Clover Industries Limited

Unaudited interim condensed consolidated results and declaration of scrip distribution with a cash dividend alternative

for the six months ended 31 December 2016

KEY FINANCIAL INDICATORS

REVENUE	OPERATING PROFIT
↑ 2,1% to R5,1 billion	↓ 5,2% to R322,7 million

HEADLINE EARNINGS	HEPS
↓ 13,5% to R190,0 million	↓ 14,7% to 99,8 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)

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, 16 Bierman Avenue, Rosebank, 2196

Auditors

Ernst & Young Inc.

Bankers

The Absa Group, First National Bank, Investec Bank

Sponsor

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

IJG Securities (NSX)

COMMENTARY

OVERVIEW

The growing economic pressures facing consumers are becoming more evident and this is reflected by the pedestrian economic growth indicators and the recent comments, including the treasury, that consumers will remain under pressure.

The South African retail sector has been characterised by rising input costs, weaker consumer spending and general food price inflation. The cooler and wetter summer put pressure on sales during the festive season when compared to the overall consumer sentiment and heat wave conditions that prevailed in the last festive season.

Clover also continued to contend with the severe impact of the drought on maize and other crops at the beginning of the current period, as well as substantial increases in input costs as a result of inflationary pressure and the rand volatility.

The Group faced the challenge of balancing selling price increases in the market to recover the inflationary cost pressures whilst assuming the added responsibility of protecting not only its own milk source, but the long-term sustainability of the primary dairy industry given the severe drought during the previous season. This situation necessitated further increases in raw milk prices and although sales prices returned to more realistic levels, sales volumes came under pressure, resulting in a muted performance for the first six months ended 31 December 2016 ("reporting period").

The commencement of the seasonal peak milk production in August saw industry selling prices remain relatively low in comparison to the Company's selling price, which is at a premium. In order to protect its market shares, Clover had to provide selective discounts on certain product groups but given the volume decreases, overall revenue from the sale of products increased only marginally.

The loss of principal income in previous periods was largely mitigated by increased sales of new products, as well as income from a new principal contract entered into. Overall principal revenue came under pressure due to the generally difficult trading conditions, a muted consumer sentiment and the compounding effect of a new principal encountering serious financial difficulties. Overall principal revenue ended lower than the six months ended 31 December 2015 ("corresponding period").

The prolonged drought, primarily in the Highveld and KwaZulu-Natal, increased feed prices due to maize shortages and the scarcity of good quality roughage. The higher feed costs resulted in raw milk production easing downwards and Clover was compelled to pass price increases on to producers to protect the primary industry.

SA milk production during December 2016 is estimated to have been 0,9% higher than during December 2015. Total production during 2016 is estimated to have been 1,4% less than during 2015. The drought had a considerable impact in limiting further growth but favourable conditions for stored silage in the pasture areas contributed to production recovery. Clover's Unique Milk Procurement System (CUMPS) successfully maintained a balance between the Company's milk intake and market demand (sales). However, downwards pressure on volumes resulted in increased inventory levels which should have a positive impact ahead of the lower milk flow season during the winter.

At the time of writing this report, the availability of milk to match the forecasted demand was still a challenge although the improved milk flow during this spring and summer will effectively determine market conditions for next winter.

The necessary selling price increases resulted in volumes decreasing 7,3% and higher inventory levels compared to the previous year.

In spite of market shares declining in certain categories, the Group's gross margin was slightly up to 30% from 29% in the corresponding period.

Inflationary cost pressures and internal restructuring impacted the Group's operating margin which decreased to 6,3% from 6,8% in the corresponding period.

Product group sales volume changes were as follows:

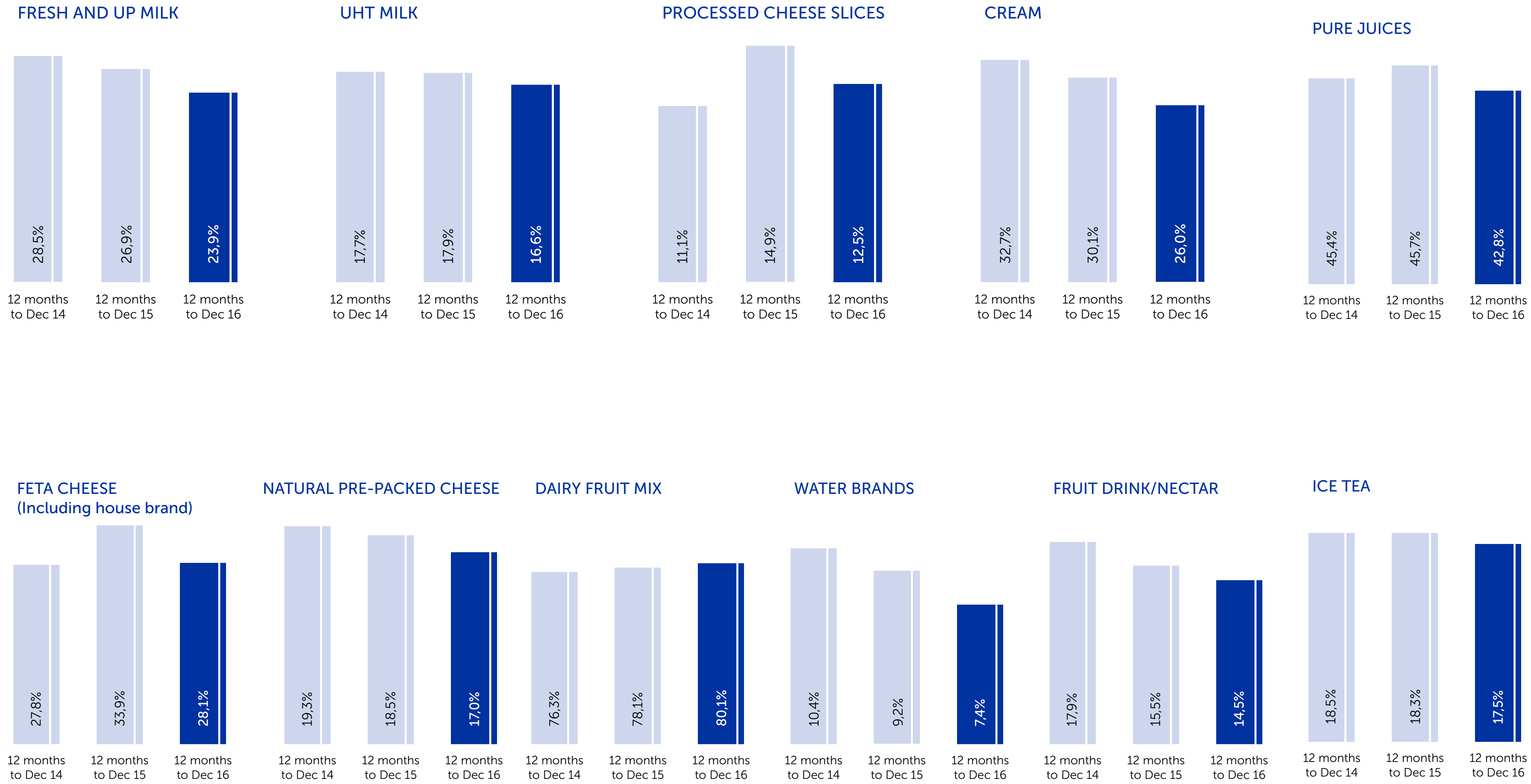
• Dairy fluids	-3,4%
• Concentrated products	-14,6
• Ingredients	-2,6%
• Non-alcoholic beverages	-12,1%
• Fermented products and desserts	+3,2%

At the beginning of this six-month period (1 July 2016) the dollar and euro strengthened significantly against the rand when compared to start of the prior corresponding period, which increased plastic and carton packaging material costs. While the rand subsequently strengthened against the euro and dollar, there has been a lag in packaging costs reduction. A general market shortage of ingredients and concentrate resulted in sharp costs increases.

To mitigate further volatility in selling prices, Clover took the decision to hedge diesel prices for the full financial year.

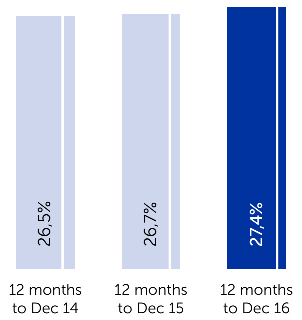
With product prices having already increased substantially, Clover is very aware of the plight of the consumer and the Group will continue to seek cost efficiencies and more affordable products across its value chain in order to limit the impact on rising selling prices but also to defend and maintain its existing market shares.

MARKET SHARES

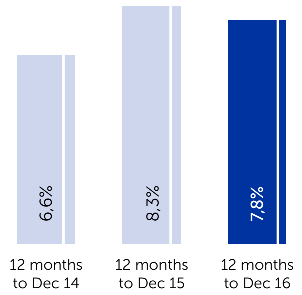


Commentary (continued)

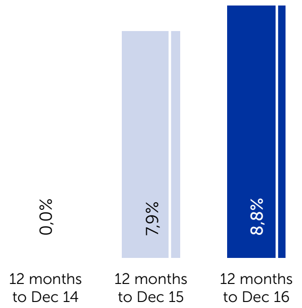
FLAVOURED MILK



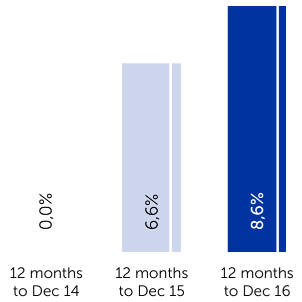
MAAS



YOGHURT



CUSTARD



FINANCIAL PERFORMANCE

Headline earnings decreased by 13,5% to R190,1 million. Headline earnings per share ("HEPS") of 99,8 cents reflect a decrease of 14,7% when compared to HEPS of 117 cents for the corresponding period. Revenue increased by 2,06% to R5 128,9 million with operating profit 5,2% lower at R322,7 million. Headline operating profit decreased 8,1% to R314,0 million.

Profit for the year ended 9,6% lower at R197,9 million. Earnings per share ("EPS") of 103,6 cents were 10,8% below EPS of the 116.07 cents reported for the corresponding period. HEPS and EPS are less than headline earnings and earnings, due to the increase in the weighted number of shares as a result of equity settled share appreciation rights exercised during the previous financial year.

Higher inventory levels contributed to increased working capital requirements and net finance costs were correspondingly higher (R8,8 million) than the previous corresponding period.

The effective tax rate was 26,5% compared to 25,6% during the corresponding period.

Revenue

Revenue from the sale of products increased 3,3% to R4 796,3 million against an overall volume decrease of 7,3%. As indicated above, the volume decrease was mainly as a result of negative consumer sentiment further compounded with the wet and cooler summer compared to the heatwave that prevailed in the comparative period. Selling price inflation was 10,6%.

The loss of major principal income in previous periods was further compounded by general muted consumer sentiment and a new principal encountering serious financial difficulty. This resulted in overall principal revenue ending 11,3% lower than the prior corresponding period. The full extent of the challenges was largely mitigated by increased sales of new products, as well as stringent supply chain cost savings.

Cost of sales

Cost of sales increased by 1% only, driven primarily by the volume decreases. Overall cost of sale inflation came to 8,3% and the corresponding increase in revenue wasn't enough to absorb the inflationary increases.

New product launches required increased cooperative advertising with charges against sales increasing by R15,6 million or 17,2% to R106,4 million.

Raw material costs increased by 10% predominantly as a result of the higher milk price to protect the primary industry of the full effect of the drought. Given the impact of volume decreases, the inflationary cost increase is 17% or R123 million.

While lower volumes prevailed, the inflationary cost and weaker rand at the start of this period resulted in packaging costs increasing by 2,9%. Given the impact of volume decreases, the inflationary cost increase is 10% or R16 million.

Ingredient costs increased 15,6% in spite of the volume decrease. Given the impact of volume decreases, the inflationary cost increase is 23% or R54,6 million. The sharp increase in ingredient costs of R54,6 million was mainly attributable to sugar and the shortage in fruit pulp concentrates.

Milk collection costs declined by 9,5% despite annual inflationary cost increases, mostly as a result of the lower volumes and more efficient route utilisation.

Recent acquisitions and the additional investments in new products increased manufacturing costs by 7,1% or R42 million.

Primary distribution costs were 3% or R7 million lower as a result of the benefits of greater route and cost efficiency.

Other operating income

Other operating income declined by 57,4% to R13,1 million as the corresponding period included foreign exchange gains in Clover Botswana and Clover West Africa.

Operating costs

Selling and Distribution costs increased 7,1% due to personnel cost increases, additional facility costs for new additions to the distribution platform and marketing costs linked to the launch of new products. The R69,8 million in additional cost is seen as an investment into future cost efficiencies and increased sales.

The Group saved 12,1% in administrative costs primarily as a result of head office cost savings. Executive and senior management did not receive salary increases and further savings were incurred through grant funding for staff training and development. Given the economic headwinds, the corresponding provision for profit based short-term incentives was also not raised.

Clover's continued focus on new brands and new market development saw research and development cost increase by 20% to R29,2 million.

Significant once-off restructuring costs of R23,6 million relating to the integration of the Company's City Deep distribution facility into the Clayville distribution facility were incurred during the period. The Group remains confident that the long-term benefits of the City Deep integration and new launches will accrue in the second half of the financial year and beyond.

FINANCIAL POSITION AND CASH FLOW

Property plant and equipment increased to R236,9 million net of disposal and depreciation charges from December 2015. Major projects included in the capital expenditure were:

• Doornkloof Ice Tea and Water integration	R53 million
• Port Elizabeth UHT optimisation and expansion	R42 million
• Good Hope Milnerton Factory and Trademarks	R30 million
• Bloemfontein Yoghurt capacity expansion	R24 million
• Lichtenburg Gouda and Feta expansion	R18 million
• Pinetown cream expansion and palletising	R10 million

The capital expenditure was funded primarily from interest bearing borrowings which contributed to the increase in finance costs.

Clover maintained its intangible assets and investments in joint ventures in line with the prior corresponding period. The Group is also investing in considerable new IT collaboration infrastructure to enhance sales.

The reduction in sales volumes combined with the seasonal increase in inventory, resulted in inventory increasing by 8,6 % or R101,6 million compared to the prior corresponding period.

Trade and other receivables was 2.6% lower than at December 2015, mainly as a result of volume decreases in all categories with the exception of UHT and fermented products.

Cash and short-term deposits increased by 14,9% to R594,5 million, while interest bearing debt increased by 18,8% or R270 million to R1 707 million. Trade and other payables however decreased by 8,7% or R138 million to R1 444 million.

Clover generated R239 million less net cash from operations compared to December 2015. The higher inventory levels as at December 2016 required 34% or R125 million more working capital compared to December 2015.

Capital expenditure finance charges were funded partly from cash resources and short-term interest bearing debt. As a result, cash decreased by R9,6 million compared to June 2016, while interest bearing debt increased by R270 million compared to December 2015.

Gearing at the end of the period was 57% compared to 52,2% at December 2015. The seasonal nature of the business generally results in the December gearing level being considerably higher than in June.

Commentary (continued)

PROSPECTS

The weakened global economy and muted consumer sentiment will have a significant impact on Clover. Above inflationary cost increases will continue to be a challenge and structural changes are required as consumers remain under pressure.

Clover strongly believes that the secondary industry in South Africa is too fragmented for a number of reasons. The Group will continue to explore synergistic opportunities to leverage its infrastructure and it is envisaged that significant cost savings may materialise which can be passed on to producers and consumers.

Clover will also continue to investigate adjacent revenue streams (new principal income) and will invest further in research and development of new differentiating products either through its in-house facility or in collaboration with industry counterparts.

The Group will seek to maximise its relationship with the trade further by leveraging and growing its extensive investment into IT systems, including through engagements with retailers.

The Group will continue to expand its operations within the Botswana, Namibia, Lesotho and Swaziland ("BNLS") region, and will continue to pursue export opportunities in Africa where the currency risks can be mitigated.

Despite the lackluster operating environment, Clover remains committed to its medium to long term goals of investing in and growing its value added product portfolio and its infrastructure.

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.

SCRIP DISTRIBUTION AND CASH DIVIDEND ALTERNATIVE

The board has approved and declared an interim dividend for the 6 months ended 31 December 2016 from retained earnings of 24,21000 cents per share, by way of the issue of fully paid Clover ordinary shares ("**Scrip Distribution**") or, at the election of the shareholder, a cash dividend alternative, payable to ordinary shareholders ("**Shareholders**") recorded in the register of the Company at the close of business on the Record Date, being Friday, 21 April 2017.

The dividend is kept the same as the interim dividend of 24,21000 cents paid in March 2016, which is in line with the Company's stated policy of maintaining the previous year's dividend should headline earnings be lower than the previous year.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross interim cash dividend of 24,21000 cents (19,36800 cents net of Dividend Withholding Tax ("**DWT**") per ordinary share instead of the Scrip Distribution.

The cash dividend will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12:00 on Friday, 21 April 2017 ("**Cash Dividend**"). The Cash Dividend has been declared from income reserves which are revenue in nature. Clover's income tax reference number is 9657/002/71/4.

Shareholders are required to notify their duly appointed participant or broker of their election in terms of the Cash Dividend alternative. For the avoidance of doubt, if no action is taken by a Shareholder, they will receive the Scrip Distribution.

The Scrip Distribution and the Cash Dividend alternative are likely to have tax implications for both resident and non-resident Shareholders. Shareholders are therefore encouraged to consult their professional tax advisers, should they be in any doubt as to the appropriate action to take. In terms of the Income Tax Act 58 of 1962 ("**Income Tax Act**"), the Cash Dividend will, unless exempt, be subject to DWT. South African resident Shareholders that are liable for DWT will be subject to DWT at a rate of 20% of the Cash Dividend and this amount will be withheld from the Cash Dividend with the result that they will receive a net amount of 19,36800 cents per share. Non-resident Shareholders may be subject to DWT at a rate of less than 20%, depending on their country of residence and the applicability of any Double Tax Agreement between South Africa and their country of residence.

The Scrip Distribution is not subject to DWT in terms of the Income Tax Act, but the subsequent disposal of ordinary shares obtained as a result of the Scrip Distribution is likely to have Income Tax or Capital Gains Tax ("**CGT**") implications. Where any future disposals of ordinary shares obtained as a result of the Scrip Distribution falls within the CGT regime, the base cost of such shares will be deemed to be zero in terms of the Income Tax Act (or the value at which such ordinary shares will be included in the determination of the weighted average base cost method will be zero).

The new ordinary shares will, pursuant to the Scrip Distribution, be settled by way of capitalisation of the Company's distributable retained profits. The new ordinary shares upon their issue will rank *pari passu* in all respects with the other ordinary shares then in issue.

The Company's total number of issued ordinary shares is 190 352 747 as at 1 March 2017.

The Scrip Distribution shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution (to the extent that such Shareholders have not elected to receive the Cash Dividend) will be determined based on the ratio that 24,21000 cents bears to the volume weighted average price ("**VWAP**") of an ordinary Clover share traded on the JSE during the 15-day trading period ending on Thursday, 6 April 2017, confirmation of which will be announced on the Stock Exchange News Service ("**SENS**") of the Johannesburg Stock Exchange in accordance with the timetable below.

Where the application of this ratio gives rise to a fraction of an ordinary share, the number of shares will be rounded down to the nearest whole number, resulting in allocations of whole securities and a cash payment for the fraction. The amount of the cash payment relating to the fraction of an ordinary share is derived from the volume weighted average traded price on the first business day after the last day to trade (Wednesday, 19 April 2017) less 10% with the details of such cash payment to be announced on SENS the following day (Thursday, 20 April 2017). The tax treatment of the cash payment for the fraction will be the same as explained for the Cash Dividend above, and will therefore be subject to DWT at a rate of 20%.

A circular, providing shareholders with full information on the Scrip Distribution and the Cash Dividend alternative, including a Form of Election to elect to receive the Cash Dividend alternative, will be posted to Shareholders on or about Friday, 31 March 2017. The salient dates of events thereafter are as follows:

Event	Date
Announce declaration data: announce Scrip Distribution/Cash Dividend and salient dates on SENS, together with interim results	Tuesday, 1 March 2017
Record date for determining which shareholders may receive the circular	Friday, 24 March 2017
Posting of circular and form of election	Friday, 31 March 2017
Announce finalisation data: confirmation of ratio applicable to the Scrip Distribution on SENS, based on the 15-day volume weighted average price ending on Thursday, 6 April 2017, as well as confirmation of, or amendment to, salient dates, by 11:00 on	Friday, 7 April 2017
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 15-day volume weighted average price ending on Thursday, 6 April 2017	Monday, 10 April 2017
Last day to trade in order to be eligible to receive the Scrip Distribution or the Cash Dividend alternative	Tuesday, 18 April 2017
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip Distribution from the commencement of business on	Wednesday, 19 April 2017
Ordinary shares trade *'ex'* the Scrip Distribution and Cash Dividend alternative on	Wednesday, 19 April 2017
Announcement released on SENS in respect of cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 19 April 2017, discounted by 10%, by 11:00 on	Thursday, 20, April 2017
Last day to elect Cash Dividend *in lieu* of Scrip Distribution. Forms of election to reach the Transfer Secretaries by 12:00 on	Friday, 21 April 2017
Record date in respect of the Scrip Distribution and the Cash Dividend alternative	Friday, 21 April 2017
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable on	Monday, 24 April 2017
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS	Monday, 24 April 2017
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press	Tuesday, 25 April 2017
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on	Wednesday, 26 April 2017

All times provided are South African local times. The above dates and times are subject to change. Any change will be announced on SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 April 2017 and Friday, 21 April 2017, both days inclusive.

On behalf of the Board

WI Büchner
Chairman

JH Vorster
Chief Executive

28 February 2017

Interim condensed consolidated statement of comprehensive income

	% change	For the six months ended 31 December 2016 Unaudited R'000	For the six months ended 31 December 2015 Unaudited R'000	For the year ended 30 June 2016 Audited R'000
Sale of products	3.3%	**4 796 353**	4 643 261	9 102 469
Rendering of services	-11.3%	**322 799**	363 831	684 496
Sale of raw milk	-42.4%	**7 761**	13 477	22 769
Rental income	-58.9%	**2 013**	4 896	8 983
Revenue	2.1%	**5 128 926**	5 025 465	9 818 717
Cost of sales	-1.0%	**(3 596 406)**	(3 560 689)	(7 025 497)
Gross profit	4.6%	**1 532 520**	1 464 776	2 793 220
Other operating income	-57.4%	**13 136**	30 842	73 688
Selling and distribution costs	-7.1%	**(1 054 556)**	(984 716)	(1 944 333)
Administrative expenses	12.1%	**(134 986)**	(153 609)	(300 461)
Restructuring expenses	-904.2%	**(23 618)**	(2 352)	(8 493)
Other operating expenses	33.0%	**(9 826)**	(14 667)	(49 171)
Operating profit	-5.2%	**322 670**	340 274	564 450
Finance income	32.7%	**6 346**	4 781	10 139
Finance cost	-17.7%	**(69 285)**	(58 880)	(122 964)
Share of profit of a joint venture	18.9%	**9 427**	7 926	14 268
Profit before tax	-8.5%	**269 158**	294 101	465 893
Taxes	5.2%	**(71 222)**	(75 162)	(113 992)
Profit for the period	-9.6%	**197 936**	218 939	351 901

	Notes	**For the six months ended 31 December 2016 R'000 Unaudited**	For the six months ended 31 December 2015 R'000 Unaudited	For the year ended 30 June 2016 R'000 Audited
Profit for the period (carried forward from the previous page)		**197 936**	218 939	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	5	**(14 218)**	7 426	26 461
Exchange differences on translations of foreign operations		**(14 218)**	7 426	(1 905)
Reclassified to profit or loss		**–**	–	28 366
Income tax effect		**–**	–	–
Net gain/(loss) on cash flow hedges, net of tax	5	**2 389**	(13 352)	2 412
Cash flow hedge fair value adjustment		**(1 335)**	(29 056)	(22 500)
Reclassified to profit or loss		**4 653**	10 512	25 850
Income tax effect		**(929)**	5 192	(938)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(11 829)**	(5 926)	28 873
Total comprehensive income for the period, net of tax		**186 107**	213 013	380 774
Profit for the period attributable to:				
Equity holders of the parent		**197 130**	218 044	350 906
Non-controlling interests		**806**	895	995
		197 936	218 939	351 901
Total comprehensive income attributable to:				
Equity holders of the parent		**185 301**	212 118	379 779
Non-controlling interests		**806**	895	995
		186 107	213 013	380 774

Interim condensed consolidated statement of comprehensive income (continued)

	% change	For the six months ended 31 December 2016 R'000 Unaudited	For the six months ended 31 December 2015 R'000 Unaudited	For the year ended 30 June 2016 R'000 Audited
Headline earnings calculation				
Profit for the period attributable to equity holders of the parent company		**197 130**	218 044	350 906
Gross remeasurements excluded from headline earnings		**(7 859)**	2 191	5 776
Loss/(Profit) on sale and scrapping of property, plant and equipment		**1 411**	2 191	(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 disposal of investment in Lactolab		**(9 270)**		
Taxation effects of remeasurements		**756**	(519)	(87)
Headline earnings attributable to shareholders of the parent company		**190 027**	219 716	356 595
Issued ordinary shares		**190 352 747**	188 448 464	190 314 350
Number of ordinary shares used in the calculation of:				
Earnings per share				
– weighted average		**190 336 801**	187 848 093	188 733 409
Diluted earnings per share				
– weighted average		**193 353 978**	192 352 995	193 021 978
Earnings per share attributable to ordinary equity holders of the parent				
Earnings per share (cents)	(10.8)	**103.6**	116.1	185.9
Diluted earnings per share (cents)	(10.1)	**102.0**	113.4	181.8
Headline earnings per share (cents)	(14.7)	**99.8**	117.0	188.9
Diluted headline earnings per share (cents)	(13.9)	**98.3**	114.2	184.7

Interim condensed consolidated statement of financial position

As at

	31 December 2016 Unaudited R'000	31 December 2015 Unaudited R'000	30 June 2016 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**2 429 169**	2 192 226	2 323 216
Investment properties	**10**	18	15
Intangible assets	**602 189**	605 676	612 191
Investment in joint venture	**41 078**	40 409	31 651
Other non current financial assets	**5 657**	–	5 657
Deferred tax assets	**36 404**	36 837	37 019
	3 114 507	2 875 166	3 009 749
Current assets			
Inventories	**1 283 862**	1 182 280	916 909
Trade and other receivables	**1 461 140**	1 499 690	1 308 223
Prepayments	**32 245**	38 079	16 184
Other current financial assets	**7 955**	771	–
Cash and short-term deposits	**594 503**	517 371	604 071
	3 379 705	3 238 191	2 845 387
Assets classified as held-for-sale	**16 060**	12 912	10 907
	3 395 765	3 251 103	2 856 294
Total assets	**6 510 272**	6 126 269	5 866 043

Interim condensed consolidated statement of financial position (continued)

As at

	31 December 2016 Unaudited R'000	31 December 2015 Unaudited R'000	30 June 2016 Audited R'000
EQUITY AND LIABILITIES			
Equity			
Issued capital	**9 518**	9 422	9 516
Share premium	**883 503**	851 741	882 774
Other reserves	**80 411**	79 578	74 873
Retained earnings	**1 991 598**	1 799 438	1 871 690
Other components of equity	**14 730**	(8 240)	26 559
Equity attributable to equity holders of the parent	**2 979 760**	2 731 939	2 865 412
Non-controlling interests	**23 621**	20 755	23 305
Total equity	**3 003 381**	2 752 694	2 888 717
Liabilities			
Non-current liabilities			
Interest-bearing loans and borrowings	**920 670**	934 705	931 455
Employee-related obligations	**80 617**	78 303	73 474
Deferred tax liability	**235 222**	193 954	192 358
Trade and other payables	**19 284**	21 459	19 311
Other non-current financial liabilities	**2 199**	–	2 199
	1 257 992	1 228 421	1 218 797
Current liabilities			
Trade and other payables	**1 444 962**	1 582 929	1 363 332
Interest-bearing loans and borrowings	**786 339**	502 191	343 015
Other current financial liabilities	**4 427**	36 172	25 612
Income tax payable	**2 146**	12 791	9 893
Employee-related obligations	**11 025**	11 071	16 677
	2 248 899	2 145 154	1 758 529
Total liabilities	**3 506 891**	3 373 575	2 977 326
Total equity and liabilities	**6 510 272**	6 126 269	5 866 043

Interim condensed consolidated statement of changes in equity

	For the six months ended 31 December 2016 Unaudited R'000	For the six months ended 31 December 2015 Unaudited R'000	For the year ended 30 June 2016 Audited R'000
Balance at 1 July	**2 888 717**	2 584 848	2 584 848
Profit for the period	**197 936**	218 939	351 901
Other comprehensive income	**(11 829)**	(5 926)	28 873
Total comprehensive income	**186 107**	213 013	380 774
Ordinary shares issued	**731**	13 414	44 540
Share-based payment reserve accrued	**8 108**	9 976	12 697
Share appreciation rights exercised	**(1 909)**	(10 576)	(35 347)
Initial recognition of call options	**–**	–	1 005
Non-controlling interest arising from business combination	**–**	6 350	8 800
Profit on disposal of Lactolab recognised in statement of changes in equity		–	–
Dividends to non-controlling interest	**(490)**	–	–
Dividends	**(77 930)**	(64 397)	(108 755)
Dividends forfeited	**47**	66	155
Balance at end of the period	**3 003 381**	2 752 694	2 888 717
Consists of:			
Share capital and premium	**893 021**	861 163	892 290
Other capital reserves	**80 411**	79 578	74 873
Retained earnings	**1 991 598**	1 799 438	1 871 690
Other components of equity	**14 730**	(8 240)	26 559
Shareholder equity	**2 979 760**	2 731 939	2 865 412
Non-controlling interest	**23 621**	20 755	23 305
Total equity	**3 003 381**	2 752 694	2 888 717

Interim condensed consolidated statement of cash flows

	For the six months ended 31 December 2016 Unaudited R'000	For the six months ended 31 December 2015 Unaudited R'000	For the year ended 30 June 2016 Audited R'000
OPERATING ACTIVITIES			
Profit before tax	**269 158**	294 101	465 893
Adjustment for non-cash items	**147 212**	153 483	300 723
Working capital adjustments	**(483 442)**	(296 987)	(36 230)
Income tax paid	**(35 673)**	(14 648)	(56 938)
Net cash flows (used in)/from operating activities	**(102 745)**	135 949	673 448
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	**1 227**	337	45 533
Interest received	**6 346**	4 780	10 139
Acquisition of Frankies Olde Soft Drinks Business	**–**	(6 610)	(6 610)
Acquisition of Clover Good Hope Business	**–**	–	(2 550)
Disposal of shares held in Lactolab	**11 714**	–	–
Government grant received recognised against property, plant and equipment	**–**	16 097	16 097
Capital expenditure: Tangible and intangible assets	**(213 947)**	(174 712)	(423 071)
Net other investing activities	**2 948**	7 427	27 833
Net cash flows used in investing activities	**(191 712)**	(152 681)	(332 629)
FINANCING ACTIVITIES			
Interest paid	**(69 285)**	(58 877)	(122 964)
Dividends paid	**(78 420)**	(64 397)	(108 755)
Net increase in borrowings	**432 539**	181 719	19 293
Net cash flows from financing activities	**284 834**	58 445	(212 426)
Net (decrease)/increase in cash and cash equivalents	**(9 623)**	41 713	128 393
Net foreign exchange difference	**55**	222	242
Cash and cash equivalents at the beginning of the period	**604 071**	475 436	475 436
Cash and cash equivalents at the end of the period	**594 503**	517 371	604 071

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.

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
- Other consists of Clover Industries Limited holding company and Lactolab Proprietary Limited that renders laboratory services.

Accounting policies and notes (continued)

	For the six months ended 31 December 2016 Unaudited R'000	For the six months ended 31 December 2015 Unaudited R'000	For the year ended 30 June 2016 Audited R'000
External revenue from sale of products*			
Dairy fluids	**2 346 018**	2 211 262	4 427 051
Dairy concentrated products	**716 221**	719 963	1 355 240
Ingredients	**118 112**	125 733	266 909
Non-alcoholic beverages	**1 218 294**	1 206 875	2 367 158
Fermented products and desserts	**397 708**	375 990	679 481
Other	**–**	3 438	6 630
	4 796 353	4 643 261	9 102 469
Margin on material#			
Dairy fluids	**935 592**	882 573	1 795 746
Dairy concentrated products	**233 095**	200 977	400 652
Ingredients	**33 587**	16 902	40 146
Non-alcoholic beverages	**683 487**	669 817	1 314 252
Fermented products and desserts	**119 310**	108 161	195 877
Other	**–**	2 617	4 754
	2 005 071	1 881 047	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.

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 six months under review the Group acquired property, plant and equipment to the value of R213,0 million and also acquired intangible assets at a cost of R1,0 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.

5. OTHER COMPONENTS OF EQUITY

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.

During the period under review the Group hedged 1 650 000 litres of ICE Gasoil per month at an average price of R5,62 per litre. As at 31 December 2016 the Group has hedged its diesel usage until the end of June 2017 at 1 650 000 litres per month. The contracted ICE Gasoil prices are R5,10 per litre for the first three months and R5,60 for the last three months. Hedging the price volatility of forecast diesel purchases is in accordance with the risk management strategy outlined by the Board of Directors.

The fair values are based on the quoted price from RMB and Investec 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 R4,6 million (R3,3 million net of tax), the unrealised profit portion of R3,3 million (R2,4 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.

Other comprehensive income, net of tax:

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

As at 31 December 2016	Cash flow hedge reserve R'000	Foreign currency translation reserve R'000	Total R'000
Diesel forward contracts	(961)		(961)
Reclassified to statement of profit or loss	3 350		3 350
Foreign exchange translation differences		(14 218)	(14 218)
	2 389	**(14 218)**	**(11 829)**

6. DISPOSAL OF INVESTMENT IN SUBSIDIARY COMPANY – LACTOLAB

With effect from 1 July 2016 Clover disposed of its 100% shareholding in Lactolab Proprietary Limited to Swift Siliker Proprietary Limited, for a total cash consideration of R11,7 million.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group measures derivative foreign exchange contracts, fuel swaps, forward share purchase contracts, investment in cell captive and call and put options at fair value.

The fair value of foreign exchange contracts, fuel swaps, forward share purchase contracts and the investment in a cell captive is determined based on inputs as described in level 2 of the fair value hierarchy being quotes from financial institutions. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.

The foreign exchange contracts is shown at a fair value liability of R0,5 million as at 31 December 2016. This fair value is within level 2 of the fair value hierarchy and is determined using DCF with the key inputs being yield curves, market interest rates and market foreign exchange rates.

Accounting policies and notes (continued)

The Diesel hedges is shown at a fair value asset of R8,0 million as at 31 December 2016. This fair value is within level 2 of the fair value hierarchy and is determined using NAV with the key inputs being market forward ICE Gasoil price, yield curves and market foreign exchange rate.

The Clover Industries shares forward purchase is shown at a fair value liability of R6,1 million as at 31 December 2016. This fair value is within level 2 of the fair value hierarchy and is determined using NAV with the key inputs being share price and yield curves.

The investment in the Guardrisk cell captive is shown at a fair value asset of R1,8 million as at 31 December 2016. This fair value is within level 2 of the fair value hierarchy and is determined using NAV with the key inputs being cash and cash equivalents, investment in unit trusts and insurance fund liabilities.

The call option to acquire remaining shares in Clover Frankies (Pty) Ltd is shown at a fair value asset of R3,3 million as at 31 December 2016 and the call option to acquire remaining shares in Clover Good Hope (Pty) Ltd is shown at a fair value asset of R0,6 million as at 31 December 2016. These fair values are within level 3 of the fair value hierarchy and are determined using DCF with the key inputs being free cash flow forecast and market interest rates. There were no movements in these fair values during the current reporting period.

There were no transfers between levels 1, 2 or 3 of the fair value hierarchy during the period ended.

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.

The carrying values of all other financial assets or liabilities, which include trade receivables, trade payables, as well as cash and cash equivalents, approximate their fair values based on the nature or maturity period of the financial instrument.

8. EVENTS AFTER THE REPORTING PERIOD

As communicated on the JSE news service (SENS) Clover is in the process of restructuring its current operations. The Restructure will effectively result in the Group rearranging its business in a way that will see Clover continue its strategy of focusing on branded products whilst simultaneously supporting the ambitions of its milk producers to pursue a volume growth strategy through a newly formed special purpose vehicle, Dairy Farmers of South Africa Proprietary Limited ("DFSA") that will acquire the dairy fluid business. We are still in the process of formalising the restructuring by drafting the relevant agreements. The planned implementation date is 1 July 2017.

In addition to the above, Clover acquired Olive Pride, a leading manufacturer and importer of olive oils, extra virgin olive oils, balsamic vinegars and related products from Southern Canned Products (Pty) Ltd ("SCP"). SCP is a wholly-owned subsidiary of explosives and specialty chemicals company AECI Limited ("AECI").

As part of this transaction, a new entity called Clover Pride (Pty) Ltd ("Clover Pride") will be formed in which we will have a 51% controlling interest with AECI retaining 49%. Clover will provide all services including merchandising, marketing, sales and distribution to the new entity whilst Clover Pride will continue to distribute, market and sell products under the Olive Pride brand.

The competition commission has given their unconditional approval for the deal which will become effective on 1 April 2017.

Except for 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.

Accounting policies and notes (continued)

10. PREPARATION OF UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS

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

11. INDEPENDENT AUDIT BY AUDITORS

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

ince

www.clover.co.za