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**PHOTOGRAPHS:** Available from Hudson Sandler

### **Aurora Fashions:**

**(Coast, Karen Millen, Oasis & Warehouse)**

### **Results for the 11 month period ended 30 January 2010**

**Executive Chairman, Derek Lovelock said “I’m delighted that Aurora has emerged in such great shape, our business has been transformed.”**

- £661 million global retail sales<sup>1</sup>
- Gross profit £303.7 million
- EBITDA – £38.6 million
- Operating Profit of £22.6 million
- Net debt reduced to £109 million
- Online sales up 23%
- International sales up 10%
- 150 new international stores and concessions
- \$175 million hedging facility in place
- Credit insurance re-instated

Aurora Fashions – the Group behind the well known international fashion brands Coast, Karen Millen, Oasis, and Warehouse reveals it has transformed its business since acquiring these brands in March 2009. The company reports global retail sales of £661 million in its first 11 months of operation and EBITDA of £38.6 million.

## **Financial Update**

In its first period of trading, Aurora has performed ahead of its inaugural plan and continues to reduce its debt ahead of schedule. This has been achieved against a backdrop of very challenging conditions in the UK retail market whilst international and e-Commerce sales continue to see very strong growth.

The Group achieved a gross profit of £303.7 million and an operating profit of £22.6 million in the 11 months to 30 January 2010. During the period Aurora incurred one-off exceptional restructuring costs of £57.9 million, including payments to a number of former suppliers of the Mosaic group made in order to facilitate the continuance of trade. There were also finance costs of £9 million. The Group's net debt position of £109m represented an EBITDA multiple of 2.8X, and was significantly ahead of the bank plan. Since the balance sheet date the Group has further reduced its net debt and cancelled £20m of unrequired revolving credit facility.

Margins were challenging in the first few months of the year due to adverse movements in the £:\$ exchange rate and the inherited lack of a foreign exchange facility. However, a new hedging facility was put in place by the end of the first half, providing substantial forward cover at attractive rates. Despite the difficult circumstances, margins improved in the second half and the Group is now in a much stronger position. Credit insurance was reinstated in March 2010.

The priority in Aurora's first year was to consolidate operations and establish an appropriate infrastructure for the new Group. In the first six months, Aurora consolidated its distribution operations from three sites into one, migrated all of its four brands to a single IT platform and completed a comprehensive cost reduction programme.

In the second half of the year, the Group's management team was strengthened, with the promotion of Mike Shearwood to CEO and the move of Derek Lovelock to Executive Chairman. Stewart Binnie moved from Non-Executive Chairman to Non-Executive President and since the period end, Fabian Manson has been appointed to the board as a Non-Executive Director. The brand teams have also been strengthened with the appointment of Meg Lustman to the new role of Managing Director of the Warehouse brand and the promotion of Steve Price and Gemma Metheringham to Joint Managing Directors of Karen Millen.

## **Strong International Sales Growth**

The Group experienced very strong performance in its international business over the 11 month period, with international retail sales growing by 10%, representing 34% of the Group's global retail sales. This growth has been driven by strong organic performance in existing outlets and by significant new openings in new and existing markets. During the period 150 new international stores were opened, comprising 83 company owned stores and 67 franchise stores. The Group now trades from 1471 stores in 45 countries.

European performance has been particularly strong with Spain and Germany seeing significant growth in 2009. Aurora traded from 84 locations across the German market, at the year end, after opening 20 new outlets during the period, with a further 35 openings so far this year. Spain is also now a major market for the Group with Karen Millen opening 15 concessions in El Cortes Ingles in the last 11 months, and a further 7 since the period end.

## **Aurora Online**

Multi-channel development continues apace with online retail sales of £42m<sup>2</sup> growing by 23% in the period. In the UK, e-commerce now accounts for over 10% of sales. All the brands accommodate international customers and fulfil orders from the UK to over 27 countries. This year will see the launch of the first local language websites in Europe; both Karen Millen and Coast will launch dedicated US websites with local fulfilment; and the Group is implementing an 'integrated store' system that will enable a 'click and collect' offer for customers by creating a single stock pool across all channels. In order to spearhead the Group's cross-channel development, Hash Ladha has been appointed to the new role of Group Multi-Channel Director.

### **Commenting Mike Shearwood, Chief Executive, said:**

"I am delighted that the business has emerged in such great shape, we have built strong foundations for future growth and exceeded the targets set when Aurora was founded. We have taken huge steps to reduce debt and make us more efficient, all of which are now benefiting the business and will continue to do so in the future.

Our continued expansion in international markets and innovation in the field of e-Commerce has helped to widen our customer base, increase the awareness of our brands globally and we continue to break new ground in the retail sector. We aim to continue this momentum throughout 2010.

With less than 2 weeks to go to our half-year, I am particularly pleased to say that not only have we demonstrated strong incremental sales from physical expansion in our domestic and international markets, but we have also achieved solid like for like growth with margins up on last year.

We are very grateful for the continued support of our teams and suppliers, which has played a crucial part in establishing our new Group and positioning us for continued future success."

**- ENDS -**

## **Notes to Editors**

**Aurora Fashions** owns, develops and manages the performance of some of the UK's most respected women's fashion brands – Coast, Karen Millen, Oasis and Warehouse, which are all aimed at the higher end of the market.

The Group is focused on providing an environment that enables each individual brand to flourish independently, while optimising economies of scale by sharing a common infrastructure for operations, finance and senior management resource.

Aurora's four fashions brands are among the most recognised in the UK and internationally, with 1,471 stores in 45 countries.

The store portfolio breaks down as follows:

	<b>UK</b>	<b>International</b>
<b>Coast</b>	209	85
<b>Karen Millen</b>	90	171
<b>Oasis</b>	243	247
<b>Warehouse</b>	306	119

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<sup>1</sup> Retail sales are the combined VAT inclusive sales of owned, joint venture, franchise and wholesale stores, concessions and websites.

<sup>2</sup> Full year equivalent