

MOTHERCARE PLC

Fourth Quarter Trading Update and "Transformation and Growth" Strategy

Mothercare plc, with 311 stores in the UK and 1,028 stores overseas, today announces its fourth quarter trading update along with a new strategy for Transformation and Growth supported by new financing arrangements.

Trading update

The financial year ended 31 March 2012 contained 53 weeks. The trading data below is on a fully comparable basis for 52 weeks. Statutory 53 week data is set out in note 1.

Full year (52 weeks)

- Worldwide network sales⁽²⁾ up 4.3%
- Total group sales up 0.7%
- International retail sales⁽²⁾ up 16.0%
- Total UK sales down 6.3%
- UK like-for-like sales⁽²⁾ down 6.2%
- Direct in Home sales down 3.4%

Fourth quarter (12 weeks)

- Worldwide network sales⁽²⁾ up 4.5%
- Total group sales down 4.2%
- International retail sales⁽²⁾ up 18.0%
- Total UK sales down 9.5%
- UK like-for-like sales⁽²⁾ down 8.2%
- Direct in Home sales down 3.2%

In the fourth quarter worldwide network sales grew by 4.5%, driven by an 18.0% growth in International retail sales. During the year a net 134 stores were opened outside the UK; 27 in the Middle East, 20 in Europe, 76 in Asia-Pacific and 11 in Latin America following our recent launch. We now have 1,028 stores in 58 countries outside the UK.

In the UK, as expected, like-for-like sales were down 8.2% in the quarter, reflecting our decision to clear excess Christmas stock last year. Inventory levels remain tightly controlled and UK stocks are 13.0% lower than last year. This disciplined approach has resulted in an improved UK gross margin performance in the final quarter.

Group underlying profit before tax for the full year is expected to be in line with expectations.

New Strategy

In November we announced a structural and operational review of the size and scope of our business. The review is nearing completion and the resulting strategy will deliver in the next three years a transformation of the UK business, together with increased International growth. Our Transformation and Growth strategy to March 2015 will be presented in full by Simon Calver, our new CEO, at the Preliminary results announcement on 24 May.

The four cornerstones of the Transformation and Growth strategy are as follows:

1. Lean retail;

Reduction of UK central costs and better buying to be among the best in class.

2. Restore UK profitability;

Focus on 200 profitable stores to offer mothers improved value, competitive product ranges, and an enhanced customer service experience.

3. Accelerate International expansion;

Further expansion of International, with more store openings in both new and existing countries.

4. Multi-channel worldwide;

Launch combined online and in-store customer options with new website in the UK (on track for launch in H1 FY13) and 30 new overseas websites.

Two important elements of the Transformation and Growth strategy have been finalised and more detail is provided below:

i) Cost reduction programme

We are rightsizing our overheads to fit the new smaller UK operating base. Cost reduction has already commenced and we have identified savings in non-store overhead costs of at least £20m on an annualised basis, by March 2015. We have commenced consultation to reduce UK head office payroll costs by 16%, which will result in a more simplified and efficient central structure.

ii) Reduction of UK store portfolio

We are announcing today a further reduction in the UK store portfolio, reshaping the UK around a profitable core of 200 stores. This will comprise 95 out of town stores and 105 key high street stores (173 Mothercare and 27 Early Learning Centres).

In FY12 we closed a net 62 stores in the UK (3 Mothercare and 59 Early Learning Centres), taking the total UK store base to 311 today. We will now close 111 stores (36 Mothercare and 75 Early Learning Centres) over the next three years to March 2015, taking the total store estate to 200. On an annualised basis the store reduction programme is expected to improve UK profits by c. £13m, by March 2015.

Whilst the cost reduction programme and reduction of the store portfolio deliver considerable annualised benefits over the three years, we do not expect a material impact on operating profit in FY13.

Funding the Transformation and Growth Strategy

Cash investment is required to fund the UK store portfolio reduction and cost saving programme. Over the next three years this is estimated to be £35m in total.

Accordingly, we have agreed the refinancing of our banking facilities with the support of our two existing banks, HSBC and Barclays, increasing the level of committed facilities from £80m to £90m and extending the term to 31 May 2015 (note 3). These facilities further strengthen the group's financial position and provide additional liquidity and covenant headroom to accommodate the new three year strategy.

In addition, given the cash investment required in the business, the Board has concluded that the Company will not pay a dividend until the Transformation and Growth strategy is delivering benefits.

Alan Parker, Executive Chairman said:

"Since November, a significant amount of progress has been made across the business. We launched a structural and operational review, appointed a new CEO, closed a significant number of underperforming stores and commenced a consultation programme to streamline our head office function. We have also introduced immediate initiatives aimed at improving value and service for our customers.

"Today we have announced the framework of our decisive three year strategy to restore the UK business back to profit and strengthen our foundations for growth. This will see us operate a lean, more competitive business, focused on the existing profitable stores in a smaller UK portfolio, combined with a state of the art online platform. Our International business continues to perform strongly and we plan to further accelerate growth.

"We now have the cornerstones of our Transformation and Growth strategy in place. Simon Calver joins us later this month and brings with him invaluable business change skills plus e-commerce and international brand expertise. Simon will take whatever action is necessary to deliver the strategy and, as such, will present his detailed plans in May.

"Mothercare is a great global brand with strong international partners. Today marks the beginning of a three-year turnaround and I am confident we will deliver a sustained recovery and long term success."

Mothercare plc

Alan Parker, Executive Chairman	01923 206001
Neil Harrington, Finance Director	01923 206187
Ramona Tipnis, Director of Investor Relations	01923 206455

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Note 1 – Full year statutory trading data based on 53 weeks (vs. 52 last year) is as follows:

- Worldwide network sales up 6.4%
- Total group sales up 2.4%
- International retail sales up 18.5%
- Total UK sales down 4.6%
- Direct in Home sales down 1.7%

Note 2 – Like-for-like sales are defined as sales from stores that have been trading continuously from the same selling space for at least a year and include Direct in Home and Direct in Store. VAT is excluded. International retail sales are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers. Total International sales are International retail sales plus International Wholesale sales. Worldwide network sales are total International sales plus total UK sales.

Note 3 – New committed facilities provided by our two existing banks, HSBC and Barclays. £50m term loan and £40m revolving credit facility. Termination date 31 May 2015.

Note 4 – This announcement contains certain forward-looking statements concerning the Company. Although the Board believes its expectations are based on reasonable assumptions, the matters to which such statements refer may be influenced by factors that could cause actual outcomes and results to be materially different. The forward-looking statements speak only as at the date of this document and the Company does not undertake any obligation to announce any revisions to such statements, except as required by law or by any appropriate regulatory authority.