



Interim Results
November 16 2006



Ben Gordon

Chief Executive

H1 highlights

- Strong half
- Good performance in UK
 - portfolio rightsizing
 - OOT pilots
 - web in store success
- International thriving
 - new stores
 - new countries
 - new warehouses





Neil Harrington

Finance Director

Financial highlights

- Group sales +5.6% to £264.3m
- UK sales +2.0% to £220.2m (including Direct in Home sales +15.0% to £11.5m)
- International revenue +27.8% to £44.1m
- UK gross margin +30 basis points
- Group profit before tax +12.3% to £12.8m
- Underlying profit before tax +8.7% to £11.2m
- EPS +15% to 13.0 pence
- Interim dividend +15.8% to 3.3 pence



Income statement

£ million	2006	2005	
Revenue	264.3	250.4	+5.6%
Profit from retail operations	10.5	10.0	+5.0%
Financing	0.7	0.7	
Profit before exceptional items	11.2	10.7	+4.7%
Exceptional items	1.6	0.7	
PBT	12.8	11.4	+12.3%
Taxation	(3.8)	(3.7)	
Profit after tax	9.0	7.7	+16.9%
EPS - basic	13.0p	11.3p	+15.0%
Dividend per share	3.30p	2.85p	+15.8%



Underlying profit

	£m	£m	%
	2006	2005	
Profit before taxation	12.8	11.4	+12.3%
Exceptional profit on disposal of property interests	(1.6)	(0.7)	
Profit before exceptional items and taxation	11.2	10.7	+4.7%
IAS 19 non cash charge	(0.9)	0.2	
IAS 39 adjustment	0.9	(0.6)	
Underlying Profit Before Taxation	11.2	10.3	+8.7%
Underlying EPS	10.6 p	9.7 p	+9.3%



Underlying profit by segment

HY 2006/07	Revenue	Profit	Profit
£m		Old basis	New basis
UK	220.2	4.5	9.4
International	44.1	6.0	3.9
Corporate	-	-	(2.8)
Financing	-	0.7	0.7
	264.3	11.2	11.2

HY 2005/06			
£m			
UK	215.9	5.0	9.9
International	34.5	4.6	2.9
Corporate	-	-	(3.2)
Financing	-	0.7	0.7
	250.4	10.3	10.3

- Corporate expenses represent head office costs, Board & senior management costs, audit, insurance & professional fees

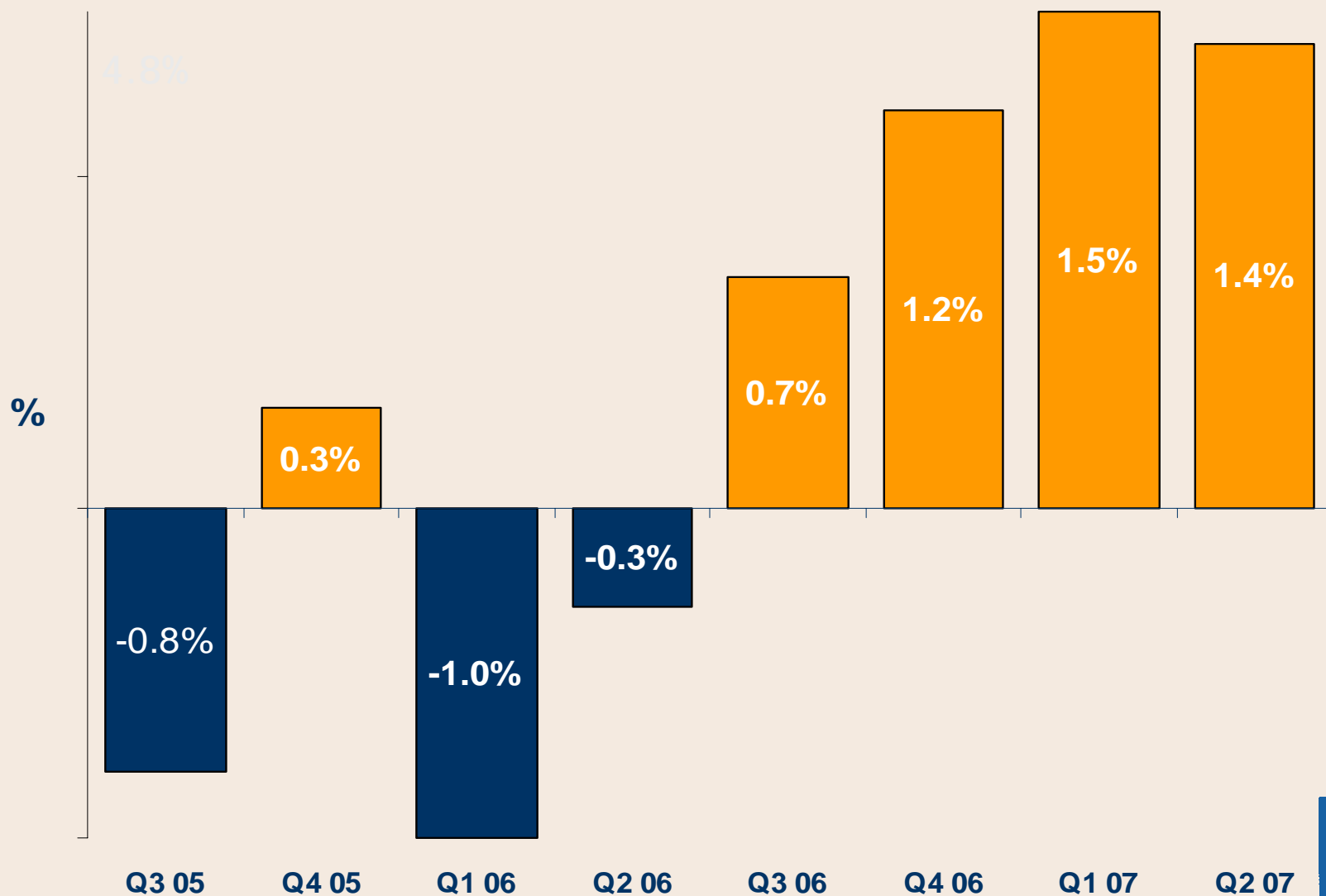


Sales up in each channel & category

- UK stores
 - LFL +1.9%
 - Space -0.7%
 - Total +1.2%
- International stores
 - LFL +9.0%
 - Space +18.8%
 - Total +27.8%
- UK Direct (Home Shopping) +15.0%
- Positive sales growth in each of clothing, home & travel & toys



UK LFL sales



Adjusted for the timing of Easter



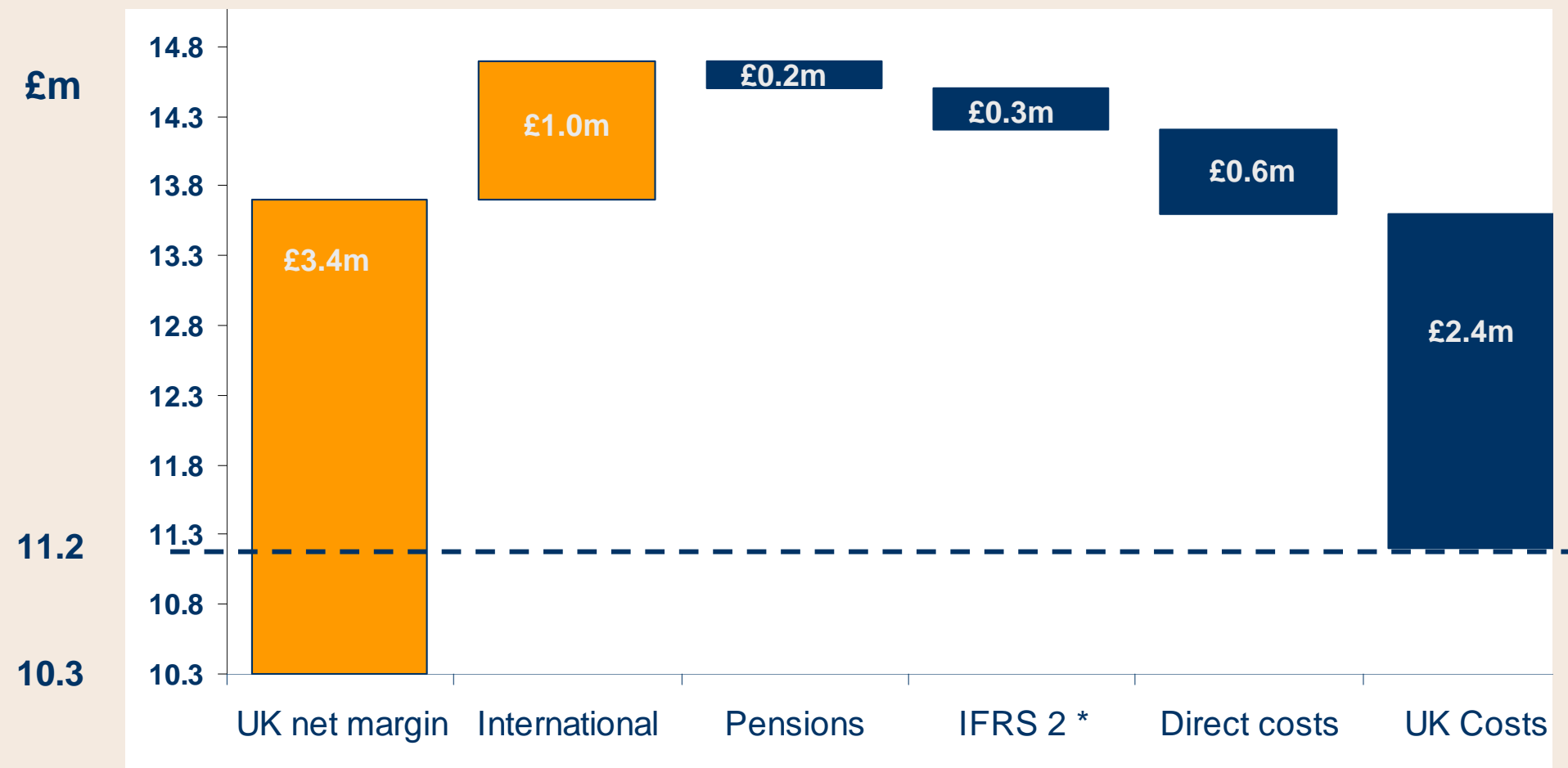
Optimising UK portfolio, growing International

Stores	UK	International	Total
1 April 2006	231	266	497
Openings	3	32	35
Closures	(5)	-	(5)
14 October 2006	<u>229</u>	<u>298</u>	<u>527</u>

- Rightsizing & relocating UK portfolio to drive sales/sq ft & reduce operational gearing
- International franchise operations in 38 countries



£0.9m growth in underlying profit



* Share based payments

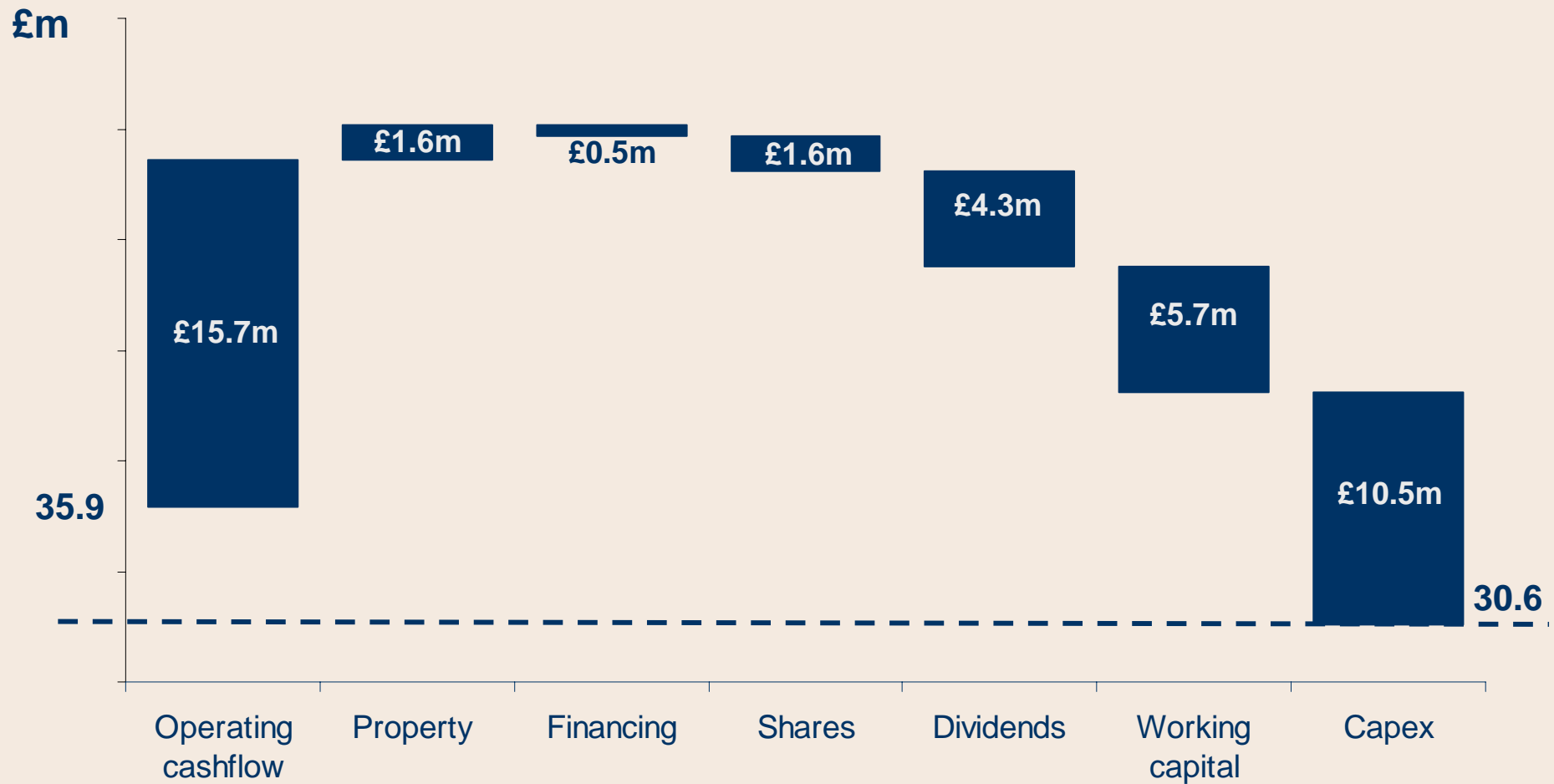


Strong balance sheet

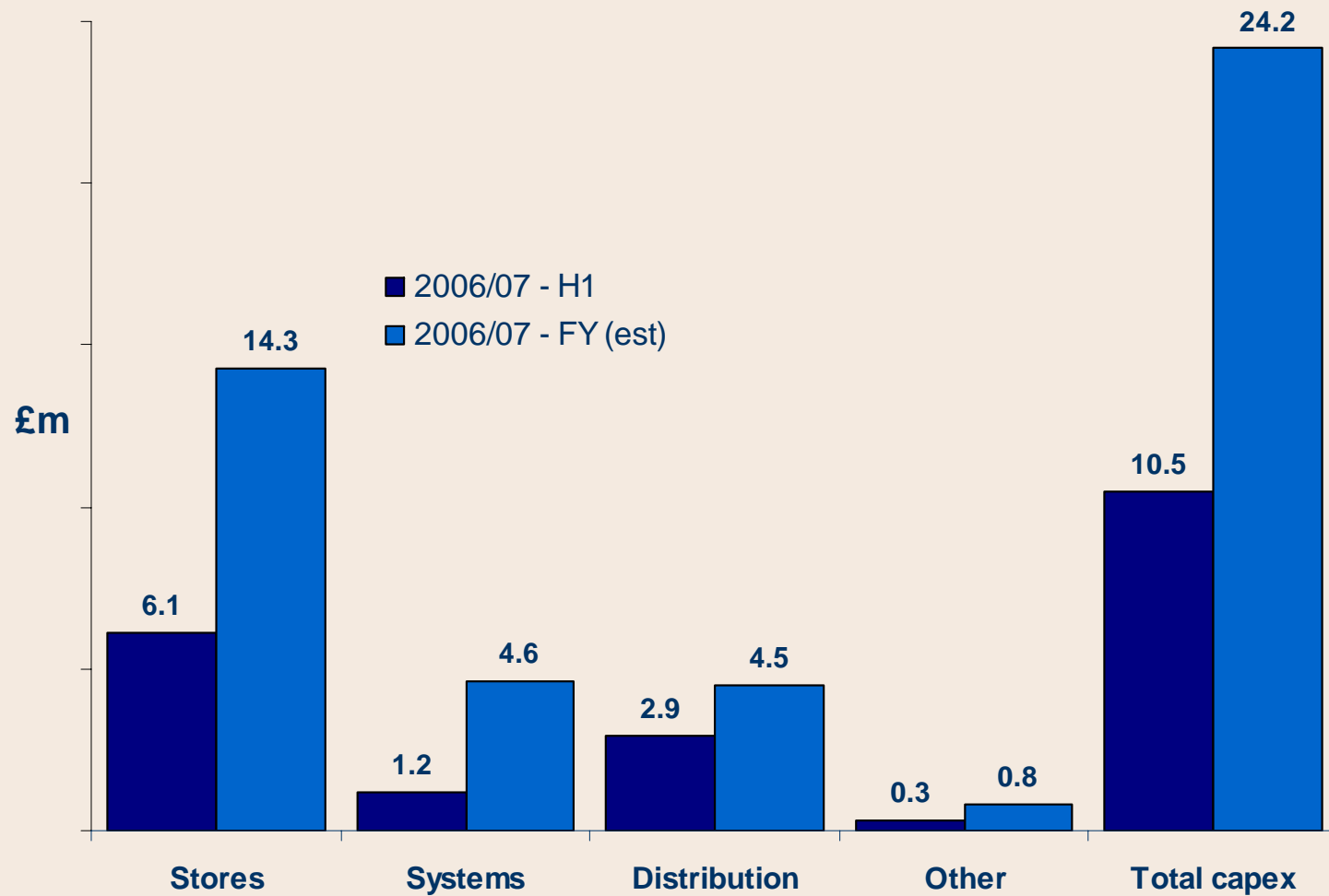
£ million		2006	2005
Non current assets	- Fixed assets	89.6	89.0
	- Deferred tax	4.4	13.3
		94.0	102.3
Current assets	- Inventories	52.7	48.7
	- Receivables	40.4	32.4
	- Cash	30.6	34.4
Current Liabilities		(56.5)	(57.7)
Non current liabilities	- Pension	(14.3)	(33.6)
	- Other	(10.1)	(10.3)
Net assets		£136.8m	£116.2m
Net assets per share		189p	162p



Cash Flow



Capex



Financial summary

- Solid sales growth in UK stores, strong sales growth in International & Direct
- Gross margin improvement
- Controllable costs contained
- Investment in infrastructure – stores, systems, distribution
- Strong balance sheet, positive cash flow, increase in interim dividend



Outlook

- Growing International & Direct
 - 70 new overseas franchise stores this year.
- Focus remains on reducing UK operational gearing & increasing UK operating margin
 - Optimising store portfolio (re-siting, rightsizing)
 - Improving direct sourcing/gross margin
 - Improving efficiency through driving returns on infrastructure investment
 - Driving sales per sq ft (rightsizing & new out of town format)
 - Tight control of cost base
- Difficult UK environment





Ben Gordon

Chief Executive

Growth strategy

Building Mothercare as a world-class specialty brand

Specialism

- Products
- Service
- Store proposition

“Exceeding parents needs and aspirations”

Efficiency

- Supply chain
- Sourcing
- Infrastructure

“World class retail operations”

Reach

- UK store roll out
- Direct
- International stores

“Every parent everywhere”



Specialism

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Reach

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“Exceeding parents needs and aspirations”

“World class retail operations”

“Every parent everywhere”



International clothing offer

Specialism



Good, better...

Specialism



Best... Special Collection

Specialism



Own label - feeding

Specialism



Own label - furniture

Specialism



Special events

Specialism



Customer service

Specialism



- Watford & Basingstoke
- Exceeding investment criteria
- A true destination store for parenting
 - Increased choice
 - Enhanced environment
- Increased sales & profit



Special features

Specialism



make sure you
choose the right
car seat

blue zone
from birth
to 18kg/40lbs

yellow zone
from 9kg/20lbs
to 18kg/40lbs

red zone
from 15kg/33lbs
to 25kg/55lbs

5 more trial stores

Specialism



• Southampton • Oxford • Stevenage • Ipswich • Torquay



Efficiency

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“Exceeding parents needs and aspirations”

Efficiency

- Supply chain
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“World class retail operations”

Reach

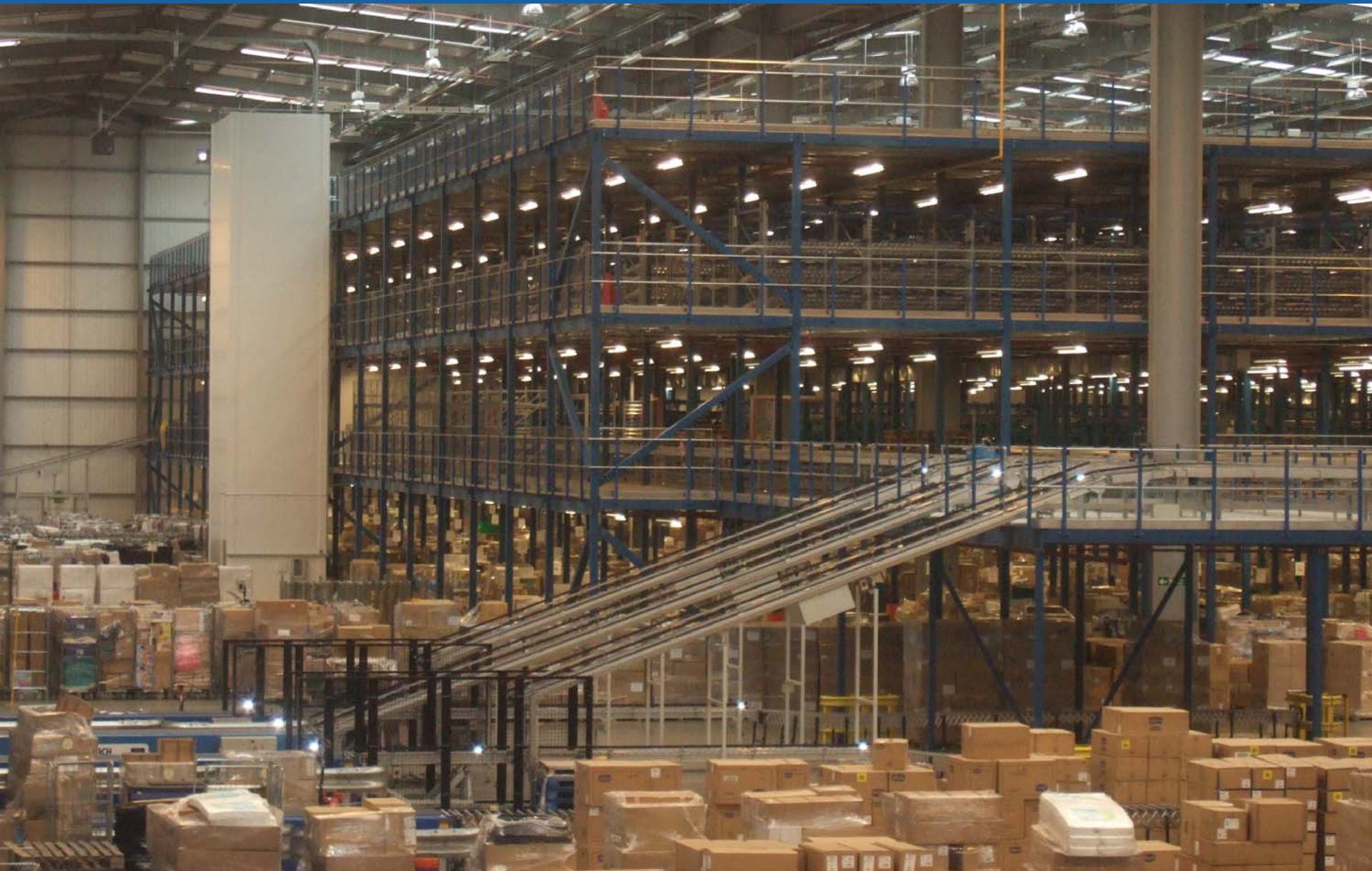
- UK store roll out
- Direct
- International stores

“Every parent everywhere”



NDC move complete

Efficiency



NDC optimisation

- Improve availability
- Reduce stock holdings
- Improve UK deliveries
- Overseas warehouses
 - Dubai
 - Singapore
 - India
 - China



Sourcing in India

- Buying offices – Tirapur & Delhi
- Good first season
- Improvements in availability & margins
- Supporting store roll-out



Reach

Building Mothercare as a world-class specialty brand

Specialism

- Products
- Service
- Store proposition



Efficiency

- Supply chain
- Sourcing
- Infrastructure



Reach

- UK store roll out
- Direct
- International stores

*"Exceeding parents needs
and aspirations"*

*"World class
retail operations"*

***"Every parent
everywhere"***



UK portfolio strategy

- Offering wider ranges in less space
- 5 stores relocated to smaller sites
 - Space down 40%
 - Only 7% reduction in sales
 - Sales per sq ft up 50%
 - Rent down 30%
 - Store profitability significantly improved



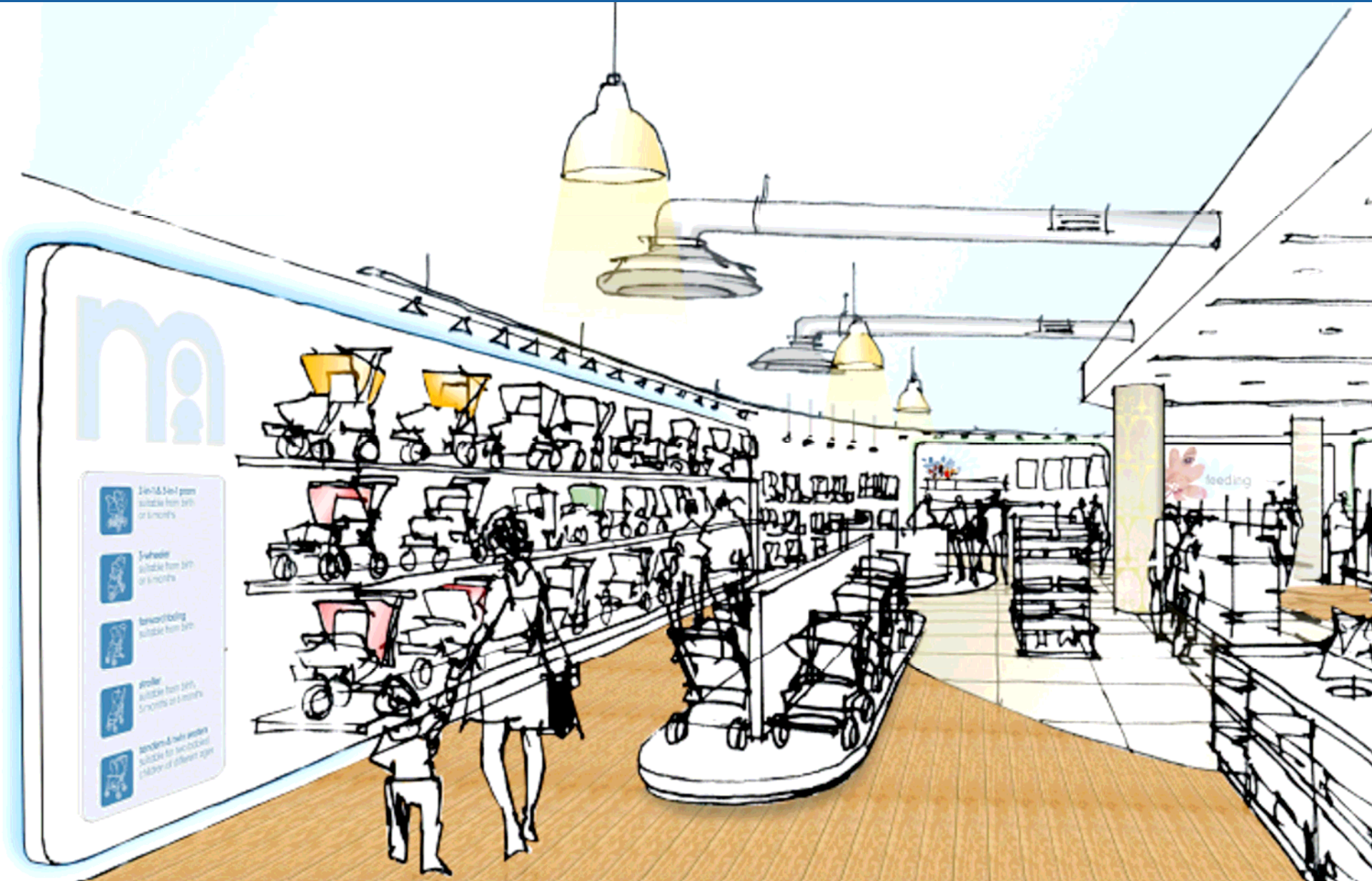
Marble Arch flagship

Reach



Marble Arch flagship

Reach



Multi-channel offer

A photograph of a young child with curly blonde hair and blue eyes, covering their mouth with both hands. The child is looking directly at the camera with a curious expression. The background is a soft, out-of-focus white.

mothercare
christmas toys and gifts

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or catalogue code:

 [go](#)

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- ▶ feeding
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▼ **christmas**

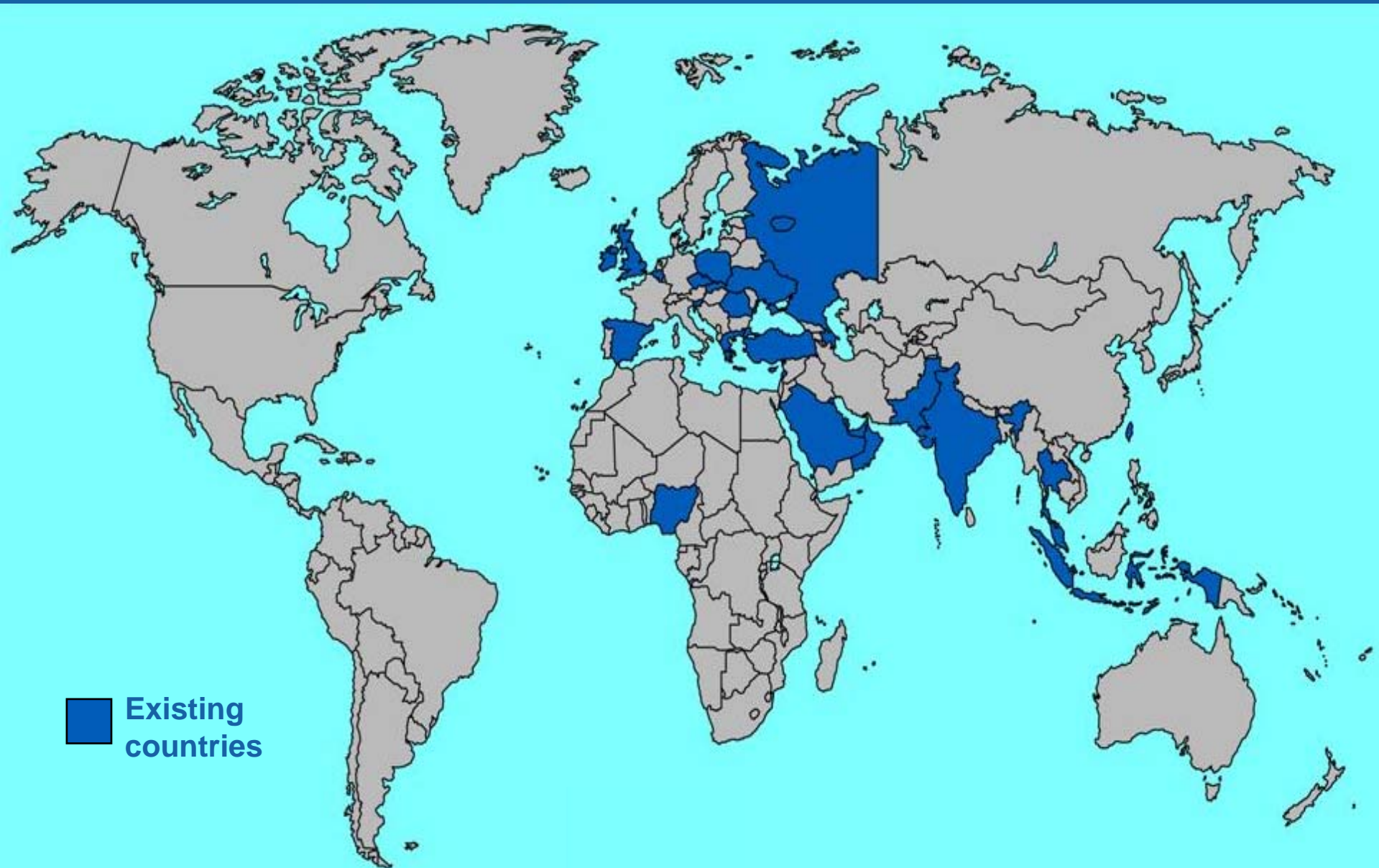
- +toys by age
- +toys by brand
- +characters
- big gifts
- top girl's toys
- top boy's toys
- christmas clothes
- christmas gifts
- crafts & games
- personalised gifts
- festive fun



top toys for your little angels this Christmas



International footprint



India opportunity

Reach



Mumbai



Summary & outlook

- Strategy driving good performance
- Strong in difficult UK market
- International expansion continues apace
- Well placed for H2



Questions

