

We realise potential

Our purpose is to invest in sectors that have a strong bias to satisfy society's needs, including health, food, retail, energy, and technology.

Contents

- 2 At a glance**
- 4 An increasingly changing world**
- 6 Chairman's review
- 10 Chief Executive's review
- 14 Market context**
- 16 Preventative health
- 17 Investment climate
- 18 Biotech market
- 19 Decarbonising hydrocarbons
- 20 Helping companies realise potential**
- 22 Our investment philosophy
- 24 Passionate about pets
- 28 Society and economies
- 32 Environmental, Social, and Governance
- 34 Source of wealth
- 38 Our contribution to society
- 40 Building world-class businesses**
- 42 L1 Energy
- 44 L1 Technology
- 46 L1 Retail
- 48 L1 Health
- 50 L1 Treasury
- 52 Governance**
- 53 Chairman's letter
- 54 Governance
- 56 Board of Directors
- 58 Financial summary**
- 60 Contact details**



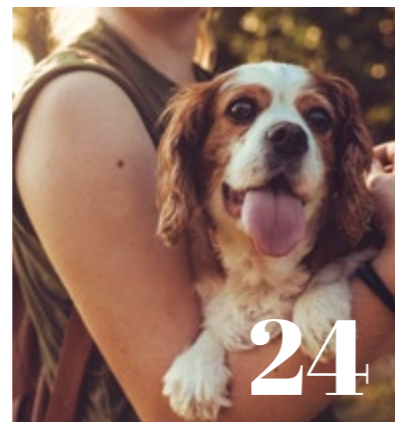
Helping companies realise potential

Our investment philosophy.



L1 Retail

Retail markets and concepts continue to change at an unprecedented speed.



Passionate about pets

Launching a new animal health and wellness platform in the US and Europe.



L1 Energy

Wintershall Dea continues to seek opportunities to further reduce its emissions.



Chief Executive's review

L1 has broadly delivered on our promises to stakeholders and has laid solid foundations for our long-term strategy.



L1 Health

L1 Health acquired Destination Pet in the US.



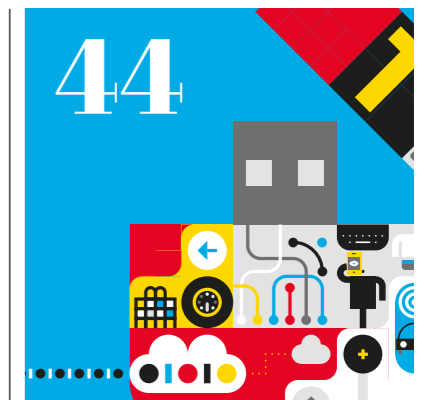
Capitalism is changing

Many financial institutions are now integrating ESG into their investment strategy.



Chief Executive's review

L1 has broadly delivered on our promises to stakeholders and has laid solid foundations for our long-term strategy.



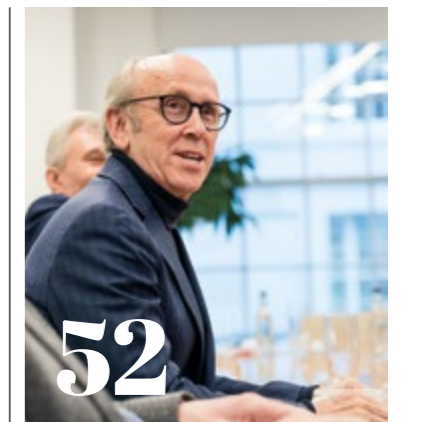
L1 Technology

VEON made good progress with restructuring of its non-CIS subsidiaries and HQ simplification.



Source of wealth

Many stakeholders ask how did your shareholders start in business so we set out to find out.



Good governance

We are committed to ensuring the highest standards of corporate governance, business practice and ethics at L1.

At a glance

We aim to build a new portfolio of successful companies that are leaders in their fields. L1 currently invests through majority or minority equity holdings in public and private companies or through structured equity. Our portfolio and capital allocation reflects a balance of sector and company exposure with diversification across cycles, geographies, currencies, and commodities.

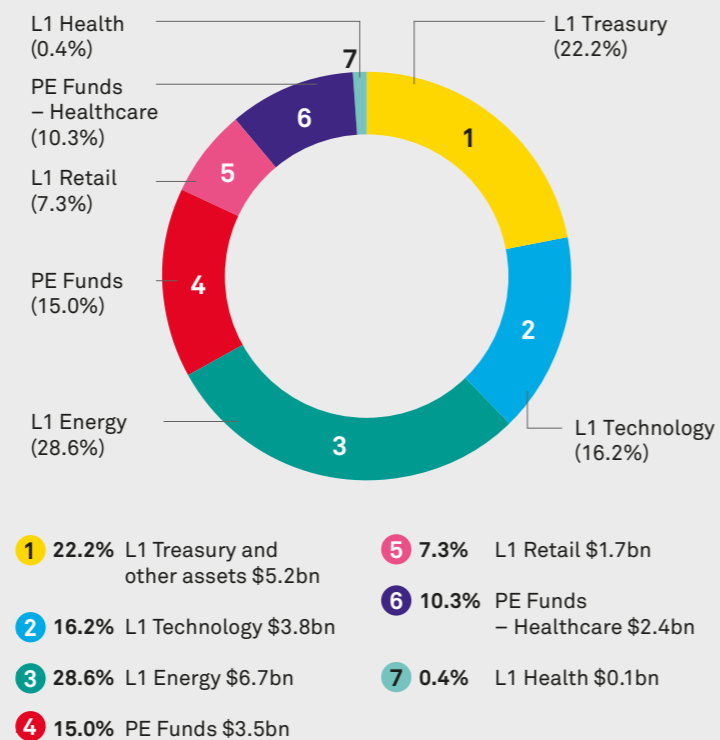
A sustainable approach

We look for companies that will be the new stars in this changing landscape and aim to build the companies of the future. To do this:

- We invest for long-term growth
- We make large-scale investments in sectors we know well
- We engage personally with management teams
- We target persistent value creation
- We are committed to best governance practice

Net assets under management

At 31 December 2019



Financial highlights

At 31 December 2019

\$23.4bn

Net assets
(2018: \$22.2bn)

\$2.9bn

Capital deployed
(2018: \$1.8bn)

\$0.6bn

Cash realisations
(2018: \$0.7bn)

5.79%

Increase in net assets
value

\$5.2bn

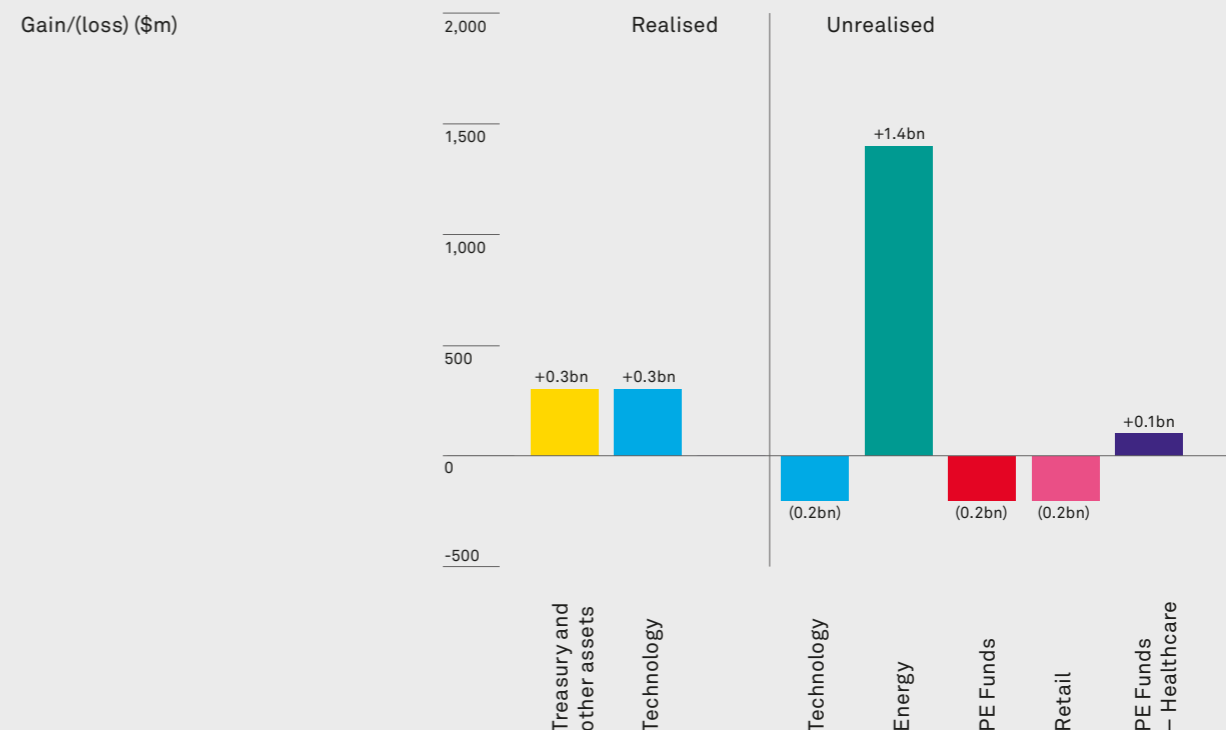
Liquidity
(2018: \$6.6bn)

\$0.2bn

Dividends paid
(2018: \$0.5bn)

Return by business unit during 2019

At 31 December 2019



L1 in an increasingly changing world –

What are the challenges and opportunities?

AN INCREASINGLY CHANGING WORLD

**“Capitalism is changing
and businesses that
don’t change will
be left behind.”**

Q&A WITH

Lord Davies of Abersoch
NON-EXECUTIVE CHAIRMAN



As we speak, coronavirus has now spread into Europe & the U.S. What do you think will be the economic impact?



Mervyn Davies

Lord Davies of Abersoch
Non-Executive Chairman

A: It's too early to tell. The virus has disrupted global trade and travel; entertainment and normal trading have been curtailed. At a time of rising populism and nationalism, this virus has highlighted how interconnected we are and how global leaders have to work together so the world does not fall apart. Combatting viruses, reducing inequality, and eradicating global poverty and climate change require global frameworks and global solutions. China plays a critical role – it is a growth engine – at the centre of global supply chains, and the shortfall of Chinese demand may hit Europe hard. The economy has caught a cold, when the world economy was weak. It remains to be seen how long the illness lasts and how it recovers.

Q: Are you happy with the progress that LetterOne has made this year?

A: L1 has made progress across its portfolio in terms of execution and deals. The completion of the Wintershall Dea merger, the progress made by VEON in executing its new strategy, albeit with a setback in Russia, and L1's US acquisition of Destination Pet have put L1 on the right track. Under its new leadership, H&B has made progress too, amongst extreme difficulty on the UK high street. But there is still much to do at H&B and DIA to transform these companies. L1 Retail has now secured control of DIA, but it faces a huge task rescuing and transforming the Spanish food retailer.

Q: During the year, do you think that there has been a paradigm shift in terms of attitudes towards climate change?

A: I believe there has been a paradigm shift in the way stakeholders see climate change, and the penny has dropped. Banks now understand the investment risk of global warming. The Bank of England has launched a "stress test" to determine which firms and sectors would be worst-hit by climate change. As Mark Carney said, this is now "A question for every company, every financial institution, every asset manager, pension fund or insurer: what's your plan?" I agree with him. The question is how fast financial institutions can change course.

Q: Many financial institutions are now integrating ESG into their investment strategy and portfolio strategy. What about L1?

A: You are right; many fund management companies are now integrating, engaging with portfolio management, monitoring, and driving good environmental, social, and governance (ESG) practices across their portfolio companies. L1, which is relatively newly established, is learning quickly how to adapt to ESG principles. L1's first priority has been to put first-class compliance practices in place, which I'm pleased to say it has. This year, L1 has started benchmarking its portfolio companies' "ESG and CSR" practices, but more needs to be done to integrate ESG into our investment and portfolio management process. Capitalism is changing, and businesses that don't change will be left behind. Either the consumer stops buying products or staff will not want to work for this type of company.

Q: Given the breakdown of trust between companies and society, there has been much discussion on the purpose of companies and the role of businesses in society and the part this might have played in the vote for Brexit. Do businesses need purpose?

A: I have always believed that companies should articulate a purpose beyond merely maximising profits. Shareholder primacy has fostered short-termism and popular distrust of big business, and there is also distrust in institutions and politicians. It was pleasing this year to see the US Business Roundtable calling for capitalism to shift towards an economy that serves all stakeholders. I believe this wider approach will create a more inclusive form of capitalism. I am not jumping for joy that Britain is leaving the EU, but like many I do have a sense of relief that much of the uncertainty is over for now. Much though needs to be agreed in terms of trade agreements and the difficult part is yet to come, so there is still much uncertainty.

“Each industry faces an industrial revolution.”

Q: As the UK now focuses on trading relationships with other countries, are China and India a threat or an opportunity?

A: Well, the US certainly seems to see China as a strategic threat. I think the UK has to remain sufficiently flexible to grasp opportunities in China, while avoiding spats with the US, as the UK needs to agree to a new trading relationship with both countries. I am Chair of the UK India Business Council. I expect post-Brexit that there will be an expansion of diplomatic, trade, and security relations with India, with a renewed focus on matters of national interest. The UK is the most important European partner for India and determined to remain so.

Q: What's your view on the investment climate going forward?

A: The global outlook is highly uncertain. The OECD has dramatically cut its growth forecast for 2020 and beyond – coronavirus will have a major impact on economic growth worldwide this year. Productivity growth rates in advanced and emerging economies are disappointing, and many are concerned that low interest rates are simply fuelling more debt and storing up problems for the future. Each industry faces an industrial revolution. Barriers to entry are collapsing and innovation we are seeing – using social media, AI, robotics, and young talent – is profound. The challenge for big corporates is how to tap into that innovation whilst running normal businesses day to day. The speed of technology, change and transformation of each industry, poses huge challenges but also huge opportunities. The key is to be on the right side of that. We at L1 believe we are.

Read more from Lord Davies on p 53

Lord Davies of Abersoch
Non-Executive Chairman
30th April 2020

AN INCREASINGLY CHANGING WORLD

“We have broadly delivered on our promises to stakeholders and have laid solid foundations for our long-term strategy.”

IN CONVERSATION WITH

Jonathan Muir
CHIEF EXECUTIVE OFFICER



“Overall, we have completed a good deal of work on foundations, whether through investment activities, efficiency targets, or reputational initiatives.”



2019 Achievements

- 1 The completion of the Wintershall Dea merger
- 2 Solid overall progress in VEON, despite challenges of Russian business
- 3 Acquisition of Destination Pet – an entry into the exciting animal health sector
- 4 Strong pipeline of deals for K2HV our biotech debt lender
- 5 Winning control of DIA – embarking on steps to rescue the company
- 6 Appointment of new team at H&B – start of good momentum in quarterly trading
- 7 Excellent returns in Treasury and continued value creation in private equity
- 8 Continuing to enhance our profile and reputation

Jonathan Muir
Chief Executive Officer

Performance highlights

In 2019, our financial performance was good overall. We ended the year with a 5% increase in net asset value (after taking into account the dividend paid in the year) to \$23.4bn (2018: \$22.2bn).

We made unrealised gains in Wintershall DEA, with positive momentum being built in Holland & Barrett, which was offset by some unrealised falls in DIA, VEON, and Turkcell.

Treasury delivered a very positive result. We achieved \$0.6bn in cash realisations, leading to a dividend payout for the year.

Impact of COVID-19

It is too early to tell what the impact of the COVID-19 pandemic sweeping the world, and the fall in the oil price, will be on our portfolio. Our retail businesses have remained open, and while there has been reduced footfall due to the lockdowns, they have benefited from increased online sales. At Wintershall DEA, which is geared to cope with a low oil price environment, safety continues to be the number one priority. All production facilities worldwide are being operated as much as possible on an isolated basis. VEON has seen greater demand for broadband, offset by a decline in roaming revenues.

Wintershall Dea merger completed

Wintershall Dea has made good progress since completing its merger last year. Full-year production in the calendar year 2019 was 642 mboe/d, an increase of 9% compared to 2018 on a like-for-like basis.

Wintershall Dea worked hard to maximise value from every barrel produced. Production costs have fallen 20% year-on-year to \$4.3/boe; the balance sheet remains strong, and the business continues to generate positive free cash flow. Wintershall Dea completed a successful inaugural €4bn bond issue in European debt capital markets. Wintershall Dea made good progress with their planned post-merger synergies and expects to realise annual synergies of around €200m.

Disciplined execution – across portfolio companies

L1 Technology

VEON continued to execute its strategy and simplify its structure, as it transitions to a country-based emerging markets telecoms company. 2019 financial targets were met or exceeded despite challenges in the Russian market. Its EBITDA has continued to improve, driven by the strong organic revenue performance in Pakistan, Ukraine, and Uzbekistan, which coupled with successful cost control across its business, enabled VEON to deliver 9.6% EBITDA organic growth. VEON's business performance in Russia however remains challenging.

VEON further strengthened corporate governance with the appointment of Sergi Herrero and Kaan Terzioğlu as co-Chief Executive Officers. Overall, VEON achieved 27% ROE and will release a total of \$0.28 per share of dividend.

This year, Turkcell continued to make good progress with its digital strategy. In 2019, revenue increased 18.1% and EBITDA increased 18.6% year-on-year, driven by disciplined inflationary pricing, increasing share of post-paid customers with 3x ARPU vs. pre-paid, and upsell of larger data bundles and digital services.

Uber has been successfully exited, and 2019 was a significant year for Qvantel, marked by multiple successful customer deliveries, surpassing €100m revenue, and achieving meaningful profitability. Finally, L1 Technology is gaining momentum in seeking investments in the technology space in the EMEA region and is planning to deploy capital in 2020.

L1 Health

L1 Health continued to make good progress. Our venture K2HV looks to provide capital to established innovative life sciences and healthcare companies, and it has so far executed 5 loans with healthy pipeline of opportunities. We also acquired Destination Pet, LLC, a US pet care provider, and our intention is to become a market leader in pet health & wellness. L1 will commit up to \$450m to scale this opportunity.

L1 Retail

Holland & Barrett, our wellness platform, continued to deliver like-for-like growth in a very difficult UK retail market. It has a revitalised strategy and best-in-class management team to execute it. Holland & Barrett made good progress seeing accelerating sales growth in both e-commerce and store channels. The transformation plan to extend the range of health and wellness products and services and to extend H&B's digital reach showed encouraging early progress. The business achieved strong cash generation in Q1 with disciplined cost and capital investment control, with £26m of cash on hand at year-end.

L1 Retail made good initial progress with their rescue plan for DIA. They successfully completed a VTO, which increased L1 ownership to 69.76% of the share capital. In order to put in place a capital structure to support the transformation plan, L1 supported a successful capital raise of €605m, which increased our holding to 74.8% of DIA's total share capital. Previous mismanagement resulted in a disruption to operating performance in 2019, and DIA's net sales decreased by 9.3% to €6.87bn, down 2.2% in local currency. DIA has started to make progress implementing the transformation plan.

L1 Treasury

L1 Treasury performed well in 2019, producing a return of almost 6% for the year, equivalent to c3.5% over 1-month LIBOR. This great result was achieved in very challenging and volatile conditions.

Continued building our brand

Despite strong headwinds, L1 continued to differentiate ourselves and enhance our reputation as investors and owners. We have excellent relationships with financial institutions and believe we are positioned well to invest in the markets we choose to invest in.

Jonathan Muir
Chief Executive Officer
30th April 2020



Why is L1 well placed to capitalise on a changing world?

“The UK has the potential to become world leading in wellness prevention...”



Professor John Deanfield
Professor of Cardiology, UCL

Can we look beyond the current COVID-19 pandemic?

As a result of the current coronavirus pandemic, never before have health concerns been the number one issue for everyone. It has become clear that the outcome from COVID-19 infection is crucially dependent on background health rather than simply exposure to the virus. Furthermore, it is important to remember that after the coronavirus pandemic, the population's health and life expectancy will remain largely determined by non-communicable diseases, such as diabetes, cancer, and cardiovascular disease. Treatment of these has improved dramatically but is expensive and threatens to become unaffordable in many countries. Globally, \$47 trillion of cumulative economic output will be lost between 2012 and 2030 from chronic ill health. The present environment has exposed the need for individuals to take personal responsibility for their own health status without relying solely on the “disease care system” to keep them well. We are therefore at the beginning of a “revolution” in healthcare, with a much greater focus on wellness maintenance and prevention. Currently 70% of healthcare budget goes to disease management and 30% to prevention, whereas by 2040 it is anticipated that this allocation will be reversed.

Cardiovascular disease accounts for one third of all global deaths and drives health inequality. Two key observations have provided an opportunity to reduce “lifetime” cardiovascular risk. The first is that reducing exposure to well-known cardiovascular risk factors, such as smoking, cholesterol, and blood pressure, in a sustained manner from an early age produces leveraged gains in later clinical outcome. In UK Biobank (438,952 subjects), a lifetime, modest lowering of LDL-cholesterol and blood pressure (38.67-mg/dL and 10-mm Hg, respectively) as a result of a favourable gene profile was predicted to reduce future coronary events by 78%. The disease, which has ravaged the population in the twentieth and early twenty-first centuries, may thus be largely preventable with a change of approach. The second observation is that several important diseases of ageing share common biological pathways, involving inflammation and oxidative stress in response to cardiovascular risk factors, so that early reduction will benefit not just stroke or heart attacks but also diseases such as diabetes, cancer, and dementia.

A radical change in approach to “wellness” and “illness” is needed, with a new partnership between the healthcare system and the public. A top-class disease-care system can only be sustained if the public are empowered to take control of their health. The wellness agenda will need to include education, opportunity, and incentives.

In addition to these general population approaches, personalised medicine, involving genetic testing, imaging, and biomarkers, can identify individuals who have an accelerated trajectory to premature cardiovascular disease. “Real world” data acquired by digital technology, together with AI analysis, will enable prescription of existing and novel drugs to those who will benefit most. A new subcutaneous cholesterol lowering injection (Inclisiran) given twice yearly can lower cholesterol by approx. 60% and may transform future cardiovascular risk.

The UK, by virtue of its unified healthcare system, tradition of longitudinal data collection, investment in large-scale cohorts, and novel polygenic risk scoring, has the potential to become world leading in the new wellness prevention space.

“Most stock market indices rose between 20% and 30% in 2019.”



Stefano Quadrio Curzio
Adviser to L1 Board

Why was 2019 a paradigm shift in economy?

Even before COVID-19 came along, 2019 had been one of the most momentous years in my years studying investment markets. In my opinion, when looked at in hindsight in a few years, it will be seen as significant an inflection point in the West's monetary structure as was the abandonment of the link between the US\$ and gold in 1971.

What happened last year that was in my view so momentous? After 10 years of extraordinary fiscal and monetary stimulus, the US Federal Reserve tried to bring monetary policy back to a more normal stance, with interest rates reflecting closer nominal GDP growth and contained balance sheet expansion. They spectacularly failed in this goal at the end of 2018, and financial markets went into a tail spin.

As a result of the above failure, 2019 saw the Federal Reserve reverse its interest rate increases and begin a series of rate cuts, despite the unemployment rate being only 3.5% and most measures of inflation being over 2%. It also resumed balance sheet expansion at a rate comparable to the financial crisis period. By the end of 2019, the Federal Reserve was effectively monetising two-thirds of the US budget deficit.

The above actions had already led me to believe that interest rates were to stay near zero for many years to come and will stay negative in real terms for at least a decade. It is also now clear that central banks in the western countries and Japan are now embarked on a course of full monetisation of the debts of their governments.

The results of these policies were immediate and substantial. Most stock market indices rose between 20% and 30% in 2019. Gold returned 20%. Bonds were also repriced, giving returns in excess of 20%. None of this reflected an improved earnings picture for corporates. It was just asset inflation, indiscriminate and widespread, as investors sought to reprice assets in the face of a significant regime change.

COVID-19 did not change any of that; it simply made what was already likely into a certainty. Central banks' monetary stimulus is now on steroids and irreversible. The expansion of central banks balance sheets has now reached \$20trn, with half of that achieved in the last two months. And an inexorable trend will see them grow to \$25trn and beyond.

While the real economies are in dire conditions, asset inflation continues unabated after a brief correction in March. This makes the job of investors very easy and very difficult at the same time. Easy because central banks liquidity decisions are the only factor that matters. Difficult because at some point the gap between cash flows and valuations will be revealed in stark contrast and a changed sentiment towards risk aversion could unleash a major inversion. It is now the time to become more discriminating, differentiating between businesses that amidst this monetary laxness will prosper and those that will be harmed by these same forces.

What are the shifts in the sciences landscape?

“What used to take a year can now be done in a day, and the pace of R&D has accelerated exponentially.”



Parag Shah
 Founding Managing Director & CEO
 K2 HealthVentures

Over the last 20 years, there has been a revolution in molecular and cellular biology, which has resulted in new discoveries and novel approaches to fight or even cure the most challenging of diseases. In parallel, notable advancements in laboratory technology, robotics, and computational power have enabled life sciences R&D to operate at significant scale and allowed science to advance at speeds that were inconceivable 20 years ago – experiments that once took months can be done in a day and for significantly lower cost.

These paradigm shifts have driven a significant expansion of the life sciences industry and a notable uptick in new company formation. The field remains risky and competitive however, and as the pace of innovation and R&D in life sciences has accelerated, companies need to be very thoughtful and strategic in determining which new drug targets to explore and potential therapies to develop and in marshalling significant capital resources behind these efforts. It can take 5-15 years for a drug candidate to be fully developed into a commercially available medicine, and life science companies find themselves in the unique position of serially raising capital in order to fund long-term development cycles, both for individual products and broad platform technologies.

The good news is that investment in the sector has kept pace with the sector’s growth and expansion, with notable inflows for both private and public life sciences dedicated funds. Established pharmaceutical companies have also increased their investment in life sciences through a variety of avenues, including corporate venture, R&D collaborations, licensing, and acquisitions.

While most of the financial investment has historically come from equity funds, life sciences companies have increasingly looked for a broader variety of sources of capital to fuel their pipeline of innovation. This has created a need and opportunity for new specialty financing solutions that fit this growing, dynamic industry and complement traditional equity and strategic capital. One example is the less dilutive debt capital that K2 HealthVentures (K2HV) specialises in, which helps companies finance their development and growth plans alongside and in between equity raises – whether to help extend cash runway and reach key value-inflection points, or to strengthen their balance sheets ahead of negotiations with strategic partners or IPOs.

It is truly an exciting time to be part of this highly impactful, fast moving industry, and K2HV feels privileged to partner with innovative life sciences companies for financing solutions that fuel their growth and support their patient-driven missions.

Fossil fuels without the dangerous emissions?

“In the age of decarbonisation, investors everywhere are questioning whether it makes sense for them to invest in oil and gas.”



Lord Browne
 Executive Chairman L1 Energy

The oil and gas industry is cyclical, but something is happening which goes beyond the usual economic cycle and which means that this time really might be different. On the one hand, demand for energy is rising and will continue to do so. The world consumes 15% more energy than it did just 10 years ago and is expected to consume 15% more again within the next 20 years. The proportion that comes from fossil fuels is falling, albeit slowly – and this could mean that demand for oil and gas does not grow much in the years ahead. Nevertheless, fossil fuels will be the most important part of the energy system for many decades.

But on the other hand, concern about climate change is rising. Within the past year, what used to be a European phenomenon has started to spread across the Atlantic. In the age of decarbonisation, investors everywhere are questioning whether it makes sense for them to invest in oil and gas.

Renewable energy will never be enough to replace oil and gas. The only realistic route to decarbonisation is for oil and gas companies to take greater responsibility for the emissions they and their customers produce, and start doing things which take the carbon out of hydrocarbons.

This means engineered solutions such as carbon capture and storage, which is on an exciting new learning curve as next-generation processes generate better results for lower cost; or the creation of a hydrogen economy, which is gathering momentum in Europe. Solutions like these already exist; it is now a question of bringing them up the learning curve and down the cost curve by investing in their growth and deployment. All oil and gas companies – not just the largest – should play a role here, providing they can make relevant investments and competitive returns.

How is L1 helping companies realise potential?

Our approach to realising our potential

Long-term capital, unmatched sector expertise, world-class teams, and active engagement will ultimately bring rewards for all. We are a partnership of successful entrepreneurs and former CEOs and international businesspeople who aim to create one of the world's pre-eminent international investment firms.

Buy and Build

At L1, we generally seek to buy and build companies in sectors where we have world-class expertise. By providing long-term capital – and advising the management teams of the companies we invest in – we aim to help them realise their individual and their company's potential and create the next generation of leading international companies.

Sector Expertise

We invest in sectors that have a strong bias to satisfy society's needs. People need energy, food retail, health & wellbeing, and telecoms and technology. Companies around the world are transforming their operating models because of changes in society, demographics, and technology. 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.

Proactive Investors

As businesspeople, we like to understand how businesses work. Our specialist investment teams work actively with the management of the companies in which we invest by providing strategic input, managing performance, and building competitive teams. 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. We buy and build assets, which we can develop over time as platforms of long-term sustainable growth.

Drive Long-term Growth

As entrepreneurs and successful businesspeople, we invest by buying and building companies where we see an attractive valuation, good management teams, 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 strategic and geographic expertise will improve performance. Our portfolio and capital allocation reflects a balance of sector and company exposure with diversification across cycles, geographies, currencies, and commodities.

Sector specialism



Energy

Increasing population growth means increased demand for energy. We invest in good gas & oil development and production opportunities at low break-even prices and then target operating improvements and cost optimisation.



Telecoms

Telecoms companies of the future will play a role in altering the way we live, work, and relate to one another. Our investments have a presence in some of the most interesting markets for long-term growth.



Health

Technology and demographic trends are pushing the boundaries of healthcare and creating new investment opportunities in human and animal health & wellness. The global pet care market value is expected to hit \$269bn by 2025.



Retail

The retail sector is in the midst of substantial change, driven by demographics and technology. We back companies operating in non-cyclical niches and companies that will be disruptors in the sector.



Treasury

The majority of assets are invested in low risk, highly liquid assets so that funds can be released quickly to L1 in order to have adequate funds available at relatively short notice.

The implications for businesses and L1's investment approach

Q: What's happening to the investment climate?

A: Negative rates and massive monetary stimulus are leading to an acceleration of the disruptive forces of technology. Businesses engaged in new technologies and ideas, which would have developed slowly just a few years ago, can now accelerate their growth with virtually no regard to the profitability of their business. Finally, climate change and ESG are impacting investors' flows of funds and valuation of businesses. The disruption to traditional business models, from retail to automotive, poses great challenges to investors as seemingly stable businesses can be suddenly disrupted. Finally, all economies are now on life support following the virus shutdown, with natural demand destruction being supplemented by government stimulus and support measures. It is a very complex set of circumstances to face.

Q: How do you think L1 is positioned in this volatile investment climate?

A: In an environment of asset inflation, investing should be easy. In the short and medium term, like in 2019/20, everything goes up. But L1's investment horizon is 5-10 years, and in this time frame being selective becomes essential. Two types of businesses will offer good returns in this environment: businesses that enjoy a considerable amount of protection from competition, usually by virtue of dominating a market, and businesses that can be improved through active ownership so that the earnings increase more

than offsets headwinds from changes in the external environment. Neither is easy as competition for assets is intense. But I do believe that there are many strengths associated with L1's heritage and approach.

Q: What might those be?

A: First of all, L1's Russian heritage is a unique strength. L1's shareholders are used to, and comfortable with, very major changes and dislocations in their external environment. It is part of life for Russian investors. It is not so for Western investors, who have seen only good times and very predictable investment environments.

Secondly, L1 has an outstanding platform capable of acquiring and managing businesses in very different industries. L1 capital is long term and patient and can take on operational projects that are longer than most private equity is able to do. So even if companies are expensively priced, L1 has time to grow them. L1's current retail portfolio is a good example of taking on challenging businesses with the prospect of significant payoffs as and when the strategy is successfully executed.

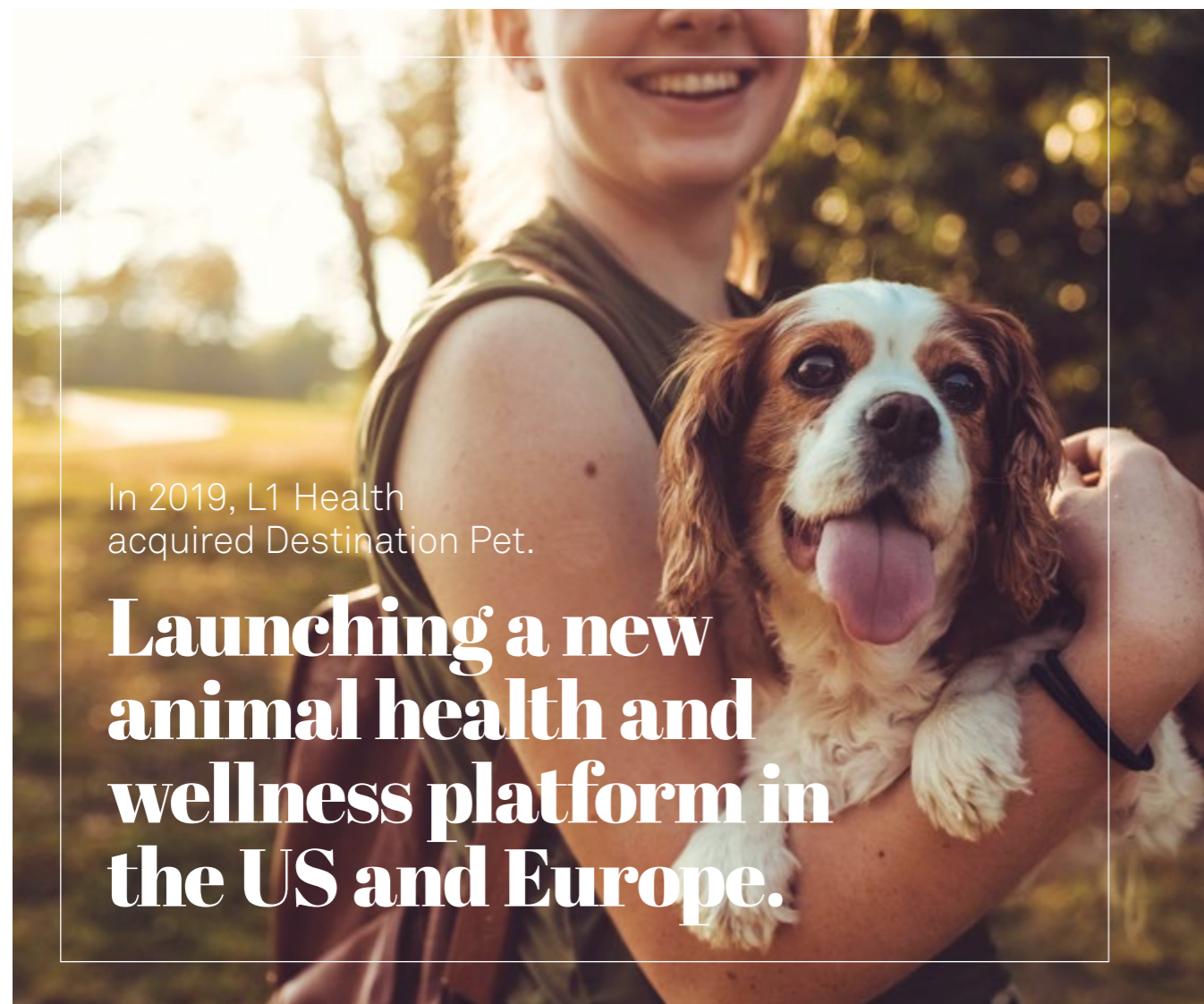
“L1 has an outstanding platform capable of acquiring and managing businesses in very different industries.”

Q: What are the challenges?

A: None of the above will be easy. Investing and achieving operation turnarounds are different skills, and L1 must constantly judge that it has internally the right mix of talents in the team. L1 must also constantly strive for improvement in the speed and efficacy of its involvement in portfolio companies. And finally, recognising that the future is unpredictable, L1 must create a portfolio that is broad, robust, and exposed to different types of challenges and opportunities so that it may prosper under very different outcomes. We have gone into the current COVID-19 induced crisis with a strong portfolio of “essential” businesses – food and health, energy, animal care, telecommunications. There are many headwinds facing each of these businesses, but in all cases the demand backdrop is at least favourable.

Stefano Quadrio Curzio
Adviser to L1 Board





In 2019, L1 Health acquired Destination Pet.

Launching a new animal health and wellness platform in the US and Europe.

Destination Pet

Founded in 2017, Destination Pet is a leading pet healthcare and services company operating in 14 states across the United States. Focused on the complete well-being of the pet, the company takes an integrated approach to delivering high quality pet care and a convenient and streamlined customer experience for pet parents.

With convenient access points to extending services including veterinary medicine, overnight and day care, grooming, and training, Destination Pet has built a comprehensive integrated offering and serves as a partner of choice for pet owners, veterinarians, and animal care specialists.

The management team at Destination Pet has more than a century of combined experience and innovation in the pet services industry. Shane Kelly, CEO, has led four veterinary, pet care, and human health startups (and exits) and over 200 successful acquisitions in the pet care and veterinary space.

Similar to human healthcare, pet healthcare is a local business, and trust plays a major role in attracting and retaining customers. By maintaining the culture, branding, and operating teams of local veterinary practices across the US, Destination Pet's large clinic network, with strong client relationships – characteristic of independent providers – and its integrated customer-centric hub service model, positions it well for future growth.

The vet and pet market

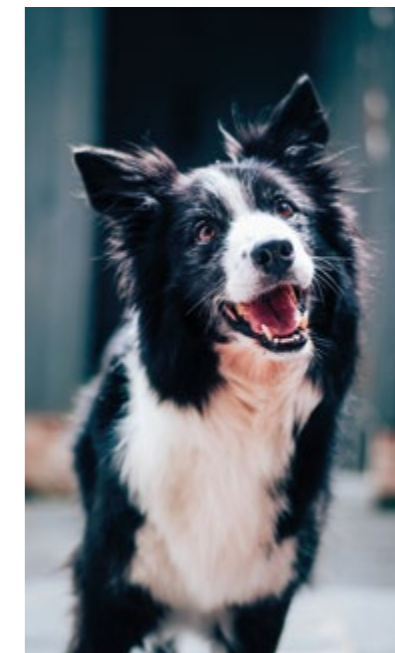
The global pet care market value is expected to hit \$269bn by 2025, and the US pet care market is forecast to grow at 3-5% and is valued at \$48bn. The increasing rate of humanisation of pets has resulted in retailers developing strategies for consumers seeking to treat their pets and providing the necessary pet care products.

Since 1988, there has been a 64% increase in pet ownership, driven by ageing boomers and younger generations. The increasing rate of humanisation of pets, coupled with the hectic schedule of pet owners, has resulted in growing demand for pet health and wellness

services. 86% of pet owners include their pets in holiday celebrations, 67% take their pet on holiday with them, and 56% sleep with their pet.

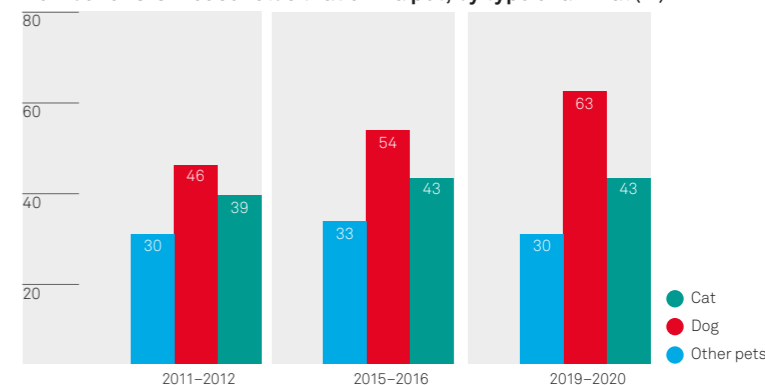
There has been a steady increase in pet expenditure over the past two decades, and the growth of expenditure is largely unaffected by economic recession. During the last recession, veterinary practice revenue was flat to 1% down compared with most other industries, which were down by 10% to 50%, and 76% of pet owners reported their pet spending is not influenced by the economy.

Destination Pet has differentiated itself in this large market by offering a "HUB approach" to the animal care market with a portfolio of services addressing the large unmet need for pets, "pet parents", and veterinarians. These services are positioned to "own the pet" by offering medical care, day care, grooming, training, and boarding as an integrated offering.



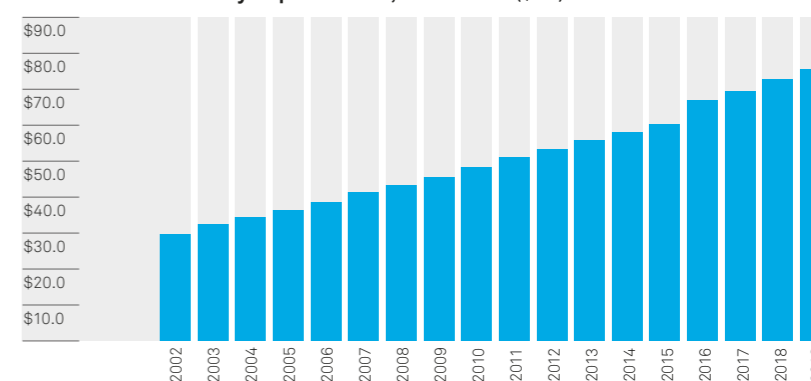
"Since 1988, there has been a 64% increase in pet ownership, driven by ageing boomers and younger generations."

Number of U.S. households that own a pet, by type of animal (m)



Source: American Pet Products Association's 2019-2020 National Pet Owners Survey.

Total U.S. Pet Industry Expenditures, 2002-2019 (\$bn)



1. Includes food, supplies and over-the-counter medicine, veterinary care, live animal purchases and grooming and boarding.
2. Estimate. Source: American Pet Products Association's 2019-2020 National Pet Owners Survey.

\$269bn

Expected total global pet care market value by 2025

What does L1 bring to Destination Pet?

L1's acquisition enables Destination Pet to strengthen and grow its service platform in the US and expand into the European market. L1 aims to be a global leader in pet health and wellness services and will commit up to \$450m overall to invest in this sector.

“This investment, coupled with a targeted acquisition strategy, enables the company to accelerate its growth trajectory and continue to expand its footprint, extending Destination Pet’s reach with the ultimate goal of providing better care to pets and a better customer experience for its existing and potential new customers.”

Shane Kelly

CEO, Destination Pet

“As an international investment firm with deep knowledge of diverse markets and patient long-term capital, L1 is well positioned to bring this model to additional markets. Destination Pet offers an engine of experience and transferable assets to expand into Europe, with a platform on which to scale,” added Ivan Zhivago – Partner of L1 Health.

What are the first steps L1 is taking at Destination Pet?

L1 is now working closely with Shane Kelly and the Destination Pet management team to enhance the core platform so that Destination Pet is scalable and supports a robust pipeline of acquisitions.

We have established a strong international Board to supervise the execution of the strategy. In addition to Shane and the L1 Health deal team, Rolf Classon has joined the Board. Rolf was running the Bayer Animal Health division and is an experienced Board member.

Mike McArthur has joined the company as the Chief Financial Officer to strengthen strategic finance and corporate development functions. Additionally, Matt Dobbs has joined the company as the Chief Medical Officer. Matt is a respected veterinary and serial entrepreneur who built and sold two vet platforms in the UK and will bring perspective and experience from the fastest consolidated market in the EU.



Is the innovation taking place in animal healthcare beginning to parallel advances in human healthcare?



Shane Kelly
CEO, Destination Pet

“Our unique HUB model is a holistic approach to the overall continuity of care for a pet’s health.”

The animal health market has seen consistent, steady growth over the last few decades bolstered by tailwinds of increasing pet ownership, growing pet spending, and perhaps most notably, the increased humanisation of companion animals.

Not only are we adopting more pets, but we are forming deeper, more personal connections with our pets. Today, 68% of the US population own a pet, and 99% of those pet owners view their animals not merely as a pet, but as a member of the family.

This humanisation of pets is playing out in how pet owners are caring for their animals from the onset. Consumer-facing, natural pet products are a booming industry, offering higher quality, holistic diets, natural flea and tick repellents, and even organic toys. We have seen the emergence of digital devices to monitor and engage with pets and in-home services catering to busy owners. And in the way of animal health, there has been an increase in initiatives around preventative care and a wide range of treatment and diagnostic options, including clinical pathology and therapy.

The innovation taking place in the animal health space is beginning to parallel advances in human healthcare. Previously reserved for humans, biotech drugs are emerging as treatments for pets, with a robust development that currently includes treatments for diabetes, dermatitis, osteoarthritic pain, inflammatory disease, and cancer.

Between changes to how owners are caring for their pets and the advancements in vet care and new options for treating disease, pets today are living longer lives. The average life expectancy for dogs is nearly 12 years today, up from 10 years in 2002. As pets live longer lives, they are at increased risk for developing cancer and other age-related disorders, such as cardiovascular disease, diabetes, and arthritis. And in an age where pet owners consider their animals family, they are often willing to go to great lengths to find solutions to care for their ageing pets as evidenced by the rise in pet insurance and advanced surgical procedures. All of which is setting the stage for future growth.

Alongside new approaches to pet care and advancements in animal medicine, we believe that there is a better, more comprehensive approach to the total health and wellbeing of today’s pets. More than a broad array of services, our unique HUB model is a holistic approach to the overall continuity of care for a pet’s health. Having an integrated offering, enhanced through multiple touch points for the pet and the pet parent, leads to an overall healthier pet, both physically and mentally. Day care leads to better weight control for obese pets as well as pet socialisation, which improves mental, physical, and behavioural issues. Our groomers, coaches, and boarding staff play important roles, having frequent direct contact with pets, and can help identify acute and chronic conditions, resulting in faster, more comprehensive treatment. This service-led approach truly puts our customers, and their pets, at the centre of everything that we do, and this focus on the continuity of care produces better outcomes in pet health.

Why is economic measurement vital to the success of long-term investors and society in a post-Covid world?

HELPING COMPANIES REALISE POTENTIAL

Statistics are the lens for observing health of the economy and a tool for shaping its future. LetterOne is sponsoring research at Bennett Institute of Public Policy, University of Cambridge, into natural, social, and human capital – economic assets, which form part of what is known as the wealth economy.

We believe that measuring wealth accounts, rather than just GDP, provides a more comprehensive understanding of the modern economy, and that this will help address many of today's pressing social and economic challenges.

The project is directed by Diane Coyle, Bennett Professor of Public Policy at Cambridge. The Wealth Economy team believe that by measuring these six economic assets we have much more insight into the long-term capacity of the economy to deliver sustained growth and improve living standards.

- 1 Physical assets and produced capital, including access to infrastructure and to new technologies.
- 2 Net financial capital.
- 3 Natural capital, the resources and services provided by nature.
- 4 Intangible assets, such as intellectual property and data.
- 5 Human capital, the accumulated skills and the physical and mental health of individuals.
- 6 Social and institutional capital.

As economies evolve so too must the tools of measurement. Many of the challenges we face today, including climate change, the “productivity paradox”, and even political upheaval, can be traced to an erosion of natural, human, social, and institutional capital. But these trends are not reflected in standard official statistics.

The pace of change also makes the measurement of social and institutional capital even more important. New technologies, such as AI, machine learning, biotechnologies, big data, and automation, create both opportunities and challenges. Managing these changes will require social, economic, and political institutions that can mitigate the losses whilst maximising the gains.

It is 12 months since the launch of the Wealth Economy research programme. During this first year, the researchers focused on natural capital, particularly climate, and social capital, which no economy can function without.

Natural capital, which includes the water, air, soil, geology, and living things that provide us, society, and businesses, with the basic and interdependent building blocks of all other forms of capital, is in real trouble. GDP growth derived from depleting capital is not sustainable and deprives future generations of well-being.

The impact of resource depletion worldwide

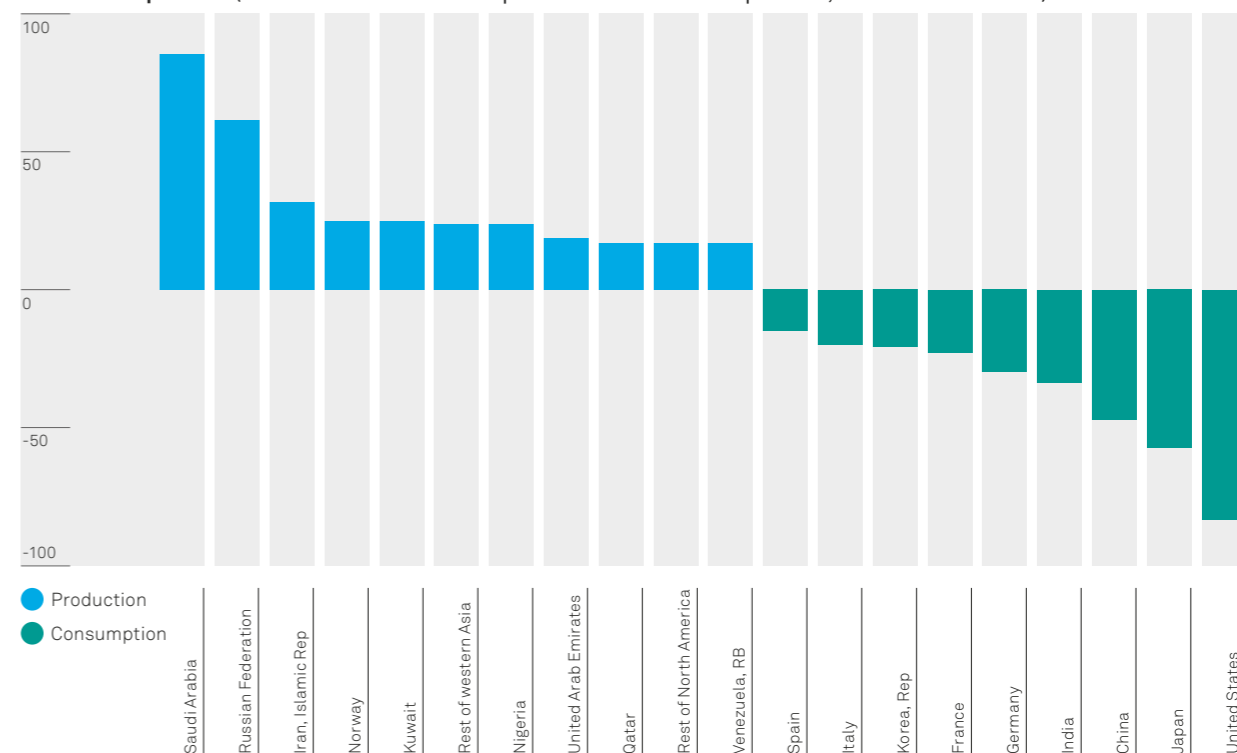
This year the Wealth Economy team have developed new natural capital accounts to assess the difference between an economy's domestic and global natural capital depletion. They used two simultaneous and complementary accounts – one from the traditional production, or territorial perspective, and another from the consumption-based perspective. Each perspective conveys a different story about the resource use of nations.

The Wealth Economy team have developed a 57-sector, 140-region multi-regional input output model to calculate natural capital depletion from both the production and consumption perspectives, covering oil, coal, natural gas, minerals, ocean (fisheries), and forest (timber) natural capital depletion.

From the production perspective, these range from \$1.81 in Nepal to \$9,384 in Qatar. But from the consumption perspective, they vary from \$6.76 in Malawi to \$1,187 in Luxembourg. The wide variation is driven by both the geographical concentration of people and resources and differences in the resource intensity of production and consumption across countries.

Examining both sets of accounts simultaneously provides a more complete understanding of an economy's contributions towards national and global sustainability as well as domestic, bilateral, and international issues of resource management, dependency, and security.

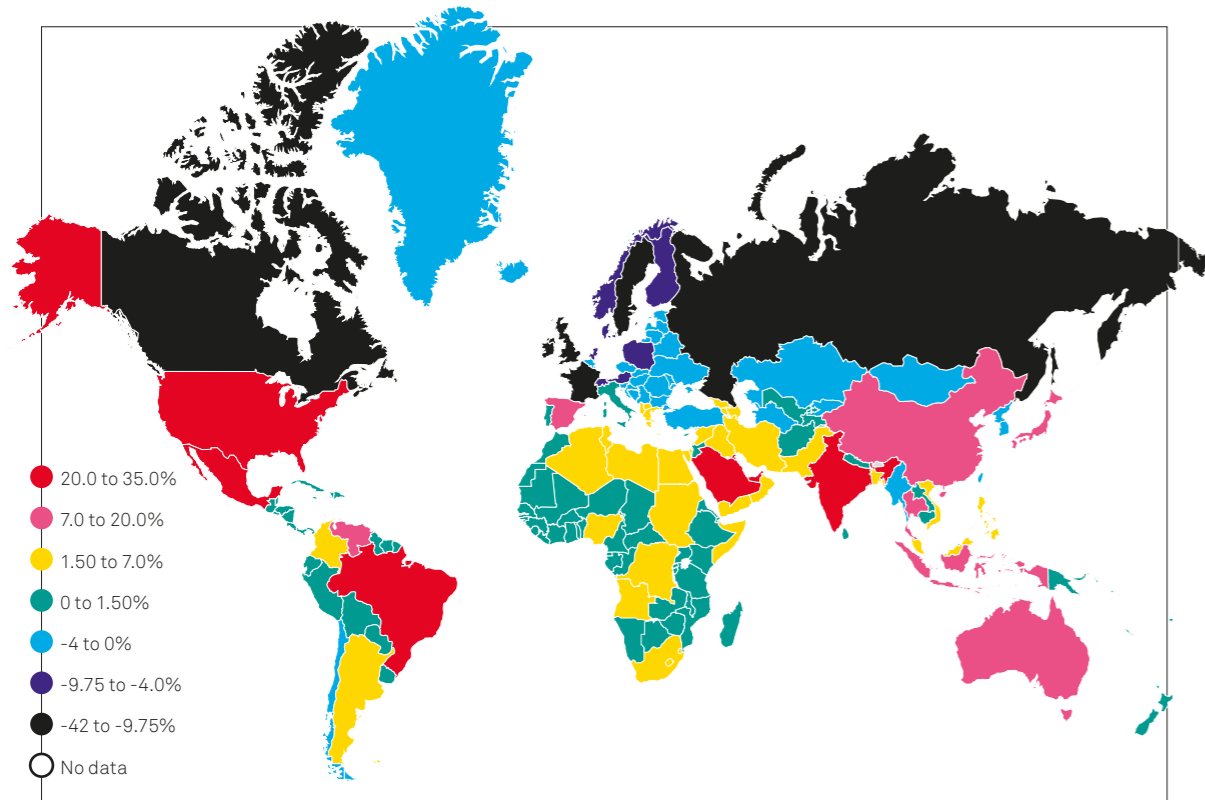
Resource depletions (Production minus consumption based resource depletions, billions of 2011 USD.)



Source: Wealth Economy Project on Natural and Social Capital, One Year Report. Bennett Institute for Public Policy, University of Cambridge.

HELPING COMPANIES REALISE POTENTIAL

Share of global emissions: Damage-based (BHM2011)
 Figure: shows the damage-based account, with results expressed as a percentage of the total global damages.



Source: Wealth Economy Project on Natural and Social Capital, One Year Report. Bennett Institute for Public Policy, University of Cambridge.

Countries most affected by climate change

A stable climate system is a central element of natural capital. It is degraded by greenhouse gas emissions. With an increasingly integrated global economy, the question becomes where along the supply chain should we account for these emissions. The dominant approach used in climate policy accounts for emissions is at the point of production. Others contend that emissions should be attributed to the final consumers.

Increasing greenhouse gas (GHG) emissions have put the world at severe risk from climate change. And as we have seen this year, extreme weather events, which are now more frequent due to climate change, can threaten physical capital.

The geographic distribution of emissions is driven by specialisation, trade, and comparative advantages. Some countries produce carbon-intensive heavy manufacturing goods, others produce lower-carbon services. But the geographic distribution of climate damages – storms, floods, and fires – is determined by the global climate system. So while production and consumption accounts can tell us that wealth is lost, they cannot tell us whose.

The Wealth Economy researchers, with colleagues at the London School of Economics, have examined who suffers the damages from climate change by constructing the first wealth-based climate change accounts.

The most striking feature is the disparity of impacts between currently colder countries of Canada, Russia, and Northern Europe and areas where severe damages are already occurring, in places such as Australia, Brazil, and India.

More importantly, relying on any single accounting perspective creates and reinforces “policy blind spots”. For instance, Brazil’s production-based emissions are only 1.3% of the global total, yet it is expected to suffer 14%-30% of the global damage from climate change. Australia accounts for just 1.3% of global CO₂ production; it is on track to experience between 12 and 24 times more damage from climate change than the world per capita average.



“Social capital lies behind the effective functioning of the police and judiciary as well as a government’s ability to levy taxes and provide public goods.”

Positive effects of social trust on productivity

Anyone shopping online places their trust in someone they do not know, whose product they cannot see. In business, trust comes as goodwill, which makes it easier for a company to raise new capital.

Social capital lies behind the effective functioning of the police and judiciary as well as a government’s ability to levy taxes and provide public goods. But how can statisticians measure it? No economy can function without social capital, but its definition is imprecise.

This year the Wealth Economy team have demonstrated that meaningful measurement of social capital is feasible and that this helps explain “hard” economic outcomes like productivity growth.

The UK’s Industrial Strategy Council has adopted their social capital indicators in its Success Metrics Project. Devising standard measures and approaches to social capital and understanding its links to productivity and prosperity are therefore essential.

Bennett Institute of Public Policy work has been used by the UK’s Industrial Strategy Council and the United Nations Statistics Division.

Their new research examining the links between climate change and sovereign risk is attracting interest and funding from a consortium of 54 central banks, working to enhance the global financial system’s resilience to climate change.



LetterOne has long been committed to the highest standards of corporate governance.

Business practices and ethics

It is part of how we do business and is fundamental to our approach. We invest for the long term and work alongside companies in our portfolios to help them to build sustainable businesses, which take account of their impact on the environment and corporate responsibility.

As part of this, over the last year we have looked at how the firms we invest in have been approaching relationships with key stakeholders, in particular employees, customers, communities, and suppliers. Below we discuss some of the key initiatives our companies are undertaking in this area.

VEON

VEON operates in emerging markets with young and growing populations, where mobile phone penetration is still on the increase and where the digital connectivity services it provides are in themselves an important driver of economic and social development. In many of the markets in which it operates, a large proportion of the population is unbanked.

VEON is developing digital financial services to address their needs. For example, its Jazz business in Pakistan had 7.3m active users of its mobile financial services at the end of 2019, and in addition to providing mobile wallet services, it has been pioneering initiatives with tax authorities to digitise tax payments and with insurers to facilitate access to health and life insurance.

VEON's Make Your Mark programme fosters local entrepreneurial ecosystems to encourage start-ups and help people create better futures for themselves and their communities. In 2019, through a network of seven tech-hubs, it supported 3,751 start-ups. In Pakistan, for example, Jazz in 2016 entered into a public-private partnership with the National ICT R&D Fund to fund the Jazz National Incubation Centre. By the end of 2019, 162 start-ups had graduated, and a further 120 were in incubation.

VEON also invests in tech-centric educational initiatives to help people who lack access to basic education, vocational training, and digital skills so that they can recognise the opportunities and make the most of the digital world. By way of illustration of the scale of the issue, it is estimated that in Pakistan almost 23m school-age children are not in any form of education. VEON's Jazz Smart School Programme launched in Pakistan in 2017, and by the end of 2019 it had benefited more than 38,000 female students aged 12 to 16

and more than 1,000 female teachers across 75 public-sector schools in the country. More broadly, in 2019, VEON provided 56,026 subsidised internet connections and supported 12,000 people in literacy programmes.

This year in October, VEON's compliance monitorship came to an end, with the company having clearly demonstrated that it has addressed the issues identified by the Department of Justice. Today its sustainability reporting is extremely comprehensive, and the company is now ranked 32nd out of 480 in the Dutch Transparency Benchmark (Transparantiebenchmark), up from 449th in 2011. In 2020, it published an Integrated Report, which will further enhance transparency, combining its financial and sustainability reporting in a single document.

Wintershall Dea

As an oil and gas producer, Wintershall Dea's operations have a profound impact on the environments and communities in which it operates. The company is proactive in its approach to operating in a socially responsible manner and has a "zero harm" policy. It has multiple initiatives across geographies to ensure employees and contractors are kept safe, including safety talks, training courses, awareness workshops, and other forms of engagement. Similarly, the company has implemented a revised set of Life-Saving Rules developed by IOGP in a joint-industry initiative.

Wintershall Dea has also taken steps to ensure its operations respect the ecosystems and climates where it operates. Technology forms the backbone of these initiatives, and having committed to the World Bank's "Zero Routine Flaring by 2030" initiative, it now uses the associated gas for generating power, heat, and steam.

The company has set its own reduction targets and continues to further reduce emissions through portfolio management, emissions management, technology development, and offsetting. It is committed to comprehensive reporting and its future participation in the Carbon Disclosure Project (CDP), and as supporter of the Task Force on Climate-related Financial Disclosures recommendations to implement it over time. Wintershall Dea is consolidating the relevant data from the recently merged company and carried out a materiality analysis in 2019. Its goal is to establish comprehensive sustainability reporting according to the Global Reporting Initiative (GRI) standards for the reporting year 2020.

While oil production and nature conservation are usually mutually exclusive practices, Wintershall Dea has demonstrated with its Mittelplate platform in the North Sea that oil production and high-level nature conservation can go hand-in-hand. Operated in the World Natural Heritage Site, Wadden Sea, the platform has been in operation for the past 32 years and exemplifies many "best practice" solutions for safe oil production.

Wintershall Dea is also proactive in community engagement with a focus on being a good neighbour and providing long-term strategic support for sustainable development. Its efforts are tailored to the individual geographies where it operates and encompass education, science, culture, and social issues, which it supports through donations and sponsorship as well as resources and information sessions.

The executive board is fully committed to the sustainability agenda, and the company plans to create a stakeholder advisory panel to help ensure that its approach remains leading edge.

Holland & Barrett

Over the last few years, there has been a shift in high-street retailers' approach to sustainability. Holland & Barrett has been ahead of this curve. Its position at the forefront of the sustainable retail transition has seen it produce plans to reduce emissions and its use of plastics and waste, and it first launched their "Plan-it-Green" strategy on these issues in 2007.

In 2019, it became the first major retailer to ban wet wipes, recognising the damage they cause to water systems and the environment. It was previously the first retailer to abandon plastic bags in store, six years before a levy was introduced by the Government. The business has also invested in processes to significantly reduce waste, including enabling its Burton manufacturing site to obtain zero landfill status, six years before the government levy was introduced.

In 2020, Holland & Barrett will be working to reduce its carbon footprint as part of Britain's journey to Net Zero by 2050. It is developing a new lower carbon, sustainable store format and is rolling out LED lighting across the store estate. It has also improved carbon emissions across its vehicle fleet.

Holland & Barrett encourages all of its colleagues to act and behave responsibly in regard to sustainability. To support this, Holland & Barrett will enable a range of interventions designed to promote awareness around both personal and corporate responsibility.

The business is deeply committed to charity and community partnerships. During the COVID-19 crisis, Holland & Barrett donated thousands of products to local food banks and the NHS. It also partnered with Pennies, the micro-donations charity, to help drive fundraising through donations in store and online for NHS Charities Together. Holland & Barrett also offered a discount to NHS key workers to help them stay healthy and well. Profits from the sale of paper bags are donated to Rainbows Children's Hospice. Holland & Barrett's Healthy Hope foundation supports colleagues' local fundraising efforts with a focus on health and wellbeing; education relating to health, wellbeing, and the environment; and the protection and improvement of the environment.

The business is committed to diversity and inclusion with new colleague training modules introduced on gender and equality issues. Holland & Barrett has also trained Mental Health First Aiders across its stores, DC, and head office, and developed an ongoing programme of communications and support to colleagues.

Holland & Barrett continually reviews and updates its practices. As a responsible business, Holland & Barrett has reviewed all its supplier payment practices, particularly for small suppliers, to ensure that it is compliant with best practice.



Taking initiative

Many stakeholders ask “How did your shareholders start in business and what is the source of their wealth?”, so we set out to find out.

From the early 1990s, our shareholders prepared audited financial statements under international accounting standards for their group of businesses. LetterOne asked Ernst & Young UK LLP (“EY”) to undertake an independent, fact-based analysis of the period from 1995 to 2017 to ascertain the value generated within the group.

EY’s analysis used changes in equity within the audited financial statements as a representation of value generated. The EY analysis prepared for LetterOne identified that the net movement in equity over the review period after tax, dividends, foreign exchange differences, and other accounting adjustments that were attributable to the group, was \$39,830m¹.

This value was generated through a series of commercial transactions over three decades and often involved building businesses from the ground up.

¹ The Analysis was provided under the instruction of and for the sole use of LetterOne. EY and LetterOne shall have no responsibility whatsoever to any third party in respect of the contents of the Analysis. The Analysis may not have considered all issues relevant to any third parties; any use such third parties may choose to make of the Analysis is entirely at their own risk and neither EY or LetterOne shall have no responsibility in relation to any such use.

See side bar story on p37 on **Why were the founders so successful?**

Founders focused on sector specialism

Over the past quarter of a century, it has been possible to build successful, profitable businesses in Russia providing services and products to the middle class, in sectors without close links to the State, and while keeping out of politics. As the market economy grew, the founders invested and built businesses in the following sectors.

Equity movements of key assets in the review period

	\$m
TNK – BP	25,584
Alfa Bank and other financial services	11,031
X5 Retail Group	6,712
MegaFon	5,751
VEON	2,911
CTC Media	1,120
Turkcell	57
Wintershall Dea	123
Holland & Barrett	(118)
Total attributable to key assets	53,171
Dividends	(8,533)
Tax, translation reserves, FX, accounting adjustments	(7,687)
Other profits and equity movements	2,880
Total movement in equity in the review period	39,830

Financial services for growing middle class

Alfa Bank was established in 1990 to take retail deposits and provide liquidity for the group’s trading businesses. In 1998, it combined operations with Alfa Capital, consolidating the group’s retail and investment banking services. Alfa Bank’s organic growth was driven by a professional and conservative approach that drew upon Western banking principles. It also grew through the acquisition of subsidiary banks, expanding from Russia to Kazakhstan, Ukraine, Belarus, the Netherlands, and other territories.

Alfa Insurance (Alfa Strakhovanie) was formed from the incorporation of an insurance association, Alfa Garanty Limited, Alfa Bank’s interest in Ostra Kiev Insurance Company, and the acquisition of OJSC East-West Insurance Agency in 2001. Alfa Strakhovanie has grown to become a market leading insurance provider, with over 29 million private customers and long-term relationships with the world’s leading reinsurance companies and insurance brokers.

The group invested in private equity, credit, and hedge funds managed independently by Pamplona Capital Management. The group’s investments in these Pamplona funds were contributed to LetterOne in 2013.

EY analysis of the group’s financial statements identified \$11,031m of equity movements attributable to financial services assets.

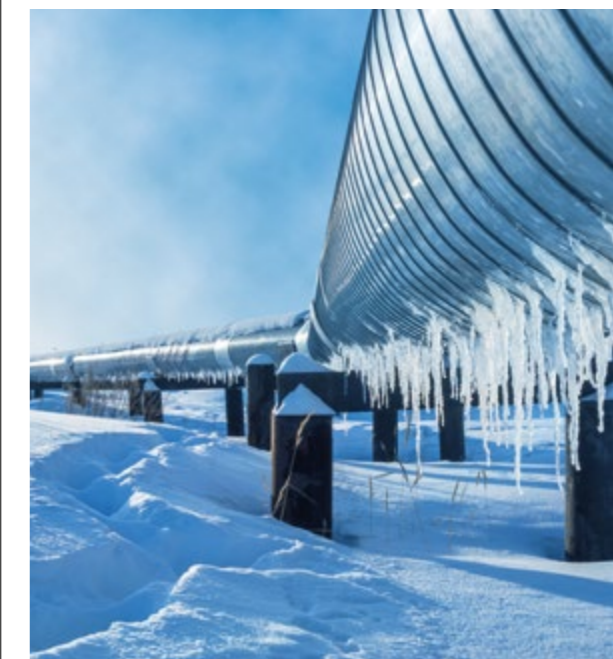


Oil and gas trading & then production

Prior to its initial investment in OJSC Tyumen Oil Company (“TNK”) in 1997, the group had been active in trading oil and oil products as part of a diverse portfolio of commodities and other goods that they imported and exported. As the market for exporting oil became more competitive, the group took the strategic decision to enter the upstream oil and gas industry.

In 1997, with oil trading at under \$20 bbl, the group paid \$160m in cash to acquire a 20% stake in TNK under a Russian Federation Government privatisation tender. The group, together with its joint venture partner Access-Renova, continued to invest and expand in the sector, most significantly through its merger with BP assets in 2003, which created TNK-BP. When TNK-BP was eventually sold in 2013, oil was trading in excess of \$100 bbl, and the group’s share of the cash proceeds was \$13,846m.

EY analysis of the group’s financial statements identified \$25,584m of equity movements between 1997 and 2013 attributable to TNK and later TNK-BP.



Developing private telecoms services



VimpelCom, MegaFon, and Turkcell

The group began investing in telecoms companies in 2001 with the stated objective of securing a regional presence in emerging markets, rapidly expanding from an initial investment in Golden Telecom, Inc., a Russian dial-up internet service provider, to interests in telecoms networks throughout the CIS.

In 2001, the group acquired an interest in Golden Telecom and the NYSE-listed VimpelCom Group, one of Russia's largest mobile network operators. In 2002, the group acquired shares in a large Ukrainian mobile network operator, Kyivstar. By 2009, these assets had been consolidated under a new holding company, VimpelCom Limited, with the aim of creating the first fully integrated telecoms provider in Russia and the CIS. VimpelCom Limited continued to expand, most notably via a combination with Wind Telecom in October 2010. The group's shareholding in VimpelCom Limited was transferred to LetterOne in 2013, and VimpelCom Limited was later renamed VEON.

In August 2003, the group acquired an indirect interest in MegaFon for \$295m by purchasing CT Mobile, which held 25.1% of MegaFon's shares. MegaFon was one of the largest telecoms operators in Russia, and the group was aware of the potential for prolonged litigation and arbitration regarding title to the shares. In April 2012, following years of disputes among MegaFon's shareholders, the group sold its interest in MegaFon to Alisher Usmanov, another MegaFon shareholder, for \$5,265m.

The group acquired a 13.22% indirect interest in Turkcell, a leading mobile network operator in Turkey and neighbouring States, in June 2005 from the Cukurova Group. The stake represented a 49% share of Cukurova's 26.98% interest in Turkcell. The group also provided certain loans to Cukurova at the time.

EY analysis of the group's financial statements identified \$2,911m of equity movements attributable to the assets that now form the group's investment in VEON, \$5,751m of equity movements between 2003 and 2012 attributable to MegaFon, and \$57m of equity movements attributable to the group's investments in Turkcell.

Investing in drama, arts and entertainment

Drama, arts, entertainment TV channel

In 1999, Alfa Group acquired a 25% shareholding and a 25% interest in certain debts of CJSC Network of Television Stations from Story First Communications, Inc. The shareholders deliberately insisted the Network should show only entertainment – no news or current affairs programming. The company was renamed CTC media and was listed on the Nasdaq in 2006. Eventually, the Russian State showed an interest in taking ownership, and the shareholders decided to sell their shares.

EY analysis of the group's financial statements identified \$1,120m of equity movements between 1999 and 2011 attributable to CTC media and its predecessor entities.



Providing western food retailing for consumers

In 1994, the group established Perekrestok with the aim of developing a chain of grocery supermarkets in the Russian Federation. Perekrestok grew from one supermarket in the autumn of 1995 to 120 stores by the end of 2005. In 2006, Perekrestok merged with LSE-listed Pyaterochka Holdings, leading to the formation of the X5 Retail Group. From its formation in 2006, X5 grew both organically and through acquisitions, increasing its number of stores to 12,121 by 2017.

EY analysis of the group's financial statements identified \$6,712m of equity movements attributable to Perekrestok and X5 Retail Group.

12,121

Number of stores in X5 in 2017



Why were the founders so successful?

Looking back over the period, there are four key themes of value creation.

Right place, right time

The fall of the Soviet Union created a number of opportunities. The introduction of capitalism was not straightforward, and there were opportunities within this imperfect system. The founders of the group were present at that time, having just graduated from university.

Entrepreneurial spirit and looking to the West

The story of value generation is not dissimilar to many successful entrepreneurs, starting out as university graduates with new business ideas. They had a keen interest in Russia's evolving capitalism and looked to the West for examples of how to operate in order to take advantage of the opportunities that were available to all.

Focus on value arbitrage

Our shareholders grasped the opportunity to buy assets at a lower price than they could be sold for later – either in a different market or in a different form. They had what could be described as a classic “trader” mentality as demonstrated in their original trading business and later larger investments.

Not afraid of a fight

Achieving value arbitrage is not always easy. During the move to capitalism in Russia, assets were transferred from the State into private ownership, and sometimes the ownership structure of those assets was unclear or open to legal challenge. As the group grew and market forces reduced more straightforward arbitrage opportunities, their ability to exploit circumstances within large, complex, and often unclear ownership structures also grew. This often required expensive and long-running litigation.

L1 sponsors Royal Academy of Music Bicentenary Prize

LetterOne sponsors inaugural Royal Academy of Music Bicentenary Prize

Harpist Esther Beyer became the first winner of the inaugural Royal Academy of Music Bicentenary Prize, held at Wigmore Hall on 2 February. Sponsored by LetterOne, the prize saw six students compete, including Elise van der Wel (Violin), Samantha Quillish (Soprano), Qianyu Zhang (Accordion), Esther Beyer (Harp), Amy Holyland (Mezzo-soprano), and Ariel Lanyi (Piano).

Head judge and Academy alumna Dame Felicity Lott announced Esther as the winner, along with commendations for Elise and Amy. Dame Felicity was joined on the judging panel by violinist Levon

Chilingirian and Chief Conductor of the Bournemouth Symphony Orchestra, Kirill Karabits. Esther is in her final year of undergraduate studies at the Academy, studying with Karen Vaughan.

The Academy's principal, Jonathan Freeman-Attwood, said, "Esther is a prodigiously talented musician, who has a great career ahead of her. I'd like to offer warm congratulations to her, and the other five finalists, on behalf of the Academy."



LetterOne sponsors UK national mathematics championship

Over 1,100 schools from across the UK entered the regional competitions, run by the UK Mathematics Trust (UKMT) and the Advanced Mathematics Support Programme (AMSP). The best 88 teams qualified to take part in the fiendishly testing national final, UK's Senior Team Maths Challenge in London on 4 February, of which LetterOne is the sponsor.

The teams fought for the kudos of being crowned the best school maths team in the UK, and it was Westminster School that eventually won the main event. Separately, teams went head-to-head in a poster competition exploring the mathematical subject of "Structure and Symmetry in Chemistry" where it was Bancroft's School's turn to come out on top. Congratulations to all the members of the winning teams on this truly remarkable and impressive achievement.

Bobby Seagull, one of the country's most famous maths advocates, who is easily recognisable from his regular appearances on the BBC, was there in person to do a short speech, award the prizes, and take photos with students and teachers, who were thrilled to see him. The sheer depth of talent on show was staggering, and LetterOne is proud to sponsor UKMT, helping events like this to take place.

The 88 teams came from every corner of the UK, and the event is such a great way to engage students in the subject of maths, encouraging the next generation of mathematicians.

Supporting talent at a young age is important because, as an investment business, maths and numerical literacy are amongst the most important core skills that our employees must develop at school.

It is competitions like the Senior Team Maths Challenge that make maths exciting and ensure that there will be a next wave of talent for investment roles in the future.



LetterOne "RISING STARS" Jazz Award

This year, the LetterOne "RISING STARS" Jazz Awards were held in London. The Danish pianist and composer Kathrine Windfeld won the European prize, and the Bahamian trumpeter Giveton Gelin was awarded the North American award. The legendary Jools Holland hosted the event, which included performances from China Moses and Sarah McKenzie and a surprise performance by Jamie Cullum.

Kathrine is considered to be one of the most exciting new Scandinavian jazz composers. She studied music for big band and choir/ensemble at the Department of Musicology in Copenhagen and later at the Malmö Academy of Music. In 2014, she founded the Kathrine Windfeld Big Band and released the album "Aircraft", which was awarded a Danish Jazz Grammy.

As winner of the LetterOne "RISING STARS" Jazz Award, Kathrine will embark on a tour along seven major jazz festivals in Europe. In addition, she will receive a full year of PR and marketing support.

The Nassau-born trumpeter Giveton taught himself to play the trumpet from the early age of 10, by emulating his favourite records. After years of self-tutelage, the bass player Adrian D'Aguilar began to mentor him. He later studied with Dr. Eddie Henderson at the Oberlin Conservatory and received recognition at the Young Arts Foundation and Betty Carter Jazz Ahead Program. Giveton is now studying jazz at the Juilliard School in New York.

As winner of the LetterOne "RISING STARS" Jazz Award, Giveton will embark on a tour along ten major jazz festivals in North America.


The Chairman of the 2019/20 jury was legendary ten-time Grammy Award winning artist George Benson. Accompanying him on jury duty were Arts Editor at the Guardian Imogen Tilden, radio host Alex Dutilh, and Mikhail Fridman. Previous jury members included Grammy Award-winning vocalist Dee Dee Bridgewater, UK jazz superstar Jamie Cullum, and former festival director André Menard.

The US competition was also tough with over 350 musicians applying.

The jury said: "Once again we were presented with an interesting mix of talented musicians – it's fascinating to see how the level seems to rise every year! Nevertheless, it almost instantly became clear that Giveton Gelin is the North American "Rising Star". His tone, phrasing, and general way of playing remind us of many greats before him. This, combined with his determination to make it from the fringes of jazz into the very heart of Jazz, New York, convinced us that he has a bright future ahead!"

"It was a tough call, almost impossible to choose just one winner out of 25 extremely talented finalists! Kathrine shows great potential; her innovative approach combined with an attractive blend of musical styles makes her one to watch out for!"

George Benson
Chairman of the jury



**What progress
is L1 making
building world-
class businesses?**

Realising energy potential

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



Creating Europe's largest independent oil and gas company

In May 2019, L1 Energy and BASF completed the merger of their oil and gas businesses to create Wintershall Dea. All necessary regulatory approvals were received from nine countries, including Germany, Norway, the United Kingdom, and Russia.

This merger, the largest in the oil and gas sector for a decade, created a new oil and gas company – Wintershall Dea – which is the world's largest privately held energy company.

L1 Energy now holds 33% of Wintershall Dea. The company's Supervisory Board is chaired on a rotating basis, with Lord Browne due to take the chairmanship on behalf of L1 Energy in August 2020.

Wintershall Dea has activity spanning 13 countries across Northern Europe, Russia, Middle East/North Africa, and Latin America. In addition to operating a number of key assets, the group is a partner in a number of long-term joint venture arrangements with the world's leading oil and gas companies.

Wintershall Dea has a significant number of development projects that are due to come on-stream in 2020 and 2021, including six major development projects in Norway and one in Russia.

“In 2019, we completed a merger to create Wintershall Dea, the largest independent E&P company in Europe.”

Lord Browne of Madingley

Executive Chairman L1 Energy

Wintershall Dea strategy

Wintershall Dea's strategy is to strengthen its position as a European gas and oil company by delivering safe and profitable growth, a sustainable return to shareholders, and playing an active role in the energy transition.

Wintershall Dea continues to seek opportunities to further reduce its emissions. With 70% gas in its portfolio and a low equity greenhouse gas intensity of around 11 kg CO₂e/boe compared to IOGP average (2018: ~ 21 kg CO₂e/boe), Wintershall Dea is well positioned for the future.

Competitive shareholder returns in volatile low oil price environment

Wintershall Dea expects continued high volatility in commodity prices as a result of the interplay between rising energy demand, the standoff between Saudi Arabia and Russia over OPEC oil production quotas, economic volatility post COVID-19, and the impact of this on continued growth of low-cost oil and gas production from unconventional sources.

Wintershall Dea's competitive position is underpinned by its efficiency, scale, strong operating capabilities, and competitive operating costs. As a result of the merger, Wintershall Dea is better equipped to upgrade its portfolio through strategic optimisation measures and to further reduce its already low production costs, which averaged \$4.3 per boe in 2019.

By 2022, Wintershall Dea aims to achieve cash synergies of around €200m per year before tax, which will be derived from operating synergies, capital expenditure, and production-related synergies. It expects to realise cost savings through a combination of procurement as well as exploration research and development functions. The company also intends to optimise cash flow and capital expenditure by actively managing its combined operating portfolio in addition to prioritising the most profitable assets and most probable discoveries.

Value capture impact will be derived evenly from the following categories:

- Operating costs: savings in overlapping German and Norwegian operations, significant reduction of FTEs, reduction of other general and administration costs;
- Production/investments: optimised procurement contracts and commercial activities, accelerated production across several business units, drilling optimisations in countries with overlapping activities;
- At the end of 2019, more than €100m had already been captured, mainly through production initiatives in Mexico, Egypt, and Norway, procurement CAPEX savings as well as the first organisational reductions.

Wintershall Dea operational and financial performance

Wintershall Dea's production in the calendar year 2019 was 642 mboe/d, or 617 mboe/d excluding 25 mboe/d of Libyan onshore production, of which gas was 445 mboe/d (72%) and liquids 172 mboe/d. This represents an increase of 9% compared to 2018 on a like-for-like basis.

EBITDAX was impacted by the weaker commodity price environment, with Brent down 10% to \$64 per bbl and European gas down 44%, respectively, year-on-year. For the full calendar year 2019, EBITDAX amounted to €2,828m (2018: €3,591m). The business generated €88m of free cash flow in 2019.

As at 31 December 2019, Wintershall Dea held 2P reserves of 3,826m barrels of oil equivalent, an increase of 3% compared to 2018 on a like-for-like basis.

Committed to reducing its emissions

Wintershall Dea systematically monitors its energy consumption and strives to increase the energy efficiency of its machinery and facilities. It aims to reduce energy consumption in its operations and associated emissions while delivering low-cost energy. Energy consumption and emissions performance are a key element for new projects.

Its future climate approach is based on portfolio optimisation, energy efficiency, and the use of innovative technologies and is complemented by offsetting.

Wintershall Dea has already eliminated routine flaring at operated assets and uses the associated gas for generating power, heat, and steam. It has voluntarily committed itself to the World Bank's "Zero Routine Flaring by 2030" initiative. In addition, it is exploring technologies to prevent flaring in non-routine operations.

2019 Highlights

Following completion of the merger, Wintershall Dea successfully issued four bonds in public markets, raising €4bn at an average interest rate of just over 1%. This represented the largest ever debut offering and the longest euro-denominated tranche for a company without any prior access to capital markets.

Other highlights include:

Norway – progress on major operated projects, with completion of subsea template in Dvalin and Nova pipelines and umbilicals, as well as the sale of the Nyhamna terminal and Polarled pipeline.

Argentina – farm down of 45% share in the Aguada Federal and 50% in Bandurria Norte unconventional oil blocks to ConocoPhillips.

Brazil – successful exploration bid round with award of two offshore blocks.

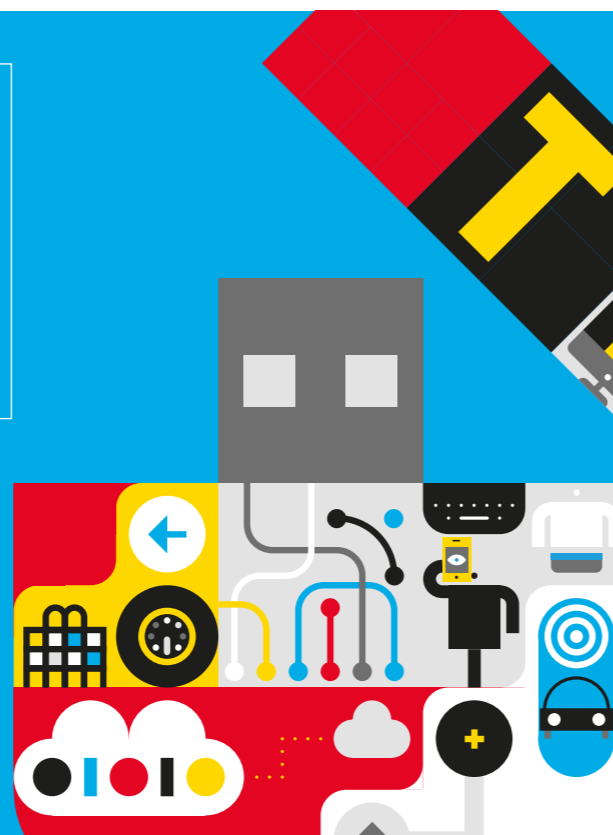
Germany – closed the sale of the company's underground storage facility in Blexen and completed the sale of interests in certain non-operated oil and gas assets in Emsland and Graftschaft Bentheim.

Libya – signed two Exploration and Production Sharing Agreements (EPSAs), relating to the Libyan onshore business.

Find out more at: www.letterone.com/our-businesses/l1-Energy/

Creating opportunities for change

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



VEON makes steady progress in seven-year transformation

In 2019, VEON made good progress with successful restructuring of its non-CIS subsidiaries holding structure and massive HQ simplification. 2019 financial targets were met or exceeded despite challenges in the Russian business.

VEON's total FY 2019 revenue increased 3.4% organically, fulfilling the target of low single-digit organic growth. EBITDA increased organically by 9.6%, exceeding the target of low to mid-single digit organic growth, driven by strong operational performance in Ukraine, Pakistan, Kazakhstan, and Bangladesh; by a 23% reduction in corporate costs from \$359m in FY 2018 to \$277m in FY 2019; and approximately \$200m run-rate as of YE 2019. FY 2019 equity free cash flow, excluding licences, of \$1bn was in line with target.

Since Q2 FY 2019, VEON's business in Russia has been experiencing significant challenges, and as a result Beeline revenue for the year dropped 0.6% and EBITDA grew only 0.3%. Reversing the negative trend of the recent quarters remains VEON's key priority in the year ahead. L1 Technology believes that the actions being taken in late 2019 and 2020 to strengthen Beeline's management team, formulate new strategy, improve the quality of its networks, optimise its distribution footprint, and reconfigure customer offers will yield results towards the latter part of 2021.

In 2019, VEON continued to digitalize its business by making considerable investment in IT infrastructure. This has involved installing the very latest Digital Business Support Systems, which are critical for customer experience in Bangladesh, Kyrgyzstan, Pakistan, and Ukraine, and increasing network investment in all of its countries. VEON also continued to rigorously simplify HQ organisation, cutting down personnel from roughly 900 in FY 2018 to 200 by YE 2019.

In line with its strategy to optimise the group portfolio, in 2019 VEON successfully completed the take private of Egypt-listed GTH, a holding company that owns VEON's non-CIS subsidiaries. As part of the transaction, VEON acquired 42% of GTH shares it did not own for \$590m from minorities via a public mandatory cash tender offer ("MTO"). Since MTO completion, VEON has been streamlining ownership of GTH's operating companies by transferring it from Egypt to the Netherlands.

In line with its strategy, VEON further strengthened its management team and corporate governance with the appointment of Sergi Herrero and Kaan Terzioğlu as co-Chief Executive Officers. Kaan and Sergi will jointly drive performance of the group with complementary focus areas. Kaan will lead on VEON's core telecommunication services and oversee operations in Russia, Kazakhstan, Uzbekistan, Kyrgyzstan, and Georgia. Sergi will lead on building new ventures, digital products, partnerships, and oversee operations in Pakistan, Ukraine, Algeria, Bangladesh, and Armenia.



In consumer digital, VEON has made good progress in increasing penetration of its self-care apps (in Russia, 20% of subscribers use MyBeeline at least once a month), which is important for overall digitalisation of VEON business, growing content TV business with 2.2m monthly users in Russia and digital financial services mainly in Pakistan with 7.3m of monthly ewallets.

The end of monitorship in Q4 2019 in connection with the conclusion of the 2016 Deferred Prosecution Agreement was a major milestone for VEON and is testament to high standards of ethics and compliance.

"VEON made good progress with successful restructuring of its non-CIS subsidiaries holding structure and massive HQ simplification. 2019 financial targets were met or exceeded despite challenges in the Russian business."

Alexander Pertsovsky
Managing Partner L1 Technology

VEON's Board of Directors approved a final dividend of \$0.15 per share, bringing total 2019 dividends to \$0.28 per share, which represents 70% of equity free cash flow after licences, in line with the group's dividend policy.

VEON outlook

Looking to 2020, VEON has not been immune to the economic impact of COVID-19. Operationally, this has resulted in divergent trends across its business, with greater demand for broadband and digital services offset by an inevitable decline in roaming revenues. Given the impact and duration of this pandemic remain uncertain, VEON believes it is no longer prudent to give financial guidance for 2020.

L1 Technology continues to see opportunity for VEON to capture long-term growth potential of its early stage data and digital markets, where the population is set to grow by 10% over the next decade and there is only 34% average digital services penetration.

Turkcell makes good progress

This year, Turkcell continued to make good progress with its digital strategy. In 2019, revenue increased 18.1% and EBITDA increased 18.6% year-on-year (all in line with guidance), driven by disciplined inflationary pricing, increasing share of post-paid customers with 3x ARPU vs. pre-paid, and upsell of larger data bundles and digital services.

Turkcell's leading NPS position in the marketplace allowed it to grow 2pp faster than its closest competitor and increase its mobile revenue market share by 1pp in 2019 from 45.2% to 46.2%.

18.1%

Turkcell increased revenue in 2019

46.2%

Mobile revenue market share in 2019

In early 2019, Turkcell sold its 45% stake in Fintur for €353m, a joint venture holding company that used to own mobile operators in Kazakhstan, Azerbaijan, Georgia, and Moldova. In addition, Turkcell generated ~TRY 4.1bn of EqFCF (\$0.7bn) that allowed it to decrease leverage by 0.4x to 1.0x Net debt/EBITDA post \$0.2bn of dividends.

Turkcell has announced that it is expecting to grow its high-value customer base by 1m p.a. in the next 3 years, increase consumer digital revenue by 2.5x from TRY 1bn to 2.5bn and share of online sales from 4% to 12% as well as number of active users of fintech solutions from 4m to 17m.

Find out more at: www.letterone.com/our-businesses/l1-Technology/

L1 Technology investments

L1 Technology continues to actively look for investments in the broader technology space in the EMEA region with a particular focus on the following areas: 1) Software, 2) Digital Platforms, 3) Tech Enabled Services, and 4) Data & Information Platforms. L1 Technology has a flexible holding period and typically looks to deploy at least \$100m as a majority or large minority shareholder in profitable businesses.

Qvintel, a provider of BSS (business support system) solutions for telecoms, continues to be focused on developing its next-generation BSS product and executing a number of large customer deliveries. 2019 was a significant year for the company, marked by multiple successful customer deliveries, surpassing €100m revenue, and achieving meaningful profitability.

Changing markets & concepts

Retail markets and concepts continue to change at an unprecedented speed, stimulated and challenged by consumer trends, technological disruption, and the increased relevance of sustainability to retail strategies.

Successful retailers are resorting to disaggregating the distinct elements of their traditional customer offerings, with a clear understanding of which elements and in what combination – store locations, internal and external digital capabilities, e-commerce and supply chain, the development of unique brands product combinations and services, the active management of customer data, the creation of technology platforms – will drive maximum customer loyalty and lifetime value. Such an approach supports retailers in creating tailor-made, eco-systems-like operating models based on the retailers' inherent strengths.

Holland & Barrett

In 2019, Holland & Barrett continued to develop within a growing health and wellness market and maintained its position as Europe's largest health and wellness retail chain with over 1,000 stores across the UK, Ireland, the Netherlands, and Belgium. The business achieved its 42nd consecutive quarter of like-for-like growth, ahead of the overall retail market, despite the challenges impacting the overall retail environment and the uncertainty of Brexit in its core UK market. Holland & Barrett has a strong and profitable store network and sees opportunity for further growth.

Short-term profitability this year has been impacted by investment in the business, in particular in technology, stores, and in the team. These investments added some short-term costs, but Holland & Barrett fully expects to reduce its costs in the coming year and drive stronger returns from investments. The new financial year started well, and Holland & Barrett has ample liquidity and resources at its disposal to continue to invest and drive the business forward.

Holland & Barrett is well positioned in the structural growth health and wellness markets and experienced strong growth in its core vitamins, herbals, minerals, and supplements categories and in online sales. The business has a long history of ethical and sustainable consciousness in sourcing, packaging, and in clean ingredients, which continue to be important to customers. 2019 saw the introduction of a number of new product categories in clean beauty, broadening the appeal of Holland & Barrett to new customers.

The focus of L1 Retail and management is on three core strategic priorities:

- 1 **Building talent capabilities to drive business model transformation.** 2019 saw the significant strengthening of the Holland & Barrett board and the recruitment of a new senior management team with experience in retail and digital transformation.

- 2 **Investment in developing own technology capabilities.** As a long-term investor, L1 Retail believes that flexible technology will become an ever more important competitive differentiation in the rapidly-evolving health and wellness market. In 2019, Holland & Barrett embarked on an ambitious technology transformation programme to replace existing legacy solutions with technology applications that are developed internally by Holland & Barrett. Over time, the investment in a technology "build" capability will deliver significant operating efficiencies and allow for a much more flexible business model, with an ambition to place Holland & Barrett as a platform for a growing eco-system of health and wellness advocates, products, and services offerings.

- 3 **Transforming Holland & Barrett's customer proposition.** In the short term, there is clear focus on fixing the basics within the business – driving a more extensive, attractive, and innovative product range; accelerating digital growth with greater connectivity of online and store experience; investment in store experience through colleague training and refreshing store formats; and undertaking a comprehensive plan for driving operating efficiencies across the organisation. Over the longer term, Holland & Barrett is investing to develop new service offerings that will enable customers to lead healthier and longer lives through better understanding their individual health and wellness needs.

Holland & Barrett was categorised as an essential retailer during the COVID-19 crisis and has played an important role in providing customers and local communities with access to advice and products, in stores and online, to support immunity and provide food staples. While the lockdown did reduce footfall on the high street, this was offset by higher demand for online sales. Health and wellness, including immunity, can be expected to play an even more important role in the future.

DIA

In October 2018, it became clear that DIA was undergoing serious financial difficulties. In February 2019, L1 Retail, which owned 29% of the company at the time, announced a voluntary tender offer and comprehensive rescue plan to secure the future of DIA. L1 Retail believed that under the right leadership and governance, DIA could deliver a transformation and re-establish its position in the Spanish retail market to the benefit of the Spanish consumer.

The L1 Retail rescue plan consisted of three integrated components. First, a voluntary tender offer ("VTO") for the acquisition of all the shares in DIA that it did not already own at a price of €0.67 per share, a significant premium of 56.1% to the closing price on 4 February 2019. Second, a commitment to support a capital increase of up to €500m to achieve a viable long-term capital structure, which was conditional upon the completion of the VTO and reaching a satisfactory agreement with DIA's lending banks. Third, a comprehensive transformation plan, led and overseen by L1 Retail, which was and is expected to deliver a turnaround of the business over a 3-5 year period.

On 17 May 2019, the National Securities Market Commission (the "CNMV") officially announced that the offer had been accepted by a number of shares representing 40.76% of the share capital of DIA, which, together with those shares held by LetterOne before the offer, made L1 Retail a holder of 69.76% of the share capital of DIA.

In November 2019, DIA completed its capital increase by capturing €605m in the market and resulting in an increase in L1 Retail's ownership from 69.8% to 74.8%. The successful capital increase reflected the financial markets' endorsement of DIA and the L1 Retail-led turnaround plans, underlining stakeholders' confidence in DIA's future.

Since L1 became the company's reference shareholder in May 2019, DIA has focused on three key initial strategic priorities:

- 1 Building capabilities to drive the transformation, including the attraction of world-class retail and management talent, the promotion of promising internal talent, and a clearly defined operational model with empowered teams leading each of DIA's four geographies along with core central capabilities;
- 2 Rebuilding DIA's reputation through clear values-oriented leadership, including a fundamental change of culture, the recruitment of a strong, independent board, transparent engagement with the communities where DIA operates, and the rebuilding of relations with the company's franchisees;
- 3 Transforming DIA's customer value proposition to regain relevancy in all markets, including a rebuilt assortment with key elements of fresh and private label, the implementation of a value for money pricing strategy, active management of stores and formats, a new and improved long-term franchise model as well as a new operational excellence programme.

Throughout 2019, DIA operated in a highly disrupted and volatile business, financial, and corporate environment, which took a substantial toll and affected the operating performance. DIA's net sales decreased by 9.3% to €6.87bn down 2.2% in local currency. Like-for-like sales decreased 7.6%, driven by a -0.7% in the number of tickets and a 7.0% decline in the average basket, showing the strong resilience of its customer base.

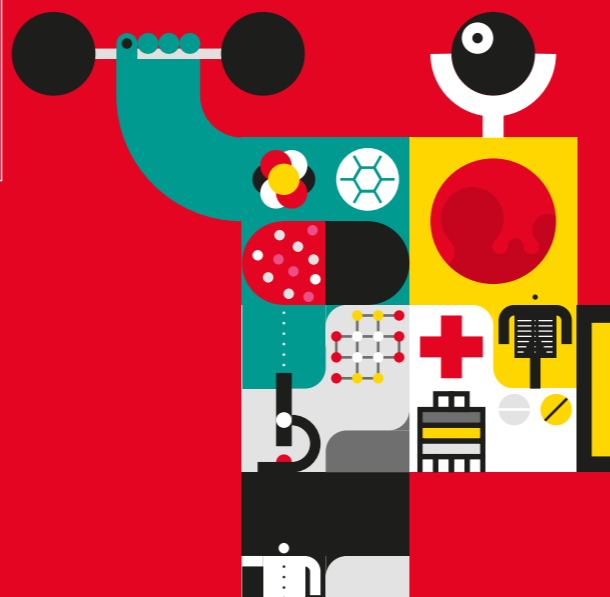
In the first quarter of 2020 – despite the impact of COVID-19 – DIA delivered stable top line performance, with like-for-like improvement continuing into the first months of Q2, showing early positive results of its business transformation plan. This performance was supported by continued cost discipline and underpinned by a strengthened financial structure with positive cash flow, lower net debt with an enhanced maturity profile, and improved working capital.

Going forward, DIA is focused on building a modern proximity offer, an attractive value proposition, freshness, operational excellence, a win-win franchise model, and an outstanding own brand offer.

Find out more at: www.letterone.com/our-businesses/l1-Retail/

Focused on growth opportunities

L1 Health partners with entrepreneurs and industry executives to invest in long-term, global trends that transform healthcare.



Patient capital with operator mindset

With over \$3bn in evergreen capital at its disposal, L1 Health has the ability to underwrite hold periods longer than a typical private equity fund. This allows us to focus on platforms that take time to build and to invest throughout economic cycles.

Consistent with LetterOne's entrepreneurial heritage, L1 Health approaches investments with an operator mindset. We understand the time and investment required to build industry-leading and transformative platforms. We also appreciate that rigorous operational focus is required to develop market momentum.

In addition, we have the flexibility to tailor our approach to each opportunity – from majority control positions to initial minority stakes, from private transactions to investments in public equities and structured products, from equity-heavy to leveraged situations, and from start-up companies to industry leaders. Without a fixed time horizon for exit, we can adapt capital structures over time consistent with the needs of the opportunity.

First-class investment team in place

The L1 Health team has extensive operating experience as well as specialised expertise in private equity, banking, financial operations, policy, governance, strategy, and M&A in the healthcare industry in the US and Europe.

“We partner with outstanding operating executives and give them the freedom and support they need to realise each platform’s long-term potential.”

Stefan Linn

Managing partner and CEO of L1 Health

The L1 Health team is composed of internationally respected senior operating executives and investment professionals and includes Dr. Franz Humer, former CEO and Chairman of Roche Holding Ltd, and Rolf Classon, former CEO and President of Bayer Healthcare LLC.

Acquisition of Destination Pet

In October 2019, L1 Health acquired Destination Pet and launched a new animal health and wellness platform in the US and Europe. Destination Pet is a leader in pet healthcare services and a trusted high-quality pet care and vet services provider.

Headquartered in Highlands Ranch, Colorado, Destination Pet offers pet owners veterinary services combined with other pet health and wellness services. In the US, Destination Pet is recognised by the vet community and pet owners as a partner and provider of choice.

Destination Pet takes advantage of strong macro trends in the global pet care market. The growing humanisation of pets coupled with the hectic schedule of pet owners is driving demand for pet health and wellness services. With a growing love for pets and pets living longer with age-related diseases, pet owners expect increasingly sophisticated care and support for their companions. At the same time, pet owners value authenticity and local relationships. Destination Pet is well positioned to deliver both.

This acquisition enables experienced operating executives from the animal health industry to draw on L1's long-term source of capital and sophisticated operating expertise to scale up the business globally. In addition to its ongoing rollup programme, Destination Pet completed on 30 March 2020 the acquisition of VitalPet, a network of 24 veterinary hospitals, to build out its footprint and accelerate growth. L1 aims to be a global leader in pet health and wellness services and will commit up to \$450m overall to invest in this sector.

Investing in the future of health

As mentioned, due to the continued promise and growth of the life sciences sector, L1 Health believes that the market is growing for novel financing solutions to help accelerate innovation in this industry.

K2 HealthVentures

Launched in 2019, K2 HealthVentures (“K2HV”) is an alternative investment firm focused on providing flexible, long-term financing solutions to private and public companies in the life sciences and healthcare industries. Driving innovation in life sciences requires larger amounts of capital than ever before to fuel research, development, and commercialisation. Meeting this demand requires new forms of investment that can package risk and returns advantageously for both the innovator and investor.

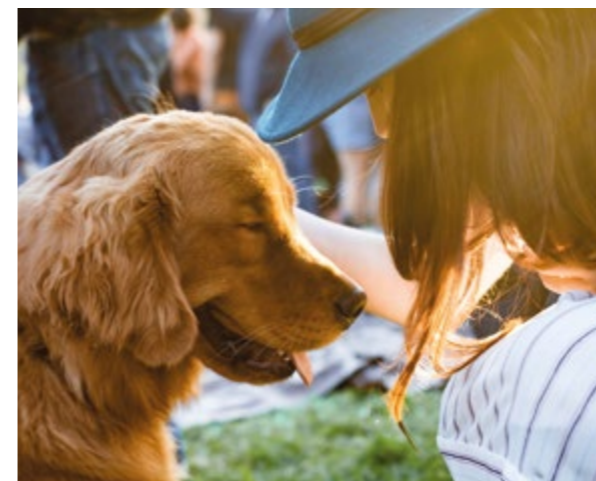
K2HV partners with companies on flexible capital solutions, which fund growth and allow innovators to reach key milestones and build enterprise value with minimal equity dilution.

K2HV made excellent progress over the past year, making investments in a number of private and public life sciences companies:

- 1 Evelo Biosciences, a clinical-stage biotechnology company, is developing oral biologics that act on cells in the small intestine with systemic therapeutic effects. A \$45m debt financing commitment will help advance a clinical portfolio of oral biologics to treat inflammation and oncology.
- 2 Metacrine, a clinical-stage biotechnology company, is focused on building a pipeline of best-in-class drugs to treat liver and gastrointestinal (“GI”) diseases. A \$50m debt financing commitment supports further development of its best-in-class FXR agonists for treating non-alcoholic steatohepatitis (“NASH”) and inflammatory bowel disease.
- 3 Surface Oncology, a clinical-stage immuno-oncology company, is developing next-generation immunotherapies that target the tumour microenvironment. A \$25m debt financing commitment will support advancement of the next wave of its programmes into clinical development.
- 4 Companion Medical, an innovative diabetes-focused medical device company, has developed the first and only FDA-cleared smart insulin pen and app system. A \$27.5m debt financing commitment will help to drive commercial scale in support of their flagship product – InPen.
- 5 Inari, an agricultural-focused biotechnology company, is developing next-generation seeds. A \$45m debt financing commitment will be used to accelerate the development and commercialisation of breakthrough gene-edited crops that address the challenges of climate change and improve productivity.

As part of K2HV's charter, a portion of its investment profits will be committed to funding globally underserved and underinvested areas in healthcare.

Find out more at: www.letterone.com/our-businesses/l1-health/



Managing our investments

L1 Treasury manages the liquidity and financial investments of L1 Investment Holdings. When the group makes strategic investments, L1 Treasury provides the necessary funds, whereas when investments are sold or dividends received, L1 Treasury manages the available funds.



Market backdrop

In view of events since the start of 2020, it seems strange to only talk in this Annual Review about the markets as they stood at the end of 2019 and ignore the seismic shifts that have happened in the first few months of the year. Hence, set out below is not only a snapshot taken on 31 December 2019 looking back at 2019 but also one taken a few months later looking back at the events since the start of 2020.

31 December 2019

2019 saw global economic growth continue to decelerate: in Q4 2019, growth in the US, Eurozone, and Chinese economies stood at 2.3%, 0.9%, and 6%, respectively, while Japan recorded -0.4%. As a result, central banks continued or increased quantitative easing during the year, and the US Federal Reserve lowered the target fed funds rate 3 times starting July 2019.

Financial markets however are forward looking and had already priced in the economic slowdown at the start of the year. Driven by expectations of a rebound in the global economy in 2020 and fuelled by central bank policies, equity markets forged ahead, further rebounding from the sharp losses in Q4 2018, and recorded a stellar performance: equity indices in the US, Europe, China, and Japan all finished the year up 25% or more. Oil finished the year up 10%, and gold rose more than 20%.

Negative yielding debt used to be an anomaly, yet 30% of the bonds in the global aggregate bond index (containing both government and investment grade bonds) trade with a negative yield. While the debate continues over the effectiveness of negative interest rates, it seems, absent a surge in inflation, they are here to stay for quite a while.

On the geopolitical front, trade tariffs and sanctions continue to grow as the weapons of choice to settle political disputes; climate change has risen to the top of the list of threats to Mother Earth; and after 3.5 years, Brexit is finally happening.

2020 update

As we are writing this Annual Review, COVID-19 continues to spread, and at this stage, no reliable forecasts of the ultimate human or economic cost to society exist.

As they cannot yet quantify the economic impact of the virus, investors are “flying blind” and unable to assess the risk of many of their investments. Hence, we expect an extended period of high volatility in financial markets until the extent of the impact on the global economy is better known.



Portfolio review

L1 Treasury’s portfolio performed well in 2019, producing a return of 5.85% for the year, equivalent to 3.53% over 1-month LIBOR. All of our investment books showed positive performance with the biggest contribution coming from our hedge fund investments and our bond portfolio.

L1 Treasury’s return on assets was achieved while experiencing significant movements in its capital base: during the year, it accommodated \$3.1bn of outflow in funds required by the other parts of the group and received \$1.5bn returned funds from group companies.

In order to manage these capital flows, L1 Treasury maintains substantial amounts of liquidity in cash and money market funds, supplemented by committed borrowing facilities to ensure sufficient funds are available at all times for strategic investment opportunities.

Total assets under management stood at \$5.2bn at the end of 2019, down from \$6.5bn at the end of 2018.

The composition of L1 Treasury’s portfolio at the end of 2019 was as follows:

Cash and money market funds	13.9%
Bonds	31.2%
Direct investments	15.8%
Funds	36.4%
Other	2.7%

L1 Treasury’s mandate incorporates both liquidity and return objectives. Therefore, in its portfolio construction, L1 Treasury pursues a “barbell” strategy, whereby a portfolio of cash and liquid securities is combined with higher yielding, less liquid investments, such as loans, funds, and real estate.

\$5.2bn

total assets under management at the end of 2019

5.85%

Return for year in 2019

Other activities

L1 Treasury also often collaborates with other business units of the group in identifying, structuring, and executing investments either for its own portfolio or for the portfolio of another business unit.

L1 Treasury’s highly experienced global team

The L1 Treasury team is international, with employees of 12 different nationalities. 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.

The CIO of L1 Treasury is responsible for implementing the investment strategy within the risk limits and parameters set by its Investment and Risk Committee. The Committee consists of executives of the L1 Group as well as non-executives.

Find out more at: www.letterone.com/our-businesses/l1-treasury/

CHAIRMAN'S LETTER

“L1 recognises that our success rests on maintaining best-in-class corporate governance and a sound business solution.”

Lord Davies of Abersoch
NON-EXECUTIVE CHAIRMAN

Dear All,

I am committed to ensuring the highest standards of corporate governance, business practice, and ethics at LetterOne. While L1 is a privately held business, we implement governance practices that aim to meet public company international standards.

L1 has a strong compliance function, and we continue to update our policies and procedures to address the compliance risks, which our businesses face, and to ensure that our processes are robust and in line with the strictest international standards.

We require all our staff to undergo classroom training and six online compliance training courses and refresh their knowledge through annual testing to ensure that all persons working for us operate to the highest standards of business ethics and have a high level of awareness of market conduct regulations, anti-bribery legislation, sanctions compliance, and anti-money laundering laws.

L1 continues to focus particular attention on KYC due diligence, dedicating resources to its monitoring programme, both within L1 and within its investee companies, to ensure that even remote and indirect connections with any high risk person or entity are flagged and require compliance approval. Our ongoing screening of all persons we do business with allows us to identify immediately if any third party became sanctioned or subject to any kind of enforcement action or adverse publicity.

L1 enjoys good banking relationships with many of the top global banks and prides itself on being open and transparent in its dealings with banks, which is widely recognised and praised by our relationship banks.

L1 continues to commit significant spend to its cyber security defences, ensuring all systems have the best levels of protection and patching available. Staff training is also a focus, ensuring that all persons working for L1 are aware of their personal responsibilities to act as the “human firewall”.



Brexit planning has been thoroughly undertaken, with changes made to some of L1's banking and custody arrangements and an ongoing review to the way we handle and protect personal data. L1 is confident that it will be unaffected to any major extent by Brexit and the end of the transition period.

L1 takes its compliance stance extremely seriously. Any violations of internal compliance rules are investigated by the Head of Compliance immediately and escalated, where applicable, to the CEO and the Audit & Compliance Committee. Whistleblowing procedures are in effect in L1 and in investee companies, and we ensure that any allegations are investigated and action taken where required.

Kind regards,

E. Mervyn Davies

Lord Davies of Abersoch
Chairman of the Board
30th April 2020

Committed to the highest standards

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 and its stakeholders.

L1 Holdings is the top holding company of the group, which invests in the energy sector through L1 Energy. L1 Investment Holdings is the top investment holding company of the group, which invests in all other L1 industries, through L1 Technology, L1 Health, L1 Retail, and L1 Treasury.

1 Board-level governance

At a corporate level, L1 operates through two Boards of Directors, each with executive, shareholder, and independent directors.

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.

The Boards are supported by their Audit & Compliance and Nomination & Remuneration Committees.

The oversight of our portfolio companies and strategic equity holdings is undertaken by separate teams in L1 Energy, L1 Technology, L1 Health, and L1 Retail.

2 Board of Directors

The Board of Directors for both L1 Holdings and L1 Investment Holdings consists of 10 people: Non-Executive Chairman Lord Davies; CEO Jonathan Muir; COO Vitalij Farafonov; Non-Executive Wulf von Schimmelmann; Non-Executive Richard Burt, former US Ambassador to Germany; and five shareholders, including the principal shareholder Mikhail Fridman.

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.

3 Audit & Compliance Committee (ACC)

Members: Lord Davies (Chairman), Alexey Kuzmichev, Petr Aven, Vitalij Farafonov

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 work plan of the compliance department, including any new policies or updates. Compliance is a standing item on the agenda, and the Group Compliance Director presents a report covering the previous quarter on compliance achievements, statistics, and breaches. 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 the effectiveness 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 2019, the ACC was focused on reviewing and keeping current the risk management framework, review of the financial statements and Annual Review, review of the scope and results of the Internal Audit work, and overseeing the implementation of the compliance policies and the staff training programmes.

The ACC provided guidance to top management of the portfolio companies to ensure the effectiveness of the internal controls, risk management framework, and overall compliance function.

External legal counsel continues to review and optimise compliance policies across L1.

4 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.

5 Corporate governance

L1 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 16 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, enabling us to meet our anti-money laundering obligations. Risk-based due diligence measures are required to be applied to all third parties with whom we do business or seek to do business, including 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 prior to the establishment of any business relationship.

“We have recruited sector investment advisory boards, consisting of internationally respected chief executives, chairmen, and entrepreneurs.”

L1 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. L1 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.

We also worked to bring Holland & Barrett compliance policies and controls in line with L1’s strict standards.

Since it was established, L1 has produced Consolidated IFRS Financial Statements which are subject to annual audit by PwC.

6 Role of Advisory Boards

The investment teams in L1 Energy, L1 Technology, L1 Health, and L1 Retail put forward investment recommendations, which 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, chairmen, 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.

L1 Holdings and L1 Investment Holdings Boards

Committee membership key

- Audit & Compliance Committee (ACC)
- Nomination & Remuneration Committee (NRC)
- C Chairman



Lord Davies of Abersoch
Non-Executive Chairman
Committee memberships: ● ●

Lord Davies is Chairman of Corsair Capital, a private equity firm specialising in financial services. He is Chairman of LTA (Lawn Tennis Association), Chair of the UK-India business council for the UK Government, 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
Committee memberships: C

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 \$56bn.

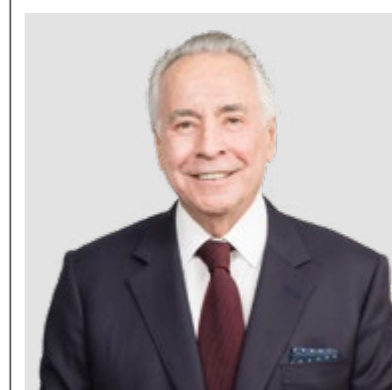
German Khan
Co-founder of L1

From 2003 to 2013, Mr. Khan 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.



Richard Burt
Non-Executive Director

Ambassador Burt is a former US Ambassador to Germany and partner at McKinsey & Co. 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.



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 DeutschePostbank. 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.

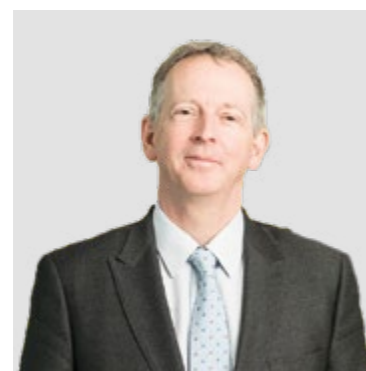


Vitalij Farafonov
Chief Operating Officer of L1 Holdings and L1 Investment Holdings

Mr Farafonov has been with the Group since it was founded in 2013, initially as Group CFO. Prior to LetterOne, Vitalij held various positions within the CFO function of TNK-BP with responsibility for Financial Reporting and Internal Controls. Vitalij qualified as a Chartered Accountant with Deloitte London in 2004 after which he spent 5 years working in Deloitte's M&A lead advisory group, where he was responsible for sourcing, negotiation, structuring, and execution of transactions and led the Manufacturing and Private Equity industry groups.

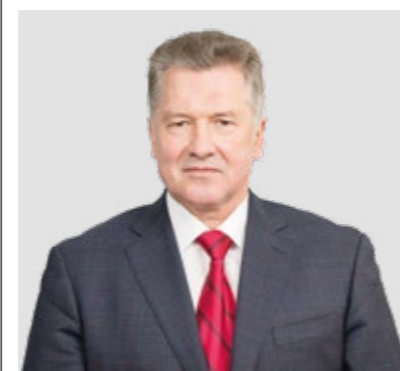
Jonathan Muir
Chief Executive Officer
Committee memberships: ●

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.



Petr Aven
Co-founder of L1
Committee memberships: ●

Mr. Aven is Chairman of ABH Holdings, a 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).



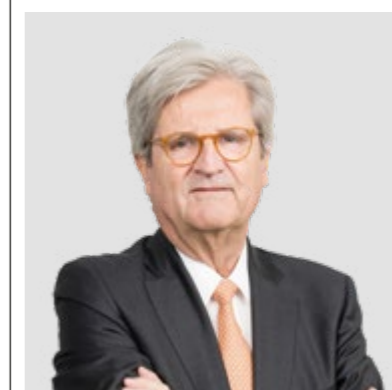
Andrei Kosogov
Co-founder of L1

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.



Alexey Kuzmichev
Co-founder of L1
Committee memberships: ●

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.



COMBINED PRO FORMA BALANCE SHEET OF LETTERONE¹ (UNAUDITED) AS AT 31 DECEMBER 2019

\$m	31 Dec 2019	31 Dec 2018
Core Investments		
L1 Energy – Wintershall Dea (2018: DEA)	6,684	5,050
L1 Technology		
– VEON	2,959	3,131
– Turkcell	627	633
– Uber	149	203
– Other	102	33
L1 Retail		
– Holland & Barrett	1,169	1,128
– DIA	564	99
L1 Health	126	–
Private equity funds	5,854	5,331
Total Core Investments	18,234	15,608
L1 Treasury Investments		
Debt instruments	2,083	3,185
Hedge funds (at fair value)	2,124	2,031
Net direct lending (at amortised cost)	388	689
Liquidity funds	379	399
Other liquid instruments	51	221
Cash and cash equivalents	71	87
Total Treasury Investments	5,096	6,612
Other assets and liabilities	114	(59)
NET ASSETS²	23,444	22,161
\$m	31 Dec 2019	31 Dec 2018
EQUITY		
Share capital and reserves	22,162	25,104
Dividends distributed	(214)	(525)
Profit/(loss) for the year	1,496	(2,418)
Total equity	23,444	22,161

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 \$23.4bn comprises the \$9.2bn consolidated net asset value of Letterone Holdings S.A. and the \$14.2bn consolidated net asset value of Letterone Investment Holdings S.A. for the year ended 31 December 2019.

COMBINED PRO FORMA INCOME STATEMENT OF LETTERONE¹ (UNAUDITED) AS AT 31 DECEMBER 2019

\$m	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Gain/(loss) from Core Investments		
Gain from L1 Energy	1,413	593
Net gain on Wintershall Dea (2018: DEA)	1,413	593
Change in fair value	1,413	593
Gain/(loss) from L1 Technology	128	(1,574)
Net gain/(loss) on VEON	120	(1,162)
Dividend income	296	286
Change in fair value	(176)	(1,448)
Net loss on Turkcell	(1)	(413)
Dividend income	10	50
Change in fair value	(11)	(463)
Net gain on Uber and other investments	9	1
Dividend income	1	–
Change in fair value	22	1
Realised loss	(14)	–
Loss from L1 Retail	(224)	(713)
Change in fair value – H&B (including forex hedge result)	37	(753)
Change in fair value – DIA	(261)	40
Loss from private equity funds	(66)	(748)
Distributions	8	264
Change in fair value	(74)	(1,012)
Total gain/(loss) from Core Investments	1,251	(2,442)
Income from L1 Treasury	324	117
Net portfolio gains	324	117
Other income and expenses (net)	(79)	(93)
Operating profit/(loss)	1,496	(2,418)
Income tax expense	–	–
Net profit/(loss) for the year	1,496	(2,418)

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.

OUR OFFICES

Luxembourg Head Office

Letterone Holdings SA

1-3 Boulevard de la Foire
L-1528 Luxembourg
T +352 26 38 77 1
F +352 26 38 77 99
E contact@letterone.lu

Letterone Investment Holdings SA

1-3 Boulevard de la Foire
L-1528 Luxembourg
T +352 26 38 77 1
F +352 26 38 77 99
E contact@letterone.lu

Letterone Treasury Services SA

1-3 Boulevard de la Foire
L-1528 Luxembourg
T +352 26 38 77 1
F +352 26 38 77 99
E contact@letterone.lu

London Offices

L1 Energy

Devonshire House
One Mayfair Place
London W1J 8AJ
T +44 (0)20 3815 3130
F +44 (0)20 3815 3140
E contact@l1energy.co.uk

L1 Retail

Devonshire House
One Mayfair Place
London W1J 8AJ
T +44 (0)20 3815 3130
F +44 (0)20 3815 3140
E contact@l1retail.com

L1 Technology

Devonshire House
One Mayfair Place
London W1J 8AJ
T +44 (0)20 7046 6150
F +44 (0)20 7046 6148
E office@l1technology.co.uk

L1 Treasury

Devonshire House
One Mayfair Place
London W1J 8AJ
T +44 (0)20 3053 4030
F +44 (0)20 3053 4040
E contact@letterone.com

Boston Office

L1 Health LLC

855 Boylston Street
10th Floor
Boston MA 02116
T +1 614 648 8402
E SKline@l1health.com

Gibraltar Offices

Letterone Corporate Advisor Ltd

Neptune House
Marina Bay
Gibraltar
T +350 200 50 96 1
F +350 200 44 06 7
E contact@letterone.lu

LIHS Corporate Advisor Ltd

Neptune House
Marina Bay
Gibraltar
T +350 200 50 96 1
F +350 200 44 06 7
E contact@letterone.lu

Neither this document nor any of the information or statements contained in it (i) constitutes an invitation to invest or a solicitation to any person to engage in investment activity or (ii) forms part of any contract, and you cannot rely on it for any purpose, whether contractual or otherwise. Neither Letterone Holdings S.A., Letterone Investment Holdings S.A., nor any of their respective affiliates or shareholders, nor any directors, partners, or employees of any such persons (together, "LetterOne") warrant the accuracy or completeness of any of the information, statements, or figures in this document. The information contained in this document is provided "as is", without any conditions, warranties, or other terms of any kind. Accordingly, to the maximum extent permitted by law, LetterOne excludes all representations, warranties, conditions, and other terms (including, without limitation, any conditions and terms implied by law). LetterOne excludes all liability and responsibility for any amount or kind of loss or damage that may result to you (including, without limitation, any direct, indirect, punitive, or consequential loss or damages, or any loss of income, profits, goodwill, data, contracts, or use of money, whether in tort (including, without limitation, negligence), contract, or otherwise) in connection with this document. Nothing in this legal notice shall exclude or limit LetterOne's liability for fraud or fraudulent misrepresentation or any other liability, which cannot be excluded or limited under applicable law. The copyright and other intellectual property rights in all material contained in this document (including, without limitation, photographs and graphical images) are owned by LetterOne or its licensors.

Photo credits (in order of appearance). Pictures from:
Sam Manns, John Towner, David Marcu, Baptist Standaert, Alvan Nee, Piotr Chrobot, Robert Bye, Frank McKenna, Joey Kyber, Robin Worrall, Adam Griffith all courtesy of Unsplash. Management Portraits by Igor Emmerich. Illustrations by Peter Grundy.

Designed and produced by **emperor**
Visit us at emperor.works

