



(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, TRADING STATEMENT AND DETAILED CAUTIONARY ANNOUNCEMENT**

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### **BUSINESS REVIEW**

Grindrod's core businesses performance improved during the first six months ended 30 June 2021 ("period") compared to the first six months ended 30 June 2020 ("prior period") as operations recovered from the effects of the COVID-19 pandemic.

Port and Terminals, and Logistics benefitted from the increase in cargo flows, high citrus and mining minerals exports, and alternative solutions to the deep-sea shipping lines. Grindrod Bank remained conservative in lending and continued to maintain strong capital and liquidity ratios.

#### **Port and Terminals**

Overall, Port and Terminals reported earnings growth compared to the prior period. Maputo Port volumes increased by 7% to 9.4 million tonnes, compared to the prior period. The Matola terminal handled 3.1 million tonnes, up 18% on the prior period. The introduction of road hauled magnetite volumes contributed to the increase albeit at lower margins.

The focus in the second half of the year is to continue our collaboration with Transnet, to increase the rail allocation to our Port and Terminal facilities and address the lower margins at Matola.

#### **Logistics**

The coastal shipping, container depots and transport, and multi-purpose terminal businesses achieved earnings growth on the prior period. This was on the back of high citrus and mining mineral exports whilst continually providing deep sea shipping lines with alternative solutions through our entire network to alleviate challenges.

Driven by strong iron ore prices, five of the ten locomotives which were not relocated from Sierra Leone were redeployed as the Tonkolili mine resumed activities.

The resumption of production at the Balama graphite mine during the period positively impacted the Northern Mozambique performance, with volume ramp-up expected in the second half of the year in line with global demand.

Grindrod's activities in the Northern Mozambique region relating to the liquefied natural gas project have ceased due to the insurgency and subsequent indefinite suspension of the gas project at the beginning of April 2021. The business has

implemented necessary austerity measures including suspending its activities and reducing liability exposure to the contractual obligations. These actions have necessitated impairments and provisioning of R75.7 million for the period.

The disposals of the Automotive and Fuel Carrier businesses are underway. This necessitated the impairment of goodwill and assets of R260.9 million.

## **Bank**

Grindrod Bank focused on its client relationships and quality lending during the period, ensuring it retained a strong liquidity and capital position.

Earnings were up on prior period. The Bank's lending and core deposit books increased by 9% and 23% to R8.6 billion and R10.5 billion respectively, from December 2020. The Bank remains cautious in its lending activities. The strategic focus on platform banking has generated growth in the number of new accounts in the period. The Bank refinanced the loan notes that matured in June 2021. The bonds were oversubscribed and the pricing on the new 3-year notes was 50 basis points better than those that matured.

## **Non-core businesses**

The Group continues to pursue the sale of non-core assets, however the market remains challenging.

During the period, Grindrod concluded disposals of private equity assets resulting in total proceeds of R176.0 million, of which R163.7 million was received by period end. Results for the period include impairments and fair value losses of R301.7 million. The carrying value of the private equity and property portfolio as at 30 June 2021 is R983.3 million.

Of the remaining private equity portfolio assets, two material investments have not produced acceptable offers. The strategy remains to exit the investments at the right valuations.

Progress has been made by the owners on the development plan for the properties on the KwaZulu Natal North Coast. Interest in various nodes within this development has continued and the owners are in the process of launching the prospectus. The strategy remains for Grindrod to have these exposures settled.

The Marine Fuels business has been marginally profitable during the period. Management remains committed to an exit of this business.

## **Group and other**

Results include a mark-to-market gain of R186.2 million on Grindrod Shipping Limited shares due to the increase in its listed share price.

## **Balance sheet, cashflows and debt**

The Group generated positive cash from operations. Net debt excluding Grindrod Bank and IFRS 16 liabilities is 25% as at 30 June 2021.

## RESTATEMENT

As reported previously, the financial results for the prior period, have been restated to reflect the Marine Fuels and Agricultural investments as continuing operations. Whilst the sale of the Agricultural investments was completed, the sale process with regards to the Marine Fuel investment is 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.

In addition, in the prior period 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 state and the Private Equity and Property segment was disclosed as a discontinued operation. Regrettably the transaction fell through during December 2020, consequently the segment must therefore be reclassified as continuing operations and can no longer be reported as a discontinued operation.

The restatement of prior period (2020) is per the table below:

	Headline earnings/(loss)	Headline earnings/(loss) per share	Earnings/(loss)	Earnings/(loss) per share
Continuing operations previously reported	R 23.4 million	3.4 cents	R 36.2 million	5.3 cents
Add: Marine Fuels and Agricultural investments and Private Equity and Property headline losses. These had previously been included in discontinued operations.	R (254.7) million	(37.6) cents	R (336.7) million	(49.7) cents
Add: Marine Fuels equity accounted earnings not recognised in the prior period *	R 62.0 million	9.2 cents	R 62.0 million	9.2 cents
Restated Continuing operations	R (169.3) million	(25.0) cents	R (238.5) million	(35.2) 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 equity accounted earnings are not reported whilst held-for-sale. The reclassification to continuing operations means that those equity accounted earnings must be reported and accordingly the prior period 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:

	2021 Range	2020 Restated per above	Range represents:
Headline earnings/(loss)	R 14 million and R (6) million	R (169) million	Increase of between 108% and 96%
(Loss)	R (414) million and R (434) million	R (239) million	Increase of between 74% and 82%
Headline earnings/(loss) per share	2.1 cents and (0.9) cents	(25.0) cents	Increase of between 108% and 96%
(Loss) per share	(61.6) cents and (64.6) cents	(35.2) cents	Increase of between 75% and 84%
Core headline earnings*	R 355 million and R 335 million	R 23 million	Increase of greater than 100%

\* Core headline earnings constitute Port and Terminals, Logistics, Bank and Group.

Shareholders are advised that Grindrod will release its results for the period on the Stock Exchange News Service on or about Friday, 27 August 2021.

## DETAILED CAUTIONARY ANNOUNCEMENT

Shareholders are advised that Grindrod is well advanced in its negotiations pertaining to the disposal of its private equity UK Real Estate asset in line with its previously announced decision to dispose of the private equity assets ("proposed transaction").

The carrying value of this asset, previously reported as at 31 December 2020, amounted to R507.1 million. The sale price has been negotiated for a cash consideration of £17.4 million, which is payable over a period.

The proposed transaction, once concluded, may have a material effect on the price of the Company's securities. Accordingly, shareholders are advised to exercise caution when dealing in the Company's securities until a full announcement is made.

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

By order of the Board  
17 August 2021

Sponsor  
Nedbank Corporate and Investment Banking, a division of Nedbank Limited