



Q3 report 2016

Press and analyst presentation

9 November 2016

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In brief

Good sales growth in a weaker market

Increased EBIT with stable margins

Increasing market shares in food retail



Good sales growth in a weaker market

Increased net sales and EBIT*

- Net sales approx. +1%. Low food inflation in Sweden
- EBIT*, adjusted for integration costs in 2015, in line with last year. EBIT margin stable. Investments in advertising up

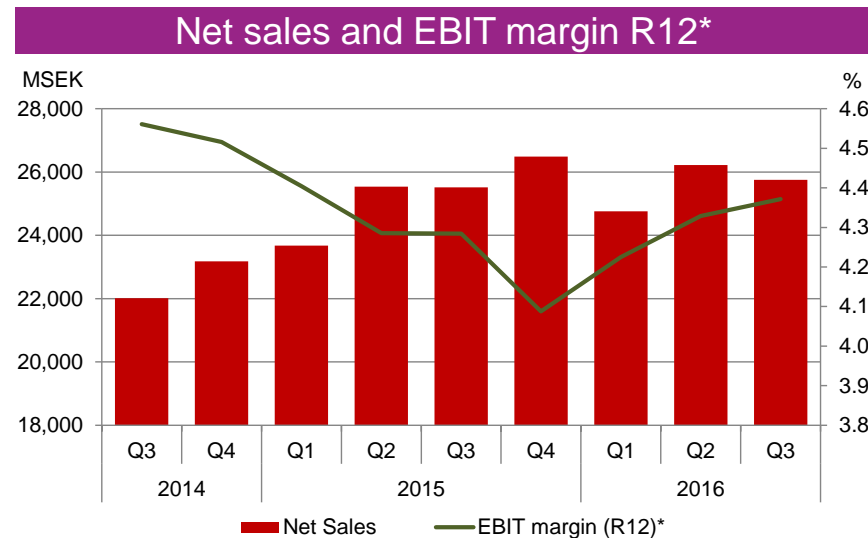
Events

- Kerstin Lindvall appointed Chief Corporate Responsibility Officer and a member of ICA Management Team
- Swedish brand award to Apotek Hjärtat for strongest brand among pharmacies

Market

- Sharp competition in all markets
- Food price inflation in Sweden lower in recent months, slightly higher in the Baltics than last year

MSEK	Q3 2016	Q3 2015	Change %
Net sales	25,752	25,517	0.9
EBIT*	1,376	1,321	4.1
EBIT Margin*	5.3%	5.2%	0.1 pp



*Excluding non-recurring items

Markets

Generally more competitive market

Sweden

- Relatively low growth in the food retail market this year
- Low food inflation, +0.5% in Q3
- Promotional activity, new competitors & growing online add to competitive pressure

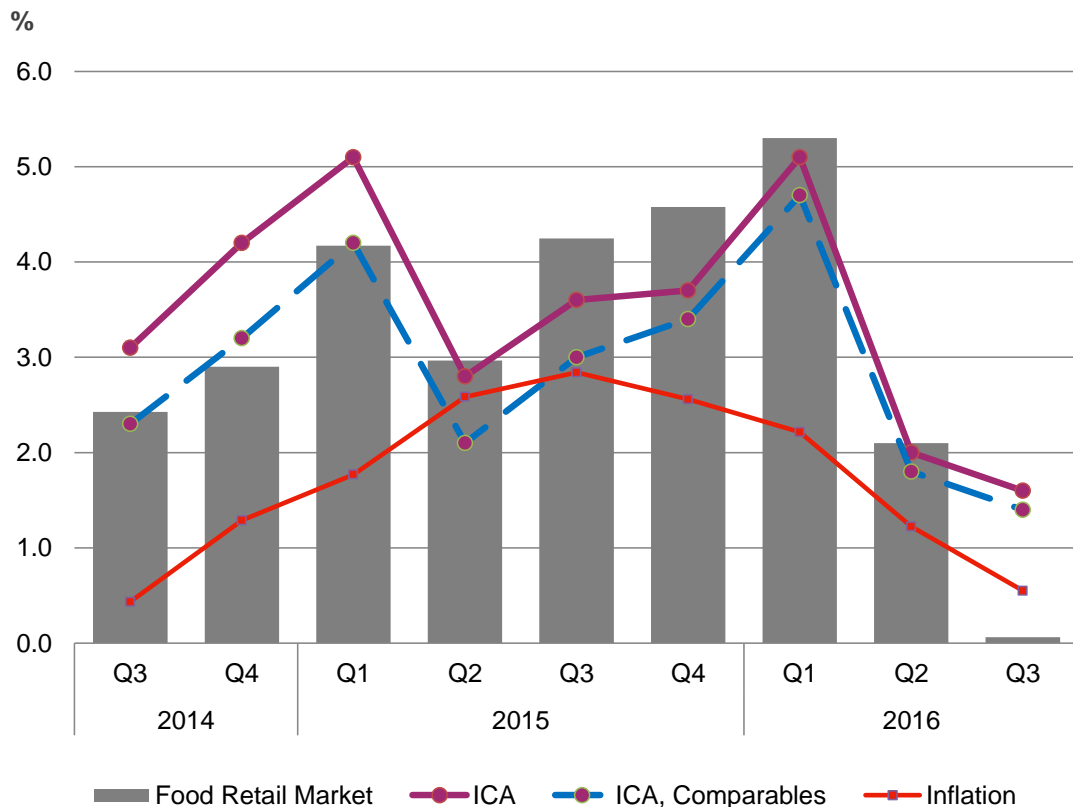
The Baltics

- Better market growth in the beginning of 2016
- Food inflation +2.1% in Q3
- Continued high promotional activity and focus on price

Pharmacy

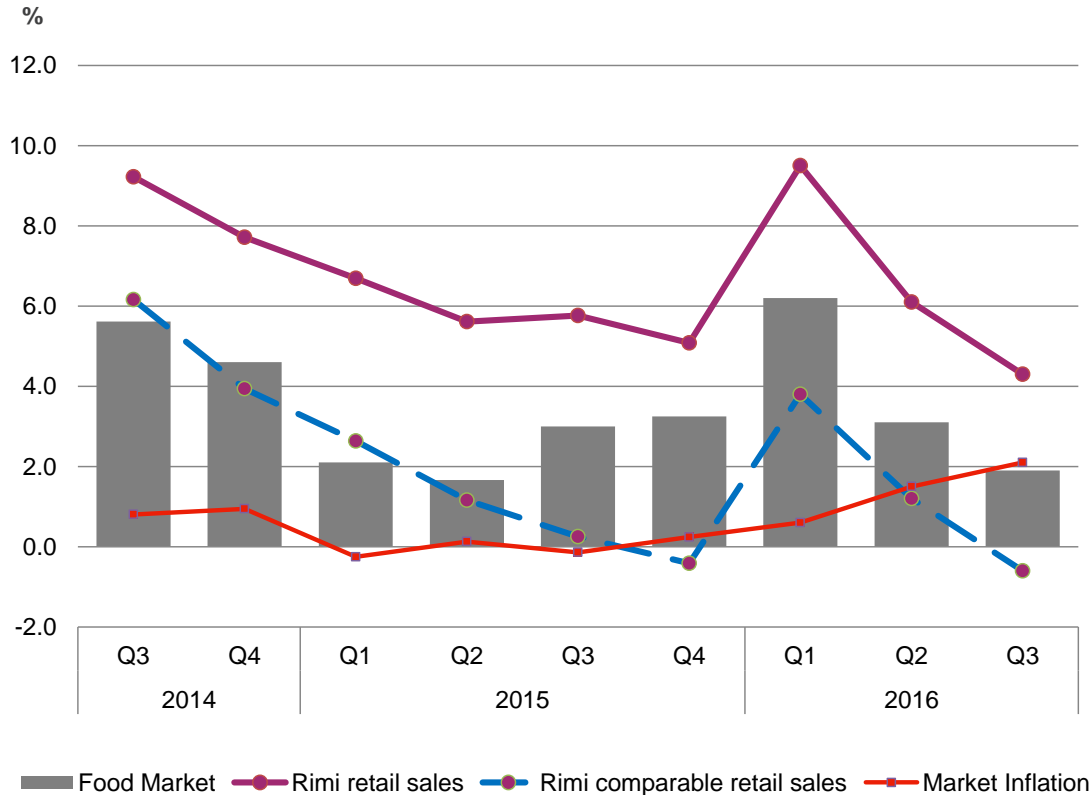
- Market growth +4.4% in Q3 vs last year
- Traded goods continue to show good growth in the market
- Strong competition from Online

Sales growth above market in Swedish ICA stores



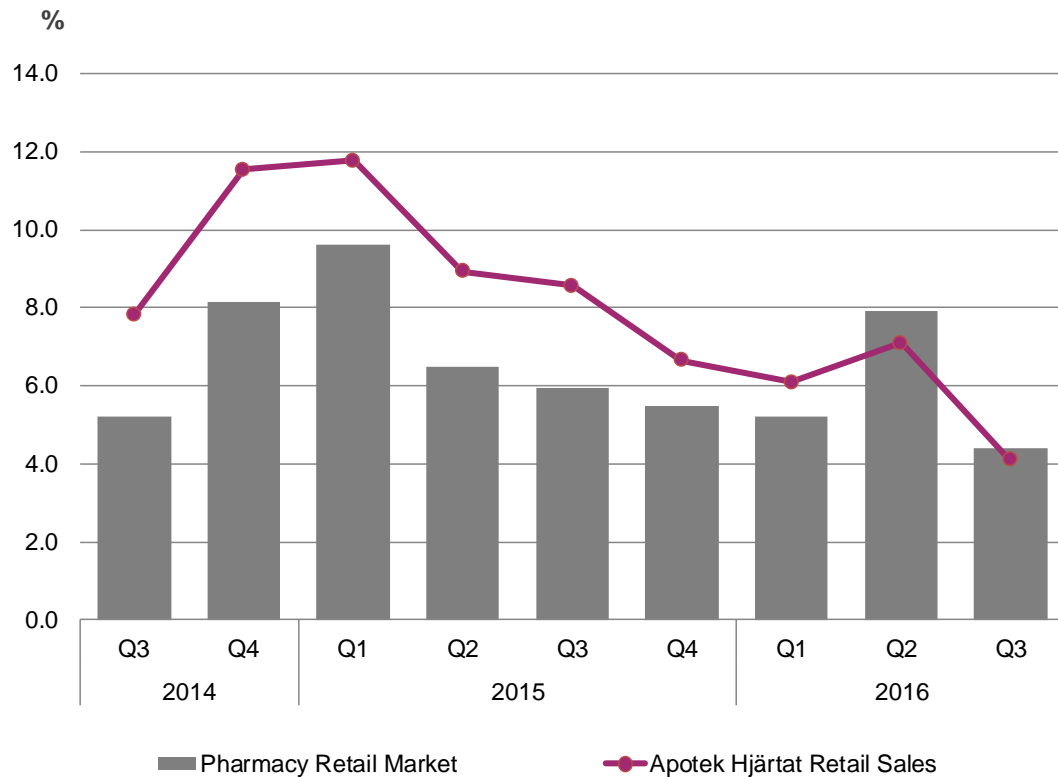
- ICA store sales growth of 1.6%, in comparable stores +1.3%
- Increased number of customers and higher average purchase
- Food retail market growth relatively low in Q3, preliminary growth +0,1%
 - Price and calendar effect of +1% (price +0.5%, calendar +0.5%)
 - Final Q3 market growth end November
- 3 new stores in Q3
- ICA Online sales growth +47% (food online and menu baskets) vs Q3 last year. 193 ICA stores selling food online

Continued market share gains in the Baltics



- Rimi store sales +4.3% in Q3, comparable sales -0.6%
 - Good comparable growth in Estonia +2.3%
 - Latvia comparable -1.0%
 - Lithuania comparable -3%, competition from Lidl entering Lithuania
- Food retail market +1.9% in Q3
 - Estonia +4.0%
 - Latvia -2.0%
 - Lithuania +3.3%
- Food price inflation +2.1%
- 3 new Rimi stores in Q3

Apotek Hjärtat – good underlying sales growth

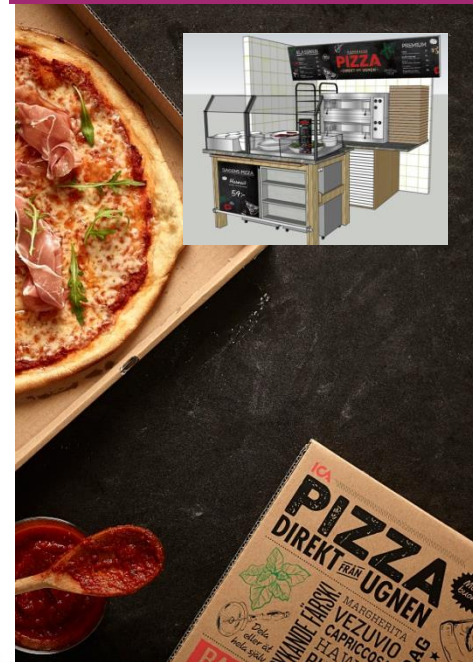


- Adjusted for divestment effects, Apotek Hjärtat sales +6.9%
- Market growth of +4.4% in Q3
- 1 new pharmacy in Q3

Focus areas

Strong focus to meet convenience trend

Store baked pizza



Dinner box and Breakfast bag



Sushi Daily



Ready-made food in store



Strong focus on digitalisation trend



Financials

Robust EBIT and strong cash flow

MSEK	Q3 2016	Q3 2015	Change %
Net Sales	25,752	25,517	0.9
EBIT excluding non-recurring items	1,376	1,321	4.1
EBIT margin* %	5.3%	5.2%	0.1 pp
Cash flow**	1,046	624	-
Earnings per share (SEK)***	5.21	4.83	7.9

* Excluding non-recurring-items

** Cash flow from operating activities excl. ICA Bank

*** EPS continuing operations

- Net sales growth lower – price and volume
- EBIT and EBIT margin stable on a comparable basis
- Strong cash flow
- EPS improving due to one-offs

EBIT variance analysis Q3 (estimate)

	MSEK
EBIT excluding non-recurring items Q3 2015	1,321
Sales Volume	8
Margin	32
Store costs	-1
Other costs	-24
Deviation in profits for divested businesses	-13
Acquisition and integration related costs	52
EBIT excluding non-recurring items Q3 2016	1,376



ICA Sweden – growing faster than the market with stable EBIT margin

ICA Sweden

- Net sales growth affected by lower inflation and lower store sales volumes
- Slightly higher EBIT*
 - Sales volume impact negative due to stores divested to retailers
 - Gross profit consequently lower, but so are store costs
 - Logistic costs improving, but on a comparable basis still higher than last year
 - Lower store profit sharing

ICA Sweden			
MSEK	Q3 2016	Q3 2015	Change %
Net sales	18,598	18,356	1.3
EBIT*	1,020	996	2.4
EBIT Margin*	5.5%	5.4%	0.1 pp

*Excluding non-recurring items

Rimi Baltic – very strong progress

Apotek Hjärtat – gross profit up, and investing

Rimi Baltic

- Sales growth continuing faster than the market - comparable store sales slightly weaker
- Significant gross margin improvement, price and cost driven
- Sizeable EBIT* growth, despite continuous investment in store network expansion

Rimi Baltic			
MSEK	Q3 2016	Q3 2015	Change %
Net sales	3,363	3,196	5.2
EBIT*	134	110	22.0
EBIT Margin*	4.0%	3.4%	0.5 pp

Apotek Hjärtat

- Adjusted for divestments, sales growth of 6.9% - higher comparable sales and new pharmacies
- Gross profit and margin significantly up
- Investing in marketing, online channel and new pharmacies

Apotek Hjärtat			
MSEK	Q3 2016	Q3 2015	Change %
Net sales	3,021	3,113	-3.0
EBIT*	129	85**	51.9
EBIT Margin*	4.3%	2.7%	1.6 pp

*Excluding non-recurring items

**Including integration costs of MSEK 52

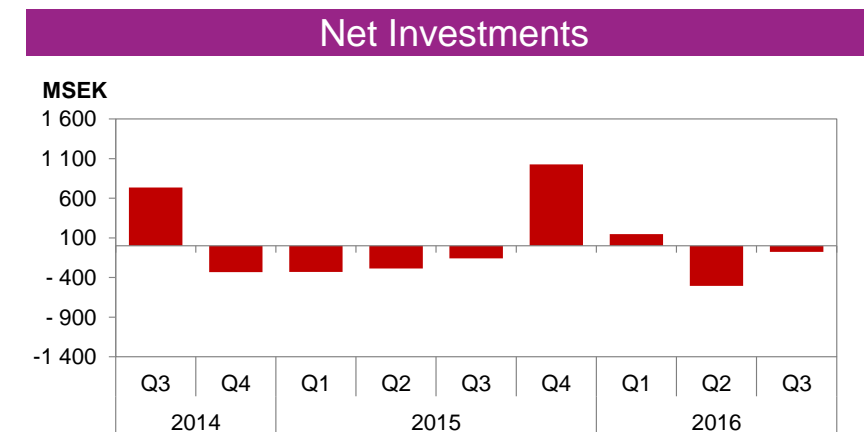
ICA Real Estate – affected by divestments

ICA Real Estate

- Lower rent income due to divested properties
- EBIT* improvement coming from discontinued depreciation of Norwegian properties, lower costs and higher income from joint ventures
- Divestment of Norwegian properties progressing according to plan (NBV SEK 1.6 bn)
- Market revaluation of wholly owned properties, SEK 12.2 bn, comparable value increase +7.3%

*Excluding non-recurring items

ICA Real Estate			
MSEK	Q3 2016	Q3 2015	Change %
Net sales	594	600	-1.0
<i>whereof Net Income owned properties</i>	281	308	-8.6
Net Yield	7.1%	7.2%	-0.1 pp
EBIT*	142	134	5.7
EBIT Margin*	23.9%	22.3%	1.6 pp



ICA Bank – challenging market

Hemtex – strategy review proceeding

ICA Bank

- Net income on a comparable basis in line with last year, as a result of the ramp-up of ICA Insurance
- EBIT* under pressure due to
 - Negative repo rate movement
 - New interchange rules
 - Lower ATM volumes and income from prepaid cards
 - Slightly higher credit losses

Other segments

- inkClub divestment impact, EBIT MSEK -10
- Hemtex net sales down 5%, driven by decreasing number of customers, but gross margin improving well on comparable basis
- Hemtex EBIT* comparison vs Q3 last year affected negatively by positive currency effect last year (MSEK 6)
- Strategy review proceeding

ICA Bank

MSEK	Q3 2016	Q3 2015	Change %
Net income	189	221	-14.2
EBIT*	21	48	-56.5
Business Volume	31,280	28,110	11.3

Net income Q3 2016 affected negatively MSEK 33 by accounting redefinition of re-insurance costs.

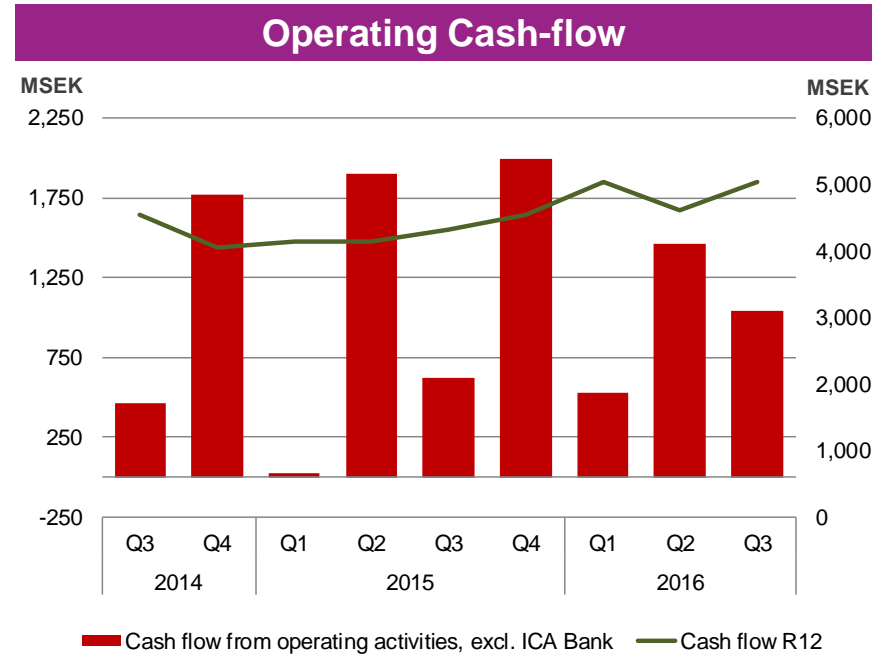
Other segments

MSEK	Q3 2016	Q3 2015	Change %
Net sales	252	380	-33.7
EBIT*	-1	18	-106.0
EBIT Margin*	-0.4%	4.7%	-5.1 pp

* Excluding non-recurring items

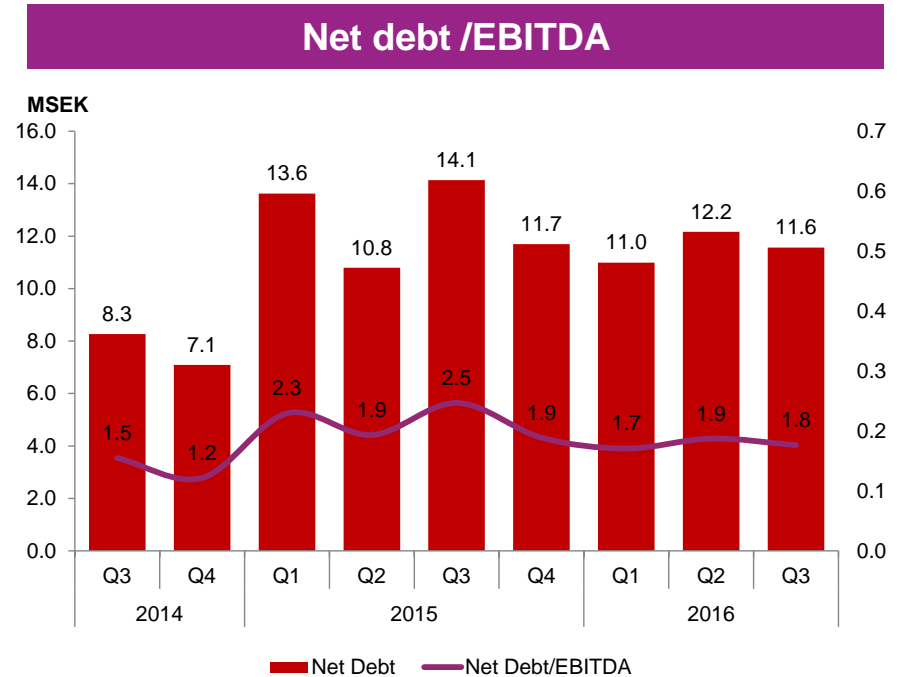
Solid cash-flow

- Cash-flow significantly better than preceding years' Q3
 - Good EBIT growth
 - Better working capital movement



Net debt/EBITDA continuing to improve

- Net debt/EBITDA ratio vs Q3 last year down by 0.7
 - of which 0.5 coming from lower net debt due to divestments and positive operating cash flow
 - of which 0.2 due to increased EBITDA because of higher capital gains and higher EBIT excluding non-recurring items



Long-term targets

Targets	R12 (30 Sep 2016)	Long-term targets
	Sweden ●	
	Baltics ●	
	Pharmacy ●	
Grow faster than market		All markets
EBIT margin excl. non-recurring items	4.4%	4.5%
ROCE*	10.8%	10%
Net debt/EBITDA**	1.8x	<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

- Continued focus on our marketing concepts including initiative to improve price perception
- Fine-tuning of new logistic operations continuing
- Lower market growth due to low inflation
- 9 store openings in Q4

RIMI BALTIC

- Finalize conversion of Säästumarket to Rimi. 10 of 43 will be closed
- Increasing competition from Lidl in Lithuania
- 4 store openings in Q4

APOTEK HJÄRTAT (PHARMACY)

- Increased focus on Online
- 4 new stores in Q4. 7 to be closed/sold in Q4

ICA REAL ESTATE

- Norwegian real estate divestment. Ambition to sign deal in Q4 2016 and to close transaction in Q1 2017

ICA BANK

- Increased focus on customer loans and mortgages
- Continued roll-out of newly introduced ICA Bank Corporate
- ICA Insurance ramp-up continues

OTHER SEGMENTS

- Hemtex new strategy

Summary

Good sales growth in a weaker market

Increased EBIT with stable margins

Increasing market shares in food retail



Thanks

2016-11-09

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