



Q3 report 2018

Press and analyst presentation

25 October, 2018

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In brief

Improved EBIT

Logistic costs weighing down profits

High activity level continues



Improved EBIT and high activity level

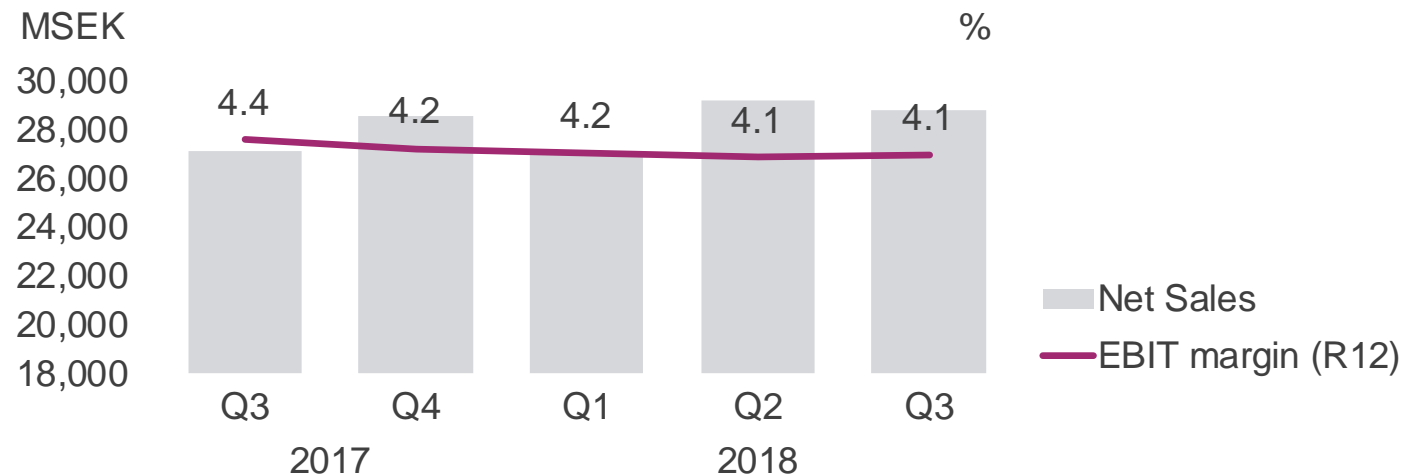
- Net sales in local currency +5%
- Underlying sales development +4.2%, driven by volume and price
- Stable EBIT margin

Events

- Apotek Hjärtat and Minutkliniken in joint venture with Min Doktor
- Launch of ICA Spara
- Dark store to move to permanent location this week

MSEK	Q3 2018	Q3 2017	Change %
Net sales	28,846	27,164	6.2
EBIT	1,499	1,380	8.6
EBIT Margin	5.2%	5.1%	0.1 pp

Net sales and EBIT margin R12



EBIT equals EBIT excluding items affecting comparability on all slides in this presentation.

ICA Store sales growth estimated to be above market

Store sales and market in Q3

ICA store sales growth of +3.4%,
comparable stores +2.8%

- Sales mainly driven by increased number of store visitors

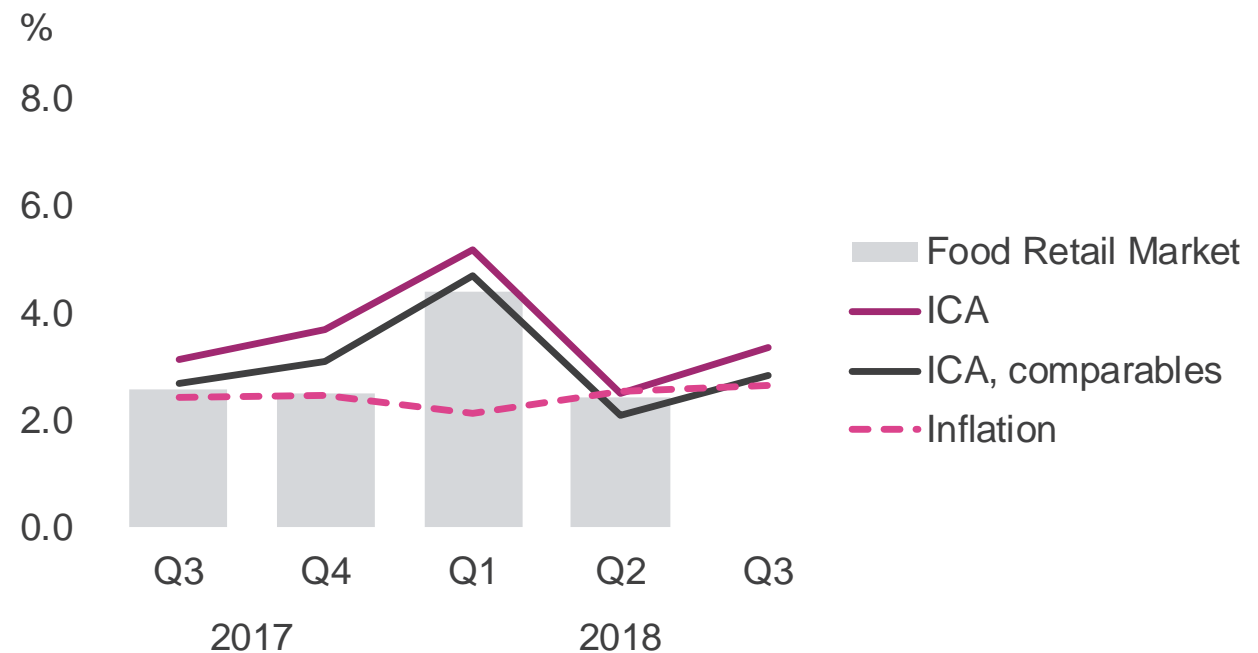
Price and calendar effect of +2.4%
(price +2.7%, calendar -0.3%)

ICA Online sales growth +41% (food online +47%, menu baskets +6%).

- 256 ICA stores selling food online and 605 stores offer menu baskets

Q3 establishments: 1 new store

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



The graph will be updated when final market data is available at the end of November

Market share trend is expected to improve

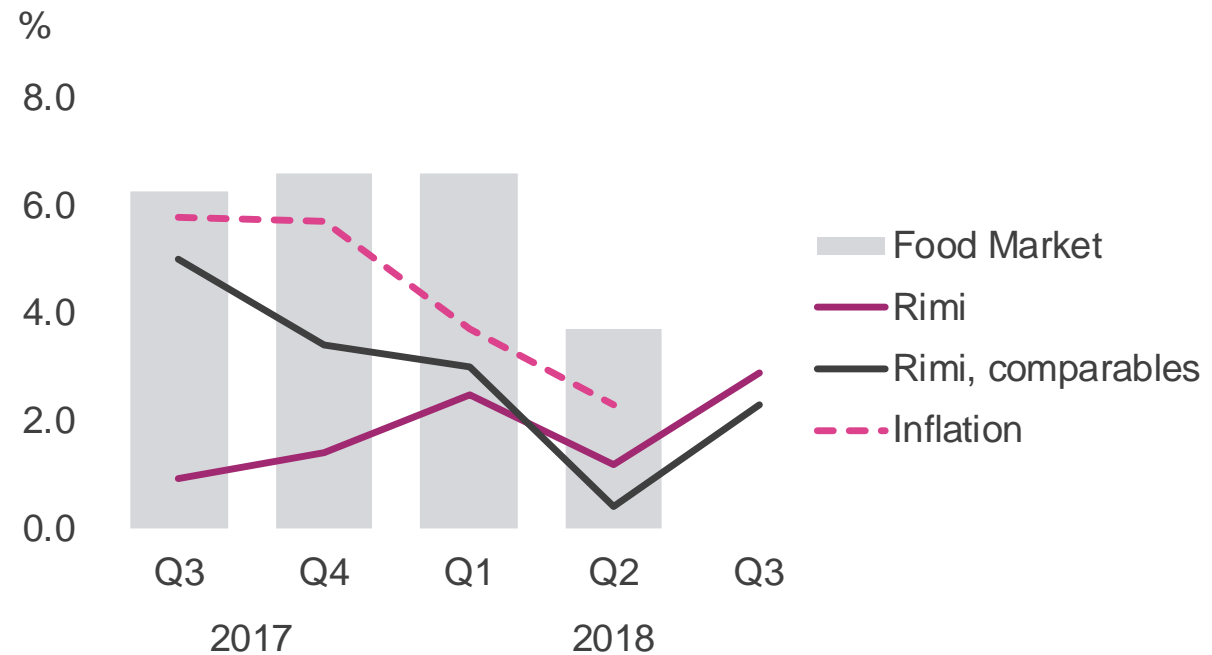
Store sales and market in Q3

Rimi store sales +2.9%, comparable sales +2.3%

- Estonia comparable -0.9%
- Latvia comparable +4.4%
- Lithuania comparable +1.0%

Establishments Q3: no new stores

Sales development for Rimi Baltic stores



The graph will be updated when final market data is available in November

Sales development slightly above market growth

Store sales and market in Q3

Apotek Hjärtat sales growth +9.6%, adjusted growth +3.0% (constant prices prescription drugs), including negative calendar effect of -0.3%

- Prescription +10.3%
- OTC +1.2%
- Traded goods +12.2%

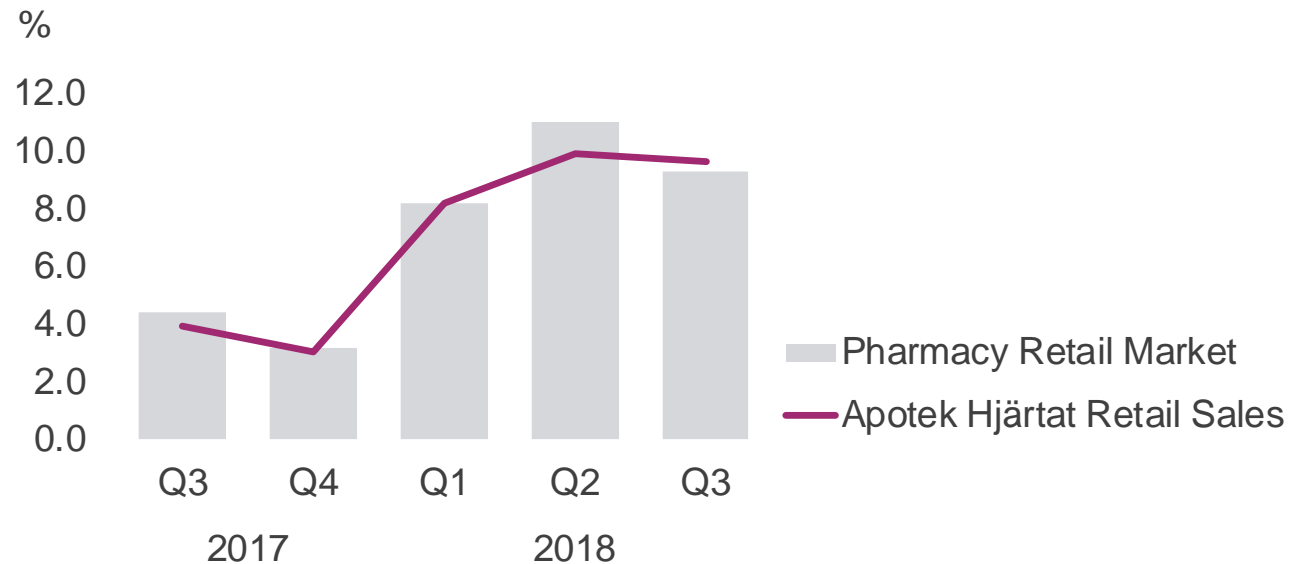
Market growth of +9.3%. Adjusted +2.2%

- Prescription +9.6%
- OTC +1.1%
- Traded goods +12.9%

Very strong online growth, Apotek Hjärtat +55%, market growth +37%

Q3 establishments: 1 new pharmacy

Sales development for Apotek Hjärtat pharmacies



Highlights



Online continues to grow rapidly

ICA SWEDEN

Menu Baskets

+6%



Food Online
+47%

+41%

APOTEK HJÄRTAT



+55%

HEMTEX



+32%

Online sales growth Q3 2018 vs Q3 2017

Dark store in permanent location will open this week

- Increased volumes in ICA's online business
 - Sales YTD 2018 ~1,200 MSEK, +45% growth
 - Home delivery share ~50%
 - Online share of sales in active stores ~3%
 - In total ~260 stores selling food online (“Lösplöck”)
- ~50 stores have signed up for our Dark store in Stockholm by end of September
 - >450 stores use our Dark store for menu baskets
- New warehouse in Jordbro, south of Stockholm, handles all menu baskets since September
- Handling of food online (“Lösplöck”) starts this week
- Number of orders handled every week have doubled since after the summer

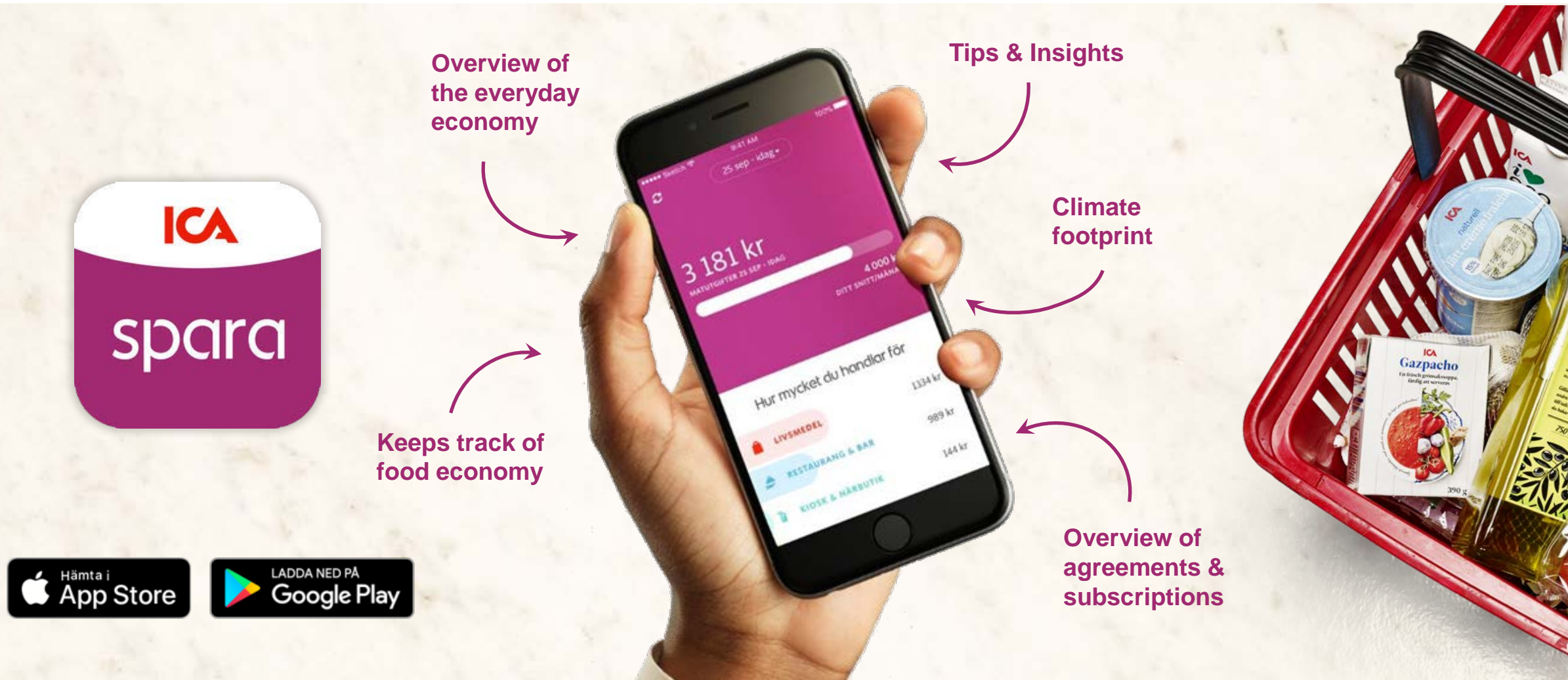


Apotek Hjärtat and Minutkliniken in joint venture with Min Doktor

- Apotek Hjärtat invests in Min Doktor, a leading provider of digital primary care services, to offer customers accessible healthcare
- By combining Min Doktor's Swedish operations with Minutkliniken's drop-in clinics adjacent to several of Apotek Hjärtat's pharmacies, patients can get help both online and at clinics staffed by nurses
- Min Doktor is planning for a rapid expansion of the number of clinics, primarily located adjacent to ICA stores
- ICA Gruppen's investment in Min Doktor consists of a capital contribution of SEK 335 million plus ICA Gruppen's other contributions, including the Minutkliniken business, which is valued at SEK 225 million
- Apotek Hjärtat owns 42% of the joint venture
- The deal has been approved by the competition authorities and the transaction will close on November 1, 2018



ICA Spara together with new partnerships has been launched



The image illustrates the ICA Spara app and its integration with a shopping basket. The app interface, shown on a smartphone, features a purple header with the ICA logo and a white bar with the word 'spara'. Below this, a large white box displays '3 181 kr' and a progress bar. A section titled 'Hur mycket du handlar för' (How much you are buying for) lists categories and their respective costs: 'LIVSMEDEL' (1334 kr), 'RESTAURANG & BAR' (989 kr), and 'KIOSK & NÄRBYTIC' (144 kr). The app also includes a 'Tips & Insights' section, a 'Climate footprint' section, and an 'Overview of agreements & subscriptions' section. A red shopping basket filled with various ICA products, including a box of 'ICA Gazpacho' and a bottle of 'ICA natural' juice, is shown to the right of the phone. Arrows point from the text labels to the corresponding app features.

ICA spara

Overview of the everyday economy

Tips & Insights

Climate footprint

Keeps track of food economy

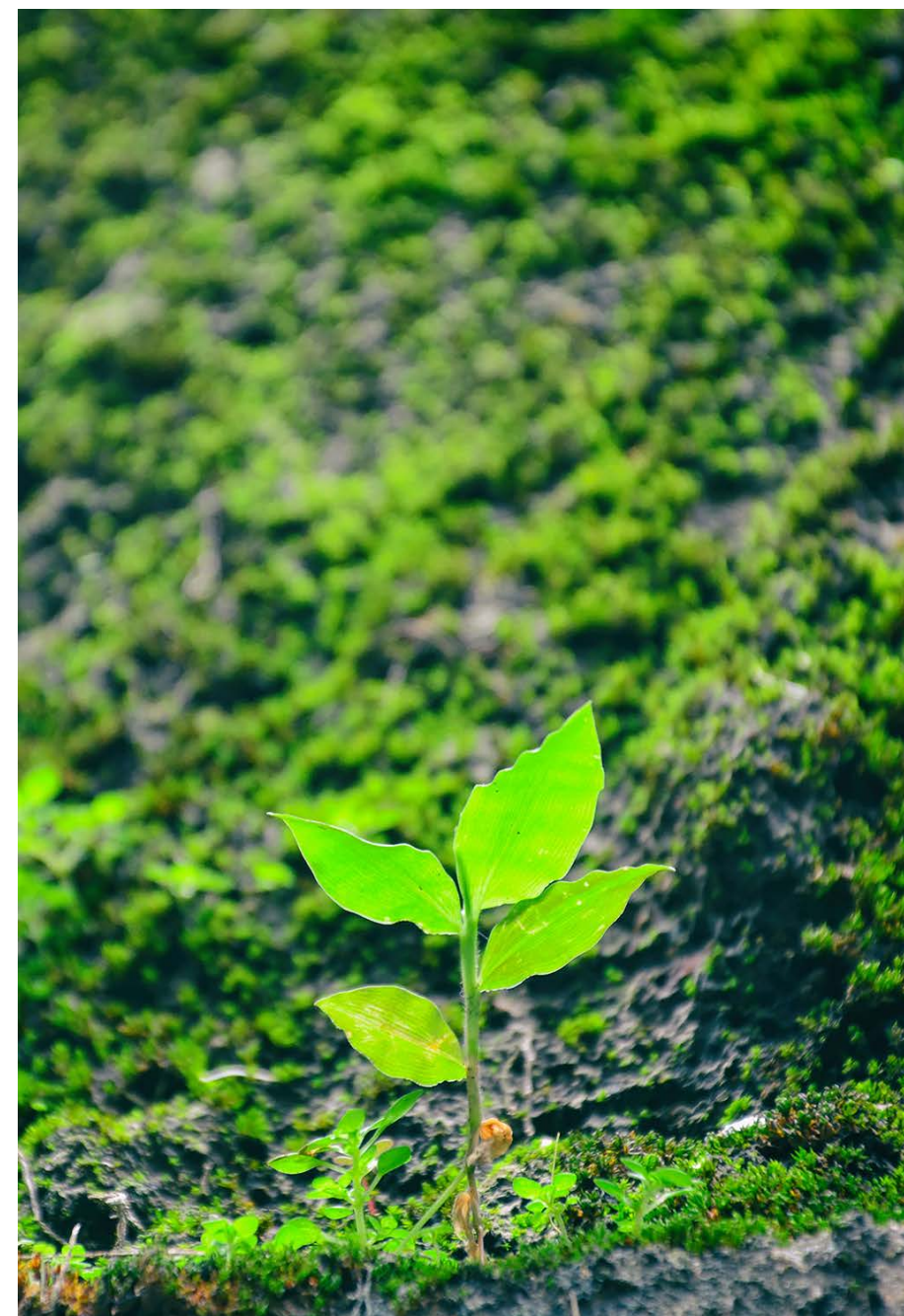
Overview of agreements & subscriptions

Hämta i App Store

LADDA NED PÅ Google Play

New group strategy for plastics

- Several initiatives to successively reduce the environmental impact of the plastics used in the product range
- The strategy covers the design and shape of products and packages, smart use of material, and product and packaging innovations
- ICA Gruppen will e.g. stop selling disposable items made of plastics such as straws, glasses/mugs, plates, cutlery, cotton swabs, by 2020 and instead use reusable material
- The goal is to contribute to a circular and sustainable plastics system
- Read more in our Sustainability report for Q3 on www.icagruppen.se



Financials



Strong sales and recovering EBIT

Net sales +5% in local currency.
Underlying growth including impact from
high-price drugs, +4.2%

EBIT improving, partly from one-offs

Operating cash-flow fluctuations due to
calendar effects

EPS affected by low tax last year

MSEK	Q3 2018	Q3 2017	Change %
Net Sales	28,846	27,164	6.2
EBIT ¹	1,499	1,380	8.6
EBIT margin %	5.2%	5.1%	0.1 pp
Cash flow ²	583	854	-31.7
Earnings per share (SEK)	5.36	5.45	-1.7

¹ EBIT Q3 2018 includes costs related to the previously planned integration of IKI of 0 MSEK (11)

² Cash flow from operating activities excl. ICA Bank



EBIT variance analysis Q3 (estimate)

	MSEK
EBIT Q3 2017	1,380
Sales Volume	165
Margin	85
Store costs	-105
Other costs	-37
Acquisition and integration related costs	11
EBIT Q3 2018	1,499



Recovery, but logistic costs still challenging

Net sales growth +4.3%

- Wholesale growth continuing
- Positive impact from higher buying percentage and price inflation

Higher EBIT

- + Sales volume
- + Higher store profit sharing
- + Gross margin before logistics costs
- Logistic costs
- Ramp-up of dark store
- Investing in digitalization and development projects

MSEK	Q3 2018	Q3 2017	Change %
Net sales	20,730	19,869	4.3
EBIT	1,040	1,004	3.5
EBIT Margin	5.0%	5.1%	-0.0 pp



Actions ICA Sweden

Items

- Recover time lag in adjusting for spring 2018 currency deterioration
- Take cost saving actions and implement digital transformation at ICA's in-house advertising center
- Store profit sharing improving vs 2017
- Ramp-up of operations in Dark store will over time generate volumes reaching critical mass, and eliminate start-up challenges experienced during Q2 2018
- Reduce Logistics & Distribution costs
- Administrative cost reductions will be made to enable investment in digitalization and business development

Current status

- Done as from June 2018 (unless further SEK deteriorations)
- Improving in Q3
- Restructuring in process
- Exceptional improvement in Q3
- Will gradually improve over coming quarters
- No negative efficiency variance in Q3 vs LY
- Still, cost inflation/indices projections indicate increasing costs going forward
- Long-term plan being prepared
- The plan for this will be finalized by end 2018



- Volume growth improving

- + Price and mix
- + Stores post-conversion in Estonia
- + Improved PL margin
- Salary inflation in logistic costs and store operating costs
- Price investments in Lithuania

MSEK	Q3 2018	Q3 2017	Change %
Net sales	3,827	3,413	12.1
EBIT ¹	175	161	9.3
EBIT Margin	4.6%	4.7%	-0.1 pp

¹ EBIT Q3 2018 includes costs related to the previously planned integration of IKI MSEK 0 (9)



Another strong quarter

Sales growth +9.8%

- Adjusted sales growth (constant prices prescription drugs) +3.0%
- Good volume development in comparable pharmacies and online
- Positive price mix and higher average price on traded goods

Good EBIT progress

- + Sales volume
- + Price/mix (category) driving underlying gross margin improvement
- Continued investment in e-commerce, digitalization and pharmacies

Adjusted EBIT margin (fixed price Prescribed) 4.9%

MSEK	Q3 2018	Q3 2017	Change %
Net sales	3,414	3,108	9.8
EBIT	155	130	19.7
EBIT Margin	4.5%	4.2%	0.4 pp



Stable net sales development and higher investments

Net sales slightly higher

- Increased volume from acquisitions and other investments +16 MSEK

EBIT in line with last year

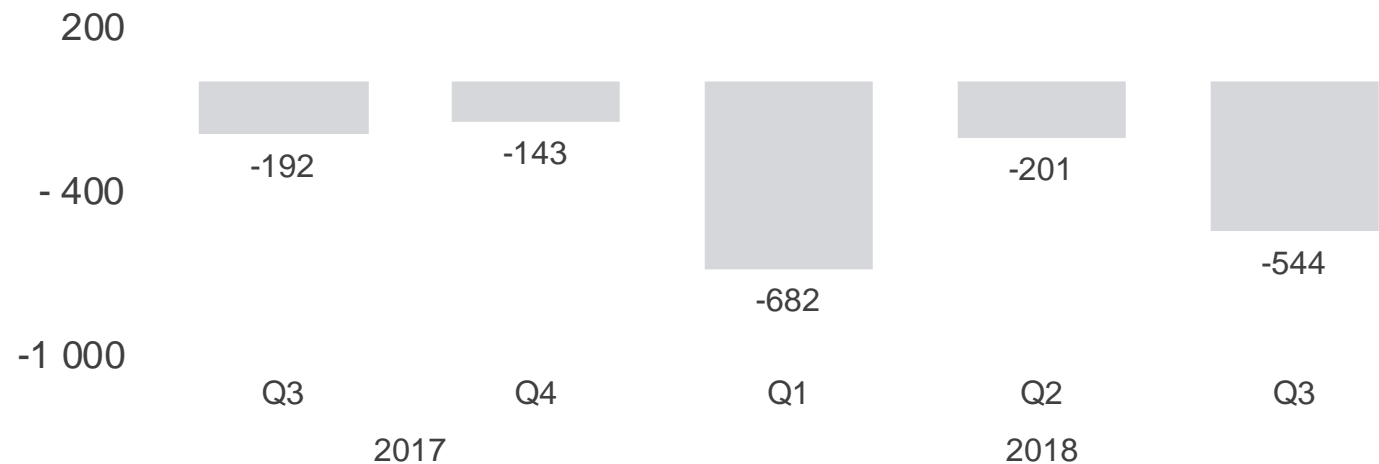
- + Increased income from joint ventures and investments
- Higher depreciations and administration costs

Good and stable development of wholly owned Swedish real estate properties

- Updated market valuation, SEK 14.3 billion. Book value SEK 10.1 billion
- Market value including joint ventures (50% ownership) SEK 19.8 billion. Book value SEK 14.5 billion.

MSEK	Q3 2018	Q3 2017	Change %
Net sales	648	609	6.5
<i>whereof owned properties</i>	255	233	9.2
Net Yield	6.7%	6.6%	0.1 pp
EBIT	122	121	0.6
EBIT Margin	18.7%	19.9%	-1.2 pp

Net Investments



Continued progress in net income and EBIT

Net income growing

- Customer loans, mortgages and corporate loans
- ICA Insurance customer growth (now ~137,000)

EBIT improvement

- + Net interest, volume driven
- + Improved result in ICA Insurance
- + One-off effect approximately 30 MSEK due to new agreement on forward flow of credit portfolio

MSEK	Q3 2018	Q3 2017	Change %
Net income	341	245	39.4
EBIT	76	29	163.1
Business Volume	45,833	38,049	20.5



Sales held back by warm weather, but EBIT level sustained

Lower sales

- Fewer customer visits in stores
- Good growth in online sales
- Closure of seven stores this year

EBIT in line with Q3 last year

- Sales volume
- + Currency effects
- + Cost reductions

MSEK	Q3 2018	Q3 2017	Change %
Net sales	237	252	-6.0
EBIT	5	6	-15.6
EBIT Margin	2.4%	2.4%	-0.0 pp



Cash-flow seasonally weaker

Operating cash flow lower than last year

- Calendar effects
- A few minor suppliers added to supply chain financing program



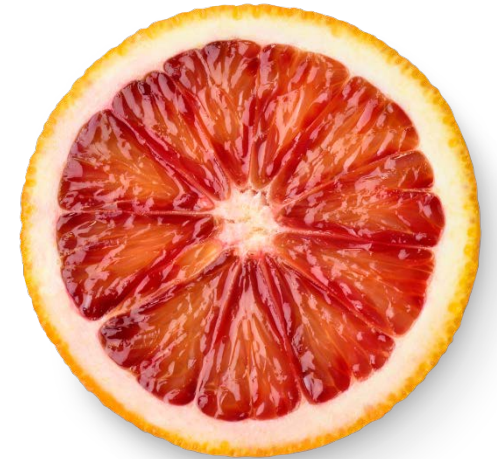
Cash flow



Results overall in line with long term financial targets

Targets	R12 (30 Sep 2018), %	Long-term targets, %
Grow faster than market ¹	Sweden ● Baltics ● Pharmacy ●	All markets
EBIT margin excl. non-recurring items ²	4.1	4.5
ROCE ³	10.3	10
Net debt/EBITDA ⁴	1.1x	<2.0x
Dividend (% profit of the year 2017)	53	At least 50

IFRS15 impact on EBIT margin -0.1pp



¹Swedish and Baltics growth based on latest definitive market data Q2, 2018

² The changeover to IFRS 15 entails a new determination that ICA Gruppen acts as a principal and not as an agent in a few contracts, which has an effect on the EBIT margin

³ Excluding ICA Bank

⁴ 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

- Logistic costs remain a challenge
- General review of organization
- Administration cost reductions to enable investments in digitalization and business development
- 10 store openings 2018 with focus on large cities

Rimi Baltic

- Construction phase of new DC in Riga
- Cost inflation increasing
- One Brand Strategy in Latvia
- 7-8 store openings in 2018

Apotek Hjärtat (pharmacy)

- Investment in online and last mile continues
- Strong focus on CRM
- Expanding Minutkliniken in joint venture with Min Doktor
- 6 new pharmacies in 2018

ICA Real Estate

- Continue to develop urban places with ICA stores and Apotek Hjärtat as a hub

ICA Bank

- Bank transformation proceeding
 - Develop new digital services
 - Focus on customer loans and corporate loans
- ICA Insurance growth focus continues

Hemtex

- Focus on improving sales trend
- Further roll-out of new store concept, in total 16 this year

In brief

Improved EBIT

Logistic costs weighing down profits

High activity level continues



Thanks

2018-10-25



Disclaimer

This information is such that ICA Gruppen AB is obligated to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication October 25, 2018 at 7.00 CET.

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