



mothercare

interim results 20 November 2003

A close-up photograph of a woman with long dark hair and a baby. They are facing each other, with their foreheads touching and noses nearly touching. The woman is smiling, and the baby is also smiling. The background is a soft, out-of-focus light color.

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Ian Peacock
Chairman

Steven Glew

Finance Director



Profit and loss summary

£m	2003	2002
Sales	237.3	228.0
Underlying operating profit/(loss)	8.6	(8.8)
Non trading items	0.1	(1.1)
Operating exceptionals	0.8	-
Operating profit/(loss)	9.5	(9.9)
Non operating exceptionals	3.8	-
Interest	0.1	(0.1)
Profit/(loss) before tax	13.4	(10.0)
Taxation	-	10.0
Profit after tax	13.4	-

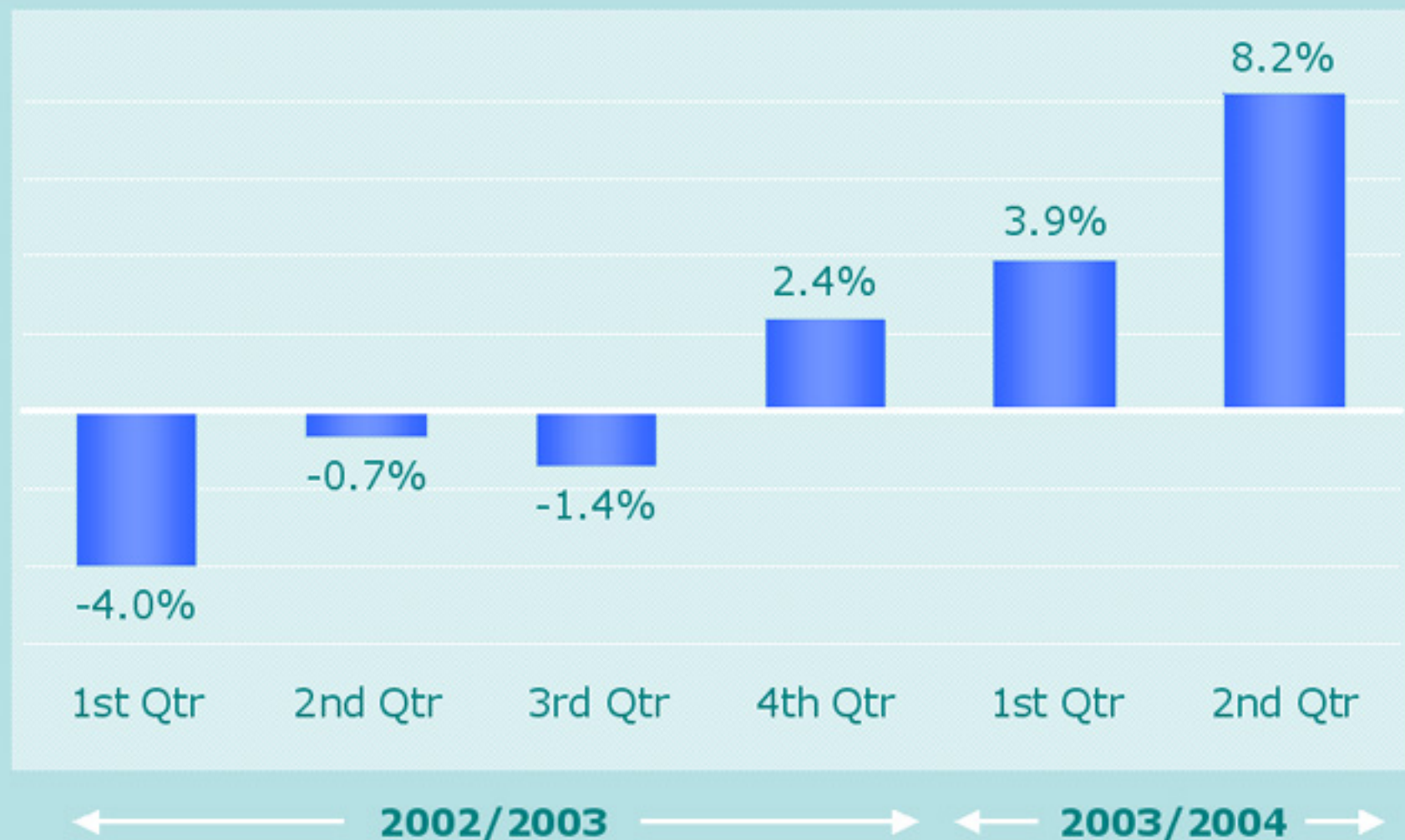
Earnings per share

	2003	2002
Earnings per share		
Basic earnings/(loss)	20.0p	0.0 p
Earnings/(loss) per share before non trading items and exceptionals	13.1p	(14.9) p

Sales

	Channel increase 2003 vs 2002
Like for like	6.4 %
New space	1.5 %
Closures	(4.0)%
UK stores	3.9 %
Direct	14.5 %
Total UK	4.2 %
International	2.1 %
Total	4.1 %

UK Stores - like for like sales trend



Gross margin

	2003	2002	Increase / (decrease)
Gross margin	46.9%	41.0%	+5.9pp

Key factors:

Reduction in markdown	2.0pp
Better Buying / Sourcing	2.0pp
Currency	1.0pp
Mix / other	0.9pp
	5.9pp

Operating costs

	2003		2002		increase
	£m	%	£m	%	
Operating cost* (excluding distribution)	87.3	36.8%	84.0	36.8%	4.0%
Distribution	15.4	6.5%	18.3	8.0%	-15.7%
Operating cost* (including distribution)	102.7	43.3%	102.3	44.9%	0.5%

*pre non trading items and exceptionals

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*pre non trading items and exceptionals

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*pre non trading items and exceptionals

Non trading items and exceptionals

	2003 £m
Non trading items	
Turnaround costs	(0.8)
Clearance store provision release	0.9
Total	0.1

Operating exceptionals

Taxation claim	0.8
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Non-operating exceptionals

Release of property provision	2.6
Profit on disposal of Manchester store	1.2
Total	3.8

Sales & profit by channel

Channel	Sales		Operating profit/(loss)		
	2003	2002	2003	margin %	2002
£m					
UK stores	202.7	195.1	4.7	2.3%	(11.6)
Direct	9.3	8.1	0.6	6.0%	-
International	25.2	24.7	3.3	13.2%	2.8
Total	237.3	228.0	8.6	3.6%	(8.8)

(Before interest, tax, non trading items and exceptionals)

Direct

- Sales up 14.5% to £9.3m
- Operating profit of £0.6m
- Operating margin 6%
- Active customers up 10%

International

- Sales up 2.1% to £25.2m
- Operating profit up 18.3% to £3.3m
- Like for like franchise sales up 13%
- 188 franchise stores open
- 9 franchise stores to open in second half

Balance sheet

£m	11 October 2003	12 October 2002	29 March 2003
Fixed assets	80.3	90.3	85.6
Investments	5.0	5.0	4.9
Stock	44.2	51.8	48.0
Debtors	27.4	31.2	25.6
Cash at bank and on hand	28.4	2.3	7.7
Creditors and provisions	(61.1)	(55.2)	(61.2)
Net assets	124.2	125.4	110.6

Cashflow

£m	2003 H1	2002 H1
Operating profit/(loss)	8.7	(9.9)
Depreciation	6.1	6.5
Working capital	8.5	0.8
Exceptional costs	(0.4)	(0.6)
Capital expenditure	(2.3)	(8.9)
Interest	0.1	(0.1)
Dividend	-	(1.0)
Cashflow	20.7	(13.2)

Capital expenditure

£m	2003-2006
High Street refit	20
Other store spend	8
Total store capex	28
Systems	15
Other	7
Total capex	50

£m	03/04	04/05	05/06
Estimated phasing	10	20	20

Current trading

For the 5 weeks to Friday 14 November

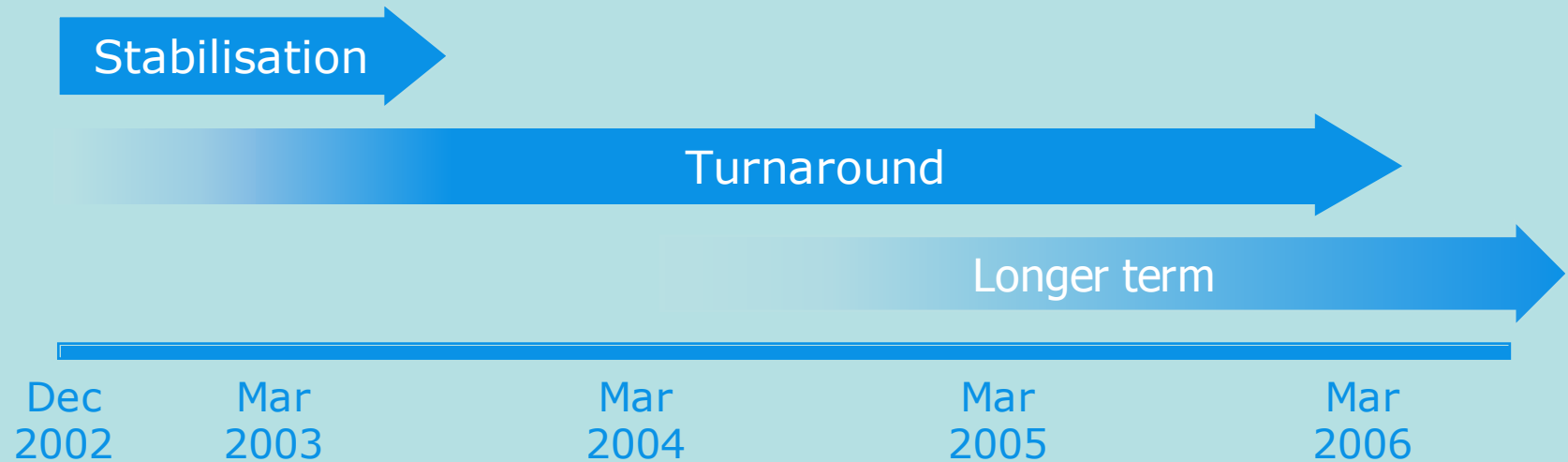
- Like for like UK store sales up 4.6%
- Improvement in gross margin sustained



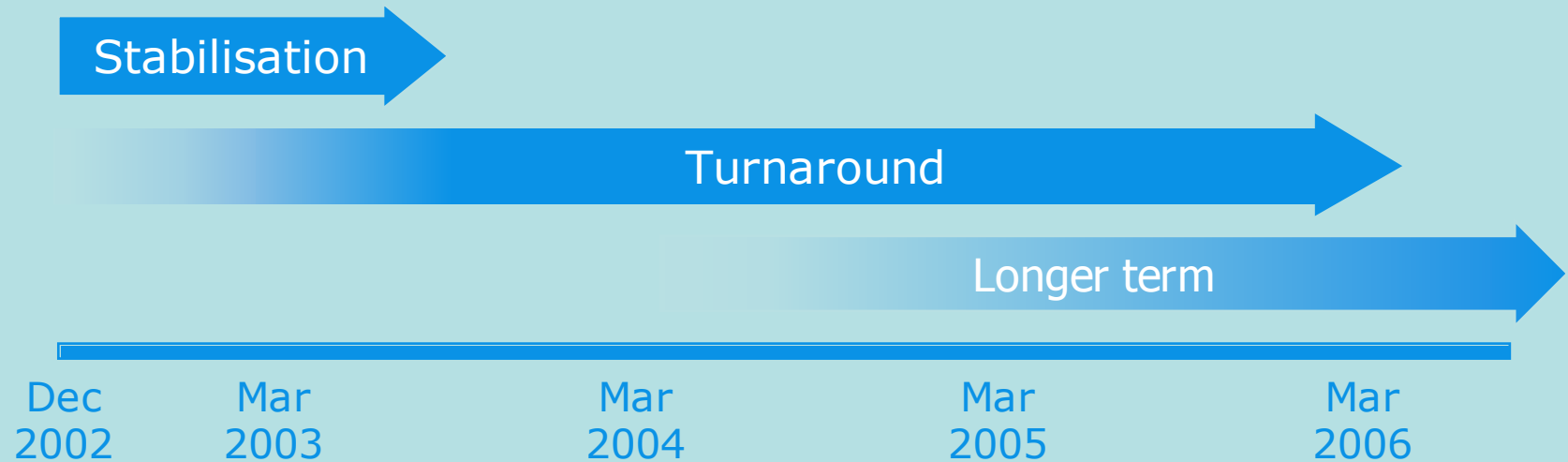
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Ben Gordon
Chief Executive

The recovery programme



The recovery programme



- Distribution
- Cash
- Trading

The recovery programme



- **Distribution**

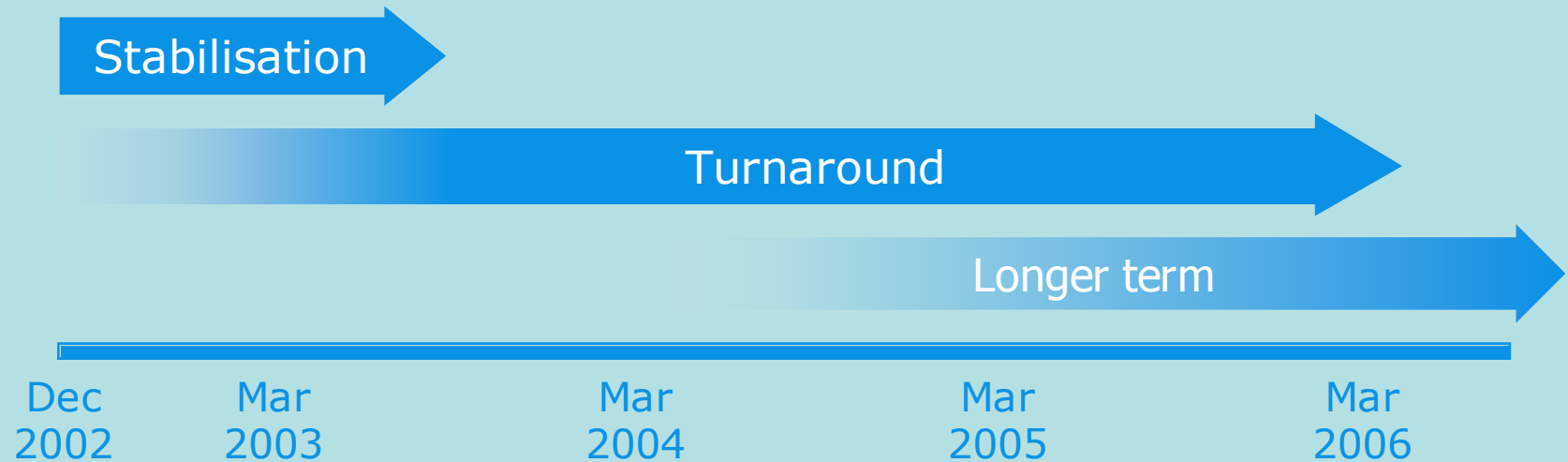
- Cash
- Trading

Stabilisation - cash

Net cash position (£m)



The recovery programme



- Distribution
- Cash
- **Trading**

Management team



Ben Gordon
Chief Executive



Steven Glew
Finance Director



Steve Pomfret
Strategic Development Director



Gillian Berkmen
Product Director



Colin Astbury
Logistics Director



Clive Revett
Company Secretary



Claire Tiney
HR Director



Tony Carr
Retail Operations Director



The recovery programme



- Distribution
- Cash
- Trading

- **Store proposition**
- **Product & Sourcing**
- **Supply chain**
- **Customer service**
- **Infrastructure**

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Turnaround Store proposition

Store proposition trials

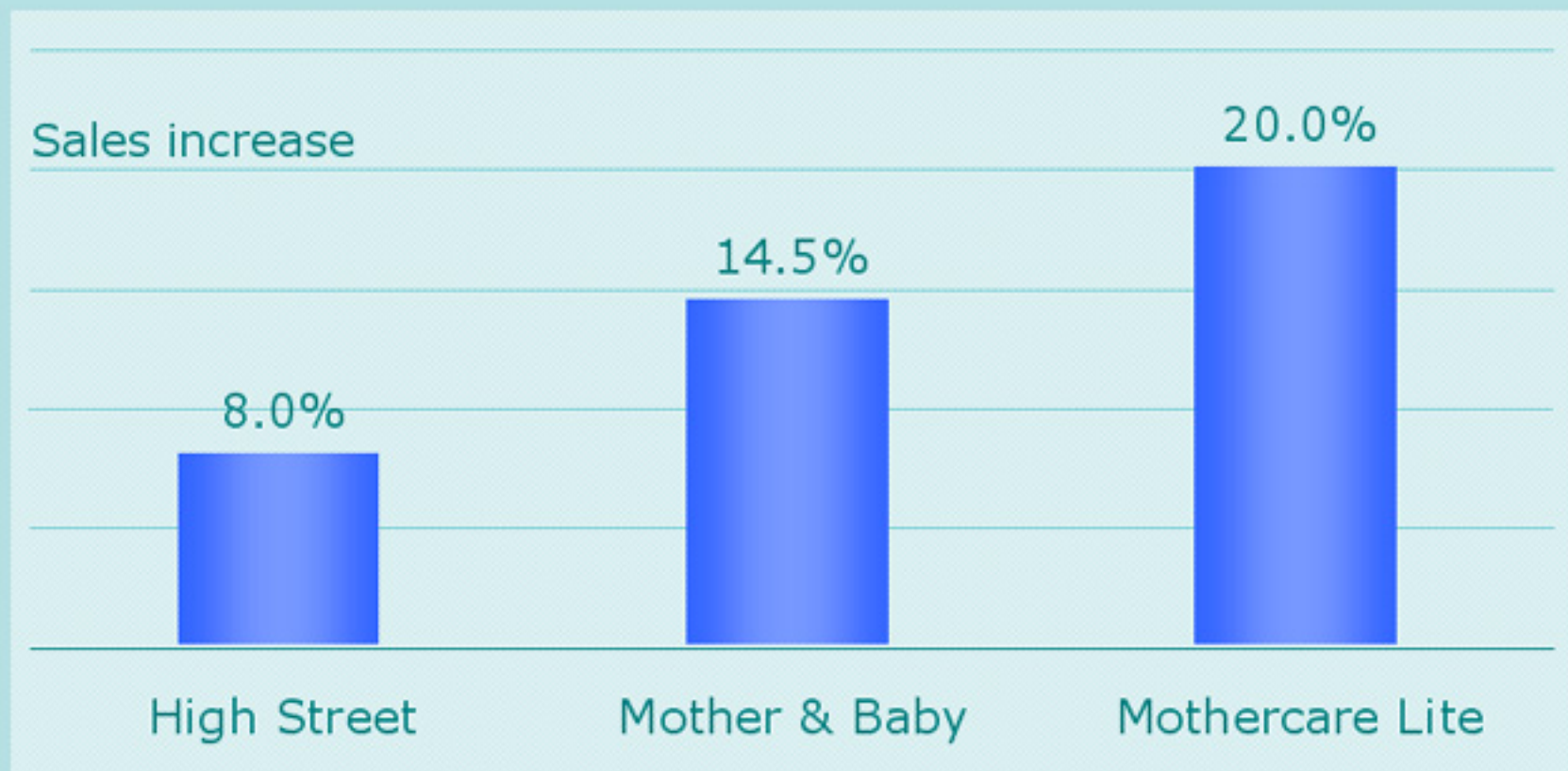
Mothercare Lite (5)

- Targeting 0-8 years
- 60% of floor space dedicated to clothing
- Full clothing range
- Selected Home & Travel and Toys

Mother & Baby (5)

- Mothers-to-be and babies up to 2 years
- Maternity and clothing
- Nursery and bedding
- Home & Travel best sellers

Results of trials



Mothercare Lite ROCE +21%

Key findings

- Mothercare Lite performance supports rollout
- Positive customer feedback
- Two main findings
 - balance of Nursery / Toys
 - performance of 7-8 year old clothing range

Developed Superlite proposition

Superlite



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Superlite

- Targeting 0 to 6 years
- 60% of floor space dedicated to clothing
- Best of Home & Travel
- Enhanced toy offer
- Reduced nursery range

Superlite - store environment

- New wood-effect flooring
- High level graphics
- External signage



Basic store infrastructure

Superlite - store environment

- New wood-effect flooring
- High level graphics
- External signage



Basic store infrastructure



Estimated cost £25 per sq ft

Superlite – roll out programme

Pilot

13 stores through Christmas 2003

Rollout

First 50 stores from February 2004

Out of town



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Turnaround Product & Sourcing

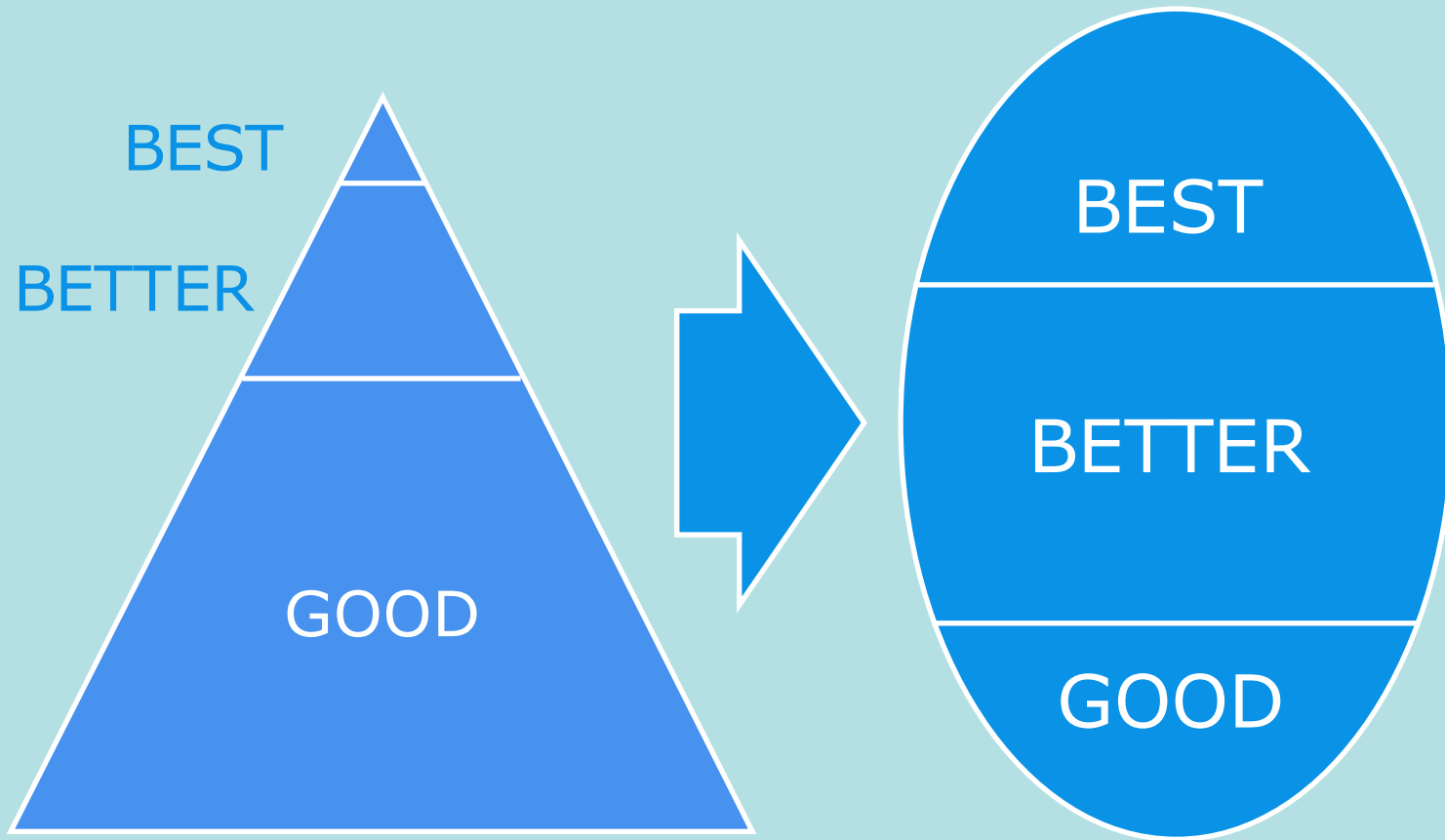
Product - actions taken

- Wide brand appeal
- Creation of balanced ranges
- More product choice at different price points
- Further reduction of SKUs
- Improved quality across ranges
- Introduction of good, better, best product strategy

Previous range structure



Rebalancing the ranges



Winnie The Pooh bodysuit – 7 pack



'Best' bodysuits



Humphrey's Corner



Humphrey's embroidered pinafore set



Mothercare party dress



Jive Princess Stroller



Urban Detour



Inglesina



Inglesina



Sourcing - actions taken

- 70% of products now sourced from 10 countries
- Greater flexibility through long term partnerships
- 30% of clothing now sourced directly
- Increased direct sourcing of Home & Travel



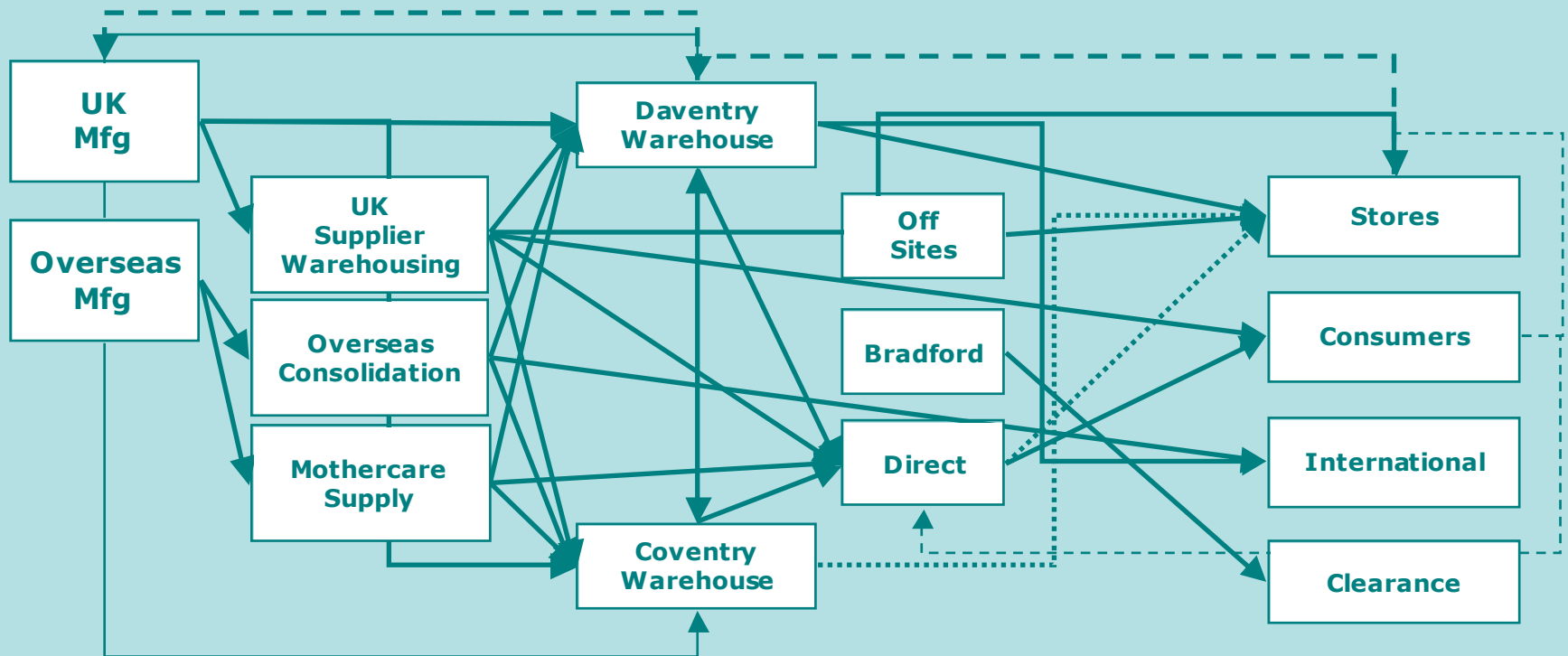
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Turnaround Supply chain

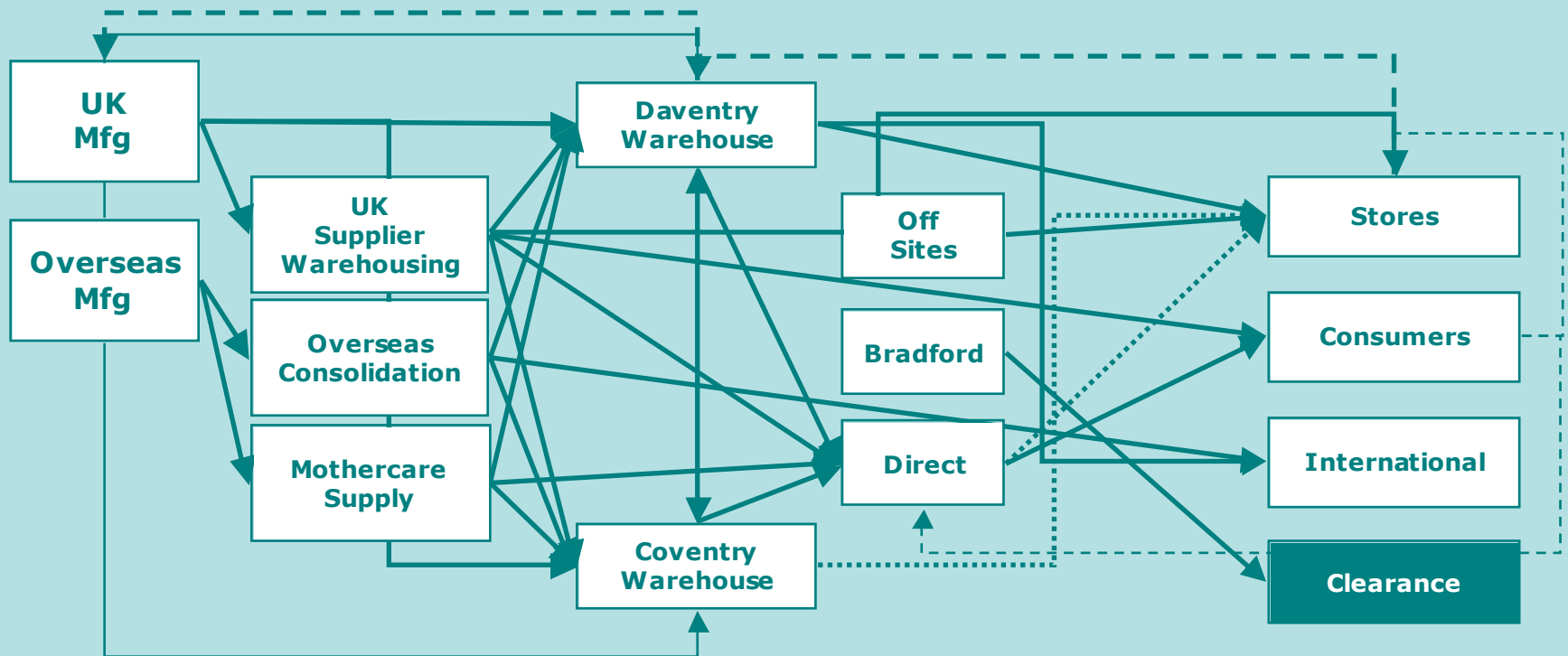
Supply chain - actions taken

- Distribution working effectively
- Cost reduction ahead of schedule
- Availability improved from 65% to 80%

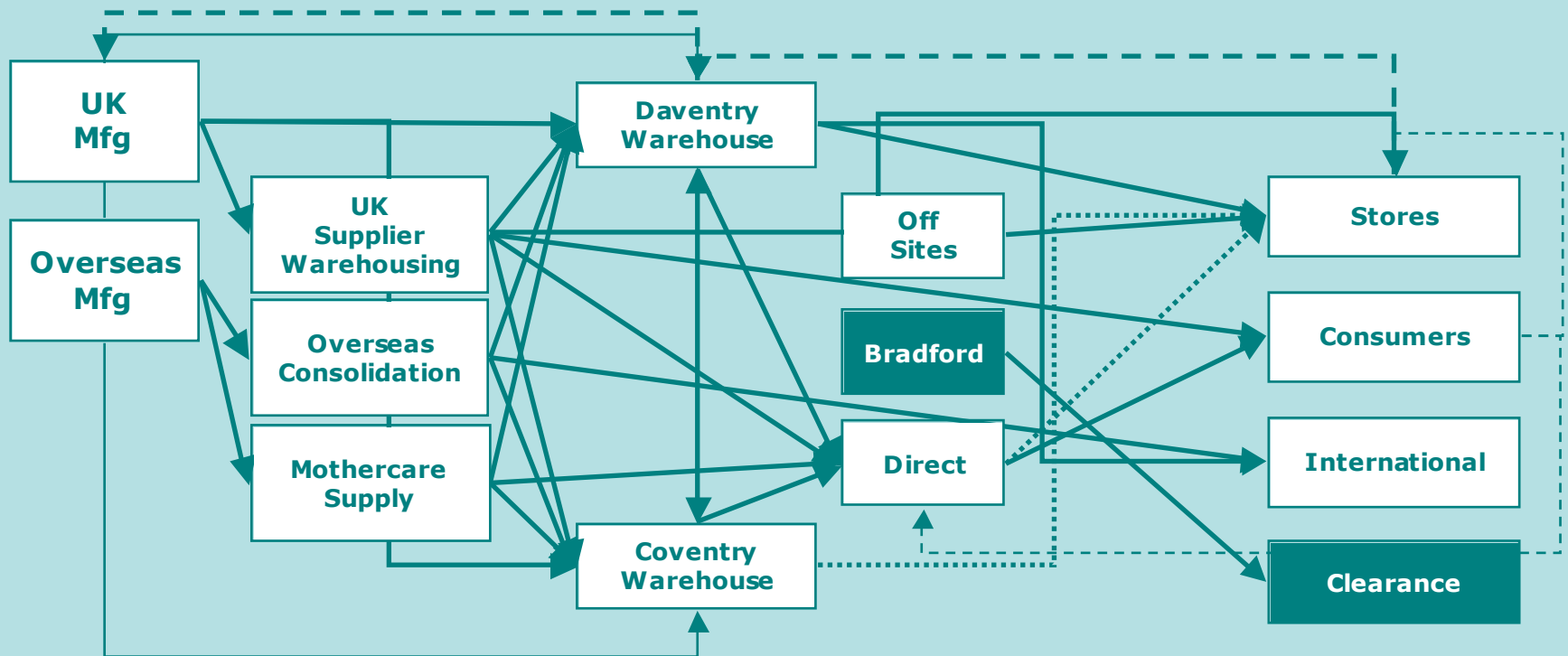
Supply chain



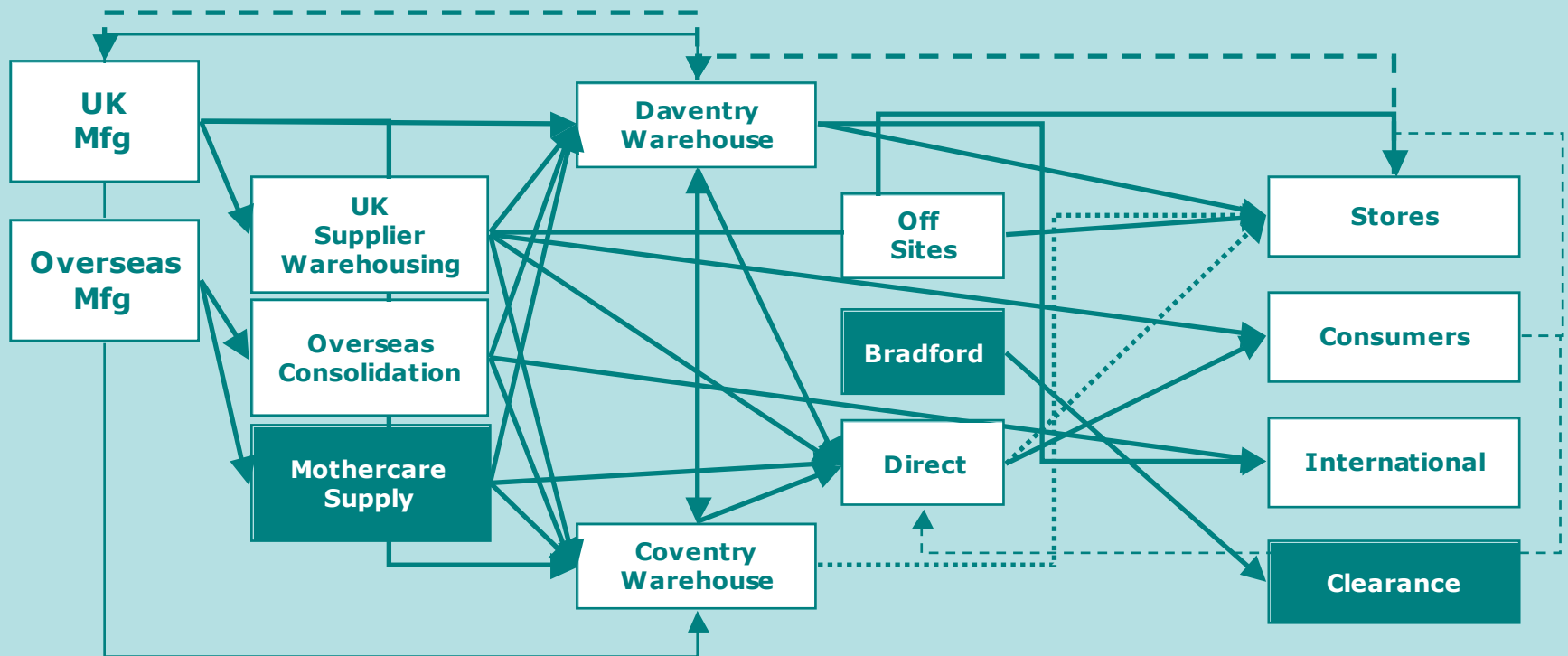
Supply chain



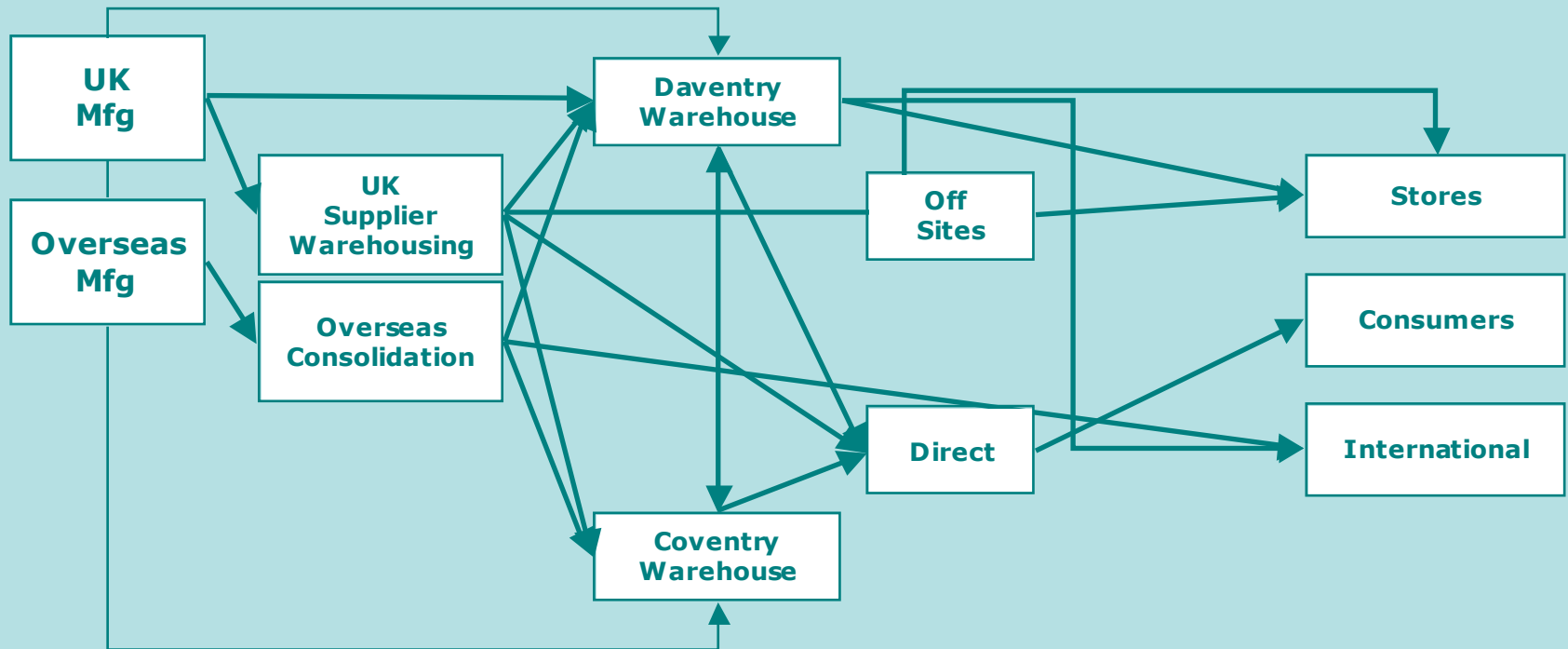
Supply chain



Supply chain



Supply chain



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Turnaround Customer service

Customer service

- Matching customer needs
- Increasing staff time with customers
- Trial of new training scheme
- Introduction of uniform store standards



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Turnaround Infrastructure

Infrastructure

- Implementation of a merchandising management system
 - launch in Summer 2004
- New EPOS system
 - roll out during 2004
- Dedicated teams to drive implementation

Summary

- Encouraging start to turnaround
- Business responding to actions
- First year of 3 year programme
- Focused on sustained profits growth



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