The world’s economic “center of gravity” continues to shift from the developed economies to the developing economies, and the economic prospects of the G7 are becoming more intertwined with those of developing countries than ever before. The objective of our research and analysis is to provide our research users with proprietary, ground level, actionable insights regarding this important shift.

Initiation of Coverage

**COMPANY NOTE | SOUTH AFRICA RESEARCH | May 26, 2011**

- Clover Industries Ltd (the “Company”) is a leading branded consumer goods and beverages group. The Company is engaged in procurement, processing, and marketing of branded consumer products to customers in South Africa and other selected African countries.

- The Company recently completed a successful recapitalization and restructuring effort to deal with its undercapitalization risk and unmanageable capital structure, which resulted in raising sufficient capital to reduce debt, simplifying its capitalization structure, and reducing reliance on financial support from the State’s Land Bank.

- During 2010, the Company was listed on the Johannesburg Stock Exchange and raised over R575 million from leading regional and international institutional investors, including Coronation, Allan Gray, Sanlam, and global investment fund manager, Fidelity.

- The Company produced solid interim results following the successful listing on the JSE for the period ended December 31, 2010. Revenue increased 10.8 percent from R3,023 billion to R3,349 billion while operating profit was up 43 percent to R176 million from R123,1 million in the comparable period. Operating margin was up to 5.3 percent from 4.1 percent. Normalized operating margin increased to 5.6 percent from 5 percent (FY10-5.4 percent). Headline earnings from continuing operations increased 693 percent to R94m and the Company declared a maiden dividend of 10 cents per share.

- The Company has an ambitious 2011 and 2012 strategy of expanding capacity and to redesign its supply chain known as the Ceilo Blu Project, which is a 24 to 36 month value-enhancing capital project through which it intends to relocate production facilities closer to milk sources. This move will reduce distribution and related costs and will expand the capacity of key distribution centers and warehouses. This project will also create sufficient capacity to support current and future growth and the expected gain in efficiencies through these moves will result in substantial margins gains.

**Clover Industries Ltd**
**Food and Beverage**
**CLR - JSE**

**Market Data**
- Price, April 8, 2011: R1.110
- Average Price(50-day): R1.080
- 52-Week Range: R1,000-1,150
- Mkt. Cap.: R1,943M
- Shares Out: 179.11M

**Capitalization Data (TTM)**
- Revenue, ttm (Ending Jun 10): R5,995M
- Net Income, ttm: R186M
- Cash & Equivalents: R429M
- Total LT Debt (Jun 10): R655M
- Shareholders’ Equity: R1,048M
- Current Ratio (Jun 10): 1.42
- Avg. Vol. (3 month): 151,927

Currency exchange:
1.00 USD = 7.0291 ZAR
1.00 ZAR = 0.1423 USD
(May 25, 2011)

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Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.
MACRO OVERVIEW

In December South Africa was invited into the elite BRIC forum (now called BRICS). South Africa, which is Africa’s biggest economy (US$286 billion), is small when compared to other BRIC economies with only a population of 49 million compared to India’s 1.2 billion, Brazil’s 191 million, Russia’s 142 million, and China’s 1.36 billion. However, the country should be viewed more as a representative of the African continent given it accounts for about a third of gross domestic product in sub-Saharan Africa and will offer BRIC members improved access to 1 billion consumers on the continent and mineral resources including oil and platinum.

The current global setting is beneficial for the South African economy, which is exiting the global crisis with strong linkages to both the BRIC emerging nations and the more dynamic emerging Sub-Saharan economies on the continent, which will expand about 5 percent over the next few years (retaining the region’s position as the world’s fastest growing market behind emerging Asian nations). Expansionary macroeconomic policies (especially government spending on infrastructure) and favorable terms of trade resulted in a rapid increase in domestic demand and a strong GDP growth of 4.4 percent in the fourth quarter of 2010 over the previous quarter. With the newly re-elected president, Jacob Zuma, expected to implement the country’s New Growth Plan economic policy, the country’s economy is expected to grow almost 4 percent in 2011.

This strong expansion in South Africa combined with continued foreign investment (especially in transport improvements as South Africa hosted the World Cup in 2010) is benefitting some of the less financially integrated economies of Africa, which will rely more and more on linkages with South Africa. Two areas set to expand rapidly are the renewable energy sector, with the sub-Saharan African renewable energy market expected to triple in investment value between 2010 and 2015 (as a feed-in-tariff for grid-connected solar power goes live in 2011) and agriculture. Both sectors will create much needed jobs in South Africa.

THE COMPANY

Clover Industries Limited (JSE: CLR or the “Company”) is a branded foods and beverages company. The Company is engaged in manufacturing, procurement, processing and marketing of branded consumer products to customers in the Southern African region. The Company’s segments include dairy products segment, non-alcoholic beverages segment and other segment. The dairy products segment is focused on providing the market with dairy products. Other dairy consist of Clover Botswana, Clover Zambia, Clover Fonterra and Clover Swaziland. The non-alcoholic beverages segment focus on the development and marketing of non-alcoholic, value-added branded beverages products. Other segment consists of Clover Industries Ltd holding company and Lactolab (Pty) Ltd that render laboratory services. Its products consist of beverages, butter and butter spread, cheese, condensed milk, milk, maas, cream, powdered products, yogurt and desserts. During the fiscal year ended June 30, 2010, 25 percent of interest is acquired by Hosken Consolidated Investments Ltd.

Clover, which listed on South Africa’s Johannesburg Stock Exchange last December, becoming the eighteenth branded food and beverage company to have shares traded on a stock exchange in the South African market (showing the strength of this sector in the market), raised R575 million. The bulk of the investment is being used to consolidate its market position through acquisitions, strengthening its distribution capabilities, and channel more resources into staff training, facilities, and products and services. The Company has been a pioneer in the local market and in leveraging its cooperative status to secure its capital requirements from the Land Bank. The Company recently underwent a successful recapitalization and restructuring effort to deal with its undercapitalization risk and unmanageable capital structure, which resulted in raising sufficient capital to reduce debt, simplify its capitalization structure, and reduce reliance on support from the State’s Land Bank. Clover is one of the largest distribution companies in South Africa (13 owned and operated factories; 21 distribution centers) and the largest chilled distributor company in South Africa. The Company’s normalized operating profit increased over 23 percent on revenue growth of 10.8 percent, with headline earnings from continuing operations up almost 700 percent, for the six months ended December 31, 2010.

The Company was founded in 1898 and is based in Johannesburg, South Africa. At May 19, 2011, the Company effectively had (6,200) full-time employees, including the Company’s Chief Executive Officer, Johann Vorster, Deputy Chief Executive Officer, Hermanus Roode, Chief Financial Officer, Jacques Botha, and Executive - Commercial, James Botes.
The food and beverages sector is a significant component of the South African economy, accounting for R3 128.7 billion or 18 percent of sales contribution (food – 13.5 percent, beverages – 4.4 percent) and 17 percent of gross value added in this sector, and employing approximately 230 000 employees in 2010. The sector is part of the food industry value chain, which comprises a range of activities, including:

i) Farming and the production of raw agricultural produce;
ii) Processing of raw agricultural commodities;
iii) Manufacturing, transforming the raw and processed produce into finished/processed commodities;
iv) Wholesalers and retailers of the finished products, and
v) Consumers

The South African food and beverage sector transforms through industrial processes agricultural commodities into semi-processed or fully processed food ingredients or products. Although there are up- and downstream linkages, the food and beverages sector differs from the primary agriculture sector through its complexity, use of capital intensive technology and processes, and the large number of suppliers, distributors and channels involved in taking products to market.

According to the classification of economic activities in South Africa, the food and beverages sector includes the manufacture of food products and the manufacture of beverages, but, contrary to practice in most other countries, excludes the tobacco manufacturing sector, which is included in the agricultural sector. The sector is further subdivided into five sub-sectors.

The largest sub-sector by number of registered companies is the 'manufacture of food preparation products' with 2,770 companies, and the smallest is the 'dairy manufacturing' sub-sector. However, the sub-sector with the largest number of levy-paying companies (medium to large firms) is 'processed foods' and that with the largest number of small enterprises the 'manufacture of food preparation products' (Figure 1). All sub-sectors, however, reflect similar patterns, with a large number of small firms and few large firms.

Indeed, South Africa's food and beverages sector is highly concentrated, with several large vertically integrated conglomerates controlling both production capacity and sales in most food categories. For example, one of the largest firms, Tiger Brands, has a controlling interest in the Spar retail group as well as in grain milling. The largest firms in poultry production have interests in 'parent material', day-old chick and broiler rearing, feed manufacturing and final processing of mature chickens, and the level of concentration in the dairy sector is also quite high.

The food and beverages sector is important in South Africa because of its high degree of forward and backward linkages with other industries, which allow it to play an important role in accelerating economic activity. It is also suited to South Africa's developing country characteristics due to the fact that processing plants are not always scale-dependent and small operations may be as economically efficient as larger plants, encouraging the participation of small, medium and micro-enterprises (SMMEs) in niche markets.

The Global Food and Beverages Sector

Globalization has affected the food and beverages sector, in particular beverages and more durable food products, in several ways. For example, the lowering of trade tariffs, development of new markets and suppliers, and increased global sourcing of raw materials have led to extended and more complex supply chains and competitiveness in local and world markets. In response, cost-efficiency in production and reliable supply chain management have become increasingly important criteria for success in the sector. Increasing competition has increased net imports especially in the food sector in South Africa, although net imports have increased less than in the total economy and in manufacturing.

The beverage industry has high entry barriers, due to its domination by large corporations, and a large portion of alcoholic beverage production (especially wine) is exported, leading to its better-than-average export performance. International trade in processed foods and beverages is predicted to grow at an annual average of 5 percent between 2003 and 2020, driven by global population growth and growth in Gross Domestic Product (GDP) per capita. The fastest growth was in the Middle East, Africa, and Central Asia, with the major food and beverage products being meat, vegetable oils, dairy, and grain products. The larger share of this globalized trade is
carried out by developed countries: France, the United States of America, Germany, the Netherlands, and Australia accounted for 38 percent of global trade in 2004. However, emerging players such as Brazil and Argentina are increasing their share of this trade.

Global sales of food and beverage products was $11.6 trillion in 2009, and is projected to reach $15 trillion in 2014 as the population continues to grow from 6 billion people in 2000 to a projected 7.5 billion in 2020. One main driver of this increase in demand is increased household disposable incomes in the Asia Pacific region, which are projected to contribute to about one third of global food sales by 2014. Thus, there are significant export opportunities for the South African food and beverages sector.

The main reasons for the developed world’s large share of the global market include: its large population, high income levels, which allow almost all to afford food and drink, and very low levels of subsistence farming, which compels the vast majority of the population to purchase from the food and beverage markets. These factors may be important in projecting the growth of the food and beverages market in South Africa and are revisited in a later section.

The South African Food and Beverages Sector

The sector in South Africa contributed 31 percent of output by retail sales or domestic consumption in South Africa in 2009, with the food and beverages sector contributing 18 percent of the manufacturing output (food manufacturing 14 percent and beverages manufacturing 4 percent). Thus, the food and beverages sector accounts for 5 percent of total economic output in the country. The sector accounted for 18 percent of gross value-added in the economy, adjusted for inflation (16.7 percent of South Africa’s real GDP). As can be seen from Figure 2 and Figure 3, these ratios have remained relatively steady over the last decade.

Total output in the food and beverages sector has grown steadily over the last two decades, and is relatively unaffected by economic fluctuations. Output in food manufacturing has grown faster than in the beverages sector, and total sales for both sectors stood at R258 490 million in 2009. At constant prices – eliminating the inflation factor – the sectors still show significant growth. Comparing this output with that of the total economy and the entire manufacturing sector shows that the food and beverages sector is relatively insulated from downturns in the economy. Between 2008
Figure 2. Output at basic prices
(R million)

Source: Quanetc Economic Database
Analysis and Calculations: Nova Capital Partners

Figure 3. Gross value added at basic prices
(R million)

Source: Quanetc Economic Database
Analysis and Calculations: Nova Capital Partners
and 2009, output fell slightly in the manufacturing sector and in the total economy but food and beverages sector output increased in this period. Data on net sales in South Africa (i.e., gross sales less returns, discounts and other deductions) show that the food and beverages sector is currently the second largest manufacturing sector by sales, having overtaken the 'basic iron and steel, non-ferrous metal products, metal products and machinery' sector in the last year. Most of these sales come from the 'meat, fish, fruit, vegetables, oils and fats' sub-sector, with the smallest being the 'dairy' sub-sector (Figure 4). Sales trends indicate the steady growth (at current prices) in all sectors except grain mill products. This growth has been highest in meat, fish, fruit and similar fresh products.

Figure 4. Sales by food and beverages manufacturing sub-sector

Source: Quantec Economic Database
Analysis and Calculations: Nova Capital Partners

The food sector has since 2004 been a net importer of goods and services. This is probably a result of the opening up of the South African market due to globalization. Increased economic participation and the increased disposable incomes of the South African population have also spurred demand for imported food products. The beverage industry shows the inverse, with more exports than imports. Wine is the main component of these exports.

In 2009, imports accounted for around 17 percent and 12 percent of domestic consumption of manufactured food and beverages respectively. Exports are mainly to the traditional markets of the UK, Mozambique, Germany, Japan and the Netherlands. New markets are also developing in China, Somalia, Norway, Malaysia, Thailand and Denmark, and efforts to create strategic international partnerships point to further measures to grow markets.

Increased exports will require commensurate skills in the workforce to meet stringent international food and beverage handling, processing and packaging regulations. In South Africa, food and beverages sector is fragmented and highly concentrated, with a relatively small group of large companies with both forward and backward linkages producing most of the output and value added, and a large number of small and medium-sized firms producing for local markets.

In 2009, out of total sales of R225.4 million, large enterprises accounted for R204.672 million (91 percent), medium enterprises R13.280 million, small enterprises R4.413 million and micro enterprises R3.056 million. This type of structure is typical of the sector and occurs all over the world as a result of the advantages of economies of scale, and mergers, acquisitions of and vertical integration with agricultural enterprises to achieve efficiency gains. In Europe, for example, despite the presence of large multinationals such as Italy's Barilla, Frances' Danone and Unilever from the Netherlands, more than 80 percent of the companies in the sector are small and employ fewer than 50 employees. Similarly, in the processed food and beverage industry in Australia, the 20 largest food companies account for almost 50 percent of total industry turnover.

While the traditional sectors in the food and beverages industry are still growing, many other niche sub-sectors are achieving varying degrees of success. For example, aseptically packed and bottled fruit juices from South Africa are exported worldwide and processed meats are an important part of the South African economy. Dairy products are growing in importance with milk powders and semi-milk products representing the bulk of the spray-dried products in South Africa, together with coffee and chicory-based coffee substitutes.

The sector has a high degree of forward and backward linkages with other industries, allowing it to play an important role in economic activity. In 2009, for example, intermediate input costs in beverages manufacturing, i.e., the value of products bought from other industries to manufacture its products, was R35.638 million, only R3 391 million of which was imported. In food manufacturing, the figure was R154.302 million and of
this R14 083 million was imported. Therefore, total input costs in food and beverages manufacturing were R189,940 million in 2009, R17,474 million of which was imported. The sector includes a large basket of well-known brands and some of the largest companies in the world, such as SAB Miller, the second largest brewer in the world. Twenty-four food manufacturing firms are listed on the Johannesburg Stock Exchange (JSE), including Clover Industries Ltd.

Many South African companies have formed associations of various types with overseas firms, which give the former access to the latest technology and expertise in their industries. Examples of these are Simba with Frito-Lay of the USA in the snack food industry, Robertsons (formerly part of HLH, which was part of Rembrandt) with Best Foods in the USA (formerly known as CPC International), thus cementing a longstanding association in the savory foods/soup industry, and Clover with Danone of France in dairy products. The benefit for the overseas companies is penetration of the South African market, but also a springboard into other African countries, particularly those south of the Sahara. As is the case in most foreign markets, the help and knowledge of locals well versed in the special requirements of the markets are invaluable, and overseas companies seeking to develop African markets should explore this possibility.

**Key Drivers**

The key factors impacting the food and beverages sector are demographic and social factors; economic trends, technological changes; diet, nutrition and consumer demands; legislative trends; and safety and environmental trends.

Demographic and social factors include population and household numbers – which affect sales particularly for basic foodstuffs – and market segmentation. Also, different population groups have different patterns of expenditure on foods and beverages.

South Africa’s population has grown steadily over the last decade, with mid-year population estimates for 2009 being 49 million. The population growth rate of 1.3 percent mirrors the rate of household formation at 1.1 percent. This will place increasing pressure on food supply and food security. Demographically, South Africa displays the typical developing country pattern, with the majority of its population aged below 24 years. The ‘African’ demographic group dominates the population.
Men outnumber women in the age group 0 – 19, while women outnumber men in all other age groups. South Africa recorded an unemployment rate (narrow definition) of 24.3 percent in 2009. If the broad definition is considered, the unemployment rate rose from 26.7 percent to 31.3 percent. As a direct consequence of the global economic downturn in 2008, 870,000 formal jobs were lost in 2009. In the age group 18 – 24, an average of more than 40 percent of people are unemployed, not severely disabled, and not attending any form of training/education program. This has serious implications for skills development.

Increased urbanization in developing countries has contributed significantly to the growing middle class. Branded products perform better in the current economic environment – there is a growing demand for quality. Greater flexibility and rapid response to changing consumer profiles and needs will be key to competitive advantage. Pricing strategies have become more innovative, e.g., value labeling and changes in packaging (debulking). More emphasis on healthy eating and a move towards organic foods places increasing emphasis on product research and development to stay abreast of trends, and on marketing to address changes in consumer needs. Demand for convenience foods is growing in urban areas, driven by urbanization and the growing middle class. More products need to respond to this trend. This trend necessitates improved technology and skills in food safety and packaging, which, in turn, typically result in lower prices arising from improved efficiencies and the higher productivity of better skilled labor.

Economic Trends

Both competition and consolidation are high in the food and beverages sector and have accelerated in recent years. Depending on the sub-sector, net incomes in the economy have a significant effect on sales. A further consideration is the income inequalities in the country. As household incomes increase, the proportion and pattern of spending on food and beverages change, changing the demand patterns and the overall market size. Consolidation is especially important in South Africa's food and beverages sector as the level of industry concentration is quite high. Large retailers control a significant portion of outlets for the sector's products and have a loud say in how products are manufactured/produced, delivered and stored.

The global nature of the sector compels participants to take note of trends in the global economy. The recession experienced in many parts of the world has only recently ended and there are strong indications of a recovery in the global economy over the next two to three years (Table 1). The improved economic condition of the global economy could see increased demand for South African niche food products. This signals a need for educational initiatives that spur innovation and position the sector strategically to compete both locally and internationally.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2008</th>
<th>2009</th>
<th>2010*</th>
<th>2011*</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>World trade volume</td>
<td>3.2</td>
<td>(11.6)</td>
<td>11.2</td>
<td>6.8</td>
<td>7.2</td>
</tr>
<tr>
<td>Real GDP growth</td>
<td>1.7</td>
<td>(2.1)</td>
<td>3.3</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>World</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High income</td>
<td>0.4</td>
<td>(3.3)</td>
<td>2.3</td>
<td>2.4</td>
<td>2.7</td>
</tr>
<tr>
<td>Developing countries</td>
<td>5.7</td>
<td>1.7</td>
<td>6.2</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>5</td>
<td>1.6</td>
<td>4.5</td>
<td>5.1</td>
<td>5.4</td>
</tr>
<tr>
<td>South Africa</td>
<td>3.7</td>
<td>(1.8)</td>
<td>3.1</td>
<td>3.4</td>
<td>3.9</td>
</tr>
</tbody>
</table>

*Forecasted

Source: World Bank
Analysis and Calculations: Nova Capital Partners

Technological Change

The sector is volume, cost, and technology driven. In the past three years, spending on technology has dropped due to the economic climate, and more emphasis has been placed on optimizing existing resources and improving productivity. However, based on trends elsewhere the increasing uptake of technology in production is likely in future. In South Africa, current skills are frequently not aligned to new technologies – advanced engineering skills in operations and maintenance are required and are also hard to find. Subsequently, plant performance is affecting costs, service levels and working capital. Decision-making often is not optimized nor based on sound real-time data. Frequently, operators are not equipped to use new technology optimally. This implies a skills shortage. New methods of production have also had an impact on the sector.

Firms in the sector are using more capital than labor now than in the past and this has been an increasing trend with the exception of a major drop in the use of capital to labor from 2002 to 2006 in the beverages sub-sector. This drop was caused mainly by an increase in the number of
unskilled workers, and no rational explanation has been adduced for this. Apart from that aberration, there has been an increase in the substitution of capital for labor. The probable reason for the increased use of capital is the steep increases over the years in the cost of labor. Even accounting for changes in price levels, this increase is still significant enough to act as a deterrent to potential employers.

Packaging has become an increasingly important input as producers try to differentiate their products from others in the market, and because of technological developments in packaging. This has resulted in price increases in many products that either reduce company margins or are passed on to the consumer and reduce demand. High crude oil prices increase the cost of transport, which is a major constituent of prices in food and beverages manufacturing products.

New foods and crops may influence sales. Trends towards more natural products and increasing consumer preferences for healthy products with clean labels, fortification of food products with compounds possessing health-enhancing properties (such as vitamins) will all impact on the pattern of demand in the sector. Another important impact is the resultant diversification and widening of the range of products on offer, e.g., low fat, low salt and gluten-free products. In addition, the use of genetically modified organisms (GMOs) has an impact on sales, exports – especially to Europe, where genetically modified foods are regarded negatively – and skills as these GMOs have to be labeled and require good agricultural practices (GAP) and hazard analysis and critical control points (HACCP) practices. GMO crops in South Africa include yellow and white maize, and soybean.

The consolidation in the sector and the imperatives of reducing operating costs have encouraged the installation of interconnected local networks among large companies, as support for strategic decision making. The need for greater efficiency in internal processes (production, supply chain management, administration, marketing and sales, etc.) and the integration of internal processes with external organizations are other factors that drive the increased adoption of information and communication technology (ICT) solutions in large firms. Increased emphasis on packaging processes, the control of quality in HACCP and product quality makes ICT increasingly important. Production by smaller food and beverages manufacturers is characterized by small batch processes that are hard to consolidate and integrate.

### Legislative and regulatory trends

Numerous pieces of legislation are impacting the sector. The recently promulgated Consumer Protection Act gives consumers the right to address to a tribunal complaints on the quality of products. This may lead to heightened consumer awareness and will require increased focus on quality and compliance with ‘end product specification’. The Labeling Act places greater emphasis on open communication with the consumer. This has an impact on industry labeling requirements, given the increased power of the consumer. Implementation of the BEE Act (Black Economic Empowerment Act) will continue. For the FoodBev sector it implies more focus on black females and up- and downstream small business development. Qualified previously disadvantaged individuals (PDIs) at market-related salaries will remain in short supply, as mentioned earlier. Labor laws (Labor Relations Act – LRA, Basic Conditions of Employment Act – BCEA) will be applied more stringently. Concerns that labor brokers are undermining worker rights may lead to companies' increasingly employing staff permanently, with an increase in the need to skill these people to ensure increased return on investment and productivity enhancement. In addition, the alignment of the BBBEE Act and its codes of good practice vis-a-vis the Preferential Procurement Policy Framework Act (PPPFA) could see the institutionalization of the BBBEE Act and its codes. This will exert pressure on companies to transform to mitigate the historical divide attributed to apartheid. As a result, companies will need to invest adequately in skills development and human resources best practices not only as a compliance measure, but as a form of good corporate governance and good corporate citizenship. This should imply an increased role for the SETA in ensuring increased participation of PDIs in the higher echelons of the sector. Increased focus on food safety and security (HACCP) will force more companies to apply for or maintain accreditation, with direct implications for skills requirements. The political and regulatory environment influences the rate of globalization and regionalization. Also, increased government and regulatory influence and national policies towards industries, such as those governing competition, and those providing incentives towards export-promotion, may have impacts on food and beverages sales.

### Environmental issues
Climatic variability is already impacting on food production and supply to manufacturers. In addition, reform beneficiaries who do not receive appropriate skills building and mentoring. Insufficient availability of water, arable resources, and concerns about sewage, contamination, purification and waste control, signals the need for conservation and waste treatment training. Emphasis on global warming, greenhouse gas emissions and energy effectiveness will require multidisciplinary studies aimed at international benchmarking (e.g., microbiology, biochemistry, chemistry,) and the implementation of new 'forensic' analytical methods (chemical, biochemical, microbiological and physical) - all aimed at process improvement. This imperative calls for highly skilled individuals to drive and implement processes in the sector.

Environmental, hygiene and safety issues

Environmental and safety concerns cover increased consumer awareness of the quality, hygiene and safety issues surrounding their food and beverages. Nutritional value issues have become increasingly important. In addition, the conditions in which food is grown or raised and the effect of transporting produce on the environment is now a consideration for consumers especially in developed economies. Food safety is critical in the food and beverages sector and of increasing concern as the food supply chain widens. Incidents such as the 2005 non-nutritional infant powdered milk and milk products tainted with melamine in China, the Belgian dioxin scandal, bovine spongiform encephalopathy (mad cow disease) have highlighted concerns for food safety.

Water quality and supply

Water availability and quality will impact on companies in the sector because of its close links to agricultural productivity, and the need for safe and high-quality water in manufacturing processes. Access to stable water supplies is a prerequisite for reliable production of agricultural inputs required for the food and beverage sector, and consumer trends towards more processed foods and increased meat and dairy consumption require more water per unit of food produced. Together, these trends are increasing the sector's use of water at a time when water scarcity, increased demand and climate changes threaten to reduce its supply.

In conclusion, the key drivers shaping the food and beverage sector both globally and locally affect the level of demand, patterns of demand, and skills required of the workforce in the sector, and therefore need to be factored in when assessing present and future skills needs, and the required education and skills interventions.

Factors influencing demand for labor in the food and beverages sector

While the above factors impacting on the food and beverages sector will influence outputs, sales, and sectoral and sub-sectoral trends, such changes may not necessarily lead to increased employment. The key factors determining changes in the level of employment are discussed below.

Demand for the sector's products

Demand for the sector's products varies widely. Some sub-sectors produce mainly basic foodstuffs that are relatively immune to changes in demand, while others produce goods that are seen as more luxurious and therefore have higher elasticity of demand. Demand is driven mainly by income levels, market segmentation and the proportion of high-to low-income earners and prices.

Labor productivity

The productivity of labor compared to efficiency of capital usage, and sectoral/sub-sectoral shifts towards more capital- or labor-intensive production techniques are rated by many researchers as the key variables influencing changes in employment levels and patterns. Labor and capital productivity are influenced mainly by technology and technological change, such as the use of information technology and micro-electronics in the production process. This also influences the type of labor likely to be employed: skilled labor benefits more where productivity is critical and technological changes are introduced. Analysis suggests that productivity trends are resulting in a more segmented food industry, concentration and cost-cutting among large companies, diversification and specialization among small and micro enterprises (SMMEs), fewer people employed in the sector and a demand for new skills to match technological developments.

Labor productivity in the food manufacturing sub-sector has increased markedly since 2000, while corresponding fixed capital productivity has decreased since 2006 after
increasing from 2000. In the beverages manufacturing sub-sector, both indices have stagnated since 2006 after dramatic fluctuations over the last 30 years. Increased efficiency in production processes in the food industry has thus seen its labor productivity index surpass that of the beverage industry.

**Ease of substitution of capital for labor**

The elasticity of substitution between labor and capital is also important, as this determines the degree of responsiveness of an industry to productivity changes. In food and beverages manufacturing, the elasticity of substitution is high, and this can be attributed mainly to policies that discourage the firing of labor, and thus make employers more reluctant to hire labor in case of shifts in demand (hiring and firing rigidities).

The capital to labor ratio is useful in identifying the increasing use of machinery and equipment over labor, and is also a useful indicator of changes in efficiency. The ratio for the two sub-sectors shows significantly differing patterns over the last decade. While the capital labor ratio has increased by about 40 percent in food manufacturing since 2000, it appears to have fallen by a similar amount in beverages manufacturing. This is due mainly to the adoption of innovation and technology to address consumers' food safety concerns, necessitating increased investment in productive processes and continuous education of staff to keep up with industry trends. Two other factors influence the ease of substitution of labor for capital. These are the state of the labor market measured by the national employment rate, and the skill levels of the labor force. The tighter the market for labor (as evidenced by increased employment levels in the country) the more expensive labor is and the more difficult it is to employ labor in response to increased output. Availability of skills is also a critical issue, as demand for labor may be skill-specific, and higher skills levels also allow for higher labor flexibility.

**Imports and exports**

The balance of trade influences employment, as increasing imports displace production from South Africa to other countries, and thus the level of import penetration in a sector will affect total employment. It is calculated that rising import penetration between 1985 and 1993 reduced total employment in South African manufacturing by 10 percent. In the food and beverages sector, net exports in 2009 were R4 134 333 899, having increased by 41 percent in the previous ten years (Figure 6).

Exports were driven largely by beverages, spirits and vinegar, sugars and sugar confectionery, and vegetables, fruit and nuts, while South Africa was a net importer of residues, food industry wastes and animal fodder, and of meat, fish and seafood. The trends show the increasing value of beverages exports, which are mainly driven by wines exports) over the years to become the sector's best performing exporter. Sugars and sugar confectionery; and vegetable, fruit, nut, are the other categories of products that are increasing their export values. The implications for skills development are significant. All three well-performing categories are highly regulated and have to meet stringent health and safety standards internationally, so there is likely to be increased demand for these skills. Production efficiencies in the sectors will also become increasingly important if they are to compete in international markets, and marketing and sales skills will be required for the necessary branding that allows South African products to be differentiated. On the other hand, most of the categories where trends show imports are increasingly important (such as meat, fish and seafood food preparations; and residues, wastes of food industry, animal fodder) require mainly low-level skills. These are likely to be lost to foreign markets.

**Wage levels**

Related to the above, the level of wages for workers affects the cost and therefore the desirability of employing labor. This is, however, moderated by productivity: higher labor productivity correlates with higher levels of training, experience and qualifications, which require higher wages. Wages for workers may, therefore, be high in a sector because it is more efficient, there is more value-added per worker and it can pay its workers higher wages.

Several factors have been discussed in the preceding sections that have implications for labor and skills development in the food and beverages sector. High usage of capital-intensive technology and processes, complex distribution channels involved in taking products to market, and the concentrated structure of the sector all call for a wide range of specialized skills. Globalization, and the resultant importance of imports and exports, also has an effect. While most of the sector is relatively insulated from import competition, exports...
have risen and with this issues such as compliance with international quality standards are increasingly important. The increasing number of associations between South African companies and international companies has helped in the adoption of latest technology and expertise, and this calls for a more flexible and trainable labor force. Output and sales in the sector have grown steadily and are relatively unaffected by economic fluctuations. This growth has been highest in meat, fish, fruit and similar fresh products, and as freshness and distance to markets are important in this category imports are unlikely to make significant inroads. While most of the industry output comes from the few large firms, there are many small firms in the sector, especially those catering to niche markets. Small and medium firms have seen increasing market share. As they have different skills needs from larger firms, the need to consider this dichotomy is important when developing a sector skills plan. The key factors influencing demand in the food and beverages sector are economic trends, technological changes, demographic and social factors; diet, nutrition and consumer demands, and safety and environmental trends. The most significant and most likely to change are competition and consolidation, changes in net incomes in the economy, income distribution patterns and increasing use of new technology and packaging, resulting in the substitution of capital for labor. While population and household numbers are important, especially when analyzing the demand for basic foodstuffs, this is unlikely to change dramatically in future. Demand influences the level of employment and type of skills required. Other predictors are the productivity of labor compared to capital, degree of substitution of capital for labor, import penetration and wage levels.

Employment Profiles

Overall employment in the sector has fallen over the last 12 years. This has been attributed primarily to the increasing use of capital and the increasing productivity of labor. The table on the next page provides detail of the provincial distribution of employment in the sector, per sub-sector. The largest component of employment is
Clover Industries Ltd

found in Gauteng, then Western Cape and KwaZulu-Natal. Similarly, the largest number of SMMEs is concentrated in these provinces. The provinces all have different focuses in their development strategies for agroprocessing. The underlying principle is the improvement of the lives of the people through employment creation in agriculture and provision of food security through investment in agricultural processes and beneficiation. In the Eastern Cape, development of agriculture provides employment and an income to many families.

The focus of the growth and development strategy includes the promotion of household food security through expanded smallholder production. The Free State's focus is on agriculture diversification and agribusiness. Agribusinesses are to add value from primary agriculture through processing of raw materials and provision of services to add value to produce. Limpopo aims to increase the value of agriculture through enterprise diversification, invest in water saving technologies and add value to the agro-value chain. KwaZulu-Natal's focus is poverty alleviation, as most areas of poverty in the province are rural.

The plan is to link up rural subsistence agricultural activity with commercial agriculture to develop subsistence agricultural projects into commercial ones. The agrarian revolution strategy involves enabling access to markets and farmer development through the set-up of agribusinesses.

The Northern Cape's focus is the development of agroprocessing. Even though the sector is concentrated in three provinces, the possibility of cross-sectoral collaboration in terms of beneficiation projects in all these provinces will be explored as processing of agriproduce is influenced mostly by proximity to markets. Companies are not always scale-dependent in the food and beverages sector. Small operations may be as economically efficient as larger plants, encouraging the participation of SMMEs in niche markets providing opportunities for sector growth.

The sector is diverse in terms of the range of products manufactured, and this is reflected in the five sub-sectors. Following is the SIC code grouping of companies in the sector. Although the number of registered companies in the baking, confectionery, cereals and snacks industry decreased by 30 percent between 2009 and 2010, this is attributable to the consolidation of levy numbers by a number of companies. The number of levy-paying companies increased marginally. For the other sub-sectors, there is not a marked difference between registered and participating companies between 2009 and 2010. This confirms that production in the sector is not as sensitive to economic slowdowns as are many other industries.

A stable pattern in demand is experienced. The breakdown of employee profiles by demographics indicates that the occupation classifications from managers to professionals are dominated by white people. The classifications from technicians to elementary workers are dominated by PDIs. It is evident that learning initiatives should be further institutionalized to enable the upward mobility of PDIs to the higher echelons of these organizations.

An analysis of the table alongside indicates:

• 67 percent of total employment is male – typical of a traditional manufacturing environment.

• Only 25 percent of employees are disabled.

• Machinery operators, drivers and elementary workers comprise 55 percent of total employment. As will be discussed later in this report, a great need for skills development exists among these occupational groups, as a result of technology changes and the drive for productivity improvement. Across almost all occupations, females constitute a lower proportion of the workforce, even in occupations that are not traditionally male, such as sales workers, clerical and administrative workers and professionals.

Conclusions

The South African food and beverage sector plays a significant role in economic development and employment in the country. While the outlook for the sector in terms of output and sales is largely positive, employment numbers continue to drop. This, and the type of skills needed in the sector, is influenced greatly by technological developments and capital labor substitution. Changes in the structure of the industry as well as the impact of imports and competition from abroad are actively changing employer requirements.
The Company underwent a successful recapitalization and restructuring effort in 2010, completing the final transition from its cooperative roots and resulted in the creation of a suitable group and capital structure. Given Clover’s co-operative background and the previous role played by the Land Bank in funding the capital requirements of cooperatives in the past, a legacy of undercapitalization had plagued the Group for a number of years. In the early nineties the Group’s financial leverage exceeded 160 percent which was only manageable with the support of the state in the form of the Land Bank. A number of steps were taken over this period to address the problem, but it was only the successful conclusion of the transaction with Group Danone that effectively resulted in raising sufficient capital to reduce debt and make it possible to simplify the share structure.

Recapitalization

The transaction with Group Danone involved the selling of Clover’s 45 percent stake in Danone Clover for an amount of R1,080 billion. The sale of the shares to Group Danone was part of a deal that encompassed the renegotiation of all the agreements involving the services provided to Danone Clover by Clover and the raw milk supply agreement. Clover’s association with Danone must be one of the most successful partnerships in the history of Clover and the outcome of this transaction should ensure that the relationship continues to expand.

Restructuring

When the dual share structure consisting of ordinary shares and participating preference shares was originally introduced, it served the purpose of allowing the introduction of capital without affecting the control of Clover by the producers. At its inception producers held an equal number of ordinary and preference shares, resulting in a balance between the control rights of the ordinary shares and the economic rights of the preference shares. Over the years many producers disposed of their preference shares, leading to an unfortunate conflict between the two classes of shareholders. The capital inflow as a result of the transaction with Group Danone allowed the Board to make a successful offer to the preference shareholders for a change in the rights of the preference shares. The preference shares will no longer attract a ‘super dividend’ amounting to 97 percent of declared ordinary dividends, but will be limited to a dividend amounting to 90 percent of the ruling prime overdraft rate applied to the original R2,90 issue price of the shares, payable quarterly. In addition, the previously non-redeemable preference shares will now be redeemed by the Company after three years and one day. A dividend of R4,13 per preference share was paid to preference shareholders as compensation for the change in the rights of the preference shares. The ordinary shares will in future benefit to the full extent of any dividends declared in accordance with the dividend policy as determined by the Board from time to time and approved by the shareholders. Clover’s Black Economic Empowerment partners, HCI, had acquired 34.9 percent of Clover’s ordinary share capital. In accordance with their wish to disinvest from Clover an offer was made to buy back and cancel their ordinary shares for an amount of R10,92 per share. Deloitte and Touche independently determined this price to be fair and reasonable. HCI agreed to the terms and their shares were bought back in early June 2010. The three Directors nominated by HCI resigned and the only interest that HCI have in Clover are their preference shares to be redeemed in June 2013.

At the same time management subscribed for ordinary shares collectively amounting to 15 percent of CIL’s ordinary share capital by utilizing a loan from Clover. Management’s acquisition of ordinary shares in CIL will serve to align the interests of management and shareholders.

The Clover Industries Limited Stabilization Trust was originally established to buy and hold ordinary shares held by those producers wishing to cease supplying Clover with milk until such time as they could be sold. As part of the restructuring referred to above, The Clover Industries Limited Stabilization Trust was renamed, and is now known as The Clover Milk Producers Trust (“CMP Trust”). The principal object of the CMP Trust is to administer the trust assets (currently being 10,188,618 ordinary shares in Clover Industries Limited) for the benefit of all or any persons or corporations who produce milk and supply such milk to Clover. This trust holds approximately 16.5 percent of CIL’s share capital and is now controlled by trustees appointed by Clover’s milk producers. The result of these transactions is that the producers collectively hold approximately 68.4 percent of CIL’s share capital, the CMP Trust approximately 16.5 percent and management approximately 15.1 percent giving the producers an effective 84.9 percent stake.
Clover Industries Ltd

Subsequent to the year end, the board resolved to pursue a listing on the Johannesburg Securities Exchange for both CIL’s ordinary shares and its preference shares.

Both 2010 and 2009 financial results contain significant nonrecurring transactions that distort the true operating results of the Group. The most notable of these relate to the sale and deconsolidation of Danone Clover, restructuring initiatives and the recent capital restructuring. Excluding the non-recurring transactions, Group operations made a very satisfactory turnaround from the 2008/09 results. The dairy business in particular performed much better due to the country’s demand and supply for dairy being more closely aligned than during the previous year when an oversupply of milk was experienced.

Clover Beverages once again posted impressive results for the year ended June 30, 2010. Profit for the period benefited further from the reduced finance charges as a result of the cash inflow from the sale of Danone Clover and lower debt and inventory levels throughout the year.

Liquidity and cash flow improved during the period with a very healthy improvement in cash generated from operations and lower financial leverage levels. The net current asset position is R136 million better than at the June 2009 financial year end.

**Milk Production**

Unlike the previous year the national milk supply during 2010 closely matched the demand for dairy products after milk production in South Africa decreased over 3 percent during the global crisis (see Table 2). This led to more realistic selling prices, higher farm-gate milk prices and a much improved year for Clover and the industry as a whole. In addition on-farm input costs were lower than the previous year. The implementation of the revised Delivery Agreement Regulations on 1 July 2009 together with proactive milk pricing ensured that Clover’s milk supply was largely in balance with that of its market demand. Towards the end of the year significant increases in demand for its UHT and fresh milk resulted in Clover experiencing some shortages in the supply of raw milk. At the same time other milk processors had too much milk and as a consequence announced substantial farm-gate price reductions. A number of large milk producers were given notice for the cessation of milk supply in the Eastern and Southern Cape regions. Clover’s increased market share, under these circumstances, can largely be attributed to the substantial cost reductions during the second half of the financial year which were invested in lowering selling prices. Clover’s Delivery Agreement system undoubtedly played an important role in balancing Clover’s milk supply with market demand.

We understand from our research that similar systems are not used by most other major milk buyers in the country. Unchecked milk production could under certain circumstances lead to excessive milk being experienced by milk processors. This is to the detriment of the long-term sustainability of the primary and secondary industries. The prolonged drought in the Eastern Cape threatened the sustainability of Clover’s milk source in that area. The Company introduced a drought relief premium for the winter period, thereby assisting its producers to maintain supply in the face of very high purchased feed costs. As a result milk flow from the Eastern Cape was not negatively affected by the drought and good rains during autumn brought relief.

Clover has seen a strong recovery since the economic crisis and over-supply of milk two years ago. By substantially reducing costs in the supply chain, the marketing team was able to commence with the reduction of brand premiums to acceptable levels which will lead to improved market share in most categories. Over the past two years the local dairy market also expanded with the introduction of new innovative dairy products by many of the leading dairy players. Furthermore, the rivalry amongst the players in the industry had the positive effect of lower prices to the consumer. As indicated previously, Clover has designed a business model, focusing on profitable brands with low variability. This strategy has

![Table 2. South African milk production](image)

Source: Quantec Economic Database
Analysis and Calculations: Nova Capital Partners
proven to be very successful, especially with the strong Clover master brand behind various subbrands and the Company currently holds a number 1 or 2 position in each of its market segments (see Table 3). Clover was fortunate that the Delivery Agreement system assisted in balancing the supply and demand of milk for the period under review. Clover’s stock levels have therefore been well-managed, which contributed to the generally positive cash flow position. Capital spending was also strictly controlled with a focus on efficiency programs and expansion of capacities.

**Internal Operations**

The diversification program continued during the year at branch level with the delisting of unprofitable and commodity products. This very important initiative is already bearing fruit. Clover also went through a delayering process, and as a result more than 500 positions throughout the company were made redundant. These savings were used as a catalyst to lower the selling prices to the consumer. Consequently, market shares increased in many of the categories in which Clover operates.

**Recapitalization and Restructuring Benefit**

The sale of Clover’s 45 percent interest in Danone Clover (Pty) Ltd enabled the Group to recapitalize and restructure itself. Although the joint venture is no longer in place, most of the services are still performed by Clover on behalf of Danone SA (formerly Danone Clover), and Clover therefore still derives substantial income from Danone SA. The partnership with Group Danone is still very much intact and indeed very healthy. The R1,08 billion proceeds from this sale were partially used to restructure the capital of the Group by changing the rights and interests of the preference shareholders, and by buying out all of HCI’s ordinary shares in CIL. The result was that the producer shareholders became the sole shareholders in CIL. In a simultaneous transaction, in order to align all the stakeholders, certain management members were granted loans to purchase 15.1 percent of the ordinary shares in CIL at a purchase price of R9,34 per share.

The final result is that CIL, having rid itself of the dual equity share structure of ordinary shares and participating preference shares, which created an unintended misalignment between the various shareholder groups, now has a single equity share structure. Not only did the dual equity share structure create conflict, capital raising opportunities were also non-existent within such a structure. We believe strongly that the shareholding restructure and the elimination of this barrier will greatly enhance Clover’s performance in future.

**Strategy**

Clover has stated in its recent prospectus that the effort level of buying milk in South Africa is too high. According to the Company, this is mainly due to an ineffective dairy supply chain inherited from the old Dairy Marketing Board. The prospectus states, “The board and management of Clover have identified key value-enhancing capital projects to redress historical inefficiencies in the distribution network, increase profitability and expand capacity to support current and future growth plans.” The Company therefore is using the public offering proceeds of R550m combined with the proceeds of its recapitalization and restructuring efforts to introduce a number of programs and initiatives to promote efficiencies in the supply chain.

<table>
<thead>
<tr>
<th>Table 3. Clover market position</th>
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<tbody>
<tr>
<td>Key products</td>
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<tr>
<td>---------------</td>
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<tr>
<td>For the 12 months ending Jan 2011</td>
</tr>
<tr>
<td>Milk</td>
</tr>
<tr>
<td>Fresh milk</td>
</tr>
<tr>
<td>UHT milk</td>
</tr>
<tr>
<td>Flavoured milk</td>
</tr>
<tr>
<td>Everyday cheese</td>
</tr>
<tr>
<td>Feta</td>
</tr>
<tr>
<td>Natural pre-pack</td>
</tr>
<tr>
<td>Beverages</td>
</tr>
<tr>
<td>Dairy Fruit Mix</td>
</tr>
<tr>
<td>Pure juice</td>
</tr>
<tr>
<td>Water</td>
</tr>
<tr>
<td>Ice tea</td>
</tr>
</tbody>
</table>

Source: Company filings and publications
Analysis and Calculations: Nova Capital Partners

The Company has an ambitious 2011 and 2012 strategy of expanding capacity and to redesign its supply chain known as the Ceilo Blu Project, which is a 24 to 36 month value-enhancing capital project through which it intends to relocate production facilities closer to milk sources. This move to co-locate production facilities next to distribution (similar to co-location with suppliers done by the auto industry) will reduce distribution and related costs and will expand the capacity of key distribution centers and warehouses. This project will also create
sufficient capacity to support current and future growth and the expected gain in efficiencies through these moves will result in substantial margins gains. Phase 1 of the project has been completed and the Company’s milk supply and demand is in balance.

A second program is called Project Reset, which is an initiative by Clover to manage the product price point differentials and comparative value propositions to stimulate product volume growth. This initiative is still being rolled-out but signs of strong volume growth (revealed in the current impressive interim results for the period ended December 31, 2010) show this initiative has worked and will continue to optimize costs and stimulate volume growth.

In addition, there will be development of the local workforce, preventing unemployment, with training and expertise of employees. As illustrated above, training, development, and retaining employees is key to sustainability in South Africa. The Company recently has produced a Sustainability Strategy, which highlights the important role employee development and training plays in the Company’s plan for continued economic viability. The Company is using the available funds to develop and implement a strong training platform for new and existing employees. During the 2009 financial year, the Group formalized its sustainable development approach by establishing a Sustainability Committee. The Group’s sustainability strategy flows from its need to be profitable to survive in the long-term, while recognizing that this cannot be achieved at the expense of society or the environment. Focused employee training and development is a key business strategy and will support performance and growth objectives. Employer reputation is highly regarded in South Africa and attracting and retaining talent is critical since there is a limited pool of human capital. The training and development mission focuses on firstly building competence that will ensure effective execution of operational tasks, and secondly on generating capacity in human resources that will ensure sustainable performance and growth. Training and development initiatives are supported by a well-structured approach to performance management. Establishing a powerful and sustainable leadership pipeline that is filled with talented employees with the required competence and readiness to perform to full potential is vital to the Company’s success. The Company is innovating in this area and in 2010 began a focused effort on maximizing its training and development programs.

The Company plans to implement an acquisition strategy in the food and beverages sector given the high degree of fragmentation of the sector in South Africa with the selection based on technical and economic-financial criteria aligned with its operations in the project development area.

The Company intends to leverage its vigorous socio-environmental policy by attracting new investors and
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clients which favor responsible socio-environmental investments, services and products. It is also the Company’s belief that the positive impacts arising from its activity through the creation of employment and the generation of income as well as investments in infrastructure and professional training of the local labor force create a favorable view towards its activities on the part of the communities involved and the local government authorities in the areas of operation.

Market Opportunity

The Company drives its sales in the food and beverage market through its milk, cheese, and beverages segments. The food and beverages sector is a significant component of the South African economy, accounting for 18 percent of sales contribution (food – 13.5 percent, beverages – 4.4 percent) and 17 percent of gross value added in this sector, and employing approximately 230,000 employees in 2010.

Global sales of food and beverage products was $11.6 trillion in 2009, and is projected to reach $15 trillion in 2014 as the population continues to grow from 6 billion people in 2000 to a projected 7.5 billion in 2020. One main driver of this increase in demand is increased household disposable incomes in the Asia Pacific region, which are projected to contribute to about one third of global food sales by 2014. Thus, there are significant export opportunities for the South African food and beverages sector.

Beyond milk, we expect a major component of Clover’s growth strategy is to expand the total size of its market opportunity through its broader mission to improve its distribution network. With this goal in mind, we believe a few opportunities could expand the company’s potential significantly in annual revenue in the coming years as the global economy continues to rebound. Specifically, we estimate (1) increased exports to emerging African countries and international demand, (2) improved capacity to sustain growth, (3) diversification into higher margin branded goods could collectively add significant revenue opportunities (depending on adoption), excluding any new but presently unidentified markets, and (4) consolidation in the secondary market.

Risks

There exist a number of risks. The food and beverages sector in South Africa differs from the primary agriculture sector through its complexity, use of capital intensive technology and processes, and the large number of suppliers, distributors and channels involved in taking products to market, and the inefficiencies in the human capital segment.

The company competes in highly competitive and dynamic markets against competitors with greater resources and the company may not be able to compete and grow sales.

In addition, the company could experience setbacks and fluctuations in quarterly results due to a variety of factors such as product recalls, disruption to its manufacturing capabilities, disruption to supply to certain lines as the Cielo Blu and Reset projects are rolled-out, changes to commodity prices (especially maize), and the need for or failure to receive new or additional regulatory clearance or approvals as South Africa’s New Growth Plan penetrates the market, and drought.

The processing plants in South Africa are not always scale-dependent and small operations may be more economically efficient than larger plants, encouraging the participation of small, medium and micro-enterprises (SMMEs) in niche markets, which may lead to higher input costs and lower volume growth than forecasted.

The Company may not be able to penetrate and expand the market due to a number of factors such as the threat of expanding imports (as upward mobile South Africans look abroad for quality), and the possibility that a hike in the price of products brought on by higher fuel and electricity costs (and a spike in commodity prices) are not viewed by customers as cost-effective, accurate or reliable.

Further, the company may be adversely impacted by foreign exchange rate fluctuation and changes to its ability to sell its products internationally or in the emerging Sub-Saharan markets.

South Africa recorded an unemployment rate (narrow definition) of 24.3 percent in 2009. If the broad definition is considered, the unemployment rate rose from 26.7 percent to 31.3 percent. As a direct consequence of the global economic downturn in 2008, 870 000 formal jobs were lost in 2009 (our research shows a figure of more than 1 million). In the age group 18 – 24, an average of more than 40 percent of people are unemployed, not severely disabled, and not attending any form of
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training/education program. This has serious implications for skills development.

To mitigate these risks, the Company is expanding its technology resources, streamlining its network of suppliers, distributors and channels, implementing its intensive training/education program, and continues to gain market share against local competitors and importers through an aggressive marketing program to increase brand awareness.

**MANAGEMENT TEAM**

**John Allan Hutchinson Bredin; Non-Executive Chairman of the Board**

Mr. John Allan Hutchinson Bredin is Non-Executive Chairman of the Board of Clover Industries Ltd. He is a farmer in the KwaZulu-Natal Midlands with 43 years dairy farming experience, 40 of those in his own business. He has been acting as director of the issuer and associated companies for the past 20 years of which the last 4 and a half years he has been Chairman of the issuer.

**Johann Hendrik Vorster; Chief Executive Officer, Executive Director**

Mr. Johann Hendrik Vorster is Chief Executive Officer, Executive Director of Clover Industries Ltd. After graduating with a Bachelor of Commerce from Randse Afrikaanse Universiteit in 1985, he spent four years with Ernst & Young (previously Arthur Young), where he became a Senior Manager while completing his Honours through the University of South Africa in 1986 and qualified as a Chartered Accountant (South Africa) in 1987. His next three and a half years were spent with the South African Revenue Service as Assistant Director of Operational Research. He completed his Master of Business Administration through the University of Witwatersrand in 1991 before joining East Rand Plastics (Proprietary) Limited in 1992. After several acquisitions, the East Rand Plastics Group of Companies was created, which finally became Astrapak Limited. As Financial Director at Astrapak he was responsible for the company’s listing on the JSE in 1997. He became joint Managing Director of the Film Division of Astrapak before accepting an offer as Chief Financial Officer from the Clover Group in October 2000. After four years in charge of the Group’s Financial Department, Mr. Vorster was appointed Chief Operating Officer in September 2004. In July 2005 he became Deputy CEO to Robert Wesseloo, and when Robert announced his retirement at the beginning of 2006, he was appointed as Clover’s next Chief Executive.

**Hermanus Bernardus Roode; Deputy Chief Executive Officer, Company Secretary, Executive Director**

Mr. Hermanus Bernardus Roode is Deputy Chief Executive Officer, Company Secretary, Executive Director of Clover Industries Ltd. He obtained a Bachelor of Jurisprudence and Bachelor of Laws at Randse Afrikaanse Universiteit and was a practicing attorney from 1978 to 1998 specialising in commercial law. He was appointed as Legal Director and Secretary in 1998 and has experience in legal and corporate governance matters as a result.

**Louis Jacques Botha; Chief Financial Officer, Executive Director**

Mr. Louis Jacques Botha is Chief Financial Officer, Executive Director of Clover Industries Ltd. He qualified as a Chartered Accountant with Arthur Young & Co in 1988 whereafter he pursued a career in commerce. He served as a divisional financial manager at Motorvia Limited and as Company Secretary/Financial Manager at Fransaf Limited. In 1995 he re-joined the accounting profession as a Senior Manager at Ernst & Young and in 1997 bought the Mafi keng practice from Ernst & Young to trade as Ernst & Young (Mafi keng), an independent partnership. During 2000 he merged his practice with Gobodo Incorporated and served as a Director and Executive Committee member of this firm until July 2006 when he joined Clover. Mr. Botha was initially appointed as Executive: Corporate Development and after taking charge of milk procurement in January 2007, he was appointed as Financial Director in June 2007.

**Christiaan Philippus Lerm, Executive - Brands and Chief Operating Officer - Clover Beverages, Executive Director**

Dr. Christiaan Philippus Lerm is Executive - Brands and Chief Operating Officer - Clover Beverages, Executive Director of Clover Industries Ltd. He is currently COO of Clover Beverages and Executive Brands. He obtained a Bachelor of Commerce in 1977 and then, in 1978, completed his Bachelor of Commerce (Honours) in marketing at the University of the Orange Free State. He joined the Randse Afrikaanse Universiteit as lecturer in 1979 in the Business Economics department. He completed his Master of Commerce in 1981 at Randse Afrikaanse Universiteit and in the same year started to do
consultation work for the South African Dairy Foundation until 1987 when he joined on a full-time basis as Manager: Marketing and Communications. His responsibilities were mainly to perform all generic marketing and communication activities on behalf of the secondary dairy industry. In 1987 he obtained a Doctor of Commerce (Marketing) at the University of South Africa.

**James Henry Ferreira Botes, Executive - Commercial**

Mr. James Henry Ferreira Botes is Executive - Commercial of Clover Industries Ltd. He is responsible for Drive Secondary Warehouses & Distribution, Sales and Trade Marketing. He obtained his PHD in Agricultural Economics and later lectured at the University of the Free State before joining NCD in their Agricultural Extension Division. He started his line management career as the Managing Director for Clover Botswana and later returned to South Africa as the General Manager for Gauteng. He was appointed to the Executive Committee in 2009.

**Hendrikus Lubbe, Executive - Supply Chain**

Mr. Hendrikus Lubbe is Executive - Supply Chain of Clover Industries Ltd. Mr. Lubbe’s Constantia responsibility includes Production, Procurement, Primary Distribution, Supply Planning and IT. He obtained his Masters degree in Transport Economics at the University of Johannesburg and a MBA from Stellenbosch University. In 1994 as a bursary student he joined Clover, as logistic officer.

**Hercules Petrus Fredrik du Preez, Non-Executive Director**

Mr. Hercules Petrus Fredrik du Preez is Non-Executive Director of Clover Industries Ltd. He is a dairy farmer of 19 years experience in the North West Province area and has been a director of the issuer and associated companies since 2003.

**Werner Ignatius Buchner, Non-Executive Vice Chairman of the Board**

Mr. Werner Ignatius Buchner is Non-Executive Vice Chairman of the Board of Clover Industries Ltd. He is a dairy farmer who has been farming in the Eastern Cape since 1994. Prior to 1994, he was First Engineer at Eloptro (Denel) for a period of five years. He has been a director of the issuer and associated companies since 2006.

**Martin Geoff Elliott, Non-Executive Director**

Mr. Martin Geoff Elliott is Non-Executive Director of Clover Industries Ltd. He is a dairy farmer in the Mooi River area of KwaZulu-Natal. He obtained a Bachelor of Science in 1974 and has been farming since 1975. He has been a director of the issuer and associated companies since 2003.

**Jacobus Christoffel Hendriks, Non-Executive Director**

Dr. Jacobus Christoffel Hendriks is Non-Executive Director of Clover Industries Ltd. He is a farmer in the Heilbron area. He has been a director of the issuer and associated companies since 2003. He obtained a Bachelor of Science in 1971 and practised as a veterinarian for 13 years before becoming a full-time farmer.

**Thomas Alexander Wixley, Non-Executive Lead Independent Director**

Mr. Thomas Alexander Wixley is Non-Executive Lead Independent Director of Clover Industries Ltd. He is an independent non-executive director of companies including Anglo Platinum, Sasol, Avusa and Sanlam Developing Markets. A full list of the companies of which he is a director is set out in Annexure 5 to this prelisting statement. He has a Bachelor of Commerce and is a Chartered Accountant (South Africa) and was with Ernst & Young and its predecessor firms for 41 years, 31 as a partner, and chairman for the last 10. He is a member of SAICA’s committee on corporate law, the Actuarial Governance Board and the King III sub-committee on directors and boards. He has had experience of audit committees and is the co-author of Corporate Governance with Professor Geoff Everingham, now in its third edition.

**Johannes Nicolaas Stephanus du Plessis, Non-Executive Independent Director**

Mr. Johannes Nicolaas Stephanus du Plessis is Non-Executive Independent Director of Clover Industries Ltd. Advocate du Plessis obtained a Bachelor of Commerce and then a Bachelor of Law degree. He was admitted as counsel during 1974 and took silk in 1989. He has occasionally acted as judge in the High Court. He has been a Non-executive Director of Steinhoff since 2002 and was appointed as an Executive Member of the Steinhoff Group Services Team and Alternate Executive Director with effect from 1 March 2006. A full list of his directorships is set out in Annexure 5 to this prelisting statement.
**Nkateko Peter Mageza, Non-Executive Independent Director**

Mr. Nkateko Peter Mageza is Non-Executive Independent Director of Clover Industries Ltd. Mr. Mageza is a fellow of the Chartered Association of Certified Accountants. He is the former chief operations officer and executive director of ABSA Bank Limited and started his career within the audit environment at Coopers & Lybrand. He worked as an audit manager within Transnet Limited’s group internal audit services before becoming chief executive officer of Autonet – the road passenger and freight logistics division of Transnet. Peter is a director of National Bank of Commerce Limited – Tanzania, Barclays Bank Mozambique, Rainbow Chickens Limited, Remgro Limited and Bidvest Group Limited.

**Stefanes Francois Booysen, Non-Executive Independent Director**

Dr. Stefanes Francois Booysen is Non-Executive Independent Director of Clover Industries Ltd. He obtained a Bachelor of Accounting Science (Honours) from the University of South Africa and a Doctorate of Commerce from the University of Pretoria. He qualified as a chartered accountant in 1985. He is co-author of the well-known text book Accounting Standards. After completing his articles with Ernst & Young (1980-1983), he was a senior lecturer in Accounting at the University of South Africa (1983-1988). He joined Trust Bank on 1 August 1988. He is the former Group Chief Executive of the ABSA Group. He holds numerous directorships, inter alia the following: Non-Executive chairman of the listed group Efficient Financial Holdings Ltd, non-executive director of Steinhoff International Holdings Ltd, Chairman of “Die Aardklop Kunstepees” and he is also a council member of the University of Pretoria. A full list of his directorships is set out in Annexure 5 to this prelisting statement.

**SELECTED RECENT DEVELOPMENTS**

**-May 10, 2011: Moola for Mama**

Clover Industries Ltd has been running a worthwhile promotion on its one-litre full cream and 2% low fat SealFresh milks in benefit of Clover Mama Afrika. For every one-litre branded SealFresh bottle of milk sold during April and May 2011, five cents are donated to Clover Mama Afrika. The promotion makes a lot of sense: just like Clover Mamas nurture the vulnerable children and elderly in their care, Clover nurtures South African consumers with the highest quality dairy and other branded consumer goods. Clover Mama Afrika trains the Mamas to teach vital skills like sewing, cooking, baking and food gardening to local community members, providing incomes for families and restoring neighbourhood pride. The project currently uplifts more than 12,000 children and 3,500 elderly, while 1,400 people have been trained to transfer skills to a further 1,600. It’s therefore clear that the extra income will be put to good use.

**-March 14, 2011: Clover Industries Ltd. Announced Solid Interim Financial Results for the Period Ended 31 December 2010**

Revenue increased 10.8 percent from R3,023 billion to R3,349 billion while operating profit was up 43 percent to R176 million from R123,1 million in the comparable period. Headline earnings from continuing operations increased 693 percent to R94m. When excluding certain above average restructuring costs in the previous year, this figures still grows by a healthy 105 percent. A dividend of 10 cents per ordinary shares has been declared.

**-December 14, 2010: Clover Lists Successfully on the Johannesburg Stock Exchange**

Clover Industries Ltd announced that it now trades as a listed public company on the Johannesburg Stock Exchange. It will help Clover to consolidate its market position while presenting opportunities for further acquisitions. It will also allow the company to better leverage its distribution capabilities and channel more resources into staff training, facilities, products and services. Clover Group management are delighted by the demand shown in the newly-listed company’s shares, in the shape of investment heavyweights such as Coronation, Allan Gray and Sanlam, as well as global emerging market investor Fidelity. In early trade, Clover shares opened at R10.76. R575 million of capital was raised from flagship South African institutional investors during the listing process. The capital is being deployed to support Clover’s capacity expansion projects and the redesign of its supply chain.

**-November 15, 2010: Clover Beverages wins Annual Award for Non-Listed Company Reporting**
Clover Beverages, a subsidiary of Clover Industries Ltd, has won the Chartered Secretaries’ and JSE Annual Award for Company Reporting in the Non-Listed category.

-December 10, 2009: Danone to Acquire 100 Percent of Danone Clover

Danone and Clover SA are pleased to announce that Clover SA has agreed to sell its 45% shareholding in the joint venture Danone Clover (Proprietary) Limited (“Danone Clover”) to Danone, for an amount of R1,085 billion (close to €100 million) in cash. Post completion of this transaction, which is subject to official approvals, Danone will hold 100% of Danone Clover, the market leader in fermented fresh dairy products and desserts in South Africa.

-November 5, 2010: Clover Mama Afrika Has Been Awarded the Mail & Guardian Investing in the Future Award in the Corporate Category.

Clover Mama Afrika has been awarded the Mail & Guardian Investing in the Future Award in the Corporate Category. In its 22nd year, the Investing in the Future Awards showcase excellence in corporate social investment (CSI) practice.

<table>
<thead>
<tr>
<th>No of shareholders</th>
<th>% of shareholders</th>
<th>No of shares</th>
<th>% of issued shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Categories</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks/nominies</td>
<td>1</td>
<td>88,256</td>
<td>0,1%</td>
</tr>
<tr>
<td>Individuals</td>
<td>210</td>
<td>28,688,201</td>
<td>49,0%</td>
</tr>
<tr>
<td>Corporate bodies</td>
<td>2</td>
<td>179,357</td>
<td>0,3%</td>
</tr>
<tr>
<td>Directors and Key Management</td>
<td>14</td>
<td>12,936,057</td>
<td>20,9%</td>
</tr>
<tr>
<td>Clover Milk Producers Trust</td>
<td>1</td>
<td>10,188,618</td>
<td>16,5%</td>
</tr>
<tr>
<td>Companies</td>
<td>55</td>
<td>11,864,492</td>
<td>20,5%</td>
</tr>
<tr>
<td>Total</td>
<td>283</td>
<td>61,924,981</td>
<td>100,0%</td>
</tr>
</tbody>
</table>

Group June 30, 2010 results were again considerably affected by Danone Clover. During the previous year the Group’s interest in this company was effectively upwardly revalued to fair value leading to a very significant after tax profit of R599,5 million. During the current year this investment was sold with a resulting further profit of R227,1 million after tax. Furthermore, the major part of the Group’s Boksburg facilities was sold to Danone Clover early in the financial year in exchange for shares in that company. This transaction generated R56,2 million of profit for the year. However, the normal operating profit performance for the year was substantially better than the previous year after successful restructuring exercises throughout the business as alluded to earlier.

Restructuring comes at a cost and the Group incurred R149,4 million in restructuring costs. The results of these restructuring projects will provide long-term benefits to stakeholders and it was already evident during the course of this year. Costs were significantly reduced all the way through the supply chain and operating profit, before restructuring costs and excluding the profits on the sale of Danone Clover and the Boksburg facilities, came to R320,8 million compared to R48,6 million calculated on a comparable basis for the prior year. The poor operating results in the previous year were essentially caused by the oversupply of milk in the country which prevented Clover
from increasing its selling prices sufficiently to cover the tremendous cost increases during that year.

The successful turnaround this year was made possible by the Group’s focus on cost reductions and milk supply and demand being in harmony, creating favorable market conditions. The beneficial national supply and demand situation allowed Clover to further reduce inventory levels during the year with resultant cash flow improvement. Operating cash flow for the year was very encouraging and the Group ended the year in a notably healthier gearing position, net of cash.

The completion of the capital restructuring, the successful introduction of the alignment strategy and the finalization of the layering process all contributed to the favorable position in which Clover finds itself. Most of the stakeholders, if not all, are now aligned and working towards a single goal and that is to make Clover’s products available at competitive prices to as many consumers as possible.

The Company produced solid interim results following the successful listing on the JSE for the period ended December 31, 2010. Revenue increased 10.8 percent from R3,023 billion to R3,349 billion while operating profit was up 43 percent to R176 million from R123,1 million in the comparable period. Operating margin was up to 5.3 percent from 4.1 percent. Normalized operating margin increased to 5.6 percent from 5 percent (FY10-5.4 percent). Headline earnings from continuing operations increased 693 percent to R94m and the Company declared a maiden dividend of 10 cents per share.

To formalize the next phase, and in order to extract the maximum value from its superior brands, Clover has embarked on a process of capacity expansion as well as the redesign of its entire supply chain. The focus is on volume growth, and the capital which will be made available to the business will be carefully spent on increasing Clover’s efficiency. Capacities will be expanded to cater for growth over the next five to seven years. The success of Clover’s strategy will largely depend on how successfully the strategic pillars are implemented. These are:

1. Adapting the Human Resources capabilities to suit the new business model
2. Optimizing the Brand Portfolio
3. Simplifying and reducing supply chain costs
4. Increasing volume and market shares
5. Completing the planned capital projects successfully.

DIVIDENDS
Milk Producers have again taken economic control of the Group in the wake of the capital restructuring and will for the first time after the conversion of NCD into a company fully share in the profits of the Company. Ordinary shareholders will receive a dividend of 65,9 cents per share, subject to approval at the Annual General Meeting, based on the Group’s dividend policy of 25 percent of Group profits attributable to shareholders of CIL. The Board has however decided to exclude the capital profits on sale of Danone Clover and the Boksburg facility from qualifying profits for dividend purposes. The profit on sale of Danone Clover effectively funded the capital restructuring while the profit on the Boksburg facility will be used to replace the Boksburg distribution capacity.

SUBSIDIARIES AND JOINT VENTURES

Clover Fonterra Ingredients (Pty) Ltd
As predicted last year, CFI has made a strong recovery after the 2008 economic recession. It has performed well and plans are underway to grow CFI’s presence in Africa.

The African expansion has been more difficult than originally anticipated. An inaccurate route to market assessment and resulting appointment of an ineffective distribution partner brought sales almost to a halt. Consequently, Clover Zambia withdrew from the market until such time as the business model has been redesigned.

SELECTED FINANCIAL DATA

Set forth on the following pages is selected historical financial data. The data herein has been prepared by management and should be reviewed in conjunction with the Company’s filings.

<table>
<thead>
<tr>
<th>REF. #</th>
<th>DESCRIPTION</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Part One: Condensed Financial Statements</td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>Clover Consolidated Income Statements</td>
<td>25</td>
</tr>
<tr>
<td>2.0</td>
<td>Clover Consolidated Balance Sheet</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Company reports; Nova Capital Partners
### 1.0

**Clover Industries Ltd**

Consolidated Income Statements
YE 2009 versus YE 2010

*(millions South African Rand)*

<table>
<thead>
<tr>
<th></th>
<th>Actual 30-Jun FYE 2009</th>
<th>Actual 30-Jun FYE 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Revenue</strong></td>
<td>5,475.8</td>
<td>5,995.7</td>
</tr>
<tr>
<td><em>Growth Yr/Yr</em></td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>664.3</td>
<td>559.0</td>
</tr>
<tr>
<td><em>Operating Profit Margin</em></td>
<td>12%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>29.2</td>
<td>191.7</td>
</tr>
<tr>
<td><em>percent of Revenues</em></td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td>4,811.5</td>
<td>5,436.7</td>
</tr>
<tr>
<td><em>percent of Revenues</em></td>
<td>88%</td>
<td>91%</td>
</tr>
<tr>
<td><strong>ADJUSTED PROFIT (LOSS) FROM OPERATIONS</strong></td>
<td>48.6</td>
<td>320.8</td>
</tr>
<tr>
<td><em>Adjusted Operating Profit Margin</em></td>
<td>1%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME (EXPENSE)</strong></td>
<td>(131.8)</td>
<td>(133.2)</td>
</tr>
<tr>
<td><strong>NET PROFIT (LOSS)</strong></td>
<td>(83.2)</td>
<td>187.6</td>
</tr>
</tbody>
</table>

Source: Company filings and publications
Calculations: Nova Capital Partners
# Clover Industries Ltd

## Consolidated Balance Sheets

YE 2009 versus YE 2010

*(millions South African Rand)*

<table>
<thead>
<tr>
<th></th>
<th>Actual 30-Jun FYE 2009</th>
<th>Actual 30-Jun FYE 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>273.9</td>
<td>429.2</td>
</tr>
<tr>
<td>Other</td>
<td>1,325.1</td>
<td>1,279.7</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,599.0</td>
<td>1,708.9</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>110.2</td>
<td>18.7</td>
</tr>
<tr>
<td>Investments</td>
<td>603.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Property, plant, and equipment</td>
<td>931.7</td>
<td>914.5</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>289.0</td>
<td>287.0</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td>1,934.0</td>
<td>1,221.2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,585.5</td>
<td>2,932.1</td>
</tr>
</tbody>
</table>

| **LIABILITIES & STOCKHOLDERS' EQUITY** |                         |                         |
| **CURRENT LIABILITIES**               |                         |                         |
| Loans and financing                  | 234.8                   | 66.9                    |
| Other                                | 1,041.4                 | 1,133.1                 |
| **Total Current Liabilities**        | 1,276.2                 | 1,200.0                 |
| **NON-CURRENT LIABILITIES**          |                         |                         |
| Loans and financing                  | 761.4                   | 592.5                   |
| Other                                | 66.8                    | 63.0                    |
| **Total Non-Current Liabilities**    | 828.2                   | 655.5                   |
| **TOTAL LIABILITIES**                | 2,104.4                 | 1,855.6                 |
| Total Stockholders' Equity           | 1,481.0                 | 1,076.4                 |
| **Total Liabilities & Stockholders' Equity** | 3,585.4             | 2,932.0                 |

Source: Company filings and publications
Calculations: Nova Capital Partners