

Reinet Investments S.C.A.
(Incorporated in Luxembourg)
ISIN: LU0383812293
Code: RNI

COMPANY ANNOUNCEMENT FOR IMMEDIATE RELEASE

MANAGEMENT STATEMENT FOR THE FIRST QUARTER ENDED 30 JUNE 2019

The Board of Reinet Investments Manager S.A. announces the results of Reinet Investments S.C.A. for the quarter ended 30 June 2019.

Key financial data

- **Reinet's net asset value of € 4 519 million, reflects a compound return of 9.5 per cent per annum in euro terms, since March 2009, including dividends paid**
- **The net asset value at 30 June 2019 reflects a decrease of € 311 million or 6.4 per cent from € 4 830 million at 31 March 2019**
- **Net asset value per share at 30 June 2019: € 23.92 (31 March 2019: € 25.30)**
- **Share buyback programme: 1 986 858 ordinary shares repurchased during the quarter for a consideration of € 29 million; with a total of 7 009 530 ordinary shares repurchased as of 30 June 2019 for a consideration of € 97 million**
- **Commitments totalling € 17 million in respect of new and existing investments made during the quarter, and a total of € 19 million funded during the quarter**
- **Dividends from British American Tobacco during the quarter amounted to € 39 million**

Reinet Investments S.C.A. (the 'Company') is a partnership limited by shares incorporated in the Grand Duchy of Luxembourg and having its registered office at 35, boulevard Prince Henri, L-1724 Luxembourg. It is governed by the Luxembourg law on securitisation and in this capacity allows its shareholders to participate indirectly in the portfolio of assets held by its wholly-owned subsidiary Reinet Fund S.C.A., F.I.S. ('Reinet Fund'), a specialised investment fund also incorporated in Luxembourg. The Company's ordinary shares are listed on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing. The Company's ordinary shares are included in the 'LuxX' index of the principal shares traded on the Luxembourg Stock Exchange. The Company and Reinet Fund together with Reinet Fund's subsidiaries are referred to as 'Reinet'.

Cautionary statement regarding forward-looking statements

This document contains forward-looking statements as that term is defined in the United States Private Securities Litigation Reform Act of 1995. Words such as 'may', 'should', 'estimate', 'project', 'plan', 'believe', 'expect', 'anticipate', 'intend', 'potential', 'goal', 'strategy', 'target', 'will', 'seek' and similar expressions may identify forward-looking statements. Such forward-looking statements are not guarantees of future performance. Actual results may differ materially from the forward-looking statements as a result of a number of risks and uncertainties, many of which are outside Reinet's control. Reinet does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.

Reinet Investments S.C.A.
R.C.S. Luxembourg B 16 576

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BUSINESS OVERVIEW

Net asset value				
The net asset value at 30 June 2019 comprised:				
	30 June 2019		31 March 2019	
	€ m	%	€ m	%
Listed investments				
British American Tobacco p.l.c.	2 087	46.2	2 523	52.2
Other listed investments	58	1.3	82	1.7
Unlisted investments				
Pension Insurance Corporation Group Limited	1 548	34.3	1 480	30.6
Private equity and related partnerships	778	17.2	772	16.0
Trilantic Capital Partners	224	4.9	216	4.5
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies				
36 South macro/volatility funds	31	0.7	32	0.7
Asian private equity companies and portfolio funds	244	5.4	243	5.0
Milestone China Opportunities funds, investment holdings and management company participation	88		82	
Prescient China funds and investment management company	105		110	
Grab Holdings Inc.	51		51	
Specialised investment funds	279	6.2	281	5.8
Vanterra C Change TEM and holding companies	21		23	
NanoDimension funds and co-investment opportunities	30		26	
Snow Phipps funds and co-investment opportunities	109		105	
GAM Real Estate Finance Fund	29		37	
Other fund investments	90		90	
United States land development and mortgages	69	1.5	79	1.6
Diamond interests	47	1.0	46	1.0
Other investments	68	1.5	67	1.4
Total investments	4 655	103.0	5 049	104.5
Cash and liquid funds	373	8.3	360	7.5
Bank borrowings and derivatives				
Borrowings	(635)	(14.1)	(662)	(13.7)
Net derivative assets	165	3.7	135	2.8
Other liabilities				
Minority interest, fees payable and other liabilities, net of other assets	(39)	(0.9)	(52)	(1.1)
Net asset value	4 519	100.0	4 830	100.0

All investments are held, either directly or indirectly, by Reinet Fund.

INFORMATION RELATING TO CURRENT KEY INVESTMENTS

		Committed amount ⁽¹⁾ in millions	Remaining committed amount ⁽¹⁾ in millions	Invested amount ⁽²⁾ in millions	Realised proceeds ⁽²⁾ in millions	Current fair value ⁽¹⁾ in millions	Total realised and unrealised value ⁽³⁾ in millions
Listed investments							
British American Tobacco p.l.c.	EUR	-	-	1 739	2 088	2 087	4 175
	GBP	-	-	1 418	1 730	1 869	3 599
Other listed investments	EUR	35	-	74	47	58	105
	USD	40	-	95	53	66	119
Unlisted investments							
Pension Insurance Corporation Group Limited	EUR	609	-	663	-	1 548	1 548
	GBP	545	-	545	-	1 386	1 386
Trilantic Capital Partners	EUR	604	277	334	391	224	615
Euro investment	EUR	87	20	67	124	48	172
US dollar investment ⁽⁴⁾	USD	588	292	306	326	200	526
36 South macro/volatility funds	EUR	93	-	93	12	31	43
Euro investment	EUR	88	-	88	12	27	39
US dollar investment	USD	6	-	6	-	5	5
Asian private equity companies and portfolio funds							
Milestone China Opportunities funds, investment holdings and management company participation	EUR	149	4	126	76	88	164
	USD	169	5	165	89	100	189
Prescient China funds and investment management company	EUR	72	-	68	2	105	107
	USD	82	-	82	2	119	121
Grab Holdings Inc.	EUR	44	-	43	-	51	51
	USD	50	-	50	-	58	58
Specialised investment funds							
Vanterra C Change TEM and holding companies	EUR	62	5	52	1	21	22
	USD	71	6	65	1	24	25
NanoDimension funds and co-investment opportunities	EUR	88	28	57	38	30	68
Euro investment	EUR	4	-	4	1	3	4
US dollar investment	USD	96	32	64	42	31	73
Snow Phipps funds and co-investment opportunities	EUR	148	38	109	46	109	155
	USD	168	43	125	50	124	174
GAM Real Estate Finance Fund	EUR	112	31	56	63	29	92
	GBP	100	28	72	54	26	80
United States land development and mortgages	EUR	189	5	160	20	69	89
	USD	215	6	209	22	79	101
Diamond interests ⁽⁵⁾	EUR	77	2	116	84	47	131
	ZAR	1 230	40	1 190	1 229	754	1 983

(1) Calculated using quarter end foreign exchange rates.

(2) Calculated using actual foreign exchange rates at transaction date.

(3) Total of realised proceeds and current fair value.

(4) The invested amount for Trilantic Capital Partners includes an initial payment of \$ 10 million.

(5) The exposure to the South African rand has been partially hedged by a forward exchange contract and borrowings in this currency.

PERFORMANCE

NET ASSET VALUE

The net asset value ('NAV') comprises total assets less total liabilities, and equates to total equity under International Financial Reporting Standards. The decrease in the NAV of € 311 million during the quarter reflects the decrease in the share price of British American Tobacco p.l.c. Offsetting this decrease are dividends receivable from British American Tobacco p.l.c. and increases in the estimated fair value of certain investments, including Pension Insurance Corporation Group Limited and the derivative asset associated with the loan financing. During the quarter, the Company also continued to fund the purchase of its own ordinary shares through buyback programmes.

The Company records its assets and liabilities in euro; the weakening of sterling and the US dollar against the euro, offset by the strengthening of the South African rand against the euro has resulted in an overall decrease in the value of certain assets and liabilities in euro terms. Applying current quarter end exchange rates to the March 2019 assets and liabilities would have resulted in a decrease in the March 2019 NAV of some € 156 million.

SHARE BUYBACK PROGRAMMES

On 19 November 2018, the Company announced the commencement of a share buyback programme in respect of a maximum of 3.2 million ordinary shares for an aggregate maximum amount of € 55 million. The programme ran from November 2018 to January 2019 when 3 200 000 ordinary shares were repurchased for a cost of € 42 million, plus transaction costs.

On 6 February 2019, the Company announced the commencement of a second share buyback programme in respect of a maximum of 5.0 million ordinary shares for an aggregate maximum amount of € 75 million. The programme ran from February 2019 to May 2019 when 3 449 689 ordinary shares were repurchased for a cost of € 50 million, plus transaction costs.

On 14 June 2019, the Company announced the commencement of a third share buyback programme in respect of a maximum of 2.75 million ordinary shares for an aggregate maximum amount of € 44 million closing on 23 August 2019. At 30 June 2019, 359 841 ordinary shares have been repurchased for a cost of € 5 million, plus transaction costs.

All ordinary shares repurchased are held as treasury shares.

In accordance with IAS 32 paragraph 23, a liability of € 39 million has been recorded in respect of the maximum potential amount still to be paid in order to complete the current programme. Should the programme complete at current share price levels, the remaining consideration will be less than the liability provided for.

NET ASSET VALUE PER SHARE

The NAV per share and the adjusted NAV per share are calculated by dividing the NAV and adjusted NAV respectively by the number of shares outstanding (excluding treasury shares) of 188 932 756. The adjusted NAV is calculated by reversing the liability in respect of future repurchases of shares of € 39 million. The adjusted NAV is considered relevant as it eliminates the timing difference between the additional liability recorded for future share repurchase and the actual number of shares repurchased as at 30 June 2019.

	30 June 2019	31 March 2019
Shares in issue	195 942 286	195 942 286
Treasury shares	(7 009 530)	(5 022 672)
Net shares	188 932 756	190 919 614
	€ m	€ m
NAV (see page 2)	4 519	4 830
Reversal of future share buyback liability	39	49
Adjusted NAV	4 558	4 879
NAV per share	€ 23.92	€ 25.30
Adjusted NAV per share	€ 24.13	€ 25.56

INVESTMENTS

Reinet seeks, through a range of investment structures, to build partnerships with other investors, specialised fund managers and entrepreneurs to find and develop opportunities for long-term value creation for its shareholders.

Since its formation in 2008, Reinet has invested some € 2.4 billion and at 30 June 2019 has committed to provide further funding of € 423 million to its current investments. New commitments during the quarter under review amounted to € 17 million, and a total of € 19 million was funded during the quarter.

Major items impacting the NAV, significant changes in carrying value and new investments during the quarter under review are overleaf.

LISTED INVESTMENTS

BRITISH AMERICAN TOBACCO P.L.C.

The investment in British American Tobacco p.l.c. ('BAT') remains Reinet's single largest investment position and is kept under constant review, considering the company's performance, the industry outlook, cash flows from dividends, stock market performance, volatility and liquidity.

BAT declared a dividend of 50.75 p per share for holders on record at 27 June 2019. The dividend of some € 39 million (£ 35 million) will be paid on 8 August 2019 and has been included in the NAV as at 30 June 2019.

Reinet holds 68.0 million shares in BAT, representing some 2.96 per cent of BAT's issued share capital. The value of Reinet's investment in BAT amounted to € 2 087 million at 30 June 2019 (31 March 2019: € 2 523 million), being some 46.2 per cent of Reinet's NAV. The BAT share price on the London Stock Exchange decreased from £ 31.94 at 31 March 2019 to £ 27.49 at 30 June 2019, resulting in a decrease in value of € 338 million; the carrying value is also impacted by the weakening of sterling against the euro during the quarter, the effect of which amounts to some € 98 million.

Further information on BAT is available at www.bat.com/annualreport.

OTHER LISTED INVESTMENTS

As at 30 June 2019, other listed investments comprise the following:

	30 June 2019	31 March 2019
	€ m	€ m
SPDR Gold shares	27	25
Selecta Biosciences, Inc.	1	1
Soho China Limited	15	18
Li Ning Company Limited	-	26
Twist Bioscience Corporation	15	12
	58	82

During the quarter under review, Reinet sold its remaining 18.4 million shares in Li Ning for proceeds of € 28 million realising a gain of € 11 million.

UNLISTED INVESTMENTS

PENSION INSURANCE CORPORATION GROUP LIMITED

During the first half of 2019, Pension Insurance Corporation Group Limited ('Pension Corporation') concluded £ 6 billion of buyouts and buy-ins with the trustees of defined benefit schemes and reinsured £ 7 billion of longevity reinsurance, including the reinsurance of almost £ 1.5 billion of deferred (future-pensioner) lives. This is the first time such a significant amount of deferred lives has been reinsured in any one period and signals increased capacity for this type of risk within the reinsurance market. Reinet believes this to be positive for the market in general and its investment in Pension Corporation.

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 1 548 million at 30 June 2019 (31 March 2019: € 1 480 million). This value takes into account Reinet's estimate of Pension Corporation's embedded value at 31 March 2019 of some £ 3.8 billion (31 December 2018: £ 3.6 billion), valuation multiples drawn from industry data and a discount of 10 per cent which takes into account the illiquid nature of Reinet's investment.

The increase in the estimated fair value over the quarter is due to an increase in Reinet's estimate of Pension Corporation's embedded value together with an increase in comparable company valuation multiples derived from public information of listed peer group companies in the UK insurance sector. The estimated fair value is reduced by the weakening of sterling against the euro in the quarter.

Further information on Pension Corporation is available at www.pensioncorporation.com.

PRIVATE EQUITY AND RELATED PARTNERSHIPS

TRILANTIC CAPITAL PARTNERS

Reinet and its minority partner's investment in Trilantic Management and related funds is carried at the estimated fair value of € 224 million at 30 June 2019 (31 March 2019: € 216 million) of which € 4 million (31 March 2019: € 4 million) is attributable to the minority partner. The estimated fair value is based on unaudited valuation data provided by Trilantic Management at 31 March 2019, adjusted for changes in the value of listed investments included in the portfolios. The increase in the estimated fair value is due to net capital contributions of € 5 million together with increases in the estimated fair value of underlying investments, offset by the realisation of certain investments.

As at 30 June 2019, Reinet had committed € 234 million (\$ 266 million) to Trilantic Capital Partners VI (North America) L.P. ('Fund VI') and its general partner. Fund VI currently has commitments of € 2.3 billion (\$ 2.6 billion) and expects to close its fund raising in July 2019.

Further information on Trilantic is available at www.trilantic.com.

SPECIALISED INVESTMENT FUNDS

GAM Real Estate Finance Fund

The investment is carried at the estimated fair value of € 29 million at 30 June 2019 (31 March 2019: € 37 million) based on unaudited valuation data provided by the fund manager.

The decrease in estimated fair value is due to repayments of capital in the year, together with the weakening of sterling against the euro during the quarter.

UNITED STATES LAND DEVELOPMENT AND MORTGAGES

The investment is carried at the estimated fair value of € 69 million as at 30 June 2019 (31 March 2019: € 79 million).

The current valuation is based on audited financial statements as at 31 December 2018 adjusted for cash movements up to 30 June 2019. The decrease in the estimated fair value reflects repayments received in the quarter of € 12 million, together with the weakening of the US dollar against the euro during the quarter, offset by an increase in the estimated fair value of underlying assets of € 3 million.

CASH AND LIQUID FUNDS

Reinet holds cash on deposit principally in European-based banks and in liquidity funds holding highly rated short-term commercial paper.

Reinet's cash and liquid funds increased from € 360 million at 31 March 2019 to € 373 million at 30 June 2019. During the quarter, the BAT dividend received amounted to € 40 million and distributions from investments amounted to some € 48 million. Payments in respect of the share buyback programme amounted to € 29 million, investments were made of some € 19 million in underlying investments, payment of the management fee to Reinet Investment Advisors Limited, which was accrued as at 31 March 2019, amounted to € 19 million, payments of loans and interest amounted to € 7 million and taxes and other expenses amounted to € 1 million.

BANK BORROWINGS AND DERIVATIVES

Borrowings

During early 2017, Reinet entered into a £ 500 million, medium-term financing arrangement with Merrill Lynch International, which runs to 2022. At 30 June 2019, the estimated fair value of the borrowing was € 559 million (£ 501 million) (31 March 2019: € 581 million (£ 500 million)). The £ 500 million financing transaction includes the purchase by Reinet of put options over approximately 15.5 million BAT shares for a premium of some € 92 million (£ 79 million) payable over the life of the transaction (the 'Premium Loan'). As at 30 June 2019, the Premium Loan is carried as a liability at an estimated fair value of € 48 million (£ 43 million) (31 March 2019: € 54 million (£ 46 million)). Some 4.4 million BAT shares have also been pledged to collateralise the Premium Loan and future interest payments. As part of the medium-term financing arrangement and Premium Loan a portion of BAT shares are on loan to Merrill Lynch International. Reinet retains the economic benefit of all shares on loan.

Reinet has also borrowed ZAR 443 million to fund its investments in South African projects. At 30 June 2019, the estimated fair value of the borrowing was € 28 million (31 March 2019: € 27 million). This loan matures in March 2020.

Derivative assets/(liabilities) – options and forward exchange contracts

As part of the aforementioned £ 500 million medium-term financing arrangement, Reinet purchased put options which provide protection should the value of the BAT shares used to secure the borrowings fall below a certain amount. Proceeds received as a result of the put options being exercised could be used to repay the amounts borrowed in full. The put options are carried at their estimated fair value of € 166 million (asset) at 30 June 2019 (31 March 2019: € 136 million (asset)). The increase in the carrying value of the put options reflects the decrease in value of the underlying BAT shares, offset by the decrease in the time to maturity and the weakening of sterling against the euro in the quarter.

Reinet has entered into a forward exchange contract to sell ZAR 230 million, which is carried at its estimated fair value of € 1 million (liability) at 30 June 2019 (31 March 2019: € 1 million (liability)).

Refer to page 54 of the Reinet 2019 annual report for a description of Reinet's policy on foreign exchange exposure.

OTHER LIABILITIES

Minority interest, fees payable and other liabilities, net of other assets

The minority interest liability amounts to € 5 million at 30 June 2019 (31 March 2019: € 6 million) and is in respect of minority partners' share in the gains and losses not yet distributed to them arising from the estimated fair value movement of investments in which they have interests.

Fees payable and other liabilities at 30 June 2019 comprise principally; an accrual of € 39 million (31 March 2019: € 49 million) in respect of the potential maximum amount outstanding of the share buyback programme, an accrual of € 9 million in respect of the management fee payable (31 March 2019: € 19 million), a provision for deferred taxes of € 9 million (31 March 2019: € 7 million) relating to realised and unrealised gains arising from the investments in Trilantic and Snow Phipps, and withholding and corporate taxes of € 12 million (31 March 2019: € 11 million) relating to the investment in United States land development and mortgages. Accruals, other payables and other receivables amount to some € 4 million (31 March 2019: € nil).

No provision has been made in respect of a performance fee as at 30 June 2019 (31 March 2019: € nil) as the conditions required to pay a fee had not been met at that date.

The performance fee (if applicable) and management fee are payable to Reinet Investment Advisors Limited.

Amounts payable are offset by other assets which comprise the BAT dividend receivable of € 39 million (31 March 2019: € 40 million); the dividend has a record date of 27 June 2019.

SHARES IN ISSUE

The number of shares in issue remained unchanged during the quarter at 195 942 286. This figure includes 1 000 management shares held by the General Partner.

TREASURY SHARES

1 986 858 treasury shares were acquired in the quarter. At 30 June 2019, total treasury shares held amounted to 7 009 530 (31 March 2019: 5 022 672). These shares remain listed and have not been cancelled.

SHARE INFORMATION

The Company's ordinary shares are listed and traded on the Luxembourg Stock Exchange (symbol 'REINI', Thomson Reuters code REIT.LU), on Euronext Amsterdam (symbol 'REINA', Thomson Reuters code REINA.AS) and on the Johannesburg Stock Exchange (symbol 'RNI', Thomson Reuters code RNIJ.J) with the ISIN number LU0383812293; the listing on the Johannesburg Stock Exchange is a secondary listing. The Company's ordinary shares are included in the 'LuxX' index of the principal shares traded on the Luxembourg Stock Exchange.

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Reinet Investments Manager S.A.

General Partner

For and on behalf of Reinet Investments S.C.A.

23 JULY 2019

Website: www.reinet.com

Notes for South African editors

Acknowledging the interest in Reinet's results on the part of South African investors, set out below are key figures from the results expressed in rand.

Shares in issue

On 19 November 2018, the Company announced the commencement of a share buyback programme in respect of a maximum of 3.2 million ordinary shares for an aggregate maximum amount of € 55 million. The programme ran from November 2018 to January 2019 when 3 200 000 ordinary shares were repurchased for a cost of ZAR 667.22 million (€ 42 million), plus transaction costs.

On 6 February 2019, the Company announced the commencement of a second share buyback programme in respect of a maximum of 5.0 million ordinary shares for an aggregate maximum amount of € 75 million. The programme ran from February 2019 to May 2019 when 3 449 689 ordinary shares were repurchased for a cost of ZAR 801.46 million (€ 50 million), plus transaction costs.

On 14 June 2019, the Company announced the commencement of a third share buyback programme in respect of a maximum of 2.75 million ordinary shares for an aggregate maximum amount of € 44 million closing on 23 August 2019. At 30 June 2019, 359 841 ordinary shares have been repurchased for a cost of ZAR 82.57 million (€ 5 million), plus transaction costs.

All ordinary shares repurchased are held as treasury shares.

	<u>30 June 2019</u>	<u>31 March 2019</u>
Shares in issue	195 942 286	195 942 286
Treasury shares	<u>(7 009 530)</u>	<u>(5 022 672)</u>
Net shares	188 932 756	190 919 614

Net asset value

Using the closing euro/rand exchange rate prevailing as at 30 June 2019 of 16.0028 and a rate of 16.2632 as at 31 March 2019.

	<u>30 June 2019</u>	<u>31 March 2019</u>
Net asset value	ZAR 72 317 m	ZAR 78 551 m
Reversal of future share buyback liability	<u>ZAR 624 m</u>	<u>ZAR 797 m</u>
Adjusted net asset value	ZAR 72 941 m	ZAR 79 348 m

The decrease in the net asset value reflects the decrease in the net asset value in euro terms, offset by the strengthening of the rand during the quarter.

Net asset value per ordinary share

	<u>30 June 2019</u>	<u>31 March 2019</u>
Net asset value per share	ZAR 382.79	ZAR 411.46
Adjusted net asset value per share	ZAR 386.15	ZAR 415.69