Clover
Way Better™

CLOVER INDUSTRIES LIMITED

UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

for the six months ended 31 December

2014

and cash dividend declaration

KEY FINANCIAL INDICATORS

7,9%
REVENUE
Increased to R4,7 billion

41,3%
HEPS
Increased to 109,2 cents

36,8%
OPERATING PROFIT
Increased to R321,7 million

41,3%
HEADLINE EARNINGS
Increased to R199,3 million

35,4%
EPS
Increased to 117,8 cents

28,5%
PROFIT FOR THE PERIOD
Increased to R210,5 million

1,5%
OPERATING MARGIN
Increased from 5,4% to 6,9%

41,3%
INTERIM DIVIDEND PER SHARE
Increased to 22,6 cents

DIRECTORATE AND STATUTORY INFORMATION

DIRECTORS: NON-EXECUTIVE
WI Büchner (Chairman)
TA Wixley# (Lead Independent)
SF Booysen (Dr)#
JNS du Plessis#
NV Mokhesi#
B Ngonyama#
NA Smith
PR Griffin
Independent

DIRECTORS: EXECUTIVE
JH Vorster (Chief Executive)
LJ Botha (Chief Financial Officer)
CP Lerm (Dr)

COMPANY SECRETARY
J van Heerden

ORDINARY SHARE CODE:
CLR

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
70 Marshall Street, Johannesburg, 2001

AUDITORS:
Ernst & Young Inc.

BANKERS:
The Absa Group, First National Bank, Investec Bank

SPONSOR:
Rand Merchant Bank
(a division of FirstRand Bank Limited)

COMMENTARY

OVERVIEW

In line with the six months ended 31 December 2013, Clover is pleased to report significantly improved results for the six months ended 31 December 2014.

The group successfully increased its selling prices in June 2014 to recover significant cost increases in raw milk and other costs during the prior financial year. In addition, these increases provided for expected inflationary cost increases in the current financial year. As a result the group's gross margins, which deteriorated sharply during FY2014, were restored and for the six months ended 31 December 2014 Clover achieved a gross margin of 31,0% compared to the 28,0% reported in the prior corresponding period. The operating margin similarly increased to 6,9% from 5,4%. Excluding the effect of raw milk sold to Danone at cost, the operating margin improved from 5,8% to 7,1%.

Industry selling prices remained firm throughout the annual peak milk production period as industry inventory levels were being restored following the national shortage of raw milk during the winter of 2014.

As expected, Clover's increased selling prices and profitability resulted in volume and market share losses in most product categories. In addition the low inventory levels at the start of the period, following the raw milk shortage experienced during the winter of 2014, severely constrained Clover's ability to supply the market and mostly so in cheese and UHT milk. As a result overall sales volumes declined by 3,2% compared to the prior corresponding period. Continued overall market contraction in the Group's beverage categories is indicative of the ongoing reduction in South African consumers' discretionary spending. Product group sales volume changes were as follows:

- Dairy fluids -3,6%
- Concentrated products -5,0%
- Ingredients +12,9%
- Non-alcoholic beverages -3,0%

During the period farm gate milk prices remained high in relation to on-farm costs. This was mainly as a result of the national shortage of raw milk during the last quarter of the previous financial year and volatility in the raw milk market in anticipation of Clover's cessation of milk supply to Danone on 31 December 2014.

The international oil price collapsed during the last quarter of the review period which in turn led to a delayed reduction in domestic fuel prices albeit not to the same extent. Clover benefitted from this cost reduction during the latter part of the period under review although not significantly. Volatile oil prices, currency fluctuation and the industry's general challenges in passing on constantly changing fuel prices however argues against immediate price reductions. Clover is however cognisant of the plight of consumers and should the low oil price persist it will positively impact on future selling price adjustments.

MARKET SHARES

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

FINANCIAL PERFORMANCE

Headline earnings improved by 41,3% to R199,3 million for the six months ended 31 December 2014 on the back of much improved gross and operating margins. Headline earnings per share similarly increased to 109,2 cents while diluted headline earnings per share of 103,6 cents were 41,5% higher than the previous period.

Revenue increased by 7,9% to R4 659,4 million and operating profit was 36,8% higher at R321,7 million. Headline operating profit increased by 38,7% to R303,2 million.

Net finance costs were slightly higher (R0,8 million) than the previous period. The Group's income from its joint venture, Clover Fonterra Ingredients, declined by R5,9 million or 60,1% in the wake of plummeting international dairy commodity prices and strong competition.

The effective tax rate was 29,2% compared to 24,6% during the comparative period. As alluded to at the time, in terms of IFRS the gain on the acquisition of the Nestlé water business in the prior comparative period was shown net after tax as part of other operating income, which resulted in the projection of an artificially low effective tax rate.

Profit for the period ended 28,5% higher at R210,5 million.

Revenue

Revenue from the sale of products increased by 11,0% to R4 057,8 million on an overall volume decline of 3,2%. Overall price inflation came to 14,2%.

Raw milk sales (at cost) declined by 42,7% to R146,6 million as the supply of raw milk to Danone was systematically phased out to end on 31 December 2014.

Revenue from principals for services rendered ended on R453,3 million or 12% higher than the previous period. Annual tariff increases and additional contract manufacturing income from the Group's Bethlehem creamer factory mainly accounted for this increase.

Cost of sales

Cost of sales increased by 3,5% (7,7% excluding raw milk sold).

The aggressive selling price increases necessitated increased cooperative advertising and hence charges against sales increased by R14 million or 21,9% to R77,8 million.

Raw material costs increased by 2,2%. If the raw milk sales to Danone are excluded, raw material costs increased by approximately 10,3% mainly as a result of the 3,2% lower sales volumes and the 15% farm gate milk price increases early in 2014.

Although sales volumes were 3,2% lower during the period, packaging costs increased by 10,3% as a result of substantial cost increases during the prior year.

Milk collection costs declined by 5% despite annual inflationary cost increases, mostly as a result of the phasing out of raw milk supply to Danone.

The period started with very low inventory levels following the raw milk shortage experienced during the autumn and early winter of 2014. As a result, factory throughput for the six months to December 2014 was significantly higher than usual in order to restore inventory levels. Due to the predominantly fixed nature of manufacturing costs and the excess capacity available, unit manufacturing costs reduced markedly. Together with the savings achieved from the consolidation of the group's Parow and Stikland factories, manufacturing costs increased below inflation at 4,2% or R20,0 million notwithstanding the additional costs to service the additional creamer contract manufacturing income included in services rendered revenue.

Primary distribution costs benefitted from the lower fuel prices during the period and the overall volume decline, resulting in a 0,5% or R1,2 million reduction in primary distribution costs.

Other operating income

Other operating income declined by 12,2% to R31,3 million due to lower foreign exchange profits in Clover West Africa and Clover Botswana. Included in other operating income is a net capital gain of R18,5 million, mostly resulting from a R24,4 million gain on the change in ownership of the Group's leased head office building, while the prior period included a capital gain of R20,7 million on the acquisition of the Nestlé water business.

Operating costs

The group invested R47,6 million or 43,9% more in research, development, marketing and advertising during the period that mostly accounted for the higher than inflation increase of 11,2% or R100,4 million in selling and distribution expenses.

During the semester that ended on 31 December 2013, the Group did not achieve the profit targets set by the Board and accordingly no provision was raised for profit based short-term incentives to staff. For the current period the year-to-date profit targets have been achieved and a provision for profit based short-term incentives was raised which is the primary reason for the 45,6% increase in administrative costs. In addition, uninsured damages at two factories of R8,5 million and the reversal of R5,5 million of previously straight-lined lease costs on the cancellation of a lease during the prior period further contributed to the above inflation increase in administration costs.

FINANCIAL POSITION AND CASH FLOW

Capital expenditure on tangible assets was R234,5 million which net of the depreciation charge accounted for a R156,5 million increase in property, plant and equipment from June 2014. Major projects included in the capital expenditure were:

- Clayville chilled capacity expansion R66 million
- New Tetra Pak 125ml Prisma filling line R19 million

Clover's dairy based inventory levels were largely depleted at the end of June 2014 after the milk shortage that it experienced during the autumn and early winter of 2014. The peak milk production season during the period under review allowed Clover to restore its inventory levels which combined with the normal seasonal increase in stocks, increased inventory by R416,0 million from June 2014.

Trade and other receivables were 19,7% higher than at December 2013 following the average selling price increases of 14,3% and a temporary increase of the debtor days outstanding after the implementation of a new ERP system during the period under review.

Higher inventory levels, price inflation, much increased deferred income and growth in the sales of principals (which Clover collects on behalf of some of its principals and hence included under trade payables) all contributed to the R308,1 million increase in trade and other payables from December 2013.

The R386,3 million cash flows from operations (42,2% higher than the prior period) funded the increased investment in working capital during the period of R380,1 million. Capital expenditure, taxation and finance charges were funded partly from cash resources and short-term interest-bearing debt. Cash as a result reduced by R208,4 million from June 2014 while short-term interest-bearing debt increased by R138,4 million for the same period.

Gearing at the end of the period was 41,3% compared to 38,4% at December 2013 and 38,6% at June 2014. The seasonal nature of the business generally results in the December gearing level being considerably higher than in June.

PROSPECTS

Relatively high farm gate milk prices have resulted in a sharply increasing national milk production during the six month review period, peaking at 7% year-on-year growth for December 2014. Despite the strong growth in national milk supply, current high farm gate milk prices are expected to continue and will likely only reduce after the winter of 2015, driven by competition for raw milk.

The June 2014 selling price increases provided for expected inflationary cost increases throughout the current financial year. Some of these cost increases are anticipated to occur in the second semester of the financial year which will lead to a reduction in margins. The growth in raw milk production exceeds the domestic market's growth for dairy products considerably. Should the level of growth in national milk production continue without alternative markets being sourced, an increasing national oversupply of raw milk is likely to progressively pressurise market prices going forward – especially during the spring and summer of 2015.

Although Clover's milk procurement system will protect it from an oversupply of raw milk from its own producers, the group will still be exposed to potentially lower market prices.

The provision of distribution services to Danone is currently being phased out and will cease altogether towards the end of the 2014/15 financial year. The available capacity that this will create in the Clover network allows significant profit and synergy potential for Clover to exploit. Services rendered revenue for the second semester will therefore be lower than the first semester, which will be partly offset by Clover's new yoghurt and custard sales. The impact in the next financial year will however largely depend on Clover's ability to explore and act on the opportunities created by the additional space in its network.

South African consumers remain under pressure although inflationary easing should provide some relieve. The Danone exit and the worrying national raw milk situation will in all likelihood see a second semester with lower gross margins than those achieved in the first six months but Clover is confident of achieving solid full year results.

The Company remains focused on fully utilising its capacities and the asset base that was heavily invested in during the last four years. In addition it remains focused on delivering on its longer term strategy of exploring new possibilities in category expansions and in this regard it expects to launch, in addition to its yoghurt and custard products, a number of new and exciting products in the short term. Clover is also still fully intent on expanding its presence in Africa and on consolidating the industry that it operates in.

Any reference to future performance included herein has not been reviewed and reported on by the Company's auditors and does not constitute an earnings forecast.

DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend of 22,60 cents (19,21 cents net of dividend withholding tax) per ordinary share for the six months ended 31 December 2014, payable in South African Rand on Monday, 13 April 2015.

The dividend represents a 41,3% increase, in line with the growth in headline earnings per share, over the interim dividend of 16 cents paid in April 2014. The board will apply its stated dividend policy in determining a final dividend for the 2014/2015 financial year.

The dividend has been declared from income reserves.

A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The issued ordinary share capital at the declaration date is 182 478 589 ordinary shares.

The company's income tax number is 9657/002/71/4.

The salient dates will be as follows:

Last day to trade "cum" the ordinary share dividend	Wednesday, 1 April 2015
Shares commence trading "ex" the ordinary share dividend	Thursday, 2 April 2015
Record date on	Friday, 10 April 2015
Payment date on	Monday, 13 April 2015

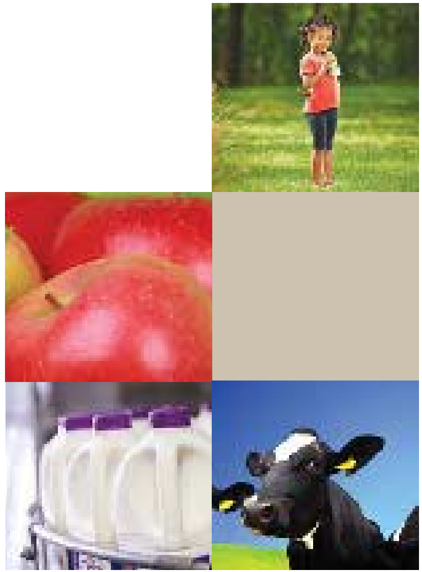
Share certificates may not be dematerialised or rematerialised between Thursday, 2 April 2015 and Friday, 10 April 2015, both days inclusive.

On behalf of the Board

WI Büchner
Chairman

JH Vorster
Chief Executive

16 March 2015



NOTES

NOTES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December 2014 Unaudited R'000	For the six months ended 31 December 2013 Unaudited R'000	For the year ended 30 June 2014 Audited R'000
Sale of products	**4 057 758**	3 654 124	7 192 650
Rendering of services	**453 275**	404 837	822 040
Sale of raw milk	**146 553**	255 825	511 485
Rental income	**1 790**	2 429	4 062
REVENUE	**4 659 376**	4 317 215	8 530 237
Cost of sales	**(3 217 051)**	(3 107 554)	(6 291 191)
GROSS PROFIT	**1 442 325**	1 209 661	2 239 046
Other operating income	**31 260**	35 616	48 916
Selling and distribution costs	**(995 761)**	(895 322)	(1 770 510)
Administrative expenses	**(138 723)**	(95 265)	(195 567)
Restructuring expenses	**(589)**	(8 138)	(16 036)
Other operating expenses	**(16 796)**	(11 435)	(23 573)
OPERATING PROFIT	**321 716**	235 117	282 276
Finance income	**5 896**	3 445	7 234
Finance cost	**(34 376)**	(31 148)	(65 043)
Share of profit of a joint venture	**3 893**	9 768	14 306
PROFIT BEFORE TAX	**297 129**	217 182	238 773
Taxes	**(86 621)**	(53 353)	(49 791)
PROFIT FOR THE PERIOD	**210 508**	163 829	188 982
OTHER COMPREHENSIVE INCOME			
Exchange differences on translations of foreign operations	**478**	2 437	2 565
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**210 986**	166 266	191 547
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent	**214 890**	158 719	186 666
Non-controlling interests	**(4 382)**	5 110	2 316
	210 508	163 829	188 892
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**215 368**	161 156	189 231
Non-controlling interests	**(4 382)**	5 110	2 316
	210 986	166 266	191 547

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

	For the six months ended 31 December 2014 Unaudited R'000	For the six months ended 31 December 2013 Unaudited R'000	For the year ended 30 June 2014 Audited R'000
HEADLINE EARNINGS CALCULATION			
Profit for the period attributable to equity holders of the parent company	**214 890**	158 719	186 666
Gross remeasurements excluded from headline earnings	**(18 542)**	(16 466)	2 516
(Profit)/Loss on sale and scrapping of property, plant and equipment	**5 816**	1 418	5 102
Gain on change of ownership of leased buildings	**(24 358)**	–	–
Discount on acquisition of PPE by Clover Waters through issue of shares	**–**	(20 716)	(20 716)
Non-controlling interest's portion in discount on acquisition off PPE by Clover Waters through issue of shares	**–**	–	6 215
Impairment of plant and equipment	**–**	2 832	11 915
Taxation effects of remeasurements	**2 948**	(1 190)	(1 718)
Headline earnings attributable to shareholders of the parent company	**199 296**	141 063	187 464
Issued ordinary shares	**182 478 589**	182 478 589	182 478 589
Number of ordinary shares used in the calculation of:			
Earnings per share			
– weighted average	**182 478 589**	182 478 589	182 478 589
Diluted earnings per share			
– weighted average	**192 434 066**	192 664 802	191 767 408
Earnings per share attributable to ordinary equity holders of the parent			
Earnings per share (cents)	**117,8**	87,0	102,3
Diluted earnings per share (cents)	**111,7**	82,4	97,3
Headline earnings per share (cents)	**109,2**	77,3	102,7
Diluted headline earnings per share (cents)	**103,6**	73,2	97,8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	**31 December 2014 Unaudited R'000**	31 December 2013 Unaudited R'000	30 June 2014 Audited R'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1 974 652**	1 790 726	1 818 113
Investment properties	**28**	2 031	1 380
Intangible assets	**472 427**	445 920	447 493
Share of investment in a joint venture	**38 959**	42 731	35 066
Deferred tax assets	**8 631**	4 021	8 919
	2 494 697	2 285 429	2 310 971
CURRENT ASSETS			
Inventories	**983 938**	808 003	567 892
Trade and other receivables	**1 349 497**	1 127 460	1 022 993
Prepayments	**11 012**	10 601	16 194
Income tax receivable	**599**	2 276	33 877
Other current financial assets	**706**	1 688	–
Cash and short-term deposits	**445 984**	399 576	653 889
	2 791 736	2 349 604	2 294 845
Assets classified as held-for-sale	**5 516**	359	3 776
	2 797 252	2 349 963	2 298 621
TOTAL ASSETS	**5 291 949**	4 635 392	4 609 592

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at	31 December 2014 Unaudited R'000	31 December 2013 Unaudited R'000	30 June 2014 Audited R'000
EQUITY AND LIABILITIES			
EQUITY			
Issued capital	**9 124**	9 124	9 124
Share premium	**734 414**	734 414	734 414
Other reserves	**286 475**	268 157	277 643
Retained earnings	**1 412 150**	1 231 950	1 231 089
Equity attributable to equity holders of the parent	**2 442 163**	2 243 645	2 252 270
Non-controlling interests	**13 811**	23 264	20 471
TOTAL EQUITY	**2 455 974**	2 266 909	2 272 741
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	**661 605**	667 224	662 357
Provisions	**64 947**	73 399	67 615
Deferred tax liability	**178 320**	166 575	179 023
Trade and other payables	**5 139**	9 592	4 351
	910 011	916 790	913 346
CURRENT LIABILITIES			
Trade and other payables	**1 544 269**	1 236 189	1 186 674
Interest-bearing loans and borrowings	**353 608**	202 673	214 495
Other current financial liabilities	**4 477**	–	2 323
Provisions	**23 610**	12 831	20 013
	1 925 964	1 451 693	1 423 505
TOTAL LIABILITIES	**2 835 975**	2 368 483	2 336 851
TOTAL EQUITY AND LIABILITIES	**5 291 949**	4 635 392	4 609 592

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		For the six months ended 31 December 2014 Unaudited R'000	For the six months ended 31 December 2013 Unaudited R'000	For the year ended 30 June 2014 Audited R'000
BALANCE AT 1 JULY		**2 272 741**	2 115 425	2 115 425
Profit for the period		**210 508**	163 829	188 982
Other comprehensive income		**478**	2 437	2 565
Total comprehensive income		**210 986**	166 266	191 547
Ordinary share issued		**–**	21 214	21 214
Share-based payment reserve accrued		**9 159**	7 991	17 351
Share appreciation rights exercised		**(2 624)**	(20 314)	(24 551)
Acquisition of non-controlling interest	Note 2	**(5 500)**	–	–
Dividends of subsidiaries – non-controlling interest		**–**	(960)	(961)
Non-controlling interest's share in Clover Waters		**–**	16 806	16 807
Discount on acquisition of Clover Waters		**–**	–	4 218
Dividends		**(29 197)**	(40 145)	(69 342)
Dividends forfeited		**409**	626	1 033
BALANCE AT END OF THE PERIOD		**2 455 974**	2 266 909	2 272 741
Consists of:				
Share capital and premium		**743 538**	743 538	743 538
Other capital reserves		**286 475**	268 157	277 643
Retained earnings		**1 412 150**	1 231 950	1 231 089
SHAREHOLDER EQUITY		**2 442 163**	2 243 645	2 252 270
Non-controlling interest		**13 811**	23 264	20 471
TOTAL EQUITY		**2 455 974**	2 266 909	2 272 741

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December 2014 Unaudited R'000	For the six months ended 31 December 2013 Unaudited R'000 Reclassified*	For the year ended 30 June 2014 Audited R'000
OPERATING ACTIVITIES			
PROFIT BEFORE TAX	**297 129**	217 182	238 773
Adjustment for non-cash items	**89 130**	54 487	179 885
Working capital adjustments	**(380 131)**	(222 297)	64 648
Income tax paid	**(53 518)**	(50 923)	(80 239)
Net cash flows (used in)/from operating activities	**(47 390)**	(1 551)	403 067
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	**6 485**	46	1 166
Proceeds on change of ownership of leased buildings	**24 358**	–	–
Interest received	**5 897**	3 445	7 234
Acquisition of Dairybelle UHT Milk Business	**(30 000)**	–	
Government grant received recognised against property, plant and equipment	**–**	–	32 106
Capital expenditure: Tangible and intangible assets	**(244 630)**	(270 084)	(387 999)
Net other investing activities	**7 591**	6 313	(4 241)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(230 299)**	(260 280)	(351 734)
FINANCING ACTIVITIES			
Interest paid	**(34 374)**	(31 148)	(65 043)
Dividends paid	**(29 197)**	(40 145)	(69 342)
Acquisition of non-controlling interest in Lactolab Proprietary Limited	**(5 500)**	–	
Dividends paid to non-controlling interest holders	**–**	(960)	(961)
Net increase/(repayment) of borrowings	**138 362**	30 612	37 566
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	**69 291**	(41 641)	(97 780)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(208 398)**	(303 472)	(46 447)
NET FOREIGN EXCHANGE DIFFERENCE	**493**	(1 511)	(4 223)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**653 889**	704 559	704 559
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**445 984**	399 576	653 889

* Share appreciation rights paid out of R10,4 million was previously classified under financing activities and is now classified under operating activities. Net unrealised foreign exchange profits on cash balances of R1,5 million is now shown separately above the opening balance of cash and cash equivalents at the beginning of the period. Previously foreign exchange losses of R1 million and gains of R2,5 million were classified under operating and investing activities respectively. These reclassifications were already taken into consideration in the preparation of 30 June 2014 audited annual results.

ACCOUNTING POLICIES AND NOTES

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

These interim condensed 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 (IFRIC), 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 financial period, except for:

- IFRS 10, IFRS 12 and IAS 27 Investment Entities (Amendments)
- IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
- IFRIC 21 Levies

These standards and amendments are effective in the current period but are not expected to impact the financial statements of the Group.

2. ACQUISITION OF NON-CONTROLLING INTEREST'S SHARE OF LACTOLAB PROPRIETARY LIMITED

During the period under review Clover S.A acquired the remaining 48% of the issued share capital of Lactolab for a cash consideration of R5,5 million.

3. 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 not material 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.
- Other consists of Clover Industries Limited holding company and Lactolab Proprietary Limited that render laboratory services.

	For the six months ended 31 December 2014 Unaudited R'000	For the six months ended 31 December 2013 Unaudited R'000	For the year ended 30 June 2014 Audited R'000
EXTERNAL REVENUE FROM SALE OF PRODUCTS*			
Dairy fluids	**2 227 827**	1 952 432	3 858 841
Dairy concentrated products	**632 135**	581 776	1 128 758
Ingredients	**146 342**	121 987	265 599
Non-alcoholic beverages	**1 047 547**	992 549	1 930 094
Other	**3 907**	5 380	9 358
	4 057 758	3 654 124	7 192 650
MARGIN ON MATERIAL			
Dairy fluids	**897 660**	769 383	1 439 256
Dairy concentrated products	**205 961**	172 730	319 659
Ingredients	**45 663**	31 219	68 878
Non-alcoholic beverages	**553 577**	525 085	973 475
Other	**3 205**	4 060	7 346
	1 706 066	1 502 477	2 808 614

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

3. SEGMENT REPORTING (continued)

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

4. 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.

5. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months under review the Group acquired property, plant and equipment to the value of R234,5 million and also acquired intangible assets at a cost of R10,1 million.

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

6. ACQUISITION OF THE DAIRYBELLE UHT MILK BUSINESS

As communicated in earlier SENS and cautionary announcements The Real Beverages Company Proprietary Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has purchased from Dairybelle Proprietary Limited ("Seller") the Dairybelle UHT Milk Business effectively 1 December 2014. According to the "UHT Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, equipment and material contracts of the Seller in relation to the UHT Milk Business on the effective date. The location of the Dairybelle UHT milk production facilities in the Western Cape will allow the Group to improve efficiencies through the more effective utilisation of its raw milk supply in the region.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R937 000; free cash flow growth per annum of between 11,3% – 13,5% and a discount rate of 17,5%.

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.

6. ACQUISITION OF THE DAIRYBELLE UHT MILK BUSINESS (continued)

The fair value of the identifiable assets of the Dairybelle UHT business as at the date of acquisition was:

	R'000
ASSETS	
Property, plant and equipment	17 200
Intangible assets	3 949
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**21 149**
Goodwill arising at acquisition	8 851
TOTAL CONSIDERATION, SETTLED IN CASH	**30 000**

Goodwill arising on acquisition represents the value paid for the Dairybelle UHT business in excess of the fair value of its net assets at acquisition date. Synergies are expected from the combination of operations, which include production, milk transport and distribution efficiencies.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximate fair value due to either the short-term nature of these items, or the fact that they are priced at variable interest rates.

8. EVENTS AFTER THE REPORTING PERIOD

As communicated in earlier SENS and cautionary announcements The Real Beverages Company Proprietary Limited ("Real Beverages") (a wholly-owned subsidiary of the Company) has purchased from Dairybelle Proprietary Limited ("Seller") the Dairybelle Yoghurt Business effectively 1 January 2015.

According to the "Yoghurt Sale of Business Agreement" Real Beverages has bought all of the consumables, raw materials, finished goods, fixed assets (property, plant and equipment), intellectual property (for example certain trademarks) and material contracts of the Seller in relation to the Yoghurt Business on the effective date. The transaction is in line with the Group's stated strategy to expand its portfolio of value added and branded consumer products. As announced in March 2014, the Group made the decision to enter the attractive high margin yoghurt and custard markets in 2015. The acquisition of the assets comprising the Yoghurt Business will provide the Group with access to the yoghurt market, in which Dairybelle had a meaningful presence.

The plant and machinery's fair values were determined by calculating the net replacement value of the plant and machinery. This was calculated by obtaining gross replacement values for the plant and machinery and adjusting it to take into consideration the expected useful lives of the plant and machinery and its current condition.

The discounted cash flow valuation of the intangible assets were based on the following inputs; estimated annual free cash flow of R7,1 million; free cash flow growth per annum of 5% and a discount rate of 17%.

8. EVENTS AFTER THE REPORTING PERIOD (continued)

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 preliminary fair value of the identifiable assets and liabilities of Dairybelle Yoghurt Business as at the date of acquisition was:

	R'000
Tangible and intangible assets acquired	43 100
Liabilities	(7 476)
TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE	**35 624**
Intangible assets arising on acquisitions	71 507
Purchase consideration transferred	107 131
TOTAL CONSIDERATION, SETTLED IN CASH	**107 131**

Apart from the above, no significant events occurred subsequent to the end of the period.

9. 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.

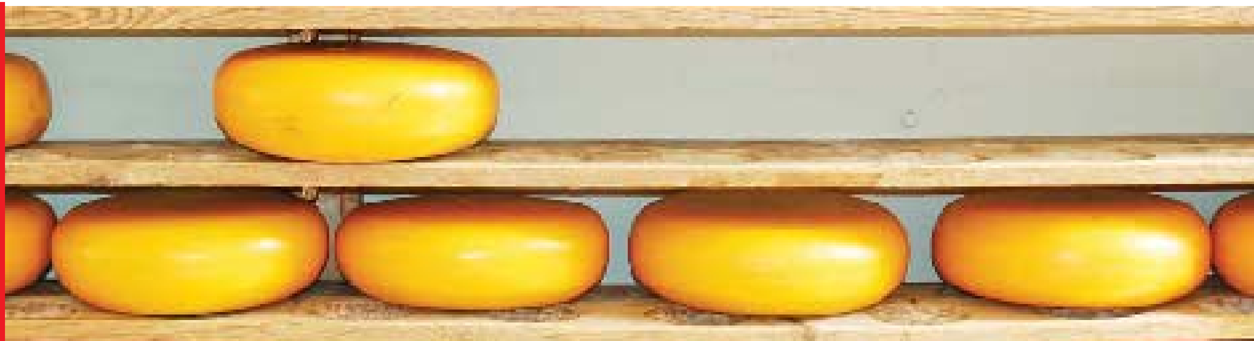
10. PREPARATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

The interim condensed financial statements set out above were prepared under the supervision of Louis Jacques Botha, CA(SA), in his capacity as Chief Financial Officer of the Group.

11. INDEPENDENT AUDIT BY AUDITORS

The interim condensed financial statements have not been audited or reviewed by the Group's independent auditors.

NOTES



NOTES

www.clover.co.za

Clover

Way Better™