



Grindrod Limited

Unaudited Interim Results

for the six months ended 30 June 2018

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GROUP

Highlights

Mike Hankinson



Business environment

- Global output estimated to grow by 3.2% in 2018
- China's economic growth is projected at 6.6% for 2018
- US and Eurozone economic growth is projected to be moderate at 2.8% and 2.1% respectively in 2018
- South African economic growth projected to be poor at 1.2% for 2018 but sentiment is positive
- Sub-Saharan African economic growth is expected to improve to 3.4% in 2018
- Commodity demand at more sustainable levels and world seaborne trade continues to improve

Source: World Economic Outlook July 2018, IMF May 2018



Strategic highlights

Shipping

- Shipping spin-off successfully implemented
- Shipping market and outlook remain positive
- New board in process of agreeing and executing the strategy
- Shareholders now hold an entirely dollar based share with specific focus on international trade

Freight and Financial Services

- Renewed strategic focus
- Opportunities to introduce diversification and further increase the scale of the businesses are under consideration



Financial

Performance from continuing operations – Freight and Financial Services

- Revenue inclusive of joint ventures up 5% to R11 051.7 million (H1 2017: R10 515.9 million)
- EBITDA inclusive of joint ventures up 21% to R531.2 million (H1 2017: R437.5 million)
- Headline earnings R284.8 million (H1 2017: R231.5 million) - a 23% improvement on prior year
- Headline earnings per share 37.8 cents (H1 2017: 30.8 cents)
- Earnings per share 46.7 cents (H1 2017: 45.6 cents)

Performance from discontinued operations

- Includes release of foreign currency translation gain of R2.8 billion



Financial (continued)

Performance from total operations

- Earnings per share 317.3 cents (H1 2017 loss per share: 11.5 cents)
- Headline earnings per share 3.8 cents (H1 2017 headline loss per share: 17.2 cents)
- Net asset value per share 1 257 cents (H1 2017: 1 909 cents, inclusive of the Shipping business)
- Nil gearing (H1 2017: 5%)
- No interim ordinary dividend declared (H1 2017: no interim ordinary dividend declared)



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2018 Interim results

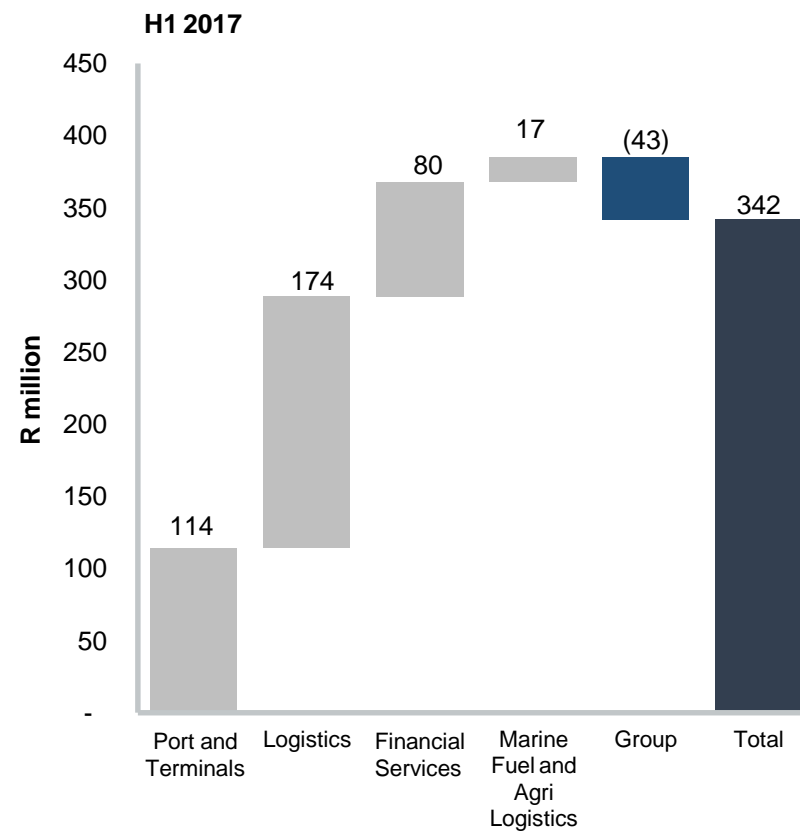
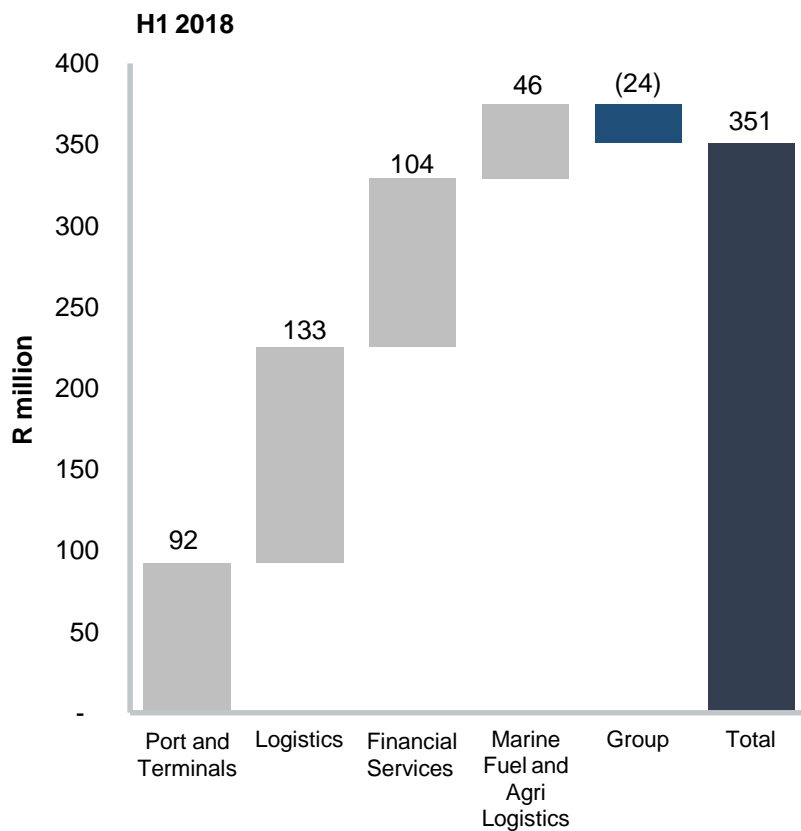
Andrew Waller



Management income statement – Continuing operations

| R million | H1 2018 | H1 2017 | % | Comments |
|---|---------|---------|-------|---|
| Revenue | 11 052 | 10 516 | 5 | Increase in bunker fuels revenue due to higher crude oil price |
| Trading profit | 531 | 437 | 22 | Good terminal utilisation offset by exchange rate Improved result from Rail corridor |
| Depreciation and amortisation | (150) | (142) | (6) | Rail corridor buy up in prior year and berth deepening |
| Non-trading items | 81 | 114 | (29) | Property sale and prior year accounting impact of buy up in Rail corridor |
| Net interest income | 53 | 30 | 77 | |
| Share of profits from associates | 67 | 43 | 56 | Strong Agri performance |
| Taxation | (179) | (102) | (75) | Improved profitability |
| Non-controlling interests | (19) | (4) | (375) | |
| Preference dividends | (33) | (34) | 3 | |
| Profit attributable to ordinary shareholders | 351 | 342 | 3 | |
| Average rate of exchange (ZAR/US\$) | 12.31 | 13.32 | | |

Attributable profit by segment – Continuing operations



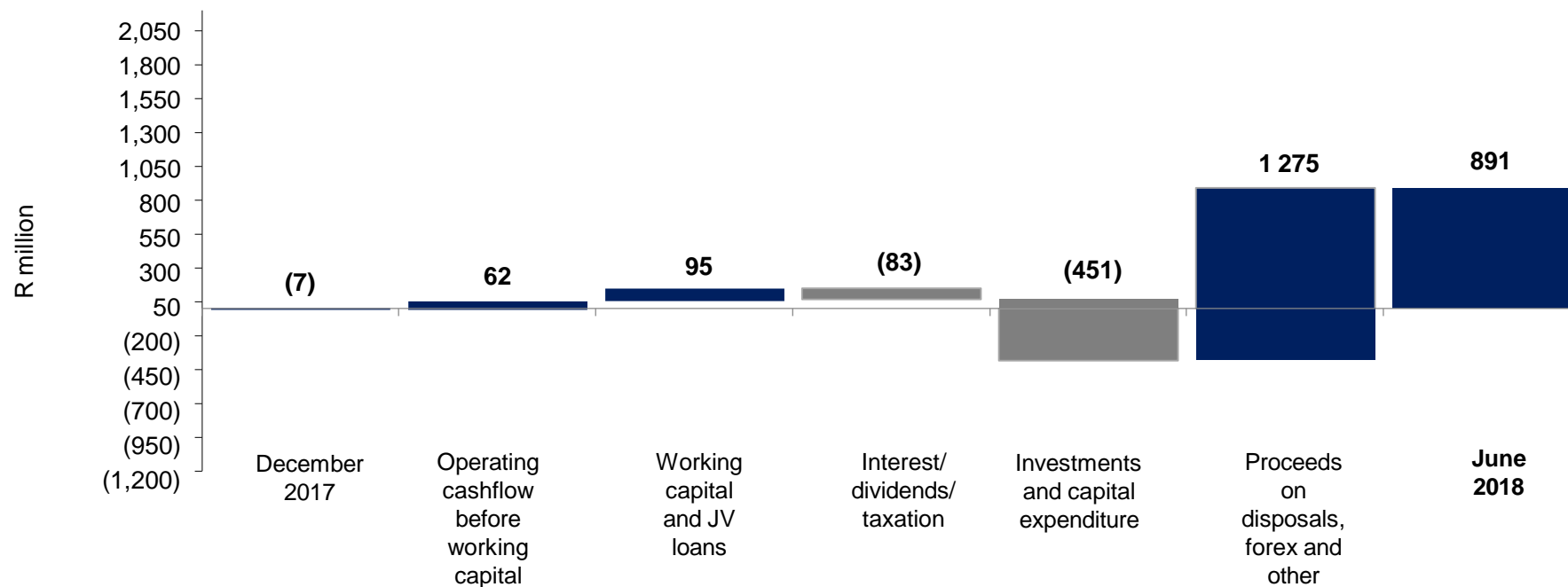
Management income statement – Discontinued operations

| R million | H1 2018 | H1 2017 | Comments |
|--|---------|---------|---|
| Revenue | 2 090 | 2 888 | Improved drybulk rates offset by decline in tanker rates and exchange rate |
| Trading loss | (157) | (23) | |
| Shipping | (94) | 131 | Includes transaction costs |
| Rail | (63) | (154) | Rail assembly losses and inventory write offs in prior year, now wound down |
| Depreciation and amortisation | - | (218) | Nil depreciation on held for sale assets |
| Shipping | - | (195) | |
| Rail | - | (23) | |
| Non-trading items | 2 279 | (68) | |
| Shipping | 2 861 | - | Foreign currency translation gain |
| Rail | (582) | (68) | Impairment of Sierra Leone locomotives |
| Net interest expense | (64) | (90) | Exchange rate and settlement of Rail assembly debt |
| Share of losses from associates | - | (2) | |
| Taxation | (21) | (26) | |
| Non-controlling shareholders' interest | - | (1) | |
| Profit/(loss) attributable to ordinary shareholders | 2 036 | (429) | |
| Average rate of exchange (ZAR/US\$) | 12.31 | 13.32 | |

Management balance sheet

| R million | 30 June 2018 | 31 Dec 2017 | Comments |
|---|---------------|---------------|--|
| Property, plant and equipment | 2 931 | 2 769 | |
| Port and Terminals | 1 149 | 1 086 | Berth deepening |
| Logistics | 962 | 817 | Syrah project |
| Financial Services | 191 | 195 | |
| Marine Fuels and Agricultural Logistics | 51 | 46 | |
| Group | 578 | 625 | |
| Intangible assets | 1 241 | 1 225 | |
| Investments in associates | 1 468 | 1 340 | Agri profits and exchange rate |
| Other assets | 10 023 | 9 372 | Advances and revaluation within asset management |
| Non-current assets held for sale | 621 | 8 276 | Rail leasing business held for sale |
| Shipping | - | 7 151 | |
| Rail | 621 | 1 125 | |
| Current assets | 18 974 | 16 143 | Increase in Marine Fuel receivables, exchange rate and higher agency debtors offset by lower cash due to timing of SASSA cut off |
| Total assets | 35 258 | 39 125 | |
| Shareholders' equity | 10 263 | 14 210 | Return of share capital and ordinary dividend arising from spin-off of shipping business |
| Interest-bearing borrowings | 3 056 | 2 226 | Exchange rate and debt refinancing by Financial Services |
| Deposits from bank customers | 17 183 | 14 640 | SASSA timing and increased deposits |
| Non-current liabilities held for sale | 713 | 3 954 | Rail leasing business held for sale |
| Shipping | - | 3 294 | |
| Rail | 713 | 660 | |
| Other liabilities | 4 043 | 4 095 | |
| Total equity and liabilities | 35 258 | 39 125 | |
| Closing rate of exchange (ZAR/US\$) | 13.73 | 12.39 | |

Net debt analysis



FREIGHT SERVICES

Operational overview

Bongiwe Ntuli



Operational overview – Port and Terminals

Maputo Port and Matola Terminal

- Maputo Port continues to benefit from the access channel dredge, achieving strong volume growth
 - Total Port volumes at 9.7 million tonnes grew 15% on 2017
 - MPDC handled volumes at 4.1 million tonnes up 38%
 - In June a Cape vessel, MV Magali, sailed with a record 100 674 DWT
 - Planned capex includes slab development and purchase of handling equipment which is expected to further improve volumes and Port efficiencies for Shipping lines
- Matola coal volume increased by 36%, buoyed by improved pricing, but operational disruption at the magnetite customer resulted in total volume decreasing to 2.5 million tonnes, 8% down on 2017



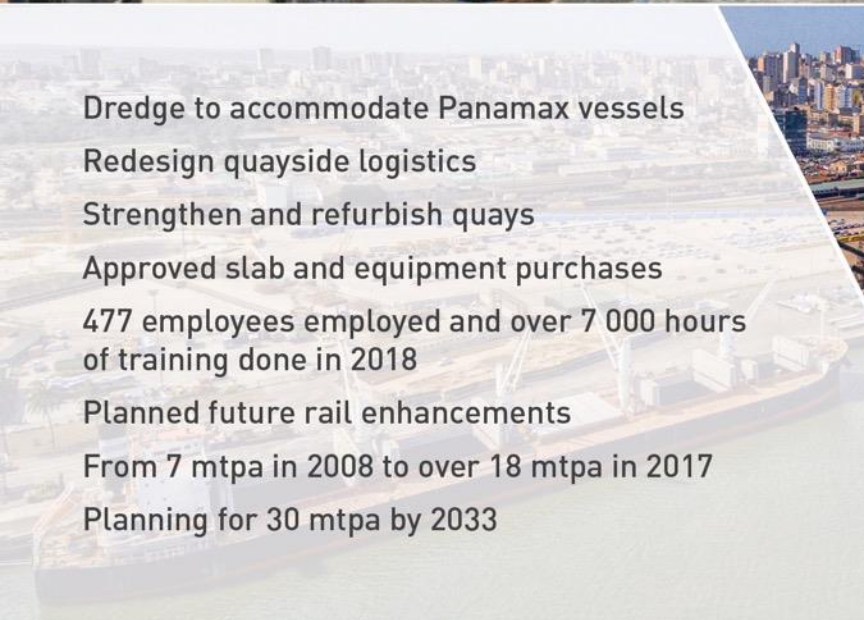


MAPUTO PORT EXPANSION


INCREASED CAPACITY THROUGH CONTINUOUS IMPROVEMENTS

In line with customer demand

Panamax
vessel arriving



- Dredge to accommodate Panamax vessels
- Redesign quayside logistics
- Strengthen and refurbish quays
- Approved slab and equipment purchases
- 477 employees employed and over 7 000 hours of training done in 2018
- Planned future rail enhancements
- From 7 mtpa in 2008 to over 18 mtpa in 2017
- Planning for 30 mtpa by 2033



Maputo port quays
6 - 9 are currently
being refurbished

New handling
equipment installed
in 2017

Operational overview – Port and Terminals (continued)

Richards Bay Terminals

- Richards Bay volumes at 1.7 million tonnes, up 7% on 2017

Liquid Terminals

- Construction of tank capacity at Nautilus site in Cape Town is progressing to plan – expected completion is H1 2019
- Coega liquid tank facility relocation – customer engagement is progressing and feasibility studies are nearing completion, with financial close expected in the second half of 2018





WALVIS BAY TERMINAL

INCREASED EXPORT ACTIVITY IN NAMIBIA

New exporters in market to boost volumes

Inaugural lithium ore loaded
for export

2 Additional consignments planned
for 2018

Continued engagement for
2019 volumes

Walvis Bay Bulk
Terminal, Namibia

Operational overview – Logistics


- Cross-docking facility to execute the Syrah graphite logistics contract is complete and volume ramp-up in progress
- Ships Agency and Clearing and Forwarding businesses were impacted by lower port calls and underutilised capacity at new warehouse
- Integrated Carrier Logistics and Intermodal businesses results remain subdued in a difficult market
- Seafreight results continue to benefit from the extension of the business to landside cargo storage and handling activities





NACALA INTERMODAL COMPLETION

DEVELOPING A PLATFORM FOR FUTURE EXPANSION




Greenfields graphite logistics operation for
Syrah Mining company

500 km road haul from Balma to Nacala

Repack for clearing and export

60 000 m² facility required – warehouse of 10 000 m²
fully developed with 30 000 m² container yard

50 truck/trailer combinations purchased and
145 employees recruited (98% are local)



Intake Tower
The Balama Project



MOZAMBIQUE

BALAMA

Morrola
Turn

PEMBA

NACALA

NAMPULA

Nampala
Junction



**SEAFREIGHT
GROWTH**

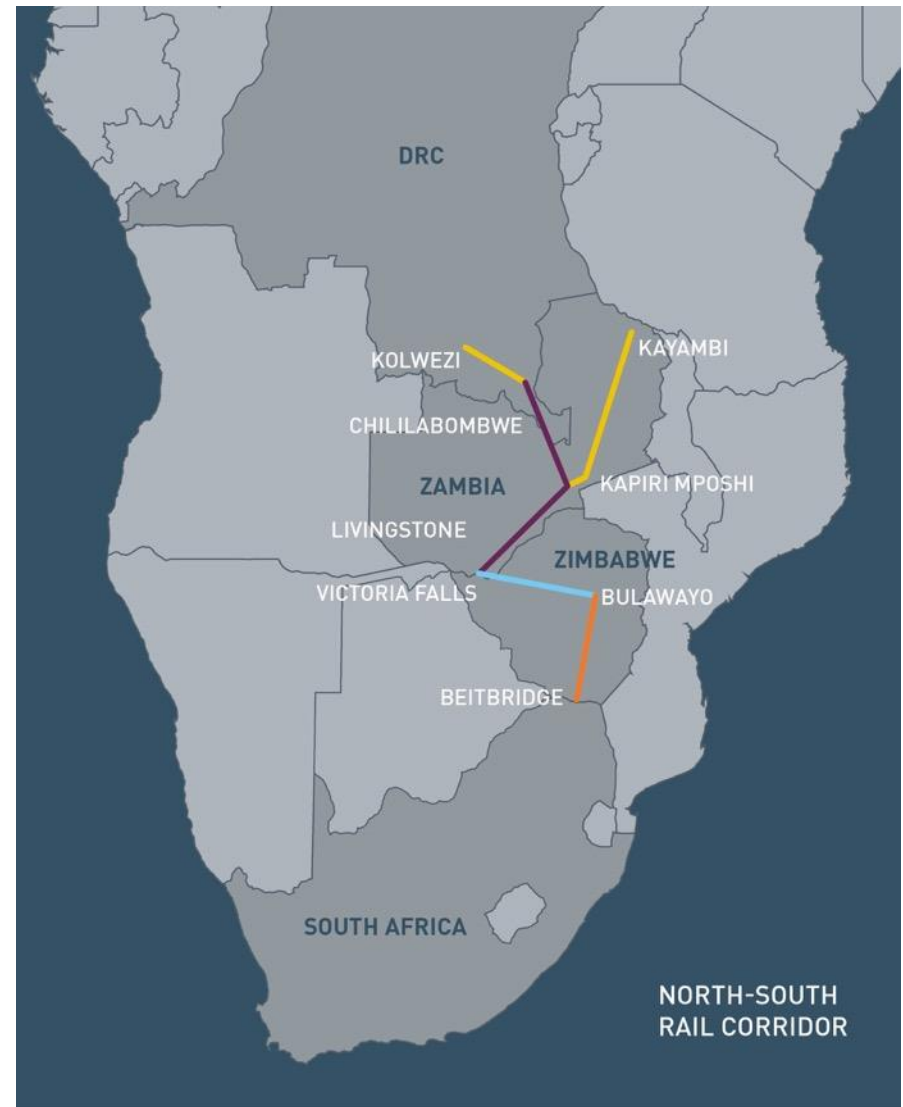
**INCREASED FEEDER
VOLUMES BETWEEN
SA PORTS**

Improved volumes from additional loader services
Contracted cement and fertiliser inbound logistics

Operational overview – Rail

Rail operations

- 14% increase in volumes on the North-South corridor
- Zambian legislation encouraging volumes from road to rail
- Mining development revitalised





INCREASED EFFICIENCIES IN AN AFRICAN TRADE GATEWAY

NORTH-SOUTH
RAIL CORRIDOR

13 locomotives

187 people

827 km railway line from Beitbridge to Victoria Falls

Linking the mining belt in Zambia and Southern DRC
to South Africa's ports

Commodities include clinker, coal, limestone,
sulphur and wheat



Activity and outlook

Activity

- Execute Port investment on slab capacity and handling equipment to capture benefit of channel access depth
- Progress financial close on Coega Tank Terminals
- Look to expand presence in Nacala following ramp up of Syrah graphite logistics contract volumes
- Continue with road-to-rail strategy for North-South Corridor, working with other rail resource partners
- Consider other options to add scale and diversity

Outlook

- Buoyant growth on chrome and ferrochrome volume is expected to deliver volume growth
- Impact of the operational challenges at the magnetite customer and some recent derailments will undermine the anticipated volume uplift in the latter part of this year
- Improved export coal to drive volume uplift at Richards Bay
- Volume improvements expected on the North-South Corridor

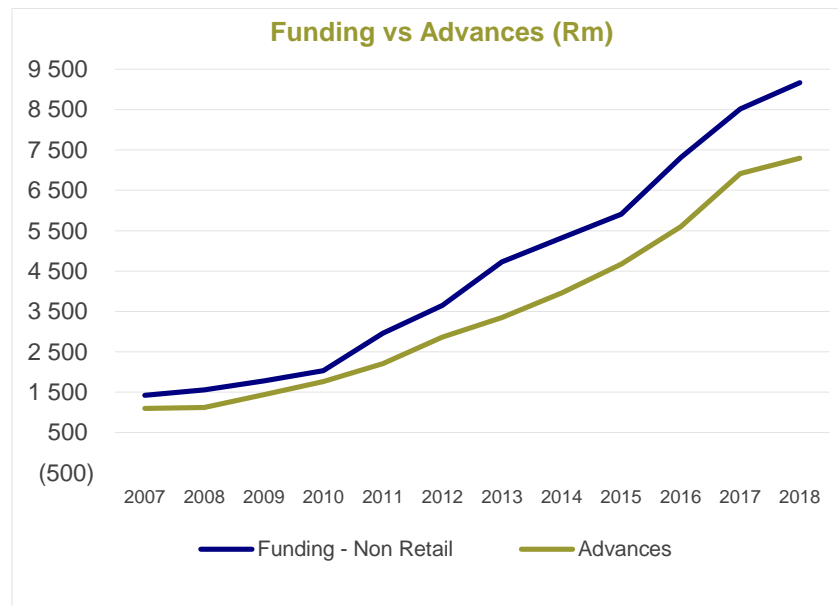
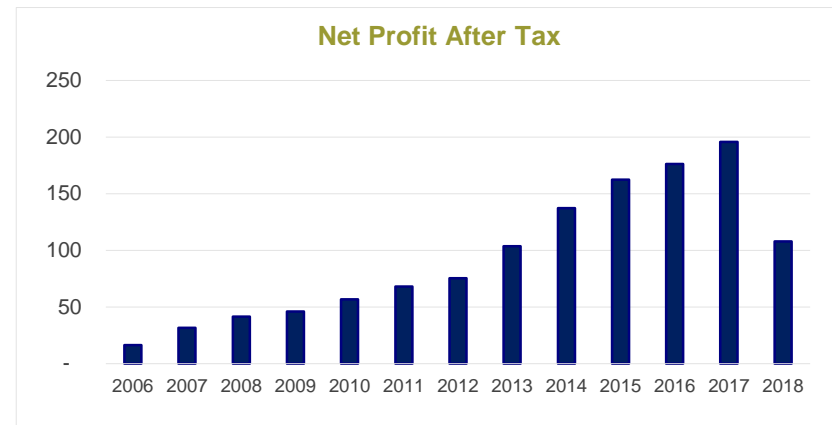
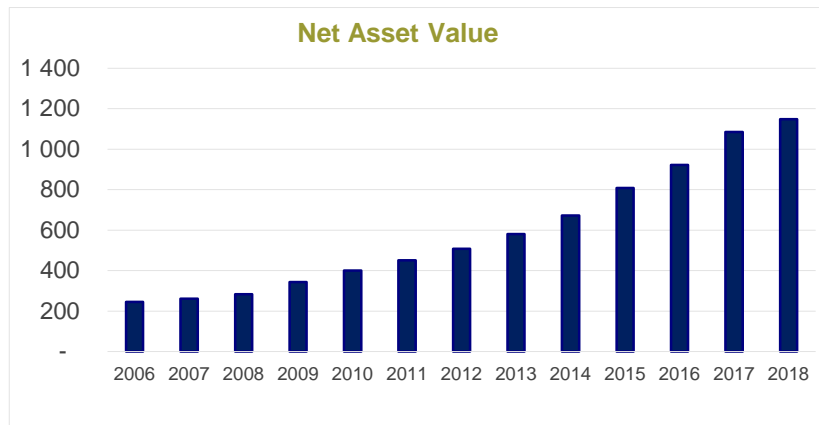
FINANCIAL SERVICES

Operational overview

David Polkinghorne



Operational overview – Historical performance



Operational overview

- Earnings well up on the prior year
- Private equity valuations at similar levels
- Strong performance from UK property portfolio
- Large currency gain on the UK property portfolio
- Small reduction in retail earnings as a consequence of fewer cards
- Bad debt provision increased in line with requirements of IFRS 9 with an entry to opening equity
- Further investment in IT and people
- Retail SASSA/ Grindrod accounts continue to be efficiently managed during transition
- Core deposits grew 5.9% (R8.30 billion from December 2017: R7.84 billion)
- Advances grew 5.2% (R7.52 billion from December 2017: R7.15 billion)



Activity and outlook

Activity

- Drive focused business growth
- Secure appropriate investment banking opportunities
- Focus on well-secured loans with low risk of default
- Expand the UK property portfolio
- Actively pursue a meaningful BEE transaction

Outlook

- Steady organic growth expected
- Volatile stock market could impact asset management returns
- Low SA economic growth



GRINDROD LIMITED

Marine fuel and agricultural logistics; and Discontinued operations

Andrew Waller



Operational overview – Marine fuel and agricultural logistics

- Record carry over grain stock levels after largest national crop in the history of South Africa
- Profitability levels improved to levels reported prior to drought cycles in 2016/2017
- Marine Fuel business benefitted from increased oil prices and higher tonnages



Operational overview – Discontinued operations

Shipping

- Shipping separately listed and distributed by way of dividend at its net asset value of US\$320 million
- Trading volume on the NASDAQ is minimal on limited US share liquidity
- Share prices are at a significant discount to Grindrod Shipping book net asset value ahead of the half-year results and related disclosures
- Grindrod Limited's Shipping results include realisation of a currency gain of R2.8 billion arising from the underlying US\$ based net asset value
- Tanker fleet earnings, as expected, lower than H1 2017 - earnings marginally below breakeven
- Replacement Bank facilities of US\$100 million secured
- Guarantees and relationships with banks and joint venture parties all transitioned





SALE OF UNICORN BUNKERS

A HISTORIC ACHIEVEMENT IN SUPPORT OF EMPOWERMENT



SA focused bunker barge business

Three barges in CPT and DBN

Supplies large volume of SA bunker fuels

Great opportunity to support Operation Phakisa
with a niche business

New co-owners are focused on women and black
professionals in the oil, gas and energy sector

Operational overview – Discontinued operations (continued)

Rail assets held for sale

Sierra Leone leased locomotives

- Mine currently in care and maintenance
- An impairment of R637.5 million has been recorded
- Repatriation and sale options are being pursued

GPR leased locomotives

- The GPR locomotives remain profitable and 80% deployed



GPR LEASING

27 locomotives
100 wagons

SIERRA LEONE CONTRACT

34 locomotives operated and maintained
by 62 on site trained employees at
peak periods

192 km of rail line from pit to port

Previous obstacles overcome

Iron ore fundamental in project evaluation



GROUP

Outlook

Mike Hankinson



Outlook

- Freight infrastructure assets are well positioned to take advantage of an improvement in the domestic and global economy
- Incremental volumes will improve profitability off a low base with available capacity
- Commodity demand and pricing remains a key driver
- Conservative growth in Financial Services in this challenging environment



Annexure



Terminal capacity – Utilisation for the six months ended 30 June 2018

| Terminals | H1 2018 | H1 2017 | Change % | Total 2017 | Total 2016 | Change % | Annual capacity 2018 |
|---|------------------|------------------|-------------|-------------------|-------------------|-------------|----------------------------|
| Dry bulk (tonnes) | 4 763 740 | 5 002 074 | (5) | 10 215 920 | 8 346 607 | 22 | 15 150 000 |
| Matola Coal Terminal ¹ | 2 447 651 | 2 654 584 | (8) | 5 203 219 | 3 785 918 | 37 | 7 300 000 |
| Richards Bay ¹ | 1 745 910 | 1 921 044 | (9) | 3 858 870 | 3 929 613 | (2) | 6 100 000 |
| Walvis Bay (Namibia) | 129 632 | 128 328 | 1 | 311 441 | 299 749 | 4 | 550 000 |
| Maputo Terminal ^{1,3} | 440 547 | 298 118 | 48 | 842 389 | 331 327 | 154 | 1 200 000 |
| Port of Maputo² | 9 670 741 | 8 427 939 | 15 | 18 211 155 | 14 918 487 | 22 | - |
| Maputo car terminal (number of vehicles) | 8 224 | 6 649 | 25 | 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

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