

ANNUAL REVIEW 2015

The background of the entire page is a blurred photograph of a modern office hallway. Two people are walking from left to right, their figures out of focus. The wall behind them is a light-colored, paneled wall. In the center of the wall, the word "LETTERONE" is displayed in a serif font. The letter "O" is replaced by a purple circle containing a white number "1". Below the text, there is a thin purple horizontal line. The ceiling has recessed lighting fixtures.

LETTERONE

LetterOne is a partnership of successful entrepreneurs and international businesspeople.

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

CONTENTS

- 02 WELCOME TO LETTERONE**
Who we are, what we do
- 04 LETTERONE AT A GLANCE**
Our international investments by sector and geography
- 06 OUR INVESTMENT PHILOSOPHY**
Mikhail Fridman, Chairman of LetterOne, talks about L1's investment approach
- 09 ACHIEVEMENTS & PRIORITIES**
Taking stock of 2015 achievements and looking ahead to the future
- 10 L1 ENERGY**
Committed to building a safe, sustainably growing, world-class energy group
- 14 L1 TECHNOLOGY**
International investments in the emerging digital landscape
- 19 L1 HEALTH**
Exploring investment opportunities in healthcare
- 20 L1 TREASURY**
Managing the liquidity and financial investments of LetterOne
- 24 GOVERNANCE**
LetterOne standards of corporate governance, business practice and ethics
- 27 L1 HOLDINGS AND
L1 INVESTMENT HOLDINGS BOARD**
- 28 INVESTMENT ADVISORY BOARDS**
- 30 FINANCIAL SUMMARY**

WELCOME TO LETTERONE

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

INTRODUCTION

We are making good progress establishing our investment business despite the background of unprecedented change and macro-economic volatility. We continue to fine-tune our investment thinking.

In 2015, we built our specialist sector investment teams, and established the foundations for doing business at L1. We made our initial investments in energy and technology.

As we grow, we are diversifying our portfolio and investing globally in new sectors. In 2016, we started to build our capability in healthcare.

STRATEGIC INVOLVEMENT

As entrepreneurs and successful businesspeople we invest in companies where we see an attractive valuation, competitive advantage and market opportunity, and where our involvement will build significant value.

We are investing our own capital in companies where we believe our sector experience, and our strategic and geographic expertise, will improve performance.

We also leverage the insights we gain from our investments in private equity to build expertise in new sectors. If we think a sector is attractive, and can be grown beyond the size and time horizon of private equity, we will recruit renowned industry leaders to work in partnership with us to invest at scale.

SECTOR EXPERTS

Our specialist sector investment teams have the freedom to get things done and capitalise on opportunities as markets evolve.

To scrutinise our investment teams' recommendations and to challenge our assumptions, we have recruited investment advisory boards consisting of internationally respected chief executives and entrepreneurs.

Each advisory board provides advice on whether or not to proceed with a particular opportunity in its sector. The advisory boards play an essential role in our investment governance process. We have the highest governance standards in place.

SPIRIT OF PARTNERSHIP

As shareholders we have formed strong principles of partnership that have been the basis of our success. At L1, we embrace these same principles.

We are keen to foster entrepreneurial freedom within a broad investment framework. We give people the opportunity to prove themselves and then reward them for success.

We are creating a world-class diversified global investment business that will outlive our founding partners.

LONG-TERM VISION

As successful entrepreneurs, we can afford to invest for the long term. We know that building a better-performing business takes determination. We are disciplined when it comes to the execution of strategy.

The world is changing fast and we have to embrace this new reality. We constantly review, adapt and evolve in response to changing market conditions.

Mikhail Fridman
Chairman

At L1, we are keen to foster entrepreneurial freedom within a broad investment framework.

LETTERONE AT A GLANCE

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

In addition, L1 is a passive investor in private equity funds managed independently by Pamplona Capital Management.

\$21.1 BN

**NET ASSETS
UNDER MANAGEMENT**

at 31 December 2015

\$10.7 BN

LIQUIDITY

managed by L1 Treasury

\$6.1 BN

CAPITAL DEPLOYED

in 2015

\$5.5 BN

ACQUISITION

German oil and gas company,
DEA acquired in 2015

\$1.6 BN

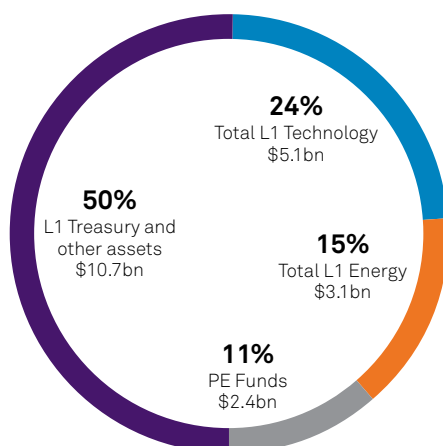
ACQUISITION

DEA increases production in Norway
to 75,000 BOE/D through acquisition
of E.ON's Norwegian assets in 2015

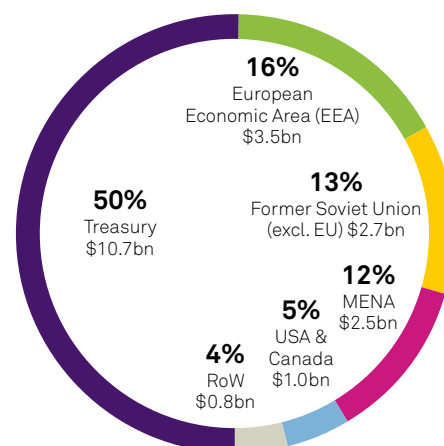
\$200 M

**STRATEGIC
INVESTMENT**

in Uber Technologies Inc.
in 2016



INVESTMENT BY SECTOR
(US\$)



INVESTMENT BY GEOGRAPHY
(US\$)

L1 ENERGY

15% of net assets

Building a world-class upstream oil & gas investment portfolio

L1 TECHNOLOGY

24% of net assets

Investing in mid-to-late-stage technology growth companies and telecoms

L1 HEALTH

New area of investment

Aiming to make substantial investments in healthcare



**INVESTMENT IN COMPANIES
WITH OPERATIONS IN**

31

COUNTRIES

* excludes private equity investee companies

L1 TREASURY

50% of net assets

Managing L1's liquidity

PRIVATE EQUITY

11% of net assets

L1 has significant investments in private equity funds

OUR INVESTMENT PHILOSOPHY

Mikhail Fridman, Chairman of LetterOne, talks about L1 and our investment approach.



Q: HOW IS YOUR APPROACH DIFFERENT?

Our investment philosophy at L1 is based on nearly 30 years' experience and the founding principles of our partnership as shareholders.

In 1988, as a group of friends from university, we established our first business as entrepreneurs, employing other students from different universities in Moscow to wash windows. Over time our business interests grew. We started importing and exporting, and trading commodities.

We then built our own successful businesses in oil and gas, insurance, retail, telecoms, and commercial and investment banking.

“Our strengths lie in being nimble, entrepreneurial businessmen, open to risk-taking, but in a calculated and balanced manner across a portfolio.”

Q: WHAT HAS BEEN THE KEY TO YOUR SUCCESS?

The way we work as partners has been fundamental to our success.

At L1, we believe in working in the same spirit of partnership, not just between shareholders, but on a much wider basis with our management teams, employees and our advisers.

It is important for us to work with people we respect. We recruit sector specialists who have distinguished themselves in their fields. We want them to enjoy the intellectual challenge and opportunity to work with us as partners.

We are, at the end of the day, a small company, made up of less than 100 people. By being open, we make sure we learn from our successes but also our mistakes.

Q: HOW DO YOU FOSTER ENTREPRENEURIALISM?

As businesspeople, we have found that being able to challenge assumptions and using a combination of creativity, agility and unconventional thinking to solve problems are essential.

We encourage this and a sense of ownership and accountability across the organisation. We are meritocratic and rewards are structured through a private equity-style motivational compensation system.

We don't put much emphasis on hierarchy, or make any distinction because of who somebody is, but prefer flat, small organisations.

We welcome open discussion. We value the quality of ideas and diversity of thought when evaluating an issue. But once a decision has been made, it is crucial to be absolutely disciplined in its execution.

Q: HOW DO YOU MAINTAIN FLEXIBILITY IN THIS VOLATILE MACRO-ECONOMIC PERIOD?

In today's changing world, we think that it's important to be flexible but consistent. As the last year has shown, the world is going through a period of macro-economic uncertainty, and so it's crucial to be patient and flexible.

In this uncertain environment, we must balance opportunism and prudence. I think our capital allocation reflects this delicate balance.

We enter investments with a view to the long term, but if the right opportunity to realise value arose, we would prudently consider it, if conditions were right.

Balancing these factors is essential and is the art of business.

“In this uncertain environment, we must balance opportunism and prudence.”

Q: WHY DO YOU LIKE TO TAKE AN ACTIVE INVESTING APPROACH?

Perhaps it comes from our background. Some of us were born in Ukraine, and we started our businesses in Russia as students. We were newcomers to capitalism in the early 1990s and as entrepreneurs enjoyed building companies from scratch.

We like to understand how businesses work. We want to know their structure, skills, processes and the basis of their competitive strengths. We look at everything with fresh eyes, always asking what works and what doesn't.

We are committed to clear and respected governance structures and the highest professional and compliance standards, in both L1 and our portfolio companies.



Our aim is to build and grow investments that stand the test of time and create value for all our partners and stakeholders, and which will become the foundation for a new, highly regarded global investment business.



Chief Executive Officer
Jonathan Muir with his
senior head office team

We have recruited world-class
management, sector investment
teams and advisory boards.

ACHIEVEMENTS & PRIORITIES

Overall, despite difficult macro-economic conditions in 2015, we made good progress establishing the foundations for LetterOne.

2015 HIGHLIGHTS

1. We appointed Lord Davies as Non-Executive Deputy Chairman.
2. We have recruited world-class management, sector investment teams and advisory boards, including Lord Browne, as Executive Chairman of L1 Energy.
3. We have established our Group infrastructure and governance, which is working efficiently and effectively. We have put in place the core processes for doing business, including capital allocation, investment criteria, and the principles of our partnership.
4. We continued to build relationships with stakeholders, including banks, governments, businesses and sovereign wealth funds.

In 2015 we acquired DEA, the German oil and gas company, from RWE AG. L1 is working with its management team to refocus the company on five core markets – Norway, Germany, Denmark, Egypt and Algeria – and develop the company as a platform for growth in a low oil price environment. As part of this strategy DEA sold its UK assets and has acquired E.ON's assets in Norway, more than doubling its production on the Norwegian continental shelf.

Our telecoms investments had a tough year. VimpelCom was impacted by the devaluation of the Russian Rouble against the US Dollar, which led to a 29% YOY decline in US Dollar revenue (excluding Italy), but in local currency was in line with management expectations at 1% growth. Turkcell's total revenue (in Turkish Lira) grew in 2015 by 6.0% YOY, but its share price on the NYSE declined by 43.8%, largely due to the devaluation of the Turkish Lira.

We recruited a new L1 Technology investment team, based in London, to invest in digital businesses. We made a strategic investment of US\$200 million in Uber Technologies Inc.

The L1 Treasury team, which manages US\$10.7 billion, made solid returns in a difficult market environment, meeting liquidity as well as return objectives.

Our investments in private equity funds had a good year, including a number of successful exits.

At the beginning of 2015, L1 had US\$24.5 billion of net assets. At the end of 2015 our net assets were US\$21.1 billion.

We are therefore not yet meeting our long-term target of beating world equity indices. This was due to a performance drag in our telecoms and energy investments, primarily as a result of currency devaluation, and a 40% fall in oil price,¹ as well as maintaining over US\$10 billion in liquidity for future investment.

However, we believe that, going forward, we are well placed to take advantage of the continuing low oil price and other market opportunities.

PRIORITIES FOR 2016

We have five strategic priorities:

1. In current volatile markets, look for the right opportunities to invest to build value while generating sufficient cash flow across the portfolio for current operations and dividends.
2. Continue to work with management teams in our existing asset portfolio to optimise, improve, and expand where appropriate and add value at every opportunity.
3. Diversify our portfolio, building capability and investing in L1 Heath, having gained insight on the sector through private equity investments.
4. Continue to develop effective compliance procedures, benchmarking ourselves against the highest standards of corporate governance.
5. Continue to build our brand, developing a clear and coherent understanding of our purpose and the long-term aims of L1.

¹ Change in the price of Brent oil from the date of DEA acquisition to the year-end

“We have started with a clean sheet of paper and a clear aim: to build a new world-class global energy group, fit for the 21st century.”

– Lord Browne, Executive Chairman L1 Energy

AIM

L1 Energy is committed to building a safe, sustainably growing, world-class energy group which is recognised as a partner of choice in its industry.

We aim to do this through acquiring and then developing a portfolio of several regionally focused platforms, and by entering the rapidly evolving markets for alternative energy and energy infrastructure.

We invest for the long term, bringing strategic expertise, capital and rigorous performance management to a portfolio of regionally focused platforms. Our activity aims to create value both for shareholders and for the rest of society through the provision of safe and reliable energy.

L1 Energy aims to deploy capital in stable political and regulatory regimes, while maintaining careful control of costs and cash flows, and returning dividends to shareholders. Our target is to achieve growth above, and to keep costs below, our peer-group average, and to build an energy group which demonstrates excellence in everything it does.

DELIVERING OUR STRATEGY

The L1 Energy team works actively with the management of the companies in which we invest by providing strategic input, managing performance, and building competitive teams. It is supported by an independent advisory board.

L1 Energy will act as a patient investor, creating value for our shareholders and for society as the world around us changes.



Lord Browne, Executive Chairman L1 Energy

REFOCUSING DEA ON CORE GROWTH MARKETS

L1 Energy's first acquisition was the German oil and gas company DEA, from RWE AG. L1 Energy has been working with DEA to accelerate the company's rate of expansion by making capital available for selective business development activity in core countries.

Since the acquisition of DEA in March 2015, L1 Energy has worked with the company to re-equip it for today's market environment and to refocus it around core areas of competency.

DEA is now focused on Norway, Germany, Denmark, Egypt and Algeria. Non-core positions around the world are being divested or discontinued, and exposure to a single project in the Egyptian West Nile Delta has been reduced to an acceptable level via a successful farmdown to BP.

DEA has also been deployed as an 'incubator' for nascent activities in new geographies, including Mexico, where L1 Energy believes that the company's technical capability and strategic relationships will create long-term value.

L1 Energy is working with DEA, helping the company to expand by utilising its competitive advantages, operating efficiency, environmental stewardship and stakeholder engagement.

DEA has a 30% share in
the Njord field located in
the Norwegian Sea



L1 Energy is committed to building a
safe, sustainably growing, world-class
energy group.

DEA operates Mittelplate Drilling and Production Island in the Wadden Sea National Park off the coast of Schleswig-Holstein in North Germany. From Mittelplate, DEA can drill production wells of up to 10 kilometres in length.
Operator: **DEA 50%**
Partner: Wintershall 50%



DEA's growth ambitions are centred on Norway, Germany, Denmark, Egypt and Algeria.



Following a decision by the previous UK Government DEA sold its interests in DEA UK. DEA reinvested the proceeds in Norway by acquiring E.ON's exploration and production business in December 2015. This acquisition more than doubled DEA's production in Norway. It marks a step-change in the company's presence on the Norwegian continental shelf, and creates important opportunities for further growth.

The new UK Government, in a letter from a senior official of the Department of Energy & Climate Change (DECC), has stated to L1 that the Secretary of State's decision to require the on-sale of DEA UK was not a judgement on the suitability of L1's owners to control these or any other assets in the UK.

CREATING A PLATFORM FOR GROWTH IN A LOW OIL PRICE ENVIRONMENT

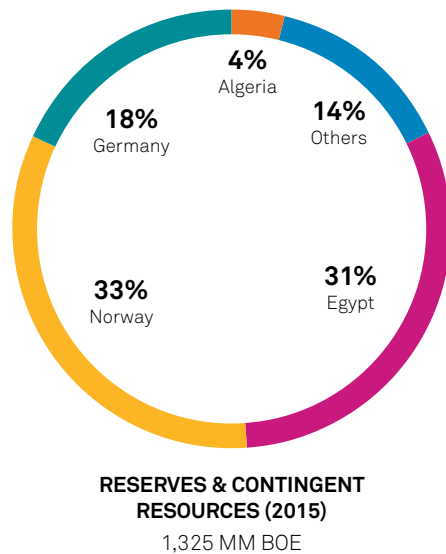
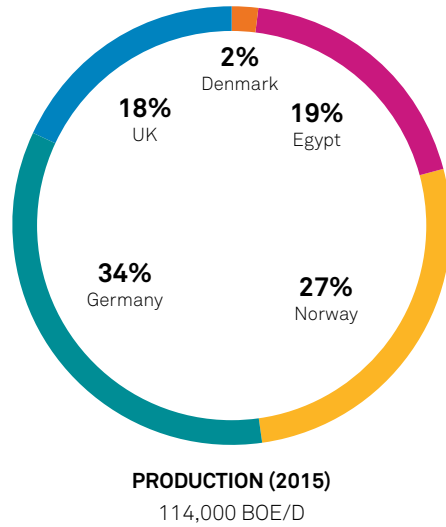
Like all of its peers, DEA has had to respond to the recent weakness in commodity markets. As the price of oil has fallen significantly from its peak, the company has implemented a cost-cutting programme. This has enabled DEA to generate positive free cash flow in 2015 while growing production by 10%.¹ In 2015 DEA produced 114,000 barrels of oil equivalent per day (BOE/D).

DEA's leadership has been strengthened by the appointment of three new members to its Supervisory Board, all of whom are German business leaders of global standing who will bring their deep expertise and experience to the business.

L1 Energy will focus on ensuring that DEA is both resilient to the new market environment, and that it has the tools and resources to grow.

¹ Excluding DEA (UK) and newly acquired assets

DEA 2015 PERFORMANCE



MM BOE = million barrels of oil equivalent

DEA OPERATES

49%

OF ITS PRODUCTION

L1 TECHNOLOGY

“Digitalisation is creating opportunities globally for businesses to provide innovative forms of real-time personalised customer services.”

– Alexey Reznikovich, Managing Partner L1 Technology

The technology and telecoms sectors are undergoing remarkable change. L1 Technology has been established to invest internationally in businesses with proven competitive strengths and skills to create value globally in the emerging digital world.

As the telecoms sector restructures, L1 Technology will also invest in technology companies which aim to transform traditional business practices in the industry.

INVESTING IN CUSTOMER-ORIENTATED DIGITAL SERVICES

L1 Technology aims to invest US\$2–3 billion in mid-to-late-stage technology growth opportunities. It is targeting investments between US\$100 and 500 million, and is looking for new strategic partnerships.

Currently, L1 Technology is focused on opportunities to invest in FinTech, mobile-enabled commerce, Internet of Things software and infrastructure, and HealthTech.

As entrepreneurs we bring strategic expertise, deep telecoms sector knowledge and nearly 30 years' experience in emerging markets, as well as our own capital, to the companies in which we invest.

In 2016 we made a strategic investment of US\$200 million in Uber Technologies Inc., with L1 providing local understanding and consumer knowledge in many emerging markets.

NEW OPERATING MODELS AND REVENUE STREAMS

L1 Technology believes in the power and importance of constant innovation. It recognises that the telecoms industry needs to reinvent its business model and identify new, additional revenue streams on top of traditional connectivity revenue.

We are actively looking to invest in digital technologies which will revolutionise the operating models of the telecoms sector and improve efficiency.



Alexey Reznikovich, Managing Partner L1 Technology

NEW TECHNOLOGY TEAM

L1 Technology has recruited an international technology team, with experience in senior management roles, private equity and consulting.

The team is responsible for presenting investment opportunities to the L1 Investment Holdings Board, as well as the strategy and operational performance of the existing investment portfolio.

It is assisted in this task by an independent, expert advisory board that includes CEOs from the telecoms industry and highly successful internet entrepreneurs.

Given the breadth of opportunities across different sectors, L1 Technology has established a global network of technology experts and entrepreneurs to aid its search for new investments.


REINVENTING TELECOMS

L1 Technology has two legacy telecoms investments. As at 31 December 2015, it manages a 47.85% voting stake in VimpelCom, the international communications and technology company headquartered in Amsterdam, and a 13.22% stake in Turkcell, Turkey's leading telecoms operator.



L1 Technology is seeking to grow its portfolio of mobile businesses in value, while adding new digital services.

Brent Hoberman and
Sir Julian Horn-Smith
at a meeting of the
L1 Technology Advisory Board



Success in telecoms and technology
belongs to companies that are
responsive to customer needs.



L1 Technology has established a global network of technology experts and entrepreneurs to aid its search for new investments.



At VimpelCom, a new CEO, Jean-Yves Charlier, has been appointed and a pioneering digital strategy is being executed. VimpelCom, which has more than 200 million customers across 14 markets, is transforming its cost base by simplifying, digitalising and shifting business models to asset-light processes and systems. It has announced its first tower disposal transaction in Italy, its first network-sharing agreement in Russia, and new ways of collaborating with vendors.

Last year VimpelCom participated in the continuing consolidation and rationalisation of its footprint by announcing:

- the creation of a JV with the Algerian National Investment Fund
- the merger of its Italian assets with Hutchison
- the merger of its assets in Pakistan with Warid Telecom
- the sale of smaller assets in Burundi, Central African Republic, and Zimbabwe

VimpelCom also reached settlements with the DOJ, SEC, and Dutch Public Prosecution Service regarding their investigations into VimpelCom's business in Uzbekistan. L1 recognises the significant efforts that VimpelCom is undertaking to improve its compliance structures and related controls, consistent with best practice and its commitments under the settlement agreements.

At Turkcell, L1 continues to try to find a resolution to a dispute with the Cukurova Group, which holds a shareholding of a similar size to L1 in Turkcell.

Turkcell has distributed dividends in 2015, of which L1 has received almost US\$200 million.



LOOKING TO THE FUTURE

Ultimately, success in telecoms and technology will belong more and more to companies that are truly responsive to customer needs on an increasingly personalised basis, that find ways to engage and retain their customers and that are open to internal disruption through innovation.

These are the kind of businesses – like Uber Technologies Inc. – with which L1 Technology looks to make strategic investments and partnerships.



A growing middle class worldwide is increasing demand for healthcare consumption.

L1 HEALTH

“The healthcare landscape is rapidly evolving, which creates unique investment opportunities.”

– Mikhail Fridman

This year we have decided to diversify our investment portfolio and build on our direct investment capabilities by expanding our efforts to the healthcare sector.

We believe that several factors are generating substantial opportunities in healthcare.

KEY FACTORS

First, ageing populations and rising healthcare costs are increasing the need for greater efficiency in healthcare delivery. Global healthcare costs are expected to increase 5.2% over 2014–2018 and healthcare costs in the US are expected to reach 18% of GDP by 2018.

Second, a growing middle class worldwide is increasing demand for healthcare consumption – opening up new fronts for the healthcare industry. By 2018, the number of middle-income households (over \$25,000 annually) is expected to increase 30% to 570 million people, with over 50% of that growth coming in Asia. Governments and private entities are expanding access to treat these populations.

Third, the growing demand and need for efficiency are reforming how and where healthcare is delivered, with increased outlets for selling healthcare products and more venues where people can receive care. Telehealth, home health, urgent care and retail outlets inside grocery or drug stores are just some examples of these new care centres.

Fourth, biological science is growing and the power of genomic and translational research is driving new healthcare diagnostics and treatments.

Lastly, consumers are now taking ownership of their health and driving consumption decisions versus being passive, uninformed recipients. Consumer out-of-pocket expenditures represent 8% of total healthcare spending in the US and this number is rising, forcing better decision making around health.

Together, these trends are creating unique investment opportunities for L1 globally, particularly in the US.

AIMS & OBJECTIVES

L1 Health will be based in the United States, close to the markets it initially wishes to penetrate. The expectation is that we will focus on areas where scale, market consolidation and efficiency improvements can drive value.

US HEALTHCARE COSTS
EXPECTED TO REACH

18%

GDP by 2018

L1 TREASURY

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

– Yves Leysen, Chief Investment Officer

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. To meet its competing objectives of liquidity, returns and volatility, L1 Treasury invests across a wide range of instruments and strategies.

PORTFOLIO

L1 Treasury combines a portfolio of liquid fixed income securities with higher yielding investments such as direct loans, and real estate, and with investments in the financial markets, both direct and via hedge fund investments.

L1 Treasury also has the ability to enter into financing arrangements to further enhance its liquidity or returns.

Given that L1 as a whole is relatively young, significant financial assets are still managed by L1 Treasury. At the end of 2015, it held US\$10.7 billion assets under management.

OVERALL PERFORMANCE

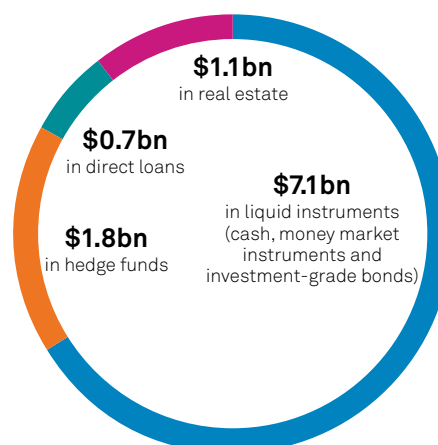
Despite the volatility in the global economy, L1 Treasury enjoyed good returns in 2015, producing 2.62% on its assets under management with a Sharpe ratio of 1.67%.

A GLOBAL, HIGHLY EXPERIENCED TEAM

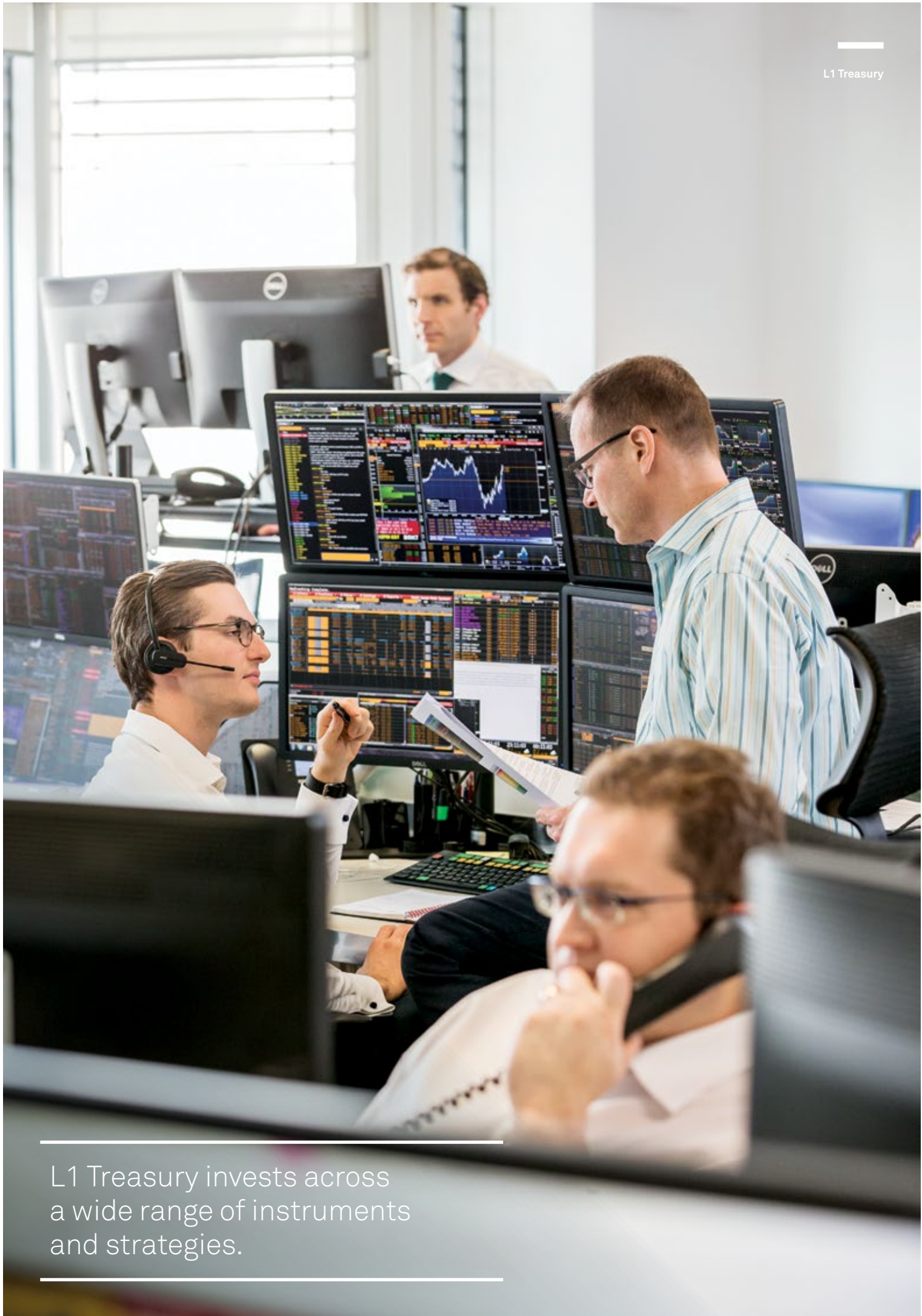
The L1 Treasury team is international, with employees from 12 different countries. In the course of its activities, L1 Treasury deals with 20 of the largest international banks.

The team is highly experienced and contains all the specialisms that would be found within 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, formerly global Co-Head of the Securities Division of Goldman Sachs, and has experts in the fields of finance and investment.

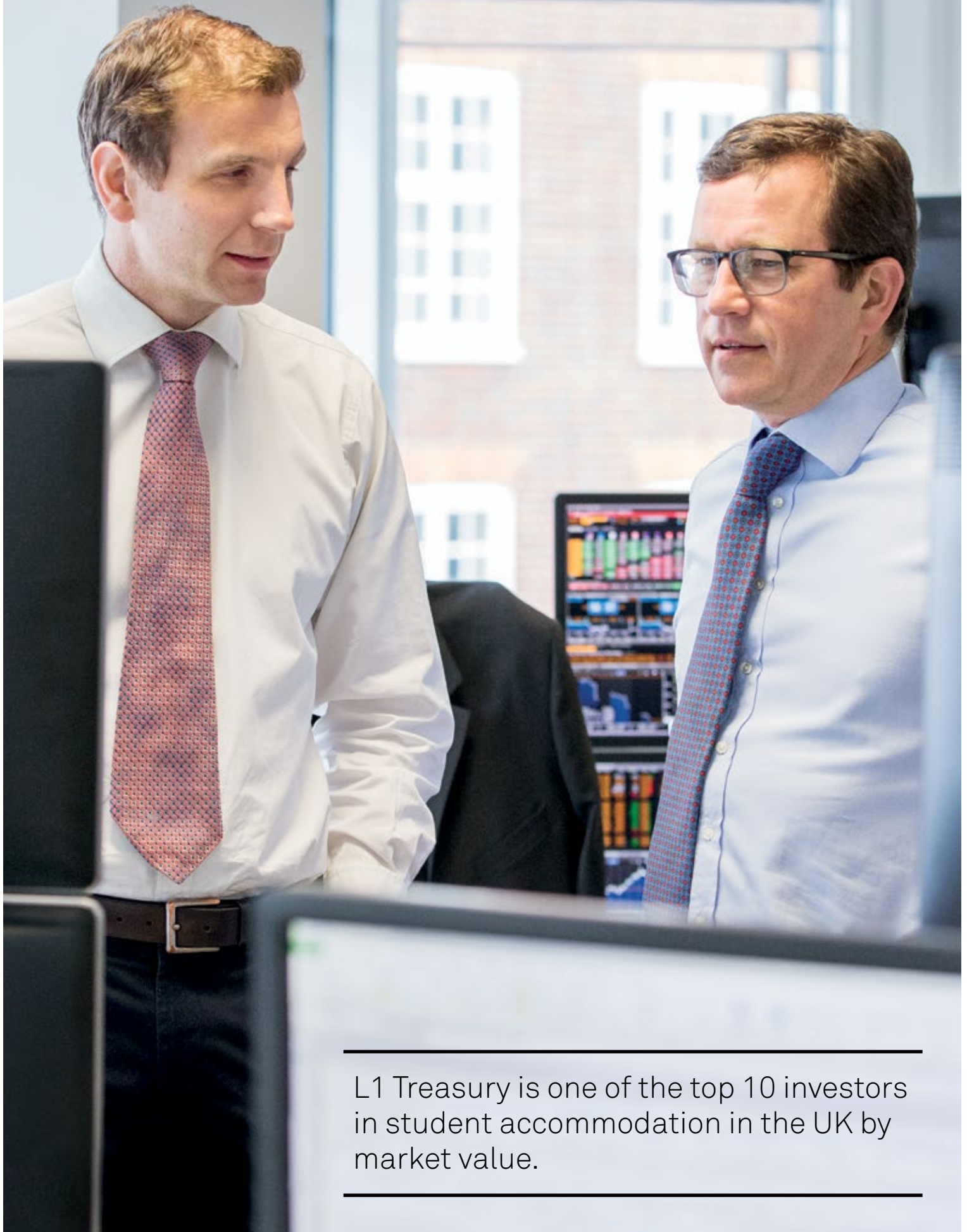


L1 TREASURY ASSETS
as at 31 December 2015



L1 Treasury invests across a wide range of instruments and strategies.

Yves Leysen, Chief Investment
Officer, and Chris Rayner-Cook,
Senior Executive L1 Treasury



L1 Treasury is one of the top 10 investors
in student accommodation in the UK by
market value.

L1 Treasury's hedge fund portfolio is well diversified, focused on funds with a long track record and managed with the help of external advisers.

THE INVESTMENT STRATEGY

In order to meet both objectives – having adequate funds available at relatively short notice and seeing above-average returns on investments – L1 Treasury selects a broad mix of investments.

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 as required. A smaller proportion of the investments is in high-yielding, less-liquid assets that help to achieve the returns shareholders expect.

L1 Treasury's hedge fund portfolio is well-diversified, focused on funds with a strong track record and managed with the help of external advisers.

In direct loans, L1 Treasury restricts itself to secured loans only – including property development loans – where the security is either financial assets or real estate.

REAL ESTATE

In its real estate investments, L1 Treasury focuses on student accommodation in the UK, where it believes demand for high-quality accommodation will continue to outstrip supply and yields are attractive. Furthermore, returns are inflation-protected, which makes it an attractive long-term investment.

Over the course of 2015, L1 Treasury acquired 11 buildings across the UK, in London, Bath, Edinburgh, York and Brighton, amounting to around 3,800 beds in total. The portfolio is prime property: the majority of the buildings are new, with a high concentration in London.

L1 Treasury is one of the top 10 investors in student accommodation in the UK by market value.

GOVERNANCE

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

– Lord Davies, Non-Executive Deputy Chairman L1

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 collective interest of its shareholders.

Governance across L1 is now set up and functioning effectively. L1 is committed to the highest standards of governance based on the requirements set for public companies, including transparent financial reporting.

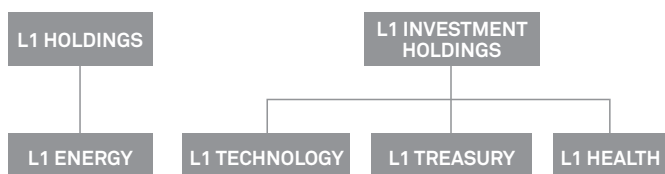
In addition to maximising shareholder value, we strive to foster relationships of trust with employees, governments, suppliers, business partners and minority investors.

L1 currently invests through strategic equity holdings in public and private companies.

L1 STRUCTURE

L1 Holdings is the ultimate parent of the group comprising L1 Energy, which invests in the energy sector.

L1 Investment Holdings is the ultimate parent of the group comprising LetterOne Technology (“L1 Technology”), LetterOne Treasury Services (“L1 Treasury”) and LetterOne Healthcare (“L1 Health”).



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, Nomination and Remuneration, and Compliance 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, and L1 Health.

BOARD OF DIRECTORS

The Board of Directors for both L1 Holdings and L1 Investment Holdings consists of nine people: there are five shareholders, including the principal shareholder Mikhail Fridman (who serves as Board Chairman); Non-Executive Deputy Chairman Lord Davies; CEO Jonathan Muir; COO David Gould; and Non-Executive Director Pavel Nazariyan.

The advisers to the Boards are Richard Burt, former US Ambassador to Germany, and Mack McLarty, former White House Chief of Staff to Bill Clinton.

BOARD AND COMMITTEE MEETINGS

The Board of Directors of L1 Holdings and L1 Investment Holdings each meet, at a minimum, on a quarterly basis in Luxembourg to review investment performance, and to take decisions on capital allocation (including investments and divestments), strategy and budgets.

The Boards also receive regular updates from the Chairmen of each Board Committee (Audit Committee, Compliance Committee and the Nomination and Remuneration Committee). Additional Board meetings are scheduled when time-sensitive investment and strategic decisions are required.

—
Lord Davies of Abersoch
Deputy Chairman

LetterOne is determined that we should raise the bar when it comes to corporate governance.

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.

AUDIT COMMITTEE

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

The Audit Committees meet on a quarterly basis in Luxembourg to discuss financial reporting, audit, tax and risk management matters. Our external auditors, PwC, are invited to attend each Audit Committee meeting.

COMPLIANCE COMMITTEE

Members: Petr Aven (Chairman), David Gould, Pavel Nazariyan

The Compliance Committee meets on a semi-annual basis in order to approve and monitor the compliance work plan, approve selected compliance procedures and documents, and discuss compliance matters and mitigations.

NOMINATION AND REMUNERATION COMMITTEE

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

The Nomination and 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.

CORPORATE GOVERNANCE

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

Where appropriate, we proactively engage with authorities to ensure our structures, processes and procedures meet all relevant standards and 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 all members of staff, monitoring of transactions and reporting to the Compliance Committees of the Boards.

In 2015, outside legal counsel was employed to provide input on compliance and business ethics and support the establishment of world-class compliance systems. Financial reporting is IFRS compliant and subject to annual audit by PwC.

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

Commenting on governance, Lord Davies said:

“L1 is determined to raise the bar when it comes to corporate governance. While currently a privately held business, we implement governance practices that aim to meet international standards.

“We believe in openness and we 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.”

L1 HOLDINGS AND L1 INVESTMENT HOLDINGS BOARD



Mikhail Fridman
Chairman



Lord Davies of Abersoch
Non-Executive Deputy Chairman



Jonathan Muir
Chief Executive Officer



German Khan
Board member



Alexey Kuzmichev
Board member



Petr Aven
Board member



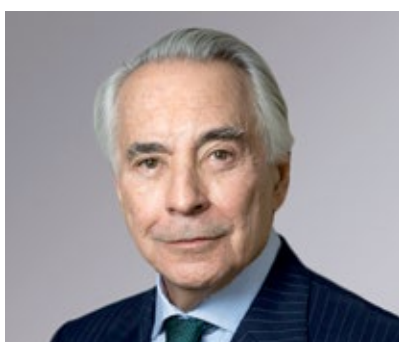
Andrei Kosogov
Board member



David Gould
Chief Operations Officer



Pavel Nazariyan
Board member



Richard Burt
Adviser to the Board



Mack McLarty
Adviser to the Board

INVESTMENT ADVISORY BOARDS

L1 Energy and L1 Technology have investment advisory boards of chief executives and entrepreneurs, whose sector experience ensures valuable strategic, operational and investment advice.

L1 ENERGY ADVISORY BOARD



Lord Browne (Chairman)
Former Partner at Riverstone Holdings LLC, former CEO of BP



Andrew Gould
Former Non-Executive Chairman of BG Group, Chairman/CEO of Schlumberger



James T. Hackett
Partner at Riverstone Holdings LLC, former Chairman/CEO of Anadarko Petroleum Corp



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



Stan Polovets
Former CEO of Alfa-Access-Renova (AAR) Consortium

L1 TECHNOLOGY ADVISORY BOARD



Osama Bedier

Founder/CEO of Poynt, Board Director of WePay, Qiwi and PayRange



Jeremie Berrebi

Chairman and Founder of Magical Capital and investor in 300+ high-tech companies



Gennady Gazin

Vice-Chairman of Studio Moderna, a multi-channel retailer



Brent Hoberman

Chairman and Co-Founder of made.com, Co-Founder and CEO of Lastminute.com, Co-Founder of Founders Forum



Sir Julian Horn-Smith

Senior Advisor at UBS Investment Bank (London), Senior Advisor at CVC (UK), Former Deputy CEO of Vodafone Group plc



Denis O'Brien

Founder of Esat Telecom Group and Digicel



Russ Shaw

Non-Executive Director at Dialog Semiconductor plc, Founder of Tech London Associates

FINANCIAL SUMMARY

Combined pro-forma balance sheet of LetterOne⁽¹⁾ (unaudited) as at 31 December 2015

US\$ million	31 Dec 2015	31 Dec 2014 ⁽³⁾
Core investments		
L1 Energy – DEA	3,119	-
L1 Technology		
- VimpelCom	3,952	6,378
- Turkcell	1,113	1,690
- Other	23	-
Externally managed private equity funds	2,418	2,571
L1 Treasury investments		
Debt instruments	4,556	6,500
Liquidity and mutual funds	1,584	2,696
Cash and cash equivalents	256	2,085
Cash pledged as collateral	612	-
Other liquid instruments	228	58
Real estate (student accommodation)	1,059	-
Hedge funds (at fair value)	1,844	1,850
Direct lending (at amortised cost)	574	689
Liability to repurchase debt instruments	(251)	-
Other assets and liabilities	39	28
Net assets⁽²⁾	21,126	24,545

US\$ million	31 Dec 2015	31 Dec 2014
Equity		
Share capital and reserves	24,589	30,620
Loss for the year	(3,463)	(6,075)
Total equity	21,126	24,545

⁽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 US\$21.1bn comprises the US\$6.8bn consolidated net asset value of Letterone Holdings S.A. and the US\$14.3bn consolidated net asset value of Letterone Investment Holdings S.A. for the year ended 31 December 2015.

⁽³⁾ The comparatives as at 31 December 2014 are obtained from the audited consolidated financial statements of Letterone Holdings S.A.

Combined pro-forma income statement of LetterOne⁽¹⁾ (unaudited) for the year ended 31 December 2015

US\$ million	Year ended 31 Dec 2015	Year ended 31 Dec 2014 ⁽²⁾
Loss from core investments	(3,620)	(6,040)
Loss from L1 Energy	(860)	-
Net loss from DEA	(860)	-
- Change in fair value	(663)	-
- Acquisition costs	(197)	-
Loss from L1 Technology	(2,753)	(6,419)
Net loss on VimpelCom	(2,362)	(6,525)
- Dividend income	65	-
- Change in fair value	(2,427)	-
Net (loss)/income on Turkcell	(389)	106
- Dividend income	187	-
- Change in fair value	(576)	-
Net (loss)/income on other investments	(2)	(2)
- Change in fair value	(2)	(2)
(Loss)/income from externally managed private equity funds	(7)	379
- Distributions, net of capital contributed	146	-
- Change in fair value	(153)	-
Income from L1 Treasury	261	76
Net portfolio gains	261	76
Other income and expenses (net)	(102)	(109)
Operating loss	(3,461)	(6,073)
Income tax expense	(2)	(2)
Loss for the year	(3,463)	(6,075)

⁽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 comparatives for the year ended 31 December 2014 are obtained from the audited consolidated financial statements of Letterone Holdings S.A.

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