



GRINDROD LIMITED

PRE-CLOSE BUSINESS UPDATE

GROUP UPDATE

Trading performance for the first five months of 2021 (the "Period") recovered from the same Period last year as operations normalised from the effects of the pandemic.

The Port, Terminals and Logistics benefitted from strong commodity demand and customer solutions.

The Bank focused on driving revenue opportunities and continued to maintain strong capital and liquidity ratios.



Upgrade of Berth 6, 7 and 8 port of Maputo

OPERATING DIVISIONAL REVIEW

Port and Terminals

The Maputo port and the Matola terminal recovered well compared to the same Period in 2020, which was impacted by Covid-19 restrictions, on the back of demand for magnetite and chrome.



Terminal De Carvão da Matola

The Port projects now handed over to operations include the expansionary slab, rail siding and the berth which was undergoing rehabilitation. The Port is benefiting from increased slab / storage capacity for chrome and ferrochrome from 5.4 mtpa to 9.3 mtpa. The rail capacity has increased from 2.3 mtpa to 4.3 mtpa. Chrome and ferrochrome volumes for the Period exceeded prior year by 24% and 17% respectively.

The Matola terminal reported a volume uplift from last year, however, the uplift was as a consequence of road haul magnetite volumes at lower margins. The commodity flows were at 2.6 million tons for Matola for the Period, up 23% on last year.

Due to port congestion and rail capacity allocation issues, the Richards Bay facilities have seen subdued cargo flows throughout the Period. The terminal reported an average of 10 trains per week, compared to the 2020 annual average of 14 trains per week.

The drive for project related cargo to improve performance yielded positive results with the Maputo car terminal now being utilised as a storage facility.

The terminals focus in the second half of the year will be to improve the cargo flow mix in favour of rail and to maximise utilisations across the Port and Terminals.

Containers

The coastal shipping and container depot business achieved growth on the back of strong citrus demand and customised solutions for the shipping lines to alleviate the impact of congestion within Southern African ports.

The business optimised its feeder vessel fleet in line with customer demand and acquired replacement leases for facilities. This process was beneficial and assisted with improving resource utilisation across all the sites. The landside footprint now stands at 554 641 sqm.



Grindrod's new intermodal facility in Durban

Northern Mozambique

During May 2021, the Balama graphite mine resumed production and volumes are expected to ramp up in the second half of the year in line with global demand.

Grindrod's presence in Northern Mozambique comprises various landside and marine activities, enabling an integrated service offering for the liquefied natural gas project in the region.

The first quarter delivered good performance, however the insurgency in the region and subsequent suspension of the gas project at the beginning of April has resulted in reduced deployment of the vessels on short-term charter.

The business has implemented necessary austerity measures including suspending the activities, non-renewal of contractors and reducing liability exposure to the remaining charters.

In addition, Grindrod has suspended the development of the Palma intermodal facility and will resume once the security situation has been certified as safe in the region.



Seafreight, Mozambique

Rail

Driven by strong commodity prices, six of the ten locomotives which were not repatriated to South Africa from Sierra Leone have been deployed as the mine resumed activities.

Road trucking and rail corridors to the East continue to provide more efficient and cost-effective solutions for the copper belt. The North-South corridor has not recovered the volumes since the border closures.



Grindrod's locomotives have been deployed to haul Iron Ore in Sierra Leone

Carrier Logistics

Both the Automotive and Fuel Carrier logistics businesses have continued to record losses. Recovery in this segment has been poor and does not appear to be sustainable.

The withdrawal from these businesses has progressed. These actions may necessitate goodwill impairments and provisioning at the half year.

Bank

Grindrod Bank's lending and core deposit books increased to R 8.5 billion and R10.6 billion respectively from December 2020.

The Bank remains cautious in its lending activities. No material credit impairments were necessitated during the Period.

The strategic focus on platform banking has generated positive growth with 3% growth in new accounts on our platform in the current year bringing the number to one million accounts. The Bank is profitable, adequately capitalised, and liquid.



Grindrod's Bank building, Johannesburg

Private Equity

The private equity portfolio consists of private and property equity investments and loans provided to KwaZulu Natal North Coast property companies.

During the Period, sales were executed for 9 of the remaining 25 assets with a combined carrying value of R256.6 million. All cash received will be used to reduce debt.

Of the remaining assets, the sale of the offshore real estate investment is significantly progressed whilst the sale of the remaining three 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 been high and the owners are in the process of preparing the prospectus. The strategy remains for Grindrod to exit.

Balance sheet, cashflow and debt

The Group maintained a strong balance sheet. Net debt to equity excluding Grindrod Bank and IFRS 16 lease liabilities is 24% (2020: 26%).

GROWTH STRATEGY IN A DYNAMIC WORLD

Conclusion

We remain committed to the execution of the growth strategy, delivering solutions to our customers and creating a focused SME bank with an effective retail platform.

Agri Logistics and Marine Fuels

As previously reported, the sale of shares held in Senwes was executed.

The outstanding conditions were fulfilled at the end of March 2021, and the transaction was completed. Proceeds have been utilised to settle debt within the Group.

The Marine Fuels business has been profitable during the Period. Marine Fuels does not form part of the long-term strategy of the Group and therefore management remains committed to an exit.

The information contained in this pre-close business update has not been reviewed or reported on by Grindrod's auditors.

