

# REALISING POTENTIAL

LETTERONE

ANNUAL REVIEW 2017



Buy  
and  
Build

**SOCIETY NEEDS  
ENERGY, HEALTH  
& RETAIL P8**

**OUR APPROACH  
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**LETTERONE** IS A PARTNERSHIP  
OF SUCCESSFUL ENTREPRENEURS  
AND INTERNATIONAL BUSINESS PEOPLE.

OUR AIM IS TO BUILD A WORLD-CLASS  
DIVERSIFIED GLOBAL INVESTMENT BUSINESS.

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## L1 ENERGY

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

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## L1 TECHNOLOGY

Investing in telecoms, technology and software companies that will enable users to improve efficiency.

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## L1 HEALTH

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

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## L1 RETAIL

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

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## L1 TREASURY

Managing the liquidity and financial investments of L1.

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Find more on our website  
[letterone.com](http://letterone.com)

# REALISING BUSINESS POTENTIAL



We invest through L1 Energy, L1 Technology, L1 Health and L1 Retail. Our liquidity is managed by L1 Treasury. Our investments in private equity are managed independently.

## Financial highlights

### NET ASSETS

**\$25.1** BN

AT 31 DECEMBER 2017 (2016: \$22.2 BN)

### GROWTH IN NET ASSET VALUE

**12.9%**

IN 2017

### CAPITAL DEPLOYED

**\$4.7** BN

AT 31 DECEMBER 2017 (2016: \$1.3 BN)

## Net assets under management

AT 31 DECEMBER 2017 IN USD

**16 %**

**OTHER PE FUNDS**  
\$4.1 BN

**10 %**

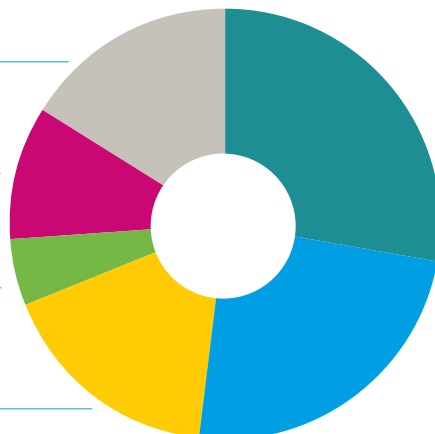
**PE FUND – HEALTHCARE**  
\$2.6 BN

**5 %**

**L1 RETAIL**  
\$1.2 BN

**17 %**

**L1 ENERGY**  
\$4.2 BN



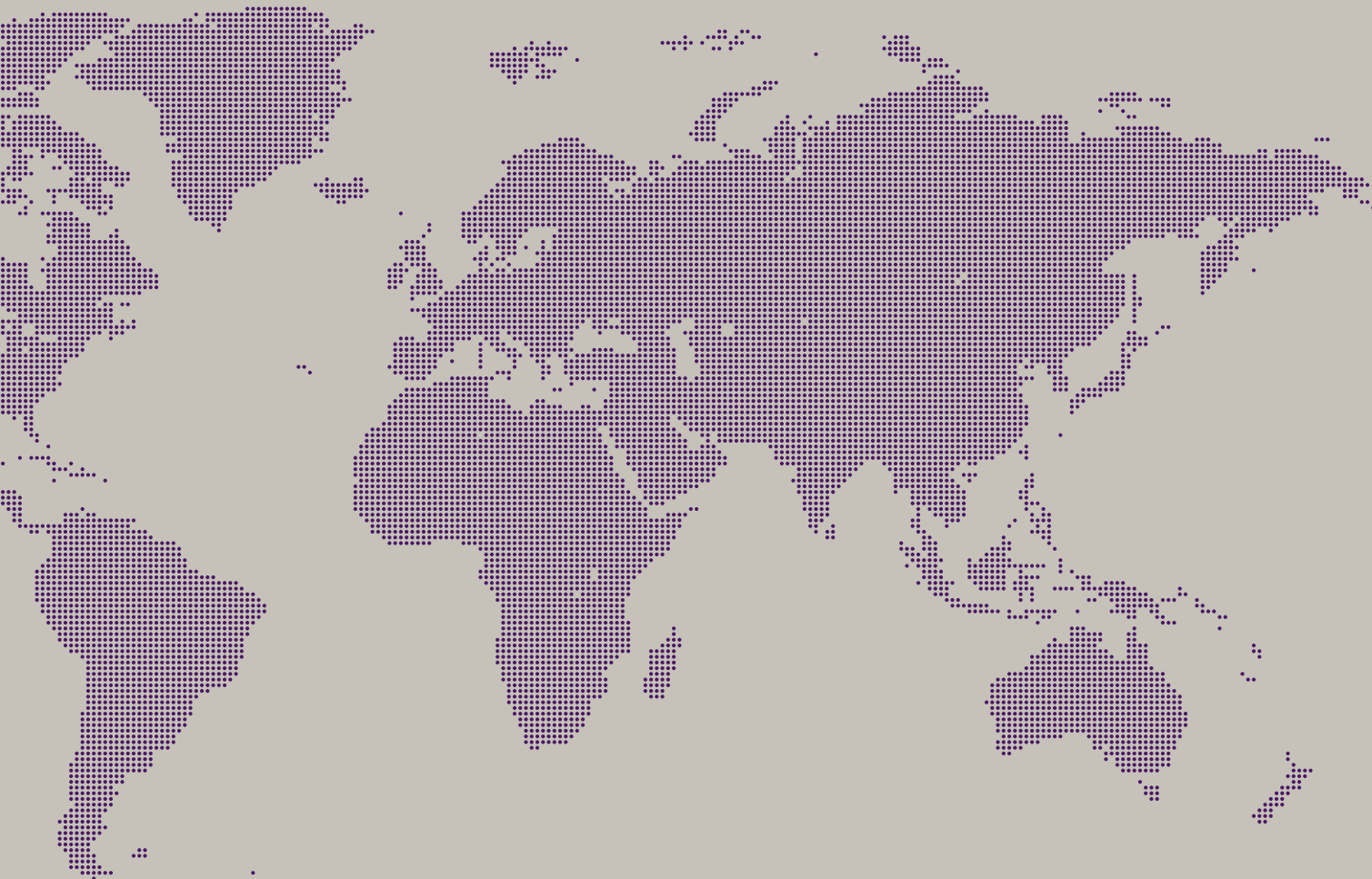
**28 %**

**L1 TREASURY AND OTHER ASSETS**  
\$7.1 BN

**24 %**

**L1 TECHNOLOGY**  
\$5.9 BN





**LIQUIDITY**

**\$7.1** BN

AT 31 DECEMBER 2017 (2016: \$9.3 BN)

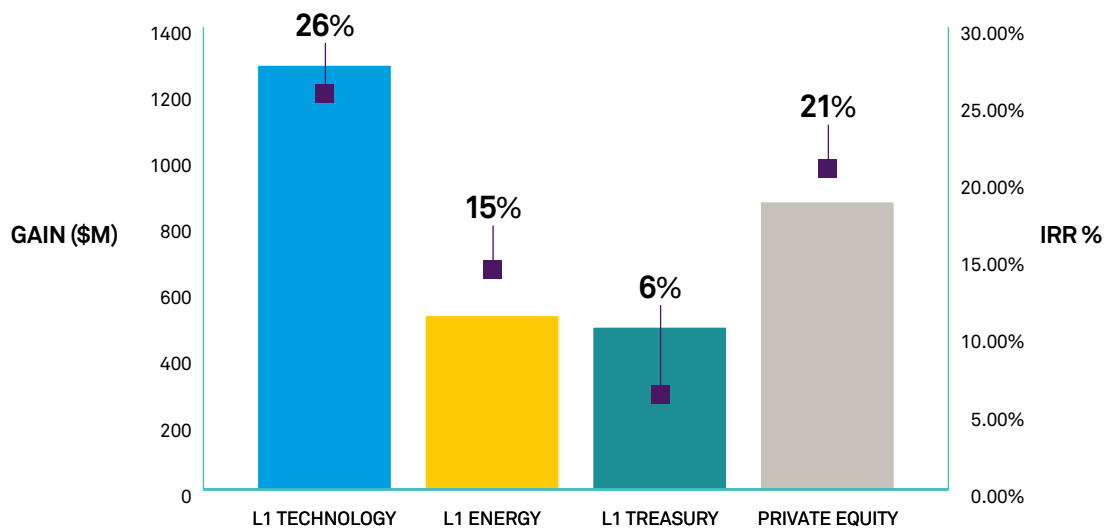
**TOTAL PROFIT**

**\$2.9** BN

NET PROFIT FOR THE YEAR (2016: \$1.1 BN)

**Return by business unit during 2017**

■ IRR %



\*IRR not shown for PE Fund – Healthcare and L1 Retail as investments completed in 2017

# CHAIRMAN'S REVIEW

**LetterOne has continued to build on its solid foundations; its deal flow has gained pace; and its ability to realise a company's potential in changing markets is starting to pay dividends.**

## GOOD PROGRESS

LetterOne (L1) delivered robust performance this year. As a Group I believe that we can reflect on 2017 with pride. L1 has continued to grow and improve its assets, financial performance and people. Net asset value increased by USD \$2.9 bn to \$25.1 bn.

This year we have started to see L1's "buy and build" investment strategy in action. The results can be seen across the Group in L1 Retail's acquisition of Holland & Barrett, L1 Energy's intent to merge DEA, our German oil and gas business, with BASF's oil and gas activities, and L1 Treasury's sale of its student accommodation business.

## CULTURE AND GOVERNANCE

The culture of a company is arguably its most important asset. L1's culture continues to evolve and develop favourably, along with our investment philosophy. L1's long-term capital, deep sector expertise and strategic input will ultimately bring rewards for all.

L1's governance standards are high and we recognise that business needs to engage with society and listen, and to take this into account in decisions that are made. L1 has begun to develop ways of giving back in a variety of forms.

We still have work to do at L1 to improve the diversity of our Board and our executive teams. But it is a priority and I am pleased to see Maria Moraeus Hanssen appointed as CEO of DEA this year and Ursula Burns appointed as Chairperson of VEON. It is a Board priority to address this as we grow (see page 32 Governance).

## BUSINESS AND SOCIETY

Capitalism is undoubtedly facing a period of fundamental change and challenge. Every business that I am involved in faces an industrial revolution as it is hit by the full impact of AI, digital, big data, online and 3D manufacturing.

As you will read later in this Annual Review, L1 believes that business has an important role to play and must prove it will harness new technology to deliver benefits for all, not just for society's elites. I believe that we are at a key juncture and business needs to re-evaluate its relationship with society (see page 9 Market Overview).

In 2017 L1 launched a new economics competition in the UK – The Indigo Prize – that challenged entrants to consider how to measure economic activity in a 21st century economy. The competition was open to universities, think tanks, research centres and students (see page 11 Market Overview).

## CONTINUING GEOPOLITICAL UNCERTAINTY

Geopolitics has become ever more complicated this year; trade corridors are changing beyond comprehension and there is a danger that progress made on globalisation may be reversed.

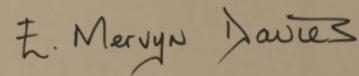
Whether it is Brexit, calls for Catalanian independence or a tough stance on immigration, we all have to be careful not to revert to insularity and the mere protection of our own interests. Because ultimately, poverty, education, climate change and equality can only be resolved through global coordination and leadership.

As a relatively young Group that looks to long-term investment, L1 is not immune from these investment challenges or political volatility; but its diversity of talent, diversity of business, and diversity of background all position L1 well for this challenging period.

## READY TO TAKE ADVANTAGE OF CHANGE

I expect the global economy to continue to improve overall in the coming year. Growth in developed economies may moderate slightly and financial conditions may begin to tighten as central banks reduce their stimuli, leading to an increase in interest rates and less liquidity. The continuing political uncertainty – and threat of increased protectionism – continues to present downside risk.

All markets in which L1 has invested are experiencing rapid change. But, as L1 has shown, it is ready to take advantage of that change and its focus is on execution.



**Lord Davies of Abersoch**  
Chairman of the Board





**More on our 2018 priorities**  
📄 page 7

**More on our sectors**  
🌐 [letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)

# CHIEF EXECUTIVE'S REVIEW

**We made very good progress this year. We built on momentum begun in 2016 – and made significant progress against our long-term objectives.**

## STRONG PERFORMANCE

Our financial performance was strong, ending the year with a 12.9% increase in net asset value ("NAV") to USD \$25.1 bn (\$22.2 bn: 2016). Particularly pleasing was that all our business units contributed to this success, with strong increases from L1 Technology, L1 Energy, L1 Treasury, and our private equity holdings.

We also had good cash realisations at \$1.7 bn during the year – so our increase in NAV was under-pinned by cash returns, allowing us to cycle money back for further re-investment and returns to shareholders.

### INCREASING NET ASSET VALUE

# 12.9%

### REALISING

# \$1.7 BN

IN CASH RETURNS

### INCREASE DEA VALUE

# 11%

IN 2017

### STRATEGIC INVESTMENT

# \$1.2 BN

IN HOLLAND & BARRETT IN 2017

## SMART DEPLOYMENT OF CAPITAL IN DIFFICULT ENVIRONMENT

We continued our smart deployment of capital, identifying good assets to buy and build, despite an environment of high prices and a very competitive market for the best assets.

L1 Retail bought Holland & Barrett. This was a landmark investment in the growing health and wellness retail market and put us on the map in the UK, giving us a presence on the high street, and an increased profile.

In addition, L1 Treasury purchased a stake in DIA, the Spanish Food retailer. In January 2018, we announced that L1 Treasury had increased its shareholding to 15% of DIA's total share capital and had entered into a collateralised forward purchase transaction to acquire an additional 10% of DIA's share capital.

We have also increased capital employed in our independently managed Private Equity portfolio. We supported their continued investment in the growing healthcare industry, which we like given the fundamentals of the industry, and the underlying innovation and technological advances which drive it, which fit well with our overall core investment themes.

## ENERGY LANDMARK DEAL

During the year, our DEA investment continued to deliver improved EBITDA performance as well as free cash flow. It also successfully entered the prospective Mexican E&P market with our acquisition of 50% share and operatorship of the Ogarrio onshore oilfield.

In addition, recognising the prospects of ever increasing competition for assets and a relatively low oil price, we announced an intent to merge DEA with Wintershall, the Energy arm of BASF. This is designed to create a world-class, European E&P company with the scale and resources to compete for the best assets.

## DISCIPLINED EXECUTION – DRIVING IMPROVEMENT IN PORTFOLIO COMPANIES

As I mentioned above, all of our business units have contributed to our successful 2017.

In Technology, Turkcell has delivered its best performance ever in terms of underlying operational performance, with revenue growth of 23.4%. These results are driven in large part by their strategy of using new and improved digital channels to deliver better service and efficiency for its customers.

This model is the one VEON is also pursuing. VEON recorded organic revenue growth of 1.9% in 2017. It continues to focus on efficiency and appointed a new chairperson, former CEO of Xerox, Ursula Burns in 2017.

Finally, L1 Treasury made excellent returns and ended the year with a net return on total assets of 6.2%.

Part of this return was the result of our first material successful home grown buy and build strategy. Led by our Treasury team, we bought and consolidated, over the last two and a half years, a leading student accommodation business in the UK. This entailed running existing properties, as well as completing a portfolio of construction projects, while adding new revenue streams and properties to the portfolio. Ultimately we took the decision to exit and took advantage of a strong market environment to sell the portfolio and realise value.

## COMPLIANCE IS A TOP PRIORITY

In delivering this strong performance, we never lose sight of the need to fully comply with all laws and regulations we are subject to, and ensuring we deliver on the promises and commitments we make to all stakeholders, whether that is government, community or workforce.

## CONTINUED BUILDING OUR BRAND

We launched a series of social entrepreneurial initiatives to help individuals and charities realise their potential, including the Indigo Prize, and making donations to the New Entrepreneurs Foundation, which fosters entrepreneurialism in the UK, and Nightstop, which combats teenage homelessness.

In summary we have had a very good year, balancing meeting our commitments to stakeholders, good financial returns and targeted deployment of capital. I thank everyone who has contributed to this.



**Jonathan Muir**  
Chief Executive Officer





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## 2018 PRIORITIES

### 01

We need to continue to execute well. This means delivering on the investment theses we have developed for all of our assets, adding new investments where we see opportunity, enhancing our processes and returning value to our shareholders.

### 02

Our focus is on closing the Wintershall DEA deal. As with all mergers, this is not an easy task. However, I believe we have an excellent team, strong alignment with our future potential partners and a will to succeed.

### 03

Finally, we need to continue to build our profile and reputation as good investors. Our investment philosophy remains intact, as we seek to invest in our teams and people, and identify how we can buy and build world-class assets and deliver market beating returns.

#### More on our strategy

📄 pages 12-13

#### More on our sectors

🌐 [letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)

# SOCIETY NEEDS ENERGY, HEALTH & RETAIL

**We invest in sectors that satisfy society's needs...**

## WHY CONSOLIDATION IS THE NATURAL RESPONSE

Extract from Lord Browne's speech to World Oil and Gas Week, December 2017

What can be said about the present period of lower oil prices? We think it is characterised by four trends.

The first trend is towards fossil fuel abundance. In 1956, the American geologist Marion King Hubbert coined the term "peak oil". He predicted that production would peak around the year 2000 and then decline rapidly. But the steady march forward of technology has enabled humankind to unlock new reserves of energy, which have continued to fuel human progress. The successful development of shale and tight rock is the latest and most spectacular chapter in this story. It has enabled the United States to double its production since 2010, putting the US on track to be the world's largest oil producer.



**'We have a wider range of energy options than at any other time in human history'**

The second trend is the movement away from carbon-intensive fuels towards a range of cheap new reserves of energy and a broader range of choices. Solar energy is a good example. In 1977, solar capacity cost USD \$76 per watt. But since then, the cost has dropped below a dollar per watt. This has contributed to a six-fold increase in renewable energy generation capacity, and the creation of an industry which attracts annual investment of almost \$300 bn. We now have a much wider range of energy options at our disposal than at any other time in human history.

The third trend is a result of the first two. Lower prices and a growing number of viable energy options mean that economies based on hydrocarbons face a new challenge. Oil riches made it possible for them to support growing populations and a new middle class. But lower prices, and a sense that demand may weaken, have left these governments worrying how to support populations which were raised on public subsidies. The potential withdrawal of these subsidies has created a new source of political instability, the outcome of which remains to be seen.



**'We find ourselves in a period of churn and uncertainty today'**

The fourth trend is the decline in trust across the world between business, governments and the rest of society. A recent survey found that the majority does not trust business, and two-thirds do not trust government. This should be particularly concerning for the energy industry, which is built around long-term partnerships, contracts and codes of behaviour.

These four trends explain why we find ourselves in a period of churn and uncertainty today – a period in which the choices are many, demand is less certain, and prices are lower. In this environment, consolidation is the natural response. This is why L1 is seeking to merge DEA with Wintershall, to create a new German national champion that has greater scale, greater relevance and more opportunities for growth.

**More on our investment units**

pages 14-31

**More on our sectors**

[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)





## WE LOOK AT THE WORLD IN A DIFFERENT WAY TO HELP MAKE IT A BETTER PLACE FOR US ALL

In the wake of the collapse of Carillion and ongoing criticism of CEO pay, the reputation of big business is under fire. And the general public are similarly disenchanted.

L1 research shows that while 55% of the British public agree that capitalism advantages business owners, only one in five (21%) say the same about the working class, public sector workers or themselves.

More worryingly, in the US, our polling shows young people are increasingly less supportive of the market economy, with only 30% of 18-24 year olds considering it a force for good, compared to 58% of those aged 65 or over.

Our research suggests there are three factors perceived to be distorting the effectiveness of capitalism. First, neoliberal policy-makers' faith in an unfettered market has led to weakened regulation, allowing an unhelpfully short-termist form of capitalism to emerge. Second, globalisation has undermined the ability of governments to hold businesses to account for their actions.

Third, the increasingly digital economy has reduced the engagement of businesses with the communities they serve. As internet businesses have flourished, they have often superseded local, independent firms. This has consequences: not only the loss of local employment, but the loss of the physical and social contribution by businesses in local communities.

Despite this, there is great exhilaration about technology's potential: 75% of the UK public see it as a force for good, but many are suspicious of businesses' motivations. 56% believe that companies invest in new technologies to drive efficiency and boost profits, rather than to innovate and improve services or products (30%).



# SOCIETY NEEDS ENERGY, HEALTH & RETAIL



We believe these are the biggest challenges facing Energy, Health and Retail today.

## L1 ENERGY



AVERAGE OIL PRICE  
2005–2014 (IN TODAY'S DOLLARS)



AVERAGE OIL PRICE  
1986–2004 (IN TODAY'S DOLLARS)

## L1 HEALTH



DIGITAL HEALTH MARKET EXPECTED  
TO REACH BY 2020



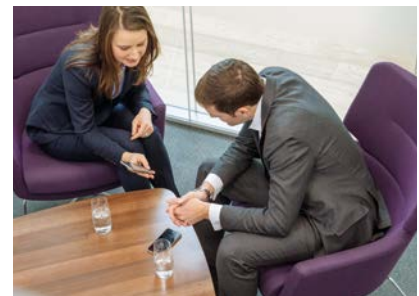
MOBILE HEALTH MARKET  
BY 2017

## DIGITAL INNOVATION CREATING NEW OPPORTUNITY IN HEALTHCARE

Healthcare is tapping into digital innovation at a rapid pace with advancements in robotics, telemedicine, digital therapy and real-time monitoring devices in the home.

The opportunity for digital medicine is most notable in two areas: addressing non-adherence to medication and increases in pharma R&D productivity.

Medication adherence is in crisis with 25–50% of patients failing to correctly take their medications, leading to 125,000 preventable deaths and up to USD \$300 bn in avoidable healthcare costs each year (Journal Managed



**'Time to launch is paramount for pharmaceutical companies'**

## NOVEL IDEAS EMERGE FROM INDIGO PRIZE

In 2017 L1 launched a new economics competition in the UK – the Indigo Prize.

L1 wanted to catalyse a debate about how and what factors are currently measured given our evolving economies, technology and skills bases, and what should now be taken into consideration in official economic statistics that measure the health, size and growth of a modern economy.

Applicants to 2017's competition were invited to submit an essay of up to 5,000 words, with the

shortlisted candidates going on to present their concept to an eminent judging panel chaired by Mervyn Davies, consisting of (among others) Gus O'Donnell, formerly UK Cabinet Secretary; Jim O'Neill, formerly Chief Economist at Goldman Sachs; and Lynda Gratton, Professor of Management Practice at the London Business School.

The first and second prize were awarded in an equal split, with £125,000 shared between teams led by Diane Coyle, Professor of Economics at Manchester University, and Jonathan Haskel, of the Imperial College Business School. The £10,000 third prize – for a rising star – was awarded to 19 year-old Durham University student Alice Lassman.

Diane Coyle's entry 'Making the Future Count' was co-written with Benjamin Mitra-Kahn, board member of the Intellectual Property Institute of Australia, and as well as proposing amendments to GDP, proposed a radical replacement of GDP with a dashboard measuring six key



assets, to include human and social capital alongside physical assets.

The submission from Jonathan Haskel's team, 'Improving GDP: Demolishing, Repeating or Extending?', emphasised the importance of intangible goods, and proposed running online experiments on people's willingness to pay for free goods, as well as extending GDP to better measure economic wellbeing. (see [www.global-perspectives.org.uk/indigo-prize/](http://www.global-perspectives.org.uk/indigo-prize/))

### THE PRIZE WINNERS

Joint 1st:  
Diane Coyle  
& Benjamin  
Mitra-Kahn

Joint 1st:  
Jonathan Haskel  
& Carol Corrado

3rd: Alice  
Lassman

Care Pharmacy 2017). This need has launched a new industry, focused on connected therapeutic devices and data analytics aspiring to provide reliable data to help track patients and their medication regimes in the home.

Digital medicine will also improve pharmaceutical companies' time to launch new drugs, a paramount issue as every lost day on the market can cost a company up to \$8 m a day for a blockbuster drug.

To succeed in digital technology, many healthcare leaders – deep in science with labour forces filled with MDs and PhDs – will have to partner on the software side to leverage digital expertise and combine best of breed R&D from both industries.

We are also in an era where non-traditional healthcare players are entering the sector. The recent creation of the healthcare partnership among Amazon, Berkshire Hathaway and JPMorgan demonstrates the increasing investment, pace and noise in the disruption of healthcare.

## RETAIL CONTINUES ITS DIGITAL TRANSFORMATION

We believe that data is the new oil. This vast, untapped reservoir represents limitless potential value. Yet, in its crude state, it poses real challenges for business.

The consumer landscape has changed. The emergence of social media has meant that nowadays everyone leaves a trace – a trace that has become the lifeblood of business. Customer control of the content generated and consumed on digital channels is constantly increasing, so understanding their behaviour is essential.

The social media trail can be read to discover passions, media consumed and influencers. Until cultural understanding of customer motivations and aspirations is reached, a brand cannot make itself relevant. Gain this understanding, and you can see your brand through the eyes of your customers.

There is more to understanding your customers than an in-depth knowledge of their past behaviours. But this is what most customer insight teams will do: they are glorified management information teams, manipulating historic data to determine some proxy personalisation.



### 'Next-generation customer insight will go beyond backward-looking data'

Without storytelling, data offers just a rear-view mirror. Next-generation customer insight will bring personality to big data; it will go beyond backward-looking internal customer information, using social and market data simultaneously to identify communities based on shared passions, interests and behaviour. This precise segmentation will be invaluable in developing a customer engagement strategy; it will inform board-level decisions and impact the customer experience.

#### More on our sectors

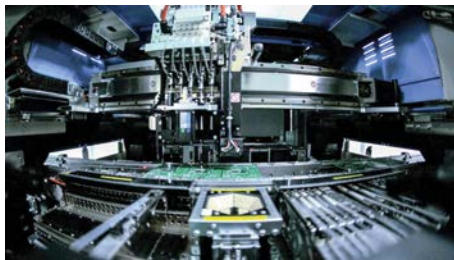
[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)



**Long-term capital, unmatched sector expertise, world-class teams and active engagement will ultimately bring rewards for all.**

# OUR APPROACH TO REALISING POTENTIAL

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.



## BUYING AND BUILDING

At L1, we generally seek to buy and build companies over the long term, in sectors that satisfy human needs, such as energy, food retail, technology and healthcare, 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.

## SATISFYING BASIC HUMAN NEEDS

We invest in sectors that have a strong bias to satisfy society's needs. People need energy, food retail and technology. As demographics change, people are increasingly concerned

about their health. They need energy to power homes and grow economies. Therefore, these sectors have longevity and opportunity.

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

Our experience as executives in many industries helps us identify long-term trends. We look for companies that will be the new stars in this changing landscape. We seek long-term disruptors in their sectors and robust platforms for future growth.

## PASSIONATE ABOUT THE ART OF BUSINESS

As businesspeople, we like to understand how businesses work. We want to know their structure, skills, processes and the basis of their competitive strengths. We look at everything with fresh eyes, always asking what works and



what doesn't. Our specialist investment teams then 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 and will undoubtedly do so again. We are different from private equity companies. We buy and build assets, which we can develop over time as platforms of long-term sustainable growth.

## ALLOCATING OUR CAPITAL

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





## CASE STUDY: L1 TREASURY AND STUDENT ACCOMMODATION

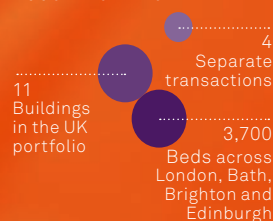
L1's investment philosophy is to buy and build investments over the long term and to realise their potential, while maintaining the strategic flexibility to realise value should the opportunity present itself or the longer-term investment climate change.

In 2015, through four separate transactions, L1 Treasury acquired a property portfolio of award winning student accommodation in the UK. The portfolio comprised 11 buildings across the UK – in London, Bath, Brighton and Edinburgh, totalling around 3,700 beds. Some of the properties were already operational at the time of acquisition while others were in various stages of development. All locations were carefully chosen as cities where demand for high quality, purpose-built student accommodation outstripped supply and where tourism offered potential for additional sources of revenue during the summer months.

L1 Treasury developed the property portfolio into a leading and highly profitable student accommodation business with a core focus on its customers – the students and education providers. Over a two and a half year period, L1 Treasury increased occupancy during the academic year to 97%+, increased the operational efficiency of the business and added new revenue streams through innovations such as Pure CityStay.

The value created by L1 Treasury, the need for further consolidation in the sector and historic low interest rates in the UK all contributed to our decision to sell the business.

### STUDENT ACCOMMODATION



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.

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



## L1 STRATEGY

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

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



**OIL AND GAS** – Increasing population growth means increased demand for energy. For the next few decades at least, oil and gas will be an important cash flow generator. We invest in good development opportunities at low oil prices, then target operating improvements and cost optimisation.

**TELECOMS** – Telecoms companies of the future will play a role in fundamentally altering the way we live, work and relate to one another. VEON is restructuring itself by evolving into a global technology company. Turkcell has already made significant progress in transforming itself into a “digital operator”.

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

**HEALTH** – Technology and demographic trends are pushing the boundaries of healthcare and

creating new investment opportunities in contract manufacturing, life science tools and medical distribution. L1 Health aims to make sizeable investments aimed at generating high cash flow and growth in these areas.

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

**PRIVATE EQUITY** – We will leverage the insights we gain from our investments in private equity to build expertise in new sectors. The funds in which we invest are independently managed.

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

**More on our investment units**  
pages 14-31

**More on our sectors**  
[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)



REALISING  
**ENERGY**  
POTENTIAL

The oil and gas industry faces a period of lower prices. In this environment, consolidation is the natural response.









L1 Energy's ambition is to build a safe, sustainably growing energy group, which is recognised as a partner of choice in its industry. We took decisive steps in 2017 towards realising that ambition.

# GENERATING SUSTAINABLE GROWTH FOR THE FUTURE



Lord Browne of Madingley  
Executive Chairman L1 Energy

**\$4.2 BN**

NET ASSETS UNDER MANAGEMENT

## PLAN TO CREATE EUROPE'S LARGEST INDEPENDENT OIL AND GAS COMPANY

The oil and gas industry faces a period of lower growth and lower prices. In that environment, consolidation is the natural response.

In December, L1 Energy signed a Letter of Intent with BASF to combine DEA with Wintershall, creating Europe's largest independent oil and gas company. It is envisaged that BASF will initially hold 67% and L1 Energy will hold 33% of the newly merged entity, which will operate under the name Wintershall DEA.

L1 Energy and BASF are currently conducting confirmatory due diligence and expect to close a transaction in the second half of 2018, subject to customary regulatory approvals. Until closing, DEA and Wintershall will continue to operate as independent companies.

The merger of Wintershall and DEA would create a company with the scale needed to generate sustainable growth long into the future. It will operate with joint leadership, joint governance, and joint headquarters, marking the beginning of a new partnership which will reshape the European energy landscape.

## STRONG OPERATIONAL AND FINANCIAL PERFORMANCE

DEA's production in 2017 averaged 125 kboe/day. Higher commodity prices and strong operational performance meant that the

company generated EBITDAX of more than USD \$1 bn, significantly above expectations.

In Norway, an important growth area for the company, DEA increased its share to 55% of Dvalin, and the Ministry of Petroleum and Energy approved the plan for the development of the field. Engineering and detailed planning work for the new modules for the Heidrun platform and the subsea production system are expected to begin this year. Production is due to start in 2020.

Investment plans in the Njord and Bauge fields in the Norwegian Sea, in which DEA has a 50% and 27.5% share, respectively, were also approved by the Ministry. These projects alone will lead to investment of more than EUR 2 bn in the Norwegian Continental Shelf. Production is expected to begin in the fourth quarter of 2020.

In Egypt, production at the BP-operated West Nile Delta began ahead of schedule and is above planned levels at the first two fields, Taurus and Libra. DEA has a 17.25% share in the North Alexandria and West Mediterranean Deep Water concessions.

In Mexico, DEA, together with Pemex, won the tender for shallow water exploration block 2 in the Tampico-Misantla basin. DEA also acquired a 50% share and operatorship of the Ogarrio onshore oilfield. The field's gross production is around 12,500 boe/day, with significant potential for growth through the application of DEA's expertise in field redevelopment.

A successful start was made to production from the Reggane Nord project in the Algerian Sahara.



Up to 280 million cubic feet of gas (approx. 9,000 barrels of oil equivalent) per day are planned for 2018. The first 10 wells have been put into production.

## MOVING INTO A NEW GROWTH PHASE – DEA APPOINTS NEW CEO

In January 2018, Maria Moraeus Hanssen took over as CEO of DEA. Maria was Chief Executive Officer of the French utility group ENGIE's E&P business. She led a strategic transformation of that business, restructuring the portfolio and improving returns and profitability through the pursuit of cultural change, application of new technology, cost reductions and M&A activity. She has been warmly welcomed at DEA, and we look forward to working closely with her at a critical moment for L1 Energy.

More on our sectors  
[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)



## Q&A MARIA MORAEUS HANSSEN, DEA CEO

### Q. WHAT HAVE BEEN YOUR FIRST STEPS?

**A.** When preparing for this job I put together a "100 Day On-Boarding Plan" based on best management theory and lessons learnt from my previous jobs. However, with the announcement of a possible merger between DEA and Wintershall, I had to adapt the plan slightly to make room for more immediate tasks and integration planning. During my first seven weeks, I have prioritised getting to meet as many DEA employees as possible. I have also tried to let the employees get to know me, not only through physical meetings but also through different communication channels. I really appreciate the open dialogue with the people and the high degree of motivation and engagement I observe wherever I go in the organisation. I have also travelled around to different offices and sites and the operating companies to learn about DEA's assets and operations. I have yet to go to Mexico but I have been to Egypt twice, to Norway several times and I am currently travelling around Germany to see our different sites here.

### Q. WHAT ARE YOUR PRIORITIES FOR DEA?

**A.** With the new exciting but also challenging prospect of a merger with Wintershall ahead of us, my number one priority will be to motivate our people and make them feel that they are listened to. Secondly, it is about making sure DEA remains on track – focused on performance and continuous flawless operations. We have major investment projects ongoing and ahead of us in Egypt and Norway. We are taking over as operator for the Ogarrio Field in Mexico and we have technical challenging drilling operations in Germany. Regardless

of whether the merger with Wintershall materialises or not, we will have to learn to explore, develop and operate at even lower cost and to intensify our focus on digitalisation, technology and innovation. And we need to further reduce the impact we have on the climate and the environment.

### Q. WHAT ATTRACTED YOU TO COME TO WORK FOR DEA?

**A.** I have been working in the oil and gas industry since I did my first offshore safety training more than 30 years ago, during my years in university. I am proud of having played a small part in making the industry's technological achievements during these 30 years possible. But I am even prouder of having been given this opportunity to play a part in reshaping the industry for the next 30 years, which I believe will be equally impressive and challenging. My vision is to make the oil and gas industry generally – and DEA specifically – proactive players in the ongoing Energy Transition.

### Q. WHAT HAVE YOU LEARNT SO FAR?

**A.** My on-boarding in DEA comes at a time that is even more interesting for the company than I foresaw when I signed up for this. My priority now is looking after our employees and ensuring that we continue to carry out our operations safely and meet our business objectives. At the same time, some of us will need to immediately adjust to the new situation and engage in processes related to the talks between LetterOne and BASF with a view to merge DEA and Wintershall. Interesting but challenging work. A process that many of us have been through before – and successfully so. My experience is that we are better off when managing to meet these type of processes and business combinations with a positive and proactive attitude. What I have learnt so far in DEA is that our people are highly skilled and highly motivated. I have been impressed by the quality of our operations, even though I knew DEA as a company of quality even before I joined.



REALISING  
**TECHNOLOGY**  
POTENTIAL

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Telecoms form the backbone – in terms of connectivity and service – of today’s digital world.









Our technology investments overall made good progress this year. Software and new technology are enabling companies to change their operating models and increase cash flow.

# CREATING OPPORTUNITIES FOR CHANGE

**\$5.9** BN

NET ASSETS UNDER MANAGEMENT AT 31 DECEMBER 2017 (2016: \$5.1 BN)

## TECHNOLOGY CHANGING OPERATING MODELS

Today, most telecoms operators are still struggling to find the secret to unlocking new revenues and cutting costs by using technology to become more than just efficient connectivity service providers (“CSPs”).

From 2018 onwards, we may likely see CSPs accelerating their attempts to extend themselves into digital service providers (“DSPs”). This journey includes overhauling legacy systems to become more customer friendly, automating and simplifying processes, modernising networks, embracing open source, and experimenting with new approaches: what doesn't work gets dropped, what works gets adopted.

Main competitive pressures will continue to come from deflationary yield on connectivity as well as from the over-the-top (OTT) players. The rise of home assistants such as Alexa, Siri, Google Home, Cortana, Bixby and others is bringing the OTTs yet one step closer to

becoming a communication provider of choice for many users.

While the challenges telecoms are facing are the same, approaches they are taking to address them are very different: ranging from minimally invasive to far-reaching and profound transformation. As new technologies such as AI, AR/VR, autonomous vehicles and blockchain are reaching different levels of maturity, telecoms are emphasising some of them more than others. We see some telecoms working on transforming customer engagements with AI and conversational bots, while others are busy experimenting with blockchain and decentralised business models.

Because parts of telecoms technology – access, core, BSS, data analytics, cyber-security – are tightly interconnected, we believe that success in the digital transformation lies in a holistic approach: transforming technology across the board. As an explosion in the number of connected devices is inevitably coming, there may be a lot of opportunities for telecoms that are correctly positioned to harness them.

VimpelCom announced it had rebranded itself as VEON as it reinvents itself into a global tech company.



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.

Telecoms form the backbone – in terms of connectivity and service – of today's digital world. The challenge is to monetise this position and provide customers with both connectivity and new digital services. As software and technology change the way the world does business, L1 seeks to invest in companies that are at the forefront of this change.

## VEON'S SEVEN-YEAR TRANSFORMATION

VEON, which is now three years into its seven-year transformation, delivered the majority of its 2017 financial targets, generating USD \$1.1 bn underlying equity free cash flow, up 31.4% year-on-year. VEON continued to grow in terms of revenue, EBITDA and free cashflow compared to last year. VEON's capital structure was improved; governance, controls and compliance strengthened.

Although VEON remains fully committed to its digital strategy, which aims to substantially reduce costs and increase revenue through new digital services and reduce churn, financial progress was not as good as we would like. EBITDA and gearing performance in Q4 were weaker than expected by the market, which led to a correction in VEON's share price in early 2018. That being said, the company is striving to improve.

VEON's 50/50 JV in Italy with Hutchison is on track to deliver annual target synergies of EUR 700 m in a highly competitive market. It also refinanced its debt, saving EUR 270 m of annual interest. The JV is on track to build Italy's leading mobile network and is transforming into a



“simple and digital” company, ahead of the fourth entrant coming into the Italian telecoms market in 2018.

VEON is also on track to roll out a new IT platform to replace its 300 fragmented core IT systems in 2018 and deploy a proprietary real-time data analytics engine that makes use of the rich data available to telecom operators to develop new customer offers.

L1 Technology, in line with L1’s buy and build strategy, is solely focused on and committed to the creation of long-term shareholder value. Shareholders received a \$0.28 dividend per share in 2017, a 21.7% increase year-on-year. We support a sustainable and progressive dividend based on the further improvement in equity free cash flow, which is expected in the medium term.

## TURKCELL MAKES GOOD PROGRESS

This year Turkcell has achieved outstanding results following a successful start to the implementation of its digital strategy, after repositioning itself as a digital operator. In 2017 revenue increased 23.4% and EBITDA increased 34.8% year-on-year. Turkcell is focusing on selling digital service packages rather than voice minutes or basic data packages. Turkcell expects to start licensing of digital services to other operators, in addition to launching more digital services direct to consumers – both of Turkcell as well as other operators.

## L1 TECHNOLOGY INVESTMENTS

L1 Technology continues to actively look for investment in technology and software companies that fundamentally improve business efficiency.



## TURKCELL IS EXECUTING ON ITS STRATEGIC PRIORITIES

While connectivity revenues deteriorate and OTT services become crucial, Turkcell has become the first major telecom to reposition itself into a digital operator. Turkcell started implementation of its strategy by replacing top management with people from non-telecoms backgrounds as well as hiring a large technology team to develop user engagement platforms including TV+ for TV, fizy for music, BIP for messaging and Dergilik for online magazines. Today each platform has comparable or higher engagement levels compared to their global rivals in Turkey. Further initiatives in pipeline include telematics through a newly launched device to be plugged in cars, and consumer finance where Turkcell has already acquired a licence to operate in financial services.

Its broad spectrum of digital services, which it continuously

enhances with new features, is now used by one out of every two of its subscribers, who can interact, read, listen, watch, store and search using Turkcell applications. Customers’ appreciation of its services has contributed to a subscriber base expansion for five consecutive quarters, along with strong financial results. Its service revenues are up 26% year-on-year, which confirms that telecoms can unlock new revenues by using technology.

Digital service package offerings delivered growth of 23% in revenue, 35% in EBITDA and 52% in net income.

Turkcell will continue to initiate new projects that strengthen its positioning as the digital operator with global services. Turkcell is targeting Group revenue growth of 13-15%, with an EBITDA margin of 33-35%.

Turkcell also put its digital services under a newly formed entity called Lifecell that serves not only Turkcell customers but customers of all operators in Turkey. Furthermore, Lifecell aims to provide digital services to other operators as SaaS. Meanwhile, Lifecell continues to identify and invest in new technologies to strengthen its leading edge.



Uber went through a turbulent year with the departure of Travis Kalanick, revelations of a dysfunctional culture and regulatory challenges in a number of cities. Dara Khosrowshahi took over as Uber’s CEO, setting a different tone and announcing plans for an IPO in 2019. Despite this, Uber continued to perform strongly on the topline, nearly doubling its gross bookings, and there are some signs of stemming the increases in cash burn. In December, a consortium led by SoftBank invested \$9 bn at a blended valuation slightly below L1’s entry valuation.

Qvantel, a provider of BSS (business support system) solutions for telecoms, focused on ramping up its capabilities to successfully deliver very large projects. The management team was strengthened with the arrival of the new CEO Ove Anebygd, with 20+ years of experience from Ericsson, and a range of new executives. Qvantel posted strong revenue growth (103%), while re-investing most of its cash flows in R&D and paying out \$4.3 m in dividends. L1 Technology invested in Qvantel in 2016.

FreedomPop’s revenue growth slowed down significantly to just under 9% in the US, and both Spain and the UK are proving to be subscale markets. FreedomPop remains one of the best

affordable telecom offerings in the US, but generalised pricing pressure is reducing its value edge. With the shareholders’ support, FreedomPop is building on its digital conversion experience, developing hosted solutions for mobile operators to reduce customer acquisition costs. Early signs are encouraging with contracts signed with Wind Tre, Cyta and Másmóvil.



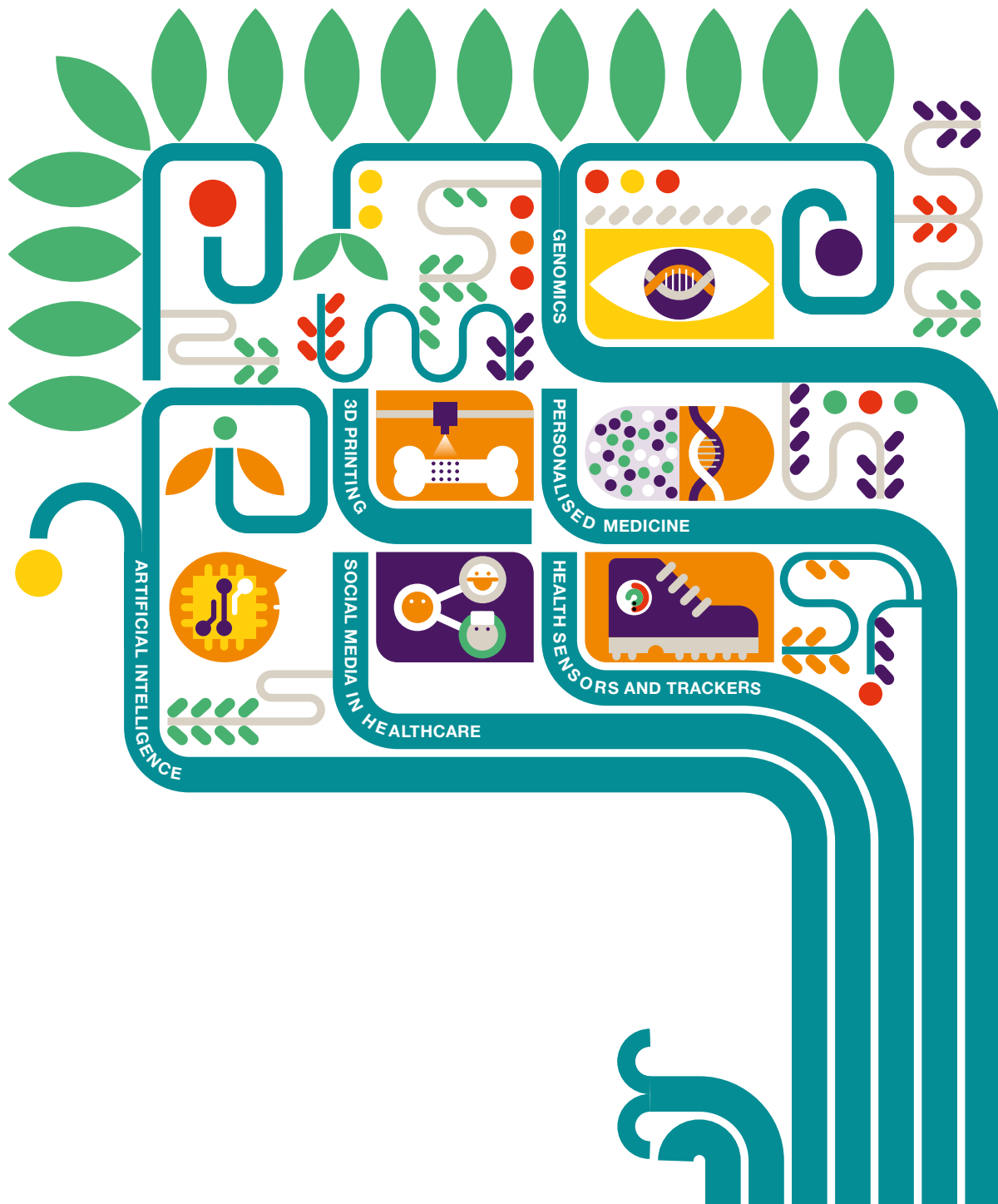
**Alexander Pertsovsky**  
Managing Partner L1 Technology

**More on our sectors**

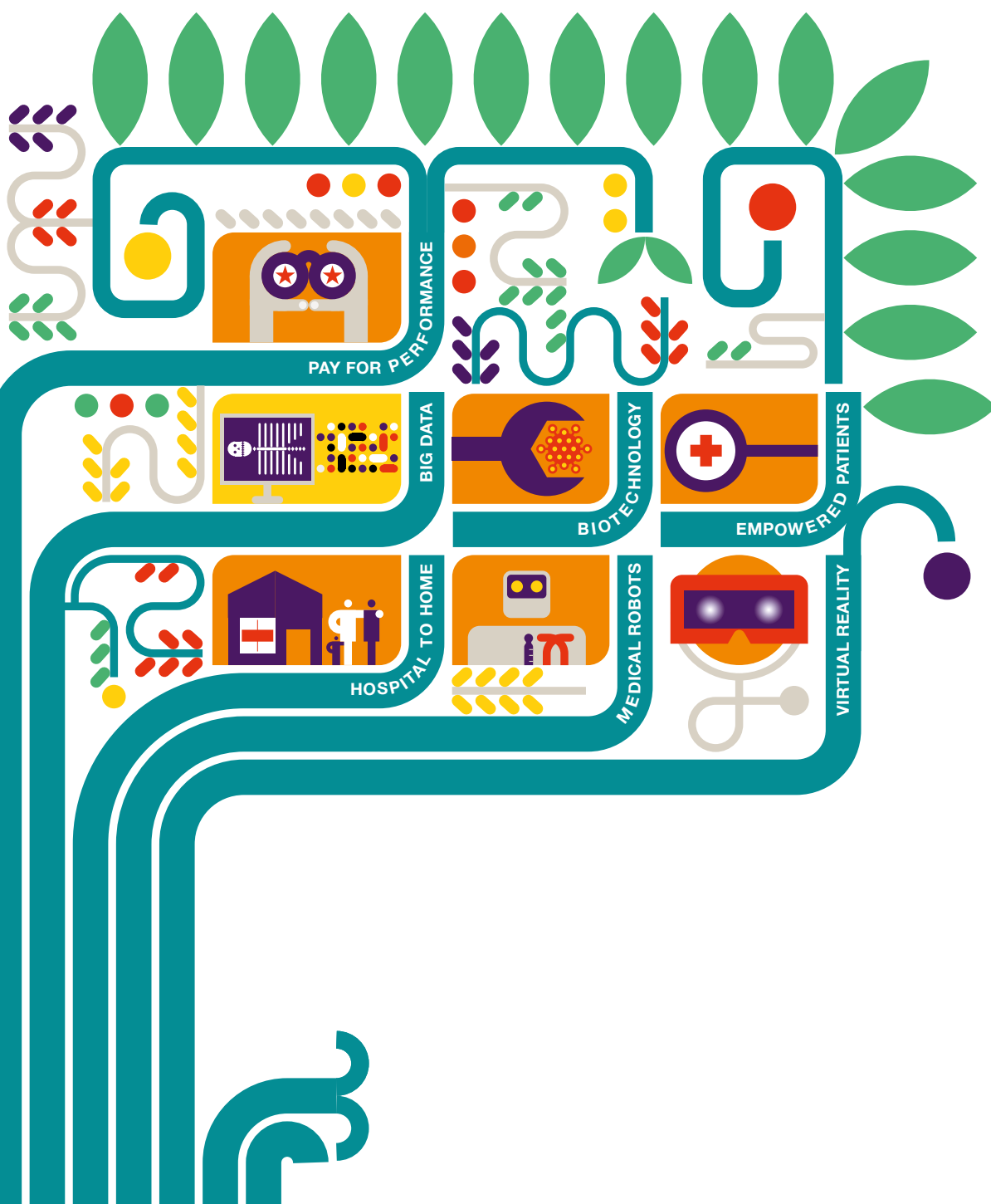
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REALISING  
**HEALTH**  
POTENTIAL



Radical innovations in healthcare will allow us in the future to pursue healthier lives. L1 Health's "Tree of life" – the tree in the garden of Eden bearing fruit which gave eternal life – provides a glimpse into 21st century healthcare and what it might bring.





L1 Health looks for international acquisition opportunities that occupy a critical and strategic role in the healthcare value chain. As healthcare costs continue to balloon globally, L1 Health is looking to invest in companies that increase access, reduce cost from the system or improve the quality of care.

# FOCUSED ON GROWTH OPPORTUNITIES



**Meghan FitzGerald**  
Managing Partner L1 Health

## LONG-TERM INVESTORS

L1 Health plans to invest up to USD \$3 bn to buy and build leading assets in the healthcare sector. In order to build these leading platforms, we focus on a long-term vision and have the ability to underwrite hold periods longer than a typical private equity fund. In addition, we have the flexibility to own majority control positions, acquire minority stakes and invest in public equities or structured products. This flexibility and long-term focus – combined with our deep sector expertise – allow us to support partnerships that create lasting shareholder value.

## FIRST-CLASS INVESTMENT TEAM IN PLACE

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

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



## US HEALTHCARE CONTINUES TO EVOLVE

We see three trends in the US healthcare market.

First, as the Trump Administration has focused on deregulation, the FDA has become more business friendly. This has had the effect of driving generic competition, which is leading to faster approval times. Additionally, the FDA has put a premium on innovation, facilitating creative, new methods of bringing valuable products to market. These developments at the FDA have been generally well received by both sides of the political aisle.

The second healthcare trend is consolidation. The unwinding of the Affordable Care Act (aka Obamacare) has led to confusion among providers and insurers. Given this regulatory uncertainty, healthcare players are taking advantage of the strong financing and stock markets to consolidate and control as much of the health delivery system as possible. By doing so, they can adapt and protect themselves in a volatile regulatory environment. Recent examples of this consolidation include the announced merger agreement for CVS to acquire Aetna and the announced partnership between Berkshire Hathaway, Amazon and JP Morgan to leverage their considerable resources to bring improved healthcare to their employees.



The third trend we see are signs of increasing innovation in both life sciences and the delivery of healthcare. This is evident through rapid breakthroughs in biologic sciences in the biopharmaceutical industry but also through the use of modern-day technology (smart phones, wearables, etc.) to allow consumers to have greater control over their own health.

## WHAT DO THESE TRENDS MEAN FOR L1 HEALTH?

Our strategy is to invest in companies that benefit from these currents in the healthcare industry. We are focused on building leading assets that occupy a critical and strategic role in the healthcare value chain by developing or supporting new technologies, increasing access to care, improving care quality or reducing care costs.

### More on our sectors

[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)



### L1 sponsors US NAQT (National Academic Quiz Tournaments) 2018 Intercollegiate Championship Tournament and the 2018 High School National Championship Tournament

At L1, a central pillar of our investment philosophy is spotting the next generation of business leaders and realising individual and business potential.

As investors, we know today's economy and workplace increasingly demand new skill sets. The world is facing a new industrial revolution in which social media, robotics, 3D manufacturing, artificial intelligence, and new trade corridors will fundamentally alter the landscape on which business is done.

L1 believes the ingenuity and education instilled by competitions such as NAQT Quiz Bowl will generate the skill sets

needed by future leaders to succeed in the evolving digital economy. As a business we want to encourage the love of learning amongst students and foster the skills, which we believe will be important in 21st century economies.

We think NAQT Quiz Bowl tournaments – held annually across the US – comprise a competitive platform that motivates students to do their best, cultivates analytical thinking, tests understanding, and encourages collaboration and teamwork.

With our support, NAQT will expand the ICT to allow more teams to participate, while making a variety of other changes to improve the experience of players, coaches and staff. NAQT and L1 are collaborating on a campaign to raise Quiz Bowl's overall profile as a fun and educational activity in hopes of increasing overall participation across the country.



# REALISING RETAIL POTENTIAL

Investing in 21st century retail stars, including Holland & Barrett, in growing health and wellness market.

## Holland & Barrett health hub

[www.hollandandbarrett.com/the-health-hub](http://www.hollandandbarrett.com/the-health-hub)

MAIN COURSE – FOR MORE CLICK HERE

### The health boosting benefits of sex



**Pssst, not only is it great fun, but scientists have discovered that a good old roll in the hay has a sackful of health perks, too**

#### You'll be smarter

Regular sex creates new neurons in the brain, improving cognitive function and clear thinking. Lab studies in the US showed it boosts the number of brain cells in the hippocampus – an area associated with storing information. So you'll have to keep it regular if you want to hold on to your newfound "genius" status.

#### You'll defeat pain

Just before orgasm, the amount of "love hormone" oxytocin surges in the brain, and morphine-like endorphins are released. Scientists discovered that when women orgasm, their pain tolerance threshold and pain detection threshold both rise significantly – by up to a whopping 74.6 per cent and 106.7 per cent respectively. Fifty Shades Of Grey now makes A LOT more sense. Everything from headaches, lady pains and general aches can be eased away, thanks to the Big O.

#### You'll be less stressed

Endorphins released during orgasm are mood-boosting, and couples were found to have significantly lower levels of the stress hormone cortisol in their saliva after having sexual intercourse. Researchers think this stress relief is one of the reasons why there are health benefits to being happily married.

#### You'll banish sick days

Sex stimulates immunity cells that fight disease. People who had regular sex were found to have higher levels of antibodies (immunoglobulin A), which helps to protect us from infections. OK, so we're not suggesting you can simply bonk your way to better health; you'll need to take part in other immunity-boosting habits as well, such as good nutrition and staying on top of exercise, but there's no reason it can't be an important, ahem, part of your plan to stay fit and well.

#### You'll sleep like a baby

Post orgasm, an intense wave of relaxation washes over you and we emotionally and...

TASTER – FOR MORE CLICK HERE

### Are carrots really good for your eyes?



Your mother probably told you carrots could help you see in the dark in a bid to make you eat your veggies, but there is actually some truth in the old wives' tale. Research now shows that certain nutrients can help keep our eyes in good health, including vitamin A – or beta-carotene – found in carrots. Handpicked content: How to look after your eyes naturally. Beta-carotene is the orange-red colouring found in fruits and vegetables such as red peppers.

TASTER – FOR MORE CLICK HERE

### Could this vital vitamin keep wrinkles at bay?



Let's face it, few of us love seeing wrinkles when we look in the mirror. A recent American survey even found 54% of women aged 35-44 regularly worry about the signs of ageing, such as lines, wrinkles and sagging.

The good news is that vitamin A could help. Also known as retinol, this fat-soluble vitamin helps cells reproduce normally, so it could be your secret anti-ageing weapon.

Does vitamin A skincare work? According to a review of research published in the journal *Dermato-Endocrinology* in 2012, vitamin A applied as a cream stimulates collagen production and elastic fibres in the...

HOR'S DEUF – FOR MORE CLICK HERE

#### MYTH

#### Calorie counting is the best way to lose weight

It IS true that all calories have the same amount of energy. And you won't have success slimming if you're eating your bodyweight in #avotoast instead of Twix bars. But, while portion-control is important as part of a weight-loss plan, it's how your body metabolises these calories that's the real decider.

#### FACT

#### Some calories make you hungrier than others

Calories from refined carbohydrates – such as white bread, sugar, cereals and white pasta – are extremely low in fibre. Fibre isn't absorbed by the body, but helps make us feel full. Hence



foods that don't contain a high amount are likely to cause a spike in blood sugar levels, followed by a "sugar crash", which leaves us feeling hungrier and more likely to binge later on.

#### MYTH

#### Fat is "bad" because it's high in calories

Up until recently, we've tended to follow a low-fat diet when slimming, as fat contains twice the

number of calories as the same quantity of protein or carbs. But despite the high calorie content, fat is a crucial part of any weight-loss plan – not only does it supply energy, it helps the body absorb vitamins and minerals, as well as containing essential fatty acids.

#### FACT

#### Certain calories cause your body to store more fat

As we've noted, foods such as refined carbs can cause a spike in blood sugar levels. This not only leaves you feeling hungry, but also raises insulin levels in the body, a hormone which triggers fat storage.

Time to throw those calculators away and get more savvy about where those calories have come from – not just how many calories you've eaten.

FACT - FOR MORE CLICK HERE

# 100m

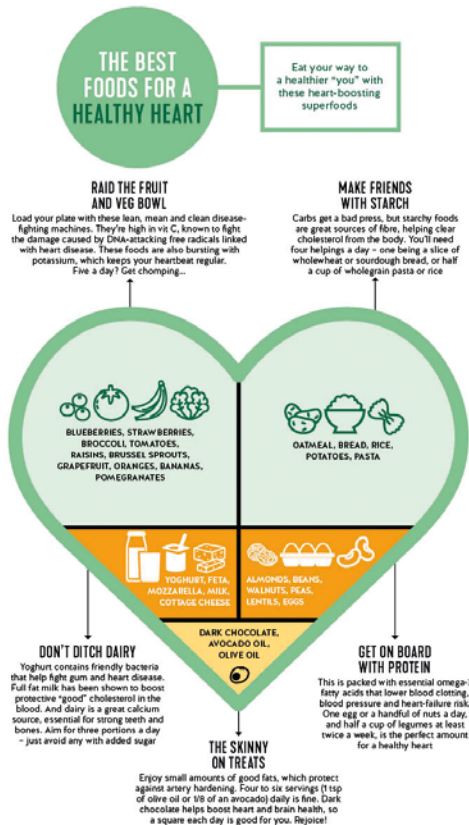
## How your gut can affect your mood

Your gut responds to emotions, receives impulses and logs experiences. It's lined with over 100 million neurons – more than your spinal cord – and their job is to keep in contact with your brain.

INFOGRAPHIC - FOR MORE CLICK HERE

## The best superfoods for a healthy heart

Show your heart some love with these superfood suggestions to keep heart disease at bay



What this may mean is that your gut bacteria can directly affect your emotional state, and introducing 'friendly' bugs into your gut could potentially help you feel more positive.

A study by UCLA in 2013 examined 36 women split into three groups: those who ate two bacteria-containing yoghurts every day for a month, those who ate a dairy product without any bacteria, and

a control group. Results showed that those in the bacteria yoghurt group had changes in the part of the brain that processes emotions linked to visual stimuli, with some decrease in activity, suggesting a reduction in anxiety.

The research could one day lead to so-called psychobiotics – medicines based on bacteria – being used as treatments for mood disorders including depression.

FACT - FOR MORE CLICK HERE

# 4-5hrs

## Why your diet is stopping you sleeping

High calorie foods for your final meal of the day can limit your sleep – studies have shown that people with diets rich in calories slept on average for five to six hours.

IN SHORT - FOR MORE CLICK HERE

## Seven ways to lose weight naturally

### 1. Give glucomannan a go

Approved by the European Food Standards Agency (EFSA), glucomannan is a natural fibre that expands in the stomach and makes you feel full, so you're less likely to graze throughout the day.

### 2. Pop some friendly bacteria

Your gut contains millions of bacteria, of which the "good" kind help to ensure our digestive system is working properly. Studies suggest there is a crucial link between taking bacterial cultures such as acidophilus.

### 3. Stock up on slow-release carbs

Certain foods – especially refined sugar, starch and white flour – can cause an immediate spike in energy levels, followed by a massive dip, so you tend to pig out.

### 4. Sip green tea

Evidence suggests that green tea increases your metabolic rate, helping you burn calories a lot faster.



### 5. Cook with good fats

Fat is necessary for your body to function properly, delivering essential fatty acids and fat-soluble vitamins that it needs – so you needn't cut it out of your diet altogether.

### 6. Whey protein is the way forward

Not just for bodybuilders, whey protein can also be great for battling the bulge. That's because it's thought to boost your metabolism and leave you feeling fuller for longer. So it's perfect to blend into a shake after a workout.

### 7. Get that all-important 40 winks

Although you might think being active is an essential part of how to lose weight, getting enough sleep is a big factor, too. Not only does it leave you feeling more energised the next day, but studies have shown well-rested people burn more calories while asleep than those who...

## RECIPE p12

### Rebel Recipes green stir fry with soba noodles

After a long day at work, there's nothing better than a hearty dinner. Niki Webster from Rebel Recipes has created a stir fry that is easy to make, delicious and packed full of goodness.

Throughout winter we're aiming to help you feel your best. Niki has created recipes that support our latest campaign, #WinterWise, that are not only tasty but good for you too.



Over the course of the past 12 months, L1 Retail has established its market positioning and continued to develop its investment team capabilities. L1 Retail made its first platform investment in Holland & Barrett, which provides attractive exposure to the growing health and wellness market.

# LEVERAGING DATA TO DRIVE RETAIL TRANSFORMATION



**Stephan DuCharme**  
Managing Partner L1 Retail

**\$1.2 BN**

NET ASSETS UNDER MANAGEMENT  
AT 31 DECEMBER 2017

## INVESTMENT APPROACH

Established in December 2016, L1 Retail's strategy is to identify and invest in companies that are well-positioned platforms for long-term growth and sustainable competitive differentiation. L1 Retail's investment team and Advisory Board leverage prior investment experience, industry expertise and an extensive global retail network to successfully implement this strategy.

L1 Retail has a longer-term investment horizon than many other financial investors, seeking to deploy capital into platforms that can be positioned for strong growth over 10 years and beyond. A key focus for any investment is to best position the business to react to and take advantage of sector disruption driven by technology and digital innovation.

The team play an active role in the companies in which it invests. L1 Retail works in close partnership with management teams at its portfolio companies and places a strong emphasis on recruiting, developing and retaining top-tier talent.

L1 Retail is seeking to deploy up to USD \$3 bn of equity into attractive opportunities in retail. This capital is flexible and can be invested in minority or control shareholdings.

Holland & Barrett – fuelling the Leicester Tigers! As the leading retailer of sports nutrition and supplements, Holland & Barrett are proud to support the well-being, conditioning and nutritional requirements of rugby's championship team.



## ACQUISITION OF HOLLAND & BARRETT

On 26 June 2017, L1 Retail announced that it had acquired Holland & Barrett from The Nature's Bounty Co. and The Carlyle Group for £1.77 bn. Originally founded in 1870, Holland & Barrett has grown to be Europe's largest health and wellness retail chain with strong brand loyalty and stores in more than 1,150 locations worldwide. As part of the transaction, Holland & Barrett successfully raised £825 m of senior debt financing, coordinated by Citi, HSBC, UBS, Societe Generale and Barclays, with the equity funding provided by LetterOne.

Holland & Barrett is a clear market leader in the UK health and wellness retail market, with attractive growth positions in other European and international markets, and growing online presence, with a leading customer loyalty programme and 10 million active cardholders. We believe that the company is well positioned to become a global health and wellness platform, capable of meeting the health and wellness needs of its customers and benefiting from structural growth resulting from increased awareness and desire for healthy living. Holland & Barrett has achieved 35 consecutive quarters of like-for-like revenue growth driven by strong execution, product innovation and a growing digital presence.

Working with the management team at Holland & Barrett, L1 Retail is developing a long-term vision and growth ambition for the company, which will be driven by digital transformation of all aspects of the business, leveraging data





to better understand and meet its customers' needs, defining the technology capabilities required, and shaping the leadership and culture to drive focus on achieving long-term success in a changing retail environment. To achieve this, Holland & Barrett will accelerate its investment in recruiting and developing top-tier talent in all areas of the business.

## L1 RETAIL TEAM

The L1 Retail investment team is led by Stephan DuCharme. Previously Stephan was the X5 CEO and oversaw a period of strong growth from 3,800 stores to over 12,000 stores today. During the year, the investment team has expanded and includes professionals with strong expertise in investment, finance and operations. L1 Retail continues to invest in building a world-class investment team with a long-term investment horizon.

The L1 Retail investment team is supported by a highly experienced Advisory Board comprising Karl-Heinz Holland (the former CEO of LIDL AG), Clive Humby (chief data scientist at Starcount and founder of Dunnhumby) and John Walden (CEO of FTD and former CEO of Home Retail Group and Argos). Each member of the Advisory Board brings complementary expertise from commercial and operations, data science and innovation through to digital and technology.

### More on our sectors

[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)



## THE FUTURE OF DATA – Q&A INTERVIEW WITH CLIVE HUMBY, RETAIL ADVISORY BOARD MEMBER AND FOUNDER OF DUNNHUMBY

### As an early pioneer in using data to drive insight in retail, how can data be used to drive digital transformation in retail businesses?

Companies have an excess of data but a shortage of insight. The next generation of insight needs to refine this crude data to achieve the ultimate goal: understanding customers. Data needs to tell a story. Like a kind of 'digital play', it must paint a full and nuanced picture of individual customers. Achieving this will mean drawing on multiple data sources, creating a rich blend of insight that cuts to the heart of the retail customer's needs and wants.

### There is a lot of focus on personal data protection, particularly digital data privacy. What are your thoughts on this?

First things first, it is crucial that brands operate to the highest standard of data privacy. New flows of information have been

enabled by new media, and demand ever-increasing accountability from corporations. Transparency is key; if customers can see the value they gain from sharing their information, they will relish the prospect of targeted, personalised messages and deals. Allowing customers to opt in puts them in control of their own data.

### Do you see this data landscape changing?

Indeed, the landscape of customer interactions is turning from push to pull: instead of businesses pushing a service onto the customer, the public are now pulling in the products that they want. This shift of power means that business must appreciate the importance of the customer as an individual. Whether we like it or not, data is now inescapable. Commercial models are changing and customer value is improving. Now is the time to embrace the information available, to refine this raw asset into insight that will benefit businesses and customers alike.

### Who will be the winners in this game?

The immense potential of big data is coming to the fore of the public agenda, so now is the time to sit up and pay attention. The winners will be those retailers who bring to life the story behind the information, and from it reap the benefits of personalised customer journeys.





L1 Treasury manages the liquidity and financial investments of L1 Investment Holdings. When investments are sold or dividends received, L1 Treasury manages the funds.

In the two and a half years since the beginning of 2015, L1 Treasury had bought and built up a leading student accommodation business in the UK.

# FUNDS FOR STRATEGIC INVESTMENTS



**Yves Leysen**  
Chief Investment Officer L1 Treasury

**\$7.1** BN

NET ASSETS UNDER MANAGEMENT  
AT 31 DECEMBER 2017

## MARKET BACKDROP

2017 proved to be a very good year for the global economy: with the exception of the UK where economic growth fell slightly, every developed market economy saw growth accelerating, unemployment falling and inflation picking up. Towards the end of the year, wage growth in many countries started to accelerate as well.

This positive economic picture allowed for a gradual normalisation of monetary policy, although faster in the US than in the rest of the developed world, and offered some room for a more expansive fiscal policy. This set of circumstances in turn led to a benign year in financial markets: the S&P 500 experienced positive returns each month of the year and saw the lowest annualised volatility in at least 50 years.

Of course, the natural consequence of a long run of positive returns is high asset prices: equities, bonds and real estate prices are all reaching record levels, while credit terms are relaxing and investors are willing to take increasingly more risk to maintain returns. As markets tend to look at the future more than the present, it is logical to expect a market correction before the end of the economic cycle. Whether this will occur in 2018 remains to be seen.

## STRONG PERFORMANCE

L1 Treasury showed strong financial results in 2017 with a gross return on assets of 7%, outperforming its benchmarks by 3%.

L1 Treasury's return on assets was achieved while accommodating USD \$4.8 bn of new investments by the other parts of the Group and receiving \$1.8 bn from dividends and disposal proceeds from Group companies.

L1 Treasury at all times 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 \$7.1 bn at the end of 2017.

## PORTFOLIO HIGHLIGHTS

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





2017 was a strong year across all parts of the portfolio: trading, hedge fund investments and direct investments. The biggest shift in the portfolio occurred with the disposal of the student accommodation business.

## SALE OF STUDENT ACCOMMODATION

In the two and a half years since the beginning of 2015, L1 Treasury had bought and built up a leading student accommodation business in the UK.

The portfolio had significant concentration in London with further properties in Bath, York, Edinburgh and Brighton, all cities where demand outstrips supply of purpose-built, high quality student accommodation. All but one of the properties were in development, newly built or less than three years old at the time of acquisition. The location and the young age of the accommodation put it in the centre of demand by students and allowed L1 Treasury to create significant added value in a short space of time.

As the consolidation in the student accommodation sector accelerated, L1 Treasury decided to realise the value it had created and sell the portfolio.

## OTHER ACTIVITIES

L1 Treasury also often works together 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 BUYS PORTFOLIO HOLDING IN DIA

In 2017, L1 Treasury bought a portfolio holding in the Spanish Food retailer Distribudora Internacional de Alimentación, S.A. ("DIA"). In January 2018, we announced that L1 Treasury had increased its shareholding to 93.4 million ordinary shares, or 15.0% of DIA's total share capital, and had entered into a collateralised forward purchase transaction to acquire a further 62.2 million ordinary shares, equal to an additional 10.0% of DIA's total share capital.

## L1 TREASURY'S HIGHLY EXPERIENCED GLOBAL TEAM

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

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

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 and is chaired by Ed Eisler, founder and Chief Investment Officer of Eisler Capital, a global macro hedge fund.

### More on our sectors

[letterone.com/about-us/our-structure](http://letterone.com/about-us/our-structure)







# L1 recognises that our success rests on maintaining best-in-class corporate governance and a sound business reputation.

Dear All,

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

L1 has made good progress this year putting in place an IT compliance platform across the Group to manage all approvals and we continue to adopt policies to uphold the highest standards in the companies in which we invest. We have a strong compliance function and, where appropriate, we proactively engage with authorities to ensure that our structures, processes and procedures meet all relevant standards.

We require all our employees and others acting on our behalf to demonstrate the highest standards of ethical behaviour when conducting L1 business.

As with any FTSE Board, following the collapse of Carillion, the ongoing criticism of CEO pay, gender issues and the other challenges to capitalism, as a Board we are now asking ourselves the following questions: Do we as a Board have enough connection with millennials and changing technology trends? Do we have the right talent base in our Group to cope with this industrial revolution? Are we too western or male orientated? Does box ticking mean we are missing big opportunities?

We conducted our own independent research and it shows worrying trends. The contract between business and society seems to be fracturing. In particular, Americans today think that capitalism has benefitted men more than women (51%, vs 28% equal and 5% women more than men). This has left the majority of women (54%) to feel that the position of the genders in the modern United States is unequal (vs 38% who feel they are at least fairly equal). In light of recent campaigns and public discourse which have focused on gender inequality through the lens of sexual harassment, this research shows how rooted in economic structures this inequality is.

There is an acknowledgement that greater inclusion of women into business practices will be ultimately beneficial economically and culturally. This requires a reframing of traditionally feminine skills to position them as assets rather than 'nice to have', and changing perceptions about what makes a good leader is the biggest sign women (and men) currently see of increasing gender equality (20% for both).

Beyond this, outward symbols of gender equality are most important, such as the number of high profile businesswomen and the number of women in employment. If such an outcome can be achieved, people we surveyed (but especially women) believe a female-led capitalism (read: capitalism with a more diverse power structure and broader range of vested interests) will be fairer but also more sustainable and at least as profitable.

Our research shows that half of Americans who think that the market economy has advantaged men believe that having women in charge of the vast number of businesses would help to evolve current business practices. The general public also thinks that this means more decisions for long-term benefits rather than short-term profits would be made (43%) and morale would be higher (43%).

We still have work to do at L1 to improve the diversity of our Board and our executive teams. But it is a priority and I am pleased to see Maria Moraeus Hanssen appointed CEO DEA in 2017 and Ursula Burns appointed as Chairman of VEON. Meg FitzGerald heads our L1 Health investment team. It is a Board priority to address this issue as we grow.

Kind regards,



**Lord Davies of Abersoch**  
Chairman of the Board

**Read the Board biographies**

[letterone.com/about-us/leadership-and-governance](http://letterone.com/about-us/leadership-and-governance)



# 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.

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

## BOARD-LEVEL GOVERNANCE

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



**'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'**

## 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 David Gould; 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.

## AUDIT & COMPLIANCE COMMITTEE (ACC)

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

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

A key role of the ACC is to ensure the integrity of L1's financial statements, the effectiveness of the internal and external audit function and 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 2017, ACC was focused on the improvement of the risk management framework, review of the financial statements and Annual Review, providing guidance on improvement of financial reporting process and valuation policy and review of the scope and results of the Internal Audit work. The ACC was also focused on overseeing the implementation of the compliance policies and the staff training programmes, review and improvement of IT security policies and procedures, as well as review of the tax risk strategy, which was published on the Group's website. 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. The quality and effectiveness of the compliance function was confirmed by an independent review conducted by external legal counsel in November 2016.

## INVESTMENT SCRUTINY

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.



In 2017, we put in place an IT compliance platform to manage all compliance filings and approval requests and documents. We also adopted an Anti-Tax Evasion Policy to ensure compliance with the Criminal Finances Act 2017 and to uphold highest standards in transparency and prevent tax evasion being committed in our name or by anyone representing us. We switched to the new platform for ongoing monitoring of all third-party relationships and transactions and started working on development of policies and procedures to be compliant with the upcoming EU General Data Protection Regulation.

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

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

## ROLE OF ADVISORY BOARDS

The investment teams in L1 Energy, L1 Technology, L1 Health and L1 Retail put forward investment recommendations, 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. The Committee is chaired by Ed Eisler, founder and Chief Investment Officer of Eisler Capital, a global macro hedge fund, who had a distinguished 20-year career at Goldman Sachs. Individual investment decisions are then taken by a separate L1 Treasury team headed by Yves Leysen, CIO L1 Treasury.

### More on our sectors

[letterone.com/about-us/leadership-and-governance](http://letterone.com/about-us/leadership-and-governance)

## NOMINATION & REMUNERATION COMMITTEE (NRC)

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

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

A key role of the NRC is to ensure that L1 recruits, retains and develops the best people. In 2016, the NRC performed a Group-wide compensation benchmarking process and developed the Group's short-term incentive arrangements to further align the objectives of the Group with those of key staff.

## CORPORATE GOVERNANCE

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 (GCD) 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.



## L1 Holdings and L1 Investment Holdings Board

**Lord Davies of Abersoch**  
Non-Executive Chairman



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

**Mikhail Fridman**  
Co-founder of L1



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

**Jonathan Muir**  
Chief Executive Officer



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

**German Khan**  
Co-founder of L1



From 2003 to 2013, 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.

**For details of our advisory board members**  
[letterone.com/about-us/leadership-and-governance](http://letterone.com/about-us/leadership-and-governance)

**Alexey Kuzmichev**  
Co-founder of L1



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

**Petr Aven**  
Co-founder of L1



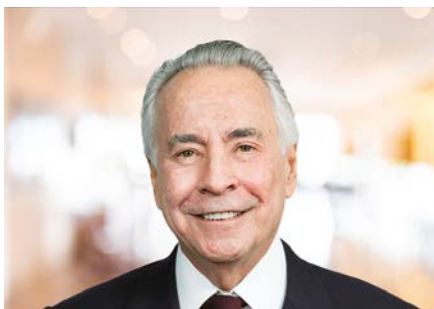
Mr. Aven is Chairman of ABH Holdings, a Luxembourg-based investment holding company of the Alfa Banking Group. He is a member of the Supervisory Board of Alfa Group Consortium. From 1994 to June 2011, he served as President of Alfa-Bank Russia. Prior to joining Alfa-Bank Russia in 1994, Mr. Aven was 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.

**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.

**David Gould**  
Chief Operating Officer



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

**Wulf von Schimmelmann**  
Non-Executive Director



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



## Combined pro-forma balance sheet of LetterOne<sup>(1)</sup>

(UNAUDITED) AS AT 31 DECEMBER 2017

	31 DEC 2017	31 DEC 2016
<b>CORE INVESTMENTS</b>		
L1 Energy – DEA	4,175	3,755
L1 Technology		
• VEON	4,572	3,946
• Turkcell	1,090	790
• Uber	176	203
• Other	49	65
L1 Retail	1,118	–
Private equity funds	6,714	4,183
<b>Total Core Investments</b>	<b>17,894</b>	<b>12,942</b>
<b>L1 TREASURY INVESTMENTS</b>		
Debt instruments	2,500	3,806
Liquidity funds	882	2,255
Cash and cash equivalents	935	458
Cash pledged as collateral	21	2
Other liquid instruments	122	280
Real estate (student accommodation)	–	915
Hedge funds (at fair value)	1,661	1,348
Direct lending (at amortised cost)	642	406
Liability to repurchase debt instruments	–	(251)
Margin cash	301	(109)
<b>Total Treasury Investments</b>	<b>7,064</b>	<b>9,110</b>
Other assets and liabilities	147	185
<b>NET ASSETS<sup>(2)</sup></b>	<b>25,105</b>	<b>22,237</b>

	31 DEC 2017	31 DEC 2016
<b>EQUITY</b>		
Share capital and reserves	22,239	21,126
Dividends distributed	(65)	–
Profit for the year	2,931	1,111
<b>Total equity</b>	<b>25,105</b>	<b>22,237</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> The combined net asset value of USD \$25.1 bn comprises the \$7.8 bn consolidated net asset value of LetterOne Holdings S.A. and the \$17.3 bn consolidated net asset value of LetterOne Investment Holdings S.A. for the year ended 31 December 2017.

## Combined pro-forma income statement of LetterOne<sup>(1)</sup>

(UNAUDITED) FOR THE YEAR ENDED 31 DECEMBER 2017

	YEAR ENDED 31 DEC 2017	YEAR ENDED 31 DEC 2016
<b>GAIN FROM CORE INVESTMENTS</b>		
<b>GAIN FROM L1 ENERGY</b>	<b>550</b>	594
Net gain on DEA	550	594
• Capital returned / (contributed)	70	(333)
• Change in fair value	480	927
<b>GAIN / (LOSS) FROM L1 TECHNOLOGY</b>	<b>1,253</b>	(322)
Net gain on VEON	924	16
• Dividend income	301	-
• Change in fair value	623	16
Net gain / (loss) on Turkcell	390	(334)
• Dividend income	94	-
• Change in fair value	296	(334)
Net loss on other investments	(61)	(4)
• Dividend income	3	-
• Change in fair value	(64)	(4)
<b>LOSS FROM L1 RETAIL</b>	<b>(118)</b>	-
Change in fair value (including deal and hedge costs)	(118)	-
<b>GAIN FROM PRIVATE EQUITY FUNDS</b>	<b>850</b>	766
Distributions, net of capital contributed	805	30
Change in fair value	45	736
<b>TOTAL GAIN FROM CORE INVESTMENTS</b>	<b>2,535</b>	<b>1,038</b>
<b>INCOME FROM L1 TREASURY</b>	<b>368</b>	200
Net portfolio gains	368	200
<b>OTHER INCOME AND EXPENSES (NET)</b>	<b>28</b>	(125)
<b>OPERATING PROFIT</b>	<b>2,931</b>	1,113
Income tax expense	-	(2)
<b>NET PROFIT FOR THE YEAR</b>	<b>2,931</b>	1,111

<sup>(1)</sup> 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.







REALISING

# POTENTIAL



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## LetterOne is proud to announce the winner of the “LetterOne ‘RISING STARS’ Jazz Award”: Tom Ibarra

Tom Ibarra, a 18-year-old French guitarist and composer, beat tough competition to become the “LetterOne ‘RISING STARS’ Jazz Award” winner. With a distinctive voice in Jazz, Funk and Fusion, Tom competed against over 270 artists from over Europe for the title. Entries were judged by a panel including US record producer Brian Bacchus; England’s jazz superstar Jamie Cullum; Norwegian jazz journalist Karen Frivik; and French festival and radio producer Sebastien Vidal. Mikhail Fridman, founder of the Leopold Jazz Festival in Lviv, chaired the panel.

Commenting on the award, Jamie Cullum said, “It is encouraging to see that there are so many unbelievably talented musicians out there. Tom is only 18 years of age, but plays with the feel of a veteran and has a tool kit of musical abilities that allows him to step up at any given moment to put his stamp on the music.”

### Tom Ibarra, 2018 Rising Star Tour

04.05	Cheltenham Jazz Festival (GB)
05.05	Cheltenham Jazz Festival (GB)
30.06	Leopolis Jazz Fest, Lviv (UA)
04.07	Kongsberg Jazzfestival (NO)
13.07	Umbria Jazz, Perugia (IT)
14.07	Umbria Jazz, Perugia (IT)
15.07	Umbria Jazz, Perugia (IT)
17.07	Jazzopen, Stuttgart (DE)
20.07	Nice Jazz Festival (FR)
25.07	Heineken Jazzaldia, San Sebastian (ES)
26.07	Heineken Jazzaldia, San Sebastian (ES)



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