

Grindrod Limited
Incorporated in the Republic of South Africa
(Registration number 1966/009846/06)
Ordinary share code: GND and ISIN: ZAE000072328
Preference share code: GNDP and ISIN: ZAE000071106
("Grindrod" or the "Grindrod Group")

PROPOSED JOINT VENTURE BETWEEN GRINDROD AND THE MAERSK GROUP IN RELATION TO THEIR SOUTH AFRICAN CONTAINER LOGISTICS AND SERVICES BUSINESSES

1. Introduction

Grindrod shareholders are advised that the Grindrod Group has entered into an agreement ("**Agreement**") with Safmarine Proprietary Limited ("**Safmarine**") and other entities within the Maersk Group (collectively, the "**Parties**") in terms of which the Parties have agreed to form a joint venture through a company established for that purpose ("**Joint Venture**"), which will house their respective South African container logistics and services businesses ("**Transaction**") excluding Grindrod's United Container Depot business.

The Agreement includes a suite of transaction documents ("**Transaction Documents**") in order to implement a series of transactions ("**Transaction Steps**") to establish the Joint Venture. The Transaction, as well as other salient features of the Agreement, are outlined in more detail in this announcement.

2. Description of the business of the Joint Venture and rationale for the Transaction

The Joint Venture will provide (i) depot and warehousing, (ii) inland transportation, (iii) container feeder shipping along the southern African coastline, and (iv) terminal access through the current Durban Maydon Wharf facility, for containerised cargoes. The Joint Venture will not include cold supply chain. The rationale for the Transaction is to bring together the Parties' logistics operations skills and capabilities under the Joint Venture, which is expected to create a base for growth and enable the Joint Venture to excel in the logistics and services products execution through better serving its customers.

3. Transaction Steps

The Transaction will be implemented as a series of inter-conditional Transaction Steps. The completion date for the key business disposals referred to below will, if the suspensive conditions set out in paragraph 5 are all fulfilled within the first 15 days of a month, be the last business day of the month following the month within which such fulfilment occurs, or, if the suspensive conditions are all fulfilled on the 16th or later date of a month, be the last business day of the second month following the month within which such fulfilment occurs ("**Completion Date**"). The fifteen Transaction Steps are summarised as follows:

- 3.1. The disposal by the Maersk Group, through Safmarine, of its APM Terminals Businesses in South Africa ("**APM Terminals Businesses**") to the Joint Venture as going concerns for R360 million ("**Maersk Disposal Consideration**") in exchange for (i) the assumption by the Joint Venture of all liabilities of the APM Terminals Businesses, excluding tax liabilities and past employee pension-related liabilities, on the Completion Date and (ii) the issue of 36 386 ordinary shares by the Joint Venture ("**JV Ordinary Shares**") to Safmarine ("**Maersk Disposal**");
- 3.2. The disposal by Grindrod (South Africa) Proprietary Limited ("**Grindrod SA**") of its Grindrod Intermodal and Ocean Africa Container Lines divisions ("**GSA Businesses**"), excluding the Maydon Wharf multipurpose terminal, to the Joint Venture as going concerns for R756 million ("**Grindrod Disposal Consideration**") in exchange for (i) the assumption by the Joint Venture of all liabilities of the GSA Businesses on or before the Completion Date and (ii) the issue of 76 412 JV Ordinary Shares to Grindrod SA ("**Grindrod Disposal**");

- 3.3. The transfer of the 76 412 JV Ordinary Shares from Grindrod SA to Grindrod Holdings (South Africa) Proprietary Limited (“**Grindrod Holdings**”) through a series of internal transactions; and
- 3.4. The disposal by Grindrod Holdings of 21 141 ordinary shares (“**JV Disposal**”) to Safmarine for a fixed cash component (“**Fixed Amount**”) of R209.16 million and a variable cash component (“**Variable Amount**”) calculated in accordance with a formula detailed in the Transaction Documents (collectively, the “**JV Disposal Consideration**”). The Variable Amount is to cater for any differences in expansionary capital expenditure and net working capital amounts contributed by the Maersk Group and Grindrod SA to the Joint Venture, and when added to the Fixed Amount will determine the JV Disposal Consideration. Following the JV Disposal:
 - 3.4.1. The Maersk Group will hold 57 527 (51%) JV Ordinary Shares; and
 - 3.4.2. The Grindrod Group will hold 55 271 (49%) JV Ordinary Shares.

4. Transaction considerations and use of proceeds

The Maersk Disposal, the Grindrod Disposal and the JV Disposal will have the net effect of Grindrod disposing of a 51% interest in the Grindrod Group’s GSA Businesses and acquiring a 49% in the Maersk Group’s APM Terminals Businesses. Simplistically, based on the considerations set out in paragraph 3 above:

- 4.1. Utilising the Grindrod Disposal Consideration, the proposed disposal by Grindrod of 51% of the GSA Businesses to the Joint Venture will amount to c. R385.6 million (being 51% of R756 million); and
- 4.2. Utilising the Maersk Disposal Consideration, the planned acquisition by Grindrod of 49% of the said APM Terminals Businesses through the Joint Venture will amount to c. R176.4 million (being 49% of R360 million).

The net effect of the above will be that Grindrod will receive 49% of the issued JV Ordinary Shares and a cash consideration of R209.16 million. Grindrod will apply the JV Disposal Consideration to repay debt and for general corporate purposes.

5. Suspensive conditions to the Transaction

The following remaining suspensive conditions are required to be fulfilled or waived as follows:

- 5.1. On or before 15 February 2022, specified ancillary Transaction Documents to give effect to the implementation of the Transaction having been entered into;
- 5.2. On or before 30 April 2022 written consent being obtained of the counterparties to all material contracts concluded by or with the Grindrod Group and the Maersk Group and which are to be transferred to the Joint Venture;
- 5.3. On or before 30 June 2022 all applicable competition authorities having approved the Transaction;
- 5.4. On or before 30 September 2022, each of the relevant Parties confirming that their required resolutions will still allow for the implementation of the Transaction;
- 5.5. On or before 1 October 2022, the Grindrod Group obtaining a legal opinion confirming that Grindrod does not require shareholder approval, that has not already been obtained, to implement the Transaction;
- 5.6. On or before 31 October 2022:
 - 5.6.1. the Joint Venture having completed all operational and administrative matters necessary for the operation of the Joint Venture; and

5.6.2. all other regulatory approvals, including the necessary environmental and terminal operating license approvals, required to implement the Transaction being obtained.

The fulfilment of the above suspensive conditions may be extended or waived subject to agreement between the Parties as set out in the Agreement.

6. Undertakings and warranties

The Agreement contains warranties and undertakings by the Parties which are typical of a transaction of this nature.

7. Effective date of the Transaction

The effective date of the key business disposals in the Transaction will be upon Completion Date, which is expected to be on or about 31 October 2022, with the final shareholding structure for the Joint Venture achieved two business days later.

8. Financial information

The value of the net assets and the profits attributable to the net assets that are the subject of the Transaction are as follows:

			Value of net assets (R'million)	Profits after tax attributable to net assets (R'million)
GSA	Businesses	(Grindrod	164.8	22.1
	Disposal) ¹			
APM	Terminals	Businesses	20.5	2.5
	(Maersk Disposal) ²			

Notes:

1. The financial information for the GSA Businesses has been extracted from Grindrod's unaudited interim results for the six months ended 30 June 2021 which were prepared in terms of International Financial Reporting Standards ("IFRS"). The figures shown above relate to 51% of the GSA Businesses, as Grindrod will effectively be disposing of a 51% interest in the GSA Businesses.
2. The financial information for the APM Terminals Businesses has been extracted from the A.P. Møller - Mærsk A/S unaudited interim report for Q2 2021 which was prepared in terms of IFRS. The figures shown above relate to 49% of the APM Terminals Businesses, as Grindrod will effectively be acquiring a 49% interest in the APM Terminals Businesses.

The estimated financial impact of the Transaction for Grindrod is expected to be as follows:

	R'million	Description
Investment in the Joint Venture	547	Fair value of combined business (refer paragraph 4 above) at 49% (i.e. 49% of the sum of the Grindrod Disposal Consideration and the Maersk Disposal Consideration)
Cash proceeds	209	Fixed Amount of the JV Disposal Consideration
Disposal of net assets	(457)	Combination of the net asset value of the GSA Businesses and goodwill
Profit on sale	299	

The financial information in this announcement is the responsibility of the directors of Grindrod and has not been reported on or reviewed by a reporting accountant.

9. Categorisation of the Transaction in terms of the JSE Listings Requirements

The Transaction is categorised as a Category 2 transaction for Grindrod in terms of the JSE Listings Requirements and therefore no shareholder approval is required.

Durban

15 November 2021

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

Legal Advisor
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