Mosaic Fashions hf

Press Release
Reykjavik, 29 June 2007

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Q1 FY 2008 Results for the period ended 28 April 2007

Statutory[1] Sales up 95% to £192m – EBITDA[2] up 47% to £14.8m

Highlights, on a statutory basis:

- Following the acquisition of Rubicon Retail in the 3rd Quarter of last year, total group sales increased by 95% in the first quarter of this year, to £192m (Q1 FY2007: £98.4m).
- EBITDA, was up 47% to £14.8m, (Q1 FY2007: £10.1m) representing 8% of sales.
- Loss after tax for the quarter was £3.3m (Q1 FY2007: £0.8m profit) as a result of increased financing costs.
- Loss per share was -0.114p, compared to a profit per share of 0.027p in Q1 FY2007.
- Equity up by £18m to £148.7m (Q1 FY2007: £130.4m).

Highlights, on a proforma[3] basis:

- EBITDA of £14.8m in Q1 FY2008, level with last year, representing 8% of sales. Total group sales increased by 4% in the quarter, to £192m (Q1 FY2007: £184m).
  - Karen Millen, Oasis, Warehouse and Whistles delivered sales growth, Shoe Studio growth was level, but there were sales declines at Coast and Principles.
  - International sales[4], across all brands, were up 27%, and now represent 18% of group turnover (Q1 FY2007: 14%).
  - e-commerce sales amounted to £3.6m, almost three times Q1 FY2007.
- During the quarter, a net 27 new stores and concessions were opened in the UK and mainland Europe, taking the owned portfolio to 1,656 stores. 15 international franchise stores were opened, taking the franchise portfolio to 183.

As announced last week, an offer for the whole of the outstanding share capital of the company, at a price of ISK17.5, is pending.

Derek Lovelock, CEO Mosaic Fashions, commented:

'The 1st Quarter has been disappointing for us, with fashion retailing in the UK generally difficult, combined with continuing underperformance in Coast and Principles. The 2nd Quarter started slowly, but there has been some evidence of improvement in recent weeks. Coast has shown encouraging signs of recovery, but conversely sales at Oasis have slowed. International sales are still outperforming the UK, and e-commerce sales continue to exceed our expectations. The new Coast transactional website is doing remarkably well, and we look forward to the Karen Millen launch in August. Although FY2008 threatens to be another difficult year for the Group, we remain confident in the long term strength of our brand portfolio and at this stage we are maintaining our guidance of low double digit growth in proforma EBITDA.'

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1 Statutory basis: The Group acquired the entire issued share capital of Rubicon Retail Limited on 12 October 2006. 'Statutory Basis' financial information has been derived from the Consolidated Financial Statements and includes the post acquisition profits of Rubicon Retail Limited for the period from 13 October 2006 to 27 January 2007, together with their closing balance sheet as at 27 January 2007.

2 EBITDA stated before acquisition and integration costs of £0.1m

3 Proforma basis: The acquisition of Rubicon Retail Ltd. did not take place until October 2006. In order to provide clear and unambiguous information to investors, where indicated, figures for the current and comparative periods have been prepared as if all the businesses had been part of the group for the whole of those periods.

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CHIEF EXECUTIVE'S REVIEW

The first quarter was characterised by a significant shift in the pattern of trade before and after Easter. The first months were dominated by a strong fashion look of printed tunics and shift dresses worn over leggings and trousers, which had limited appeal outside the young fashion market. After Easter, with the market saturated with print dresses and tunics, customers reverted to more individual and special products, which drove improved sales in Coast, Karen Millen and Whistles.

The strong fashion trend for dresses of all forms inevitably had repercussions for Coast, which struggled to compete with such intense competition from every quarter. With the shift in trading patterns after Easter, Coast reasserted its authority in time for the traditional occasionwear season, supported by the incredibly strong launch of a new transactional website.

Karen Millen launched one of the strongest collections of recent seasons, which resulted in solid sales growth in the UK and continued excellent sales growth in international markets. Whistles has also seen a significant turnaround with sales strengthening as the season has progressed. Reactions to these later ranges give us confidence in the new creative team.

Warehouse's strong performance at the end of last year has continued throughout the spring/summer season. Oasis had a strong start to the year heavily backing the print tunics and dresses, but Principles focused too heavily on this fashion trend, which proved of limited appeal to their target customer.

Interestingly the absence of a strong clothing fashion following Easter has led to a significant improvement on what was already a reasonable trend for shoes, and we are satisfied with the progress being made at Shoe Studio.

Current Trade

May was a particularly difficult month, however performance has improved in June, with sales being driven by the demand for occasionwear. We expect the rest of the year to continue to be challenging in the UK high street, however with continued growth in our international and e-commerce businesses, we are still maintaining our forecast of low double digit growth in proforma EBITDA for the year.

4 International sales comprise all own store, concession, franchise and joint venture outlets outside of the UK.

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Proforma Basis

Income Statement

Sales were +4% in the 1st Quarter, sales performance by brand was as follows:

	1st Quarter
Coast	-12%
Karen Millen	+20%
Oasis	+6%
Principles	-5%
Shoe Studio	=
Warehouse	+19%
Whistles	+10%

Gross margin for the quarter was up from 62.9% to 63.0%.

Growth in distribution and administration costs for the group remains ahead of sales at +10% for the quarter. This reflects the impact of fixed store costs, which rose faster than sales in our existing portfolio, and goodwill amortisation of £1.3m in Q1 FY2008 following the acquisition of Rubicon last year.

Operating profit of £6.8m for the quarter was £2.2m lower than last year (Q1 FY 2007: £9.0m).

EBITDA of £14.8m is level with Q1 FY2007.

Statutory Basis

Income Statement

Ordinary net financing costs of £11.6m compare with £5.3m in Q1 FY2007.

The tax credit of £1.5m for the quarter represents an effective tax rate of 31%. This incorporates our expectation of 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 £3.3m for the quarter compares with a small profit in Q1 FY2007.

The loss of 0.114p per share this year compares with a profit of 0.027p in Q1 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 quarter, in line with the small loss for the period.

Long term borrowings have increased by £2.6m since the year-end, £0.8m due to accretion of the unsecured loan notes, £1.3m relating to pik notes issued in accordance with the mezzanine loan, and the remaining £0.5m to amortisation of loan costs.

Trade and other payables are at normal levels.

Cash Flows

The cash flow statement has been prepared on a statutory basis.

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

Higher depreciation costs reflect the increase in the fixed asset base and higher amortisation the increase in intangible assets. These follow 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.

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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 does not occur until the start of the 3rd Quarter.

The net decrease in cash of £9.8m leaves the group with a small cash surplus at the end of the 1st Quarter.

Store Portfolio

During the quarter, 4 new stores and 23 department store concessions were opened in the UK, mainland Europe and the USA.

There was a net increase of 15 in the number of international franchise stores.

There was a net increase of 1 to 52 outlets in China.

In total, following the openings this quarter, Mosaic is now represented in 37 countries, comprising 470 own stores and 1,186 concessions in 8 European countries and the USA, as well as 183 franchise stores in 31 countries and 52 joint venture outlets in China.

Auditing

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

Financial Calendar

Q2 and H1 FY 2008 Results	28th September 2007
Q3 FY 2008 Results	28th December 2007
Q4 and FY 2008 Results	25th April 2008

Presentation of results

A conference call and audio webcast for shareholders and market participants will be held on Friday 29 June at 9:30am (UK) / 8:30am (Iceland). Participants can listen on the website www.mosaic-fashions.co.uk or call on +44 (0) 20 7138 0835. Participants are invited to call five minutes prior to this time.

A presentation, which will be referred to on the call, will be available from the OMX website and from the Mosaic Fashions website.

Derek Lovelock, CEO and Richard Glanville, CFO will present the company's results and answer questions. The presentation will be held in English.

A replay facility will be available for a week after the results both on the website of Mosaic Fashions and by telephone: +44 (0)20 7806 1970 and Passcode: 5654009#

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 1,891 stores and concessions, mainly in the UK and Ireland, but also in the rest of Europe and the USA. It has 183 franchise stores in 31 countries worldwide, and 52 department store concessions in China through a joint venture. The group employs over 13,000 employees. The company is listed on OMX.

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Proforma Consolidated Income Statement (abbreviated)
For the quarter ended 28 April 2007

£ millions

	1st Quarter 2007 28.01-28.04	2006 29.01-29.04	Year ended 27.01.2007
Sales	192.0	184.0	853.3
Cost of sales	-71.1	-68.3	-330.1
Gross profit	120.9	115.7	523.2
Distribution costs	-87.2	-82.3	-356.7
Administrative expenses before acquisition and integration costs	-26.7	-24.2	-99.2
Acquisition and integration costs	-0.1	-	-1.3
Total administrative expenses	-26.8	-24.2	-100.5
Operating profit before financing costs	6.9	9.2	66.0
Share of loss of associate	-0.1	-0.2	-0.7
Operating profit after associates	6.8	9.0	65.3
EBITDA			
Operating profit after associates	6.8	9.0	65.3
Acquisition and integration costs	0.1	-	1.3
Depreciation and amortisation	7.9	5.8	25.9
EBITDA	14.8	14.8	92.5
Ratios			
Sales growth	4%		
Operating profit growth (after associates)	-24%		
EBITDA growth	0%		
Gross margin	63.0%	62.9%	61.3%
EBITDA margin	7.7%	8.0%	10.8%

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Statutory Consolidated Income Statement
For the quarter ended 28 April 2007

£ millions

	1st Quarter 2007 28.01-28.04	2006 29.01-29.04	Year ended 27.01.2007
Sales	192.0	98.4	585.8
Cost of sales	-71.1	-37.9	-229.7
Impact of fair value adjustment on acquired inventory	-	-	-3.2
Total cost of sales	-71.1	-37.9	-232.9
Gross profit	120.9	60.5	352.9
Distribution costs	-87.2	-41.8	-236.1
Administrative expenses before acquisition and integration costs	-26.7	-12.0	-67.4
Acquisition and integration costs	-0.1	-	-1.3
Total administrative expenses	-26.8	-12.0	-68.7
Operating profit before financing costs	6.9	6.7	48.1
Share of loss of associate	-0.1	-0.2	-0.7
	6.8	6.5	47.4
Net Financing costs before refinancing	-11.6	-5.3	-27.4
Net Financing costs arising from refinancing	-	-	-2.8
Total finance costs	-11.6	-5.3	-30.2
Profit / (loss) before tax	-4.8	1.2	17.2
Income tax expense / (credit)	1.5	-0.4	-6.5
Profit / (loss) for the period	-3.3	0.8	10.7
Earnings per share:			
Basic earnings per share (pence)	-0.114	0.027	0.369
Diluted earnings per share (pence)	-0.114	0.027	0.329
EBITDA			
Operating profit after associates	6.8	6.5	47.4
Acquisition, integration & IPO costs	0.1	-	1.3
Impact of fair value adjustment on acquired inventory	-	-	3.2
Depreciation and amortisation	7.9	3.6	20.3
EBITDA	14.8	10.1	72.2
Ratios			
Sales growth	95%		
Profit growth	-512%		
EBITDA growth	47%		
Gross margin	63.0%	61.5%	60.2%
EBITDA margin	7.7%	10.3%	12.3%

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Consolidated Interim Balance Sheet
28 April 2007

£ millions

	28.04.2007 £ millions	29.04.2006 £ millions	27.01.2007 £ millions
Assets			
Non-current assets:			
Property, plant and equipment	83.1	52.8	83.4
Intangible assets	516.1	211.7	517.2
Investments in associates	0.3	0.4	0.4
Prepayments	6.8	3.4	6.8
Trade and other receivables	0.8	0.8	0.8
Total non-current assets	607.1	269.1	608.6
Current assets:			
Inventories	87.4	47.0	81.1
Trade and other receivables	62.5	26.1	62.8
Cash and cash equivalents	1.4	-	11.2
Total current assets	151.3	73.1	155.1
Total assets	758.4	342.2	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	-21.5	-13.0	-23.4
Total equity	-148.7	-130.4	-150.6
Non-current liabilities:			
Long term borrowings	-425.5	-113.2	-422.9
Deferred income	-13.2	-6.0	-13.9
Deferred tax liabilities	-69.5	-14.0	-69.5
Total non-current liabilities	-508.2	-133.2	-506.3
Current liabilities:			
Short term borrowings	-1.3	-17.0	-1.4
Bank overdrafts	-	-8.8	-
Trade and other payables	-92.1	-48.2	-95.4
Deferred income	-6.2	-3.1	-5.8
Income tax payable	-1.9	-1.5	-4.2
Total current liabilities	-101.5	-78.6	-106.8
Total liabilities	-609.7	-211.8	-613.1
Total equity and liabilities	-758.4	-342.2	-763.7
Ratios			
Equity ratio	20%	38%	20%
Current ratio	1.49	0.93	1.45

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Consolidated Interim Statement of Cash Flows
For the quarter ended 28 April 2007

£ millions

	1st Quarter 2007 28.01-28.04	1st Quarter 2006 29.01-29.04	Year ended 27.01.2007
Cash flows from operating activities:			
Operating profit before net financing cost	6.9	6.7	48.1
Adjustments for:			
Depreciation of property, plant and equipment	6.5	3.5	17.9
Amortisation of intangible assets	1.4	0.1	2.0
(Profit) / loss on disposal of property, plant and equipment	-	-	0.4
Share of loss of associates	-0.1	-0.2	-0.7
Operating profit before changes in working capital and provisions	14.7	10.1	67.7
Increase in inventories	-6.3	-3.9	15.5
(Increase) / decrease in trade and other receivables	0.1	3.6	-2.7
Increase / (decrease) in trade and other payables	-2.9	-9.0	-11.7
Increase / (decrease) in deferred income	-0.3	0.8	10.6
Cash generated by operations	5.3	1.6	79.4
Interest income received	0.1	0.3	2.7
Financing costs paid	-8.1	-7.5	-21.8
Income taxes paid	-0.8	-1.5	-8.2
Net cash provided by / (used in) operating activities	-3.5	-7.1	52.1
Cash flows from investing activities:			
Acquisition of property, plant and equipment	-6.2	-5.4	-28.1
Acquisition of subsidiaries, net of cash acquired	-	-	-137.4
Investment in associates	-	-0.5	-1.0
Net cash used in investing activities	-6.2	-5.9	-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 decrease in cash and cash equivalents	-9.8	-23.5	-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	1.4	-8.8	11.2

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Consolidated Income Statement
Statutory to Proforma workings

£ millions

	Statutory basis	Rubicon Pre-acquisition	Adjustments	Proforma basis	Statutory basis	Rubicon Pre-acquisition	Adjustments	Proforma basis
	For the quarter ended 29 April 2006				For the year ended 27 January 2007			
Sales	98.4	85.6	-	184.0	585.8	267.5	-	853.3
Cost of sales	-37.9	-30.4	-	-68.3	-229.7	-104.7	4.3	-330.1
Impact of fair value adjustment on acquired inventory	-	-	-	-	-3.2	-	3.2	-
Total cost of sales	-37.9	-30.4	-	-68.3	-232.9	-104.7	7.5	-330.1
Gross profit	60.5	55.2	-	115.7	352.9	162.8	7.5	523.2
Distribution costs	-41.8	-40.5	-	-82.3	-236.1	-119.3	-1.3	-356.7
Administrative expenses before acquisition and integration costs	-12.0	-12.2	-	-24.2	-67.4	-28.1	-3.7	-99.2
Acquisition and integration costs	-	-	-	-	-1.3	-	-0.0	-1.3
Total administrative expenses	-12	-12.2	-	-24.2	-68.7	-28.1	-3.7	-100.5
Operating profit before financing costs	6.7	2.5	-	9.2	48.1	15.4	2.5	66.0
Share of loss of associate	-0.2	-	-	-0.2	-0.7	-	-	-0.7
Operating profit after associates	6.5	2.5	-	9.0	47.4	15.4	2.5	65.3
EBITDA								
Operating profit after associates	6.5	2.5	-	9.0	47.4	15.4	2.5	65.3
Acquisition and integration costs	-	-	-	-	1.3	-	0.0	1.3
Impact of fair value adjustment on acquired inventory	-	-	-	-	3.2	-	-3.2	-
Depreciation and amortisation	3.6	2.2	-	5.8	20.3	5.4	0.2	25.9
EBITDA	10.1	4.7	-	14.8	72.2	20.8	-0.5	92.5

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