

MOTHERCARE PLC Interim Management Statement

Mothercare plc, the leading international mother and baby retailer, today issues the following trading update, which covers the 15 week period to 12 July 2014.

Overview for Q1 – 15 weeks to 12 July 2014

- International back to double-digit growth with space up 13.3% and constant currency sales up 14.7%. As anticipated currency devaluation has impacted reported retail sales
- Global retail space up 7.1% year-on-year with 4.5 million sq.ft. and 1,476 stores in 60 countries
- UK like-for-like sales up 0.9% and decline in total UK sales in line with space reduction
- Worldwide network sales up 0.2% with Group reported sales down 1.8%
- Reduced discount activity in the UK has led to lower sales online at better cash margins, which was in line with expectations
- Mark Newton-Jones confirmed as Chief Executive Officer today

Group performance for 15 weeks to 12 July 2014

	15 weeks to: 12 July 2014 % change year-on-year
<u>Group</u>	
Worldwide network sales ⁽¹⁾	0.2
Total group sales	(1.8)
<u>International</u>	
International retail sales in constant currencies ⁽¹⁾	14.7
International retail sales in moving currencies ⁽¹⁾	0.8
International space (change in sq.ft.)	13.3
<u>UK</u>	
Total UK sales	(1.2)
UK like-for-like sales ⁽¹⁾	0.9
Direct in Home sales	(6.4)
UK space (change in sq.ft.)	(2.4)

Alan Parker, Chairman of Mothercare plc, said:

"I am delighted to welcome Mark Newton-Jones as Chief Executive Officer. Mark is a first-class retailer with more than 30 years of experience and a highly successful track record. His business transformation expertise gives me confidence that we will achieve our plan to turnaround the UK business and continue our strong International growth.

"Mark has already made a substantial difference in many areas since he joined us, including the introduction of a new approach to trading and we have made an encouraging start to the year. I am pleased that our International business has returned to double-digit constant currency growth and the UK has reported a small positive number for like-for-like sales growth."

Mark Newton-Jones, Chief Executive Officer of Mothercare plc, said:

"I am very much looking forward to leading the Mothercare Group at this pivotal time in its history and to be here to lead the turnaround of the business.

"Mothercare and Early Learning Centre are two iconic UK retail brands which have both developed into significant international businesses, serving parents and young children in 60 countries. We now need to put in place the building blocks to strengthen the UK performance and I believe there is then a tremendous opportunity to take this business forward. It will be a pleasure to work alongside Mothercare's team of passionate and

knowledgeable colleagues as we rebuild the UK and continue to grow our global presence.”

Update on Q1 trading

International space was up 13.3% and the stores generated mid-single digit like-for-like sales and double-digit constant currency retail sales growth of 14.7%. As anticipated currency devaluation impacted the reported number and the hedging policy now in place is mitigating some of this risk.

Our UK performance, helped by the work the team has delivered over the last year, is starting to stabilise sales as seen in our like-for-like sales which grew slightly to 0.9%. We are taking a different approach to the business, by moving away from aggressive discounting and concentrating on full price sales. This has impacted online sales where most discounting has traditionally taken place.

CEO's initial thoughts

International

I have been fortunate enough to meet a number of our franchise partners. Having done so, I am particularly struck by their enthusiasm for both brands – Mothercare and Early Learning Centre - and the knowledge they have of their home markets. My initial view is that this is a robust business model with further growth opportunity.

UK

In the UK, my early observation is that the business needs modernising and requires investment in its infrastructure, its stores and its Head Office systems. As a result many of the retail practices are somewhat outdated, when we compare ourselves to more modern retailers. However, in spite of this, we still have high levels of customer loyalty and two great brand names in Mothercare and Early Learning Centre. Initially we shall concentrate on four themes to fix the basics. These are:

- Cost reduction and cash generation
- Rebuild gross margins
- Improve service both online and in store
- Product improvement

These retail basics form our initial efforts and I will share more detail on our future strategy and how we intend to reinvigorate the business in the Autumn.

Financial position

There has been no material change in the underlying financial position of the business since the beginning of the period.

Conference call

A conference call for Analysts will be held at 08:30hrs today.

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Notes:

1 – UK 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. International retail sales are the estimated retail sales of overseas franchisees and joint ventures and associates to their customers. International like-for-like sales are the estimated franchisee retail sales from stores that have been trading continuously from the same selling space for at least a year. Total International sales are International retail sales plus International Wholesale sales. Worldwide network sales are total International sales plus total UK sales.

2 – 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.

3 – Overall space was up 7.1% year-on-year at the end of the first quarter with space in the UK down 2.4% year-on-year and International space up 13.3% year-on-year.

Space (k sq.ft.)	Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014
UK	1,770	1,770	1,760	1,737
International	2,430	2,505	2,610	2,656
Total	4,200	4,275	4,370	4,393
Stores (#)	Q1 FY2014	Q2 FY2014	Q3 FY2014	Q4 FY2014
UK - Mothercare	192	191	191	189
UK - ELC	50	46	40	31
Total UK	242	237	231	220
International - Mothercare	745	766	801	819
International - ELC	371	390	400	402
Total International	1,116	1,156	1,201	1,221
Total	1,358	1,393	1,432	1,441

Space (k sq.ft.)	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015
UK	1,728			
International	2,753			
Total	4,481			
Stores (#)	Q1 FY2015	Q2 FY2015	Q3 FY2015	Q4 FY2015
UK - Mothercare	186			
UK - ELC	25			
Total UK	211			
International - Mothercare	854			
International - ELC	411			
International	1,265			
Total	1,476			