

Grindrod Limited Unaudited Interim Results

for the six months ended 30 June 2019

Business review

With the Freight Services business focus firmly on "trade corridors supported by key infrastructure" the businesses have used the first half of the year to drive the basics and focus on the customers' need for efficient and effective freight logistics services. All the businesses have displayed good progress and continue to add scale and diversification to the core business.

The core Bank has been further capitalised following good growth in deposits and advances and is re-establishing its retail business. The private equity businesses have been split out and are now being driven as a separate focused business.

The Marine Fuel and Agricultural investments do not form part of the strategic focus and are held for sale.

Continuing operations

Continuing operations generated earnings of R136.7 million for the first half of 2019 against a loss of R418.2 million in 2018. Headline earnings grew by 118% to R136.7 million compared to R62.6 million in 2018.

	Note	Unaudited 30 June 2019 R000	Unaudited 30 June 2018 R000*	% Change
Continuing operations				
Earnings before interest, taxation, depreciation and amortisation	(1)	443 292	235 784	88
Profit/ (loss) attributable to ordinary shareholders	(1)	136 715	(418 192)	133
Headline earnings	(1)	136 650	62 646	118
Weighted average number of shares	(2)	680 483	752 504	(10)
Basic earnings/ (loss) per share (cents)	(1)	20.1	(55.6)	136
Headline earnings per share (cents)	(1)	20.1	8.3	142

Note 1:

Financial results for 2018 have been restated to reflect the exit of the Marine Fuel and Agricultural investments, and continuation of the Rail leasing business in accordance with the provisions of IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. Notwithstanding the offers received for the Rail leasing business, opportunities to deploy the extracted 24 Sierra Leone locomotives were more commercially attractive, supporting management's decision to continue with this business.

In addition to the IFRS 5 transactions, the Group adopted IFRS 16 *Leases* in the current year using a full retrospective approach. Under this approach, the 2018 results were restated. The standard resulted in the recognition of right-of-use assets and corresponding lease liabilities for all open leases in 2018 and 2019 which are longer than a year. The major make-up of the right-of-use assets for the group is port concessions, vessel charters and leased landside footprint.

The reconciliation of the 2018 restatement for both IFRS 5 and IFRS 16 is outlined below.

Item	Earnings R000	Headline earnings R000	Earnings per share (cents)	Headline earnings per share (cents)
2018 results previously reported	351 346	284 790	46.7	37.8
IFRS 5 – Rail leasing business continuing	(662 091)	(118 127)	(88.0)	(15.6)
IFRS 5 – Marine Fuel and Agricultural investments now held for sale	(45 513)	(42 083)	(6.0)	(5.6)
IFRS 16 – Effect of lease rental reversal, depreciation and interest expense	(61 934)	(61 934)	(8.3)	(8.3)
2018 restated results	(418 192)	62 646	(55.6)	8.3

Note 2:

In the second half of 2018, 8.7 million shares were repurchased by the group and 64.0 million shares were treated as treasury shares following consolidation of the B-BBEE consortium effective December 2018.

Port and terminals

The Maputo Port and Terminals business increased earnings from the prior period by 66% to R102.3 million on the back of strong iron ore prices and a weaker rand against the US dollar. The development of the Ngqura liquid bulk storage facility commenced during the current year.

Logistics

The Logistics business generated profits of R47.3 million, up 108% on the prior period. The current period performance benefited from a ramp-up in volumes at the graphite operations in Mozambique. The Rail leasing business returned to profitability following the recovery of locomotives from Sierra Leone resulting in structural cost reductions and improved locomotive deployment in our Rail leasing joint venture. The Rail logistics business performed well on the throughput-traffic but struggled with the Zimbabwe in-country operations and deteriorating foreign exchange rate on real-time gross settlement against the US dollar.

Bank

The Bank deposits and advances grew 7% and 5% to R9.4 billion and R7.9 billion respectively, compared to prior year. Further equity investment of R100 million ensures that the Bank is well capitalised. The Bank is re-positioning its retail business and enhancing the SMME offering.

Group

Costs relating to group increased in the current period following consolidation of the group's B-BBEE ownership structure as at December 2018. This consolidation however, has a positive effect on the earnings per share due to an increase in treasury shares.

The private equity and property exposure, previously included in the Financial Services segment, are now reflected in the group segment. These investments are in the process of being realised. Private equity investment benefited from a significant fair value uplift on its foreign property investment in the prior year, which was realised towards the end of 2018.

Discontinued operations

	Note	Unaudited 30 June 2019	Unaudited 30 June 2018*	% Change
Discontinued operations				
Basic (loss)/ earnings per share (cents)	(3)	(95.4)	377.0	(125)
Headline earnings per share (cents)	(3)	(37.9)	38.0	(200)

The discontinued businesses comprise the Marine Fuel and Agricultural investments. This segment reported a headline loss of R257.5 million (2018: headline earnings of R286.2 million) due to an impairment in the marine fuel UAE business. Several employees have been dismissed and legal proceedings instituted. The business has notified the insurers of a potential claim. Agricultural investments have reported good results despite the late planting season in South Africa, which has resulted in a timing delay in the earnings from storage in comparison to the prior year. As the discontinued businesses are now held for sale, an impairment provision has been raised against the investment carrying values to reflect management's estimate of the recoverable value.

Note 3:

The restatement of prior year results are reconciled as follows:

Item	Earnings R000	Headline earnings R000	Earnings per share (cents)	Headline earnings per share (cents)
2018 results previously reported	2 036 421	(263 505)	270.6	(35.0)
IFRS 5 – Rail leasing business continuing	662 091	118 127	88.0	15.6
IFRS 5 – Marine Fuel and Agricultural investments now held for sale	45 513	42 083	6.0	5.6
IFRS 16 – Effect of lease rental reversal, depreciation and interest expense	92 678	389 540	12.4	51.8
2018 restated results	2 836 703	286 245	377.0	38.0

Total operations

	Unaudited 30 June 2019 R000	Unaudited 30 June 2018 R000*	% Change
Total operations			
Earnings before interest, taxation, depreciation and amortisation	443 292	508 717	(13)
Basic (loss)/ earnings per share (cents)	(75.3)	321.4	(123)
Headline (loss)/ profit per share (cents)	(17.8)	46.3	(138)
Net asset value per share	1 177	1 232	(5)
Net debt/ (cash):equity	0.06:1	(0.02):1	(400)

Prospects

With the core business firmly focused along key trade corridors, Grindrod is well positioned to serve customers with efficient and effective freight services in sub-Saharan Africa. The recapitalised Grindrod Bank will focus on its core lending book and the development of its SMME and retail offering.

Dividend

An interim ordinary dividend of 5.0 cents per share was declared (June 2018: Nil). An interim dividend of 447.0 cents per cumulative, non-redeemable, non-participating and non-convertible preference share was declared (June 2018: 442.0 cents).

Directors' statement

This short-form announcement is the responsibility of the directors and is only a summary of the information of the full announcement and does not contain full or complete details. The full announcement is available for inspection at no charge, Monday to Friday, during office hours at the company's registered office, the office of the sponsor and on the company's website at www.grindrod.com. The full announcement is available on SENS on 23 August 2019 at <https://senspdf.jse.co.za/documents/2019/jse/isse/GNDE/2019SENS.pdf>. Copies of the full announcement may also be requested by email at investorrelations@grindrod.com or telephonically from the company's registered office and the offices of the sponsor. Any investment decision by investors and/ or shareholders should be made having considered the full announcement as a whole.

By order of the board

Mrs Cathie Lewis

Group Company Secretary
22 August 2019

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* Restated for the impact of IFRS 5 *Non-Current Assets Held For Sale and Discontinued Operations* and IFRS 16 *Leases*.