

mothercare



Preliminary Results
24 May, 2006



Ben Gordon

Chief Executive

Highlights for the year

- Solid UK sales performance
- Continued margin growth
- Costs controlled
- Rapid international growth
- Final dividend 6.15p (up 16%)





Neil Harrington

Finance Director


Financial highlights – Robust UK performance, strong growth in International and Direct

- Group sales +5.6% to £482.7m
- UK sales +3.4% to £414.6m (including Direct in Store sales +34.0% to £20.9m and Direct in Home sales +18.8% to £20.2m)
- International revenue +21.4% to £68.1m
- UK gross margin +0.4 percentage points
- PBT (pre-exceptionals) +8.7% to £21.3m
- EPS (pre-exceptionals) +7.0% to 21.3 pence
- Group profit after tax up 54.9% to £17.5m
- Final dividend +16.0% to 6.15p (total dividend +12.5% to 9.0p)

53 weeks



Income statement 53 weeks

£ million	2006 53 weeks	2005 52 weeks		
Revenue	482.7	457.2	↑	5.6%
Profit from operations	17.9	16.7	↑	7.2%
Financing	3.4	2.9		
Profit before exceptionals	21.3	19.6	↑	8.7%
Exceptional items	2.9	(4.1)		
PBT	24.2	15.5	↑	56.1%
Taxation	(6.7)	(4.2)		
Profit after tax	17.5	11.3	↑	54.9%
EPS	25.5p	16.6p	↑	53.6%
Dividend per share	9.0p	8.0p	↑	12.5%
53 weeks				

We've changed the way we report International

£m 2006	Revenue	Profit (old basis)	Profit (new basis)
UK	414.6	8.9	19.3
International	68.1	9.0	5.3
Corporate	-	-	(6.7)
	<u>482.7</u>	<u>17.9</u>	<u>17.9</u>
£m 2005			
UK	401.1	9.4	19.6
International	56.1	7.3	4.4
Corporate	-	-	(7.3)
	<u>457.2</u>	<u>16.7</u>	<u>16.7</u>

- £3.7m (2005: £2.9m) of costs previously UK now allocated to International (mostly buying, merchandising and distribution)
- Corporate expenses represent head office costs, Board and senior management costs, audit, insurance and professional fees



53 weeks

Financial highlights – 52 week basis

- Group sales +3.7% to £474.2m
- UK sales +1.5% to £407.3m (including Direct in Store sales +31.4% to £20.5m and Direct in Home sales +15.9% to £19.7m)
- International revenue up 19.3% to £66.9m
- PBT (pre-exceptionals) +4.1% to £20.4m

52 weeks



Income statement 52 weeks

£ million	2006	2005	
Revenue	474.2	457.2	▲ 3.7%
Profit from operations	17.0	16.7	
Financing	3.4	2.9	
Profit before exceptionals	20.4	19.6	▲ 4.1%
Exceptional items	2.9	(4.1)	
PBT	23.3	15.5	▲ 50.3%

52 weeks



Sales up in each channel and category

- UK stores

LFL	-0.3%
Space	+1.2%
Total	+0.9%
- International stores

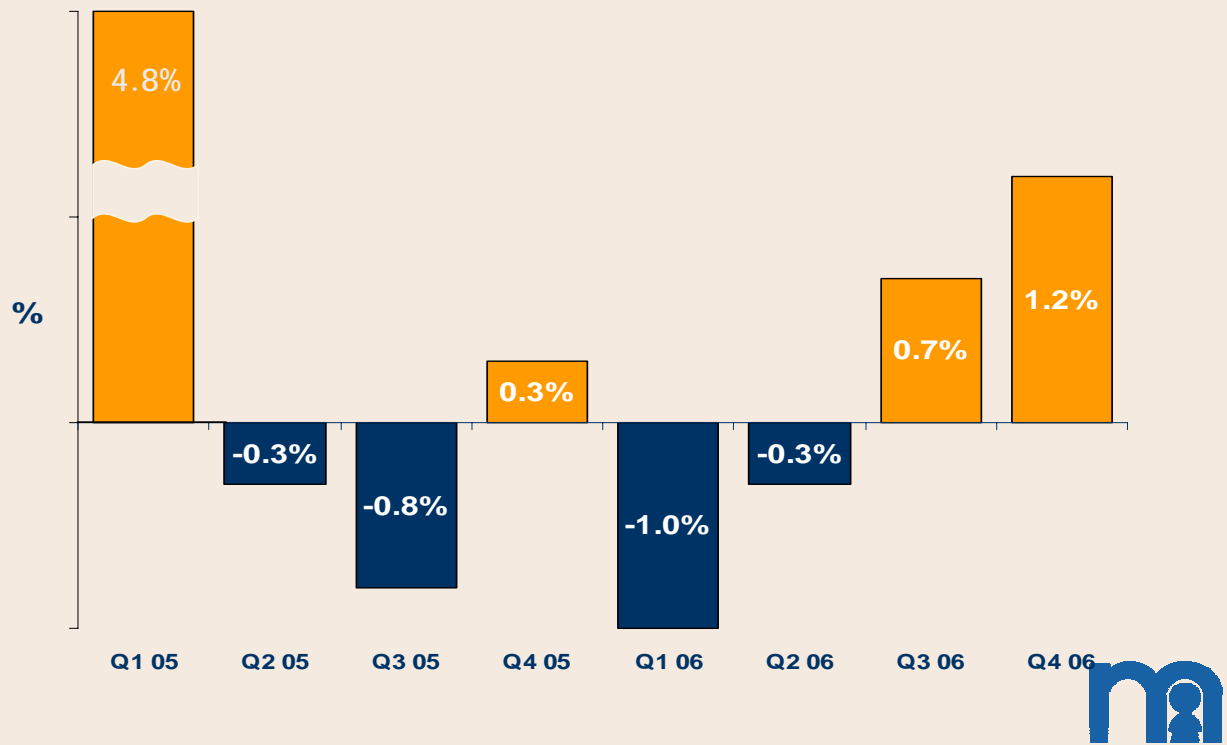
LFL	+7.0%
Space	+12.3%
Total	+19.3%
- UK Direct (Home Shopping)

	+15.9%
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- Positive sales growth in each of clothing, home and travel and toys

52 weeks



UK LFL sales regaining momentum



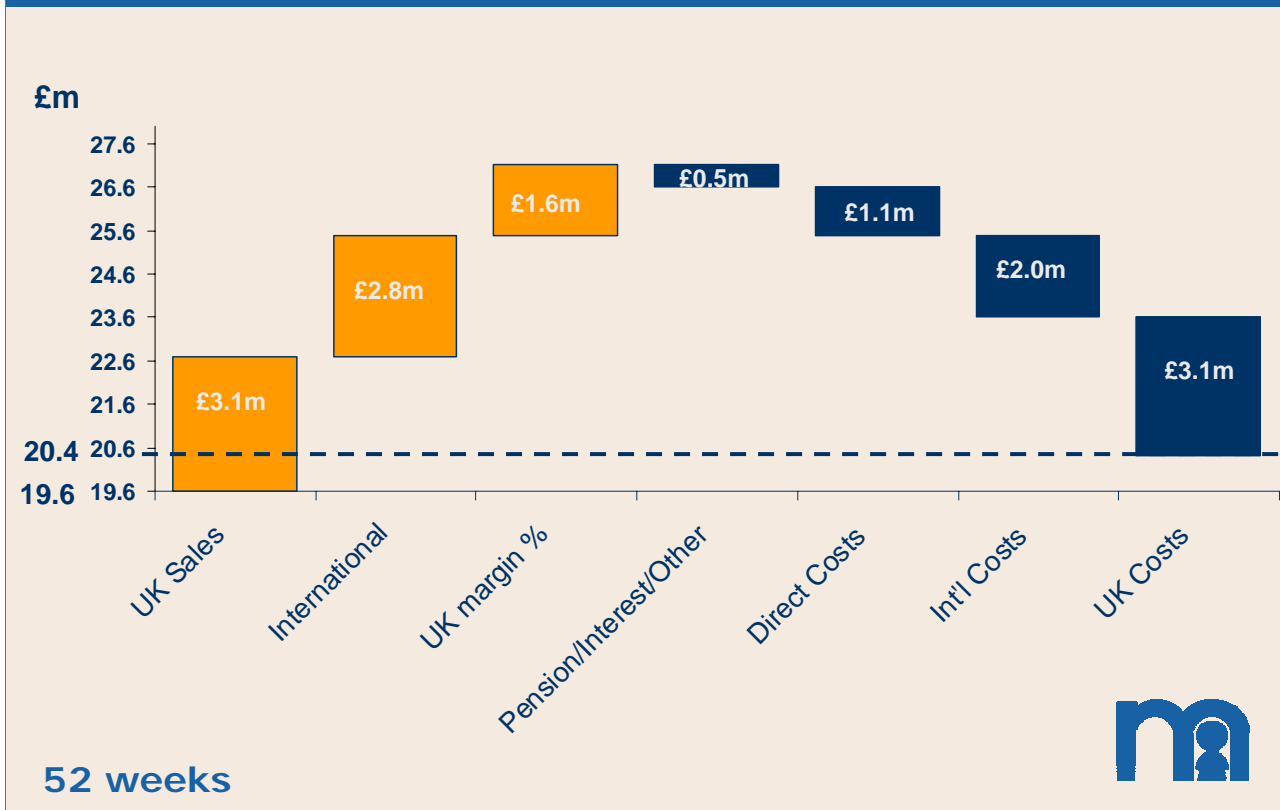
Optimising the UK portfolio, growing International

Stores	UK	International	Total
26 March 2005	231	220	451
Openings	10	46	56
Closures	(10)	-	(10)
1 April 2006	<u>231</u>	<u>266</u>	<u>497</u>

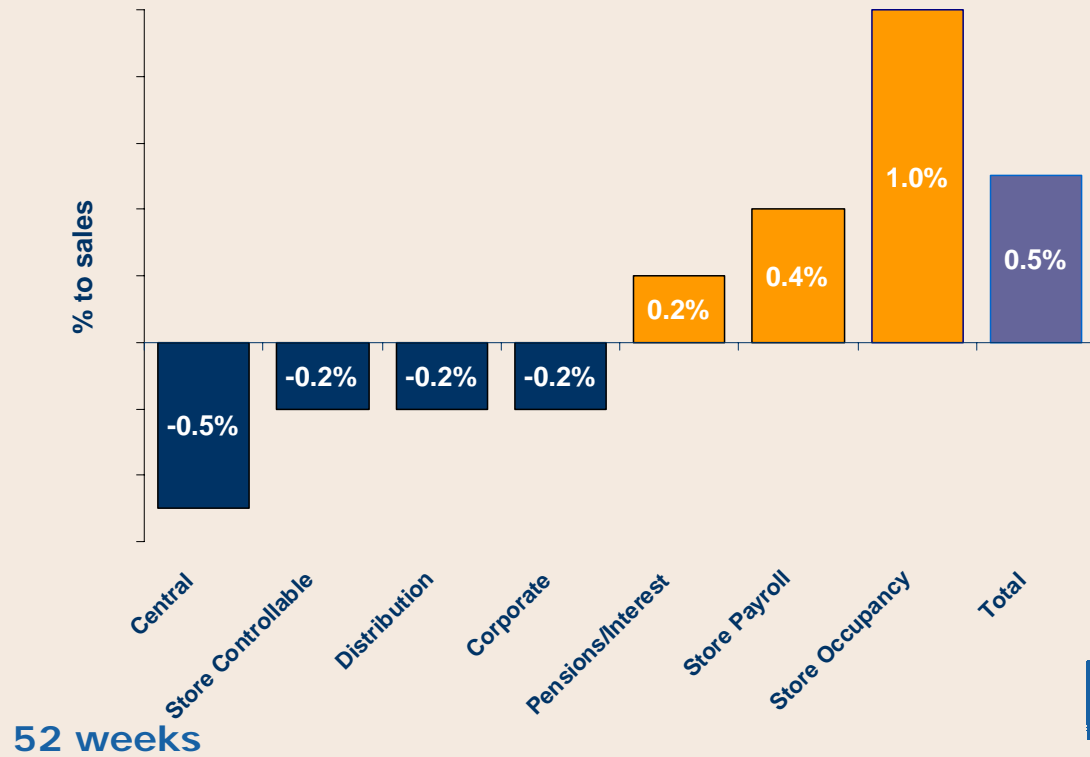
- Rightsizing and relocating UK portfolio to drive sales/sq ft and reduce operational gearing
- International franchise operations in 37 countries



£0.8m growth in profit before exceptionals



UK store costs rising, controllables managed



Actions to improve operating margin

- PBT @ 4.3% of sales (before exceptionals and 53rd week)
 - Grow International and Direct (low fixed cost base)
 - Optimise UK store portfolio – relocate and rightsize
 - Build sales / sq ft – focus this year on out of town stores and product initiatives
 - Drive store and DC productivity through investment in technology
 - Improve margin – better buying, more direct sourcing
 - Further tightening of controllable costs



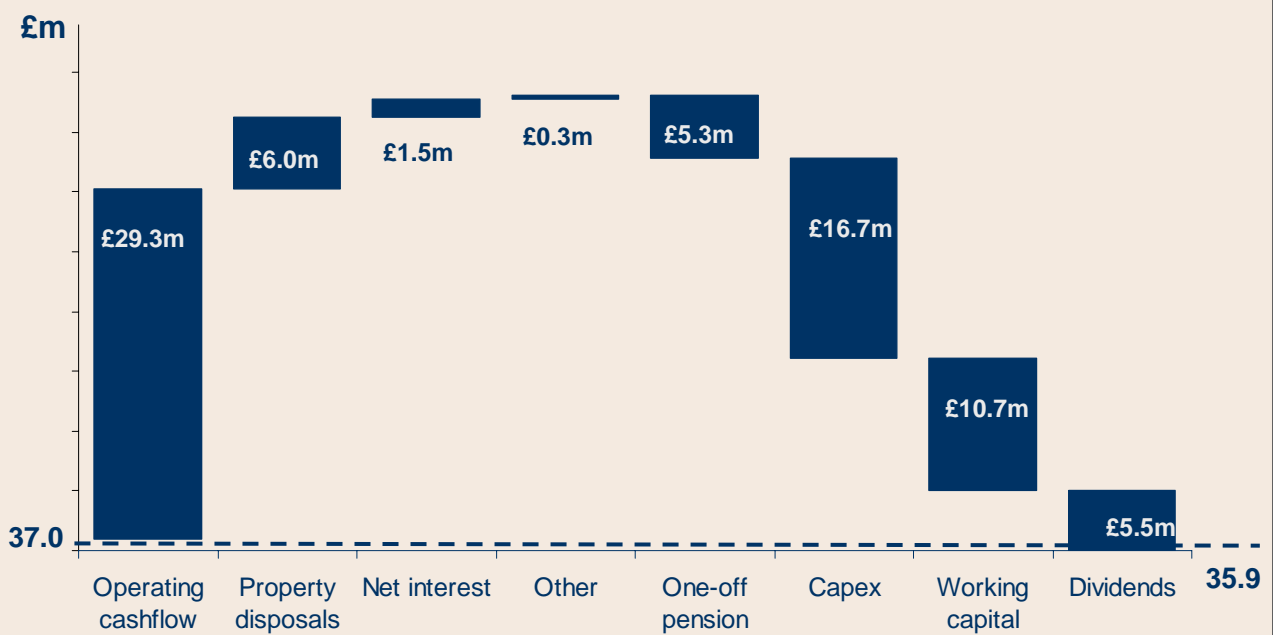
Strong balance sheet

£ million		2006	2005
Non current assets	- Fixed assets	87.7	87.0
	- Deferred tax	8.5	13.6
		96.2	100.6
Current assets	- Inventories	50.8	46.8
	- Receivables	32.0	28.8
	- Cash	35.9	37.0
Current Liabilities		(55.9)	(61.0)
Non current liabilities	- Pension	(17.5)	(22.4)
	- Other	(9.8)	(10.8)
Net assets		£131.7m	£119.0m
Net assets per share		181p	166p

1 April 2006



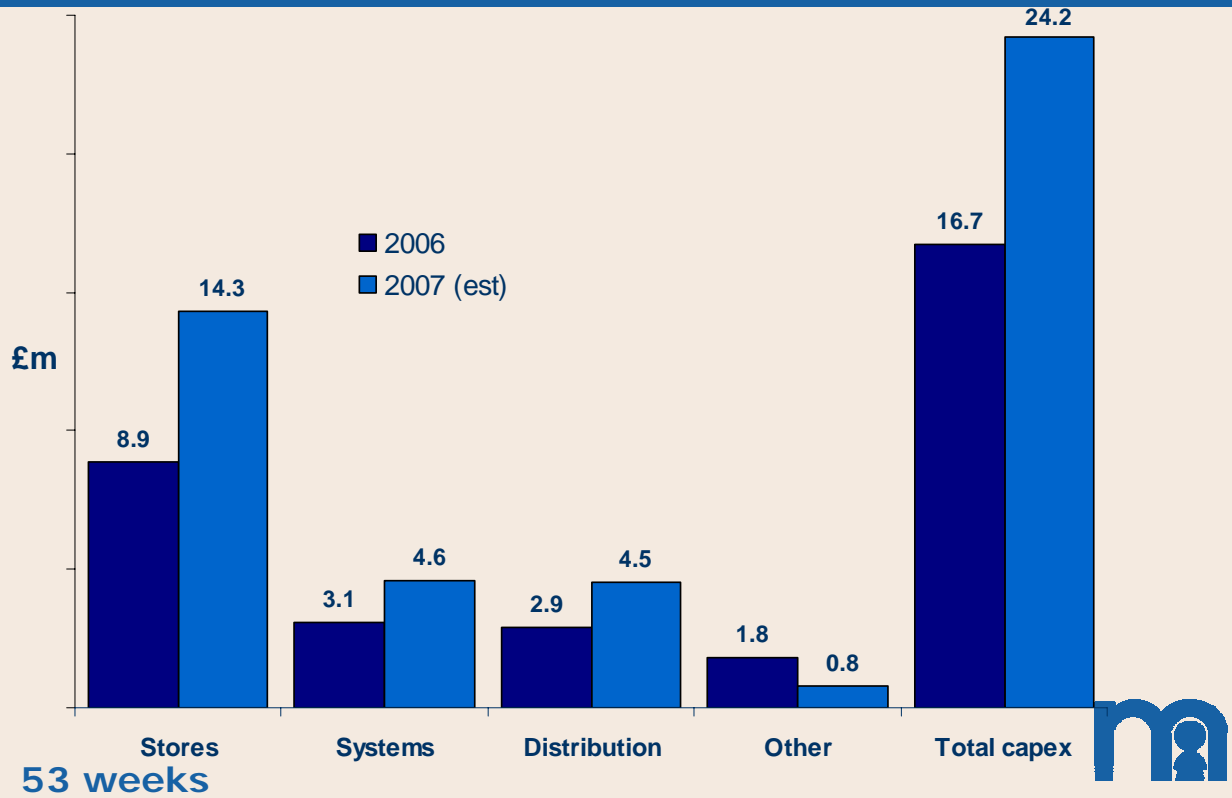
Cash Flow



53 weeks



Capex



Financial summary

- Solid sales growth in UK stores, strong sales growth in International and Direct
- Gross margin improvement from better buying and direct sourcing
- Controllable costs contained
- Investment in infrastructure – stores, systems, distribution
- Strong cash generation and increase in group profit enables;
 - Significant increase in dividend
 - Special contributions to pension scheme



Outlook

- Growing Direct and International (50 new stores per annum)
- Driving returns from infrastructure investment, including EPOS and supply chain
- Focus on reducing UK operational gearing/increasing UK operating margin
 - Optimising store portfolio (re-siting, re-sizing)
 - Further opportunities in direct sourcing/gross margin
 - Driving sales / sq ft (out of town formats)
 - Reducing the cost base





Ben Gordon

Chief Executive

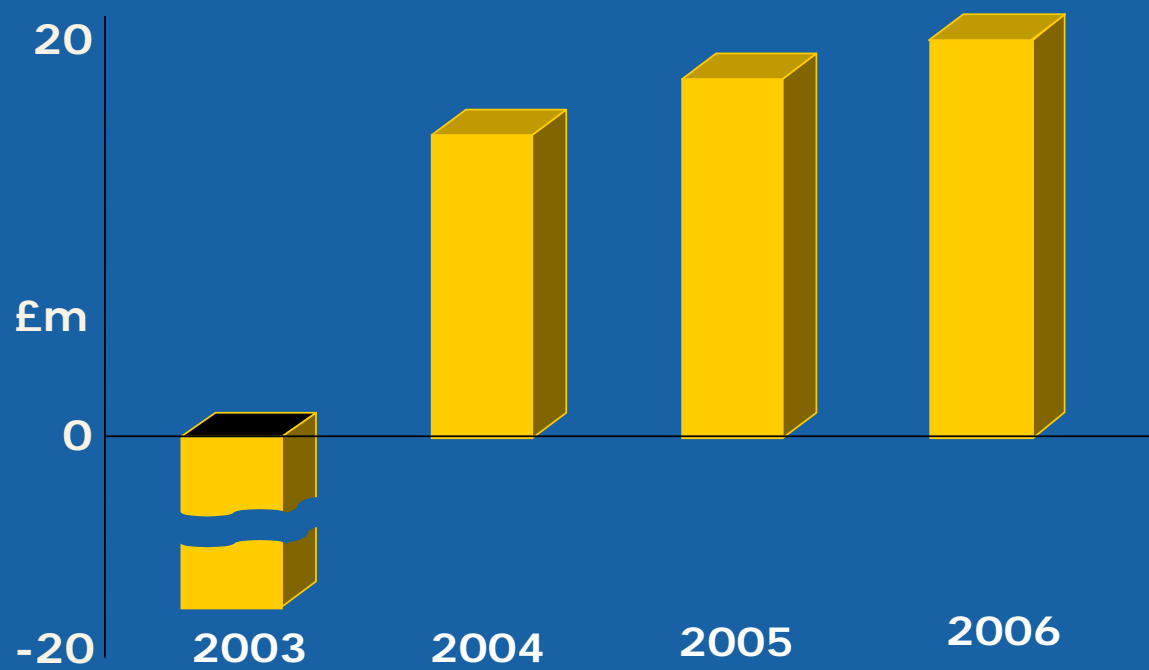
3 year turnaround

- Products transformed
- Stores refurbished
- New supply chain
- Best in class technology
- Truly multi-channel business
- Substantial international business

Resulting in...



Operating profit position



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

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"*

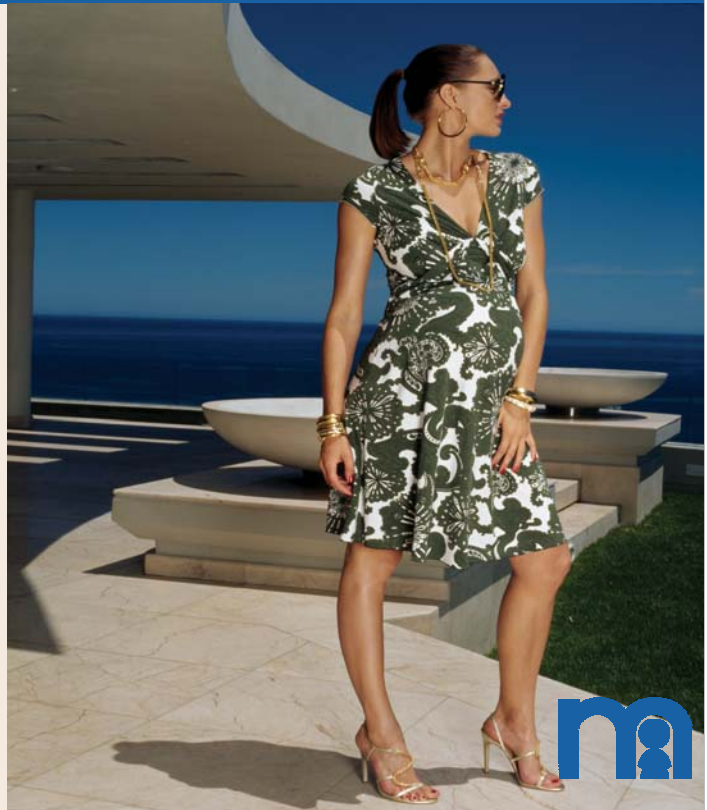
*"Every parent
everywhere"*





MODA an international success Specialism

- All UK stores
- 35 countries
- Global appeal



Own brand products

Specialism

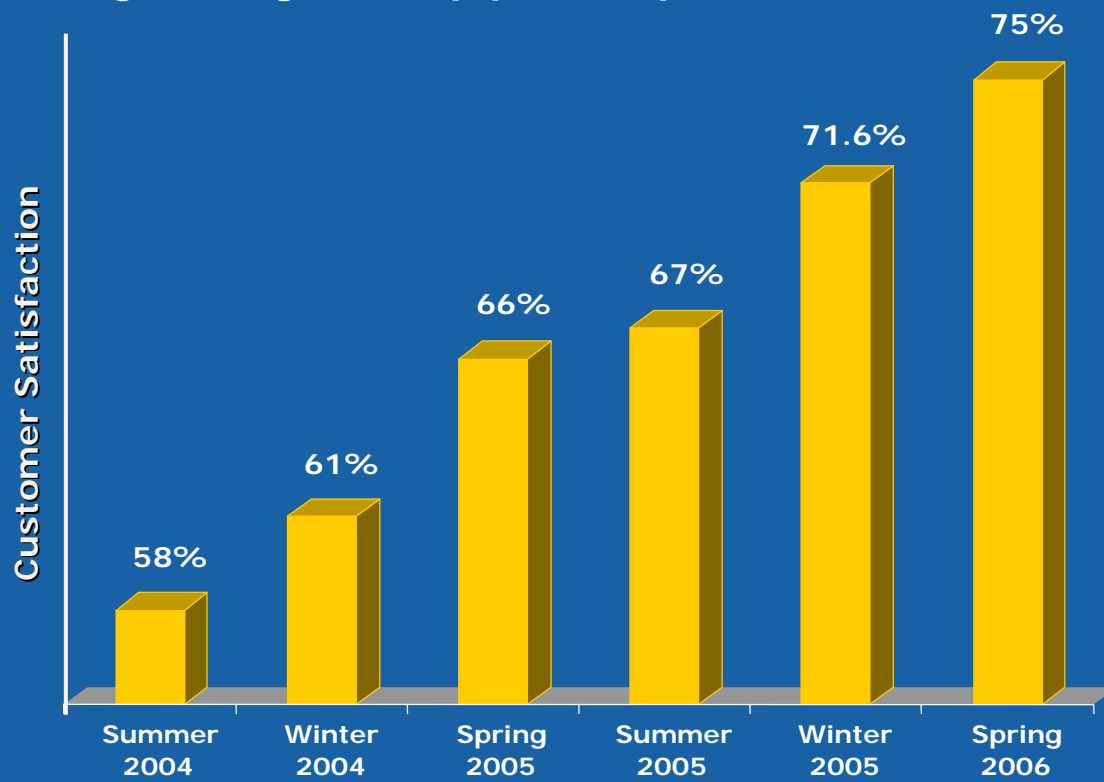






Mystery shopper up

Specialism



Source: Mothercare Mystery Shopper Survey



- 2 pilot stores open
- Driving sales per square foot
- True destination store for parents
- Enhanced ranges, improved customer service, concessions



Pilot store format

Specialism





Efficiency

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Efficiency

- Supply chain
- Sourcing
- Infrastructure



Reach

- UK store roll out
- Direct
- International stores

"Exceeding parents needs and aspirations"

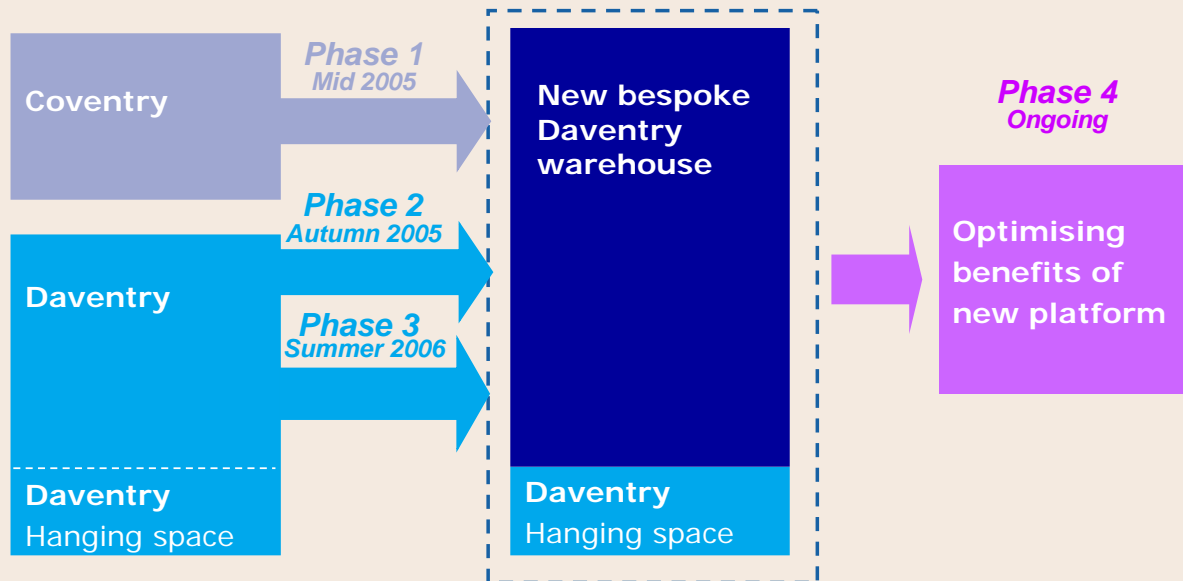
"World class retail operations"

"Every parent everywhere"



NDC running to plan

Efficiency



- Clothing direct sourcing at 38%; on track for target
- Internal capabilities strengthened
 - New buying offices in India
 - 40-strong expert team
- Faster, better quality, improved margins



EPOS project complete

Efficiency



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"***



- New Stores
 - Opportunity for 50 more stores
 - 10 last year; 10 this year
- Rightsizing
 - Closures and down-sizing
 - Reading & Cardiff
 - Reduce rent, maintain sales, increase profitability



mothercare

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older baby 3-18 months

toddler 18-36 months

little people 3-8 years

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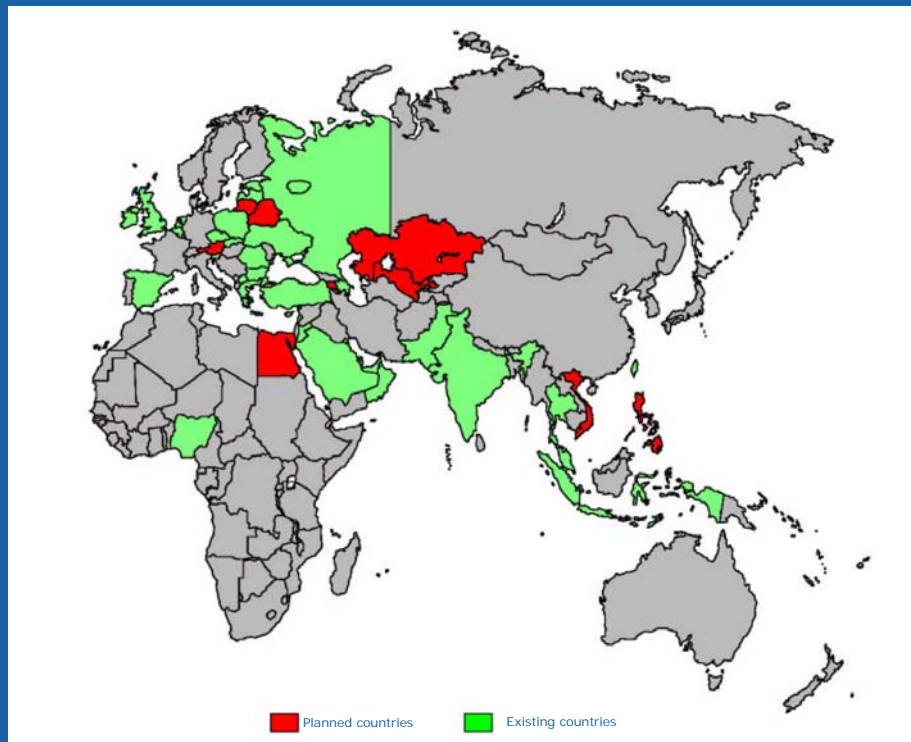




- Improving marketing & shop-ability of web site
- Extending ranges available on line



International footprint



Stores in India



Mumbai, India



International growth strategy

Reach

- 266 stores in 37 countries
- Improving LFL sales
- New stores, existing countries
- New stores, new countries



Summary & outlook

- Resilience in difficult UK trading environment
- Direct turning us into a truly multi-channel business
- International expansion continues apace
- Specialism, Efficiency & Reach



Questions

