



Q4 report 2016

Press and analyst presentation

8 February 2017

Per Strömberg, CEO
Sven Lindskog, CFO



In brief

A good quarter and a good 2016

Increased market shares

Results in line with financial targets



Good conclusion to 2016

Higher EBIT* and strong cash flow

- Net sales +1.6%
- EBIT +9% on comparable basis
- Cash flow very strong
- In line with financial targets

Events

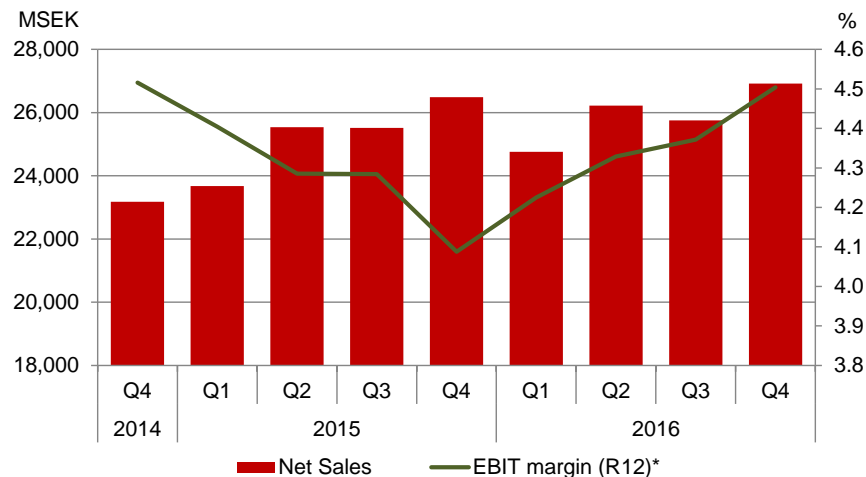
- Acquisition of Lithuanian food retail chain IKI
- Real Estate Norway divested, transaction finalized 1 Feb 2017. Capital gain of **400** MSEK

Market

- Competitive pressure continues in all markets
- Food price inflation in Sweden increasing at the end of 2016
- Inflation higher in the Baltic countries

MSEK	Q4 2016	Q4 2015	Change %
Net sales	26,920	26,489	1.6
EBIT*	1,180	1,024	15.2
EBIT Margin*	4.4%	3.9%	0.5 pp

Net sales and EBIT margin R12*



*Excluding non-recurring items

Markets

Generally more competitive market

Sweden

- Market growth lower in second half
- Food inflation higher end of year, +1.0% in Q4
- Promotional activity, new competitors & growing online add to competitive pressure

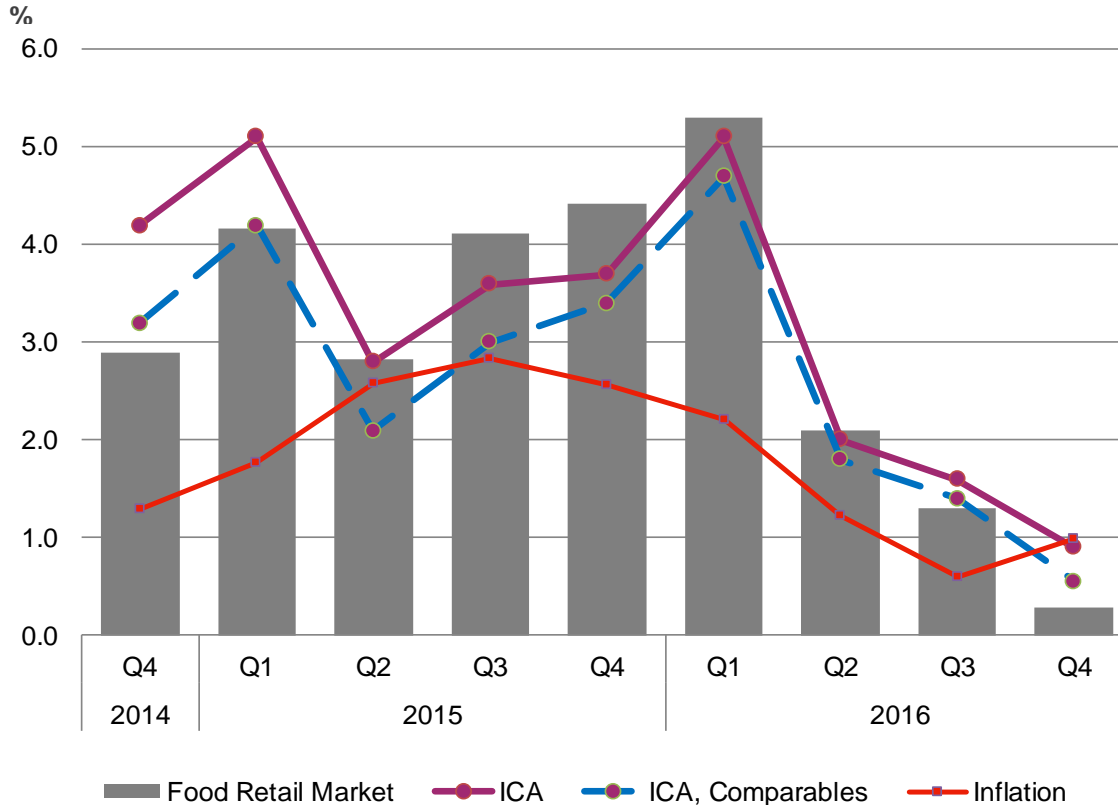
The Baltics

- Better market growth in the beginning of 2016
- Food inflation +2.4% in Q4
- Continued high promotional activity and focus on price

Pharmacy

- Market growth +4.4% in Q4 vs last year
- Traded goods continue to show good growth in the market
- Strong growth in Online

ICA gains market share in Sweden in Q4

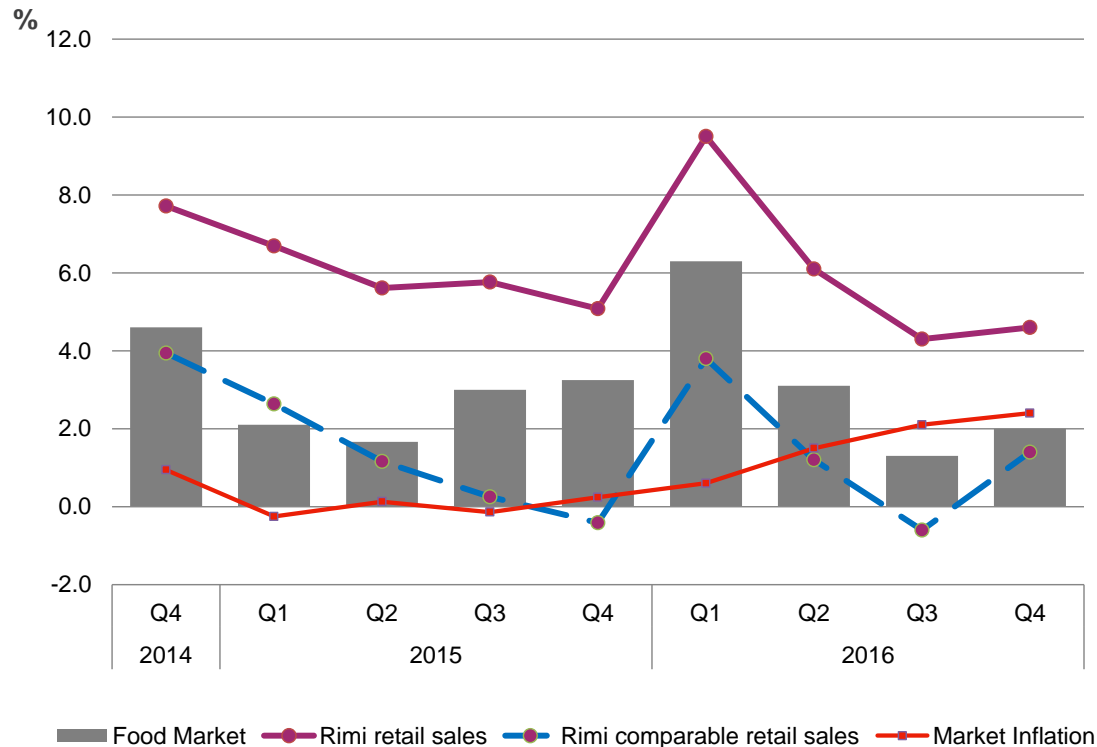


Store sales and retail market in Q4

- ICA store sales growth* of +0.9%, in comparable stores +0.6%
- Sales mainly driven by increased average buy
- Food retail market growth relatively low in Q4, preliminary growth +0.3%
- Price and calendar effect of +0.4% (price +0.9%, calendar -0.5%)
- ICA Online sales growth +47% (food online and menu baskets). 204 ICA stores selling food online
- 9 new stores. In total 17 new stores in 2016

*including VAT

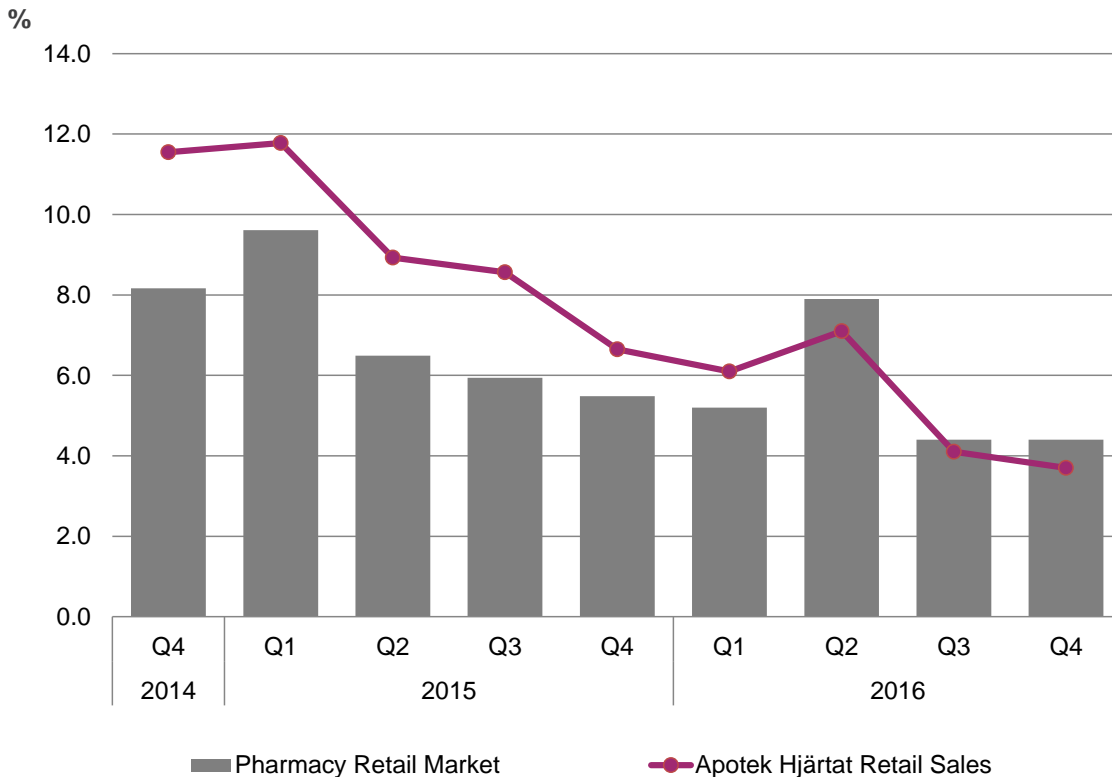
Continued market share gains in Rimi Baltic in Q4



Store sales and retail market in Q4

- Rimi store sales +4.5%, comparable sales +1.4%
- Comparable growth in Estonia +1.5%
- Latvia comparable +3.5%
- Lithuania comparable -3.4%, affected by Lidl market entry
- Food retail market +2.0%
 - Estonia +3.0%
 - Latvia -1.8%
 - Lithuania +4.0%
- Food price inflation +2.4%
- 3 new stores in Q4. In total 14 new in 2016

Apotek Hjärtat - underlying sales growth in line with market in Q4



Store sales and retail market in Q4

- Adjusted for divestment effects, Apotek Hjärtat sales +4.2%
- Market growth of +4.4%
 - Prescription (volume) +3.5%
 - OTC +3.3%
 - Traded goods +9.6%
- Very strong online growth, Apotek Hjärtat +129%
- 4 new pharmacies. In total 16 new pharmacies in 2016

Events

Acquiring IKI – strengthening our Baltic footprint

- ICA Gruppen acquires the Lithuanian grocery retail chain IKI for EUR 213m on a cash and debt free basis
- IKI has a turnover of EUR ~630m*, EBITDA of EUR ~35m* and EBIT EUR ~18m*
- The purchase price implies an EBITDA* multiple of 6.1x and an EBIT* multiple of 11.6x
- Significant annual synergies estimated to EUR ~15m when fully realised in 2020
- Acquisition related one-off costs are estimated to ~EUR 40m and related capex at EUR ~25m during 2017-2019
- Transaction is financed through cash and existing credit facilities
- Completion subject to approval from competition authorities no later than Q4 2017



* R12 Q3 2016 unaudited financials

New initiatives within health and sustainability



Losec® mups
Rad 2

Bliester, 14 tabletter
Jmfpris 7.04 / styck

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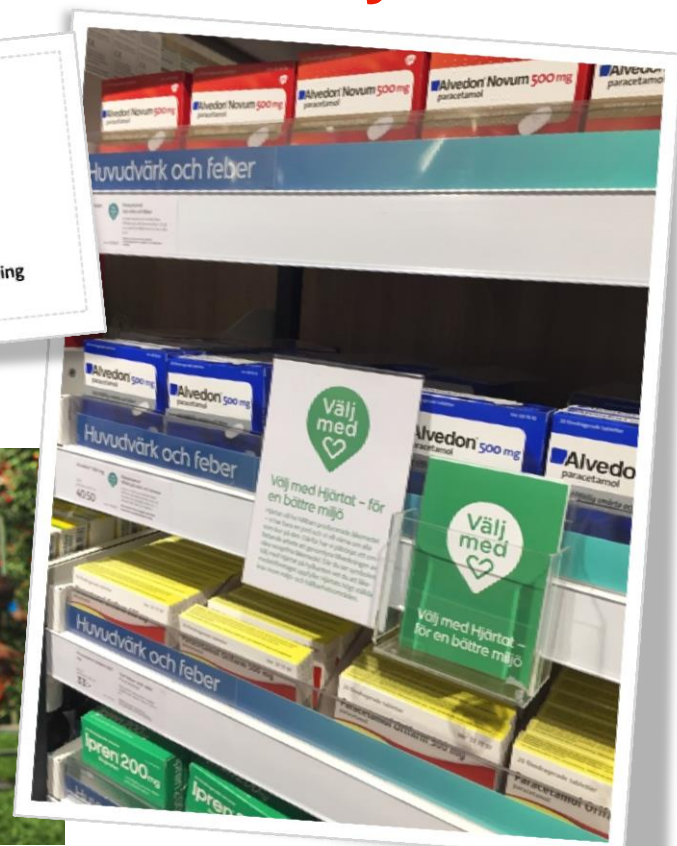
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Välj med

Mot halsbränna
Effekt upp till 1 dygn

Syrautsöndringen minskar inom 2 timmar från första kapseln. Hämmar produktionen av magsyra och motverkar sura uppstötningar

Ingen särskild temperaturbegränsning



In 2017, we will...



Tell our Story



Create good initiatives



Celebrate



Financials

Strong cash flow and EBIT margin in line with long-term target

MSEK	Q4 2016	Q4 2015	Change %
Net Sales	26,920	26,489	1.6
EBIT excluding non-recurring items	1,180	1,024	15.3
EBIT margin* %	4.4%	3.9%	0.5 pp
Cash flow**	2,645	1,995	-
Earnings per share (SEK)***	3.89	7.10	-45.2

* Excluding non-recurring-items

** Cash flow from operating activities excl. ICA Bank

*** EPS continuing operations

- Net sales higher – volume and price
- EBIT +9% on comparable basis - margin and volume
- Strong cash flow
- EPS lower due to one-offs

EBIT variance analysis Q4 (estimate)

	MSEK
EBIT excluding non-recurring items Q4 2015	1,024
Sales Volume	6
Margin	97
Store costs	34
Other costs	-44
Deviation in profits for divested businesses	-12
Acquisition and integration related costs	76
EBIT excluding non-recurring items Q4 2016	1,180



ICA Sweden – good wholesale volumes, EBIT margin stable

ICA Sweden

- Net sales growth driven by higher wholesale volumes
- EBIT* slightly higher
 - Robust wholesale volumes
 - Price investments
 - Logistics and distribution costs improving, helped also by fuel hedge results
 - Store costs still significantly lower
 - Advertising spending up

ICA Sweden			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	19,104	18,904	1.1
EBIT*	837	812	3.1
EBIT Margin*	4.4%	4.3%	0.1 pp

*Excluding non-recurring items

Rimi Baltic – very strong EBIT improvement

Apotek Hjärtat – gross profit up, investing in market

Rimi Baltic

- Sales growth in local currency +4.6%, driven by price and volume
- Improved EBIT* and EBIT margin due to
 - Price and assortment mix
 - Better promotion management
 - Format mix and store productivity

Rimi Baltic			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	3,695	3,368	9.7
EBIT*	167	128	30.6
EBIT Margin*	4.5%	3.8%	0.7 pp

Apotek Hjärtat

- Comparable sales in line with market, +4.2%
- Robust gross profit growth continuing, all elements improving
- Investing in digitalisation and marketing
- Store and e-commerce costs up

Apotek Hjärtat			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	3,198	3,182	0.5
EBIT*	102	20**	510.0
EBIT Margin*	3.2%	0.6%	2.6 pp

*Excluding non-recurring items

**Including integration costs of MSEK 76

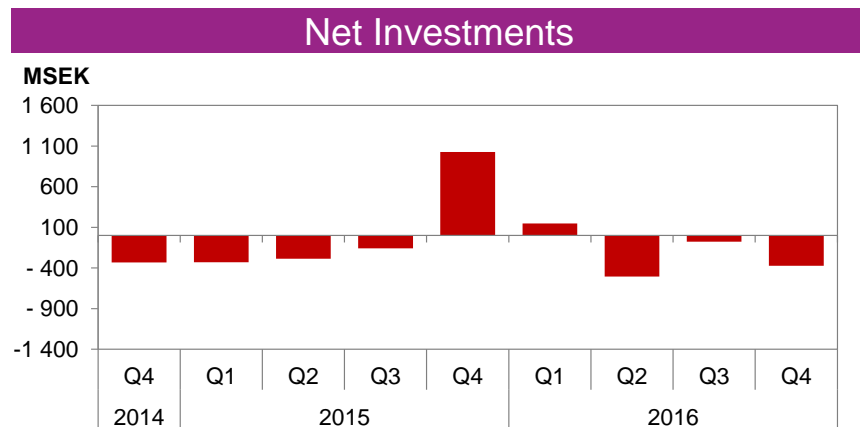
ICA Real Estate – Norwegian properties divested

ICA Real Estate

- Lower rent income due to divested properties
- EBIT* improvement driven by
 - Discontinued depreciation in Norway +16 MSEK
 - Higher income from joint ventures +8 MSEK
 - Lower costs
- Divestment of Norwegian properties finalized 1 February 2017

*Excluding non-recurring items

ICA Real Estate			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	603	606	-0.5
<i>whereof Net Income owned properties</i>	284	293	-3.1
Net Yield	7.1%	7.4%	-0.3 pp
EBIT*	141	112	25.9
EBIT Margin*	23.4%	18.5%	4.9 pp



ICA Bank – still a challenging market

Hemtex – strong ending to the year

ICA Bank

- Net income slightly higher as a result of the growth of ICA Insurance
- EBIT* lower due to
 - Lower repo rate and interchange fees
 - Lower income from pre-paid cards and ATM
- Actions on pricing model and fees to mitigate

Other segments (Hemtex)

- Net sales down due to fewer store visitors
- Hemtex EBIT* substantially improved
 - Considerable improvement of gross margin
 - Lower share of sales at reduced prices
 - Higher store costs but overall costs slightly down

ICA Bank			
MSEK	Q4 2016	Q4 2015	Change %
Net income	224	218	2.9
EBIT*	6	22	-72.1
Business Volume	32,288	28,859	11.9

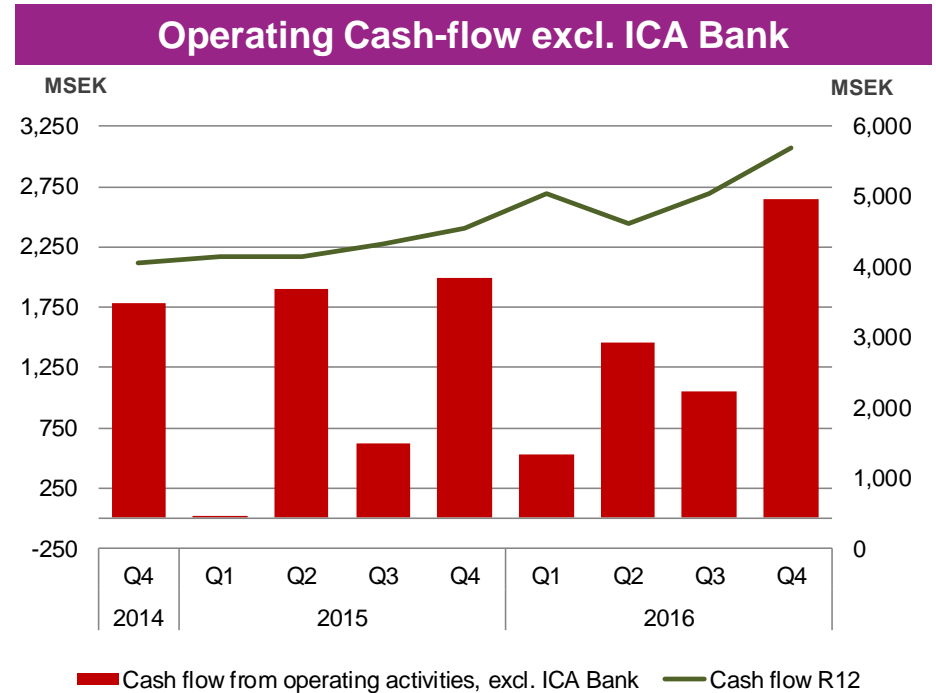
Other segments ¹⁾			
MSEK	Q4 2016	Q4 2015	Change %
Net sales	369	506	-27.1
EBIT*	57	39	44.2
EBIT Margin*	15.4%	7.7%	7.7 pp

* Excluding non-recurring items

1) Q4 2015 includes inkClub Net sales 127 MSEK and EBIT* 12 MSEK

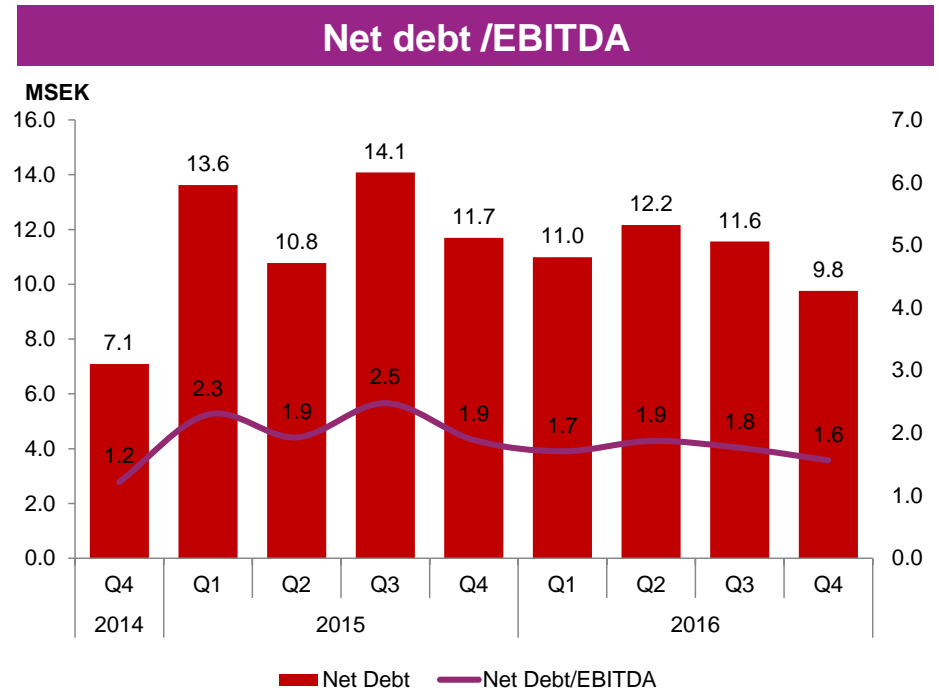
Cash-flow very strong

- Cash-flow significantly better than preceding years' Q4
 - Good EBITDA growth, excluding capital gains
 - Better working capital movement



Net debt/EBITDA continuing down

- Net debt/EBITDA ratio vs Q4 last year down by 0.3
- Development in full due to positive operating cash flow effect



In line with long-term targets

Targets	R12 (31 Dec 2016)	Long-term targets
	Sweden ●	
	Baltics ●	
	Pharmacy ●	
Grow faster than market		All markets
EBIT margin excl. non-recurring items	4.5%	4.5%
ROCE*	10.5%	10%
Net debt/EBITDA**	1.6x	<2.0x
Proposed dividend 2017*** (% profit of the year)	61.8%	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.

*** Proposed dividend of 2016 year result

Outlook and summary



Outlook

ICA SWEDEN

- Continued focus on digitalisation, convenience, price value and sustainability
- Strong focus on reducing costs in logistics operations
- 10-15 store openings 2017 with focus on large cities as well as renewals of 250 stores

RIMI BALTIC

- Closing the IKI acquisition, latest Q4
- Finalize conversion of Säästumarket to Rimi. 10 of 43 will be closed
- Higher pace in DC project
- 10 store openings in 2017

APOTEK HJÄRTAT (PHARMACY)

- Continued focus on the E-commerce business
- Increased focus on sustainability
- 10-15 new pharmacies in 2017

ICA REAL ESTATE

- Divestment of properties to Secore Fastigheter in Q2
- Divestment of Norwegian real estate takes down income by ~200 MSEK and EBIT by ~100 MSEK (all things equal)

ICA BANK

- Develop new innovative digital services
- Continued roll-out of ICA Bank Corporate
- ICA Insurance ramp-up continues

ICA GRUPPEN

- Capex approximately SEK 3.5 billion in 2017 from SEK 2.5 bn in 2016

Summary

A good quarter and a good 2016

Increased market shares

Results in line with financial targets



Disclaimer

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