

HEADLINE

Group Limited

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30 November, 2009

For immediate release to the market

Chairman's Address & Managing Director's Overview – Annual General Meeting

Please find attached for release to the market the Chairman's Address and Managing Director's Overview 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

HEADLINE

Group Limited



**Welcome to the
Headline AGM – 30th November
The year ahead and beyond...**

Introduction of Headline Board

- **Gordon Elkington** - Executive Chairman
- **Brent Dennison** - Managing Director
- **George Choo** - Executive Director and CFO
- **Ross Bartlett** - Executive Director



Deal Parameters, Non Negotiable

- No Start ups
- All funds invested to contribute to the growth of the business, no take out.
- Must provide real demonstrable opportunity for both growth and profitability
- Must have Unfair Advantages over opposing businesses/competition.

Mothercare – Kids Central Acquisition...

Established Business

- Kids Central/ELC Business turning \$30 Million
- Established retail systems and back office infrastructure
- National presence via 31 Kids Central and ELC Stores.

Growth Opportunity

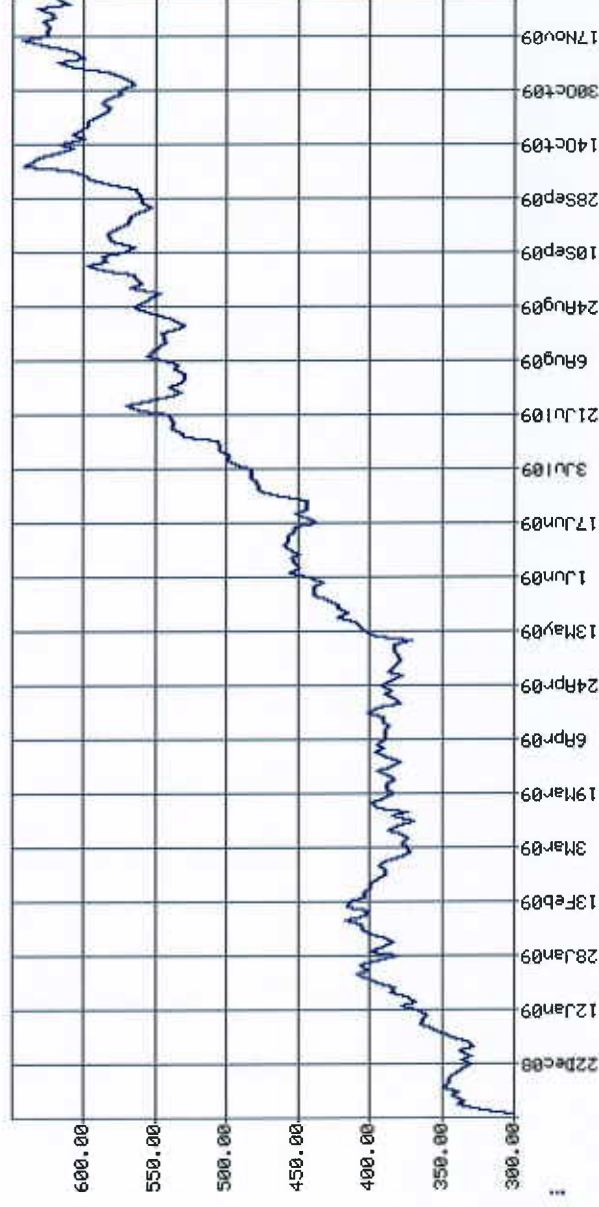
- License to launch Mothercare in Australia

Mothercare Competitive Advantages

- Long term and highly successful model established 1961
- Market leader.
- Model proved successful in many countries.
- Buying Power 1000 stores and rapidly growing
- Sophisticated and proven international supply chain
- Exclusive/own product designed in-house, contributing to high gross margin.
- MC recently purchased highly synergistic ELC business
- Large consumer awareness of the MC Brand already exists in Australia



Mothercare PLC Share Price performance



On the back of successful international expansion and integration of the ELC business, Mothercare has well and truly outperformed the market in its share price performance...



Managing Director of Headline Group, Brent Dennison



Headline announced a \$1.56M after tax loss for 08/09 which marked the end of the restructuring process ; i.e., a return to profitability and readiness for merger transaction...

- Skansen restructuring undertaken with exit from novelty and hair care categories. Commensurate staff reductions and stock write-downs taken on slow moving and aged inventory
- Difficult retail environment did impact 08/09 sales of Beanie Kids versus 07/08 leading to lower than expected Skansen trading performance
 - *Skansen has returned to profitability, with the first five months of year being earnings positive*
 - Skansen EBITDA of \$1M projected for 09/10
- Interest rate declines reduced income coverage of Headline operating expenses
- Soft commercial property market values required write-down of \$0.2M on remaining Lisarow property
 - Tenancy options currently being evaluated
- Unrealized foreign exchange losses of \$0.27M resulting from coverage taken at \$0.68 US\$/AUD when the US\$ forex dropped to levels as low as \$0.61

Summary review of the transaction rationale...

1. Synergy opportunity for the Skansen business

- **HLD's Skansen/Beanie Kids business sustains strong branding however it requires a synergistic business to better leverage its fixed cost base**
 - Synergy opportunity in operations – logistics, finance/admin – and in marketing; common customer segments, ability to share marketing resource and databases

2. Profit improvement & value creation potential associated with existing Kids Central business

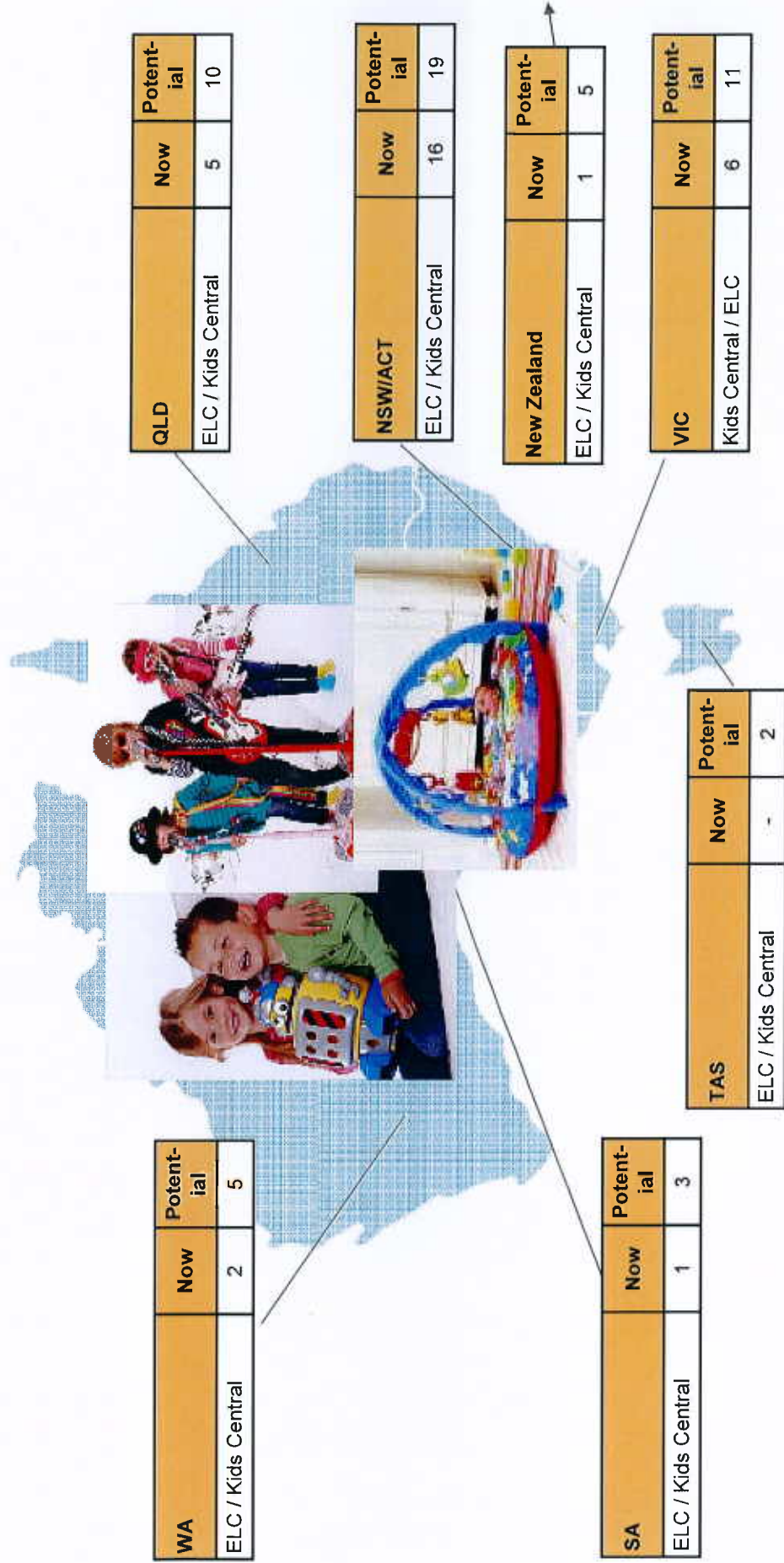
- **There is a clear and executable plan to achieve short-term profitability improvement in the Kids Central business**
 - With ELC at its core with 60%+ gross margins, Kids Central has a strong core from which to extract greater returns
 - A clearly defined Mothercare insert offer will drive greater sales area productivity in the Non-ELC m² and give KC greater margin

3. Unique growth opportunity to roll out Mothercare in Australia

- **The Mothercare concept will be a competitively advantaged offer in an attractive market segment**
 - Mothercare has established very successful franchises in international markets on the back of a gross margin advantages versus local players and exclusive quality product
 - Australia remains under-developed in terms of a specialist retailer in the segment
 - Demonstrable store roll-out opportunities in attractive locations with good retail rental commerce

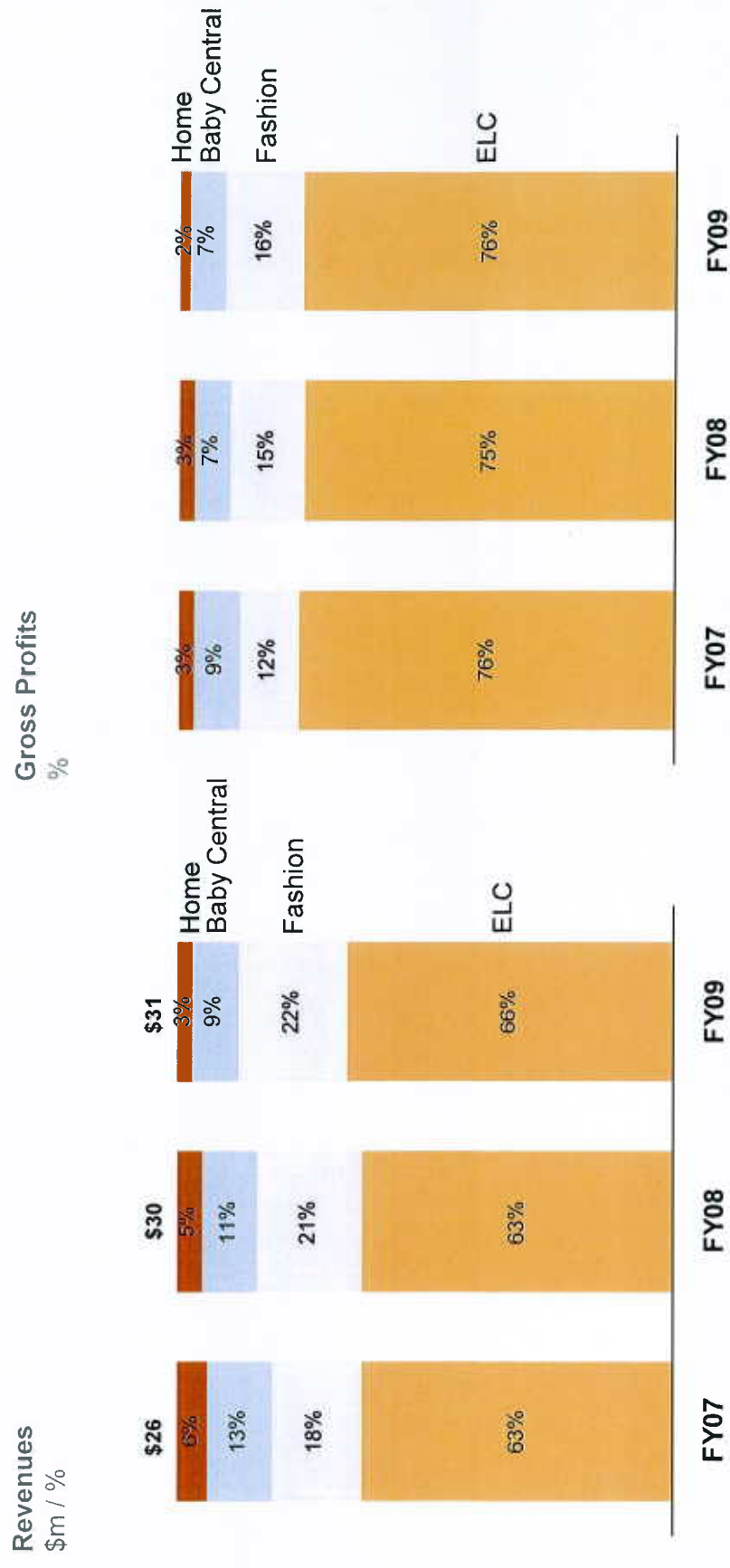
ELC & Kids Central Geographic Footprint in Australia

ELC and Kids Central cover the major metropolitan areas of Australia, with significant potential for further store openings. Critical mass is required in each of the geographic locations...



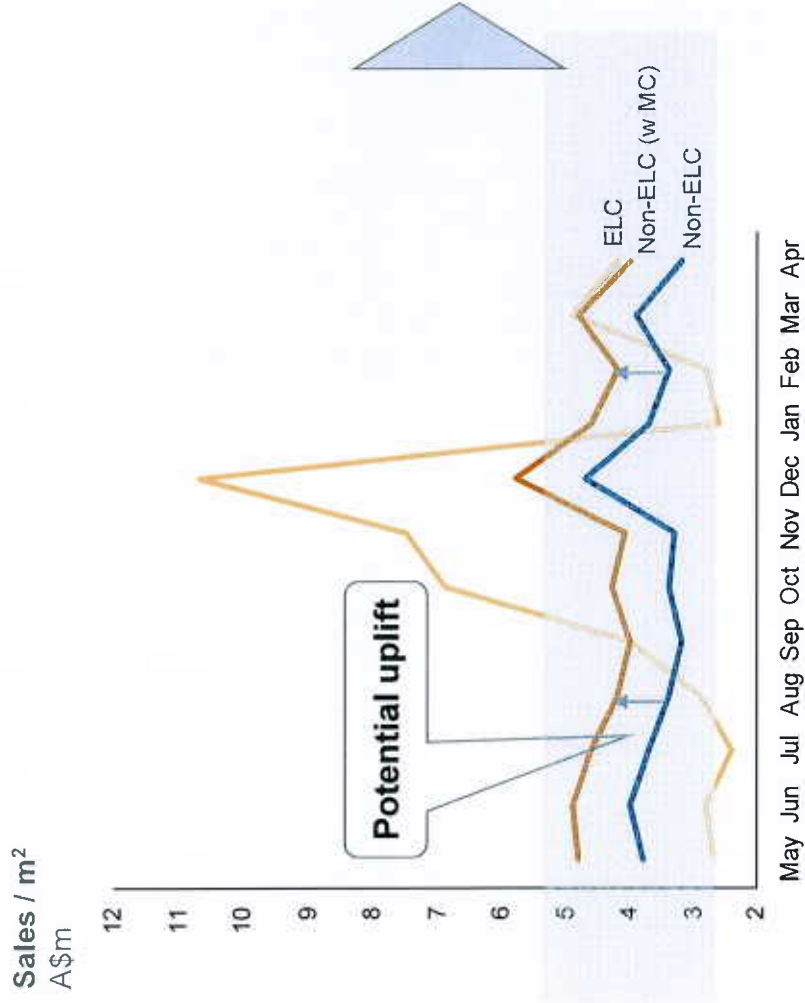
ELC Toys as core underpinning Kids Central performance

The ELC toy brand is the core of Kids Central, accounting for approximately 65% of the revenue line and over 75% of the gross margin – it is an excellent platform from which to base expansion...



Mothercare Provides Clear Blueprint for Kids Central Profitability Improvement

Access to exclusive Mothercare product provides Kids Central with a clear concept & merchandising offer to replace the current Non-ELC merchandising mix



Mothercare “inserts” into Kids Central will improve space productivity, overall revenue and profitability

- Revenue uplift to >\$5,000 per m² based on
 - i. very conservative comparisons of international Mothercare benchmarks
 - ii. Kids Central success in selling strong brands in the baby category; e.g., Bugaboo prams, Baby Bjorn carriers, baby clothing, etc...
 - iii. Removal of low performing items while preserving strong performers; i.e., Bubble Art
- Projected to translate into an annual revenue increase from the existing store base of \$3M
- *Minimum* Gross margin improvement from a low average on non-ELC product to the higher GM% Mothercare items due to direct sourcing from Mothercare. Overall possible annual margin impact projected to be \$1.9M in 2011

Mothercare Store Roll-Out Strategy

Mothercare stores will be rolled out in three store formats...

- **Parenting Centres**
 - 1,000m² to 1,500m² with full Mothercare and national brands product range, incorporating concessions such as Family Photo, Kids footwear, hairdressing
 - Situated in stand-alone sites or home-make centres
 - One stop destination for parents and parents-to-be with access to mid-wife advice, highest quality service, installations
- **Landmark Stores**
 - 500m² to 700m² with full Mothercare and a selective national brands product range, incorporating a limited concession offering; e.g., hairdresser
 - Situated in high traffic malls and high street shopping locations
 - Still a complete destination for parents and parents-to-be with access to parenting advice and service levels associated with MC Parenting Centres
- **Kids Central inserts**
 - As described earlier, a targeted range of Mothercare soft goods will replace the current Kids Central non-ELC assortment.
 - Insert sizes will be from 120m² to 250m²



The “DNA” of EACH Mothercare store opened will be the same: the highest quality retail service levels from people who understand first hand the importance of purchasing for first-time babies and growing children

Mothercare Store Roll-Out Plan

Mothercare will be the core engine for growth (and profitability) of the overall business going forward

Store Rollouts
#

Mothercare	FY10P	FY11P	FY12P	FY13P	FY14P	Total
Parenting Centre	0	3	4	4	3	15
Landmark	2	2	1	1	1	5
Inserts	5	7	4	0	0	16
Total	7	12	9	5	4	36
Cumulative		18	27	32	36	

Store Rollouts
sqm

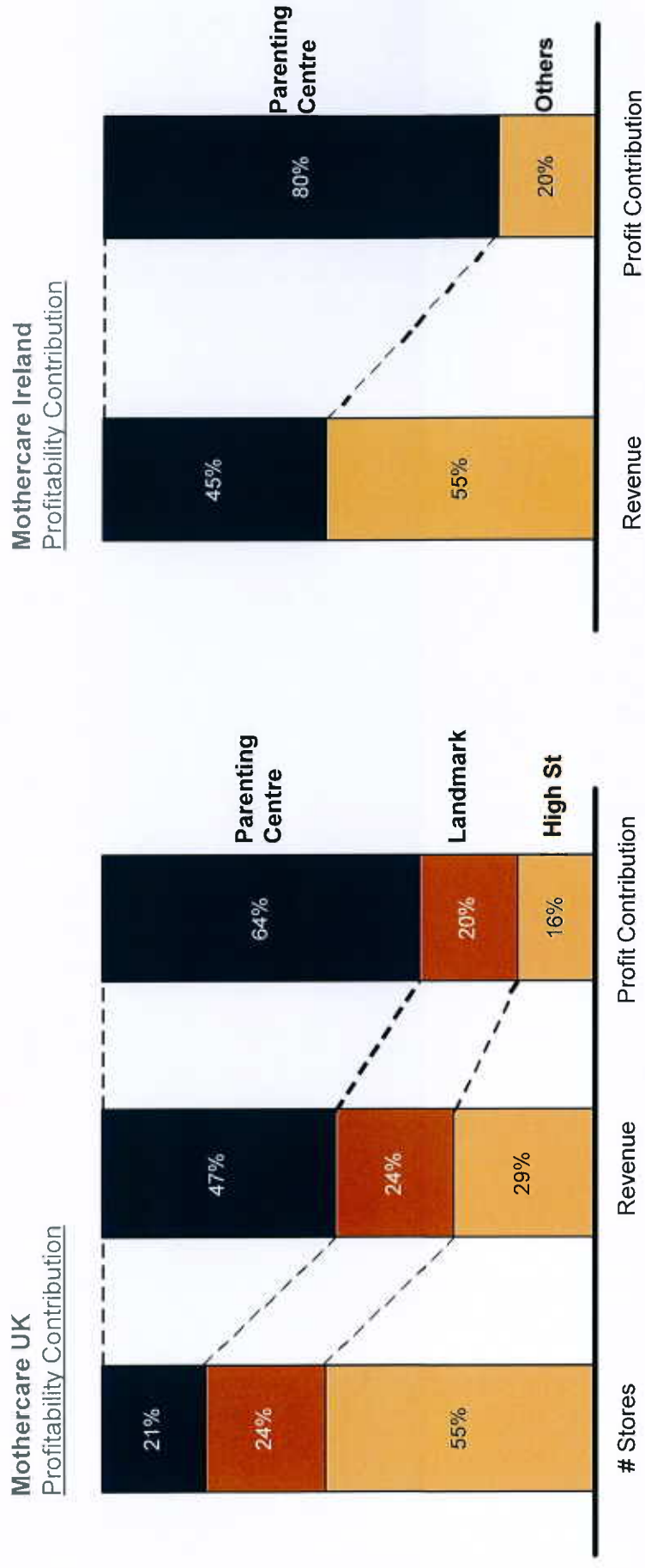
Mothercare	FY10P	FY11P	FY12P	FY13P	FY14P	Total
Parenting Centre	0	2,700	3,600	3,600	2,700	13,500
Landmark	1,100	1,000	500	500	500	2,500
Inserts	600	840	480	0	0	1,920
Total	1,500	4,540	4,580	4,100	3,200	17,920
Cumulative		6,040	10,620	14,720	17,920	

- **Primary focus is on building out Parenting Centres**

- Most profitable format on per store basis
- Initial roll-out in NSW and VIC
- Options being finalized for the flagship Parenting Centre in VIC
- Landmark stores in Chatswood Chase (NSW) and Chadstone (VIC) in FY10 and 11
- Currently completing location surveys and analysis for follow up store openings
- First 5 Mothercare inserts will be to be rolled out into existing Kids Central stores in June 2010

Mothercare Store Formats – Early Emphasis on Parenting Centres

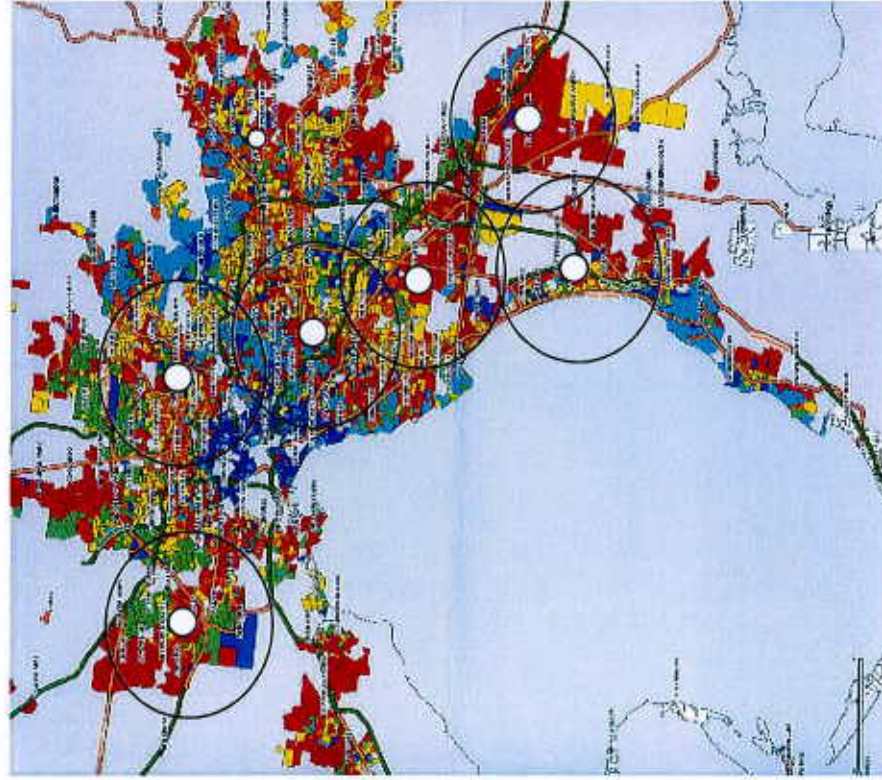
Store profitability profile in the UK and in international markets demonstrates the rationale for Mothercare Australia store roll-out strategy of focusing investment in Parenting Centres



Mothercare – Store Locations Opportunity

There are significant catchment areas in key Australian cities where Mothercare Australia has prioritized its store opening campaign (e.g. already 6 store opportunities in Melbourne...)

Baby Catchment Intensity - VIC



10km
radius

INDIVIDUAL MARKET POTENTIAL BANDS

PMP Metro Region	1 - Very High	2 - High	3 - Above Average	MARKET POT
NSW (SYDNEY)	662,333	105,539	119,519	
QNN (BRISBANE)	228,047	63,808	69,876	
SA (ADELAIDE)	143,794	43,012	90,194	
VSN (MELBOURNE)	432,863	145,514	241,863	
WA (PERTH)	233,331	57,218	92,272	
Grand Total	1,699,868	506,871	613,574	

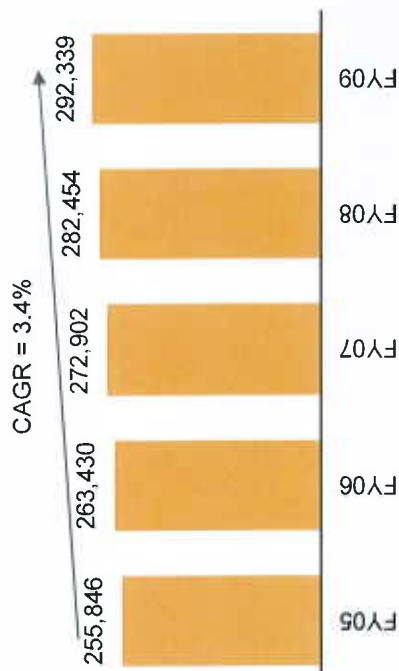
CUMULATIVE MARKET POTENTIAL BANDS (HIGHEST TO LOWEST)

PMP Metro Region	1 - Very High	2 - High	3 - Above Average	MARKET POT
NSW (SYDNEY)	662,333	747,872	967,391	
QNN (BRISBANE)	326,057	389,975	459,951	
SA (ADELAIDE)	143,794	287,602	277,760	
VSN (MELBOURNE)	432,863	579,377	821,090	
WA (PERTH)	233,331	260,540	382,871	
Grand Total	1,699,868	2,196,379	2,808,953	

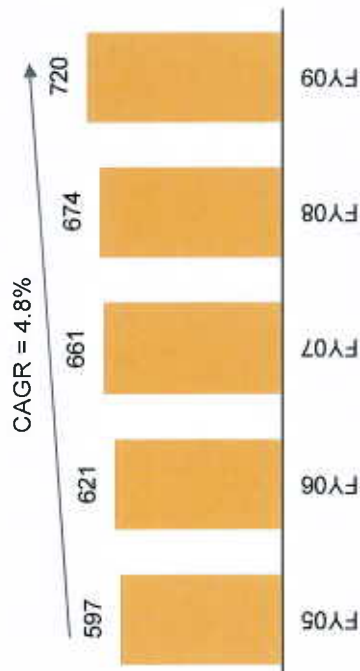
Australian Market Offering Sustained Growth at Macro Level

The Australia baby goods is sustaining consistent, stable growth and is expected to continue this trend going forward, driven by increasing birth rates and household income

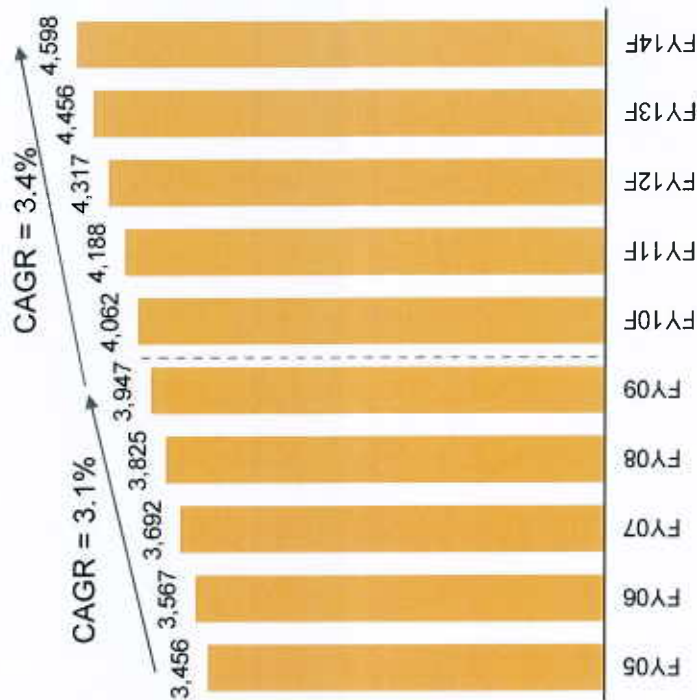
Australian Baby Births
#



Household Disposable Income
\$bn



Australian Baby Goods Retailing
Industry Revenue
\$m



Source: IBISworld, May 2009.

Current Speciality Parenting Retail Environment Is Fragmented & Sub-scale

Australian Baby Goods Retailing Independent Stores 2008

WA	
Baby on a Budget	7
BabyLand	3
BabyWest	2
BabyExpo	2
BabyZone	2
Pram City	1
Baby Warehouse	1
BabyBoom Babyworld	1

SA	
Baby Bunting	2
Just Kidding	1
YCN	1

QLD	
Babies Galore	4
Bubs Baby Shops	7
Pram Warehouse	5
Baby Buzz	2
Mothers World	1
Anything Baby	1
Baby n Things	1

VIC	
Baby Bunting	5
Babytime	2
The Baby Gallery	2
Parenthood	2
Motherworld	1
Glenhuntly Baby Car.	1
Snuggle Bug	1

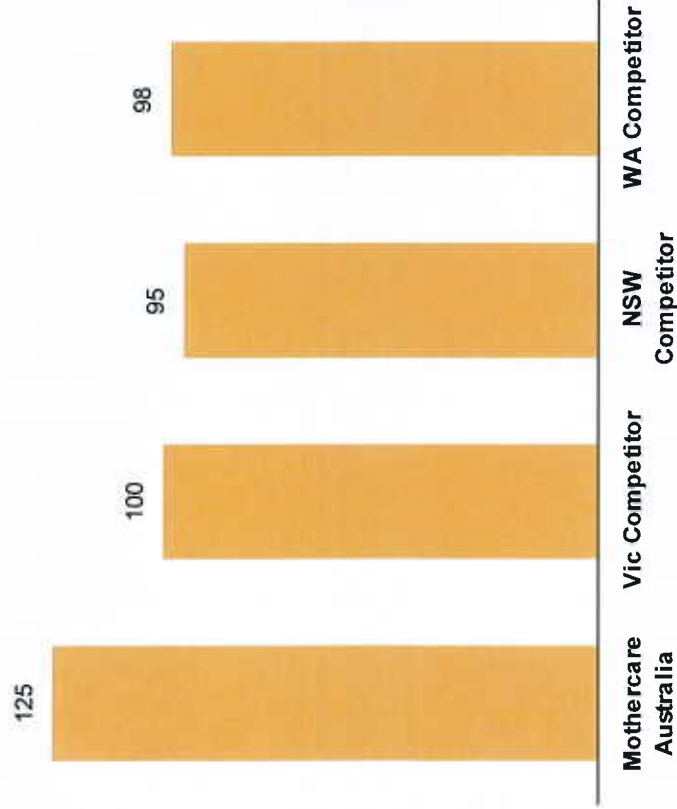
NSW/ACT	
Babies Galore	12
Sydney Baby Kingdom	4
My-Baby Warehouse	2
Elandras Baby Kingdom	1
Baby Bunting	1
Baby Zone	1
Babies on a Budget	1
The Baby Factory	1
Bubs Baby Shops	1

Acquisition opportunities are being analysed which may accelerate the growth of the Mothercare roll-out...

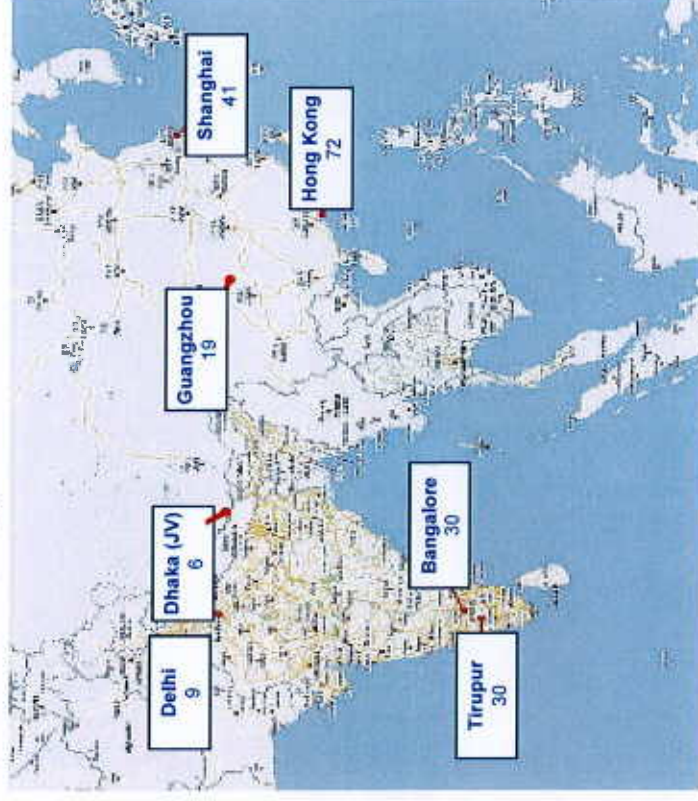
Mothercare Australia Competitive Advantage (i)

Mothercare's scale and sourcing capability means that it can develop proprietary product, establish global buying deals and deliver better cost prices than local wholesale distributors serving local retailers

Mothercare Australia Profitability
Gross Margin Index



Mothercare Sourcing Strength
International Presence



Competitive Advantage (ii)– Proven Own-Brand Development

Mothercare is leveraging its growth to continue to invest in product innovation which is increasingly differentiating its proposition versus branded alternatives; e.g., the SPIN stroller

Example - Mothercare Own Brand Innovation
SPIN



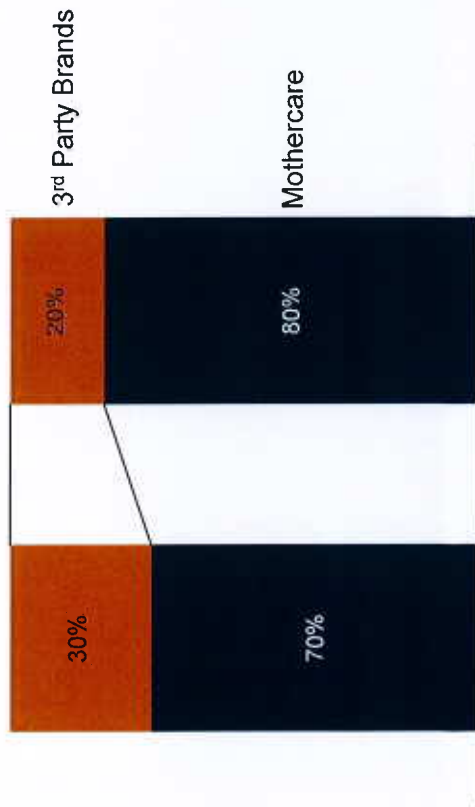
Source: Mothercare.



Mothercare's Own-branded Product as a Competitive Advantage

Mothercare's pillar is the quality / value of its own-brand offer across all categories vis-a-vis major brands that allows it to command the stated gross margin advantages versus the competition

**Mothercare UK
Brand Mix**



**Mothercare Home & Travel Category
Sales Contribution**



**Mothercare Sales Mothercare Profit
Contribution**



- Mothercare brand has grown to 70% sales and 80% of contribution
- Plan is to grow Mothercare brand sales to 80% by 2012

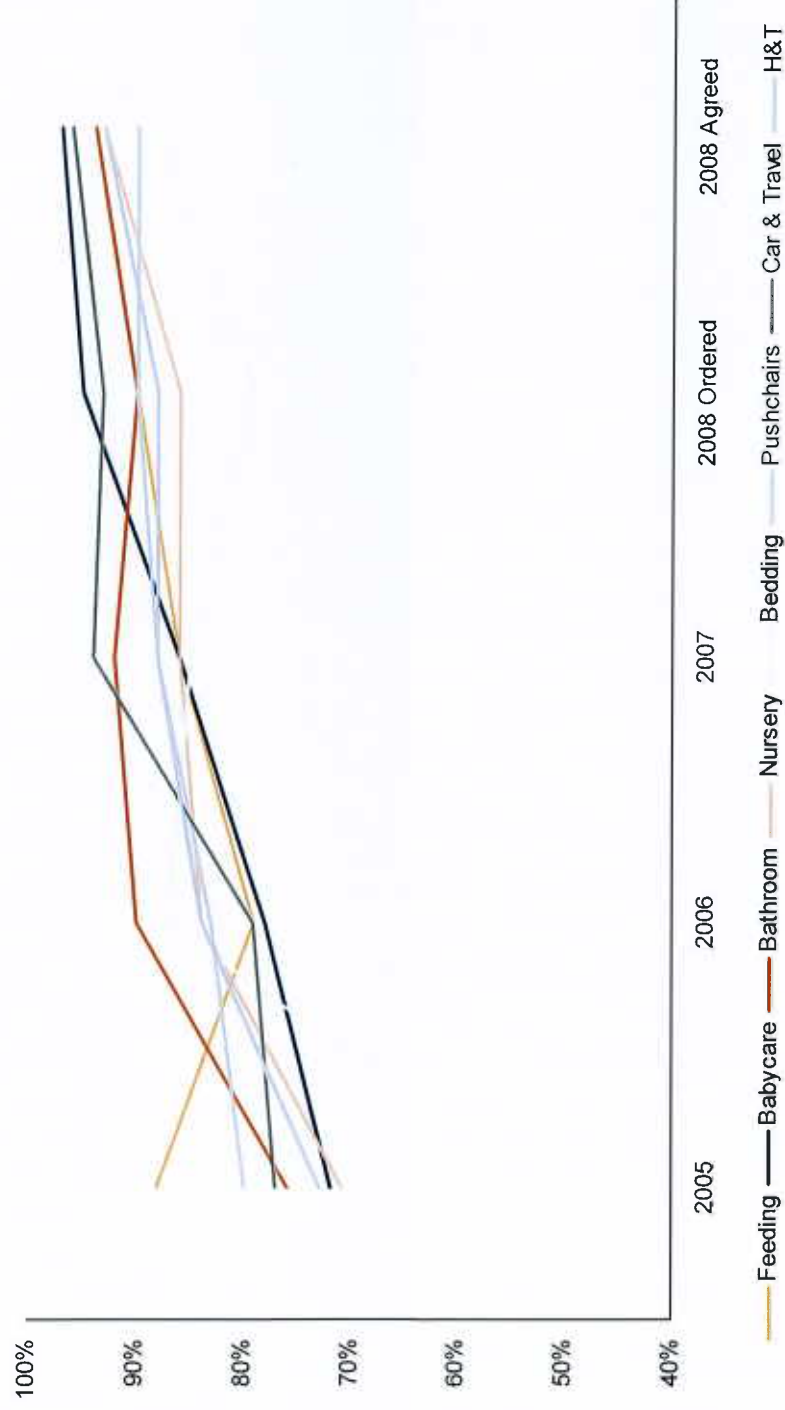


- The increasing relative competitiveness of the Mothercare own branded product is demonstrated by its sales performance in the key H&T category

Mothercare Focus on International Success; E.g., Order Fulfilment

E.g., Mothercare has continuously improved its global fulfilment rate – taking it from an average in the 75% to approaching 95% overall

Mothercare International Fulfilment
% Orders



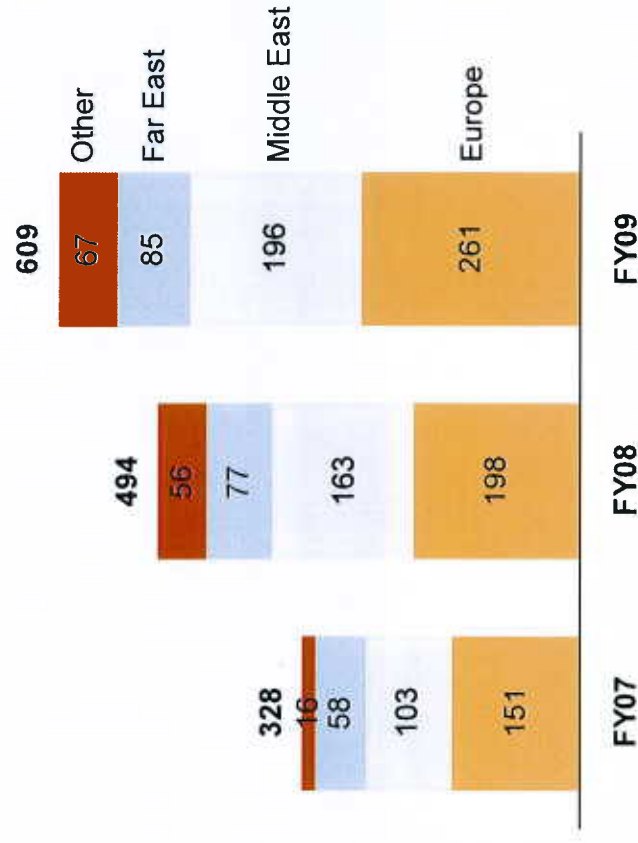
Source: Mothercare.

Mothercare – International Growth a Measure of the Opportunity Attractiveness

Mothercare's aggressive global expansion indicates the extent to which the Mothercare international franchise model has been refined and the degree to which successful growth is being achieved...

Mothercare International (excludes UK)

Stores

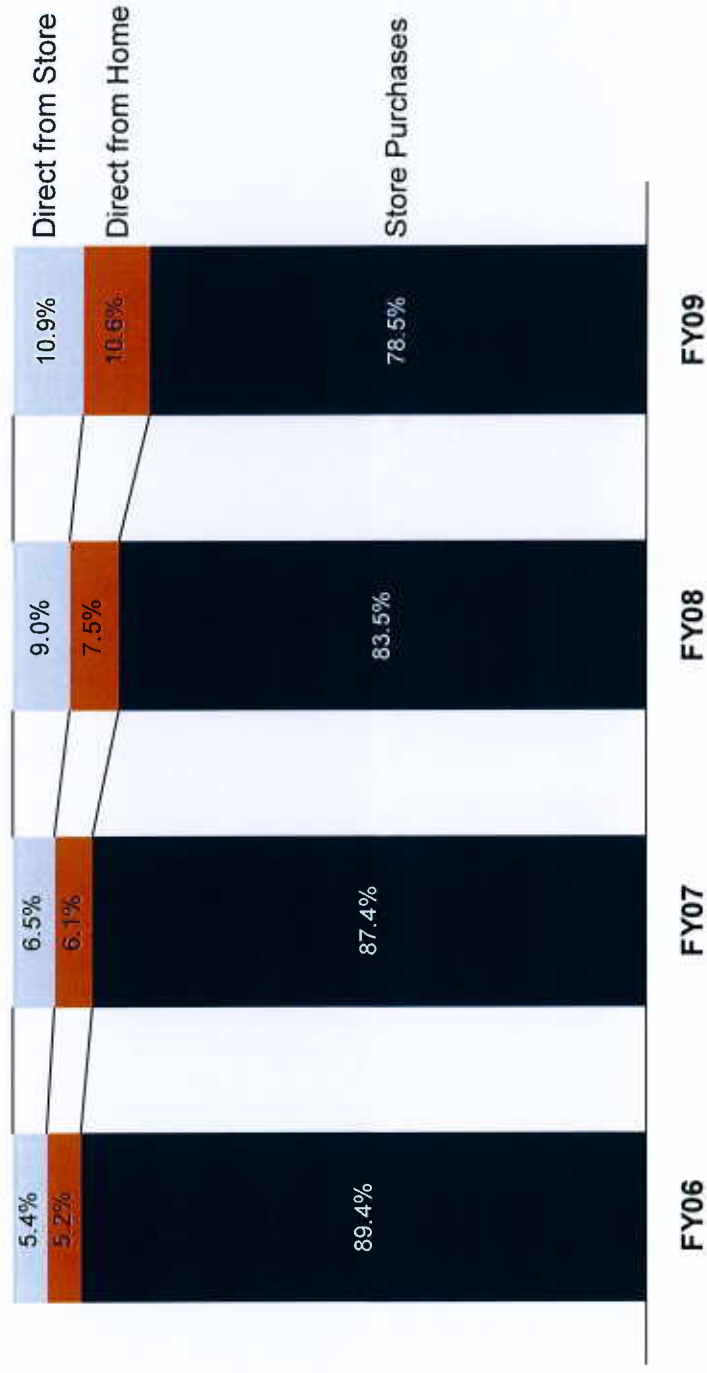


- Mothercare has almost doubled their number of stores internationally over the last 3 years
 - Total 609 franchise stores in 50 countries (as of March09)
 - International retail sales and profitability increased over 40% in the last financial year
- **Key driver of Mothercare's ~100% appreciation in share price over the past 12 months**

Online Presence

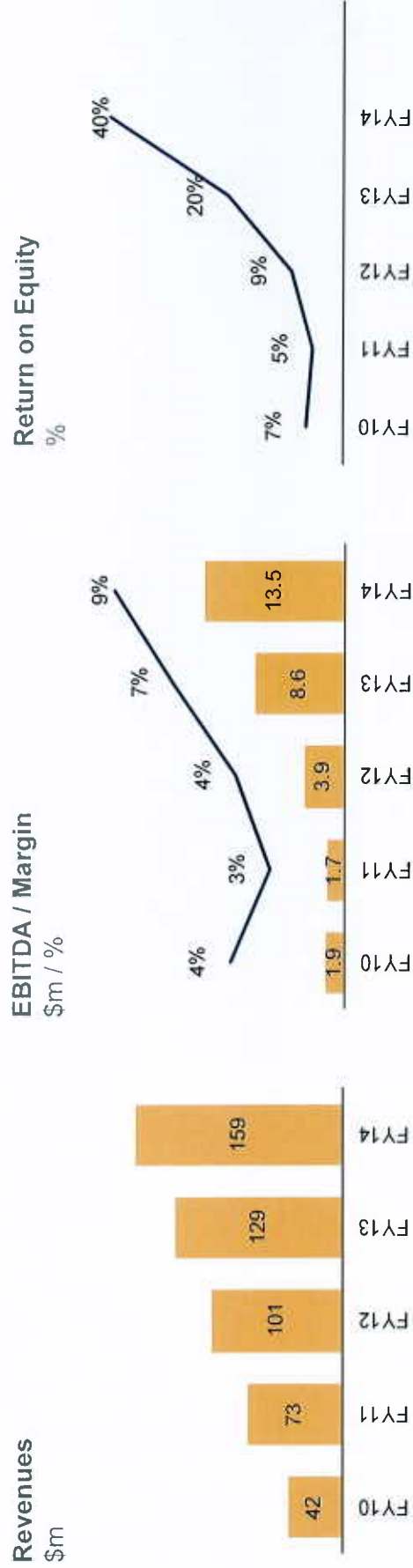
A key component of the Mothercare roll-out will be the execution of an aggressive online presence, as demonstrated by the growing presence of online orders in the UK

Mothercare UK Channel Mix



Summary Forecast Financials

The new Skansen / KCG group (to trade as Mothercare Australia) is expected to grow Revenue and EBITDA to \$159m and \$12.3m respectively by FY14



Lower EBITDA ratios in FY10 and FY11 a function of Mothercare launch costs and new store opening costs

Mothercare Opportunity Summary

Mothercare will take a significant share of the market due to its compelling, established product offer and the gross margin advantage it will achieve versus local competition

**Compelling,
Internationally
Proven Offer
and Formats**

- Mothercare Parenting Centres are differentiated, service-driven destination shopping locations
- Proven formats with specialist offering, advice and information to be leveraged
- Majority Mothercare branded products, higher gross margins, with ongoing product innovation
- Highly successful in UK with demonstrable success in rolling out in diverse international markets
 - Already estimated reasonable brand recognition in Australia

**Global
Infrastructure
to leverage**

- Global infrastructure to support and supply Australian operations
 - Sourcing, retail marketing, store merchandising, supply chain management, IT/Finance
- Marketing support with finished assets, templates, advice and guidance

**Market opportunity
with strong
competitive position**

- Growth market
- Competitors operate on 'tight' gross margins, which gives Mothercare significant competitive advantage
 - Primarily sell third party products
- Fragmented competitive environment with 'standard' offerings
 - Classic retail formats (by product range, not developmental stage)
 - Limited range of services and specialist advice attached to concept
 - No product exclusivity as Mothercare Australia will boast

- Skansen/Beanie Kids restructuring complete and after working through the tough 08/09 retail environment, Skansen has posted four months of positive EBIT and is expected to deliver approximately \$1M EBITDA in 2009/10
- We are entering an exciting new chapter of **growth** and **focus**...
- The ELC and Kids Central business can both expand rapidly and improve profitability
 - Replacing some current non-ELC product with Mothercare will drive space productivity and improve store returns
 - Establishing a critical mass of ELC/KC stores in the geographic locations in which it trades will provide a strong expansion program
- Launching Mothercare we perceive as one of the most exciting retail opportunities in Australia
 - Attractive market conditions
 - Competitively advantaged from both a margin and product offer perspective
 - Very strong partnership to leverage across all aspects of the business
 - Right timing from a sourcing of locations at appropriate commerce



The board is firmly of the view that the strategic direction being pursued will return HLD to an era of share price appreciation, and dividend payment in the short to medium term