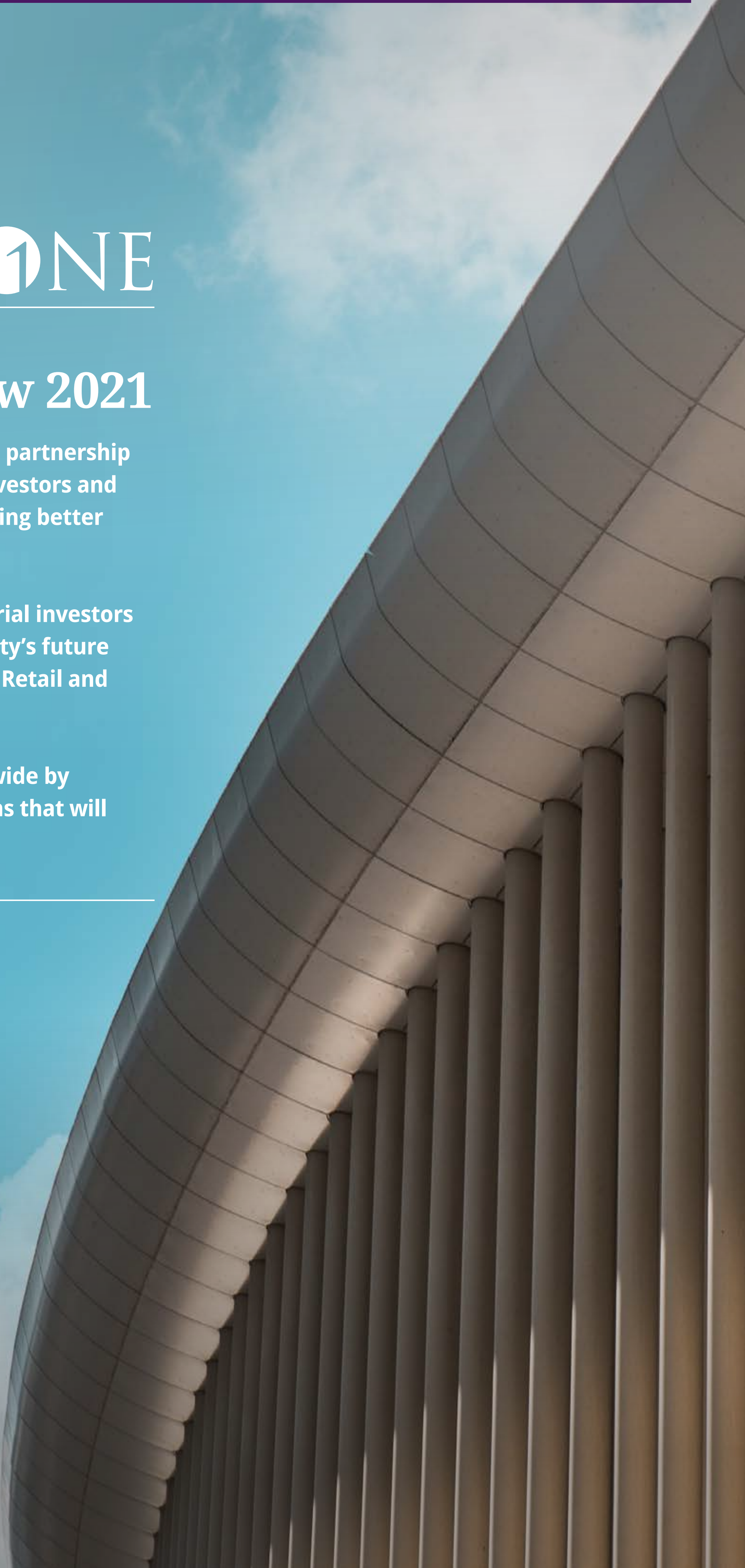
LETTERONE

Annual Review 2021

Founded in 2013, LetterOne is a partnership of successful entrepreneurs, investors and leaders, passionate about building better businesses.

We are long term, entrepreneurial investors in sectors fundamental to society's future prosperity: Technology, Health, Retail and Energy.

We support 120,000 jobs worldwide by backing and building institutions that will stand the test of time.



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Our performance

Our performance

Financial highlights
At 31 December 2021

$26.8bn
Net assets
(2020: $22.3bn)

$2.0bn
Capital deployed
(2020: $1.8bn)

$3.8bn
Cash realisations
(2020: $0.4bn)

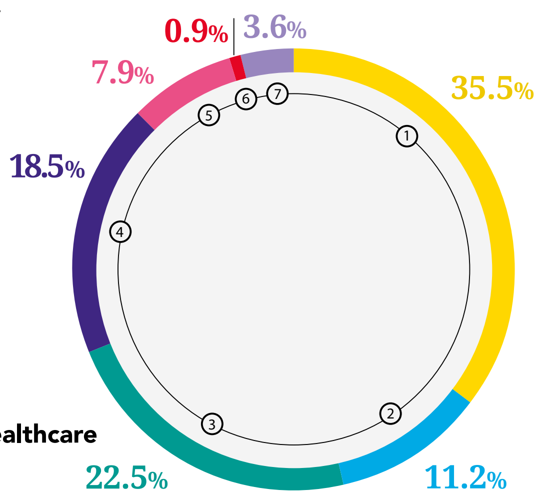
+20%
Increase in net assets value

$9.5bn
Liquidity
(2020: $4.3bn)

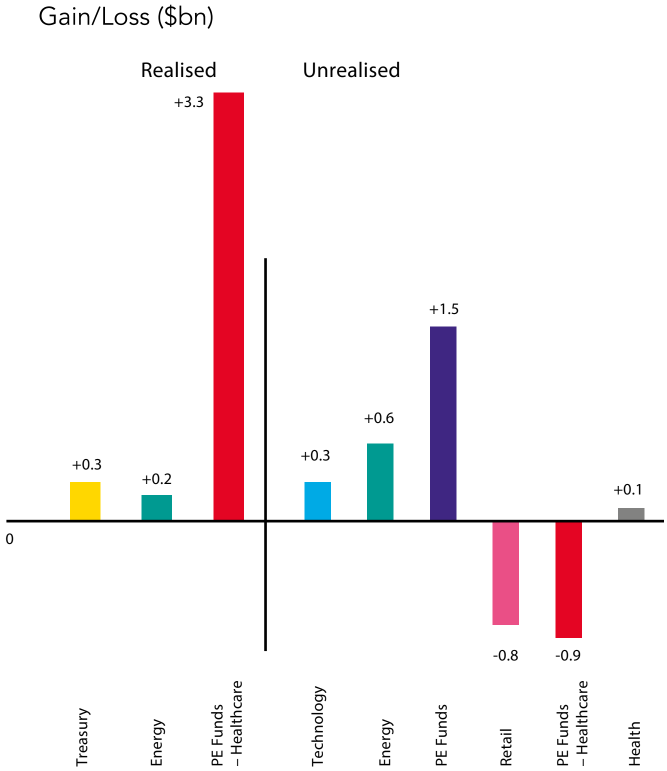
$0.1bn
Dividends paid
(2020: $0.1bn)

Net assets under management
At 31 December 2021

1. **L1 Treasury and other assets**
   $9.5bn
2. **L1 Technology**
   $3.0bn
3. **L1 Energy**
   $6.0bn
4. **PE Funds**
   $5.0bn
5. **L1 Retail**
   $2.1bn
6. **PE Funds – Healthcare**
   $0.2bn
7. **L1 Health**
   $1.0bn



Return by business unit
For the year ended 31 December 2021



Chairman's review

"2021 was a strong year for L1, despite huge uncertainty. Whatever the challenges ahead, our commitment to our people, our businesses and society remains"

Lord Davies of Abersoch

Lord Davies of Abersoch

Emerging from a challenging period

Thank you for reading the LetterOne (L1) Annual Review 2021.

I want to start with an issue that sits outside this report. Russia is waging an unjustifiable and abhorrent war against Ukraine that is causing untold damage to the lives of millions. The strong response by the West has implications for L1 that we are addressing directly and with complete transparency across the whole of our business.

When the war began, all of our founders were among the first to speak out against it. They were clear that they are non-political and solely business-focused. Nonetheless, four of our founders – Mikhail Fridman, German Khan, Petr Aven and Alexey Kuzmichev – are subject to sanctions in the UK and EU. They will contest these sanctions as unjust and unfounded.

While L1 is not sanctioned in any way, there has, of course, been a profound impact on the business.

Throughout this time our focus has been on protecting the tens of thousands of jobs that our investments support in the UK, US and EU. We have taken clear and decisive action to achieve this and are starting to emerge from this challenging period with a new purpose and a bright future.

More information on the actions we have taken is available on our website. The team here are always available for discussions, but this is not the subject of this report, which focuses on 2021.

2021 was a strong year for L1.

If two words define 2021 for business, they must be uncertainty and ambiguity. The twists and turns of the pandemic; the rise of inflation; domestic and international politics; climate change; and the scourge of inequality all competed for our attention and shaped our decisions. Once again, the best leaders have not just risen to these challenges but have searched for solutions and relied on their values to guide their actions.

At L1, three things have been critical to our success.

1 Our people

I've been hugely impressed by the calm determination of people in L1 and in our businesses. I'm proud to have seen such high levels of emotional intelligence, the support offered to colleagues, family, customers; as well as an impressive ability to focus on the long-term when all around us is in constant flux. These skills and behaviours have delivered a strong 2021 and continue to be of real value to the business. I am grateful to all the many people working for L1 and our portfolio companies.

2 Our vision

Since L1 was founded, we have been clear: long-term investment in sectors that are fundamental to the future brings economic and social benefits.

Our long-term vision across Energy, Health, Technology and Retail has helped us see past the uncertainty. Our deep sectoral knowledge has helped us spot and develop talent while working closely with management teams as we make new investments. We have invested in some brilliant businesses with talented people that speak to our faith in the future, from Upp and Plastic Energy in the UK to Sun Wave Pharma in Romania.

3 Our governance

Our best-in-class governance has continued to be vital, ensuring that we have had a forum for robust and constructive debate on issues from diversity and inclusion to investment strategy and that we operate with complete transparency. This has been key to improving both our financial and social performance. Please see our Governance section for more details.

I'm confident that our financial performance will remain strong, despite the challenges of 2022, but more than that, I'm confident we can have an even greater impact on society through our economic contribution to communities, the jobs we create, our approach to ESG and, going forward, our decision to donate substantial profits to charity.

Whatever the challenges ahead, our commitment to our people, our businesses and society remains. ●

Lord Davies of Abersoch,
Non-Executive Chairman

Jonathan Muir, Chief Executive Officer

Performance highlights

2021 was a very strong year and left us well prepared for the new future that we are faced with.

I would like to echo Mervyn's comments on the abhorrent war and the sincere thanks to our colleagues – over 100,000 people at L1 and in all of our portfolio companies. I genuinely appreciate both the effort that has delivered our good performance; and the sensitivity, calmness and honesty that has helped us manage and transform the business through the pandemic and – as a result of Russia's unjustified war in Ukraine – the sanctions that have followed.

I said in 2020 that we emerged stronger from the year. 2021 proved that. The work we put into our businesses, and the leadership they have shown, drove an extremely positive result with an increase of over 20% of net asset value from $22,340mn to $26,784mn.

For most of our businesses – Energy, Health, Technology and Pamplona – performance has been good. For Retail, external pressures have suppressed current performance and led us to focus on building the foundations for growth in 2022. Once again, our Treasury has done an outstanding job in managing our liquidity and producing an impressive 4.5% return.

PORTFOLIO PERFORMANCE

L1 Energy

Much of the focus in 2021 was on how we contribute to a balanced and sensible energy transition.

Wintershall Dea (WD) – with a 70% bias to gas – is an important part of this debate. It is clear that gas in particular is an essential transitional energy source as we move to a more sustainable energy economy.

WD has benefited from commodity prices, returning an impressive EBITDAX of €3.8bn and free cash flow of €2.1bn on a record level of oil and gas production (638 kboed). This platform gives us the ability to invest in opportunities that further the transition journey and an ambitious strategy, backed by investment, that delivers both financially and for energy security and stability.

L1 New Energy

It was an exciting year, getting our new business unit up and running. The team has made real progress in a very competitive market. Our focus has been on finding sensibly priced investments that will underpin transition and we believe that Plastic Energy and H2scan are clear demonstrations of that strategy.

L1 Health

The pandemic has focused minds on the importance of a thriving, innovative health sector, which made for a fast-paced year for our health team. Destination Pet has grown rapidly, with over 30 new acquisitions completed. K2 HealthVentures has delivered a strong performance, making six new investments totalling $160mn. We will look to invest further next year. Finally, our joint acquisitions with Blantyre of Remedica and Sun Wave Pharma gives L1 two exciting new investments, increasing our footprint in pharmaceuticals and healthcare products.

L1 Tech

Our technology business also produced encouraging results. VEON showed positive momentum, expanding its 4G customer base to 97.3mn customers and delivering double digit growth of 10.1% for the year. Turkcell grew well despite challenges to local currency, with revenue increasing 36.7% year-on-year. We believe Turkcell has a bright future that can be delivered by strengthening and improving corporate governance.

CEOs review

In June 2021, L1 Technology made an important UK investment, committing up to $1bn to startup altnet Upp, with the aim of connecting 1mn homes to superfast broadband in the East of England. It is off to a strong start, with customers signed up, homes connected and cable laying ahead of forecasts for 2021.

L1 Retail

There is no question that globally the retail sector has been hard-hit by lockdowns and their impact on consumer behaviour and supply chains. Despite this, both Holland & Barrett (H&B) and DIA made important steps forward.

DIA has now refurbished over 1,500 stores, which are strongly outperforming the market. Over 2,500 stores now operate as franchises.

H&B has traded broadly level, with Adj EBITDA increasing 5% to £191mn. A new, strong management team is in place and real progress has been made on digital and omni channel execution, with new customer journeys launched and strong acquisitions made to support growth going forward.

L1 Treasury has had substantial inflows from Pamplona, including $5.4bn following the sale of Parexel, in addition to the successful exits from Latham Pools, Privia and others. The Treasury team has done an excellent job returning 4.5% in such a challenging market environment and end the year with over $9.5bn assets under management. ●

Jonathan Muir,
Chief Executive Officer

Looking forwards

Our priority for the year ahead is to stabilise and grow our businesses. The difficulties presented over the last few months have been demanding, but our commitment to the tens of thousands of jobs we support remains undimmed.

Many of the partnerships we have built up over the last 10 years have proved strong. The business has significant liquidity. Our assets are well-placed and, of course, our growth now brings direct benefits to society because of our substantial charity commitment, starting with help for those so terribly affected by the war in Ukraine.

However, charitable commitments are only part of the impact we want to have on society. I'm particularly pleased with the progress we have made on ESG. L1 itself has launched its own strategy, with a focus on diversity and inclusion, but we are also collaborating more closely than ever with our portfolio businesses to challenge and support their journeys.

The year ahead will see an L1 that is different – with new purpose and governance. There will be more challenges ahead, but I am confident that our spirit, skills and values mean it will be no less successful.

Introduction from Lord Davies of Abersoch

Strong governance drives better decision making, greater transparency and builds the trust firms need to prosper. This is particularly true in times of uncertainty and rapid change.

A best-in-class approach has always been my priority at L1. We have always been committed to the highest standards of corporate governance, training, business practice and ethics, going above and beyond what is required of us. It is vital to our success; we have relied on it throughout 2021 and we are evolving it to meet the new challenges we now face.

L1 takes its compliance stance extremely seriously and has a strong compliance function. Any violations of internal compliance rules are investigated by the Group Compliance Director immediately and are escalated to the CEO and the Audit & Compliance Committee. Whistleblowing procedures are clear and effective in L1 and in our portfolio companies and we ensure that any allegations are investigated and acted upon.

As we look to 2022, I will be making changes to further strengthen our governance in light of the departure of our shareholders from the Board. Full details will be on our website and in next year's report. But the philosophy of strong, transparent governance as a foundation for our business will not change.

Section 2: Governance

Committed to the highest standards

In 2021, L1 staff undertook training courses covering all important compliance subjects and refreshed their knowledge through testing, to ensure that all persons working for L1 operate to the highest standards of business ethics. We can proudly say that all our staff have a high level of awareness of market conduct regulations, anti-bribery legislation, anti-money laundering laws and sanctions laws. L1 has a strong compliance culture, overseen by the Group Compliance Director who reports to the CEO and Audit & Compliance Committee.

L1 has a zero-tolerance policy towards compliance violations. Whistleblowing procedures were reinforced during the year by implementing an additional whistleblowing resource through the external provider "Speak Up".

Cybersecurity has become a key focus of the compliance function during the year due to the increase in remote working and the heightened risk posed by cyber criminals. L1 has implemented additional technical measures and to increase awareness L1 staff underwent classroom training to ensure they remain vigilant to the risks of cyber-attacks.

L1 Approach to Governance

1. Board-level governance

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

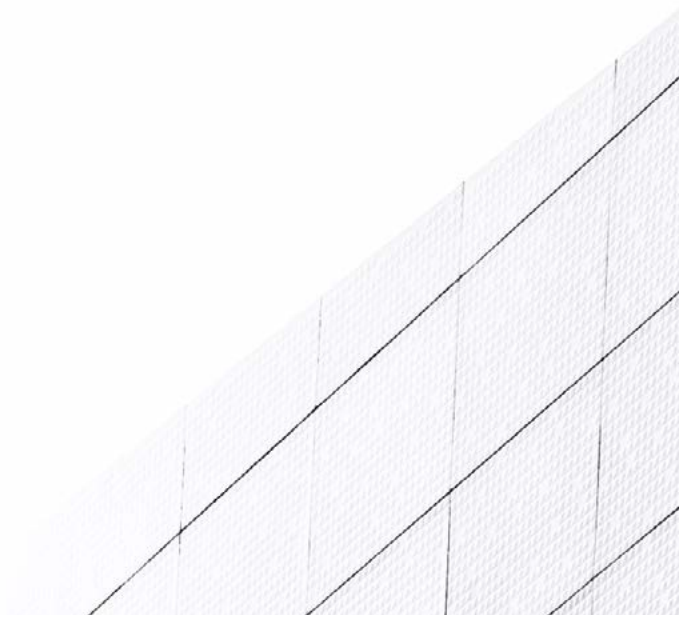
For up-to-date details of our Board members visit Our board - LetterOne

2. Board of Directors

The Board of Directors of L1 Holdings and L1 Investment Holdings meet, at a minimum, on a quarterly basis, either remotely or 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.

Section 2: Governance

> **"We have always been committed to the highest standards of corporate governance, training, business practices and ethics, going above and beyond what is required of us"**



3. Audit & Compliance Committee (ACC)

The ACC meets on a quarterly basis, either remotely or in Luxembourg, to review financial reporting, audit, tax and risk management matters, and to approve the work plan of new policies or updates. Compliance is a standing item on the agenda and the Group Compliance Director presents a report covering the previous quarter on the ongoing compliance programme, compliance statistics, compliance issues across the portfolio companies and a report on breaches or any compliance issues under investigation. Our external auditor, E&Y, is invited to attend each meeting. Key roles of the ACC are 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 2021, the ACC was focused on reviewing the risk management framework and discussing key areas of risk; review of the financial statements; review of the scope and results of the internal audit work; and overseeing the implementation of the compliance policies in newly acquired investee companies as well as maintaining effective compliance controls during the periods of remote working. The ACC provided guidance to top management of the portfolio companies to ensure the effectiveness of the internal controls, risk management framework, and overall compliance function. External legal counsel continues to review and optimise compliance policies across L1.

4. Nomination & Remuneration Committee (NRC)

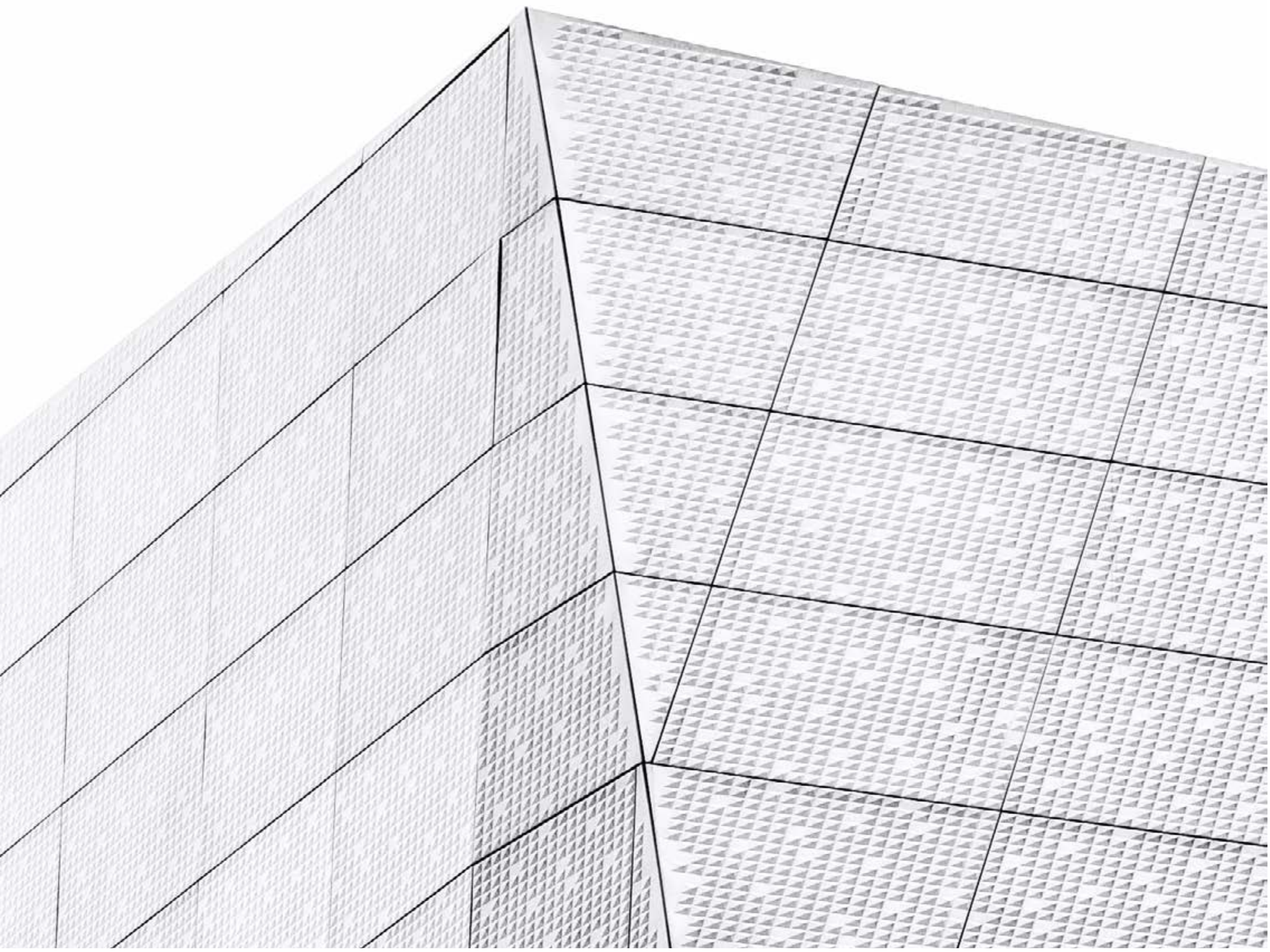
The NRC approves the employment of senior executives, sets the principles of the performance management process, approves KPIs, reviews performance and makes decisions on remuneration and incentive schemes. A key role of the NRC is to ensure that L1 recruits, retains, and develops the best people.

5. Corporate governance

L1 has a strong compliance culture backed by a robust compliance function, which is responsible for ensuring that we comply with all relevant laws and regulations across all countries in which we operate and uphold the highest standards of business ethics. The Group Compliance Director, Simon Roache, has more than 20 years' experience in UK regulation and compliance. An effective compliance programme is in place, incorporating robust compliance policies and Know Your Client (KYC) procedures, enabling us to meet our anti-money laundering obligations. Risk-based due diligence measures are required to be applied to all third parties with whom we do business or seek to do business, including ongoing monitoring of all third-party relationships and transactions. All higher risk counterparties and partners require escalation to, and approval by, the Group Compliance Director prior to the establishment of any business relationship. L1 enters into relationships with high risk counterparties by exception only.

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 regimes. All transactions and counterparties are screened against all relevant sanctions lists. An annual compliance risk assessment identifies

Section 2: Governance



any areas of risk not addressed by existing policies and procedures and ensures that highly focused compliance policies remain effective and fit for purpose. During the year, L1 updated its Compliance Manual and Data Protection Policies and provided training to all staff around these policies.

Since it was established, L1 has produced consolidated IFRS financial statements, which are subject to annual audit by E&Y.

6. Role of Advisory Boards

The investment teams in L1 Energy, L1 Technology, L1 Health and L1 Retail put forward investment recommendations, which are scrutinised thoroughly before they are presented to the L1 Holdings and L1 Investment Holdings Boards for an investment decision. To challenge our investment teams' recommendations and to challenge our assumptions, we have recruited sector investment Advisory Boards consisting of internationally respected chief executives, chairs 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 Boards and 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. ●

ESG

Last year, we announced a new ESG strategy for L1 and our portfolio businesses. I'm delighted that we made good progress on this in 2021.

Link to website

At L1, our focus has initially been on diversity and inclusion. We recognise that our leadership is not representative of society. While our staff surveys and feedback suggest that we have an inclusive culture where colleagues feel welcome and able to be themselves, we need to improve representation of women and ethnic minorities across colleagues at senior levels.

In 2021, L1 developed an action plan overseen by our Diversity & Inclusion Committee that focuses on recruitment, progression and integrates D&I into our investment decision framework.

Our portfolio companies have also made good progress. L1 hosts quarterly roundtables where all portfolio companies can share best practice across sectors and challenge L1 as an investor. Portfolio progress on ESG is now reported on at every board meeting.

Our impact

ESG highlights across the portfolio

Environmental

In 2021, H&B banned single-use beauty sheet masks in its UK and ROI stores. All its fruit, nuts and seeds products use recyclable film packaging and its vitamins, minerals and supplements are moving to 20% lighter RPET plastic bottles made with a minimum of 80% recycled plastic.

H&B Stores Support Centre, Distribution Centres, 85% of its stores in the UK and 26% of its stores in Benelux are now powered by renewable sources.

H&B has launched its "Too Good to Waste" initiative in a bid to save over 370,000 food items from landfill each year. The scheme sees selected products with an expired "best before end" date being sold at a significantly discounted price in its stores.

DIA has reduced food waste in Spain and Portugal by 7% compared to 2020.

DIA has eliminated c. 5.5mn kg of virgin plastic from the packaging of private-label products.

WD's GHG intensity (Scope 1, Scope 2) is 10 kg CO2e/boe 2021, compared to the IOGP industry average of 16.6 (2020). Its methane intensity in 2021 was 0.05%, compared to 0.15% in the previous year (target: below 0.1% by 2025).

Working with Soiltech, WD aims to reduce its waste volumes in the Netherlands by 95% and, at the same time, recycle valuable contents of the waste streams, such as oil and drilling fluids, on site.

Upp is building it's full-fibre broadband network using environmentally friendly methodologies leveraging existing infrastructure (ducts and poles) rather than digging new holes wherever possible.

Our impact

Social

In 2020, H&B introduced the Pennies micro-donation platform to its stores and website and has raised over £100,000 for NHS Charities Together.

K2HV aims to enable the next generation of innovations by life sciences and healthcare companies, whose success will help to further that objective. In keeping with this mission, it has also committed to giving a percentage of its own profits back to underserved areas in healthcare.

DIA has trained over 20,000 individuals in key retail trades, from store manager to fishmonger. Overall, DIA has increased its employees' training hours by 40%.

More than 6,000 young people under the age of 25 have found a job at DIA, as well as an estimated 3,800 individuals who were unemployed. In partnership with several NGOs, a further 205 people at risk of exclusion have been trained and have completed work experience placements at DIA. 161 of these individuals have joined the company's workforce.

WD is working to increase the share of women in the company. In 2021, the proportion of women in the total workforce was 32%. Its share of women in executive positions in 2021 was 29%, compared to a level of 24% in 2020.

VEON partners with a range of governments to bring 4G to remote rural areas and enhance this connectivity through its digital operator model. This includes building digital businesses such as JazzCash in Pakistan, its mobile financial services offering that had 15.2mn monthly active users by the end of 2021, and Toffee, which provided content services in Bangladesh to over 6.4mn monthly active users by the end of the reporting year.

In Uzbekistan, VEON has been deeply involved in helping build and run the Astrum Institute, a technology hub with the capacity to educate 4,000 software engineers.

In Pakistan, VEON has been running "bootcamps" for social enterprises in collaboration with the UN Development Programme, while also launching the Jazz Smart School Programme that helps over 25,000 female students improve their digital skills and literacy.

VEON is working on AI programmes, helping its partners teach disabled children how to use their prosthetic limbs, and providing augmented intelligence services to search and rescue teams

L1 supported a wide range of entrepreneurial charities, including Centre for Entrepreneurs, Patchwork Foundation and the Bennett Institute.

Upp is encouraging applications from ex-forces personnel, giving veterans the opportunity to continue their careers in communications or discover a completely new role. Over ten ex-forces personnel have been hired by Upp.

Upp is supporting Second Helpings, an important Stamford charity that provides meals for low-income families and lunches for children in the school holidays.

Learning of a new library at a Norfolk school that had no books, Upp stepped in to help stock the shelves. Abi Jones, the English Head at the Diamond Academy in Thetford, described it as a 'kind and generous donation' and the books as a wonderful resource for the children, many of whom come from homes with no books available to them.

Upp has signed up to the Social Mobility Pledge.

Our impact

Governance

L1 launched its diversity and inclusion strategy.

WD has developed and implemented an integrated risk management system based on the COSO framework and industry best practices.

Cyber security is a key focus area for VEON with a dedicated Global Cyber Security Policy and group-wide holistic VEON Cyber Security Programme (VSP). In 2020/1, VEON's OpCos are enhancing local preventative security measures and implementing independent Security Operations Centres (SOC) for local incident detection and response capabilities.

Upp ensures its governance is supported with appropriate policies, and during 2020 will issue an Anti-Bribery and Corruption training program. Upp's Chief Regulatory and Risk Officer (CRRO) is the Compliance Manager, and Upp ensures that its staff are security vetted to a high standard to limit the risks to both the business and its customers.

Upp works in accordance with ISO 20400 (International standard for sustainable procurement) and NEC3 (best practice for Master Services Agreements including Bribery Act clauses). ●

Looking forward: our new charity commitment

Following Russia's invasion of Ukraine and the sanctions imposed on several of our shareholders, L1 took decisive steps that have a fundamental impact on our business.

L1 has immediately committed $150mn of operating capital to support those affected by the war against Ukraine. We will announce our plans to build on this in future years shortly.

These are substantial amounts, and our commitment is to use the funds to make a meaningful and sustainable impact.

We will formally update on the progress of both ESG and charity giving in each annual review and regularly on our website.

L1 Energy: helping to power a just and orderly transition to renewable energy

Wintershall Dea

2021 was a year of sharp recovery in commodity markets and of successful execution of WD's strategy. As a result, the company reported record financial results (EBITDAX of €3.8bn and free cash flow of €2.1bn) on a record level of oil and gas production (638 kboed). Having resumed regular dividend payments, the company still managed to cut its leverage to 0.7x, creating strong capacity for new investment.

Through a focused and highly successful exploration programme, the company added 78 mmboe of discoveries, including Dvalin North discovery, the largest discovery in Norway in 2021.

WD continued to streamline its portfolio, having exited Brazil, oil production activities in Gulf of Suez and the unconventional acreage in Argentina. During the year, WD fully completed its integration process, having successfully achieved merger synergies of over €300mn per annum.

In 2021, Sustainalytics upgraded its ESG rating of WD, placing the company in the 4th percentile of oil and gas producers due to its 25% cut in carbon intensity as well as its market-leading Net Zero 2030 target for Scope 1 and 2 emissions.

New Energy

On the New Energy side, 2021 was the first year of operation, as the New Energy investment strategy was approved by the L1 Board at the end of March. Subsequently, the team was populated, investment processes created, and the first two investments for the New Energy fund have been made.

Plastic Energy

This is L1's first investment in the circular economy; a practical focus on recycling what L1, as customers, use, reducing virgin plastic feedstock demand. Plastic Energy is a world leader in chemical recycling, in what is a complex and still emerging market.

The company successfully raised capital during the summer to fund further expansion and growth, with L1 as the lead investor.

Worldwide, only around 15% of plastics are currently recycled, and the pollution problems associated with this are well documented. Plastic Energy has developed and patented technology to enable the chemical (rather than mechanical) recycling of plastics, which can then be reused in, amongst other things, the food packaging supply chain. L1's capital is helping to fund growth, to build a worldwide and material presence, helping to increase the percentage of recycled plastic.

2021 was a crucial year for the company, with operational progress on the initial world scale plant at Geleen, in the Netherlands, with SABIC as partner. Due to come online at the end of 2022, the plant will process around 20 kt of mixed plastic waste, with SABIC as both equity partner and off-taker for the product.

A Final Investment Decision was also made on two further plants, both located in France: one with Total as a partner and the other with ExxonMobil. Both plants will come on-stream in 2023.

Further business development was secured with other parties in Europe, Asia and the US, forming the basis for a genuinely global footprint.

Section 3: business unit performance 2021

In governance progress, both the Audit Committee and Remuneration Committee of the Board were formally constituted.

H2Scan

US-based company H2scan is a world leader in providing hydrogen sensors for electricity utilities and industrial markets. L1 was the lead investor in the successful capital raise, underpinning the company's rapid expansion.

H2scan's innovative hydrogen sensing products are used to improve electrical distribution reliability and are ideal for monitoring and measuring hydrogen concentration in fuel cells, hydrolyzers, and hydrogen distribution pipelines to reduce carbon emissions. The sensors also serve in a wide variety of hydrogen economy applications.

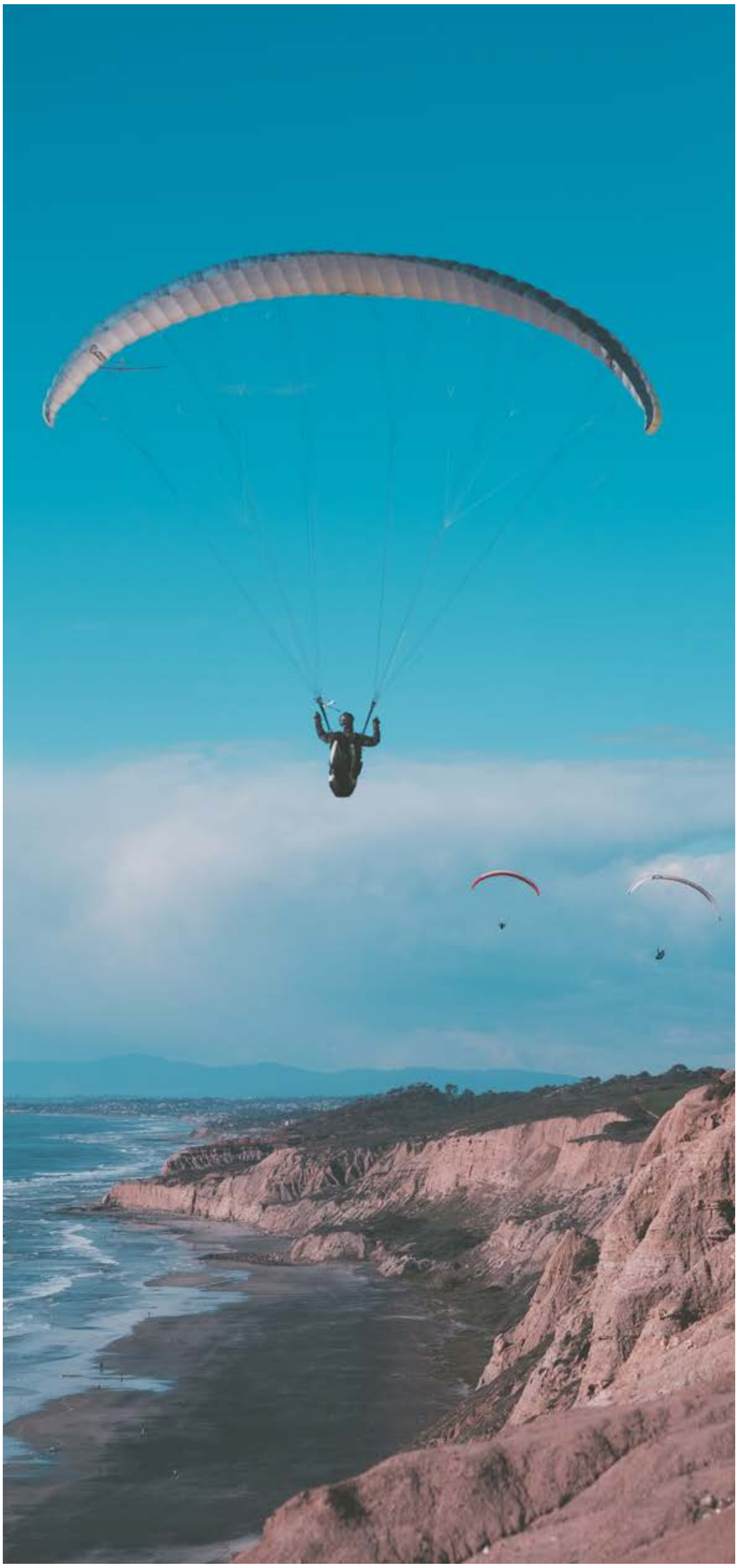
H2scan will use the funds raised to expand manufacturing, expand its auto calibration capabilities, add additional sales offices around the world, and enhance H2scan's marketing capability as well as funding further R&D for the next generation of disruptive and breakthrough products.

H2scan recently launched its revolutionary "Gen 5" technology. The Gen 5 is the first of its kind: a hydrogen sensor package based on H2scan's application specific integrated circuit (ASIC) technology that makes it small enough and cost effective for utility transformer and safety and process applications.

H2scan holds 27 patents on its core technology, software and electronics, and its products are sold in over 50 countries worldwide.

Pipeline

The deal pipeline has remained consistently strong, with the focus always on long-term value and growth potential through deployment of protectable IP by a high-quality management team. ●



L1 Health: developing industry leading platforms that transform healthcare

Update on L1 Health Operating Platforms

Our pet health business and health venture investment platform have both performed very well during COVID and have come out of the pandemic with robust growth. Our newly acquired operating platforms Remedica and Sun Wave Pharma have also weathered the pandemic well and are off to strong starts under our ownership.

Destination Pet

Destination Pet, headquartered in Highlands Ranch, Colorado, came out of COVID with even stronger customer loyalty, now regularly scoring a net promoter score of 8 or higher across our establishments. Because our pet centres were recognised by state authorities as essential businesses and stayed open even during lockdowns, we were able to reinforce our bonds with pet parents as an important part of the care solution for their pet. Coming out of COVID-restrictions in the spring of 2021, we invested heavily in staffing, training and infrastructure to support record demand for our veterinary and pet care services that built over the course of the year. We also continued our M&A investment and added 30 new locations to our group in 2021.

Our animal health platform ended the year with 99 locations and a revenue run-rate of $142mn. Most importantly, we showed robust same store sales growth of 5% from 2019 pre-COVID comparisons. Also, four-wall EBITDA margins continued to build throughout the year, ending in the high teens with continued upwards trajectory.

Most inspiring and a testament to the culture of Destination Pet was our response to the devastating fires that hit Colorado in the final days of 2021. The Marshall fire started in the afternoon of 30 December 2021 in Boulder, Colorado and fanned by dry winds quickly affected several communities. Ultimately, over 1,000 homes were lost. Three of our centres were also threatened. Our field and corporate teams quickly rallied to the rescue and safely evacuated over 90 animals boarded there over the holiday weekend. The team managed to distribute the pets between our other pet care centres and our staff's homes until the owners were able to pick up their family members.

K2 HealthVentures

L1 Health's venture investment platform, headquartered in Boston and New York, continued to expand rapidly in 2021 with six new investments, committing an additional $160mn to science and healthcare innovation. This brought our total commitment at the end of 2021 to $645mn across 18 companies (net of exits), covering drug discovery and development, Agritech innovation, digital healthcare services, and medical devices. K2 finished the year with total assets under management (AUM) of $371mn.

All of our portfolio companies have continued to meet development, commercial and financial milestones and 10 companies have completed follow-on financings despite market turbulence.

Based on K2 HealthVentures' strong performance, L1 Health agreed to double its investment by an additional $400mn. This, together with retained earnings, gives K2 HealthVentures a strong capital base to continue disciplined investment and take advantage of the macro environment.

Remedica and Sun Wave Pharma

Remedica and Sun Wave Pharma were acquired in October 2021 as part of a complex debt restructuring programme by the South-African conglomerate Ascendis Health. Remedica is a leading branded generic CDMO located in Cyprus, and Sun Wave Pharma is a fast-growing Eastern European consumer health business headquartered in Romania.

In 2020, L1 Health became interested in Remedica as a unique player in the fast-evolving CDMO sector.

Section 3: business unit performance 2021

Remedica's ability to invest and grow was significantly constrained by the debt burden of its parent company Ascendis. It was clear that the company could benefit from standalone ownership with the vision and capital base to support its growth. L1 Health saw an opportunity to unlock value through a debt restructuring and partnered with Blantyre Capital, a London-based special situation fund.

Over the course of 10 months, L1 Health and Blantyre Capital took control of Ascendis' debt, supported the conglomerate in the sale of 5 assets, and guided a debt restructuring that led to a debt-for-equity swap. As a result, the consortium of L1 Health and Blantyre Capital became the owners of Remedica and Sun Wave Pharma.

We see both companies playing important long-term roles in the L1 Health portfolio. Remedica aligns well with generic market trends and benefits from its unique set up with strong sales channels both into generic pharma as well as emerging markets. The consortium is looking to further strengthen investment in R&D and commercial capabilities. Sun Wave Pharma also has a unique positioning in the fast-growing consumer health space with an innovative go-to-market model that focuses on promoting nutraceutical products complementary to prescription drug therapy to medical professionals. The consortium will continue investment in new product launches and geographic expansion. ●

L1 Technology: investing to improve connectivity and efficiency, expanding opportunity and making an impact on people's lives in their communities.

UPP

Upp launched in June 2021 with an investment of over £1bn and a goal of deploying a Fibre-to-the-Premises network to more than one million homes and businesses by 2025. It began by initially concentrating on underserved parts of Lincolnshire and Norfolk, where broadband speeds are currently well below the national average. Using next generation technology, Upp is now offering a transformational service that, in some instances, delivers speeds which are 30 times faster than those previously available. Having already connected customers in Diss, Stamford, Thetford and Market Deeping, Upp's next level broadband is currently being rolled out in more market towns.

By recruiting local people and using local suppliers, the business is set to exceed its target of creating 600 jobs by the end of next year. As the workforce grows, applications have been encouraged from ex-forces personnel, giving veterans the opportunity to continue their careers in communications or discover a completely new role – for example, former RAF dog handler, James Reburn, has now become a qualified field engineer through his training with Upp.

In line with the L1 strategy of long-term investment, Upp is building enduring relationships within the communities it serves. It has partnered many community events, including tackling food poverty in Stamford, Norfolk and Lincolnshire, supported the charity Santa Fun Run at Burghley Park and stocked shelves in the library of a Norfolk school.

As a business that is levelling-up underserved areas through its broadband services, Upp has also sought opportunities to help in social mobility for its workforce. It has signed up to the social mobility pledge, offering employees the chance to share in the ownership of the business and ensuring that its people are given the opportunity to grow their careers whilst working in a safe, fair and inclusive environment.

All this while Upp's teams of engineers and contractors work steadily to connect streets, villages and whole towns, delivering on the promises it has made and with the minimum of disruption. The extensive use of existing Physical Infrastructure Access (PIA), such as Openreach ducts and poles, means far less disruption to neighbourhoods. In just a few exciting months since launch, these neighbourhoods are now beginning to experience how lives can be transformed and businesses can grow with Upp's next level broadband.

VEON

VEON's core mission is to provide customers with connectivity, access to information and other vital digital services, which is more important than ever. It believes that connectivity and communication are essential human needs, whether it be connecting with loved ones, seeking help or searching for information and news from reliable sources.

It is a leading global telecommunications company, serving 217 million customers in high-growth markets in the CIS, South Asia and North Africa with connectivity and digital services.

After four quarters of accelerating growth, in local currency terms VEON recorded double digit (+10.1%) revenue growth and an +8.9% rise in EBITDA for the full year, both above guidance. It saw solid double-digit year-on-year local currency revenue growth in Ukraine (14.3%), Pakistan (14.9%), Kazakhstan (22.6%) and Georgia (15.2%).

VEON's growth agenda is focused on three pillars: Digital Operators, Infrastructure and Ventures.

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High-speed connectivity is vital for our society and for the continuous improvement of the indispensable services it supports – as further highlighted by the COVID pandemic. VEON is committed to bringing the benefits of 4G technologies to its entire customer base, making 4G the operational cornerstone of its present and future growth, while offering 5G in B2B areas for specific applications where required.

During 2021, VEON has extended its 4G services to 22.4mn more users (including Algeria), bringing its 4G user base to 97.3mn customers as at 31 December 2021. This means 48% of its base were 4G users at the end of 2021. With an aspiration to reach 70% 4G subscriber penetration over the next two years, 4G usage will continue to be the main engine of VEON's growth strategy. Such broad connectivity enables VEON's digital operators to focus on delivering digital services in fintech, entertainment, mobile education, mobile health and lifestyle as well as contributing to the digital transformation of businesses and government services.

In 2021, across its operations, VEON saw the impact of this strategy in improving customer retention and engagement: customers who were users of its voice, 4G data and digital services demonstrated 4.3 times higher ARPU than the average voice user, while churn rate was about one-third that of the average voice user as at 31 December 2021.

VEON has continued its transition to an asset-light company by completing the sale of its mobile network towers in Russia. It is making significant progress on similar value generation projects in its other larger markets, where it sees potential for further transactions in the short to medium term.

Ventures is one of the three main vectors of future value creation for VEON. It closed 2021 with 6.4mn customers of the Toffee entertainment service in Bangladesh and with 15.2mn monthly active users for the JazzCash mobile banking service in Pakistan.

Finally, VEON has taken strong steps on governance. A new distributed decision-making model is now fully in operation, with increased efficiency and a diversified composition of in-country boards in its countries of operation. The in-country operations, as well as highly capable and empowered leadership teams, are supported by a small, highly qualified and talented team at the headquarters in Amsterdam, which is focused on ensuring VEON delivers on its strategy and conducting relationships with its stakeholders and regulatory bodies.

Turkcell

Turkcell achieved strong operational and financial results for the last year, driven by its digital-oriented strategy. L1 has been clear throughout the year that improved governance can lead to even stronger performance for 2022 and beyond, and we are pleased to have seen progress on this.

Q1 2022 revenues increased +36.7% year-on-year to TRY10.7bn due to increased ARPU growth and larger subscriber base of Turkcell Turkey; EBITDA grew +30.1% year-on-year to TRY4.3bn with EBITDA margin of 40.2%.

Growth and profitability were supported by continued strong ARPU performance, driven by an enlarged post-paid subscriber base, rising data and digital service usage, and customer movement to higher value tariffs.

The company generated over TRY1.0bn of free cash flow from operations and delivered 1.2x with the proposed dividend of $15mn to L1 for 2022, in line with the highest rate permissible by the legislation, and reflects the strong fundamentals of the business.

L1 has taken a proactive position in increasing the value of the investments through outstanding governance. We are pleased that the Turkcell Board of Directors has decided to appoint a new international Independent Board Member to the Board.

Turkcell has also listened to the L1 suggestion to establish the Strategy and Digitalisation Committee, setting objectives, supervising digital development and optimising free cash flow generation parameters.

In line with L1's proposal, the company announced plans to monetise its market leading subsidiaries Paycell and Superonline.

The Turkish communication market has been very dynamic during the last year. It was announced that control over Turk Telekom, the largest competitor of Turkcell, will go to the Turkish Wealth Fund – the controlling shareholder of Turkcell. This is a market-changing decision in the current environment, and we are closely monitoring how this may affect the market and what opportunities this may bring for L1. ●

LetterOne Retail: buying and building the next generation of retailers internationally

DIA Group

Three years ago, L1 embarked upon a journey of profound transformation of a food retail operator, which occupies an important position in the neighbourhoods of four countries: DIA Group. The objective was to strengthen the confidence and relationships with key stakeholders, with the customer at the centre of its thinking – a differentiated food retail offer at affordable prices, as well as the proximity of its stores to customers' homes or via its online offering.

2021 was a year of important progress for DIA. Net sales for the year reached €6.648bn, 3.4% less than in the previous year. Despite the decrease in net sales, Adjusted EBITDA for the year increased to €124.3mn, a demonstration of the success in operational management and cost controls. However, the net result continued to be negative, with a reduction of losses by 30% to €257.3mn.

2021 also featured an important recapitalisation agreement between DIA and its syndicated lenders, combined with a capital increase, providing the company with an increased equity base of €1.028bn and cash infusion of €259mn.

2021 was marked by three global priorities across DIA's four countries of operation – Spain, Portugal, Brazil and Argentina: (1) a new customer value proposition within a new store concept; (2) a new franchise model and, with it, an alliance with key local entrepreneurs; and (3) the deep revision of its own (private) label offering with a product of the highest quality corresponding to customer needs.

With its new store concept and customer value proposition, DIA has redefined its store: it is a neighbourhood store, comfortable and friendly, with an assortment that addresses key customer needs, including an important focus on fresh products. At this writing, DIA has remodelled more than 1,500 stores in accordance with this new concept in Spain, Argentina and Portugal, delivering a sales uplift of more than

15% compared to 2020. In Brazil, the first test stores have been launched.

In 2020, DIA announced a new franchise model – a win-win partnership with local entrepreneurs. In 2021, this new model was rolled out to existing franchisees in Spain, Portugal and Argentina and was launched in Brazil. It has allowed DIA to begin increasing the number of its franchisees for the first time in three years, with 2,710 franchisees at the end of the year.

Alongside the remodelled store and the new franchise partnership, in 2021 DIA launched 2,000 "Superbrand" products, reflecting DIA's refreshed own (private) label offering. The "Superbrands" feature a level of quality equal to any national brand product, at affordable

Section 3: business unit performance 2021

prices and with renewed packaging. This strategic initiative has allowed DIA to grow its own label participation by 4 points compared to 2019.

In shifting from a turnaround to a growth journey and in facing common macroeconomic uncertainties, DIA benefits from the strong leadership, which has been developed across the group. DIA Group's Board of Directors features a majority of experienced independent directors with the relevant strategic skill set to tackle DIA's strategic challenges. The independent directors are complemented by two shareholder representatives, including the company's Executive Chairman.

The company's Management Board features 12 experienced business leaders from four countries, including country CEOs and functional leaders. This group was recently reinforced by the arrival of a Group Strategy and Growth Director and a Corporate Communications Director. DIA's Board of Directors and Management Board work hand-in-hand in constructing a new culture of proximity, to its customers, stores and franchisees, with reduced hierarchies and with a strong commitment to building the new DIA.

Holland & Barrett

For over 150 years, H&B has been helping people live happier, healthier lives. Over this period, there have been many periods of disruption and change, although few will have brought about the fundamental changes that have been experienced in the last two years under the shadow of the COVID pandemic. H&B is very proud of all its colleagues' efforts to support existing and new customers during this period. It is also fortunate to have achieved solid financial results despite the many challenges that were faced.

In FY2021, revenue was flat year-on-year at £727mn, reflecting a decline in retail footfall driven by the various COVID-related lockdowns, offset by strong growth in the digital channel. During the year, H&B reduced its retail estate by 18 stores to close the year with 1,060 stores. Adj EBITDA for the year was £191mn, up 5% year-on-year.

The disruption of the past two years has created a renewed focus on the future of the business. H&B has experienced an acceleration in the overall retail market channel shift to digital, which, whilst moderating, is expected to continue. In addition, H&B observes fundamental changes to consumer attitudes to wellness and a greater realisation of the preventative behavioural steps one can take to improve health and longevity.

There is a clear imperative to transform the business to ensure that it remains relevant with existing customers. H&B's vision is to be the trusted partner for millions of people globally to achieve their personal health and wellness goals. This means it must:

- move beyond its current products and ensure that it has efficacious solutions (that combine product, advice and services) to meet the specific needs of the individual;
- seek growth and think globally in what it does; and
- invest in technology, product and data capabilities to allow ever more personal relationships with its customers.

To enable this transformation, H&B has made significant investment to improve core omnichannel retail operations in its existing markets, investing in store refurbishments and relocations and building technology solutions appropriate for a modern omnichannel business. It expects this to deliver a stronger, more sustainable business in the long term.

In addition, H&B is investing in a renewed focus on developing a portfolio of wellness ventures in which it is building and partnering with technology innovators in wellness. An example of this in 2021 was the acquisition of Live Better With, a digital health start-up focused on menopause and other wellness journeys.

To achieve this ambition, H&B has assembled a strong and balanced management team over the past 12 months, adding a number of important appointments: Chief Business and Science Officer; President of Digital Transformation, responsible for technology, product and data; Global Operations Officer; Chief Commercial Officer; and Customer MD. This team has a combination of omnichannel retail experience, technology expertise and international track record.

The management team benefits from the strong support of its Board of Directors, which features a majority of experienced independent directors with the relevant strategic skill set to realise the strategic vision. The independent directors are complemented by two shareholder representatives, including the company's Executive Chairman.

L1 Treasury

L1 Treasury manages the liquidity and financial investments of L1 Investment Holdings. When the group makes strategic investments, L1 Treasury provides the necessary funds, and when investments are sold or dividends received, L1 Treasury manages the available funds through a portfolio of financial investments in public and private equity, fixed income, real estate and direct lending markets, and investments in special situations and private equity funds.

Portfolio construction

L1 Treasury's mandate includes both liquidity and return objectives. Therefore, in its portfolio construction, L1 Treasury pursues a "barbell" strategy whereby a portfolio of cash and liquid securities is complemented by less liquid higher-yielding investments, such as direct loans, funds and real estate.

Our loan book is a combination of large loans directly provided by L1 Treasury to borrowers and usually secured by real assets or financial assets and smaller loans, usually provided through lending platforms. These are normally independent speciality lending businesses to whom we are the sole or at least largest funder and in which we may have an equity interest. We are partners with several such platforms.

Our fund investments are generally in third-party hedge funds, which we mostly access through Fund-of-Funds providers. We aim to have a well-diversified portfolio of funds and strategies.

Performance review

L1 Treasury's portfolio performed well again in 2021, producing a return of 4.50%. Remarkably, the portfolio showed positive performance every single month. In fact, we recorded 22 consecutive months of positive returns, going back to April 2020. This is evidence of a very benign environment for equity and credit markets driven by the extensive quantitative easing of central banks. However, it is also a testimony of the diversification embedded in our portfolio.

Treasury

As always, we produce our returns against a backdrop of significant capital flows in and out of our portfolio. In 2021, we recorded $7,204mn of inflows and $2,071mn of outflows. These net capital inflows, together with the portfolio performance, resulted in L1 Treasury's assets under management growing from $4,256mn to $9,561mn.

L1 Treasury's highly experienced global team

The L1 Treasury team is international, with employees from 12 different nationalities. The team is highly experienced and contains all the specialities that would be found in an institutional asset management company, from risk management and investment professionals to technology and infrastructure experts.

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

Combined pro-forma balance sheet of letterone (1) (unaudited)

AS AT 31 DECEMBER 2021

US$ million	31 Dec 2021	31 Dec 2020
Core Investments		
L1 Energy	**6,030**	**5,208**
- Wintershall Dea	**5,860**	5,208
- New Energy	**170**	-
L1 Technology	**3,004**	**2,656**
- VEON	**2,313**	1,676
- Turkcell	**592**	917
- Qvantel	**44**	63
- Upp	**54**	-
L1 Retail	**2,122**	**2,033**
- DIA	**822**	691
- Holland&Barrett	**1,300**	1,342
Private equity funds	**5,162**	6,976
L1 Health	**955**	**361**
- K2 Health Ventures	**439**	212
- Destination Pet	**287**	149
- Other Healthcare investments	**229**	-
Total Core Investment	**17,273**	**17,234**
Treasury and other assets		
Debt instruments	**3,883**	1,558
Hedge funds (at fair value)	**1,804**	1,673
Direct lending (at amortised cost)	**688**	552
Liquidity and mutual funds	**2,797**	129
Other liquid instruments	**361**	(51)
Cash and cash equivalents	**70**	85
Other assets and liabilities	**(92)**	1,160
Total Treasury and other assets	**9,511**	**5,106**
NET ASSETS (2)	**26,784**	**22,340**
Equity		
Share capital and reserves	**22,340**	23,444
Dividends distributed	**(115)**	(113)
Profit / (loss) for the year	**4,559**	(991)
Total equity	**26,784**	**22,340**

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

(2) The combined net asset value of US$26.8bn comprises the US$8.5bn consolidated net asset value of Letterone Holdings S.A. and the US$18.3bn consolidated net asset value of Letterone Investment Holdings S.A. as at year ended 31 December 2021.

Combined pro-forma income statement of letterone [(1)] (unaudited)

ENDED 31 DECEMBER 2021

US$ million	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Gain / (loss) from Core Investments		
Gain / (loss) from L1 Energy	**841**	**(1,709)**
Net gain / (loss) from Wintershall Dea	***852***	*(1,709)*
Change in fair value	**627**	(1,709)
Dividend income	**225**	-
Net loss from New Energy	***(11)***	-
Change in fair value	**(11)**	-
Gain / (loss) from L1 Technology	**312**	**(1,007)**
Net gain / (loss) from VEON	***628***	*(1,172)*
Change in fair value	**628**	(1,320)
Dividend income	-	148
Net (loss) / gain from Turkcell	***(290)***	*183*
Change in fair value	**(325)**	270
Dividend income	**35**	17
Realised loss	-	(104)
Net loss from other investments	***(26)***	*(18)*
Change in fair value	**(26)**	(8)
Realised loss	-	(10)
Gain from L1 Health	**115**	**31**
Change in fair value	**115**	31
(Loss) / gain from L1 Retail	**(749)**	**313**
Net (loss) / gain from Holland&Barrett	***(65)***	*187*
Change in fair value	**(65)**	187
Net (loss) / gain from DIA	***(684)***	*126*
Change in fair value	**(689)**	126
Dividend income	**5**	-
Gain from private equity funds	**3,990**	**1,141**
Change in fair value	**651**	1,141
Distributions	**3,339**	-
Total gain / (loss) from Core Investments	**4,509**	**(1,231)**
Income from Treasury assets	**250**	**252**
Net portfolio gain	**250**	252
Other income and expenses (net)	**(200)**	**(11)**
Operating profit / (loss)	**4,559**	**(990)**
Income tax expense	-	(1)
Net profit / (loss) for the year	**4,559**	**(991)**

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

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