



**Clover Corporation Limited**

ABN 85 003 622 866

**ASX ANNOUNCEMENT**

**23 February 2011**

## **CLOVER INCREASES R&D EXPENDITURE IN 1H FY2010 TO SUPPORT EXPANDING INNOVATION PIPELINE**

- Profit after tax up 2.2% to \$1.95 million
- Sales revenue down to \$14.03 million but influenced by deferred sales
- Continued growth of sales in China
- Increase in research and development expenditure by 20.8% to \$622,000
- Stronger sales expected in the second half of FY11

Clover Corporation Limited (Clover, ASX CLV) has reported an after-tax profit of \$1.95 million for the half year ended 31 December 2010 (2009: \$1.91 million), an increase of 2.2%.

Although sales revenue decreased to \$14.03 million (2009: \$16.35 million), this result was affected by a significant amount of sales (\$2.00 million) being deferred, at customer request, from December 2010 to January 2011 and the cessation of sales of NuSoya products. Whilst the sales were below the corresponding period, they represent an increase of 54% on those of the half year ended 31 December 2008. The fluctuations in the growth of sales can reflect the multi-year development and evaluation processes associated with infant formula applications. Clover's program to expand its customer base, geographic representation, product and applications focus is targeted at increasing its range of commercial opportunities.

NuSoya sales of \$312,000 (2009: \$768,000) were made prior to the business being closed in October 2010. NuSoya sales for the whole of FY10 were \$1.25 million.

Sales in China continued to grow and reflect Clover's focus on developing its market position in Asia.

Development of sales in the Americas and Europe by GTC Nutrition (GTC) continues to be slower than anticipated. Clover has been assured that the reorganisation currently underway in GTC will facilitate increased focus and aggression on meeting the sales targets for Nu-Mega's nutritional products.

Expenditure on research and development increased by 20.8% to \$622,000 (2009: \$515,000) in support of the expanding innovation pipeline. This program has resulted in 3 new microencapsulated products that are currently under evaluation by customers. A further 3 products, demonstrating a number of new technologies, are on schedule for release in the third quarter of FY2011. Where appropriate, patent applications have been filed to protect the intellectual property inherent in these differentiated products.

Future Food Ingredients Pty Limited (FFI) ceased operation in October 2010 and activities have been undertaken to sell the Moree-based business, which comprises the land, building and equipment. The stock of soybeans is currently in the process of being sold. A review of the value of the assets and liabilities associated with FFI has indicated that no additional provision needs to be made at this time.

Clover is expecting stronger sales performance in the second half of FY2011.

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