



K I N N E V I K

Kinnevik – Annual Report 2018

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Fourth Quarter and Full Year 2018

Georgi Ganev

CEO

Good morning everyone and welcome to the presentation of Kinnevik's results for the fourth quarter of 2018. I'm Georgi Ganev, Kinnevik's CEO and with me today is our CFO, Joakim Andersson and our Director of Corporate Communications, Torun Litzén.

We will start by taking you through a presentation of the results released this morning and after that, we're happy to answer any question you may have.

An eventful year has come to an end, we are now looking ahead to 2019

Now please turn to page 4 where we have provided you with a summary of the key highlights for the quarter.

My first year as CEO of Kinnevik has been an active year of continued transformation for Kinnevik where we have executed a strategically significant merger and made a number of new investments in our focus areas. In the second half of the year, against the backdrop of the volatile equity markets with particularly weak performance among fashion ecommerce companies, we saw a significant drop in the share price of Zalando, impacting our net asset value and total shareholder return. Although very unfortunate, we remain confident in Zalando's strategy and long-term growth story.

In the fourth quarter, we invested close to SEK 400 million, adding one new company, TravelPerk to our product portfolio as well as accreting our stake in Livongo. As the merger between Tele2 and Com Hem closed, Kinnevik received the cash payment of SEK 1.2 billion and additional shares in Tele2 corresponding to a value of SEK 3.6 billion. And today, we announced our first investment for this year as we acquire 38% of MatHem, Sweden's leading independent pure-play online grocery retailer in a SEK 0.9 billion investment. The investment is underpinned by our conviction at the food sector is about to go through more change in the next ten years than it has in the past 100. I will go into our vision for the food sector and investment in MatHem in more detail later in the presentation.

The net asset value was SEK 70.5 billion or SEK 256 per share at the end of the fourth quarter. And with a decrease mainly driven by the weak performances of Zalando, our TMT[?] asset performed well throughout the year and in particular, Tele2 outperformed European peers with a wide margin. Our net debt position decreased to one point – decreased by SEK 1.2 billion because of the cash consideration received from the Tele2-Com Hem merger and the second tranche of Millicom's annual dividend paid out in the quarter. And this also results in a leverage of 4% of portfolio value at the end of the year.

The board of Kinnevik recommends an order in dividend of SEK 8.25 per share for 2018, which corresponds to a dividend yield of 3.9% to be paid out after AGM which will be held on the 6th May.

Our large telecom companies had a strong quarter while Zalando's share price has decreased on the back of a disappointing Q3

Now please turn to page 5 for an overview of the performance of our large listed companies.

Zalando reported third quarter figures in November and the full year numbers are due at the end February. On the operational side, the fulfilment network ramp up continue in the fourth quarter with the Szczecin site in Poland successfully operating at capacity. The site will serve Zalando deliveries to customers from all 17 European markets and at the beginning of this year the fulfilment centre outside Stockholm was opened, equipped with the most advanced automation technology in Zalando's portfolio, cutting lead times in half for all Nordic customers.

Millicom made good strategic progress in 2018 with several operations in Africa being divested. Cable Onda in Panama was acquired and service revenue growth in LATAM amounted to 4.3%. And in conjunction with our yearend release, Millicom also communicated growth plans for the LATAM segment with growth expected to be mid-single digit in the midterm.

Tele2

Let us now move to slide 6 where we have highlighted the progress in Tele2 during the year.

As you most probably know, Tele2 had an extremely busy year as it completed the merger with Com Hem in Sweden and with T-Mobile in the Netherlands and also exercised the put option Kazakhstan. When the company reported its full-year results yesterday, it also updated its guidance for 2019 and for the midterm as well as the target for the synergies resulting from the Tele2-Com Hem merger. Through the integration process, Tele2 has identified additional cost savings and now aims for an annual run rate of SEK 900 million, double the previous targets. Management also aims to deliver this faster than previously expected, now within three years instead of five and half to be realised by the end of 2019 on a run rate basis.

With a reduced geographical footprint, most of Tele2's revenues come from Sweden with a mature market where growth does not come easy. The goals to grow the top line slightly faster than the market, reduce cost through their announced synergies and restructuring the future cost reduction programmes to deliver higher adjusted EBITDA growth while keeping CAPEX at low levels to deliver attractive cash flow growth, which can be distributed to shareholders. And in the midterm, Tele2 expects growth to be in the low-single digits in end-user service revenues coming mainly from innovative offerings.

Our private companies continue to focus on growth, strategic partnerships and product innovation

If we now move to our private companies, you will find an overview of the progress in the largest companies on page 7.

Growth and product development remain a priority for our private companies and we see good growth across the portfolio. I will address the largest company in our private portfolio, Global Fashion Group, separately on the next slide. So let us take a look now at some of the companies presented here on this slide.

In Quikr, our Indian classified business, revenue growth is picking up and that's the strategy of verticalisation is showing real results. Annualised revenues growing more than 80% in 2018 to a run rate of US\$50 million and three out of five categories were at or around break even.

Betterment grew its customer base by close to 30% and launched new smart savers products. It was good to know that inflows remain positive in the fourth quarter despite significant volatility on the equity markets and large outflows in the industry at large.

In the valuation section, Joakim will go through in more detail and you will also see that Global Fashion Groups has been negatively impacted following the derating of fashion ecommerce.

GFC keeps growing and profitability is trending upwards

However, if you move to page 8, we've highlighted the operational performance of Global Fashion Group and that is developing in line with plan with health growth and a clear improvement in its path to profitability. And in the third quarter, Global Fashion Group showed continued top line growth with net merchandise value increasing by 23% on a year on – on a constant currency basis. And improved also profitability by close to 5 percentage points.

The company continued to execute on its growth strategy across its core markets and made further progress with brand and partners and customers.

Capturing the digitalisation of food

Please now turn to page 9 where we'll present our exciting new investments. An investment that is underpinned by a larger vision of capturing the digitalisation in the food sector.

The Nordic countries have long been held as leaders in innovation. Digital transformation and technical adoption with some of the world's fastest broadband speeds, highest mobile penetration rates and a track record of having created the highest number of unicorns per capita in the last decade. Yet, some of the areas in the same Nordic countries are distanced by the true innovators and food is one such sector. But we believe that that will change as the food sector is about to go through more transformation in the next ten years than it has in the past 100.

The strongest trend is that of a shift of offline to online and with our deep understanding of ecommerce and of the digital consumer, we want to be driving this shift. Innovative business models are emerging to capitalise on the trends impacting the food sector, business models that also have the power to contribute to us limiting the burden on the planet by reducing waste and optimising transportation.

Food, health and sustainability are, therefore, inextricably linked. We strongly believe in delivering both economic and social value and correspondingly, we find that food fits squarely with our investment thesis.

Groceries is a highly attractive online vertical given its non-cyclical nature and attractive purchase patterns...

Now please turn to page 10 for an overview of the key attractions associated with online food.

Food is a sector with a huge potential giving it significant share of the household spend. Its non-cyclical nature and attractive purchase patterns in terms of frequency, basket size and zero returns. The high frequency aspect is worth spending some time thinking about, as it enables two highly important things for any online retailer. Being a native application, a regular and recurring access to consumer's home. Over time, this will also allow the online grocers to leverage its platform beyond the scope of their own operation, delivering additional

products on top of the grocery assortment. Taking MatHem as an example, the partnership with Clas Ohlson is a first step towards efficiently leveraging its position and we expect development to continue. And even if food is moving online, it will stay local. The way we grow, package, ship and eat food has changed dramatically and will continue to change at an accelerating pace.

Innovation and awareness of what we eat and how that affects our health is increasing and food is correspondingly becoming an integrated part of one's identity, beliefs and desires as well as a tool for managing wellness. And the demand for fresh, organic and locally produced food is also increasing, highlighting the importance of a local knowledge and local source, something which will limit the threat of entry from large international players.

...and the market opportunity within the Nordics alone is vast

If you now turn to page 111, where we provide some information about the Nordic food markets.

Food is one of the largest categories of the average Nordic consumer's wallet and the transition to online has only just begun. The Nordic online grocery market is worth some SEK 12 billion and is nascent in an international context. Online penetration is below 2% across all Nordic countries, compared to 8% in the UK and 20% in South Korea. We believe with support from various external sources that Nordic will catch up. And at 20% online penetrations, levels already seen internationally, the Nordic online grocery markets would amount to about SEK 150 billion. For us, the question is not if we will reach that level but when we reach it.

We have committed to invest SEK 0.9 billion in MatHem, whereof 0.4 billion in primary capital and 0.5 billion in secondary shares, taking ownership to 38%

And if you now please turn to page 12, you'll see an introduction to MatHem. As I said, we have now today announced that we will invest close to SEK 1 billion in MatHem, Sweden's leading online independent grocery retailer. MatHem is the largest independent player at scale in Sweden and it has been a clear pioneer of Nordic online groceries since inception some ten years back. Entrepreneurship and innovation is at the core of the company and the team continuously works to find new and innovative ways to provide customers with a seamless shopping experience. And we're very excited to be part of this journey and we see MatHem as the perfect platform from which to build a service that offers consumers more and better choice, a platform that can save consumers more than 90 minutes of time every week, is sustainable, that helps them over time to understand what they're eating, it might even inspire them to improve their eating habits. And all of you on the call that are based in Sweden, please make sure that you use the promotion code on this slide. And we will, of course, promise you to follow up that you really use this offer today.

By that set[?], I would like to hand over to our CFO, Joakim Andersson to comment on the financial position.

Kinnevik's Financial Position

Joakim Andersson

CFO

NEGATIVE NAV DEVELOPMENT DUE TO CONTINUED WEAK SHARE DEVELOPMENT IN ZALANDO, PARTIALLY OFFSET BY TELE2 AND MILLICOM

Thank you, Georgi. On slide 14 we present the key elements of the NAV development in the quarter. The weak share price performance of Zalando had a significant negative impact on our net asset value. Partly compensating for this development, our telecom companies performed strongly with Millicom and Tele2 contributing 2.2 billion and 1.1 billion respectively. The value of our private portfolio decrease during the quarter to 12.9 billion, largely driven by Global Fashion group being negatively impacted by the general derating of fashion ecommerce. The value of GFG amounted to SEK 3.3 billion in Q4 compared to 4.6 billion in the previous quarter, a result of the significant multiple traction seen among listed peers as well as continued depreciation on both the Russian rouble and the Brazilian real. Since year end, there has been a rebound in both multiples and currencies which altogether would have had a positive effect of around 15% on the value of GFG.

In our total NAV – in total, our NAV decreased in the fourth quarter by 10% to SEK 70.5 billion or 256 krona per share. As per yesterday, our NAV was 74.7 billion, equalling a 5% recovery from year end.

Maintained strong balance sheet in line with financial targets

Please turn to page 15 for an overview of our balance sheet. As previously mentioned by Georgi, we invested 392 million during the quarter and welcomed one new company to our portfolio. The finalisation of the Tele2-Com Hem merger, together with the second tranche of Millicom's annual dividend allowed us to deliver during the quarter with our net debt decision decreasing to 2.9 billion at the end December, which corresponds to a leverage of 4% of the portfolio value. We remain confident that we have a strong financial position that will enable us to continue to execute on our strategy.

Recommended dividend of SEK 8.25 per share

Turning to page 16, you can see that we have left the financial targets unchanged and that the board of directors has recommended a dividend for 2018 of SEK 8.25 per share, which would correspond to dividend yield of 3.9%. With that recommendation, Kinnevik would pay a total cash dividend of 2.3 billion for the year on top of the 4.2 billion distributed in kind during the summer. This would also mean that Kinnevik during the last five years has returned 10.9 billion in ordinary dividends and 9.2 billion in extraordinary distributions, making the total value distributed to shareholders to over 20 billion. Georgi will now take you through the last slide of this presentation on page 18.

Key Priorities

Georgi Ganev

CEO

We have had a busy year, with activities focused around three key areas

Thank you, Joakim. When I set up my priorities a year ago, focus was on active ownership, increase activity in the private portfolio and an increase focus on the Nordics. And in 2019, we will continue to drive this agenda but expect a number of new investments to be lower than last year and focussed slightly more on the larger investments as demonstrated by the investment in MatHem announced today. We will also remain focussed on accelerating the key companies in our private portfolio, continuing to support and invest in them as they grow and require more capital, as we are long term shareholders. I would also like to extend my thanks to you, our shareholders, for your continued support. We have an excellent set of growth companies in our portfolio and a long term vision for value creation, which we are committed to delivering on. Thank you very much for listening and let's now open up for some questions.

Q&A

Lena Osterberg (Carnegie): Good morning. My first question is regarding Babylon. I read that they are planning a new financing round, so I was just wondering if you are participating or plan to participate and if there will be a pro rata participation.

And also maybe on the online grocery market now that you've made the investment both in Kolonial and MatHem, what's your view on the long-term margins here. So far it seems everyone's struggling to make a decent return.

And then also maybe do you see or take into account any synergies between your different investments in online groceries and also maybe [inaudible]. Thank you.

Georgi Ganev: Thank you, Lena. I will answer these questions one by one. If we start with Babylon, I can say that we are very supportive of the company's development. Lately they have represented some real interesting strategic partners [inaudible] with prudential, for instance, showing that they can leverage their platform also in a licensing deal. So more a B2B to C opportunity than purely the B2C. And that is also some kind of proof point that Babylon has developed a platform that is very valuable for large multi-line healthcare operators around the world.

And as you said, there's been a lot of talk about a fundraise because company is still developing its platform and expanding and we will not disclose any details from that round but what I can say is that Babylon's one of the companies in our portfolio that we are impressed of and we will follow our money and participate in that round.

When it comes to online groceries in the margins, I completely understand your question because those are struggling. The players that we see out there. But looking at this from a bigger perspective, we are certain that it's about scale and automation and scale, of course, growing so you can have more efficient warehouses but also when it comes to density, so

increase the density in the last mile logistics. With those two aspects and of course, stronger purchasing power, you will create good margins in this business.

If you look at today the wholesalers that are public, so we can follow their margins, such as IKEA, they have around 4% on the local level but then they also have the local stores that generates another 5% to 6%. So there is margin in this business and we are certain that if you do this right online and combine smart technologies in automation with good customer experience, you're going to be able to compete with other things than just price but with convenience in higher – higher purchasing average order value.

When we look then at your third questions, the synergies, that is absolutely true. So I mean, you can say that we last year did investment in B2B to more understand the last mile logistics, especially in the Nordics. We did the investments in Kolonial in Norway that we believe is a very good example of someone that has come quite far when it comes to efficient warehousing and automation. We will use this experience, even the investment that we made in Karma that is around food waste is something that we will learn from and actually use in creating what we think could be the first digital online-only grocery retailer.

But as also said on this call, we think that this platform can expand beyond food. Because if you think about it, you have a relationship with a customer several times a month compared to a few times a year for other ecommerce players. And you have a relatively high order value and basically zero returns. And of course, that platform, that last mile logistics and the relation with a customer can be expanded into other categories and that will also drive the stickiness and also the margin over time.

Lena Osterberg: Okay, thank you. Could I maybe just have one more question on Millicom and the bid that was on the company? If you could say something on that process.

Georgi Ganev: The bid that was talked about in the press, you mean, recently?

Lena Osterberg: Yeah.

Georgi Ganev: Yeah. I mean, of course, a bid is not a bid until it is a bid. So at the end of the day, we will take all bids carefully, consider them carefully and we believe that Millicom has a very strong platform right now. As you've seen in the last report, they're growing about 4%. They changed their targets for the midterm in a more positive way and of course, when you have a good asset, there are always parties that are interested in looking at these assets. So we're used to that. This time, it didn't happen for different reasons but if someone comes again, we will always look at the opportunities.

Lena Osterberg: Okay. Thank you.

Operator: The next question comes from the line of Victor Höglund from SEB. Please go ahead, your line is open.

Victor Höglund (SEB): Yes, good morning and thanks for taking my question. Like you said earlier, position of MatHem [inaudible] Kolonial [inaudible] be more obvious and [inaudible] positive half year, you think that you are seeing a – the start of a new [inaudible] Tele2 emerging kind of the same kind of story – the same kind of challenging year. And like you said, I mean, it's pretty simple to look at the drivers here with larger bucket size, no returns, etc., and of course you could add for that the consumers and widening the scope but also suppliers over time. And I was also just wondering if you could give a hint here of what type

of complimentary acquisitions we could see ahead in what kind of areas, what kind of services. Or is this an organic story you are now launching here or more tying together, so to say? And just your view here if it's going to be an organic run ahead here or if you are – maybe have a bigger plan than that.

And then one more question, if I may, it's around dividends here. You keep the dividends and – but given that you are now planning to roll up in this area, how should we think about the room for M&A and balance between that and dividends going forward? Thank you.

Georgi Ganev: Thank you Victor. I will take the first question and hand over to Joakim for the second one. When it comes to future M&As, of course, there is nothing that I can disclose at this call but I can give you an overview of how we think. I mean, first, this is really a customer centric approach. As we say, it's about owning the household. And we believe that food is the key to that ownership. That's why we do these investments.

Over time, you can see it as we're building an infrastructure, it's an infrastructure play. More or less like a land grabbing. And in order to build that position in the Nordics or anywhere, actually, I believe that you need to be relatively bold and long term. And these are two things that you see in Kinnevik and you have seen in the past. So your analogy with Tele2 and Kinnevik is actually not bad at all. I think this is the kind of journey that we're entering right now.

In this ecosystem, definitely we have talked about last mile logistics that can be even further improved and more efficient over time. They're definitely a way of expanding the categories but I also believe very much in handling the customer data in a good way. So analytics will be part of this play to understand the consumer and to be able to offering the right product at the right time. So those are the three main, I would say, areas that we will look at. So last mile logistics improvement. It's about the assortment, as such, could be partnership, could be acquisition and also how to use the data in a smart way. And it will most probably be a combination of a good organic long-term story but also potential kind of roll-ups, as you say, going forward.

Joakim Andersson: Yeah, hey Victor. The second question on dividend and funding, as you saw, the board is recommending a flat dividend from last year, 8.25%. I think you should see that also in the context of two things. One is on the dividends received, the money that we get from Tele2 and Millicom this year, and secondly also in the context of the dividend in kind that we made during summer amounting to SEK 15 per share, taking the total amount to a fair level. And you know, the dividend policy that we have.

On the second one on the funding side of things, we are operating within the leverage target and you saw that leverage came down a bit based on money we got from Com Hem when the merger closed and we have plenty of headroom within that target for making new investments. And we also see potential – as Tele2 disclosed yesterday, we also see potential there in from of extra money coming out from the Netherlands and Kazakhstan. So we feel very comfortable about the dividend of funding.

Victor Höglund: Great. Can I maybe add one more question? Just – I mean, this is probably taking it a bit too far in a call such as this but it's worth a try. If you look on the strategy you have outline for Tele2, you have said that you want to become the connectivity player longer term in a converged world, so to say, and now you're moving into [inaudible]

and Kolonial and [inaudible] also resembles round that line that you want to be the delivered to the home. Could you say that these two down the line somewhere cooperate or boost each other as they seem to have kind of the same positioning approach to the home?

Joakim Andersson: I mean, as you said, it's a very interesting discussion to have, very difficult for me to comment in concrete terms but I think the point here is that we believe very much in understanding the consumer trends. So when we went into ecommerce and fashion, we saw this lower penetration of 2% and we could increase that by actually going heavily into that area. That has happened now and today it's a part of our daily life. If we look to food, we see exactly the same trend over time but with one difference is that it's closer to the household and the higher frequency. So here you can build an ecosystem where I believe will be very much customer centric and part of everyday's life. That is something that connectivity is as well. If those can be brought together or not, I think that's more speculations but the investment thesis is basically exactly the same.

Victor Höglund: But – last question, sorry. In very short terms, your view on what the converged telecom operator is doesn't necessarily have to be your ordinary telecom services, it could be other things?

Georgi Ganev: I mean, I think connectivity for me is part of the consumer's life, right? So you could always argue that there are other services related to the home that you could connect and add to that, being it home alarm, home automation, etc. That, I think, is an open field. However, I also believe that there's so much things that you can do with an ordinary connections and connectivity from an operator, so get your basic done in a very efficient way and customer centric is extremely, I would say, interesting, per se. But I agree with your kind of point that it can be much wider than so since it's part of the household, especially now with Com Hem and Tele2 integrated when you own the household with a fixed network.

Victor Höglund: Great. Thank you very much, and good luck on this.

Georgi Ganev: Thank you.

Operator: The next question comes from the line of Joachim Gunell from DNB Markets. Please go ahead, your line is open.

Joachim Gunell (DNB Markets): Good day Joakim and Georgi. A question here. I mean, your list of portfolio companies that they cover almost half of the household's consumption now. I just wanted to level up[?] to the view here that you said that you want to make your new and more sizeable investment in 2019 perhaps or financial services healthcare or an ecommerce market. Is that still the target sectors or are you widening the scope there?

Georgi Ganev: No, these are our target sectors for sure, so we have, as you say, healthcare, financial services and ecommerce now spanning into fashion mainly and I will say food. Then we have our TMT bucket as well with our investment there. We have also said earlier that in the Nordics we have been more kind of open for other type of interests. It is closer to our home market. We know the ecosystem here, we know the founders, we know partners, etc. So we have the ability to reengage those connections that we hadn't done for some years. But I will say that otherwise we stick to our sectors.

What we mean by large investments is that first of all, some of the companies in our private portfolio will take off now. We mentioned Babylon on the call but there are others like [inaudible] to mention a few and of course, Global Fashion Group that are becoming strong companies with strong underlying development. So that's part of kind of doubling down and follow our money. And when it comes to new investments, we have done a few kind of more of the invest and learn mind-set and we can take those learning and step into, let's say, categories like we've discussed right now: food, where we now invest nearly SEK 1 billion, which is of course a larger investment and actually is the largest new investment in the company since Zalando to give it some perspective.

Joachim Gunell: Understood. Finally, a question just – I mean, do you have any thoughts or message that you want to share here. There were some alleged media details on a potential listing of GFG late last year, so perhaps some comments on the timing there and any flavour on that topic would be helpful.

Georgi Ganev: I mean, as the company has announced, they did last year, that they're looking for different funding alternatives. That could be a private placement, that could be an IPO potentially. I've said it before that I believe this company could fit the public market. I mean, what we experience at the end of last year could of course possibly say that this is the worst timing ever but a good company is always a good company. So I believe that the door is open to see of different kind of different ways to move ahead with GFG and we – as the largest shareholder, we will of course be very much involved in such a process.

Joachim Gunell: Understood, that's clear. Thank you.

Operator: The next question comes from the line of Johann Schober[?] of Danske bank. Please go ahead, your line is open.

Johann Schober (Danske Bank): Thank you. I had a couple of question also. Could you just repeat what you said a little bit earlier, Georgi, about the investment levels in 2019? You expect fewer announcements in 2019 and – but you also expect larger investments?

Georgi Ganev: That is correct. So I mean, during 2018, as you know, we did ten and that should be seen against a fairly muted pace in 2017 in the numbers of investments. We believe that 2019 would be fewer than we did last year and larger. MatHem, I think, is the first good example of that but there might be some other larger tickets coming up for 2019 again but nothing that we have anything to say about now.

Johann Schober: Okay. But what – when you invest 0.9 billion in MatHem and you also highlighted that this was the biggest investment in – for Kinnevik except for Zalando, because – the reason why I'm asking is that there's been media rumours about you investing into [inaudible] and that would be – that would – and they have been mentioning several billions of Swedish kronas[?] that – would you chat to – comment on that, on those rumours at all?

Georgi Ganev: No, I wouldn't comment those because they are rumours, as you say.

Johann Schober: Okay. But it's – for us, you know, to – when we should anticipate your future investment, I guess an investment in that sector would be kind of outside your own, so to speak, core sector where you really want to focus [inaudible].

Georgi Ganev: That is correct. We have a strategy.

Johann Schober: Okay. Yeah.

Georgi Ganev: We have a strategy with our sectors, as we just talked about, but also we have a DNA as a company, so I understand that people look at these large big bets and they think that they would perhaps fit with Kinnevik, and that might be true. But to comment on your question, no, that would be outside our strategy.

Johann Schober: Wonderful. Also a couple of – I appreciate your delivery on the message when you – when you [inaudible] being an only CEO[?] of investing only into the Nordics. Could you say something about your investment organisation? I've seen a couple of dates popping up in – that you[?] have recruited.

I also would like to hear a little bit about your London investment or team there. Are they still around?

Georgi Ganev: Yeah. I mean, good question. I think we'll start with the Nordics. So we had in the Nordics basically no people on site working with investments and I hired a person called Andreas Bernstrom, which is now heading a very small team. One person coming from our London team and one new recruit. So Maxine, she's recruited here from Sweden and Tim is a guy that moved from our London team into this Nordic setup. And those people and some others that work, I would say, part of the time from the Nordic team also works with our Nordic investments, such as Kolonial and MatHem and others. So that is – that is basically of more like a fresh start of Kinnevik. If we look at the UK team, we've had some movements, so both moving, as we said, to Sweden but also a senior investment direct moving from that team into Global Fashion Group. So I believe in rotation in general. I think it's very good for development of the individual talent and also for the company. And we have still very good people on site in the UK team led by Chris Bischoff in our UK office.

Johann Schober: Okay. Good. And also, can I say something also a little bit about this big change happening also within the Group. I mean, Cristina has been leading the Board of Directors. How – what kind of impact that has on your position? I mean, I've read the article which said that this was not – should not be viewed as a big change for you guys. She [inaudible] grew up basically around the operations and also – but there's also been – I mean [inaudible] been changing in terms of ownership in Kinnevik. I would like to hear how much is – Cristina now owns of Kinnevik?

Georgi Ganev: I mean, regarding the ownership questions, it's not really a question for Kinnevik but it impacted our cap table, so we were basically obliged by the rules to send out the press release. That is more changes in the cap table among kind of the families and so forth, rather than sell downs. But again, that's not a question for us. When it comes to Cristina stepping out of the board or stepping down from the Board, that will happen in May. She's still in the Board as we speak. That is of course – can be seen from two perspectives. I mean, I think you cannot under – overestimate how important the family Stenbeck, including Cristina, is for Kinnevik as a strong owner. And she will remain to be our strongest owner, controlling 75% of the votes in Kinnevik – 25. Sorry. 25% of the votes in Kinnevik. And also today she has two hats, basically being a Board Director and being an owner. Going forward, I mean what I – the priority for me is to make sure that Kinnevik can still leverage on the DNA that we've always had to be this bold business builder and I'm confident that Kinnevik has never been a one-man band. We have strong platforms in the companies that we have

and I'm very privileged to basically have a board that is strong and will support me delivering that stagey.

Johann Schober: Good. My final question. When will you start to disclose a little bit more information on your holdings outside Global Fashion Group?

Georgi Ganev: That is basically a question for the company and there, some of the early stage companies have been quite reluctant to show data, mainly because, you know, competition. But we understand the need for those targets and those KPIs to be disclosed and I can only say that we will – we continue to work on that and hopefully already during 2019 we can start disclosing more from the companies that we believe really have a true potential.

Johann Schober: I think, actually, that would be extremely valuable for evaluation of the stock. I mean, if you look at some of the names, suddenly they look super interesting but if you look at the reported value, I mean, it's peanuts. But I don't think it is. So I think it would be very, very worthwhile for you to start to disclose this actually.

Georgi Ganev: I mean, I can only echo what you say. We think exactly the same way. The main focus for me and my team right now is basically to make sure that these companies come forward and show by disclosing KPIs, disclosing performance and the clear path profitability, that they can become real businesses. And of course, the unpolished diamonds in the private portfolio will make the true value creation of Kinnevik as a share.

Johann Schober: Greta, thanks a lot.

Georgi Ganev: Thank you.

Operator: And the next question comes from the line of Liz Miliatis from BOA. Please go ahead, your line is open.

Elizabeth Miliatis (Bank of America): Hi gentlemen, thanks very much for taking my question. Just one question on the dividend. How should we look at it going forward because obviously the dividend was held flat this year? If we have a look at the consensus estimate for your listed stocks, it would suggest that there's a dividend gap in 2019, which would perhaps suggest that you guys might need to cut the dividend or perhaps keep it flat. Yes, so how would – tell us the best way to have a look at the dividend. Should we perhaps move for that dividend gap or assume it potentially remains on hold. Thank you.

Joakim Andersson: Yeah, hi Liz. It's Joakim picking up that question. So I guess, I mean, you heard what I said on the previous question on the dividends, so I think again, looking at the 825 together with the SEK 15 worth of [inaudible] shares that was sent out during summer gives a total number which is quite decent for this year. But yes, and as said previous years as well, we have been running with this dividend gap for a couple of years now. We are not worried at all. As we've said before, we look at it from an overall funding perspective and we operate within this financial target of leverage target that we have set. If you can extrapolate and look into the future, we believe there is potential in Millicom and Tele2 and that should and could close that gap.

But yeah, I mean, if we take a step back and think about how we fund ourselves and look back a couple of years, this is the model where we fund ourselves and accept that we go up and leverage for some time and the if it's bill or [inaudible] deal or if it's a [inaudible] deal or

if it's Rocket Internet deal then takes us back to cash or [inaudible] or reduced debt. So we use leverage as a buffer, as you know, and that's – I mean, you could say that we are in such a period right now.

Georgi Ganev: And I think –

Elizabeth Miliatis: Okay, thank you.

Georgi Ganev: To add on that, Liz, I think when you look at the flat dividend of 825, again what Joakim has said earlier, we need to take the SEK 15 per share in consideration as well from M2G[?].

Elizabeth Miliatis: Yeah, okay. Thank you.

Georgi Ganev: Thank you.

Operator: And the next question comes from the line of Maria [inaudible] from [inaudible]. Please go ahead, your line is open.

Maria: Hi and thank you for taking my questions. You mentioned, Georgi, that the prerequisites in the Nordic market is – are right for the grocery market and that – but we still only have 2% online penetration versus the UK of 8. What would you say is the main explanation for that number being that low and what would you think would drive change from now on?

Georgi Ganev: As always when it comes to innovation that has not been kind of moving that fast that you would expect, there are two factors. The lack of two challengers that are driving this shit and the other thing is the incumbents owning the market not moving as fast. I think those are the factors that have been different if you look at Sweden and Nordics compared to other countries, like South Korea and UK. I mean, UK have – they have 8% penetration but various sources, depending on who you ask basically, say that the ranges within some city areas, such as London is above 20%.

So we think that the consumer is very clear here. We want to save time. We think it's convenient to order these things online and we think that there's a big play to be part of in the Nordics. And being a relatively local market, but still with a kind of advantage of having a centralised platform and efficient last mile logistics, there's a window of opportunity here.

And always when you compare challengers towards incumbents, that has been the same thing in media, in telco, etc, you can always say that's difficult to be a small fish and to beat the large players, but actually some of the large players they have the legacy assets that is making it difficult to drive this change in a profitable way. And we believe that this is also true in this area.

Maria: Okay. Thank you for that answer. And also a question regarding your definition of – you say that you in 2019 brought in fewer but larger investment. What is your definition of larger roughly?

Georgi Ganev: I think the MatHem investment is defined as a larger investment.

Maria: Okay. Super. Thank you so much.

Georgi Ganev: Thank you.

Operator: And as a reminder if you wish to ask a question, please press 01 on your telephone keypad. The next question comes from the line of [inaudible] from Deutsche Bank. Please go ahead, your line is open.

Speaker: Great. Thank you very much. I just have two final questions. The first one is on online groceries and MatHem. I guess there's a reason why you've decided to step in now when I know several years ago you've also looked at certain online grocery models like [inaudible], etc. But when you look at the market now, have you seen both these companies like MatHem and Kolonial growing at certain rates that, you know, beyond the penetration that actually proved to you that yes, it is at a reflection point. So if you could give us maybe how fast they were growing or how fast you expect them to grow, that would be an interesting sort of element for us to observe.

The second is, is MatHem profitable already or is it on that path to profitability? Who are the current shareholders and are they only in Sweden? And some colour around the operations would be great.

And my second question is on online fashion ecommerce. You've still got a large exposure with Zalando, with Global Fashion Group. How do you view this particular vertical and, for example, Zalando's strategy to, you know, expand their fulfilment centres and capacity rather than go after pure profitability? Just give us some colour on how you view these particular legacy investments as well. Thank you.

Georgi Ganev: Okay. Thank you. So three questions. We'll start with online groceries and why we think the timing is right now. Yes, you're right, there is some inflection point right now. Without going into the exact growth number of these companies, we've seen that Kolonial has been growing faster than MatHem lately and we know that there's some particular reasons for that and we think it's the potential of increasing the growth again in MatHem. We also see that the consumer is start to kind of understand the advantage and a significant time saving of going online. That is important.

But it's more than the offline to online shift. It's also a matter of the importance of food, of food being part of our lifestyle. We think of how it can actually be used as a tool for wellbeing and also how it impacts our environment. So there are other factors right now that are becoming even more clear when you do customer service that to position a new kind of food online grocery retailer with these parameters would be very, very efficient and effective.

When also comes to MatHem and Kolonial, I think it's – we got that question early in the call, are there synergies in between? Yes, of course. I would argue that there are synergies also between these companies and [inaudible] because it all links together. So you need to master the last-mile logistics in order to be efficient and you need to understand how you can drive these operations very efficient, which you know from our other investments within ecommerce.

The shareholder base of MatHem, basically the largest shareholder before we came in was investment company Verdane, but we also have on the cap table Clas Ohlson, the retailer, and therefore there's also a very promising partnership between Clas Ohlson and MatHem, how to add and to widen the scope of the products that are being sold. And then of course, the founder is still shareholders of the company.

If I then move to your third question regarding ecommerce, I mean, looking at Zalando's position today, it's very strong. They have built up a platform that I think is unique within this field but they still have below 2% around 1.5% of the fashion market. And of course, we believe that there is room for growth. So going into growth phase or keeping the growth phase, I think it's important. And with that said, also the investments within the fulfilment centres going from three to 11 needs to be considered when you look at the profitability of the company.

I mean, going forward if this company growth is growing, those fulfilment centres will increase the efficiency in the company. But now on the contrary in the short term, you see higher CAPEX, higher costs and that will not be the same in a few years. That's our conviction. But having said that, I mean, the trend of ecommerce that people are buying more often, they're using their mobiles and Zalando's capturing that consumer trend also makes the average order size going down. So of course, that is a sector challenge that you need to cope with.

And I think that you can have good and strong customer offerings, value proposition out in the market that will basically enable the online retailers to – e-tailers to grow profitably without basically hampered[?] growth if you do this the right way. As we all know, or most of us know now, Zalando's having their capital markets day end February and of course, we are as eager as you to find out how they will cope with some of these challenges.

Speaker: Great, thank you.

Operator: The next question comes from the line of Magnus [inaudible]. Please go ahead, your line is open.

Speaker: Thank you very much. My name is [inaudible] Magnus Banking[?] here. I'm sorry, I came in late to the call so perhaps this has already been talked about but moving back to the food retail discussion, I have another question on penetration here. You mentioned UK market penetration at 8% and perhaps this is mainly driven by the London area with much higher penetration. So when looking at the geography of the Nordics, do you believe that the complexity and cost on the distribution side in this region can also be a reason to the much lower penetration seen so far in the Nordics?

Georgi Ganev: It's a fair comment but I think the – if you look at Sweden, you take the three big cities, it's also there you have the biggest purchasing powers. I think it's not really that different that makes it. You could actually – given that the food market and even groceries alone is so vast, you know, we're talking about over SEK 700 billion in the total [inaudible] market in the Nordics, you could limit your geography and still make a very big company out of it. So and I think there might be differences, of course, but doesn't really change the case.

Speaker: That's good, that's quite clear. And then on synergies, I mean, you mentioned MatHem, Kolonial and [inaudible] and synergies in terms of getting the last mile delivery rewrite, but do you see synergy potential often in the backend for these businesses? I mean, shared sourcing and central warehouses and so on.

Georgi Ganev: Of course. I mean, purchasing power is one big question and that's why I think you need to be long term and bold to get into this game because if you don't have the

muscles to become a real player, you will have a big disadvantage to purchasing power. So that is of course – but that could also be achieved with partnerships. As we know, Kolonial have strong owners that proved them with good agreements when it comes to purchasing and buying. Secondly, when it comes to the backend side, I definitely think that there's room for synergies and best practice sharing. I mean, just looking at the automations system that has been developed today in this field internationally and in the Nordics, we see that you can leverage and scale on the technology and the software that you develop. And Kolonial, they have their own in-house solution that is extremely promising that of course theoretically could be scaled.

Speaker: Great. And just a final one. I mean, looking at the leading incumbents, they all have nationwide coverage of their businesses, you know, supported by their store networks. You mentioned here that there is enough market potential in leading [inaudible] in the Nordics. But looking out a little bit in time, do you still see that there could be, you know, consolidation between online and offline channels to be able for a leading online player to actually become an Omni-channel player with this nationwide coverage in the Nordics regions?

Georgi Ganev: I think definitely that we used the trend offline to online, right, because we described a shift but for a consumer, there's not this distinction. You want to buy it from the most convenient channel, depending on where you are and what you're looking for. So I believe that the Omni-channel will be just, you know, the customer's choice that decides it but what I said before when it comes to ecommerce in general is that to go into physical destinations and stores from an online position is by far much easier than going the other way around. So if you're scrutinising the companies all around the world, globally, there are very few example, if actually any example, of an offline retailer that has successfully become a true Omni-channel model and done that transition completely. We see trends of it, we see people who do it quite well, but the other way around we see quite many examples. So I would argue that building a strong centralised position first and then decide very concretely, and especially where to have physical outposts is a good way forward.

Speaker: Great, great. On this topic, I mean, could you share just in the food category, the food retail category, could you share any other examples than the Amazon Wholefoods that you're thinking specifically in this category.

Georgi Ganev: No, I think the Amazon Wholefood is the best example of that type of big Omni-channel but there are other, you know, very strong online players today that have not come into that positions yet. They are still building up their online presence. Of course, you know Ocado but there are also international players. You have Picnic in the Netherlands and Germany, you have other players in Asia, for instance. So there are very strong players on the online grocery side now, building up this, you know, state of the art last-mile logistics and some impressive automation systems in order to be able to have a working – as I say, solid business model delivering good models over time.

Speaker: Great. Thank you.

Operator: As there appears – as there are no further questions, I will hand back to the speakers for closing comments.

Georgi Ganev: Thank you very much. So, thank you for listening and for all your questions. And just as a reminder before we end this call, I would like to inform you that we will release our annual report for 2018 on the 29th March and report results for the first quarter, Q1 of 2019 on the 26th April. So hope to see you and talk to you then. Thank you very much. Bye-bye.

[END OF TRANSCRIPT]