

GRINDROD LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 1966/009846/06)  
Share code: GND and GNDP  
ISIN: ZAE000072328 and ZAE000071106  
("Grindrod" or the "Company")

## **SPECIFIC REPURCHASE BY GRINDROD OF 64 MILLION GRINDROD ORDINARY SHARES AND ACQUISITION OF 1.6 MILLION GRINDROD SHIPPING HOLDINGS LIMITED ORDINARY SHARES**

### **1. Background to the 2014 BEE Transaction**

During 2014, Grindrod completed a BEE transaction in terms of which Newshelf 1279 (RF) Proprietary Limited ("**BEE SPV**") invested an aggregate of R1.6 billion into Grindrod in exchange for 64 million Grindrod ordinary shares ("**BEE Placement Shares**"), which resulted in BEE SPV holding 8.39% of the total issued ordinary share capital of Grindrod ("**2014 BEE Transaction**"). BEE SPV is a wholly owned subsidiary of Friedshelf 1534 Proprietary Limited ("**Consortium SPV**").

In order to partially fund the 2014 BEE Transaction, Grindrod provided preference share funding to BEE SPV by subscribing for vendor preference shares in the share capital of BEE SPV ("**Vendor Preference Shares**") and subsequently, via Grindrod Holdings (South Africa) Proprietary Limited ("**Grindrod Holdings**"), by subscribing, for class C preference shares in the share capital of BEE SPV ("**Class C Preference Shares**") ("**Funding Structure**").

During June 2018, Grindrod spun-off its shipping business via the listing of Grindrod Shipping Holdings Ltd. ("**Grindrod Shipping**") ("**Spin-Off**"). In terms of the Spin-Off, Grindrod sold all of the shares in its shipping subsidiaries to Grindrod Shipping in exchange for compulsorily convertible notes ("**CCN's**"). The CCN's were distributed to Grindrod ordinary shareholders ("**Grindrod Shareholders**") in the same proportion as they held their existing ordinary shares in Grindrod ("**Grindrod Shares**"). The CCN's subsequently converted into ordinary shares in Grindrod Shipping ("**Grindrod Shipping Shares**"), in the hands of Grindrod Shareholders. As at the date of this announcement, BEE SPV holds 1.6 million Grindrod Shipping Shares ("**GSHL Securities**"), equating to 8.39% of the issued share capital of Grindrod Shipping.

### **2. Unwind of the 2014 BEE Transaction**

Due to the significant decline in the Grindrod Share price over the past two years, the aggregate outstanding redemption value and value of accrued, unpaid dividends in respect of the Vendor Preference Shares and the Class C Preference shares is c. R1.4 billion whilst the market value (based on closing prices on 20 July 2020) of the BEE Placement Shares and the GSHL Securities is c. R0.3 billion as at the date of this announcement.

The level of debt in the Funding Structure, which is in excess of the assets held by BEE SPV, in addition to guarantees and cash collateral provided by Grindrod over the years, resulted, from an accounting perspective, in BEE SPV (and as a result, the BEE Placement Shares and the GSHL Securities held by BEE SPV), being consolidated in Grindrod's financial statements since December 2018.

Grindrod Shareholders have been appraised of the above developments over the years, as per the disclosures contained in Grindrod's annual financial statements. The administrative process to unwind the 2014 BEE Transaction has therefore already commenced, and the board of directors of Grindrod ("**Board**") has subsequently resolved that the most efficient and cost-effective method to legally bring the Funding Structure to an end, and to bring to a close the 2014 BEE Transaction would be via the specific

repurchase of the BEE Placement Shares ("**Repurchase**") and the acquisition of the GSHL Securities ("**Acquisition**") from BEE SPV (collectively, the "**Transaction**"). As such, the Transaction does not result in any material financial effect for Grindrod.

### 3. Terms of the Repurchase

#### 3.1. The Implementation Steps

3.1.1. On 21 July 2020, the following agreements were concluded:

- 3.1.1.1. an implementation agreement entered into between Grindrod, Grindrod Holdings, BEE SPV and Consortium SPV ("**Implementation Agreement**");
- 3.1.1.2. a share repurchase agreement entered into between Grindrod and BEE SPV ("**Repurchase Agreement**"); and
- 3.1.1.3. a share purchase agreement entered into between Grindrod and BEE SPV ("**Acquisition Agreement**").

3.1.2. On the basis set out in the Implementation Agreement, read with the Repurchase Agreement and the Acquisition Agreement, the parties intend to effect (i) the Repurchase and the Acquisition, (ii) the redemption by BEE SPV of certain of the Vendor Preference Shares and certain of the Class C Preference Shares; and (iii) the winding up of BEE SPV, via the following key steps ("**Implementation Steps**") to be implemented on the next business day after fulfilment of the last of the Conditions Precedent (as defined in paragraph 3.4 below) ("**Closing Date**"):

- 3.1.2.1. the release by Grindrod (to the extent necessary) and Grindrod Holdings of the security held by each of them in respect of the Vendor Preference Shares and the Class C Preference Shares, being the BEE Placement Shares and the GSHL Securities;
- 3.1.2.2. the Repurchase undertaken, in terms of the Repurchase Agreement and at a price which is left outstanding on interest free loan account ("**Repurchase Loan Account**");
- 3.1.2.3. the redemption by BEE SPV of certain of the outstanding Vendor Preference Shares with the redemption price settled by way of set off against a corresponding portion of the Repurchase Loan Account;
- 3.1.2.4. the Acquisition undertaken, in terms of the Acquisition Agreement at a consideration which is left outstanding on interest free loan account ("**Purchase Loan Account**");
- 3.1.2.5. the redemption by BEE SPV of certain of the outstanding Class C Preference Shares with the redemption price settled in full by way of a cession by BEE SPV, to Grindrod Holdings, of BEE SPV's right to receive payment of the balance of the Repurchase Loan Account remaining after the set-off referred to in paragraph 3.1.2.2 above, and the Purchase Loan Account; and
- 3.1.2.6. the filing with the Companies and Intellectual Property Commission of a special resolution passed by the ordinary and preference shareholders of BEE SPV for the voluntary winding up of BEE SPV ("**Winding-Up Resolution**").

### 3.2. The Repurchase

In terms of the Repurchase Agreement, Grindrod repurchases the BEE Placement Shares from BEE SPV with effect from the Closing Date, for R3.278350 per BEE Placement Share, for a total consideration of R209 814 400 ("**Repurchase Price**").

The Repurchase Price shall be left outstanding on interest free loan account and settled in accordance with the Implementation Steps.

### 3.3. The Acquisition

In terms of the Acquisition Agreement, Grindrod purchases the GSHL Securities from BEE SPV with effect from the Closing Date, for R48.606169 per GSHL Security, for a total consideration of R77 769 870 ("**GSHL Purchase Price**").

The GSHL Purchase Price shall be left outstanding on interest free loan account and settled in accordance with the Implementation Steps.

The Acquisition constitutes a uncategorisable transaction for Grindrod in terms of the JSE Listings Requirements and does not require any shareholder approval. However, the Acquisition is inter-conditional with the Repurchase. Therefore, if the Repurchase is not implemented, the Acquisition will not be undertaken, and *vice versa*.

### 3.4. Conditions Precedent

The Repurchase Agreement and the Acquisition Agreement are subject to the fulfilment of the condition precedent that by no later than 17:00 on 5 October 2020, the Implementation Agreement has become unconditional in accordance with its terms.

The Implementation Agreement is subject to the outstanding conditions precedent ("**Conditions Precedent**") that by 17:00 on 7 August 2020:

- 3.4.1. the various authorising resolutions required for the conclusion and implementation of the Transaction are duly passed (other than the resolution required from the Grindrod Shareholders, which is dealt with under paragraph 3.4.9);
- 3.4.2. the Winding-Up Resolution is duly passed;
- 3.4.3. the Winding-Up Resolution and certain specified documents relating to the contemplated winding up of BEE SPV are provided to Grindrod;
- 3.4.4. The appointed independent expert, BDO Corporate Finance (Pty) Ltd ("**Independent Expert**") compiles a report as required in terms of section 114(3) of the Companies Act, 2008 ("**Companies Act**"), in respect of the Repurchase;
- 3.4.5. Grindrod and Grindrod Holdings each consent in writing to the conclusion by BEE SPV of the Implementation Agreement and the Repurchase and Acquisition Agreements, and to the implementation by BEE SPV of all the transactions contemplated in such aforementioned agreements, as required in terms of BEE SPV's memorandum of incorporation;
- 3.4.6. the circular to be issued by Grindrod to its shareholders in accordance with the JSE Listings Requirements, in respect of the Repurchase ("**Circular**") is approved by the JSE;
- 3.4.7. the Takeover Regulation Panel established by section 196 of the Companies Act, has approved and issued a compliance certificate in respect of the Transaction;

and, by no later than 5 October 2020:

- 3.4.8. the general meeting of Grindrod shareholders for the purpose of, *inter alia*, approving the Repurchase and any other resolutions that may be necessary for the implementation of the Transaction (“**General Meeting**”) is held and attended by the requisite quorum of Grindrod Shareholders;
- 3.4.9. the special resolution by Grindrod Shareholders (“**Shareholder Approval Resolution**”) is approved -
  - 3.4.9.1. at the General Meeting by the requisite majority of Grindrod Shareholders present and voting thereon;
  - 3.4.9.2. if required in terms of section 115(3) of the Companies Act, by a court of appropriate jurisdiction;
- 3.4.10. the Shareholder Approval Resolution has not been revoked, in terms of the special resolution of Grindrod Shareholders providing that if there are any dissenting shareholders exercising their appraisal rights in accordance with sections 164(5) to (8) of the Companies Act, then the Board is authorised, but not obliged, to revoke the Shareholder Approval Resolution as contemplated in section 164(9)(c) of the Companies Act.

#### 4. **Pro forma financial effects of the Transaction**

The *pro forma* financial effects below are provided for illustrative purposes only and, because of their nature, may not fairly present the financial position or results of operations or cash flows of Grindrod and its subsidiaries (“**Group**” or “**Grindrod Group**”). The *pro forma* financial effects have been prepared to illustrate the impact of the Transaction on the published financial information of the Group for the year ended 31 December 2019, based on the assumption that the Transaction took place on 1 January 2019 for purposes of the *pro forma* consolidated statement of comprehensive income and on 31 December 2019 for purposes of the *pro forma* consolidated statement of financial position.

The *pro forma* financial effects have been prepared using the accounting policies of the Grindrod Group, which comply with IFRS and are consistent with those applied in Grindrod’s consolidated annual financial statements for the year ended 31 December 2019.

The *pro forma* financial effects are the responsibility of the Board and have not been reviewed nor reported on by the Company’s external auditors.

The detailed *pro forma* financial effects will be included in the Circular.

	<b>Before the Transaction</b>	<b>After the Transaction</b>	<b>% Change</b>
Total number of Grindrod Shares in issue	762 553 314	698 553 314	(8.39)
Number of treasury shares held <sup>1</sup>	<b>82 269 444</b>	<b>18 269 444</b>	<b>(77.79)</b>
Held by BEE SPV	64 000 000	-	(100.00)
Held by Grindrod subsidiaries and share scheme	18 269 444	18 269 444	-
Number of Grindrod Shares in issue net of Grindrod Shares held by Subsidiaries	680 283 870	680 283 870	-
Weighted average number of Grindrod Shares in issue	680 442 490	680 442 490	-

Diluted weighted average number of Grindrod Shares in issue	681 304 098	681 304 098	-
Basic earnings/ (loss) per Grindrod Share (cents): From continuing operations From discontinued operations	44.1 (104.0)	44.5 (104.0)	0.91 -
Diluted earnings/ (loss) per Grindrod Share (cents): From continuing operations From discontinued operations	44.0 (104.0)	44.4 (104.0)	0.91 -
Headline earnings/ (loss) per Grindrod Share (cents): From continuing operations From discontinued operations	77.2 (69.1)	77.6 (69.1)	0.52 -
Diluted headline earnings/ (loss) per Grindrod Share (cents): From continuing operations From discontinued operations	77.1 (69.0)	77.5 (69.0)	0.52 -
Net asset value per Grindrod Share (cents)	1 175	1 174	(0.09)
Net tangible asset value per Grindrod Share (cents)	1 156	1 155	(0.09)

<sup>1</sup> The BEE Placement Shares are treated as treasury shares due to the consolidation of BEE SPV into Grindrod's financial results in respect of the year ended December 2018.

## 5. Circular and General Meeting

In terms of section 5.69 of the JSE Listings Requirements, the Repurchase constitutes a specific repurchase of shares. In addition, as the Repurchase will result in the Company acquiring in excess of 5% of the entire issued share capital of the Company, the Repurchase is, in terms of section 48(8)(b) of the Companies Act, subject to the provisions of section 114, read with sections 115 and 164 of the Companies Act.

Therefore, the Repurchase requires (i) the distribution of the Circular to Grindrod Shareholders, which is required to include, *inter alia*, the detailed *pro forma* financial effects of the Transaction and a report by the Independent Expert, on the Repurchase; and (ii) the approval by way of a special resolution to be passed by Grindrod Shareholders at the General Meeting.

The Circular will be distributed to Grindrod Shareholders before or during the month of August 2020. The Circular as well as the announcement notifying Grindrod Shareholders of the dispatch of the Circular will include the relevant times and dates pertaining to, *inter alia*, the General Meeting and the date on which the Repurchase is to be made and the date on which the repurchased securities will be cancelled and the listing thereof terminated.

## **6. Responsibility statement**

The Board accepts responsibility for the information contained in this announcement insofar as it relates to Grindrod. To the best of its knowledge and belief, the information contained in this announcement is true and the announcement does not omit anything likely to affect the importance of the information.

21 July 2020

Investment Bank, Corporate Advisor and Sponsor  
Nedbank Corporate and Investment Banking

Legal Adviser  
Edward Nathan Sonnenbergs Inc

Independent Expert  
BDO Corporate Finance (Pty) Ltd