

# PRESENTATION OF THE FOURTH QUARTER AND FULL YEAR 2016

10 FEBRUARY 2017

# AGENDA

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- A** Q4 2016 Highlights
- B** Q4 2016 Capital Markets Environment
- C** Kinnevik Financial Position
- D** Review of Full-Year 2016
- E** 2017 Priorities

## TODAY'S PRESENTERS

**Joakim Andersson**

*Acting CEO, Chief Financial Officer*

**Chris Bischoff**

*Senior Investment Director*

**Torun Litzén**

*Director Corporate Communication*

SECTION A

# Q4 2016 HIGHLIGHTS

# Q4 2016 HIGHLIGHTS: SOLID GROWTH AND PROFITABILITY IMPROVEMENTS

## OPERATING COMPANIES' PERFORMANCE

- **E-Commerce:** Focus on operational excellence resulted in improved profitability, despite investments in enhancing the customer proposition
- **Communication:** Strong growth driven by mobile momentum, data monetisation and extended cable footprint
- **Entertainment:** Investments in product development, high quality programming and improved user experience drove record fourth quarter sales
- **Financial Services:** Extended product offerings and new partnerships support continued growth in customer base and AuM

## INVESTMENT MANAGEMENT ACTIVITIES

- **Total investments of SEK 971m** in the fourth quarter, whereof SEK 898m invested in Tele2's SEK 3bn rights issue to finance the acquisition of TDC Sweden
- **Net investments of SEK 872m** in the fourth quarter

## FINANCIAL POSITION

- **Net Asset Value of SEK 72.4bn** (SEK 263 per share), down SEK 2bn or 3% driven by a SEK 1.9bn, or 3%, decrease in the value of the listed investee companies
- **Net debt position of SEK 1.4bn** at the end of the quarter, corresponding to 2% of portfolio value

## REFINED FINANCIAL TARGETS

- **Attractive returns:** Kinnevik's objective is to generate a long term total return to our shareholders in excess of our cost of capital. We aim to deliver an annual total shareholder return of 12-15% over the business cycle
- **Low leverage:** Given the nature of Kinnevik's investments, our goal is to carry low leverage, not exceeding 10% of portfolio value

## 2016 DIVIDEND RECOMMENDATION

- Kinnevik's Board of Directors recommends an ordinary **dividend of SEK 8.00 per share** for 2016, an increase of 3.2% from last year's ordinary dividend (SEK 7.75 per share), equivalent to a dividend yield of 3.7%
- The Annual General Meeting will be held on 8 May 2017

# 92% OF OUR NAV IS INVESTED IN SIX WORLD-CLASS COMPANIES

## E-COMMERCE & MARKETPLACE



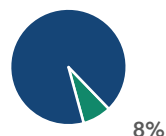
Delivering fashion online to **19.2 million customers** in **15 markets** in Europe



OWNERSHIP 32%



Delivering fashion online to **9.1 million customers** in **24 markets** around the world



OWNERSHIP 35%



Developing consumer-oriented online businesses in a large number of countries across the globe

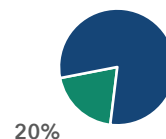


OWNERSHIP 13%

## COMMUNICATION AND ENTERTAINMENT



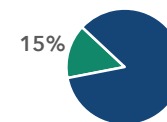
Delivering mobile services to **57 million mobile customers** in **13 markets** in Africa and Latin America



OWNERSHIP 38%



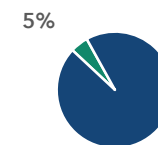
Delivering mobile services to **15.6 million mobile customers** in **9 markets** in Europe and Kazakhstan



OWNERSHIP 30%



Delivering entertainment to **1.2 million subscribers** in **8 markets** in Europe



OWNERSHIP 20%

# ZALANDO DELIVERS ON GUIDANCE FOR 2016 AND CONTINUES TO INVEST IN IMPROVING THE CUSTOMER EXPERIENCE



## STRATEGY EXECUTION

### Strong Q4 and full year 2016 financial performance

- Continued focus on improving the customer experience, new partnerships with international brands and developing the platform resulted in a Q4 revenue growth of 25-26% and an adjusted EBIT margin of 7.5-9.5%
- Zalando broke the billion-Euro revenue barrier in the fourth quarter, the first time in a single quarter
- The company delivered on its 2016 full year guidance for revenue growth and profitability, approximately doubling its adjusted EBIT

### Continued investments to improve customer experience

- Intends to open a new satellite warehouse in Sweden during 2017, further improving the customer proposition in the Nordic markets
- Launch of instant returns in Paris in partnership with Stuart, a French start-up specialized in last-mile delivery

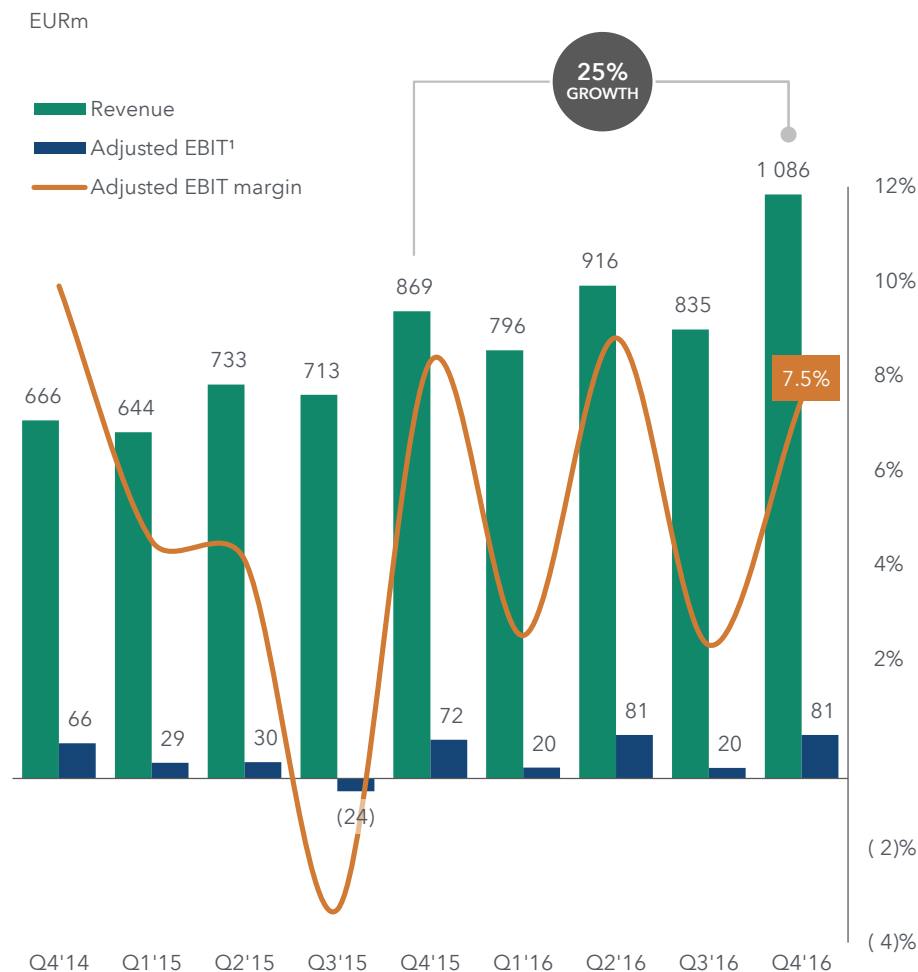
### Deeper and more developed brand relations

- Following the partnership with Adidas, Zalando launched a pilot in the fourth quarter allowing smaller retailers to open up sales channels through Zalando's platform
- Continued broadening of product assortment, catering to different customers segments

### Scaled technology team

- Build-up and expansion of tech team

## FINANCIAL PERFORMANCE



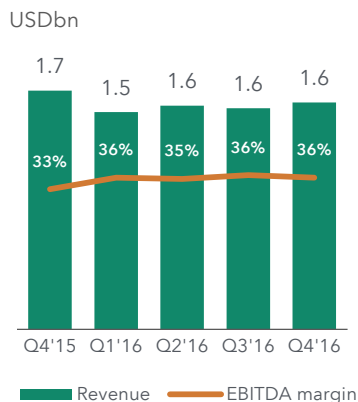
<sup>1</sup> EBIT adjusted for share based compensation

Source: Company information. Q4 2016 trading update published 2017-01-17, figures represent bottom of preliminary range

# OUR LARGE PUBLIC COMPANIES ARE EXECUTING ON THEIR STRATEGIES AND IMPROVING PROFITABILITY



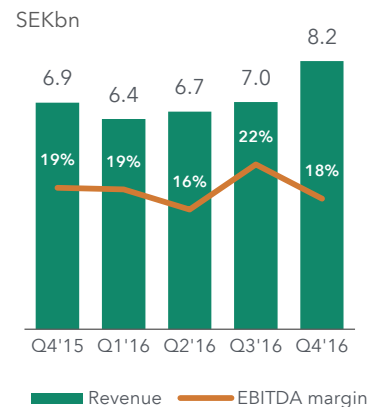
## SUBSTANTIAL STRATEGIC PROGRESS



- Revenues of USD 1,594m, organic service revenue declined 0.9%
- Adjusted EBITDA margin of 35.5%, up 1.9 percentage points
- Record 2.6 million 4G net adds with 24% growth in mobile data revenue, record expansion of fibre network now passing 8.1 million homes in total
- Board of Directors recommend a dividend for 2016 of USD 2.64 per share



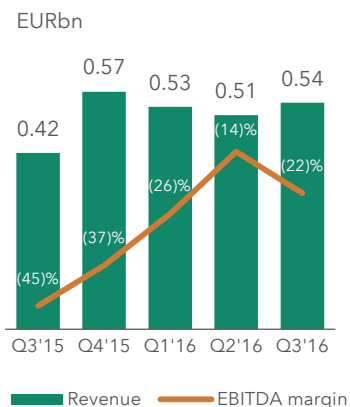
## CONTINUED MOBILE MOMENTUM



- Revenues of SEK 8,217m with mobile end-user service revenue growth of 14% (6% growth like for like<sup>1</sup>)
- EBITDA margin of 18%, with a quarterly EBITDA increase of 9% (4% increase like for like<sup>1</sup>), despite continued investments in the Netherlands
- The acquisition of TDC Sweden was completed in October, integration is underway with a number of key contracts retained
- Board of Directors recommend a dividend for 2016 of SEK 5.23 per share



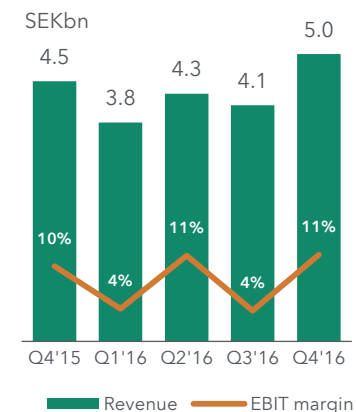
## IMPROVED PROFITABILITY



- Revenues for larger portfolio companies of EUR 1.6bn during the first nine months 2016, corresponding to 31% yearly growth
- Adjusted EBITDA margin of -18% during the first nine months of 2016, a 17 percentage point improvement compared to the same period 2015
- Rocket Internet and its companies continue to be well funded, with available cash of EUR 1.6bn at Rocket Internet and an additional EUR 1.1bn at the companies, as of the end of October 2016



## RECORD SALES



- Revenues of SEK 5,019m, a fourth quarter record corresponding to 8% organic growth
- EBIT was up 28% from last quarter driven by organic growth and the strategic cost transformation program
- Strategic portfolio realignment continues with divestments of Czech TV assets and the free-TV businesses in Africa
- Board of Directors recommend a dividend for 2016 of SEK 12.00 per share

# INCREASED GROWTH AND CUSTOMER ENGAGEMENT IN OUR PRIVATE COMPANIES



- 9.1 million active customers at the end of Q3 2016 (20% growth<sup>1</sup>)
- Q3 revenues of EUR 250m (16% growth<sup>1</sup>), NMV of EUR 255m (22% growth<sup>1</sup>) and adjusted EBITDA<sup>2</sup> of EUR -32m, corresponding to a -13% margin, an improvement of 15 percentage points compared to Q3 2015
- EBITDA margin increase driven by improved inventory management, meaningful efficiency gains and fixed cost optimisation



- 10.3 million responses in December 2016 (125% growth on a per-listing basis)
- Q4 revenues more than doubled compared to Q4 2015, despite a broader macroeconomic slowdown in November and December
- Quikr completed the acquisition of Grabhouse, a managed marketplace that provides standardised and branded accommodation to young professionals



- 208,000 customers at the end of Q4 2016 (68% growth)
- Assets under management at year-end of USD 6.8bn (108% growth)
- In early February 2017, Betterment expanded the company's platform beyond a single digital product to a multi-plan advice offering that now includes human advice through a team of CFP® professionals and licensed financial experts



- 5.6 million active users in 16 markets at the end of Q4 (24% growth excluding discontinued products)
- BIMA continue to establish new strategic partnerships with leading mobile operators, enabling the company to expand its footprint in new markets and accelerate growth
- The tele-doctor consultation service grew across markets, with over 1,000 consultations per day in Bangladesh alone



- 1.0 million active customers at the end of Q3 (7% growth)
- Q3 revenues of EUR 56m (23% growth), GMV of EUR 60m (27% growth) and adjusted EBITDA<sup>2</sup> of EUR -6m, corresponding to a -11% margin, an improvement of 14 percentage points compared to Q3 2015
- Profitability improvements driven by further automated processes, reduced logistics costs and more efficient marketing



- Over 500,000 registered users. Thousands of interactions per day, awarding babylon sector leading user ratings
- Launched a chatbot interface to check symptoms and triage patients more naturally, which has increased user engagement
- Announced NHS partnership to power its urgent care line with babylon's automated triage for a test group of over 1 million people

<sup>1</sup> Pro forma growth; Dafiti includes Kanui and Tricae and excludes Mexico, Zalora excludes Thailand and Vietnam, Jabong is excluded. NMV and revenue growth at constant currency

<sup>2</sup> Excluding share based compensation

Note: All growth rates are year-on-year

Source: Company information



# GLOBAL FASHION GROUP - CONTINUED GROWTH AND FOCUS ON OPERATIONAL EXCELLENCE IN Q3 2016

## lamoda

### STRONG BRAND ACQUISITIONS

(EURm)	Q3 2015	Q3 2016
NMV Growth	54.4	71.3 34%
Net revenue Growth	56.0	73.0 34%
Gross profit Margin	19.6 35%	24.8 34%
Adj. EBITDA Margin	(10.6) (19)%	(10.1) (14)%
Active customers (m)	1.8	2.1

- Continued brand acquisitions to further strengthen assortment offering
- Further progress in the automation of warehouse operations aimed to extend capacity for order growth
- Continued improvement of delivery costs through supplier optimisation
- Notable progress in back office and fixed cost control during the quarter as a result of path-to-profit initiatives

## NAMSHI

### IMPROVEMENTS IN FULFILLMENT LINES

(EURm)	Q3 2015	Q3 2016
NMV Growth	27.9	33.8 22%
Net revenue Growth	30.3	34.4 11%
Gross profit Margin	16.6 55%	18.5 54%
Adj. EBITDA Margin	(0.4) (1)%	1.0 3%
Active customers (m)	0.4	0.6

- Strategic investments in infrastructure and technology continue to create efficiencies across warehousing, customer service and logistics
- Continued improvement in fulfilment lines from delivery mix optimisation and successful negotiations with providers to reduce payment costs
- Continuing benefit from operational scale effects by maintaining a low fixed cost base

## dafiti

### CONTINUED MARGIN IMPROVEMENTS

(EURm)	Q3 2015	Q3 2016
NMV Growth	58.1	85.5 6%
Net revenue Growth	58.8	80.1 (1)%
Gross profit Margin	22.0 37%	36.3 45%
Adj. EBITDA Margin	(13.2) (22)%	(2.1) (3)%
Active customers (m)	2.2	3.9

- Successful launch of the Marketplace business in Brazil, Argentina, Chile and Colombia
- Implementation of new proprietary inventory management, pricing and planning systems have resulted in both gross margin improvements and working capital optimisation
- Completion of Kanui and Tricae integration
- Successful recruitment of new CFO

## ZALORA THE ICONIC

### NEW MANAGEMENT TEAM

(EURm)	Q3 2015	Q3 2016
NMV Growth	51.7	64.7 34%
Net revenue Growth	51.0	61.6 26%
Gross profit Margin	17.6 35%	24.1 39%
Adj. EBITDA Margin	(25.2) (49)%	(14.6) (24)%
Active customers (m)	2.5	2.6

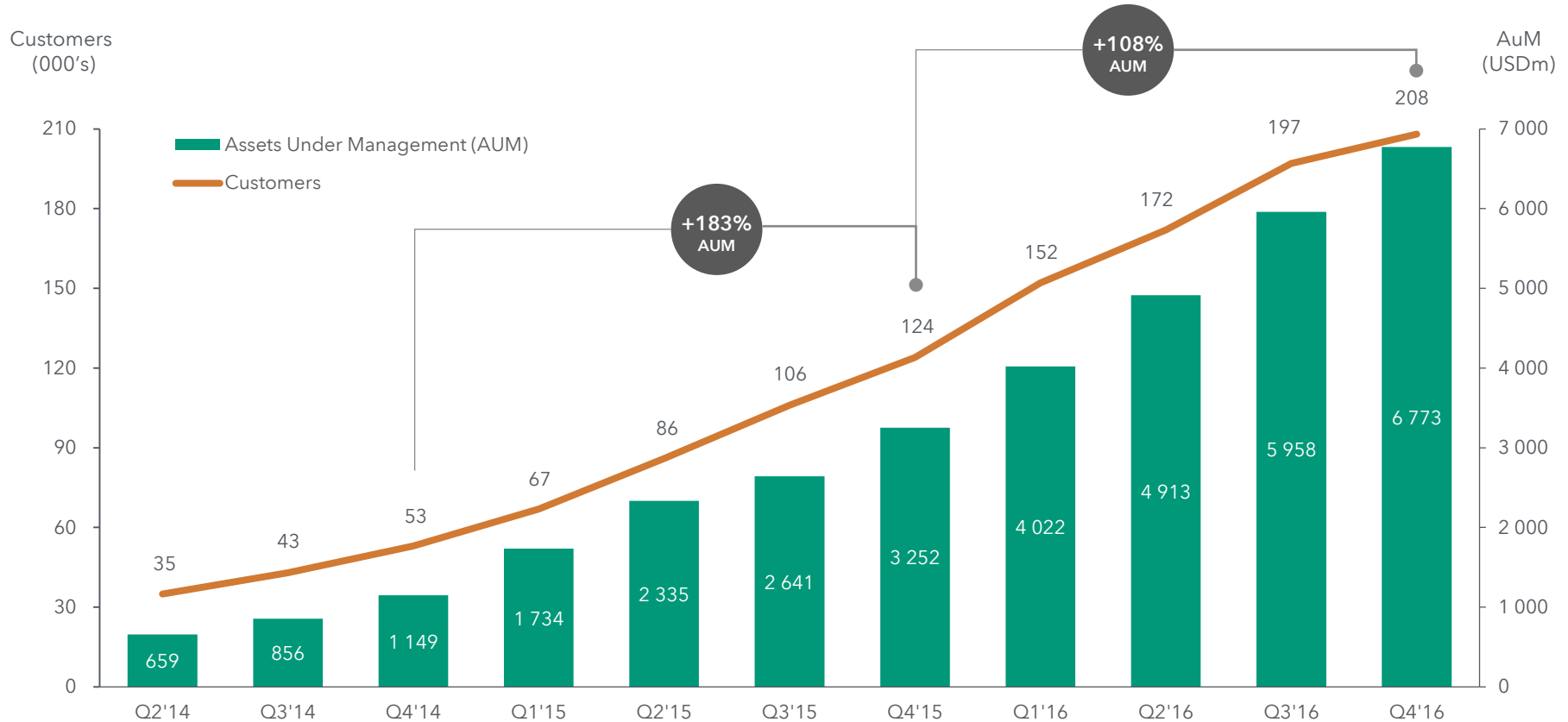
- New management team including CEO, CFO and Head of Buying at Zalora
- Strong brand acquisition across the region, including the launch of several new brands of which certain are exclusive for the region
- Zalora completed the warehouse consolidation in Malaysia and commenced centralisation efforts through the Finance Shared Services Centre in Malaysia

Note: Growth rates on a constant currency and pro forma basis; Dafiti includes Kanui and Tricae and excludes Mexico, Zalora excludes Thailand and Vietnam.

Adjusted EBITDA excludes share based compensation

Source: Company information

# BETTERMENT CONTINUES TO EFFICIENTLY SCALE ITS CUSTOMER BASE



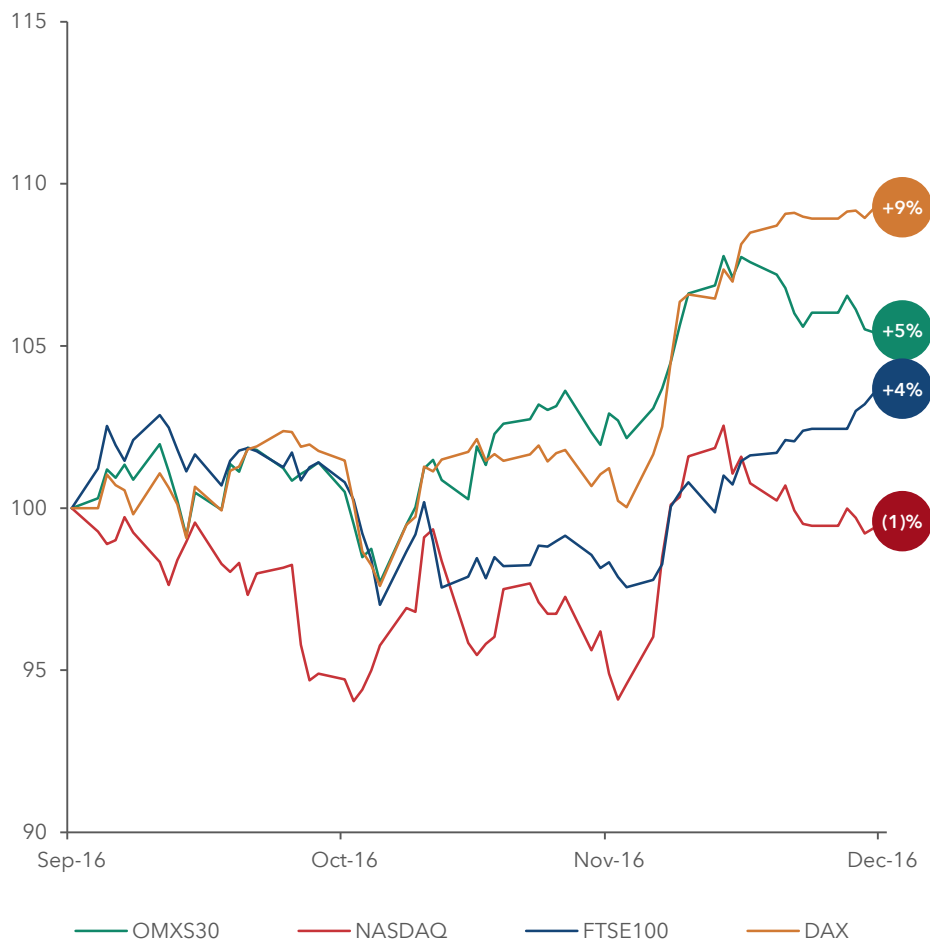
- With 84,000 customers added in 2016, Betterment now serves around 208,000 customers across the U.S., a yearly increase of 68%
- USD 3.5bn of assets added in 2016, a yearly growth of 108%

SECTION B

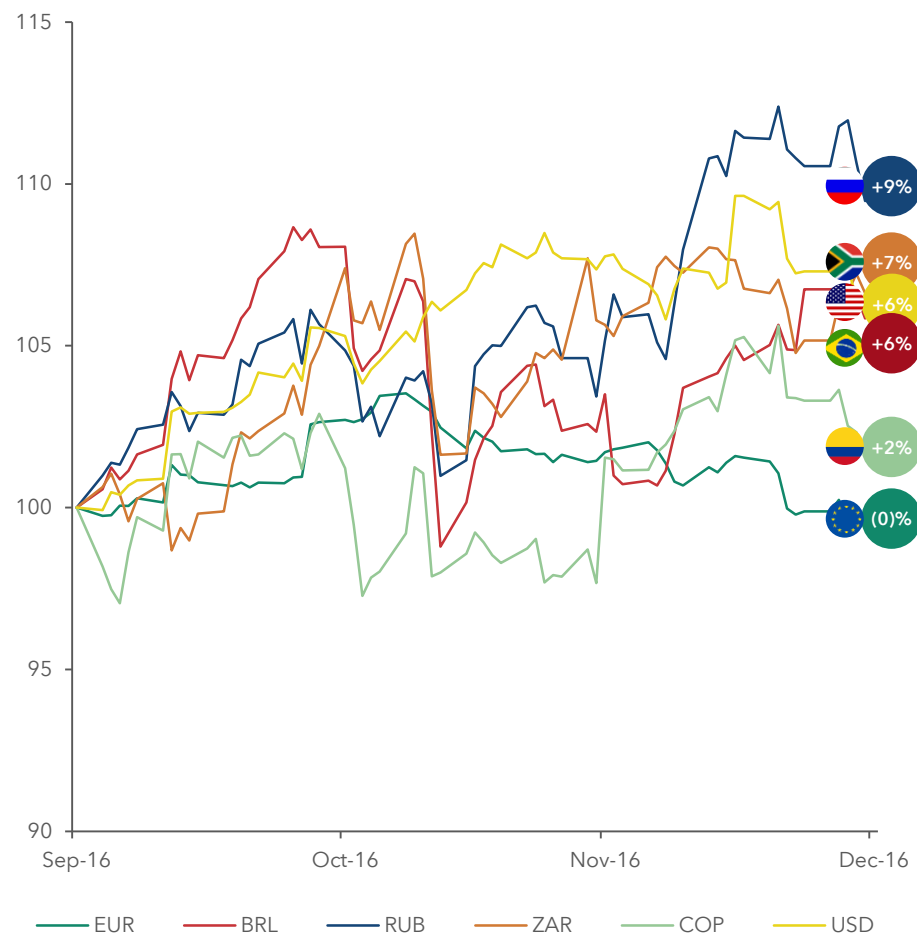
# Q4 2016 CAPITAL MARKETS ENVIRONMENT

# KEY EQUITY MARKETS AND CURRENCIES HAD A FLAT TO POSITIVE QUARTER

## DEVELOPMENT OF KEY EQUITY INDEXES



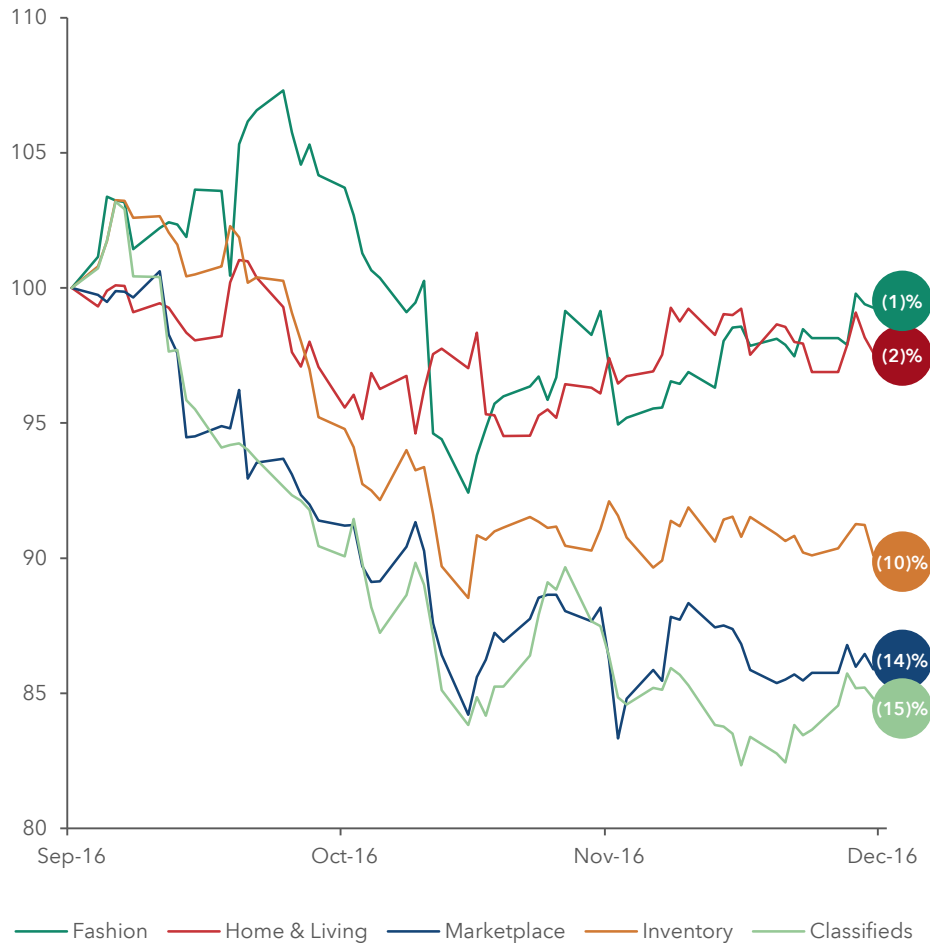
## DEVELOPMENT OF KEY CURRENCIES (VS SEK)



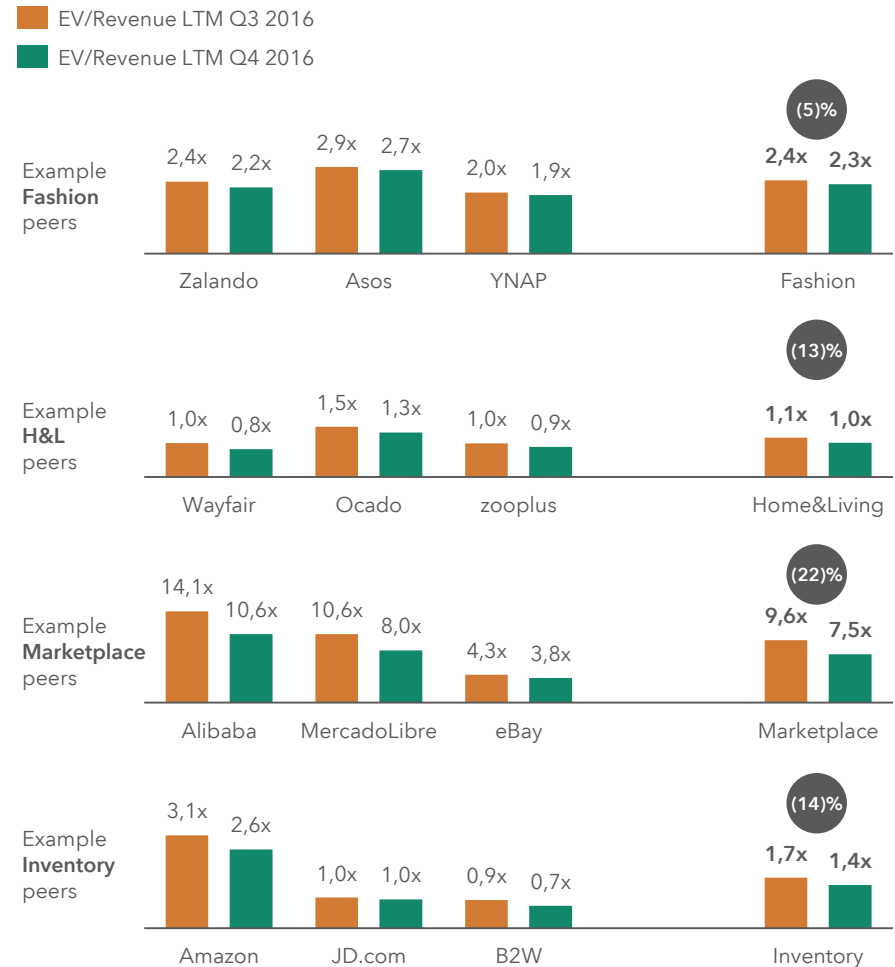
Note: Index value 100 per 2016-09-30  
Source: FactSet as of 2016-12-31

# WEAK DEVELOPMENT FOR LISTED E-COMMERCE PEERS

## LISTED PEERS TRADED DOWN IN THE QUARTER...



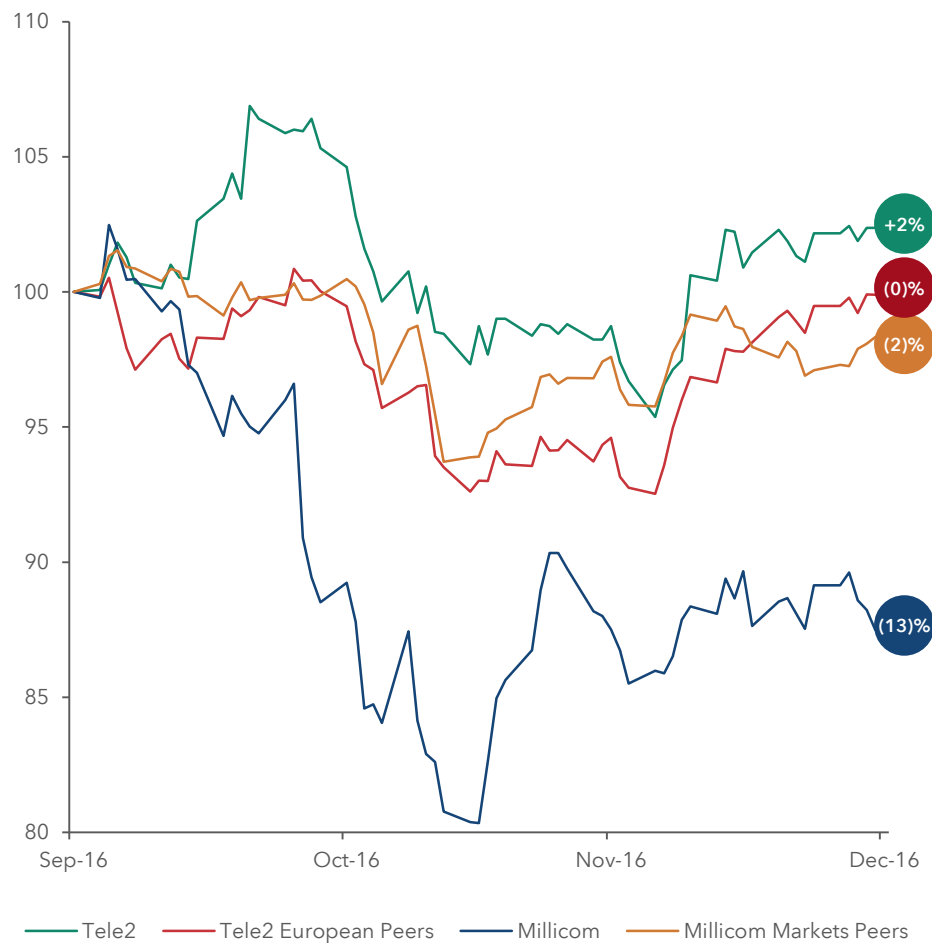
## ...REFLECTED IN TRAILING REVENUE MULTIPLES



Note: Equally-weighted TSR development with index value 100 per 2016-09-30  
 Source: FactSet as of 2016-12-31

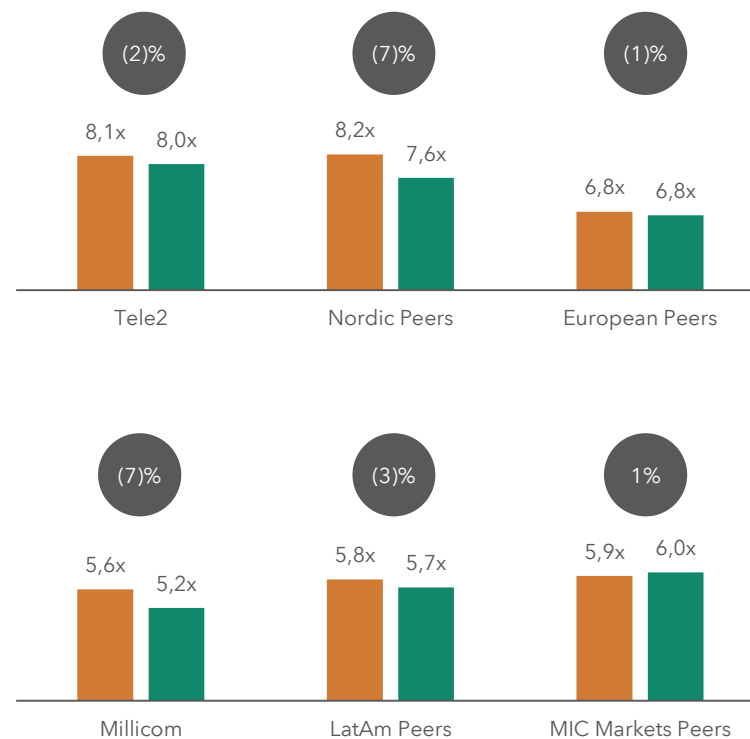
# CONTRACTING MULTIPLES IN THE TELECOM SECTOR

TELE2 TRADED SLIGHTLY UP AND MILLICOM DOWN...



...IN A MARKET WITH CONTRACTING MULTIPLES

■ EV/EBITDA NTM Q3 2016  
■ EV/EBITDA NTM Q4 2016












SECTION C

# KINNEVIK FINANCIAL POSITION

# CONTINUED CONSERVATIVE VALUATION OF OUR UNLISTED ASSETS

## Fair value, Kinnevik's stake (SEKm)

Company	Q1 2016	Q2 2016	Q3 2016		Q4 2016			Method	
	Fair Value	Fair Value	Net Invested	Change	Fair Value	Net Invested	Change		Fair Value
 <b>OFG</b> GLOBAL FASHION GROUP	2 999	3 614	578	1 476	5 668	-	-27	5 641	EV/LTM Revenue - 1.4x
 <b>Quikr</b>	1 461	1 527	0	17	1 544	-	-9	1 535	DCF
 <b>BAYPORT</b> FINANCIAL SERVICES	1 071	1 120	0	12	1 132	-	69	1 201	LTV, Feb 2016
<b>LAZADA</b>	1 053	659	0	7	666	-	40	706	LTV at Partial Exit, Apr 2015
 <b>Betterment</b>	527	551	0	6	557	-	33	590	LTV, Mar 2016
 <b>BIMA</b>	390	407	0	19	426	-	38	464	DCF
 <b>WESTWING</b> HOME AND LIVING	390	415	0	14	429	-	-	429	EV/LTM Revenue - 0.9x
 <b>LINIO</b>	232	212	115	32	359	-	-67	292	EV/LTM Revenue - 1.7x (EV/LTM NMV - 0.5x)
 <b>Saltside</b> TECHNOLOGIES	195	195	0	2	197	-	3	200	At cost
 <b>home24</b>	492	96	27	1	124	-	-30	94	EV/LTM Revenue - 0.8x
<i>Other</i>	1 372	1 212	22 <sup>1</sup>	7	1 228	-43 <sup>2</sup>	-62	1 139	Mixed
<b>TOTAL</b>	<b>10 182</b>	<b>10 008</b>	<b>742</b>	<b>1 593</b>	<b>12 330</b>	<b>-43</b>	<b>-13</b>	<b>12 291</b>	

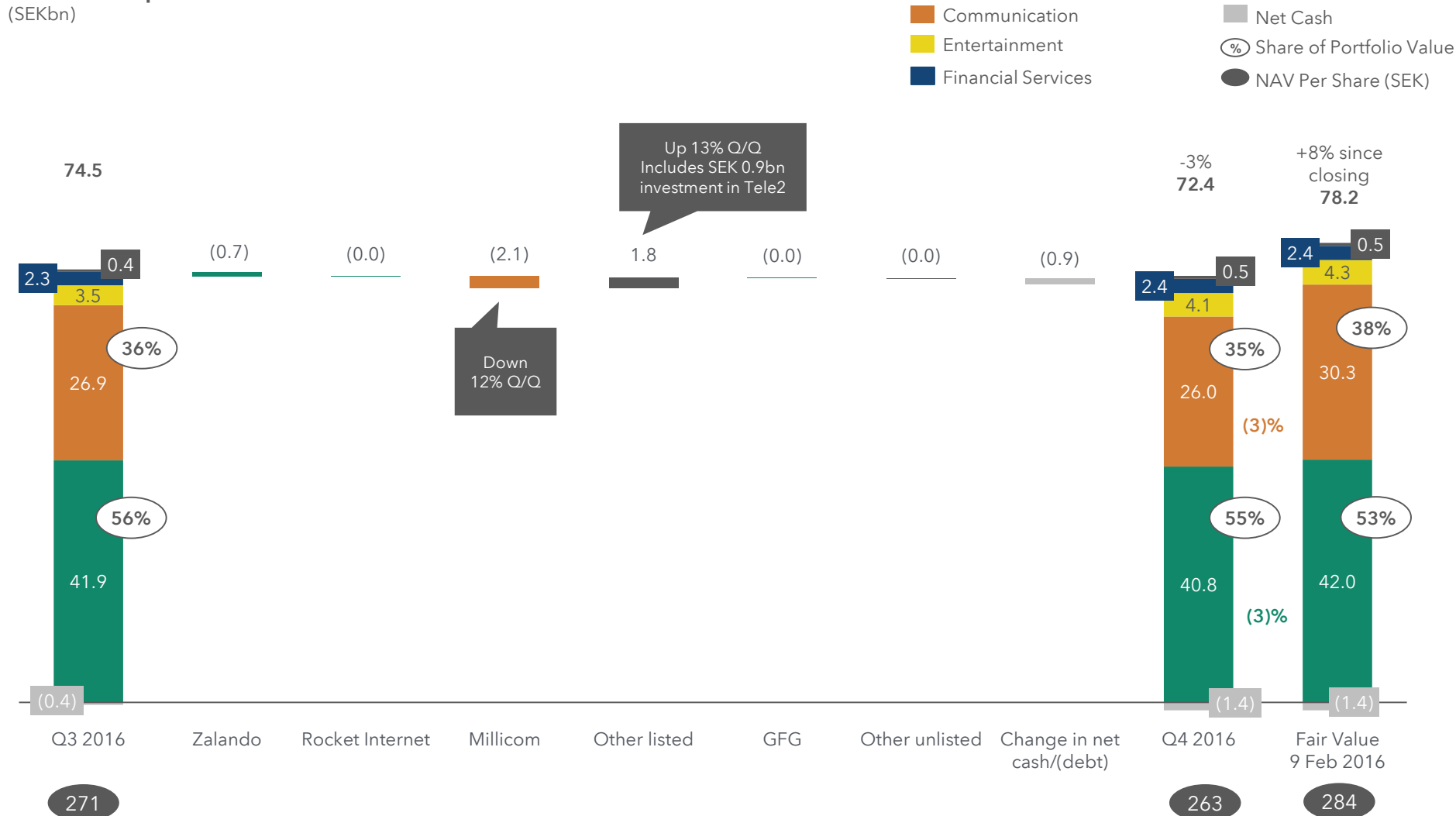
<sup>1</sup> Does not include SEK 13m in dividends received

<sup>2</sup> Does not include SEK 17m in dividends received



# STABLE NET ASSET VALUE DEVELOPMENT DURING THE QUARTER AND GOOD START TO 2017 DUE TO SOLID PERFORMANCE POST REPORTING

## NAV development



## MAINTAINED STRONG BALANCE SHEET IN LINE WITH FINANCIAL TARGETS

### INVESTMENT ACTIVITY Q4 (SEKM)

Investments	Q4 2016
Tele2	898
Babylon	46
Other	27
<b>Total</b>	<b>971</b>
Divestments	Q4 2016
Other	99
<b>Total</b>	<b>99</b>
Net Investments	
<b>Total Q4 2016</b>	<b>872</b>
<b>Full year 2016</b>	<b>2 836</b>

### FINANCIAL POSITION (SEKM)

<b>Net Cash / (Debt) Per 30 September 2016</b>	<b>(419)</b>
Net Investments	(872)
Operating Expenses	(82)
Net Financial Expenses	(11)
Dividend received	17
<b>Net Cash / (Debt) Per 31 December 2016</b>	<b>(1 367)</b>

SECTION D

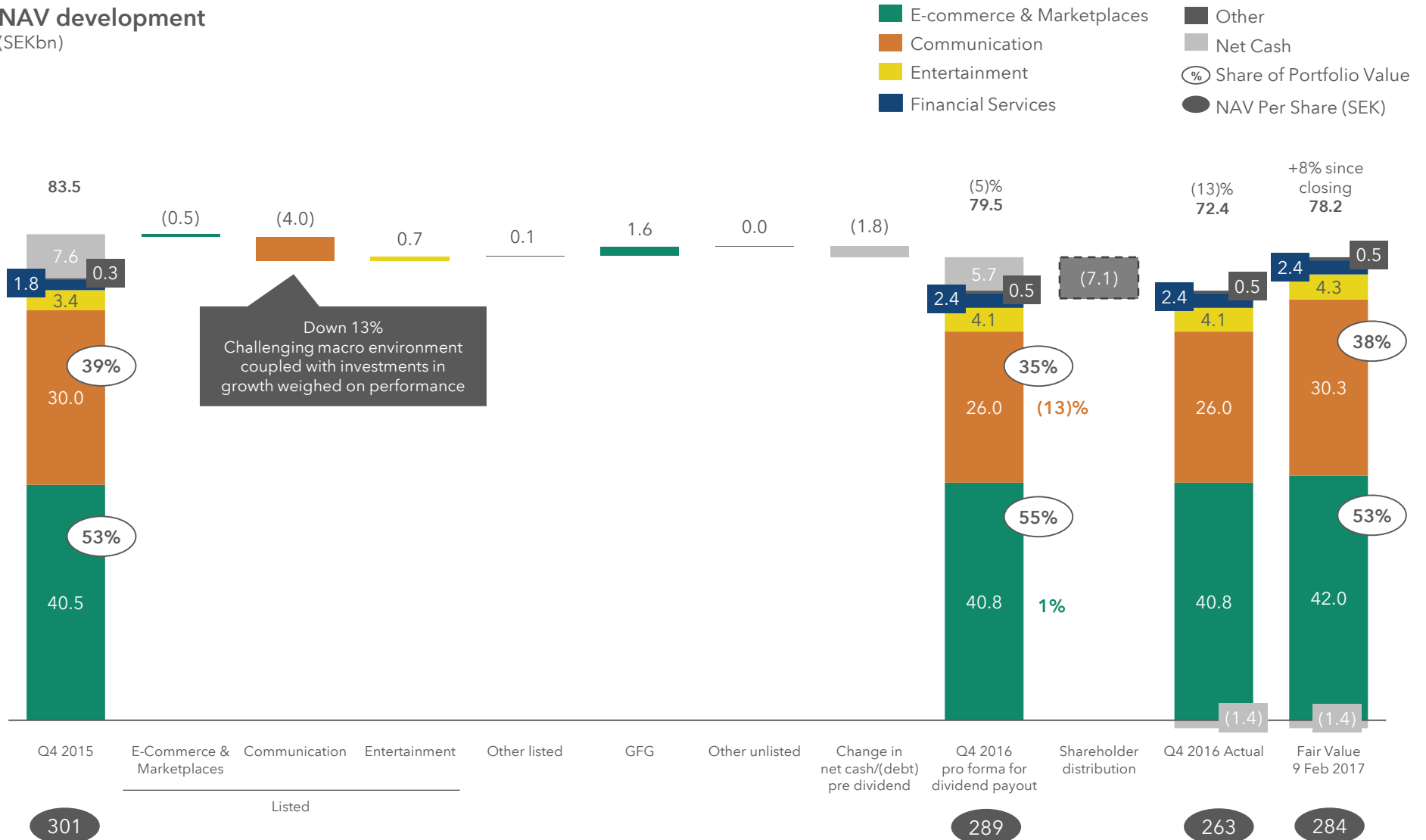
REVIEW OF FULL-YEAR 2016

# 2016 HIGHLIGHTS: WE CONTINUED TO EXECUTE ON OUR MULTI-FACETTED STRATEGY FOR VALUE CREATION

1	INVESTMENT MANAGEMENT	<ul style="list-style-type: none"><li>• Investments in Babylon (Healthcare) and Betterment (Financial Services)</li><li>• Re-financings of GFG, Westwing, Linio and Home24, and pro rata participation in the Tele2 rights issue</li><li>• Partial sale of Lazada to Alibaba, and GFG sold its Indian business Jabong to Flipkart</li></ul>
2	CAPITAL RETURN	<ul style="list-style-type: none"><li>• SEK 7.75 per share in ordinary dividend, SEK 2.1bn in total</li><li>• SEK 18.00 per share by way of a share redemption program, SEK 5.0bn in total</li><li>• SEK 500m in share buybacks, 2.3m shares were acquired at an average price of SEK 217 per share (pre dividend)</li></ul>
3	CONSOLIDATION	<ul style="list-style-type: none"><li>• Tele2 acquired TDC Sweden, strengthening its position in the Swedish B2B market</li><li>• Qliro divested Tretti to WhiteAway, making WhiteAway a long-term partner for QFS and CDON Marketplace</li></ul>
4	INNOVATION	<ul style="list-style-type: none"><li>• Zalando continued to grow, supported by broader product assortment, extended fulfilment capabilities, improved mobile platform, build-up of tech team and introduction of new platforms to interact with consumers</li><li>• MTG and Tele2 are leading the way in their respective fields, digital entertainment and innovative IoT solutions</li></ul>
5	PARTNERSHIPS	<ul style="list-style-type: none"><li>• Zalando partnered with a number of high profile brands such as Adidas, Tommy Hilfiger and Abercrombie</li><li>• Millicom partnered with Netflix in South America and MTG signed a distribution agreement with Telenor. Tele2 partnered with Sisteer, IBM, Microsoft and Libelium on IoT initiatives</li></ul>
6	SUSTAINABILITY	<ul style="list-style-type: none"><li>• Kinnevik implemented GRC roadmaps in the majority of the private companies, providing an individually tailored and clearly defined sustainability journey for each company</li><li>• Extended 2016 environmental reporting for Kinnevik AB</li></ul>

# NAV DEVELOPMENT MAINLY DRIVEN BY WEAK MACROECONOMIC CONDITIONS IMPACTING MILLICOM

## NAV development (SEKbn)



# RECOMMENDED DIVIDEND OF SEK 8.00 PER SHARE

## REFINED FINANCIAL TARGETS

The Board has refined Kinnevik's financial targets with respect to target returns and leverage, reflecting the current macroeconomic environment and the composition of Kinnevik's portfolio. Kinnevik's shareholder remuneration target is unchanged.

### Attractive returns

Kinnevik's objective is to generate a long-term total return for our shareholders in excess of the cost of capital. We aim to deliver an annual total shareholder return of 12-15% over the business cycle

### Low leverage

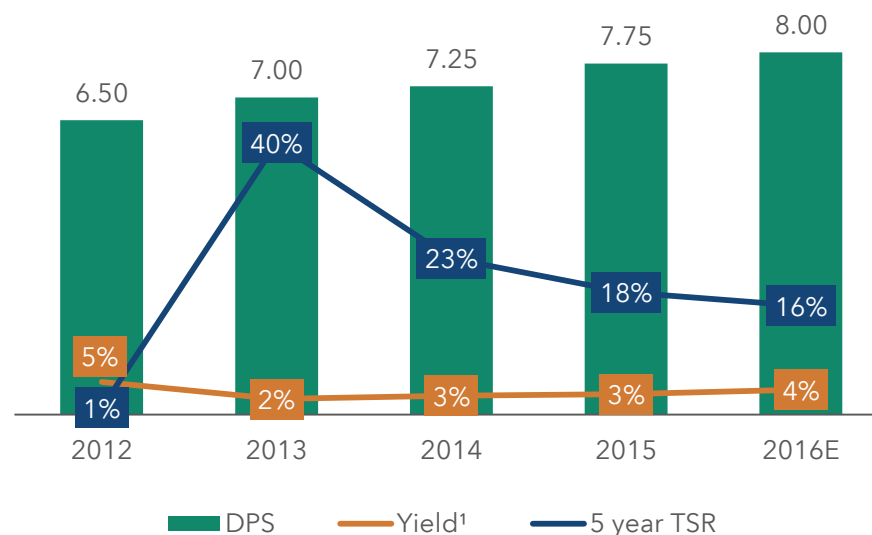
Given the nature of Kinnevik's investments our goal is to carry low leverage in the parent company, not exceeding 10% of portfolio value

### Increasing shareholder remuneration

Kinnevik aims to pay an annual dividend growing in line with dividends received from its investee companies and the cash flow generated from its investment activities

## DIVIDEND PROPOSAL

- Kinnevik's Board of Directors recommends an ordinary dividend per share of **SEK 8.00** for 2016
- The proposed dividend correspond to a **dividend yield of 3.7%**, a **growth of 3.2%** and **SEK 2.2bn** in total dividends paid
- Including the recommended dividend for 2016, Kinnevik has over the last 5 years paid **SEK 10.1bn** in ordinary cash dividends



<sup>1</sup> As per closing share price on 31 December each year

SECTION E

# 2017 PRIORITIES

## 2017 PRIORITIES – CONTINUED EXECUTION IN FOCUS

### **GROW AND PROTECT VALUE FOR OUR LARGE PUBLIC COMPANIES**

Continued support in the strategy execution of our large listed companies

### **DRIVE SUSTAINABLE GROWTH FOR OUR PRIVATE ASSETS**

Taking an active lead shareholder role, providing best in class GRC support

### **INVEST IN SELECTED HIGH POTENTIAL NEW COMPANIES**

Focused and disciplined investments into selected new high potential companies

### **ATTRACT, RETAIN AND REWARD TOP TALENT**

Incentive structures designed to align employees' interests with those of shareholders

### **SUPPORT THE KINNEVIK CULTURE AND BRAND**

Pro-active, transparent and open stakeholder management





BUILDING THE BUSINESSES THAT PROVIDE  
MORE AND BETTER CHOICE