

COMPANY ANNOUNCEMENT FOR IMMEDIATE RELEASE

16 NOVEMBER 2018

CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2018

The Board of Reinet Investments Manager S.A. announces the results of Reinet Investments S.C.A. for the six-month period ended 30 September 2018.

Key financial data

- **Reinet's net asset value of € 4.8 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 30 September 2018 reflects a decrease of € 286 million or 5.6 per cent from € 5 127 million at 31 March 2018**
- **Net asset value per share at 30 September 2018: € 24.71 (31 March 2018: € 26.17)**
- **Commitments totalling € 107 million in respect of new and existing investments were made during the period, and a total of € 146 million funded during the period**
- **Dividends from British American Tobacco during the period amounted to € 37 million**
- **Reinet dividend of some € 35 million, or € 0.18 per share, paid during the period**

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

Registered office: 35, boulevard Prince Henri, L-1724 Luxembourg, Tel. (+352) 22 42 10, Fax (+352) 22 72 53

Email: info@reinet.com, website: www.reinet.com

BUSINESS OVERVIEW

The Company has determined that it meets the definition of an investment entity in terms of the amended International Financial Reporting Standards ('IFRS') 10. The net asset value and income statement included in this business overview have however been presented in a more comprehensive format than required by IFRS in order to provide readers with detailed information relating to the underlying assets and liabilities.

Net asset value The net asset value at 30 September 2018 comprised:	30 September 2018		31 March 2018	
	€ m	%	€ m	%
Listed investments				
British American Tobacco p.l.c.	2 738	56.6	3 198	62.4
Other listed investments	70	1.4	26	0.4
Unlisted investments				
Pension Insurance Corporation Group Limited	1 428	29.5	1 305	25.4
Private equity and related partnerships	728	15.0	736	14.4
Trilantic Capital Partners	194	4.0	180	3.5
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies				
36 South macro/volatility funds	33	0.7	40	0.8
Asian private equity companies and portfolio funds	168	3.4	177	3.5
Milestone China Opportunities funds, investment holdings and management company participation	81		129	
Prescient China Balanced Fund and investment management company	44		48	
Grab Holdings Inc.	43		-	
Specialised investment funds	333	6.9	339	6.6
Vanterra C Change TEM and holding companies	24		24	
NanoDimension funds and co-investment opportunities	40		54	
Fountainhead Expert Fund	18		17	
Snow Phipps funds and co-investment opportunities	119		90	
Palm Lane Credit Opportunities Fund	20		85	
GAM Real Estate Finance Fund	41		53	
Other fund investments	71		16	
United States land development and mortgages	85	1.8	83	1.6
Diamond interests	40	0.8	39	0.8
Other investments	64	1.3	59	1.2
Total investments	5 153	106.4	5 446	106.2
Cash and liquid funds	333	6.9	322	6.3
Bank borrowings and derivatives				
Borrowings	(642)	(13.3)	(661)	(12.9)
Net derivative assets/(liabilities)	73	1.5	52	1.0
Other liabilities				
Minority interest, fees payable and other liabilities, net of other assets	(76)	(1.5)	(32)	(0.6)
Net asset value	4 841	100.0	5 127	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	1 937	2 738	4 675
	GBP	-	-	1 418	1 596	2 439	4 035
Other listed investments	EUR	26	-	73	-	70	70
	USD	30	-	85	-	81	81
Unlisted investments							
Pension Insurance Corporation Group Limited	EUR	612	-	663	-	1 428	1 428
	GBP	545	-	545	-	1 272	1 272
Trilantic Capital Partners	EUR	540	247	304	378	194	572
	EUR investment	87	20	67	116	48	164
	US dollar investment ⁽⁴⁾	526	264	271	321	169	490
36 South macro/volatility funds	EUR	93	-	93	11	33	44
	EUR investment	88	-	88	11	29	40
	US dollar investment	6	-	6	-	4	4
Asian private equity companies and portfolio funds							
Milestone China Opportunities funds, investment holdings and management company participation	EUR	109	6	133	70	81	151
	USD	126	7	172	72	93	165
Prescient China Balanced Fund and investment management company	EUR	28	-	25	-	44	44
	USD	32	-	32	-	52	52
Grab Holdings Inc.	EUR	43	-	43	-	43	43
	USD	50	-	50	-	50	50
Specialised investment funds							
Vanterra C Change TEM and holding companies	EUR	61	5	52	1	24	25
	USD	71	6	65	1	28	29
NanoDimension funds and co-investment opportunities	EUR	86	31	54	18	40	58
	EUR investment	4	-	4	1	3	4
	US dollar investment	96	36	60	20	43	63
Fountainhead Expert Fund	EUR	34	17	15	-	18	18
	USD	40	20	20	-	21	21
Snow Phipps funds and co-investment opportunities	EUR	130	42	88	4	119	123
	USD	151	49	102	5	139	144
Palm Lane Credit Opportunities Fund	EUR	60	-	54	71	20	91
	USD	70	-	70	83	23	106
GAM Real Estate Finance Fund	EUR	112	34	54	48	41	89
	GBP	100	30	70	41	36	77
United States land development and mortgages	EUR	185	4	159	-	85	85
	USD	215	5	210	-	99	99
Diamond interests ⁽⁵⁾	EUR	75	3	116	82	40	122
	ZAR	1 230	40	1 190	1 201	651	1 852

(1) Calculated using period 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 IFRS. The decrease in the net asset value of € 286 million during the period is mainly due to the decrease in value of the investment in British American Tobacco p.l.c. and the payment of a dividend to shareholders. Offsetting these decreases are the receipt of dividends from British American Tobacco p.l.c. in the period, an increase in the value of Pension Insurance Corporation Group Limited and an increase in the value of the derivative asset associated with the loan financing.

The Company records its assets and liabilities in euro; the fluctuation in value of other currencies against the euro has resulted in an overall decrease in the value of certain assets and liabilities in euro terms. Applying current period-end exchange rates to the March 2018 assets and liabilities would have resulted in a decrease in value of some € 6 million.

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 over € 2.3 billion and at 30 September 2018 committed to provide further funding of € 423 million to its current investments. Details of the funding commitments outstanding are given in the table on page 9 of this report. New commitments during the period under review amounted to € 107 million, and a total of € 146 million was funded during the period.

Major items impacting the NAV, significant changes in carrying value and new investments during the period under review are described below.

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.

During the period under review, dividend income from BAT amounted to € 37 million (£ 33 million), being BAT's second 2018 interim dividend received in August 2018. The first 2018 interim dividend of € 38 million (£ 33 million) was received in May 2018 and was recorded as a receivable in Reinet's March 2018 results. No amount has been recorded as receivable as at 30 September 2018 as the next dividend record date is in October 2018.

Reinet holds 68.1 million shares in BAT, representing some 2.97 per cent of BAT's issued share capital. The value of Reinet's investment in BAT amounted to € 2 738 million at 30 September 2018, being some 56.6 per cent of Reinet's NAV (31 March 2018: € 3 198 million). The BAT share price on the London Stock Exchange decreased from £ 41.310 at 31 March 2018 to £ 35.845 at 30 September 2018, resulting in a decrease in value of € 418 million; the carrying value is also impacted by the weakening of sterling against the euro during the period, the effect of which amounts to some € 42 million.

The BAT share price has recently decreased substantially. The tobacco industry is currently impacted by the US Food and Drug Administration's continued regulation efforts and the transformation strategies of industry players seeking to enhance their new generation products. Reinet continues to take comfort from the underlying financial results, strong dividends and future prospects of BAT, including the investment in Reynolds American Inc., decreased US tax rates and increased focus on next generation products.

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

OTHER LISTED INVESTMENTS

In the period under review, Reinet received listed shares in Soho China Limited and Li-Ning Company Limited following a distribution of assets from a Milestone related investment holding company.

As at 30 September 2018, other listed investments comprise the following:

SPDR GOLD SHARES

In 2015, Reinet invested € 22 million in SPDR Gold shares ('GLD'), the largest physically backed gold exchange traded fund in the world. Over the long term, gold can provide a hedge against inflation and offer some protection against value changes in turbulent economic and political times.

Reinet holds 230 000 shares with a market value of € 22 million as at 30 September 2018 (31 March 2018: € 23 million).

Further information on GLD is available at www.spdrgoldshares.com.

SELECTA BIOSCIENCES, INC.

In June 2016, Reinet invested € 4 million in Selecta Biosciences, Inc., ('Selecta') in its initial public offering on the Nasdaq.

Selecta is a clinical-stage biopharmaceutical company using proprietary synthetic vaccine particle technology to discover and develop targeted therapies that are designed to modulate the immune system to effectively and safely treat rare and serious diseases.

Selecta is also a portfolio company of NanoDimension funds, pre and post the initial public offering.

Reinet holds 350 000 shares with a market value of € 5 million as at 30 September 2018 (31 March 2018: € 3 million).

Further information on Selecta is available at www.selectabio.com.

SOHO CHINA LIMITED

In August 2018, Reinet received 47 million shares of Soho China Limited, ('Soho') with a value of € 16 million following a distribution of assets from a Milestone related investment holding company.

Soho is a Chinese office developer focused on developing and leasing properties in the central business districts of Beijing and Shanghai. Soho developments are known for their modern architecture, with designs from architects such as Zaha Hadid and Japanese architect Kengo Kuma. The company has developed over five million square meters of commercial properties. Soho 3Q, a growing offering within Soho, is a flexible office co-working environment, with over 30 000 seats in 31 centers.

Reinet holds 47 million shares with a market value of € 16 million as at 30 September 2018.

Further information on Soho is available at www.sohochina.com.

LI-NING COMPANY LIMITED

In August 2018, Reinet received some 34 million shares of Li-Ning Company Limited, ('Li-Ning') with a value of € 31 million following a distribution of assets from a Milestone related investment holding company.

Li-Ning is one of the leading sports brand companies in China, mainly providing sporting goods including footwear, apparel, equipment and accessories for professional and leisure purposes primarily under the Li-Ning brand. Headquartered in Beijing, the group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive supply chain management system and a retail distribution network in China.

Reinet holds some 34 million shares with a market value of € 27 million as at 30 September 2018.

Further information on Li-Ning is available at www.lining.com.

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 net asset value of investment funds, discounted cash flow models and comparable valuation multiples, as appropriate.

PENSION INSURANCE CORPORATION GROUP LIMITED

Pension Insurance Corporation Group Limited's ('Pension Corporation') wholly-owned subsidiary, Pension Insurance Corporation plc ('Pension Insurance Corporation'), is a specialist insurer of UK defined benefit pension funds. Pension Insurance Corporation provides tailored pension insurance buyouts and buy-ins to the trustees and sponsors of UK defined benefit pension funds. Pension Insurance Corporation provides secure and stable retirement income for its policyholders through market-leading customer service, comprehensive risk management and excellence in asset and liability management.

In the first six months of 2018, Pension Insurance Corporation wrote new pension insurance business with record premiums of £ 3.3 billion up from £ 1.9 billion in the first half of 2017. It reported profits before tax of £ 123 million (2017: £ 140 million), post-tax profits of £ 99 million (2017: £ 115 million) and a solvency capital ratio of 175 per cent (December 2017: 160 per cent).

Pension Insurance Corporation's new business pipeline in 2018 remains strong, with estimated new business premiums of over £ 4 billion in 2018 to date, the largest deals transacted being with the Siemens Benefits Scheme at £ 1.3 billion, the PA Pension Scheme at £ 850 million and the BHS2 Pension Scheme at £ 800 million. Pension Insurance Corporation continues to source and invest in secure, long-term bilateral debt to support the payment of pensions over the life of its policyholders. Notable new investments announced during 2018 include Halton Housing, University Partnerships Programme, The Mercer's Company, Phoenix Community Housing and Accord Housing Association, totalling more than £ 310 million.

In May 2018, Pension Insurance Corporation entered into its sixth longevity reinsurance transaction since 2015 with Prudential Insurance Company of America who have reinsured an additional £ 0.9 billion of longevity risk. In September 2018, Pension Corporation also issued £ 350 million Tier 2 debt to support the further development and growth of the business.

In the current period, Reinet acquired additional shares from other Pension Corporation shareholders for an amount of £ 6.3 million. As a result, Reinet owns 43.72 per cent of Pension Corporation, up from 43.45 per cent at 31 March 2018.

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 1 428 million at 30 September 2018 (31 March 2018: € 1 305 million). This value takes into account Pension Corporation's embedded value at 30 June 2018 of £ 3.4 billion (31 December 2017: £ 2.9 billion), valuation multiples drawn from industry data at 30 September 2018 and a discount of 10 per cent which takes into account the relatively illiquid nature of Reinet's investment.

The increase in the estimated fair value is due to the increase in Pension Corporation's embedded value which reflects new business written during the period, changes with respect to the cost of non-hedgeable risks and also bringing the embedded value basis in line with CMI2016, a more updated mortality basis reflecting recent mortality trends in the UK, and the effect of changing economic variables. This is offset by a 5 per cent decrease in comparable company valuation multiples derived from public information relating to listed companies in the UK insurance sector. The increase in estimated fair value is reduced by the weakening of sterling against the euro in the period.

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

PRIVATE EQUITY AND RELATED PARTNERSHIPS

TRILANTIC CAPITAL PARTNERS

Trilantic Capital Partners ('Trilantic') is composed of Trilantic North America and Trilantic Europe, two separate and independent private equity investment advisors focused on making controlling and significant minority interest investments in companies in their respective geographies. Trilantic North America primarily targets investments in the business services, consumer and energy sectors, and currently manages six funds. Trilantic Europe primarily targets investments in the industrials, consumer and leisure, telecommunication, media and technology, business services and healthcare sectors, and currently manages two funds.

Reinet and its minority partner invest in certain of the Trilantic general partnerships and management companies (together 'Trilantic Management') and six of the eight current funds under Trilantic's management. The terms of investment applicable to Reinet's investment in the Trilantic funds provide that Reinet will not pay any management fees or carried interest. In addition, Reinet receives a share of the carried interest payable on the realisation of investments held in the funds, once a hurdle rate has been achieved.

Trilantic Capital Partners IV L.P. and Trilantic Capital Partners IV (Europe) L.P. are in the process of realising value from underlying investments. In the period under review, distributions of € 2 million were received (30 September 2017: € 1 million).

Trilantic Capital Partners V (North America) L.P. and Trilantic Energy Partners (North America) L.P., completed their investment period in June 2018 with Reinet making capital contributions of some € 4 million and receiving distributions of some € 27 million in the period under review. These US-based funds are focused on North American opportunities with Trilantic Energy Partners (North America) L.P. being especially focused on the oil and gas sector.

As at 30 September 2018, Reinet had committed € 23 million (\$ 27 million) to Trilantic Energy Partners II (North America) L.P. ('TEP II') and its general partner, and € 190 million (\$ 220 million) to Trilantic Capital Partners VI (North America) L.P. ('Fund VI') and its general partner. TEP II had its first closing in August 2017 and Fund VI had its first closing in December 2017; each fund expects further closings in the coming months, at which time Reinet's commitment will increase in line with the overall fund size. Reinet made some € 27 million of capital contributions during the period. As at 30 September 2018, TEP II and Fund VI had made two investments each.

Reinet's and its minority partners' investment in Trilantic Management and all the above funds is carried at the estimated fair value of € 194 million at 30 September 2018 (31 March 2018: € 180 million) of which € 4 million (31 March 2018: € 7 million) is attributable to minority partners. The estimated fair value is based on unaudited valuation data provided by Trilantic Management at 30 June 2018, 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 € 18 million together with increases in the estimated fair value of underlying investments, offset by the realisation of certain investments.

During the period under review, gains of € 16 million (30 September 2017: € 22 million) and carried interest of € 15 million (30 September 2017: € nil) were realised.

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

Reinet has invested along with Milestone Capital in a management company based in Shanghai, and has also invested in certain funds and investment companies managed by Milestone Capital (together 'Milestone').

Milestone Capital has a strong track record in helping portfolio companies scale their operations and be listed on either domestic or foreign stock exchanges. Funds under management invest primarily in domestic Chinese high-growth companies seeking expansion or acquisition capital. Milestone funds seek to maximise medium- to long-term capital appreciation by making direct investments to acquire minority or majority equity stakes in those companies identified by Milestone's investment team. Current areas of investment include: restaurants; biopharmaceutical manufacturers; medical device manufacturers; food and beverage distribution; brands covering sportswear and apparel; big data services; e-commerce; power generation equipment; retail pharmacies and online education.

The investment in Milestone is held at the estimated fair value of € 81 million (31 March 2018: € 129 million) based on unaudited financial information provided by Milestone Capital at 30 June 2018 adjusted for movements in listed investments and cash movements up to 30 September 2018.

The change in estimated fair value reflects capital repayments of € 47 million in the period. The repayments were made in the form of a distribution of existing holdings of shares in Soho and Li-Ning, these shares are now included in 'Other listed investments' with a value of € 43 million and are shown on page 5.

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

Grab Holdings Inc.

Grab Holdings Inc ('Grab'), is one of the most frequently used mobile platforms in Southeast Asia. Grab provides access to safe and affordable transport, food and package delivery, mobile payments and financial services. Grab currently offers services in Singapore, Indonesia, the Philippines, Malaysia, Thailand, Vietnam, Myanmar and Cambodia.

In July 2018, Reinet invested € 43 million (\$ 50 million) in Grab. At 30 September 2018, the investment in Grab is held at the estimated fair value of € 43 million.

Further information on Grab is available at www.grab.com.

SPECIALISED INVESTMENT FUNDS

NanoDimension funds and co-investment opportunities

Reinet is a limited partner in NanoDimension I, II and III limited partnerships ('NanoDimension'). The focus of each fund is to invest in and support the establishment, technology development and scale up, growth and commercialisation of companies leveraging the advancement of new atomic and molecular structures. Product applications range from molecular diagnostics, immuno-oncology, immuno-tolerance, organs on chip, DNA synthesis to energy storage and electrochromic glass.

At 30 September 2018, the estimated fair value of Reinet's investment in the three funds and co-investments amounted to € 40 million (31 March 2018: € 54 million). The estimated fair value is based on unaudited valuation data received from the fund manager as at 30 June 2018, together with an independent valuation of the co-investments. The decrease in estimated fair value reflects capital distributions of some € 17 million during the period following the successful sale of the investment in ARMO by NanoDimension II, offset by increases in the value of underlying investments and the strengthening of the US dollar against the euro in the period.

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

Snow Phipps funds and co-investment opportunities

Snow Phipps Group ('Snow Phipps') is a private equity firm focused on lower middle-market control investments. Snow Phipps seeks to invest \$ 50 million to \$ 150 million of equity in market-leading companies primarily headquartered in North America with enterprise values between \$ 100 million and \$ 500 million. Snow Phipps implements a strategy of creating long-term capital appreciation through active operational management of its portfolio companies. By utilising its engaged operational approach, Snow Phipps is able to execute transactions involving corporate carve-outs, generational and management change, and add-on acquisition strategies. Snow Phipps primarily targets investments in the industrial, consumer and business services sectors, and currently manages three private equity funds with aggregate capital commitments of \$ 2.4 billion.

Reinet invests as a limited partner in Snow Phipps II, L.P., Snow Phipps III, L.P. and currently in four co-investment opportunities alongside Snow Phipps III, L.P.

Reinet's investment in the two funds and associated co-investments is carried at an estimated fair value of € 119 million at 30 September 2018 (31 March 2018: € 90 million), based on unaudited valuation data provided by Snow Phipps at 30 June 2018. The increase in value being due to additional capital invested and an increase in the estimated fair value of underlying investments in the period.

Further information on Snow Phipps is available at www.snowhipps.com

Palm Lane Credit Opportunities Fund

Palm Lane Credit Opportunities Fund (Cayman) Ltd. ('Palm Lane Credit Opportunities Fund') (previously JPS Credit Opportunities Fund (Cayman) Ltd.), focuses on liquid opportunities in the credit markets. Palm Lane Credit Opportunities Fund is managed by JP Morgan Asset Management.

Palm Lane Credit Opportunities Fund's investment objective is to achieve attractive risk-adjusted returns through both capital appreciation and current income by taking positions in publicly traded and privately held securities, derivatives and other instruments (including bonds, credit default swaps and index options), primarily in credit and credit-related markets.

During the period under review, the fund manager made the decision to liquidate the fund and began the process of returning all capital to investors. Reinet has received repayments of € 71 million (\$ 83 million) and expects to receive the balance of funds before the end of 2018.

As at 30 September 2018, the investment is carried at the estimated fair value of € 20 million (31 March 2018: € 85 million) based on the valuation at that date provided by the fund manager.

GAM Real Estate Finance Fund

The GAM Real Estate Finance Fund ('REFF') was created to take advantage of opportunities resulting from a funding gap between the expected demand for commercial real estate finance and its availability from banks, other traditional lenders and equity investors. Its investment strategy focuses on the origination of commercial real estate loans primarily in Western Europe, and with a primary focus on the UK. At June 2018, REFF held 14 investments.

The investment is carried at the estimated fair value of € 41 million at 30 September 2018 (31 March 2018: € 53 million) based on unaudited valuation data provided by the fund manager at 30 June 2018.

The decrease in estimated fair value is mainly due to repayments of capital amounting to € 11 million (£ 10 million) in the period, mostly owing to early settlement of loans, together with the weakening of sterling against the euro in the period.

Other fund investments

Other fund investments include small, specialist funds investing in private equity businesses, property and start-up ventures.

Other fund investments are valued in total at their estimated fair value of € 71 million at 30 September 2018 based on valuation statements received from the fund managers (31 March 2018: € 16 million).

Included in this section is a limited partner investment in RLG Real Estate Partners L.P. ('RLG'), a property fund which is managed by a subsidiary of Compagnie Financière Richemont SA. RLG invests in and develops real estate properties, including luxury brand retail developments situated in prime locations throughout the world.

Reinet's investment in RLG is carried at an estimated fair value of € 63 million at 30 September 2018 (31 March 2018: € 6 million). The movement in value is due to additional capital invested in the period.

Further information on Reinet's investments may be found in the Reinet 2018 annual report which is available at www.reinet/investor-relations/reports.html.

COMMITTED FUNDS

Funding commitments are entered into in various currencies including sterling, US dollar and South African rand and are converted into euro using 30 September 2018 exchange rates.

The table below summarises Reinet's outstanding investment commitments at 30 September 2018.

	31 March 2018 ⁽¹⁾ € m	Exchange rate effects ⁽²⁾ € m	Committed during the period ⁽³⁾ € m	Funded during the period ⁽³⁾ € m	30 September 2018 ⁽³⁾ € m	30 September 2018 %
Pension Insurance Corporation Group Limited	1	-	6	(7)	-	-
Private equity and related partnerships						
Trilantic Capital Partners						
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies ⁽⁴⁾	212	12	52	(32)	244	57.8
Asian private equity companies and portfolio funds						
Milestone China Opportunities funds, investment holdings and management company participation	6	-	-	-	6	1.4
Grab Holdings Inc.	-	-	43	(43)	-	-
Specialised investment funds						
Vanterra C Change TEM and holding companies	5	-	-	-	5	1.2
NanoDimension funds and co-investment opportunities	32	2	-	(3)	31	7.3
Fountainhead Expert Fund	16	1	-	-	17	4.0
Snow Phipps funds and co-investment opportunities	41	2	-	(1)	42	10.0
GAM Real Estate Finance Fund	34	-	-	-	34	8.0
Other fund investments ⁽⁵⁾	89	-	1	(57)	33	7.8
United States land development and mortgages	2	-	-	2	4	0.9
Diamond interests	3	-	-	-	3	0.7
Other investments	4	-	5	(5)	4	0.9
	445	17	107	(146)	423	100.0

(1) Commitments calculated using 31 March 2018 exchange rates.
(2) Reflects exchange rate movements between 31 March 2018 and 30 September 2018.
(3) Amounts calculated using 30 September 2018 exchange rates.
(4) Commitments noted represent only Reinet's share of the investments at 30 September 2018, additional commitments payable by the minority partner amount to € 3 million in respect of Trilantic.
(5) Includes remaining commitment of up to € 32 million to RLG Real Estate Partners L.P.

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 liquidity is measured by its ability to meet potential cash requirements, including unfunded commitments on investments and the repayment of borrowings, and can be summarised as follows:

Cash and liquid funds	€ 333 m
Undrawn borrowing facility	€ 281 m
Cash required for unfunded commitments (refer to table on previous page)	(€ 423 m)
Cash required to meet ZAR borrowing obligations	(€ 27 m)

The undrawn borrowing facility comprises a revolving facility with Bank of America, N.A. of £ 250 million.

Medium-term bank borrowings of € 615 million will be settled by the exercise of put options over BAT shares or the proceeds of the sale of BAT shares, or may be rolled over or replaced by other borrowings or settled by available cash.

Reinet may sell further BAT shares or use such shares to secure additional financing facilities from time to time.

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 September 2018, the estimated fair value of the borrowing was € 555 million (£ 494 million) (31 March 2018: € 561 million (£ 493 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 September 2018, the Premium Loan is carried as a liability at an estimated fair value of € 60 million (£ 54 million) (31 March 2018: € 70 million (£ 61 million)). Some 4.1 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 September 2018, the estimated fair value of the borrowing was € 27 million (31 March 2018: € 30 million), the decrease in the estimated fair value is due to the weakening of the South African rand against the euro in the period. 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 € 73 million at 30 September 2018 (31 March 2018: € 54 million). 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 period. The cost of the put options is considered as part of the overall cost of financing and is included in the fair value adjustment on outstanding contracts in the income statement on page 11.

In the period under review, Reinet settled outstanding forward exchange contracts amounting to ZAR 230 million realising a loss of € 0.4 million. Reinet also entered into a new forward exchange contract to sell ZAR 230 million (31 March 2018: ZAR 230 million), which is carried at an estimated fair value of € 0.2 million (liability) at 30 September 2018 (31 March 2018: € 2 million (liability)).

Refer to page 51 of the Reinet 2018 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 € 6 million (31 March 2018: € 7 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 comprise principally an accrual of € 20 million in respect of the management fee payable at 30 September 2018 (31 March 2018: € 23 million), a provision for deferred taxes of € 15 million (31 March 2018: € 11 million) relating to realised and unrealised gains arising from the investments in Trilantic and Snow Phipps, and withholding and corporate taxes of € 32 million (31 March 2018: € 28 million) relating to the investment in United States land development and mortgages. Accruals and other payables amount to some € 3 million (31 March 2018: € 1 million).

No provision has been made in respect of a performance fee as at 30 September 2018 (31 March 2018: € 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.

INCOME STATEMENT	Six-month period ended		Six-month period ended	
	30 September 2018		30 September 2017	
	€ m	€ m	€ m	€ m
Income				
BAT dividends	37		138	
Interest and other investment income	17		27	
Realised gains on investments	54		22	
Realised loss on foreign exchange contracts	-		(1)	
Carried interest earned on investments	15		-	
Total income		123		186
Expenses				
Management fee	(23)		(27)	
Operating expenses, foreign exchange and transaction-related costs	(5)		(3)	
Interest expense	(5)		(5)	
Tax expense	(9)		(25)	
Total expenses		(42)		(60)
Realised investment income, net of expenses		81		126
Fair value adjustments				
BAT – unrealised loss on shares held	(460)		(643)	
Other investments	92		(74)	
Derivative instruments – fair value adjustment on outstanding contracts	21		12	
Borrowings – unrealised gain on outstanding loans	10		35	
Total fair value adjustments		(337)		(670)
		(256)		(544)
Effect of exchange rate changes on cash balances		(5)		(28)
Net loss		(251)		(572)
Minority interest		-		-
Loss attributable to the shareholders of the Company		(251)		(572)

INCOME

Dividend income from BAT during the period amounted to € 37 million (£ 33 million) (30 September 2017: € 138 million (£ 119 million)). The movement is mainly due to BAT paying quarterly dividends in 2018 rather than interim and final dividends as in previous years. Dividend income recorded for the six months to September 2018 was BAT's second 2018 interim dividend of £ 0.488 per share with a record date of 29 June 2018, being the only dividend with a record date falling in the period under review. Dividend income for the six months to September 2017 was the final 2016 dividend of £ 1.181 per share together with the first 2017 interim dividend of £ 0.565 per share.

Interest income is earned on bank deposits, investments and loans made to underlying investments. Included in other investment income are the foreign exchange movements on fees payable, other liabilities and other assets.

Realised gains on investments of € 54 million were mainly in respect of investments realised by Trilantic, Milestone and Palm Lane Credit Opportunities Fund, offset by losses on other investments.

Losses of € 0.4 million were realised on the settlement of the euro/South African rand foreign exchange contracts during the period.

EXPENSES

The management fee for the period ended 30 September 2018 amounts to € 23 million (30 September 2017: € 27 million). Operating expenses of € 5 million include € 1 million in respect of charges from Reinet Investments Manager S.A. (the 'General Partner'), transaction costs of € 2 million and other expenses, including legal and other fees, which amounted to € 2 million.

A performance fee may be payable for the year ended 31 March 2019 if certain conditions are met. The performance fee is calculated as 10 per cent of the Cumulative Total Shareholder Return as defined in the Company's prospectus, published on 10 October 2008, including dividends paid, over the period since completion of the rights issue in December 2008 up to 31 March 2019, less the sum of all performance fees paid in respect of previous periods. No provision for the performance fee was accrued in respect of the six-month periods ended 30 September 2018 and 2017.

Interest expense relates to sterling and South African rand denominated borrowings.

The net tax expense of € 9 million includes corporate and withholding taxes payable in respect of gains realised on Trilantic investments, offset by a reduction in the deferred tax provision related to unrealised gains, expected distributions and accrued interest in respect of the Trilantic, Snow Phipps and other US investments.

FAIR VALUE ADJUSTMENTS

The investment in 68.1 million BAT shares decreased in value by € 460 million during the period under review. Of this, € 418 million was attributable to the decrease in value of the underlying BAT shares in sterling terms and € 42 million due to the weakening of sterling against the euro during the period under review.

The unrealised fair value adjustment of € 92 million in respect of other investments includes an increase in the estimated fair value of the investment in Pension Corporation of € 116 million (refer to pages 5 and 6 for a full description of the overall movement of Pension Corporation during the period), offset by decreases in the estimated fair value of the Trilantic funds of € 5 million, United States land development and mortgages of € 6 million and certain other investments. The above amounts include the effect of changes in foreign exchange rates in the period under review.

The put options increased in value by € 19 million, reflecting the decrease in value of the underlying BAT shares during the period, offset by the weakening of sterling against the euro. The estimated fair value of the forward exchange contracts liability decreased by € 2 million, reflecting the weakening of the South African rand against the euro.

Borrowings are carried at estimated fair value reflecting the discounted cash flow value of future principal and interest payments taking into account prevailing interest rates. An unrealised gain of € 3 million arose in respect of the South African rand borrowing due to the weakening of the South African rand against the euro during the period. An unrealised gain of € 7 million arose in respect of the sterling borrowing. Of this, a gain of € 8 million is due to the weakening of sterling against the euro during the period.

MINORITY INTEREST

The minority interest expense arises in respect of the minority partner's shares in the earnings of the Reinet entity which holds the Trilantic interests.

DIVIDEND

A cash dividend of € 0.18 per share totalling some € 35 million was paid in September 2018, following approval at the annual general meeting on 28 August 2018. The Company only declares an annual dividend.

SHARES IN ISSUE

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

FINANCIAL STATEMENTS

The consolidated unaudited financial statements at 30 September 2018, on which this announcement is based, have been approved by the Board of the General Partner on 14 November 2018.

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 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.

16 November 2018

Website: www.reinet.com