



10 June 2015

STRONG FINANCES MAINTAINED IN CHALLENGING MARKET

Iceland Foods today announces the results of its holding company Iceland Topco Limited for the 52 weeks ended 27 March 2015 (2014: 52 weeks ended 28 March 2014).

HIGHLIGHTS

- **Sales £2.697 billion (2014: £2.711 billion)**
- **Adjusted EBITDA* £150.2m (2014: £202.2m)**
- **Strong cash flow maintained: inflow £189.3m (2014: £196.1m)**
- **Cash balances increased to £163.6m (2014: £152.1m)**
- **Successful refinancing completed in July 2014**
- **28 net new stores opened in UK and Republic of Ireland**
- **New Food Warehouse store concept created and six stores opened**
- **Online shopping service rolled out nationwide in UK**
- **£1.3m raised for good causes through Iceland Foods Charitable Foundation**
- **In Top 10 “Best Big Companies To Work For” for fifth year**

OUTLOOK

- **Major programme of product innovation and rebranding underway**
- **New “Power of Frozen” advertising campaign launched**
- **Up to 20 new stores planned for current year**

* EBITDA from continuing operations excluding amortisation of goodwill and loan fees and exceptional items

Iceland Chairman & Chief Executive Malcolm Walker CBE commented:

This has been an exceptionally challenging year for the Group, and for the UK food retailing industry as a whole. In the face of food price deflation, intense competition and significant change in consumers’ shopping habits, Iceland has continued its long tradition of successful reinvention. We have done this by developing a new store format, launching new product ranges, upgrading packaging, rethinking marketing and initiating a major productivity programme. The benefits began to become evident in a more encouraging underlying sales and profit performance towards the end of

the year, which has put us in a stronger position to face the continuing competitive challenges in the year ahead.

Results

Turnover for the period was £2,696.6.0m (2014: £2,710.6m), a reduction of 0.5%. Like for like sales over the period declined by 4.4%, principally reflecting a reduction in customer transactions, food price deflation and the cannibalisation effect of new store openings. This was largely offset by sales generated by the 43 net new stores opened during the previous financial year and the further 28 net new stores opening during the period under review.

Adjusted EBITDA (excluding exceptional items) was £150.2m (2014: £202.2m) as a result of the sales performance, investment in the value of our product offering, additional marketing expenditure, and costs associated with the roll-out of our online business and international expansion.

Exceptional administrative expenses of £59.0m (2014: £8.0m) were incurred during the financial year. These comprised £53.8m of costs related to the refinancing of the business in July 2014, (£17.5m related to the issuance of new debt and £36.3m due to fees from earlier financings now written off) and business restructuring costs of £5.2m.

Finances

The business has remained highly cash generative, with net cash inflow from operations during the year of £189.3m (2014: £196.1m), with the reduction in EBITDA offset by better management of working capital. Cash balances at 27 March 2015 were £11.5m higher than at the same point last year at £163.6m (2014: £152.1m).

We completed a successful refinancing on 17 July 2014 through the issue of £950 million of bonds comprising £400 million of Senior Secured Fixed Rate Notes 2021, £200 million of Senior Secured Fixed Rate Notes 2024 and £350 million of Senior Secured Floating Rate Notes 2020. The proceeds were used to refinance our existing bank debt and to repay the £250m vendor loan advanced by Landsbanki Islands hf to facilitate the management buy-out in March 2012.

By the end of the financial year we had purchased and redeemed a nominal total of £38.3m of bonds at a discount of £7.5m.

The UK Market Place

The UK food retail market has remained exceptionally challenging due to the combination of intense competition, food price deflation and changing consumer shopping patterns. All the “Big Four” UK food retailers lost market share during the period, with the principal beneficiaries being the German limited assortment discounters Aldi and Lidl, together with pound shops, convenience stores, online retailers and more upmarket specialists such as Waitrose. Iceland has not been immune to the pressures in its market place but we are strategically well positioned for the new retail environment through our focus on conveniently located neighbourhood stores, our well-established reputation for excellent value, and our nationwide online shopping service.

Stores

During the period the Group opened 30 new stores in the UK, including six larger stores under The Food Warehouse fascia, and three new stores in the Republic of Ireland. There was a net addition of 28 stores after five closures and, including International, the Group ended the year with 872 stores (2014: 844) of which 859 (2014: 833) were in the UK.

The Food Warehouse

The first of our new stores under this fascia opened in Stoke-on-Trent in September 2014, and a total of six stores had been opened by the end of the year. The Food Warehouse is more than double the size of a typical Iceland store and, as well as the full Iceland range of frozen and chilled products, offers extended ranges of luxury and speciality frozen food, chilled meat, fresh produce, together with a wide selection of value bulk packs of grocery products. It is also designed to operate at a substantially lower cost to sell than the traditional Iceland store model. All the stores are operating successfully and the concept is also providing a valuable test-bed for initiatives in ranging and store operation that can then be applied across our core estate. New ranges of speciality meat, fish and frozen bread were all successfully tested in The Food Warehouse before being made available in most Iceland stores across the country.

Delivered sales

Our unique free home delivery service for in-store purchases, subject to a minimum purchase of £25, remains a key point of difference for Iceland. The national roll-out of a complementary online service, offering delivery free of charge subject to a minimum purchase of £35, was completed during the first half of the current financial

year, well ahead of schedule, providing coverage of approximately 84% of the UK population. Iceland's total delivered sales (of both in-store and online purchases) regularly exceed 200,000 deliveries per week.

Products, pricing and marketing

In the first half of the financial year we sought to meet the increased competitive challenge by matching or beating the discounters on price, most notably by reducing the price of some 800 core frozen food lines from £1 to 89p in July 2014. However, it has become increasingly clear that concentrating on price alone no longer provides an effective point of difference in an intensely competitive and price-focused market place. We have therefore changed our approach to re-emphasise the quality of our products, the uniqueness of Iceland's innovation and the special advantages of frozen food, as well as our enduring commitment to great value.

Product endorsements secured by us during the year included the award of the Good Housekeeping Approved logo to Iceland salmon fillets, yellowfin sole fillets, cheesy potato slices and Belgian Chocolate Majestics; Good Housekeeping also endorsed Iceland Luxury Mince Pies as the best in the UK for Christmas 2014, and commended Iceland for offering the country's best value Christmas dinner. In June 2014 we won six awards for product innovation at the British Frozen Food Awards, and in November Iceland was named frozen pizza retailer of the year by PAPA, the Pizza, Pasta and Italian Food Association.

Iceland's Christmas TV advertising campaign, fronted by the celebrity Peter Andre, consistently ranked among the most recalled campaigns in industry surveys.

A new range of Slimming World™ frozen meals, developed and produced in our own factory and sold exclusively through Iceland stores, was launched very successfully in February 2015.

Building on its success in The Food Warehouse, new ranges of Kezie speciality meats and Arctic Royal luxury fish and seafood were introduced across the Iceland estate in the final quarter. This period also saw the beginning of a major programme of re-launches of Iceland own brand products, introducing improved packaging designed to emphasise their quality and authenticity. The complete Indian and Chinese ranges of ready meals, and many pizza lines, had been successfully re-launched by the end of the year. The focus on quality was also underlined by the launch of a new Iceland Food TV channel on our website.

All Iceland's new product launches and improvements have been supported by an increased investment in marketing and public relations.

Customers

We have continued to win recognition for the quality of our customer service as well as our products. The annual Which? survey of customer satisfaction with supermarkets, published in March 2015, ranked Iceland third equal for its combination of great value “while offering better customer service, a wider range of products and more pleasant stores than Aldi or Lidl”. In the online category, Iceland’s customer satisfaction score was second only to Ocado.

We have continued to increase the number of customers registered for our Iceland Bonus Card, which provides access to our unique home delivery service and the opportunity to make savings and win prizes throughout the year.

International

The Iceland business in the Republic of Ireland, acquired from a former franchisee in November 2013, continued to trade successfully. Three new stores were opened and one closed during the year and further sites are being sought for the current year. We also continue to operate three company-owned stores in the Czech Republic and to supply 22 franchised stores principally in Spain, Portugal and the Channel Islands, as well as exporting Iceland brand products to more than 30 countries internationally.

Colleagues and the Community

Overall employee numbers remained relatively stable during the year at a little over 24,000.

Industry leading engagement figures put Iceland significantly ahead of the retail benchmark; the 2015 Straight Talk survey of employees returned an overall satisfaction score of 90% on a response rate of 91%.

Iceland was again ranked among the Top Ten “Best Big Companies to Work For In the UK” at the Sunday Times Best Companies Awards 2015, where we received a Lifetime Achievement Award for retaining this position in the top rank for five years; we also received a special award in recognition of our commitment to employee wellbeing.

Iceland continues to make a great contribution to the wider community through the active involvement of our people in charitable activities. During the year we raised a total of £1.3m for good causes through the Iceland Foods Charitable Foundation and donated £1.0m to our principal charity partner for the year, The Royal British Legion.

Outlook

We will continue to pursue a range of initiatives to make our stores, products and brand more appealing and to make frozen food more relevant to consumers. The roll-out of new packaging has now embraced the key chilled ranges of cooked meats and cheese as well as a growing number of frozen food categories, while the fresh produce range and presentation have also been significantly enhanced. New product launches continue at a rapid pace, with the successful introduction of a new bake-at-home frozen bread range at the end of the last financial year already followed by the launch of new ranges of donuts and authentic Italian ice cream and gelato.

The new “Power of Frozen” advertising campaign, launched initially through door drops, press and posters, moved onto national TV from May 2015 and will run through the summer, emphasising the unique advantages of frozen food in provenance, convenience, taste, health, choice, top quality and waste reduction, as well as value. The campaign is supported by a nationwide roadshow offering consumers the opportunity to sample Iceland’s outstanding speciality meat and fish in nine cities around the UK.

At the same time we are pursuing improved productivity through initiatives such as the roll-out of more shelf-ready packaging and the introduction of improved scanners. Together these are delivering an improved sales and profit performance, compared with the final quarter last year, albeit in a market that remains intensely competitive and in which food price deflation continues.

During the year we expect to open up to 20 new Iceland stores in the UK and the Republic of Ireland, with a focus in the UK on securing suitable new sites for the expansion of The Food Warehouse.

We remain confident that Iceland will remain a highly cash generative business with the capability to deliver long term profitable growth based on the unique proposition it has developed over the last 45 years.

ENQUIRIES:

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For more information on Iceland Foods, please visit www.iceland.co.uk