REINET INVESTMENTS S.C.A.

Reinet Investments S.C.A.
(Incorporated in Luxembourg)
ISIN: LU0383812293
Code: RNI
LEI: 0307021141926639

COMPANY ANNOUNCEMENT FOR IMMEDIATE RELEASE

MANAGEMENT STATEMENT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2019

The Board of Reinet Investments Manager S.A. announces the results of Reinet Investments S.C.A. for the quarter ended 31 December 2019.

Key financial data

- **Reinet's net asset value of € 5.5 billion, reflects a compound return of 11 per cent per annum in euro terms, since March 2009, including dividends paid**
- **The net asset value at 31 December 2019 reflects an increase of € 714 million or 15 per cent from € 4 745 million at 30 September 2019**
- **Net asset value per share at 31 December 2019: € 29.62 (30 September 2019: € 25.44)**
- **Share buyback programme: 2 189 723 ordinary shares repurchased during the period for a consideration of € 37 million with a total of 11 651 395 ordinary shares repurchased as of 31 December 2019 since commencement of the first programme for a consideration of € 172 million**
- **Commitments totalling € 6 million in respect of new and existing investments were made during the quarter, and a total of € 13 million funded during the quarter**
- **Sale of 2.6 million British American Tobacco shares in the quarter realised proceeds of € 98 million**
- **Dividends from British American Tobacco during the quarter amounted to € 74 million**

Sponsor
RAND MERCHANT BANK (a division of FirstRand Bank Limited)

24 JANUARY 2020

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. ('the 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 the Fund together with the Fund's subsidiaries are referred to as 'Reinet'.*

Cautionary statement regarding forward-looking statements

This document contains forward-looking statements which reflect the current views and beliefs of the Board as well as assumptions made by them and information currently available to them. 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 the Company's control. The Company does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.

BUSINESS OVERVIEW

Net asset value

The net asset value ('NAV') at 31 December 2019 comprised:

	31 December 2019		30 September 2019	
	€ m	**%**	€ m	%
Listed investments				
British American Tobacco p.l.c.	**2 499**	**45.8**	2 306	48.6
Other listed investments	**59**	**1.1**	55	1.2
Unlisted investments				
Pension Insurance Corporation Group Limited	**2 021**	**37.0**	1 623	34.2
Private equity and related partnerships	**760**	**13.9**	771	16.2
Trilantic Capital Partners	**213**	**3.9**	229	4.8
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies				
36 South macro/volatility funds	**32**	**0.6**	32	0.7
Asian private equity companies and portfolio funds	**228**	**4.2**	228	4.8
Milestone China Opportunities funds, investment holdings and management company participation	71		77	
Prescient China funds and investment management company	112		105	
Grab Holdings Inc.	45		46	
Specialised investment funds	**287**	**5.2**	282	5.9
Vanterra C Change TEM and holding companies	23		24	
NanoDimension funds and co-investment opportunities	43		35	
Snow Phipps funds and co-investment opportunities	119		121	
GAM Real Estate Finance Fund	13		12	
Other fund investments	89		90	
United States land development and mortgages	**60**	**1.1**	63	1.3
Diamond interests	**45**	**0.8**	43	0.9
Other investments	**81**	**1.5**	75	1.6
Total investments	**5 525**	**101.2**	4 936	104.0
Cash and liquid funds	**488**	**8.9**	398	8.4
Bank borrowings and derivatives				
Borrowings	**(662)**	**(12.1)**	(638)	(13.4)
Net derivative assets	**109**	**2.0**	134	2.8
Other liabilities				
Minority interest, fees payable and other liabilities, net of other assets	**(1)**	**-**	(85)	(1.8)
Net asset value	**5 459**	**100.0**	4 745	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**	**2 261**	**2 499**	**4 760**
	GBP	-	-	1 418	1 879	2 113	3 992
Other listed investments	**EUR**	**37**	**-**	**75**	**47**	**59**	**106**
	USD	41	-	96	53	66	119
Unlisted investments							
Pension Insurance Corporation Group Limited	**EUR**	**645**	**-**	**663**	**-**	**2 021**	**2 021**
	GBP	545	-	545	-	1 709	1 709
Trilantic Capital Partners	**EUR**	**617**	**278**	**342**	**425**	**213**	**638**
Euro investment	EUR	87	20	67	137	41	178
US dollar investment(4)	USD	594	290	314	348	193	541
36 South macro/volatility funds	**EUR**	**93**	**-**	**93**	**12**	**32**	**44**
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**	**150**	**3**	**127**	**112**	**71**	**183**
	USD	169	3	166	128	79	207
Prescient China funds and investment management company	**EUR**	**73**	**-**	**68**	**2**	**112**	**114**
	USD	82	-	82	2	125	127
Grab Holdings Inc.	**EUR**	**45**	**-**	**43**	**-**	**45**	**45**
	USD	50	-	50	-	50	50
Specialised investment funds							
Vanterra C Change TEM and holding companies	**EUR**	**63**	**4**	**53**	**2**	**23**	**25**
	USD	71	4	67	3	25	28
NanoDimension funds and co-investment opportunities	**EUR**	**89**	**20**	**65**	**38**	**43**	**81**
Euro investment	EUR	4	-	4	1	3	4
US dollar investment	USD	96	22	74	42	45	87
Snow Phipps funds and co-investment opportunities	**EUR**	**154**	**37**	**115**	**46**	**119**	**165**
	USD	173	42	131	50	134	184
GAM Real Estate Finance Fund	**EUR**	**118**	**33**	**87**	**81**	**13**	**94**
	GBP	100	28	72	70	11	81
United States land Development and mortgages	**EUR**	**192**	**5**	**160**	**29**	**60**	**89**
	USD	215	6	209	32	68	100
Diamond interests(5)	**EUR**	**78**	**3**	**116**	**85**	**45**	**130**
	ZAR	1 230	40	1 190	1 237	713	1 950

(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 NAV of the Company comprises total assets less total liabilities, and equates to total equity under International Financial Reporting Standards. The increase in the NAV of € 714 million during the period reflects the increase in the fair value of certain investments, including British American Tobacco p.l.c. ('BAT') and Pension Insurance Corporation Group Limited, together with dividends received and receivable from BAT. Details of the Company's NAV and details of movements in key investments can be found on pages 2 and 3.

The Company records its assets and liabilities in euro; the strengthening of sterling and the South African rand against the euro, offset by the weakening of the US dollar against the euro has resulted in an overall increase in the value of certain assets and liabilities in euro terms. Applying current quarter end exchange rates to the September 2019 assets and liabilities would have resulted in an increase in value of some € 154 million.

SHARE BUYBACK PROGRAMME

Between October 2019 and December 2019, 2 189 723 ordinary shares were repurchased for € 37 million, plus transaction costs.

The Company has repurchased 11 651 395 ordinary shares between November 2018 and December 2019 under four share buyback programmes. The cost of the ordinary shares repurchased amounts to € 172 million, plus transaction costs.

As at 31 December 2019, there was no share buyback programme in progress.

All ordinary shares repurchased are held as treasury shares.

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 total number of shares outstanding (excluding treasury shares) of 184 290 891. The adjusted NAV is calculated by reversing any liability in respect of future repurchases of shares; as at 31 December 2019 there was no outstanding liability. The adjusted NAV is considered relevant as it eliminates the timing difference between the additional liability recorded for future share repurchases and the actual number of shares repurchased as at the period end date.

	31 December 2019	30 September 2019
Shares in issue	**195 942 286**	195 942 286
Treasury shares	**(11 651 395)**	(9 461 672)
Net shares	**184 290 891**	186 480 614
	€ m	€ m
NAV (see page 2)	**5 459**	4 745
Reversal of future share buyback liability	**-**	38
Adjusted NAV	**5 459**	4 783
NAV per share	**€ 29.62**	€ 25.44
Adjusted NAV per share	**€ 29.62**	€ 25.64

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 31 December 2019 committed to provide further funding of € 415 million to its current investments. New commitments during the quarter under review amounted to € 6 million, and a total of € 13 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 described below.

LISTED INVESTMENTS

BRITISH AMERICAN TOBACCO P.L.C.

The investment in 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.

During the quarter under review, dividend income recorded from BAT amounted to € 74 million (£ 64 million), being BAT's third 2019 interim dividend of € 39 million (£ 35 million), received in November 2019 together with the fourth interim dividend of some € 35 million (£ 30 million) with a record date of 27 December 2019. The fourth interim dividend will be paid on 6 February 2020 and has been included as a receivable in the NAV as at 31 December 2019.

Reinet sold 2.6 million BAT shares in the quarter under review for total proceeds of some € 98 million (£ 83 million) and thus holds 65.4 million shares in BAT as at 31 December 2019, representing some 2.85 per cent of BAT's issued share capital.

The value of Reinet's investment in BAT amounted to € 2.5 billion at 31 December 2019, being some 45.8 per cent of Reinet's NAV (30 September 2019: € 2.3 billion). The increase in carrying value is a result of the BAT share price on the London Stock Exchange increasing from £ 30.08 at 30 September 2019 to £ 32.32 at 31 December 2019 and the strengthening of sterling against the euro during the period.

As of 17 January 2020, Reinet sold a further 3.8 million BAT shares for total proceeds of some € 152 million (£130 million).

The increase in the BAT share price during the quarter reflects the market reaction to positive comments from the US Food and Drug Administration. BAT commented that it welcomes the guidance as a further step toward a sustainable regulatory environment for the U.S. vapour market. BAT also reported in its November 2019 pre-close trading update that it expects to deliver a strong performance in 2019, building on the good progress made in the first half.

BAT will announce its results for the year ending 31 December 2019 on or about 27 February 2020.

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

OTHER LISTED INVESTMENTS

As at 31 December 2019 and 30 September 2019, other listed investments comprise the following:

	31 December 2019	30 September 2019
	€ m	€ m
SPDR Gold shares	**29**	29
Selecta Biosciences, Inc.	**3**	1
Soho China Limited	**16**	12
Twist Bioscience Corporation	**11**	13
	59	55

UNLISTED INVESTMENTS

Unlisted investments are carried at their estimated fair value. In determining fair value, Reinet Fund Manager S.A. (the 'Fund Manager') relies on audited and unaudited financial statements of investee companies, management reports and valuations provided by third-party experts. Valuation methodologies applied include the NAV of investment funds, discounted cash flow models and comparable valuation multiples, as appropriate.

PENSION INSURANCE CORPORATION GROUP LIMITED

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 2.0 billion at 31 December 2019 (30 September 2019: € 1.6 billion). This value takes into account Reinet's estimate of Pension Corporation's embedded value at 30 September 2019 of some £ 4.2 billion (30 June 2019: £ 3.9 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 is mainly due to the increase in the estimated embedded value and also market multiples which increased by 10 per cent in the quarter in line with the FTSE-350 Insurance index. The estimated fair value also increased by some € 79 million due to the strengthening of sterling against the euro during the quarter.

The estimated embedded value calculated by Reinet is based on market data at 30 September 2019 which reflects further impacts in respect of the significant new business written in the first half of the year together with falls in sterling interest rates. Some of the market related factors that caused an increase in the estimated embedded value as at 30 September 2019 showed an opposite trend in the period leading up to 31 December 2019 which, assuming all other factors remain consistent, may lead to a partial reversal of the positive movement for this quarter.

Pension Corporation is expected to announce its 31 December 2019 results in the coming weeks.

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

PRIVATE EQUITY AND RELATED PARTNERSHIPS
TRILANTIC CAPITAL PARTNERS

Reinet's investment in Trilantic Management and related funds is carried at the estimated fair value of € 213 million at 31 December 2019 (30 September 2019: € 229 million) of which € 3 million (30 September 2019: € 4 million) is attributable to the minority partner. The estimated fair value is based on unaudited valuation data provided by Trilantic Management at 30 September 2019, adjusted for changes in the value of listed investments included in the portfolios. The decrease in the estimated fair value is due to net distributions of € 22 million and the weakening of the US dollar against the euro, offset by increases in estimated fair values of underlying investments.

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

ASIAN PRIVATE EQUITY COMPANIES AND PORTFOLIO FUNDS
Milestone China Opportunities funds, investment holdings and management company participation

The investment in Milestone is held at the estimated fair value of € 71 million (30 September 2019: € 77 million) based on unaudited financial information provided by Milestone Capital at 30 September 2019 adjusted for movements in listed investments and cash movements up to 31 December 2019.

The change in estimated fair value reflects net distributions of € 4 million and the weakening of the US dollar against the euro.

Further information on Milestone Capital and Milestone funds is available at www.mcmchina.com.

Prescient China funds and investment management company

Reinet's investment in the Prescient China funds and investment management company is carried at an estimated fair value of € 112 million based on unaudited financial information provided by the fund manager at 31 December 2019 (30 September 2019: € 105 million). The increase in estimated fair value in the period under review is the result of increases in the value of underlying listed investments offset by the weakening of the US dollar against the euro in the period.

Further information on Prescient China is available at www.prescient.co.za.

SPECIALISED INVESTMENT FUNDS
NanoDimension funds and co-investment opportunities

At 31 December 2019, the estimated fair value of Reinet's investment in the three funds and the co-investment amounted to € 43 million (30 September 2019: € 35 million). The estimated fair value is based on unaudited valuation data received from the fund manager as at 30 September 2019. The increase in the estimated fair value reflects capital contributions of € 9 million, offset by the weakening of the US dollar against the euro in the period.

Further information on NanoDimension is available at www.nanodimension.com.

Further information on Reinet's investments may be found in the Reinet 2019 annual report which is available at www.reinet/investor-relations/reports.html.

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 € 398 million at 30 September 2019 to € 488 at 31 December 2019. During the quarter, the BAT dividend received amounted to € 39 million and proceeds from sale of BAT shares amounted to € 98 million. Distributions from investments amounted to some € 25 million. Payments in respect of the share buyback programme amounted to € 37 million. Reinet invested some € 13 million in underlying investments, payment of the management fee to Reinet Investment Advisors Limited amounted to € 19 million, payments of loans and interest amounted to € 7 million and taxes and other expenses amounted to € 2 million. The value is also impacted by the strengthening of sterling against the euro during the period.

BANK BORROWINGS AND DERIVATIVES
Borrowings

Reinet has a facility agreement in place with Bank of America, N.A. which allows it to drawdown the equivalent of up to £ 250 million in single or multiple currencies to fund further investment commitments. As at 31 December 2019, these facilities had not been drawn upon (30 September 2019: € nil).

During early 2017, Reinet entered into a £ 500 million, medium-term financing arrangement with Merrill Lynch International, which runs to 2022. At 31 December 2019, the estimated fair value of the borrowing was € 593 million (£ 501 million) (30 September 2019: € 567 million (£ 503 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 31 December 2019, the Premium Loan is carried as a liability at an estimated fair value of € 41 million (£ 35 million) (30 September 2019: € 44 million (£ 39 million)). Some 3.4 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 31 December 2019, the estimated fair value of the borrowing was € 28 million (30 September 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 € 110 million at 31 December 2019 (30 September 2019: € 134 million). The decrease in the carrying value of the put options reflects the increase in value of the underlying BAT shares together with the decrease in the time to maturity, offset by the strengthening of sterling against the euro in the quarter.

Reinet has entered into a forward exchange contract to sell ZAR 300 million (30 September 2019: ZAR 300 million), which is carried at an estimated fair value of € 1.2 million (liability) at 31 December 2019 (30 September 2019: € 0.1 million (asset)).

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 (30 September 2019: € 5 million) and is in respect of the minority partner's share in the gains and losses not yet distributed arising from the estimated fair value movement of investments in which they have interests.

Fees payable and other liabilities comprise principally an accrual of € nil (30 September 2019: € 38 million) in respect of the potential maximum amount outstanding for the current share buyback programme, an accrual of € 7 million in respect of the management fee payable at 31 December 2019 (30 September 2019: € 19 million), a provision for deferred taxes of € 8 million (30 September 2019: € 9 million) relating to realised and unrealised gains arising from the investments in Trilantic and Snow Phipps, and withholding and corporate taxes of € 14 million (30 September 2019: € 14 million) relating to the investment in United States land development and mortgages. Accruals, other payables and other receivables amount to € 2 million (30 September 2019: € nil).

No provision has been made in respect of a performance fee as at 31 December 2019 (30 September 2019: € nil) as the conditions required to pay a fee had not been met at that date. In order for a performance fee to be payable at 31 March 2020 the volume weighted average closing price of the Company's share on the Luxembourg Stock Exchange over the last 20 trading days of the current financial year needs to exceed € 19.11.

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 € 35 million; the dividend has a record date of 27 December 2019.

CAPITAL STRUCTURE

As at 31 December 2019, the Company had 195 941 286 ordinary registered shares and 1 000 management registered shares of no par value in issue.

As at 31 December 2019, 11 651 395 (30 September 2019: 9 461 672) ordinary shares were held as treasury shares. The voting and dividend rights attached to the treasury shares are suspended.

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.

Reinet Investments Manager S.A.
General Partner
For and on behalf of Reinet Investments S.C.A.

24 January 2020

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
Reinet has repurchased 11 651 395 ordinary shares between November 2018 and December 2019 under four share buyback programmes. The cost of the ordinary shares repurchased amounts to ZAR 2 784.74 million (€ 172 million), plus transaction costs.

Between October 2019 and December 2019, 2 189 723 ordinary shares were repurchased for ZAR 610.58 million (€ 37 million), plus transaction costs.

As at 31 December 2019, there was no share buyback programme in progress.

All ordinary shares repurchased are held as treasury shares.

	31 December 2019	30 September 2019
Shares in issue	**195 942 286**	195 942 286
Treasury shares	**(11 651 395)**	(9 461 672)
Net shares	**184 290 891**	186 480 614

Net asset value
Using the closing euro/rand exchange rate prevailing as at 31 December 2019 of 15.7157 and a rate of 16.5007 as at 30 September 2019.

	31 December 2019	30 September 2019
Net asset value	**ZAR 85 792 m**	ZAR 78 296 m
Reversal of future share buyback liability	**-**	ZAR 627 m
Adjusted net asset value	**ZAR 85 792 m**	ZAR 78 923 m

The increase in the net asset value reflects the increase in the net asset value in euro terms, together with the strengthening of the South African rand against the euro during the quarter.

Net asset value per share

	31 December 2019	30 September 2019
Net asset value per share	**ZAR 465.50**	ZAR 419.78
Adjusted net asset value per share	**ZAR 465.50**	ZAR 423.08