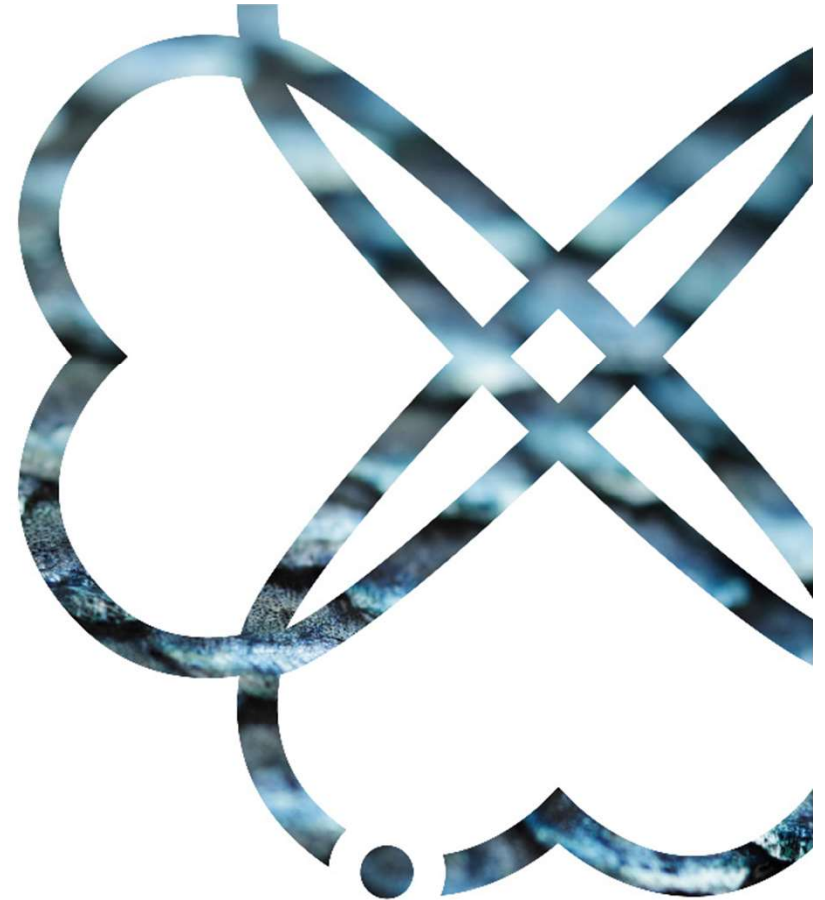


Managing Director Report 6 Months to 31 Jan 2017

21 March 2017



Vision and Mission Statement

Vision: To optimise the health and development of adults, infants and children.

Mission: To deliver science based bioactives which provide health benefits to adults, infants, children and to the medical food markets.

Half Year Performance Highlights

- ♣ Net Profit **\$1.0m** up **29.5%** on half year 2016
- ♣ Operating Revenue **\$19.4m** down 1.3% on half year 2016
- ♣ Operating expenses of **\$3.1m** up **6%** due to increased business development
- ♣ Interim fully franked dividend **0.25c** declared
- ♣ Inventory managed at **\$13.8m** similar to the prior year
- ♣ Balance sheet remains strong with no debt and cash of **\$8.7m**

Half Year 2017 Results

AUD million	4D Reported 31 Jan 2017	4D Reported 31 Jan 2016
Revenue	\$19.44	\$19.71
Profit before tax	\$1.42	\$1.08
EBITDA	\$1.65	\$1.26
EBIT	\$1.40	\$1.05
Tax	\$0.39	\$0.28
NPAT	\$1.04	\$0.80
EPS	0.63 cps	0.48 cps
ROE (annualised)	6.6%	5.5%

- Year on year revenue flat
- Higher margin sales driven by customer mix and hedging USD invoices against purchases
- EBIT \$1.4m (PCP \$1.05m)
- Overhead costs managed
- NPAT result \$1.0m (PCP \$0.8m)

Balance Sheet 31 January 2017

AUD million	Reported 31 Jan 2017	Reported 31 Jul 2016	Movement
Cash	\$8.7	\$8.2	+\$0.5
Trade Receivables	\$6.6	\$10.9	-\$4.3
Inventories	\$13.8	\$13.6	+\$0.2
Total Current Assets	\$29.3	\$33.1	-\$3.8
PPE/Intangible Assets	\$4.8	\$4.6	+0.2
Total Assets	\$35.9	\$39.8	-\$3.9
Trade Payables	(\$4.4)	(\$8.5)	-\$4.1
Total Current Liabilities	(\$5.4)	(\$9.4)	-\$4.0
Total Liabilities	(\$5.5)	(\$9.6)	-\$4.1
Net Assets	\$30.4	\$30.2	+\$0.2

- **Cash balance strong \$8.7m**

- **Inventories well managed**

- **Payables controlled and reducing**

- **Cashflow positive inclusive of FY'16 final dividend payment of 0.5c per share and \$450k capex**

An Update on Growth Platforms



Growth Platform

Continued focus on the infant formula market

- ♣ Focus on major Chinese players by employing a Chinese Business Development Manager with solid local networking and business acumen
- ♣ New Chinese regulations requiring all Infant Formula manufacturers to achieve product formulation registration approval by Jan 2018 to sell in China, has caused delays in growth plans of customers as they focus on accreditation
- ♣ Commercialising new products to accelerate further penetration of current and new customers

Focus on
infant
formula
customers
and market



Growth Platform

Accelerating product development and launch

- ♣ Expand global reach by developing specialised distribution networks to fast track new customer reach and commercialisation
 - ♣ Europe, USA and South East Asia
- ♣ Functional foods and sports nutrition a key driver for innovations
- ♣ NASSA accredited “organic input” status received and allows Clover to serve the fast growing organic infant formula market

New
Products,
Process and
Market
Development



Growth Platform

Strengthened Research & Development

- ♣ Purchase and installation of lab-scale spray drying and analytical equipment to fast track new product development
- ♣ Development of a novel emulsion delivery technology with application trials to commence in the second quarter
- ♣ Hypoallergenic DHA powder commercially manufactured in NZ and under qualification with key customers

Driving
Market
relevant
innovations



FY2017 Outlook & Priorities

- **Leverage the removal of the one child policy and Chinese product formulation registration requirements to grow sales in the region**
- **Develop input sources and production partnerships**
- **Organic growth with emphasis on Oceania, Asia and Europe**
- **Diversify product portfolio and attract new customers via New Zealand spray dryer**
- **Continue to improve efficiencies and reduce costs**
- **Add value through strategic acquisition and/or partnership**

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