



Interim report Q2 2019

Press and analyst presentation

15 August 2019

Per Strömberg, CEO
Sven Lindskog, CFO

In brief

Good sales growth in stores and online

Sustained progress on EBIT margin

Hemtex divested – simplified group structure



Continued good earnings performance – Hemtex sold

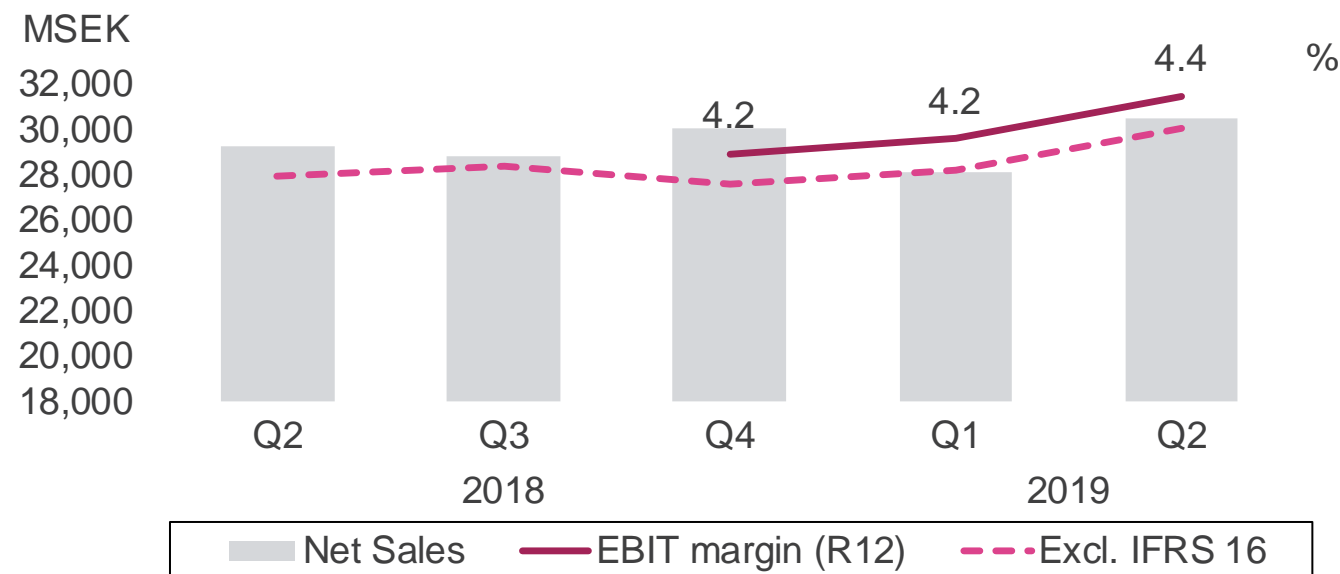
- Growth in local currency +4.0%
- Easter calendar effect +1.1%
- EBIT and EBIT margin improvement

Events

- Hemtex divested in May - capital loss SEK 382 million
- Anders Bärlund, new Chief Strategy & Business Development Officer at ICA Gruppen

MSEK	Q2 2019	Q2 2018	Change %
Net sales	30,529	29,258	4.3
EBIT	1,365	1,077	26.7
EBIT Margin	4.5%	3.7%	0.8 pp

Net sales and EBIT margin R12



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

Store sales growth in line with market

Store sales and market in Q2

ICA store sales growth of +4.1%,
comparable stores +3.9%

- Higher average buy

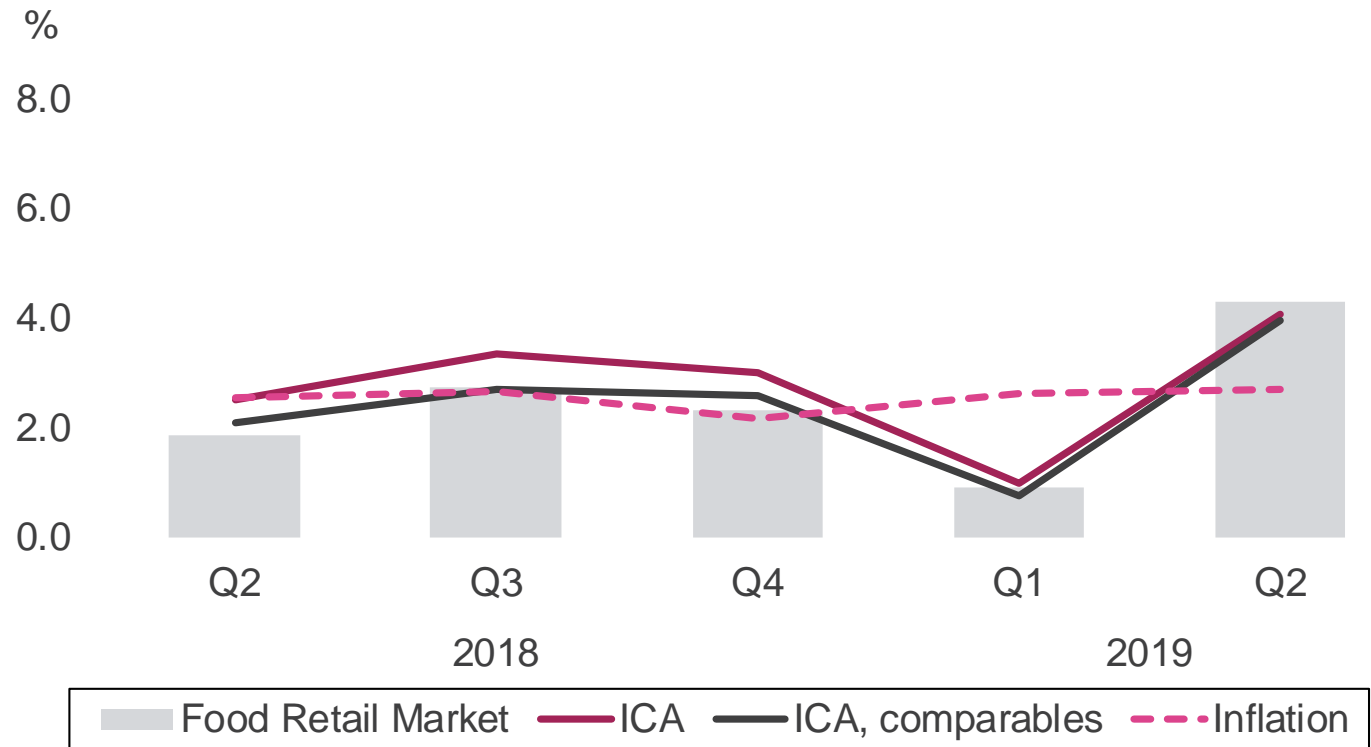
Price and calendar effect +4.4% (price
effect +2.7%, calendar effect +1.7%).

Market growth according to DVI* +4.3%

ICA Online sales growth +36%
(food online +42%, menu baskets +6%).
Market** growth +24%

Establishments Q2: 1 new store

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



*DVI=Dagligvarubutiksindex/Food Retail Index which includes grocery sales in stores and online, except Netto

**DVI online sales

Increased inflation and high market growth

Store sales and market in Q2

Rimi store sales +3.6%, comparable sales +5.1%

- Estonia comparable +2.8%
- Latvia comparable +6.3%
- Lithuania comparable +4.9%

Food inflation +3.3%

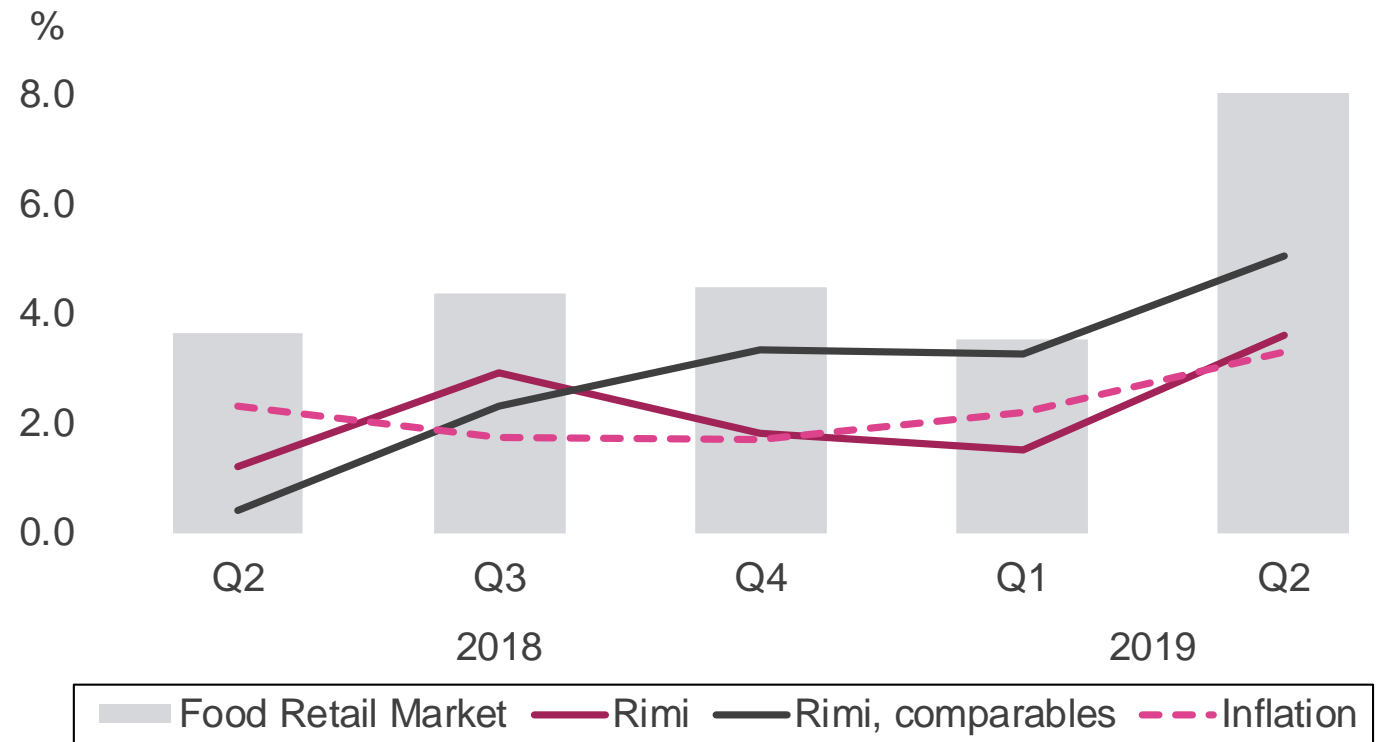
- Estonia +2.8%
- Latvia +4.2%
- Lithuania +3.0%

Market growth +8.2%

- Estonia +6.5%
- Latvia +7.0%
- Lithuania +9.8%

Establishments Q2: 3 new stores

Sales development for Rimi Baltic stores



Sales development slightly above market growth

Store sales and market in Q2

Apotek Hjärtat store sales growth +3.4%.
Adjusted growth +2.8% (fixed price
prescription drugs and excl. Minutkliniken)

- Prescription +4.0%
- OTC +1.6%
- Traded goods +2.3% (excluding
Minutkliniken +5.8%)

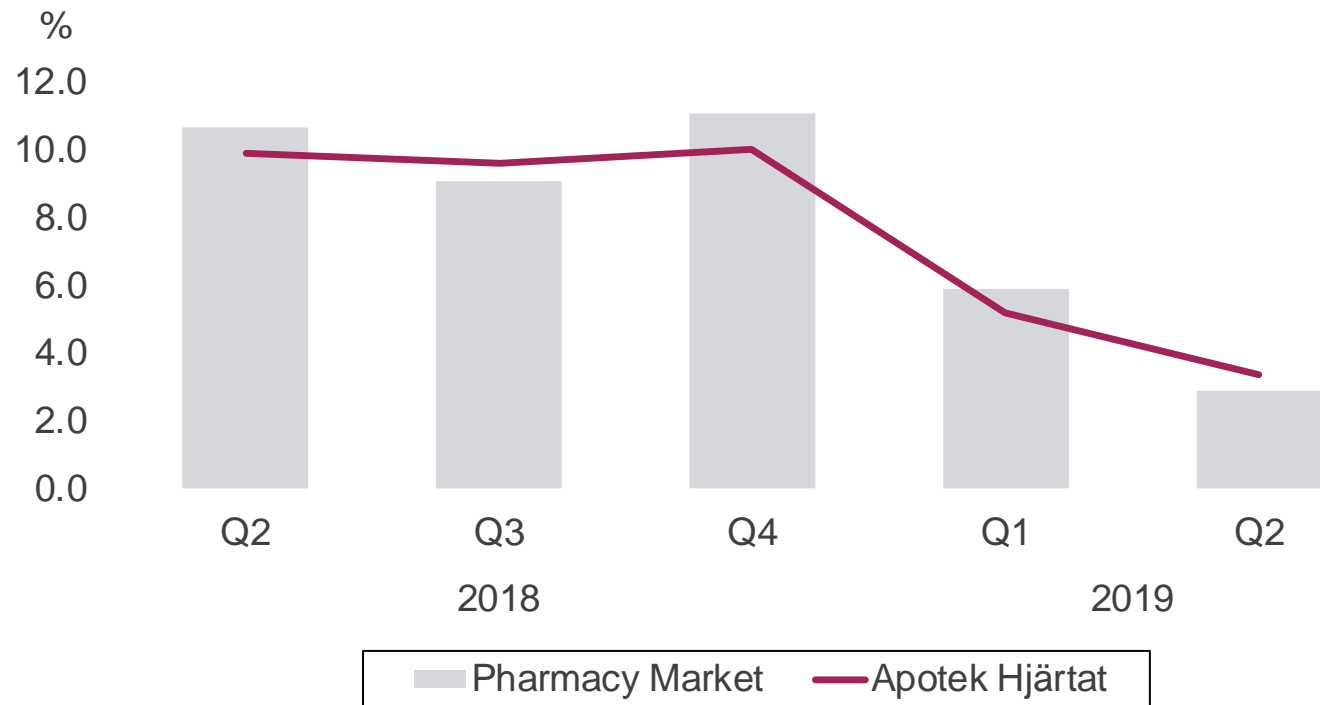
Market growth of +2.9%. Adjusted +2.7%

- Prescription +1.7%
- OTC +2.9%
- Traded goods +8.6%

Continued good online growth, Apotek
Hjärtat +45%, market growth +37%

Establishments in Q2: 3 new pharmacies

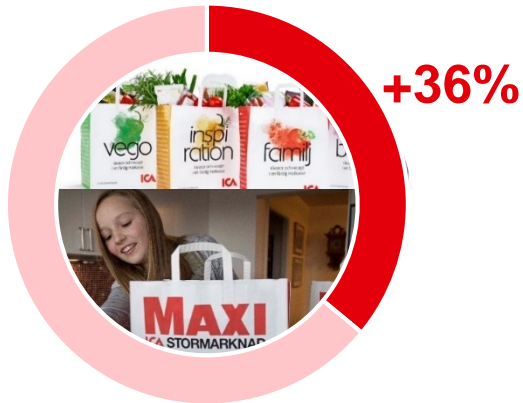
Sales development for Apotek Hjärtat pharmacies



Highlights

Online sales continues to increase well above market growth

ICA SWEDEN



- +42% Food Online
- +6% Menu Baskets

- ICA stores online
 - Sales Q2: 572 MSEK, +36% growth vs market +24%
 - Online share of sales in active stores >3%
 - In total ~290 stores selling food online (“Lösplock”)
 - 61 stores are using our e-commerce warehouse in Stockholm

APOTEK HJÄRTAT



- Apotek Hjärtat
 - +45% sales growth vs market +37%
 - Click & Collect launched in 267 stores
 - Click & Express testing continues in pilot stores

ICA's new e-commerce warehouse to be established in 2022



Everything is not digital

– **stores need to evolve** to meet new customer needs

**New
convenience
concept
– Rimi Express**

**Big shopping of
the future –
pilot tests at Maxi
Visby**



**ICA Nära with
increased focus
on convenience**

New fuel strategy and high sales growth of meat substitutes

- **ICA Gruppen has decided on a long-term fuel strategy** with the goal that all goods transports by road will be fossil-free by 2030 at the latest. In metropolitan areas already by 2025
- To achieve this goal, ICA Gruppen will increase its investments in new technology and fossil-free fuels, among other measures
- **High growth in demand for meat substitutes**
 - Sales of fresh and frozen vegetarian food increased by +20% in H1
 - Demand for other alternatives to meat such as halloumi, lentils and beans also continue to increase



Financials

Solid sales growth and good EBIT progress

Net sales +4.0% in local currency – mainly price, but volume growth in ICA Sweden, Apotek Hjärtat and ICA Bank

Easter calendar impact +1.1%

EBIT improving across most segments

Cash flow marginally lower than LY, due to calendar effects

EPS lower – underlying improvement, but capital loss from Hemtex divestment of SEK 382 million and tax on Rimi dividends

MSEK	Q2 2019	Q2 2018	Change %
Net Sales	30,529	29,258	4.3
EBIT ¹	1,365	1,077	26.7
EBIT margin %	4.5%	3.7%	0.8 pp
Cash flow ²	3,047	3,074	-0.9
Earnings per share (SEK)	2.56	4.43	-42.2

¹ EBIT Q2 2018 includes costs related to the previously planned integration of IKI of 17 MSEK

² Cash flow from operating activities excl. ICA Bank



EBIT variance analysis Q2 (estimate)

	MSEK
EBIT Q2 2018	1,077
Sales Volume	19
Margin	319
Store costs	-26
Other costs	-52
Revised useful lives of fixed assets	14
Acquisition/Divestment related effects	15
EBIT Q2 2019	1,365



Solid progress vs a turbulent Q2 2018

Net sales growth +4.3%

- Price and wholesale volume
- Higher buying percentage
- Calendar (Easter) impact +1.7%

Strong EBIT improvement

- + Price and mix
- + Calendar (Easter) impact (MSEK +39)
- + Store profit sharing (MSEK +28)
- + Marketing and advertising costs lower
- Logistic costs still increasing, but efficiency and shrink improving
- Business development costs – digitalization, IT, e-commerce warehouse and depreciation

MSEK	Q2 2019	Q2 2018	Change %
Net sales	21,880	20,975	4.3
EBIT	949	784	21.0
EBIT Margin	4.3%	3.7%	0.6 pp



Price driven sales growth – higher costs

Net sales growth in local currency +3.9%, mainly price

- Easter calendar impact, +0.9%
- Store conversions in Latvia, temporary negative effect

Positive EBIT development and margin

- + Price/mix effects
- + Improved PL margin and campaign efficiency
- + Last year IKI integration costs
- Riga warehouse expansion project
- Salary inflation in logistics and stores
- Store conversions in Latvia

MSEK	Q2 2019	Q2 2018	Change %
Net sales	4,071	3,814	6.7
EBIT ¹	175	156	12.1
EBIT Margin	4.3%	4.1%	0.2 pp

¹ EBIT Q2 2018 includes costs related to the previously planned integration of IKI MSEK 15



Sales growth held back by calendar - high investments

Sales growth +4.2%, higher average buy and increased number of customers

- Adjusted sales growth (constant prices prescription drugs) +3.0%
- Calendar effect -1.8%
- Good volume progress in comparable pharmacies and online

EBIT margin below last year

- + Underlying sales growth
- Easter calendar impact -7 Mkr
- Logistic costs (ramp-up of warehouse in Norrköping)
- Investments in e-commerce, digitalization and new pharmacies
- Min Doktor EBIT effect MSEK -11

Adjusted EBIT margin 4.1% (constant prices prescription drugs & Min Doktor effect)

MSEK	Q2 2019	Q2 2018	Change %
Net sales	3,778	3,625	4.2
EBIT	142	156	-9.0
EBIT Margin	3.8%	4.3%	-0.5 pp

EBIT margin constant prices prescription drugs, 3.8%



Another strong quarter

Net sales higher

- Increased volume from acquisitions and other investments

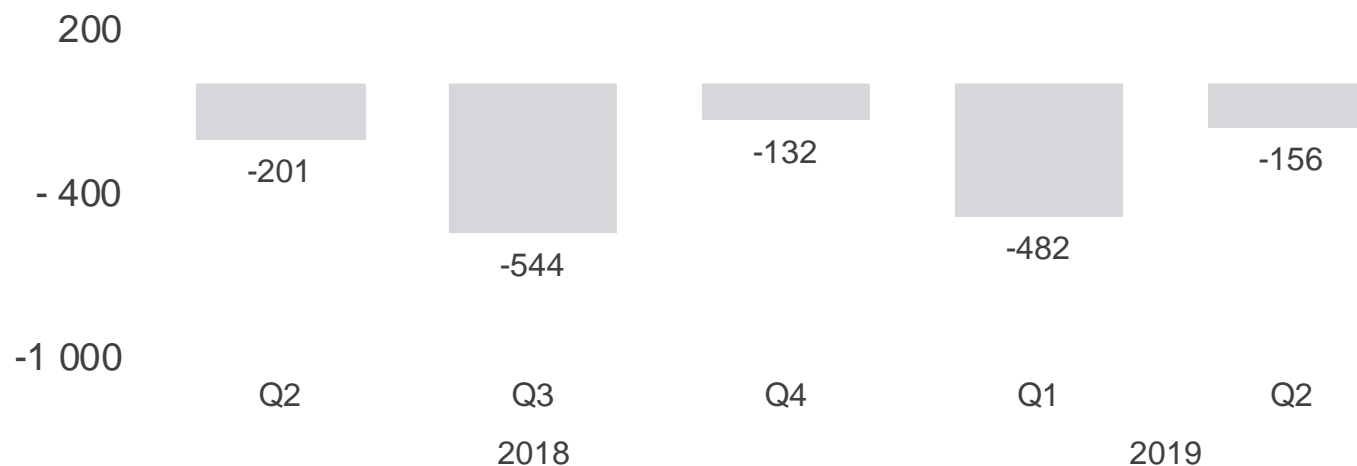
Improved EBIT

- + Increased income from joint ventures and new investments
- + Revised estimates of the useful life of fixed assets. One-off Q2 MSEK 14 (FY effect approx. MSEK 60)
- + Operating costs lower



MSEK	Q2 2019	Q2 2018	Change %
Net sales	686	643	6.8
<i>whereof owned properties</i>	268	247	8.3
Net Yield	6.8%	6.5%	0.3 pp
EBIT	133	90	47.3
EBIT Margin	19.4%	14.0%	5.3 pp

Net Investments



Sustained progress in volumes and profitability

Strong growth in net income

- Customer loans and mortgages
- ICA Insurance growth continues

EBIT improvement

- + Volume growth, loans and insurances
- + Net interest – higher repo rate
- + Improved cost absorption in ICA Insurance
- + MSEK +8 release of claims provision
- Higher credit losses

MSEK	Q2 2019	Q2 2018	Change %
Net income	391	332	17.6
EBIT	55	26	114.5
Business Volume	49,224	44,662	10.2



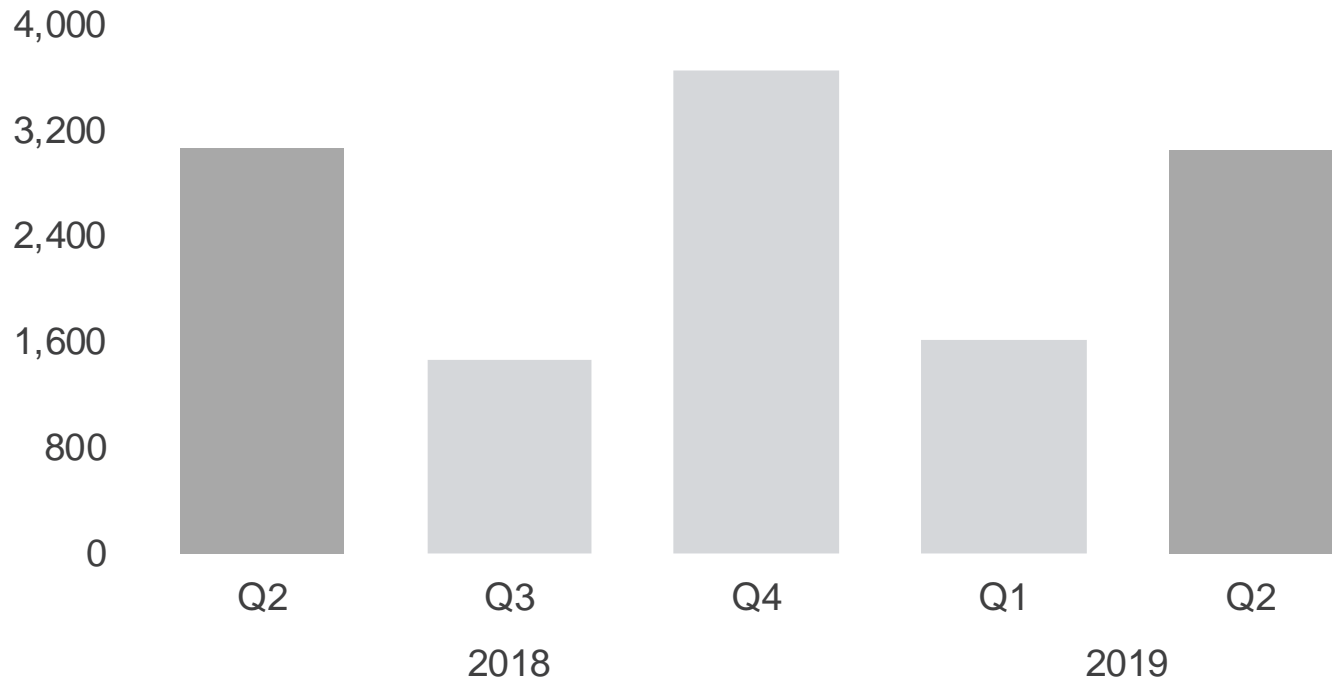
Solid Q2 cash-flow, affected by calendar

Operating cash-flow insignificantly lower than LY:

- EBIT up
- Financial net improving
- Paid tax lower
- Negative calendar effects affecting WC movement

Cash flow (excl. ICA Bank)

MSEK



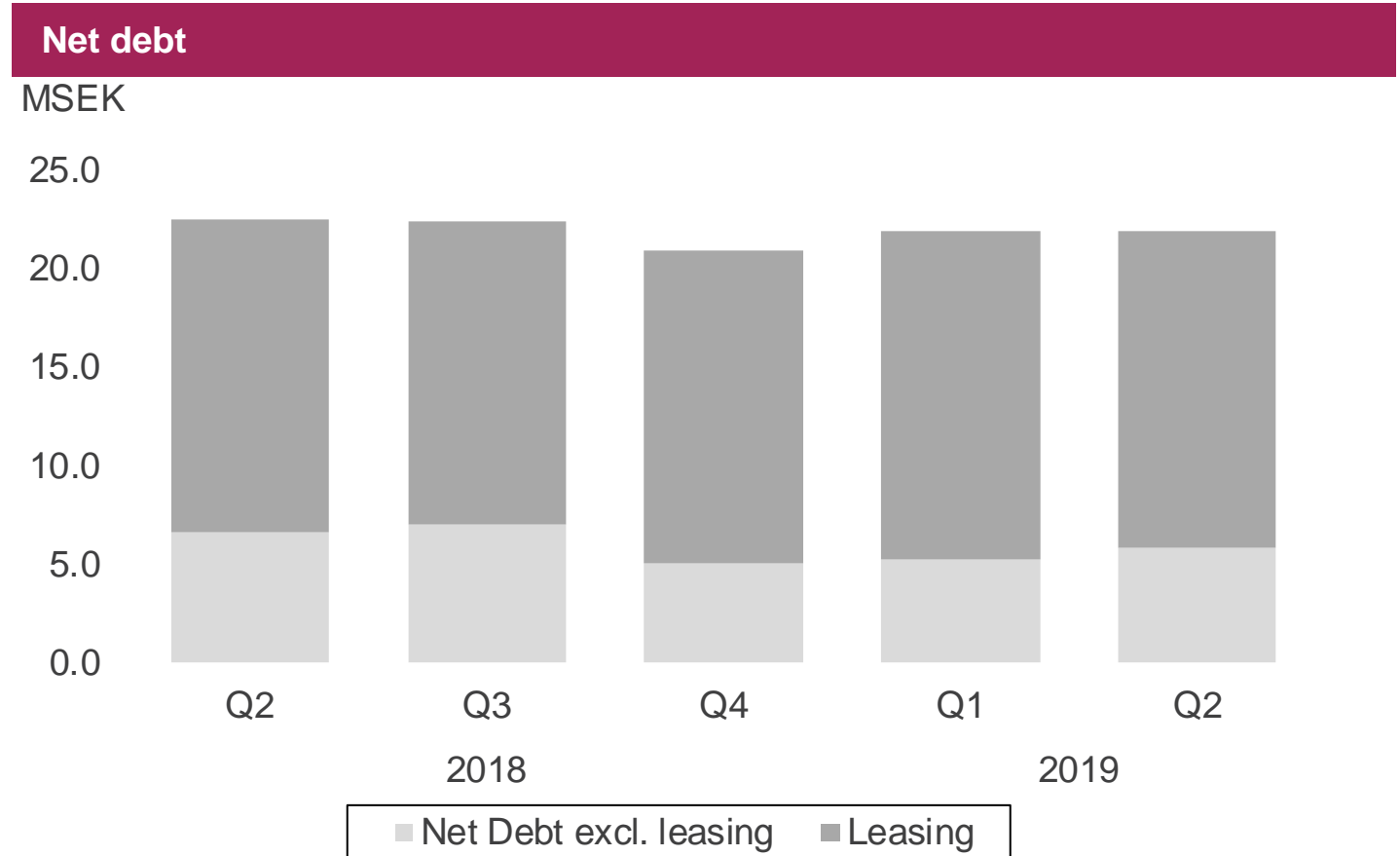
■ Cash flow from operating activities, excl. ICA Bank

Net debt down - ratio well in line with financial targets

Net debt improving with underlying cash-flow

Net debt ratio 2.2x, with high impact from IFRS16 accounting

IFRS16 adds SEK 16.1 billion to net debt as per Q2 2019



Long term financial targets

Targets	R12 (30 Jun 2019), %	Long-term targets, %
Grow faster than market ¹	Sweden ● Baltics ● Pharmacy ●	All markets
EBIT margin excl. non-recurring items	4.4	4.5
ROCE ²	7.7	7.5
Net debt/EBITDA ³	2.2x	<3.0x
Dividend (% profit of the year 2018)	66	At least 50

The changeover to IFRS 16 impacts EBIT margin, ROCE, Net debt/EBITDA and dividend ratio

¹ Swedish and Baltics growth based on latest definitive market data Q2, 2019

² Excluding ICA Bank

³ 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

- Further implementation of new organization
- Continued investments in digitalization and business development
- Logistic costs still in focus
- Continued ramp-up of e-commerce warehouse
- 8-10 store openings 2019 with focus on large cities

ICA Real Estate

- Continue to develop urban places with ICA stores and Apotek Hjärtat as a hub
- Impact of revised estimates of the useful life of fixed assets

Rimi Baltic

- Food inflation higher and cost inflation continues
- DC Riga, intensified phase drives costs
- One Brand Strategy in Latvia (38 out of 44 completed)
- Launch of e-commerce pilot
- 8-10 store openings in 2019

ICA Bank

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

Apotek Hjärtat

- Investment in online and last mile continues
- Challenging ramp-up of automated warehouse in Norrköping
- Expansion of Min Doktor, 4 out of 12 new clinics established
- 6 new pharmacies in 2019

ICA Gruppen

- Group costs guidance remains MSEK 460 FY



In brief

Good sales growth in stores and online

Sustained progress on EBIT margin

Hemtex divested – simplified group structure



Thanks!

2019-08-15

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 August 15 at 7.00 CET.

This report contains forward-looking statements that reflect the Board of Directors' and management's current views with respect to certain future events and potential financial performance. Although the Board of Directors and the management believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, (i) changes in economic, market and competitive conditions, (ii) success of business and operating initiatives, (iii) changes in the regulatory environment and other government actions, (iv) fluctuations in exchange rates and (v) business risk management.

This report does not imply that the Company has undertaken to revise these forward-looking statements, beyond what is required under the company's registration contract with Nasdaq Stockholm, if and when circumstances arise that will lead to changes compared to the date when these statements were provided.