

HEADLINE

Group Limited

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30 November, 2010

For immediate release to the market

Chairman's Address at 2010 Annual General Meeting

Please find attached for release to the market the Chairman's Address to be given to shareholders at the Company's Annual General Meeting at 10.00 a.m. today.

Headline Group Limited



Ian Gordon
Company Secretary

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Chairman's Statement

The 2009/2010 year has been an extraordinary period in Headline's history. Following the October 2009 investment to take a controlling stake in the Kids Central business which secured the rights to Mothercare, we have acquired Baby on a Budget in WA, the assets of Babies Galore in NSW/Qld, and the outstanding minority interests in Kids Central. Along the way, we disposed of our last remaining property and exited the Beanie Kids business. All of these initiatives were orchestrated to deliver the first national Mother and Baby destination retailer in Australia.

Underpinning the strategy, it has been heartening to have new strategic investors in Mothercare Plc and the Myer Family Company join our register.

Strategy

After filtering many acquisition opportunities, the Kids Central/Mothercare investment was decided upon as it was characterized by clear, sustainable competitive advantages – most notably the immense Mothercare buying power (Mothercare operates in excess of 1000 outlets) and the exclusive Mothercare and ELC merchandise which enables us to operate at higher average gross margins.

We recognised that we could best leverage these advantages by rapidly expanding our scale via acquisition opportunities such as those executed in WA and NSW. In addition to the ability to supplement profitability via the Mothercare product range, there were other motivating factors such as access to trained and experienced staff, and existing store locations already operating as destinations that added to the attractiveness of the acquisitions.

Looking Forward

The focus now moves to implementation as we begin to convert the newly acquired outlets to the Mothercare brand.

While the brand does have substantial recall with many Australians, our goal now is to promote the arrival of Mothercare to Australia and establish the brand as the "Top of Mind" parenting store destination across the country. This campaign is beginning in earnest in Victoria next month.

Sustainable Development

A successful business is one that offers both sustainable profitability and growth. The broad Mother and Baby segment is estimated in Australia to be a \$4.5 Billion target. Forecast revenue for our Mothercare outlets is \$170 million by 2014 – this reflects a very achievable percentage of the overall market. The company's aspirations are eminently achievable.



Once our store conversion program is finalised and metropolitan areas are fully serviced, our attention will move to regional Australia for further expansion.

We remain very excited by our strategic partnership with API which is assisting to launch the Mothercare brand. In 300 of API's Priceline pharmacies across Australia a selected range of Mothercare Health and Wellbeing consumables is now exclusively available. We expect our sharing of customers through our respective loyalty schemes will translate into faster growth in Mothercare's own online business, further underlining the added strategic value of the Mothercare/API collaboration.

Creating value for shareholders

Capital growth in HLD's share price has begun over the past year as shareholders look to participate in the future profitable growth that is projected. Profitability and with it a return to dividend payments is anticipated as the national Mothercare footprint is established and we move toward our target revenues over the coming two to three years.

HLD Board developments

As you may be aware, I am retiring today as Chairman of HLD and will be replaced by Robert Gavshon. Robert is a well-known and respected businessman, and most importantly is a proven retailer having participated in the creation of both the Barbeques Galore and Rebel Sports chains. His valuable experience will be instrumental in the successful establishment of our Mothercare brand as we rollout nationally, particularly in this challenging current retail environment.

George Choo has decided not to stand for re-election. We would like to thank George for his very significant contributions to the company since joining in 2007. His energy and dedication to the roles he performed in helping the board initially to harvest HLD's previous businesses and then establishing Mothercare has been greatly appreciated. We wish George all the best as he pursues his new endeavours.

In addition to Robert Gavshon's appointment, the board has further been strengthened by the appointments of Jerry Cull from Mothercare, David Shelmerdine from the Myer Family Company, and Chester Moynihan from Allegro Private Equity.

Our people

As the HLD board has evolved and strengthened, so too has the senior executive team. Managing the integration of our acquisitions and delivering the potential returns of the strategic initiatives we have undertaken is placing strong demands on management. All have responded with great resilience and they are both excited and enthusiastic about the future opportunities in the business.

On behalf of the board and all shareholders, I want to thank them and all of our employees for their important contributions to the recent achievements of the business. I wish them every success in the future.

Gordon W. Elkington
Executive Chairman

