



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

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## BUSINESS REVIEW AND TRADING STATEMENT

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### BUSINESS REVIEW

Grindrod's core businesses performance was robust during the 12 months ended 31 December 2020 ("the period"). Port, Terminals and Logistics businesses recovered well in the second half of the financial year. The Group's agility and strategy focusing on the corridor approach has enabled these businesses to report good earnings.

Xolani Mbambo has been appointed as Chief Executive of Freight Services to drive the corridor strategy. Andrew Waller as the Group Chief Executive will concentrate on the disposal of the non-core businesses.

### Port and Terminals

Overall, Ports and Terminals matched its 2019 EBITDA due to the weaker rand which boosted its dollar revenues, offsetting the impact of lower volumes across the businesses.

Maputo Port achieved earnings growth of 18% on 2019 as it benefited from a weaker rand against the US dollar, offsetting the impact of the 13% decline in volumes to 18.4 million tonnes. The port demonstrated resilience and a commendable recovery during the last quarter of the year with improvements in daily trucking activity into Mozambique and railway efficiencies. Work continues to ensure that this performance is sustained.

Matola Terminal's improved tariffs and cost management ameliorated the decline in volume. The terminal achieved 5.5 million tonnes, with 10% higher volumes in the second half of the financial year.

### Logistics

The coastal shipping, container depots and multi-purpose terminal businesses achieved earnings growth of 15% on 2019. This was on the back of increased shipping activities, a buoyant citrus season and strong mineral volumes. The business continues to focus on expanding its footprint in line with customer demand.

Grindrod's presence in Northern Mozambique as a key logistics corridor player in the liquefied natural gas (LNG) project development has yielded positive results. The service offering has expanded to operate seven vessels, transport, shore side equipment and stevedoring to provide effective supply chain solutions to the region. Development of the Intermodal facility at Palma is expected to be completed in the first half of 2021. Overall, the business reported 13% earnings growth for the period.

The clearing and forwarding business delivered healthy earnings growth of 83% due to extensive work on both existing and new contracts. The ships agency business turned its performance around, achieving positive earnings for the period from a loss position in 2019.

Rail Logistics' profitability declined due to force majeure calls on Mozambican and South African contracts during the period resulting from the temporary restrictions on mine operations and the transportation of non-essential cargo, reduced leasing rates and deployment. The Rail concession business focused on cost reduction and restructuring initiatives. The focus remains on securing deployment opportunities of the low-cost asset base.

The road transportation businesses were impacted by the decline in domestic fuel consumption and new vehicles sales. Major restructuring has been implemented across the business units.

## **Bank**

Grindrod Bank delivered a solid financial performance in a challenging market. The bank focused on its client relationships and quality lending during the period, ensuring it retained a strong liquidity and capital position throughout the period. At year end the advances have been appropriately assessed to ensure that adequate provisioning is in place. Advances at R8.0 billion were 9% up on 2019 whilst core deposits saw a decrease of 8% on 2019. Grindrod Bank remains profitable, well capitalised and liquid.

## **Private Equity and Property**

The private equity portfolio consists of private and property equity investments and loans provided to KZN North Coast property companies.

During the first half of the period an impairment of R270.2 million was reported relating to the private equity and property investments. At the end of the period these investments were further impaired by R59.7 million. The carrying value of these investments is R1.5 billion.

A single transaction to dispose of a significant part of the private equity and property portfolio and the loans to the KZN North Coast property companies had progressed to an advanced stage during the period. Regrettably the transaction fell through during December 2020. Assessment of the carrying value at year end, in the absence of the transaction, is based on the underlying collateral and the Board's continued intention to dispose of the investments. An impairment of R253.4 million has been made to the carrying value of these loans. The carrying value of the loans after this impairment is R1.0 billion.

The portfolio remains subject to a disposal process. The disposal plan seeks to realise the value of individual investments rather than a disposal through a single transaction.

## **Marine Fuels**

The process of disposal of the Marine Fuels business continues. As a result of the time elapsed, the accounting standards require the business results to be reclassified into continuing operations. The business generated headline

profits of US\$4.1 million. All goodwill, being US\$6.6 million, has been impaired at year end resulting in a carrying value of US\$28.5 million. Marine Fuels does not form part of the long-term strategy of the Group and therefore management remains committed to an exit.

## Group and other

Results included a mark-to-market loss of R82.3 million on Grindrod Shipping Limited shares due to a decline in the listed share price. The share price has lifted since the year end.

## Balance sheet, cashflows and debt

The Group generated positive cash from operations. Net debt excluding Grindrod Bank is 38% as at 31 December 2020.

## RESTATEMENT

The financial results for 2019, the prior year, have been restated to reflect the Marine Fuels and Agricultural investments as continuing operations. Whilst the sale of the Agricultural investments has been executed, pending the fulfillment of certain conditions, the sale process with regards to the Marine Fuel investment has been delayed. In terms of the accounting standards, this segment must therefore be reclassified as continuing operations and can no longer be reported as discontinued operations.

The restatement of prior year (2019) is per the table below:

	Headline earnings/(loss)	Headline earnings/(loss) per share	Earnings/(loss)	Earnings/(loss) per share
Continuing operations previously reported	R 525.2 million	77.2 cents	R 299.9 million	44.1 cents
Add: Marine Fuels and Agricultural investments. These had previously been included in discontinued operations.	R (469.9) million	(69.1) cents	R (707.5) million	(104.0) cents
Less: Marine Fuel change in measurement adjustment *	R (208.0) million	(30.6) cents	R (208.0) million	(30.6) cents
Restated Continuing operations	R (152.7) million	(22.5) cents	R (615.6) million	(90.5) cents

\* In terms of the accounting standards, the Marine Fuels business was carried at fair value less costs to sell since it was classified as held-for-sale. The accounting standards require that profits/(losses) are not reported in equity accounted earnings whilst held-for-sale. The reclassification back to continuing operations means that those equity accounted earnings must be reported and accordingly 2019 has been restated.

## TRADING STATEMENT

In terms of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the period to be reported on next will differ by more than 20% from the financial results reported in the previous corresponding period.

Shareholders of Grindrod are advised that the results for the period are expected to be as follows:

	2020 Range	2019 restated per above	Range represents:
Headline loss	R 138 million and R 168 million	R 152.7 million	Increase/(decrease) of between 10% and (10%)
Loss	R 395 million and R 435 million	R 615.6 million	Decrease of between 36% and 29%
Headline loss per share	20.4 cents and 24.8 cents	22.5 cents	Increase/(decrease) of between 10% and (9%)
Loss per share	58.4 cents and 64.3 cents	90.5 cents	Decrease of between 35% and 29%

Shareholders are advised that Grindrod will release its results for the period on the Stock Exchange News Service on or about Wednesday, 4 March 2021.

The information contained in this announcement has not been reviewed nor reported on by the Company's external auditors.

By order of the Board  
22 February 2021

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