



Grindrod Limited **Audited results**

for the year ended 31 December 2017

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HIGHLIGHTS FINANCIAL AND BUSINESS ENVIRONMENT



Mike Hankinson



HIGHLIGHTS STRATEGIC

Grindrod

- Over a century of entrepreneurial growth
- Developed into three distinct businesses
- Strategy execution in progress

Shipping

- All regulatory processes are well progressed
- Proposed Nasdaq listing with inward listing on the JSE
- Shareholder approval to be sought for the spin-off



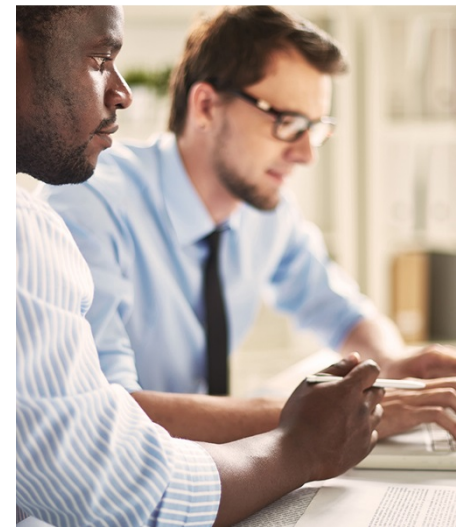
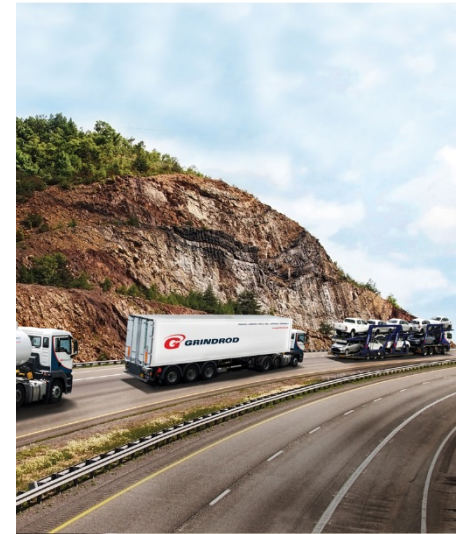
HIGHLIGHTS STRATEGIC

Freight Services

- Restructure work is nearing completion and gaining traction
- Reviewing opportunities to increase scale in line with strategy

Financial Services

- Continued organic growth across the portfolio
- Opportunities to further scale the business are under consideration
- Full co-operation to find a solution for the SASSA recipients



HIGHLIGHTS

BUSINESS ENVIRONMENT

- Global output estimated to grow by 3.7% in 2017
- China's economic growth is projected at 6.8% for 2017
- US and Eurozone economic growth is projected to be moderate at 2.3% in 2017
- South African economic growth is projected to be poor at 0.9% for 2017 but sentiment is positive
- Commodity demand at more sustainable levels and world seaborne trade continues to improve



Source: IMF, World Economic Outlook, January 2018



HIGHLIGHTS

FINANCIAL

PERFORMANCE FROM CONTINUING OPERATIONS – FREIGHT AND FINANCIAL SERVICES

- Revenue inclusive of joint ventures up 14% to R21 275.9 million (2016: R18 660.1 million)
- EBITDA inclusive of joint ventures up 45% to R953.6 million (2016: R658.9 million)
- Headline earnings R570.8 million (headline earnings 2016: R208.8 million), a 173% improvement on prior year
- Headline earnings per share 76.0 cents (2016: 27.8 cents)
- Earnings per share 86.0 cents (2016: 19.2 cents)



HIGHLIGHTS

FINANCIAL

PERFORMANCE OF SHIPPING – TO BE SEPARATELY LISTED

- Headline loss from shipping R202.6 million (headline loss 2016: R569.6 million)
- Net asset value of shipping business to be separately listed \$320 million, approximates fair value

PERFORMANCE FROM TOTAL OPERATIONS

- Loss per share 77.6 cents (2016 loss per share: 254.2 cents)
- Net asset value per share 1 790 cents (2016: 2 007 cents)
- Nil gearing (2016: 2%)
- No ordinary dividend was declared



RESULTS 2017



Andrew Waller



RESULTS 2017

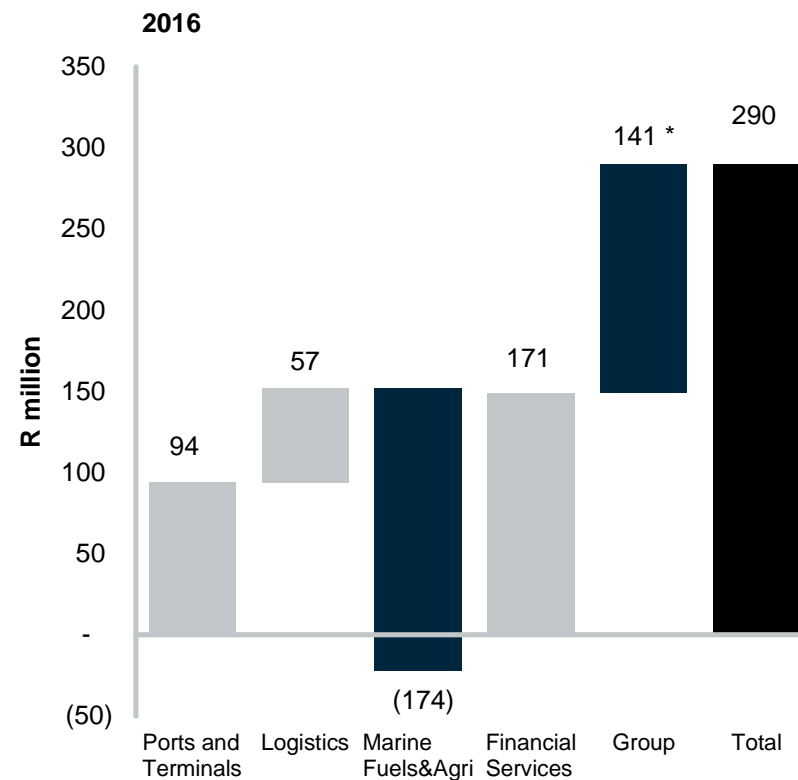
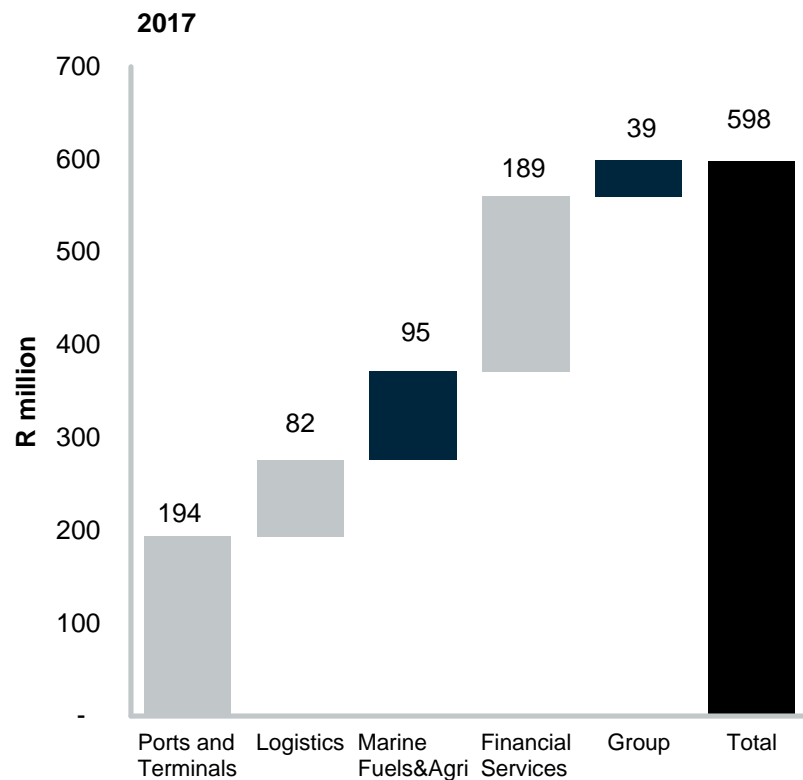
MANAGEMENT INCOME STATEMENT – CONTINUING OPERATIONS

R million	2017	2016	Comments
Revenue	21 276	18 660	Increase in bunker fuels revenue due to crude oil price
Trading profit	954	659	Improved terminals utilisation, reduced losses in bunker fuels business and cost reduction
Depreciation and amortisation	(300)	(335)	Decline in average exchange rate
Non-trading items	113	(53)	Accounting impact of buy-up in Rail concession
Net interest income	119	174	Decline in average exchange rate and gearing arising from berth deepening
Share of profits from associates	99	60	Improved Agri results following the drought in prior year
Taxation	(236)	(211)	
Non-controlling shareholders' interest	(8)	-	
Preference dividends	(68)	(68)	
Profit attributable to ordinary shareholders	674	226	
Average rate of exchange ZAR/US\$	13.36	14.73	



RESULTS 2017

HEADLINE PROFIT BY SEGMENT - CONTINUING OPERATIONS



* Results include foreign currency adjustment on UK property



RESULTS 2017

MANAGEMENT INCOME STATEMENT – DISCONTINUED OPERATIONS

R million	2017	2016	Comments
Revenue	5 876	6 270	Improved shipping rates, offset by no orders in the rail assembly business
Trading results			
Shipping	223	(5)	Improved rates
Rail	59	(1)	
Rail adjustment *	(651)	-	
Trading results	(369)	(6)	
Depreciation and amortisation	(322)	(517)	
Shipping	(285)	(447)	Lower average exchange rate on a lower base due to ship impairments
Rail	(37)	(70)	Held for sale depreciation reversal
Non-trading items	(316)	(1 393)	
Shipping	(719)	(233)	Ship and goodwill impairments of R620 million and IFRS 5 depreciation
Rail	(248)	(509)	
Rail adjustment*	651	(651)	
Net interest paid	(155)	(209)	Lower average exchange rate
Share of losses from associates	(5)	(1)	
Taxation	(92)	(4)	Rail deferred tax
Non-controlling shareholders' interest	3	(4)	
Loss attributable to ordinary shareholders	(1 256)	(2 134)	

*Rail impairment charge in 2016 on planned sale of Grindrod Locomotives excluded from headline in prior year is recycled through headline earnings in the current year as the sale did not conclude and the business was closed down.



RESULTS 2017

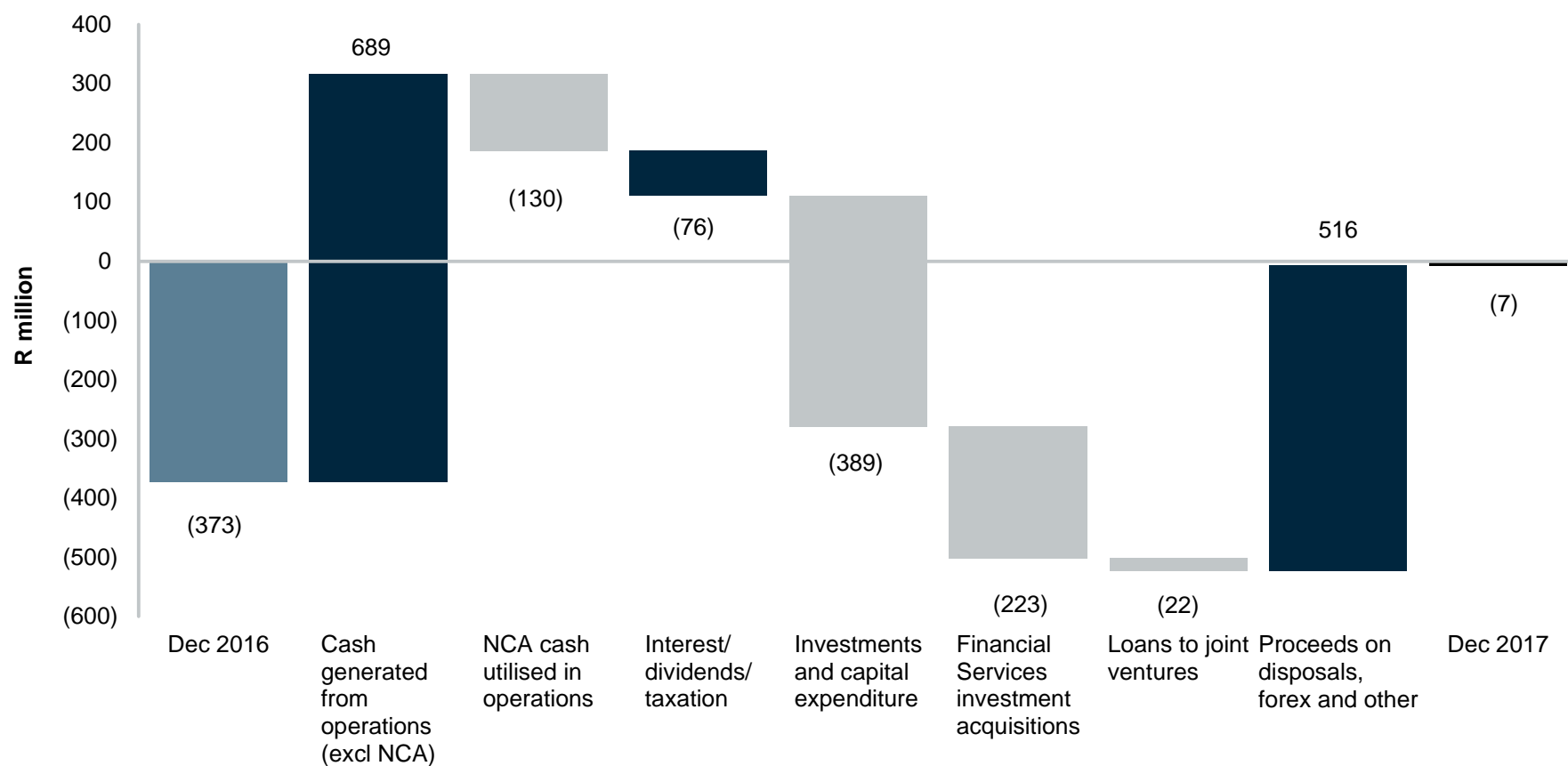
MANAGEMENT BALANCE SHEET

R million	2017	2016	Comments
Property, plant and equipment	2 769	9 792	
Port and Terminals	1 086	1 092	
Logistics	817	769	
Marine Fuels and Agri	46	69	
Financial Services	195	200	
Group	625	658	
Discontinued operations	-	7 004	Shipping business to be separately listed
Intangible assets	1 225	1 530	Impairment of goodwill in coastal shipping business and transfer to held for sale
Investments in associates	1 340	1 483	Impairments and exchange rate
Other assets	9 372	7 742	Bank advances
Non-current assets held for sale	8 276	1 617	Shipping business to spin-off and Rail business
Shipping	7 151	-	
Rail	1 125	1 617	
Current assets	16 143	16 900	Transfer to non-current assets held for sale and SASSA cut-off offset by Cockett increase
Total assets	39 125	39 064	
Shareholders' equity	14 210	15 816	Loss and foreign exchange translation
Interest-bearing borrowings	2 226	5 060	Shipping business to be separately listed
Deposits from bank customers	14 640	13 610	SASSA timing and increased deposits
Non-current liabilities held for sale	3 954	1 285	Shipping business to spin-off and Rail business
Shipping	3 294	-	
Rail	660	1 285	
Other liabilities	4 095	3 293	Cockett increase on rising prices
Total equity and liabilities	39 125	39 064	
Closing rate of exchange ZAR/US\$	12.39	13.69	



RESULTS 2017

NET DEBT ANALYSIS



OPERATIONAL OVERVIEW FREIGHT SERVICES



Bongiwé Ntuli

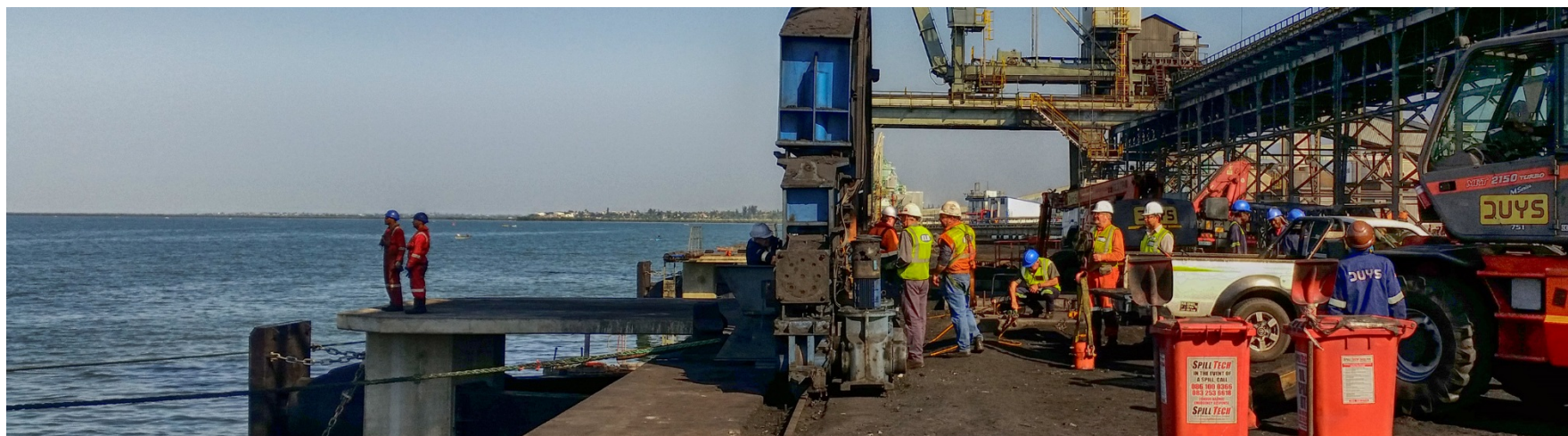


FREIGHT SERVICES – PORT AND TERMINALS

OPERATIONAL HIGHLIGHTS

Maputo Port and Matola Terminal:

- Maputo Port access channel dredge from 11 metres depth to 14.2 metres sailing draft enabled loading of vessels to full capacity
 - Volume loaded per vessel increased by 40% at the Port and 55% at Matola Terminal after the dredge
 - During August a record post-panamax vessel volume of 96 323mt was handled at Matola
- Completion of Matola Terminal berth deepening and quay offset project enabled larger vessel loading
- Maputo Port volumes at 18.2 million tonnes, including sub-concessions, were up 22% on 2016
- A record volume of 5.2 million tonnes was achieved at Matola Terminal up 37% on 2016



FREIGHT SERVICES – PORT AND TERMINALS

OPERATIONAL HIGHLIGHTS

Richards Bay terminals:

- The export coal volumes of 1.8 million tonnes was up 6% on prior year
- Work with Transnet to optimise the corridor is progressing well

Liquid terminals:

- Durban tank conversion for the storage of low-hazard chemicals is complete
- Cape Town additional vegetable oil tank construction underway and phase two expansion approved
- Coega liquid tank facility relocation – BOOT agreement was signed with TNPA, customer engagement and feasibility studies continue into 2018



FREIGHT SERVICES – LOGISTICS

OPERATIONAL HIGHLIGHTS

- Execution of the Syrah graphite logistics contract is underway with volumes handled already by our Agency business and the construction of the cross-docking facility in the existing Grindrod managed Nacala intermodal facility is well advanced
- Ships Agency, and Clearing and Forwarding businesses held up well despite the pressure on margins and subdued SA growth
- Carrier Logistics and Intermodal businesses integration is now complete and yielding positive benefits/ synergies
- Seafreight showed improved results due to extension of landside activities



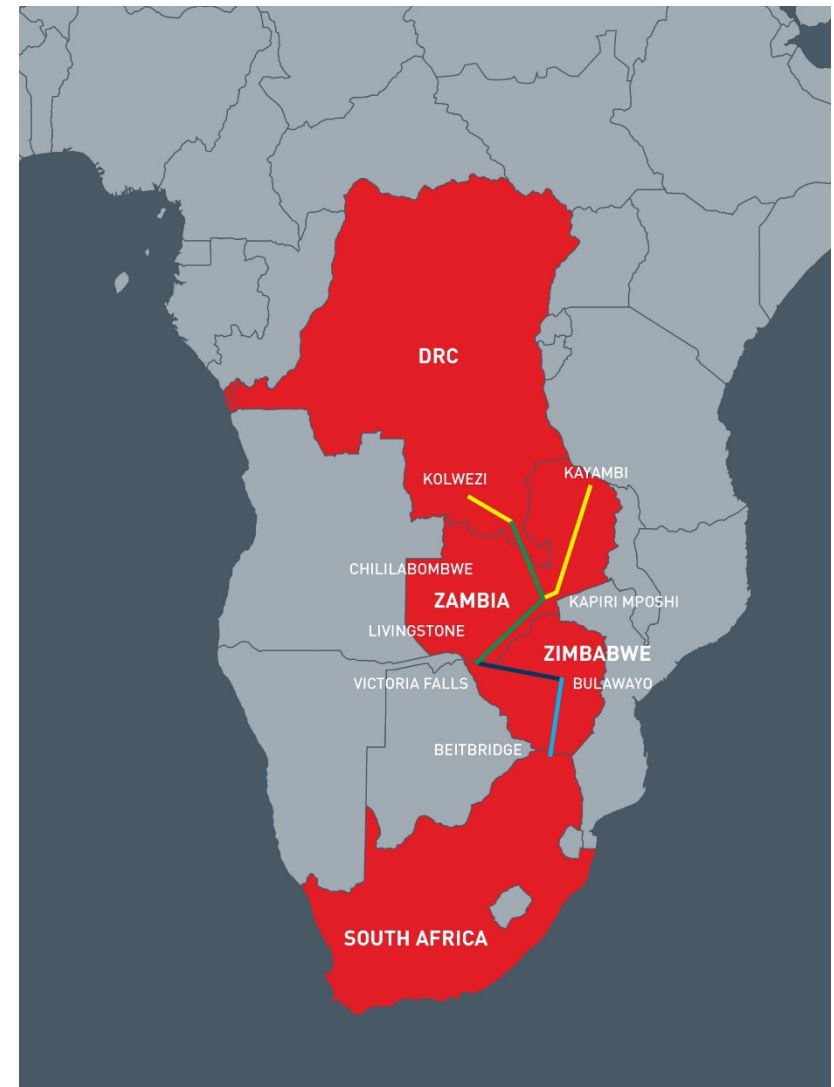
FREIGHT SERVICES – RAIL OPERATIONAL HIGHLIGHTS

Rail operations:

- Increased volumes on the north-south corridor driven by demand from the central African copper belt
- Zambian government's special instrument expected to improve volumes further
- High levels of utilisation of the locomotive lease fleet achieved in 2017

Rail assets held for sale:

- Leasing locomotives fully deployed and subject to sale in line with Rail exist strategy
- Winding up of locomotive assembly business complete



FREIGHT SERVICES ACTIVITY AND OUTLOOK

ACTIVITY

- Port to progress the execution of the Port masterplan including the improvement in efficiencies for shipping lines in line with capital projects development
- Maputo Terminals to further capitalise on the increased depths of the channel and the strengthening of berth/quayside infrastructure
- Efficiencies on Richards Bay corridor servicing the junior coal miners improved
- Continue with Road to Rail strategy for North South Corridor, working with other rail resource partners
- Further develop presence in Nacala working with miners and other customers

OUTLOOK

- Maputo port volumes are firm and port attractiveness improved following the investments and sustained commodity markets
- Terminal volume improvement across most commodities as the market and resources improve
- Integrated Logistics business positioned to grow
- Volume improvements on North South Corridor



OPERATIONAL OVERVIEW SHIPPING



Martyn Wade



SHIPPING ACTIVITY

- Dry-bulk fleet back to profits in Q4, as rates lift from historic lows in 2016
- Tanker fleet earnings, as expected, lower than 2016. Earnings marginally below breakeven
- Ship-operating businesses profits declining as dry-bulk rates lift
- Fleet movements as follows:
 - Addition of one supramax next-generation eco fuel-efficient bulk carrier delivered in January 2017
 - Sold three old tankers and two dry-bulk carriers

DRYBULK SPOT RATES

	High (date)	Ave* Q1 2016	Ave* Q1 2017	Ave* Q1 2018
Supramax	\$72,729 / day (30 Oct 2007)	\$3,693 / day	\$8,103 / day	\$10,592 / day
Handysize	\$49,397 / day (22 May 2008)	\$3,405 / day	\$6,635 / day	\$8,405 / day

* To 22 March 2018



SHIPPING STRATEGY

- Spin off Shipping and proposed listing on the Nasdaq with inward listing on the JSE
- Retain the sector and size focus in which IVS and Unicorn have expertise
- Facilitate consolidation within these sectors
- Consider equity raise for increased fleet at the appropriate time
- Further expand fleet under commercial management



SHIPPING OUTLOOK

- Dry-bulk fleet now at a balanced position with further improvements expected
- Tankers remain at current levels for the remainder of 2018 following the high first half 2017 deliveries
- Ship-operating result expected to remain at profitable levels despite margin pressure



OPERATIONAL OVERVIEW FINANCIAL SERVICES

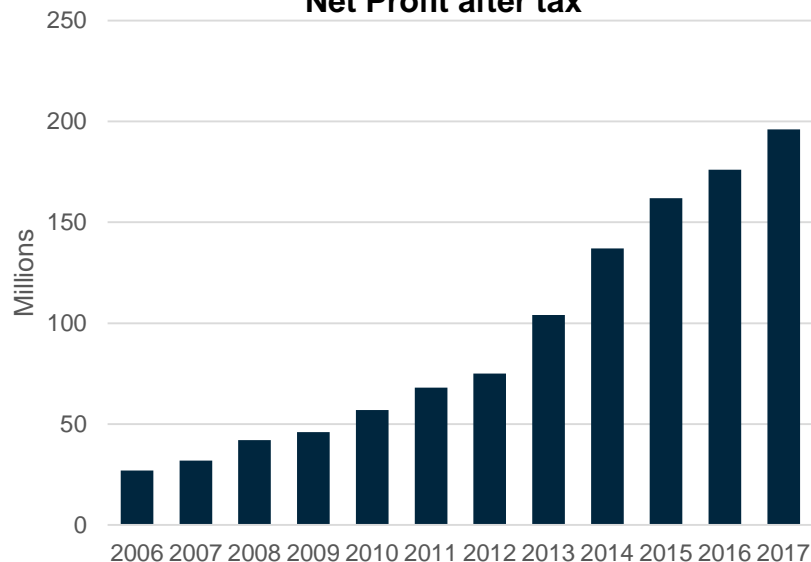


David Polkinghorne

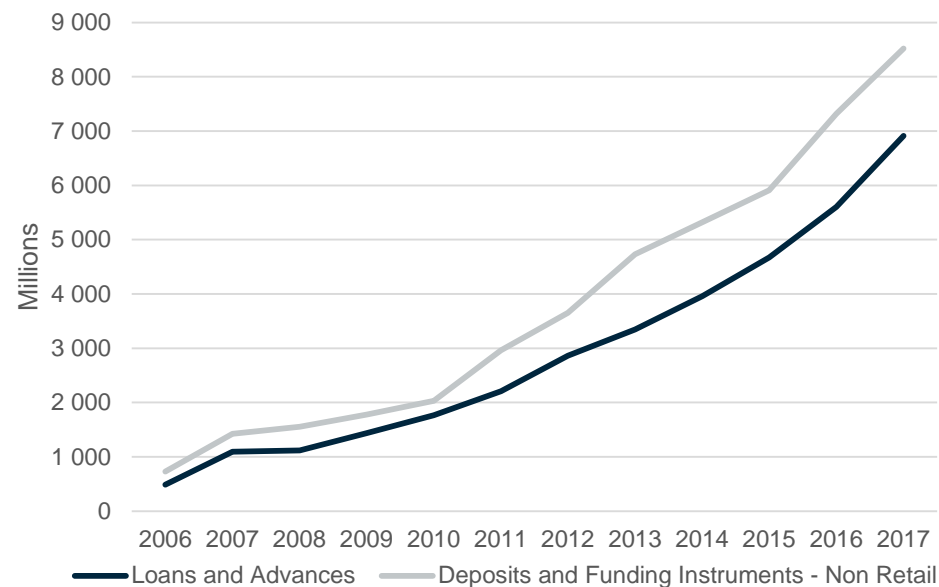


FINANCIAL SERVICES HISTORICAL PERFORMANCE

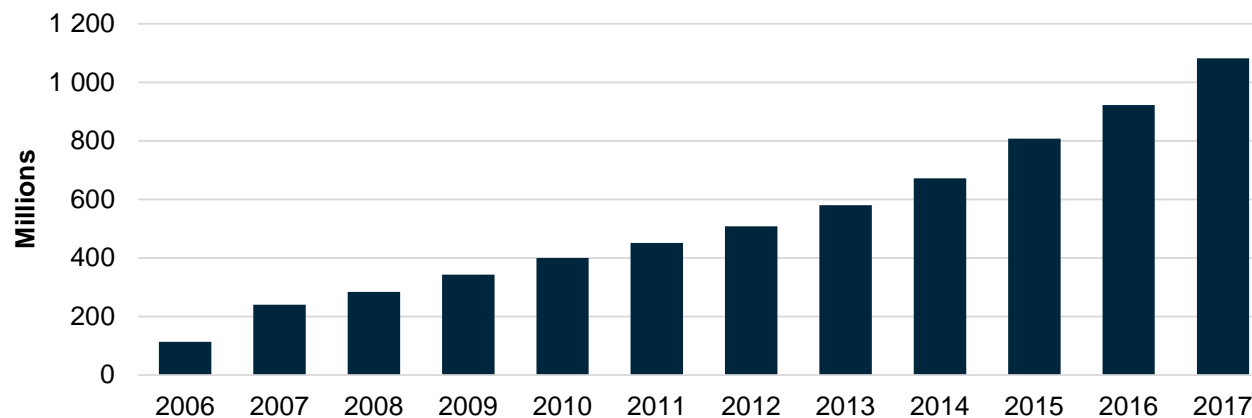
Net Profit after tax



Advances and Deposits



Net Asset Value



FINANCIAL SERVICES OPERATIONAL HIGHLIGHTS

- Continued growth in the Bank
- Private equity investment portfolio continues to grow
- Retail SASSA grant payments continue to be efficiently managed
- Core deposits grew 13.1% (R7.84 billion from December 2016: R6.94 billion)
- Advances grew 22.1% (R7.15 billion from December 2016: R5.85 billion)
- Strong performance from UK property portfolio
- Superior returns from Asset Management portfolios (Bridge and Coreshares)



FINANCIAL SERVICES ACTIVITY AND OUTLOOK

ACTIVITY

- Drive focused business growth
- Pursue growth in assets under management indirectly through CoreShares and Bridge Fund Managers
- Secure appropriate investment banking opportunities
- Focus on well-secured loans with low risk of default
- Expand Retail offering
- Expand the UK Property portfolio
- Actively pursue a meaningful BEE transaction

OUTLOOK

- Steady organic growth expected
- Volatile stock market could impact asset management returns
- Cost of funding impacted by country sovereign rating
- The improved confidence in the SA economy is expected to positively impact values, margins and recoveries across the businesses



GROUP STRATEGY AND OUTLOOK



Mike Hankinson



GROUP OUTLOOK

- Demand for commodities globally is a key driver of both the Freight and Shipping businesses
- Improving dry-bulk shipping rates will have a material impact on the Shipping business's profitability
- Well positioned to take advantage of an improvement in the domestic and global economy
- More accurate valuation by the market of the businesses



ANNEXURES



ANNEXURES

NON-CURRENT ASSETS HELD FOR SALE

R million	2017 Shipping	2017 Rail	2017	2016	Analysis of 2017 balances
Property, ships plant and equipment	5 307	935	6 242	257	Ships and leased locomotives
Intangible assets	102	3	105	3	Goodwill on coastal shipping business
Investments and other assets	32	41	73	172	
Current assets	1 710	146	1 856	1 185	Cash and receivables
Total assets	7 151	1 125	8 276	1 617	
Interest-bearing borrowings	2 667	464	3 131	668	Ship and Rail leasing financing
Other liabilities	73	34	107	37	Deferred tax and PRMA
Current liabilities	554	162	716	580	Working capital
Total liabilities	3 294	660	3 954	1 285	



ANNEXURES

TERMINAL CAPACITY – UTILISATION AS AT 31 DECEMBER 2017

Terminals	H1 2017	H2 2017	Change %	Total 2017	Total 2016	Change %	Annual capacity 2017
Dry bulk (tonnes)	5 002 074	5 213 846	4	10 215 920	8 346 607	22	15 150 000
Matola Coal Terminal ¹	2 654 584	2 548 635	(4)	5 203 219	3 785 918	37	7 300 000
Richards Bay ¹	1 921 044	1 937 826	1	3 858 870	3 929 613	(2)	6 100 000
Walvis Bay (Namibia)	128 328	183 113	43	311 441	299 749	4	550 000
Maputo Terminal ^{1,3}	298 118	544 271	83	842 389	331 327	154	1 200 000
Port of Maputo²	8 427 939	9 783 216	16	18 211 155	14 918 487	22	-
Maputo car terminal (number of vehicles)	6 649	9 690	46	15 164	15 164	8	120 000

¹ Physical tonnage, excluding take or pay volumes

² Includes volumes of Matola Coal Terminal and Maputo Terminal

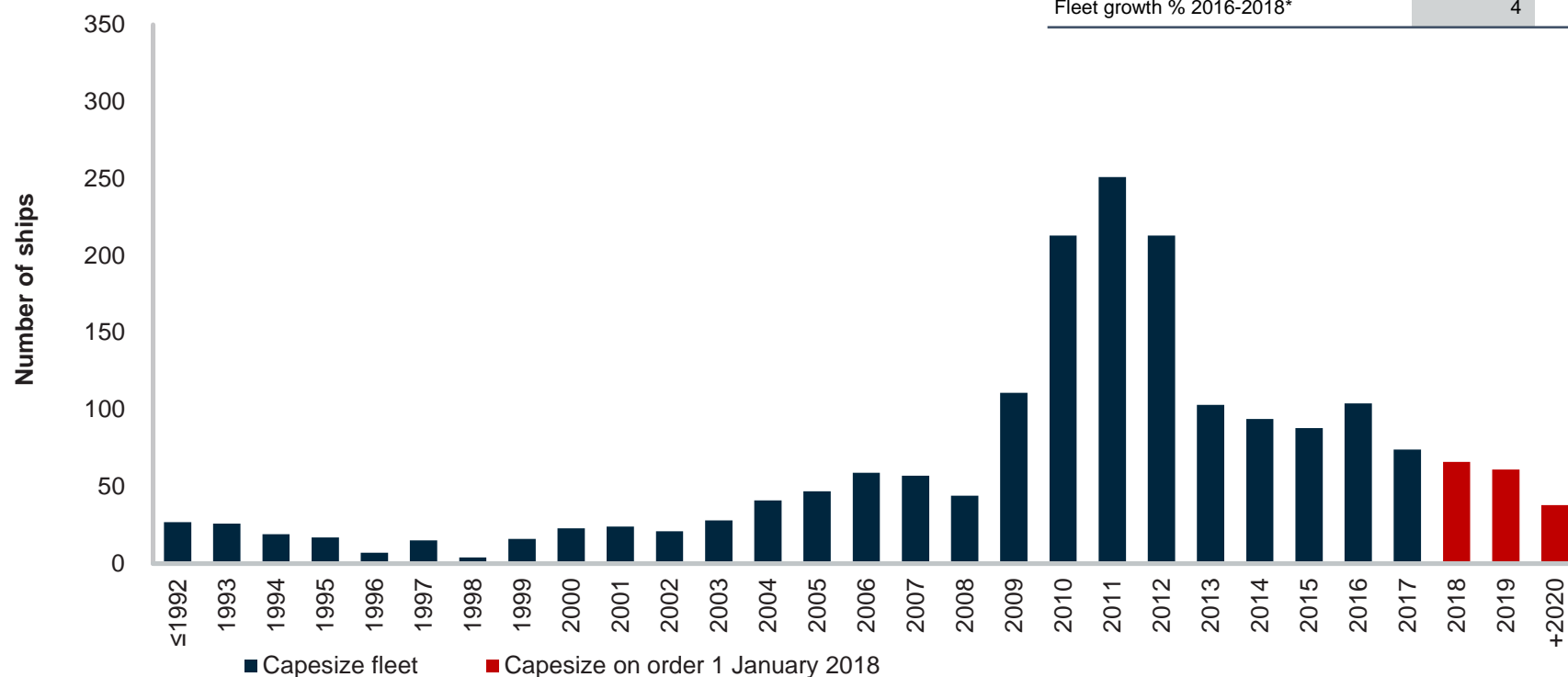
³ Annual capacity is scalable to four million tonnes



ANNEXURES

SHIPPING

CAPE SIZE BULK CARRIERS (100 000+ dwt tonnes)



* Fleet growth is from 1 January 2016 until 1 January 2018

Source: Clarksons Research Services, January 2018

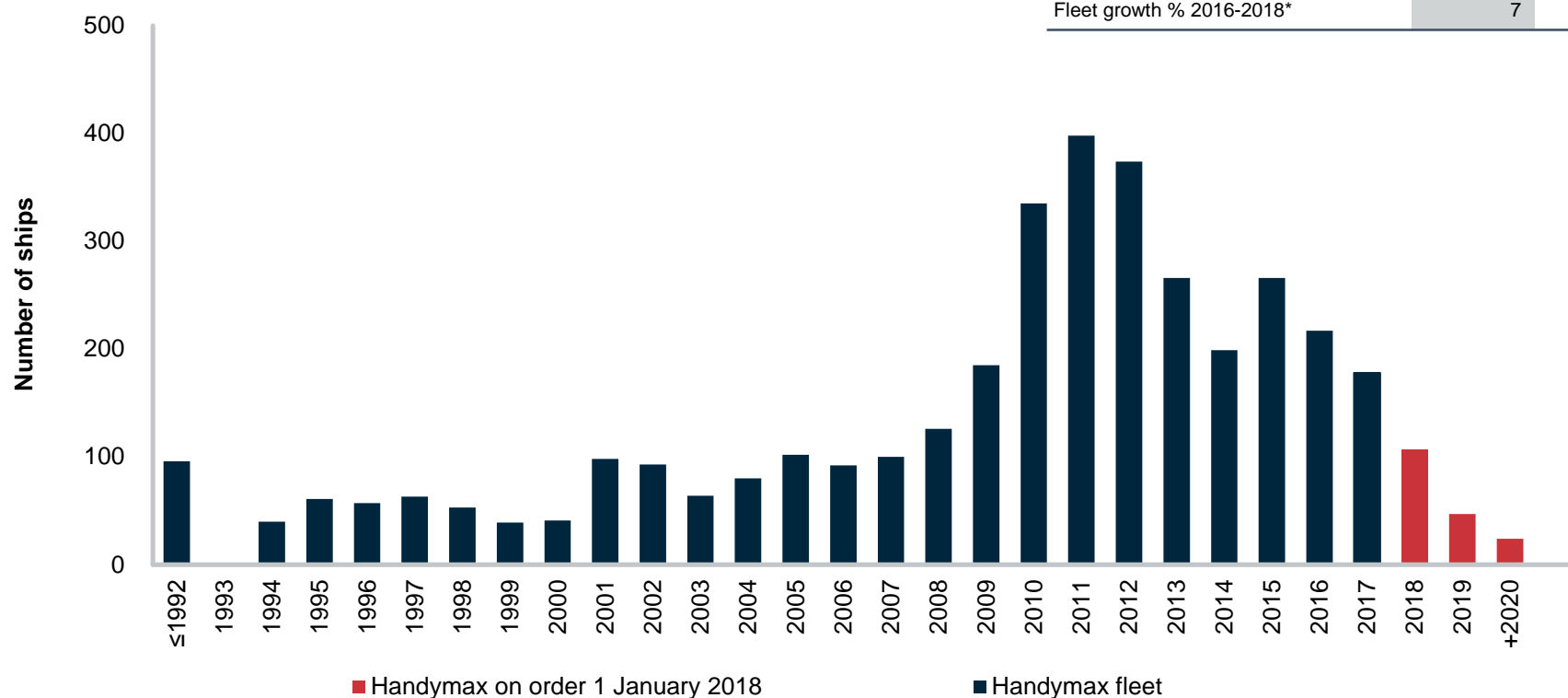
	No of ships	Mdwt
Fleet (1 Jan 2018)	1 692	323.7
Total order book (1 Jan 2018)	165	43.1
Order book % of fleet	10	13
% of fleet over 25 years	1	1
Fleet growth % 2016-2018*	4	5



ANNEXURES

SHIPPING

HANDYMAX BULK CARRIERS (40 – 64 999 dwt tonnes)



* Fleet growth is from 1 January 2016 until 1 January 2018

Source: Clarksons Research Services, January 2018

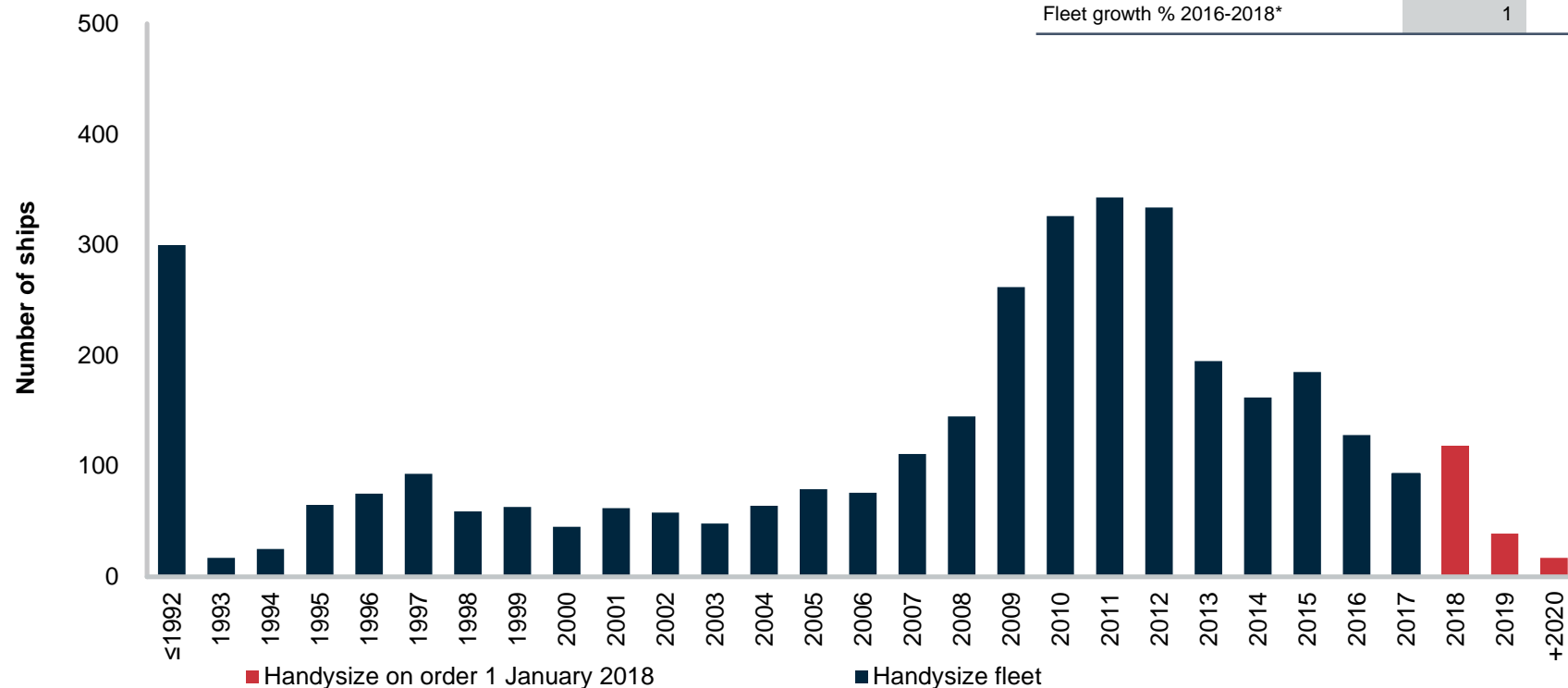
	No of ships	Mdwt
Fleet (1 Jan 2018)	3 553	196.0
Total order book (1 Jan 2018)	178	10.8
Order book % of fleet	5	6
% of fleet over 25 years	2	2
Fleet growth % 2016-2018*	7	9



ANNEXURES

SHIPPING

HANDYSIZE BULK CARRIERS (10 – 39 999 dwt tonnes)



* Fleet growth is from 1 January 2016 until 1 January 2018
 Source: Clarksons Research Services, January 2018

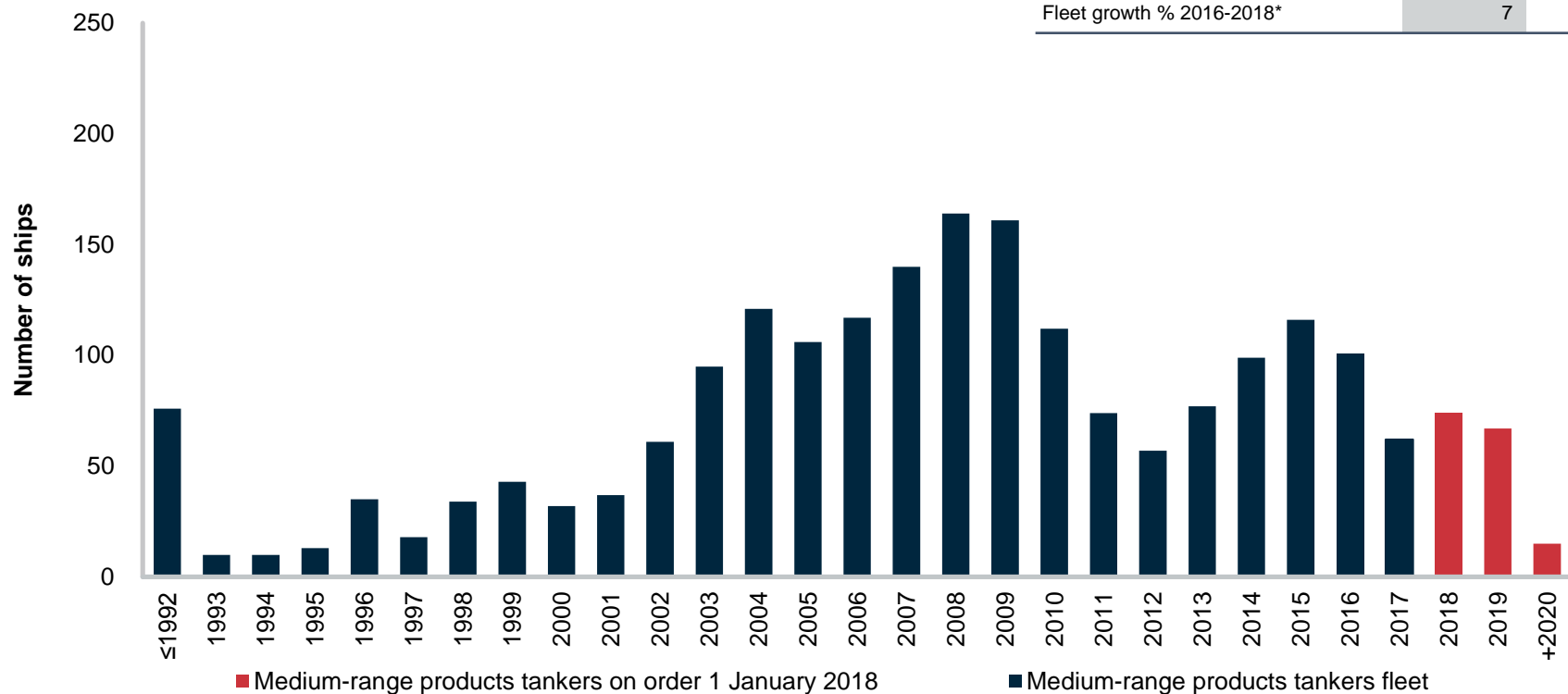
	No of ships	Mdwt
Fleet (1 Jan 2018)	3 361	95.9
Total order book (1 Jan 2018)	174	5.9
Order book % of fleet	5	6
% of fleet over 25 years	7	6
Fleet growth % 2016-2018*	1	3



ANNEXURES

SHIPPING

MEDIUM-RANGE PRODUCTS TANKERS (25 – 54 999 dwt tonnes)



* Fleet growth is from 1 January 2016 until 1 January 2018
 Source: Clarksons Research Services, January 2018

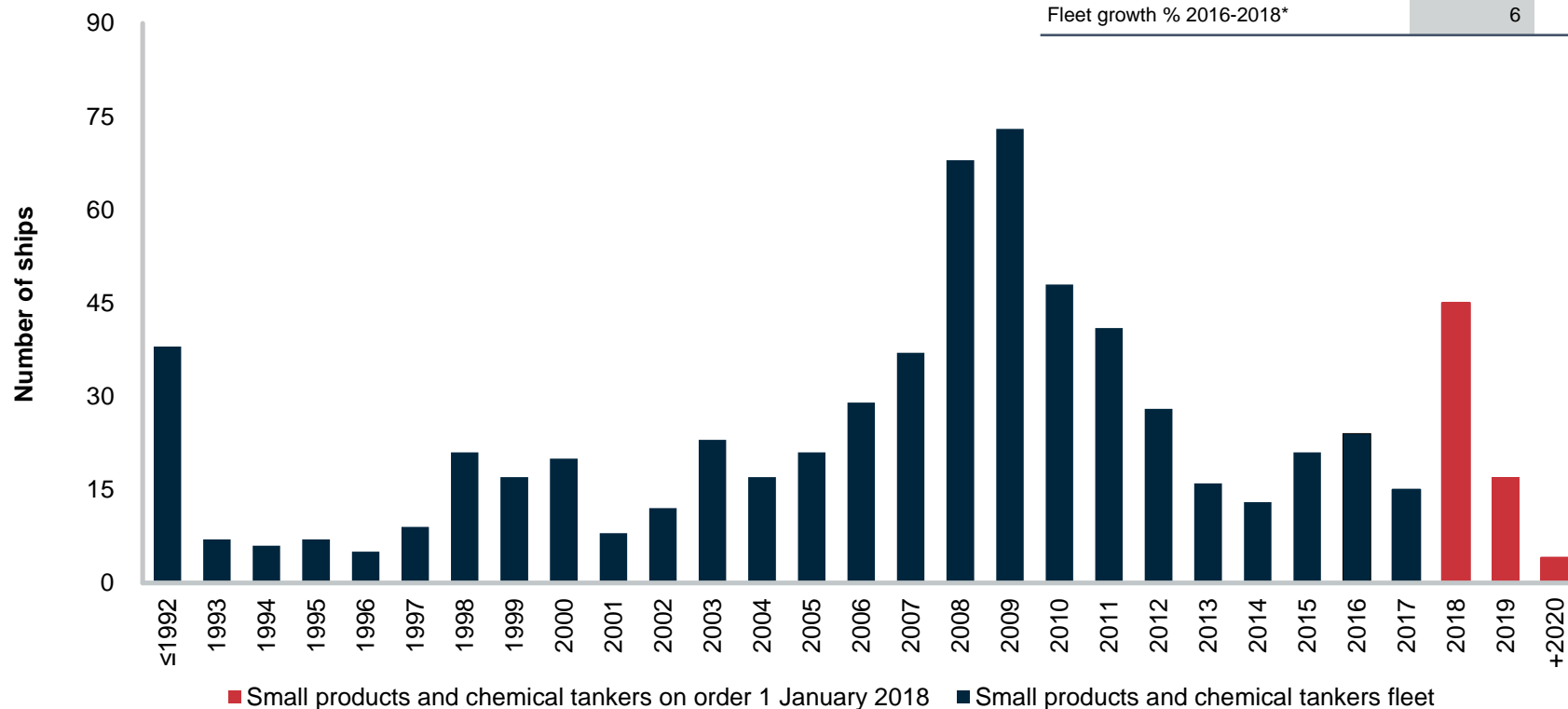
	No of ships	Mdwt
Fleet (1 Jan 2018)	1 959	88.3
Total order book (1 Jan 2018)	156	7.5
Order book % of fleet	8	9
% of fleet over 25 years	3	3
Fleet growth % 2016-2018*	7	8



ANNEXURES

SHIPPING

SMALL PRODUCTS AND CHEMICAL TANKERS (15 – 19 999 dwt tonnes)



* Fleet growth is from 1 January 2016 until 1 January 2018

Source: Clarksons Research Services, January 2018

	No of ships	Mdwt
Fleet (1 Jan 2018)	616	11.2
Total order book (1 Jan 2018)	66	1.2
Order book % of fleet	11	11
% of fleet over 25 years	6	6
Fleet growth % 2016-2018*	6	6



ANNEXURES

SCRAPPING

dwt 000	Handysize bulker	Handymax bulker	Panamax bulker	Capesize bulker	Handy* products tanker	Handy* chemical tanker	Total	All other types	Total scrapping
2010	2 700	400	700	2 700	3 200	1 400	11 100	16 900	28 000
2011	5 300	2 200	5 200	10 500	1 400	700	25 300	17 400	42 700
2012	8 300	4 700	8 700	11 700	1 400	600	35 400	23 200	58 600
2013	6 700	3 500	5 000	8 100	1 500	200	25 000	22 000	47 000
2014	4 200	3 100	4 800	4 200	1 300	200	17 800	16 300	34 100
2015	5 200	3 100	6 800	15 400	1 300	200	32 000	6 900	38 900
2016	3 200	4 300	8 400	13 300	810	350	30 360	14 140	44 500
2017	1 600	3 000	3 500	6 400	1 000	300	15 800	19 300	35 100

* Handy tankers cover 10 000 – 60 000 dwt range

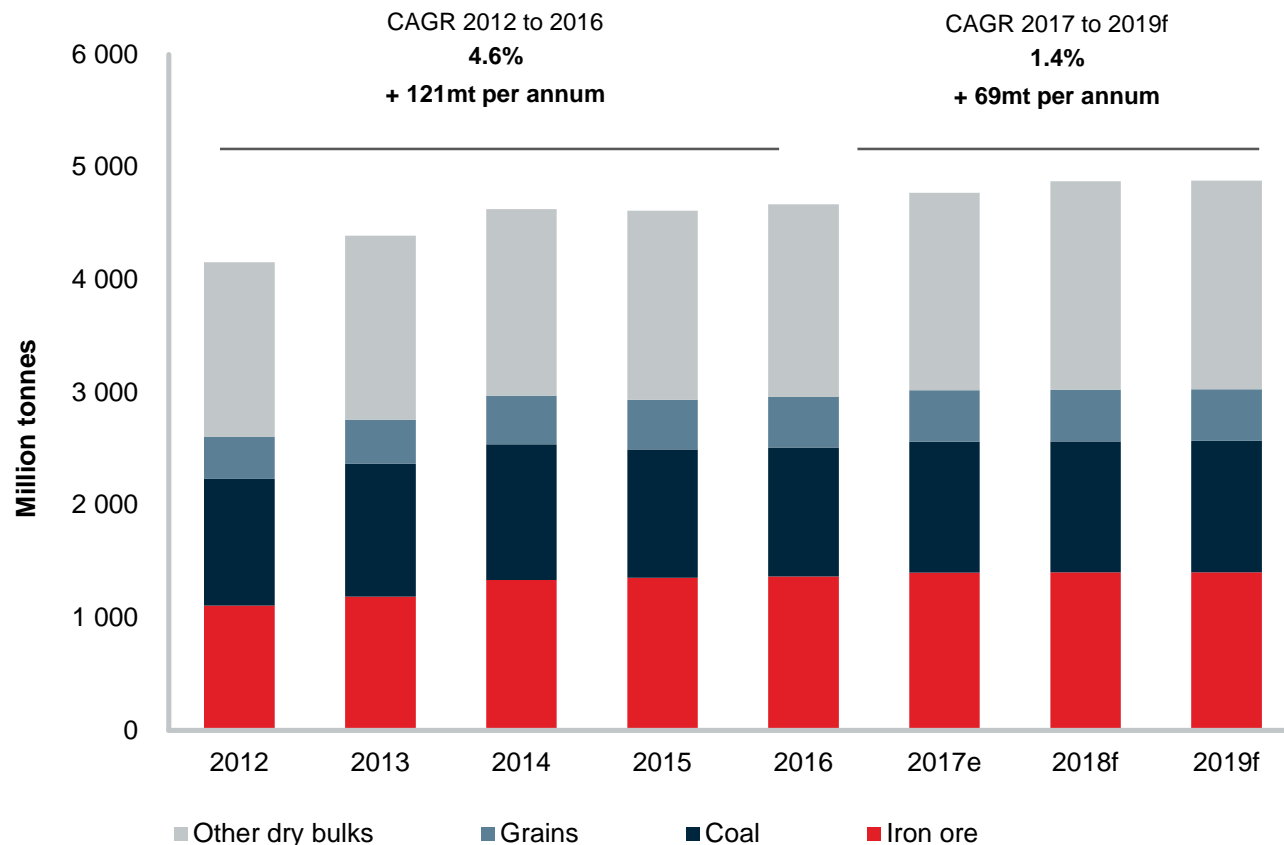
Source: Clarkson Research (Shipping Intelligence Weekly and Shipping Intelligence Network, 31 January 2018)



ANNEXURES

DRY-BULK SEABORNE TRADE

GLOBAL SEABORNE TRADE GROWTH



f = forecast

CAGR = compound annual growth rate

Source: Thomson Reuters, Hartland Shipping Services Limited, December 2017

Global seaborne trade expanded rapidly from 2012 to 2016, adding over 121 million tonnes of new cargo every year on average

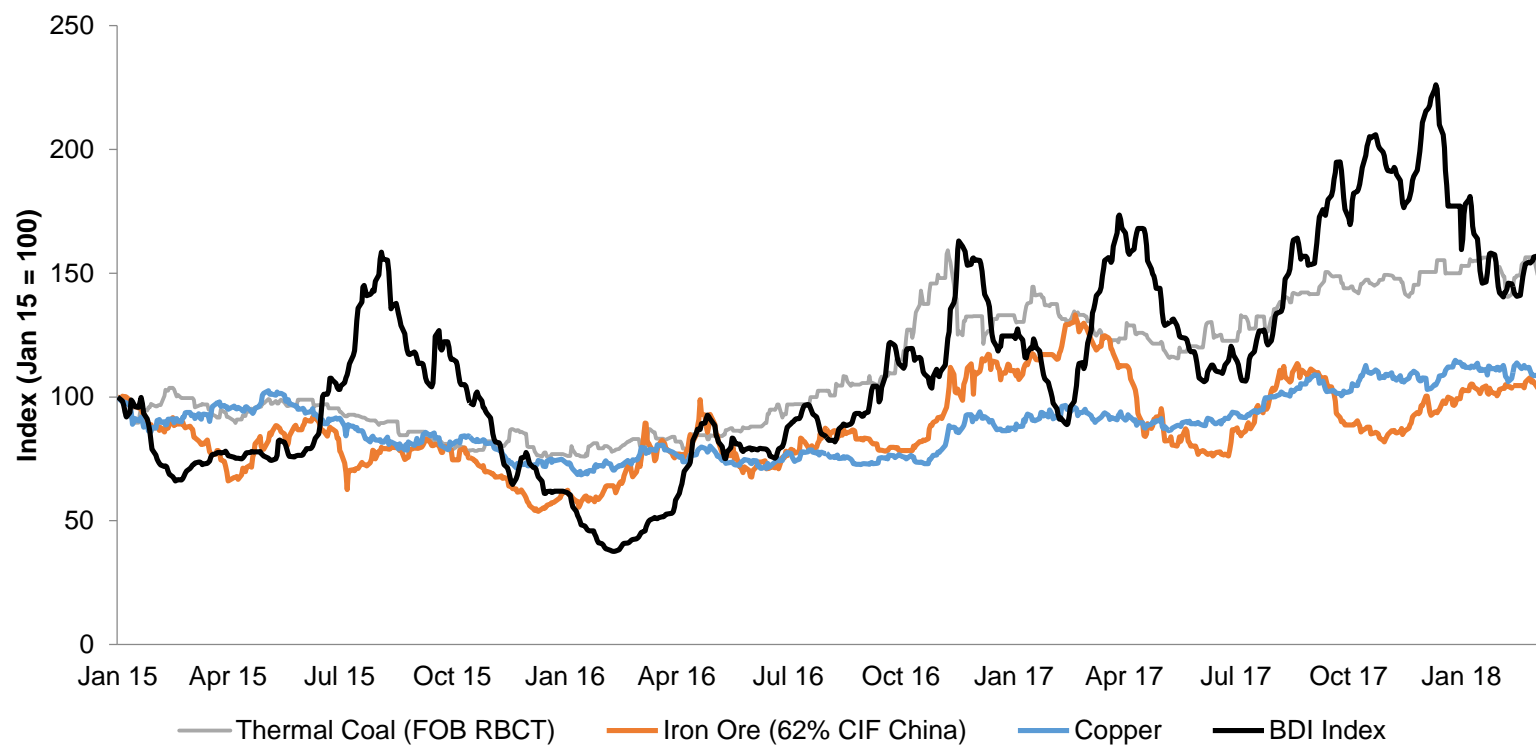
Over the next few years growth is expected to be slower albeit robust at around 69 million tonnes of new cargo on average per year

The pace of growth will pick up gradually from 2017 onwards



ANNEXURES

2015-2017 SHIPPING AND COMMODITY PRICE PERFORMANCE

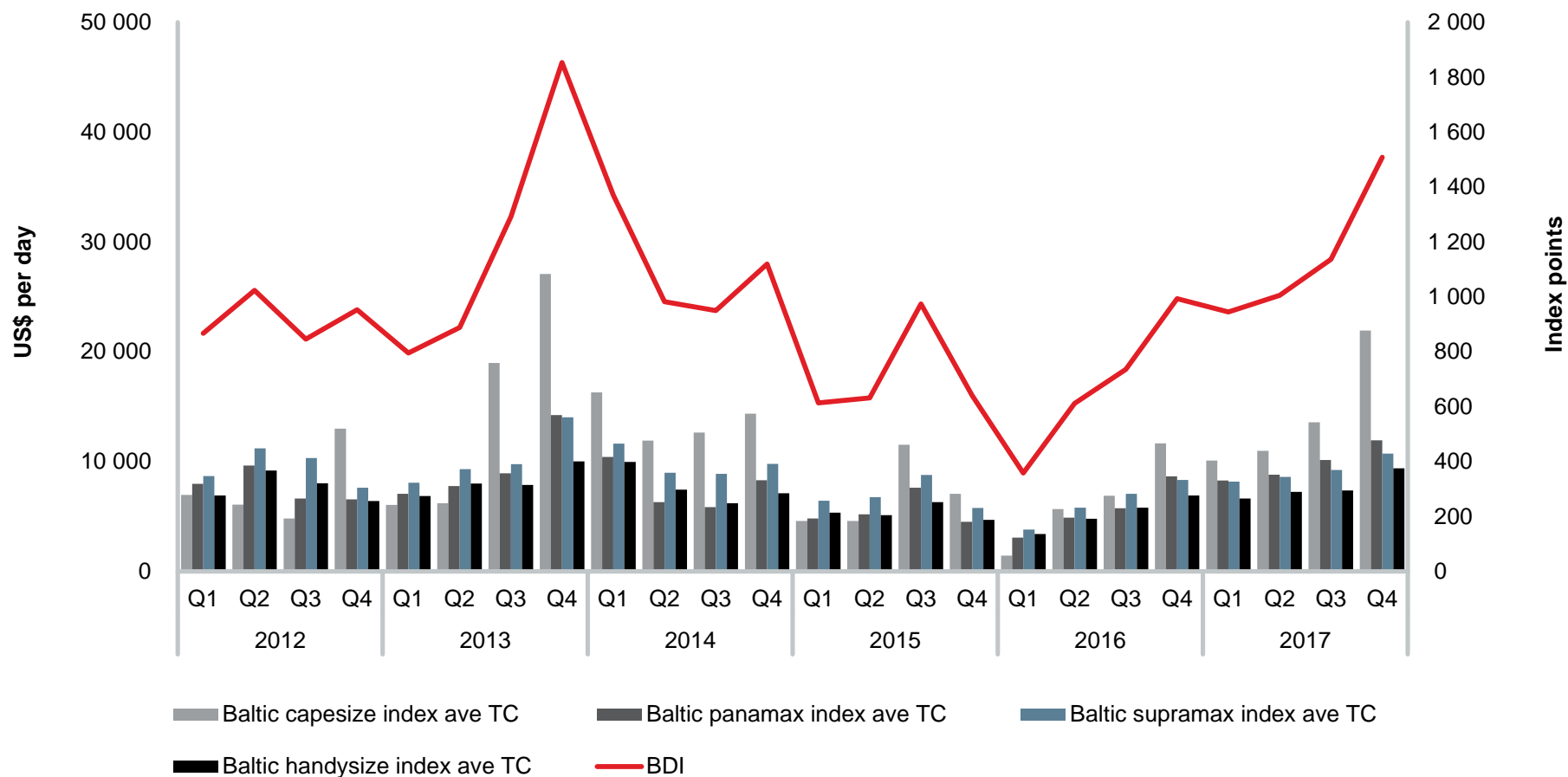


Source: Macquarie Securities Group, Macquarie Group Limited, March 2018



ANNEXURES

DRY-BULK DAILY SPOT RATES (BALTIC INDICES)

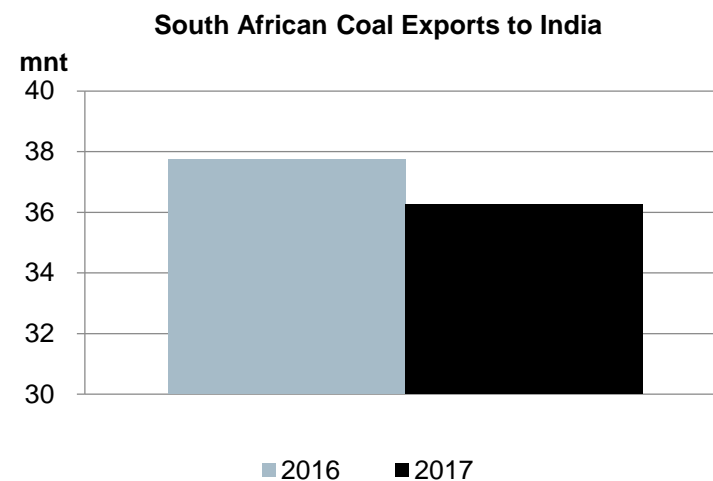
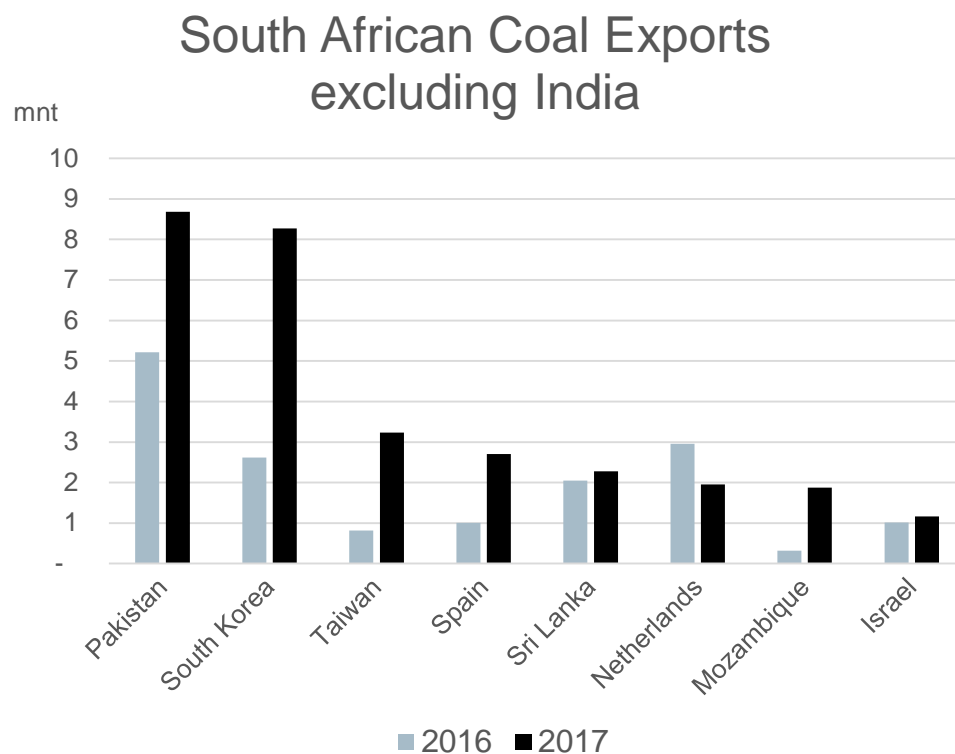


Source: Clarksons Research (Shipping Intelligence Network), copyright Baltic Exchange, 31 January 2018



ANNEXURES

SOUTH AFRICAN COAL EXPORTS



Source: Afriforesight Commodities, March 2018



DISCLAIMER

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- (ii) the information in the databases of other maritime data-collection agencies may differ from the information in the information sources' databases;
- (iii) while the information sources have taken reasonable care in the compilation of the statistical and graphical information and believe it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors;
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GRINDROD LIMITED

FINANCIAL + FREIGHT + SHIPPING