

Preliminary Results
May 24 2007





Ben Gordon

Chief Executive

Highlights for the year

- UK sales growth; margin improvement; strong International growth; dividend increased
- Major projects:
 - NDC on time/budget
 - New e-commerce platform launched
 - First full year for Indian sourcing office
 - Award-winning own brand products
 - OOT trials underway
 - Record number of international stores opened
- Proposed acquisition of ELC announced





Neil Harrington

Finance Director

Financial highlights

- Group sales +3.3% to £498.5m
- UK like for like sales up +1.6% (store like for like sales +0.8%)
- Direct in Home sales +13.9% to £23.0m and Direct in Store sales +18.7% to £24.8m
- International revenue +27.9% to £87.1m
- UK gross margin +0.4 percentage points
- PBT (underlying) +7.6% to £22.6m
- Full year dividend +11.1% to 10.0p

52 weeks vs 53 weeks last year



Income statement

£ million	2007 52 weeks	2006 53 weeks	%
Revenue	498.5	482.7	+3.3%
Underlying profit from operations	21.0	19.5	
Financing	1.6	1.5	
Underlying PBT	22.6	21.0	+7.6%
Exceptional items and IAS 39	(3.7)	3.2	
PBT	18.9	24.2	-21.9%
Taxation	(4.4)	(6.7)	
Profit after tax	14.5	17.5	-17.1%
Underlying EPS	24.2p	21.2p	+14.2%
Dividend per share	10.0p	9.0p	+11.1%

52 weeks vs 53 weeks last year



Financial highlights – 52 week basis

- Group sales +5.1% to £498.5m
- UK sales +1.0% to £411.4m
- Direct in Home sales +16.8% to £23.0m and Direct in Store sales +21.0% to £24.8m
- International revenue up 30.2% to £87.1m
- Underlying PBT +12.4% to £22.6m



12.4% rise in underlying profits

	2007 £m	2006 £m	%
Statutory PBT	18.9	24.2	-21.9%
Exceptional items	2.4	(2.9)	
IAS 39	1.3	(0.3)	
Underlying PBT (52 vs 53 weeks)	22.6	21.0	+7.6%
53 rd week in 2006	-	(0.9)	
Underlying PBT (52 vs 52 weeks)	22.6	20.1	+12.4%



Strong international performance

£m 2007 (52 weeks)	Revenue	Underlying profit from operations	% to sales
UK	411.4	19.3	4.7%
International	87.1	8.1	9.3%
Corporate	-	(6.4)	-
	<u>498.5</u>	<u>21.0</u>	<u>4.2%</u>

£m 2006 (52 weeks)

UK	407.3	20.1	4.9%
International	66.9	5.2	7.8%
Corporate	-	(6.7)	-
	<u>474.2</u>	<u>18.6</u>	<u>3.9%</u>

- Excellent international performance – 30.2% increase in sales, 55.8% increase in profits
- £0.3m savings in corporate costs (in addition to £0.6m savings last year)



Exceptional items - £2.4 million

- £2.1m charge on restructuring the UK business: (additional £0.5m to come in 2007/08)
 - closure of Manchester office
 - expansion of India office
 - opening of China office
 - restructuring at Watford Head Office
- £0.5m charge from move of Direct DC
- £0.2m credit from on disposal of property interests



Sales up in each channel & category

- UK stores

LFL	+0.8%
Space	-0.6%
Total	+0.2%
- International stores

LFL	+12.0%
Space	+18.2%
Total	+30.2%
- UK Direct (Home Shopping)

Total	+16.8%
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- Positive sales growth in each of clothing, home and travel, and toys



Optimising the UK portfolio, growing International

Stores	UK	International	Total
1 April 2006	231	266	497
Net (closures)/openings	(6)	62	56
31 March 2007	225	328	553

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



UK store activity

	2005/06	2006/07	Pipeline 24 months
Store openings	10 ⁽¹⁾	4 ⁽²⁾	10 ⁽³⁾
Store closures	10 ⁽¹⁾	10 ⁽²⁾	15 ⁽³⁾
Rightsize	-	2	5
Total activity	20	16	30

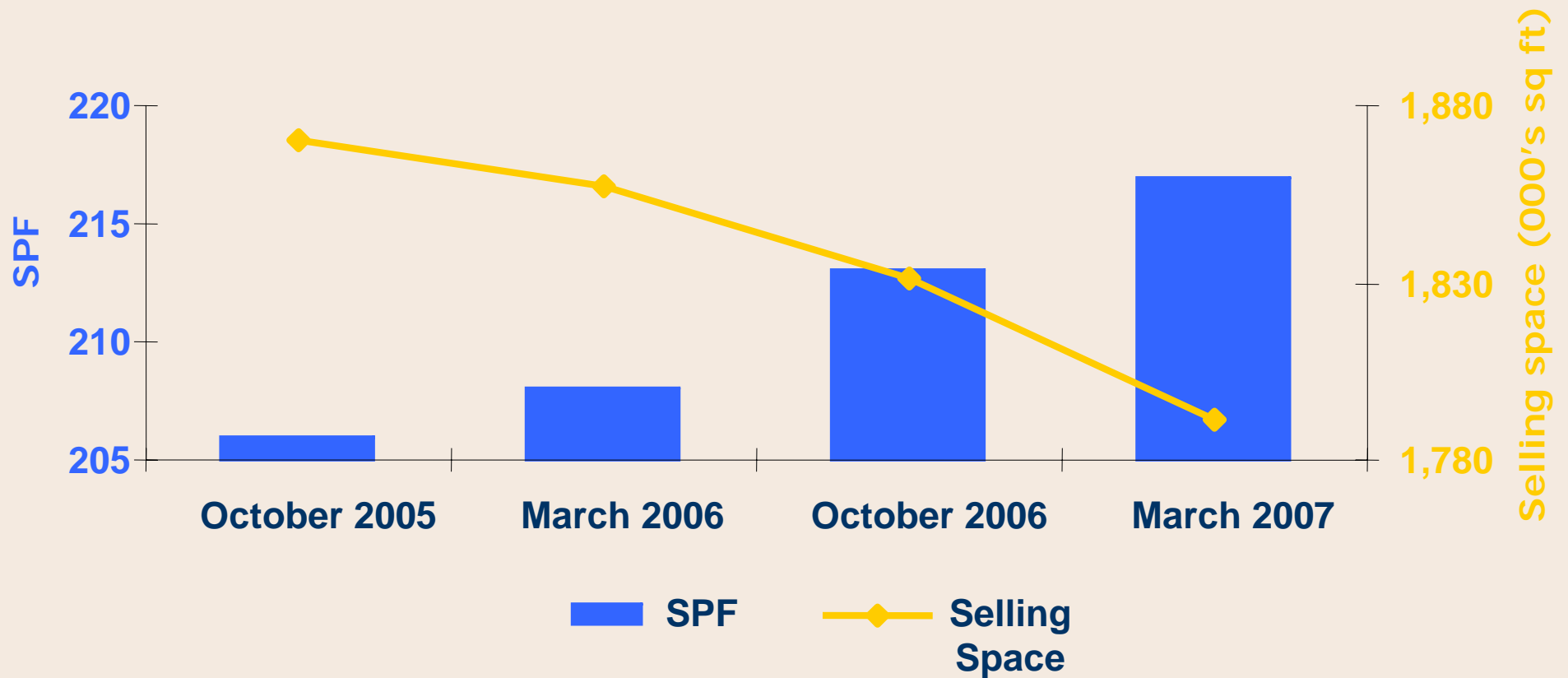
(1) Including four re-sites in the same town

(2) Including three re-sites in the same town

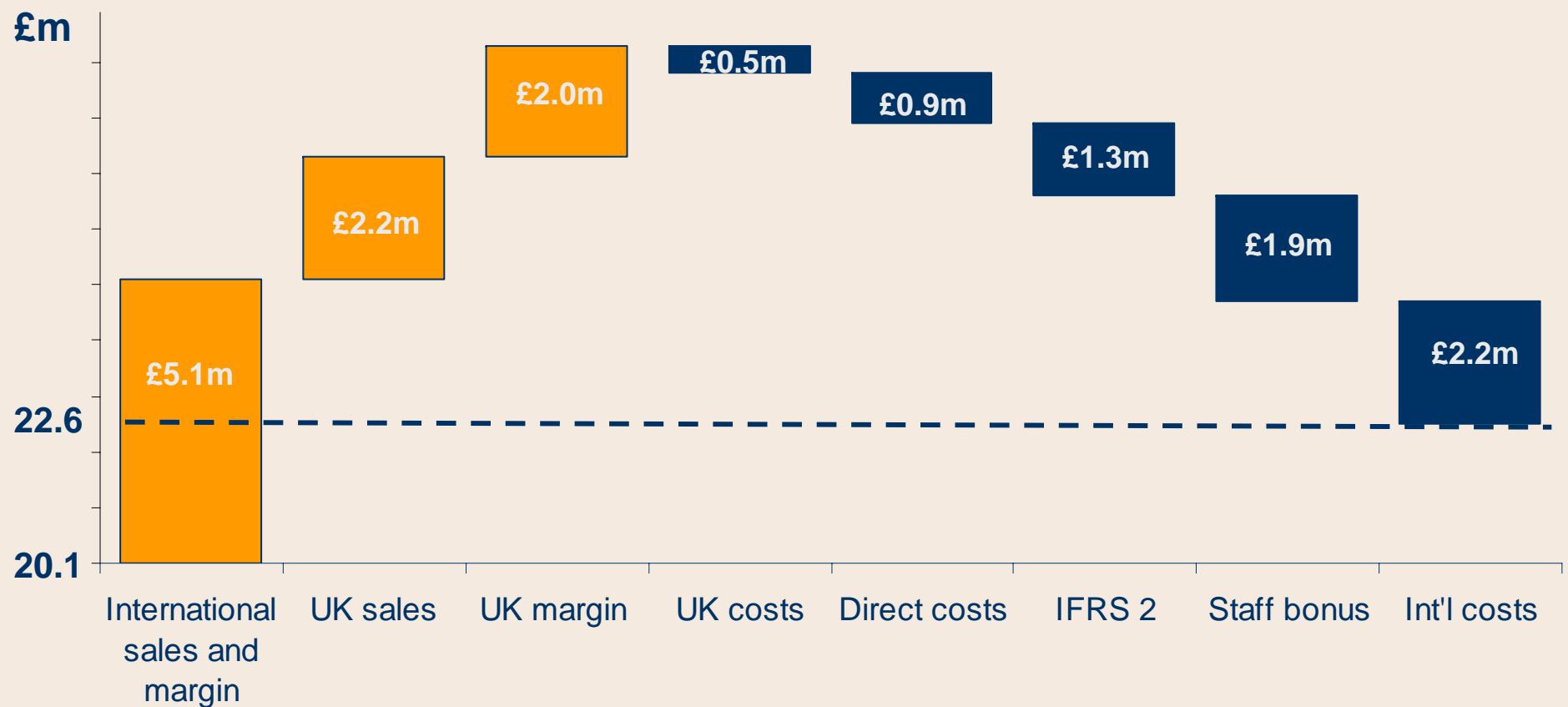
(3) Including ten re-sites in the same town



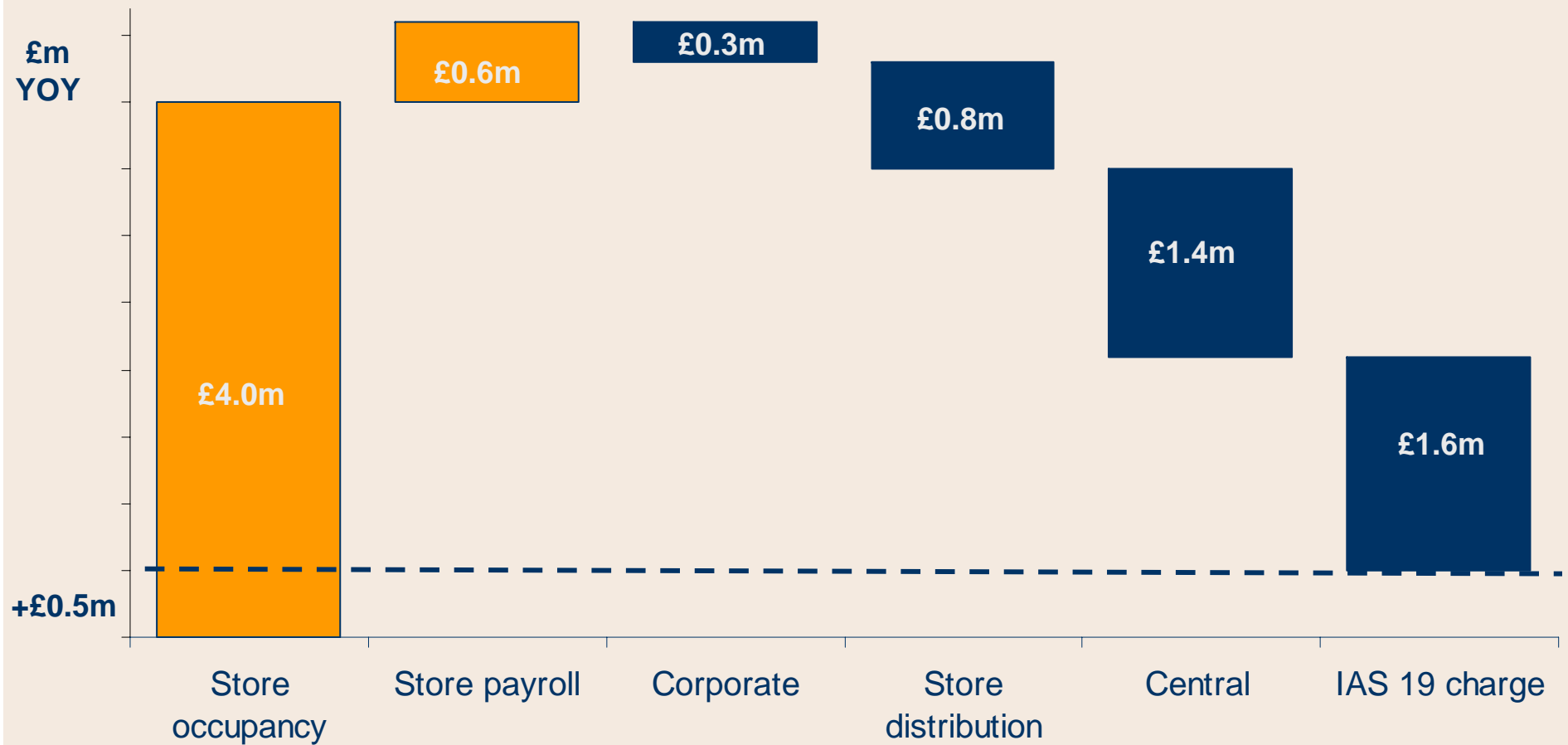
Steady increase in UK store SPF



£2.5m growth in underlying profit



Tight control of UK costs

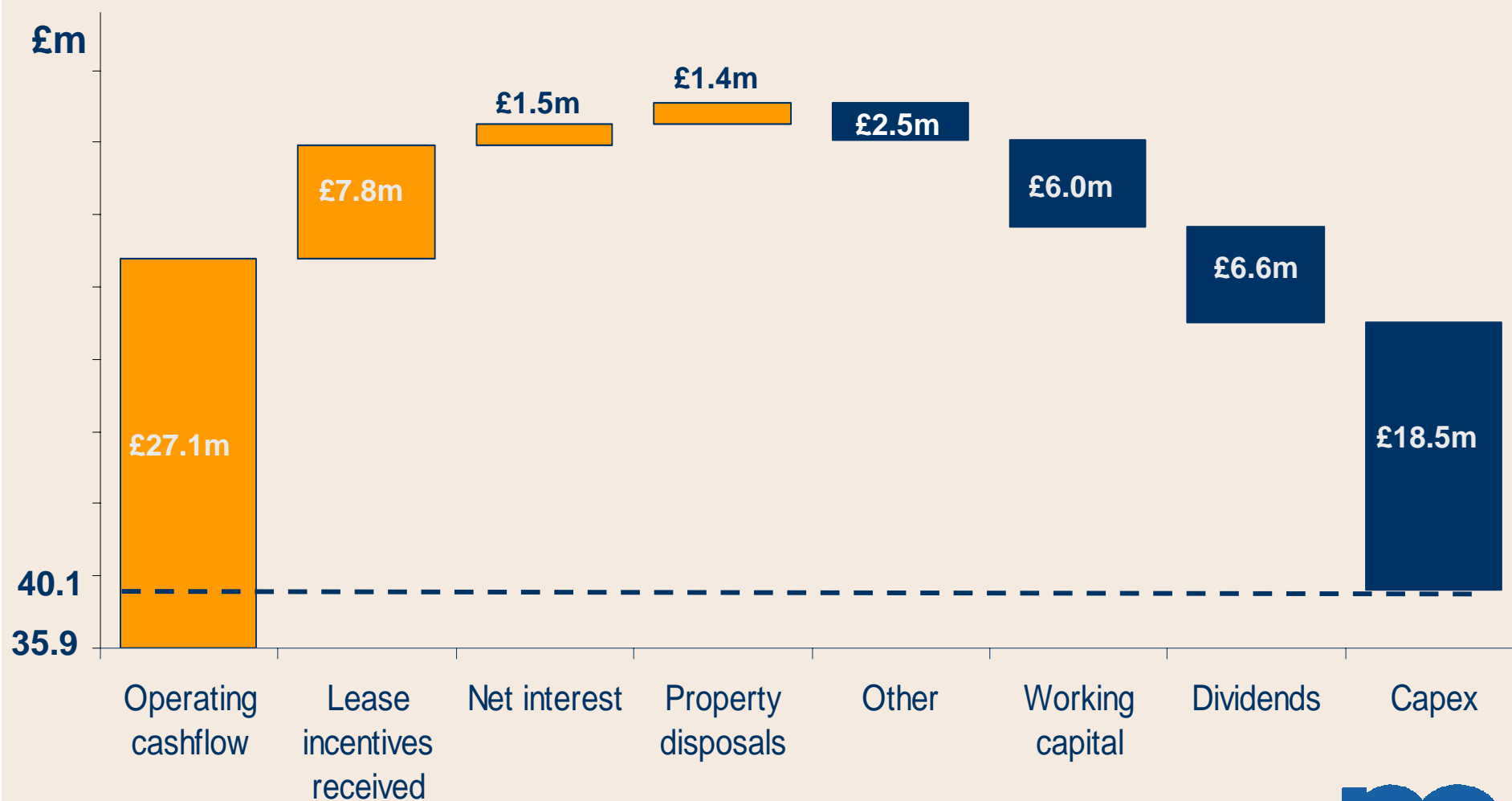


Strong balance sheet

£ million		2007	2006
Non-current assets	- Fixed assets	90.6	87.7
	- Deferred tax	0.2	8.5
		90.8	96.2
Current assets	- Inventories	51.8	50.8
	- Receivables	42.3	32.0
	- Cash	40.1	35.9
Current Liabilities		(60.7)	(55.9)
Non-current liabilities	- Pension	2.0	(17.5)
	- Other	(15.3)	(9.8)
Net assets		£151.0m	£131.7m
Net assets per share		206p	181p



And strong cash generation



Pension schemes now in surplus

	2007 £m	2006 £m
<u>Income Statement</u>		
Service cost	(5.0)	(4.7)
Return on assets	13.2	10.9
Interest on liabilities	(9.4)	(9.0)
Net charge	(1.2)	(2.8)
<u>Cash Funding</u>		
Regular contributions	(3.0)	(3.2)
Additional contributions	(1.5)	(5.3)
Total Cash funding	(4.5)	(8.5)
<u>Balance Sheet</u>		
Net asset/(liability)	2.0	(17.5)

- £16.8m of special contributions in last three years
- Adjustments to scheme benefits (average salary)
- Change in retirement age to 65 from 1 April 2007



Financial summary

- Solid growth in UK stores; strong growth in International and Direct
- Gross margin improvement from better buying and direct sourcing
- Starting to realise the benefits from investment in stores, systems and distribution
- Controllable costs significantly reduced; restructure of UK operations to reduce cost base and underpin margin growth going forward
- Strong cash generation and increase in underlying profit enables 11.1% increase in dividend



Outlook

- Focus on increasing UK operating margin;
 - Driving returns from investment in stores and supply chain
 - Growth in gross margin through more direct sourcing
 - Improving UK sales densities through store rightsizing/refits
 - Growing the UK direct business
 - Continuing tight cost control
- International growth continuing – at least 50 new franchise stores per annum
- Proposed acquisition of the Early Learning Centre still subject to regulatory and shareholder approval – EGM 14 June





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

- International stores
- Direct
- UK store roll out

“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”



Own label – special collection

- Launched September '06
- 'Best' pricing
- Rolling out to all UK & International stores



Own label – pushchairs



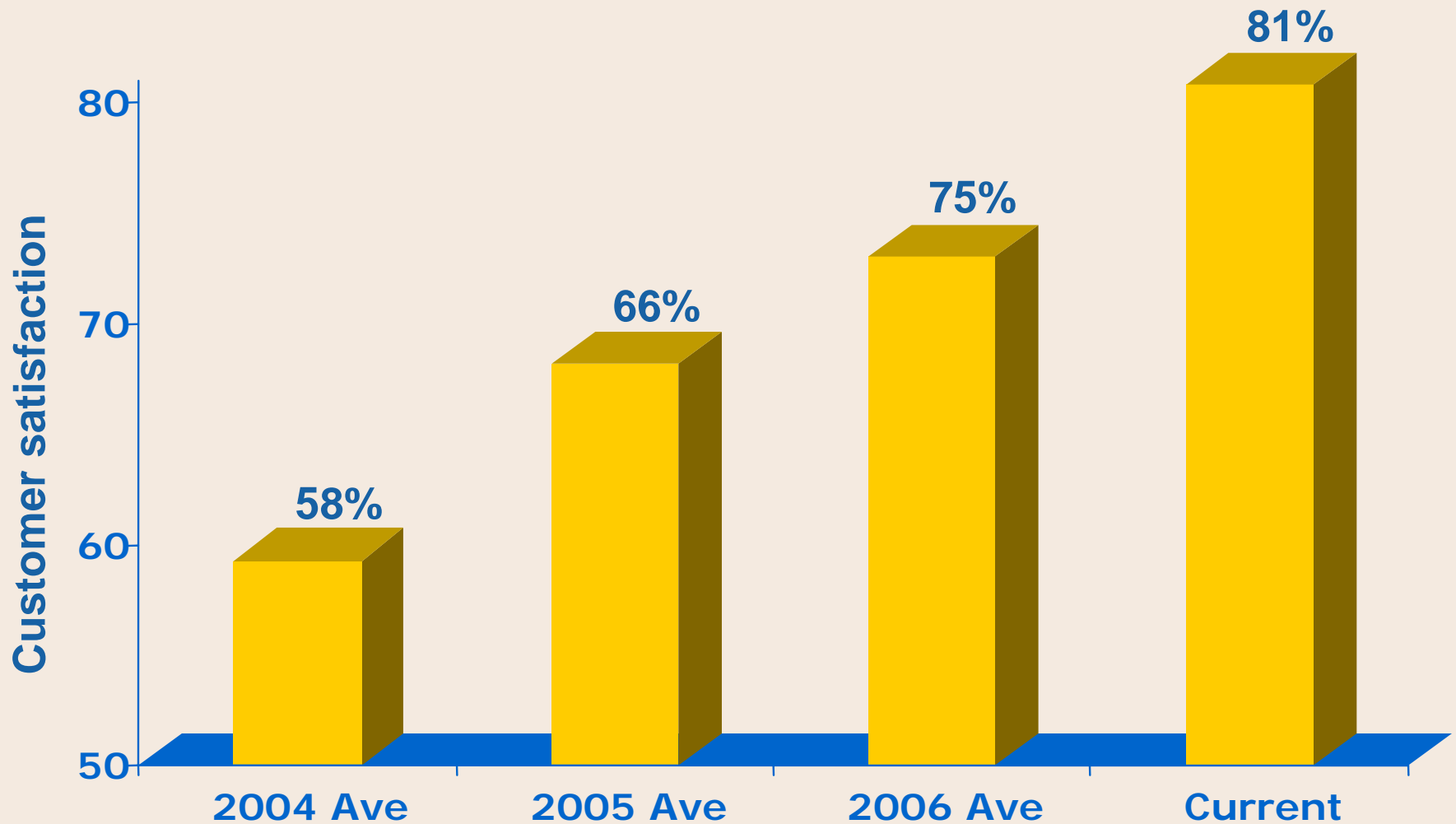
- Growing market share
- Winning industry leading awards



Own label – home furnishings



No. 1 for customer service



Source: Mothercare Mystery Shopper Programme



Staff training



Out of town format



Out of town - next steps



Efficiency

Building Mothercare as a world-class specialty brand

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*"Exceeding parents needs
and aspirations"*

Efficiency

- Supply chain
- Sourcing
- Infrastructure

***"World class
retail operations"***

Reach

- International stores
- Direct
- UK store roll out

*"Every parent
everywhere"*



Supply chain - NDC

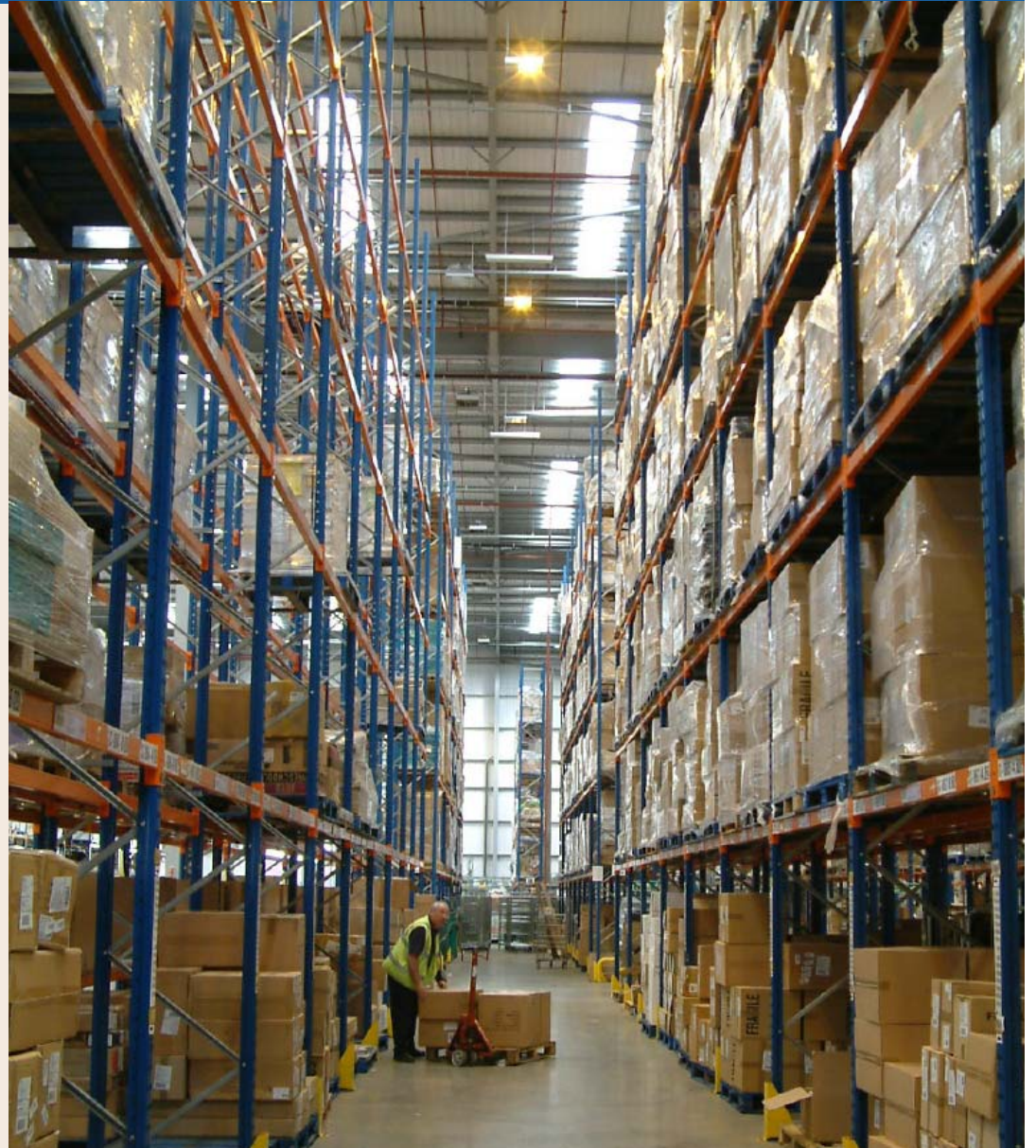


- Move completed on time & budget
- Now incorporates hanging space
- On track for 5.7% UK store distribution costs 07/08



Supply chain – International

- Dubai & Singapore warehouses
- More product direct to franchisees



International sourcing network

- India
 - 30-strong office in Tirapur
 - New offices Delhi & Bangalore
- China
 - New Shanghai sourcing office



Reach

Building Mothercare as a world-class specialty brand

Specialism

- Products
- Service
- Store proposition



Efficiency

- Supply chain
- Sourcing
- Infrastructure



Reach

- International stores
- Direct
- UK store roll out

"Exceeding parents needs and aspirations"

"World class retail operations"

"Every parent everywhere"



International – existing countries



- 62 new stores
- Today - 331 stores;
39 countries
- Growth expected in
Russia, Turkey, Spain,
Saudi Arabia, India

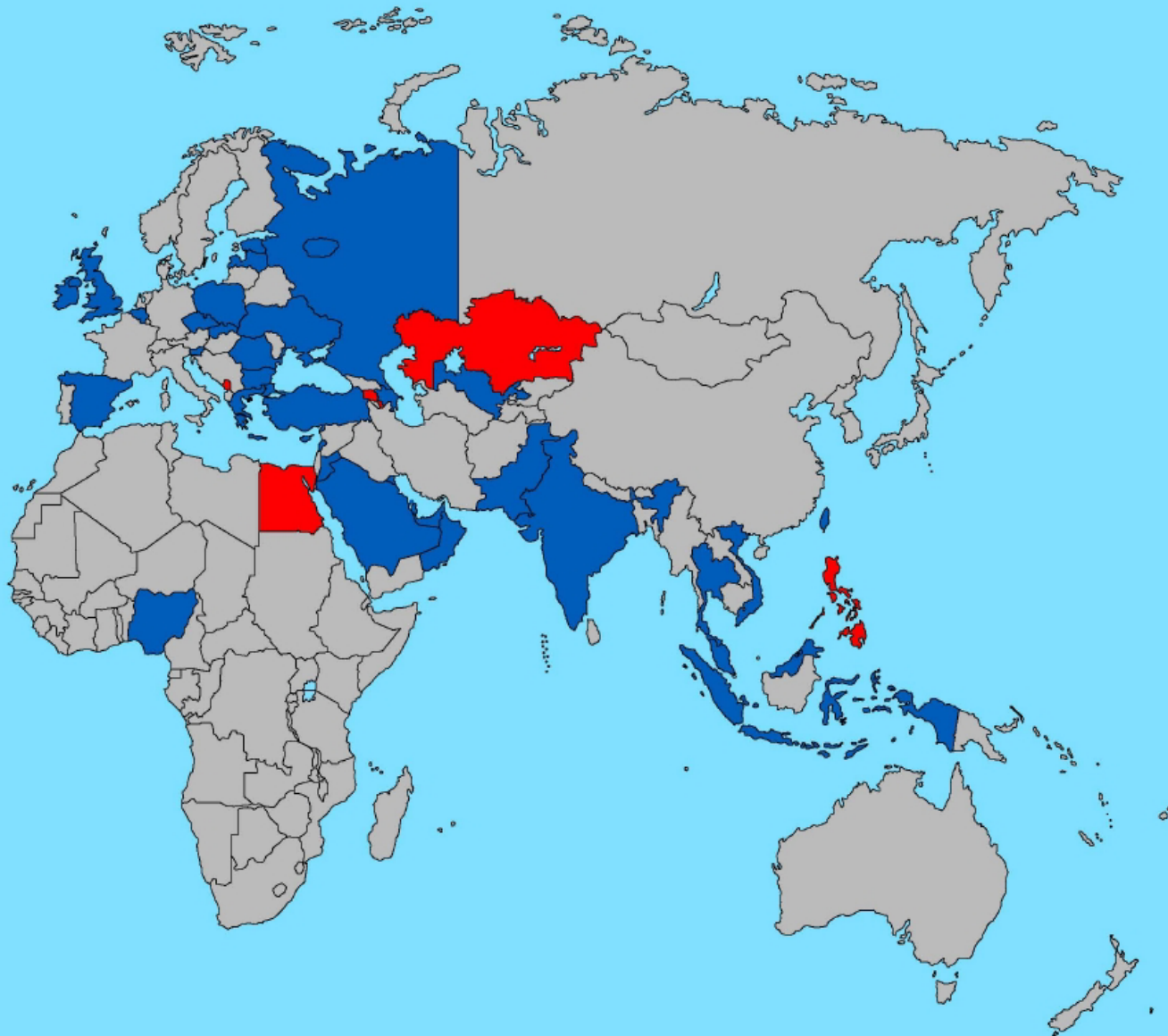


International – 100 stores in India




Mumbai, India

International – new countries




Existing
stores


Planned
stores



International – larger stores



The Avenues
Kuwait

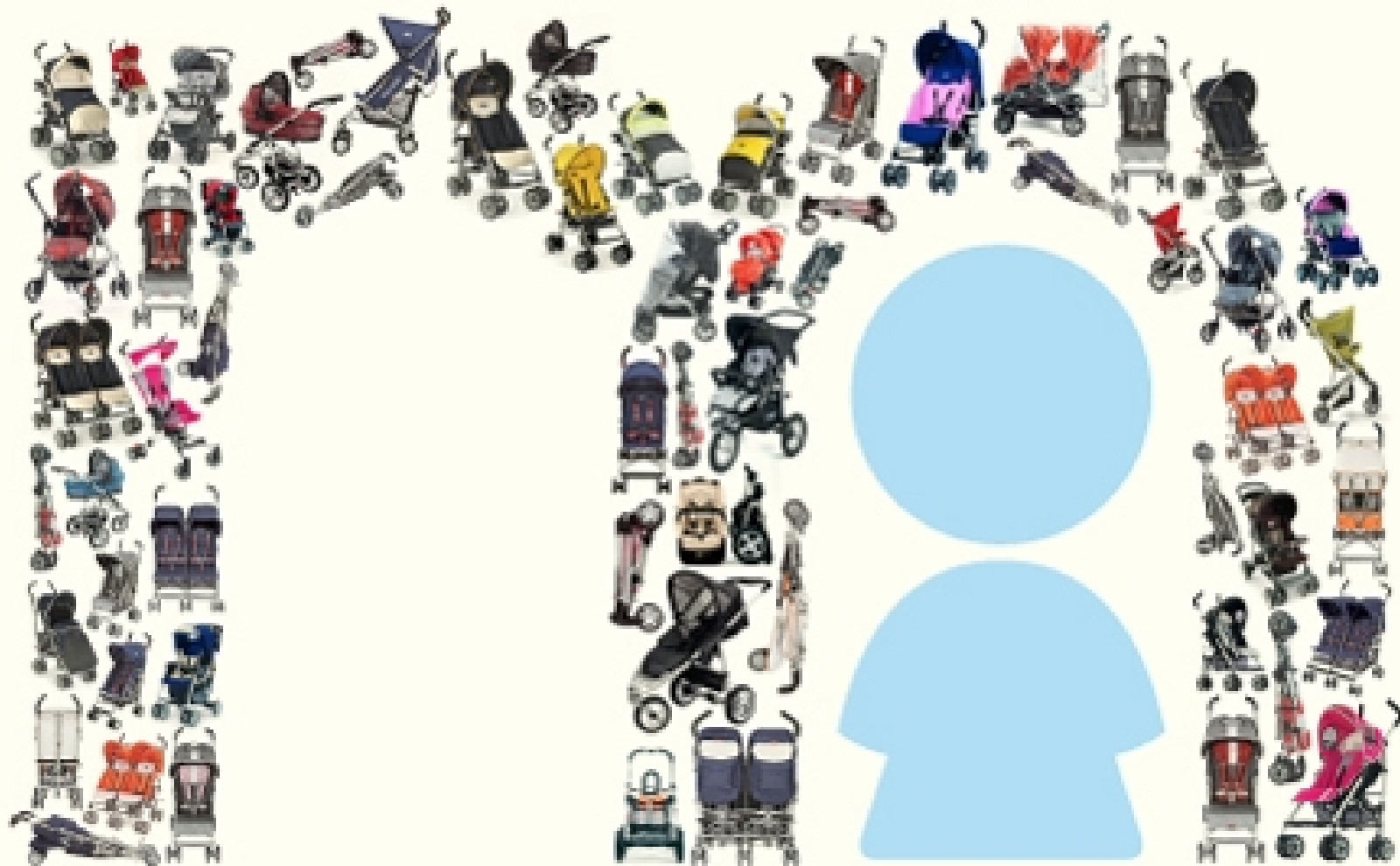
Direct – transformed business

- New fulfilment centre
 - efficiencies & cost savings
- New e-commerce platform
 - built by Amazon Services
 - world-class capability

The screenshot displays the Mothercare website interface. At the top, the 'mothercare' logo is on the left, and navigation links for 'shopping basket', 'my account', 'my wish list', 'gift list', and 'help' are on the right. Below the logo, there are tabs for 'shop' and 'resource centre'. A search bar with the placeholder 'enter keyword or catalogue code' and a 'go' button is present. A large promotional banner for 'new pushchair colours for Spring!' features a bright pink Quinny Zapp stroller, with the text 'The Bright Pink Quinny Zapp £149.99'. To the right of this banner is an orange button that says 'order our spring/summer catalogue now!' with a 'click here' link. Below the banner is a blue bar with the text 'FREE standard UK mainland delivery on orders over £100'. A grid of four product images follows: a black Maclaren Techno XT stroller (£159.99), a wooden Takeley cot in antique pine (£99.99), a black Urban Detour Altitude 3 wheeler pushchair (£159.99), and a blue and red Mothercare 7 in 1 trekker (£59.99). Each product has a 'view all' link. At the bottom, there is a green bar for 'create beautiful photobooks & calendars...' with the 'mothercarepix' logo. Below this are four sections: 'Sign up for news and special offers' with an email input field and 'go' button; 'catalogues' with links to request a catalogue, see e-catalogues, and a catalogue quick shop; 'delivery & returns' with links for delivery information, track your order, and returns & exchanges; and 'useful links' with links to find a store near you, mothercare careers, and mothercard services.

Web in store success

the uk's widest choice of pushchairs online...



Rightsizing the UK portfolio

- 2006/07
 - 5 rightsized; 7 closed; 1 new site
 - Space reduced; sales retained; sales per sq.ft. increased
- Pipeline 07/08
 - 30 stores rightsized next 2 years
 - Two new stores



Oxford Street open



Early Learning Centre

- Creates key destination for parents of babies & young children
- Highly complementary businesses & products & target customers
- Significant synergies and benefits:
 - Optimising the enlarged UK store portfolio
 - International expansion
 - Buying and sourcing
 - Direct and marketing
 - Cost efficiencies
- Consideration of £85m in shares and cash
- Earnings enhancing in first full financial year
- Right time – ready for growth



Summary & outlook

- Another strong year
- Multi-channel strategy delivering
- Solid UK performance
- Record International growth
- Significant opportunity with Early Learning Centre
- Confident in ongoing strong development of the business



Questions

