GREENLIGHT

January 16, 2018

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned (1.6)%[1], net of fees and expenses, in the fourth quarter of 2017, bringing the year-to-date net return to 1.6%. During the fourth quarter, the S&P 500 index returned 6.6%, bringing its year-to-date return to 21.8%. Since its inception in May 1996, Greenlight Capital, L.P. has returned 2,134% cumulatively or 15.4% annualized, both net of fees and expenses.

David began playing fantasy baseball in 1985. In fantasy baseball you draft a "team" of individual players from different real-life major league teams at the beginning of the season and compete against teams picked by your friends. The player whose team does the best across a variety of statistical areas wins. In the pre-internet and even pre-ESPN Baseball Tonight days, you tracked players using newspaper box scores. Unless you saw the game, there was no other easy way to find out how your players did. To get a clue, you might get the scores from the local TV news. If you owned the best hitter on the Blue Jays and you saw the Blue Jays scored 10 runs, there was a good chance that the next day's box scores would bring good news for your team. A teenager could fall asleep to that kind of happy thought.

However, once in a while the morning box score would reveal that despite the Blue Jays scoring 10 runs, your slugger had an uneventful and useless *1 for 5* game. It's disappointing and feels worse than if your player had the same result in a game where the Blue Jays were shut out (unless you are also a Blue Jays fan). And, it doesn't matter if your player was swinging well and hitting the ball hard every time or whether his evening was marred by ugly strikeouts, pop-ups and double plays. 1 for 5 is 1 for 5. Fantasy baseball only counts the statistical results.

Our quarter and year felt just like that. We had a non-descript result in a period where it seems like most around us did much better. This must be frustrating to you, our Partners. It is certainly frustrating to us. And, yet, as we were in the batter's box so to speak, it felt like we were swinging well and hitting the ball hard. We just didn't deliver a satisfactory result on the scoreboard. There were plenty of nights we happily went to sleep with company results that matched our non-consensus expectations, but it didn't translate into a win the following day. It's a long season and we are ready for the next game. Let's see what happens.

Despite it being a good year in the market, it was a challenging environment for our investment style. We do not mimic any index and we can think "outside the box." We have a value orientation and we take comfort from the margin of safety afforded by the low valuations of our long investments. Though most people understood our last quarterly letter as tongue-in-cheek and while we certainly don't believe value investing is dead, it is clearly

[1] Source: Greenlight Capital. Please refer to information contained in the disclosures at the end of the letter.

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out of favor at the moment. Last year the Russell 1000 Pure Growth Index outperformed the Russell 1000 Pure Value Index 38% to 4%. While it feels like we have been running face first into the wind, we don't intend to capitulate and are sticking to our strategy of being *long* misunderstood value and shorting "not value."

The biggest losers for the year were our short positions on the "bubble basket" and Caterpillar (CAT). It's tough to look at full year losses on Amazon (+56%), athenahealth (+26%), Netflix (+55%) and Tesla (+46%) when we believe all those stocks appeared priced with little margin for error entering the year, and none executed well or met fundamental expectations in 2017. CAT did reduce its cost structure and benefitted from a modest improvement in demand, which led to a series of quarters that exceeded expectations. However, CAT's current stock price projects a rebound in sales and earnings that is unlikely to occur given the end-market conditions in mining and energy.

On the plus side, while General Motors (GM) was our biggest winner, it was also our biggest position and while the shares appreciated, they did so only in line with the broad market. We believe they remain significantly undervalued given GM's continued impressive fundamental performance. GM had an excellent year:

- Auto sales held up;
- Used car prices did not collapse;
- GM gained market share;
- GM exited its structurally money-losing European division;
- GM paid a 4.4% dividend (based on its year-end 2016 share price);
- GM bought back a lot of stock (9% of its year-end 2016 market cap);
- GM exceeded consensus earnings expectations by more than 10% every quarter;
- 2017 earnings estimates rose from $5.76 at the beginning of the year to $6.30 at year-end; and
- GM presented a case that it is a leader in future automobile technologies (electric vehicles, autonomous driving, transportation as a service, fleet management and connectivity).

GM spent the year under-promising and over-delivering. From what we can see, the outlook for 2018 should be more of the same. The shares remain inexpensive at 7x consensus 2018 earnings estimates that we expect the company to exceed by a wide margin. This undervaluation is more extreme considering GM's investment in future automobile technologies.

The next two biggest winners for the year were Uniper (Germany: UN01), which rose from €13.12 to €26.00 on improved results and news of a potential takeover, and Chemours (CC), which advanced from $22.09 to $50.06 based on earnings that vastly exceeded expectations.

Speaking just to the fourth quarter, the results were somewhat dull. Our long and short portfolios both went up, with longs moderately underperforming the market and shorts moderately outperforming the market. Macro investments generated a slight profit.

The biggest winner for the quarter was Mylan (MYL), which had fallen in the third quarter and recovered in the fourth quarter, driven by FDA approval for generic Copaxone. This approval began to highlight for the market the value of the company's pipeline of complex generics. We believe the market's confidence in the achievability of MYL's earnings guidance will improve as additional generics receive approval in the coming months. MYL ended the quarter at $42.31 or 7.7x estimated 2018 EPS.

Our second biggest winner in the quarter was CONSOL Energy, which completed the long awaited spin-off of its coal business, CONSOL Energy (CEIX), from its natural gas business, since renamed CNX Resources (CNX). Both companies have high quality resource positions, first quartile cost structures and strong management teams. We expect the spin will result in both companies having enhanced growth opportunities, reduced complexity and more natural analyst coverage and investor bases. CNX trades at less than 6x 2018 EBITDA and CEIX trades at less than 5x 2018 EBITDA.

On the losing side, we described CAT above, and our short position in Continental Resources (CLR) rose as oil prices advanced.

We initiated a large long position in Brighthouse Financial (BHF) at an average of $57.92. BHF was spun out of MetLife and was formerly most of MetLife's U.S. Retail business, selling annuities and life insurance. BHF appears to be a traditional spin-off – an underperforming and unloved part of a larger, more successful company. The tone of the spin-off road show was noticeably downbeat, with management advancing a business plan that does not sound particularly exciting for shareholders. Notably, despite very conservative capitalization and high risk-based capital levels, the base expectation calls for no capital return until 2020. The result is a valuation of just 56% of book value and 6.4x 2018 EPS estimates.

There are many stocks today that don't appear to have any cushion built in for a bear market. We are short quite a few of them, but on BHF, analysts are laser focused on the downside from a bear market. That seems too pessimistic. The converse of the downside of adverse capital markets is the upside to favorable markets. The flow-through from favorable capital markets, possibly combined with better-than-forecasted execution typical of spin-offs of this type, should yield an ability to return capital much sooner than expected. With the shares trading at approximately a 40-50% discount to similar companies with normal capital return policies, there is plenty of upside to the shares as the market begins to discount normalization. Management is well incentivized if the shares appreciate. BHF shares ended the year at $58.64.

We also added several new, smaller positions this quarter.

We initiated a small position in Ensco (ESV) at an average of $5.72. ESV is a leading operator of offshore rigs. After oil collapsed in 2014, offshore exploration and development budgets were severely cut and the industry responded by scrapping rigs, cutting costs, and engaging in M&A. At the same time, drilling costs have fallen, cash flows at customers have risen, and structurally, we think that shale oil supply growth will be unable to meet global demand, leaving offshore drilling to fill that gap. ESV trades at 4x EBITDA and 2.5x free cash flow on our mid-cycle estimates. ESV shares ended the year at $5.91.

We repurchased a stake in Time Warner (TWX) at an average of $89.72, when the shares fell in response to the U.S. government opposing the sale to AT&T. First, we think that the Department of Justice has a weak anti-trust case and the merger is likely to go through despite being challenged in court. Second, even if the government prevails and the deal breaks, the shares are cheap. We also believe TWX has several strategic options to create value if the deal with AT&T falls apart. TWX's earnings have continued to grow nicely through the merger review period, especially at HBO which is accelerating its subscription revenue growth. Notably, TWX has suspended its buyback with the merger pending and has become under-levered. TWX and Netflix now have roughly the same enterprise value, despite TWX having a better library, an exciting content creation engine and substantial current profitability. We doubt the shares have much downside at the year-end price of $91.47.

We initiated a small position in Twitter (TWTR) at an average of $21.59. Despite a massive user base and broad reach, TWTR has an enterprise value of about 2% of Facebook, the largest social media platform. New management improved the TWTR user experience, which led to rapid growth in number of users and time spent on TWTR in 2017. As a result, we believe TWTR will have a pitch to advertisers in 2018, which should lead to revenue growth. Restructuring actions taken over the past year will allow much of the revenue to fall to the bottom line, and we expect TWTR to begin to close some of the 25% margin gap vs. its social media peers. TWTR shares ended the year at $24.01.

We exited a number of positions during the quarter:

We exited our stake in the VanEck Vectors Gold Miners ETF (GDX) at a loss. We still continue to hold gold but have decided we don't need additional exposure to mining equities to express that view.

We exited Hewlett Packard Enterprise (HPE) at a small gain. We wrote about HPE last quarter, but we were disappointed that the CEO left, and we are concerned about the impact of elevated memory prices on future profitability.

We bought ISS in early 2014 at DKK 166.75. The company steadily improved earnings and margins for several years. Ultimately, margin improvement appears to have run its course and we exited at DKK 250.60.

Rite Aid (RAD) was one of our worst investments of 2017. After RAD announced it would be sold to Walgreens, we expected the deal would pass regulatory muster with store divestitures. Ultimately, that proved incorrect and the deal wound up being renegotiated several times, with Walgreens ultimately purchasing a group of stores rather than the company as a whole. Meanwhile, operating results deteriorated. We paid $7.45 a share and exited at $2.78 a share.

We closed an unsuccessful short in Deere & Company (DE). We believed that the continuing trouble in the agriculture sector would lead to continued deterioration for DE. In fact, bank lending and the company's captive financing arm enabled sales to stabilize and then recover. We could have avoided the whole problem by sticking to the simple rule: never short DE.

Edith Sofia Guzinski was born on November 19 to Regan and her husband Alex. Lucy Jane Salaki was born on November 21 to Jamie and her husband Tom. Conspiracy theorists suspect that they were trying to score points by giving birth on David's November 20 birthday. Close only matters in horseshoes! Congratulations to the happy families.

At year-end, the largest disclosed long positions in the Partnerships were AerCap, Bayer, Brighthouse Financial, General Motors and gold. The Partnerships had an average exposure of 107% long and 66% short.

"No matter how thin you slice it, there will always be two sides."

– Baruch Spinoza

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

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Unless otherwise noted, performance returns reflect the dollar-weighted average total returns, net of fees and expenses, for an IPO eligible partner for Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., and the dollar interest returns of Greenlight Capital (Gold), L.P. and Greenlight Capital Offshore (Gold), Ltd. (collectively, the "Partnerships"). Each Partnership's returns are net of the modified high-water mark incentive allocation of 10%.

Performance returns for Greenlight Capital L.P. since inception reflect the total returns, net of fees and expenses, for an IPO eligible partner and are net of either the modified high-water mark incentive allocation of 10% or the standard 20% incentive allocation applied on a monthly basis pursuant to the confidential offering memorandum for a partner who invested at inception.

Performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. Each partner will receive individual statements showing returns from the Partnerships' administrator. Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

All exposure information is calculated on a delta adjusted basis and excludes credit default swaps, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and baskets, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of such figures for investments by Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital (Gold), L.P., and Greenlight Capital Offshore (Gold), Ltd. (excluding the gold backing held by the gold interests) and are the result of classifications and assumptions made in the sole judgment of Greenlight.

Positions reflected in this letter do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Greenlight, affecting the Partnerships.

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