

September 7, 2000

**Report on January-June 2000 Operations**  
**for the ICA AB Group.**

- **Strong increase of store sales by 5 %.**
- **Earnings before interest and taxes increased by 43 % to MSEK 889 (621). Earnings include surplus funds from SPP with MSEK 132.**
- **Earnings before taxes increased by 27 % to MSEK 862 (680).**
- **Continued expansion: acquisitions in Denmark and Lithuania.**
- **ICA Ahold Holding AB owns 99,6 % of ICA AB (publ.). Compulsory acquisition of the remaining outstanding shares will be applied for.**

**Financial Information in Summary\***

	<b>Jan-June 2000</b>	<b>Jan-June 1999</b>
Net sales, MSEK	28,266	28,118
EBITDA, MSEK	1,437	1,108
EBIT, MSEK	889	621
Earnings before taxes, MSEK	862	680
Net earnings, MSEK	591	485
Total assets, MSEK	23,105	24,751
EBIT margin, percent	3,1	2,2
Equity/assets ratio, percent	13,1	12,4
Return on capital employed, percent	12,0	10,9
Return on equity, percent	37,4	34,5

\* According to Swedish GAAP

**Comment by the President**

-The development of the total ICA operations has been very strong during the first six months. Our stores have increased their sales more than the industry. The ICA Group reports its strongest half-year result ever. Our new ownership structure together with Ahold has been established. We continue to invest offensively in the Baltic region and have strengthened our presence in Denmark through the acquisition of ISO. We also have several important new ventures that will be launched during the year to come. We are in an excellent position to continue our success on the market and further strengthening our result.

**ICA Group During the Second Quarter 2000**

In April the partnership between Ahold, ICA Förbundet and Canica was established through the newly founded company ICA Ahold Holding AB, which controls 99.6 % of the shares in ICA AB. The company will apply for compulsory acquisition of the remaining outstanding shares. ICA Ahold Holding is owned by Ahold by 50 %, ICA Förbundet 30 % and Canica 20 %.

A new board of directors for ICA AB has been appointed. Roland Fahlin is chairman with Jan Andreae and Stein-Erik Hagen as vice-chairmen. Other members are Michael Meurs, Gerard van Breen, Han Willemse, Per-Anders Olofsson, and Claes-Göran Sylvén.

In Denmark ICA has strengthened its presence through the announced acquisition of 50 % of ISO, with sales of MSEK 1,300 and 11 stores in the greater Copenhagen area. This agreement is an important step in the establishment of a position in the Danish every-day-food market. ISO is planned to be included in the ICA Group's accounts as an associated company as of quarter 4 2000.

The coordination between ICA and Statoil Detaljhandel has led to several concrete results during the period. By end of June a total of 39 ICA Express stores had been established at Statoil gas stations in Sweden (16), Norway (20) and Denmark (3). As a consequence, the first store with the ICA brand has opened in Denmark. Further, ICA Customer card members now can use their card and earn bonus through purchases at Statoil stations in Sweden.

ICA Handlarnas AB has taken a decision to group all stores into store formats. The profiles are named: ICA Nära, ICA Supermarket, ICA Kvantum, ICA Maxi and Rimi. The different formats satisfy different purchase needs of the customer. These distinct store formats will facilitate the building of brands, development of the product range and marketing.

Hakon Gruppen has concentrated its operations to two store chains; RIMI and ICA with the sub-profiles ICA Maxi, ICA Supermarket and ICA Sparmat.

The work with the realisation of synergies between ICA Handlarnas and Hakon Gruppen has continued. Several important steps have been taken within sourcing, private label and IT. New Nordic supplier agreement has been signed, a decision on a new Nordic strategy for ICA's private label products has been taken and the work to create a mutual IT-structure is well under way.

ICA sees attractive growth opportunities in personal financial services in the Nordic area and is planning for the launch of banking operations. The base for the operation is the customer database within the ICA Kundkort, Domino and Statoil Detaljhandel loyalty programs. Other services besides personal financial services are also considered as interesting to the further development of the loyalty program of ICA.

## **The Market**

### Sweden

The ICA retailers increased sales by 5.3 percent during the first six months (4.6 % for comparable stores). This is better than the total for the sector, which increased by 4.4 %. The discount stores and the large stores had the best sales development within ICA. Total store sales amounted to 33.3 BSEK (incl. VAT).

#### Norway

The sales in Hakon Gruppen's stores increased by 3.5 % (2.5 % for comparable stores) during the first six months. Discount stores continued to increase at the expense of traditional supermarkets on the Norwegian market. The largest increase within Hakon Gruppen was seen for ICA Maxi. Total store sales for Hakon Gruppen amounted to 12.0 BSEK (incl. VAT).

#### The Baltic region

ICA Baltic's stores in the Baltic countries showed continued strong development. Sales during the first six months amounted to MSEK 588 (162).

### **Sales and Earnings**

**Group sales** amounted to 28,266 MSEK (28,118), a decrease with 0.5 % compared to last year. Group sales have been negatively effected by lower sales for ICA Menyföretagen and currency exchange differences between the SEK and the NOK.

**Earnings before depreciation and amortization** (EBITDA) increased by 30 % to 1,437 MSEK (1,108). **Earnings before interest and taxes** (EBIT) increased by 43 % to 889 MSEK (621) and **the EBIT margin** to 3.1 % (2.2 %). In the EBIT surplus funds from SPP are included as other operating earnings to an amount of MSEK 132. Excluding the SPP-funds the EBIT increased by 22 % to MSEK 757.

**Earnings before taxes** increased by 27 % to MSEK 862 (680). Excluding the capital gain on the divestiture of ICA-Förlaget during the first quarter 1999, the 1999 result was MSEK 562.

**Shares in associated companies** increased by MSEK 66 (0) due to the investment in Statoil Detaljhandel.

**Net financial expenses** decreased by MSEK 34 to MSEK -93, foremost as a consequence of higher interest expenses due to the Group's higher net debt.

**Free cash flow from operations** after capital expenditure and changes in working capital amounted to MSEK 199 (332).

**Return on capital employed** improved to 13.1 % (12.4). **Return on equity** increased to 12.0 % (10.9).

### **Financial Position**

**Total assets** increased by MSEK 45 to MSEK 23,105 (23,150) since the beginning of the year. **Capital employed** increased by MSEK 63 to MSEK 15,830 (15,767).

The Group's **cash and cash equivalents** as of 30 June 2000 amounted to MSEK 1,349 (1,150 at year end). **Net interest bearing debt** increased to MSEK 5,804 (5,710 at year end). **Shareholders' equity** amounted to 8,566 MSEK (8,798). The **equity to assets ratio** was 37.4 % (38.6).

## Capital Expenditure

**Capital expenditure** amounted to gross MSEK 1,226 (2,796). The largest single capital expenditure was the acquisition of Interpegro in Latvia.

## Business Areas

**ICA Handlarnas** had a strong sales- and earnings development during the second quarter. EBIT during the first six months increased by 30 % compared to 1999. **Hakon Gruppen** also had a positive development and improved its EBIT by 9 % compared to last year. **ICA Baltic** continues its rapid expansion. The integration of Interpegro has influenced the result short-term so that it remained unchanged during the period compared to 1999. The ongoing restructuring program, including restructuring charges, has negatively affected the result of **ICA Menyföretagen** during the first six months.

<b>EBIT by Business Area</b>	<b>Jan- June 2000 MSEK</b>	<b>Jan- June 1999 MSEK</b>	<b>% change</b>
ICA Handlarnas	543	418	+30 %
Hakon Gruppen	316	289	+9 %
ICA Baltic	7	6	+17 %
ICA Menyföretagen	-50	-35	-43 %
ICA AB/others	-59	-57	-4 %
<u>SPP surplus funds</u>	<u>132</u>	<u>0</u>	
<b>Total</b>	<b>889</b>	<b>621</b>	<b>+43 %</b>

The by ICA 50 % owned **Statoil Detaljhandel** has had a positive development during the first six months. EBIT increased by MSEK 113 to MSEK 241 (128) compared to 1999, and earnings before taxes amounted to MSEK 134 (-33). Accordingly, ICA's share of its result was MSEK 67 (0).

## Parent Company

The parent company has had no sales during the period. The EBIT was MSEK -30 (-22).

## Important Events during the Third Quarter 2000

ICA Baltic has acquired 12 stores from Vikonda Group through its 50/50 owned Lithuanian company EKO. After this EKO owns 25 stores in Lithuania and ICA Baltic operates in total 46 stores in the Baltic region.

ICA Finans has signed an agreement for a syndicated bank loan of MSEK 5,000 with a group of banks, led by ABN Amro Bank, Den Norske Bank and Svenska Handelsbanken.

## **Quarterly Report**

The report for January – September 2000 will be released on November the 28<sup>th</sup>.

Stockholm 7 September 2000

ICA AB (publ.)

Svante Nilsson  
President

This quarterly report has not been audited by the company's auditors.

### **For further Information**

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## Summarized Consolidated Statement of Earnings\*

<b>MSEK</b>	<b>Jan-June 2000</b>	<b>Jan-June 1999</b>
Net sales	28,266	28,118
Earnings before depreciation and amortization	1,437	1,108
Earnings before interest and taxes	889	621
Share of earnings in associated companies	66	0
Net financial expense	-93	-59
Capital gains	<u>0</u>	<u>118</u>
Earnings before taxes and minority interests	862	680
Taxes	-261	-194
Minority interests	<u>-10</u>	<u>-1</u>
<b>Earnings after taxes</b>	<b>591</b>	<b>485</b>

## Summarized Consolidated Balance Sheet\*

<b>MSEK</b>	<b>2000-06-30</b>	<b>1999-06-30</b>	<b>1999-12-31</b>
Intangible fixed assets	1,908	1,839	1,771
Tangible fixed assets	9,938	9,412	9,846
Investments and other financial fixed assets	3,249	2,773	3,688
Other current assets	6,661	6,351	6,695
Cash and cash equivalents	<u>1,349</u>	<u>4,376</u>	<u>1,150</u>
<b>Total assets</b>	<b>23,105</b>	<b>24,751</b>	<b>23,150</b>
Shareholders' equity	8,566	8,453	8,798
Minority interests	75	86	109
Interest bearing liabilities and provisions	7,189	9,560	6,860
Non-interest bearing liabilities and provisions	<u>7,275</u>	<u>6,652</u>	<u>7,383</u>
<b>Total equity and liabilities</b>	<b>23,105</b>	<b>24,751</b>	<b>23,150</b>

## Summarized Consolidated Cash Flow Statement\*

<b>MSEK</b>	<b>Jan-June 2000</b>	<b>Jan-June 1999</b>
Cash flow from operations before		

change in working capital	1,195	845
Cash flow from operations	2,132	2,798
Cash flow from investments	-822	-2,688
Cash flow from financing	-1,111	222
Cash flow for the period	199	332

\* According to Swedish GAAP

## Key Ratios, etc\*

	Jan-Jun 2000	Jan-Jun 1999
EBITDA margin, %	5.1	3.9
EBIT margin, %	3.1	2.2
Return on capital employed, %	13.1	12.4
Return on equity, %	12.0	10.9
Asset turn, x	2.44	2.44
Equity to assets ratio, %	37.4	34.5
Gearing, x	0.68	0.61
Net interest bearing debt, MSEK	5,840	5,184
Capital employed, MSEK	15,830	18,099

\* According to Swedish GAAP