Mosaic Fashions hf

Press Release
Reykjavik, 28 September 2007

Mosaic Fashions hf

1st Half FY 2008 Results for the period ended 28 July 2007

Sales up 92% to £407m – EBITDA[1] up 23% to £31.5m

Highlights

- Following the acquisition of Rubicon Retail in the 3rd Quarter of last year, total group sales increased by 92% in the first half of this year, to £407m (H1 FY2007: £212m).
- EBITDA, was up 23% to £31.5m, (H1 FY2007: £25.7m) representing 8% of sales.
- Loss after tax for the half was £4.7m (H1 FY2007: £5.6m profit) mainly as a result of increased financing costs.
- Loss per share was 0.162p, compared to a profit per share of 0.191p in H1 FY2007.
- Equity up by £11.7m to £146.9m (H1 FY2007: £135.2m).
- During the quarter, a net 50 new stores and concessions were opened in the UK and mainland Europe, taking the owned portfolio to 1708 stores. 14 international franchise stores were opened, taking the franchise portfolio to 200.

On 7 August 2007, a consortium including F-Capital ehf. (a wholly owned subsidiary of Baugur Group hf.), Kaupthing Bank hf. and certain members of Mosaic Fashions hf.'s management team, successfully completed a takeover bid for the Company through Tessera Holding ehf. The Company requested to be delisted from the OMX Nordic Exchange, Iceland as of 18 September 2007.

Derek Lovelock, CEO Mosaic Fashions, commented:

‘Despite difficult market conditions in the UK, we have seen our sales for the first half increase by 92% following the acquisition of Rubicon Retail. The first few weeks of the Autumn Winter season have seen continued challenging trading conditions, but we are pleased that Coast has shown clear signs of recovery. The new e-commerce sites for Coast and Karen Millen are performing well and we look forward to the new Whistles site which will be launched shortly. In the UK, Warehouse continues to outperform, but Oasis and Principles remain a concern. Our International businesses are still growing from strength to strength. Our guidance is for a full year EBITDA of £92.5m, 28% higher than last year.’

1 EBITDA stated before acquisition and integration costs of £0.3m

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Income Statement

Sales were up 92% in the 1st Half.

Sales performance from continuing businesses was as follows:

	1st Half
Coast	-3%
Karen Millen	14%
Oasis	-1%
Whistles	7%
	2%

Sales performance from the new businesses was:

	1st Half
Principles	-9%
Shoe Studio	2%
Warehouse	17%
	2%

Gross margin for the half was up from 61.3% to 61.5%.

Distribution and administration costs for the group as a percentage of sales have increased this half. This reflects the impact of fixed store costs, which rose faster than sales in our existing portfolio, and goodwill amortisation of £2.8m in H1 FY2008 following the acquisition of Rubicon last year.

Operating profit of £15.1m for the half was £3.2m lower than last year (H1 FY2007: £18.3m).

EBITDA of £31.5m was 23% higher than H1 FY2007.

Ordinary net financing costs of £21.2m compare with £10.0m in H1 FY2007.

The tax credit of £1.4m for the half incorporates the reversal of the tax charge relating to the warrants granted at the time of the Rubicon acquisition last year.

The loss after tax of £4.7m for the half compares with a £5.6m profit in H1 FY2007.

The loss of 0.162p per share this year compares with a profit of 0.191p in H1 FY2007.

Balance Sheet

Non-current assets are little changed from the year-end.

Inventories, trade and other receivables are at normal levels.

Equity has slightly decreased in the half, in line with the small loss for the period.

Total borrowings have increased by £4.6m since the year-end, due to £1.6m accretion of the unsecured loan notes, £2.0m PIK notes issued in accordance with the mezzanine loan, and £1.0m amortisation of loan costs.

Trade and other payables are at normal levels.

Cash Flows

Operating profit for the half is slightly lower for the enlarged group than that of the original Mosaic group last year.

Higher depreciation costs reflect the increase in the fixed asset base. Amortisation is higher because of the increase in intangible assets following the acquisition of Rubicon last year.

The increase in inventories and other working capital movements are normal for the size of the group and the time of year.

Financing costs paid reflect the new finance structure put in place at the time of the Rubicon acquisition last year.

Acquisition of property plant and equipment was in line with our plan for the year.

The first repayment of borrowings under the new debt structure occurred just after the end of the half.

The net increase in cash of £10.4m leaves the group with a cash surplus of £21.6m at the end of the 1st half.

Store Portfolio

During the quarter, 3 new stores and 47 department store concessions were opened in the UK, mainland Europe.

There was a net increase of 14 in the number of international franchise stores.

There was a net increase of 2 in the number of outlets in China, taking the total to 52.

In total, following the openings this quarter, Mosaic is now represented in 36 countries, comprising 474 own stores and 1,234 concessions in 9 European countries and the USA, as well as 200 franchise stores in 31 countries and 52 joint venture outlets in China.

Auditing

The interim financial report for the 1st Half has been reviewed by the company's auditors.

Financial Calendar

FY 2008 Results	25th April 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 or www.mosaic-fashions.co.uk

Mosaic Fashions hf is the parent company of eight successful design led fashion brands; Coast, Karen Millen, Oasis, Odille, Principles, Shoe Studio, Warehouse and Whistles. It operates 1,708 stores and concessions, mainly in the UK and Ireland, but also in the rest of Europe and the USA. It has 200 franchise stores in 31 countries worldwide, and 52 department store concessions in China through a joint venture. The group employs over 13,000 employees.

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Statutory Consolidated Income Statement
For the six months ended 28 July 2007

£ millions

	Six months 2007 28.01-28.07	2006 29.01-29.07	Year ended 27.01.2007
Sales	407.0	211.7	585.8
Cost of sales	-156.7	-82.0	-229.7
Impact of fair value adjustment on acquired inventory	-	-	-3.2
Total cost of sales	-156.7	-82.0	-232.9
Gross profit	250.3	129.7	352.9
Distribution costs	-180.4	-86.6	-236.1
Administrative expenses before acquisition and integration costs	-54.3	-24.3	-67.4
Acquisition and integration costs	-0.3	-0.1	-1.3
Total administrative expenses	-54.6	-24.4	-68.7
Operating profit before financing costs	15.3	18.7	48.1
Share of loss of associate	-0.2	-0.4	-0.7
	15.1	18.3	47.4
Net Financing costs before refinancing	-21.2	-10.0	-27.4
Net Financing costs arising from refinancing	-	-	-2.8
Total finance costs	-21.2	-10.0	-30.2
Profit / (loss) before tax	-6.1	8.3	17.2
Income tax (expense) / credit	1.4	-2.7	-6.5
Profit / (loss) for the period	-4.7	5.6	10.7
Earnings per share:			
Basic earnings / (loss) per share (pence)	-0.162	0.191	0.369
Diluted earnings per share (pence)	-0.162	0.191	0.329

EBITDA

Operating profit after associates	15.1	18.3	47.4
Acquisition and integration costs	0.3	0.1	1.3
Impact of fair value adjustment on acquired inventory	-	-	3.2
Depreciation and amortisation	16.1	7.3	20.3
EBITDA	31.5	25.7	72.2

Ratios

Sales growth	92%		
Profit growth	-184%		
EBITDA growth	23%		
Gross margin	61.5%	61.3%	60.2%
EBITDA margin	7.7%	12.1%	12.3%

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Consolidated Interim Balance Sheet
28 July 2007

£ millions

	28.07.2007 £ millions	29.07.2006 £ millions	27.01.2007 £ millions
Assets			
Non-current assets:			
Property, plant and equipment	83.2	54.0	83.4
Intangible assets	514.7	211.6	517.2
Investments in associates	0.2	0.2	0.4
Prepayments	6.6	3.4	6.8
Trade and other receivables	0.8	0.8	0.8
Total non-current assets	605.5	270.0	608.6
Current assets:			
Inventories	80.4	47.2	81.1
Trade and other receivables	67.3	30.3	62.8
Cash and cash equivalents	21.6	-	11.2
Total current assets	169.3	77.5	155.1
Total assets	774.8	347.5	763.7
Equity and liabilities			
Equity:			
Share capital	-23.5	-23.5	-23.5
Warrants	-9.8	-	-9.8
Share premium	-93.9	-93.9	-93.9
Retained earnings and reserves	-19.7	-17.8	-23.4
Total equity	-146.9	-135.2	-150.6
Non-current liabilities:			
Long term borrowings	-420.6	-113.5	-422.9
Deferred income	-15.0	-6.5	-13.9
Deferred tax liabilities	-69.5	-13.8	-69.5
Total non-current liabilities	-505.1	-133.8	-506.3
Current liabilities:			
Short term borrowings	-8.3	-17.0	-1.4
Bank overdrafts	-	-9.4	-
Trade and other payables	-107.0	-46.5	-95.4
Deferred income	-6.2	-2.4	-5.8
Income tax payable	-1.3	-3.2	-4.2
Total current liabilities	-122.8	-78.5	-106.8
Total liabilities	-627.9	-212.3	-613.1
Total equity and liabilities	-774.8	-347.5	-763.7

Ratios			
Equity ratio	19%	39%	20%
Current ratio	1.38	0.99	1.45

Consolidated Interim Statement of Cash Flows
For the six months ended 28 July 2007

£ millions

	Six months 2007 28.01-28.07	2006 29.01-29.07	Year ended 27.01.2007
Cash flows from operating activities:			
Operating profit before net financing cost	15.3	18.7	48.1
Adjustments for:			
Depreciation of property, plant and equipment	13.2	7.2	17.9
Amortisation of intangible assets	2.8	0.2	2.0
(Profit) / loss on disposal of property, plant and equipment	0.1	-0.1	0.4
Share of loss of associates	-0.2	-0.4	-0.7
Operating profit before changes in working capital and provisions	31.2	25.6	67.7
(Increase) / decrease in inventories	0.7	-4.1	15.5
Increase in trade and other receivables	-4.4	-0.6	-2.7
Increase / (decrease) in trade and other payables	6.1	-14.5	-11.7
Increase in deferred income	1.5	0.6	10.6
Cash generated by operations	35.1	7.0	79.4
Interest income received	0.3	0.7	2.7
Financing costs paid	-10.3	-8.1	-21.8
Income taxes paid	-1.5	-2.5	-8.2
Net cash provided by / (used in) operating activities	23.6	-2.9	52.1
Cash flows from investing activities:			
Proceeds from sale of property	-	0.1	-
Acquisition of property, plant and equipment	-13.1	-10.3	-28.1
Acquisition of subsidiaries, net of cash acquired	-	-	-137.4
Investment in associates	-	-0.5	-1.0
Net cash used in investing activities	-13.1	-10.7	-166.5
Cash flows from financing activities:			
Proceeds from sale of own shares	-	-	1.4
Proceeds from long term borrowings	-	-	353.3
Repayment of borrowings	-0.1	-10.5	-241.3
Net cash provided by / (used in) financing activities	-0.1	-10.5	113.4
Net increase / (decrease) in cash and cash equivalents	10.4	-24.1	-1.0
Effect of exchange rate fluctuations on cash held	-	-	-2.5
Cash and cash equivalents / (bank overdrafts) at start of period	11.2	14.7	14.7
Cash and cash equivalents / (bank overdrafts) at end of period	21.6	-9.4	11.2