

Barloworld Limited

(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
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(Share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(JSE ISIN: ZAE000026647)
(Bond issuer code: BIBAW)
(Namibian Stock Exchange share code: BWL)
(“**Barloworld**” or the “**Group**” or the “**Company**”)

PRE-CLOSED PERIOD VOLUNTARY OPERATIONAL UPDATE

Highlights

- Resilient Group performance, under an unprecedented trading environment impacted by the COVID-19 pandemic
- Decisive measures taken in response to ensure the long term value creation by the Group
- Impressively strong balance sheet at 31 August 2020 with a robust and solid liquidity position, cash balance of R8.0 billion was maintained with the net debt position increasing marginally to R1.4 billion and in line with the closing balance as at 30 September 2019
- Low Group gearing levels at 31 August 2020, with the financial position well within our covenants
- Even after taking into account the acquisitions being progressed, significant headroom is maintained within covenants, with Net Debt to EBITDA expected to still remain below 2.0 times, target being below 3.0 times
- Excellent progress made in the implementation of the mergers and acquisition strategy with the closure of the Wagner Asia Equipment (Mongolia) transaction, the Tongaat Hulett Starch transaction is expected to close by 31 October 2020

Shareholders are advised that the financial information contained in this announcement has not been audited, reviewed or reported upon by Barloworld’s external auditors.

Operational Review for the eleven months to 31 August 2020

Equipment southern Africa’s activity was resilient despite the lockdown restrictions as a result of COVID-19. While revenue was down on prior year, activity levels have been steadily improving driven mainly by a resilient mining sector with revenue in recent months close to 2019 levels. Gross margins were in line with the prior period boosted by the sales mix. Operating profit was down on the prior period due to lower sales activity and once off restructuring costs; the impact was partially offset by the well contained operating costs in line with

previously communicated austerity measures. The steep currency devaluations mainly in Angola and Zambia resulted in losses on financial instruments being higher than the prior year and this also had a negative impact on the effective tax rate as a result of IAS 12.41. Losses on exceptional items were realised due to Covid-19 related impairments. Bartrac, our Joint Venture in the Katanga province of the DRC, remained under pressure generating losses during the period. Encouragingly, the DRC has seen some improvement in activity levels over July and August contributing to improved second half performance compared to the first half. The cash position was very strong on the back of a focused balance sheet management strategy.

Equipment Russia grew revenue compared to the prior period mainly due to strong large mining prime sales, particularly to the gold sector. Still notable is that Russia, did not apply hard lockdown on the mining sector in the country and therefore this business was able to operate at capacity for 12 months. The operating profit was also up with continued cost containment and mix driving the sustained margin, showing resilience. Management continued the focus on cash preservation, lowering operating costs and ensuring the business is well positioned for the future. Russia is heading into the winter months and the risk of a second wave of COVID-19 infections remains, creating uncertainty in the trading environment.

The **Automotive** businesses are down on the prior period on a comparable basis. From the month of June, activity levels in Automotive Trading bounced back and the successful de-fleeting in Car Rental contributed positively to the overall performance. Used car sales, new car sales as well as much stronger servicing and parts were higher than expected as pent-up demand was activated on the back of relaxations in lockdown restrictions. Motor trading (excluding NMI) revenue was down for the period, however a significant all-round recovery in August resulted in increased activity compared to August 2019. The car rental industry remains under significant pressure across all sectors with declines in billed days of between 65% (Corporate) and 87% (Inbound tourism). Car Rental revenue for the period was down with used car gross profits remaining strong. In car rental, the reduction in revenue has been offset by efforts to right size the fleet and travel restrictions will continue to impact this business for the foreseeable future. Used car sales were very strong, with August sales up compared to August 2019. Avis fleet revenue and operating profit were down due to reduced key customer volumes, as well as a reduction in used vehicle sales.

Logistics reflected higher than anticipated internal forecasts but down on the prior period significantly impacted by the reduced business activities. The supply chain management business recovered well after COVID-19 restrictions whilst transport is still under pressure.

Financial position, gearing and liquidity

The Group's balance sheet as at 31 August 2020 remained impressively strong considering the challenging environment. A robust and solid liquidity position with cash balance of R8.0 billion was maintained with the net

debt position increasing marginally to R1.4 billion and in line with the closing balance as at 30 September 2019. The headroom on committed facilities remained substantial at R9.5 billion. These facilities exclude the ring fenced R5.3 billion of committed funding for the Tongaat Hulett Starch acquisition. The funding capacity of the Group remains healthy as management continues to focus on actively reviewing and monitoring all facilities on an ongoing basis and remain confident of the good liquidity position.

At the end of 31 August 2020, the Group's gearing levels remained low and our financial position was well within our covenants. It is important to note that, in April 2020, the EBITDA to interest covenant was renegotiated based on an unpredictable future that was forecasted at the time. We find ourselves not only meeting the renegotiated covenant but also remaining well within our old covenant targets even post acquisition of the Mongolia caterpillar business. Management interventions during the lockdown period have sown positive results in managing our assets and liabilities. The old target was at 3.5times whilst the new target is at 2.5 times.

Debt covenants	August 2020
EBITDA: Interest Cover >2.5 times	5.0 times
Net Debt:EBITDA <3.0 times	0.3 times

Even after taking into account the acquisitions being progressed, we retain significant headroom within our covenants, with Net Debt to EBITDA expected to still remain below 2.0 times, target being below 3.0 times.

Caring for our employees

The health and safety of our employees, customers and communities remains of paramount importance to management and the board. The Barloworld COVID-19 policy and the Barloworld Crisis Committee in place assists the Group in monitoring, managing and containing the impact. Relevant contingency plans are in place to ensure continued operation should any senior leaders and/or executives be affected by the pandemic. As at the end of August 2020, there were 132 active employee cases and 342 recoveries. Regrettably there have been six deaths and the Company has provided support to the bereaved families and our people during this difficult time. Over and above ensuring that we adhere to all workplace regulations announced by the Governments of the countries we operate in, we implemented additional measures to assist employees navigate this uncertain, changing and stressful period.

Supporting our people, particularly those impacted by the implementation of s189, has been at the centre of the Group Employee Wellness program. Various support avenues have been made available including Emotional Impact Sessions, availability of psychologist support services and transition management programs are on the go throughout the Group.

Update on Cost-saving measures

The austerity measures and cost saving initiatives aimed at reducing and containing costs in an effort to preserve cash in the immediate period already implemented by the Group are expected to yield savings during this financial year and most importantly, the results will greatly impact the 2021 year as implementation costs had to be borne in 2020.

Tongaat Hulett Starch (THS) acquisition

Shareholders are referred to the SENS announcement issued on 22 September 2020 that provided the independent accountant's determination on the previously communicated Material Adverse Change (MAC) process. Barloworld is pleased that the THS business has shown remarkable resilience in the face of the economic challenges posed by the COVID-19 pandemic. The business is a highly cash generative, asset light and defensive investment with a leading market position and a strong client base of highly regarded and well established multi-national companies. These characteristics have underpinned the resilience of the business through the current economic challenges, validating Barloworld's stated strategy of entering into the defensive consumer foods sector and serving industrial customers as a long term strategic pivot of its portfolio.

Barloworld continues to perform its obligations in terms of the SPA with the following significant approvals achieved:

- Approval of the transaction by the Competition Commission of the Common Market for Eastern and Southern Africa (COMESA) was obtained without conditions on 8 June 2020.
- Approval of the transaction without conditions by the Competition Tribunal of South Africa, on 6 July 2020.

Suspensive conditions to the transaction that remain to be fulfilled are anticipated to be satisfied before the Longstop Date of the transaction, being 31 October 2020.

Mongolia acquisition

Shareholders are referred to the SENS announcement issued on 02 September 2020 that communicated that the last remaining condition precedent was fulfilled and the transaction closed on 1 September 2020. An amount of USD168.1 million (R2.8 billion) in cash was paid to Wagner Asia Equipment on the closing date, funded from existing offshore cash balances. The integration of the two businesses is going well.

Looking Ahead

The Group will continue on its strategic path to improve efficiencies and performance by adapting and transforming to align with the changing trading environment in line with our stated goals. The assessment of the long-term fundamentals of businesses is a focus area in ongoing portfolio review. In light of the current COVID-19 pandemic, the board and management are committed to ensuring that all of the Group's operations are managed responsibly and in compliance with risk mitigating regulations.

The Group expects to release its financial year results for the 12 months ended 30 September 2020 on or about 30 November 2020.

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Sandton
30 September 2020

Sponsor
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About Barloworld

Barloworld is a distributor of leading global brands with corporate offices in Johannesburg (South Africa) and Maidenhead (United Kingdom), providing integrated rental, fleet management, product support and logistics solutions. Established in 1902 in South Africa, we are one of the country's oldest companies. Inspiring leadership, a reputation for ethical conduct, innovation and a commitment to giving back have ensured Barloworld's longevity over the past 117 years. The core divisions of the Group comprise Equipment (earthmoving equipment and power systems), Automotive (car rental, motor retail, fleet services, used vehicles and disposal solutions) and Logistics (logistics management and supply chain optimisation). The brands we represent on behalf of our principals include Avis, Audi, BMW, Budget, Caterpillar, Ford, Mazda, Mercedes-Benz, Toyota, Volkswagen and others.

Forward-looking statements

Certain statements in this document are not reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate future events, trends, future prospects, objectives, earnings, savings or plans. Examples of such forward-looking statements include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, shareholder return and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "believe", "continue", "anticipate", "ongoing", "expect", "will", "could", "may", "intend", "plan", "could", "may", and "endeavour". By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future.

If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the Group's future revenue, cost structure and capital expenditure; the Group's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which holds up the repatriation of earnings; increased competition, slower than expected customer growth and reduced customer retention; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the impact of legal or other proceedings against the Group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. When relying on forward-looking statements to make investment decisions, you should carefully consider these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.