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LETTERONE

ANNUAL REVIEW

LetterOne is a partnership of successful entrepreneurs and international business people.

Our aim is to build a world-class diversified global investment business.

L1 Energy

Building a world-class upstream oil and gas investment portfolio.

L1 Technology

Investing in technology and software companies that will enable businesses to improve their efficiency.

L1 Health

Looking for acquisition opportunities that occupy a critical and strategic role in the healthcare chain.

L1 Retail

Leveraging a strong track record in retail to buy and build the next generation of retailers internationally.

L1 Treasury

Managing the liquidity and financial investments of L1 Investment Holdings.



Find more on our website
<http://www.letterone.com>

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AT A GLANCE

Today, our investments are in the energy, technology and telecoms sectors, and private equity. We invest through L1 Energy, L1 Technology, L1 Health and L1 Retail. Our liquidity is managed by L1 Treasury. Our investments in private equity are managed independently.

Financial
highlights

NET ASSETS

\$22.2 BNAT 31 DECEMBER 2016
(2015: USD \$21.1 BN)

LIQUIDITY

\$9.3 BNAT 31 DECEMBER 2016
(2015: USD \$10.7 BN)

GROWTH IN NET ASSET VALUE

5.3 %

IN 2016, INCLUDING L1 TREASURY

STRATEGIC INVESTMENT

\$50 M

IN FREEDOMPOP IN 2016

CAPITAL DEPLOYED

\$1.3 BNAT 31 DECEMBER 2016
(2015: USD \$6.1 BN)

STRATEGIC INVESTMENT

\$200 MIN UBER TECHNOLOGIES INC.
IN 2016Net assets
under management

L1 ENERGY

Building a world-class upstream
oil and gas investment portfolio**\$3.8** BNAT 31 DECEMBER 2016
(2015: USD \$3.1 BN)

L1 TECHNOLOGY

Investing in technology and software
growth companies and telecoms**\$5.0** BNAT 31 DECEMBER 2016
(2015: USD \$5.1 BN)

L1 TREASURY

\$9.3 BNAT 31 DECEMBER 2016
(2015: USD \$10.7 BN)

PRIVATE EQUITY

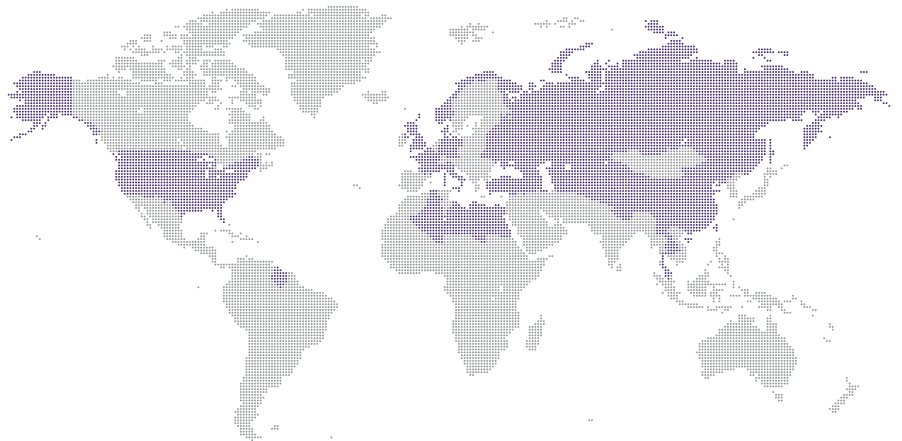
\$4.2 BNAT 31 DECEMBER 2016
(2015: USD \$2.4 BN)

Where
we are

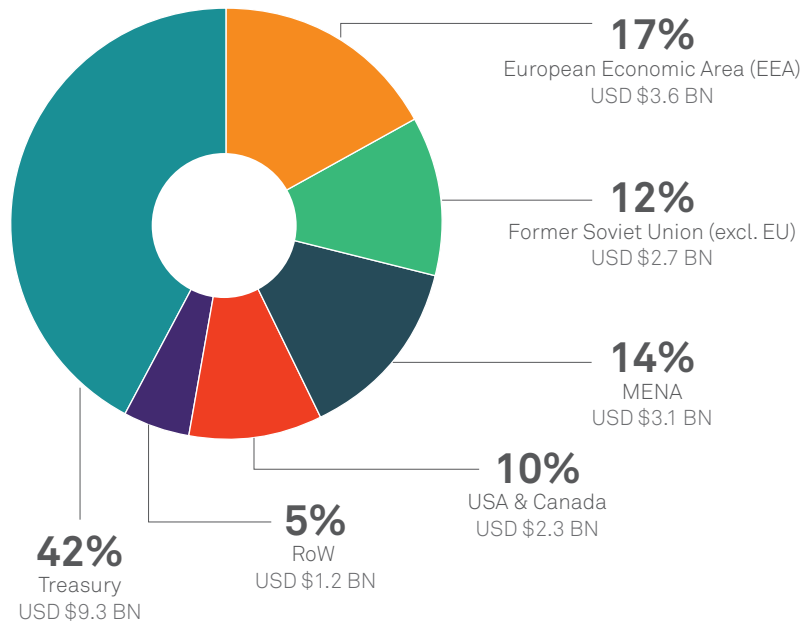
INVESTMENT IN COMPANIES
WITH OPERATIONS IN

96 COUNTRIES

EXCLUDES PRIVATE EQUITY INVESTEE COMPANIES



INVESTMENT BY GEOGRAPHY
(USD \$)



CHAIRMAN'S REVIEW

LetterOne was founded in 2013. It is a privately owned international investment business headquartered in Luxembourg.

“

LetterOne buys and builds businesses, that it can develop over the long term, which it aims to be the next generation of leading companies in their sectors.

NEW BOARD MEMBER



Wulf von Schimmelmann

Board member of Thomson Reuters.
Former CEO Deutsche Postbank AG

NEW ADVISORY BOARD MEMBERS



Dr Franz Humer, L1 Health

Former CEO and Chairman
of Roche Holding Ltd



Rolf Classon, L1 Health

Former CEO and President
of Bayer Healthcare, LLC



Peter Wilver, L1 Health

Former CFO of
Thermo Fisher Scientific



Karl-Heinz Holland, L1 Retail

Former CEO of Lidl Group



Clive Humby, L1 Retail

Former Co-founder and
CEO of dunnhumby



John Walden, L1 Retail

Former CEO of
Home Retail Group



Scott D. Sheffield, L1 Energy

Executive Chairman of Pioneer
Natural Resources



This is my first Annual Review since I took over as Chairman. As I look back over the year, LetterOne (L1) has continued to build on its solid foundations, strengthen its team and develop its processes. L1 has also enhanced its many relationships in the EU and the US.

L1's aim is to be a pre-eminent international investment firm. It aims to do this by buying and building assets that it can develop over the long term.

We live in an unpredictable world, in many ways facing a new industrial revolution in which social media, robotics, 3D manufacturing, artificial intelligence and new trade corridors are altering the landscape.

It has, therefore, been a very challenging year in terms of the overall investment climate. Old global certainties and structures are changing rapidly as the recent US election and Brexit referendum vote have vividly demonstrated.

European leaders are struggling to hold the EU together, as they contend with a roller coaster economy and manage the UK's exit. The US, which was built on the principles of free markets, is now more isolationist and unpredictable. On the other hand, its pro-business, pro-job-creation, US-first agenda might be good for the US, but not for the rest of the world.

Despite this, I am pleased to report that L1 has made good progress in diversifying its portfolio. It has established new investment units in the health and retail sectors. I believe that it is well positioned to take advantage of opportunities and mitigate risk.

My priority is to ensure that the Board has the right balance of skills and experience to support and challenge L1's investment management teams and their decisions.

I am pleased to welcome Wulf von Schimmelmann to the Board. He is a highly experienced international businessman with a strong record of leadership in regulated industries. L1 is committed to maintaining the highest standards of corporate governance, business practice and ethics.

L1 continues to attract world-class talent to its Advisory Boards. These Advisory Board members include former chief executives, chairmen and entrepreneurs in their respective industries, who have managed international businesses through turbulent times.

L1 investment teams and Advisory Boards stand ready to provide strategic advice and to work with the companies L1 invests in to realise their potential.

L1 is starting to differentiate itself from other investment businesses. L1 has a unique array of world-class expertise as well as permanent long-term capital.

All L1 markets are experiencing rapid change, but we are ready to take advantage and our focus is on execution.

Finally, I would like to take the opportunity to thank L1 suppliers, L1 staff and L1 bankers for their continued support.



Lord Davies of Abersoch
Chairman of the Board

More on our 2017 priorities

 [page 07](#)

More on our sectors

 <http://www.letterone.com/about-us/our-structure>



CHIEF EXECUTIVE'S
REVIEW

“

We made good progress this year establishing LetterOne. We are now well placed and our focus is on execution.

INCREASE NET ASSETS
UNDER MANAGEMENT

5.3 %

IN 2016

INCREASE DEA VALUE

21 %

IN 2016

L1 HEALTH LAUNCHED
TO INVEST UP TO

\$3 BN

JUNE 2016

L1 RETAIL LAUNCHED
TO INVEST UP TO

\$3 BN

DECEMBER 2016

2016 PRIORITIES

01

Work with management teams in our asset portfolio to optimise, improve, and add value.

02

Despite volatile markets, look for opportunities to invest to build value while, across the portfolio, generating sufficient cash flow for current operations and dividends.

03

Diversify our portfolio and start to build capability and invest in L1 Health and L1 Retail.

04

Continue to put in place effective compliance procedures, benchmarking ourselves against the highest standards of corporate governance.

05

Build our brand, developing a clear and coherent understanding of our purpose.

We have made good progress this year. Our infrastructure is now built, all the core building blocks are in place and our focus is on execution.

Performance highlights

We made good progress this year, despite economic volatility, and ended the year with a 5.3% increase in net asset value to USD \$22.2 bn. Private Equity and L1 Energy growth was offset by a fall in our telecoms investments, largely due to foreign currency impacts.

Improving existing assets

We made good progress with DEA, our international oil and gas company headquartered in Hamburg. We acquired the company in 2015 and over the last year worked with its management team to refocus the company on growth markets. DEA delivered strong financial and operational performance in 2016, leading to an increase in the value of the business of 20%.

VEON (VimpelCom) also moved ahead. It has now completed 80–90% of its major restructuring efforts. It has returned to growth year-on-year in organic local currency service revenue after several years of decline. VEON, which was rebranded in February 2017, aims to become a global technology company. It has approved a new dividend policy with L1's share of 2017 dividends estimated at USD \$200 m.

We made some progress to resolve a shareholder dispute in Turkcell. Although L1 won arbitration proceedings against Cukurova, opening the way to reinstate normal corporate governance at Turkcell, progress was hindered due to a third-party injunction against Cukurova.

L1 Treasury made solid returns in a volatile market, meeting liquidity as well as return objectives. Despite losses incurred in the first quarter, L1 Treasury's portfolio of financial investments performed well and ended the year with a return on total assets of 2.2% (gross).

Our investments in private equity funds also had a good year. L1 has 19% of net assets under management in private equity investments.

Investments and opportunities

L1 Technology made several strategic investments in leading B2B and B2C disruptive-technology companies this year.

We invested in Qvantel, a leading B2B provider of cloud-based Business Support Solutions (BSS) for telecom operators; and in FreedomPop, the B2C, US-based mobile provider, following clearance from the Committee on Foreign Investment in the United States (CFIUS). We also made a USD \$200 m strategic investment in Uber.

L1 Technology aims to invest in leading technology and software companies that fundamentally improve business efficiency.

Diversifying our portfolio

Overall we have made progress expanding our portfolio, but have taken a cautious approach this year.

In June, we launched L1 Health, which aims to make a number of investments up to a total of USD \$3 bn in the global healthcare sector over the next two to three years.

Based in New York, L1 Health has assembled a great team of investment professionals and a strong Advisory Board. L1 Health is looking for potential acquisitions in the pharmaceutical services sector, life science tools and healthcare distribution.

In December, we launched L1 Retail, which is based in London, led by Managing Partner Stephan DuCharme, former CEO and current Non-Executive Chairman of X5 Retail Group.

L1 Retail aims to find and build 21st century retail stars, initially in Europe including the UK.

Compliance

We continued to enhance compliance procedures and we have benchmarked our policies and practices. We have enhanced where appropriate and executed on all our programmes to ensure we attained the highest standards.

Branding

We have continued to build our brand internally and engage actively with governments, regulators, media and other stakeholders. In November, we launched a journal called Global Perspectives, which seeks views from a range of leading commentators and business people on a range of current macro-economic and sector issues.

LetterOne is well placed

We believe that we are now well placed to take advantage of good investment opportunities. We have a great team, and it is now all about execution.

2017 PRIORITIES

01

Smart deployment of capital. Buy and build great assets.

02

Continue to drive improvement in portfolio companies.

03

Manage and nurture our human resources to give them the tools to maximise potential.



Jonathan Muir
Chief Executive Officer

More on our strategy

 pages 12–13

More on our sectors

 <http://www.letterone.com/about-us/our-structure>

CHALLENGING AND CHANGING MARKETS

The telecoms sector needs to capitalise on its competitive advantage and change customer behaviour by deploying new technology.

L1 TECHNOLOGY



Alexey Reznikovich
Managing Partner L1 Technology



Telecoms companies... must become digitally enabled distribution channels for a range of customer services.

**GLOBAL SOFTWARE
SPEND EXPECTED
TO GROW**

7 % PA

**MOBILE DATA TRAFFIC
EXPECTED TO GROW**

3.3 % PA

2015-2018

Telecoms transformation and digital business reinvention

The telecoms sector is at a critical strategic juncture. In its current form, it is a sunset industry, burdened by regulation, so-called over-the-top internet rivals and heavy capex requirements. In addition, it faces declining voice and data revenues. Although there are short-term actions that can be taken to stem this decline, if current operating models are maintained it's a sector with declining revenues and profitability.

But L1 Technology believes that the sector can benefit from advances in technology and data analytics. We think the sector now stands on the cusp of a golden opportunity to reinvent itself and increase cash flow.

The next generation of telecoms companies must be different. They can no longer be bureaucratic utilities but must become digitally enabled distribution channels for a range of customer services.

By taking action now to digitalise their operating models to streamline processes, by improving their relationships with their customers and by using data to increase their efficiency – and create new personalised services – they can increase cash flow and grow revenues.

Undertaking this radical transformation is neither easy nor quick. Executives need to be bold and need shareholder support for this long-term difficult transformation, which includes cultural change, learning new skills and adopting a new digital operating model.

Telecoms companies have only one competitive advantage: access and data on their customer base. There is no R&D in the sector and customers are a given, thanks to regulatory mandates. The telecoms sector needs to capitalise on its competitive advantage and change customer behaviour by deploying new technology. It needs to develop a two-way channel of communication with its customers, so there is a relationship and brand loyalty.

To effect this turnaround, telecoms companies need two things: new IT infrastructure and 21st century digital data management platforms. This will allow them to access and pool data, to segment and analyse it, so they know what customers value. This will allow them to respond to customer needs quickly and offer the right services at the right time. L1 Technology invests in B2C technology companies that will provide new disruptive customer-related services and new revenue streams for telecoms operators. By acting as disrupters, industry leaders will make their futures bright.

The L1 Technology team has 20 years of experience in the telecoms sector as well as expertise in technology and software in the telecom, banking and retail sectors. We are using that knowledge to invest in B2B technology and software companies. As companies evolve their operating models, automate and change their customer relationships in the 21st century digital economy, they will transform the way every sector does business.

More on Technology

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More on our sectors

<http://www.letterone.com/about-us/our-structure>

Capital expenditure from now until 2020 is projected to be about USD \$2 trillion lower than was forecast just two years ago.

L1 ENERGY



Lord Browne of Madingley
Executive Chairman L1 Energy



As the industry adjusts to a new reality, the outlines of a new cycle are beginning to take shape.

AVERAGE OIL PRICE

\$35

PER BARREL
1986–2004 (IN TODAY'S DOLLARS)

AVERAGE OIL PRICE

\$95

PER BARREL
2005–2014 (IN TODAY'S DOLLARS)

New age of energy

The energy industry moves in cycles that can last for years and sometimes even decades. From 1986 to 2004, oil hovered at around USD \$35 per barrel (in today's dollars) before rising rapidly to an average of USD \$95 per barrel from 2005 to 2014. That cycle ended in late 2014 when the price of oil collapsed from more than USD \$100 per barrel to less than USD \$30 per barrel, returning to its long-term average in the previous down cycle. After three years of unsustainably low prices, OPEC intervened to bring the price back to the mid-USD \$50s, where it sits today.

As the industry adjusts to a new reality, the outlines of a new cycle are beginning to take shape. As the price of oil declined, so too did companies' willingness to invest in the future. In 2015, the volume of conventional crude oil resources that received approval for development fell to its lowest level since the 1950s, and spending fell even further in 2016. Capital expenditure from now until 2020 is projected to be about USD \$2 tn lower than was forecast just two years ago, setting the industry up for a possible shortfall in supply by the early 2020s, although this should not be relied upon.

Unconventional oil sources – chiefly shale – can compensate for some of the shortfall from conventional projects that have been deferred or cancelled. Shale projects are highly responsive to price signals. Companies are able to invest and bring new production online within approximately 18 months compared to the five years or more it takes to bring conventional drilling projects online. Technology has improved the economics of key shale basins, such as the Permian and Eagle Ford basins in Texas.

Many of the core properties in these basins break even with oil at USD \$40–\$50 per barrel. Less attractive properties have higher break-evens, but the combined impact of this supply curve means that the US can now act as an 'economic swing producer', with the potential to boost shale oil production by about 50% if oil prices rise to USD \$70 per barrel.

There are a variety of strategies that companies might pursue to create value in this new age of energy. L1 Energy is focused on two.

The first is resilience. We seek to bias our portfolio toward energy production with low break-even prices, which will help us generate superior returns during periods of low prices. This means paying greater attention to costs and productivity and adopting a lean manufacturing mindset.

The second is flexibility. By investing in a combination of short-cycle and long-cycle projects, we can remain responsive to price changes while maintaining exposure to investments which deliver very attractive returns as prices rise.

L1 Energy is building a portfolio with these criteria in mind, designed to deliver superior returns to investors and to society in a new age of energy.

More on Energy

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More on our sectors

<http://www.letterone.com/about-us/our-structure>

CHALLENGING AND CHANGING MARKETS

Three trends in healthcare are driving the rapid pace of change and creating global investment opportunities.

L1 HEALTH



Meghan FitzGerald
Managing Partner L1 Health



Technology is pushing the boundaries of healthcare and creating investment opportunities.

US HEALTHCARE SPENDING

18% GDP

2016

BY 2030, PEOPLE AGED 65 OR OLDER IN THE US

x2

COMPARED TO 2000

PEOPLE WITH MULTIPLE CHRONIC DISEASES

86%

OF US HEALTHCARE SPENDING

Healthcare's new paradigm

Healthcare is undergoing a paradigm shift. Every few decades, new ideas produce the kind of disruption that sparks a transformation of clinical practice. Technology has enabled the world's brightest innovators, scientists and researchers to push the boundaries of healthcare in pharmaceuticals, surgical techniques and value-based delivery. These and other improvements help people live longer and generate greater demand for healthcare services.

Three trends in healthcare are driving the rapid pace of change and creating global investment opportunities.

First, groundbreaking research in biopharmaceuticals and genomics promises more treatments to prevent, fight and cure disease. Big pharma will increase its spending on research, development and manufacturing as it explores this new frontier. The Trump administration has pledged to reduce high drug prices, but its promise to make the FDA's drug approval process more lenient will likely spur research spending. Companies that contract with big pharma to provide their research and manufacturing services are poised for growth.

Second, the world's population is ageing and living longer with multiple chronic conditions. By the year 2030, the number of people older than 65 in the US will have doubled compared to 2000. In most countries, the population over 85 is growing more rapidly than any other age group, generating enormous demand for healthcare services. People living with multiple chronic diseases represent 86% of US healthcare spending, while the sickest 5% account for 50% of spending. This will drive utilisation of pharmaceuticals and medical devices, providing opportunities for innovation.

Third, value-based care is coming of age. Healthcare systems worldwide are looking for ways to balance increased utilisation with cost containment while improving quality. In the US, healthcare spending at almost 18% of GDP has added urgency to the search for value. The result is that healthcare delivery is moving out of the hospital and into the home. Generic drugs are now 88% of prescription volume. Patients want better access at lower prices.

This has helped drive M&A activity in almost every segment of healthcare as companies harness economies of scale and scope. The Trump administration's plans for healthcare, which include block grants for Medicaid and greater use of managed care, will likely put pressure on margins. Companies that can provide innovative pathways and networks for delivery of value-based care will benefit.

As the market shifts, L1 Health is well positioned to capitalise on opportunities. We have chosen to focus investments on the pharmaceutical services sector where fragmentation with top-tier players controlling only a quarter of revenues has created attractive acquisition opportunities. In life science tools, where innovation is largely incremental, fragmentation provides opportunity for consolidation. Healthcare distribution is another large and growing component of the healthcare industry that is ripe for investment.

More on Health

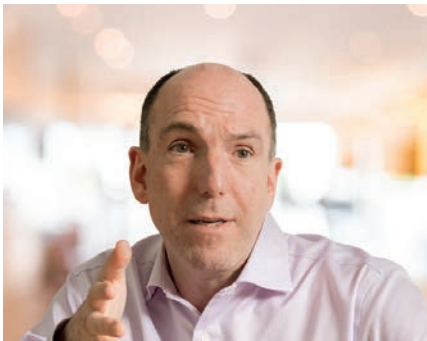
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More on our sectors

<http://www.letterone.com/about-us/our-structure>

The future will increasingly feature real-time connectivity of shoppers who set what they need, where and when they want it.

L1 RETAIL



Stephan DuCharme
Managing Partner L1 Retail



Connecting consumers to transactions, integrating data into the ecosystem and connecting online will feature prominently.

GLOBAL CONSUMERS

41%

SHOP IN STORE
ONCE A WEEK

GLOBAL RETAIL MARKET INTERNET SPEND

18%

GROWTH
CAGR 2010 – 2020

ONLINE GROCERY RETAIL SPEND INCREASE

20-50%

OVER LAST THREE YEARS
IN THE NETHERLANDS,
GERMANY, UK AND FRANCE

The next generation of retail

Over the past 50 years, traditional retail has gradually been displaced by modern self-service stores, wide sourcing, long supply chains and the benefits of scale. The 1990s witnessed the arrival of disruptors, especially web-enabled digital players that provided a choice beyond stores, initially for lower frequency, high value purchases.

While retailers from the preceding generations remain and even prosper, the future will increasingly feature real-time connectivity of shoppers who get what they need, where and when they want it. Platforms, networks and the use of data will be vital, responding to and shaping customer expectations.

To borrow from biology, think of retailing as an ecosystem, a community of living organisms interacting as a system and featuring properties of self-organisation, scalability and sustainability. The retail ecosystem features many elements: the consumer, retailers, supply chain participants, manufacturers and data providers. The successful retailer identifies an optimal combination of these elements for a unique customer value proposition. But the retailer has to continuously recalibrate and adapt to retain customers in a competitive landscape. Connecting consumers to transactions, integrating data into the ecosystem and connecting online will feature prominently in this fight for sustainable advantage.

Deployment of human resources will be a key factor of success. Can the shopkeeper who managed a store become an empowered player within the ecosystem? Can the shopkeeper, who instinctively feels the customer and the store shelf, coexist with a customer who knows all? Can suppliers become partners? Retail ecosystems will become increasingly large, but their managers and stewards will need to keep them lean, in constant listening mode and responsive to customer needs.

This is the next generation of retailing. L1 Retail aims to build 21st century retail stars. We will do so by identifying, investing in and supporting strongly differentiated, customer-centric value propositions with strong, motivated management teams that align around a long-term vision for sustainable growth.

More on Retail

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More on our sectors

<http://www.letterone.com/about-us/our-structure>

STRATEGY AND CAPITAL ALLOCATION

We invest in sectors that satisfy human needs. People need energy, food retail, technology and healthcare.

“

Our strategy is to buy and build. We aim to build a new portfolio of successful companies that are leaders in their fields.

We are entering a new age of economic disruption, which is impacting all of us and is driven by extraordinary levels of human creativity and technology. As the world shifts economically, there is a danger of economic and political volatility, but also new growth opportunities emerge as industries evolve new operating models. L1 will take advantage of new opportunities with USD \$9.3 bn of available liquidity.

Technology impacts relationships with customers and business models and is creating change in every sector.

Buy and build

Our strategy is to buy and build. We aim to build a new portfolio of successful companies that are leaders in their fields and sectors.

We will invest our own long-term patient capital in companies in which our sectoral experience and our strategic and geographic expertise will improve performance and help companies grow and take the next step.

We have recruited world-class CEOs, sector investment teams and Advisory Boards to invest at scale. We have successfully managed companies through volatile periods like these and will do so again.

We are different from private equity companies. We buy and build assets, which we can develop over time as platforms of long-term sustainable growth.

Satisfy basic human needs

We invest in sectors that satisfy human needs. People need energy, food retail, and technology. As demographics change, people are increasingly concerned about their health. They need energy to power homes and grow economies. Therefore, these sectors have longevity and opportunity.

Many industries are in significant flux because of changes in society, demographics and technology. Companies around the world are transforming their operating models and deepening their relationships and knowledge of their consumers.

Our experience as executives in many industries helps us identify long-term trends.

We look for companies that will be the new stars in this changing landscape. We seek long-term disruptors in their sectors and robust platforms for future growth.

Our capital allocation

Our portfolio and capital allocation reflects a balance of sector and company exposure with diversification across cycles, geographies, currencies and commodities.

This allows us to capitalise on long-term sector growth and shorter-term cash flow generation opportunities. It also gives us cyclical and non-cyclical opportunities, geographical diversification and commodity exposure.

L1 strategy

Our investment teams are structured to invest at scale in the oil and gas, retail, health, telecoms and technology sectors.

Oil and Gas – Increasing population growth means increased demand for energy. For the next 50 years, oil and gas will be an important cash flow generator. We invest in good development opportunities at low oil prices, then target operating improvements and cost optimisation.

Technology – Big international companies are evolving their operating models, automating and changing their customer relationships in 21st century digital economy. We invest in technology and software companies, which will provide the software and services to enable this transformation. Our expertise in retail, banking, health, oil and gas and telecoms will help us make world-class investments.

Telecoms – Telecoms companies of the future will be digitally enabled distribution platforms. They will play a role in fundamentally altering the way we live, work and relate to one another. VEON is transforming from telco to tech and evolving into a global technology company.

Health – Technology and demographic trends are pushing the boundaries of healthcare and creating new investment opportunities in contract manufacturing, life science tools and medical distribution. L1 Health aims to make several sizeable investments aimed at generating high cash flow and growth in these areas.

Retail – The retail sector is in midst of substantial change, driven by demographics and technology. We are looking for non-cyclical niches and companies that will be disruptors in the sector. These are the companies that will generate cash flow and growth.

Private Equity – We will leverage the insights we gain from our investments in private equity to build expertise in new sectors. Our funds are independently managed.

Treasury – The majority of assets are invested in low-risk, highly liquid assets so that funds can be released quickly and provided to the rest of L1. In order to have adequate funds available at relatively short notice, L1 Treasury selects a broad mix of investments.



ESTABLISHED
INVESTMENT UNITS

L1 Energy





ESTABLISHED INVESTMENT UNITS

L1 Energy's ambition is to build a safe, sustainably growing energy group, which is recognised as a partner of choice in its industry.

L1 ENERGY



Lord Browne of Madingley
Executive Chairman L1 Energy



DEA delivered strong financial and operational performance in 2016.

DEA PRODUCTION

138

 KBOEPD

UP 20% FROM 2015

2P RESERVE REPLACEMENT

286

 %

FOR THE YEAR 2016

L1 Energy is making good progress towards achieving its ambition to build a safe, sustainably growing global energy group. Its first acquisition was the German oil and gas company DEA, from RWE AG in March 2015. This acquisition gave L1 Energy its first growth platform in Europe and North Africa.

Building a growth platform in Europe and North Africa

Drawing on its world-class expertise, L1 Energy has been working with DEA to refocus it on its core competencies; to rebalance its portfolio based on value and growth prospects; to optimise its business model for a low oil price market; and to accelerate its growth by making capital available for selective business development.

DEA is concentrating on five core countries: Norway, Germany, Denmark, Egypt and Algeria. Non-core positions around the world continue to be divested or discontinued with strict limits to spending on exploration. DEA is also 'incubating' in new geographies, including Mexico and Brazil, where L1 Energy believes that the company can create long-term value.

In 2016, DEA delivered strong financial and operational performance, leading to an increase in the value of the business of 20%.

Acquiring a second platform for growth

L1 Energy continues to look for opportunities to unlock value in other markets by acquiring a second regional platform. We will act as a patient investor, creating value for our shareholders and for society as the world around us changes.

In order to support our growth ambitions, Scott Sheffield was appointed to L1 Energy's Advisory Board on 1 January 2017. Scott was Chief Executive Officer of Pioneer Natural Resources from 1997 through the end of 2016. During his 35 years with Pioneer and its predecessor companies, he has overseen the transformation of a small independent into one of the world's most valuable shale players worth approximately USD \$30 bn.

More on the new age of energy

page 09

More on our sectors

<http://www.letterone.com/about-us/our-structure>

BUILDING DEA FOR THE FUTURE



Financial and operational performance

DEA delivered a strong financial and operational performance in 2016. Average daily production was 138 kboepd, up 20% from 2015. Revenues of USD \$1.6 bn were virtually unchanged compared to 2015, despite lower commodity prices. EBITDAX of USD \$856 m was slightly lower than 2015, but above the target set for 2016. 2P reserve replacement for 2016 was 286%, with audited reserves rising from 575 mmbobe to 667 mmbobe.

Optimising the business model

Approximately USD \$100 m of annual cost savings have been identified and are being implemented across the portfolio.

DEA has successfully integrated E.ON E&P Norge, which it acquired in December 2015, with its legacy organisation in Norway. DEA now has an expanded base in Norway to pursue its long-term growth strategy on the Norwegian Continental Shelf.

Executing key projects

L1 Energy is funding major organic growth projects in Norway, Egypt and Algeria. These projects will support average annual production growth at DEA of approximately 15% between now and 2021.

In Norway, DEA's Norwegian gas development project Dvalin (formerly Zidane) was one of only 14 greenfield projects globally to reach FID in 2016. This project will establish DEA as an operator in Norway.

In North Africa, DEA has benefited from cost deflation of about 25% and is expecting to deliver West Nile Delta USD \$400 m below budget. The project is ahead of schedule for first gas, and will be online in the first half of 2017.

In Algeria, first gas from Reggane is expected to come this year, approximately three months ahead of schedule.

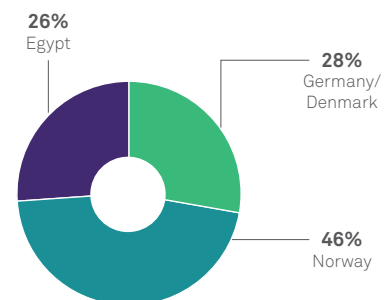
Capitalising on exploration in known plays

Exploration and appraisal activities show promise in the Alta discovery and other areas in the Barents Sea. DEA Norge has won two licences in the Norwegian Sea and North Sea, including one as an operator. The company continues to pursue selective exploration opportunities elsewhere in Northern Europe and secured two new licences in Denmark in 2016.

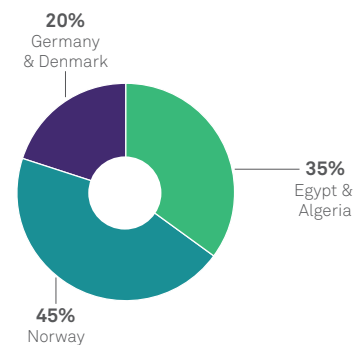
Bolt-on acquisitions

DEA increased its share of Dvalin from 40% to 55% and sanctioned its development by submitting the PDO (Plan for Development and Operation) to the Ministry of Petroleum and Energy. Additionally, DEA acquired shares in seven licences in the Njord area in the Norwegian Sea, including an additional 20% interest in the Njord field. The two projects have the potential to deliver attractive returns on the capital invested over the coming years.

PRODUCTION (2016)



2P RESERVES (2016) 667 MMBOE



ESTABLISHED
INVESTMENT UNITS

L1 Technology





ESTABLISHED INVESTMENT UNITS

Software and new technology is creating opportunities for radical change in telecoms IT infrastructure.

L1 TECHNOLOGY



Alexey Reznikovich
Managing Partner L1 Technology



Our strategy is to invest in technology and software companies that will enable businesses to improve their productivity.

L1 Technology has made initial investments in B2C and B2B mid-to-late-stage technology growth opportunities. VimpelCom – now rebranded VEON – delivered all of its 2016 financial targets, generating USD \$588 m underlying equity free cash flow. Drawing on its 20 years' experience in the telecoms sector, L1 Technology's aim is for VEON to transform from a traditional telco into a global technology company. L1 continues to seek resolution to the shareholder gridlock at Turkcell.

Investing in technology and software companies that enable businesses to run more efficiently and smarter

L1 Technology – drawing on its expertise in technology and telecoms, banking, energy and retail sectors – is investing in technology and software companies that fundamentally improve business efficiency.

L1 Technology has a unique vantage point of the digital transformation at VEON. The Company is reinventing its mobile phone business model and moving from monetising connectivity to data and acting as a trusted enabled gateway for payments and services for its millions of users.

B2B and B2C technology investments disrupting the telecoms sector

As for most industries, software and new technology is creating opportunities for radical change of the telco IT infrastructure.

This year, L1 Technology made a strategic investment in Qvantel, the leading provider of cloud-based BSS for telecom operators. During 2016, Qvantel expanded and increased revenue by 46%.

On the B2C side, L1 Technology recently announced a USD \$50 m investment in FreedomPop, which is disrupting the businesses of traditional mobile carriers by giving people the means to use mobile devices free of call charges. L1 received clearance from the Committee on Foreign Investment in the United States (CFIUS) for this investment. In 2016, FreedomPop grew its service revenue 53%.

L1 Technology also made a B2C strategic investment of USD \$200 m in Uber with L1 providing local understanding and consumer knowledge in many emerging markets.

Transforming VEON from telco to tech company

L1 Technology has a 47.85% voting stake in VEON, the global technology company headquartered in Amsterdam, and a 13.22% stake in Turkcell, Turkey's leading telecoms operator.

VEON is making good progress with its transformation. It completed the merger of its Italian assets with CK Hutchison. It has announced that it will launch the VEON internet platform in all countries by the end of 2017, having successfully launched in Italy in the fourth quarter of last year. VEON has introduced a new dividend policy with a 2016 dividend of USD 23 cents per share. VEON achieved a second listing on Euronext Amsterdam in the second quarter of 2017 to broaden its European investor base on the back of an increasing free float.



VEON is making good progress in executing its strategy

Dispute resolution seeker

L1 Technology made progress this year towards finding a resolution to the dispute with Cukurova over control of Turkcell.

L1 won arbitration proceedings against Cukurova, opening the way to reinstate corporate governance in Turkcell. The tribunal of the London Court of International Arbitration upheld L1's claim that it was entitled to launch a buyout procedure, triggered by the deadlock of corporate governance of Turkcell.

In order to complete the transaction within the time frame, Cukurova was required to discharge an injunction preventing the transfer of shares to L1. No such action was taken and therefore there was no legal means to buy out Cukurova shares.

Turkcell had a strong year in 2016 in LCU terms, with revenue and EBITDA increasing approximately 12% year-on-year. This reflected continued strong execution of the company's digital strategy, strengthening of its position in core markets and focus on profitability. However, the share price in USD terms has decreased primarily due to the devaluation of the Turkish lira.

Two years ago, VimpelCom, the international telecommunications business, announced its strategy to transform itself into a global technology company. In February 2017, in line with this strategy, it rebranded itself as VEON. It is making good progress in executing its strategy.

VEON has completed its 50–50 merger of Wind assets with '3' assets owned by Hutchison in Italy. The Italian JV is already operating as one company and holds the No. 1 position in the Italian market. The merger enabled VEON net debt to be reduced to a sustainable level of around 2.0x EBITDA.

In Pakistan, all regulatory approvals were secured and a merger with Warid in Pakistan was completed; this transaction was one of the most exciting deals in Asia in 2016 and secured the Mobilink subsidiary of VEON firmly as No. 1 in a country with a population of 200 million.

A country-wide network-sharing agreement with Kcell (part of TeliaSonera) was signed in Kazakhstan; all approvals have been received and the transaction is being executed. It positions VEON well in this oil-rich country. All in all, more than 80 initiatives are being executed within the performance transformation programme to deliver more than USD \$500 m in savings in 2016.

VEON IS EXECUTING ON SIX STRATEGIC PRIORITIES:

01

Continuing to build world-class operations.

02

Capitalising on new revenue streams enabled by third-party partnerships and fuelled by data growth, fixed-mobile convergence and business-to-business opportunities.

03

Emerging as a digital leader from the transition to a mobile data-centric model and simplified digital customer experience.

04

Rationalising and consolidating its global business portfolio it aims to be No. 1 or a strong No. 2 in all the markets in which it operates.

05

Achieving superior operating expenditures and improving cost and capital base through its performance transformation programme.

06

Building structural improvements to optimise capital structure.

VEON management is driving cultural change across the company by introducing and executing on new values and an exciting vision to be a pioneering technology company.

More on telecoms transformation

 page 08

More on our sectors

 <http://www.letterone.com/about-us/our-structure>

NEW/EMERGING
INVESTMENT UNITS

L1 Health





NEW/EMERGING INVESTMENT UNITS

L1 Health looks for acquisition opportunities that occupy a critical and strategic role in the healthcare value chain.

L1 HEALTH



Meghan FitzGerald
Managing Partner L1 Health



The L1 Health team has extensive experience in healthcare private equity, banking, operations, policy, strategy and M&A, as well as first-hand experience of healthcare delivery.

First-class team in place

L1 Health was launched in June and has made good progress this year. Based in New York, L1 Health has recruited a strong team of deal professionals and industry executives.

The L1 Health team has extensive experience in healthcare private equity, banking, operations, policy, strategy and M&A, as well as first-hand experience of healthcare delivery.

The L1 Health investment team is supported by an Advisory Board consisting of internationally respected senior healthcare executives, including Dr Franz Humer, former CEO and Chairman of Roche Holding Ltd, Rolf Classon former CEO and President of Bayer Healthcare LLC and Peter Wilver, former CFO of Thermo Fisher Scientific.

Healthcare is undergoing a paradigm shift

L1 Health is focused on investments that are aligned with the strongest growth currents in the global healthcare industry: a rapidly ageing population, a growing middle class in emerging markets, innovation in healthcare delivery, technology and data analytics, and the rapid advance of biopharmaceutical and genomic science.

Well positioned to capitalise on growth opportunities

L1 Health plans to invest up to USD \$3 bn in healthcare opportunities over the next three years. Our approach focuses on long-term value creation, providing L1 Health with the ability to underwrite hold periods longer than a typical private equity fund. In addition, we have the flexibility to own majority control positions, acquire minority stakes and invest in public equities or structured products.

L1 Health's long-term capital and operational expertise can support partnerships that create lasting shareholder value.

L1 Health looks for individual acquisition opportunities that are characterised by stable mid-single-digit revenue growth and an attractive cash flow profile. They must occupy a critical and strategic role in the healthcare value chain by increasing access, improving quality or reducing costs.

Focus on growth sectors with healthcare

L1 Health is currently focusing on:

Pharmaceutical Services Sector:

Contract research organisations and contract development and manufacturing organisations are large and growing markets – USD \$31 bn and USD \$36 bn respectively – benefitting from big pharma's drive to expand research, development and manufacturing by outsourcing. Fragmentation in these markets, with top-tier players controlling only a quarter of revenues, has created attractive acquisition opportunities.

Life Science Tools: The life science sector benefits from diversified end markets across academic and government institutions, applied markets, biopharma, hospitals and clinics. While innovation is largely incremental in this sector, fragmentation provides considerable opportunity for consolidation amid pressure for better product pricing.

Healthcare Distribution: Distributors are a large and growing component of the healthcare industry, offering access to global healthcare services and products through more efficient network capabilities. The low capital requirements of distribution lead to high free cash flow generation, while significant savings opportunities could be achieved through consolidating networks.

[More on healthcare new paradigm](#)

[page 10](#)



Q&A WITH DR FRANZ HUMER

Chairman of the L1 Health Advisory Board – Former Chief Executive and Chairman of Roche Holding Ltd



Q

What attracted you to the Advisory Board for L1 Health?

The L1 Health team is extremely experienced and competent. I am struck by their enthusiasm and personal commitment to make this a tremendous success. They have also put together a unique Advisory Board that speaks to the investment philosophy of L1. Everyone has an extremely successful track record in healthcare but brings different skills: Rolf Classon in the diagnostic sector and Bayer, and Pete Wilver, who ran the finances of a major healthcare corporation.

Q

What advantages does L1 Health offer as a source of capital for potential partners?

First, L1's investment philosophy differs from normal private equity where the goal is a quick exit. L1's strategy is built on long-term value creation through real organic and inorganic growth, rather than financial structuring. Second, the organisation makes quick decisions because they have very short communication lines between all levels of leadership. Third, there is flexibility. Many private equity funds are very rigid: making only majority or only minority investments, or only working with certain groups. L1 Health can work with anybody who shares the same philosophy.

“

I am struck by their enthusiasm and personal commitment to make this a tremendous success.

Q

What are the most important trends and opportunities in healthcare?

The mega trends are the rapidly ageing population in the developed world, a growing middle class that wants better healthcare in the developing world, the enormous potential of data, and most importantly, the revolution in science that is taking place in pharmaceuticals and biotech. These things open up a number of opportunities in three main areas.

First, in the area of pharmaceutical services, because big pharma is increasingly using third parties to execute non-essential tasks. Second, the market for life science tools has opportunities because it is very fragmented and includes big pharma, academic institutions and hospitals. Finally, efforts to use data to bring the right healthcare services to the right patients at the right time will restructure how the delivery of healthcare is organised in the future.

NEW/EMERGING
INVESTMENT UNITS

L1 Retail





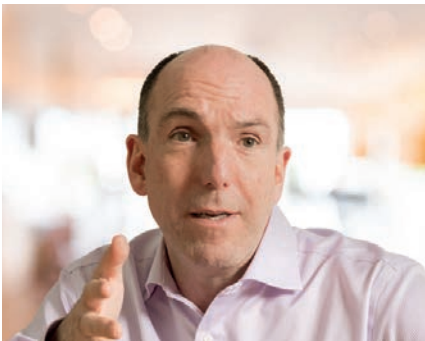
Närproducerat

För att få det bästa skörden
med den högsta kvalitén, börjar
vår skördningsprocess utantill öppen
vi sköter likala odlare som önskar
oss med frukt och grönt, när de är
som bäst! Detta är en väldigt
del av vårt arbete, att kunna stötta
små producenter och arbetstillfälle
i Skåne. Leta efter märkningen
"Närproducerat" för att njuta av
den smakfulla och fräscha frukt
och grönsaker!

NEW/EMERGING INVESTMENT UNITS

L1 Retail aims to buy and build 21st century retail stars. We are leveraging our strong track record in retail to invest in and build the next generation of retailers internationally.

L1 RETAIL



Stephan DuCharme
Managing Partner L1 Retail



We aim to add value through our deep sector and strategic expertise.

Making good progress

L1 Retail has made good progress this year. We have a strong investment team, which is seeking investment opportunities and is supported by a world-class Advisory Board.

We know the retail market well. Our investment team and the Advisory Board have guided many retail businesses to success through the years.

Initially, L1 Retail is focusing on investing in retail businesses in Europe, including the UK, and emerging markets. Subsequently, the focus will move elsewhere, including North America.

Customer expectation is changing fast

The retail market is in significant flux, driven by changes in society, demographics and technology. We are looking for long-term investments in retail disruptors. In everything we do, we want to remain close to the consumer.

We aim to invest up to USD \$3 bn in a few retail businesses that we believe can become leaders by moving with and leading long-term trends. We aim to add value through our deep sector and strategic expertise as well as our familiarity with data and financial markets.

Proactive internationally renowned retail Advisory Board

We have appointed an Advisory Board of internationally renowned retail leaders and specialists. They are deeply involved in supporting the investment team.

Karl-Heinz Holland served eight years as Chief Executive of Lidl Group, the pioneering German food retailer.

Clive Humby, one of the founders of dunnhumby (today part of Tesco), was pioneering the use of data in retail organisations long before the existence of 'big data'.

John Walden has been at the forefront of multi-channel, consumer-driven retailing for more than 20 years. Most recently, as Chief Executive of Home Retail Group, John drove the digital transformation of Argos.

Directionality of retail

While retailing will continue to evolve at a rapid pace, some trends will impact the industry over the long term and, as such, will feature prominently in our investment strategies.

The level of online connectivity will only increase. Retailers' customer offerings will have to adapt and even take advantage of such connectivity. Physical stores, e-commerce, hub-and-spoke supply chains and data will come together in various combinations to help satisfy customer needs.

The transparency of the internet makes shoppers smarter. Therefore, value-for-money will feature predominantly in sustainable retail concepts. The intelligent value space, directed at the needs of the middle class, is where we want to help build large companies with leading positions in their markets.

Using data to help retailers satisfy customer needs and manage supply chains and store operations is invaluable in creating a sustainable competitive advantage.

Today's busy lifestyles favour retail concepts that feature geographic proximity and convenience. Health and wellness are also increasingly on consumers' minds.

Retail segments

L1 Retail is looking at investments in food retailing, which is open to consolidation and where we have significant experience in building growth-oriented operating models. We are also considering health and beauty and speciality retailing models that can be rolled out internationally, based on data and global supply chains. We will overlay digitalisation opportunities across any retail business we invest in.

More on the next generation of retail

[page 11](#)



Q&A WITH JOHN WALDEN

L1 Retail Advisory Board – former Chief Executive of Home Retail Group



Q

What attracted you to L1 Retail and why did you take up a position as an Advisory Board member?

It was really about personal fit as well as the investment philosophy. There are a lot of traditional non-executive opportunities, but many of them are passive and require less engagement. I am a recent and current chief executive and so I am used to operating at a more active level. I like the 'licence to help' and the opportunity to support management teams and guide the growth of L1 Retail portfolio companies over the long term.

Q

Do the tectonic shifts happening in many sectors, including retail, and changing customer expectations, also make this a more interesting role?

Yes, I think the marketplace does offer interesting opportunities right now. If you look country-by-country, or region-by-region, the challenges are different, but the themes are pretty consistent. Technology is rapidly affecting the way retail is conducted and that requires a long-term view.

Q

How are the challenges different in developed and developing retail markets?

There are several countries we are looking at where the retail industry is in earlier stages of development. In those markets, there are certainly lessons to apply from more-developed markets. But in those markets, the challenges will be more about finding models that consumers respond well to and having the ability to scale those models as the market develops. In other developed countries where there is more

modern retail, I think the challenge will be to apply technology to modernise those markets.

Q

As a retailer, isn't there something about data that makes the industry more exciting and more interesting because you get more insight more quickly?

Yes, that is absolutely right. Technology presents an opportunity to create new value. The use of data is a very big part of that. Digital shopping and digital resources available to consumers are a big part. I view data collection and data analytics as technology that opens up opportunities. That applies not just to customer data, but also to stocking and the ability to have the right products in the right locations. Promotional effectiveness is important to the retailer.

ESTABLISHED
INVESTMENT UNITS

L1 Treasury



ESTABLISHED INVESTMENT UNITS

The L1 Treasury team is international with employees from 10 different countries. L1 Treasury deals with 20 of the largest international banks.

L1 TREASURY



Yves Leysen
Chief Investment Officer L1 Treasury



We aim to generate shareholder value through a portfolio of financial investments while ensuring adequate funds are available for L1 strategic investments.

L1 Treasury manages the liquidity and financial investments of L1 Investment Holdings. Its primary role is to ensure that adequate funds are available for L1's strategic investments. When divestments are executed or dividends received, L1 Treasury manages the funds.

L1 Treasury's mandate is to maximise returns on its financial investments within agreed constraints of liquidity and volatility, tailored to L1's capital allocation.

Our portfolio

L1 Treasury combines a portfolio of liquid fixed income securities with higher yielding investments such as direct loans and real estate with investments in the financial markets, both direct and via hedge funds. L1 Treasury also has the ability to enter into financing arrangements to further enhance its liquidity or returns.

Overall performance

2016 was an eventful year in global politics and financial markets. After a sharp correction in equity and credit markets at the start of the year and a big rally in government bonds, markets remained relatively calm in the face of a Brexit vote and the outcome of the US elections.

In the end, equity, credit and fixed income markets ended the year positive. Such a combination may not happen again for some years to come because interest rates are starting to move up.

After a challenging start to the year, L1 Treasury's portfolio of financial investments performed well and ended the year with a return on total assets of 2.2% (gross). Total assets under management stood at USD \$9.3 bn at the end of 2016.

L1 Treasury's return on assets was achieved while maintaining substantial amounts of liquidity. L1 Treasury maintains balances in cash and money market funds as well as borrowing facilities so that sufficient funds are available for strategic investment opportunities.

During 2016, L1 Treasury held on average USD \$1.5 bn of cash or cash equivalent securities and maintained committed borrowing facilities of an additional USD \$1.4 bn.

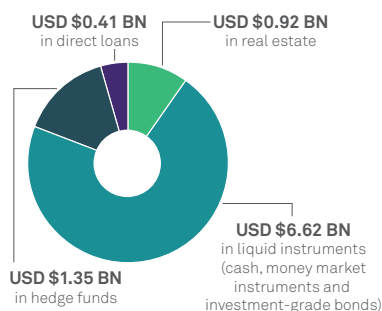
Highly experienced global team

The L1 Treasury team is international with employees from 10 different countries. In the course of its activities, L1 Treasury deals with 20 of the largest international banks.

The team is highly experienced and contains all the specialities that would be found in an institutional asset management company, from risk management and investment professionals to technology and infrastructure experts.

L1 Treasury is responsible for implementing the investment strategy within the risk limits and parameters set by its Investment and Risk Committee. The Committee is chaired by Ed Eisler, founder and Chief Investment Officer of Eisler Capital, a global macro hedge fund, who had a distinguished 20-year career at Goldman Sachs.

L1 TREASURY ASSETS AS AT 31 DECEMBER 2016





L1 Treasury – Student Accommodation

In its real estate investments, L1 Treasury focuses on student accommodation in the UK. In 2015, through four separate transactions, L1 Treasury acquired a portfolio of UK student accommodation. The portfolio comprises 11 buildings across the UK – in London, Bath, Brighton and Edinburgh, totalling around 3,700 beds. Some of the properties were already operational at the time of acquisition while others were in various stages of completion.

Since September 2016, all properties are operational and are experiencing close to full occupancy for the current academic year. On a like-for-like basis, net operating income for the current academic year will significantly surpass last year's income.

There are some questions about the impact of Brexit on the UK student accommodation market because research subsidies from the EU may be reduced and European students may have to pay full tuition fees. On the other hand, the decline in the pound sterling has made studying in the UK cheaper and thus more attractive, especially for non-EU students who already pay full fees.

Our accommodation is primarily located near universities that rank among the top in the world where demand for such places substantially exceeds supply. At this moment, we do not believe Brexit would put pressure on our occupancy levels or pricing.



Private Equity Investments

L1 is a passive investor in private equity funds. L1 holds USD \$4.2 bn or 19% of net assets under management in private equity.

We continued to achieve strong results generating 31.6% in 2016.

CHAIRMAN'S GOVERNANCE LETTER

The corporate structure of L1 has been carefully designed so that investment decisions are scrutinised thoroughly.

Dear All,

My priority as Chairman is to raise the bar when it comes to corporate governance. I am committed to ensuring the highest standards of corporate governance, business practice and ethics.

While L1 is a privately held business, we implement governance practices that aim to meet public company international standards.

We believe in openness and welcome feedback and criticism. Whether those challenges come from internal or external sources, we take them seriously and strive to improve.

The corporate structure of L1 has been carefully designed so that investment decisions are scrutinised thoroughly. L1 recognises that our success rests on maintaining a sound business reputation.

We have a strong compliance function, responsible for ensuring that we comply with laws and regulations across all countries in which we operate.

Where appropriate, we proactively engage with authorities to ensure that our structures, processes and procedures meet all relevant standards. We strongly encourage the same approach from the companies in which we invest.

An effective compliance programme is in place, incorporating robust compliance policies, training for staff, monitoring of transactions and reporting to the Compliance Committees of the Boards.

An external review of the compliance function was carried out in January 2015 and again in November 2016 by Slaughter & May. The November 2016 review found that L1's compliance regime is well drafted and fit for purpose, addressing the key compliance risks that the Group faces. The key recommendations of the January 2015 review have been largely implemented.

We require all our employees and others acting on our behalf to demonstrate the highest standards of ethical behaviour when conducting L1 business. Our compliance policies, including our Anti-Bribery & Corruption Policy, our Anti-Money Laundering Policy, and our Sanctions Compliance Policy, reflect best practices in the sectors in which we operate.

Kind regards,



Lord Davies of Abersoch
Chairman of the Board

Read the Board biographies

<http://www.letterone.com/about-us/leadership-and-governance>



GOVERNANCE

At LetterOne we are committed to ensuring the highest standards of corporate governance, business practice and ethics.

The primary goal of the Boards of Directors of Letterone Holdings S.A. ('L1 Holdings') and Letterone Investment Holdings S.A. ('L1 Investment Holdings') is to ensure the long-term success of L1 for the interest of its shareholders.

L1 Holdings is the parent of the Group comprising L1 Energy, which invests in the energy sector. L1 Investment Holdings is the parent of the Group comprising L1 Technology, L1 Health, L1 Retail and L1 Treasury.

Board-level governance

At a corporate level, L1 operates through two Boards of Directors, each with executive, shareholder and independent Directors. The Boards are supported by their Audit & Compliance, and Nomination & Remuneration Committees. The Board of Directors of L1 Holdings is responsible for setting investment strategy and approving investment decisions for L1 Energy. The Board of Directors of L1 Investment Holdings is responsible for setting investment strategy and approving investment decisions for L1 Technology, L1 Treasury, L1 Health, and L1 Retail.

Board of Directors

The Board of Directors for both L1 Holdings and L1 Investment Holdings consists of nine people: Non-Executive Chairman Lord Davies; CEO Jonathan Muir; COO David Gould; Non-Executive Wulf von Schimmelmann and five shareholders, including the principal shareholder Mikhail Fridman. The adviser to the Boards is Richard Burt, former US Ambassador to Germany.

The Board of Directors of L1 Holdings and L1 Investment Holdings meet, at a minimum, on a quarterly basis in Luxembourg to review investment performance and to make decisions on capital allocation (including investments and divestments), strategy and budgets. The Boards also receive regular updates from the Chairmen of each Board Committee. Additional Board meetings are scheduled when time-sensitive investment and strategic decisions are required.

Audit & Compliance Committee (ACC)

Members: Lord Davies (Chairman), Alexey Kuzmichev, Petr Aven, David Gould

The Audit & Compliance Committee meets on a quarterly basis in Luxembourg to review financial reporting, audit, tax and risk management matters, and to approve the compliance work plan. Compliance is a standing item on the agenda, and the Group Compliance Director presents a report covering the previous quarter on compliance achievements, statistics, errors and breaches; he brings any new policies or policy updates for ratification by the Committee; and discusses the compliance programme and priorities for the next quarter. Our external auditor, PwC, is invited to attend each meeting.

A key role of the ACC is to ensure the integrity of L1's financial statements, the effectiveness of the internal and external audit function and of the internal controls and risk management framework of L1 and its portfolio companies. Its role is also to ensure the overall adequacy of compliance programmes and policies including their communication throughout the Group and portfolio companies as well as the Group's compliance with all legal and regulatory requirements.

In 2016, ACC was focused on the roll-out of a risk management framework, review of the financial statements and Annual Review, providing guidance on improvement of financial reporting process, valuation policy and internal control functions. The ACC also provided guidance to top management of the portfolio companies to ensure the effectiveness of the internal controls and risk management framework.

The Compliance Committee (which merged with the Audit Committee in December 2016 to form the ACC) focused on the implementation of the initial compliance programme and adoption of the compliance policies, overseeing the implementation of the policies and the staff training programmes, and the roll-out of the compliance programme to the new business units L1 Retail and L1 Health. The quality and effectiveness of the compliance function was confirmed by an independent review conducted by Slaughter & May in November 2016.



Nomination & Remuneration Committee (NRC)

Members: Mikhail Fridman (Chairman), Lord Davies, Jonathan Muir

The Nomination & Remuneration Committee approves the employment of senior executives, sets the principles of the performance management process, approves KPIs, reviews performance, and makes decisions on remuneration and incentive schemes.

A key role of the NRC is to ensure that L1 recruits, retains and develops the best people. In 2016, the NRC was involved in guiding the formation of two new industry teams (L1 Health and L1 Retail), performed a Group-wide compensation benchmarking process and developed the Group's short-term incentive arrangements to further align the objectives of the Group with those of key staff.

Corporate governance

LetterOne has a strong compliance culture backed by a robust compliance function, which is responsible for ensuring that we comply with all relevant laws and regulations across all countries in which we operate and uphold the highest standards of business ethics. The Group Compliance Director, Simon Roache has more than 15 years of experience in UK regulation and compliance.

An effective compliance programme is in place, incorporating robust compliance policies and Know Your Client (KYC) procedures, requiring risk-based due diligence measures to be applied to all third parties with whom we do business or seek to do business and ongoing monitoring of all third-party relationships and transactions. All higher-risk counterparties and partners require escalation to, and approval by, the Group Compliance Director (GCD) prior to the establishment of any business relationship.

LetterOne has strict anti-bribery and corruption procedures in place, including training for all staff. We require all business parties to comply with anti-bribery laws. LetterOne has robust sanctions compliance procedures to ensure that all staff are aware of sanctions risks. All transactions and counterparties are screened against all relevant sanctions lists.

A robust KYC process is in place requiring all counterparties and potential investee companies to undergo due diligence, enabling us to meet our anti-money laundering obligations. All high-risk counterparties must be referred to the GCD for approval.

Financial reporting is IFRS compliant and subject to annual audit by PwC.

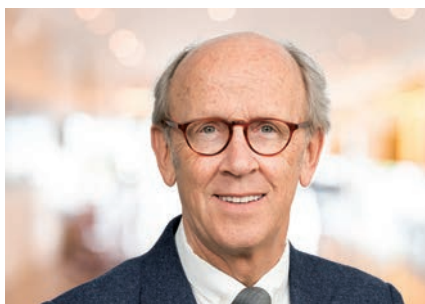
Role of Advisory Boards

The investment teams in L1 Energy, L1 Technology, L1 Health and L1 Retail put forward investment recommendations. Investment decisions are scrutinised

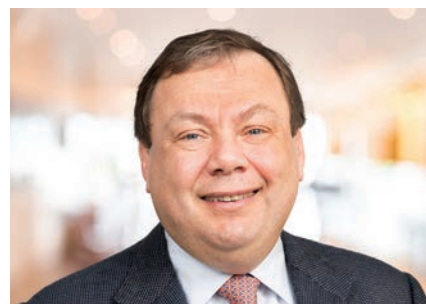
thoroughly before they are presented to the L1 Holdings and L1 Investment Holdings Boards for an investment decision. To challenge our investment teams' recommendations and to challenge our assumptions, we have recruited sector investment Advisory Boards consisting of internationally respected chief executives, chairman and entrepreneurs. Each Advisory Board provides advice on whether to proceed with a particular opportunity in its sector. The Advisory Boards play an essential role in our investment governance process.

The oversight of our wholly owned companies and strategic equity holdings is undertaken by separate teams in L1 Energy, L1 Technology, L1 Health and L1 Retail. They work with the management of the companies we invest in, providing strategic input and monitoring the operational performance of each portfolio. They are responsible for setting strategy, finance, capital allocation, performance management and top team talent management within their companies.

L1 Treasury's investment parameters are set by the Investment and Risk Committee, delegated by the L1 Treasury Board within a framework approved by the Board of L1 Investment Holdings. The Committee is chaired by Ed Eisler, founder and Chief Investment Officer of Eisler Capital, a global macro hedge fund, who had a distinguished 20-year career at Goldman Sachs. Individual investment decisions are then taken by a separate L1 Treasury team headed by the CIO of L1 Treasury.

BOARD OF
DIRECTORSL1 Holdings and
L1 Investment Holdings Board**Lord Davies of Abersoch**
Non-Executive Chairman

Lord Davies is Chairman of Corsair Capital, a private equity firm specialising in financial services. He is Chairman of the Royal Academy of Arts Trustees, Chairman of the Garden Bridge Trust and Senior Non-Executive Director at Diageo. He is a former UK Minister for Trade and prior to that was Chairman and CEO of Standard Chartered for more than 12 years.

Mikhail Fridman
Co-founder of L1

Mr. Fridman was born in Lviv, Ukraine. He started as an entrepreneur in 1988, establishing Courier, with a group of friends from university. With several partners, he founded Alfa Group in 1989. Alfa Bank, now the largest private bank in Russia, was founded in 1991. In 1995 they entered the food retail market. X5 Retail Group is today the No.1 food retailer in Russia. In 2003, Alfa Group and its partners completed a deal with BP to form the TNK-BP joint venture. In 2013 it was sold for USD \$56 BN.

Jonathan Muir
Chief Executive

Prior to joining L1, Mr. Muir was CFO (2008-2013) and Vice President of Finance and Control (2003-2008) of TNK-BP, which he joined after serving as CFO of SIDANCO, one of TNK-BP's heritage companies. Prior to this, he was a partner at the global audit and consulting company Ernst & Young (1985-2000). He graduated with first class honours from St. Andrews University in the UK. He is a British qualified Chartered Accountant and a member of the Institute of Chartered Accountants of England and Wales.

German Khan
Co-founder of L1

From 2003 to 2013, German served as Executive Director and member of the Management Board of TNK-BP Management. Currently, Mr. Khan holds various positions at Alfa Group including a member of the Supervisory Board of Alfa Group Consortium. Mr. Khan graduated from the Moscow Institute of Steel and Alloys. He is known as an active supporter of Jewish initiatives worldwide and is a member of the Supervisory Board of DEA Deutsche Erdoel AG.

Alexey Kuzmichev
Co-founder of L1



Mr. Kuzmichev holds various positions at Alfa Group Consortium, including a member of the Supervisory Board of Alfa Group Consortium. He is a graduate of the Moscow Institute of Steel and Alloys and is an active supporter of charities.

Petr Aven
Co-founder of L1



Mr. Aven is Chairman of ABH Holdings, Luxembourg-based investment holding company of the Alfa Banking Group. He is a member of the Supervisory Board of Alfa Group Consortium. From 1994 to June 2011, he served as President of Alfa-Bank Russia. Prior to joining Alfa-Bank Russia in 1994, Mr. Aven was Minister of Foreign Economic Relations for the Russian Federation (1991-1992). An economist by training, Mr. Aven spent several years at the International Institute for Applied Systems Analysis in Laxenburg, Austria (1989-1991).

Andrei Kosogov
Co-founder of L1



Mr. Kosogov holds various positions at Alfa Group Consortium including a member of the Supervisory Board of Alfa Group Consortium. From November 2005 through June 2009, Mr. Kosogov acted as Chairman of the Supervisory Board of Alfa-Bank Ukraine and from November 2005 through April 2011, he was Chairman of the Board of Directors of Alfa Asset Management. Mr. Kosogov graduated from the Moscow Power Engineering Institute in 1987.

Wulf von Schimmelmann
Non-Executive Director



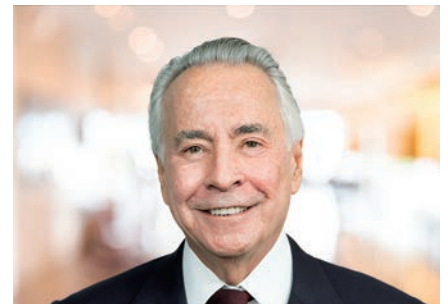
Mr. von Schimmelmann is a member of the Board of Thomson Reuters. He is Chairman of the Supervisory Board of Deutsche Post DHL and a member of the Supervisory Board of Maxingvest AG. He was Chief Executive Officer of Deutsche Postbank. Prior to this, he was on the Board of Managing Directors at BHF-Bank in Frankfurt am Main, DG Bank in Frankfurt am Main, and Landesgirokasse-Bank. Before this he was a partner at McKinsey & Co.

David Gould
Chief Operating Officer



Prior to joining L1, Mr. Gould formerly held positions at Alfa Group Consortium (2000-2014) where he served as a director on several companies, including publicly listed X5 retail Group NV. Prior to that he worked in various positions for PricewaterhouseCoopers (1992-2000). He graduated with a BA (honours) from Colgate University (1991) and holds an MBA-MSc from Northeastern University (1992). Mr. Gould qualified as a CPA in 1992 and is a CFA charter holder since 1999.

Richard Burt
Adviser to the Board



Ambassador Burt is a former US Ambassador to Germany and partner at McKinsey & Company. He began working for the US State Department in the early 1980s. After a period as Director of the US State Department's Bureau of Politico-Military Affairs and as Assistant Secretary of State for Europe, he was named US Ambassador to Germany in 1985. He also served as the US's Chief Nuclear Arms Negotiator in talks that concluded the US-Russian Strategic Arms Reduction Treaty (START) in 1991.

INVESTMENT ADVISORY BOARD

L1 Energy, L1 Health, L1 Technology and L1 Retail have investment Advisory Boards of former chief executives, entrepreneurs and chairmen, whose sector experience ensures valuable strategic, and operational sector advice.

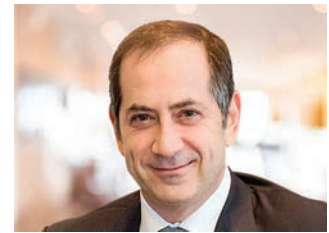
L1 ENERGY



Lord Browne of Madingley
Former partner at Riverstone Holdings LLC, former CEO of BP



Tony Hayward
Chairman of Glencore PLC and Genel Energy PLC, former CEO of BP



Stan Polovets
Lead Non-Executive member of L1 Energy Advisory Board



Andrew Gould
Former Non-Executive Chairman of BG Group



Charles (Chip) Goodyear
Former CEO BHP Billiton



Scott D. Sheffield
Executive Chairman of Pioneer Natural Resources

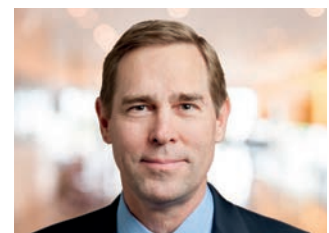
L1 HEALTH



Dr Franz Humer
Former CEO and Chairman Roche Holding Ltd



Rolf Classon
Former CEO and President of Bayer Healthcare LLC



Peter Wilver
Former CFO of Thermo Fisher Scientific

L1 TECHNOLOGY



Osama Bedier
Founder/CEO at Poynt



Jeremie Berrebi
Investor in 300+
high-tech companies



Gennady Gazin
Vice Chairman Studio Moderna



Brent Hoberman
Co-founder and former
CEO of Lastminute.com



Sir Julian Horn-Smith
Former Deputy CEO
Vodafone Group



Denis O'Brien
Founder of ESAT Telecom
Group and Digicel



Russ Shaw
Non-Executive Director at
Dialog Semiconductor PLC

L1 RETAIL



John Walden
Former CEO Retail Group



Clive Humby
Former co-founder and
CEO of dunnhumby



Karl-Heinz Holland
Former CEO of Lidl Group

FINANCIAL SUMMARY

COMBINED PRO-FORMA BALANCE SHEET OF LETTERONE⁽¹⁾ (UNAUDITED) AS AT 31 DECEMBER 2016

USD \$ million	31 Dec 2016	31 Dec 2015
Core investments		
L1 Energy – DEA	3,755	3,119
L1 Technology		
– VimpelCom	3,946	3,952
– Turkcell	790	1,113
– Uber	203	–
– Other	65	23
Private equity funds	4,183	2,418
L1 Treasury investments		
Debt instruments	3,806	4,556
Liquidity funds	2,255	1,584
Cash and cash equivalents	458	256
Cash pledged as collateral	2	612
Other liquid instruments	280	228
Real estate (student accommodation)	915	1,059
Hedge funds (at fair value)	1,348	1,844
Direct lending (at amortised cost)	406	574
Liability to repurchase debt instruments	(251)	(251)
Other assets and liabilities	76	39
Net assets⁽²⁾	22,237	21,126
USD \$ million	31 Dec 2016	31 Dec 2015
Equity		
Share capital and reserves	21,126	24,589
Profit / (loss) for the year	1,111	(3,463)
Total equity	22,237	21,126

⁽¹⁾ The Combined Financial Information has been prepared by aggregating the financial information in the consolidated IFRS financial statements of Letterone Holdings S.A. and Letterone Investment Holdings S.A. IFRS does not provide for specific requirements regarding the preparation of Combined Financial Information and, consequently, this information has not been prepared in accordance with IFRS.

⁽²⁾ The combined net asset value of USD \$22.2 bn comprises the USD \$7.3 bn consolidated net asset value of Letterone Holdings S.A. and the USD \$14.9 bn consolidated net asset value of Letterone Investment Holdings S.A. for the year ended 31 December 2016.

COMBINED PRO-FORMA INCOME STATEMENT OF LETTERONE⁽¹⁾ (UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2016

USD \$ million	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Gain / (loss) from core investments	1,038	(3,620)
Gain / (loss) from L1 Energy	594	(860)
Net gain / (loss) on DEA	594	(860)
– Capital contributed	(333)	–
– Change in fair value	927	(663)
– Acquisition costs	–	(197)
Loss from L1 Technology	(322)	(2,753)
Net gain / (loss) on VimpelCom	16	(2,362)
– Dividend income	–	65
– Change in fair value	16	(2,427)
Net loss on Turkcell	(334)	(389)
– Dividend income	–	187
– Change in fair value	(334)	(576)
Net loss on other investments	(4)	(2)
Change in fair value	(4)	(2)
Gain / (loss) from private equity funds	766	(7)
Distributions, net of capital contributed	(1,000)	146
Change in fair value	1,766	(153)
Income from L1 Treasury	200	261
Net portfolio (losses) / gains	200	261
Other income and expenses (net)	(125)	(102)
Operating profit / (loss)	1,113	(3,461)
Income tax expense	(2)	(2)
Net profit / (loss) for the year	1,111	(3,461)

⁽¹⁾ The Combined Financial Information has been prepared by aggregating the financial information in the consolidated IFRS financial statements of Letterone Holdings S.A. and Letterone Investment Holdings S.A. IFRS does not provide for specific requirements regarding the preparation of Combined Financial Information and, consequently, this information has not been prepared in accordance with IFRS.

L1 SPONSORSHIP

L1 was the principal sponsor of the Royal Academy exhibition 'Revolution: Russian Art from 1917-1932' in London.

A NIGHT OUT

L1 held a unique evening of music and art at the Royal Academy in London on 9 February 2017.



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