



Clover Corporation Limited
ABN 85 003 622 866

ASX ANNOUNCEMENT

27 November 2015

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2015 ANNUAL GENERAL MEETING

Enclosed is the transcript of the Chairman's Address and a copy of the presentation by the CEO, which are both to be delivered at the 2015 Annual General Meeting of Clover Corporation Limited scheduled to commence at 11:00am today.

Signed for and on behalf of Clover Corporation Limited.

Jaime Pinto
Company Secretary



Clover Corporation Limited Chairman's Address 2015

It goes without saying that the 2015 financial year result was disappointing. Despite a sales increase of 10% the business continued to experience margin pressure during the year, due both to a change in the sales mix as customers moved to lower margin products to reduce their costs and also to a weakening A\$ against the US\$. Our two major raw materials are imported, with the lower A\$ causing a significant increase in the cost of production. To offset this, management has effected a 10% reduction in operating costs in addition to pursuing measures to further reduce ingredient and production costs.

Despite the disappointing financial result the company has, and continues to, make notable steps forward, namely:-

- 1) The appointment of a new Managing Director and CEO, Mr Peter Davey, with a focus on driving sales;
- 2) Sales growth of 10% in 2015 continuing into 2016 with 1st quarter sales up 6% and with promising forward orders;
- 3) Some recovery in traditional markets and encouraging growth in sales to new customers in Asia and Oceania;
- 4) The strengthening of the sales force with the appointment of two senior sales professionals responsible for maximising existing markets and the development of new markets. This focus and emphasis on new customers is already bearing fruit as Australian and New Zealand infant formula manufacturers gain access to the Chinese market through licensing agreements with distributors;



- 5) Despite the market dynamics for infant formula in China we see this growth continuing as the government relaxes its one child policy;
- 6) The company is developing market opportunities in Europe and the Americas. Peter is leaving tomorrow for Europe for two weeks to meet existing and potential new customers;
- 7) Clover has invested up to \$1m in a spray drying facility in New Zealand. Although relatively small in capacity, access to this facility will allow Clover to provide manufacturers with competitively priced materials as well as providing specialty products for new markets;
- 8) Last month Clover sub-licensed its Preterm product to Premneo Pharmaceuticals who will commercialise the product after the results of the Stage 3 Clinical Trial are published next year.
- 9) The Company's balance sheet remains in a strong position with cash reserves providing support for the ongoing operations and further investment to grow the business in the future;
- 10) Given the positive outlook for 2016 and beyond Clover has maintained its full year dividend which was paid last Friday; and
- 11) Board renewal and succession planning with the appointment of Mr Rupert Harrington who will stand for re-election at today's meeting.



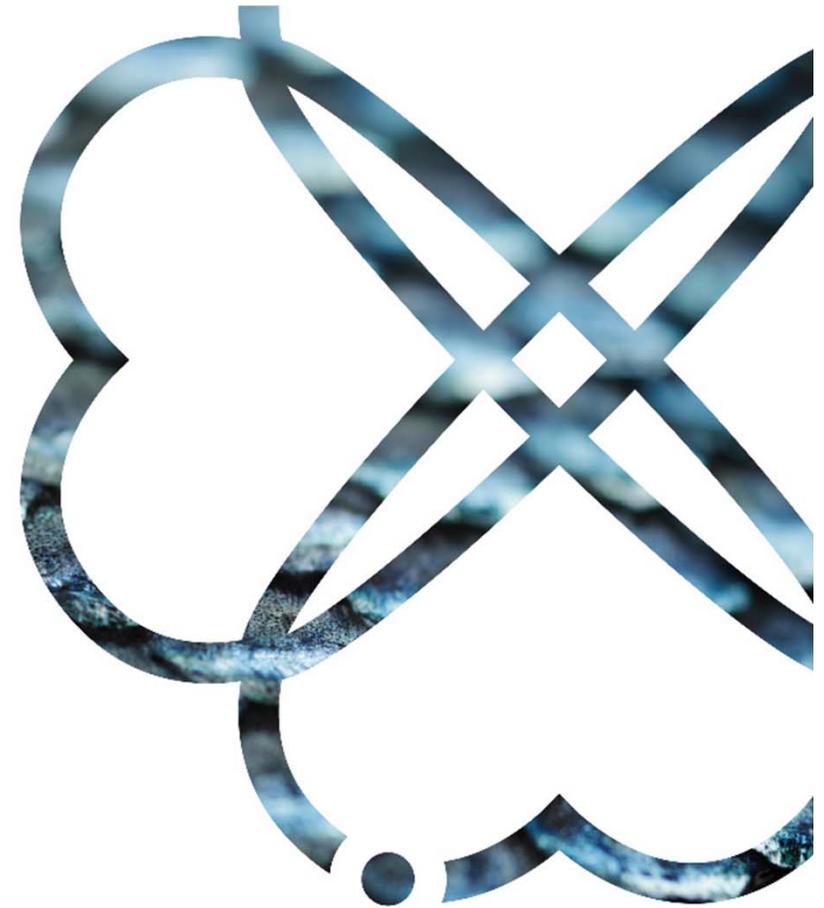
OUTLOOK

- continued growth in the infant formula market;
- diversification in both product mix and customers. Already good work has been done in this area which will result in new sales opportunities during 2016 and 2017;
- commissioning of the spray dryer in New Zealand leading to new opportunities again in 2016 and more so in 2017;
- commercialisation of the preterm product after the results of the clinical trial is known;
- a very capable team of professionals to drive the business. In essence, the company was without a managing director from April to December last year which affected momentum. This has now been rectified with the appointment of Mr Peter Davey.

On that note I will now hand over to Peter for the Managing Director's Report.

Managing Director Report 2015 AGM

27 November 2015



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.



FY 2015 Results

AUD million	4E Reported 31 July 2015	4E Reported 31 July 2014
Revenue	\$29.9	\$27.2
Profit before tax	nil	\$1.2
EBITDA	\$0.6	\$1.6
EBIT	nil	\$1.1
Tax	\$0.1	(\$0.3)
NPAT	\$0.1	\$1.0
EPS	0.06 cps	0.59 cps
ROE (annualised)	0.3%	3.4%

- **10% year on year revenue growth**
- **Recovery of traditional markets and customers and encouraging growth in sales to new customers**
- **Continued gross margin pressure, down to 20.2% (PCP 29.0%)**
- **Fixed costs managed 10% downwards**
- **NPAT result \$0.1m (PCP \$1.0m)**

Balance Sheet 31 July 2015

AUD million	Reported 31 July 2015	Reported 31 July 2014	Movement
Cash	\$9.6	\$8.0	1.6 ↑
Trade Receivables	\$5.5	\$6.9	1.4 ↓
Inventories	\$14.2	\$16.5	2.3 ↓
Total Current Assets	\$29.5	\$32.9	3.4 ↓
PPE/Intangible Assets	\$5.0	\$4.9	0.1 ↑
Total Assets	\$36.6	\$39.5	2.9 ↓
Trade Payables	(\$6.3)	(\$8.6)	2.3 ↓
Total Current Liabilities	(\$7.0)	(\$9.2)	2.2 ↓
Total Liabilities	(\$7.2)	(\$9.4)	2.2 ↓
Net Assets	\$29.4	\$30.1	0.7 ↓

•Cash balance strong (\$9.6m)

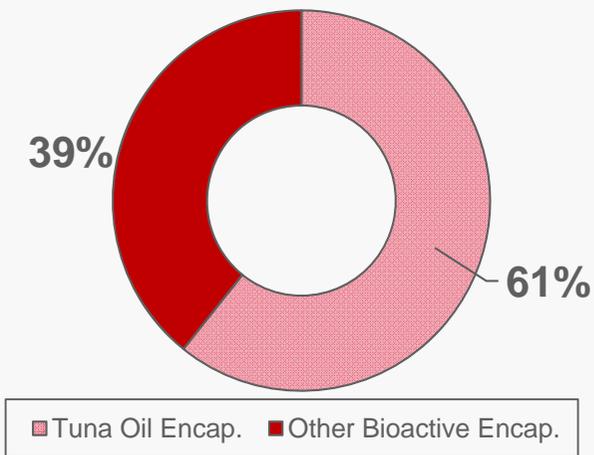
•A key focus has reduced Inventories

•Payables are being managed well and reducing

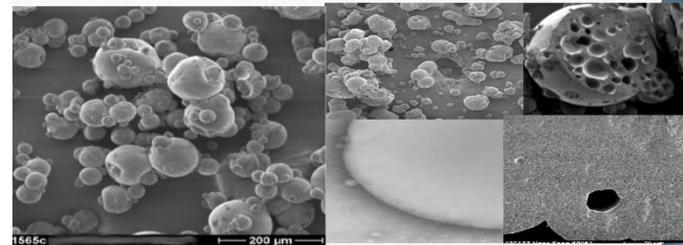
•Final dividend payment of 0.5c per share

Delivery systems based on a variety of nutritional bioactives

Sales Revenue based on Diversified Bioactives in FY2015



- Product portfolio includes encapsulated powders containing marine oil, algal oils, other specialty oils and important micronutrients
- Encapsulation technologies protect important and sensitive nutritional materials and allow their use in many applications
- Our CSIRO patented technology can load 48% oil delivering more active content for our customers



Sales by geography/product

- Continued strong presence through Oceania and Asia
- Investment in New Zealand Dairy and Infant formula is providing new opportunities
- Encapsulation technology strong and proven
- Additional Oil suppliers provides options for further sales

FY 2015 Geographic Reach

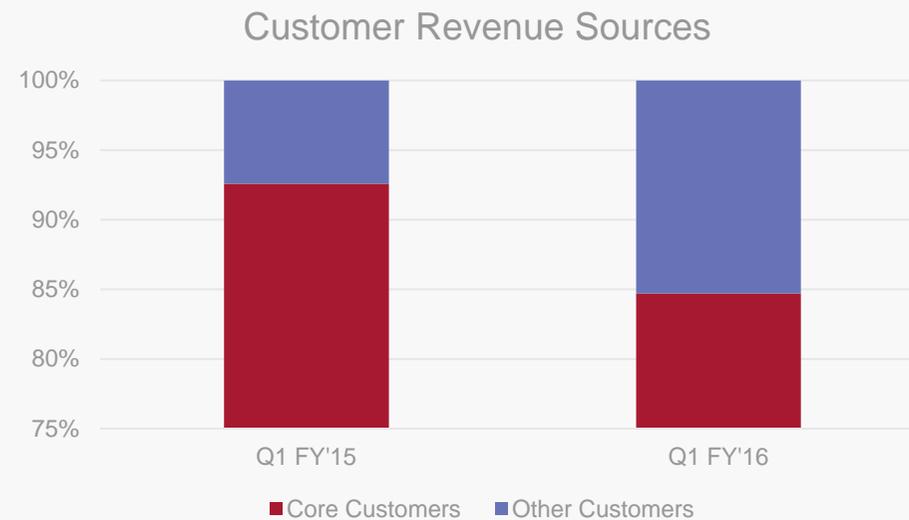
Australia / New Zealand	40%
Asia	44%
Europe	8%
Americas	8%

FY 2015 Product Mix

Oil	2%
Encapsulated Powders	98%

Growth by new customers F'15 to F'16

- A focus on new customers has provided sales growth in the first quarter year on year
- This provides an improved risk profile and increased overall revenue
- The AUD:USD exchange rate continues to place pressure on margins



Growth Platforms

3 Core Areas of Focus...



Growth Platform 1

- **Continued focus on the infant formula market**

- The Chinese market is recovering and we have seen a realignment of distribution channels into China
- New accounts have achieved Chinese import licences in Australia and New Zealand
- The New Zealand facility opens up new opportunities with significant investment in the local Dairy industry
- Our commercial staff and technical support have developed new customers. These accounts will take our product through a qualification process albeit launch dates are subject to lengthy qualification processes.

Focus on
infant
formula
customers
and market



Growth Platform 2

New
Products,
Process and
Market
Development

- **Developing new markets**
 - Investment in the NZ spray dryer is complete with products in trial with new and existing customers. We expect this to deliver revenue in FY'16.
 - This facility opens opportunities to access more cost competitive inputs, as well as enabling us to produce new and speciality products such as our Hypoallergenic powder
 - Attention on introducing our technology into the growing Functional Food sector via the Food exhibitions in Australia, USA and Europe
 - Assessing new Bioactives and growth opportunities



Growth Platform 3

Development of Medical Foods Program

- **Develop medical food program**

- We have a product pipeline aimed at improving the health of preterm infants as well as a focus on other medical food applications

- **Premneo Update:**

- The Major phase 3 clinical trial for respiratory health has recruited 1273

- babies and will be completed by December 2015 with results issued Q2 2016

- Patents for respiratory and neurological development have been awarded in Australia and the USA

- Clover Sub-licenced its Preterm product to Premneo Pharmaceuticals Limited in October 2015

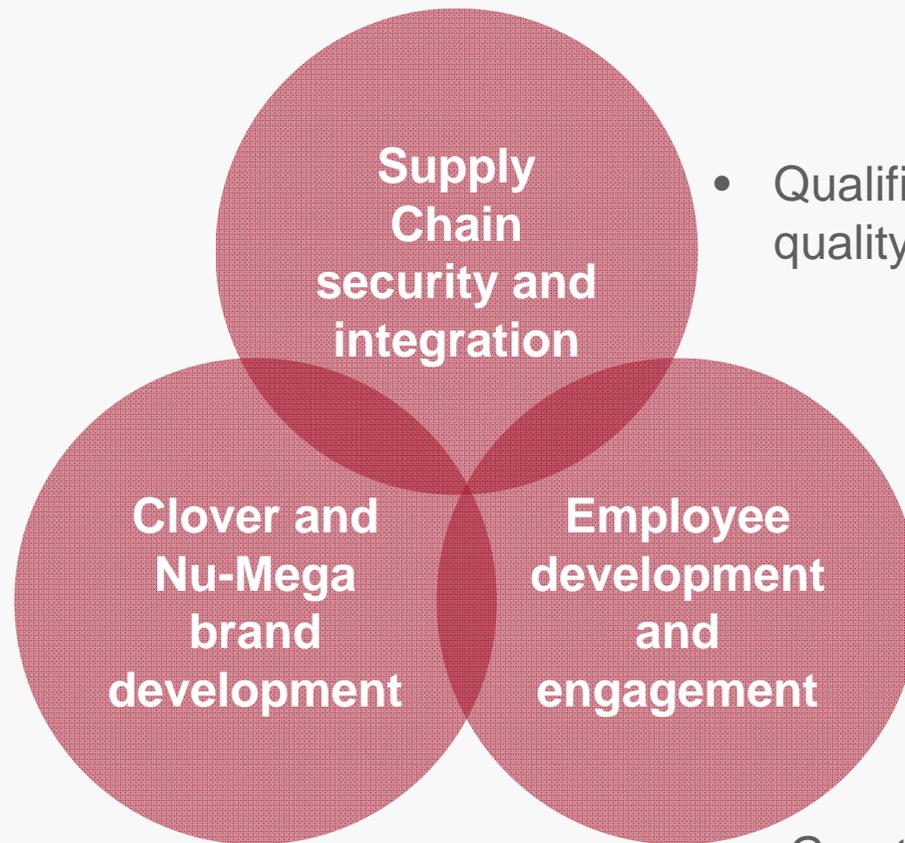
- Premneo is headed by Dr. Brian McNamee previous CEO of CSL, who has proven experience, a strong team and the capability to drive the successful launch of our pharmaceutical product

- Revenue to Clover is dependent on licence fee income from a successful launch and is unlikely to have a material impact in 2016

- Clover will continue to pursue other applications of its technology into the Medical market



Operational Platforms



- Leveraging our Nu-Mega brand

- Qualification of alternate quality suppliers

- Great people serving our customers



FY2016 Outlook & Priorities

- Leverage the two child policy in China, grow sales in the region
- Develop new product applications in collaboration with customers
- 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
- Continue development of applications for the medical food market



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