ICE Gasoil price at year end and the forecasted change in the ICE Gasoil prices until expiry of the instrument. The realised loss portion of the Ice Gasoil long-futures contract recognised in other operating expenses in the statement of profit or loss for the year was R 5,9 million (R 4,2million net of tax) (2016: R 25,8 million (R 18,6 million net of tax)), the unrealised profit portion of R Nil (2016: R 3,3 million (R 2,4 million net of tax)) is reflected in other comprehensive income and will affect the profit or loss in the next financial year, depending on the move in the ICE Gasoil price..

During the financial year the Group hedged 1 500 000 litres of ICE Gasoil per month at an average price of R 5,61 per litre. As at 30 June 2017 all the Group diesel hedged had expired.

Other comprehensive income:

The disaggregation of changes of other comprehensive income by each type of reserve in equity is shown below:

As at 30 June 2017	Cash flow hedge reserve R'000	Foreign currency translation reserve R'000	Total R'000
Diesel forward contracts:			
Cash flow hedge fair value adjustment	(9 294)		(9 294)
Reclassified to statement of profit or loss	5 944		5 944
Income Tax Effect	938		938
Foreign exchange translation differences		(14 510)	(14 510)
	(2 412)	**(14 510)**	**(16 922)**

6. SHARE CAPITAL AND SHARE PREMIUM

The share premium account increased by R9.9 million from the prior financial year after the settlement of vested executive management share appreciation rights by the issue of new ordinary shares and as part of the Company's interim dividend declaration, the company gave shareholders the option to select between a cash dividend or scrip distribution share. In terms of the scrip distribution, 482 617 new ordinary shares were issued on 24 April 2017 to shareholders who did not elect to receive a cash dividend in respect of all their shares.

7. BUSINESS COMBINATION AND ACQUISITION OF NON-CONTROLLING INTEREST

7.1 Acquisition of interest in Clover Pride Proprietary Limited

Clover entered into an agreement with AECI Limited ("Seller") to form a new entity, Clover Pride Proprietary Limited ("Clover Pride") that acquired the Olive Pride olive oil business, effective 1 April 2017. According to the "Sale of Business Agreement" Clover Pride has acquired all of the consumables, raw materials, finished goods, equipment, material contracts, trademarks, intellectual property and goodwill in relation to the Olive Pride business from the Seller on the effective date. Clover effectively holds 51% of the shares in Clover Pride and the Seller holds the remaining 49%.

The Group has elected to measure the non-controlling interest in Clover Pride Proprietary Limited at residual value on initial recognition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R5.5 million; free cash flow growth per annum of between 7% to 19% and a discount rate of 18.54%.

The fair values allocated to the assets and liabilities are based on a provisional assessment of their fair values. According to IFRS 3.45, the Company is allowed a measurement period, not exceeding one year, to retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of the effective date.

The fair values of the identifiable assets, liabilities, goodwill and non-controlling interest of the Olive Pride business as at the date of acquisition were:

	R'000
Assets	
Property, plant and equipment	502
Inventory	8 659
Intangible assets	38 217
	47 378
Liabilities	
Deferred tax liability	(10 841)
Loan	(4 243)
Total identifiable net assets at fair value	**32 294**
Goodwill arising on acquisition	21 579
Total value of the Clover Pride business	**53 873**
Non-controlling interest measured at residual value	24 234
Purchase consideration settled in cash	**29 639**

The business contributed R22.4 million of revenue and R7.7 million of margin on material to the Group results since acquisition. These amounts would have been R89,6 million and R30.8 million respectively if annualised for the full period.

7.2 Acquisition of non-controlling interest in Clover Frankies Proprietary Limited

With effect from 31 March 2017 Clover SA bought the remaining 49% issued ordinary shares of Clover Frankies from Frankies Olde Soft Drinks cc ("Seller") for a cash consideration of R4.44 million. From this date Clover effectively holds 100% of the shares in Clover Frankies.

Clover Frankies previously acquired the Frankies Carbonated Soft Drinks (CSD) and ice lollies business ("the business") from the seller. The business involves the manufacturing, distribution, selling and marketing of CSDs and ice lollies utilising the trademarks it acquired under the original business acquisition.

No goodwill may be recognised because of this transaction as Clover already had a controlling interest, holding 51% of the issued ordinary shares in Clover Frankies prior to this transaction.

The call and put option related to the initial acquisition was subsequently cancelled."

The carrying amounts of the identifiable assets and liabilities of Clover Frankies as at the effective date were:

	R'000
Assets	
Plant and Equipment	245
Intangible assets	11,534
Inventory	1,749
Trade Receivables	2,567
Cash and cash equivalents	1,417
	17,512
Liabilities	
Deferred tax liability	75
Trade and other payables	5,958
	6,033
Total identifiable net assets at non-controlling interest acquisition date	**11,479**
Non - controlling interest at carrying amount	5,624
Equity movement due to acquisition of non-controlling interest	2,730
Call option directly attributable to the acquisition of the non-controlling interest	(3,914)
Purchase consideration settled in cash	**4,440**

8. NON-CONTROLLING INTEREST PUT OPTION LIABILITIES

The Group has entered into transactions with non-controlling interest equity holders whereby they are able to put their shareholding to the Group for a limited time period. The options are accounted for using the present access method. These are written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash and are recognised as financial liabilities. In the current year R57 million was recognised as liability and the corresponding debit against non-controlling interest in the statement of changes in equity.

Put option to acquire remaining shares in Clover Good Hope

Clover granted Good Hope the irrevocable right to sell Good Hope's 49% of the issued share capital in Clover Good Hope ("Put shares"). The put option may be exercised by Good Hope within three months after each 12-month period from the third anniversary of the effective date. The purchase price of the put shares will be determined by way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

Put option to acquire remaining shares in Clover Pride

Clover granted AECI the irrevocable right to sell AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The put option may be exercised by AECI within three months after each 12 month period from the third anniversary of the effective date. The purchase price of the put shares will be determined by way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

9. DISPOSAL OF INVESTMENT IN SUBSIDIARY COMPANY – LACTOLAB

With effect from 1 July 2016 Clover disposed of its 100% shareholding in Lactolab Proprietary Limited ("Lactolab") to Swift Siliker Proprietary Limited, for a total cash consideration of R11,7 million (which results in a net cash increase of R10.3 million for the group as reflected in the summarised consolidated statement of cash flows).

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

For financial instruments traded in an active market (Level 1), fair value is determined using stock exchange quoted prices. For other financial instruments (Level 2), appropriate valuation techniques, including recent market transaction and other valuation models, have been applied and significant inputs include market yield curves and exchange rates. For non-current assets (level 3) fair value has been determined based on the sale agreements. There is no difference between the fair value and carrying value of financial assets and liabilities not presented below due to either the short-term nature of these items, or the fact that they are priced at variable interest rates. Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and repayment periods as at year-end, the carrying amounts of the borrowings are not materially different from the calculated fair value.

	30 June 2017 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Assets measured at fair value				
Derivatives not designated as hedging instruments:				
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	856	–	–	856
Investment in cell captive	2 309	–	2 309	–
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	638	–	638	–
Clover Industries shares forward purchases	13 521	–	13 521	–
Derivatives designated as hedging instruments:				
Diesel hedge	1 665	–	1 665	–

	30 June 2016 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Assets measured at fair value				
Derivatives not designated as hedging instruments:				
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd	3 297	–	–	3 297
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd	560	–	–	560
Investment in cell captive	1 800	–	1 800	–
Liabilities measured at fair value				
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	86	–	86	–
Clover Industries shares forward purchases	5 225	–	5 225	–
Derivatives designated as hedging instruments:				
Diesel hedge	22 500	–	22 500	–

During the reporting period ended 30 June 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

During the reporting period ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation of fair value measurement of level 3 financial assets	2017 R'000	2016 R'000
Call option to acquire remaining shares in Clover Frankies (Pty) Ltd		
Balance at the beginning of the year	3,297	–
Initial recognition through OCI	–	445
Remeasurement recognised through statement of profit or loss	617	2,852
Derecognised against investment in Clover Frankies (note 3.2)	(3,914)	–
Balance at the end of the year	–	3,297
Call option to acquire remaining shares in Clover Good Hope (Pty) Ltd		
Balance at the beginning of the year	560	–
Initial recognition through OCI	–	560
Remeasurement recognised through statement of profit or loss	296	–
Balance at the end of the year	856	560

Call option to acquire remaining shares in Clover Frankies

The option value has been derecognised against the investment in Clover Frankies - Refer to note 7.2.

Call option to acquire remaining shares in Clover Good Hope

Good Hope granted Clover the irrevocable right to purchase Good Hope's 49% of the issued share capital in Clover Good Hope ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the fifth anniversary of the effective date. The purchase price of the call shares will be determined by way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

Call option to acquire remaining shares in Clover Pride

AECI granted Clover the irrevocable right to purchase AECI's 49% of the issued share capital in Clover Pride ("Call shares"). The call option may be exercised by Clover within three months after each 12 month period from the third anniversary of the effective date. The purchase price of the call shares will be determined by way of an earnings before interest tax depreciation and amortisation (EBITDA) multiple formula.

Foreign exchange contracts

Foreign exchange contracts through profit or loss are those foreign exchange forward contracts that are not designated in hedge relationship as they are intended to reduce the level of foreign currency risk for expected sales and purchases.

Clover Industries shares forward purchase

The Group had entered into a forward contract to purchase 2 132 695 Clover Industries shares, this transaction was entered into to hedge a portion of the share appreciation rights issued to management.

The fair value of the shares forward purchases was determined by Investec Bank Limited. The fair value was determined by calculation the future settlement price after the following inputs were taken into consideration, a dividend of 3,92% (2016: 3,11%), a credit spread of 2,75% (2016: 2,75%), a spot rate of R16,55 (2016: R18,51) and a swap interest rate reflecting the term of each tranche of the hedge.

Diesel hedge

The Group entered into a diesel hedge with RMB in the form of a long-futures contract. Refer to note 5 for more information in relation to diesel hedge

11. RELATED PARTY DISCLOSURE

Transactions with related parties are made at market-related prices

Business done with Non-Executive Directors or legal entities that are related to them, the following transactions took place:

	2017 R'000	2016 R'000
Milk purchased from the following Non-executive Directors or companies in which they are connected by Clover SA:		
WI Büchner	**146 949**	104 643
NA Smith	**49 358**	44 632
PR Griffin (Resigned 30 November 2016)	**7 284**	15 362
Total milk purchased from Non-Executive Directors	**203 591**	164 637

Accounting policies and notes (continued)

12. EVENTS AFTER THE REPORTING PERIOD

As communicated on the SENS Clover transferred the non-value added dairy business to its wholly owned subsidiary, Dairy Farmers of South Africa (Pty) Ltd. ("DFSA"), under a written transfer of business agreement with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover, shares in DFSA. The board of directors of Clover announced that the issue and allotment of the B shares in DFSA to the milk producers has been implemented with effect from 1 July 2017 and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

Except for the above no significant events occurred subsequent to the year-end that would require disclosure or amendment to these financial statements.

13. GOING CONCERN

The directors are satisfied that the Group is a going concern and has therefore continued to adopt the going-concern basis in preparing the interim condensed consolidated financial statements.

14. PREPARATION OF SUMMARISED CONSOLIDATED FINANCIAL RESULTS

These summarised consolidated financial statements are extracted from audited information, but are not itself audited. The directors take full responsibility for the preparation of the summarised consolidated financial statements and ensured that the financial information has been accurately extracted from the underlying audited consolidated annual financial statements.The audited financial statements summarised in this section were prepared under the supervision of Elton Ronald Bosch, CA(SA), in his capacity as Chief Financial Officer of the Group.

15. INDEPENDENT AUDIT BY AUDITORS

The annual financial statements from which the summarised consolidated financial statements were derived, have been audited by the Group's independent auditors, Ernst & Young Inc. A copy of their unmodified report is available for inspection at the company's registered office.

16. ANNUAL GENERAL MEETING

The Annual General Meeting of the company will be held at 200 Constantia Drive, Constantia Kloof, Roodepoort, 1709 on Tuesday, 28 November 2017, at 10:00 to transact the business as stated in the Annual General Meeting notice which will be distributed to shareholders on 27 September 2017.

Record date to determine which shareholders are entitled to receive the notice of Annual General Meeting	Friday, 15 September 2017
Last day to trade in order to be eligible to attend and vote at the Annual General Meeting	Tuesday, 14 November 2017
Record date to determine which shareholders are entitled to attend and vote at the Annual General Meeting	Friday, 17 November 2017
Forms of proxy for the Annual General Meeting to be lodged by 10:00 on*	Friday, 24 November 2017

* Any proxies not lodged by this time must be handed to the Chairperson of the Annual General Meeting immediately prior to the Annual General Meeting.

17. PUBLISHING OF INTEGRATED REPORT

The full integrated report will be published on Clover's website on 27 September 2017, the same day the Annual General meeting notice will be distributed to Shareholders.

ANNEXURE TO THE RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

PRO FORMA REGARDING THE EFFECT OF THE OPERATIONAL RESTRUCTURING OF DFSA ON THE CONSOLIDATED RESULTS OF CLOVER INDUSTRIES LIMITED ("Clover")

Introduction

On the 1st of July 2017 Clover concluded a corporate action that will have an impact on the 2018 financial year.

A recent strategic review of our product portfolio highlighted new trends in the milk business model where owner-producers supply the trade directly, as opposed to traditional intermediary companies like Clover. This means that commodity products like Fresh, Ultra High Temperature ('UHT') and Ultra Pasteurised ('UP') milk ('non-value-added drinking milk') has drifted outside of our core product portfolio.

Since our strategic focus is on value-added product categories, it made strategic sense to transfer the supply and demand side of the volume driven business to a new entity and invest our future funds in products and businesses that will suit our future business model better, whilst remaining a substantial service provider to non-value added drinking milk industry.

As communicated on the Securities Exchange News Service on 6 July 2017 and earlier, Clover, has formed a wholly owned subsidiary (called Dairy Farmers of South Africa (Pty) Ltd ('DFSA')). Clover transferred the non-value added dairy business and sold the related finished goods, packaging material and ingredients inventory, to DFSA with effect from 1 April 2017. In exchange for the transfer of the non-value added dairy business as aforementioned, DFSA allotted and issued to Clover A shares (which constituted the entire issued share capital of DFSA at the time) for a nominal amount, and a loan account for the inventory.

With effect from 1 July 2017, DFSA issued and allotted B shares in to the milk producers for a nominal amount and accordingly, the milk producers now hold all the B shares which constitute 74% of the voting rights of DFSA. Clover holds all the A shares which constitute 26% of the voting rights of DFSA.

With effect from 1 July 2017 Clover relinquished its control of DFSA and will for accounting purposes treat it as an investment in an associate going forward.

DFSA houses the non-value added drinking milk business and is responsible for the procurement of raw milk as well as the selling, marketing and distribution of the non-value-added drinking milk referred to above.

DFSA will subsequently become Clover's largest principal, where all its related requirements such as distribution, production, administration (invoicing, debt collection, marketing), IT services, payroll administration, central services, sales and merchandising are outsourced to Clover for an initial period of 20 years. In exchange for these services, Clover will earn service income.

This Annexure to the results announcement includes the 30 June 2017 audited results which have been adjusted to reflect the loss of control of DFSA ("Pro Forma Adjustments") as if the loss of control of DFSA had occurred (a) on 1 July 2016 for purposes of the Pro Forma Adjustments made to the pro forma consolidated statement of comprehensive income and (b) as at 30 June 2017 for purposes of the Pro Forma Adjustments made to the pro forma consolidated statement of financial position.

The pro forma financial information has been prepared for illustrative purposes only, to provide information about how the Pro Forma Adjustments might have affected the financial information presented by Clover had the unbundling of DFSA occurred on 1 July 2016 for statement of comprehensive income purposes and as at 30 June 2017 for statement of financial position purposes. Because of its pro forma nature, the pro forma financial information may not fairly present Clover's financial position, changes in equity, results of operation or cash flows. It does not purport to be indicative of what the financial results would have been, had the loss of control of DFSA been implemented on a different date.

The Clover Directors are responsible for the preparation of the pro forma financial information. The pro forma financial information has been prepared using accounting policies that are consistent with IFRS and with the basis on which the historical financial information has been prepared in terms of the accounting policies of Clover. The pro forma financial information has been prepared in accordance with the Listings Requirements and the revised Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants.

These pro forma financial effects have been prepared to assist Clover's shareholders in assessing the impact of the loss of control of DFSA on the Clover consolidated statement of comprehensive income and statement of financial position.

This pro forma financial information has been reported on by the independent external auditors, Ernst & Young Inc., in terms of International Standards on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus. Their unmodified limited assurance report is available for inspection at the Company's registered office.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	30 June 2017 Audited (1) R'000	Exclusion of the revenue and cost of sales of the DFSA business (2) Pro forma adjustment R'000	Income from services rendered to DFSA (3) Pro forma adjustment R'000	Packaging material procured and sold to DFSA (4) Pro forma adjustment R'000	Interest charged on working capital facility (5) Pro forma adjustment R'000	After Pro Forma Adjustments R'000
Sales of products	9 401 842	(3 549 806)		517 499		6 369 535
Rendering of services	641 499		1 192 922			1 834 421
Sale of raw milk	11 907					11 907
Rental income	3 351					3 351
Revenue	10 058 599	(3 549 806)	1 192 922	517 499		8 219 214
Cost of sales	(7 333 041)	2 321 032		(517 499)		(5 529 508)
Gross profit	2 725 558	(1 228 774)	1 192 922			2 689 706
Other operating income	60 040					60 040
Selling and distribution costs	(2 089 364)					(2 089 364)
Administrative expenses	(284 721)					(284 721)
Restructuring expenses	(48 098)					(48 098)
Other operating expenses	(48 936)					(48 936)
Operating profit	314 479	(1 228 774)	1 192 922			278 627
Finance income	12 647				35 852	48 499
Finance costs	(145 765)					(145 765)
Share of profit in a joint venture	18 486					18 486
Profit before tax	199 847	(1 228 774)	1 192 922		35 852	199 847
Taxation	(41 105)	344 057	(334 018)		(10 039)	(41 105)
Profit for the year	158 742	(884 717)	858 904		25 813	158 742

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2017 Audited [1] R'000	Sale of inventory [6] Pro forma adjustment R'000	After Pro Forma Adjustments R'000
Assets			
Non-Current assets			
Property, plant and equipment	2 427 444		2 427 444
Investment properties	9		9
Intangibles assets	650 663		650 663
Investment in joint ventures	38 946		38 946
Other non-current financial assets	3 165		3 165
Deferred tax assets	45 496		45 496
	3 165 723		3 165 723
Current assets			
Inventories	964 630	(244 076)	720 554
Trade and other receivables	1 341 311	244 076	1 585 387
Prepayments	19 844		19 844
Income tax receivable	7 165		7 165
Cash and short term deposits	544 863		544 863
	2 877 813		2 877 813
Assets classified as held for sale	4 607		4 607
Total assets	6 048 143		6 048 143

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	30 June 2017 Audited [1] R'000	Sale of inventory [6] Pro forma adjustment R'000	After Pro Forma Adjustments R'000
Equity and liabilities			
Equity			
Issued share capital	9 542		9 542
Share premium	892 692		892 692
Other capital reserves	78 642		78 642
Foreign currency translation reserve	9 637		9 637
Retained earnings	1 904 349		1 904 349
Equity attributable to holders of the parent	2 894 862		2 894 862
Non-controlling interests	(15 179)		
Total equity	2 879 683		2 879 683
Liabilities			
Non-current liabilities			
Interest bearing loans and borrowings	767 621		767 621
Non-controlling put liability	57 088		57 088
Employee-related obligations	82 595		82 595
Deferred tax liability	221 065		221 065
Trade and other payables	25 492		25 492
Other non-current financial liabilities	9 683		9 683
	1 163 544		1 163 544
Current liabilities			
Trade and other payables	1 274 700		1 274 700
Interest-bearing loans and borrowings	714 304		714 304
Other current financial liabilities	6 141		6 141
Employee-related obligations	9 771		9 771
	2 004 916		2 004 916
Total liabilities	3 168 460		3 168 460
Total equity and liabilities	6 048 143		6 048 143

Notes:

1. As per the consolidated statement of comprehensive income and the consolidated statement of financial position for the year ended 30 June 2017 with reference to the Audited Annual Financial Statements.
2. The sale of products relating to the non-value added drinking milk, namely Fresh, UHT and UP milk that will be excluded from Clover and be part of DFSA in future. The Pro Forma Adjustment was determined with reference to actual volumes sold and realised. The tax effect was determined using the corporate tax rate of 28%.
3. Clover provided all the production, distribution, sales and merchandising, marketing and certain administrative service to DFSA at a contracted fee. The pro forma adjustment was determined with reference to actual volumes produced. The contracted fee was calculated based on the actual costs for the period 1 July 2016 to 31 December 2016. The tax effect was determined using the corporate tax rate of 28%.
4. Clover procured the packaging material from third party suppliers and on-sold the packaging material to DFSA at no margin.
5. Clover provided the working capital funding to DFSA in the form of an interest bearing facility on which Clover earned interest at a rate equal to the average rate Clover pays to its interest bearing debt funders. The tax effect was determined using the corporate tax rate of 28%.
6. All the finished goods, packaging material and ingredients inventory related to Fresh, UHT and UP milk were sold to DFSA on loan account on 1 April 2017. It was assumed that the inventory was sold in the same manner on 30 June 2017 to give effect to the Pro Forma Adjustment.
7. The loss of control of DFSA was structured in such a way that the non-value-added drinking milk business broke even and therefore there was no equity accounted earnings or Investment in Associate in terms of IAS28.
8. IFRS 10 *Consolidated Financial Statements* paragraph 25 requires the calculation of a gain / (loss) on the deemed sale of the investment in DFSA when control is lost. On 1 July 2016 this gain / (loss) on the deemed sale would however equal the nominal amount received as consideration for the B shares issued by DFSA. It was assumed that the inventory, the only asset of DFSA on 1 July 2016, was sold in the same manner on this date as it was on 1 April 2017. Therefore, the fair value of any retained interest is zero.