

REINET INVESTMENTS S.C.A.

Interim Report at 30 September 2019

CONTENTS

1	Highlights
1	Performance
3	Management report
16	Unaudited interim consolidated financial statements
17	Consolidated balance sheet
18	Consolidated statement of comprehensive income
19	Consolidated statement of changes in equity
20	Consolidated cash flow statement
21	Notes to the interim consolidated financial statements
31	Exchange rates and share information
32	Statutory information

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 (as defined on page 1) control. Reinet does not undertake to update, nor does it have any obligation to provide updates or to revise, any forward-looking statements.

HIGHLIGHTS

The investment objective of Reinet is to achieve long-term capital growth.

Reinet's strategy is to work with experienced partners to invest in unique opportunities focusing on value creation for investors.

- Reinet's net asset value of € 4.7 billion, reflects a compound return of 10 per cent per annum in euro terms, since March 2009, including dividends paid
 - The net asset value at 30 September 2019 reflects a decrease of € 85 million or 1.8 per cent from € 4 830 million at 31 March 2019
 - Net asset value per share at 30 September 2019: € 25.44 (31 March 2019: € 25.30)
 - Share buyback programme: 4 439 000 ordinary shares repurchased during the period for a consideration of € 67 million with a total of 9 461 672 ordinary shares repurchased as of 30 September 2019 since commencement of the first programme for a consideration of € 135 million
 - Commitments totalling € 28 million in respect of new and existing investments made during the period, and a total of € 38 million funded during the period
 - Dividends from British American Tobacco during the period amounted to € 39 million
 - Reinet dividend of some € 36 million, or € 0.19 per share (excluding treasury shares held), paid during the period
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PERFORMANCE

NET ASSET VALUE

The net asset value ("NAV") of the Company comprises total assets less total liabilities, and equates to total equity under International Financial Reporting Standards. The decrease in the NAV of € 85 million during the period reflects the decrease in the fair value of certain investments, including British American Tobacco p.l.c. ("BAT") and the payment of a dividend to shareholders. Offsetting these decreases in value are dividends received from BAT in the period, and increases in the estimated fair value of certain investments, including Pension Insurance Corporation Group Limited. During the period, the Company also continued to fund the purchase of its own ordinary shares through buyback programmes. Details of the Company's NAV and details of movements in key investments can be found on pages 3 and 4 of this report.

The Company records its assets and liabilities in euro; the weakening of sterling and the South African rand against the euro, offset by the strengthening of the US dollar 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 2019 assets and liabilities would have resulted in a decrease in value of some € 82 million.

SHARE BUYBACK PROGRAMME

The Company has repurchased 9 461 672 ordinary shares between November 2018 and September 2019 under four share buyback programmes, the last of which is not yet complete. The cost of the ordinary shares repurchased amounts to € 135 million, plus transaction costs.

Between April 2019 and September 2019, 4 439 000 ordinary shares were repurchased for € 67 million, plus transaction costs.

On 6 September 2019, the Company announced the commencement of a fourth share buyback programme in respect of a maximum of 3.1 million ordinary shares for an aggregate maximum amount of € 50 million commencing on 11 September 2019 and ending on 12 December 2019.

Details of each share buyback programme can be found in note 7 to the financial statements.

All ordinary shares repurchased are held as treasury shares.

In accordance with IAS 32, a liability of € 38 million has been recorded in respect of the maximum potential amount still to be paid in order to complete the current programme.

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'.

HIGHLIGHTS

PERFORMANCE
CONTINUED

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 186 480 614. The adjusted NAV is calculated by reversing the liability in respect of future repurchases of shares of € 38 million. 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 30 September 2019.

	30 September 2019	31 March 2019
Shares in issue	195 942 286	195 942 286
Treasury shares	(9 461 672)	(5 022 672)
Net shares	186 480 614	190 919 614
	€ m	€ m
NAV (see page 3)	4 745	4 830
Reversal of future share buyback liability	38	49
Adjusted NAV	4 783	4 879
NAV per share	€ 25.44	€ 25.30
Adjusted NAV per share	€ 25.64	€ 25.56

SHARE PRICE

The Company's share price as quoted on the Luxembourg Stock Exchange increased from € 15.20 at 31 March 2019 to € 17.50 at 30 September 2019, with the highest trade being at € 17.50 during the period. The total shareholder return since inception (taking into account the Initial Price and including dividends paid) is 9 per cent per annum. The growth in NAV, including dividends paid, reflects a 10 per cent compounded return since March 2009. 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.

DIVIDEND

The Company paid a dividend of € 0.19 per share in September 2019, a 5.6 per cent increase from € 0.18 per share in 2018. The Company only declares an annual dividend.

MANAGEMENT REPORT

BUSINESS OVERVIEW

Reinet Investments S.C.A. (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 ('NAV') at 30 September 2019 comprised:

	30 September 2019		31 March 2019	
	€ m	%	€ m	%
Listed investments				
British American Tobacco p.l.c.	2 306	48.6	2 523	52.2
Other listed investments	55	1.2	82	1.7
Unlisted investments				
Pension Insurance Corporation Group Limited	1 623	34.2	1 480	30.6
Private equity and related partnerships	771	16.2	772	16.0
Trilantic Capital Partners	229	4.8	216	4.5
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies				
36 South macro/volatility funds	32	0.7	32	0.7
Asian private equity companies and portfolio funds	228	4.8	243	5.0
Milestone China Opportunities funds, investment holdings and management company participation	77		82	
Prescient China funds and investment management company	105		110	
Grab Holdings Inc.	46		51	
Specialised investment funds	282	5.9	281	5.8
Vanterra C Change TEM and holding companies	24		23	
NanoDimension funds and co-investment opportunities	35		26	
Snow Phipps funds and co-investment opportunities	121		105	
GAM Real Estate Finance Fund	12		37	
Other fund investments	90		90	
United States land development and mortgages	63	1.3	79	1.6
Diamond interests	43	0.9	46	1.0
Other investments	75	1.6	67	1.4
Total investments	4 936	104.0	5 049	104.5
Cash and liquid funds	398	8.4	360	7.5
Bank borrowings and derivatives				
Borrowings	(638)	(13.4)	(662)	(13.7)
Net derivative assets	134	2.8	135	2.8
Other liabilities				
Minority interest, fees payable and other liabilities, net of other assets	(85)	(1.8)	(52)	(1.1)
Net asset value	4 745	100.0	4 830	100.0

All investments are held, either directly or indirectly, by Reinet Fund S.C.A., F.I.S. ('Reinet Fund'). The Company and Reinet Fund together with Reinet Fund's subsidiaries are referred to as 'Reinet'.

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED

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	2 306	4 394
	GBP	–	–	1 418	1 730	2 045	3 775
Other listed investments	EUR	37	–	74	47	55	102
	USD	40	–	95	53	60	113
Unlisted investments							
Pension Insurance	EUR	614	–	663	–	1 623	1 623
Corporation Group Limited	GBP	545	–	545	–	1 439	1 439
Trilantic Capital Partners	EUR	632	283	345	406	229	635
Euro investment	EUR	87	20	67	125	48	173
US dollar investment ⁽⁴⁾	USD	594	286	318	342	197	539
36 South macro/volatility funds	EUR	94	–	93	12	32	44
Euro investments	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	155	4	127	108	77	185
	USD	169	4	165	123	84	207
Prescient China funds and investment management company	EUR	75	–	68	2	105	107
	USD	82	–	82	2	114	116
Grab Holdings Inc.	EUR	46	–	43	–	46	46
	USD	50	–	50	–	50	50
Specialised investment funds							
Vanterra C Change TEM and holding companies	EUR	65	4	53	2	24	26
	USD	71	4	67	3	26	29
NanoDimension funds and co-investment opportunities	EUR	93	30	57	38	35	73
	Euro investment	EUR	4	–	4	1	3
	US dollar investment	USD	96	32	64	42	77
Snow Phipps funds and co-investment opportunities	EUR	159	38	115	46	121	167
	USD	173	42	131	50	132	182
GAM Real Estate Finance Fund	EUR	113	31	87	81	12	93
	GBP	100	28	72	70	10	80
United States land development and mortgages	EUR	197	6	160	28	63	91
Diamond interests ⁽⁵⁾	USD	215	6	209	31	69	100
	EUR	75	2	116	85	43	128
	ZAR	1 230	40	1 190	1 237	713	1 950

(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.

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 September 2019 committed to provide further funding of € 430 million to its current investments. Details of the funding commitments outstanding are given in the table on page 12 of this report. New commitments during the period under review amounted to € 28 million, and a total of € 38 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 recorded from BAT amounted to € 39 million (£ 35 million), being BAT's second 2019 interim dividend received in August 2019. The first 2019 interim dividend of € 40 million (£ 35 million) was received in May 2019 and was recorded as a receivable in Reinet's March 2019 results. No amount has been recorded as receivable at 30 September 2019 as the next dividend record date is in October 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 € 2 306 million at 30 September 2019, being some 48.6 per cent of Reinet's NAV (31 March 2019: € 2 523 million). The BAT share price on the London Stock Exchange decreased from £ 31.94 at 31 March 2019 to £ 30.08 at 30 September 2019, resulting in a decrease in value of € 140 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 € 77 million.

The tobacco industry continues to be impacted by the US Food and Drug Administration regulation, which currently focuses on youth usage of vapour products and the reduction of menthol and nicotine content. However, in its half-year report, BAT reported good financial results, increased focus on new product launches, on track performance and expected accelerated revenue growth in the second half of the year.

BAT also commented that the risk relating to the adverse consequences of the UK's potential exit from the EU ("Brexit") is under review, however this is not currently deemed to be a principal risk for the BAT group.

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

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED

OTHER LISTED INVESTMENTS

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

	30 September 2019	31 March 2019
	€ m	€ m
SPDR Gold shares	29	25
Selecta Biosciences, Inc.	1	1
Soho China Limited	12	18
Li Ning Company Limited	–	26
Twist Bioscience Corporation	13	12
	55	82

During the period, Reinet sold its remaining 18.4 million shares in Li Ning Company Limited for proceeds of € 28 million realising a gain of € 11 million.

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 leading provider in the UK pension retirement market.

During the first half of 2019, 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.

Included in the £ 6 billion of new business is £ 425 million in respect of the Co-operative Group, £ 1.2 billion in respect of Dresdner Kleinwort, £ 900 million in respect of Marks & Spencer and £ 3.4 billion in respect of the British American Tobacco UK Pension Fund ('BAT Pension Fund'). The agreement with the BAT Pension Fund is Pension Insurance Corporation's largest ever transaction, taking its assets to over £ 39 billion.

At 30 June 2019, Pension Insurance Corporation reported it held £ 39.6 billion in assets (31 December 2018: £ 31.4 billion) and had insured 218 000 pension fund members (31 December 2018: 192 000). Clients include FTSE 100 companies, multinationals and the public sector.

Reinet's investment in Pension Corporation is carried at an estimated fair value of € 1 623 million at 30 September 2019 (31 March 2019: € 1 480 million). This value takes into account Pension Corporation's embedded value at 30 June 2019 of £ 3.9 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 is mainly due to the increase in Pension Corporation's embedded value which reflects new business written during the period, offset by the weakening of sterling against the euro during the period.

Pension Insurance Corporation has considered the risks associated with the UK leaving the EU (Brexit) and the potential impact that this may have on its business model and policyholders. This includes scenario assessments to assess whether appropriate controls are in place to ensure that contractual relationships with various stakeholders continue to operate as intended post Brexit – including the ability to pay policyholders, relationships with banking and reinsurance counterparties and legislation around data security. Scenarios have also been performed considering potential macro-economic impacts to ensure that adequate controls are in place to mitigate the potential balance sheet impacts of market movements in a worst-case Brexit scenario on its solvency and liquidity position.

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

MANAGEMENT REPORT

BUSINESS OVERVIEW CONTINUED

PRIVATE EQUITY AND RELATED PARTNERSHIPS

TRILANTIC CAPITAL PARTNERS

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 five fund families. Trilantic Europe primarily targets investments in the industrials, consumer and leisure, telecommunication, media and technology, business services and healthcare sectors, and currently manages two fund families.

Reinet and its minority partner invest in certain of the Trilantic general partnerships and management companies (together “Trilantic Management”). Reinet and its minority partner, through Reinet TCP Holdings Limited, invest in two of the current funds under Trilantic’s management. Reinet also directly invests in four additional 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.

Reinet TCP Holdings Limited invests in Trilantic Capital Partners IV L.P. and Trilantic Capital Partners IV (Europe) L.P., these funds are in the process of realising value from underlying investments. In the period under review, distributions of some € 7 million were received.

Reinet invests in Trilantic Capital Partners V (North America) L.P. and Trilantic Energy Partners (North America) L.P., which both completed their investment period in June 2018 with Reinet making capital contributions of some € 1 million and receiving distributions of some € 14 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.

Reinet also invests in Trilantic Capital Partners VI Parallel (North America) L.P. (collectively with its parallel vehicles, ‘Fund VI’) and Trilantic Energy Partners II Parallel (North America) L.P. (collectively with its parallel vehicles ‘TEP II’). Fund VI completed its fund raising in mid-2019 with total commitments of € 2.5 billion (\$ 2.75 billion), with Reinet making capital contributions of some € 17 million in the period under review. TEP II completed its fund raising in 2018 with total commitments of € 401 million (\$ 437 million). These US-based funds are focused on North American opportunities with TEP II being especially focused on the oil and gas sector.

Reinet’s investment in Trilantic Management and the above funds is carried at the estimated fair value of € 229 million at 30 September 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 30 June 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 € 10 million, the strengthening of the US dollar against the euro and increases in estimated fair values of underlying investments.

During the period under review, gains of € 10 million (30 September 2018: € 16 million) and carried interest of € 3 million (30 September 2018: € 15 million) 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 become 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; and online education.

The investment in Milestone is held at the estimated fair value of € 77 million (31 March 2019: € 82 million) based on unaudited financial information provided by Milestone Capital at 30 June 2019 adjusted for movements in listed investments and cash movements up to 30 September 2019.

The change in estimated fair value reflects capital repayments of € 28 million, offset by capital contributions, the strengthening of the US dollar against the euro and the increases in the value of underlying investments in the period.

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, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Thailand and Vietnam.

In July 2018, Reinet invested € 43 million (\$ 50 million) in Grab. As at 30 September 2019, the investment in Grab is held at the estimated fair value of € 46 million (31 March 2019: € 51 million), calculated based on multiples drawn from industry data. The decrease in the estimated fair value is due to lower market multiples in respect of comparable listed companies.

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

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED

SPECIALISED INVESTMENT FUNDS

NanoDimension funds and co-investment opportunities

Reinet is a limited partner in NanoDimension I, II and III limited partnerships and one co-investment opportunity alongside NanoDimension III. 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, immunology, immuno-tolerance, organs on chip, DNA synthesis and energy storage.

At 30 September 2019, the estimated fair value of Reinet's investment in the three funds and the co-investment amounted to € 35 million (31 March 2019: € 26 million). The estimated fair value is based on unaudited valuation data received from the fund manager as at 30 June 2019. The increase in the estimated fair value reflects capital contributions of € 4 million, 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

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 in five 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 € 121 million at 30 September 2019 (31 March 2019: € 105 million), based on unaudited valuation data provided by Snow Phipps at 30 June 2019. The increase in the estimated fair value being due to additional capital invested, an increase in the estimated fair value of underlying investments and the strengthening of the US dollar against the euro in the period.

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



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 2019, REFF held four investments.

The investment is carried at the estimated fair value of € 12 million at 30 September 2019 (31 March 2019: € 37 million) based on unaudited valuation data provided by the fund manager at 30 June 2019.

The decrease in estimated fair value is mainly due to repayments of capital in the period, mostly owing to early settlement of loans, together with the weakening of sterling against the euro.

Other fund investments

This includes 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 € 90 million at 30 September 2019 based on valuation statements received from the fund managers (31 March 2019: € 90 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.

UNITED STATES LAND DEVELOPMENT AND MORTGAGES

The investment is carried at the estimated fair value of € 63 million as at 30 September 2019 (31 March 2019: € 79 million).

The current valuation is based on unaudited financial data as at 30 June 2019 adjusted for cash movements up to 30 September 2019. The decrease in the estimated fair value reflects repayments of € 21 million received during the period under review, offset by the strengthening of the US dollar against the euro during the period.

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.

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED

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 2019 exchange rates.

	31 March 2019 ⁽¹⁾	Exchange rate effects ⁽²⁾	Committed during the period ⁽³⁾	Funded during the period ⁽³⁾	30 September 2019 ⁽³⁾	30 September 2019 %
	€ m	€ m	€ m	€ m	€ m	
Private equity and related partnerships						
Trilantic Capital Partners						
Fund IV, Fund V, Fund VI, TEP, TEP II, related general partners and management companies ⁽⁴⁾	276	8	14	(18)	280	65.1
Asian private equity companies and portfolio funds						
Milestone China Opportunities funds, investment holdings and management company participation	4	–	–	–	4	0.9
Specialised investment funds						
Vanterra C Change TEM and holding companies	5	–	–	(1)	4	0.9
NanoDimension funds and co-investment opportunities	29	1	5	(5)	30	7.0
Snow Phipps funds and co-investment opportunities	38	1	5	(6)	38	8.8
GAM Real Estate Finance Fund	35	(1)	–	(3)	31	7.2
Other fund investments ⁽⁵⁾	33	–	(1)	–	32	7.5
United States land development and mortgages	5	1	–	–	6	1.4
Diamond interests	2	–	–	–	2	0.5
Other investments	3	–	5	(5)	3	0.7
	430	10	28	(38)	430	100.0

(1) Commitments calculated using 31 March 2019 exchange rates.

(2) Reflects exchange rate movements between 31 March 2019 and 30 September 2019.

(3) Amounts calculated using 30 September 2019 exchange rates, which may differ from actual exchange rates on the transaction date.

(4) Commitments noted represent only Reinet's share of the investments at 30 September 2019, additional commitments payable by the minority partner amount to € 3 million in respect of Trilantic.

(5) Includes remaining commitment of € 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 at 30 September 2019 can be summarised as follows:

Cash and liquid funds	€ 398 m
Undrawn borrowing facility	€ 282 m
Cash required for unfunded commitments (refer to table on previous page)	(€ 430 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 € 282 million (£ 250 million) (see below).

Medium-term bank borrowings of € 611 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

In September 2019, Reinet extended its borrowing facilities with Bank of America, N.A. to December 2022. The borrowing facilities permit Reinet to drawdown the equivalent of up to £ 250 million in single or multiple currencies to fund further investment commitments. As at 30 September 2019, these facilities had not been drawn upon (31 March 2019: € nil).

During early 2017, Reinet entered into a £ 500 million, medium-term financing arrangement with Merrill Lynch International, which runs to 2022. At 30 September 2019, the estimated fair value of the borrowing was € 567 million (£ 503 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 September 2019, the Premium Loan is carried as a liability at an estimated fair value of € 44 million (£ 39 million) (31 March 2019: € 54 million (£ 46 million)). Some 3.7 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 2019, the estimated fair value of the borrowing was € 27 million (31 March 2019: € 27 million). This loan matures in March 2020.

DERIVATIVE ASSETS/(LIABILITIES) – OPTIONS AND FORWARD EXCHANGE CONTRACT

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 € 134 million at 30 September 2019 (31 March 2019: € 136 million). The decrease in the carrying value of the put options reflects the weakening of sterling against the euro in the period and the decrease in the time to maturity offset by the positive impact of the decrease in value of the underlying BAT shares. 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 14.

In the period under review, Reinet settled an outstanding forward exchange contract amounting to ZAR 230 million realising a loss of € 1.2 million. Reinet also entered into a new forward exchange contract to sell ZAR 300 million (31 March 2019: ZAR 230 million), which is carried at an estimated fair value of € 0.1 million (asset) at 30 September 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 (31 March 2019: € 6 million) and is in respect of a minority partner's 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 € 38 million (31 March 2019: € 49 million) in respect of the potential maximum amount outstanding for the current share buyback programme, an accrual of € 19 million in respect of the management fee payable at 30 September 2019 (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 € 14 million (31 March 2019: € 11 million) relating to the investment in United States land development and mortgages.

No provision has been made in respect of a performance fee as at 30 September 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.

MANAGEMENT REPORT

BUSINESS OVERVIEW
CONTINUED

INCOME STATEMENT

The income statement set out below differs from the format used in the IFRS reporting on page 18 and is presented to provide investors with a more comprehensive picture of the movement in the estimated fair value of assets held by the Company.

	Six-month period ended 30 September 2019		Six-month period ended 30 September 2018	
	€ m	€ m	€ m	€ m
Income				
BAT dividends	39		37	
Interest and other investment income	8		17	
Realised gains on investments	25		54	
Realised loss on foreign exchange contract	(1)		–	
Carried interest earned on investments	3		15	
Total income		74		123
Expenses				
Management fee	(21)		(23)	
Operating expenses, foreign exchange and transaction-related costs	(4)		(5)	
Interest expense	(4)		(5)	
Tax expense	(4)		(9)	
Total expenses		(33)		(42)
Realised investment income, net of expenses		41		81
Fair value adjustments				
BAT	(217)		(460)	
Other investments	169		92	
Derivative instruments	(2)		21	
Borrowings	14		10	
Total fair value adjustments		(36)		(337)
		5		(256)
Effect of exchange rate changes on cash balances		2		5
Net profit/(loss)		7		(251)
Minority interest		–		–
Profit/(loss) attributable to the shareholders of the Company		7		(251)

INCOME

Dividend income from BAT recorded during the period amounted to € 39 million (£ 35 million) (30 September 2018: € 37 million (£ 33 million)). Dividend income recorded for the six months to September 2019 was in respect of BAT's second 2019 interim dividend of £ 0.5075 per share (2018: £ 0.4480 per share) with a record date of 28 June 2019, being the only dividend with a record date falling in the period under review.

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 other liabilities and other assets of € 5 million (loss) (30 September 2018: € 2 million (loss)).

Realised gains on investments of € 25 million were mainly in respect of investments realised in Li Ning, Trilantic and Milestone.

A loss of € 1.2 million was realised on the settlement of the euro/South African rand foreign exchange contract during the period.

Carried interest of € 3 million was attributable to Reinet in respect of investments realised by the Trilantic funds.

EXPENSES

The management fee for the period ended 30 September 2019 amounts to € 21 million (30 September 2018: € 23 million).

Operating expenses of € 4 million include € 1 million in respect of charges from Reinet Investments Manager S.A. (the 'General Partner') and other expenses, including legal and other fees, which amounted to € 3 million.

A performance fee may be payable for the year ended 31 March 2020 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 2020, 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 2019 and 2018.

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

The net tax expense of € 4 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 68.0 million BAT shares decreased in value by € 217 million during the period under review. Of this, € 140 million was attributable to the decrease in value of the underlying BAT shares in sterling terms and € 77 million due to the weakening of sterling against the euro during the period under review.

The unrealised fair value adjustment of € 169 million in respect of other investments includes an increase in the estimated fair value of the investment in Pension Corporation of € 143 million (refer to page 7 for a full description of the overall movement of Pension Corporation during the period), € 23 million in Milestone and € 10 million in Snow Phipps, offset by decreases in the estimated fair value of certain other investments (see detailed analysis on page 22). The above amounts include the effect of changes in foreign exchange rates in the period under review.

The put options decreased in value by € 2 million, reflecting the weakening of sterling against the euro in the period and the decrease in the time to maturity, offset by the positive impact of the decrease in value of the underlying BAT shares.

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 € 14 million arose in respect of the sterling borrowing; of this, a gain of € 18 million was 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 share in the earnings of Reinet TCP Holdings Limited.

DIVIDEND

A cash dividend of some € 36 million or € 0.19 per share (excluding treasury shares held), was paid in September 2019, following approval at the annual general meeting on 27 August 2019. The Company only declares an annual dividend.

This interim financial report should be read in conjunction with the annual report for the year ended 31 March 2019, which includes a description of the principal risks and uncertainties the Company and its subsidiaries face. This description is equally applicable for the remaining six months of the current financial year.

APPROVAL

The General Partner, acting on behalf of the Company, represented by Wilhelm van Zyl, its Chief Executive Officer and Diane Longden, its Chief Financial Officer, confirms that:

1. The unaudited interim consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union and give a true and fair view of the consolidated assets, liabilities, financial position and profit of the Company and its subsidiaries taken as a whole; and
2. This report includes a fair review of the development and performance of the business and position of the Company and its subsidiaries taken as a whole, and, together with the annual report, includes a description of the principal risks and uncertainties that they face.

The unaudited interim consolidated financial statements for the six-month period ended 30 September 2019 on pages 16 to 30 of this report were approved by the Board of the General Partner and signed on its behalf by Wilhelm van Zyl and Diane Longden.

Wilhelm van Zyl
Chief Executive Officer

Diane Longden
Chief Financial Officer

Reinet Investments Manager S.A.

General Partner
Acting on behalf of the Company
Luxembourg, 14 November 2019

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2019

17	Consolidated balance sheet
18	Consolidated statement of comprehensive income
19	Consolidated statement of changes in equity
20	Consolidated cash flow statement
21	Notes to the interim consolidated financial statements

CONSOLIDATED BALANCE SHEET

	Notes	30 September 2019 € m	31 March 2019 € m
ASSETS			
Non-current assets			
Financial assets held at fair value through profit or loss	4, 5	4 775	4 875
Current assets			
Cash and cash equivalents		8	5
Total assets		4 783	4 880
EQUITY			
Equity attributable to owners of the parent			
Share capital	7	220	220
Share premium		770	770
Treasury shares		(173)	(117)
Non-distributable reserve		22	22
Retained earnings		3 906	3 935
Total equity		4 745	4 830
LIABILITIES			
Current liabilities			
Amounts owed to affiliated undertakings – becoming due and payable after less than one year		–	1
Other current liabilities	8	38	49
Total liabilities		38	50
Total equity and liabilities		4 783	4 880
Net asset value per share (€ per share) (based on 186.5 million shares (31 March 2019: 190.9 million shares))		25.44	25.30

The notes on pages 21 to 30 are an integral part of these interim consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six-month period ended 30 September 2019 € m	Six-month period ended 30 September 2018 € m
Income			
Dividend received from Reinet Fund S.C.A., F.I.S.		38	39
Net change in the fair value of financial assets at fair value through profit or loss	4	(30)	(288)
Total income/(loss)		8	(249)
Expenses			
Operating expenses		(1)	(2)
Total expenses		(1)	(2)
Profit/(loss) for the period		7	(251)
Earnings per share from profit/(loss) for the period (€ per share)			
– basic and diluted	9	0.04	(1.28)

The notes on pages 21 to 30 are an integral part of these interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the shareholders				Total € m
	Equity holders' capital € m	Treasury shares € m	Non- distributable reserve € m	Retained earnings € m	
	Balance at 31 March 2018	990	–	22	
Dividend paid	–	–	–	(35)	(35)
Loss attributable to the shareholders for the six-month period ended 30 September 2018	–	–	–	(251)	(251)
Balance at 30 September 2018 – unaudited	990	–	22	3 829	4 841
Repurchased shares	–	(117)	–	–	(117)
Profit attributable to the shareholders for the six-month period ended 31 March 2019	–	–	–	106	106
Balance at 31 March 2019	990	(117)	22	3 935	4 830
Dividend paid	–	–	–	(36)	(36)
Repurchased shares	–	(56)	–	–	(56)
Profit attributable to the shareholders for the six-month period ended 30 September 2019	–	–	–	7	7
Balance at 30 September 2019 – unaudited	990	(173)	22	3 906	4 745

The notes on pages 21 to 30 are an integral part of these interim consolidated financial statements.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

	Six-month period ended 30 September 2019 € m	Six-month period ended 30 September 2018 € m
Cash flows from operating activities		
Dividend received from Reinet Fund S.C.A., F.I.S.	38	39
Operating expenses	(1)	(1)
Net cash from operating activities	37	38
Cash flows used in financing activities		
Repayment of capital by Reinet Fund S.C.A., F.I.S.	70	19
Repurchased shares	(67)	–
Paid to affiliated undertakings	(1)	(2)
Dividend paid	(36)	(35)
Net cash used in financing activities	(34)	(18)
Net movement in cash and cash equivalents	3	20
Cash and cash equivalents at beginning of the period	5	–
Cash and cash equivalents at end of the period	8	20

The notes on pages 21 to 30 are an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 STATUS

Reinet Investments S.C.A. (the 'Company') is established in Luxembourg as a partnership limited by shares (*société en commandite par actions*) and is governed by the Luxembourg law on securitisation. The Company's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

The Company is managed by Reinet Investments Manager S.A. (the 'General Partner'), a limited liability company established in Luxembourg, which also owns 1 000 management shares in the Company. The General Partner is liable for any obligations of the Company that cannot be met out of the assets of the Company. The General Partner's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

The Company owns the entire ordinary share capital of Reinet Fund S.C.A., F.I.S. ('Reinet Fund'), a specialised investment fund established as a partnership limited by shares (*société en commandite par actions*) under the laws of Luxembourg. References to Reinet Fund include all underlying subsidiaries. Reinet Fund's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

Reinet Fund is managed by Reinet Fund Manager S.A. (the 'Fund Manager'), a limited liability company established in Luxembourg, which also owns 1 000 management shares in Reinet Fund. The Fund Manager is the general partner in Reinet Fund and is liable for any obligations of Reinet Fund that cannot be met out of the assets of Reinet Fund. The Fund Manager's registered office is at 35, boulevard Prince Henri, L-1724 Luxembourg.

Reinet Fund's objective is to generate long-term capital growth. It aims to achieve this objective by investing over time in a diversified portfolio of securities. Reinet Fund may also seek partners with whom it may co-invest. Reinet Fund is advised by Reinet Investment Advisors Limited under the terms of the investment advisory agreement (the 'Investment Advisory Agreement').

1.2 SECURITIES LISTINGS AND TRADING

The Company's ordinary shares are listed and traded on the Luxembourg Stock Exchange, Euronext Amsterdam and the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing.

1.3 APPROVAL OF THESE FINANCIAL STATEMENTS

These interim consolidated financial statements have been approved for submission to the General Partner by the Board of Overseers on 6 November 2019, and by the Board of Directors of the General Partner on 14 November 2019.

2. BASIS OF PREPARATION

These interim consolidated financial statements have not been audited.

The Company applies International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('EU'). As a result, subsidiaries are consolidated in the fair value of Reinet Fund, which is disclosed as a single line item in the consolidated balance sheet and throughout the interim consolidated financial statements as 'financial assets held at fair value through profit or loss'.

This interim financial information for the six-month period ended 30 September 2019 has been prepared in accordance with IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2019, which have been prepared in accordance with IFRS as adopted by the EU.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended 31 March 2019.

There are currently no new standards, amendments to standards or interpretations which are mandatory for the financial year beginning 1 April 2019 that will have a material effect on the Company's financial position.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2019 € m	31 March 2019 € m
Financial assets held at fair value through profit or loss:		
– Unlisted investments – Reinet Fund	4 775	4 875
Total financial assets at fair value through profit or loss	4 775	4 875
	Six-month period ended 30 September 2019 € m	Six-month period ended 30 September 2018 € m
Net changes in the fair value of financial assets at fair value through profit or loss:		
– Repayment of capital received	(70)	(19)
– Unrealised	(30)	(288)
Total	(100)	(307)

The investment held is in Reinet Fund, which is considered to be a related party of the Company. Also refer to note 10 for related party disclosures.

The following table presents the movement of the investments held by Reinet Fund for the period ended 30 September 2019:

	Opening balance 1 April 2019 € m	Purchases/ (repayments) € m	Sale proceeds € m	Realised gains or (losses) in the period € m	Movement in unrealised gains or (losses) in the period ⁽¹⁾ € m	Closing balance 30 September 2019 € m
Assets held at fair value through profit or loss						
Listed investments						
British American Tobacco p.l.c. ('BAT')	2 523	–	–	–	(217)	2 306
Other listed investments	82	–	(28)	11	(10)	55
Unlisted investments						
Pension Insurance Corporation Group Limited ('Pension Corporation')	1 480	–	–	–	143	1 623
Trilantic Capital Partners	216	18	(18)	10	3	229
36 South macro/volatility funds	32	–	–	–	–	32
Asian private equity companies and portfolio funds	243	2	(33)	4	12	228
Specialised investment funds	281	14	(28)	1	14	282
United States land development and mortgages	79	(21)	–	–	5	63
Diamond interests	46	(1)	–	–	(2)	43
Other investments	67	4	(1)	(1)	6	75
	5 049	16	(108)	25	(46)	4 936
Cash and liquid funds	355					390
Other assets and liabilities	(529)					(551)
Total	4 875					4 775

(1) Unrealised gains or (losses) in the period include accrued interest income from investments.

The following table presents the movement of the investments held by Reinet Fund for the period ended 30 September 2018:

	Opening balance 1 April 2018 € m	Purchases/ (repayments) € m	Sale proceeds € m	Realised gains or (losses) in the period € m	Movement in unrealised gains or (losses) in the period ⁽¹⁾ € m	Closing balance 30 September 2018 € m
Assets held at fair value through profit or loss						
Listed investments						
BAT	3 198	–	–	–	(460)	2 738
Other listed investments	26	47	–	–	(3)	70
Unlisted investments						
Pension Corporation	1 305	7	–	–	116	1 428
Trilantic Capital Partners	180	32	(29)	16	(5)	194
36 South macro/volatility funds	40	–	–	–	(7)	33
Asian private equity companies and portfolio funds	177	43	(47)	15	(20)	168
Specialised investment funds	339	51	(92)	41	(6)	333
United States land development and mortgages	83	(2)	–	–	4	85
Diamond interests	39	(4)	–	–	5	40
Other investments	59	7	(2)	(18)	18	64
	5 446	181	(170)	54	(358)	5 153
Cash and liquid funds	322					312
Other assets and liabilities	(639)					(643)
Total	5 129					4 822

(1) Unrealised gains or (losses) in the period include accrued interest income from investments.

5. FINANCIAL RISKS

5.1 FINANCIAL RISK FACTORS

The Company has a sole investment in Reinet Fund, therefore the General Partner of the Company relies on the risk management procedures performed by the Fund Manager, and thus the risk management disclosures set out below are at the level of Reinet Fund.

The Company, through its investment in Reinet Fund, is exposed to a variety of financial risks including market risk (ie currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund Manager seeks to maximise the returns derived for the level of risk to which Reinet Fund is exposed and seeks to minimise potential adverse effects on financial performance.

Reinet Fund's investment policy allows it to use derivative financial instruments to both moderate and create certain risk exposures. All investments present a risk of loss of capital. The management of these risks is carried out by the Fund Manager.

The interim consolidated financial statements do not include the different methods to measure and manage the various types of risk and the related disclosures required in the annual consolidated financial statements; they should be read in conjunction with the annual consolidated financial statements as at 31 March 2019.

There have been no changes in the methods used in the period under review which impact the financial risks disclosed in the annual consolidated financial statements of the Company as at 31 March 2019.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5.2 FAIR VALUE ESTIMATION

In accordance with IFRS 13 the Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (ie as prices) or indirectly (ie derived from prices) (level 2); and
- Inputs for the assets that are not based on observable market data (ie unobservable inputs) (level 3).

The following table analyses, within the fair value hierarchy, the Company's financial assets and liabilities measured at fair value at 30 September 2019 and 31 March 2019:

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
30 September 2019				
Assets				
Financial assets designated at fair value through profit or loss:				
– Investment in Reinet Fund	–	–	4 775	4 775
Total	–	–	4 775	4 775
31 March 2019				
Assets				
Financial assets designated at fair value through profit or loss:				
– Investment in Reinet Fund	–	–	4 875	4 875
Total	–	–	4 875	4 875

The Company had no transfers between level 2 and level 3 during the period.

The following table presents the movement in level 3 investments for the Company for the periods ended 30 September 2019 and 30 September 2018:

	30 September 2019 € m	30 September 2018 € m
Opening balance	4 875	5 129
Distribution of capital	(70)	(19)
Gains and losses recognised in profit or loss	(30)	(288)
Closing balance	4 775	4 822

The following tables analyse, within the fair value hierarchy, Reinet Fund's financial assets and liabilities measured at fair value at 30 September 2019 and 31 March 2019:

	Level 1 € m	Level 2 € m	Level 3 € m	Total € m
30 September 2019				
Assets				
Financial assets designated at fair value through profit or loss:				
– Equity securities and funds	2 361	130	2 369	4 860
– Loans	–	–	76	76
Derivative financial instruments	–	134	–	134
Total	2 361	264	2 445	5 070
Liabilities				
Borrowings	–	(638)	–	(638)
Total	–	(638)	–	(638)
Net				4 432
Other assets/(liabilities)				343
Reinet Fund net asset value				4 775
31 March 2019				
Assets				
Financial assets designated at fair value through profit or loss:				
– Equity securities and funds	2 605	135	2 224	4 964
– Loans	–	–	85	85
Derivative financial instruments	–	136	–	136
Total	2 605	271	2 309	5 185
Liabilities				
Derivative financial instruments	–	(1)	–	(1)
Borrowings	–	(662)	–	(662)
Total	–	(663)	–	(663)
Net				4 522
Other assets/(liabilities)				353
Reinet Fund net asset value				4 875

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities. Reinet Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, as well as open-ended funds are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include the Company's investment in Reinet Fund, which in turn includes investments in unlisted equities, private equity funds and loans. As observable prices are not available for these investments, Reinet Fund has used fair values obtained from unaudited financial statements provided by fund managers, valuations obtained from third-party experts using appropriate valuation methods, and discounted cash flow analyses to derive fair values.

Reinet Fund holds shares in BAT. BAT shares are listed on the London Stock Exchange and movements in the share price could have a significant effect on the value of Reinet Fund.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Sensitivity of level 3 investments

Level 3 valuations are reviewed on a regular basis by the Board of Overseers, who consider the appropriateness of the valuation models used, as well as the results using various valuation techniques generally recognised as standard within the fund industry.

Unobservable inputs and the resulting estimated fair values are based on the best information available at each reporting date. Changes in fair values due to updated inputs and new information will be recorded in the period in which they occur. Given the nature of the investments and their underlying risks and uncertainties there is a wide range of potential outcomes in respect of these estimated fair values which may vary significantly from the fair value figures presented.

The table below summarises for each of Reinet Fund's significant level 3 investments the valuation methodology used and any significant unobservable inputs used in calculating the value of the investment as at 30 September 2019. The table is not intended to be all-inclusive, but rather provides information which Reinet Fund regards as significant in respect of unobservable inputs and their sensitivity to reasonable change.

	Fair value at 30 September 2019 € m	Primary valuation technique	Unobservable inputs	Range (weighted average)	Reasonable possible change +/- (absolute value) ⁽¹⁾ € m
Unlisted investments					
Pension Corporation	1 623	Market comparable companies ⁽²⁾	Market multiples Discount	0.85 – 1.03 (0.94) 5% – 15% (10%)	-162/+162 +90/-90
Trilantic Capital Partners	229	Net asset value ⁽³⁾	n/a	n/a	n/a
36 South macro/volatility funds	6	Discounted cash flow	n/a	n/a	Not material
Asian private equity companies and portfolio funds	77 47	Net asset value ⁽³⁾ Market approach	n/a Market multiples	n/a	n/a Not material
Specialised investment funds	277 5	Net asset value ⁽³⁾ Recent financing round	n/a Discount rate	n/a	n/a Not material
United States land development and mortgages	63	Discounted cash flow ⁽⁴⁾	Discount rate	10% – 30% (14.7%)	+4/-6
Diamond interests including receivables from third parties	43	Discounted cash flow ⁽⁵⁾	Discount rate	15.2% – 23.2% (19.2%)	Not material
Other investments	15 11 49	Net asset value ⁽³⁾ Market approach Recent financing round	n/a Market multiples Discount rate	n/a n/a n/a	n/a Not material Not material
Total	2 445				

(1) The reasonable possible change is calculated based on the range of unobservable inputs indicated in the table and is only an indication of the sensitivity of such inputs. A larger change in value could arise as a result of other factors which may occur after the reporting date.

(2) The market multiples for the peer group were considered and used as a basis in calculating the estimated fair value of the investment. A discount of 10 per cent was applied to recognise in part the lack of liquidity in the unlisted shares. A movement of 5 per cent has been applied for calculating the reasonable possible change for this factor, as this is deemed as a reasonable market movement by management.

(3) Reinet Fund has relied upon the latest available net asset value data provided by investment/fund managers. No sensitivity analysis has been performed on the underlying data as no significant unobservable input has been identified at the level of Reinet Fund.

(4) Included in this investment are US land lots and properties which have been valued at 30 June 2019 on a discounted cash flow approach. Mortgage loans receivable and mortgages payable have been valued using a discounted cash flow approach. Discount rates in the range of 10 per cent to 30 per cent have been applied in determining the fair values of the mortgages based on the level of risk and estimated timing of repayment. Changes in land values would also affect the value of the investment.

(5) Reinet Fund has relied upon cash flows provided by local management as at 30 September 2019. These cash flows could be affected by a range of variables including changes in diamond prices, foreign exchange rates, inflation, processing capacity and many other variables which can best be determined by management of the underlying entities. The discounted cash flow used by Reinet Fund in determining the fair value applies discounts in the range of 15.2 per cent to 23.2 per cent to take account of the risks and variables described above.

6. SEGMENT INFORMATION

Due to the Company's sole investment in Reinet Fund, the General Partner of the Company relies on the segment analysis performed by the Fund Manager.

The Fund Manager makes the strategic resource allocations on behalf of Reinet Fund according to its investment portfolio as disclosed in note 4.

7. SHARE CAPITAL

	30 September 2019 € m	31 March 2019 € m
Ordinary share capital		
Issued capital		
195 941 286 (31 March 2019: 195 941 286) ordinary shares issued, fully paid with no par value	220	220

The ordinary shares (excluding the treasury shares, the voting and dividend rights attached to which are suspended) confer on the shareholder the entitlement to participate in and to vote at meetings of shareholders, with each share carrying the right to one vote as well as the entitlement to receive a proportionate share of any dividend that the Company may declare. Each share also entitles each shareholder to receive a proportionate share of the net assets of the Company on liquidation. The liability of shareholders is limited to the amount of their investment in the Company.

The relevant movements in the capital are shown on the statement of changes in equity.

The ordinary shares are listed and traded on the Luxembourg Stock Exchange, on Euronext Amsterdam and on the Johannesburg Stock Exchange; the listing on the Johannesburg Stock Exchange is a secondary listing.

	30 September 2019 € 000's	31 March 2019 € 000's
Management share capital		
Issued capital		
1 000 (31 March 2019: 1 000) management shares issued, fully paid with no par value	1	1

The management shares are held by the General Partner and confer the same rights with regard to voting, dividends and the distribution of assets on liquidation as the ordinary shares. In addition, as the holder of management shares, the General Partner has broad powers to manage the Company and has unlimited liability for any obligations of the Company that cannot be met from the assets of the Company.

Treasury shares

All ordinary shares repurchased are held as treasury shares and are recorded at cost, being the price paid on the acquisition date.

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 20 November 2018 to 30 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 11 February 2019 to

31 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. The programme ran from 19 June 2019 to 23 August 2019 when 2 047 348 ordinary shares were repurchased for a cost of € 31 million, plus transaction costs.

On 6 September 2019, the Company announced the commencement of a fourth share buyback programme in respect of a maximum of 3.1 million ordinary shares for an aggregate maximum amount of € 50 million closing on 12 December 2019. At 30 September 2019, 764 635 ordinary shares have been repurchased for a cost of € 12 million, plus transaction costs.

All 9 461 672 ordinary shares repurchased are held as treasury shares.

In accordance with IAS 32, a liability of € 38 million has been recorded in respect of the maximum potential amount still to be paid in order to complete the current programme.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

As part of the fourth programme a further 1.8 million ordinary shares have been acquired at a cost of € 30.1 million since 30 September up to 15 November 2019.

	Number of shares	Cost € m
Repurchased shares		
1st buyback programme	3 200 000	42
2nd buyback programme	3 449 689	50
3rd buyback programme	2 047 348	31
4th buyback programme	764 635	12
Total treasury shares held at 30 September 2019	9 461 672	135

8. OTHER CURRENT LIABILITIES

An accrual has been created to recognise the non-discretionary commitment of € 38 million in respect of the remaining part of the fourth share buyback programme, see note 7. The Company received further repayments of capital from Reinet Fund after 30 September 2019 which will be used to fund the balance of the fourth buyback programme.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/(loss) for the period attributable to the shareholders by the weighted average number of shares in issue during the period.

	30 September 2019	30 September 2018
€ millions		
Profit/(loss) for the period	7	(251)
Millions of shares		
Shares outstanding at beginning of period (excluding treasury shares)	190.9	195.9
Effect of repurchased shares in the period	(1.1)	–
Weighted average number of ordinary shares in issue	189.8	195.9
€ per share		
Earnings per share from profit/(loss) for the period – basic and diluted	0.04	(1.28)

The Company has not issued any shares or other instruments that are considered to have dilutive potential. There were no movements in the period ended 30 September 2019.

The presentation of headline earnings per share, as an alternative measure of earnings per share, is mandated under the JSE Listings Requirements. It is calculated in accordance with Circular 4/2018 'Headline Earnings', as issued by the South African Institute of Chartered Accountants.

	30 September 2019	30 September 2018
Headline earnings per share		
Unadjusted earnings per share	€ 0.04	(€ 1.28)
Headline earnings per share	€ 0.04	(€ 1.28)

10. RELATED PARTY TRANSACTIONS

The Company has a number of relationships and transactions with related parties, as defined in IAS 24, *Related party transactions*, all of which are undertaken in the normal course of business.

Parties identified as related parties are:

FORMER PARENT COMPANY – COMPAGNIE FINANCIÈRE RICHEMONT SA ('CFR SA')

The Company has identified CFR SA, a public company incorporated in Switzerland, as a related party.

Although the management of the Company is distinct from CFR SA, a number of executives who have management responsibilities for the Company are also employed by a subsidiary of CFR SA. Mr Rupert is also the Chairman of CFR SA.

Reinet Fund has committed up to € 95 million to RLG Real Estate Partners L.P., a property fund managed by a subsidiary of CFR SA. No fees or other expenses have been paid to the fund manager. As at 30 September 2019, Reinet Fund has paid some € 63 million to the fund, resulting in an unpaid commitment of € 32 million.

SIGNIFICANT SHAREHOLDERS

The Anton Rupert Trust, the Anton Rupert Descendants Trust and affiliated parties hold some 48.8 million Company shares representing 24.93 per cent of the Company's issued share capital.

The group of parties regarded as being affiliated to the Anton Rupert Trust and the Anton Rupert Descendants Trust includes entities and persons which are not necessarily closely connected with persons discharging managerial responsibilities within the Company, as defined in Article 3 paragraph 1 of the EU Regulation No 596/2014 on Market Abuse (the 'Market Abuse Regulation'). As a consequence, share dealings by such entities or persons are not disclosed as dealings by connected parties in terms of the Market Abuse Regulation.

MANAGEMENT AND ADVISORY COMPANIES

The Company is a partnership limited by shares (*société en commandite par actions*) which is managed by the General Partner. The Company reimburses the General Partner for its expenses incurred in the ordinary course of business, including but not limited to the remuneration of its staff, taxes, rentals and any other disbursements, and pays an annual administration fee equal to 10 per cent of such expenses.

The Company's wholly-owned subsidiary, Reinet Fund, is managed by the Fund Manager. Reinet Fund reimburses the Fund Manager for its expenses incurred in the ordinary course of business including but not limited to the remuneration of its staff, taxes, rentals and any other disbursements, and pays an annual administration fee equal to 10 per cent of such expenses. Any such amounts payable to the Fund Manager are deductible from any management fees payable to the Investment Advisor.

The Investment Advisor owns 946 060 shares of the Company as at 30 September 2019 (31 March 2019: 946 060).

Under the terms of the Investment Advisory Agreement dated 9 October 2008, as amended on 24 May 2010 and 10 November 2011, between Reinet Fund and the Investment Advisor, Reinet Fund pays both management fees and performance fees to the Investment Advisor.

The management fee is payable to the Investment Advisor at a rate of 1 per cent per annum on the net asset value of Reinet Fund, excluding cash and interests in funds managed by third parties. It is calculated semi-annually based on the closing net asset value at the end of the previous six-month period.

The management fee in respect of cash is calculated at a rate of one-quarter of 1 per cent per annum. No management fee is payable in respect of funds managed by third parties except where the fee payable to the third party has been negotiated to a level below 1 per cent per annum and below the level payable by other investors in a fund. In such circumstances, the difference between the fee payable to the third-party manager and 1 per cent is payable to the Investment Advisor.

Investments as a limited partner in funds under the management of a management company in which Reinet Fund is an investor are not treated as being managed by third parties; the management fee is payable at 1 per cent per annum to the Investment Advisor. However, such a fee payable to the Investment Advisor is reduced by any management fee paid by Reinet Fund to the management company, net of income received by Reinet Fund on its investment in the management company in terms of its share of the management fees earned by (but not carried interest attributable to) the management company.

The performance fee in any period is calculated as 10 per cent of the Cumulative Total Shareholder Return at the end of the Performance Measurement Period (both terms being defined in the Company's prospectus, published on 10 October 2008), adjusted for all dividends and returns of capital to the Company shareholders, less the sum of all performance fees paid in previous Performance Measurement Periods.

No performance fee is payable in the current period. A performance fee will only be payable in respect of the current financial year if the Cumulative Total Shareholder Return exceeds that at 31 March 2019. 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 Company's share price at 30 September 2019 was € 17.50 and therefore no provision has been made in respect of any performance fee which may become payable at 31 March 2020.

The General Partner, the Fund Manager and the Investment Advisor are controlled by Rupert family interests.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**NOTES TO THE INTERIM CONSOLIDATED
FINANCIAL STATEMENTS CONTINUED****11. CAPITAL COMMITMENTS**

At 30 September 2019, the Company had no capital commitments, however its wholly-owned subsidiary Reinet Fund had committed to invest a further € 430 million (31 March 2019: € 430 million) in unlisted investments. See table on page 12. This amount relates to Reinet Fund's own investment commitments. Where Reinet Fund co-invests with minority partners the amount does not include the partners' commitment.

12. CONTINGENT LIABILITIES

A subsidiary of Reinet Fund has pledged a total of 19.2 million BAT shares in respect of its borrowing from Bank of America, N.A. and Merrill Lynch International.

Reinet Fund has provided guarantees to third parties amounting to ZAR 24 million in respect of financial obligations related to the purchase of certain South African assets.

13. DIVIDEND

A cash dividend of some € 36 million, or € 0.19 per share (excluding treasury shares held), was paid in September 2019, following approval at the annual general meeting on 27 August 2019.

14. SUBSEQUENT EVENTS

There have been no events subsequent to 30 September 2019, which would have any material impact on these interim consolidated financial statements.

EXCHANGE RATES AND SHARE INFORMATION

EXCHANGE RATES AGAINST THE EURO

	Six months to 30 September 2019	Six months to 30 September 2018
Average for the period		
Sterling	0.8883	0.8843
US dollar	1.1176	1.1776
Swiss franc	1.1113	1.1596
South African rand	16.2404	15.7041
	At 30 September 2019	At 31 March 2019
Closing – as at the end of the period		
Sterling	0.8869	0.8609
US dollar	1.0900	1.1218
Swiss franc	1.0878	1.1164
South African rand	16.5007	16.2632

SHARE INFORMATION

Reinet Investments S.C.A. (the 'Company') 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.

As at 30 September 2019 and 31 March 2019 there were 195 942 286 shares in issue.

As at 30 September 2019, 9 461 672 (31 March 2019: 5 022 672) ordinary shares were held as treasury shares. The voting and dividend rights attached to the treasury shares are suspended.

STATUTORY INFORMATION

REGISTERED OFFICE

REINET INVESTMENTS S.C.A.
35, boulevard Prince Henri
L-1724 Luxembourg
Grand Duchy of Luxembourg
Telephone: +352 22 42 10

Company Secretary: Mr S Grundmann

REGISTERED NUMBER

REINET INVESTMENTS S.C.A.
Registre de commerce et des sociétés, Luxembourg B 16.576

GENERAL PARTNER

REINET INVESTMENTS MANAGER S.A.
35, boulevard Prince Henri
L-1724 Luxembourg
Grand Duchy of Luxembourg
Telephone: +352 22 42 10

Company Secretary: Mr S Grundmann

CUSTODIAN

BANQUE DE LUXEMBOURG S.A.
14, boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

REGISTRAR AND PAYING AGENT

EUROPEAN FUND ADMINISTRATION S.A.
2, rue d'Alsace
P.O. Box 1725
L-1017 Luxembourg
Grand Duchy of Luxembourg
Telefax: +352 48 65 61 8002

EURONEXT AMSTERDAM LISTING AGENT AND DUTCH PAYING AGENT

ING BANK N.V.
Bijlmerplein 888
1102 MG Amsterdam
The Netherlands

JOHANNESBURG STOCK EXCHANGE SPONSOR

RAND MERCHANT BANK
(A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2146
Republic of South Africa

RÉVISEUR D'ENTREPRISES AGRÉÉ

PRICEWATERHOUSECOOPERS, SOCIÉTÉ COOPÉRATIVE
2, rue Gerhard Mercator
L-2182 Luxembourg
Grand Duchy of Luxembourg

FURTHER INFORMATION

Website: www.reinet.com
Email: info@reinet.com

DATA PROTECTION

The Company acting through the General Partner collects, processes and stores personal data in relation to the shareholders in compliance with EU Regulation No 2016/679 of 27 April 2016 (the 'General Data Protection Regulation') as well as any complementing or other law or regulation relating to the protection of personal data applicable to the Company. In this respect, the Company acts as data controller. All the information in relation to the processing of the shareholders' personal data carried out by the Company is detailed in a data protection information notice available on the Company's website: www.reinet.com/investor-relations/data-protection. Changes may occur in the way the Company processes personal data in relation to the shareholders. In case these changes oblige the Company to update the data protection information notice, the Company will bring this to the shareholders' attention and may do so by any available means such as by email, announcement on the Company's website or otherwise. For any data protection inquiries, the shareholders may contact the Company at the following address: 35, boulevard Prince Henri, L-1724 Luxembourg or by email at: data-protection@reinet.com.

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