

Grindrod Limited
(Incorporated in the Republic of South Africa)
(Registration number 1966/009846/06)
Share code: GND & GNDP
ISIN: ZAE000072328 & ZAE 000071106
("Grindrod" or "the Company")

CATEGORY 2 TRANSACTION ANNOUNCEMENT: PROPOSED DISPOSAL OF INVESTMENT IN NWK LIMITED ("NWK")

1 INTRODUCTION

Shareholders are advised that Grindrod, through its wholly owned subsidiary Grindrod Trading Holdings Proprietary Limited, has entered into a Sale of Shares agreement ("the Agreement") with NWK Holdings Limited ("NWK Holdings") and NWK Limited ("NWK"). In terms of the Agreement, Grindrod will dispose of its investment in NWK for an aggregate disposal consideration of R204 072 848 (two hundred and four million seventy-two thousand eight hundred and forty-eight Rand) (the "Sale"). Shareholders should note that the Agreement and the implementation of the Sale are subject to the fulfilment of conditions precedent ("Sale Conditions Precedent"), further details of which appear in paragraph 3.2 below.

2 BACKGROUND AND RATIONALE TO DISPOSAL RESULTING IN THE PROPOSED TRANSACTION

During August 2019, Grindrod announced as part of its strategic review process, its intention to dispose of certain non-core businesses. Negotiations with NWK Holdings have been successfully concluded in respect of Grindrod's investment in NWK, and the Agreement entered into.

As at the date of this announcement, Grindrod beneficially owns and holds, in aggregate, 29 153 264 (twenty-nine million one hundred fifty-three thousand two hundred and sixty-four) ordinary shares in the issued ordinary share capital of NWK ("Grindrod Sale Shares"), constituting 20.38% (twenty comma three-eight percent) of NWK's total number of ordinary shares in issue.

3 KEY TERMS OF THE PROPOSED TRANSACTION

3.1 Sale of shares, Purchase Consideration and Effective Date

In terms of the Agreement, the Sale will be undertaken on the following material terms:

- 3.1.1 subject to the fulfilment of the Sale Conditions Precedent, Grindrod will sell the Grindrod Sale Shares to NWK Holdings (or its duly authorised nominee);
- 3.1.2 the price per NWK ordinary share at which NWK Holdings (or its duly authorised nominee) will acquire the Sale Shares is R7.00 (seven Rand) ("Sale Share Price"),

amounting to a total purchase consideration of R204 072 848 (two hundred and four million seventy-two thousand eight hundred and forty-eight Rand) payable to Grindrod ("Purchase Consideration") by NWK Holdings. The Sale Share Price and Purchase Consideration were negotiated on arm's length and in good faith between Grindrod and NWK Holdings, taking into consideration factors such as but not limited to, NWK's net asset value, liquidity of NWK's ordinary shares, the size of the block of NWK ordinary shares being acquired and the intrinsic fair market value of NWK's ordinary shares;

3.1.3 all rights, title and interest in and to the Grindrod Sale Shares shall, subject to due payment of the Purchase Consideration vest in NWK Holdings from the closing date of the Transaction, being, subject to fulfilment of the Sale Conditions Precedent, 23 September 2019 or such other date agreed in writing by the parties ("Closing Date");

3.1.4 in order for NWK Holdings (or its duly authorised nominee) to settle the Purchase Consideration due to Grindrod in terms of the Sale, NWK will:

3.1.4.1 subject to the required approval being obtained from the ordinary shareholders of NWK ("NWK Shareholders") in terms of sections 44 and 45 of the Companies Act, No 71 of 2008, as amended ("Companies Act") at the 2019 NWK annual general meeting to be held on Monday, 09 September 2019 ("NWK Sections 44 and 45 Financial Assistance Authority"); and

3.1.4.2 subject further to the prior authorisation by the NWK board of directors ("NWK Board") (including NWK satisfying the solvency and liquidity test in terms of section 4 of the Companies Act ("Solvency and Liquidity Test")), grant an inter-company loan to NWK Holdings (or its duly authorised nominee) equal to the value of the Purchase Consideration (plus any securities transfer tax and/or NWK Holdings' portion of any exchange and/or authorised user related fees which may become due and payable pursuant to the implementation of the Sale) ("the NWK Loan");

3.1.5 upon the NWK Loan being granted, NWK Holdings (or its duly authorised nominee) will use the NWK Loan to settle the Purchase Consideration due to Grindrod in accordance with the Agreement (plus any securities transfer tax and/or NWK Holdings' portion of any exchange and/or authorised user related fees which may become due and payable pursuant to the implementation of the Sale);

3.1.6 the Sale shall be implemented as an off-central book trade in accordance with rule 24.4 of the Exchange Rules of 4 Africa Exchange Proprietary Limited ("4AX").

3.2 Sale Conditions Precedent

The Sale of Shares Agreement and the implementation of the Sale are subject to the fulfilment of the following Sale Conditions Precedent –

- 3.2.1. by not later than 17h00 on Monday, 09 September 2019, the requisite number of votes by NWK Shareholders be exercised in favour of the NWK Sections 44 and 45 Financial Assistance Authority. For the avoidance of doubt, to the extent that NWK Shareholders approve the NWK Sections 44 and 45 Financial Assistance Authority, any inter-company financial assistance to be granted by NWK to NWK Holdings will have to comply with the terms set out in the special resolution, including but not limited to, the NWK Board confirming that the terms upon which the financial assistance will be granted is fair and reasonable to NWK;
- 3.2.2. by not later than 17h00 on Monday, 09 September 2019, the requisite number of votes by the ordinary shareholders of NWK Holdings be exercised in favour of the required approval in terms sections 44 and 45 of the Companies Act, so as to allow NWK Holdings to furnish security to NWK in respect of the NWK Loan;
- 3.2.3. by not later than 12h00 on Wednesday, 18 September 2019, pursuant to the approval of the NWK Sections 44 and 45 Financial Assistance Authority, the NWK Board authorises NWK to grant the NWK Loan, which NWK Board authorisation will also include the application of the Solvency and Liquidity Test (including confirmation of the Solvency and Liquidity Test having been satisfied);
- 3.2.4. by not later than 12h00 on Wednesday, 18 September 2019, the NWK Loan is advanced in full by NWK to NWK Holdings, and NWK and NWK Holdings respectively confirm to Grindrod in writing that such advance has been made and received;
- 3.2.5. by not later than 12h00 on Wednesday, 18 September 2019, the NWK Loan is fully utilised to credit the NWK Holdings share trading account held with A-Trade as approved authorised user of 4AX, such that the full amount of the NWK Loan is available to transfer into the Grindrod share trading account held with A-Trade on the Closing Date, and NWK Holdings confirms in writing to Grindrod that such has taken place (supported by written confirmation from A-Trade); and
- 3.2.6. by not later than 12h00 on Wednesday, 18 September 2019, any and all regulatory approvals that may be required from 4AX be obtained.

Shareholders should note that the Sale of Shares Agreement contains warranties, indemnities and undertakings by both Grindrod and NWK Holdings that are standard for transactions such as the Sale.

In addition to the above, Grindrod and NWK Holdings have agreed to additional terms and/or undertakings.

4 DESCRIPTION OF THE BUSINESS OF NWK

NWK was established during 1909 pursuant to the successful merging of various smaller agricultural co-operatives. NWK's main business is that of an operational agricultural business that has been operating in the grain and food value chain of southern Africa, mainly in the North West, for more than a century.

5 APPLICATION OF THE PURCHASE CONSIDERATION

The proceeds from the sale will be utilised to strengthen the financial position of Grindrod and reduce overall debt.

6 PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO THE DISPOSAL

| | NWK R' million | Grindrod's disposal shares R' million |
|---------------------------------------|-------------------|--|
| Net asset value as at 30 April 2019* | 1 560 | 318 |
| Net profit value as at 30 April 2019* | 242 | 49 |

* Per the latest published audited annual financial statements of NWK Limited for the year ended 30 April 2019, prepared in terms of IFRS.

7 CATEGORISATION OF THE TRANSACTION

The Transaction will constitute a category 2 transaction in terms of the Listings Requirements of the JSE Limited for Grindrod and is therefore not subject to Grindrod shareholder approval.

2 September 2019

Sponsor

Grindrod Bank Limited

Legal Advisor to Grindrod

Edward Nathan Sonnenbergs Incorporated