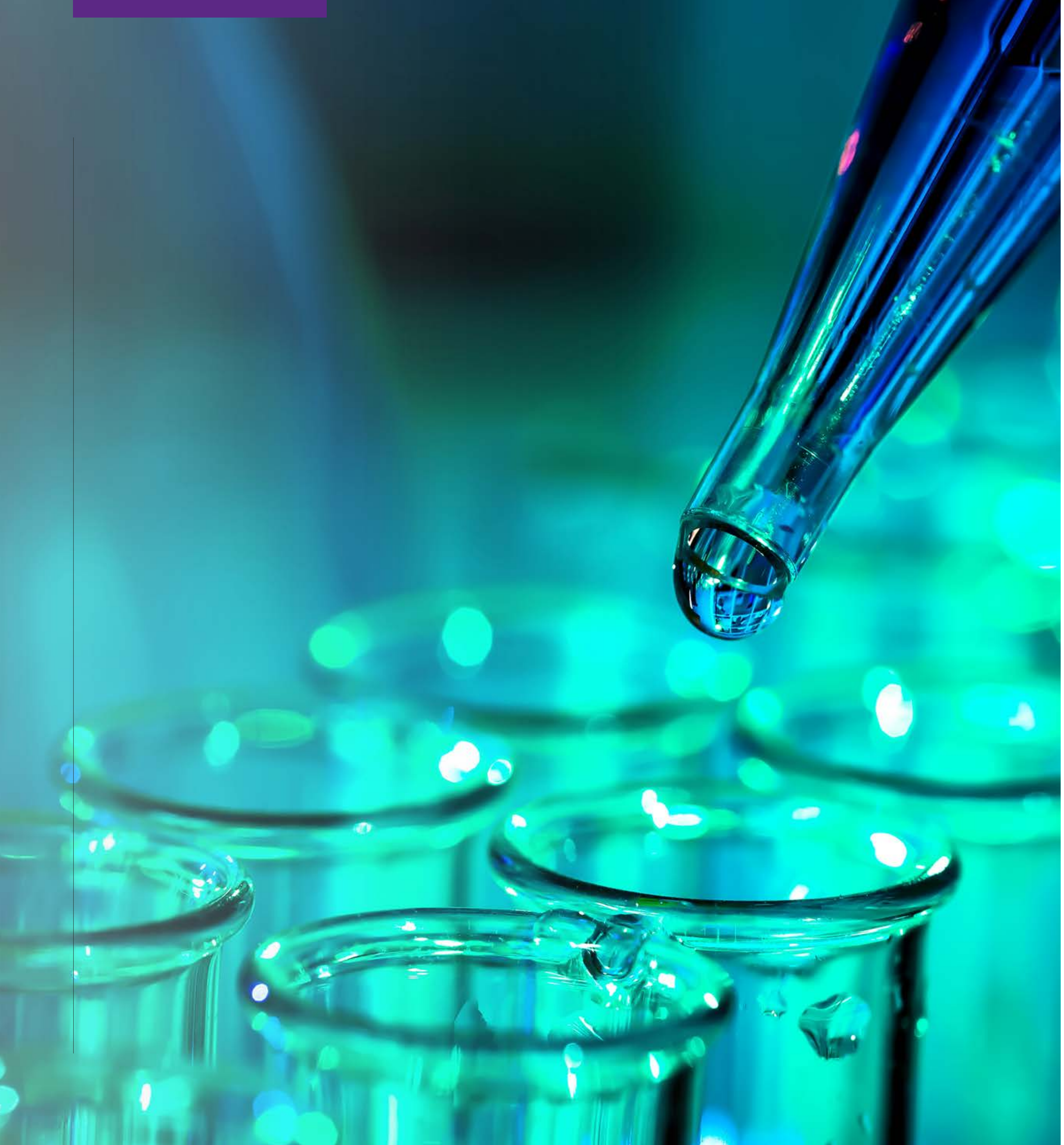
L1 Health 2021 Annual Review

Investing in healthcare during turbulent times

LETTERONE
Health



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Stefan C. Linn
Managing Partner
& CEO, L1 Health

"Last year was a strong year for LetterOne's healthcare arm with tremendous growth in its two original assets in the U.S. and the acquisition of two new assets in Europe."

Letter from the CEO

Dear Reader – Thank you for your interest in L1 Health and its 2021 activities.

Last year was a strong year for LetterOne's healthcare arm with tremendous growth in its two original assets in the U.S. and – together with our transaction partner Blantyre Capital – the acquisition of two new assets in Europe. L1 Health has now committed over $1B to a diversified portfolio across Biotech, Animal Health, Pharma Services and Consumer Health.

Before reviewing L1 Health's 2021 successes, we must address some important changes in LetterOne's governance that were implemented in the first half of 2022 in response to the sanctions implemented by the UK and EU following Russia's unjustified invasion of Ukraine. These changes were underpinned by LetterOne's existing world-class compliance infrastructure and commitment to the highest standards of compliance and corporate governance. Following the imposition of sanctions on two of LetterOne's ultimate beneficial owners ("UBOs") by the EU and UK (for clarity, not by the U.S.), LetterOne promptly separated itself from its founders. All UBOs resigned from their operating and governance roles, and their access to physical or electronic resources and support from LetterOne was prohibited. Furthermore, sanctioned UBOs' shares in LetterOne were frozen and restrictions on payments and dividend issuance were implemented in line with applicable sanctions laws. To further support these restrictions, LetterOne committed substantial funding to charitable causes for the foreseeable future, and has already committed over $50m of grants to humanitarian programs relating to the Ukraine conflict.

To ensure continued oversight of its operations based on our best-in-class compliance and governance standards, LetterOne expanded its independent board which controls the company, sets policies and determines strategy. Lastly, LetterOne implemented a robust monitoring system across its operations and subsidiaries to ensure it remains in compliance with sanction policies in all the geographies in which we operate.

L1 Health's unique investment philosophy allowed our businesses to come out of the pandemic period strong, healthy and with their leadership positions extended.

As a result of the rapid and extensive response to UK and EU sanction regimes, LetterOne's European and UK regulators have confirmed that LetterOne and its operating units are not subject to, nor are they the target of sanctions. For additional detail on LetterOne's governance and compliance program, the reader may want to refer to the last section of this Annual Review or to LetterOne's website.

While these actions consumed considerable resources, time and attention for head office, L1 Health and its operating assets largely remained unaffected by these external turbulences and resulting activity.

L1 Health and its businesses continued to operate normally and expand their operations. We are confident that L1 Health will maintain the positive trajectory set in 2021 this year.

L1 Health's unique, long-term investment philosophy allowed our businesses to exit the pandemic period strong and healthy while extending their leadership positions. Destination Pet (DP), our Animal Health business in the U.S., doubled in size last year, and K2 HealthVentures, our health venture investment platform, grew its commitments more than 50% to emerge as a leader in its field.

Also last year, L1 Health was able to realise its long-term ambition to enter the Pharma Services sector. Together with its partner, Blantyre Capital, L1 Health led a complex restructuring of the publicly listed South African company Ascendis Health, which resulted in the sale of five assets and a debt-for-asset swap leading to our ownership of two assets: Cyprus-based Contract Development and Manufacturing Organization (CDMO) Remedica and Romania-headquartered Sun Wave Pharma, a fast-growing Consumer Health business. The carve-out of these businesses was completed in October of last year, and both businesses have accelerated their investment under our ownership.

These successes were driven by L1 Health's highly accomplished cadre of investment and operating professionals. As an investor with an operator mindset, L1 Health brings together a distinctive blend of skills into a unique investment and operating process to achieve long-term growth, value creation and industry leadership. Our network of international business leaders is the source of our strength and growth. We are lucky to count such world-class talent as part of the L1 Health family.

We believe that L1 Health occupies a unique space in the investment landscape by building industry-leading companies that matter to society and invite you to explore further how we create value.

Thank you for your interest.

Stefan C. Linn

Managing Partner
& CEO, L1 Health

... last year, L1 Health was able to realise its long-term ambition to enter the Pharma Services sector.

L1 Health has now committed over

$1B

to a diversified portfolio across Biotech, Animal Health, Pharma Services and Consumer Health

Acquisition of

2 new assets

in Europe

Dr. M. Franz Humer

Chair of the Advisory Board at L1 Health

“We are likely entering a prolonged period of stagflation where economies oscillate around rates of slower growth and higher inflation based on the tide of fiscal and financial stimulus.”

Letter from the Chair

Dear Stakeholder – The business of investment is changing.

The double shock of a 2-year-long, global pandemic and the macro-economic turbulence following from the war in Ukraine are materially altering the investment environment. Important trends that held true for 20 or more years are being upended. Globalisation is rapidly being replaced by regional fragmentation where greater focus and reliance is placed on regional markets and supply chains. Inflation is seriously ticking up for the first time since the 1970s and interest rates which have been declining for 30 years are climbing in response. We are likely entering a prolonged period of stagflation where economies oscillate around rates of slower growth and higher inflation based on the tide of fiscal and financial stimulus. Foremost, the liquidity that was pumped into the global financial system over the last 20 years is slowly being drained, making cheap financing less available and lowering the value of future cash flows. Lastly, global systemic risk is increasing with less firepower available to governments and central banks to weather another storm. While we have seen already a meaningful decline in public valuations in response to these discontinuities, we are still early in the reset of private valuations.

This new investing environment more than ever favours investors that can create high-performing companies. In times of discontinuities, the companies that adapt and emerge with the strongest business models and value propositions capture a disproportionate share of the profit pool in their industry sector. Competition among investors for such sector-leading companies will be intense. Greater value will accrue to those investors with the capabilities to fundamentally reposition their investments strategically, drive sustainable best-in-class performance and create such industry leaders. Tweak and optimise investment plays will be challenged to meet historic private equity returns. Marginal opportunities will not get funded at all.

Our focus on creating best-in-class companies over the long-term make L1 Health ... a strong partner for all stakeholders in the business.

We believe that L1 Health is in a good spot: LetterOne’s permanent capital base, long-term investment horizon, and operational DNA make us a unique partner for entrepreneurs and management teams with the ambition to build industry leaders. Our focus on creating best-in-class companies that matter to society make L1 Health also a strong partner for all stakeholders in the business.

We believe in shared success and shared gains and the value of building relationships for the long term.

We invite you to learn more about L1 Health and our distinctive investment approach.

Dr. M. Franz Humer

Chair of the Advisory Board, L1 Health

Our Performance

Financial highlights at December 2021

$955M
Net assets
(2020: $361M)

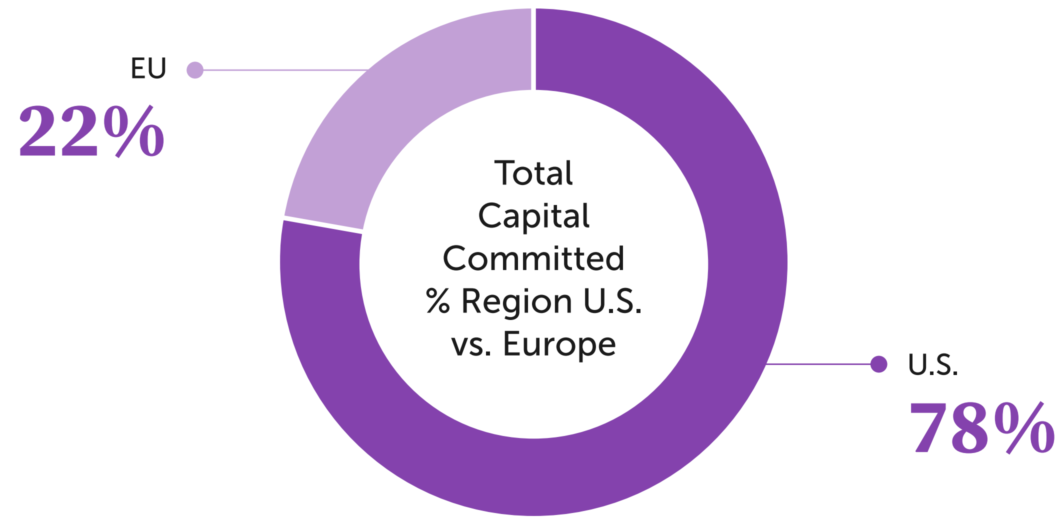
$670M
Capital deployed
(2020: $327M)

$1.3B
Total capital committed
(2020: $850M)

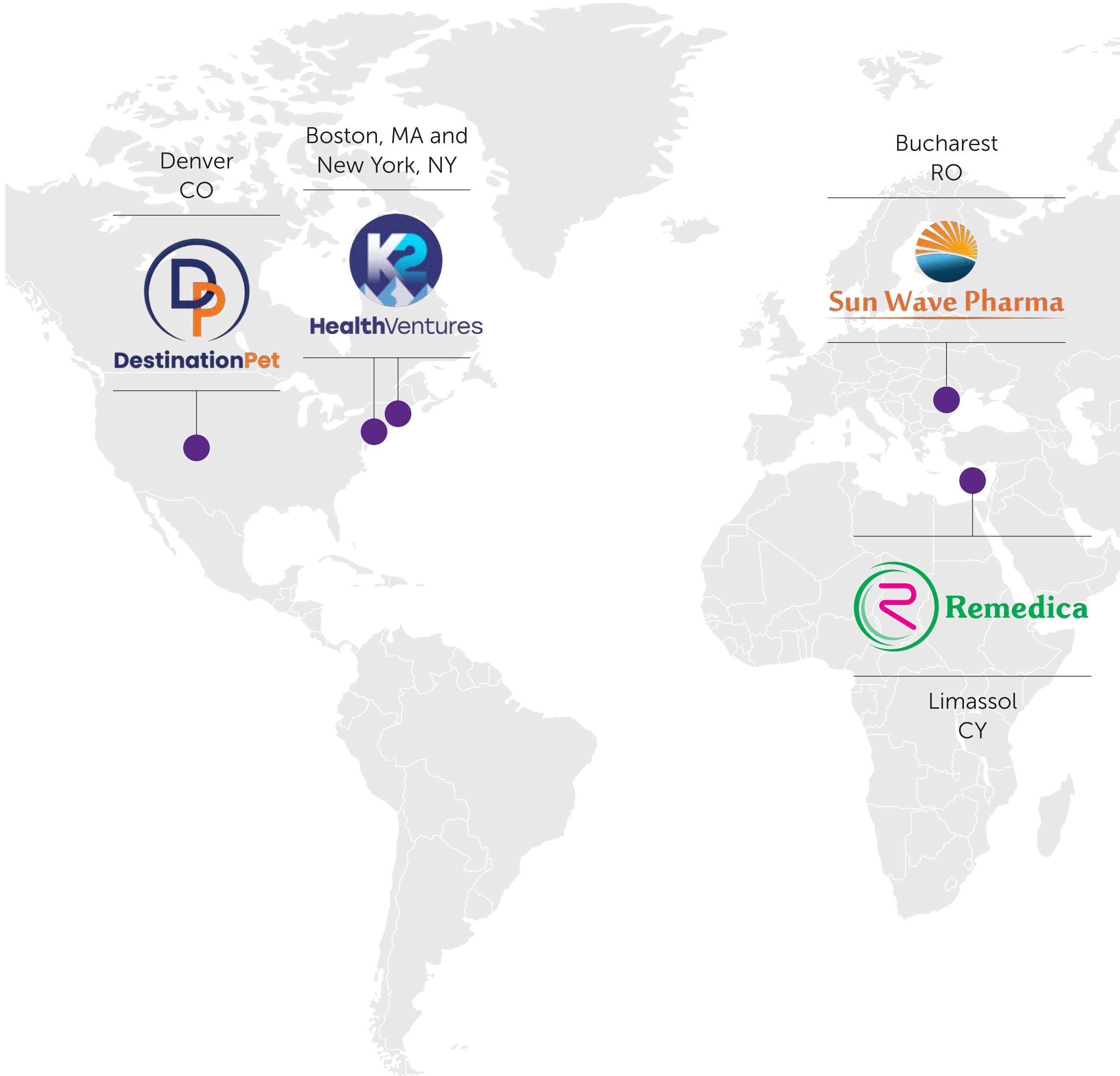
+160%
Increase in net asset value

3,478
FTE employed in operating assets
(2020: 2,009)

4
Platform assets
(2020: 2)



Our global portfolio



Investment Philosophy

Investment Philosophy

The Permanent Capital Edge

L1 Health occupies a distinctive space in the investment landscape.

There are few, if any, healthcare-focused investment firms with a permanent capital base of our size and our operating capabilities.

With over $3B in evergreen capital, we are a long-term, active investor with an operator mindset who partners with entrepreneurs and industry leaders to go long on global trends that transform sectors of the healthcare industry. Our flexible capital allows us to take the time needed to build industry leaders, invest throughout economic cycles, and provide bespoke investment structures to each opportunity – from minority stakes to majority control, from early-stage companies to industry leaders.

Our distinctive approach to investing and operating companies is grounded in the Group's purpose: we build businesses that matter. This can be captured in a set of interrelated principles:

1. Permanent capital – no pressure to invest, no pressure to exit

Unlike traditional private equity firms which are incented to swiftly deploy their LP's capital, L1 Health does not have pressure to deploy capital at a particular pace. We are highly selective in our investments and only deploy capital based on a deep conviction in the opportunities presented by the sector and the vehicle. Similarly, since we don't have a fund with a limited lifespan, we can hold investments for much longer than traditional private equity firms. In fact, we can invest incremental tranches of capital into our operating companies over a series of years as their funding needs grow, not needing to worry about investing across funds.

2. Deep sector expertise

We are healthcare specialists with a long track record as investors and operators in leading healthcare companies. This experience allows us to discern new trends and shifts in markets. Our deep sector background also facilitates the dialogue with management teams because we understand their field and can act as sparring partner on their most important strategic and operational challenges.

3. Focus on long-term trends

We spend effort and time developing deep-rooted confidence in the permanence of global trends. Experience has shown that vehicles riding long-term trends can better withstand environmental shocks and ride out business cycles. Riding long-term trends early can also propel companies towards industry leadership by exploiting long-term changes in market dynamics for which current industry leaders are not fully set up.

4. Industry leadership

We drive our operating companies to achieve a leadership position in their chosen sectors. Industry leaders tend to have better unit economics, fund more innovation, attract the best human capital, and out-invest and outperform their competitors. Imitators can rarely catch up with industry leaders. Given this reality, we like to invest in growth and drive our operating companies to take a leadership position in their sectors.

5. Transformative opportunities

Earning an industry leadership position requires innovation. We deploy capital to opportunities that have the potential to transform the basis of competition and realign the profit pools in an industry. While we like increasing cash flows and steady growth like any investor, we are focused on the potential for outsized returns resulting from innovation and new approaches to doing business that differentiate our operating companies from the competition. Because of our capital base and long-term horizon, we can invest in transformative plays which require a longer-term investment horizon and multiple infusions of capital over time.

6. Risk tolerance

Transformative opportunities carry risks which we are willing to take. As noted previously, our deep permanent capital base allows us to entertain risks that traditional private equity firms cannot afford to take. At the same time, we carefully manage risk upfront and throughout execution. We assiduously invest in calibrating ideas and developing scenarios; we like experimenting and trial and error; and we tend to over-resource pilots to ensure success. Once we gain confidence in a particular strategy we move for rapid scale up.

Rolf Classon

Advisory Board Member at L1 Health

"In our experience, "Culture eats strategy for breakfast."* L1 Health is very focused on establishing a cohesive community between shareholders, boards and management teams. Building relationships based on trust, open communications, mutual commitment and passion for our ambition is crucial to transformative change."

* Attributed to Peter Drucker.

7. Concentrated portfolio

We do not play the law of averages and look to create a large, diversified portfolio which on balance does well. We invest to win. We are selective in our investments and focus our resources and energy on a few opportunities with outsized returns. This focus gives our partners stability and long-term support to execute their plans for industry leadership.

Investment Philosophy

L1 Health Partnership Network

L1 Health actively engages in long-term partnerships.

L1 Health partners with entrepreneurs, business leaders, investors and professionals across a wide variety of disciplines to bring the best knowledge and support to our portfolio companies. This wealth of real-life expertise represented by our network guides the execution of our companies' value creation plans and helps our management teams navigate challenging market environments.

> "Success requires partnership. Our partners and advisors extend our operating capabilities and are integral to our value creation process."

Franz Humer
Chair of the Advisory Board at L1 Health

BLANTYRE CAPITAL

Our Partnership with Blantyre Capital

Complementary Partnership to Unlock Value

By guest contributor
Mubashir Mukadam

Blantyre Capital had been looking for over a year for a partner to assist in unlocking the value in Ascendis, an over-levered South African publicly listed healthcare conglomerate.

We had our initial call to discuss a possible partnership opportunity around Ascendis with LetterOne in December 2020, and in less than a month we were making our first investment together.

Immediately after this investment, the LetterOne Blantyre Partnership ("L1B") proceeded to unlock and then control the capital structure which was riddled with complications including historic unpaid vendor loans, as well as divergent interests both within the lender group and amongst public shareholders. L1B proceeded to craft and lead a creative restructuring deal – the first ever debt-for-asset swap in South Africa of a publicly listed company - which led to taking ownership of two of the European assets, simultaneously selling five businesses, and recapitalising the publicly listed RemainCo, all within 12 months.

How was this possible?

LetterOne's reputation preceded it as a thoughtful long-term industrial partner with deep healthcare expertise, augmented by personnel who have been at the forefront of European reorganisations. LetterOne and Blantyre also very quickly established mutual trust and dependency on each other's complementary strengths, whilst constructively challenging each other around key decisions. Our partnership was memorialised in a simple but effective two-page agreement which allowed us to be nimble and effective. This partnership has opened the door for broader cooperation.

L1B proceeded to craft and lead a creative restructuring deal, which led to taking ownership of two of the European assets, simultaneously selling five businesses, and recapitalising the publicly listed RemainCo, all within 12 months.

L1B proceeded to craft and lead a creative restructuring deal... which led to taking ownership of two of the European assets simultaneously selling five businesses, and recapitalising the publicly listed RemainCo, all within 12 months

Healthcare Trends under Scrutiny

Core to L1 Health's investment philosophy is its confidence in the power of long-term trends. By investing in trends with decade-plus staying power, our operating platforms can leverage these tailwinds to reshape industries and better withstand turbulent times.

Amid the COVID-pandemic, this philosophy was put to the test. How have the core investment theses of L1 Health's pre-COVID investments held up in this once-in-a-generation disruption of health systems, financial conditions and societal attitudes? Which trends have been broken by the pandemic, which have endured or even strengthened, and which new trends with long-term staying power have emerged affecting our platforms?

Healthcare Trends under Scrutiny

Pet Health

Our Investment in Destination Pet was predicated on two primary animal health trends.

First, pets are playing an increasingly important role in our definition of "family". Millennials are delaying getting married and having children, and older generations are living longer and are more frequently separated from families.

Pets, therefore, especially dogs, can meaningfully fill the gap between our basic human need to nurture another being and the dynamics of modern life. Since the 1970s, the rise in non-traditional family structures, such as single-parent families, childfree families, grandparent families and LGBTQ families, has paved the way for the humanisation of pets and the rise of the multi-species family.

According to the 2021-22 American Pet Products Association (APPA) survey, the pandemic has continued to fuel this trend resulting in 70% of all U.S. households owning pets, up from 67% in 2019. Most notably, this growth is increasingly driven by millennials (25–40-year-olds) who represent the largest percentage of pet owners at 32% and are expected to grow to 65% in the next five years.

The second important trend underpinning our animal health platform investment is the increasing demand for integrated pet services that deliver comprehensive "whole health" care. As in human health, the realisation is taking hold that episodic medical care for pets is not enough to ensure the best possible physical, social, and emotional care. Today, 92% of millennials are as concerned about their animals' health as their own and nearly half (45%) of American pet owners express that they spend the same amount of money on their pet healthcare as they do on their own.

Despite pandemic pressure on household income and the constraints of "stay at home" orders, demand for pet and veterinary services has experienced a robust comeback following a brief COVID-related initial dip. The dominance of Millennial pet ownership and expenditure will continue to drive industry growth. As the largest single-age cohort, recently outsizing the 72M baby boomer generation, and by controlling most of the purchasing power at $2.5T, millennials are showcasing their love for their pets as family members through their investment in luxury items, wearables, organic food, nutrition and holistic care products and services.

The growing pre-COVID trend in which we initially underinvested was digital. While e-commerce has a long track record, digital solutions are playing a much smaller role in managing services for pets. Following the pandemic, pet parent expectations have changed, especially driven by millennials. Pet families are now looking to manage the complete range of their pet services through a fully integrated digital platform, like all other services in their lives. This not dissimilar to human healthcare, where over a quarter of both millennials and Gen X-ers use an app to manage their own care. This realisation has accelerated our investment in technology offerings to provide a personalised digital pet parent experience and offer additional subscription services tailored to our customer base.

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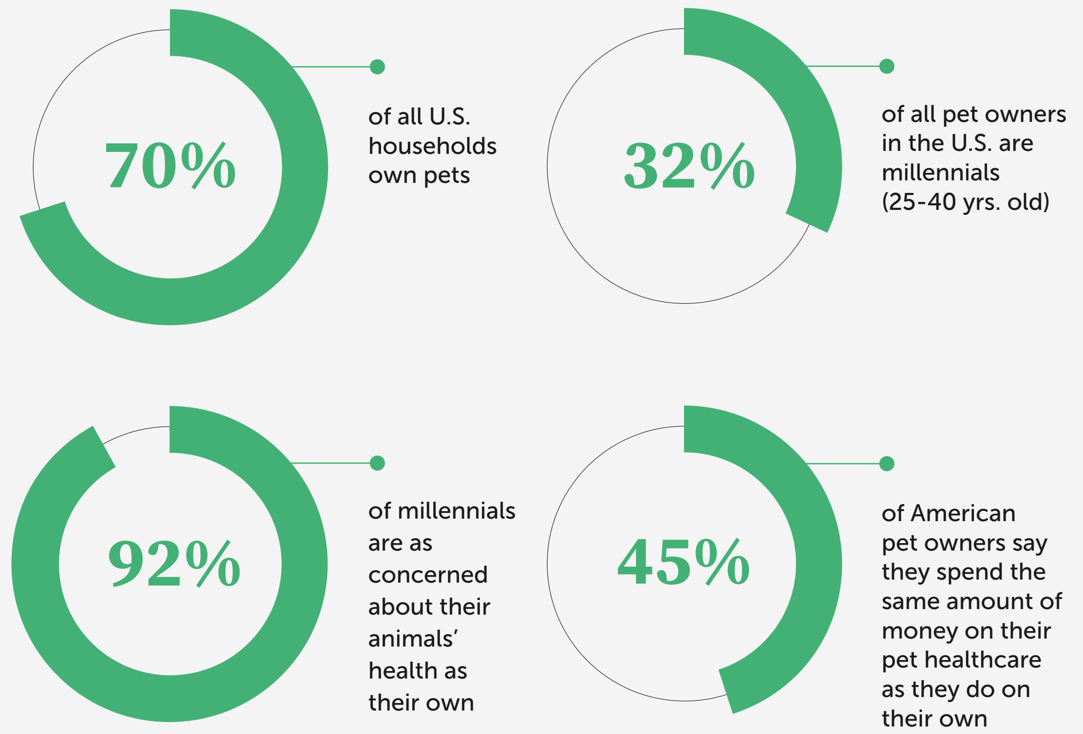


"The humanisation of pets has been a global trend for the last decade as a greater proportion of Gen Z and millennials have become pet parents."

Rolf Classon

Advisory Board Member at L1 Health

Healthcare Trends under Scrutiny

Biotech and Health Ventures

L1 Health's decision to build a health venture investment platform was predicated on the insight that disciplined debt investments in health ventures can yield equity-like returns, even in face of significant binary company risk and turbulent market environments.

Debt has significant appeal for Biotech and Healthtech ventures. Adding debt can avoid dilution and lower a firm's average cost of capital. More importantly, it can extend a venture's runway to a milestone that allows raising the next round of equity at higher valuations. While attractive to the firms, venture lending has been challenging to underwrite for traditional banks given a venture's lack of hard assets and prolonged periods with substantial negative cash flows. Specialised players, such as L1 Health's K2 HealthVentures, have stepped in, and debt funding has grown into a $8 billion market.

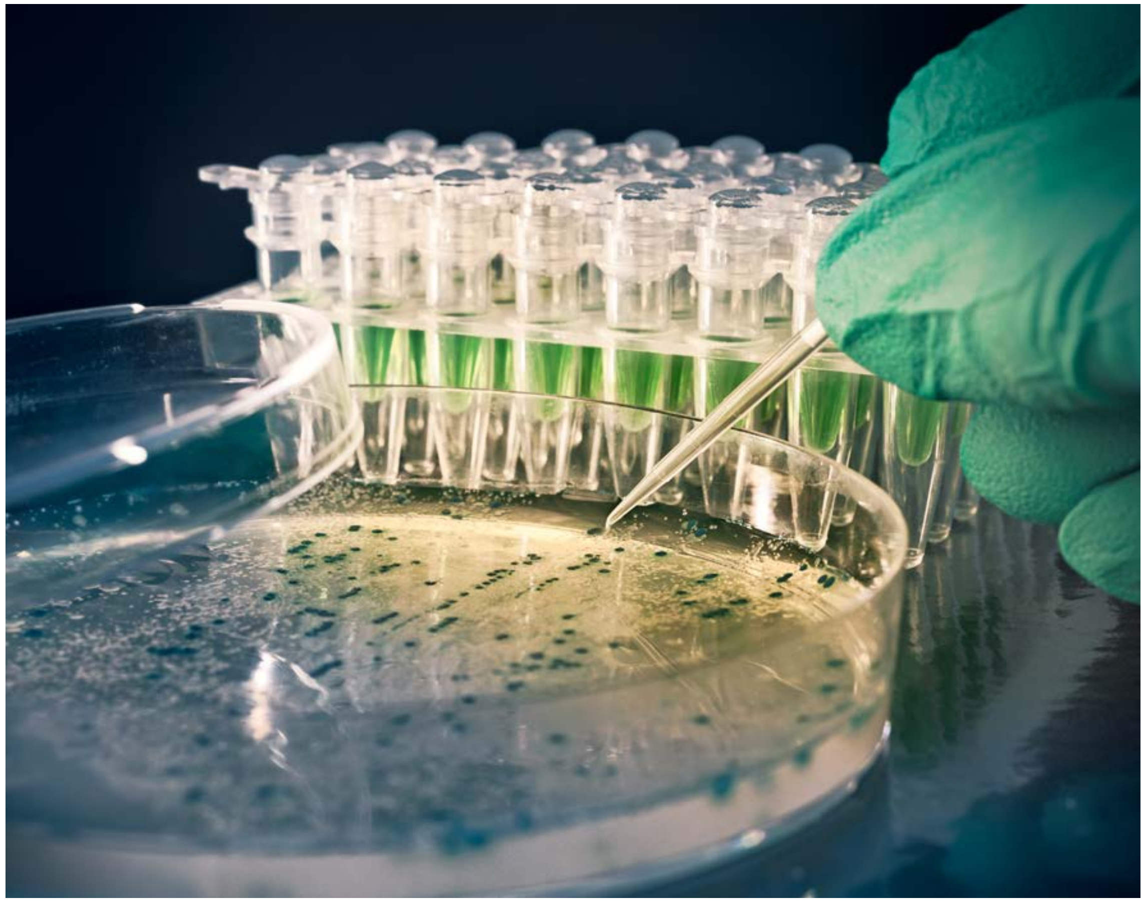
What makes the model work is an asymmetry in risk perception. Even when individual Biotech companies experience serious development failures, and their equity valuations decline precipitously, debt tends to get repaid. This is because of the inherent value of existing IP and scientific talent in such ventures. Existing investors are generally unwilling to relinquish control of the company to lenders, or new investors see value in the Biotech platform at the lower valuations, and thus tend to fund debt repayment. The model of course depends on careful diligence of the scientific platform and the talent inside for lending decisions; hence, the specialised nature of this market to address company risk.

This model was working well while Biotech investment reached ever higher levels. How has the model been faring under the pressure of the pandemic and more recently the pull-back in Biotech investing?

Biotech funding has gone through repeated cycles of boom and bust that mirror spurts in scientific advancement and investor funding appetite. In the 1980s, emerging recombinant DNA technology coupled with a booming financial market environment driven by declining interest rates fuelled an initial Biotech boom. The current boom was initiated when low-cost, high-throughput DNA sequencing and the arrival of gene therapy and personalized medicine coincided with booming markets fueled by cheap money following the 2008 financial crisis. Busts or systemic risk materialize for two reasons: Either when initially promising scientific journeys appear to be dead-ends or face significant market resistance (e.g., leukaemia side effect thwarting gene therapy in 1990s, Alzheimer hypothesis being discredited in 2010s, or growing reimbursement barriers more recently). Or they can be triggered when market environments deteriorate to a point at which investors look to materially reduce their overall risk profile, switch to safer assets and scale back their Biotech investing.

On the scientific front, it appears that the pandemic has not dented the scientific and commercialization trends for Biotech. On the contrary, we may still be quite early in the cycle of exploiting the recent advancements in molecular biology, digital technology and sheer computing power for commercial opportunities. Furthermore, private and public support for Biotech has strengthened on the back of mRNA vaccine rollouts. Absent of a major adverse event scandal or wide-spread disillusionment with vaccine efficacy,

Biotech funding has gone through repeated cycles of boom and bust that mirror spurts in scientific advancement and investor funding appetite.



"In the midst of ongoing volatility, we anticipate that Biotech ventures with solid technology and IP platforms, in collaboration with capital partners wielding deep scientific and commercial expertise, are well positioned to weather the storm."

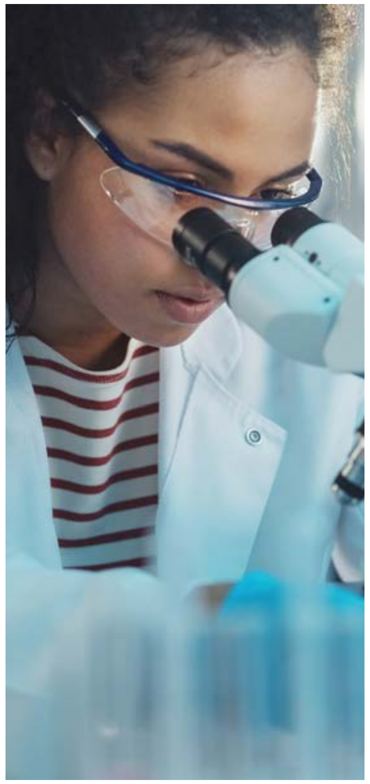
Annalisa Jenkins

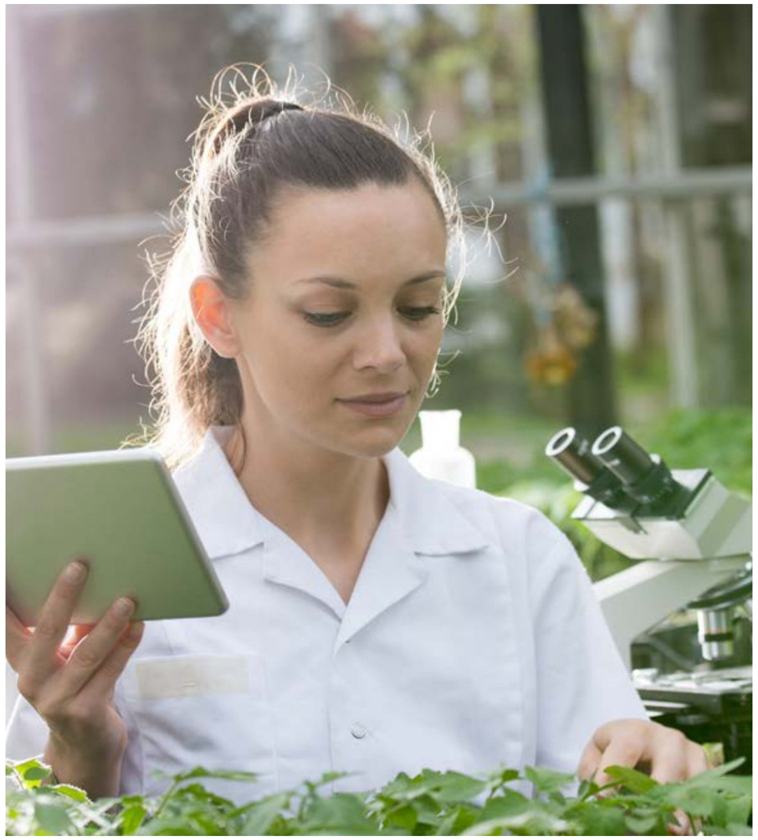
Advisory Board Member
at L1 Health

Biotech opportunities and venture formation should remain robust.

With regards to venture funding risk, the market environment has clearly shifted post-pandemic. The spectre of prolonged inflation, longer-term higher interest rates and ongoing geopolitical turmoil has narrowed the funding opportunities for many Biotech and Healthtech ventures. Since its peak in February 2021, the total enterprise value of publicly traded global Biotech companies has declined 70%, and the number of Biotech companies with negative enterprise value has climbed to over 200. Also indicative, the number of Biotech firms whose current valuations are lower by 50% or more since their IPO is over 160. With rapidly decreasing cash balances, runways for many health ventures have shortened to six months or less. At the same time, a lot of cash is sitting on the sidelines. Specialist venture and public-focused Biotech funds have raised over $56B in the last three years, with a large part of it still available to deploy, and pharma and large Biotech companies are sitting on war chests of unprecedent size. The top 20 pharma / Biotech companies alone have more than $300B in cash on their balance sheet.

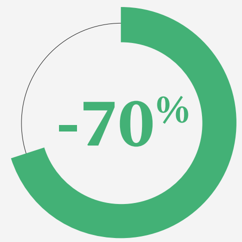
On balance, we remain confident in the debt-led model of health venture investing. The Biotech investment industry has grown to a critical mass where equity funding will remain available for the best health ventures with innovative technology and provide a floor and protection for the disciplined lenders. While less discriminatory lenders with investment decisions based mainly on financial and valuation metrics could see erosion in portfolio quality, lenders with deep scientific and commercialisation expertise who invested in health ventures with solid technology and IP platforms should be able to weather the bottom of the Biotech cycle. In fact, with growing demand, less competition, and depressed values, we could see these lenders coming out of the funding valley with faster growth and augmented returns.





... it appears that the pandemic has not dented the scientific and commerciali-sation trends for Biotech.

The value of publicly traded global Biotech companies has declined by:



The top 20 pharma / Biotech companies have more than

$300B

in cash

Business Review

Business Review

2021 Performance of L1 Health Operating Platforms

Our pet health platform and health venture investment platform have both performed well during the COVID crisis 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.

L1 Health 2021 Highlights

K2 HealthVentures invested in six new Biotech and Healthtech ventures to reach $371M in Assets under Management (AUM).

6
New Biotech and Healthtech ventures

Reaching
$371M
in AUM

Destination Pet doubled in size to nearly 100 locations, becoming the largest fully integrated pet services platform in the U.S.

doubled in size
to nearly
100
locations

Became the
largest
fully integrated pet services platform in the U.S.

Debt restructuring of **Ascendis Health** leading to simultaneous carve out of two assets and sale of five other assets.

2
assets carved out

5
other assets sold

Set up of two new operating companies – CDMO platform **Remedica** and Consumer Health business **Sun Wave Pharma.**

2
new operating companies

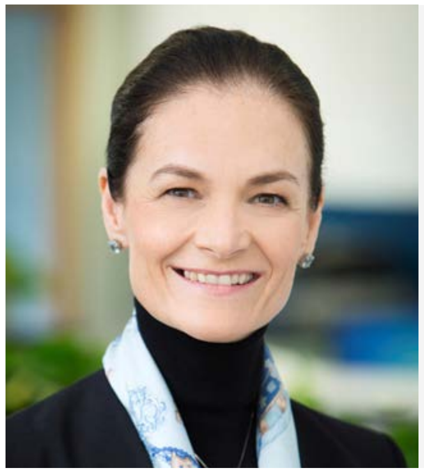
Remedica

Sun Wave Pharma

Expansion of L1 Health team with one new advisory board member, Annalisa Jenkins, and three new investment professionals.

1
new advisory board member
(Annalisa Jenkins)

3
new investment professionals



Annalisa Jenkins

- Chair of Conduit Connect, an Impact Investing Platform
- Trustee of the British Heart Foundation
- Chair of YouBelong, a leading mental health care charity
- Non-executive Director of Genomics England, Oncimmune, AVROBIO, Compass Pathways and Affimed

Asset	HQ Country	Healthcare Sector	Investment Strategy	L1H Stake (%)
K2 HealthVentures		Life Science Venture Debt	Greenfield	100%
DestinationPet		Animal Health Services	Buy-and-Build	100%
Remedica		Pharma Generics & CDMO[1]	Transformation	50%
Sun Wave Pharma		Consumer Health OTC[2]	Buy-and-Build	50%

Notes: (1) Contract Development Manufacturing Organization. (2) Over-the-Counter.

Business Review

Destination Pet

Company Overview

Founded in 2017, Destination Pet has emerged as the largest platform for integrated pet care and veterinary services with over 100 locations across 22 states in the U.S.

It is the second largest owner of pet resort centres and the fastest growing acquirer of pet resort centres annually. Headquartered in the U.S., Destination Pet is a national network of over 2,300 pet-obsessed professionals dedicated to elevating the love and lives of our pet families through Connected Care. The concept is grounded in our understanding of the need for better pet healthcare and the belief in the value of integrating pet services, from veterinary medicine to grooming, boarding, daycare, training and more. By connecting the experts behind the scenes, the company gets to know pet families in a way that allows proactive, convenient and personalised advice and care.

Destination Pet Performance Highlights

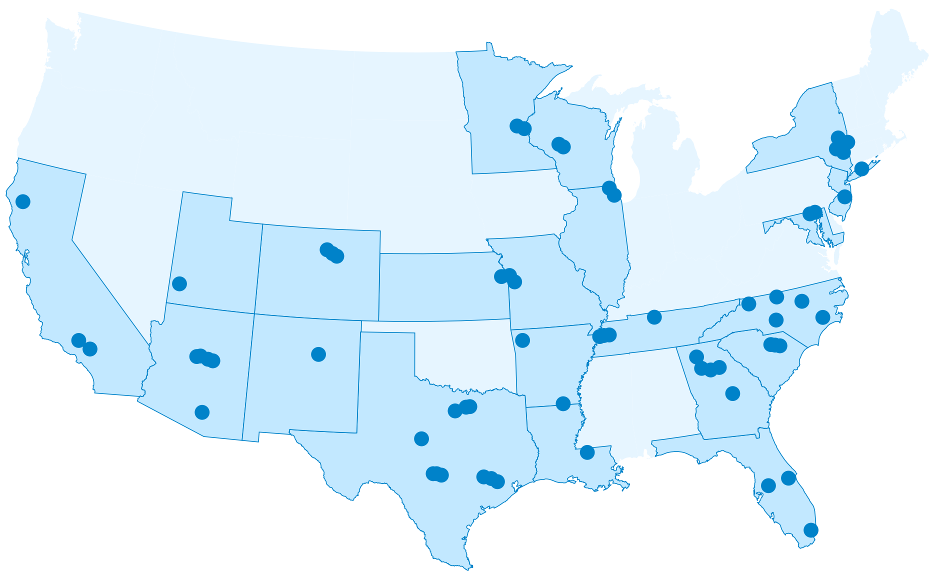
Destination Pet came out of COVID with even stronger customer loyalty, now regularly scoring a net promoter score of eight or higher across its establishments. Because DP pet centres were recognised by state authorities as essential businesses and stayed open even during lockdowns, DP was able to reinforce its 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, L1 Health invested heavily in staffing, training and infrastructure to support DP, as demand for its veterinary and pet care services built to record levels over the course of the year. The company also continued its M&A investment and added 30 new locations to the group in 2021.

The animal health platform ended the year with 99 locations and a revenue run-rate of $142M. Most importantly, DP showed robust same store sales growth of 5% from 2019 pre-COVID comparisons and 22% vs. 2020. Also, four-wall EBITDA margins continued to build throughout the year, ending in the high teens with continued upward trajectory.

56
Pet Resort Centers

28
Veterinarian Hospitals

19
Self-Contained Hubs



$450M
L1H capital committed

$233M
L1H capital deployed
(2020: $142M)

99
Centres
(2020: 68)

22
States covered

32
# of centres acquired p.a.
(2020: 37)

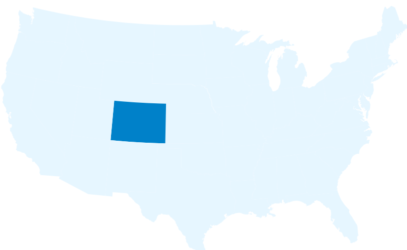
2,300
FTE
(2020: 2,000)

Roy Stein
Partner at
L1 Health

"Destination Pet pioneered the Connect Care concept – integrating vet care and pet services to enhance the well-being of pet families and pet."

Colorado Wildfires

Most inspiring, and a testament to the culture of Destination Pet, was its 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, the fire devastated an area spanning over 25 km^2 and forced tens of thousands of residents in Superior and Louisville to evacuate. Over a thousand buildings were destroyed, incurring losses of over half a billion dollars and making this the most destructive fire in Colorado State history. Three of Destination Pet's centres were also threatened. Its field and corporate teams quickly rallied to the rescue and safely evacuated over 90 animals in its centres over the holiday weekend. Destination Pet's dedicated team members found safe boarding for the animals under their care across staff members' homes and boarding centres in neighbouring counties, ensuring safety for these pets until they were reunited with their family members.

Destination Pet, like all of L1 Health's assets, is a proactive member of the communities in which it operates. We are proud of the work the organisation has undertaken in support of its neighbours.

Business Review

K2 HealthVentures

Company Overview

Founded in 2019, K2 HealthVentures (K2HV) is an alternative investment firm with a unique approach to fund the next generation of innovation in healthcare.

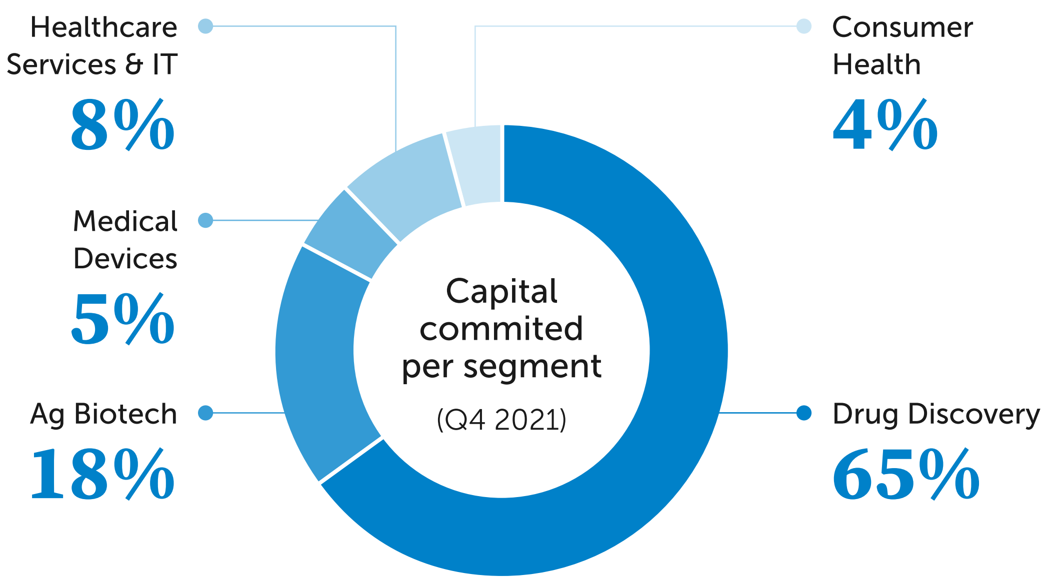
K2HV provides flexible financing solutions to support health ventures in the Biotech, Healthtech and Medtech space to extend their runway and achieve clinical and financial milestones, while minimising equity dilution. Headquartered in the U.S., K2HV has successfully established itself as a leading venture debt lender, providing critical resources of funds to twenty ventures, covering areas such as COVID-19 vaccines, ground-breaking immuno-oncology and neurology discovery platforms and novel medical devices for diabetes management. It provides long-term debt facilities in the range of $20-75M, including warrants, convertible notes and equity investments with the aim to optimise cost of capital, ensure attractive risk / return profiles, while managing senior debt risk. The company has a proven track-record with a unique access to leading ventures for potential equity investments given its strong relationships in the industry. The senior executive team has deep experience in credit and life sciences.

K2HV Performance Highlights

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

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

Based on K2HV's strong performance, L1 Health agreed to double the firm's capital base by an additional $400M. This capital injection, together with retained earnings, provides K2 HealthVentures with the strong capital base to continue its disciplined investment strategy and unique positioning to take advantage of the current macroeconomic environment.



HealthVentures

$800M
L1H capital committed
(2020: $400M)

$355M
L1H capital deployed
(2020: $133M)

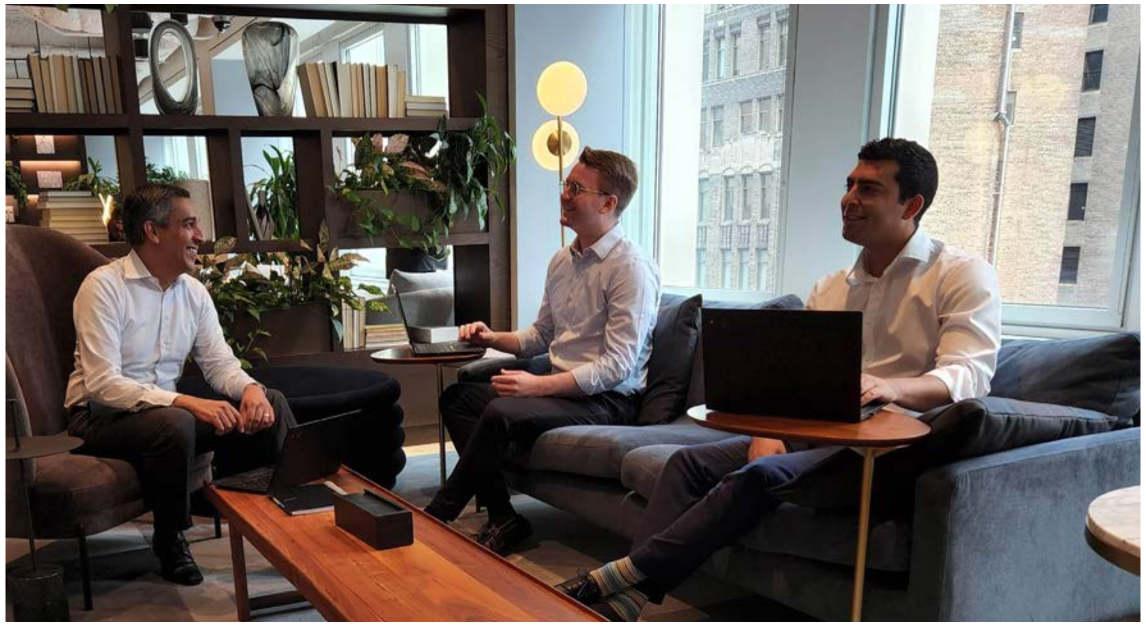
17
# of portfolio companies
(2020: 11)

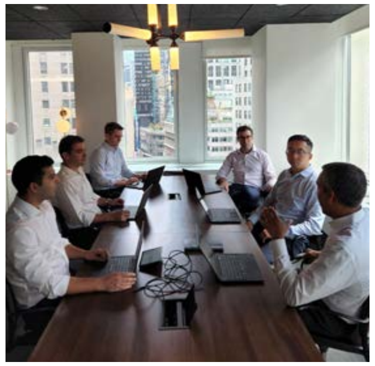
12
FTE
(2020: 9)

~150
# of deals
screened p.a. by K2HV

Parag Shah
CEO and Founder of
K2 HealthVentures

> "At K2 HealthVentures, we enable a next generation of innovation in healthcare by providing flexible, long-term financing solutions to private and public companies."





Drug Discovery

- EVELO — Since Jul-19
- METACRINE — Since Aug-19
- SURFACE ONCOLOGY — Since Nov-19
- VBI VACCINES — Since May-20
- tem — Since May-20
- CORBUS PHARMACEUTICALS — Since Jul-20
- Inspirna — Since Nov-20
- OncXerna THERAPEUTICS — Since Jul-21
- ASLAN PHARMACEUTICALS — Since Jul-21
- APTINYX — Since Sep-21

Healthcare Services and IT

- Cricket Health — Since Oct-20
- Vesta healthcare — Since Mar-21

Agriculture Biotech

- INARI — Since Apr-20
- invaio — Since Sep-21

Consumer Health / OTC

- colorescience — Since Sep-20

Medical Devices

- Companion Medical — Exited
- Click Therapeutics — Since Nov-20
- Trice Medical — Since Apr-21

Business Review

Remedica and Sun Wave Pharma

Restructuring of Ascendis Health Ltd.

Remedica and Sun Wave Pharma were acquired in October 2021 as part of a complex debt restructuring program by the South-African conglomerate Ascendis Health.

Remedica is a leading 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 identified Remedica as a unique player in the fast-evolving CDMO sector. Remedica's ability to invest and grow was significantly constrained by the debt burden of its parent company, Ascendis Health. 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 situations fund.

Over the course of ten months, L1 Health and Blantyre Capital took control of Ascendis' debt, supported the conglomerate in the sale of five assets, and guided a debt restructuring that led to a debt-for-asset swap. As a result, the consortium of L1 Health and Blantyre Capital became the owner of two standalone assets, Remedica and Sun Wave Pharma.

The consortium will continue investment in new product launches and geographic expansion.

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 to invest in new product launches and geographic expansion.

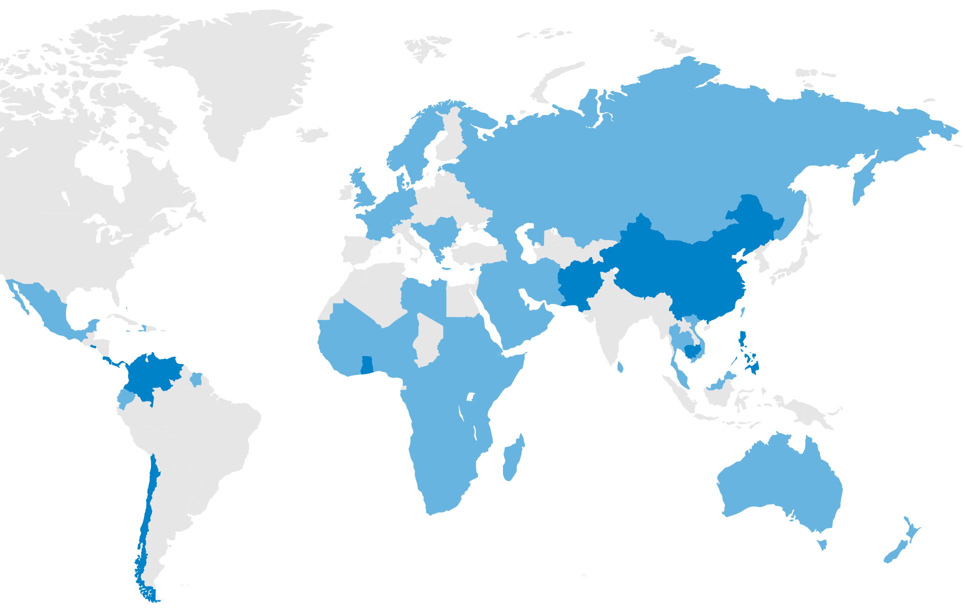
Remedica – Company Overview

Remedica is a leading generic pharmaceutical company that develops, manufactures and commercialises high quality, value-added generics. Its products are distributed in more than 160 countries. Headquartered in Cyprus and founded in 1980, Remedica's product portfolio encompasses more than 300 generic, branded generic and OTC drugs with particular strength in antineoplastic agents and antivirals. Currently, Remedica operates five state-of-the-art factories with a production capacity of 3.5B tablets.

330
SKUs
(2020: 330)

135
# of countries present
(2020: 98)

760
FTE
(2020: 760)



3.5B
Production capacity
(2020: 2B)

54
Therapeutic areas
(2020: 54)

Maurice Chagnaud
Board Member at Remedica

"Partnership with L1 has unleashed Remedica's ability to invest in its business, grow, and deliver on its mission to improve accessibility to life-saving pharmaceuticals in emerging markets."

Sun Wave Pharma – Company Overview

Sun Wave Pharma (SWP) is one of the fastest growing nutraceuticals companies in Eastern Europe and specialises in the development and commercialisation of nutraceuticals and food supplements and other OTC products with proven physiological benefits. Headquartered in Romania, it has become the market leader in nutraceuticals in its home market seven years after its founding.

Today, SWP is positioned as a top three OTC player in Romania and is rapidly expanding across other markets in Eastern Europe. The company's portfolio consists of 80 branded products covering a wide range of therapeutic areas, including neurology, cardiology, dermatology, rheumatology, gastroenterology, urology, gynaecology and respiratory. With the largest force medical representatives in Romania, it provides a unique OTC educational service to doctors and pharmacists.

Sun Wave Pharma

60
Brands

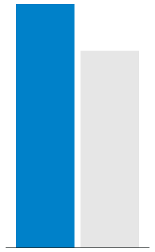
74
Products

9
Therapeutic areas covered

406
FTE

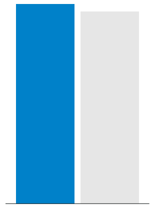
Dragos Dinu
Chair of the Board at Sun Wave Pharma

"Sun Wave Pharma is leading the nutraceutical industry in product innovation and commercial capabilities. Our products are recognised by doctors for their efficacy and natural complementariness to prescription medications."



$582M

$ Market Romania
(2020: $471M)



13.3%

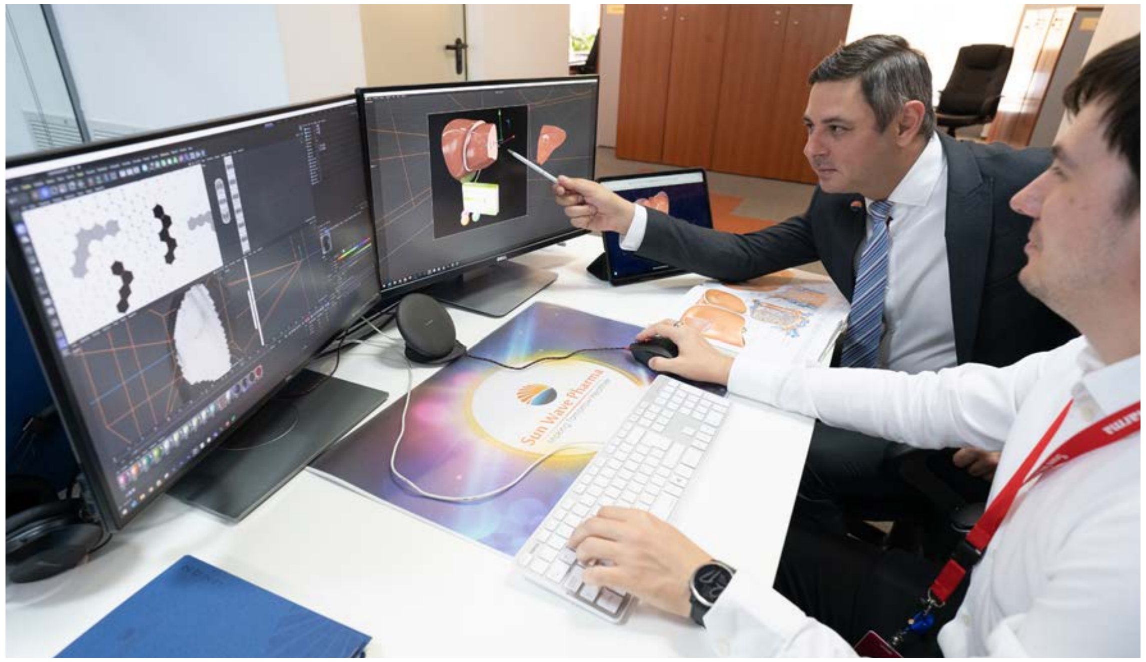
% Market Share Romania
(2020: 12.8%)

18,000

Doctor coverage
in Romania

4,500

Pharmacists coverage
in Romania



LetterOne Group

LetterOne Group

LetterOne Group Overview

L1 Health is part of the LetterOne Group and one of its four industry entities.

Founded in 2013, LetterOne is a partnership of successful entrepreneurs, CEOs and international businesspeople united by one purpose: **to build businesses that matter**. The Group invests in sectors fundamental to society's future prosperity: Healthcare, Technology, Retail and Energy.

The Group is not answerable to the demands, and short-termism, of external capital. Its philosophy is centred around active investing for long-term growth. Our partners think as owners and operators rather than as financial investors. As a result, we build deep relationships with management teams and stand by them across changing economic cycles.

LetterOne supports over 125,000 jobs through its portfolio companies across a range of sectors that deliver tangible and enduring value to society.

With over $25B in patient capital (as of 2021), LetterOne's in-depth expertise, long-term perspective, hands-on approach, and commitment to thoughtful governance support its mission to build the companies of the future.

Breakout: 2022 Compliance Update

LetterOne has always adhered to the highest standards of corporate compliance and governance.

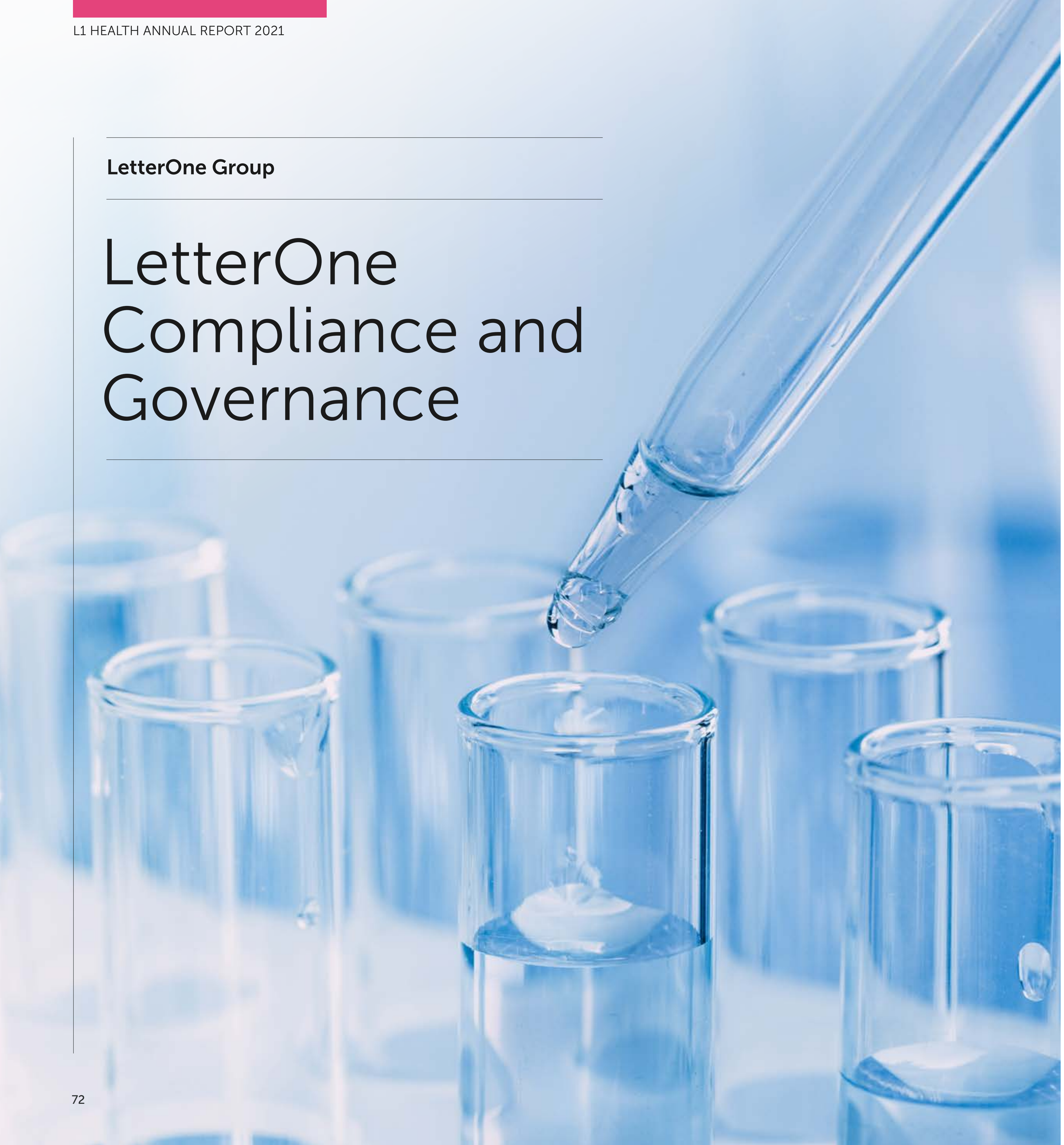
Following Russia's invasion of Ukraine in February 2021 and, shortly thereafter, the inclusion of several of LetterOne's UBOs on the UK and EU sanctions list (for clarity, not the U.S.), those principles were put to the test. Over a short period, LetterOne implemented the following actions to ringfence the firm from sanctioned individuals and protect our operating companies:

- Removal of all UBOs from the Board, operating positions and governance roles.
- Freeze of all relevant UBO stakes in LetterOne and end all payments to them.
- Severance of all support for UBOs, including legal, corporate, IT, administrative and PR.
- Restriction of all communications to UBOs to LetterOne's Chair, CEO and General Counsel on matters of corporate governance.
- Implementation of extensive sanctions monitoring and certification program to ensure sanctioned individuals and entities are not receiving any financial payments or support in any way whatsoever.
- Substantial charity commitment to support those affected by the war in Ukraine.

"LetterOne's purpose is to use an entrepreneurial mindset, long-term vision, and active investment to drive sustainable value in sectors vital to future prosperity."

Lord Davies of Abersoch
Chair of LetterOne

Given these rapid and extensive actions, LetterOne's UK and EU regulators have confirmed that LetterOne is not sanctioned and not the target of sanctions.



LetterOne Group

LetterOne Compliance and Governance

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

While L1 is a privately-held business, the firm has implemented governance practices that are benchmarked against the best public company international standards. This commitment comes from a deep-rooted recognition of how vital these principles are to our license to operate.

Governance

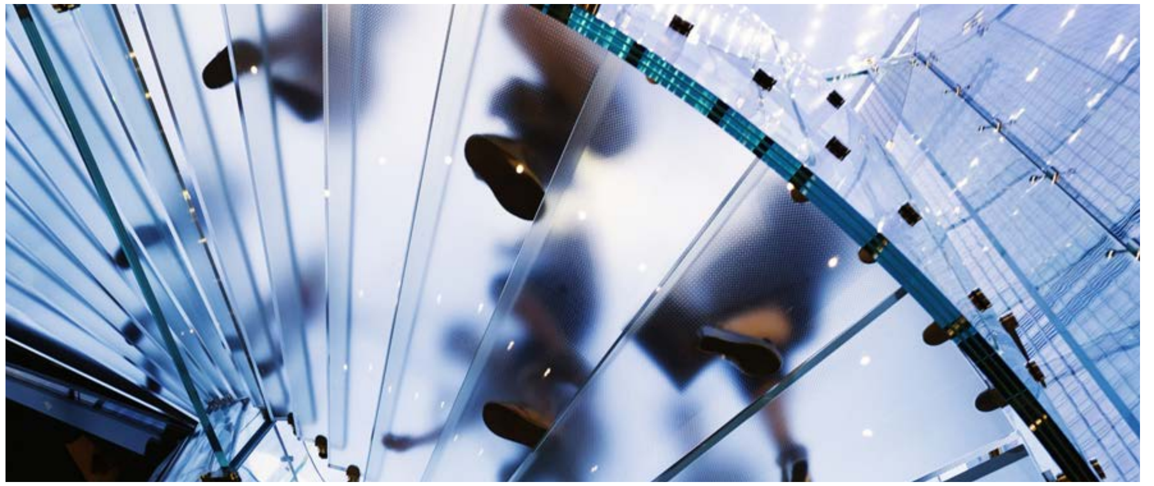
The LetterOne Group is governed by a board of directors comprised of management and independent directors who ensure the long-term success of the group for the interests of all our stakeholders. The board consists of four non-executive directors and two management members and is led by non-executive Chairman Lord Davies of Abersoch. Lord Davies was Minister for Trade, Investment, Small Business and Infrastructure from January 2009 until May 2010. Before that, he was Chairman and previously CEO, and served on the Board of Standard Chartered for over 12 years. He was awarded a CBE for his services to the financial sector and the community in Hong Kong in June 2002 where he served as a member of the HK Exchange fund for seven years. For the most current information on our board, please refer to our website.

The Board of Directors is responsible for setting investment strategy and approving investment decisions.

The Board of Directors is responsible for setting the group's investment strategies and approving investment decisions. It is supported by the Audit & Compliance Committee (ACC) and the Nomination & Remuneration Committee (NRC).

"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."

Jonathan Muir
CEO of LetterOne



Compliance

LetterOne incorporates robust compliance policies, including know-your-client procedures and ongoing risk-based due diligence for third parties with whom we are or seek to be engaged with. We require all business parties to comply with anti-bribery legislation, anti-money laundering laws, anti-corruption procedures, and sanctions regimes.

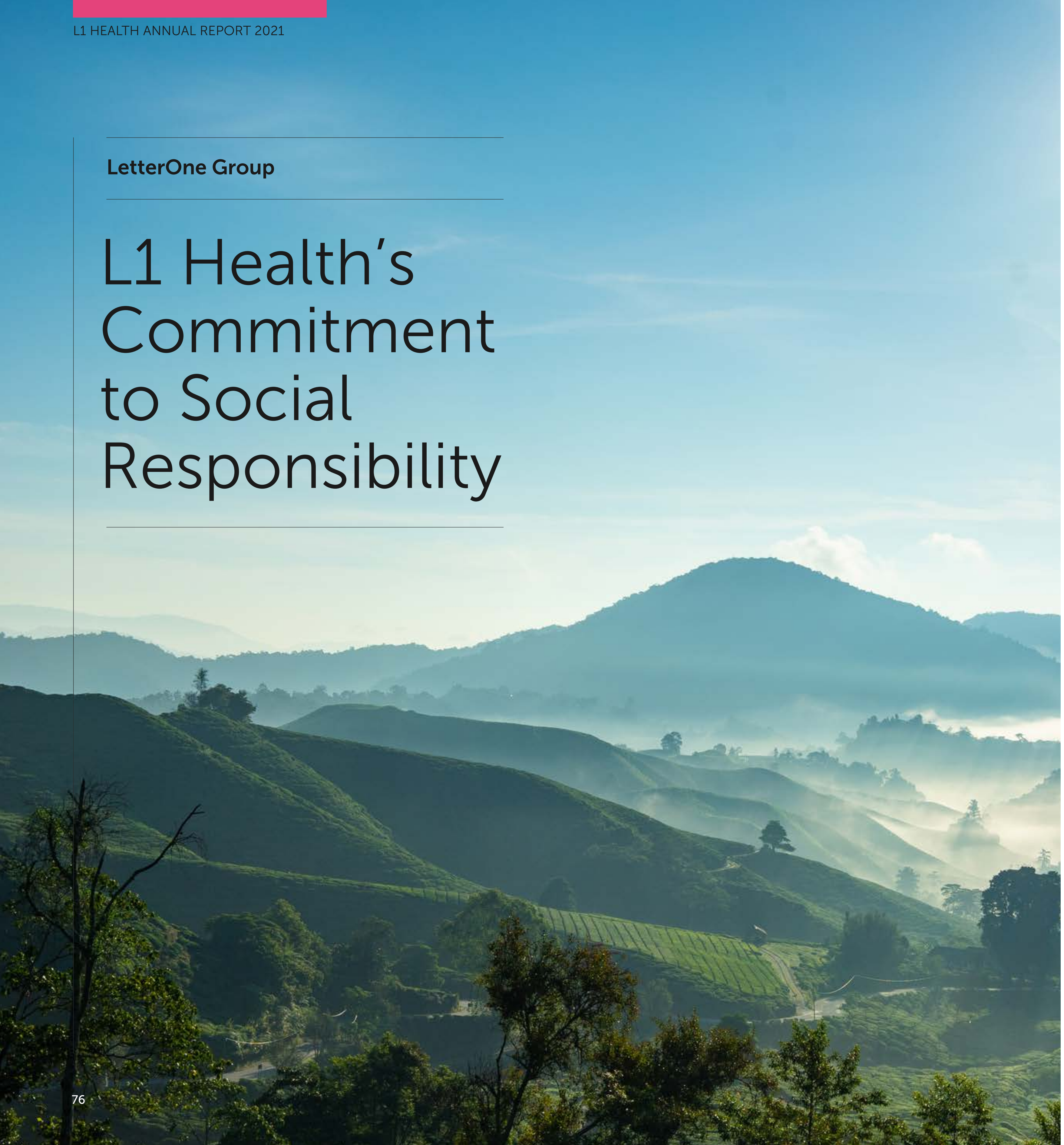
To guarantee the highest levels of compliance, we engage in an annual compliance risk assessment to identify and rectify areas unaddressed by existing procedures. Our compliance efforts are scaled on a bottom-up basis through clear and effective whistle-blower policies. LetterOne staff undergoes regular training and testing on these policies, with our expectation being that they operate to the highest standards of business ethics.

In addition to these compliance activities, we have strengthened procedures and technical capabilities related to cybersecurity in response to an increase in remote working arrangements.

Finally, our commitment to compliance extends to all of our operating companies.

L1 Health has established robust compliance procedures in each of its operating companies that meet the standards of the Group as well as address the specific requirements of their industry sectors and the countries in which they operate.

Our work to ensure the highest level of transparency, compliance, and ethics are led by Simon Roache, our Group Compliance Director with over 20 years of regulatory and compliance experience. He, in turn, reports directly to the Group General Counsel and to the Board's ACC.



LetterOne Group

L1 Health’s Commitment to Social Responsibility

Each of our operating companies takes its role in society seriously.

While each portfolio company operates in a unique environment and has its own distinctive culture, commitment to social responsibility is woven into the fabric of our operating approach and ownership culture, finding expression in ways that matter most to employees, customers, suppliers, service providers and the communities in which they operate. The ESG (Environmental, Societal, Governance) framework is a useful way to organise and share examples of how responsibility and sustainability are implemented across the L1 Health portfolio.

Environmental

L1 Health is deeply cognizant of the fact that our environment is a social good and that we have a responsibility to future generations for preserving our environment. Stewardship for our earth comes in many ways.

Energy efficiency and intensity

All of our operating companies engage with their employees and partners to develop ideas, policies and programs to manage energy responsibly and efficiently, and to reduce energy consumption. For example, Remedica has invested considerable resources and capital to migrate to renewable sources of energy and now generates power onsite via photovoltaics and solar thermal panels. Today, 4% of total power consumption comes from these green sources. Our goal is to increase power consumption from renewable energies by 3.5 times by 2025.

Recycling and waste management

Recycling and waste management is an important topic for all of our operating companies. Hazardous waste is generally treated by an external licensed Medical Waste Management site. For example, Destination Pet has stringent policies in place for medical waste to ensure it is dealt with in an environmentally appropriate manner. Also, Remedica is a corporate member of Green Dot Cyprus for the recovery and recycling of packaging.

Water management

We value water as a life-sustaining element and do not discharge treated wastewater or sludge into water bodies or soil. For example, Remedica treats wastewater via sedimentation and Moving Bed Biofilm Reactor (MBBR) before discharging it to municipal wastewater treatment systems. Sediments are collected by a certified Medical Waste Management Contractor.

Environmental impact

Understanding our impact on the environment and the communities we operate in is an important priority for our portfolio companies and environmental violations are a Board matter. For example, Destination Pet manages a comprehensive program to ensure compliance with the environmental regulations in over one hundred communities in which it operates. Remedica's employees are highly involved in environmental volunteer actions such as green mobility, tree planting, and beach cleaning.

Societal

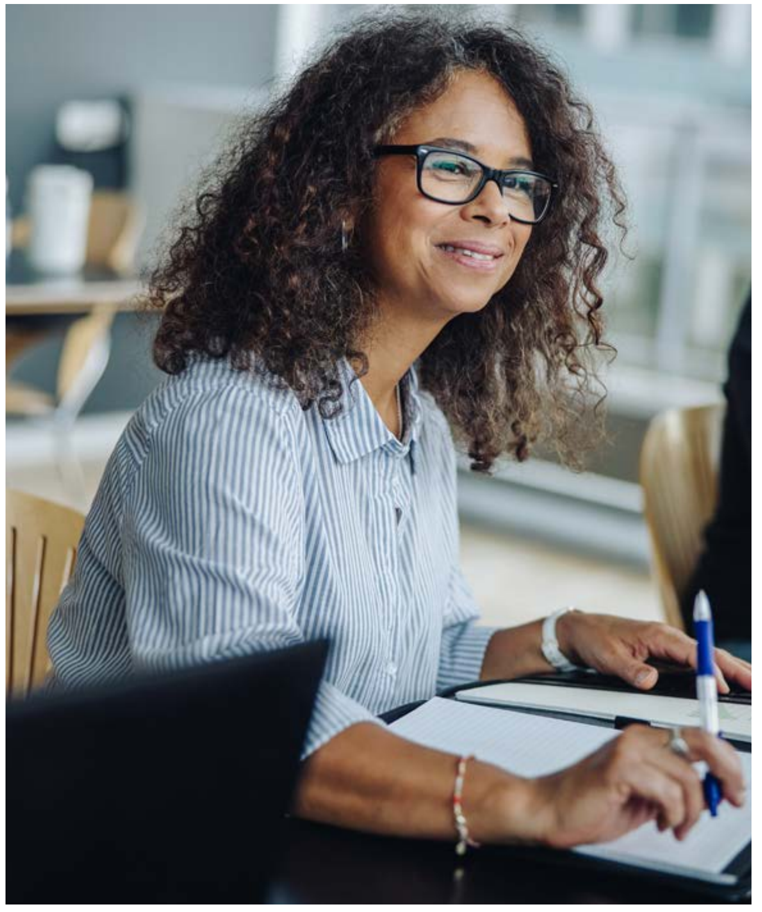
In many ways, growing the human capital in our operating companies is at the core of our value creation cycle.

As a result, we have extensive processes to attract, retain and develop talent. We also have deep gratitude for the communities in which we operate and look to be responsible citizens that show their appreciation by contributing to the development of our society.

Areas of engagement include:

Hiring processes

All of our operating companies are equal-opportunity employers. We hire strictly based on experience and qualifications and treat all applicants as individuals. Open positions are widely advertised to attract the best talent. All of our operating companies are growing and looking for talent, and we hired more than 200 new employees in 2021. Our employees are highly diverse by any standard.



Performance management, merit raises and bonus programs

Our performance management programs are designed to provide our employees with clear performance criteria and create a direct link between compensation and company and individual results. Our systematic approach is designed to take arbitrariness out of the process. Our boards oversee compensation programs to ensure fairness and equal treatment.

Freedom of speech without fear of retaliation

We encourage dialogue and open discussion since it is essential for gaining a genuine perspective on the business and driving innovation and continuous improvement. Destination Pet and Sun Wave Pharma regularly hold "skip-level" meetings to ensure senior executives hear from employees at the frontline. In addition, all our operating companies have whistle-blower policies in place that allow any employee to report areas of concern to their Chief Compliance Officer and the Board of Directors. Our employees receive training and periodic communication on this policy to ensure they know it is available to them.

Training and development

Employee development is paramount to building the human capital of our portfolio companies. Across our businesses, all employees receive mandatory training to educate them on internal policies and their implementation. For Destination Pet, an extensive training program is critical given the young age and limited formal education of much of our workforce. The company has built an extensive training program covering the basics of customer service, leadership, people management and financial literacy available to all employees during paid time. Similarly, Sun Wave Pharma invests in monthly training to ensure its employees have the knowledge and expertise to lead the industry. Our operating companies are also networked within the academic community to provide internships and shape courses at universities. For example, Remedica has active engagement with local academic institutions to develop the next generation of engineers and scientists.

Health and safety

We take our employee's safety seriously and have extensive policies in place to protect our people. At Destination Pet, all employees that engage with animals must first undergo safety and dog handling training before being left alone with animals in their care. At Remedica, workers in our factories receive extensive training to ensure their safety around equipment. All incidences are thoroughly investigated and result in a prevention action plan. As a result, Remedica had no serious safety incidents in 2021

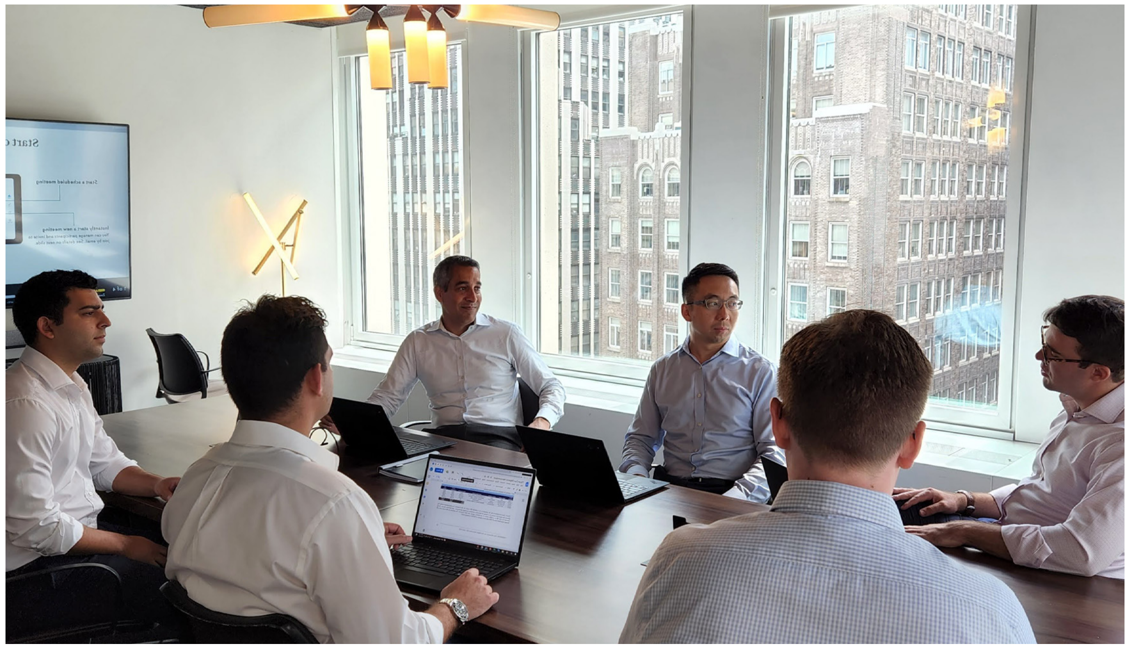
Giving back

Our operating companies give back to their communities in many different ways, such as charitable works projects, community events and philanthropic contributions. Most notably, K2 HealthVentures reserve a portion of its profits to fund underinvested areas in healthcare. Destination Pet locations are particularly well embedded in their communities and are taking a lead in working with non-profit organisations focused on animal health and safety. Remedica is a leader in supporting society in times of crisis. For example, under COVID-19 lockdowns, Remedica donated respiratory machines, pharmaceutical products and protective equipment for medical doctors and nurses. Remedica also supported countries that suffer from poor access to niche pharmaceutical products by regularly donating products to specialised clinics and hospitals. The Remedica Anti-Cancer Foundation was set up to contribute to the fight against cancer and support patients and their families.

Governance

Among the ESG principles, our approach to Governance is the most unified across our operating companies.

It covers areas such as board quality and governance process, management incentives, and communication and transparency to employees and stakeholders in the business.



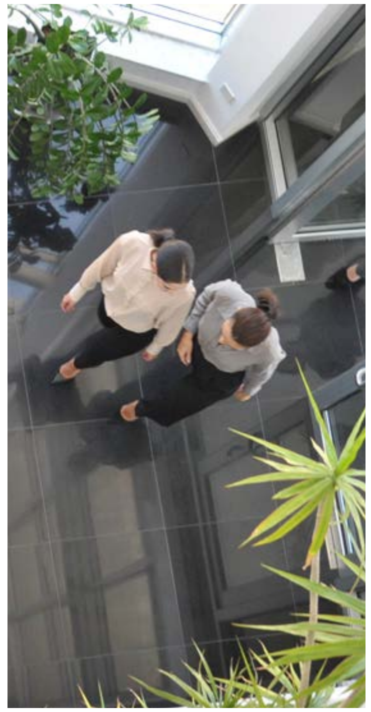
Key elements include:

Board of Directors

Although our operating companies are private entities, all are governed similar to public companies by a board of directors with the authority to guide the success of the business. Our boards consist of shareholder representatives and independent directors with the expertise and time to supervise, guide and support management.

Committee structures

All our operating companies have NRCs and ARCs to oversee critical areas of human resource policies and compliance. We ensure all employees have the ability to flag concerns directly with the board (e.g., whistle-blower procedures) and Chief Compliance Officers report directly to the Board of Directors.



Incentive systems

We are careful to implement incentive systems consistent with our policies to ensure incentives are not counter-productive or encourage distortion of the company's situation and performance.

Transparency

We spend great care in implementing reporting systems and processes to ensure our board receives a well-rounded perspective on the company and has visibility on critical areas.

Communications

We look to communicate openly with our employees about the situation and performance of the company to foster a culture of dialogue and engagement.

Important Disclosures

No offer: this annual report does not constitute any offer, inducement, solicitation or invitation of any kind to the reader and under no circumstances is it to be construed as a prospectus, an advertisement or a financial promotion or a solicitation of any offer to buy any investment.

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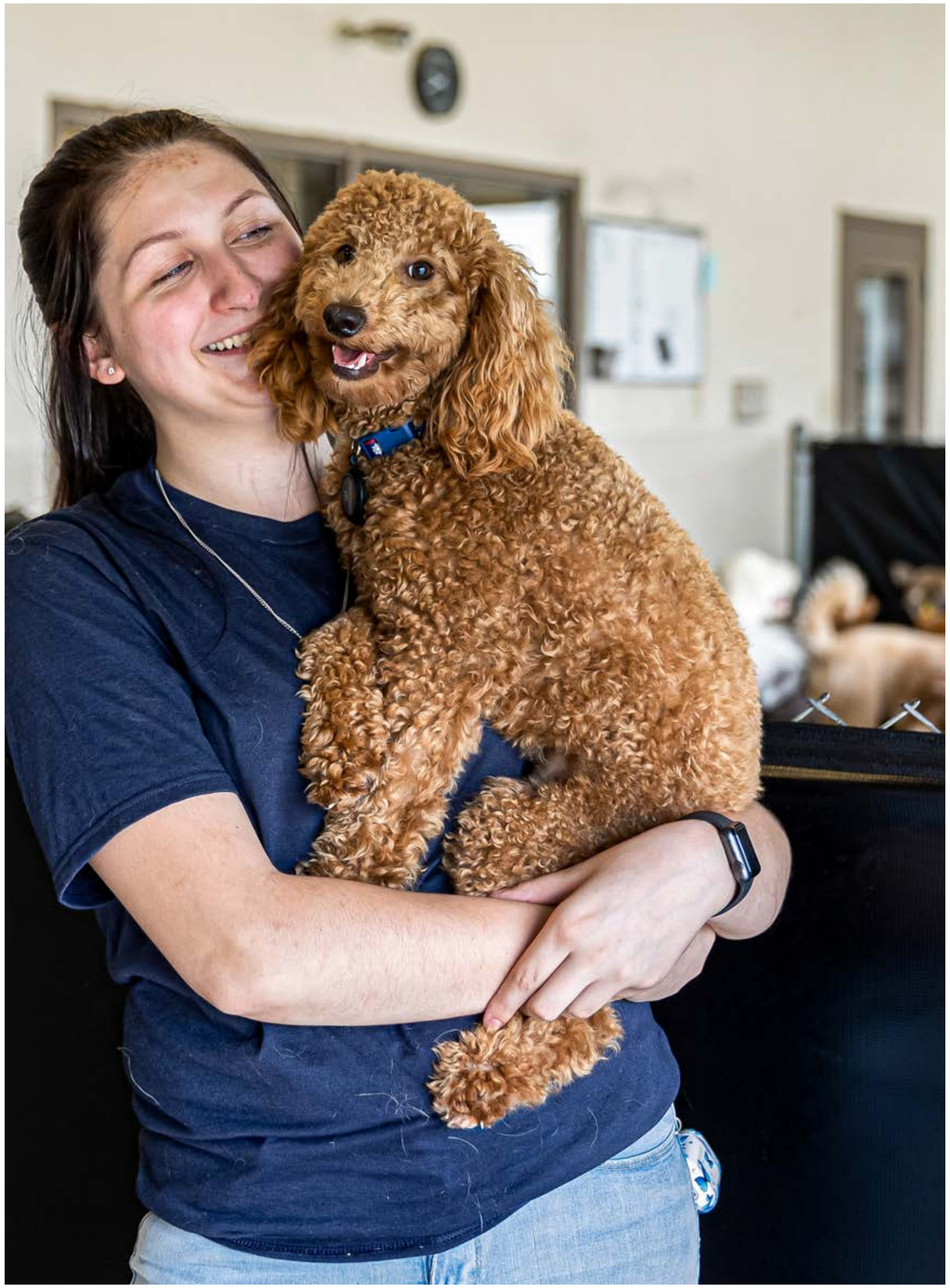
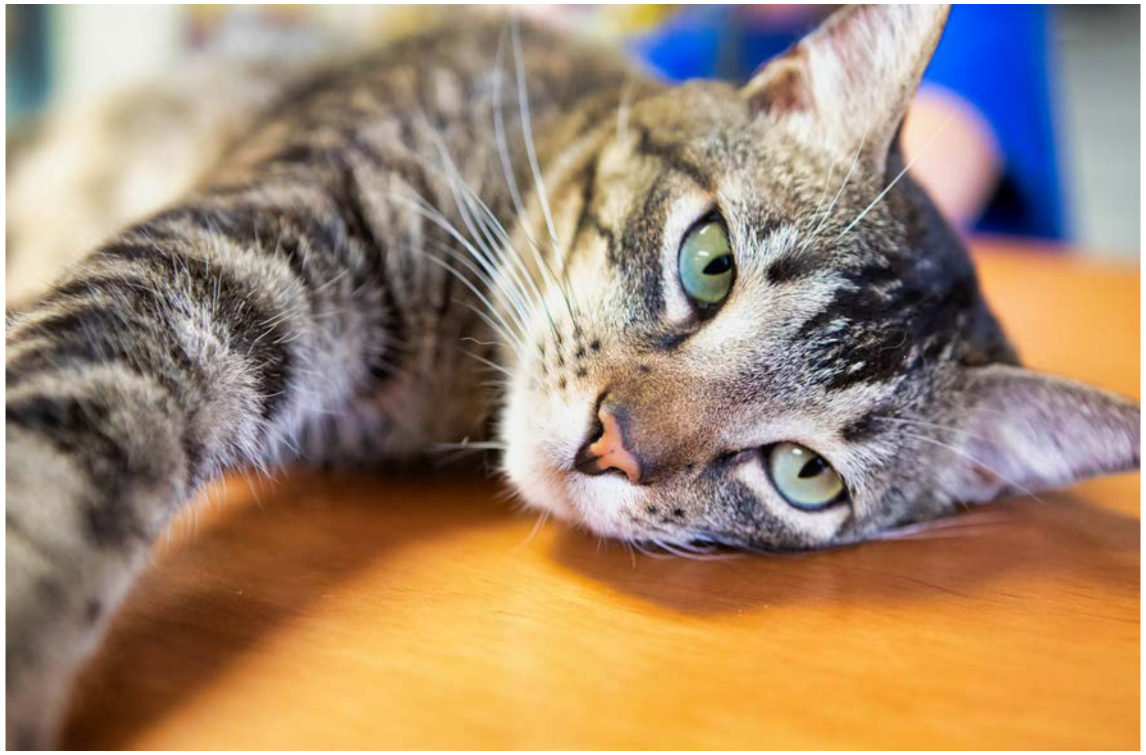



DESTINATION PET



LETTERONE
Health

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