

Iceland

Fiscal Year 2015 Audited Results 52 weeks ended 27 March 2015

10th June 2015



Key Highlights

The Market

- The IGD recorded like for like sales growth for the market of **(1.5%)** for the 52 weeks ending 28 March 2015
- Food prices fell by **(3.0%)** in the year to April 2015 (ONS: Consumer Price Inflation April 2015)
- Discounters and Waitrose are the only retailers who are growing market share (Kantar: 12 weeks ending 29 March 15)
- Latest results from the Big 4 all show LFL decline

...The UK Retail market remains very challenging

Key Highlights

Iceland

Full year results based on the audited financial statements for the year ended 27 March 2015

- Turnover down **(1.6%)** year on year in the fourth quarter with full year turnover down **(0.5%)**
- Fourth quarter LFL % of **(4.5%)**, broadly consistent with the third quarter performance **(5.3%)**
- Full Year LFL % of **(4.4%)**
- The Group opened a net **28** new stores in the year taking the Group estate to **872** (including **6** warehouse stores)
- Gross Profit steps up to **10.4%** from **6.7%** in Q3 (down **(0.4%)** from Q4 FY14) due to productivity efficiencies and the accounting of supplier income in Q4 (in line with previous years)

Key Highlights

Iceland cont'd

- Fourth quarter Group EBITDA of **£42.2m**, **(£7.1m)** down on last year. Full Year EBITDA of **£150.2m**, **(£52.0m)** down year on year
- Fourth quarter Group EBITDA % of Turnover was **6.8%**, **(1.0%)** down on last year. Full Year EBITDA % of Turnover of **5.6%**, **(1.9%)** down year on year
- Strong cash generation from operations in fourth quarter of **£37.5m** (full year cash from operations of **£189.3m**, down **(£6.8m)** year on year despite trading performance)
- Net Debt at the end of the year of **(£745.0m)** resulting in a **4.96x** Leverage ratio

Fourth quarter result versus Third quarter outlook

- Current trading not materially different to Quarter 3
- A further 7 new stores to open before year end
- Re-branding plans underway
- Review of Marketing strategy “Sell Food, not Boxes”
- Continued strong Product Innovation in the pipeline
- Slimming World Launch
- Learning’ s from The Food Warehouse...
- Iceland will always be competitive on price
- Efficiency drive continues to gain momentum
- The long term goal of the company is to de-leverage in the most efficient way



The company purchased an additional £10.3m of bonds in the quarter (£38.3m in the year)

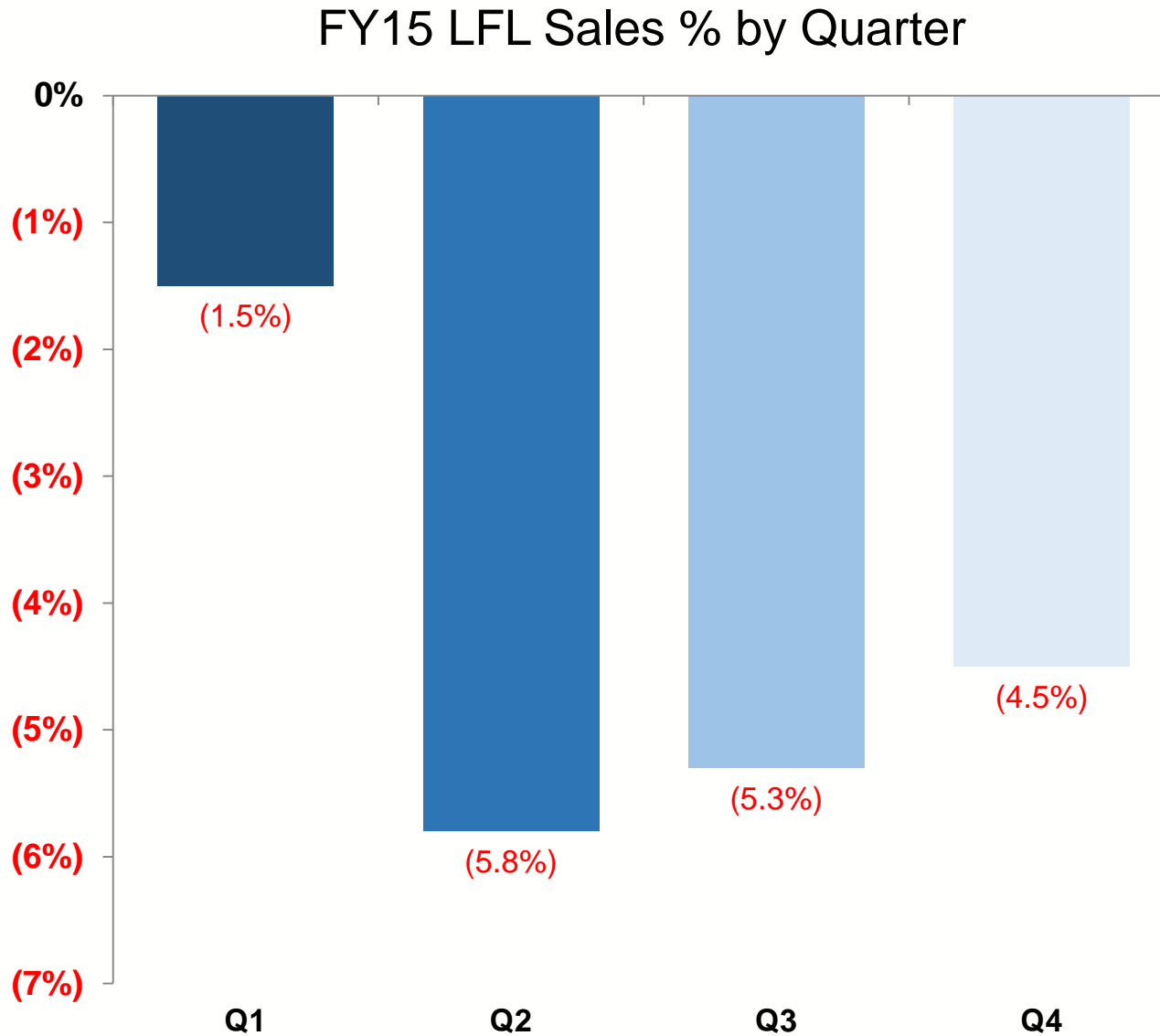
Fourth Quarter Sales Performance

£m	FY15 Q4	FY14 Q4	Var	Var%
Base Estate (LFL)	591.5	619.5	(28.0)	(4.5%)
FY14 & FY15 New Stores	22.0	3.1	18.9	3.0%
Other Group Co's	4.6	5.5	(0.9)	(0.1%)
Turnover	618.1	628.1	(10.0)	(1.6%)

Full Year Sales Performance

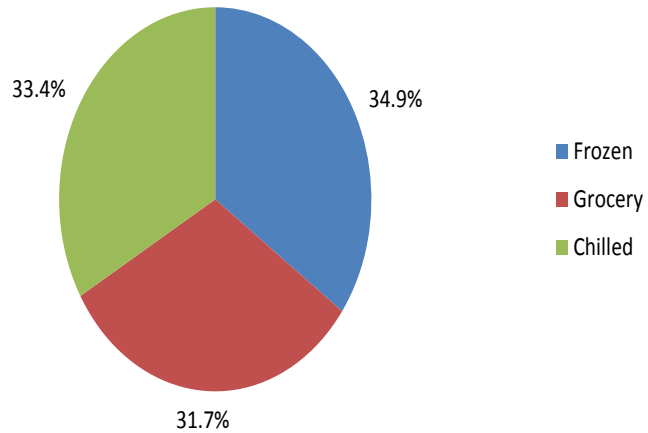
£m	FY15 Q4	FY14 Q4	Var	Var%
Base Estate (LFL)	2,560.4	2,679.2	(118.8)	(4.4%)
FY14 & FY15 New Stores	119.2	15.7	103.5	3.8%
Other Group Co's	17.0	15.7	1.3	0.0%
Turnover	2,696.6	2,710.6	(14.0)	(0.5%)

Like for Like Sales

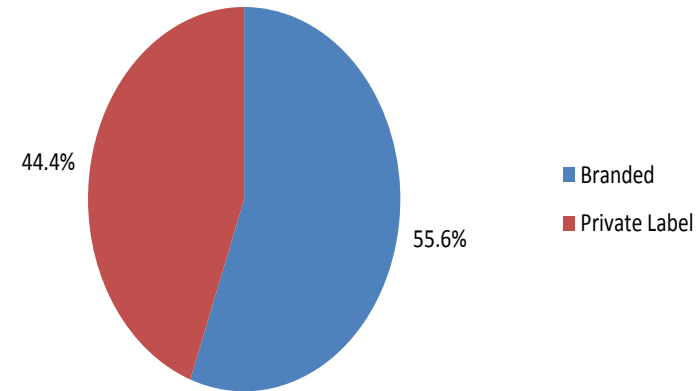


Turnover: Category Split and Branded v Private Label

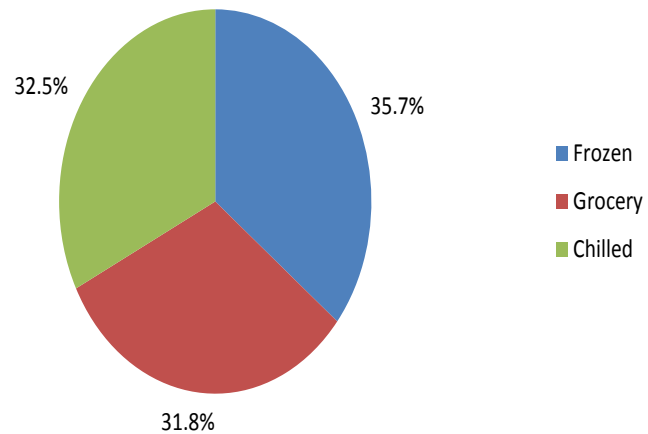
FY14: Turnover by Category



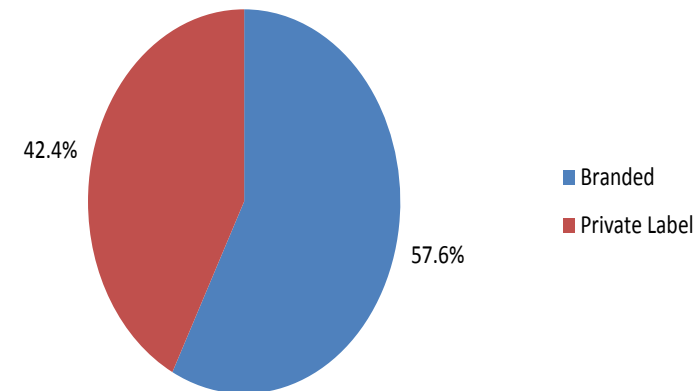
FY14: Branded v Private Label



FY15: Turnover by Category



FY15: Branded v Private Label



Fourth Quarter Profit and Loss

£m	FY15 Q4	FY14 Q4	Var
Group Turnover	618.1	628.1	(10.0)
Cost of Sales	(553.9)	(560.5)	6.6
Gross Profit	64.2	67.6	(3.4)
Admin Expenses	(32.0)	(30.1)	(1.9)
Operating Profit (Pre goodwill & Exceptionals)	32.1	37.5	(5.4)
Loss on disposal of Fixed Assets	(0.1)	0.0	(0.1)
Net Interest	(10.3)	(12.4)	2.1
Profit before tax (Pre goodwill & Exceptionals)	21.8	25.1	(3.3)
Exceptional Cost	0.0	(3.4)	3.4
Goodwill Amortisation	(17.2)	(17.2)	(0.0)
Tax	(6.1)	(4.6)	(1.5)
(Loss) for the period	(1.6)	(0.1)	(1.5)
EBITDA	42.2	49.3	(7.1)

- Gross profit stepped up to 10.4%, an improvement from Q3, driven by cost savings from productivity program and effect of full year supplier income which lands in Q4
- Gross profit margin down (0.4%) year on year ((£3.4m) in cash terms). This was driven by Sales performance and reduced gross margin (1.0%) offset by cost efficiency savings 0.6%.
- Admin Expenses (£1.9m) adverse year on year primarily driven by the timing of head office costs, unwinding some of the year to date favourable variance
- Fourth quarter Net interest includes underlying charge of (£12.5m) offset by Bond Buy back discount (£1.8m) and interest income (£0.3m)
- Tax charge in the quarter reflects year end calculation
- Resulting EBITDA for the fourth quarter of £42.2m was 6.8% of Turnover, down (1.0%) year on year. This was driven by reduced gross margin with cost efficiency savings offsetting the timing of admin costs

Full Year Profit and Loss

£m	FY15	FY14	Var
Group Turnover	2,696.6	2,710.6	(14.0)
Cost of Sales	(2,495.0)	(2,455.6)	(39.4)
Gross Profit	201.6	255.0	(53.4)
Admin Expenses	(95.1)	(99.7)	4.6
Operating Profit (Pre goodwill & Exceptionals)	106.4	155.3	(48.9)
Loss on disposal of Fixed Assets	(0.1)	0.0	(0.1)
Net Interest	(32.6)	(48.8)	16.2
Profit before tax (Pre goodwill & Exceptionals)	73.8	106.5	(32.7)
Exceptional Cost	(59.0)	(8.0)	(51.0)
Goodwill Amortisation	(75.1)	(75.0)	(0.1)
Tax	(5.8)	(19.8)	14.0
(Loss) for the period	(66.1)	3.7	(69.8)
EBITDA	150.2	202.2	(52.0)

- Gross profit down (£53.4m) year on year driven by negative LFL performance, continued investment in the product offering and additional costs
- Gross profit margin has reduced from 9.4% in FY14 to 7.5% in FY15, of which (1.0%) is a reduction in the buying margin, (0.9%) is due to sales performance and increased costs
- The significant investment in marketing spend during the year has broadly been offset by cost efficiencies from the productivity program
- Admin Expenses £4.6m favourable year on year mainly driven by difference between loan fee amortisation in FY14 and bond fee amortisation in FY15 (£2.7m)
- Full Year Net interest includes underlying charge of (£54.1m) offset by Bond Buy back discount, early redemption discount on debt, currency gain on euro dominated syndicated bank debt and interest income
- Full year Exceptional cost includes:
 - Property provisions (£1.5m)
 - Other provisions (£57.5m)
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 - Total (£59.0m)

Other provisions relate primarily to refinancing in Q2
- Full Year Tax charge down year on year driven by underlying profitability
- Resulting full year EBITDA of £150.2m was 5.6% of Turnover, down (1.9%) year on year. Driven by a reduction in gross margin (1.0%), sales performance (0.7%) and costs (0.2%)

Fourth Quarter Cash Flow

£m	FY15 Q4	FY14 Q4	Var
Group EBITDA	42.2	49.3	(7.1)
Movement in Working Capital	(4.7)	(7.7)	3.0
Net Cashflow from operations	37.5	41.6	(4.1)
Net Capital Expenditure	(10.1)	(8.5)	(1.6)
Free Cashflow	27.4	33.1	(5.7)
Taxation	(5.1)	(4.9)	(0.2)
Net Interest	(1.8)	(0.3)	(1.5)
Refinancing Fees	(0.9)	0.0	(0.9)
Net Cashflow before Financing	19.6	27.9	(8.3)
Financing	(8.6)	(1.0)	(7.6)
Acquisition costs	0.0	0.0	0.0
Cash Inflow	11.0	26.9	(15.9)
*Free Cashflow conversion %	65%	67%	(2%)

- Movement in working capital of (£4.7m) driven by unwind post Christmas trading, however still £3.0m favourable to last year
- Year on year increase in Net capital expenditure is timing related
- Taxation includes underlying taxation of (£1.6m) and (£3.5m) relating to tax settlements
- Underlying net interest payable on the Bonds of (£4.1m). This is offset by the discount received on Bond Buy Backs and interest income
- FY15 Refinancing Fees relate to the bond refinance
- FY15 Financing cost includes Bond Buy Back (£10.4m) and finance leases (£0.2m), offset by reclassification of fee accrual (£2.0m)

*Free cashflow conversion %: Free cashflow divided by Group EBITDA

Full Year Cash Flow

£m	FY15	FY14	Var
Group EBITDA	150.2	202.2	(52.0)
Movement in Working Capital	39.1	(6.1)	45.2
Net Cashflow from operations	189.3	196.1	(6.8)
Net Capital Expenditure	(28.7)	(45.2)	16.5
Free Cashflow	160.6	150.9	9.7
Taxation	(19.3)	(26.3)	7.0
Net Interest	(28.3)	(33.4)	5.1
Refinancing Fees	(11.9)	0.0	(11.9)
Net Cashflow before Financing	101.1	91.2	9.9
Financing	(89.6)	(61.6)	(28.0)
Acquisition costs	0.0	(5.0)	5.0
Cash Inflow	11.5	24.6	(13.1)
*Free Cashflow conversion %	107%	75%	32%

- Movement in working capital of £39.1m driven by better working capital management
- Year on year reduction in net capital expenditure driven by underlying lower number of new stores and refits than FY14
- Year on year reduction in Taxation driven by trading performance offset by tax settlements
- Net interest includes underlying net interest payable on Bonds, underlying net interest payable on old debt, discount on Bond Buy Backs and interest income.

- FY15 Refinancing Fees relate to the bond refinance

- Financing cost includes:

• Bond issue	£950m
• Loan repayments	(£1,000.3m)
• Bond Buy Back	(£38.4m)
• Finance leases	(£1.0m)

	(£89.6m)

*Free cashflow conversion %: Free cashflow divided by Group EBITDA

Net Debt

£m	FY15 Q4	FY14 Q4	Var
Cash at Bank in hand	163.6	152.1	11.5
Debt	(907.8)	(955.4)	47.6
Finance leases	(0.8)	(1.8)	1.0
Net Debt	(745.0)	(805.1)	60.1
Net Leverage	4.96x	3.98x	(0.98x)

Bond Buy Backs (Company and related parties)

Quarter	Date	Tranche	Value (£m)
3	Nov' 14	FRN	8.5
3	Dec '14	SSN 7 Yr 6.25%	19.5
4	Mar '15	FRN	10.3
		Gross value	38.3

In the final quarter of the financial year Malcolm Walker and certain family members acquired a nominal £2.3m of the group's 6.25% Senior Secured Notes Due 2021 and £0.3m of the group's 6.75% Senior Secured Notes Due 2024 held within Iceland Bondco plc, a company in which he is a director.

In the same period Tarsem Dhaliwal and certain family members also acquired a nominal £0.2m of the group's 6.25% Senior Secured Notes Due 2021 and £1.2m of the group's 6.75% Senior Secured Notes Due 2024 held within Iceland Bondco plc, a company in which he is a director.

We and our affiliated entities, including Directors and Shareholders of Iceland Topco Limited and their affiliated entities and their employees and officers, and agents acting on our or their behalf, may retain, purchase or sell for our own account any of our outstanding publicly traded Notes, and may subsequently re-offer or re-sell any such Notes purchased. We do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation we may have to do so.

Outlook

- **Current trading:** Like for like sales still negative but have improved from the FY15 quarter 4 performance
- 1 new store will open in FY16 quarter 1
- Power of Frozen and Innovation will continue...
- Iceland will remain competitive on price
- Efficiency drive continues to gain momentum
- Heavyweight Marketing campaign during FY16 quarter 1 which will impact on the year on year performance
- Cash on the balance sheet of **£163.6m** at the 27th March 2015
- The long term goal of the company is to de-leverage in the most efficient way