Q2 report 2017
Press and analyst presentation
16 August, 2017
Per Strömberg, CEO
Sven Lindskog, CFO
In brief

- Results in line with financial targets
- Growth in line with markets
- Higher costs from new ventures
Underlying earnings stable; higher costs from new ventures

Positive sales development – price and volume
- Net sales +4.5%, adjusted for divestment of inkClub and real estate in Norway
- EBIT¹ flat against Q2 LY, adjusted for divestment of inkClub, real estate in Norway and IKI integration costs
- Broadly in line with financial targets

Events
- Finalized divestment of properties to Secore and full quarter without Norwegian real estate
- Initiatives to improve price perception
- ICA 100 – several central and local activities and initiatives

¹ EBIT equals EBIT excluding non-recurring items on all slides in this presentation.

<table>
<thead>
<tr>
<th>MSEK</th>
<th>Q2 2017</th>
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<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>27 198</td>
<td>26 222</td>
<td>3.7</td>
</tr>
<tr>
<td>EBIT</td>
<td>1 094</td>
<td>1 154</td>
<td>-5.2</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>4.0%</td>
<td>4.4%</td>
<td>-0.4 pp</td>
</tr>
</tbody>
</table>

Net sales and EBIT margin R12

- Net Sales
- EBIT margin (R12)
Markets
Competitive markets

**Sweden**
- Market growth, calendar impact from Easter drives volume
- Food inflation in line with Q1 – increased prices on fish, coffee and dairy
- Higher promotional activity, new competitors & growing online add to competitive pressure

**The Baltics**
- Weaker volume growth
- Increased food inflation, +5.2% in Q2
- Increased price competition especially in Lithuania

**Pharmacy**
- Lower market growth vs last year, +2.0% in Q2 including negative calendar
- Traded goods continue to show highest growth rate
- Strong online growth
ICA SWEDEN

Price and calendar main drivers of market growth in Q2 – ICA store sales outpaces the market

Store sales and market in Q2

ICA store sales growth of +4.7%, comparable stores +4.2% (incl VAT)
- Sales mainly driven by increased average buy

Food retail market growth, +3.4%
- Price and calendar effect of +3.6% (price +2.0%, calendar +1.5%)

ICA Online sales growth +46% (food online +55% and menu baskets +22%). Approximately 200 ICA stores selling food online

H1: 6 new stores out of 12-15 planned this year

Sales development for ICA stores in Sweden (incl. VAT)

-2.0
0.0
2.0
4.0
6.0
Q2 Q3 Q4 Q1 Q2
2016 2017
%
Food Retail Market
ICA
ICA, Comparables
Inflation
Store sales negatively affected by conversions

Store sales and market in Q2

Rimi store sales +1.9%, comparable sales +2.8%
- Estonia comparable -1.3%, affected by conversions
- Latvia comparable +6.0%
- Lithuania comparable -0.5%, affected by Lidl market entry

Food retail market +5.5%
- Estonia +5.1%
- Latvia +5.1%
- Lithuania +6.1%

Food price inflation +5.2%

H1: 3 new stores out of 7-8 planned this year
Sales growth in line with market

Store sales and market in Q2

Apotheke Hjärtat sales growth +1.9%
- Negative calendar effect -1.9%
- 5 pharmacies less than Q2 2016
- Adjusted sales growth +2.5%

Market growth of +2.0%
- Prescription (volume) -0.8%
- OTC +1.0%
- Traded goods +8.9%

Very strong online growth, Apotheke Hjärtat +94%, market growth +55%

H1: 4 new pharmacies out of 10-13 planned this year
Events & initiatives
ICA is moving quickly in the digital arena.
ICAx will speed up digital innovation

A new digital innovation hub for accelerating digital growth

Prepared to make significant investments in coming years

Partnerships, accelerated development and potential acquisition
Continued strong focus on sustainability within the Group

Decrease in emissions compared with 2006\(^1\)

\(-41\%\)

Not 1. Rolling 12 months (Q3 2016 – Q2 2017)
Financials
Robust net sales and strong cash flow development

- Net sales +4.5%, adjusted for divestment of inkClub and real estate in Norway
- Volume driven gross profit growth
- Negative EBIT impact from divestment of inkClub, real estate in Norway and IKI integration planning costs
- Costs higher in Q2
- Very strong cash flow sustained
- EPS higher due to gains from divestment of real estate to J/V Secore

### Financial Summary

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<td>EBIT ¹</td>
<td>1,094</td>
<td>1,154</td>
<td>-5.2</td>
</tr>
<tr>
<td>EBIT margin %</td>
<td>4.0%</td>
<td>4.4%</td>
<td>-0.4 pp</td>
</tr>
<tr>
<td>Cash flow ²</td>
<td>1,836</td>
<td>1,463</td>
<td>25.5</td>
</tr>
<tr>
<td>Earnings per share (SEK)</td>
<td>5.06</td>
<td>4.12</td>
<td>22.8</td>
</tr>
</tbody>
</table>

¹ EBIT Q2 2017 includes costs related to the planned integration of IKI of MSEK 16
² Cash flow from operating activities excl. ICA Bank
## EBIT variance analysis Q2 (estimate)

<table>
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<tr>
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</tr>
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<tbody>
<tr>
<td><strong>EBIT Q2 2016</strong></td>
<td>1 154</td>
</tr>
<tr>
<td>Sales Volume</td>
<td>139</td>
</tr>
<tr>
<td>Margin</td>
<td>67</td>
</tr>
<tr>
<td>Store costs</td>
<td>-120</td>
</tr>
<tr>
<td>Other costs</td>
<td>-93</td>
</tr>
<tr>
<td>Variance due to EBIT of divested businesses</td>
<td>-37</td>
</tr>
<tr>
<td>Acquisition and integration related costs</td>
<td>-16</td>
</tr>
<tr>
<td><strong>EBIT Q2 2017</strong></td>
<td>1 094</td>
</tr>
</tbody>
</table>
Volume driven sales growth, higher costs

Net sales growth
- Mainly volume driven, including positive calendar effect, +0.9%

EBIT slightly lower
+ Gross profit higher, volume driven
  - Price investments
  - Negative impact from fuel hedges
- Lower store profit sharing
- Higher costs

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<th>Q2 2016</th>
<th>Change %</th>
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<tbody>
<tr>
<td>Net sales</td>
<td>19 624</td>
<td>18 777</td>
<td>4.5</td>
</tr>
<tr>
<td>EBIT</td>
<td>870</td>
<td>878</td>
<td>-0.9</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>4.4%</td>
<td>4.7%</td>
<td>-0.2 pp</td>
</tr>
</tbody>
</table>
Strong EBIT, despite ongoing conversions and IKI integration planning

Net sales growth in local currency +1.9%
- Price and mix driven
- Positive calendar effect, +0.8%
- Impacted by conversion and closing of HD stores in Estonia

EBIT in line with last year
+ Improved price/mix and gross margin
- Temporary negative impact from conversion of HD stores in Estonia
- IKI acquisition/integration planning costs
- Store operating costs higher

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<th>Q2 2016</th>
<th>Change %</th>
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<tbody>
<tr>
<td>Net sales</td>
<td>3 530</td>
<td>3 319</td>
<td>6.3</td>
</tr>
<tr>
<td>EBIT ¹</td>
<td>128</td>
<td>130</td>
<td>-1.3</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>3.6%</td>
<td>3.9%</td>
<td>-0.3 pp</td>
</tr>
</tbody>
</table>

¹ EBIT Q2 includes costs related to the planned integration of IKI MSEK 14
Continued good progress

Sales +2.3%
• Volume driven growth
• Negative calendar effect
• Pharmacies divested in 2016

Improved EBIT
+ Volume and improved gross margin
- Reinvesting in
  - E-commerce and digitalization
  - Marketing and pharmacy network

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<th>Q2 2016</th>
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<tr>
<td>Net sales</td>
<td>3,298</td>
<td>3,224</td>
<td>2.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>135</td>
<td>125</td>
<td>8.4</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>4.1%</td>
<td>3.9%</td>
<td>0.2 pp</td>
</tr>
</tbody>
</table>
Underlying net sales down
- Divestment of real estate in Norway -50 MSEK and Secore -6 MSEK
- Net sales include 72 MSEK internal invoicing (EBIT neutral and eliminated on Group level)

EBIT down due to
- Divestments of real estate in Norway and Secore
+ Higher income from joint ventures
+ Lower costs

### MSEK

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<tr>
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<th>Q2 2017</th>
<th>Q2 2016</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>627</td>
<td>586</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>whereof owned properties</strong></td>
<td>243</td>
<td>275</td>
<td>-11.7</td>
</tr>
<tr>
<td>Net Yield</td>
<td>6.7%</td>
<td>6.9%</td>
<td>-0.2 pp</td>
</tr>
<tr>
<td>EBIT</td>
<td>99</td>
<td>114</td>
<td>-13.4</td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>15.8%</td>
<td>19.5%</td>
<td>-3.7 pp</td>
</tr>
</tbody>
</table>

### Net Investments

- Q2 2017: 1 544 MSEK
- Q2 2017: 781 MSEK
- Q2 2017: -1 000 MSEK
- Q2 2017: -400 MSEK
- Q2 2017: 200 MSEK
- Q2 2017: 800 MSEK
- Q2 2017: 1 400 MSEK
- Q2 2017: 2 000 MSEK
ICA BANK

Net income back to growth, higher costs

Net income growing +12% on comparable basis¹
- Customer loans and corporate credits
- ICA Insurance

EBIT flat
- Net income
- Costs related to the transformation of the operations

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<th>Q2 2017</th>
<th>Q2 2016</th>
<th>Change %</th>
</tr>
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<tbody>
<tr>
<td>Net income</td>
<td>235</td>
<td>232</td>
<td>1.3</td>
</tr>
<tr>
<td>EBIT</td>
<td>8</td>
<td>9</td>
<td>-11.4</td>
</tr>
<tr>
<td>Business Volume</td>
<td>35 914</td>
<td>30 229</td>
<td>18.8</td>
</tr>
</tbody>
</table>

¹ Due to change in accounting for reinsurance costs in ICA Insurance, income was adjusted in Q3 2016 by -34 MSEK. The outcome for Q2 2016 would, if corresponding adjustment was made, have been 22 MSEK lower.
Lower costs drive EBIT improvement

Net sales slightly higher
- Store visitors increasing
- Online sales up
- Sales to Kesko in Finland
- Price/mix

Improved EBIT
- Price/mix
+ Lower share of sales at reduced prices
+ Costs considerably lower

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<td>Change %</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>232</td>
<td>226</td>
<td>2.8</td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>-18</td>
<td>-24</td>
<td>24.7</td>
<td></td>
</tr>
<tr>
<td>EBIT Margin</td>
<td>-7.8%</td>
<td>-10.5%</td>
<td>2.7 pp</td>
<td></td>
</tr>
</tbody>
</table>
Strong cash flow progress sustained

Operating cash flow
+ Working capital change
+ Calendar effect
+ Dividend from J/V

- Divestment of real estate properties to J/V Secore

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<tr>
<th></th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSEK</td>
<td>4,613</td>
<td>5,035</td>
<td>5,684</td>
<td>5,645</td>
<td>6,018</td>
</tr>
<tr>
<td>Year</td>
<td>2016</td>
<td>2016</td>
<td>2016</td>
<td>2017</td>
<td>2017</td>
</tr>
</tbody>
</table>

Cash flow from operating activities, excl. ICA Bank

Cash flow R12
Net debt/EBITDA broadly in line with financial targets

Net debt/EBITDA ratio vs Q2 last year down by 0.8
+ Positive R12 operating cash flow
+ Divestment of real estate
− Higher dividend
In line with long-term targets

<table>
<thead>
<tr>
<th>Targets</th>
<th>R12 (30 June 2017), %</th>
<th>Long-term targets, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow faster than market</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Baltics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pharmacy</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>All markets</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>EBIT margin excl. non-recurring items</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>ROCE²</td>
<td>11.9</td>
<td>10</td>
</tr>
<tr>
<td>Net debt/EBITDA²</td>
<td>1.1x</td>
<td>&lt;2.0x</td>
</tr>
<tr>
<td>Dividend (% profit of the year)</td>
<td>62</td>
<td>At least 50</td>
</tr>
</tbody>
</table>

1 Excluding ICA Bank
2 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 digitalization, convenience, price value, health & sustainability
- Strong focus on improving logistic operations
- Strong focus on online growth
- 12-15 store openings 2017 with focus on large cities

### Rimi Baltic
- Close the IKI acquisition, latest Q4, and prepare for integration
- Finalize conversion of Säästumarket to Rimi in Estonia
- 7–8 store openings in 2017

### Apotek Hjärtat (pharmacy)
- Continued strong focus on the E-commerce business
- Increased focus on sustainability
- 10-13 new pharmacies in 2017

### ICA Real Estate
- Norwegian and Secure divestments take down rent income by ~ 140 MSEK and EBIT by ~ 75 MSEK in Q3-Q4 vs last year (all other things equal)

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

### Hemtex
- Implementation of new strategy continues
- Test of new store concept in five pilot stores
In brief

Results in line with financial targets

Growth in line with markets

Higher costs from new ventures
ICA Gruppen
Capital Markets Day
14 December, 2017
in Stockholm
Thanks

2017-08-16
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