

HEADLINE

Group Limited

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For immediate release to the market

SHAREHOLDER UPDATE

Headline Group Limited (HLD) announces the upcoming change in the position of Chairman of HLD, changes in shareholdings for the Myer Family Company and Mothercare Plc, and a trading update post its recent acquisitions.

Headline Group Limited



Ian Gordon
Company Secretary



CHANGE OF HLD CHAIRMAN

MYER FAMILY COMPANY BUILDS ITS STAKE TOWARDS 10%

MOTHERCARE Plc TO EXERCISE OPTION TO MAINTAIN SHAREHOLDING AT 25%

TRADING UPDATE POST ACQUISITIONS

Robert Gavshon the new HLD Chairman

Following his successful tenure, Gordon Elkington will retire as Executive Chairman of Headline, effective 30 November. The board is pleased to announce that Robert Gavshon, a business leader with vast retail experience in both Australia and abroad, has accepted the position of non-executive Chairman. Robert will bring to HLD expertise and leadership skills imperative to build successful retail icon brands in its markets.

Robert was a significant shareholder and Deputy Chairman of Barbeques Galore (NASDAQ listed) until its sale to a leading Australian private equity firm, and was a founder and Director of Rebel Sport which established itself as the largest sporting goods retailer in Australia and New Zealand. He was also Chairman of the fast food chain Oporto and Think: Education Group. He has a number of private equity investments and is currently Director and Chairman of a number of the investee companies.

The HLD board would like to sincerely thank Gordon Elkington for his significant contributions to the company over the last 7 years. As Managing Director from 2003 to 2008, he was directly responsible for restructuring the company which put HLD in the position to make the Kids Central and Mothercare Australia acquisitions in 2009. In his recent role of Executive Chairman, he was instrumental in developing the business strategy and helped lay the foundation for HLD today.

Myer Family Company lifts its stake in HLD

A part of Gordon's exit from the company was the sale of his 4.4% stake, predominantly to the Myer Family Company ("MFC"). In the event shareholders approve the conversion of MFC's convertible note at the upcoming HLD Annual General Meeting and Mothercare Plc's approval is obtained for the conversion, MFC would hold approximately 10% of HLD.

Mothercare Plc to exercise option and maintain shareholding at 25%

Mothercare Plc has communicated that this Friday, 19 November, it will exercise its option over a further 5.4M shares to maintain its shareholding at 25% post the HLD acquisition of the assets and stores of the Babies Galore business in NSW and Queensland.

Trading Update post acquisitions

In the first 8 weeks after the Babies Galore and Baby On A Budget transactions, the emphasis has been on maintaining the core business and the integration of these organisations. Key head office support functions have been merged, and the process of transitioning the three different entities to the one management information system is underway. Management has also focused on optimising the store portfolio, cementing supplier relationships and preserving operating cash flow. While we are satisfied with our progress toward capturing the synergy of merging the two operations, sales in

the newly acquired east coast stores have been slower than expectations prior to the transaction. The pre-Christmas introduction of ELC toys and Mothercare fashion/apparel merchandise to these locations is, however, anticipated to provide impetus for both sales and gross margin improvements. The W.A. acquisition Baby On A Budget is operating at the levels forecast for 2010/11. Synergistic opportunities will begin to be realized as ELC toys and Mothercare products are also introduced to these Western Australian stores this month.

Headline expects that the integration expenses associated with the acquisitions will be above initial estimates in this financial year, as we continue to establish the national footprint of the Mothercare brand.

In addition to the 19 Babies Galore and Baby On A Budget stores that were acquired, HLD now operates 5 Mothercare and 27 Kids Central and Early Learning Centre Stores. While we are pleased with the initial rollout phase of the Mothercare brand, more recent store openings in Victoria have commenced with lower than anticipated trading. These stores have now gained momentum and have begun to track towards original sales expectations.

Summary

- The appointment of Robert Gavshon to the chair of HLD and the availability of his broad retail experience is a significant development for the company.
- The HLD board is gratified that both Mothercare Plc and The Myer Family Company have demonstrated their confidence in the business by consolidating their positions as cornerstone investors.
- Over the next 18 months, HLD will continue to concentrate on the integration of the businesses and processes, optimising the store portfolio and making consumers aware of its offering. This will, of necessity, involve additional costs in the 2010/2011 financial year. HLD is embarking on this strategy in the face of a tough retail environment both in Australia and New Zealand.
- The week-on-week growth in sales and gross profit of the new Mothercare larger format stores is encouraging for the establishment of the national footprint that is underpinned by the Mothercare brand.

Brent Dennison
Managing Director