

Clover Industries Limited
(Incorporated in the Republic of South Africa)
(Registration number 2003/030429/06)
JSE ordinary share code: CLR
NSX ordinary share code: CLN
ISIN: ZAE000152377
("Clover" or "the Company")

OPERATIONAL UPDATE AND TRADING STATEMENT

Operational Update:

General trading conditions in the retail and fast-moving consumer goods sectors have deteriorated since January 2019. Rand volatility, rising oil prices and subdued economic activity in the build-up to the May 8 elections led to weaker trading conditions compared to the previous year. Despite this, Clover continued to increase its market shares in various categories on the back of marketing investment and additional trade support. This will bode well for future performance. Pleasingly, Clover's spreads and margarines that were launched in March 2019 were well received by the trade. Given the tough trading conditions, there has been a delay in price increases to the trade which are now expected to go through between May 2019 and August 2019.

Clover continues to operate in a very uncertain environment having experienced a number of short-term setbacks and challenges, however, there have been some positive advances that will be realised in the next financial year and beyond. Accordingly, Management would like to update the market in regard to certain recent developments as outlined below.

A fire at Clover's Estcourt powder factory in March 2019, caused severe damage to the facility and had a significant impact on the availability of cream as Clover could not produce skim milk powder. This has in turn impacted production of certain highly profitable products. Clover is comprehensively insured for both the assets impacted by the fire and business interruption (loss of profits). Clover is still in discussions with its insurers to quantify its claim.

Services rendered income has come under pressure as volumes in Dairy Farmers of South Africa Proprietary Limited (one of our principals) have declined significantly, negatively impacting fee income. Additionally, Clover only received service fee income from the Remgro (previously Unilever) spread business until February 2019 as the distribution contract was not renewed. A new principal, being the Willowton Group, has however been signed up with effect from 1 May 2019. Efficiencies and the full financial impact of the contract will only be realised in the next financial year. A new five-year agreement has also been signed with Danone Southern Africa Proprietary Limited to provide certain warehousing and distribution services with effect from 1 July 2019 (estimated integration date). The value of the contract, which is in excess of R400 million, could have a meaningful impact on Clover going forward.

Shareholders are reminded that the Proposed Transaction (capitalised terms used herein shall have the meaning ascribed thereto in the Scheme Circular) in relation to the firm intention by Milco SA to acquire the entire issued share capital of Clover, remains subject to the fulfilment or waiver, as the case may be, of the following conditions set out in the Scheme Circular:

1. approval of the Proposed Transaction by the relevant Competition Authorities;
2. the issuance by the TRP of a compliance certificate in respect of the Proposed Transaction in terms of section 119(4)(b) of the Companies Act; and
3. by no later than the date on which the last of the aforementioned conditions is fulfilled or such later date if there is a dispute as to whether a Material Adverse Change has occurred (but by no later than the Long Stop Date, Milco not having terminated the proposed transaction as a result of a Material Adverse Change).

The sustainable EBITDA Material Adverse Change as disclosed in the Scheme Circular is still considered to be achievable despite tough trading conditions experienced during January to April, however strong trading in May and June will be essential to meet these targets.

Trading Statement

In terms of the Listings Requirements of the JSE Limited, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that the financial results for the current reporting period will differ by at least 20% from the financial results for the twelve months ended 30 June 2018 ("comparative period").

Accordingly, shareholders are advised that, for the twelve months ending 30 June 2019 ("current period"), a reasonable degree of certainty exists that:

- Headline earnings per share ("HEPS") for the current period is expected to be more than 180,5 cents higher than the headline loss per share of 23,1 cents reported for the comparative period; and
- Earnings per share ("EPS") for the current period is expected to be more than 182,7 cents higher than the loss per share of 19,9 cents reported for the comparative period.

Shareholders are further advised that Clover is not yet in a position to provide guidance as to either the specific percentage and numbers, or the range and numbers, to describe the difference in the financial results for the reporting period. Once Clover obtains reasonable certainty in this regard it will issue a further trading statement.

The financial information on which this trading statement is based has not been reviewed and reported on by Clover's external auditors.

The Company expects to release its annual financial results for the year ending 30 June 2019 on SENS on or about 10 September 2019.

Johannesburg
10 May 2019

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RAND MERCHANT BANK (A division of FirstRand Bank Limited)

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