



Mosaic Fashions hf

Press Release
Reykjavik, 9 January 2009

Mosaic Fashions hf.

Trading Update **23 weeks to 3 January 2009**

- Group sales down 1.2%
- International sales at retail up 15%
- E-commerce sales up 71%
- Gross margin improvement of 60bps
- Sale stocks 30% less than last year

For the 23 weeks to 3 January 2009, total sales were 1.2% lower than last year. International sales at retail were up 15% for the period and e-commerce continues to outperform in all brands with sales up 71%. The group delivered a gross margin improvement of 60bps in the period.

The key Christmas trading period started slowly however strong reactions to our strategic promotional activity in the lead up to Christmas drove sales successfully. All brands have controlled their stocks well and the group ended the Sale with 30% less stock than last year.

The well documented collapse of the Icelandic banking system has generated significant challenges for the business in the period. The withdrawal of credit insurance from the business in October due to its links with Iceland put pressure on the creditors position. However, management have addressed this proactively, working together with suppliers to ensure delivery of goods to normal terms. The administration of Kaupthing Singer Friedlander has resulted in the loss of the company's foreign exchange hedge which will dilute profits this year and have a more significant impact next year.

The management team has implemented a range of measures to ensure the company is well-placed to weather the current challenging conditions in the UK market, including successfully moving 85% of its landlords to monthly rents by the December quarter day. The company's lenders, Kaupthing Bank, remain supportive and the company is in ongoing discussions about the long term financing of the business.

The combination of the severity of the downturn in the UK and global economies and the challenges the business has faced since the collapse of the Icelandic banking system mean that the company expects full year profits to be below last year.

Derek Lovelock, CEO, commented:

"Despite the recent economic slowdown felt by retailers generally and the impact of the Icelandic banking crisis which has uniquely affected Mosaic, our results remain encouraging. This is due to the excellent performance and hard work of our teams, the support of our suppliers and partners, and the strength of our brands."

Information on Mosaic Fashions hf is available on the company website at www.mosaic-fashions.co.uk

High resolution images are available for media to view and download on http://www.mosaic-fashions.co.uk/hi_res_images.php

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