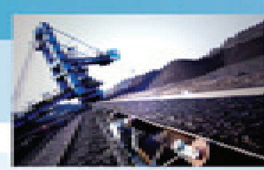
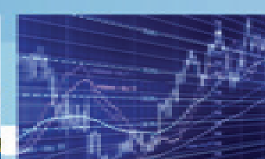
# GRINDROD LIMITED

## AUDITED RESULTS AND DIVIDEND ANNOUNCEMENT
for the year ended 31 December 2012






# Content

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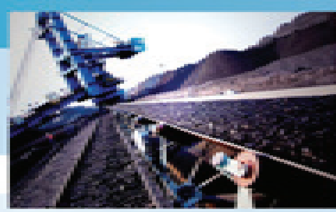
# Highlights



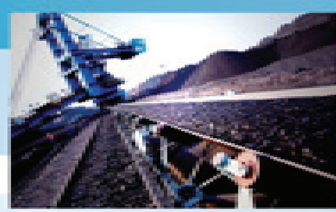

# Highlights

- Attributable income up 61% to R853,3 million (2011: R530,9 million)
- Headline earnings per share up 22% to 121,9 cents (2011: 99,6 cents)
- Earnings per share up 30% to 144,6 cents (2011: 111,0 cents)
- Cash generated from operations R1,4 billion
- Book net asset value per share up 11% to R16,09 (2011: R14,54)
- Net interest-bearing debt to total shareholders' interest of 7% (2011: 10%)
- Final ordinary dividend up 28% to 15,4 cents per share (2011: 12,0 cents)
- Conclusion of significant joint ventures and acquisitions across coal, fuel, seafreight, rail and agency service businesses

# Business environment

- Demand remains for iron ore, copper and coal from India and China
- Marginal growth in oil demand continues
- Food security continues to creep up the agenda
- Continued growth in seaborne freight
- Continued oversupply of ships despite scrapping reaching record levels
- Infrastructure development is gaining momentum in the rest of Africa

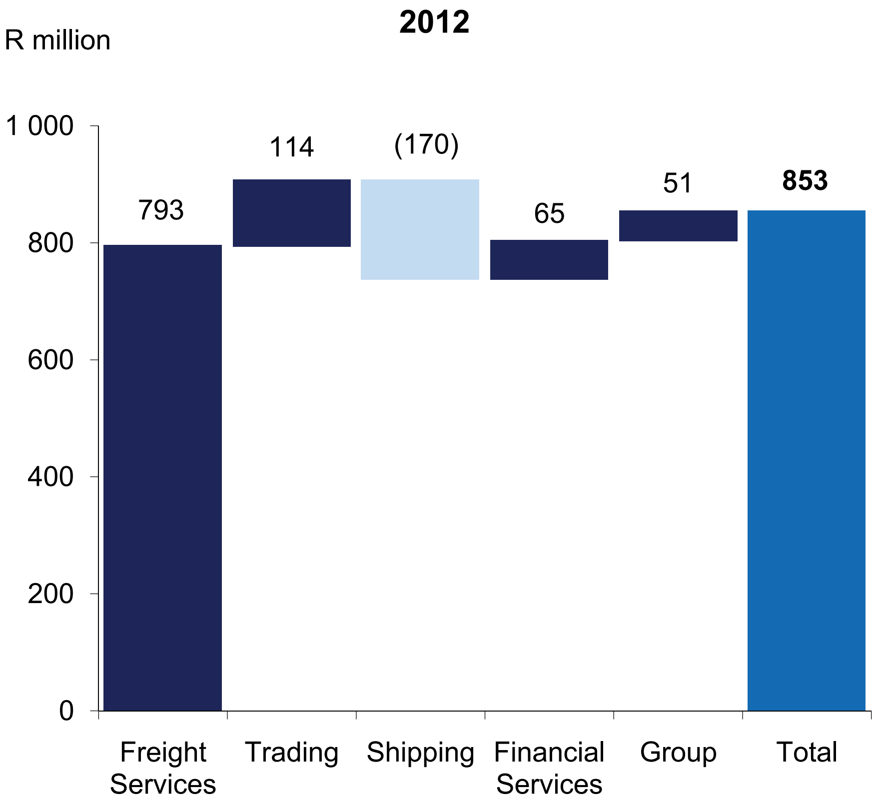
# Results 2012

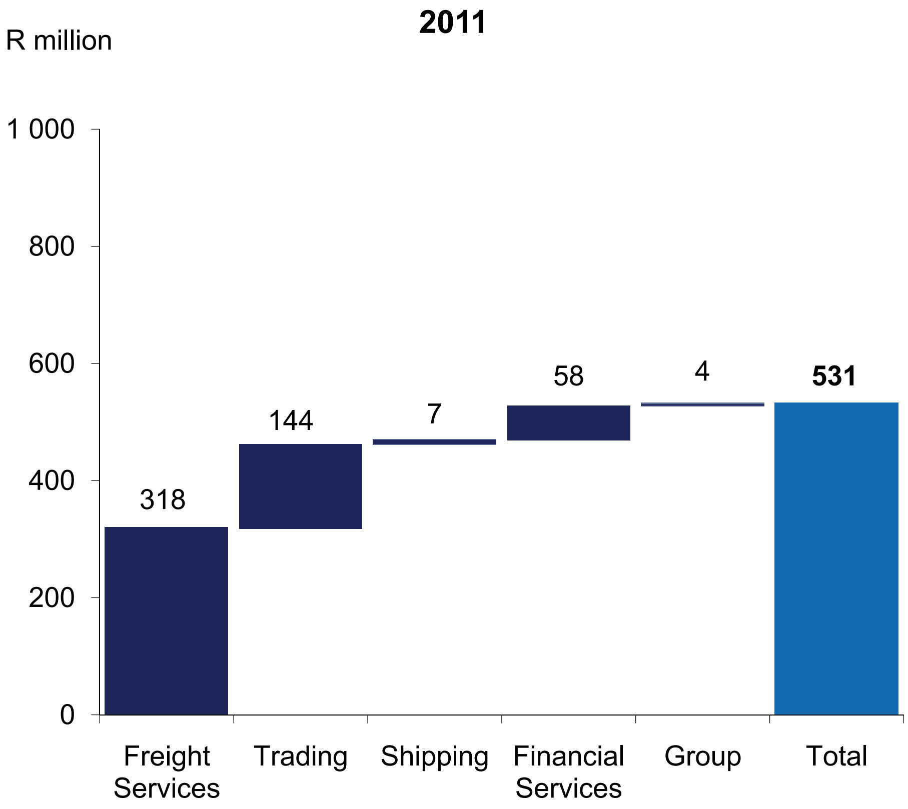



# Management income statement 2012

| R million | | 2012 | 2011 | % | Comments |
|---|---|---|---|---|---|
| **Revenue** | | **35 267** | 37 056 | (5) | Disposal of 50% of marine fuels businesses and decreased volumes in agricultural commodities |
| **Trading profit** | | **1 452** | 1 215 | 19 | Improved volumes through terminals and increased margins in marine fuels trading |
| Depreciation and amortisation | | **(485)** | (410) | 18 | Increased capital expenditure in ships and terminals |
| Non-trading items | | **211** | 60 | 252 | Business acquisitions and disposals offset by ship, equipment and goodwill impairments |
| Net interest paid | | **(67)** | (67) | | |
| Taxation | | **(202)** | (214) | (6) | Introduction of dividends tax borne by shareholders |
| Preference dividends | | **(57)** | (53) | | |
| **Profit attributable to ordinary shareholders** | | **853** | 531 | | |
| Average rate of exchange | ZAR/USD | **8,22** | 7,27 | | |

# Attributable income by division

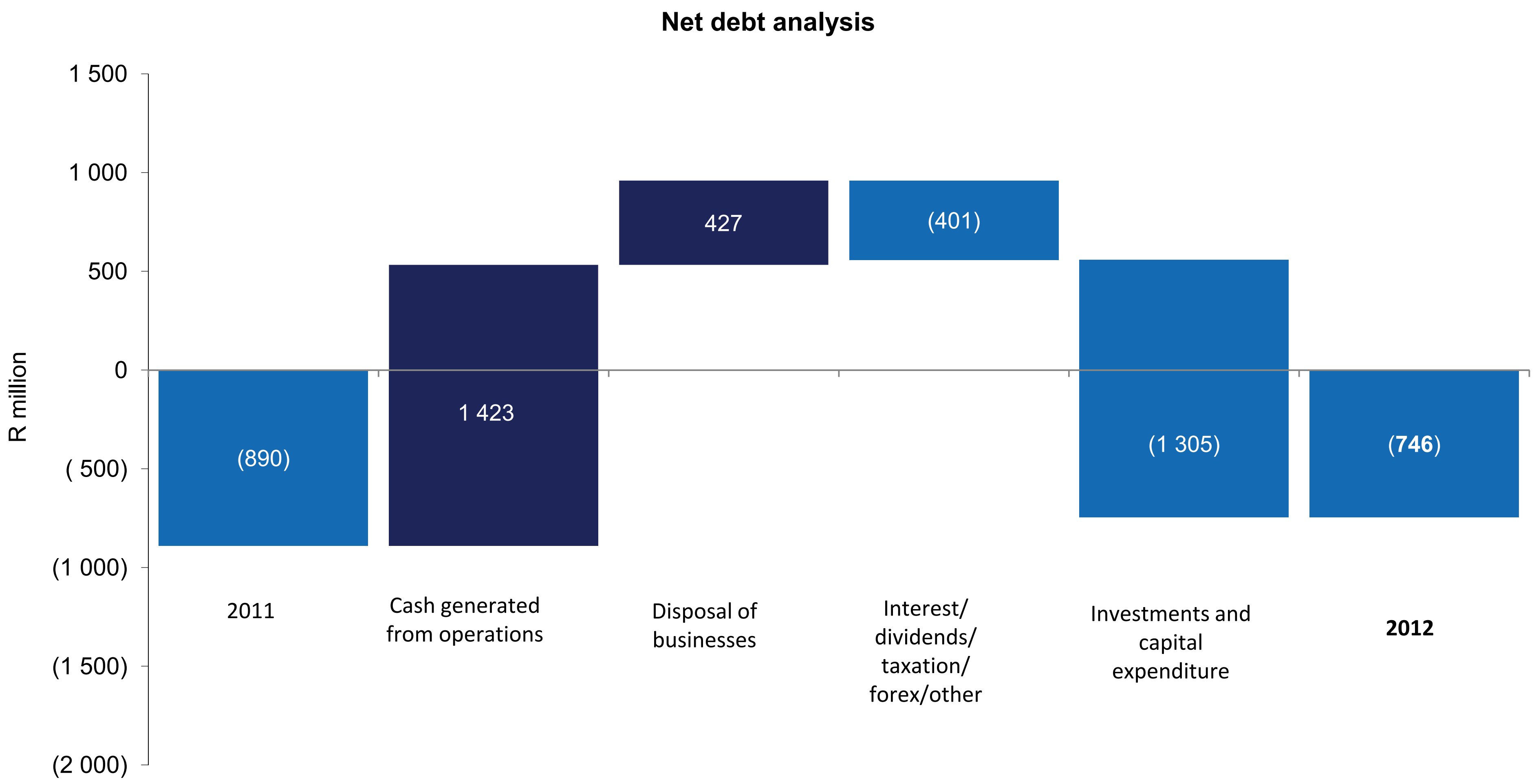


# Balance sheet

| R million | | 2012 | 2011 | Growth% | Comments |
|---|---|---|---|---|---|
| Ships | | 3 865 | 3 823 | 1 | |
| Terminal infrastructure, vehicles and equipment | | 1 052 | 914 | 15 | Increased acquisitions in terminals, vehicles and equipment |
| Investments in joint ventures and associates | | 2 181 | 986 | 121 | Additional joint ventures due to business disposals and acquisitions |
| Other non-current assets and investments | | 1 243 | 1 100 | 13 | Goodwill due to business acquisitions |
| Loans and advances to bank customers | | 3 188 | 2 542 | 25 | |
| Other assets | | 809 | 600 | 35 | Increased bank investments |
| Current assets | | 9 735 | 10 556 | (8) | Disposal of assets held for sale |
| **Total assets** | | **22 073** | **20 521** | **8** | |
| Shareholders' equity | | 10 241 | 9 311 | 10 | Increased earnings and weakening exchange rate |
| Interest-bearing borrowings | | 4 016 | 4 244 | (5) | Settlement of loans |
| Bank deposits and funding instruments | | 5 669 | 3 041 | 86 | Increased retail deposits and funding instruments issued |
| Other liabilities | | 2 147 | 3 925 | (45) | Disposal of liabilities held for sale |
| **Total equity and liabilities** | | **22 073** | **20 521** | **8** | |
| Net debt:equity | (%) | 7,3 | 9,6 | | |
| Closing rate of exchange | ZAR/USD | 8,48 | 8,11 | | |

# Cash flow


Net debt analysis
R million
1 500
1 000
500
0
( 500)
(1 000)
(1 500)
(2 000)
(890)
1 423
427
(401)
(1 305)
(746)
2011
Cash generated from operations
Disposal of businesses
Interest/ dividends/ taxation/ forex/other
Investments and capital expenditure
2012

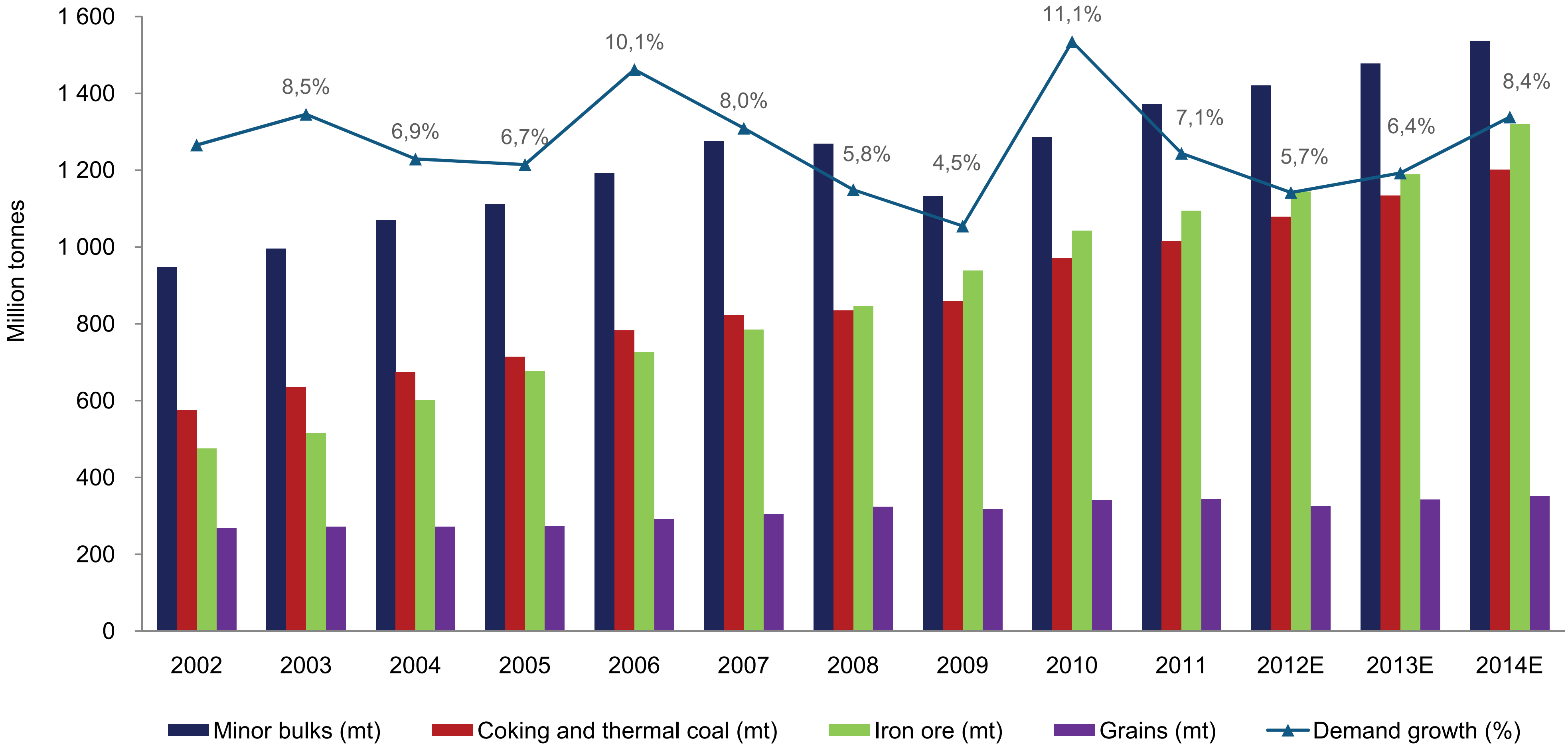
# Capital commitments and expenditure

| R million | Capital expenditure 2012 | Capital commitments 2013 | 2014 | 2015+ | Total | Split as follows: Approved not contracted | Approved and contracted |
|---|---|---|---|---|---|---|---|
| **Freight Services** | **982** | 597 | 84 | 18 | 699 | 442 | 257 |
| Logistics | **219** | 252 | 66 | - | 318 | 198 | 120 |
| Ports and Terminals | **189** | 329 | 18 | 18 | 365 | 244 | 121 |
| Rail | **574** | 16 | - | - | 16 | - | 16 |
| **Trading** | **203** | 32 | 1 | 1 | 34 | 10 | 24 |
| **Shipping** | **591** | 470 | 8 | - | 478 | 9 | 469 |
| Drybulk | **359** | 103 | 8 | - | 111 | 9 | 102 |
| Tankers | **232** | 367 | - | - | 367 | - | 367 |
| **Financial Services** | **66** | - | - | - | - | - | - |
| **Group** | **7** | 6 | 4 | 3 | 13 | 12 | 1 |
| | **1 849** | **1 105** | **97** | **22** | **1 224** | **473** | **751** |
| **Split as follows:** | | | | | | | |
| Subsidiaries | **1 370** | 537 | 89 | 22 | 648 | 461 | 187 |
| Joint ventures | **479** | 568 | 8 | - | 576 | 12 | 564 |

# Markets



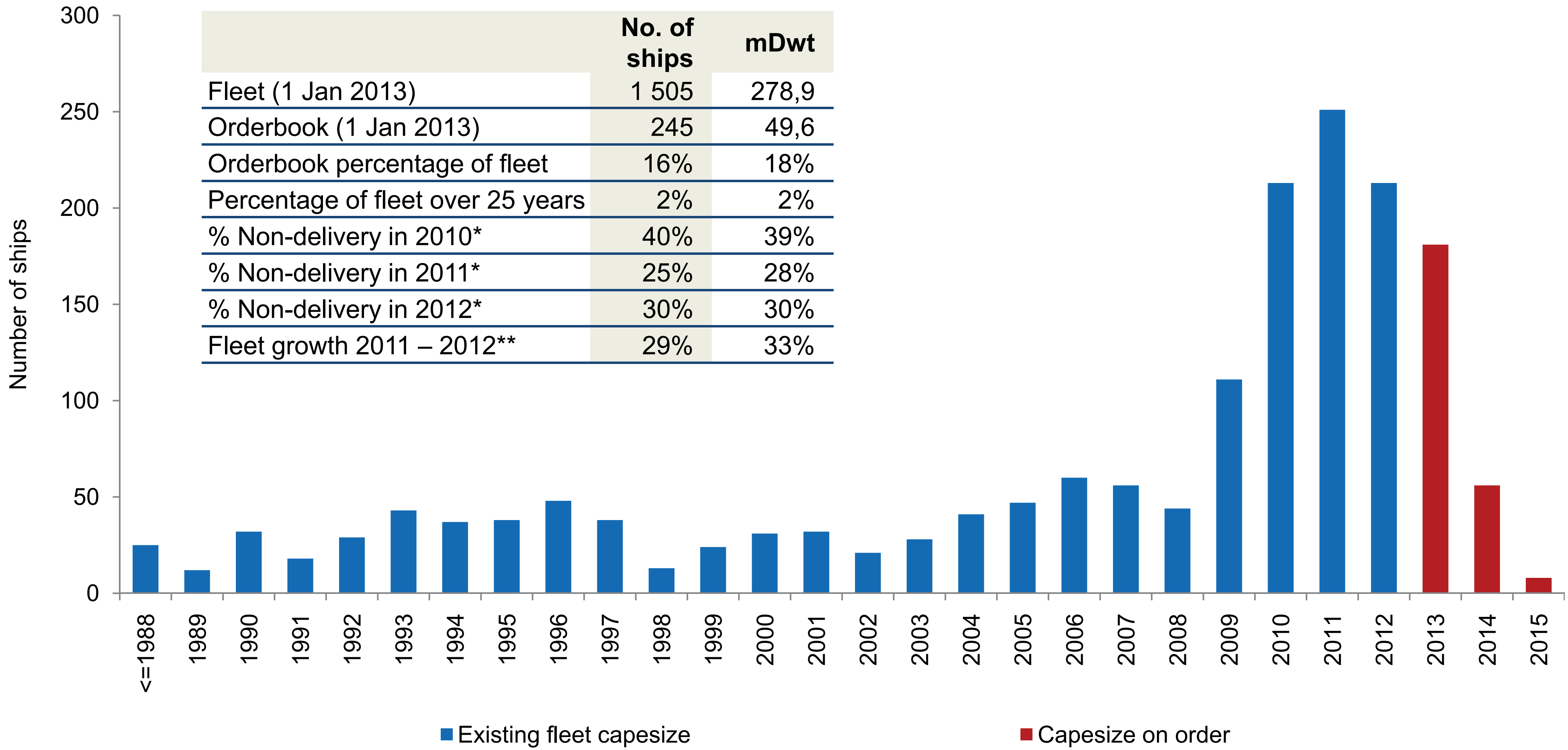

# Seaborne drybulk demand




E=Estimate
Source: Macquarie report, 29 August 2012

# Shipping

## Capesize bulk carriers




| | No. of ships | mDwt |
|---|---|---|
| Fleet (1 Jan 2013) | 1 505 | 278,9 |
| Orderbook (1 Jan 2013) | 245 | 49,6 |
| Orderbook percentage of fleet | 16% | 18% |
| Percentage of fleet over 25 years | 2% | 2% |
| % Non-delivery in 2010* | 40% | 39% |
| % Non-delivery in 2011* | 25% | 28% |
| % Non-delivery in 2012* | 30% | 30% |
| Fleet growth 2011 – 2012** | 29% | 33% |

* Non-deliveries are estimates based on vessels that were scheduled to be delivered according to the opening orderbook, but due to delays, cancellations, re-negotiations of contracts and new market information, have not yet entered the fleet.

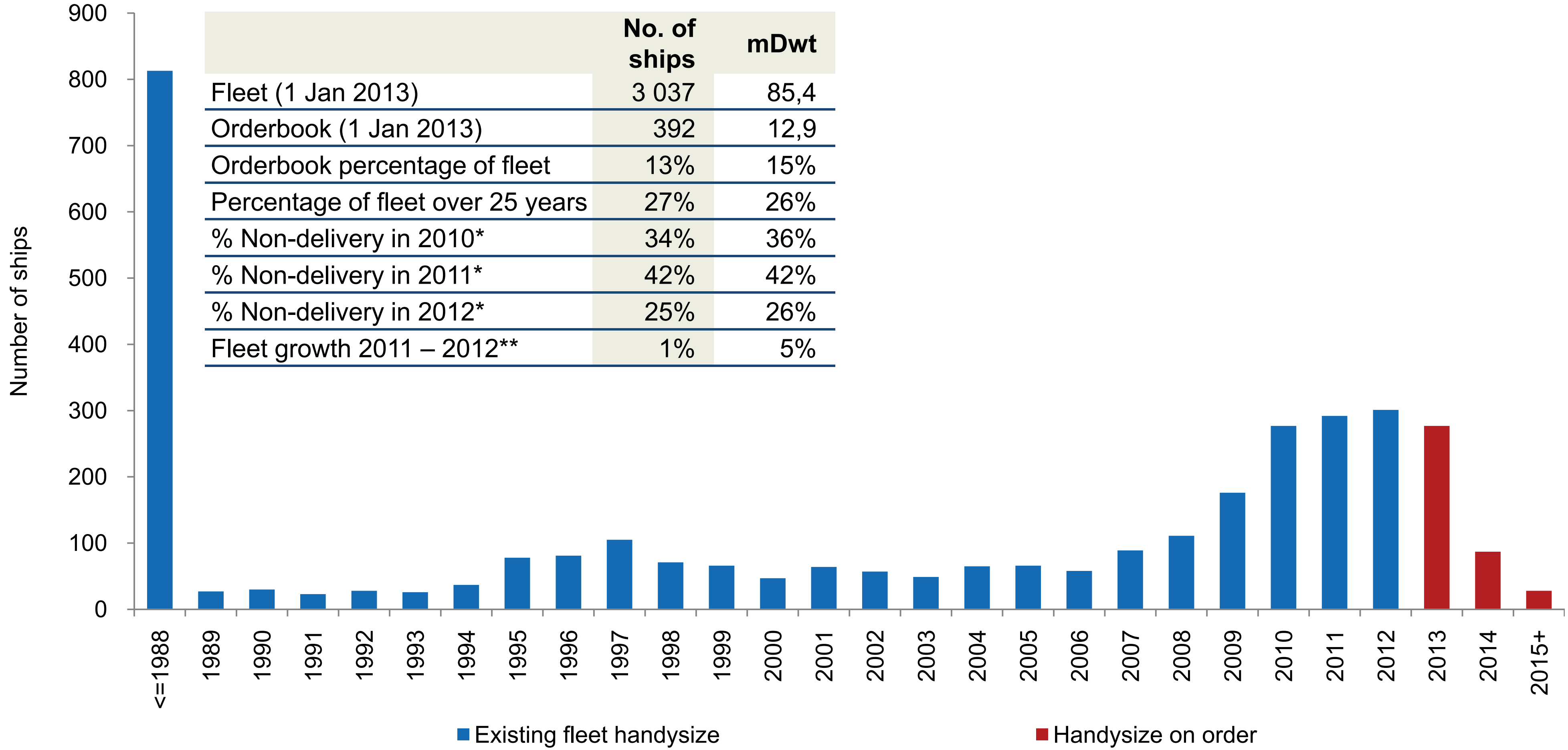
** Fleet growth is from January 2011 until 1 January 2013.

Source: Clarksons Research, January 2013

# Shipping

## Handysize bulk carriers

| | No. of ships | mDwt |
|---|---|---|
| Fleet (1 Jan 2013) | 3 037 | 85,4 |
| Orderbook (1 Jan 2013) | 392 | 12,9 |
| Orderbook percentage of fleet | 13% | 15% |
| Percentage of fleet over 25 years | 27% | 26% |
| % Non-delivery in 2010* | 34% | 36% |
| % Non-delivery in 2011* | 42% | 42% |
| % Non-delivery in 2012* | 25% | 26% |
| Fleet growth 2011 – 2012** | 1% | 5% |

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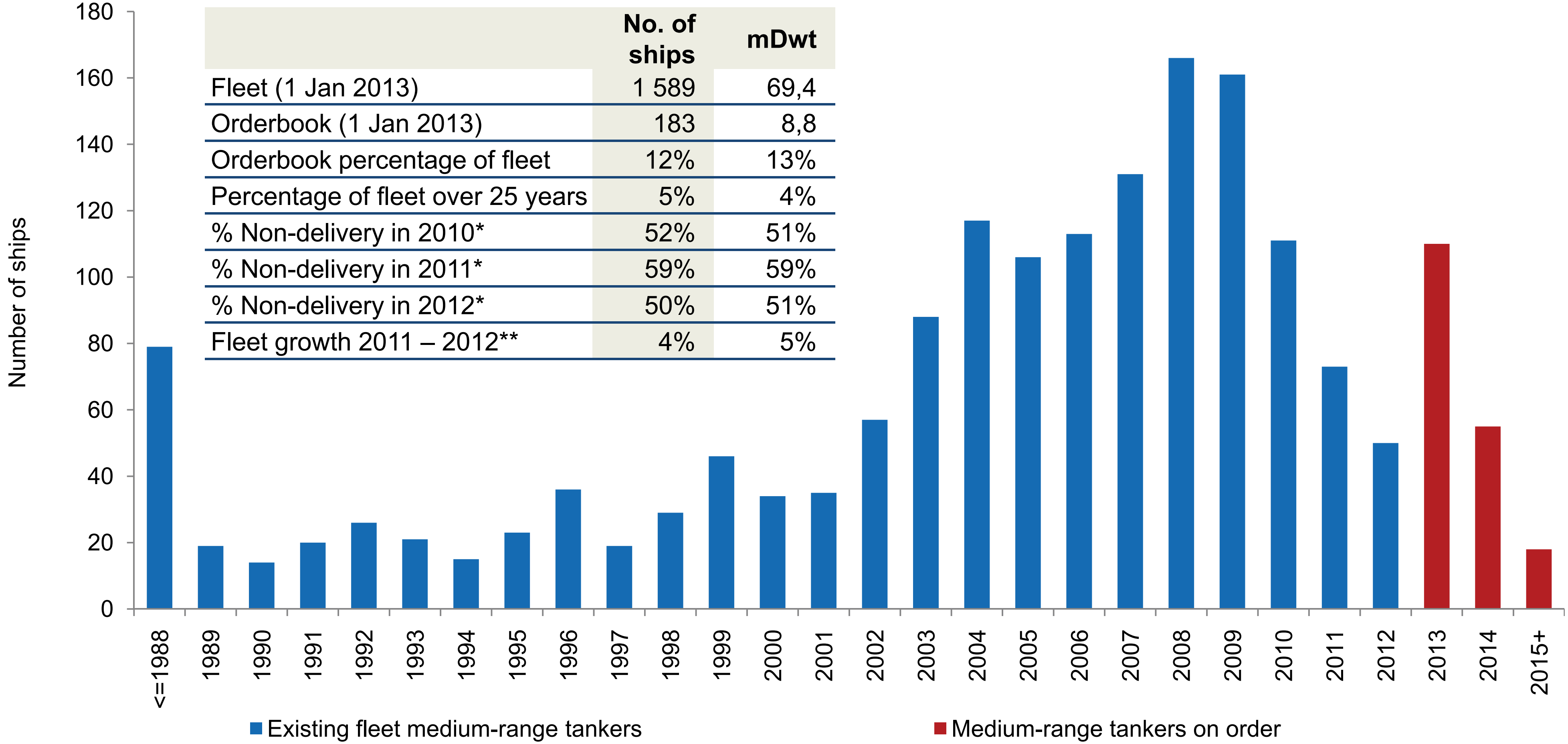
** Fleet growth is from January 2011 until 1 January 2013.

Source: Clarksons Research, January 2013

# Shipping

## Medium-range tankers

| | No. of ships | mDwt |
|---|---|---|
| Fleet (1 Jan 2013) | 1 589 | 69,4 |
| Orderbook (1 Jan 2013) | 183 | 8,8 |
| Orderbook percentage of fleet | 12% | 13% |
| Percentage of fleet over 25 years | 5% | 4% |
| % Non-delivery in 2010* | 52% | 51% |
| % Non-delivery in 2011* | 59% | 59% |
| % Non-delivery in 2012* | 50% | 51% |
| Fleet growth 2011 – 2012** | 4% | 5% |

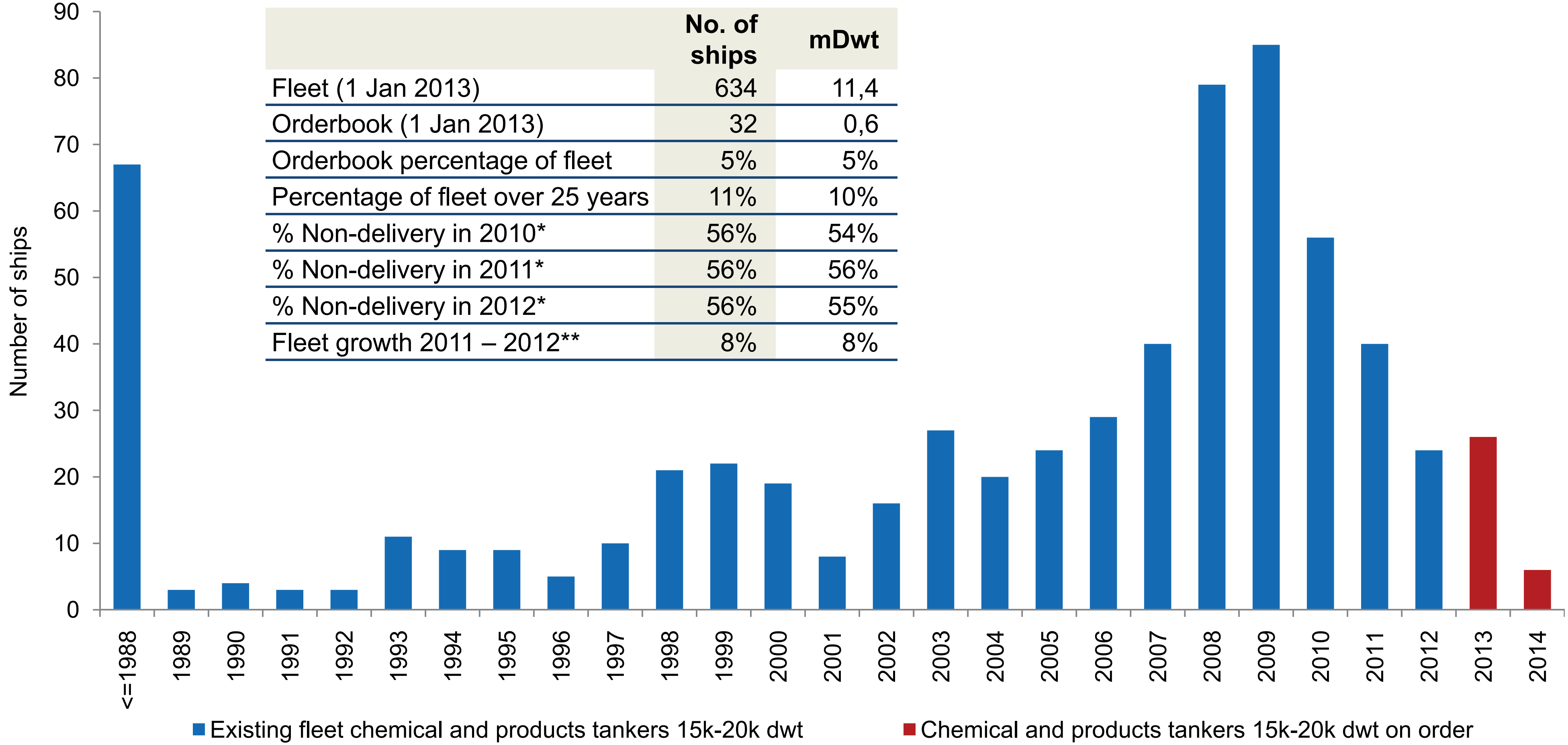



* Non-deliveries are estimates based on vessels that were scheduled to be delivered according to the opening orderbook, but due to delays, cancellations, re-negotiations of contracts and new market information, have not yet entered the fleet.

** Fleet growth is from January 2011 until 1 January 2013.

Source: Clarksons Research, January 2013

## Small chemical and products tankers



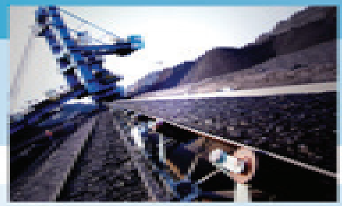

| | No. of ships | mDwt |
|---|---|---|
| Fleet (1 Jan 2013) | 634 | 11,4 |
| Orderbook (1 Jan 2013) | 32 | 0,6 |
| Orderbook percentage of fleet | 5% | 5% |
| Percentage of fleet over 25 years | 11% | 10% |
| % Non-delivery in 2010* | 56% | 54% |
| % Non-delivery in 2011* | 56% | 56% |
| % Non-delivery in 2012* | 56% | 55% |
| Fleet growth 2011 – 2012** | 8% | 8% |

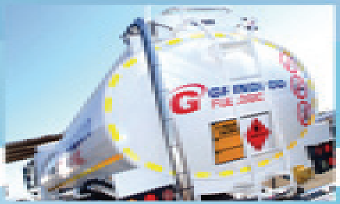
* Non-deliveries are estimates based on vessels that were scheduled to be delivered according to the opening orderbook, but due to delays, cancellations, re-negotiations of contracts and new market information, have not yet entered the fleet.

** Fleet growth is from January 2011 until 1 January 2013.

Source: Clarksons Research, January 2013

# Operational overview
# Freight Services



# Freight Services

GRINDROD FREIGHT SERVICES

- Earnings up 150% to R793,3 million (including profit of R414,9 million on disposal of 35% of the Maputo coal terminal) (2011: R317,8 million)
- Drybulk terminals' volume up 26% to 12,0 million tonnes (2011: 9,5 million tonnes) despite coal product shortages
- Substantial investment in rail business
- Intermodal's mining and minerals handling business volumes increased 90% on prior year

| Freight Services | R million | Change from 2011 % |
|---|---|---|
| Revenue | 3 929 | 23 |
| EBITDA | 730 | 7 |
| Operating income | 510 | 6 |
| Operating margin | 13,0% | (14) |

# Operational highlights – Ports, Terminals and Rail

GRINDROD FREIGHT SERVICES

- **Maputo**
  - Port volumes up 27% to 15,0 million tonnes (2011: 11,8 million tonnes)
  - Coal terminal volume 4,5 million tonnes, 15% up on prior year
  - Disposal of a 35% shareholding in coal terminal to Vitol
  - Car terminal volume 36% up on prior year
  - Coal terminal Phase 3,5 to add 1,3 million tonnes to be completed in the second half of 2013
  - Coal terminal Phase 4 feasibility stage continuing as planned
- **Richards Bay and Walvis Bay**
  - Improved contributions from drybulk terminals
- **Rail**
  - Commissioning of the final locomotives in the initial 20 locomotive order for African Minerals Limited (AML) in Sierra Leone
  - Concluded a lease contract for an additional 14 locomotives to AML
  - Total rail fleet increased to 65 locomotives
  - Acquisition of a 46,4% interest in New Limpopo Bridge Projects Limited with responsibility for operating the rail concessions
- **Liquid Bulk**
  - National Energy Regulator of South Africa (NERSA) approved the Coega construction licence application
- **Seafreight**
  - Acquired partner's 51% share of Ocean Africa Container Lines

# Operational highlights – Logistics

GRINDROD FREIGHT SERVICES

- Volumes up in clearing and forwarding and intermodal
- Volume growth through the temporary Maputo intermodal container development
- Commenced construction of permanent Maputo intermodal container facility in partnership with Dubai Ports World
- Reorganisation of the fuel transport business:
  - Redeployment following the commissioning of Transnet's fuel pipeline
  - Expansion into Botswana, Namibia and Mozambique
  - Acquisition of the remaining 75,5% shareholding of Petrologistics Botswana (Pty) Ltd
- Merger of Calulo clearing and forwarding business with Röhlig-Grindrod
- Merger of Calulo ships agency business, Sturrock, with Grindrod ships agency

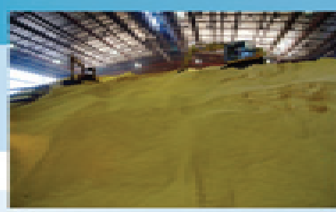
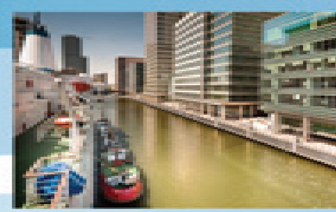
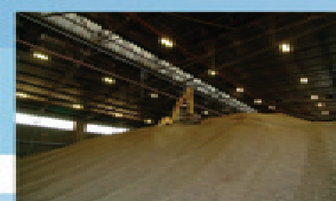
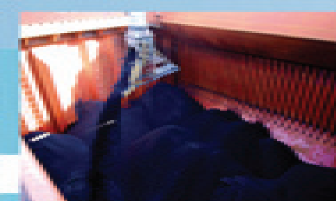
## Strategy

- Expand infrastructure at strategic locations along development corridors
- Execute on the Maputo port master plan
- Maximise cargo flows through all terminals
- Increase capacity at both Maputo and Richards Bay terminals
- Further develop the rail business
- Complete the repositioning of the transport businesses and develop opportunities north of South Africa

## Outlook

- Ports, Terminal and Rail operations are well positioned to benefit from the continued demand for commodities
- Performance of the Logistics business segment expected to strengthen as volumes improve and benefits are extracted from the optimisation of the operations

# Operational overview
# Trading

# Trading

- Earnings (adjusted for marine fuels joint venture) up 12% to R113,5 million (2011 100% earnings: R143,9 million)
- Operating margin per tonne up 17% to US$3,90 (R32,02) in 2012 from US$3,33 (R24,22) in 2011
- Marine fuels business performed exceptionally well through improved volumes, improved margins and changes to the product mix

| Trading | R million | Change from 2011 % |
|---|---|---|
| Revenue | 27 074 | (9) |
| EBITDA | 259 | 18 |
| Operating income | 242 | 19 |
| Operating margin | 0,89% | 31 |

# Operational highlights

- Contracted tank storage to support physical supply of marine fuel
- Good result from the coal trading business concluded in partnership with Vitol
- All three chrome recovery plants now operational but impacted by lower demand and the unrest in the mining industry
- Further work in progress on refocusing both the agricultural and minerals businesses

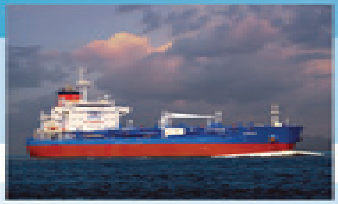
## Strategy

- Focus on utilisation of group assets, services and resources
- Investment in strategic assets in the supply chain

## Outlook

- Marine fuels business should see growth in volumes in its physical supply and broking businesses
- Long-term bull market for agricultural commodities set to continue
- Demand for commodities and tight credit will continue to offer opportunities

# Operational overview
# Shipping




# Shipping

- Loss of R169,7 million includes impairments of vessels of R173,3 million
- Earnings before ship impairments remained positive despite the Baltic Exchange:
  - Dryfreight Index falling 60%
  - Clean Tanker Index falling 17%

| Shipping | R million | Change from 2011 % |
|---|---|---|
| Revenue | 4 010 | 2 |
| EBITDA | 308 | 26 |
| Operating income | 65 | 21 |
| Operating margin | 1,6% | 18 |

# Operational highlights

- Expanded dry cargo operations, particularly handymax
- South African tanker operations performed well
- Medium-range tankers operated well under commercial management with Vitol
- Commenced transfer of handysize bulk carriers from Lauritzen pool to own management
- Average earnings per day outperformed average spot market rates for the period

# Strategy and outlook

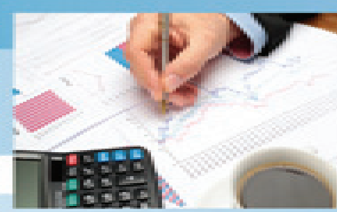
## Strategy

- Carefully timed expansion through charter or purchase of eco-efficient ships
- Leverage ship operating capability by increasing fleet under management

## Outlook

- Owned and long-term chartered fleet has good level of cover for 2013
- Drybulk
  - Order book reducing
  - Scrapping continues at record levels
  - Seaborne trade continues to grow
- Tankers
  - Growth in demand
  - Improved freight rates

# Operational overview
# Financial Services



# Financial Services

- Earnings up 11,5% to R65,1 million (2011: R58,4 million)
- Assets under management increased to R11,0 billion (2011: R6,1 billion)
- Bank deposits increased 60% to R4,7 billion (2011: R2,9 billion)
- Advances increased 25% to R3,2 billion (2011: R2,6 billion)

| Financial Services | R million | Change from 2011 % |
|---|---|---|
| Revenue | 253 | 31 |
| EBITDA | 128 | 57 |
| Operating income | 126 | 57 |
| Operating margin | 50,0% | 20 |

# Operational highlights

- Acquired Plexus Asset Management
- Launched Prefex Exchange Traded Fund in March (R209 million by end December)
- South African Social Security Agency (SASSA) bank card rollout commenced in April 2012 with 5,5 million cards having been issued to recipients as at 31 December 2012
- R500 million capital raised through the listing of a three-year bond on the JSE
- Significant gains in Investment Banking portfolio

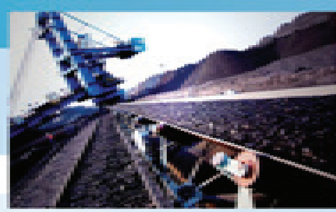
## Strategy

- Continue with focused expansion
- Develop business around the retail card offering
- Pursue growth in assets under management on the back of good investment performance

## Outlook

- Fees from increased card base will become meaningful in 2013
- Investors looking for higher yielding investments should result in inflows into the range of investment products
- Liquidity requirements of Basel III will increase costs

# Group strategy and outlook




## Strategy

- To deliver on the integrated freight and logistics services strategy and invest in infrastructure opportunities with high barriers to entry

## Outlook

- Well positioned to take advantage of:
  - Strategic infrastructure projects
  - Demand for operators in the logistics sector in Africa
  - Demand for reputable shipping counterparty
- Due to:
  - Strong customer, supplier and banking relationships
  - Respected joint venture partners
  - Well positioned in strategic locations
  - Strong balance sheet

# Research disclaimer:

***The information supplied herewith is believed to be correct but the accuracy thereof is not guaranteed and the company and its employees cannot accept liability for loss suffered in consequence of reliance on the information provided. Provision of this data does not obviate the need to make further appropriate enquiries and inspections. The information is for the use of the recipient only and is not to be used in any document for the purposes of raising finance without the written permission of Clarkson Research Services Limited ("CRSL") and/or Macquarie and/or NAAMSA and/or Maersk Broker and/or Braemar Seascope.***

***For the statistical and graphical information drawn from the CRSL and/or Macquarie database, CRSL and Macquarie have advised that:***

***(i) some information on CRSL's and Macquarie's databases are derived from estimates or subjective judgements; and***

***(ii) the information in the databases of other maritime data collection agencies may differ from the information in CRSL's and Macquarie's databases; and***

***(iii) whilst CRSL and Macquarie 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; and***

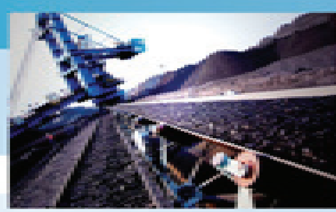
***(iv) CRSL and Macquarie, their agents, officers and employees do not accept liability for any loss suffered in consequence of reliance on such information or in any other manner; and***

***(v) the provision of such information does not obviate any need to make appropriate further enquiries; and***

***(vi) the provision of such information is not an endorsement of any commercial policies and/or any conclusions by CRSL and Macquarie; and***

***(vii) shipping is a variable and cyclical business and any forecasting concerning it cannot be very accurate.***

# Annexures




# Terminal capacity

GRINDROD FREIGHT SERVICES

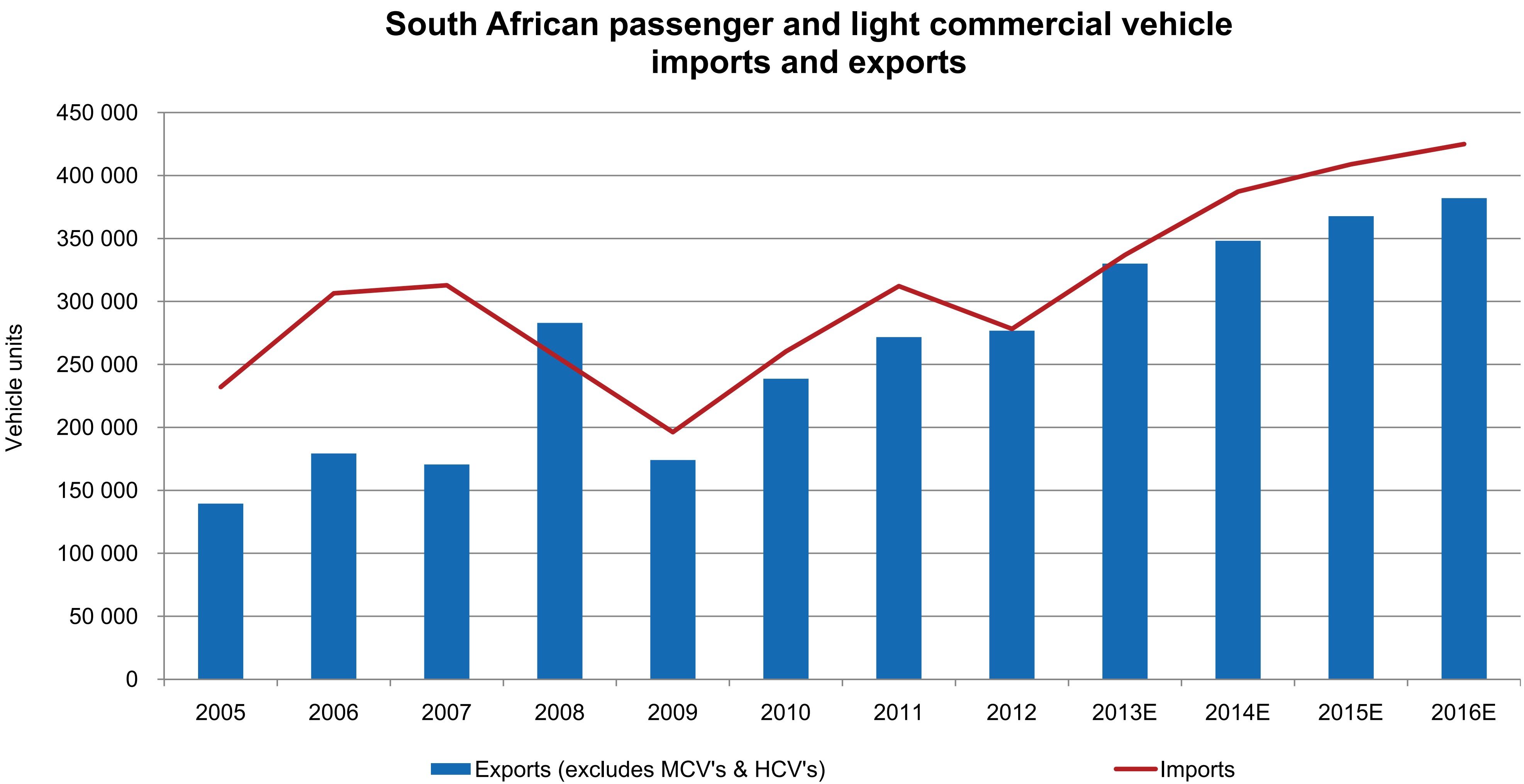
| Terminals | Utilisation 2012 | 2011 | % change 2011 to 2012 | Existing capacity | Existing plus capacity under construction | |
|---|---|---|---|---|---|---|
| **Drybulk (tonnes)** | **12 065 176** | **9 547 885** | **26,36** | **15 850 000** | **18 100 000** | |
| Maputo coal terminal | 4 475 649 | 3 901 040 | 14,73 | 6 000 000 | 7 300 000 | 1 |
| Richards Bay | 3 815 060 | 3 886 236 | (1,83) | 6 100 000 | 6 100 000 | |
| Maydon Wharf (Durban) | 719 755 | 566 846 | 26,98 | 700 000 | 1 200 000 | 2 |
| Walvis Bay (Namibia) | 380 109 | 313 444 | 21,27 | 550 000 | 550 000 | |
| Maputo sized coal terminal | 2 674 603 [7] | 880 319 | 203,82 | 2 500 000 | 2 950 000 | 3 |
| **Liquid bulk ($m^3$)** | **202 166** | **140 478** | **43,91** | **260 000** | **325 000** | |
| Durban | 95 218 | 53 809 | 76,96 | 140 000 | 185 000 | 4 |
| Cape Town | 106 948 | 86 669 | 23,40 | 120 000 | 140 000 | 5 |
| **Maputo automotive (number of vehicles)** | **47 743** | **35 147** | **35,84** | **52 000** | **121 000** | 6 |

# Terminal capacity

## Notes

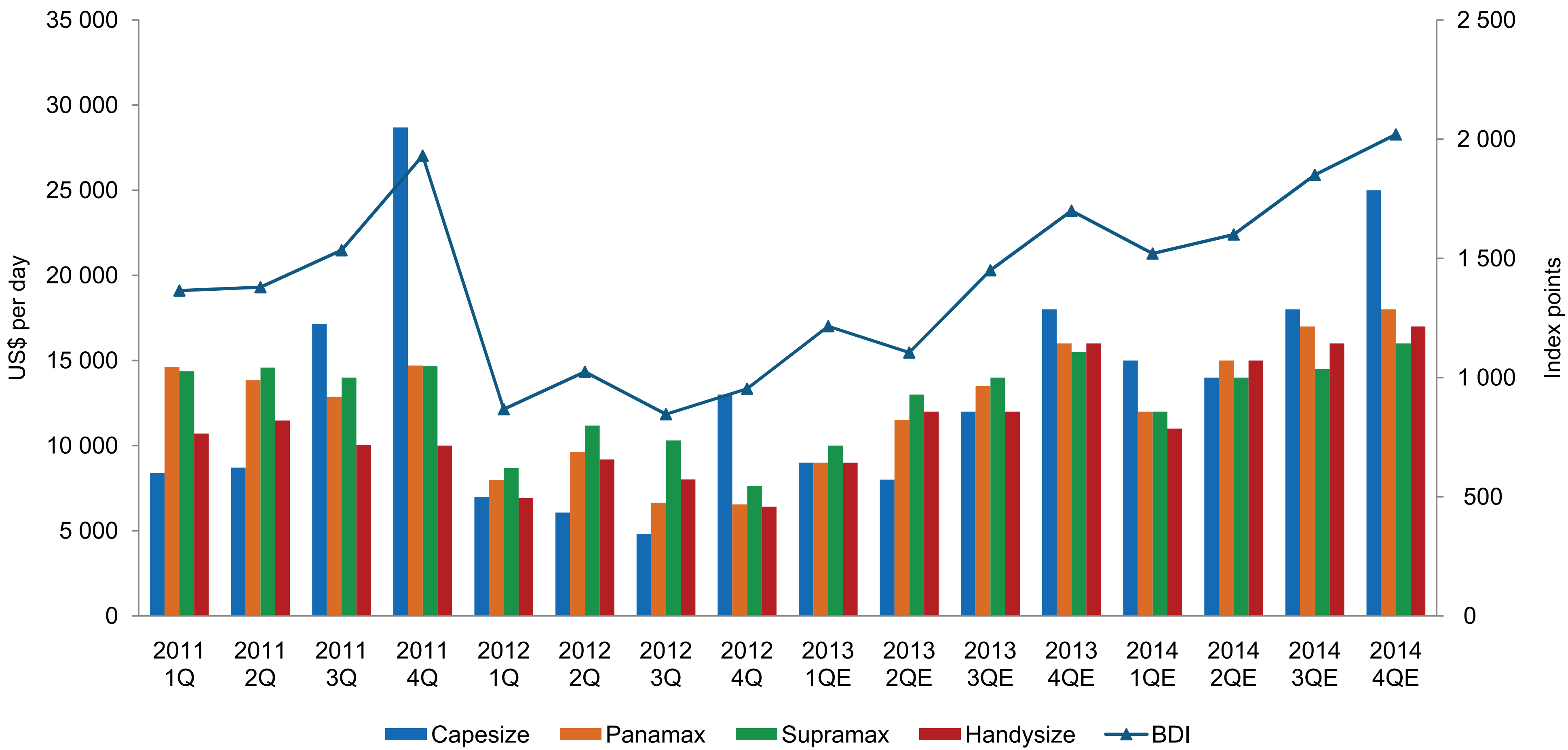
1. Phase 3,5 additional capacity of 1,3 million tonnes
2. Change in Maydon Wharf product density in 2013
3. Additional capacity from sized coal expansion
4. Additional capacity from Durban vegetable oil diversification
5. Additional capacity from Cape Town Nautilus site expansion
6. 69 000 units additional capacity from Phase 2 expansion
7. Temporary additional 20 000 $m^2$ site utilised in 2012, hence greater volumes achieved

# Auto industry sector – South Africa




E=Estimate
Source: NAAMSA

# Drybulk daily spot rates (Baltic Indices)

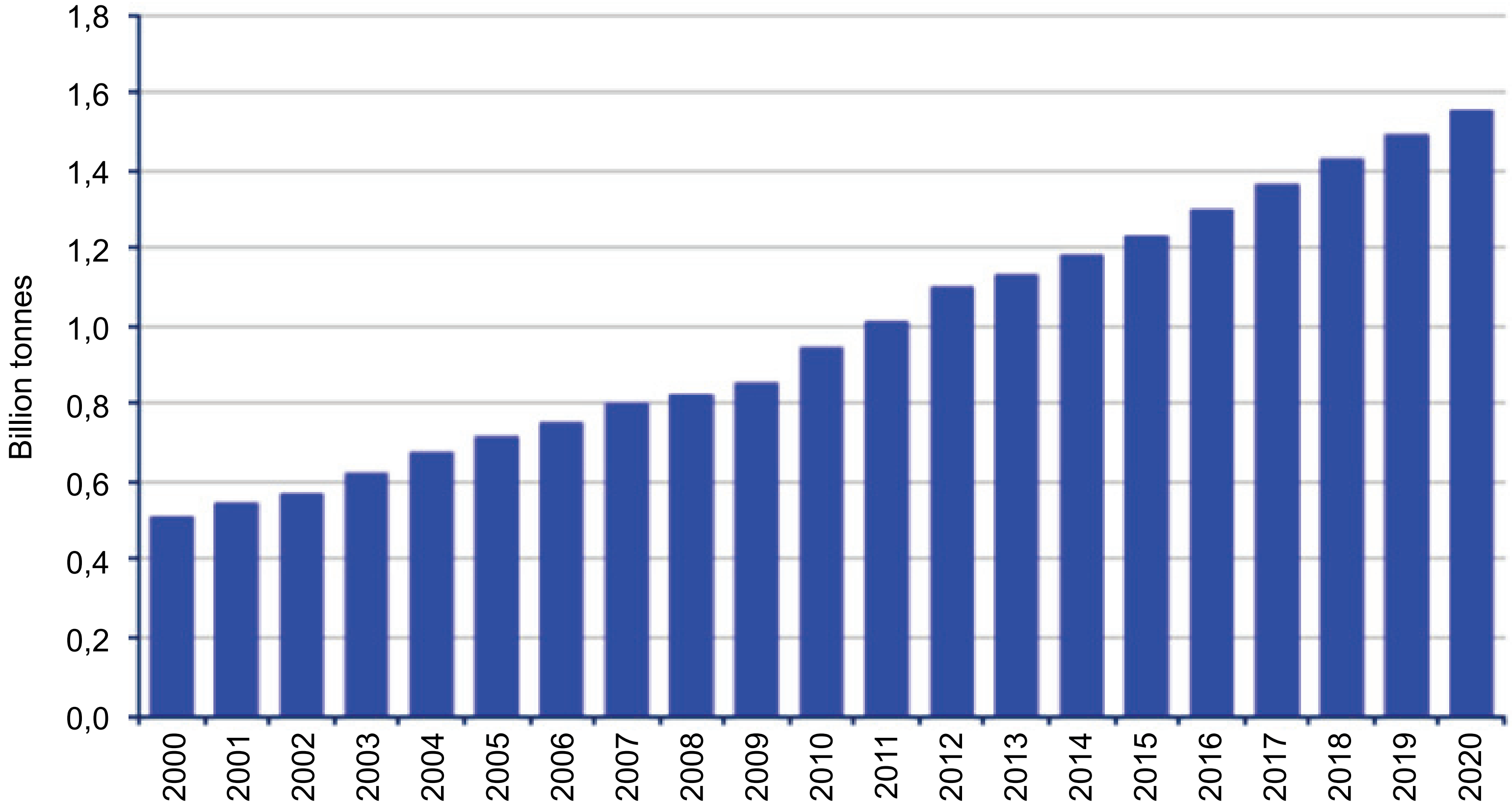



E=Estimate
Source: Historic data from Baltic Exchange, Clarkson Research (Shipping Intelligence Network), January 2013
Estimates from Macquarie report , 29 August 2012

# Handysize bulk carrier and products tanker time charter rates

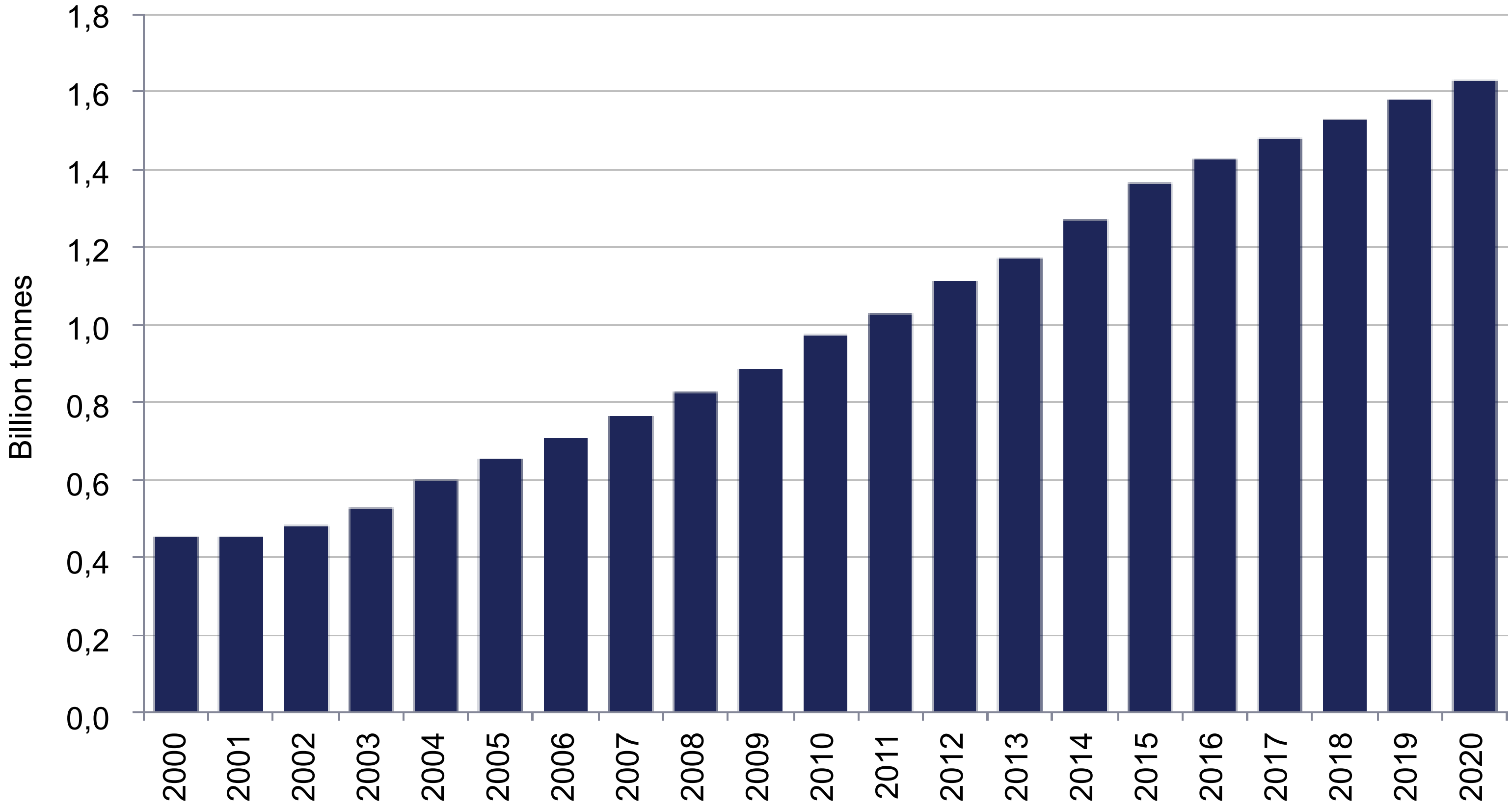

Source: Clarksons Research (Shipping Intelligence Network), January 2013

# Global seaborne coal trade



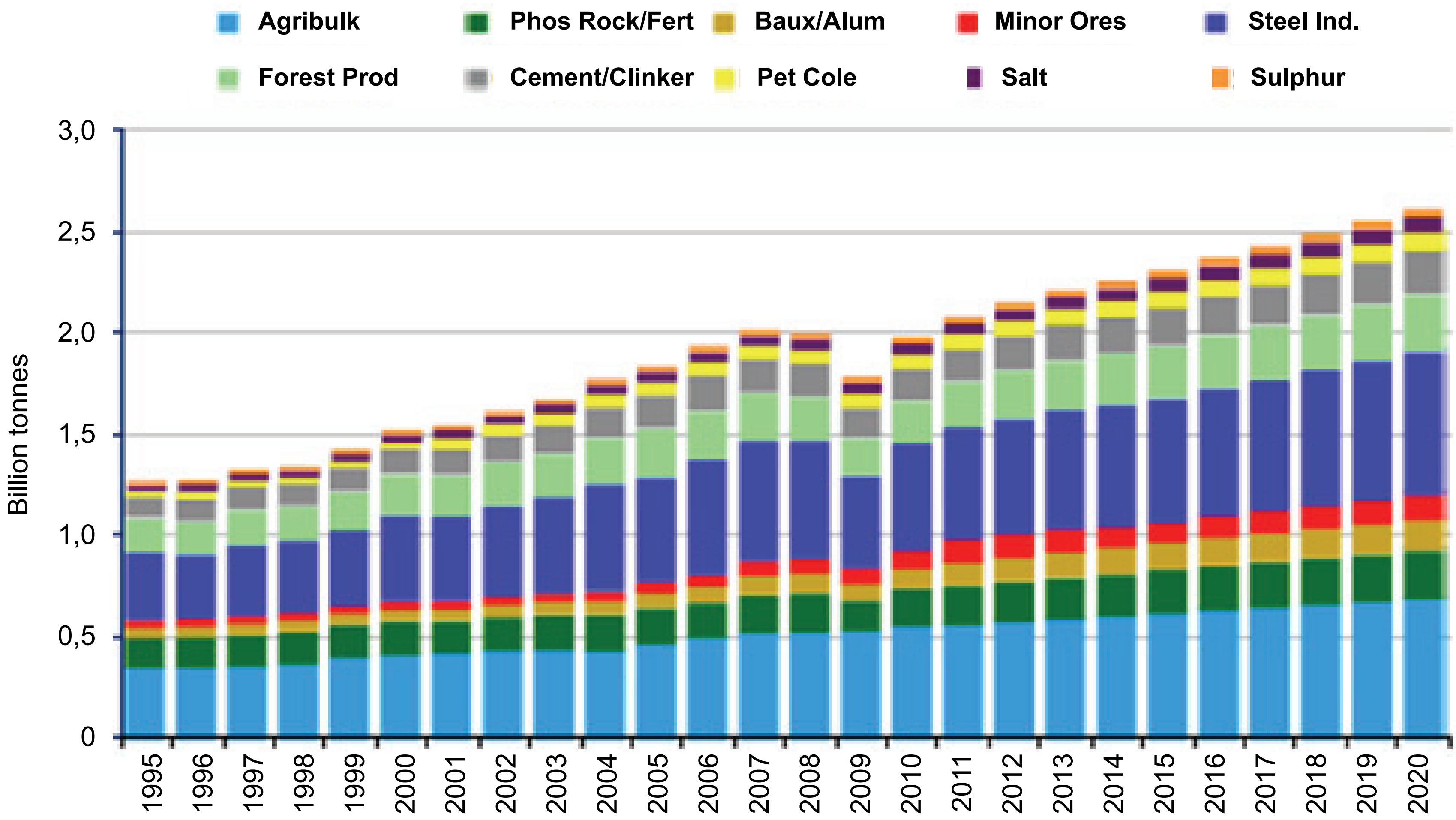

Source: Braemar Seascope, October 2012

# Global seaborne iron ore trade



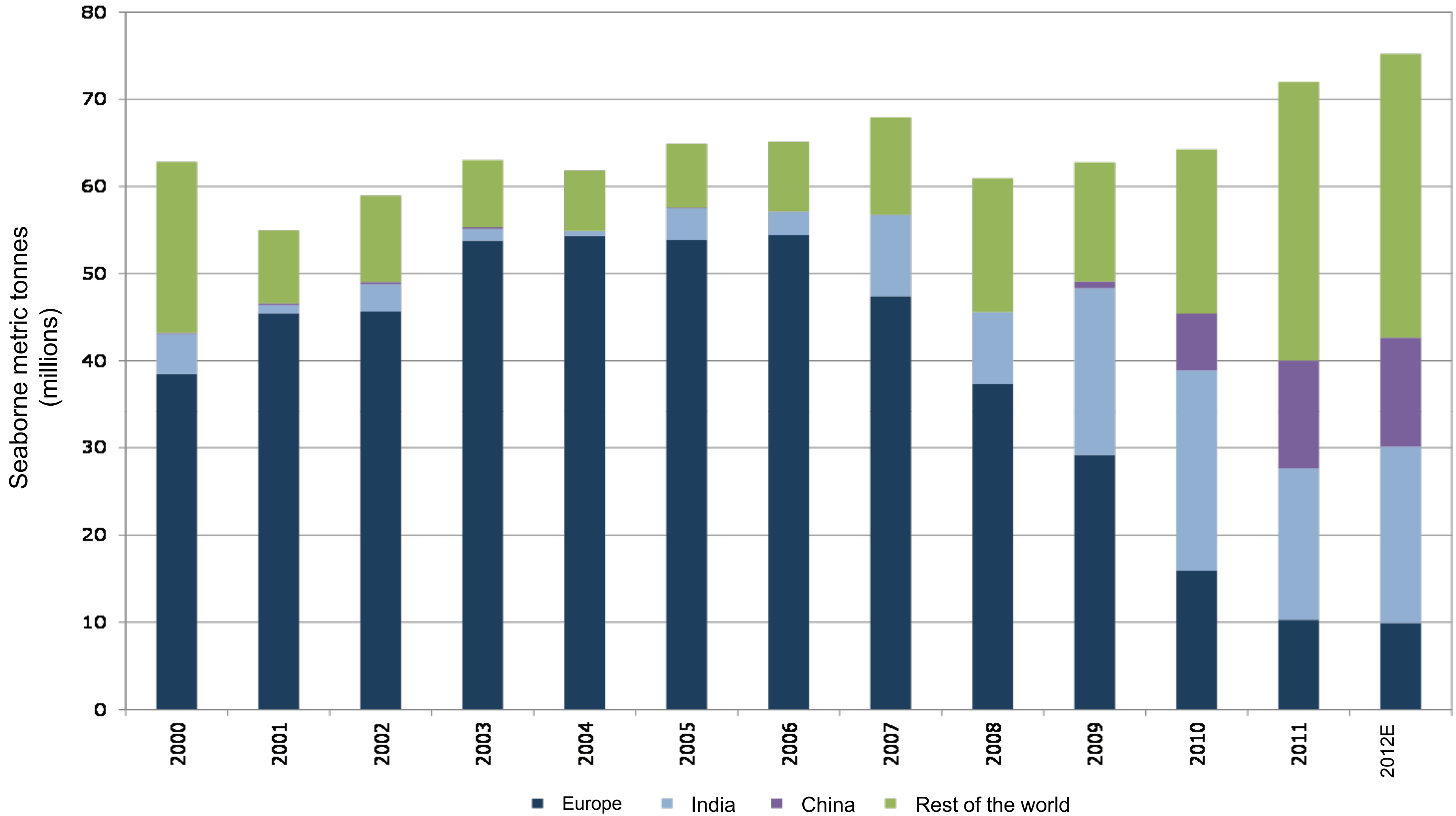

Source: Braemar Seascope, February 2013

# Minor drybulk trade growth




Source: Braemar Seascope, October 2012

# Coal exports from southern Africa




E=Estimate
Source: Maersk Broker, February 2013

# 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 | 300 | 700 | 2 600 | 3 300 | 1 300 | **10 900** | **14 600** | **25 500** |
| **2011** | 5 300 | 2 200 | 5 200 | 10 500 | 1 400 | 800 | **25 400** | **15 600** | **41 000** |
| **2012** | 8 000 | 4 600 | 8 700 | 12 300 | 1 300 | 600 | **35 500** | **20 800** | **56 300** |

* Handy tankers covers 10 000 – 80 000 dwt range
Source: Clarkson Research (Shipping Intelligence Network), 15 February 2013

# Commodity supply chain

| Cargoes handled | Commodity point of origin / Producer | Trading | Freight | | | Shipping | Commodity destination / Customer |
|---|---|---|---|---|---|---|---|
| Liquid bulk cargo | | Marine fuels | Road tankers | Clearing and forwarding<br>Ships agency | Tank terminals | Tankers<br>Bunker tankers | |
| Drybulk cargo | | Industrial raw materials<br>Agricultural commodities<br>Trade finance | Road transportation<br>Locomotives<br>Rail corridor management | Port management<br>Stevedoring<br>Clearing and forwarding<br>Ships agency | Terminals<br>Warehousing | Drybulk ships | |
| Containerised cargo | | | Road and rail transportation | Clearing and forwarding<br>Container leasing<br>Stevedoring<br>Ships agency | Container depot<br>Warehousing | Southern Africa feeder ships | |
| Vehicles | | | Road transportation | Stevedoring<br>Clearing and forwarding<br>Ships agency | Car terminal | | |

Import and export corridors