mothercare

Preliminary Results
19 May 2005

Ben Gordon

Chief Executive

Highlights

- Successful 2nd year of turnaround
- Strong profit growth
- Strong cash position
- Dividend doubled
- Growth plans gaining momentum

Steven Glew

Finance Director

Profit and loss summary

£m	2005	2004	Inc/Dec %
Sales	**457.2**	446.9	+2.3
Operating profit	**17.9**	15.8	+13.3
Interest	**1.7**	0.7	+142.9
Profit before exceptionals and tax	**19.6**	16.5	+18.8
Operating exceptionals	**(6.5)**	0.8	
Non operating exceptionals	**2.4**	6.6	
Profit before tax	**15.5**	23.9	-35.1
Taxation	**(4.4)**	7.3	
Profit after tax	**11.1**	31.2	-64.4

EPS 19.5p

Dividend 8p

Sales & profit by channel

Channel	Sales		Operating profit*		Operating margin	
	£m	Inc %	£m	Inc %	%	%
	2005	Over LY	**2005**	Over LY*	**2005**	2004
Total UK	**401.1**	0.5	**10.6**	9.3	**2.7**	2.4
International	**56.1**	17.3	**7.3**	19.7	**12.9**	12.8
Total	**457.2**	2.3	**17.9**	13.3	**3.9**	3.5

* pre exceptionals

Net margin movement

Gross margin	**+ 0.5pp**
Distribution costs	**+ 0.1pp**
Other costs	**-**
Prior year one-off item	**- 0.2pp**
Total	**+ 0.4pp**

UK sales analysis

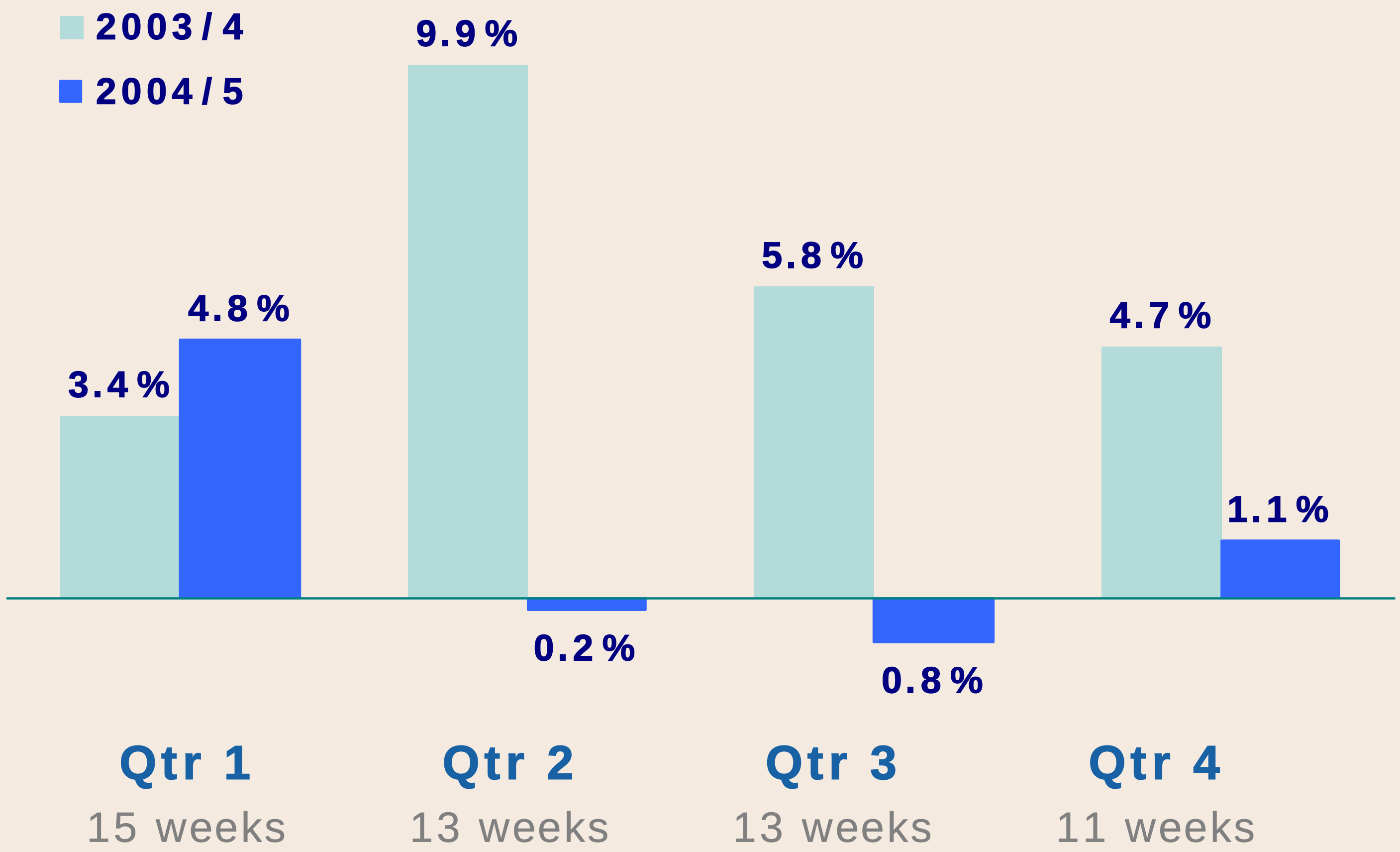
£m	**2005**	2004	Increase
Sales (ex VAT)	**401.1**	399.1	+0.5%
Operating profit*	**10.6**	9.7	+9.3%
% to sales	**2.7%**	2.4%	

* Pre operating exceptionals

Sales analysis

Like for like	1.3 %
Net space change	(0.6)%
Home shopping	(0.2)%
Total Sales	0.5 %

Like for like sales trend



International

£m	**2005**	2004	Increase
Sales (ex VAT)	**56.1**	47.8	+17.3
Operating profit	**7.3**	6.1	+19.7
% to sales	**12.9**	12.8	

Sales analysis

Franchisee like for like sales increase 10%

220 stores – 30 new stores

Operating exceptional item

NDC move

	£m
Coventry exit	0.3
Unutilised capacity	3.5
Move programme	2.7
	6.5

Balance sheet

£m	2005	2004
Fixed assets	**87.0**	81.3
Stock	**46.8**	45.0
Debtors	**40.8**	34.0
Creditors	**(68.1)**	(64.9)
Cash	**37.0**	40.3
Net assets	**143.5**	135.7

Net Assets per share £2.00

Cashflow

£m	2005	2004
Operating profit	**17.9**	15.8
Depreciation	**12.0**	13.0
Operating Cashflow	**29.9**	28.8
Working capital	**(7.3)**	8.0
Pension contribution	**(10.0)**	(0.0)
Exceptional items	**2.5**	2.3
Capital expenditure	**(18.4)**	(8.5)
Interest	**1.7**	0.7
Dividend	**(4.6)**	-
Other	**2.9**	1.3
Cashflow	**(3.3)**	32.6

Capital expenditure

£m	**2005**	2006 est
Store refits	**7.5**	3.0
New stores	**2.6**	10.0
Systems	**6.0**	6.0
Distribution	**0.5**	7.0
Other	**1.8**	2.0
Total capex	**18.4**	28.0

Pensions

- Company special voluntary contribution of £10m
- FRS 17 deficit the same:

£m	**2005**	2004
Deficit	**22.1**	22.2
Net of deferred tax	**15.5**	15.5

Taxation

	£m
Tax losses brought forward	36
Utilised in year	(13)
Tax losses carried forward	23

Ben Gordon

Chief Executive

Strategy highlights

- Revamped product range
- Direct sourcing increased
- Supply chain more efficient
- Stores in better shape
- Customer service improved
- New UK and international stores

Brand strength

- Well known and well perceived brand
- In our catchment areas:
  - Over 80% pregnant mothers
  - Circa 75% mothers with 0-2 yr olds
  - Circa 60% mothers with 3-6 yr olds
- Market share gains

Recovery programme

Stabilisation

Turnaround

Long Term Growth

Dec 2002 | **May 2003** | **May 2004** | **May 2005** | **May 2006** | **May 2007**

- Distribution
- Cash
- Trading

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

- International
- New UK store development
- Direct

Transformed high street

Store Proposition

- 100 stores converted
  - 66% space / 70% sales
  - 20% ROCE
- Project largely completed
- Remaining 61 stores
  - 31 low cost refit
  - 20 to relocate/downsize
  - 10 to close

Out-of-town stores

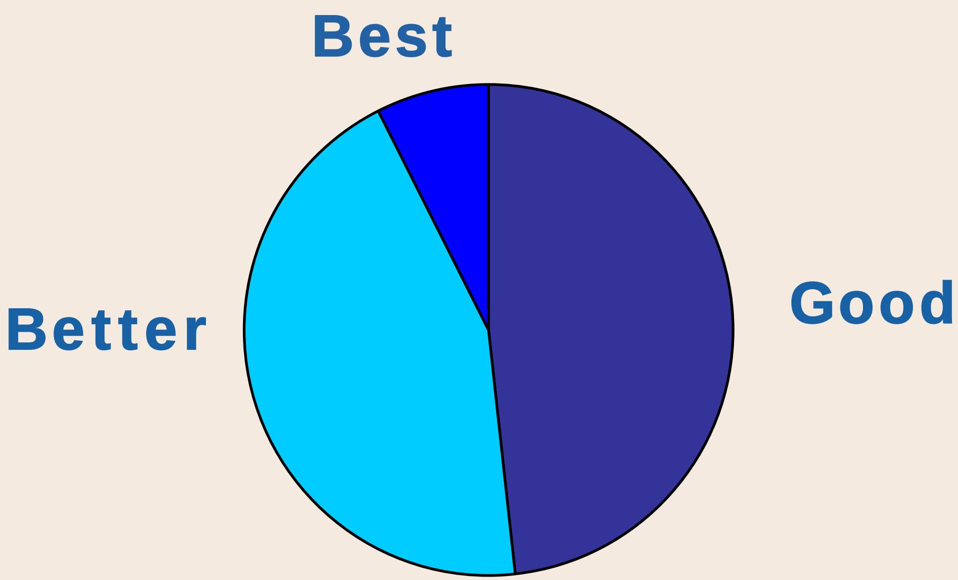
- 70 OOT stores
- Trialled refits in 4 stores
- Lessons learnt
  - merchandising mix
  - store layout
  - product adjacencies
- Only minor upgrades

Fashion, quality & value

Product & Sourcing

Product & pricing strategy

2003



Product & pricing strategy

Staying competitive – ‘good’

Product & Sourcing

Offering more – 'best'

Home & Travel – award winner

Product & Sourcing

New maternity sub-brand

Product & Sourcing

Gift range in store

Product &
Sourcing

First bedroom in store

Product &
Sourcing

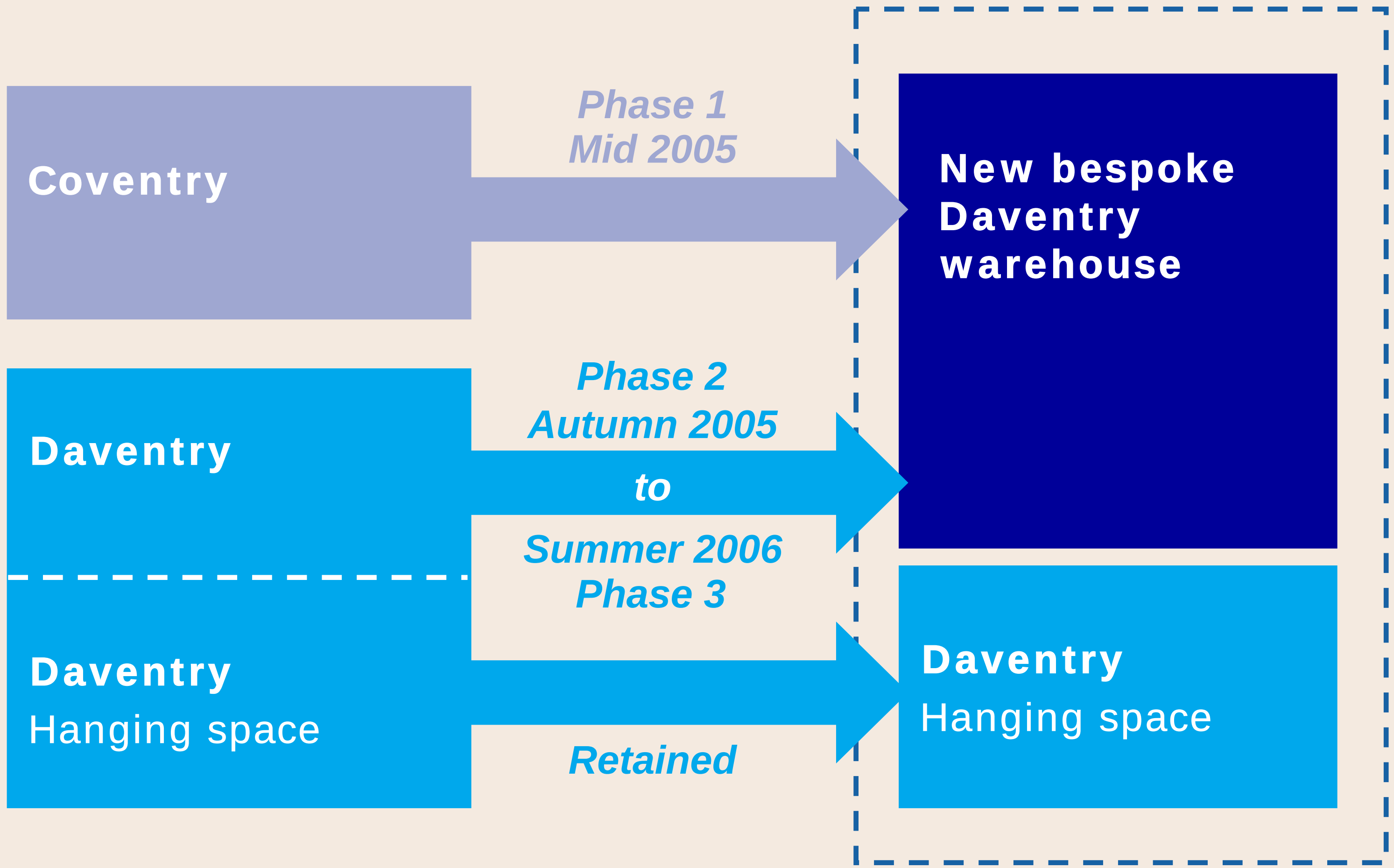
Improved sourcing

- Clothing
  - Suppliers down by 30%
  - Direct sourcing up to 35%
  - Direct target 50% in 2-3 yrs
- Home & Travel
  - Direct sourcing up from 0 - 12%
  - Direct target 35% in 2-3 yrs
- Improvements through technology and manufacturing, product development

National Distribution Centre

Supply Chain

Low risk move



The benefits

- Distribution costs
  - Down from 8.5% to 6.4% of sales
  - Target 6% then 5%
- Availability
  - Currently over 85%
  - Target 95%
- Provides flexibility for growth

New improved systems

- Merchandising planning system benefits
- EPOS
  - Successful test period
  - Now in 75 stores
  - Transaction times down by a third
  - Rolling out to all stores

Better customer service

- Retail standards in place
- Customer Service
  - Training
  - Incentivisation
  - Specialisms
- Mystery Shopper

Recovery programme

Stabilisation

Turnaround

Long Term Growth

Dec 2002 | May 2003 | May 2004 | May 2005 | May 2006 | May 2007

- Distribution
- Cash
- Trading

- Store proposition
- Product & sourcing
- Supply chain
- Infrastructure
- Customer service

- **International**
- **New UK store development**
- **Direct**

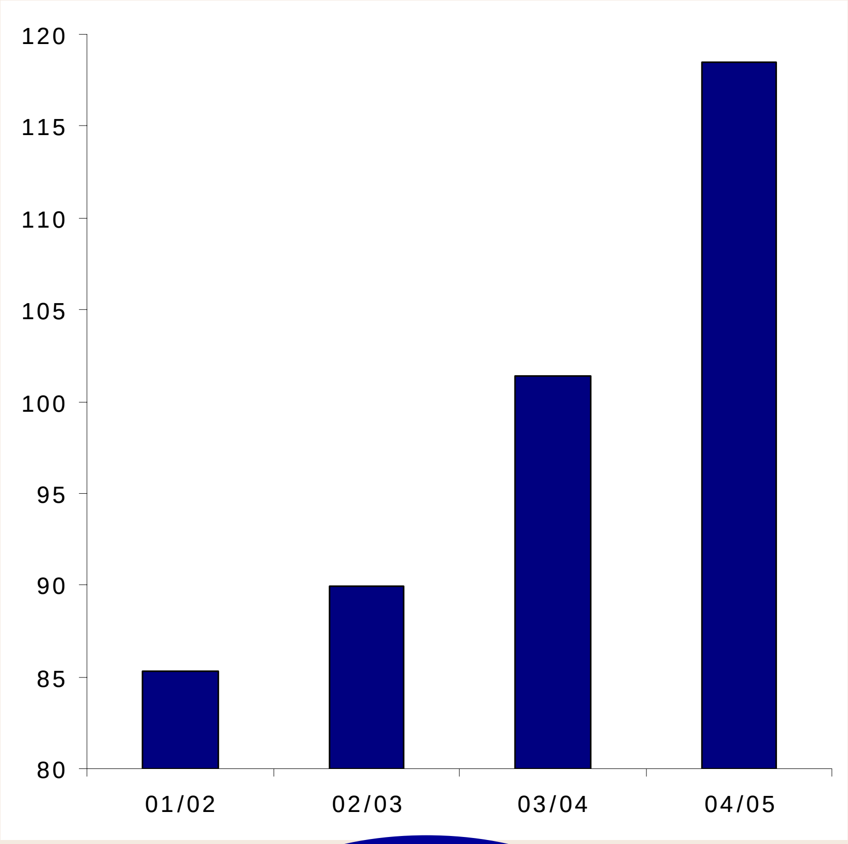
International business

- Successful business
  - 220 stores
  - 30 countries
- Rapid growth
  - 30 new stores last year
  - 40 new stores this financial year

International growth

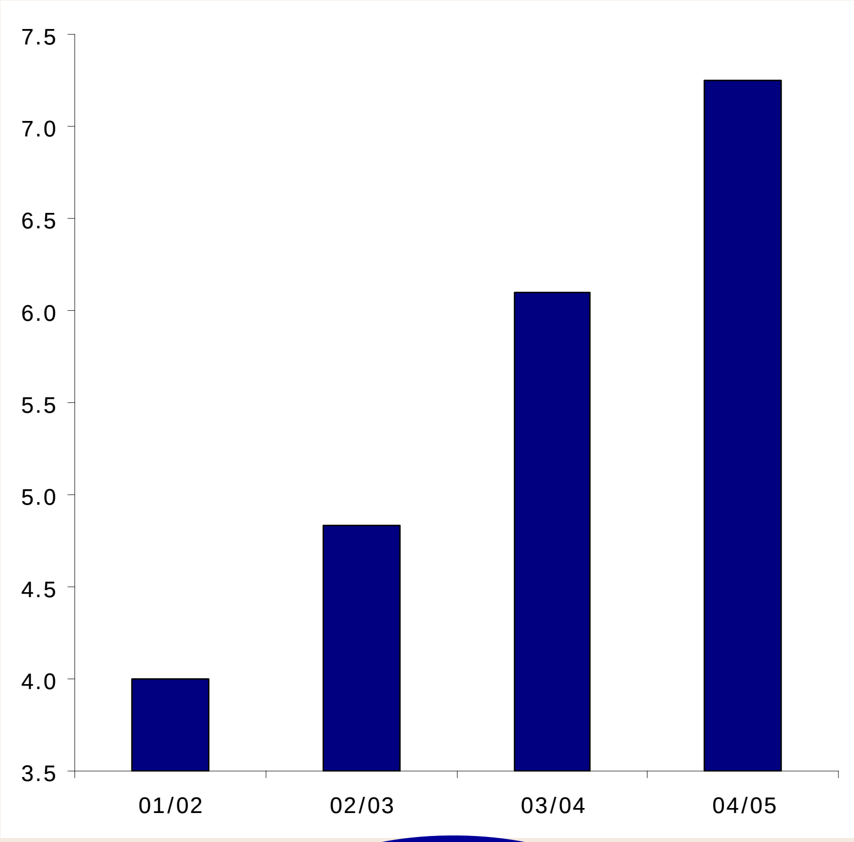
Long Term Growth

Retail Sales £m



CAGR 12%

Profit £m



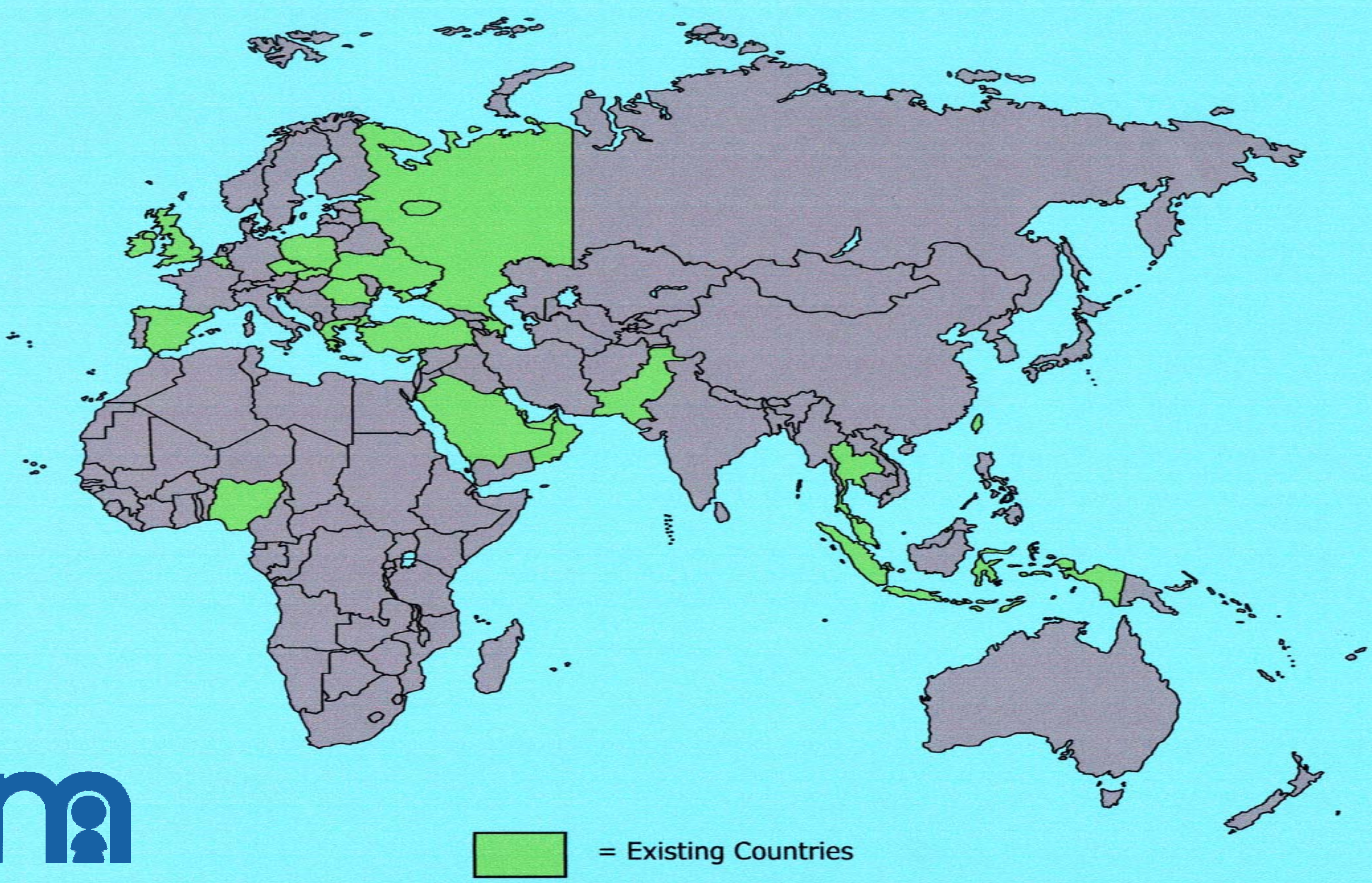
CAGR 22%

International franchisees
Brno, Czech Republic

Long Term Growth

International presence

Long Term Growth



International growth
Jakarta, Indonesia

Long Term Growth

International - logistics

- 3 warehouse network
  - Singapore
  - Dubai
  - UK
- More direct shipping
- Reduced transportation costs
- Improved delivery times

New UK stores

- Significant expansion opportunities
  - 20 Out of Town
  - 40 High Street stores
- Represents c. 2-3% additional space p.a.
- 3 new stores last year
- 8 confirmed for current year

Direct - business profile

- Multi-channel business
  - Catalogue, telephone, internet at home, internet in stores
- 270,000-strong customer base
- Propensity to use mix of channels
- Convenience a key factor

Direct – growth strategy

Long Term Growth

- Website enhancements
- Range expansion
- Web in-store to all stores (now in 138)
- More targeted direct mail campaigns
- Micro catalogues
- Database sophistication
- Delivery convenience

Summary

- 2 years into turnaround
- Growth to come through:
  - Ongoing improvements to UK business
  - New UK stores
  - Multi-channel offer
  - International expansion
- Stable platform for growth