



# Preliminary Results

20 May 2004



Ian Peacock

Chairman

# Highlights

Profit before tax\* **UP** £39.7m to £17.3m

Cash **UP** £32.6m to £40.3m

EPS (basic) **UP** 68.5p to 46.5p

Final dividend 4.0p

*\* Profit before tax and non-operating exceptionals*





Steven Glew

Finance Director

# Profit and loss summary

£m	2004	2003
Sales	446.9	431.7
Operating profit / (loss)	15.8	(19.7)
Operating exceptionals	0.8	(2.8)
Interest	0.7	0.1
Profit before non-operating exceptionals / tax	17.3	(22.4)
Non operating exceptionals	6.6	(2.4)
Profit / (loss) before tax	23.9	(24.8)
Taxation	7.3	10.0
Profit / (loss) after tax	31.2	(14.8)



# EPS and dividend

Earnings per share	2004	2003
Basic earnings / (loss)	46.5p	(22.0p)
Earnings / (loss) per share before exceptionals	24.4p	(29.2p)
Final dividend per share	4.0p	-



# Sales

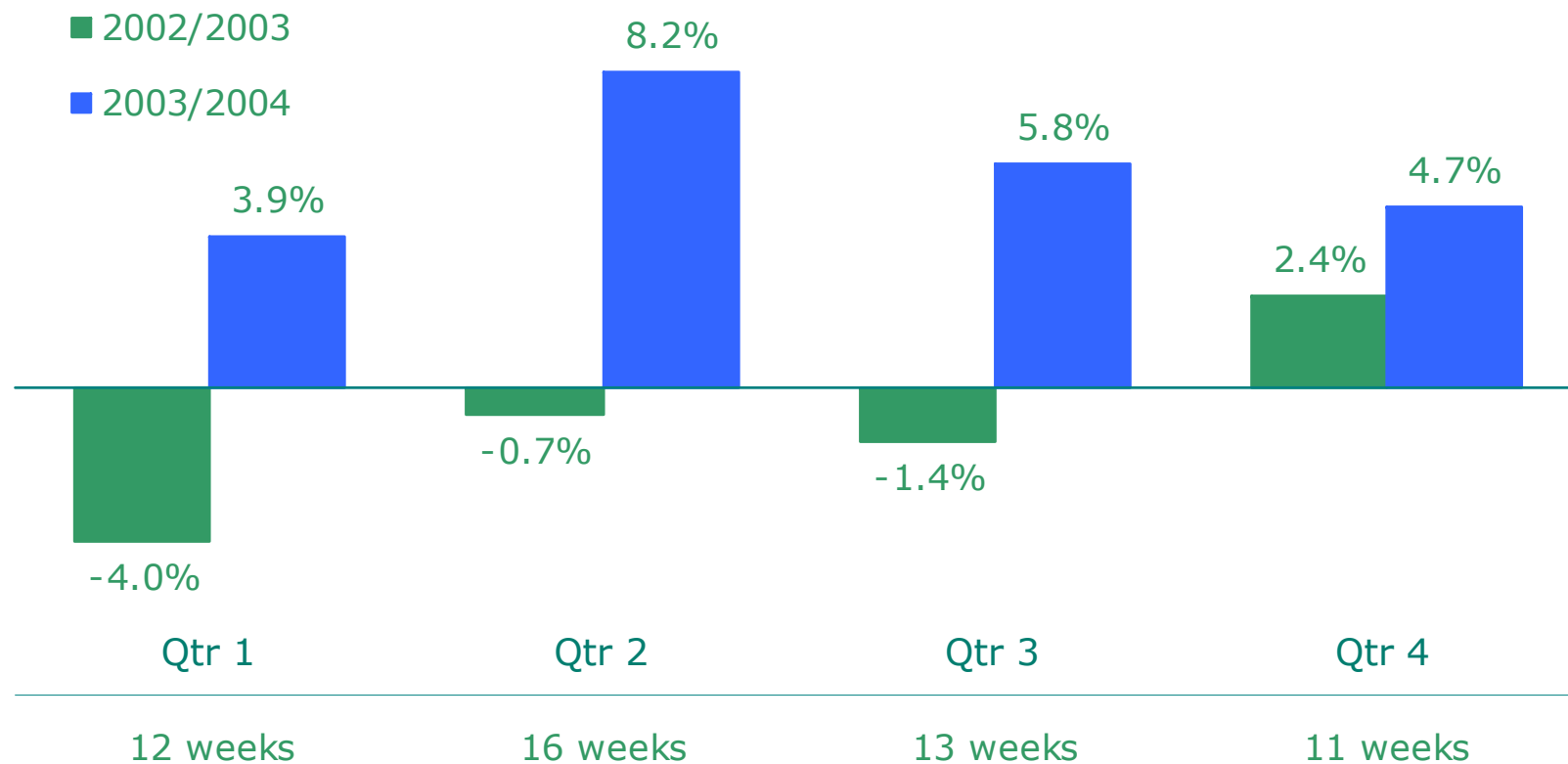
Financials

%	Channel increase 2004 vs. 2003
Like for like	5.9
New space	0.8
Closures	(3.4)
UK stores	3.3
Direct	9.9
Total UK	3.5
International	3.4
Total	3.5



# UK stores

## Like for like sales trend





# Net margin

£m	2004	2003	Increase
Sales (ex VAT)	446.9	431.7	3.5%
Underlying operating profit / (loss) *	15.8	(10.4)	-
% to sales	3.5	(2.4)	5.9pp

\* Pre one-offs and operating exceptional items



# Net margin movement

Gross margin	+ 6.2 pp
Distribution costs	+ 1.6 pp
Clearance stock	+ 0.2 pp
Pension costs	- 0.6 pp
Project costs	- 0.6 pp
Staff bonus / other	- 0.9 pp
	<hr/>
	+ 5.9 pp



# Exceptional items (Non-operating)

	£m
Profit on disposal of stores	2.0
Release of property provision	2.6
Profit on disposal of subsidiary	2.0
Total	6.6



# Sales & profit by channel

Channel	Sales		Operating profit / (loss)		Net margin
£m	2004	2003	2004	2003	2004
UK stores	381.3	369.3	8.3	(15.9)	2.2%
Direct	17.8	16.2	1.4	0.7	7.7%
International	47.8	46.2	6.1	4.8	12.8%
Total	446.9	431.7	15.8	(10.4)	3.5%

*Before interest, tax, operating and non-operating exceptionals and one-offs*



# Direct

Financials

£m	2004	2003	Increase
Sales (ex VAT)	17.8	16.2	9.9%
Operating profit	1.4	0.7	109%
% to sales	7.7	4.0	3.7pp

- Internet sales +33%



# International

£m	2004	2003	Increase
Sales (ex VAT)	47.8	46.2	3.4%
Operating profit	6.1	4.8	26.1%
% to sales	12.8	10.5	2.3pp

- Franchisee sales up 22%
  - 190 stores - 26 new stores
- Royalty participation 70%
  - Up 20 percentage points



# Balance sheet

£m	2004	2003
Fixed assets	81.3	85.6
Stock	45.0	48.0
Debtors	34.0	25.6
Cash	40.3	7.7
Creditors	(64.9)	(61.2)
Net assets	135.7	105.7*

\* Restated for new accounting requirements



# Cashflow

£m	2004	2003
Operating profit / (loss)	15.8	(19.7)
Depreciation	11.9	14.3
Working capital	8.0	17.5
Exceptional items	0.9	(3.8)
Capital expenditure	(8.5)	(13.4)
Asset disposals	1.4	1.4
Interest	0.7	0.1
Dividend	-	(1.0)
Other	2.4	-
Cashflow	32.6	(4.6)





# Capital expenditure (Including new stores)

£m	2003-2006
High Street stores	20
Out of Town stores	8
Systems / other	22
New stores	10
Total capex	60

£m	03/04	04/05	05/06
Estimated phasing	8	22	30



# Taxation

£m

Tax losses brought forward	58
Utilised in year	(22)
Tax losses carried forward	36
Offset against deferred tax liabilities	(14)
Deferred tax asset recognised	22



# Pensions

- Introduction of Average Salary Scheme
- Company cash pension contributions increased to £2.7m
- FRS 17 deficit reduced:

£m	2004	2003
Deficit	24	33
Net of deferred tax	17	22



# Current trading

For the 7 weeks to Friday 14 May

- Like for like UK store sales up 5.8%





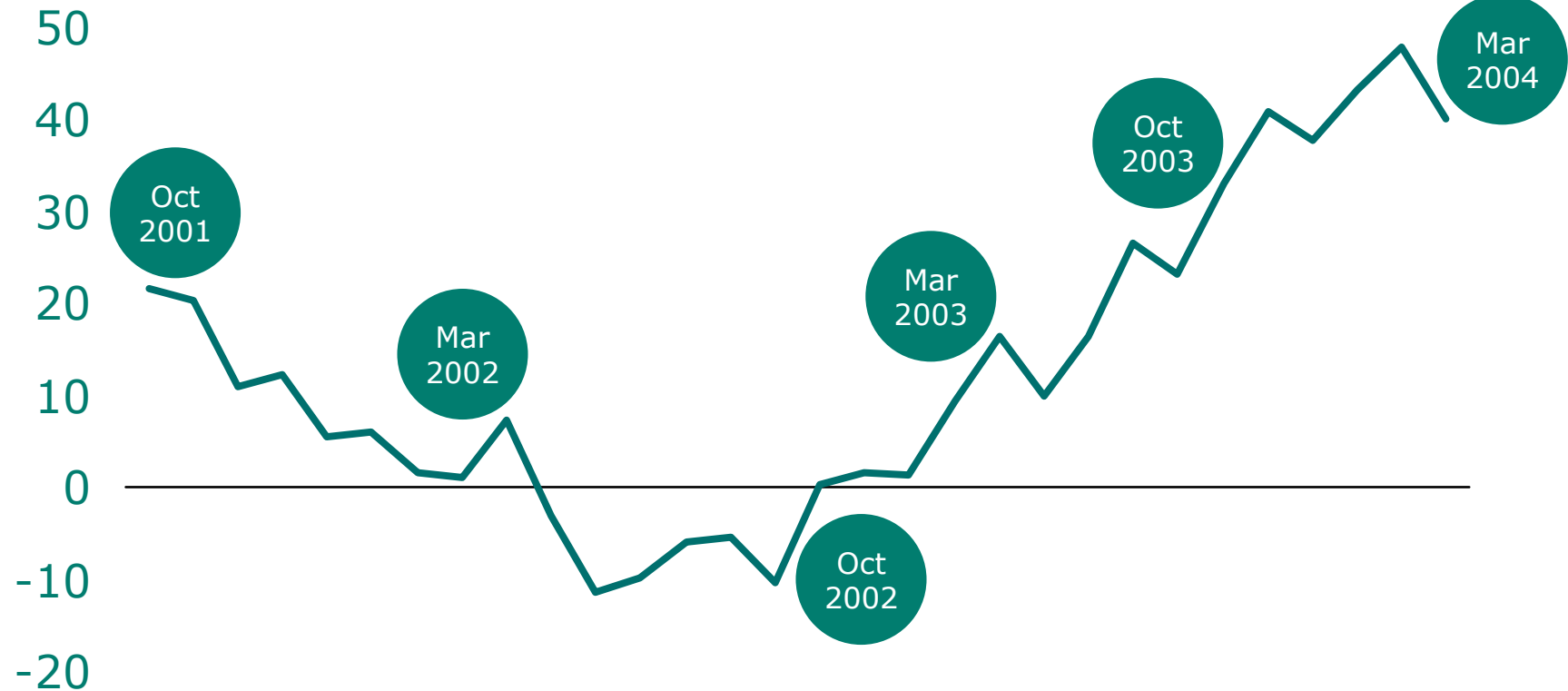
Ben Gordon

Chief Executive

# Cash position transformed

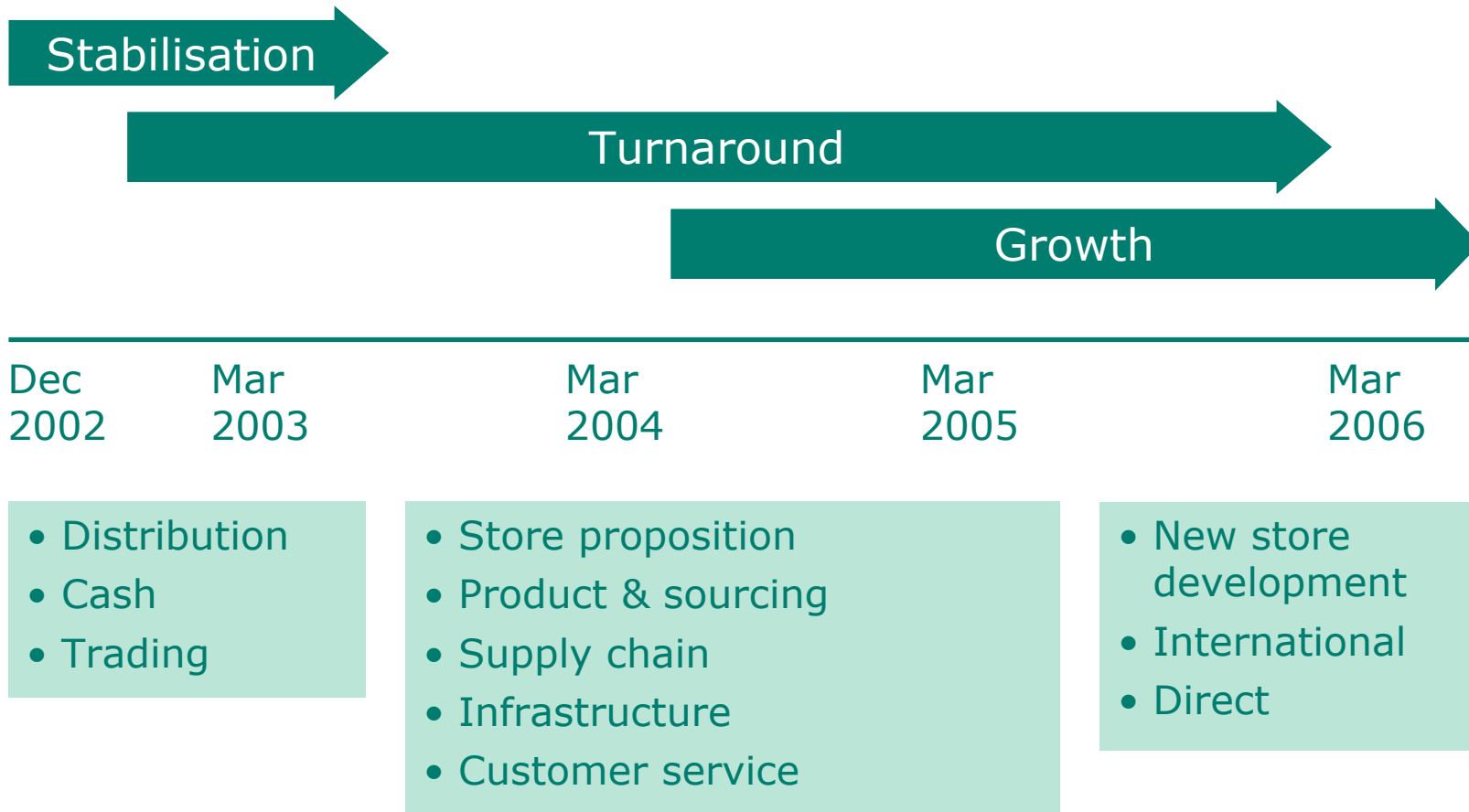
The business

Net cash  
position (£m)



# The recovery programme

The business



# Our growing market

- Older, more affluent first-time mothers
- Grandparents more involved
- More adults per child
- More supervision of children



*...more opportunity for Mothercare*





# Superlite

- Enhanced clothing
- Sales outperformance averaging 12%
- Positive customer feedback
- £25 per sq ft refit
- Average ROCE > 20%

Store proposition



# High Street refits

Total High Street portfolio	163
Converted by March 04	35
Converted since March 04	17
Total to date	52

- 40 more Superlites planned by March 2005

*Conversions include 4 Mother & Baby*



# Out of town

- 68 stores
- Generally good condition
- Opportunities in largest stores



# Product strategy

- Rationalise ranges
- Quality
- Fashion
- Innovation
- Value

*... at all levels*





- Sleep suit  
7 pack
- Retail at £7
- Improved  
sourcing





- 'Better' girlsweare range
- Retails at £17





- Mothercare Latte pushchair
- 'Better' travel range
- Retails at £250





- Mothercare Smartec steriliser
- Retails at £38





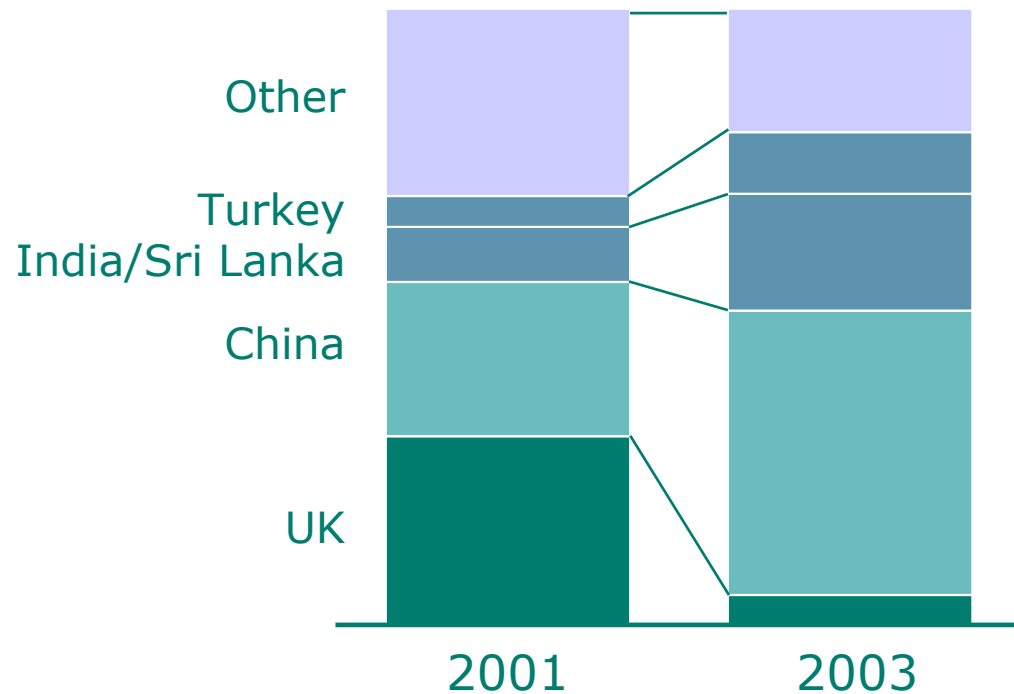
# Sourcing

- Sourcing is evolving
- Sophisticated, consolidating suppliers
- Increasingly a global industry
- Building on strong relationships
- Mothercare brand an advantage



# Supplier base evolving

Product & sourcing



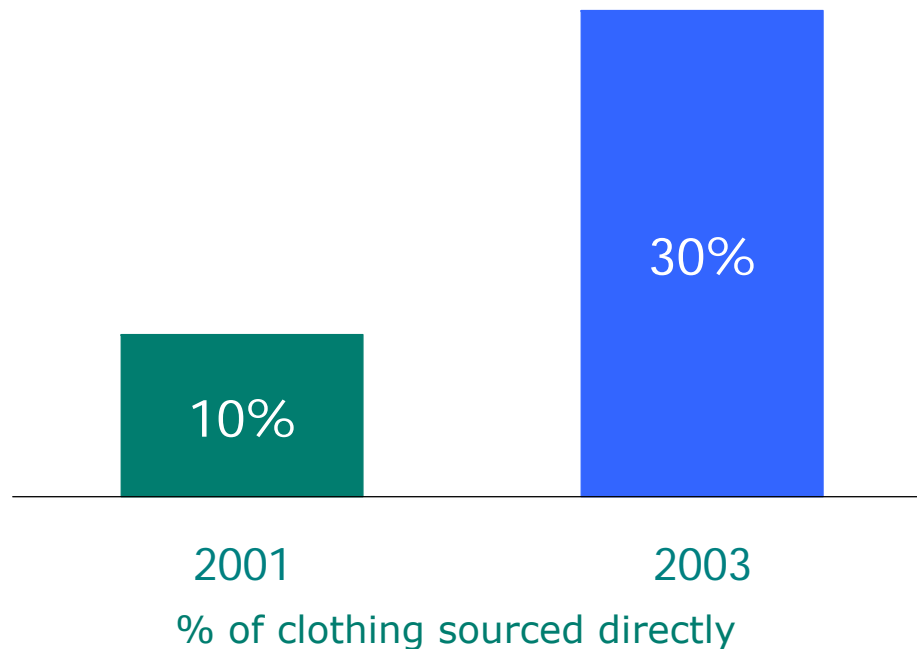
China + India  
= c.65% of mix

Clothing sources



# More direct sourcing

Product & sourcing



- Lower costs
- Better quality
- Shorter supply chain
- Improved margin



Product & sourcing

South India

May 2004



# Supply chain

- Improvements include
  - Renegotiated third party logistics contracts
  - Reinforcing warehouse controls
  - Productivity and efficiency improvements
  - Integration of warehousing
- Costs trending downwards
- Better product availability
  - Now > 80%, targeting > 90%



# Supply chain

- Creating the supply chain of the future

Cross-docking

Bulk pick to zero

DC replenishment

DC to home

Supplier to home



# Infrastructure

- Modern merchandise planning system
  - Launched in April, on time & on budget
  - Benefits from Spring/Summer 05
- New EPOS system developed
  - Trial due to start in July
  - Rollout to start Autumn 04
- More work to do



# Customer service

Customer service

Competitive advantage

Retail  
disciplines

+

Commercial  
selling

=

Customer  
service

Store layout  
Staff scheduling  
EPOS

Product  
knowledge  
Selling  
skills

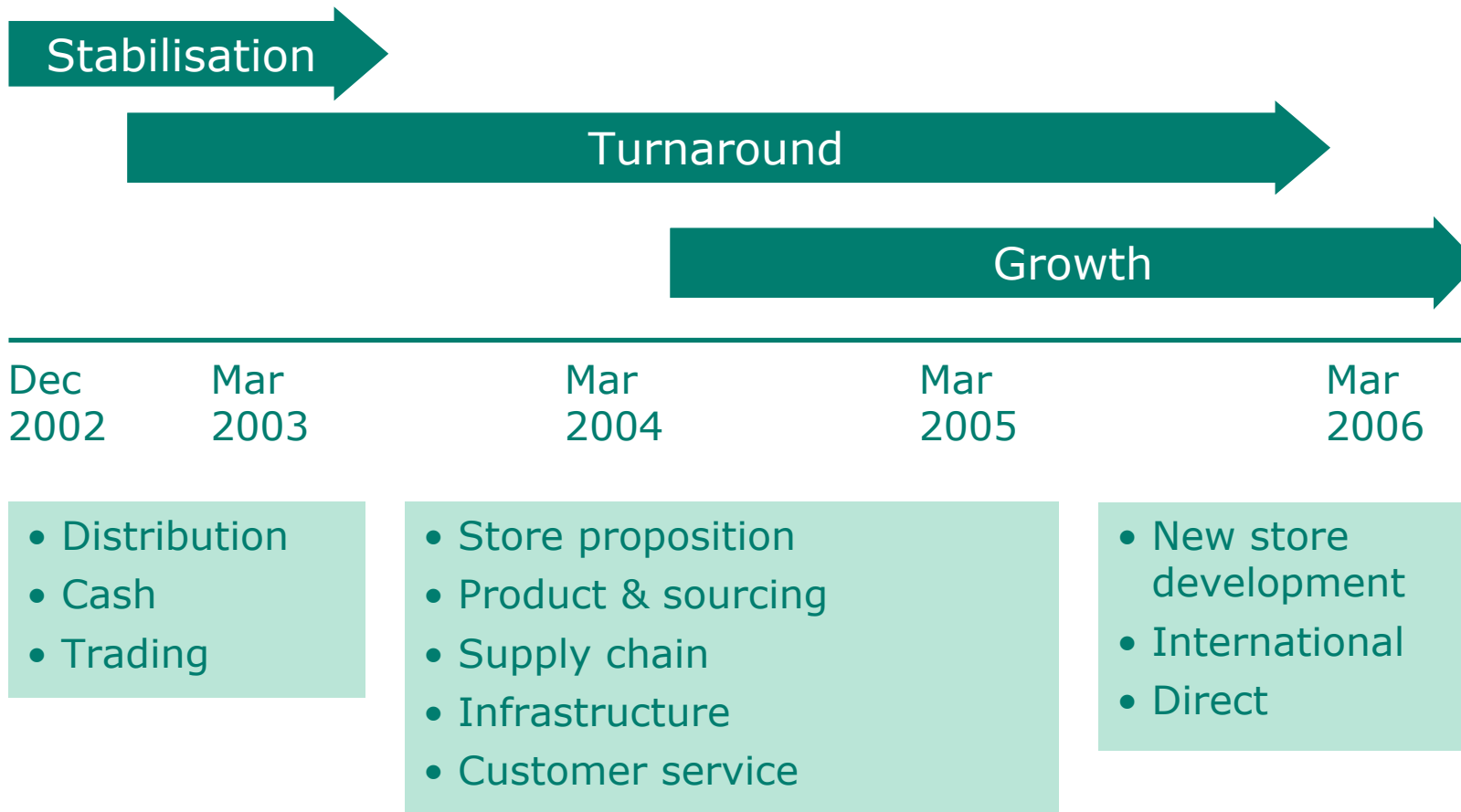
Measurable  
Ongoing  
Rewarded





# The recovery programme

The business



# New stores

- Only 75% of population reached
- Scope for c.40 new High Street & c.20 new Out of Town
- Plan to open 5 to 10 per year from 2005
- Rebalancing portfolio



Long term growth

# International

Waterfront Mall, Kuwait



# International

- Successful business
  - Already present in 30 countries
- Opportunity for expansion
  - More stores with existing franchisees
  - New countries
- Plan to add c. 100 new international stores over the next 3 to 5 years



# Direct

- £18m of product p.a. ordered via Direct
- Plan to extend Direct ranges
- Leveraging multi-channel capability
- Developing direct relationships with customers



# Summary

- Turnaround going to plan
- Year 2 started well
- On track to deliver turnaround and growth







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