mothercare

Preliminary Results
20 May 2010

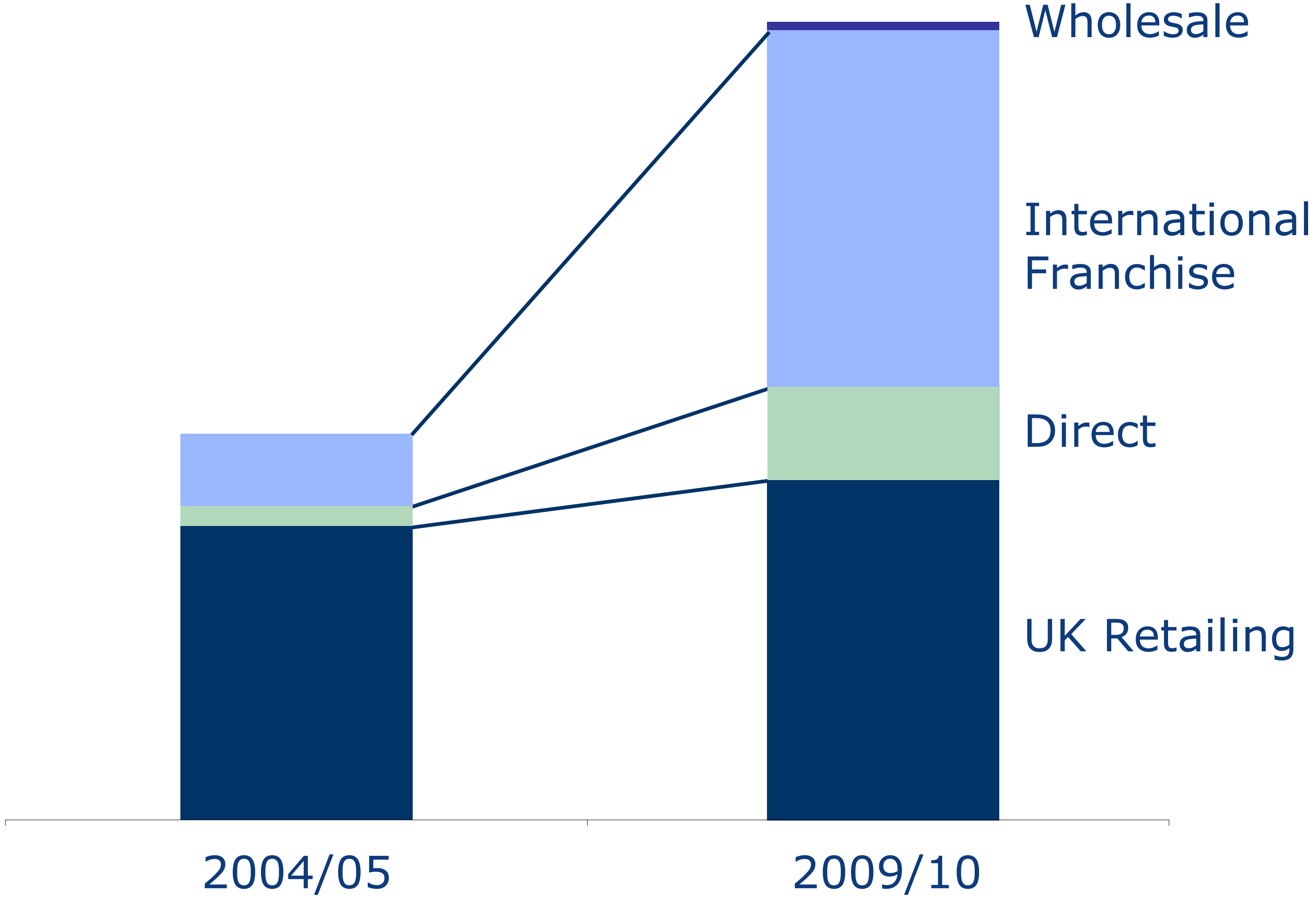
Ben Gordon

Chief Executive

Performance highlights

- Group network sales up 10.0% to £1.1 billion
- Underlying profit from operations up 16.6% to £52.0m
- Total International sales up 21.4%
- UK sales up 2.0%; UK retail LFLs up 3.0%
- Total Direct sales up 18.2% to £126.8m
- Dividend up 15.9% to 16.8 pence

Multi-channel global business



Total 'network sales' increased from £520m (04/05) to £1.1 billion (09/10)

Mothercare group strategy

Two global brands

Four growth channels

- UK Retailing
- Direct
- Wholesale
- International Franchise

Neil Harrington

Finance Director

Income statement

	09/10 £m	08/09 £m	%
Revenue	766.4	723.6	+5.9%
Underlying profit from operations	**52.0**	**44.6**	**+16.6%**
Share based payments	(14.4)	(7.6)	
Financing	(0.4)	0.1	
Underlying profit before tax	**37.2**	**36.9**	**+0.8%**
Exceptional items	(1.0)	(3.6)	
Other non-underlying items	(3.7)	8.7	
Profit before tax	**32.5**	**42.0**	**-22.6%**

Sales growth in UK and International

Revenue	**09/10 £m**	**08/09 £m**	**%**
UK retail	585.5	576.1	+1.6%
UK wholesale	4.8	2.7	+77.7%
Total UK sales	**590.3**	**578.8**	**+2.0%**
Total International sales	**490.9**	**404.2**	**+21.4%**
Group 'network' sales	**1,081.2**	**983.0**	**+10.0%**

Profit growth in UK and International

	09/10 £m	08/09 £m	%
UK	36.1	34.7	+4.0%
International	23.2	16.5	+40.6%
Corporate	(7.3)	(6.6)	+10.6%
Underlying profit from operations	**52.0**	**44.6**	**+16.6%**
Share based payments	(14.4)	(7.6)	
Financing	(0.4)	(0.1)	
Total underlying profit	**37.2**	**36.9**	**+0.8%**

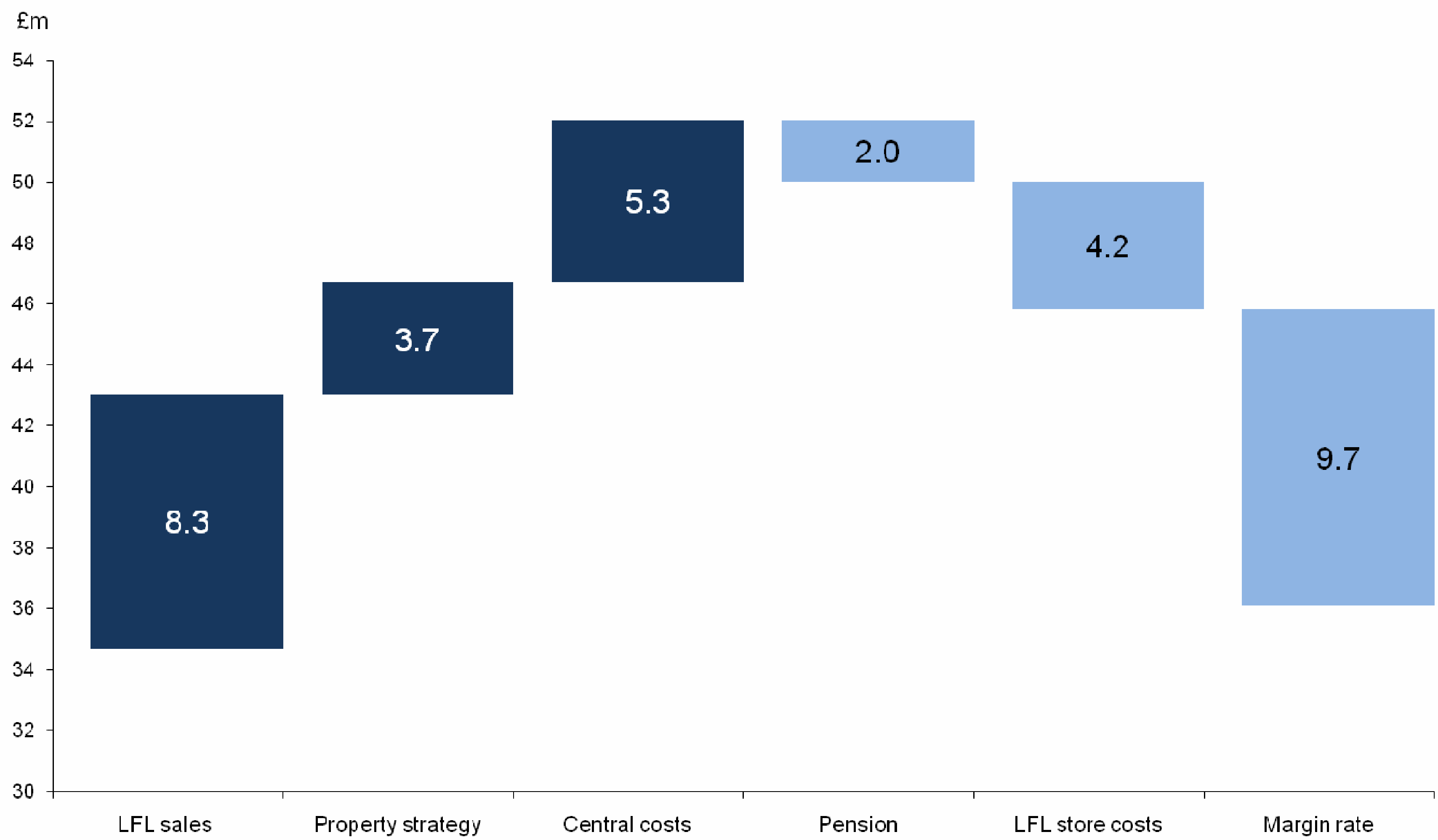
International model

- Predominantly franchise:
  - No capital investment from Mothercare
  - Profit from royalty on retail sales
- Joint ventures in India and China:
  - Mothercare owns 30% of franchise company
  - Royalty on retail sales plus profit share
  - Total of £5m of capex over next three years
- Partial currency hedge

International growth trends

	Base Year 07/08	08/09	09/10	2-year growth
Store numbers	494	609	728	+47.4%
Retail selling space ('000 sq. ft.)	1,040	1,294	1,538	+47.9%
Total International sales	£286.8m	£404.2m	£490.9m	+71.2%
Underlying profit from operations	£10.6m	£16.5m	£23.2m	+118.9%
Underlying operating profit margin	+3.7%	+4.1%	+4.7%	+100 bps

UK profit from operations up £1.4m to £36.1m



Share based incentive plans

- Executive Incentive Plan:
  - Total shareholder return (TSR) over three years vs. FTSE General Retailers
- Performance Share Plan:
  - Cumulative underlying PBT growth over three years
- Save As You Earn:
  - Individuals subscribe to discounted options over three years

Strong performance on all fronts

- Over three years to 27 March 2010:
  - Mothercare market cap. up 107% from £274.1m to £566.4m*
  - TSR outperformed FTSE General Retailers by 120% (MTC +88.0%; General Retailers -32.0%)*
  - Underlying PBT up 64.6% to £37.2m;
- Leading to an increase in the IFRS 2 charge in 2009/10
- Estimated to reduce by £5.4m to approximately £9m in 2010/11

* Based on three-month average 1 January to 27 March (in line with scheme rules)

Property strategy "phase 2" targets

1. Additional out-of-town parenting centres

   → **Target: 10 new parenting centres per annum – total 110**

2. Rationalise high street chain (leverage lease expiries)

   → **Target: Close or renegotiate 30 high street stores per annum – total 90**

3. In-town "landmark" opportunities

   → **Target: 8 new landmark stores (total 12)**

Out-of-town parenting centres - progress

Old Kent Road

- 10 opened in 2009/10 (on target)
- On plan performance – ROI > 75%
- 5-10 year leases – monthly rentals
- £10.2m of cash contributions from landlords
- c. 1.0% cannibalisation of LFL stores expected 2010/11
- 10 new stores 2010/11 on track

Rationalise high street chain - progress

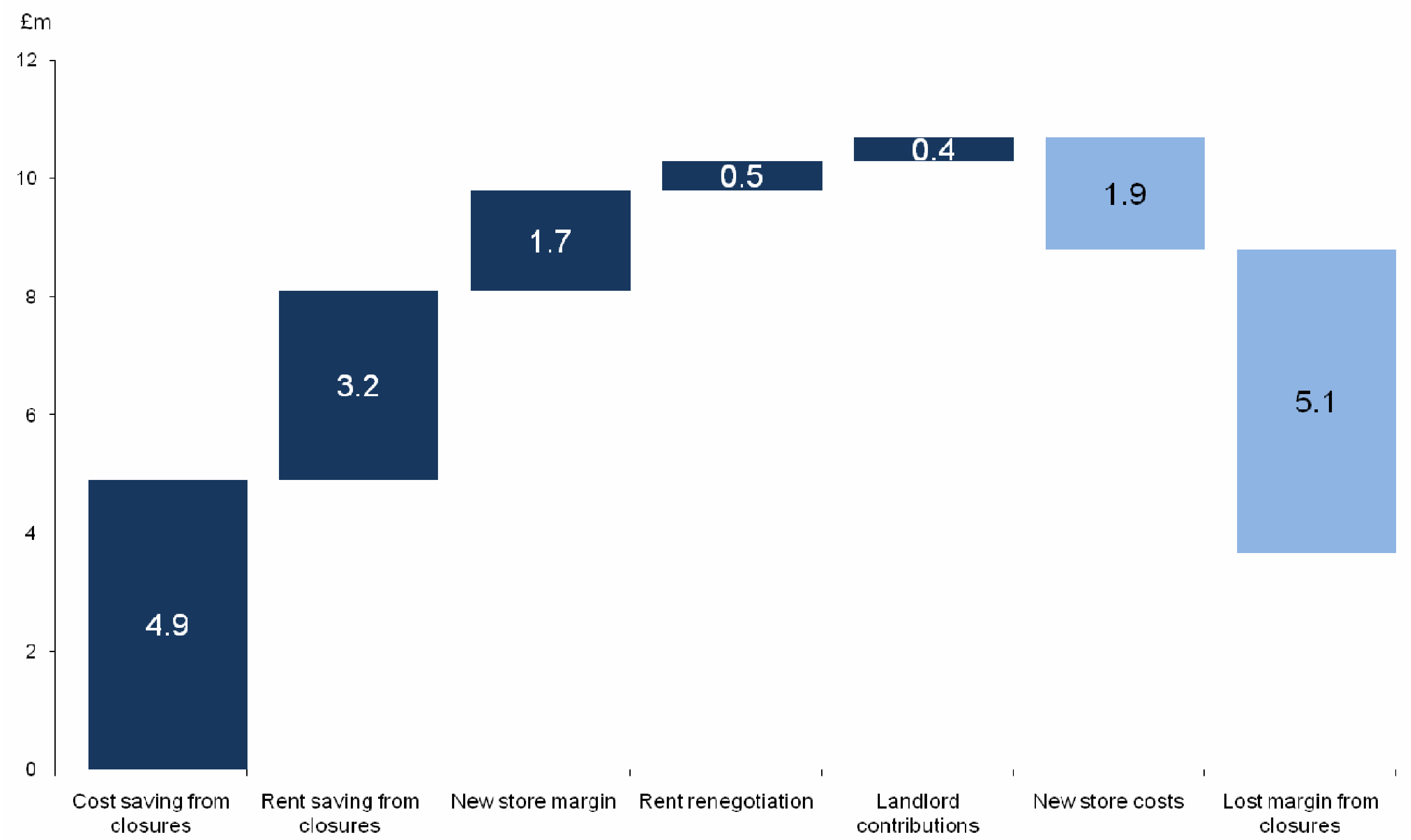
- 29 stores closed 2009/10
- 14 leases renegotiated 2009/10
- 30 closures and 6 renegotiations 2010/11

Property strategy benefits

£ million	Incremental benefit per annum	
2008/09	2.4	"Phase 1" £5.0m announced May 2008
2009/10	3.7[(1)]	
2010/11	5.0	"Phase 2" £10.0m announced Nov 2009
2011/12	5.0	
Annual benefit by 2011/12	**£16.1m[(2)]**	

(1) Previous estimate £2.6m
(2) Previous estimate £15.0m

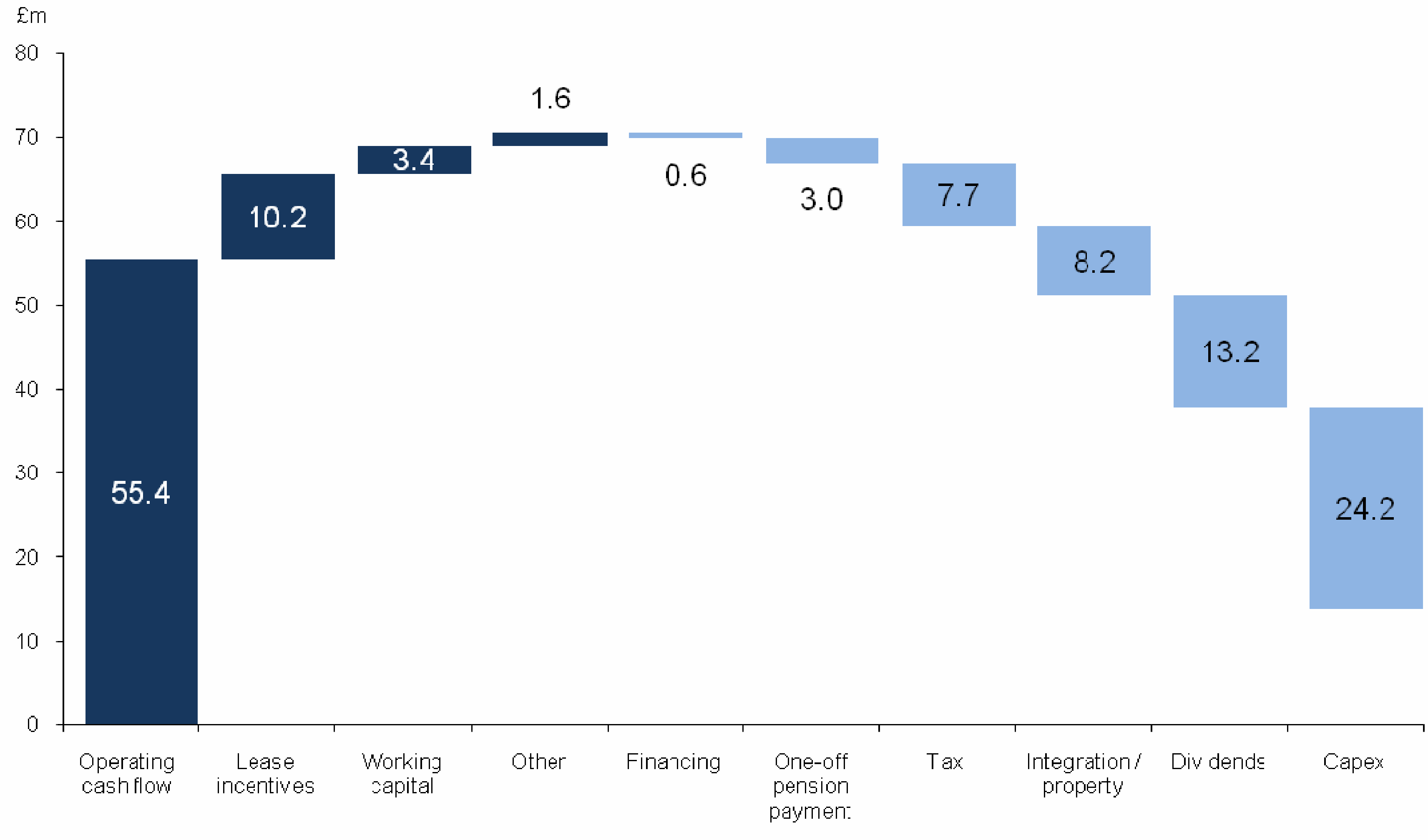
Property strategy benefits - £3.7m



Group balance sheet

	09/10 £m	08/09 £m
Non current assets		
Fixed assets	95.6	93.1
Intangibles	104.9	104.5
Net current assets		
Working capital	35.6	37.3
Cash	38.5	24.8
Other	(2.1)	(2.1)
Non current liabilities		
Pensions	(55.1)	(25.4)
Tax	6.5	(1.3)
Other	(35.5)	(33.4)
Net assets	**188.4**	**197.5**

£13.7m increase in cash to £38.5m



Full year 2010/11

- International, Direct and wholesale continue rapid growth
- Planning negative LFLs in UK; c. 1% cannibalisation by new stores
- Gross margin flat YOY (FX benefits offset increased freight)
- Continued tight cost control
- Property strategy benefits £5.0m
- Total pension charge £4.2m (+£0.5m YOY)
- Share based payment charge estimate £9m (-£5.4m YOY)
- Capex c. £20m; tax charge 28%

Ben Gordon

Chief Executive

Mothercare group strategy

Two global brands

Four growth channels

- UK Retailing
- Direct
- Wholesale
- International Franchise

Two world class brands

ELC

www.elc.co.uk

Home and Travel

Clothing

Toys

UK retailing

Two global brands

Four growth channels

UK Retailing

- UK retail
- Property strategy

Direct

Wholesale

International Franchise

Parenting centres – 89 stores

UK Retailing
- UK retail
- **Property strategy**

Huddersfield

High street – 293 stores

UK Retailing
- UK retail
- **Property strategy**

Landmark – 6 stores

UK Retailing
- UK retail
- **Property strategy**

Liverpool

Direct

Two global brands

Four growth channels

UK Retailing

Direct

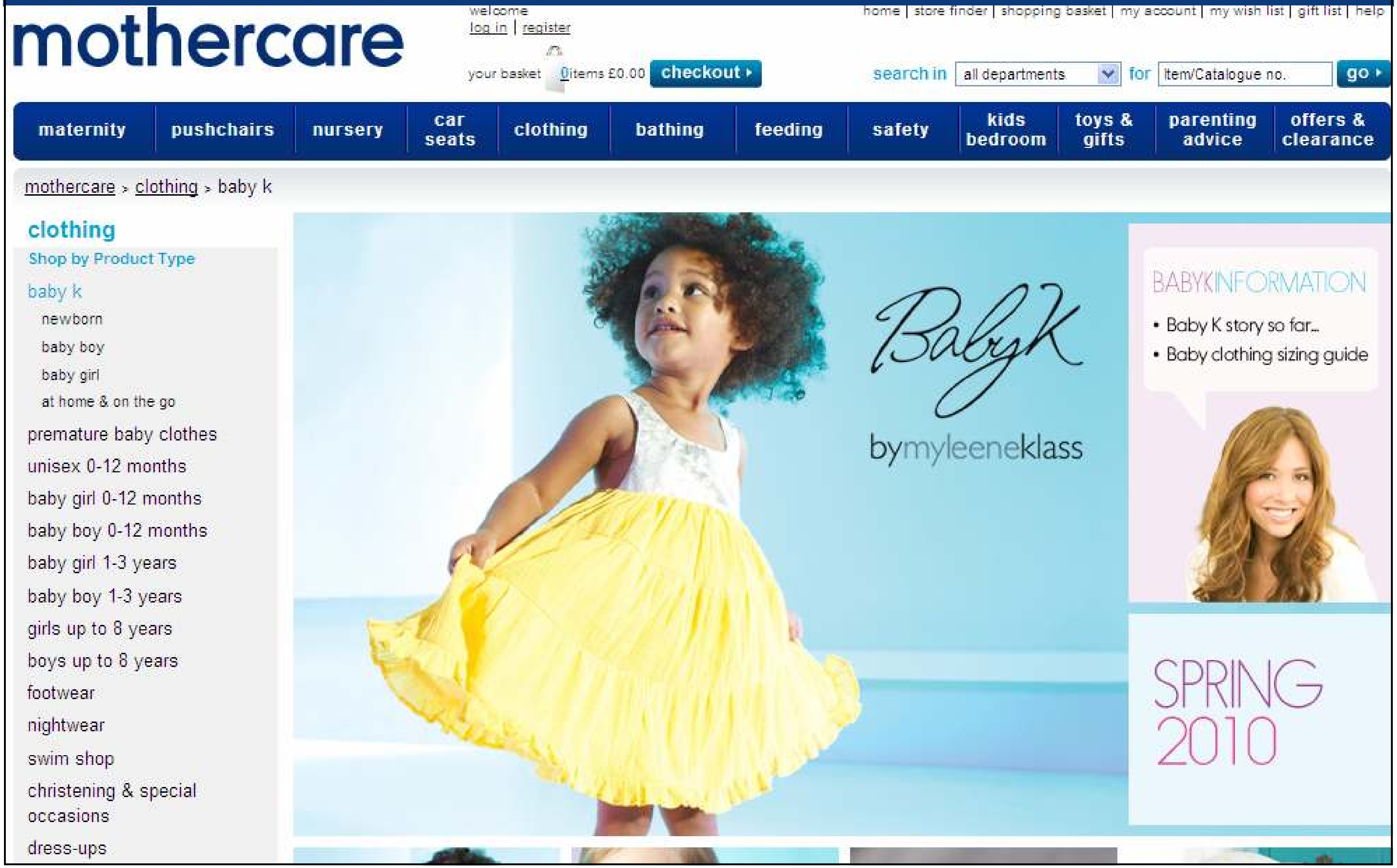
- Mothercare
- Baby Plan
- Gurgle

Wholesale

International Franchise

Mothercare

Direct
- **Mothercare**
- Baby Plan
- Gurgle

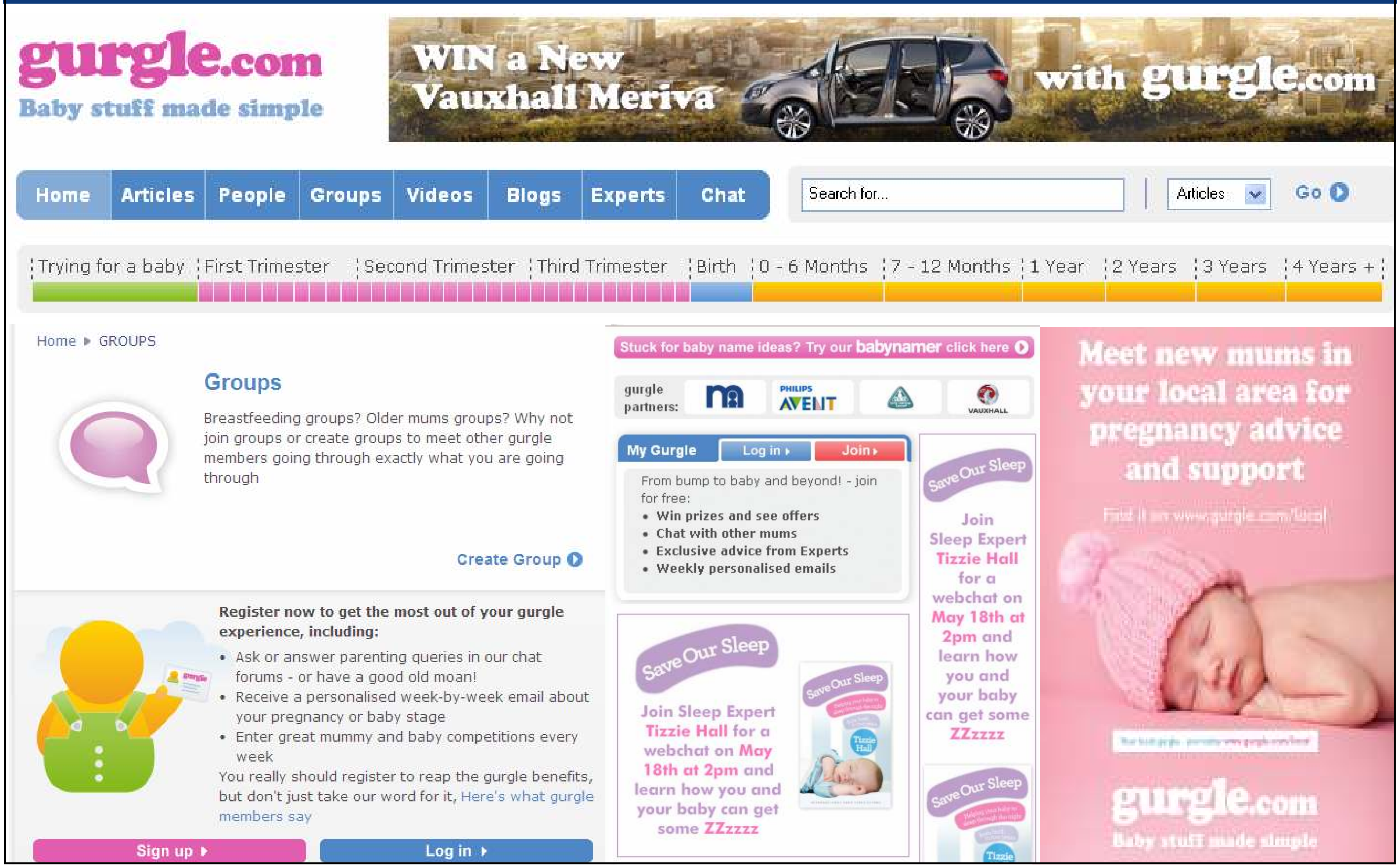


Baby Plan

Direct
- Mothercare
- **Baby Plan**
- Gurgle

Gurgle

Direct
- Mothercare
- Baby Plan
- **Gurgle**



Wholesale

Two global brands

Four growth channels

- UK Retailing
- Direct
- Wholesale
  - UK & Global
  - Boots
- International Franchise

Boots partnership

Wholesale
- UK & Global
- **Boots**

International franchise

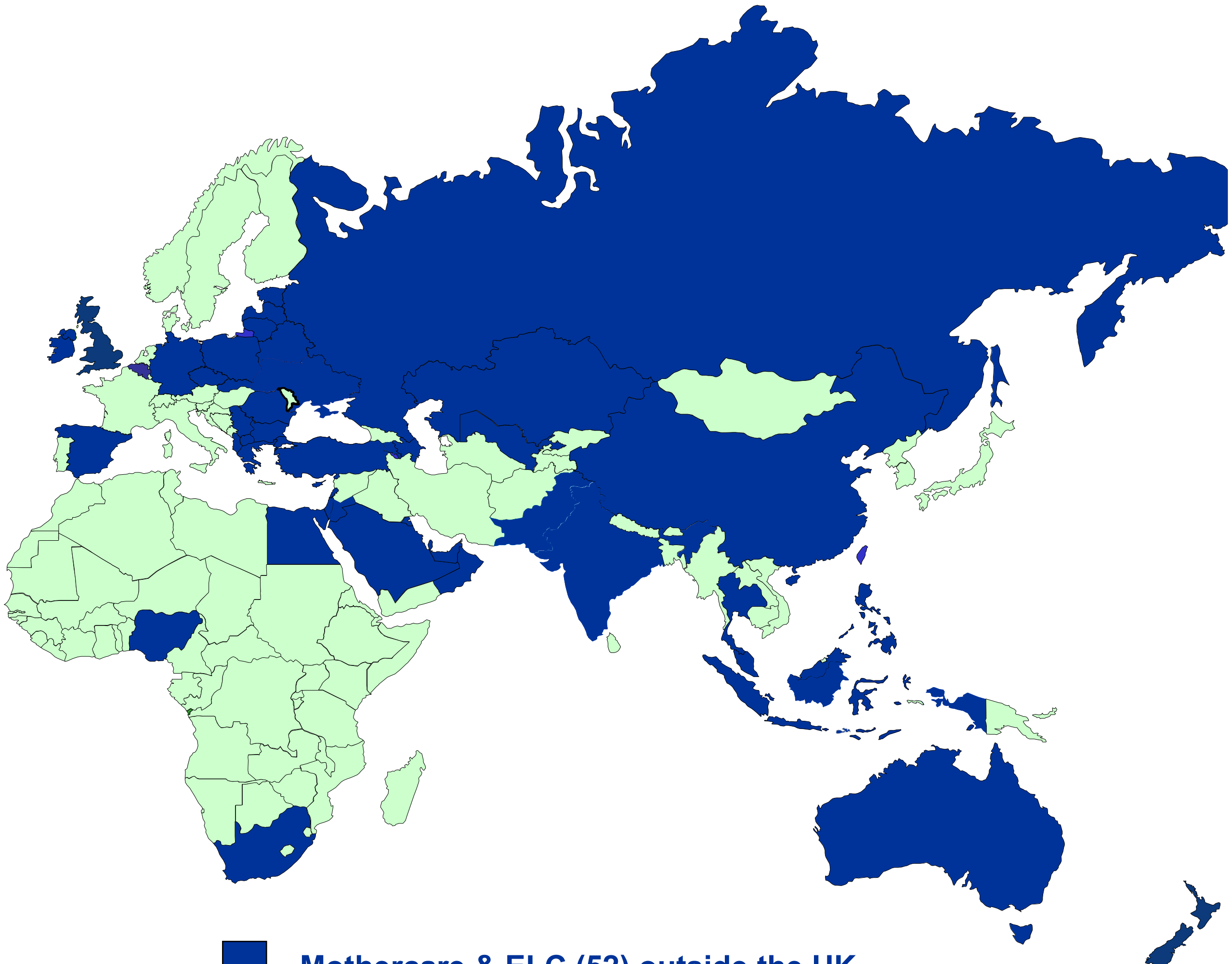
Two global brands

Four growth channels

- UK Retailing
- Direct
- Wholesale
- International Franchise
  - Europe
  - Middle East & Africa
  - Asia Pacific
  - India focus

International update

Albania (1)
Armenia (2)
Australia (31)
Azerbaijan (3)
Bahrain (5)
Belarus (5)
Belgium (2)
Brunei (3)
Bulgaria (5)
China (8)
Cyprus (13)
Czech Republic (8)
Egypt (9)
Estonia (3)
Germany (3)
Gibraltar (2)
Greece (65)
Hong Kong (11)
India (39)
Indonesia (22)
Ireland (30)
Jordan (4)
Kazakhstan (9)
Kuwait (31)



Mothercare & ELC (52) outside the UK

Latvia (1)
Lebanon (11)
Lithuania (1)
Macedonia (1)
Malaysia (15)
Malta (5)
New Zealand (1)
Nigeria (2)
Oman (5)
Pakistan (9)
Philippines (3)
Poland (26)
Qatar (8)
Romania (8)
Russia (53)
Saudi Arabia (86)
Serbia (1)
Singapore (14)
Slovakia (4)
Slovenia (2)
South Africa (6)
Spain (20)
Taiwan (27)
Thailand (6)
Turkey (40)
UAE (66)
Ukraine (20)
Uzbekistan (1)

Growth strategy

- New stores in existing countries
- New countries
- Larger space
- Sophisticated ordering and supply chain management
- Direct

Europe – 339 stores

International Franchise
- **Europe**
- Middle East & Africa
- Asia Pacific
- India focus

Metropolis, Moscow

Middle East & Africa – 227 stores

International Franchise
- Europe
- **Middle East & Africa**
- Asia Pacific
- India focus

Mirdif Mall, Dubai

Asia Pacific – 184 stores

International Franchise
- Europe
- Middle East & Africa
- **Asia Pacific**
- India focus

Chadstone, Melbourne

India focus

International Franchise
- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**

Inorbit Mall, Mumbai

Shopper's Stop

International Franchise
- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**

Vashi Mall, Mumbai

Delhi Land & Finance

International Franchise
- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**

Mantri Mall, Bangalore

Locations

International Franchise
- Europe
- Middle East & Africa
- Asia Pacific
- **India focus**

Summary and outlook

Two global brands

Four growth channels

- UK Retailing
- Direct
- Wholesale
- International Franchise

Q&A

Appendices

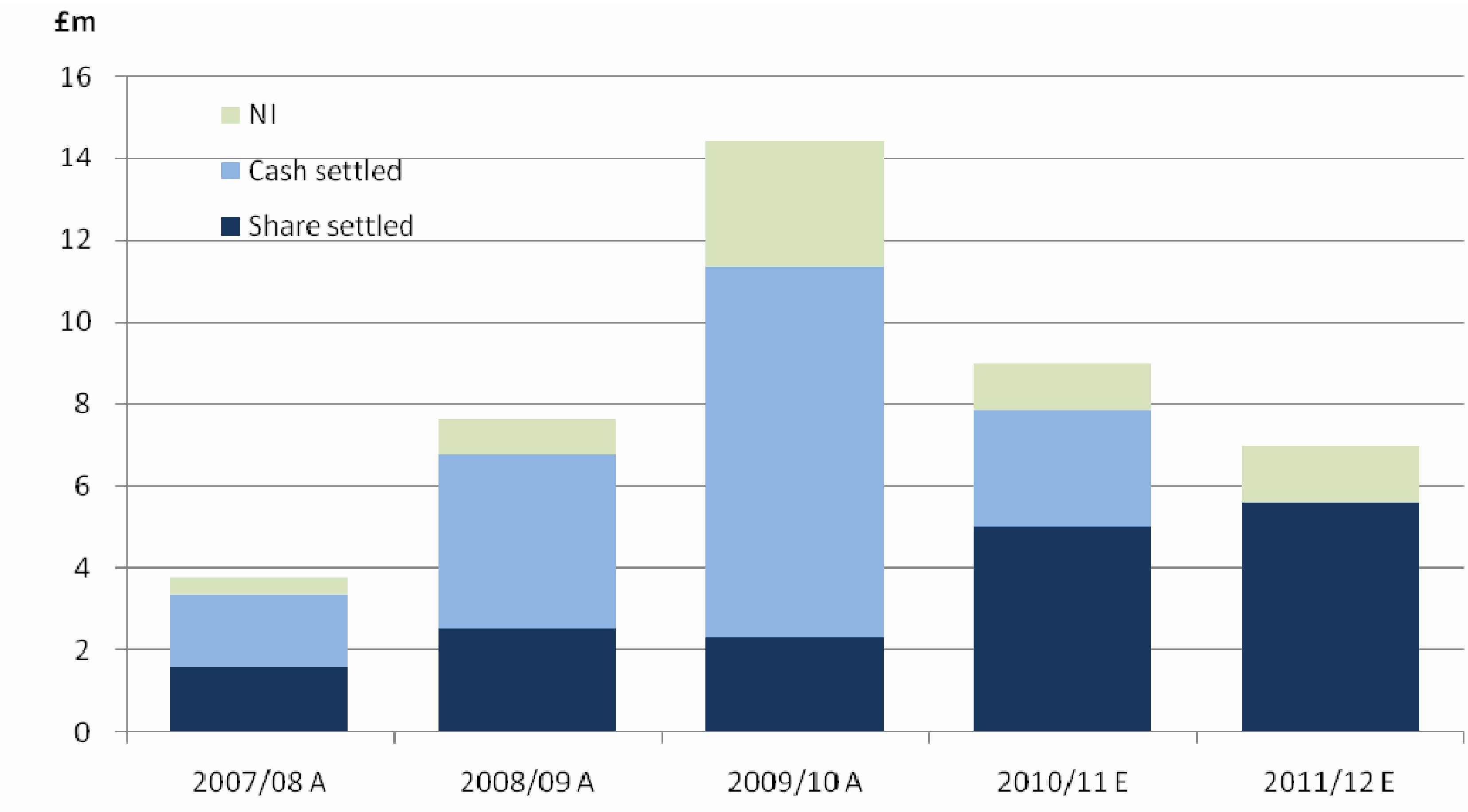
1) Three-year growth record
2) Share based payments charge
3) Defined benefit pension schemes
4) Key store data at March 2010
5) Group capex
6) Store portfolio by 2012 (recap. from interims)

1) Three-year growth record

	2007 * £m	2008 * £m	2009 £m	2010 £m	3-yr CAGR
Underlying PBT from operations (pre-IFRS 2)	26.4	34.4	44.6	52.0	25.1%
Underlying PBT (post-IFRS 2)	23.1	33.0	36.9	37.2	17.0%
Underlying EPS (fully diluted)	20.3	27.8	31.0	30.7	14.6%
Dividend per share	10.0p	12.0p	14.5p	16.8p	18.7%
Fixed charge cover	1.7x	1.8x	1.9x	2.0x	-

* 2007 and 2008 on pro-forma basis

2) Share based payments charge



3) Defined benefit pension schemes

	10/11 Estimate £m	09/10 Actual £m	08/09 Actual £m
Income Statement			
Service cost	(3.1)	(2.1)	(2.5)
Return on assets/interest on liabilities	(0.6)	(1.2)	1.6
Net charge	**(3.7)**	**(3.3)**	**(0.9)**
Cash Funding			
Regular contributions	(2.7)	(2.7)	(2.1)
Deficit contributions	(2.3)	(2.3)	(2.6)
Total cash funding	**(5.0)**	**(5.0)***	**(4.7)**
Balance Sheet			
Net liability	**N/A**	**(55.1)**	**(25.4)**

* Excludes one-off payment of £3.0m

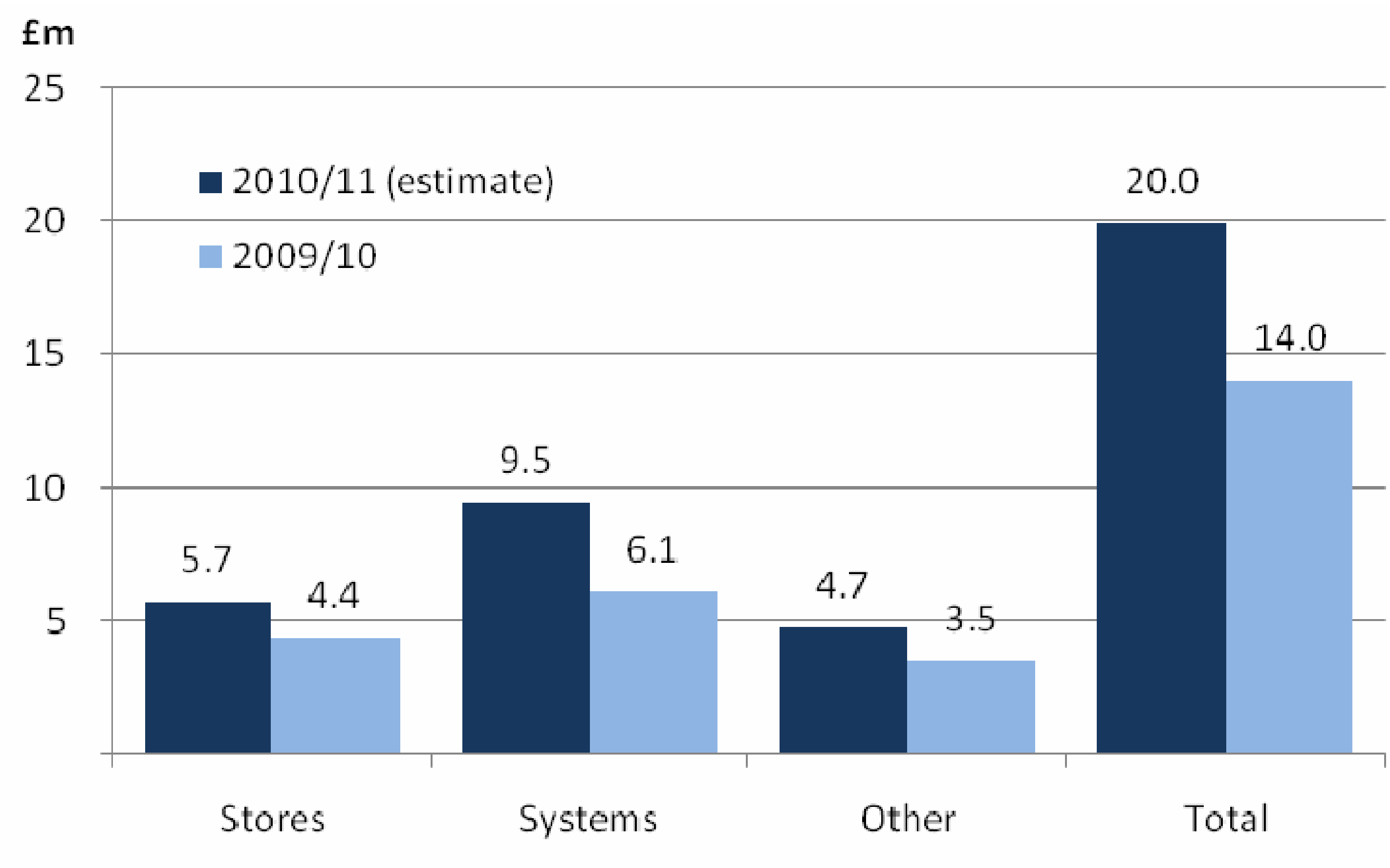
In addition the group operates defined contribution schemes. The charge for 2009/10 was £0.4m (2008/09: £0.3m). Estimate for 2010/11 £0.5m

4) Key store data at March 2010

	March 2008	October 2008	March 2009	October 2009	March 2010
Total UK Stores					
Total stores	425	411	405	389	**387**
High street	348	335	326	308	**300**
Out of town	77	76	79	81	**87**
Selling area (000s sq. ft.)	2,070	2,023	2,007	1,967	**2,008**
Sales* per sq. ft.	284	288	288	297	**292**
International Stores					
Europe	199	238	262	301	**327**
Middle East and Africa	165	188	198	213	**225**
Asia Pacific	130	146	149	157	**176**
Total stores	494	572	609	671	**728**
Selling area (000s sq. ft.)	1,040	1,207	1,294	1,420	**1,538**

* Rolling 12 months UK sales inc. Direct ex. VAT

5) Group capex



Stores capex is net of landlord contributions of £10.2m for 2009/10 and £12.3m estimated for 2010/11

6) Store portfolio by 2012 (recap. from interims)