



Q1 report 2016

Press and analyst presentation

4 May 2016

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In brief

A good quarter in competitive markets

Good effect from implemented activities in Rimi Baltic. ICA Sweden strong EBIT

High activity level to further strengthen our position



A good quarter in competitive markets

Increased net sales and EBIT

- Net sales +4.6%
- EBIT +16% on a comparable basis
- EBIT strengthened by Rimi Baltic and ICA Sweden
- Stable cash-flow in Q1

Events

- Strategic review of ownership in inkClub has started
- Conversion of C-shares to ordinary shares in January
- Recruitment process of a CDO has started up

Market

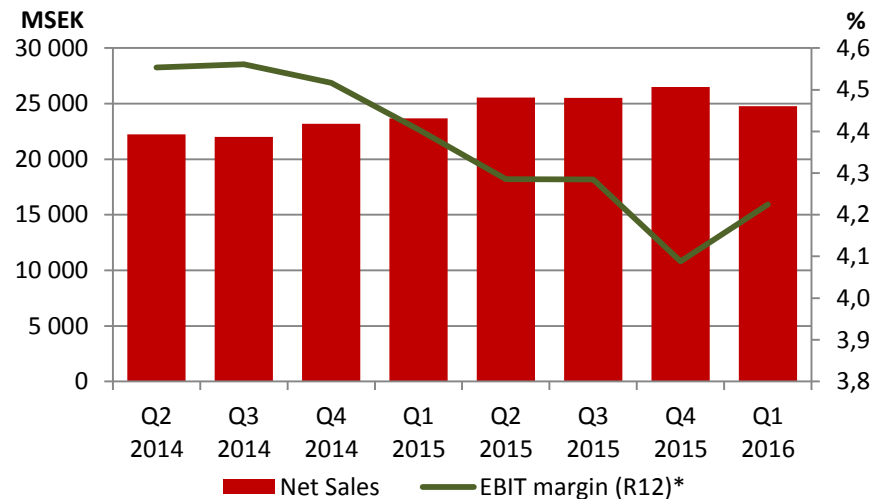
- Sharp competition in all markets
- Still high promotion activities in the market, price inflation remains in Sweden

Dividend

- 10 SEK/share decided at AGM on April 20

MSEK	Q1 2016	Q1 2015	Change %
Net sales	24 761	23 673	4,6
EBIT*	959	775	23,8
EBIT Margin*	3,9%	3,3%	0,6 pp

Net sales and EBIT margin R12*



*Before non-recurring items

Strong retail market in Sweden

GDP development

Unemployment

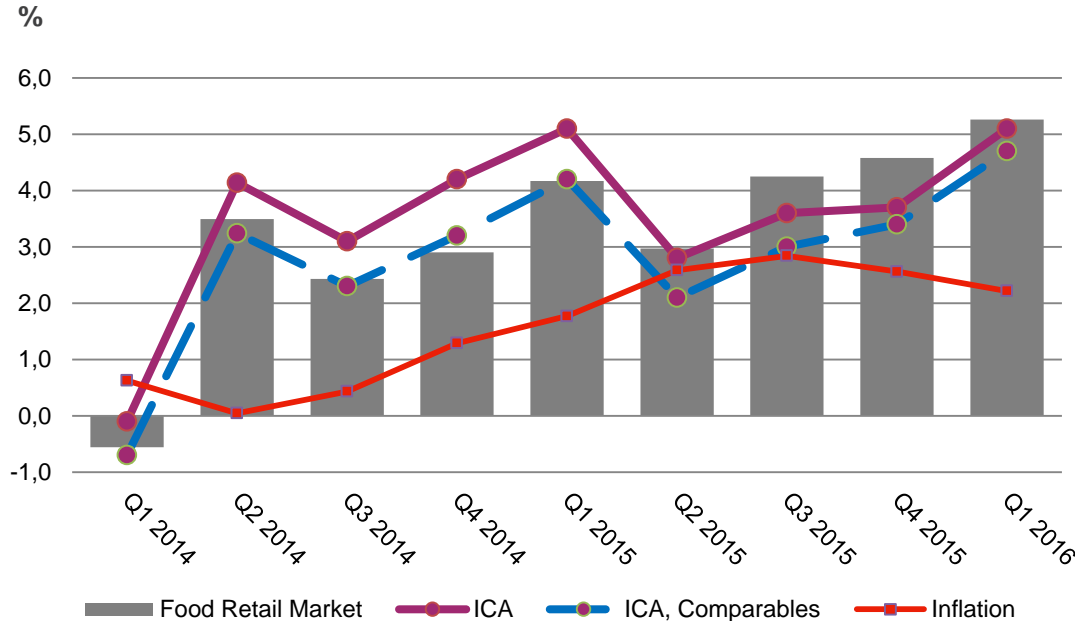
Consumer
behaviour

Market

Inflation

- GDP Q4 2015 +5% (vs Q4 2014)
- Unemployment (seasonally adj.) 7.1% March
- Food price inflation 2.1% in Q1
- Household disposable income supported by:
 - Historically low interest rate
 - Low inflation (0.8% March 2016 vs March 2015)
- Swedish households more positive view of own economy than average EU
- Swedish households less price focused than EU in general

Strong comparable store sales development in Sweden



- ICA store sales growth of 5.1%, in comparable stores +4.7%
- Food retail market growth of +5.3%
- Food price inflation continues, +2.1%
- Calendar effect of +1.5%
- No new ICA stores during the quarter
- Establishment of 15-20 new stores planned in 2016, most in H2
- In 2016 ICA will continue its focus on:
 - Marketing concepts within Health, Local produce, ECO and Price
 - Private Label and continued development of our loyalty programme

Increased market growth in the Baltic countries

GDP development

Unemployment

Consumer
behaviour

Market

Inflation

GDP Q1 2016 (vs last year)

- Estonia +0.7% (Q4 2015)
- Latvia +1.8%
- Lithuania +2.2%

Unemployment 6-10% but very low in big cities

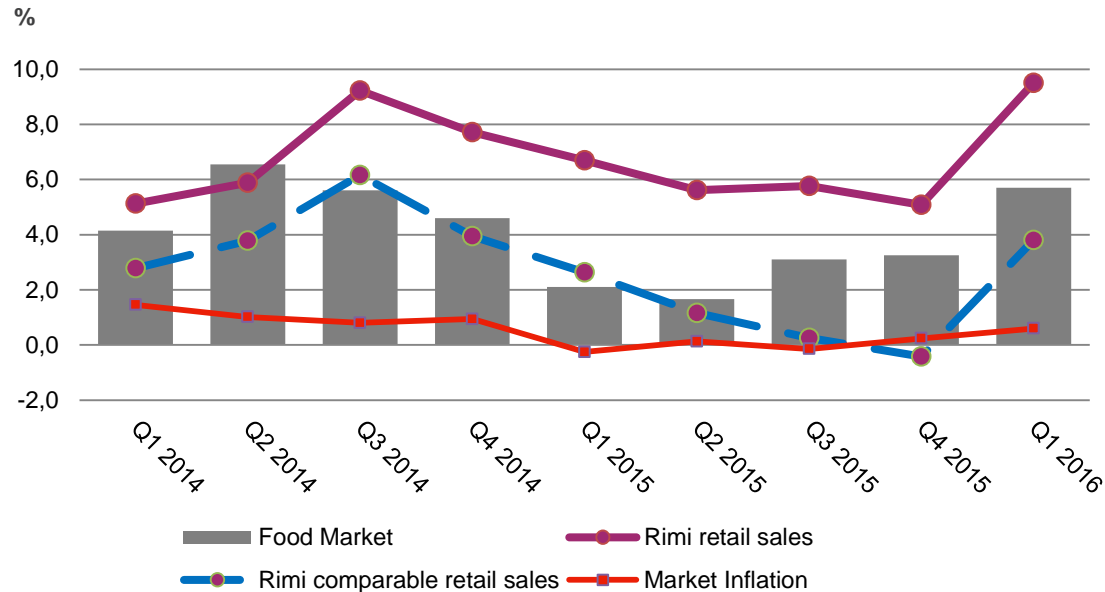
- Higher minimum wages
- Still high promotion share of sales
- Price important but also local produce

Share of income spent on food* is higher than EU in general

- Estonia ~21%
- Latvia ~23%
- Lithuania ~24%

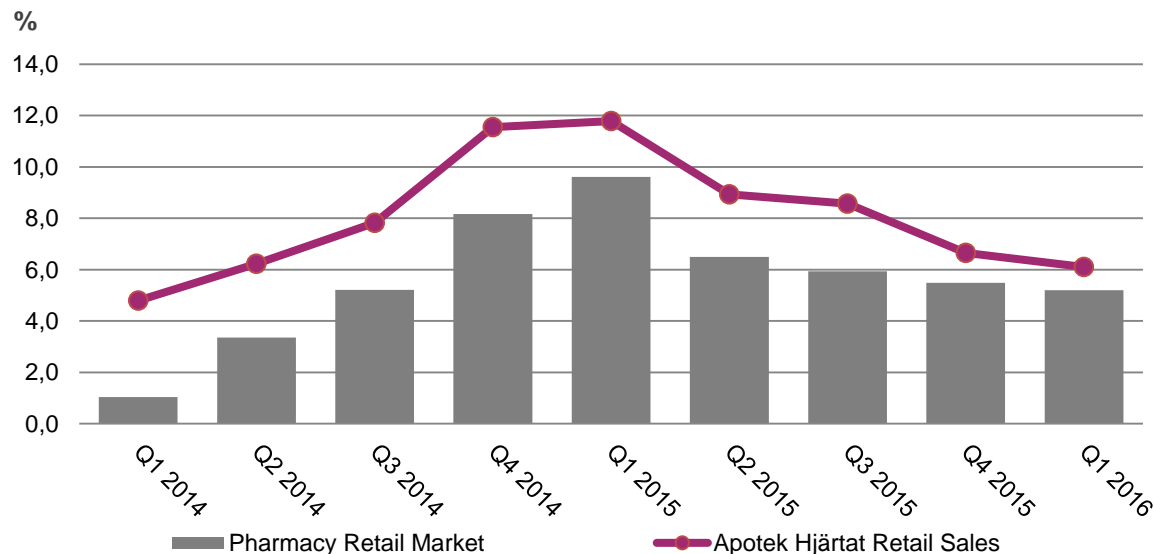
*Source Eurostat

Increased market share in the Baltics



- Food retail market +5.7% in Q1
 - Estonia +4.8%
 - Latvia +2.4%
 - Lithuania +8.7%
- Rimi store sales +9.5% in Q1, comparable sales +3.8%
- Food price inflation +0.6%
- Market growth in Lithuania much better in comparison to Estonia and Latvia due to slowdown of food market in Lithuania last year after Euro introduction
- Tough competition in all countries with high promotion share of sales
- Increase of minimum salaries, especially in Lithuania, have increased disposable income to spend on food

Apotek Hjärtat's sales stronger than the market



- Market growth of +5.2% in Q1, Apotek Hjärtat +6.1%
- Negative impact from Easter effect
- Sales growth higher than market, mainly driven by new pharmacies
- Strong online competition
- Traded Goods and OTC showed strongest volume growth

Segments in brief

ICA SWEDEN

- Store sales growth approx. on the same level as the market, good sales development in comparable stores
- Strong EBIT margin despite higher L&D costs
- Increased private label share 24.5% (23.8)
- 178 stores Online
- Focus on Health, Eco, Local produce and Price

RIMI BALTIC

- Strong market share growth in growing market
- Strong EBIT benefiting from successful recovery plan
- 3 new stores in the quarter, in total 12-15 planned in 2016

APOTEK HJÄRTAT (PHARMACY)

- Growth stronger than market despite increased competition
- Synergies in line with set targets
- 6 new pharmacies in Q1 – in total 10 planned 2016

ICA REAL ESTATE

- 11 Norwegian properties divested as of Q1. Process of selling remaining properties initiated

ICA BANK

- Challenging market, profit level under pressure
- Positive business volume development
- Ramp-up of ICA Insurance continues
- New CEO ICA Insurance; Carl Farberger

OTHER SEGMENTS

- inkClub improved EBIT vs last year
- Sales process for inkClub initiated
- Action programme and new strategic plan for Hemtex

Financials

Sales growth improvement and EBIT up

MSEK	Q1 2016	Q1 2015	Change %
Net Sales	24 761	23 673	4,6
EBIT before non-recurring items	959	775	23,8
EBIT margin* %	3,9%	3,3%	0,6 pp
Cash flow**	531	25	-
Earnings per share (SEK)	3,65	2,51	45,4

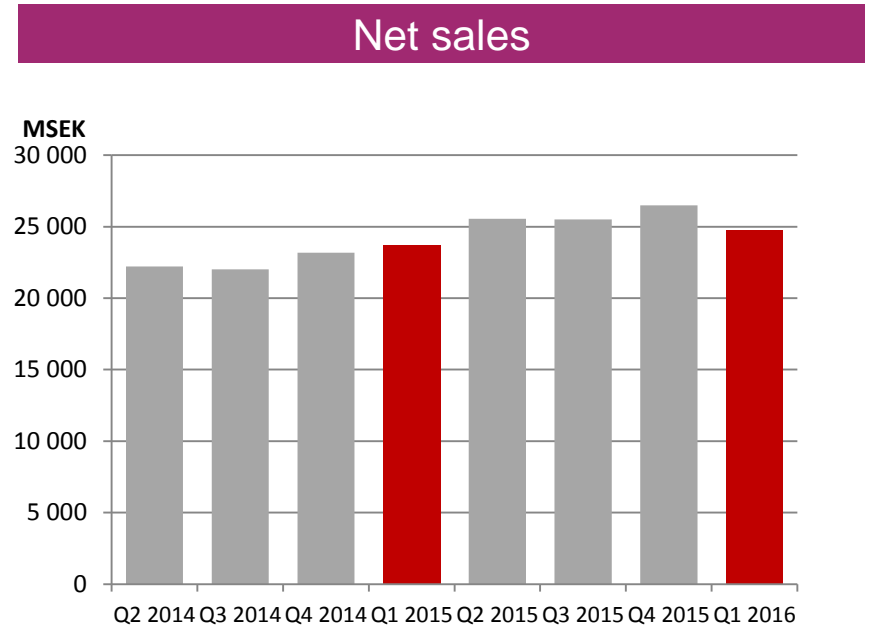
* Before non-recurring-items

** Cash flow from operating activities excl. ICA Bank

- Improved comparable volume growth in Sweden and the Baltics
- Significant EBIT and margin improvement, but MSEK 53 integration costs and Cervera MSEK -16 last year
- Last year cash-flow impacted by negative one-off effect

Stronger comparable volume growth

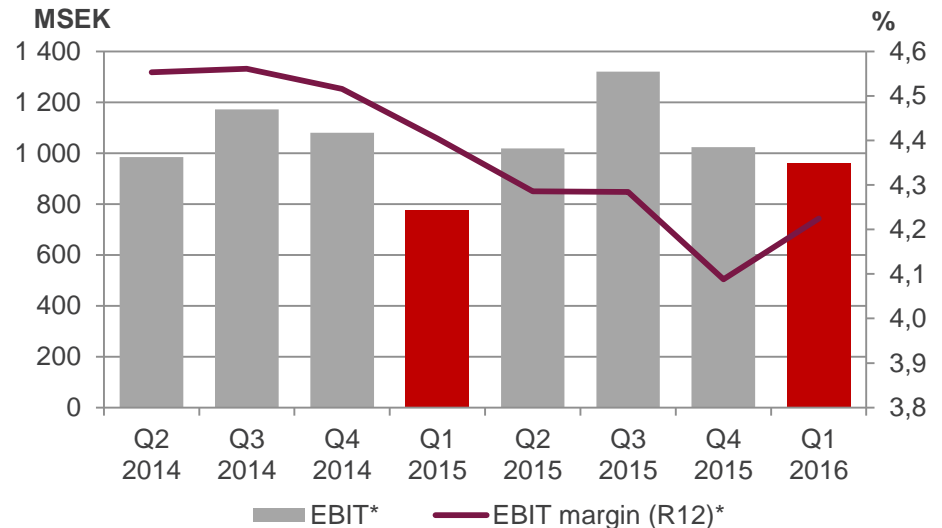
- Net sales +4.6% on comparable basis - growth across all businesses except inkClub
- Sales volume growth
 - Store/pharmacy network expansion
 - Significant improvement in comparable store sales
- Easter sales impact overall marginal
- Positive price effects across all retail segments



Improvement actions paying off on EBIT

- Positive sales impact – volume and price
- Calendar impact
 - Easter in aggregate MSEK -17
 - Leap day MSEK +24
- Costs
 - Sweden logistics costs as expected considerably higher than last year
 - Other costs lower
- Impact in Q1 2015
 - Structure costs MSEK 20
 - Integration costs Apotek Hjärtat MSEK 53
 - Cervera EBIT MSEK -16

EBIT before non-recurring items



EBIT variance analysis Q1 (estimate)

	MSEK
EBIT before non-recurring items Q1 2015	775
Sales Volume	85
Margin	9
Store costs	-21
Other costs	42
LY profits of divested businesses	17
<i>Acquisition and integration related costs</i>	<i>53</i>
EBIT before non-recurring items Q1 2016	959



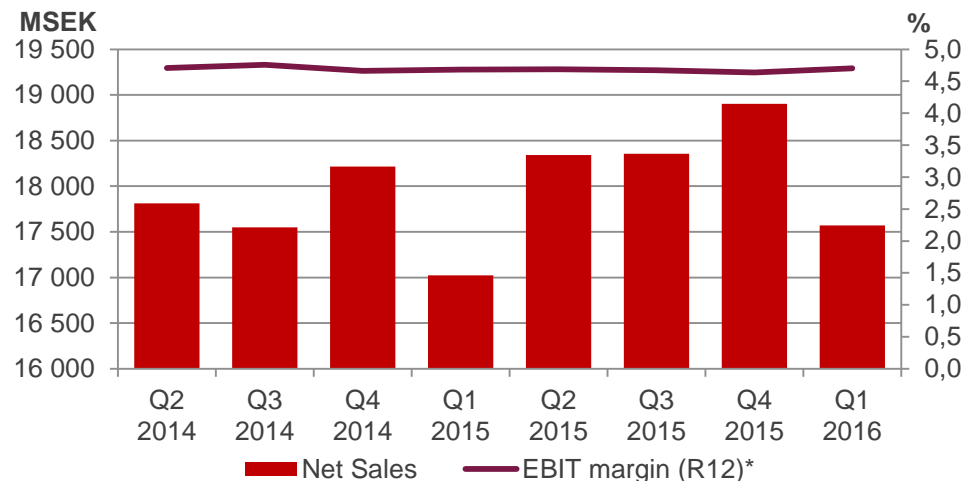
ICA Sweden – improving as planned

- Net wholesale sales +5.3% vs last year, of which leap day impact +1.5 pp
- More customers driving volume growth
- EBIT* 10.8% above last year
 - + Growing volumes
 - + Positive price impact
 - Logistics costs
 - + Store costs, incl divestment impact MSEK +27
 - + Store profit sharing, MSEK +16
 - + Structure costs Q1 2015, MSEK 20

*Before non-recurring items

MSEK	Q1 2016	Q1 2015	Change %
Net sales	17 571	17 024	3,2
EBIT*	769	694	10,8
EBIT Margin*	4,4%	4,1%	0,3 pp

Net sales and EBIT Margin R12*

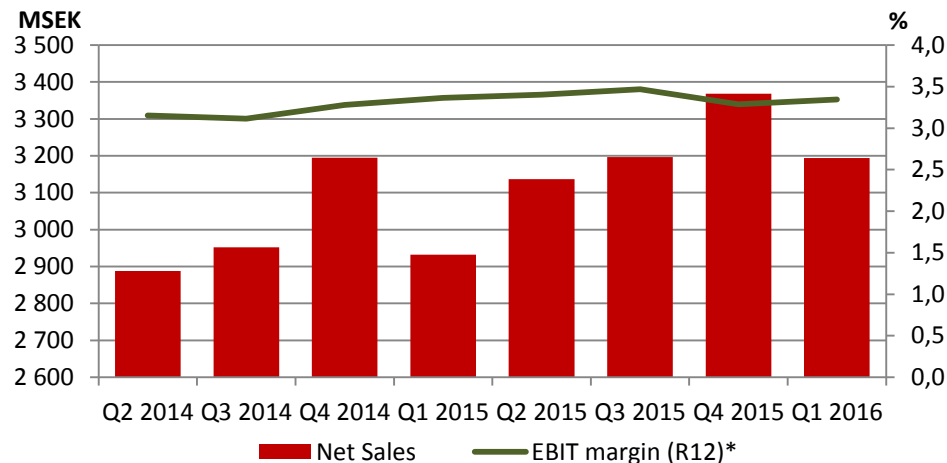


Rimi Baltic – action plan working well

- Comparable store sales growth improving substantially vs Q4 2015 level – up vs last year in all countries
- Increased market share despite growing competition
- EBIT* up 21.8%
 - + Volumes growing organically and with expansion (12 more stores than last year)
 - + Better price management, more efficient promotions
 - + Improved purchase prices
 - + Better store efficiency
 - Partly re-invested into further store expansion

MSEK	Q1 2016	Q1 2015	Change %
Net sales	3 194	2 932	8,9
EBIT*	95	78	21,8
EBIT Margin*	3,0%	2,7%	0,3 pp

Net sales and EBIT Margin R12*



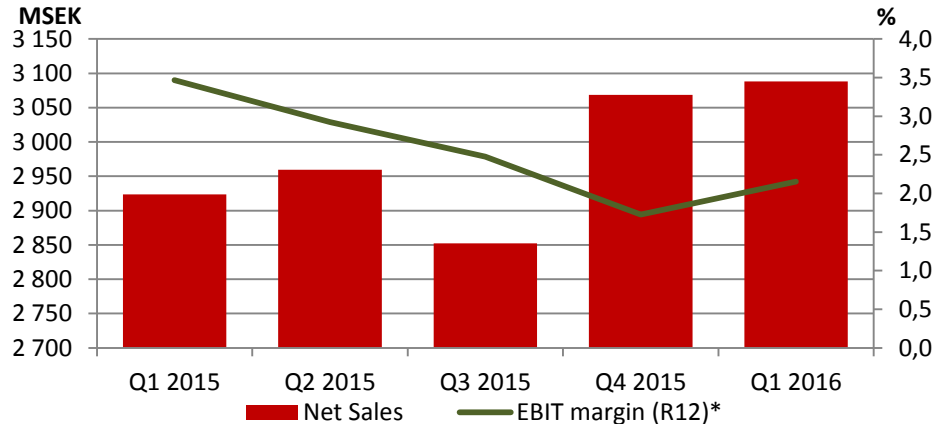
*Before non-recurring items

Apotek Hjärtat – above market growth

- Pharmacy market up by 5.2% in Q1
- Apotek Hjärtat 0.9 pp above market growth
- Sales growth driven by 16 more pharmacies than Q1 last year, 6 of which opened this quarter
- Underlying EBIT* in line with last year
 - + Integration costs MSEK 53 last year
 - + Volume growth and synergies
 - Re-invested into new pharmacies

MSEK	Q1 2016	Q1 2015	Change %
Net sales	3 088	2 783	-
EBIT*	80	25	-
EBIT Margin*	2,6%	0,9%	1,7 pp

Net sales and EBIT Margin R12*

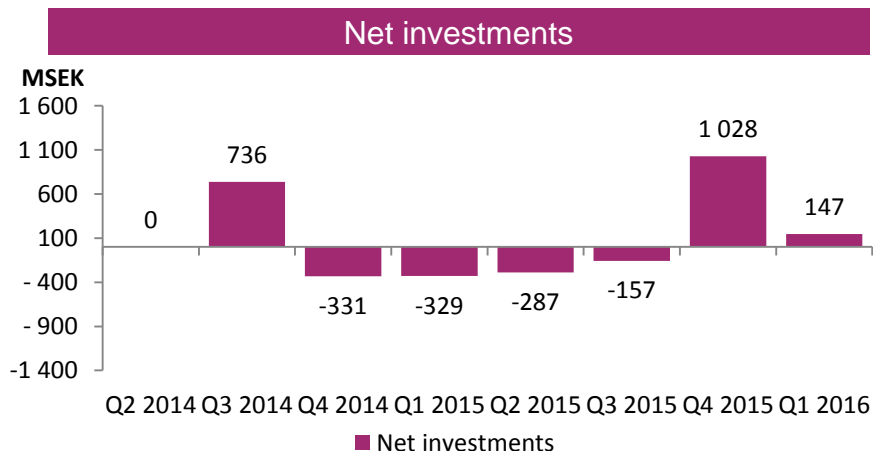


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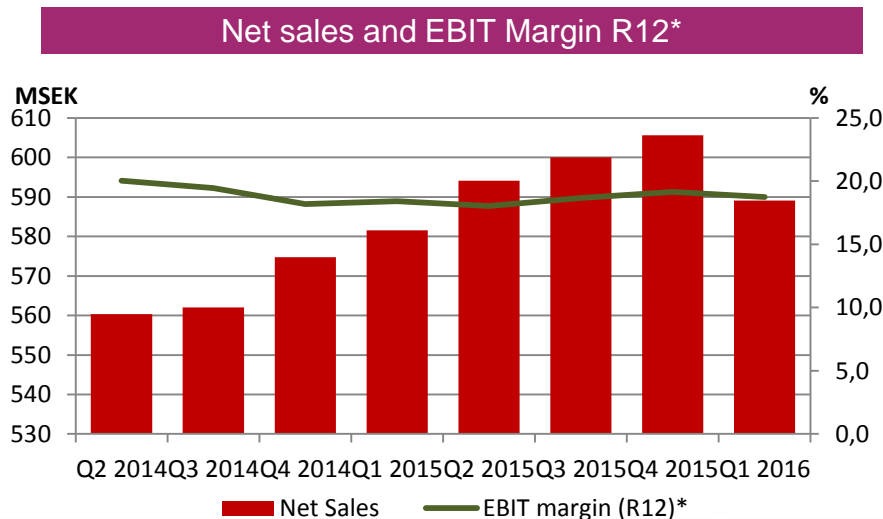
ICA Real Estate – divestment impact

- EBIT* down 7.7%, due to lower rental income and some differences in cost phasing mainly due to divestment to Secore in Q4 2015
- Divestment of Norwegian properties continuing according to plan. Assets held for sale of some SEK 1.6 billion

MSEK	Q1 2016	Q1 2015	Change %
Net sales	589	582	1,3
whereof Net Income owned properties	277	285	-2,9
Net Yield	7,0%	6,8%	0,2 pp
EBIT*	96	104	-7,7
EBIT Margin*	16,3%	17,9%	-1,6 pp



*Before non-recurring items

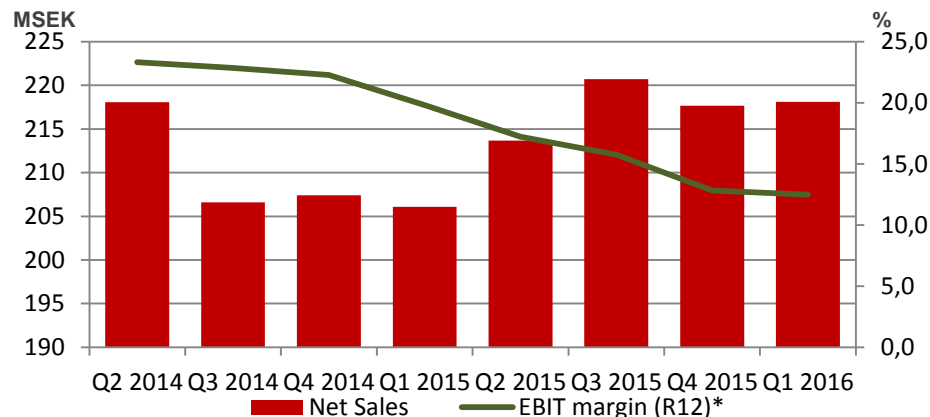


ICA Bank – investing in the insurance business

- Net income increase driven by the ramp-up of the insurance company
- EBIT* in aggregate stable
 - The ramp-up of ICA Insurance (MSEK -9 vs Q1 last year)
 - Lower repo rate
 - Lower commissions from cards
- + Positive impact from pricing, placements and pre-paid cards
- + Lower costs

MSEK	Q1 2016	Q1 2015	Change %
Net income	218	206	5,8
EBIT*	15	16	-6,3
Business Volume	29 182	26 679	9,4

Net income and EBIT Margin R12*



*Before non-recurring items

Other segments – inkClub strong EBIT improvement

Hemtex

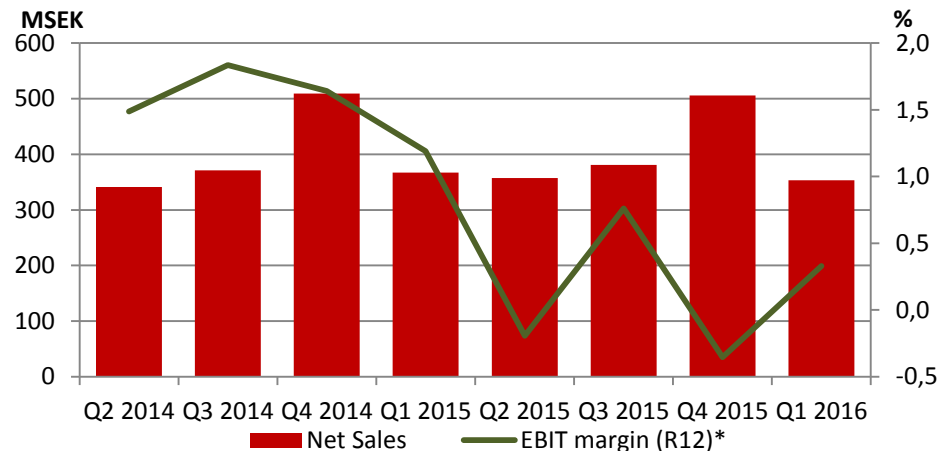
- Sales and EBIT on same level as last year
- Volumes under pressure and price management improving
- Strategic overhaul proceeding as planned

inkClub

- Significant EBIT improvement due to cost restructuring
- Divestment process initiated

MSEK	Q1 2016	Q1 2015	Change %
Net sales	354	367	-3,7
EBIT*	-15	-26	41,5
EBIT Margin*	-4,4%	-7,2%	2,8 pp

Net sales and EBIT Margin R12*

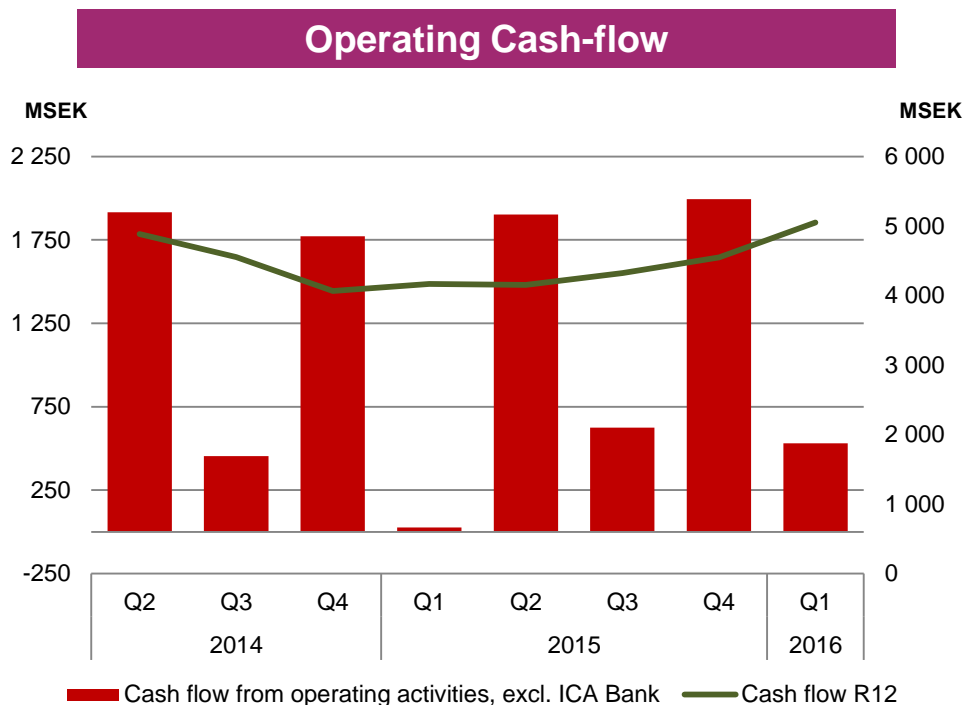


*Before non-recurring items

Figures adjusted to only include Hemtex and inkClub

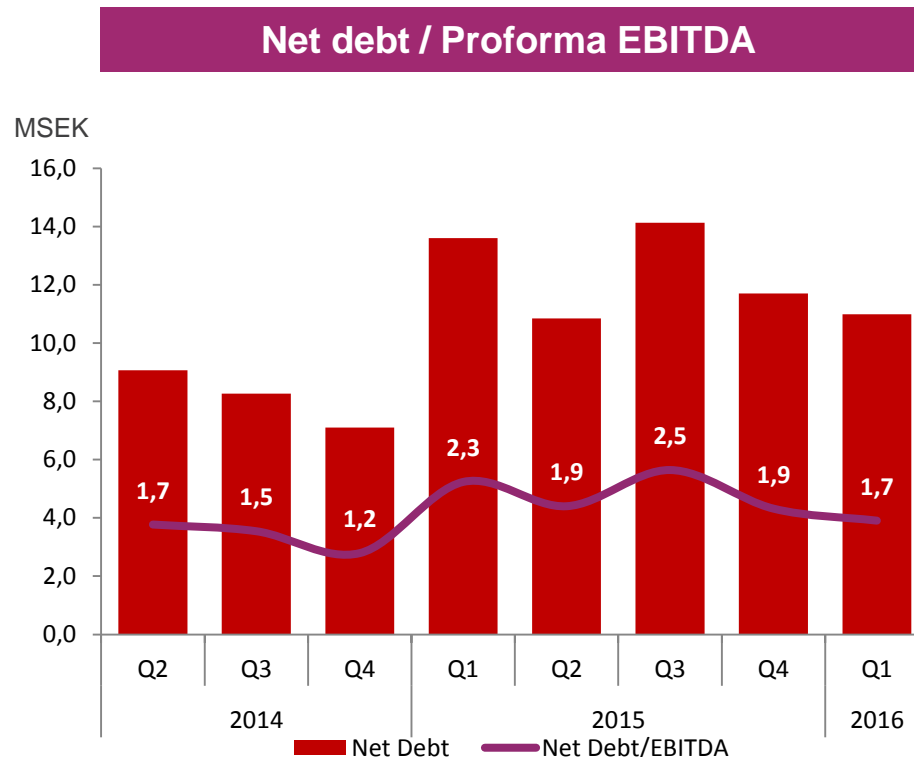
Cash-flow stable

- Operating cash-flow stronger
 - EBITDA improving
 - Continued positive underlying working capital trend
 - One-off negative effect last year
- Less outflow in investments/divestments
 - Acquisition of Apotek Hjärtat last year
 - Divestments Real Estate Norway
 - Lower investments in Sweden



Indebtedness continuing to improve

- Lower net debt
 - Good operational cash-flow
 - Divestments ICA Norway
- Net debt/EBITDA in line with target



Improving vs long-term targets

Targets	R12 (31 March 2016)	Long-term targets
	Sweden ● Baltics ● Pharmacy ●	
Grow faster than market		All markets
EBIT margin before non-recurring items	4.2%	4.5%
ROCE*	10.4%	10%
Net debt/EBITDA**	1.7x	<2.0x
Proposed dividend (% profit of the year)	41%	At least 50%

* Excluding ICA Bank

** Interest-bearing liabilities excluding pensions and ICA Bank minus cash and cash equivalents in relation to EBITDA, operating income before depreciation and impairment.

Outlook and summary



Outlook

ICA SWEDEN

- Good market development but tougher competition from new players and more competitor establishments
- Food retail market expected to grow 3.5%* 2016
- Focus on our marketing concepts
- Fine-tuning of new logistic operations continuing
- Store openings to increase in H2

RIMI BALTIC

- Higher market growth but still low inflation
- Continued tough competition in all countries
- Proceeding with expansion of store network

APOTEK HJÄRTAT (PHARMACY)

- Integration and synergies according to plan
- Focus on Online offering
- Combined loyalty program with ICA as of June

*HUI estimate

ICA REAL ESTATE

- Implement broader scope to secure long-term locations
- Divestment of Norwegian properties
- Depreciations discontinued on Norwegian properties from Q2

ICA BANK

- Very challenging market conditions expected to continue
- ICA Insurance ramp-up
- Focus on increased sales per customer

OTHER SEGMENTS

- Hemtex – a year of transition
- inkClub – strategic overview

Summary

A good quarter in competitive markets

Good effect from implemented activities in Rimi Baltic. ICA Sweden strong EBIT

High activity level to further strengthen our position



Save-the-date

- Capital Markets Day
December 15 in Stockholm



Thanks

2016-05-04

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