

HEADLINE

Group Limited

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23 April, 2009

For immediate release to the market

UPDATE TO SHAREHOLDERS

Update to shareholders attached regarding trading results, restructuring and looking forward.

Headline Group Limited



Ian Gordon
Company Secretary

April 23, 2009

For immediate release to the market

UPDATE TO SHAREHOLDERS

The Directors of Headline Group Limited (“the Company”) wish to provide shareholders with an update as to the Company’s trading performance.

Skansen Result

The Board has reforecast the Company’s year-end position as clarity about the retail downturn’s impact on the Company’s remaining operating subsidiary, Skansen Pty Ltd, emerges.

Skansen’s projected result for the financial year 2008/9 has been revised down from the previous forecast EBIT of \$1 million to an expected operating profit of circa \$100,000.

Skansen Restructuring

Despite the retail sector down turn, the Skansen’s core Beanie Kids collectable business remains strong.

However, poor sales in the Company’s novelty gift product segments together with the complex infrastructure requirements to maintain these ranges has eroded Skansen’s overall performance.

The decision has been made to exit these categories and cut the associated operating costs and overheads. This enables Skansen to sustain a strict focus on the perennially strong Beanie Kids business, with the particular goals of;

- Strengthening the already aspirational Collectable BK Bear program via greater support and leverage of the strong independent retailer base that underpins BK sales
- International expansion with the BK program. Negotiations are well under way for the imminent release of BK in Hong Kong and other Asian markets
- Further developing and monetising the online BK business which in the last 12 months has reached a number two ranking for Australian children’s lifestyle sites

By focusing on these areas and removing the costs associated with the underperforming product categories, Skansen is budgeting for an operating profit of circa \$1.5 Million for FY2010.

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Headline Result

As a result of the lower-than-expected Skansen profitability and substantially reduced interest income due to lower interest rates, the Company is projecting a year-end loss of circa \$800,000 inclusive of restructuring costs.

With respect to the Headline balance sheet, on 31 March 2009, we received the final \$465,000 balance of the vendor finance that was extended to the purchaser of one of the properties at Lisarow.

Headline's cash position will rise to circa \$10.5 million with reductions in Skansen's working capital also flowing up to the Company. The remaining Lisarow property continues to attract interest however no acceptable offer has yet been received.

Looking Forward

The Skansen restructuring is well progressed and will be completed by the end of FY2009. We will enter the new financial year with clear objectives and management focus, and with a robust and profitable model for the business.

As we reported in the announcement of our half yearly accounts, the economic environment and our efforts to unearth high value acquisition opportunities are seeing us evaluate an increasing number of attractive transaction opportunities. We look forward to announcements on this front in the near future.

On behalf of the Board



Gordon Elkington
Executive Chairman

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