



HEADLINE

Group Limited



MOTHERCARE LAUNCH EXCEEDS HIGH EXPECTATIONS



The Headline board is pleased to announce that the first Mothercare store opened at Chadstone in Melbourne as planned last Friday, the 5th of March. In the first four days of trading, the store exceeded performance expectations by beating aggressive store budget targets by more than 80%. Mothercare Plc in the UK has rated the opening as one of its most successful international launches to date.

While the board recognises that it is still early to draw conclusions, there have been some critical validations of key premises upon which the Headline Board had predicated its medium-to-long term Mothercare investment strategy and which underpinned the financial plan presented at last November's AGM.

The successful launch was characterised by the following:

- Over 6,000 customers visited the Mothercare store in the first four days of trading, indicating that the **brand recall** among Australian customers was already very high.
- Customers repeatedly praised the **quality/price/value proposition** of the exclusive Mothercare merchandise, supporting our critical assumption that offering Mothercare products exclusively would amount to a **significant competitive advantage for the business**.
- The **average gross margin** achieved was in fact in line with expectations, which we know **outstrips major competitors** in this segment.
- Our exclusive **ELC toy business** enjoyed the benefits of the **traffic generated by Mothercare**, and produced a **space productivity greater than 2.5x's** that achieved in the previous Chadstone Kids Central site.
- Strong customer response to the **presence of mid-wives in the store** affirmed the perception that Mothercare is indeed the international authority on parenting retail world-wide.

- Specific product category performances emphasized MC's expertise in **niche categories** of parenting retail such as **maternity, pre-natal** and feeding.
- In addition to opening at Chadstone, we also exhibited at the Melbourne baby show, at which over **1,200 customers signed up to our "Mothercard"**, the Mothercare customer loyalty reward program.

Overall, we were most pleased with the early performance associated with the key indicators in the business that are fundamental to our strategy, and to the **aggressive roll out of the business** we are embarking upon over the next 6 months.

It is important also that we recognise the **assistance received from Mothercare in the UK**. The success of the launch was due in no small part to the strong support from key Mothercare International resources. The Head of Store Training, the Mothercare head of international marketing, and the store manager of one of the UK's most successful stores were on hand in the weeks leading up to the Chadstone opening and during the opening itself. Enormous value was obtained from their presence. We have emphasized often the importance of transposing the **"Mothercare DNA"** into the Australian stores and the support provided to ensure we achieve this is an **absolute unfair advantage** for our business.

The **Headline board** is acutely aware that we have taken our first small steps towards our four year objective of establishing this Icon Retail Brand in Australia. Having said this, the launch simply could not have been more encouraging.

We look forward to continuing this positive news as the store rollout progresses starting early in April, with a larger store format opening at Doncaster, followed by our first Mothercare Superstore at Highpoint, all of which will be complimented by Mothercare inserts into our existing chain of Kids Central stores over July and August.

Gordon Elkington
Executive Chairman
9 March 2010