BRAIT

2020 UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2019

Brait SE

(Registered in Malta as
a European Company)
(Registration No. SE1)
Share code: BAT
ISIN: LU0011857645
Bond code: WKN: A1Z6XC
ISIN: XS1292954812
LEI code: 549300VB8GBX4UO7WG59
(“Brait”, the “Company” or “Group”)

Summary consolidated statement of financial position as at 30 September

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Notes	Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			ASSETS				
31 444	37 710	**29 894**	**Non-current assets**		**1 812**	2 297	**1 934**
31 444	37 710	**29 894**	Investments	2	**1 812**	2 297	**1 934**
1 158	2 342	**794**	**Current assets**		**48**	143	**71**
324	273	**9**	Accounts receivable		**–**	17	**20**
834	2 069	**785**	Cash and cash equivalents	3	**48**	126	**51**
32 602	40 052	**30 688**	**Total assets**		**1 860**	2 440	**2 005**
			EQUITY AND LIABILITIES				
19 708	28 064	**17 916**	Ordinary shareholders equity and reserves		**1 086**	1 710	**1 213**
12 870	11 969	**6 402**	**Non-current liabilities**		**388**	729	**791**
6 511	5 160	**6 402**	Borrowings	4	**388**	314	**400**
6 359	6 124	**–**	Convertible Bonds	5	**–**	373	**391**
–	685	**–**	Financial guarantee liability		**–**	42	**–**
24	19	**6 370**	**Current liabilities**		**386**	1	**1**
–	–	**6 348**	Convertible Bonds	5	**385**	–	**–**
24	19	**22**	Accounts payable and other liabilities		**1**	1	**1**
32 602	40 052	**30 688**	**Total equity and liabilities**		**1 860**	2 440	**2 005**
525.6	525.6	**525.6**	Ordinary shares in issue (m)		**525.6**	525.6	**525.6**
(54.1)	(17.5)	**(54.1)**	Treasury shares (m)	6	**(54.1)**	(17.5)	**(54.1)**
471.5	508.1	**471.5**	**Outstanding shares for NAV calculation (m)**		**471.5**	508.1	**471.5**
4 180	5 523	**3 800**	**Net asset value per share (cents)**		**230**	336	**257**

1 Unaudited results for the six months ended 30 September 2019

Summary consolidated statement of comprehensive income for the six months ended 30 September

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Notes	Unaudited Six months 30 Sept 2019 €'m	Unaudited Six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
(10 813)	(3 590)	**(1 048)**	Investment valuation losses		**(65)**	(228)	**(679)**
539	275	**265**	Finance income	7	**17**	18	**34**
74	7	**42**	Other investment income		**3**	–	**5**
599	508	**(98)**	Foreign exchange (losses)/gains		**(6)**	32	**38**
(278)	(138)	**(131)**	Operating expenses		**(8)**	(9)	**(18)**
(523)	(34)	**(9)**	Other expenses	8	**(1)**	(2)	**(33)**
(838)	(408)	**(494)**	Finance costs		**(30)**	(26)	**(53)**
(26)	(14)	**(5)**	Taxation		**–**	(1)	**(2)**
(11 266)	(3 394)	**(1 478)**	**Loss for the period**		**(90)**	(216)	**(708)**
			Other comprehensive (loss)/gain				
3 502	3 074	**(314)**	Translation adjustments		**(37)**	(19)	**33**
(7 764)	(320)	**(1 792)**	**Comprehensive loss for the period**		**(127)**	(235)	**(675)**
(2 219)	(668)	**(313)**	Loss and Headline loss per share (cents) – basic	9	**(20)**	(43)	**(139)**

Summary consolidated statement of changes in equity for the six months ended 30 September

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
28 384	28 384	**19 708**	**Ordinary shareholders' balance at beginning of period**	**1 213**	1 945	**1 945**
(11 266)	(3 394)	**(1 478)**	Loss for the period	**(90)**	(216)	**(708)**
3 502	3 074	**(314)**	Translation adjustments	**(37)**	(19)	**33**
(912)	–	**–**	Purchase of treasury shares	**–**	–	**(57)**
19 708	28 064	**17 916**	**Ordinary shareholders' balance at end of period**	**1 086**	1 710	**1 213**

Summary consolidated statement of cash flows for the six months ended 30 September

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Notes	Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			Cash flows from operating activities:				
798	545	**951**	Investment proceeds received	10	**59**	35	**50**
17	17	**106**	Other investment income received		**7**	1	**1**
15	7	**3**	Interest income received on cash balances		**–**	–	**1**
(275)	(140)	**(141)**	Operating expenses paid		**(9)**	(9)	**(17)**
–	–	**(3)**	Other expenses paid		**–**	–	**–**
(19)	(2)	**(5)**	Taxation paid		**–**	–	**(1)**
536	427	**911**	**Operating cash flow before purchase of investments**		**57**	27	**34**
(1 658)	(1 383)	**(663)**	Purchase of investments		**(41)**	(88)	**(104)**
(1 420)	(651)	**(210)**	Gross amount advanced: Debtor Purchase Agreement	11	**(13)**	(48)	**(89)**
1 187	403	**452**	Gross amount received: Debtor Purchase Agreement	11	**28**	26	**75**
(1 355)	(1 204)	**490**	**Net cash generated/(used in) operating activities**		**31**	(77)	**(84)**
1 945	200	**(269)**	Net (repayment)/drawdown of Borrowings	4	**(17)**	13	**122**
(1 174)	–	**–**	Settlement of financial guarantee		**–**	–	**(74)**
(647)	–	**(161)**	Interest paid		**(10)**	–	**(41)**
(17)	(9)	**(6)**	Facility fees paid		**–**	(1)	**(1)**
(176)	(94)	**(90)**	Convertible bond coupon paid		**(6)**	(6)	**(11)**
(912)	–	**–**	Purchase of treasury shares		**–**	–	**(57)**
(981)	97	**(526)**	**Net cash (used in)/generated from financing activities**		**(33)**	6	**(62)**
(2 336)	(1 107)	**(36)**	**Net decrease in cash and cash equivalents**		**(2)**	(71)	**(146)**
263	269	**(13)**	Effects of exchange rate changes on cash and cash equivalents		**(1)**	(2)	**(2)**
2 907	2 907	**834**	Cash and cash equivalents at beginning of period		**51**	199	**199**
834	2 069	**785**	**Cash and cash equivalents at end of period**	3	**48**	126	**51**

Notes to the summary consolidated financial statements for the six months ended 30 September

1 ACCOUNTING POLICIES

1.1 Basis for preparation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, on the going concern principle, using the historical cost basis, except where otherwise indicated. The summarised financial statements are presented in accordance with IAS34: Interim Financial Reporting and in accordance with the framework concepts, measurement and recognition requirements of IFRS. The accounting policies and methods of computation are consistent with those applied in the Group annual financial statements for the year ended 31 March 2019. The Group has only one operating segment being that of an investment holding company.

IFRS 16 became effective for the Group during the current year ending 31 March 2020. The only lease obligations of the Group relate to the rental of office premises, the commitments of which are R5 million over the next 5 years. The impact of IFRS 16 on the Group is therefore insignificant.

The Group's financial statements are prepared using both the Euro (EUR) and SA Rand (R/ZAR) as its presentation currencies.

The Group's subsidiaries have one of three functional currencies: Pound Sterling (GBP/£), SA Rand or US Dollar (USD/US$). The holding company, Brait SE, and its main consolidated subsidiaries use GBP as their functional currency. The financial statements have been prepared using the following exchange rates:

	30 September 2019		31 March 2019		30 September 2018	
	Closing	**Average**	Closing	Average	Closing	Average
GBP/ZAR	**18.6143**	**18.2849**	18.8946	18.0440	18.4331	17.7589
EUR/ZAR	**16.5007**	**16.2388**	16.2620	15.9166	16.4167	15.7109
USD/ZAR	**15.1362**	**14.5336**	14.4978	13.7630	14.1450	13.3619
GBP/EUR	**1.1281**	**1.1260**	1.1619	1.1337	1.1228	1.1304
USD/EUR	**0.9173**	**0.8950**	0.8915	0.8647	0.8616	0.8505

Notes to the summary consolidated financial statements for the six months ended 30 September (continued)

2. INVESTMENTS

The Group designates the majority of its financial asset investments as at FVTPL as the Group is managed on a fair value basis, with any resultant gain or loss recognised in investment valuation gains/losses. Fair value is determined in accordance with IFRS13.

Statement of financial position items carried at fair value include investments in equity instruments and shareholder funding instruments. The Group applies a number of methodologies to determine and assess the reasonableness of the fair value, which may include the following: earnings multiple; recent transaction prices; net asset value and price to book multiple. Listed investments are held at recent quoted transaction prices.

The primary valuation model utilised for valuing unlisted portfolio investments is the maintainable earnings multiple model. Maintainable earnings are derived with reference to the mix of prior year audited and latest available current year forecast EBITDA per the portfolio company, adjusted for any non-recurring income/expenditure. As the year progresses, so the weighting is increased towards the portfolio company's forecast.

The Directors decide on an appropriate group of comparable quoted companies from which to base the EV/EBITDA multiple. The three-year trailing average multiple of the comparable quoted companies is adjusted for points of difference, where required, to the portfolio company being valued. No control premium adjustment is considered for those portfolio Investments in which the Group holds a majority interest. The peer average spot multiple at reporting date is also considered. The equity valuation takes consideration of the portfolio company's net debt/cash on hand as per its latest available financial results. Further valuation information can be obtained from the 30 September 2019 investor presentation on the Group's website, www.brait.com.

31 March 2019 R'm	30 Sept 2018 R'm	30 Sept 2019 R'm		30 Sept 2019 €'m	30 Sept 2018 €'m	31 March 2019 €'m
31 444	37 710	**29 894**	**The Group's portfolio of investments**	**1 812**	2 297	**1 934**
17 363	17 972	**16 696**	Virgin Active	**1 012**	1 095	**1 068**
8 803	9 945	**8 545**	Premier	**518**	606	**541**
3 176	6 602	**2 683**	Iceland Foods	**163**	402	**196**
1 146	–	**1 121**	New Look	**68**	–	**70**
956	3 191	**849**	Other Investments	**51**	194	**59**

2. INVESTMENTS (CONTINUED)

Valuation metrics (note 1)	30 September 2019			30 September 2018			31 March 2019		
	EBITDA	Multiple	3rd Party Net Debt	EBITDA	Multiple	3rd Party Net Debt	EBITDA	Multiple	3rd Party Net Debt
Virgin Active (£'m)	140.2	11.0x	410.1	138.9	11.4x	345.4	137.6	11.0x	352.5
Premier (R'm)	1 000.0	10.75x	2 123.1	1 083.5	11.4x	2 117.7	1 008.5	11.0x	2 053.1
Iceland Foods (£'m)	140.0	7.0x	751.6	152.5	8.4x	713.1	140.0	7.0x	713.5
New Look (£'m)		note 2			note 2			note 2	
Other Investments		varied			varied			varied	

Note 1 IFRS 16 Leases is applicable to the Group's current financial year ended 31 March 2020. Brait's portfolio companies that report in terms of IFRS will accordingly publish their respective current year audited financial results in accordance with IFRS16. For the current financial year, taking consideration of the number of complexities and judgments associated with the transition to IFRS16 and in particular its impact on portfolio peer company spot and 3-year trailing multiples, Brait will value its investment portfolio on a pre-IFRS 16 basis, adjusting financial data for the impact of IFRS 16 as appropriate to ensure consistency.

Note 2 Brait's equity investment in New Look is valued at nil based on the Enterprise Value at the reporting dates shown. Brait's holding in New Look's Senior Secured Notes ("SSNs") are valued at reporting date using the closing quoted price, which is consistent with the approach used at 30 September 2018. Given the balance sheet restructuring transaction completed on 3 May 2019, Brait's 18.2% holding of existing SSNs were valued at 31 March 2019 using the post balance sheet restructuring conversion ratio price of 0.234561 (determined at the restructure transaction's voting record time on 18 April 2019) applied to their nominal value. Brait's carrying value for New Look at 31 March 2019 included the pro-rata participation in New Look's Bridge Facility, together with accrued interest. The Bridge Facility was full repaid by New Look on 3 May 2019.

Fair Value Hierarchy

IFRS 13 Fair Value Measurements provides a hierarchy that classifies inputs used to determine fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the assets or liability that are not based on observable market data

There are no financial assets that are categorised as Level 2 in the current or comparative periods. All level 3 investments have been valued using maintainable earnings multiples method

2. INVESTMENTS (CONTINUED)

Fair Value Hierarchy (continued)

Level 1 R'm	Level 3 R'm	Total R'm	30 September 2019	Level 1 €'m	Level 3 €'m	Total €'m
–	16 696	16 696	Virgin Active	–	1 012	1 012
–	5 375	5 375	Premier	–	326	326
–	2 683	2 683	Iceland Foods	–	163	163
1 121	–	1 121	New Look	68	–	68
–	849	849	Other Investments [1]	–	51	51
1 121	**25 603**	**26 724**	**Investments at fair value**	**68**	**1 552**	**1 620**
		3 170	Premier shareholder funding			192
		3 170	**Investments at amortised cost**			**192**
		29 894	**Total investments**			**1 812**

[1] *Other Investments comprises the equity valuation of Brait's investment in DGB and the remaining private equity fund investments.*

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			3. CASH AND CASH EQUIVALENTS			
834	2 069	**785**	Balances with banks [1]	**48**	126	**51**
74	82	**67**	– ZAR cash	**4**	5	**5**
9	14	**6**	– USD cash	**1**	1	**1**
751	1 973	**712**	– GBP cash	**43**	120	**45**

[1] *All balances are held with banks with credit ratings of at least BB+*

Notes to the summary consolidated financial statements for the six months ended 30 September (continued)

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			4. BORROWINGS			
4 719	4 719	**6 511**	Opening Balance	**400**	323	**323**
494	241	**321**	Interest accrual	**20**	15	**31**
–	–	**–**	Foreign currency translation	**(5)**	(37)	**(35)**
1 945	200	**(269)**	Net (repayments)/drawdown of Borrowings	**(17)**	13	**122**
2 288	200	**170**	Drawdowns	**10**	13	**144**
(343)	–	**(439)**	Capital repayments	**(27)**	–	**(22)**
(647)	–	**(161)**	Interest repayments	**(10)**	–	**(41)**
6 511	5 160	**6 402**	Closing Balance	**388**	314	**400**

As per note 14, the Group has signed a term sheet with FirstRand Bank Limited (trading through its Rand Merchant Bank division) and The Standard Bank of South Africa Limited (the "Lenders") to refinance the committed revolving facility post the equity capital raise. The refinanced facility of R7.0 billion, reducing to R6.3 billion post the rights issue, will have a three-year tenor and bear interest at JIBAR plus 4.6% repayable quarterly (with both the quantum and interest rate ratcheting down as the Group degears). Legal agreements to record these arrangements are currently underway. The facility remains secured on a senior basis by the assets of Brait Mauritius Limited.

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			5. CONVERTIBLE BONDS			
6 359	6 124	**6 348**	On 18 September 2015 Brait received £350 million from the issuance of its five year unsubordinated, unsecured convertible bonds ("Bonds"). The Bonds listed on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange on 15 October 2015 and carry a fixed coupon of 2.75% per annum payable semi-annually in arrears. The initial conversion price of £7.9214 per ordinary share represented a 30% premium to the VWAP of Brait's ordinary shares between launch and pricing on 11 September 2015. The adjusted conversion price at reporting date is £7.7613 per ordinary share, which takes into account Brait's bonus share issue and cash dividend alternative since date of issue, in accordance with the Bonds terms and conditions. Using this conversion price, the Bonds would be entitled to convert into 45.096 million ordinary shares (8.6% of Brait's current share capital of 525.599 million ordinary shares) on exercise of bondholder conversion rights.	**385**	373	**391**
			Given the adjusted conversion price, it is likely that the Bonds will be settled at par value in cash on maturity on 18 September 2020. Given this term date is within the next 12 months, the Bonds IAS 32 carrying value of £341 million is classified as a current liability as at 30 September 2019. The redemption of the Bonds will be financed using the recapitalisation proceeds as well as the proceeds from the proposed new convertible bond issue (refer to note 14).			

Notes to the summary consolidated financial statements for the six months ended 30 September (continued)

Audited year ended 31 March 2019	Unaudited six months 30 Sept 2018	Unaudited six months 30 Sept 2019		Unaudited six months 30 Sept 2019	Unaudited six months 30 Sept 2018	Audited year ended 31 March 2019
			6. TREASURY SHARES			
17 475 070	17 475 070	**54 091 259**	Opening number of shares held for the vested benefit of the Group	**54 091 259**	17 475 070	**17 475 070**
36 616 189	–	**–**	Shares purchased	**–**	–	**36 616 189**
54 091 259	17 475 070	**54 091 259**	Closing shares held for the vested benefit of the Group	**54 091 259**	17 475 070	**54 091 259**
R'm	R'm	**R'm**		**€'m**	€'m	**€'m**
539	275	**265**	**7. FINANCE INCOME**	**17**	18	**34**
375	185	**192**	Premier shareholder funding income (interest and dividends)	**12**	12	**24**
131	72	**70**	Interest earned on New Look SSNs and Bridge Loan	**5**	5	**8**
33	18	**3**	Other interest income	**–**	1	**2**
(523)	(34)	**(9)**	**8. OTHER EXPENSES** During the current period other expenses primarily relates to capital raising/restructuring initiatives for the Brait Group. In the prior periods other expenses related to the movement in Brait's net exposure in terms of its finacial guarantee in relation to Fleet.	**(1)**	(2)	**(33)**
			9. HEADLINE EARNINGS RECONCILIATION			
(11 266)	(3 394)	**(1 478)**	Loss and Headline loss for the period	**(90)**	(216)	**(708)**
508	508	**472**	Weighted average ordinary shares in issue (m) – basic	**472**	508	**508**
(2 219)	(668)	**(313)**	Loss and headline loss per share (cents) – basic	**(20)**	(43)	**(139)**
			The conversion of the Bonds is anti-dilutive given the loss and headline loss per share			

Notes to the summary consolidated financial statements for the six months ended 30 September (continued)

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
798	545	**951**	**10. INVESTMENTS PROCEEDS RECEIVED**	**59**	35	**50**
365	365	**609**	Virgin Active	**37**	23	**22**
157	65	**293**	New Look [1]	**18**	4	**10**
232	105	**49**	Premier	**4**	7	**15**
44	10	**–**	Other investments	**–**	1	**3**

[1] Represents the repayment of the Bridge Loan together with interest accrued thereon on 3 May 2019

11. NEW LOOK DEBTOR FACTORING

In terms of Brait's Debtor Purchase Agreement with New Look ("Agreement") entered into on 10 May 2018, a further R210 million was purchased during the period. Following the completion of the restructure on 3 May 2019, the Agreement has ceased and has been wound down resulting in proceeds received of R452 million for the period to 30 September 2019. All amounts advanced in terms of the Agreement were repaid to Brait by 30 September 2019.

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			12. RELATED PARTIES			
			Transactions between the Company and its subsidiaries (Brait Malta Limited and Brait Mauritius Limited) have been eliminated on consolidation and are not disclosed in this note.			
			During the period, Group companies entered into the following transactions with related parties who are not members of the Group:			
			Loss from operations include:			
(19)	(9)	**(9)**	Non-executive directors fees	**(1)**	(1)	**(1)**
(4)	(1)	**–**	Professional Fees – M Partners S.à r.l. [1]	**–**	–	**–**
–	(1)	**(1)**	Professional Fees – Maitland International Holdings Plc [1]	**–**	–	**–**
(2)	–	**–**	Other expenses – Maitland International Holdings Plc [1]	**–**	–	**–**

[1] HRW Troskie is a director and shareholder of Brait, and is a director and shareholder of Maitland International Holdings Plc: M Partners S.à r.l. is a Maitland network law firm. Up to 31 March 2019, M Partners S.à r.l. was a Maitland network law firm and as a result a related party to Brait.

Notes to the summary consolidated financial statements for the six months ended 30 September (continued)

Audited year ended 31 March 2019 R'm	Unaudited six months 30 Sept 2018 R'm	Unaudited six months 30 Sept 2019 R'm		Unaudited six months 30 Sept 2019 €'m	Unaudited six months 30 Sept 2018 €'m	Audited year ended 31 March 2019 €'m
			13. CONTINGENT LIABILITIES AND COMMITMENTS			
			13.1 Commitments			
6 886	6 806	**6 694**	**Convertible Bond commitments**	**406**	415	**424**
182	177	**179**	– Coupon payments due within one year [1]	**11**	11	**11**
91	177	**–**	– Coupon payments due between one and five years [1]	**–**	11	**6**
–	–	**6 515**	– Principal settlement due within one year [2]	**395**	–	**–**
6 613	6 452	**–**	– Principal settlement due within five years	**–**	393	**407**
			[1] The coupon payments reflect the semi-annual coupons of 2.75% payable in arrears over the Bond's five year term.			
			[2] The principal settlement amount of £350 million is likely to be payable within the next 12 months given the adjusted conversion price of the Bonds. The redemption of the Bonds will be financed using the recapitalisation proceeds as well as the proceeds from the proposed new convertible bonds issued (refer note 14).			
14	16	**16**	**Private equity funding commitments**	**1**	1	**1**
			Rental commitments (Malta and Mauritius) [3]			
2	2	**–**	– Within one year	**–**	–	**–**
3	3	**–**	– Between one and five years	**–**	–	**–**
			[3] IFRS 16 became effective for the Group during the current year ending 31 March 2020. As such, these are no longer recognised as rental commitments from 1 April 2019.			
6 905	6 827	**6 710**	**Total commitments**	**408**	416	**425**

13. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

13.2 Other

The Group has rights and obligations in terms of standard representation and warranties in shareholder or purchase and sale agreements relating to its present or former investments.

14. LIQUIDITY POSITION OF THE GROUP

The Group's £350 million convertible bond is classified as a current liability at reporting date. As outlined in the market announcement released today, the Board is comfortable with the liquidity position of the Group as a result of the aggregate capital raise and refinancing of between R14.4 billion and R14.7 billion comprising:

(i) an equity capital raise of at least R5,250 million and up to R5,600 million comprising a fully underwritten rights offer of R5,250 million and a specific issue of shares up to R350 million;

(ii) the refinance of the Group's committed revolving credit facility ("RCF") to a R7.0 billion facility, reducing to R6.3 billion post the rights issue, with a three-year tenor; and

(iii) the intended launch (on 27 November 2019), facilitated by (i) and (ii), of a new c.£150 million convertible bond with a five-year tenor.

The new c.£150 million convertible bond, along with c.£35 million cash, will be used to concurrently repurchase a portion of the existing £350 million convertible bonds outstanding up to a maximum of c.£185 million. The net proceeds of the equity capital raise, after transaction costs, are intended to be used by Brait for the repayment of the remaining portion of the £350 million convertible bonds at the September 2020 maturity, to reduce Brait's existing RCF and thereafter for general corporate and financing purposes. The combination of the equity capital raise, new convertible bond issuance and refinancing of the RCF will materially reduce and extend the maturities of Brait debt, ensuring that the going-concern basis of accounting is appropriate.

Review of operations

The Board of Directors hereby reports to shareholders on the Group's unaudited interim results for the six months ended 30 September 2019.

Commenting on the results, Brait's Chairman Jabu Moleketi said: "Today Brait announces its recapitalisation comprising a fully underwritten equity capital raise, refinancing of the Group's revolving credit facility and launch of a new convertible bond. The aggregate amount of the recapitalisation, of between R14.4 billion and R14.7 billion, provides a holistic solution for Brait to enable the redemption of the existing GBP350 million convertible bond maturing in September 2020, as well as refinancing the Group's revolving credit facility for a revised 3-year tenor.

The equity capital raise will see the introduction of a new strategic equity partner, Ethos, through its investment of R1.35 billion in Brait. A new advisory agreement at a significantly reduced cost will be entered into with Ethos Private Equity and the advisory team going forward will comprise a combination of Ethos Private Equity executives and certain members from Brait's existing corporate advisors. The Board believes that the recapitalisation and the new advisor agreement, provides Brait with a strong platform from which to focus on maximising value through the realisation of assets in the portfolio over the next five years and returning capital to shareholders.

As a result of the change away from a strategic long-term investment model, the CEO of Brait's corporate advisor John Gnodde, in agreement with the Board, has decided to step aside at the conclusion of the recapitalisation in February 2020. We recognise John's considerable contribution to Brait over 25 years. Over the last two decades, he was integral to the success of Brait's private equity business and, importantly, led the transition of Brait from a private equity fund manager to an investment holding company in 2011. We are delighted that John will be assisting Brait's investee companies in ensuring a smooth handover and we wish him every success going forward.

Post the completion of the recapitalisation, a new Board is intended to be constituted and proposed to shareholders for approval at the July 2020 Annual General Meeting."

FINANCIAL HIGHLIGHTS

- Announcement of an equity capital raise of up to R5.6 billion, comprising a fully underwritten rights offer of R5.250 billion and up to R350 million through a specific issuance of shares to EPE Capital Partners Limited and Ethos Fund VII GP (SA) Proprietary Limited (collectively "Ethos").
- Agreed credit approved terms with the lending banks for the refinance of the existing Brait Mauritius Limited ("BML") revolving credit facility ("BML RCF"), revised to a R6.3 billion facility (post the equity capital raise) with a 3-year tenor.
- The intention to launch, today, a new c.GBP150 million convertible bond ("New Convertible Bond") with a 5-year term; the proceeds of which, together with cash on hand, will be used to repurchase up to GBP185 million of the existing GBP350 million convertible bond.
- Net proceeds from the equity capital raise will repay the remaining portion of the existing GBP350 million convertible bond by its September 2020 maturity and reduce the amount drawn on the BML RCF
- NAV per share at 30 September 2019 of R38.00 (FY2019: R41.80).
- R1.3 billion cash flow to Brait from the portfolio for the current six-month period (FY2019: R815 million).

Review of operations (continued)

RECAPITALISATION

Shareholders are referred to the detailed announcement released on SENS today, 27 November 2019, for details of the proposed Recapitalisation of Brait, the introduction of a new strategic equity partner and advisor, the adoption of a new strategy and withdrawal of the cautionary announcement.

The Brait board of directors ("Board"), together with Brait South Africa Proprietary Limited and Brait Advisory Services UK Limited (collectively, "Corporate Advisors"), have been engaged in an extensive process to materially reduce the debt on Brait's balance sheet. As released on the website of the Luxembourg Stock Exchange ("LuxSE") and SENS on 23 September 2019 and further updated on 21 November 2019, it was indicated that this may involve a refinancing of existing debt, potential equity raising initiatives, a recapitalisation of Brait, certain portfolio divestitures or a combination of the foregoing. To this extent, Brait has:

(i) secured an equity capital raise comprising a fully underwritten rights offer of R5.250 billion and up to an additional R350 million through a specific issue of shares to Ethos at the rights offer price;

(ii) agreed credit approved terms with its lending banks to refinance the existing BML RCF for a 3-year term, with a R7.0 billion facility limit, reducing to R6.3 billion immediately post the equity capital raise; and

(iii) facilitated by (i) and (ii), launched today the New Convertible Bond with a 5-year tenor.

The combination of the equity capital raise, refinancing of the BML RCF and new convertible bond issuance ("Recapitalisation") will materially reduce and extend the maturities of Brait's debt, strengthening Brait's balance sheet and enabling Brait to execute on its new strategy.

The three components of the Recapitalisation comprise:

Equity capital raise

Brait has obtained irrevocable undertakings and / or underwriting commitments from shareholders and investors for an underwritten rights offer of R5.250 billion ("Rights Offer"). The Rights Offer will be priced at a price per Rights Offer share to be agreed between Brait and its Underwriters (defined below). In the absence of such agreement, a 27% discount to the Theoretical Ex-Rights Price ("TERP") of a Brait share, subject to a maximum price of R9.40 and a minimum price of EUR0.22, being the nominal value of the new shares. Shareholders will be asked to approve the Rights Offer at the Extraordinary General Meeting to be held on 14 January 2020 ("EGM"). To the extent that Ethos is not allocated shares worth R1,350 million in the Rights Offer, a specific issue of shares for up to R350 million will be made to Ethos for cash, resulting in an overall equity capital raise for Brait of up to R5.6 billion.

Brait has secured irrevocable commitments of R3.128 billion from a combination of strategic shareholders Titan (R750 million, represented by Dr Christo Wiese and his related entities) and Ethos (R1.0 billion - Ethos having entered into an agreement with Titan to acquire rights from Titan and irrevocably committed to following such acquired rights), and other major shareholders (R1.378 billion) to follow their rights pursuant to the Rights Offer. In addition, Brait has secured underwriting commitments of R2.122 billion from a combination of Titan (R250 million), Ethos (R350 million) and Rand Merchant Bank, a division of FirstRand Bank Limited ("RMB")(R1.522 billion), (together the "Underwriters"), resulting in a fully committed and underwritten rights issue of R5.250 billion.

Brait has secured irrevocable commitments from shareholders representing 67.1% of shares outstanding to vote in favour of the resolutions required to implement the equity capital raise (and the Recapitalisation) at the EGM, as well as non-binding indications of support from shareholders representing a further 3.0% of shares outstanding. Approval from at least 75% of the shareholders represented at the EGM will be required to pass the extraordinary resolutions pursuant to the Recapitalisation.

Ordinary shares held by Brait Investment Trust and BML, which are currently classified as the Group's 54.1m treasury shares, will not be entitled to participate in the Rights Offer. As part of the Recapitalisation, the Board will propose that these 54.1m treasury shares are cancelled.

Review of operations (continued)

The net proceeds of the equity capital raise, after costs related to the Recapitalisation, will be used by Brait for the repayment of the remaining portion of the GBP350 million convertible bond by its September 2020 maturity and to reduce the drawn amount on the BML RCF. The Rights Offer is conditional, inter alia, on the conclusion of definitive financing arrangements with the lending banks for the refinancing of the BML RCF.

As announced on 30 September 2019, Titan and Mergence Investment Managers Proprietary Limited ("Mergence") entered into a voting pool arrangement representing 46.35% of Brait's shares in issue, excluding treasury shares. Following the successful conclusion of the Recapitalisation, Ethos will enter into a co-operation agreement with Titan which will reflect a shared vision on the future investment strategy for Brait and the execution thereof.

Refinancing of the BML RCF

Brait has signed a credit approved term sheet with its lending banks, RMB and Standard Bank of South Africa ("SBSA") (together the "Lenders") to refinance the BML RCF. The refinanced facility will (i) have a limit of R7.0 billion, reducing to R6.3 billion immediately post the equity capital raise; (ii) have a 3-year tenor, and (iii) bear interest at a starting rate of JIBAR plus 4.60%. Interest is repayable quarterly, with the right to rollup these quarterly interest payments. Agreed reductions will apply to the quantum of the facility and the interest rate margin as the Group de-gears. The facility continues to be secured on a senior basis by the assets of BML. Covenants for the new facility will remain NAV based and will be set with sufficient headroom / tolerance for short term volatility. The refinancing of the BML RCF is intended to stabilise Brait's balance sheet and provide time for the execution of Brait's revised strategy. The purpose of the facility is for Brait's general corporate and working capital purposes as well as investment into the portfolio.

The drafting of legal agreements to record these arrangements is currently underway. Implementation of the refinancing is conditional on the conclusion of the Rights Offer.

Issuance of a new c.GBP150 million convertible bond with a 5-year tenor

The Rights Offer and credit approved term sheet with the Lenders for the refinance of the BML RCF have facilitated Brait today (27 November 2019) launching a New Convertible Bond. Upon completion, the proceeds raised from this New Convertible Bond, together with cash of up to GBP35 million, will be used to concurrently repurchase up to c.GBP185 million of the existing GBP350 million convertible bond. A portion of the proceeds from the equity capital raise will be reserved to redeem the remaining portion of the existing GBP350 million convertible bond by its September 2020 maturity.

Shareholders are referred to the announcement released on SENS today, 27 November 2019, for details of the New Convertible Bond. The salient terms are expected to comprise:

- A 5-year tenor to December 2024;
- Convertible into ordinary shares of Brait at a conversion price to be determined based on a premium to VWAP of Brait's ordinary shares ("Conversion Price");
- Fixed coupon payable semi-annually in arrears, with the rate to be set at the time of pricing the bond later today;
- Standard terms and conditions include, inter alia, an adjustment to the Conversion Price to take consideration of the Rights Offer.

A further announcement will be made once the final terms of the New Convertible Bond have been agreed.

Application is intended to be made for the New Convertible Bond to be listed on the open market (Freiverkehr) segment of the Frankfurt Stock Exchange, within 30 days following the closing and settlement date. The Company will seek shareholders' approval at the EGM to enable the issue of ordinary Brait shares for physical settlement of the New Convertible Bond.

Review of operations (continued)

ADOPTION OF NEW STRATEGY

The Board has resolved to adopt a new strategy that will focus on maximising value through the realisation of assets in the portfolio over the next five years and returning capital to shareholders.

The Recapitalisation materially reduces and extends the maturities of Brait's debt, providing sufficient flexibility to manage Brait's portfolio of investments and execute the new strategy in an optimal manner.

The Board will enter into a new advisory agreement with Ethos Private Equity for an envisaged initial 3-year tenor (effective from completion of the Rights Offer), with an annual renewal thereafter. The new advisory team will comprise Ethos executives as well as certain members of Brait's current Corporate Advisors. The new advisory agreement will be at an initial reduced cost of c.R100 million per annum, with annual inflation linked increases. In addition, the Board and Ethos Private Equity have undertaken each year, to assess the appropriateness of the annual cost in the context of the resources required to implement the strategic business plans for that year. A new incentive structure will be developed to align the interests of the new advisor with shareholders in terms of value creation. This will be proposed to Brait shareholders for their consideration and approval.

Brait and its current Corporate Advisors have agreed to terminate the existing advisory agreement by mutual agreement, with effect from the completion of the Rights Offer. The Corporate Advisors will continue in their role of providing the investment advisory services to Brait until that date.

Post the Recapitalisation, a new Board is intended to be constituted and proposed to shareholders for approval at the AGM to be held in July 2020. Brait will also re-evaluate the costs and efficiencies of the overall Group structure.

REPORTED NAV PER SHARE

In accordance with Brait's policy, the valuation multiple applied at reporting date is referenced to the respective peer 3-year trailing average multiple, whilst taking into consideration the peer average spot multiple. In line with the current period's reduction in peer average spot multiple, Brait has reduced the Premier valuation multiple at reporting date, with the valuation multiples for Virgin Active and Iceland Foods remaining unchanged. The historic EV/EBITDA valuation multiples used compared to respective peer average multiples are:

	30 September 2019			31 March 2019			30 September 2018		
	Valuation multiple used	% discount/ (premium) to peer average:		Valuation multiple used	% discount/ (premium) to peer average:		Valuation multiple used	% discount/ (premium) to peer average:	
		3-year	spot		3-year	spot		3-year	spot
Virgin Active	**11.0x**	23%	23%	**11.0x**	17%	13%	**11.4x**	17%	24%
Premier	**10.75x**	8%	0%	**11.0x**	10%	(6%)	**11.4x**	10%	(8%)
Iceland Foods	**7.0x**	20%	4%	**7.0x**	24%	8%	**8.4x**	14%	5%
New Look *(Note 1)*	**–**	–	–	**–**	–	–	**–**	–	–

Note 1: Since 30 September 2017, Brait's equity investment in New Look is valued at zero.

The composition of the peer groups for Premier and Iceland Foods remain unchanged for the current period. Virgin Active's peer group has been revised to reinstate Planet Fitness, which is included as a comparable company by a number of investment banks and research houses. As a result, Virgin Active's peer group at reporting date now comprises: The Gym Group, Basic Fit, Planet Fitness, Technogym, Woolworths, Life Healthcare, Clicks and Merlin Entertainments.

The NAV breakdown at reporting date is as follows:

Unaudited 30 Sep 2018 R'm	Audited 31 Mar 2019 R'm	**Unaudited 30 Sep 2019 R'm**		%	**Unaudited 30 Sep 2019 €'m**	Audited 31 Mar 2019 €'m	Unaudited 30 Sep 2018 €'m
37 710	31 444	**28 894**	**Investments**	97	**1 812**	1 934	2 297
17 972	17 363	**16 696**	Virgin Active	54	**1 012**	1 068	1 095
9 945	8 803	**8 545**	Premier	28	**518**	541	606
6 602	3 176	**2 683**	Iceland Foods	9	**163**	196	402
2 050	1 146	**1 121**	New Look	3	**68**	70	125
1 141	956	**849**	Other investments	3	**51**	59	69
2 069	834	**785**	Cash and cash equivalents	3	**48**	51	126
273	324	**9**	Accounts receivable	–	**1**	20	17
40 052	32 602	**30 688**	**Total assets**	100	**1 860**	2 005	2 440
11 969	12 894	**6 402**	**Non–current liabilities**		**388**	791	729
5 160	6 511	**6 402**	Borrowings		**388**	400	314
6 124	6 359	**–**	Convertible Bonds		**–**	391	373
685	–	**–**	Financial guarantee liability		**–**	–	42
19	24	**6 370**	**Current liabilities**		**386**	1	1
–	–	**6 348**	Convertible Bonds		**385**	–	–
19	24	**22**	Accounts payable		**1**	1	1
28 064	19 708	**17 916**	NAV		**1 086**	1 213	1 710
508.12	471.51	**471.51**	Net issued ordinary shares ('mil)		**471.51**	471.51	508.12
5 523	4 180	**38.00**	NAV per share (cents)		**230**	257	336

Review of operations (continued)

Highlights for the Group's investment portfolio:

Virgin Active (54% of Brait's total assets):

- Leading international health club operator Virgin Active's results (in Pound Sterling) for the nine months ended 30 September 2019 are in line with the guided year-on-year outlook for its 2019 financial year:
  - Using actual exchange rates, group revenue +2.5% and group EBITDA +3.3%.
  - Using constant exchange rates, group revenue +4.3% and group EBITDA +6.6%.
  - Closing adult membership increased by 3%.
- During the current nine-month period, Virgin Active opened 5 new clubs (4 in Asia Pacific and 1 in Italy) and had 3 closures in South Africa. At 30 September 2019, the group comprised 240 well invested clubs with 1.26 million members across 8 countries.
- Territory highlights for the current nine-month period, quoted on a constant currency, year-on-year basis:
  - The Southern Africa business, adjusting for the impact of 3 carefully selected club closures in the current period, (1 club closure in the comparative), is +4.6% for revenue and +5.5% for EBITDA. Membership growth is 4%, driven by the new Vitality agreement and strengthened sales and marketing. Group exercise penetration is up 4% year on year to 27%, with group exercise occupancy up 12% to 64% following the group led approach to drive engagement and 9 new studio openings. A number of cost savings have been achieved through club and head office headcount reductions, and rental re-negotiations.
  - The Italian business, adjusting for the club closed in the comparative, is +8.1% for revenue and +18.7% for EBITDA. Membership growth is 5%. The mature estate delivered 11% EBITDA growth, driven by volume and yield growth, with attrition of members on 12-month contracts at an all-time low. Group exercise penetration is up 2% year on year to 41%.
  - One new club was opened in the current period with a further 2 openings anticipated by the end of the year. Investment continues in the digital member proposition, with Revolution Live (an online cycling streaming offering) launching imminently, which aims to put Virgin Active content on subscribing members' Technogym bikes to create an "at home connected bike proposition".
  - The UK business is +0.6% for revenue and +11.5% for EBITDA, driven by cost savings from the head office restructuring following the smaller UK estate post the 2017 club disposals. Membership volumes were constant in a challenging consumer environment, supported by competitive pricing and attractive membership options. The major refurbishments at the Kensington and Mayfair clubs continue to drive strong revenue and EBITDA growth in these clubs. 14 new studios were launched during the period, including 6 Reformer Pilates, 4 Punch (boxing), 2 Grid and 2 Yoga studios, leading to an additional 170,000 group exercise visits per year. The disposal of the West London club is due to complete by the end of November 2019 at an 11.2x EBITDA multiple, with the proceeds earmarked for further club refurbishments.
  - In Asia Pacific, revenue is +10.3%. The opening of 4 new clubs in the current period is short term dilutive to EBITDA due to start-up losses. A further 2 clubs are set to open in Sydney by the end of the year, where after the Asia Pacific estate is substantially complete at 25 clubs. Membership volumes grew by 13% during the current period, with LFL membership broadly flat. The region has seen a 12% improvement in attrition, driven by the reintroduction of joining fees, focus on 12-month contract options and removal of certain short-term contract options.

Review of operations (continued)

- The 2019 year to date performance across the territories has been impacted by start-up losses in new and developing clubs, particularly in Asia Pacific. At the end of September 2019, the business has GBP22.9 million of embedded EBITDA, which represents the difference between actual EBITDA for new and developing clubs in the last 12 months compared to the expected EBITDA on those clubs when they reach maturity. All but GBP7.7 million of the capex pertaining to these new and developing clubs has already been incurred and is reflected in the net debt of the business.
- Virgin Active's leverage ratio at 30 September 2019 for net third party debt to EBITDA is 2.9x (31 December 2018: 2.6x). The increase in this ratio is mostly due to the repayment of shareholder funding in June 2019 from incremental proceeds following the refinancing by Virgin Active South Africa of its senior debt facilities, which extended the term to June 2024 whilst reducing interest margin costs from 375bps to 355bps. Brait received its 79.2% share of proceeds of R609 million, increasing its realised proceeds received to date from Virgin Active to R974 million.
- Brait participates in 79.2% (FY2019: 79.2%) of the carrying value of Virgin Active to the extent of shareholder funding and thereafter in 71.9% (FY2019: 71.9%) for any surplus equity value. This results in an unrealised carrying value at reporting date of R16.7 billion (FY2019: R17.4 billion), representing 54% of Brait's total assets (FY2019: 53%).

Premier (28% of Brait's total assets):

- Higher commodity prices resulted in Premier's revenue increasing by 7.0% for the six months ended 30 September 2019.Continued challenging market conditions have not allowed for the full recovery of cost inflation. Whilst cost reduction initiatives and continuous improvement projects resulted in a 1% decrease in central costs, with indirect costs remaining flat, this was not sufficient to make up the shortfall in marginal contribution. Group EBITDA margin declined from 10.2% to 9.1% with EBITDA decreasing by 4.4% on the comparative period.
- Premier's national formal retail market shares across its major categories remain strong and in line with those reported for FY2019.
- Divisional highlights for the 6 months ended 30 September 2019:
  - Premier's bread division, representing 49% of group revenue, was flat on revenue with EBITDA decreasing by 5% on the comparative period. Sales volumes declined by 4%, mostly impacted by the Cape Town bakery, which continues to recover lost sales volumes following the strike that lasted from November 2018 to March 2019. All other regions grew revenue in the period.
  - Premier's milling division represents 32% of group revenue. To counter the proliferation of regional maize millers that have established themselves as suppliers for dealer-own-brands at relatively low margins and oversupply in the wheat industry, management adapted Premier's strategy of prioritising margin maintenance for maize and wheat to one of acceptance of lower margins, resulting in an increase of milling volumes by 6% and revenue by 17% on the comparative period. However, marginal contribution per ton for both wheat and maize was lower than the prior period, recovering only from the month of September following the price increases at the end of July 2019. EBITDA for the milling division was down 26% for the current period.
  - Premier's combined MillBake EBITDA margin, before the allocation of central group costs, is 11.9% for the current six-month period (FY2019: 13.3%).

- o Premier's Mozambican business (CIM), which represents 10% of group revenue, recorded a pleasing improvement in performance for the current six-month period, generating EBITDA of R24 million (comparative period: R3 million). Good progress has been made in building exports in animal feeds, pasta and biscuits. Management remains optimistic for a sustained improvement in performance for the remainder of the financial year, with enhanced prospects for the business on the back of a recovery in the Mozambican economy.
- o Premier's other groceries businesses in feminine hygiene, sugar confectionary and nutritional beverages (which together represent 9% of group revenue) performed satisfactorily given the economic conditions.

- Capital expenditure for the group of R180 million for the current period is in line with guidance at 3% of revenue.
- Premier repaid Brait R49 million of shareholder loans during the current six-month period, increasing Brait's share of realised proceeds received to date to R1.3 billion. Premier acquired the minority interest it did not previously own in its Swazi Mahewu business. Premier's leverage ratio for net debt owing to third parties is 2.2x (FY2019: 2.1x).
- Brait increased its shareholding in Premier during the current period to 98.5% (FY2019: 96.1%).
- The reduction in valuation multiple during the current period takes into account the decline in the peer average spot multiple. Premier's carrying value at reporting date is R8.5 billion (FY2019: R8.8 billion), which represents 28% of Brait's total assets (FY2019: 27%).

Iceland Foods (9% of Brait's total assets):

- The UK retail market remains extremely competitive, with a focus on value and price alongside the continued disruptive nature of the discount chains and other non-traditional retail outlets growing their food offering. These elements combined with the uncertainty surrounding Brexit continue to adversely impact consumer confidence. Iceland Foods results (in Pound Sterling) for its 24-week period ending 13 September 2019:
  - o Sales +2.4%, ahead of the market, driven by the opening of new stores, with 13 consecutive quarters of growth.
  - o EBITDA -7.7%, in line with internal expectations, as inflationary cost pressures (particularly wage inflation and utilities) and increased recycling costs were unable to be fully offset by sales growth and targeted efficiencies.
  - o Net capital expenditure was GBP28 million (comparative period: GBP39 million) with the group opening 29 new stores, bringing the group estate to 1,001 (966 UK stores, including 106 Food Warehouse stores). Iceland continues to update the core estate with 26 'capital light' refits during the current period, completing the programme in September of bringing all the Greater Manchester area stores to Iceland's latest standard.
  - o Net debt closed at GBP736 million (excluding coupon accrual), an increase of GBP39 million on the comparative and a leverage ratio of 5.4x, with the increase due to timing of working capital movements, including some strategic pre-Brexit stock build, which has since sold through.
  - o Liquidity remains strong with cash on balance sheet of GBP87 million as at 13 September 2019
- Iceland launched its biggest ever update of its frozen own label range at the beginning of September, comprising 550 new and improved products and continues with the key marketing message being "the great value Iceland offers".

Review of operations (continued)

- The Food Warehouse, which was first trialled in September 2014, passed the milestone of 100 stores in July. Iceland remains confident in its ability to trade the two store formats alongside each other in a growing number of towns across the country.
- Online continues to achieve good growth, benefitting from the major investment in the new website that was launched in March. Online order picking continues to be rolled out across the Food Warehouse estate.
- Iceland's strategic alliance with The Range, which introduces Iceland's food offer into The Range's home, garden and leisure stores, has been progressively extended since its launch in August 2018, with 16 Iceland food departments opening in the period, taking Iceland into a total of 25 The Range stores.
- Iceland will repay the outstanding GBP45 million Floating Rate Notes due July 2020 ("FRNs") with internally generated cash before their maturity date. This commenced on 18 November with the redemption of GBP5 million of the FRNs. The maturity dates for Iceland's Fixed Rate Notes are July 2024 and March 2025.
- Brait's shareholding in Iceland is 63.1% (FY2019:63.1%).
- Iceland's carrying value at reporting date is R2.7 billion (FY2019: R3.2 billion) which represents 9% of Brait's total assets (FY2019: 10%).
- Iceland's interim results for the 24 weeks ended 13 September 2020 were announced to bond investors on 19 November 2019. This presentation is included in the appendix section of Brait's interim results booklet which is available on Brait's website (www.brait.com).

New Look (3% of Brait's total assets):

- Impacted by low consumer confidence with uncertainties surrounding Brexit and unseasonal weather, the UK retail market, as reported by the British Retail Consortium, experienced its worst September in 20 years. New Look's results (in Pound Sterling) for the core UK and Republic of Ireland ("ROI") estate for the 26-week period ended 28 September 2019:
  - Revenue decreased by 13.6%, impacted by the reduced UK store estate following CVA closures, which will annualize during the second half of the year.
  - UK and ROI (including E-commerce) LFL sales were -7.4%, reflecting an improvement from -10.1% in the first quarter. Whilst LFL sales in July and August were positive, the adverse market conditions in September resulted in overall negative LFL sales for the second quarter of -4.6%.
  - Group EBITDA decreased by 31.8%, impacted by the reduced UK store estate, September fall in LFL sales, continued use of targeted promotional activity to stimulate footfall and traffic in line with the market.
  - As at 28 September 2019, total liquidity and operating facilities were GBP120 million. New Look has plans in place to unlock further working capital benefits around its stock model, continuing to identify further cost savings and efficiencies, and is maintaining capital spend flexibility.
  - Capital expenditure of GBP9.0 million is in line with the comparative, reflecting the continued focus on cash.
  - Whilst inventory decreased by 1.7% on the comparative, stock units are down 10%, reflecting the continued drive for tighter stock management.
  - In line with policy, New Look has currency hedges in place through to September 2020.

Review of operations (continued)

- Core and broad appeal fashion represent 98% of product mix for autumn/winter, compared to 75% trend and fashion last year. Average lead times have been reduced by 12 days to 81 days, benefitting from improved supplier slippage, increased sourcing closer to the UK and clear buying principles and processes.
- New Look management continue to make operational improvements and whilst there is a lot of uncertainty, they remain positive on their ability to improve profitability in the second half of the year.
- Brait's GBP73.2 million holding of Senior Secured Notes are valued at the quoted closing price at 30 September 2019. This results in a carrying value, including accrued interest, of GBP60.2 million (R1.1 billion).
- New Look's interim results for the 26 weeks 28 September 2019 were announced to bond investors on 12 November 2019. This presentation is included in the appendix section of Brait's interim results booklet, which is available on Brait's website (www.brait.com).

Other Investments (3% of Brait's total assets):

- The majority of the carrying value of R0.8 billion (FY2019: R1.0 billion) is represented by Brait's 91.3% shareholding in DGB, a leading South African producer and exporter of local wine and importer of international spirit brands. The remainder of the carrying value relates to Brait's remaining private equity fund investments, mostly relating to Brait IV's investment in Consol Glass, the largest manufacturer of glass packaging in Africa.
- At reporting date, the Other Investments portfolio represents 3% of Brait's total assets (FY2019: 3%).

R1.3 BILLION CASH FLOW TO BRAIT FROM THE PORTFOLIO

Brait received R951 million of investment proceeds from its portfolio during the current six-month period (FY2019: R798 million), comprising shareholder funding repayments by Virgin Active (R609 million) and Premier (R49 million), as well as R293 million from New Look following the repayment of the interim bridge facility pursuant to the balance sheet restructuring transaction that concluded on 3 May 2019.

In addition, Brait received a further R348 million from the portfolio during the current period comprising: (i) other investment income proceeds of R106 million (FY2019: R17 million), mostly relating to the receipt of New Look restructuring fees; and (ii) net receipts of R242 million following the cessation of the Debtor Purchase Agreement with New Look post its balance sheet restructuring transaction.

COST TO AUM RATIO

The Group remains focused on reducing its net operating costs at the centre through measures including cost rationalisation and annuity income from its portfolio. This ratio is measured as operating expenditure, net of other investment income, expressed as a percentage of average AUM for the financial period. Net operating expenditure for the current six-month period was R89 million (1H2019: R131 million), which, when annualised, represents 0.56% of average AUM of R31.6 billion (FY2019: 0.55% of average AUM of R37.4 billion), funded by cash inflows from the portfolio.

Review of operations (continued)

GROUP FUNDING POSITION

As referred to above, Brait has signed a term sheet with the Lenders for a refinanced BML RCF with a R7.0 billion facility limit, reducing to R6.3 billion immediately post the equity capital raise, and a revised 3-year tenor. The net proceeds from the equity capital raise will be used to repay the remaining portion of the existing GBP350 million convertible bond by its September 2020 maturity and reduce the outstanding R6.4 billion drawn balance on the existing BML RCF, ensuring appropriate levels of headroom for the new facility.

CONVERTIBLE BOND

Brait's GBP350 million unsubordinated, unsecured convertible bonds are listed on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange ("Bonds"). The Bonds have a five-year term ending 18 September 2020 and carry a fixed coupon of 2.75% per annum payable semi-annually in arrears. In accordance with the terms and conditions of the Bonds, Brait's bonus share and cash dividend alternatives issued / paid during the Bonds' term have resulted in adjustment to the Bonds' conversion price, which at reporting date is GBP7.7613.

In accordance with IAS 32 (Financial Instruments: Presentation), the Bonds' liability component is measured at reporting date as GBP341.0 million. Applying the closing exchange rate of R18.61, results in the Bonds' translated carrying value of R6.4 billion at reporting date, which is reflected as a current liability, given their maturity within the next 12 months. Based on the adjusted conversion price, relative to the current Brait share price, the Bonds will need to be settled in cash at their par value of GBP350 million at maturity. Up to GBP185 million of the Bonds will be redeemed through the issuance of the New Convertible Bond together with GBP35 million cash on hand. The remaining portion of the Bonds will be settled at or prior to their 18 September 2020 maturity using the proceeds from the equity capital raise.

ORDINARY SHARE CAPITAL

Total issued ordinary share capital at 30 September 2019 is 525,599,215 shares of EUR0.22 each (FY2019: 525,599,215 shares). In accordance with IFRS, the 36,616,189 shares held by BML, are classified as treasury shares. Including treasury shares held by the Brait Investment Trust, the Group accounts for 54,091,259 treasury shares ("54.1 million Treasury Shares") at reporting date (FY2019: 54,091,259 treasury shares held). This results in net ordinary shares in issue of 471,507,956 (FY2019: 508,124,145).

The 54.1 million Treasury Shares will not be entitled to participate in the Rights Offer. The Board will propose to shareholders at the EGM to reduce the current issued share capital of the Company from 525,599,215 shares to 471,507,956 shares by way of cancelling these 54.1 million Treasury Shares for no consideration in accordance with Maltese law.

GROUP OUTLOOK

- Virgin Active's strong volume growth continues. Good progress has been made with regards to its digital strategy and towards the strategic objective of delivering feel good exercise to its members at a time and place convenient to them. Investment in the group exercise proposition and the creation of digital membership options continue. Virgin Active's results for the 2019 year are expected to deliver mid-single digit EBITDA growth, improving longer term as the benefits of its strategy develop combined with the maturing Asia Pacific estate.

Review of operations (continued)

- Premier continues to focus on investment into low-risk, strategic projects aimed at driving growth in core operations, targeting returns through operating efficiencies and execution of the cost saving programme that was launched in FY2018. Premier continues to seek value enhancing acquisitions to enter into new categories.
- Iceland's sales, despite a challenging environment, have continued to grow in the third quarter to date, driven by new store openings, range improvements and extensions and investment in its value proposition. Liquidity remains strong and Iceland remains disciplined and flexible with capital expenditure.
- New Look has made a number of operational improvements. Whilst uncertainty prevails in the UK retail market, the materially deleveraged balance sheet and more flexible capital structure provides a stable operating platform for management to deliver on its well-defined turnaround measures.

The Recapitalisation materially reduces and extends the maturities of Brait's debt, allowing time for the Board, together with the new advisor, to drive the new strategy, at a reduced cost, focused on maximising value through the realisation of assets in the portfolio over the next five years and returning capital to shareholders.

Brait's interim results presentation booklet is available at www.brait.com.

For and on behalf of the Board

PJ Moleketi
Non-Executive Chairman

27 November 2019

Directors (all non-executive)

PJ Moleketi (Chairman)*, JC Botts^, AS Jacobs##, Dr LL Porter##, CS Seabrooke*, HRW Troskie**, Dr CH Wiese* (Alternate: P Roelofse)*

##British ^American **Dutch *South African

Brait's primary listing is on the Euro MTF market of the Luxembourg Stock Exchange and its secondary listing is on the Johannesburg Stock Exchange.

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