



Mosaic Fashions hf

**Press Release**  
**Reykjavik, 25 April 2008**

## **Mosaic Fashions hf**

### **FY 2008 Results for the period ended 26 January 2008**

#### **Highlights**

- Following the acquisition of Rubicon Retail in the 3<sup>rd</sup> Quarter of last year, total group sales increased by 49%, to £870m (FY2007: £586m).
- EBITDA<sup>1</sup>, was level at £71.9m (FY2007: £72.2m) representing 8% of sales.
- Pre-tax loss of £30.2m (FY 2007: £17.2m profit) as a result of non-cash items relating to the early repayment of loan notes of £12.8m and the amortisation of intangibles of £16.3m.
- Loss after tax of £16.3m (FY2007: £10.7m profit) due to non-cash items above.
- Equity up by £48.0m to £198.6m (FY2007: £150.6m).
- Long term borrowings (incl. current portion) reduced by £49.9m to £374.4m (FY2007: £424.3m) and by a further £38.8m by 31 January 2008.
- Total number of stores<sup>2</sup> and concessions up from 1,711 to 2,015.
- Forecasting a return to profit this year.

Derek Lovelock, CEO Mosaic Fashions, commented:

'There have been enormous structural changes within the Group in the past 18 months. These changes have included the acquisition of Rubicon in October 2006, the take private of the Group in August 2007 and subsequent delisting in October 2007, followed by the disposal of Whistles in January 2008.

These changes have taken up a significant amount of management time in an increasingly unforgiving retail and economic climate, and the performance of some of our businesses undoubtedly suffered. We have taken a number of steps to resolve these issues including the appointment of Mike Shearwood as Deputy CEO to strengthen our central team, as well as making a number of appointments and changes within the management teams of our retail businesses.

During this time we have also made substantial progress with our key objectives. The integration of the two businesses' shared services is largely complete, and we expect synergistic benefits to continue through this year and accelerate into next. Our international sales continue to perform well, and our ecommerce channels consistently exceed expectations.

Although the performance on the UK high street has been difficult, our boutique<sup>3</sup> businesses are performing well, and we have implemented measures in our high street businesses<sup>4</sup> to minimise the impact of the current downturn and leave them well positioned for an economic upturn.

It is important to be realistic about the difficult outlook for the UK retail market over the coming 12 months, but we now have strong and experienced management and operational teams working with great brands that are generating strong underlying cash flows. I am confident that we are in a good position to weather the downturn and emerge as an even stronger international, multi-brand, multi-channel womenswear retailer.'

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<sup>1</sup> EBITDA stated before fair value adjustments and acquisition and integration costs and professional charges relating to delisting

<sup>2</sup> Excluding Whistles

<sup>3</sup> Boutique businesses refer to Coast and Karen Millen

<sup>4</sup> High Street businesses include Oasis, Principles, Shoe Studio Group and Warehouse

coast



oasis

Odette

principles

THE SHOE STUDIO

WAREHOUSE



## Structural changes and debt repayments

On 13 August 2007, a consortium including F-Capital ehf. (a wholly owned subsidiary of Baugur Group hf.), Kaupthing Bank hf. and certain members of the management team at Mosaic Fashions hf, acquired the shares in Mosaic Fashions hf. held by all of the shareholders, excluding the consortium members, via Tessera Holding ehf.

After the bid, Kaupthing Bank hf. and Baugur Holding ehf. exercised their warrants, which had been issued as part of the Rubicon acquisition, resulting in an additional 347,758,887 shares in Mosaic Fashions hf. In consideration for the warrants, the warrant holders assigned their loan notes, which they held with Mosaic Fashions Ltd, to Mosaic Fashions hf., and accepted a further 21,735,972 shares in lieu of interest. On 20 September 2007, the shares acquired by Tessera Holding ehf in accordance with the bid, were transferred to certain of the consortium members.

On 22 October 2007, the company's shares were delisted from the OMX Nordic Exchange, Iceland, however the company's bonds remain listed.

On 23 October 2007, the shareholders of Mosaic Fashions hf. passed a resolution to increase the authorised share capital and divide this into two classes - A and B shares. An additional 44,674,287 A shares were subscribed for a consideration of £6m, and 3,228,516 B shares were subscribed for a consideration of £0.03m by the consortium members. Immediately after this subscription, the A share capital was reduced by cancellation, at a ratio of 80:1 to 41,432,884 shares of ISK1.

On December 28, the company made an early repayment of £13m as a result of surplus cash generated by strong cash flows.

On January 26 2008, Mosaic Fashions Finance Ltd disposed of its interest in Whistles Ltd to F-Capital ehf and others for a consideration of £20m.

On January 29, following the year end, this sum formed the basis for an early repayment to Kaupthing Bank hf.

On January 31, a further £14m early repayment was made in addition to the scheduled £7m. The additional payment was made possible by strong cash flows.

## Key Financial Information for FY 2008

### Income Statement

Sales were up 49%.

Gross margin was up from 60.2% to 60.5%.

Distribution costs for the group have risen faster than sales, this reflects the impact of fixed store costs, which rose faster than sales in our existing portfolio.

Administration expenses<sup>5</sup> include £16.3m relating to the amortisation of intangible assets, compared with £2.0m in FY 2007.

Operating profit of £24.3m was £23.8m lower than last year (FY2007: £48.1m), largely due to the amortisation of intangible assets.

EBITDA of £71.9m, level with FY2007.

The loss on disposal of £1.6m refers to the sale of Whistles in January 2008.

Ordinary net financing costs of £42.0m compare with £30.1m in FY2007.

Financing costs arising from delisting refer to the accelerated accretion of the vendor loan note, which is detailed in note 6 to the accounts.

There is an income tax credit of £13.9m.

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<sup>5</sup> Administration costs stated before acquisition and integration and professional charges relating to delisting



The loss after tax of £16.3m compares with a £10.7m profit in FY2007.

Total store numbers have increased from 1,711 to 2,015, including 135 new international stores.

### **Balance Sheet**

Book value of equity has increased by £48.0m to £198.6m (FY2007: £150.6m).

Total assets amounted to £780.3m compared to £763.7m in FY2007.

Current assets amounted to £198.1m an increase of £43.0m compared to FY2007, within this increase is £20m in other receivables relating to the proceeds of the sale of Whistles, which was not received until shortly after year-end, and an increase in cash of £26.7m.

Non current assets reduced from £608.6m to £582.2m, largely due to the sale of Whistles and the amortisation of intangible assets.

Long term borrowings, including current portion reduced from £424.3m to £374.4m.

### **Cash Flows**

Operating profit before changes in working capital and provisions of £69.5m is £1.8m higher than FY2007.

Net cash provided by operating activities is £72.1m compared to £52.1m in FY 2007.

The net increase in cash of £26.7m leaves the group with a cash surplus of £37.9m at the end of the period.

### **Auditing**

The financial report for the full year, has been audited by the company's auditors, and confirmed by the board of directors.

### **Financial Calendar**

H1 FY 2009 Results                      26 September 2008

### **Further Information**

For further information on the results please contact the company's Investor Relations Manager, Jessica Wilks on +44 20 7452 1122 or Gavin Anderson (Fergus Wylie/Clotilde Gros +44 207 554 1400)

Information on Mosaic Fashions hf is available on the company website at [www.mosaic-fashions.is](http://www.mosaic-fashions.is) or [www.mosaic-fashions.co.uk](http://www.mosaic-fashions.co.uk)



## Consolidated Income Statement

### For the 52 week period ended 26 January 2008

	Note	2008 28.01-26.01	2007 29.01-27.01 Restated
Sales	1	870.3	585.8
Cost of sales		-343.7	-229.7
Impact of fair value adjustment on acquired inventory		-	-3.2
Total cost of sales		-343.7	-232.9
<b>Gross profit</b>		526.6	352.9
Distribution costs		-379.1	-236.1
Administrative expenses before amortisation of intangibles, professional charges relating to delisting and acquisition and integration costs		-104.5	-65.4
Amortisation of intangibles	10	-16.3	-2.0
Professional charges relating to delisting and acquisition and integration costs		-2.4	-1.3
Total administrative expenses		-123.2	-68.7
<b>Operating profit before financing costs</b>		24.3	48.1
Loss on disposal of subsidiary	2	-1.6	-
Share of loss of associate	11	-0.3	-0.7
		22.4	47.4
Finance income	6	2.2	2.7
Financing costs before delisting		-42.0	-30.1
Financing costs arising from delisting		-12.8	-2.8
Total finance costs	6	-54.8	-32.9
Net finance costs		-52.6	-30.2
<b>(Loss) profit before tax</b>		-30.2	17.2
Income tax expense		13.9	-6.5
<b>(Loss) profit for the period</b>		-16.3	10.7
All profits are solely attributable to the equity holders of the Parent.			
<b>Earnings per share:</b>			
Basic (loss) earnings per share (pence)	8	-42.6	29.5
Diluted (loss) earnings per share (pence)	8	-42.6	26.4

The restatement of the comparative period numbers refers to the A share capital reduction during the year. The earnings per share figures for the comparative period have been restated to reflect this share reduction.



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## Consolidated Balance Sheet

As at 26 January 2008

### Assets

	Note	26.01.2008	27.01.2007
<b>Non-current assets:</b>			
Property, plant and equipment	9	86.2	83.4
Intangible assets	10	489.0	517.2
Investments in associates	11	0.4	0.4
Prepayments		5.8	6.8
Trade and other receivables		0.8	0.8
<b>Total non-current assets</b>		<b>582.2</b>	<b>608.6</b>
<b>Current assets:</b>			
Inventories	12	74.1	81.1
Trade and other receivables	13	86.1	62.8
Cash and cash equivalents	14	37.9	11.2
<b>Total current assets</b>		<b>198.1</b>	<b>155.1</b>
<b>Total assets</b>		<b>780.3</b>	<b>763.7</b>

### Equity and liabilities

#### Equity:

Share capital	15	-0.5	-23.5
Warrants	16	-	-9.8
Share premium	17	-155.3	-93.9
Capital redemption reserve	18	-26.4	-
Retained earnings and reserves		-16.4	-23.4
<b>Total equity</b>		<b>-198.6</b>	<b>-150.6</b>

#### Non-current liabilities:

Long term borrowings	19	-333.5	-422.9
Deferred income	21	-14.2	-13.9
Deferred tax liabilities	22	-53.1	-69.5
<b>Total non-current liabilities</b>		<b>-400.8</b>	<b>-506.3</b>

#### Current liabilities:

Short term borrowings	19	-40.9	-1.4
Trade and other payables	23	-124.2	-95.4
Deferred income	21	-10.7	-5.8
Income tax payable		-5.1	-4.2
<b>Total current liabilities</b>		<b>-180.9</b>	<b>-106.8</b>
<b>Total liabilities</b>		<b>-581.7</b>	<b>-613.1</b>
<b>Total equity and liabilities</b>		<b>-780.3</b>	<b>-763.7</b>



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## Consolidated Statement of Cash Flows

### For the 52 week period ended 26 January 2008

	2008 28.01-26.01	2007 29.01-27.01
<b>Cash flows from operating activities:</b>		
Operating profit before net financing cost	24.3	48.1
Adjustments for:		
Depreciation of property, plant and equipment	26.9	17.9
Amortisation of intangible assets	16.3	2.0
Loss on disposal of property, plant and equipment	2.3	0.4
Share of loss of associates and joint ventures	-0.3	-0.7
Operating profit before changes in working capital and provisions	69.5	67.7
Decrease in inventories	3.3	15.5
Increase in trade and other receivables	-4.9	-2.7
Increase (decrease) in trade and other payables	33.6	-11.7
Increase in deferred income	5.8	10.6
Cash generated by operations	107.3	79.4
Interest income received	2.2	2.7
Financing costs paid	-35.5	-21.8
Income taxes paid	-1.9	-8.2
Net cash provided by operating activities	72.1	52.1
<b>Cash flows from investing activities:</b>		
Costs relating to sale of property, plant and equipment	-0.6	-
Acquisition of property, plant and equipment	-37.1	-28.1
Disposal of subsidiaries, net of cash disposed of	-0.7	-
Acquisition of subsidiaries, net of cash acquired	1.2	-137.4
Investment in associates and joint ventures	-0.3	-1.0
Net cash used in investing activities	-37.5	-166.5
<b>Cash flows from financing activities:</b>		
Proceeds from the issue of share capital	6.0	-
Proceeds from sale of own shares	4.6	1.4
Proceeds from long term borrowings	-	353.3
Repayment of borrowings	-18.5	-241.3
Net cash used (provided) by financing activities	-7.9	113.4
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>26.7</b>	<b>-1.0</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>-</b>	<b>-2.5</b>
<b>Cash and cash equivalents at start of period</b>	<b>11.2</b>	<b>14.7</b>
<b>Cash and cash equivalents at end of period</b>	<b>37.9</b>	<b>11.2</b>