Half Year Results Presentation 30 December 2012















Financial Highlights



STATUTORY SALES

- Growth in sales from \$227.6M to \$233.4M, up 2.5%
- Increase in like for like sales of 1.8% compared to pcp

GROSS MARGIN

• Increase in gross margin from 48.3% to 48.4%

CODB

CODB held to 41.4% previously 41.2%

EBIT / EBITDA

- Stable EBIT at \$17.8M
- Increase in EBITDA from \$20.6M to \$21.3M, up 3.1%

NPAT

Increase in NPAT from \$13.2M to \$13.5M, up 2.2%

INTERIM DIVIDEND

- Increase in interim dividend from 6.50¢ to 7.50¢ fully franked, up 15.4%
- Interim dividend represents a 57.3% payout of NPAT

STORES

• Increase of 1 new store since June 12 (2 opened, 1 closed), 134 stores in operation

Operational Highlights



2 new stores were opened and 1 closed during the half year, resulting in a total of 134 stores country-wide

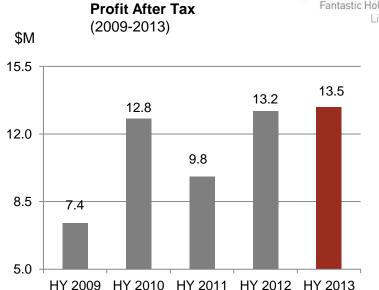
Trading Performance	New Stores
Total sales: \$233.4M +2.5%, L4L +1.8% Fantastic Furniture: Total Sales +1.6%, L4L Sales +1.2% Plush: Total Sales +2.7%, L4L Sales -6.1% OMF: Total Sales +12.1%, L4L Sales -0.2% Dare Gallery: Total Sales +4.8%, L4L Sales +3.5% Le Cornu: Total Sales +11.2%, L4L Sales +11.2%	Net 1 store opened since June 2012, (2 opened, 1 closed) FF: nil, total stores: 73 (2 franchise) Plush: 1 new store - total stores: 33 OMF: 1 new store, 1 closed store - total stores:15 Dare Gallery: nil, total stores:11 (1 franchise) Le Cornu: nil, total stores: 2 134 stores now in operation (inc 3 franchise stores)
 Employee Turnover Initiatives gaining traction Group employee turnover reduction from 30.6% to 28.1% 	 Financial Management Improved cash and low net debt position Net debt position increased from \$4.0M to \$6.3M due to Dandenong property construction offset by a higher cash position Return on Equity had a slight decline from 12.2% to 11.6% Strong balance sheet and solid operating cash flow
Inventory Management	Strategic Review
Initiatives gaining traction \$1.7M (2.2%) reduction in group inventory compared to June 2012	 Targeted business divestment Despite a difficult trading environment, both Dare Gallery and Le Cornu delivered a significantly improved result. The improved financials reflect a better position for divestment

Financial Summary

EBITDA increased by 3.1%, NPAT improved by 2.2%

Half Year to	Dec 11	Dec 12	Change
Company and Franchise Sales * \$	\$253.3M	\$261.1M	+3.1%
LFL Sales %	-0.2%	+1.8%	
Statutory Sales \$	\$227.6M	\$233.4M	+2.5%
Gross Margin %	48.3%	48.4%	+0.1%
CODB % of sales	41.2%	41.4%	+0.2%
EBITDA \$	\$20.6M	\$21.3M	+3.1%
EBIT\$	\$17.8M	\$17.8M	-
EBIT % of Sales	7.8%	7.6%	(0.2%)
Net Profit After Tax \$	\$13.2M	\$13.5M	+2.2%
Net Profit After Tax % of Sales	5.8%	5.8%	-
Operating Cash Flow \$	\$15.5M	\$17.2M	+11.0%
Store Numbers	132	134	2
EPS (cents)	12.81c	13.08c	+0.27c
Half Year Dividend per Share (cents)	6.50c	7.50c	15.4%
Return on Equity %	12.2%	11.6%	(0.6%)





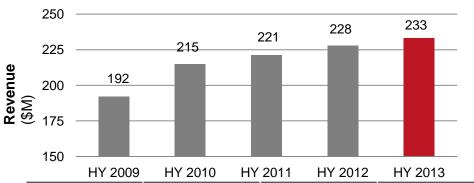
- Continued growth in profits despite difficult trading circumstances
- Underlying EBITDA has grown by 3.1% and LFL sales increased by +1.8%

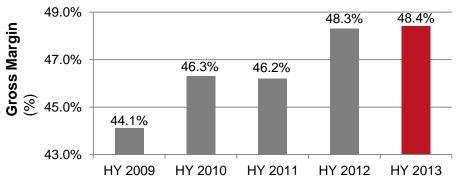
^{*} Includes only retail sales at company owned stores and franchisees and is inclusive of GST. Comparative has been amended to include GST.

Business Performance – Sales & Gross Margin



Total sales revenue increased by 2.5% on pcp, with a 5 year CAGR of 3.9%





Half Year to	Dec 11	Dec 12	% Change
Gross Sales* (inc franchisees)	\$253.3M	\$261.1M	3.1
Statutory Sales	\$227.6M	\$233.4M	2.5
LFL Sales %	-0.2%	+1.8%	

Half Year to	Dec 11	Dec 12	% Change
Gross Margin %	48.3%	48.4%	+0.1

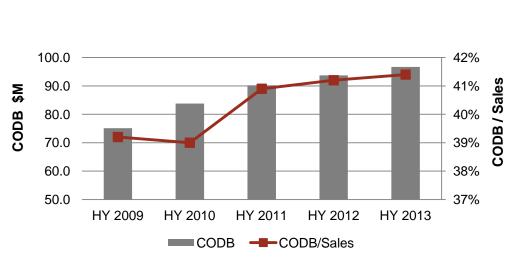
*Includes only retail sales at company stores and franchisees and is inclusive of GST. Comparative has been amended to include GST.

- Inventory management initiatives continue to reduce exposure to overstocks
- Organic growth achieved with LFL sales increase of +1.8% in the half year to 30 Dec 12 compared to pcp
- Gross Margins increased by 4.3% over the last five years
- Plush impacted by aggressive competitor discounting (sales +2.7%, LFL -6.1%)

Business Performance – Cost of Doing Business



Focus on inventory management is assisting underlying CODB as a percentage of revenue



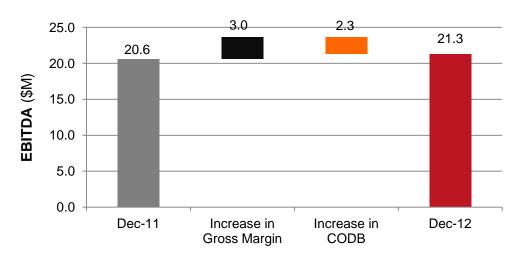
	HY 2009	HY 2010	HY 2011	HY 2012	HY 2013
Statutory Sales (\$M)	191.5	214.7	220.6	227.6	233.4
CODB (\$M)	75.1	83.8	90.2	93.7	96.7
CODB / Sales (%)	39.2	39.0	40.9	41.2	41.4

- Higher utility cost impacted on property expenses in the current period
- Higher amortisation cost in current period for inventory management systems and the Very Narrow Aisle Project
- Employment cost increase due to CPI and additional stores opened since the last comparative period
- CODB includes costs incurred for re-positioning of the business model in WA to align to East Coast structure

Financial Performance – EBITDA

EBITDA increased by 3.1% in current period





	HY 2009	HY 2010	HY 2011	HY 2012	HY 2013
Statutory Sales (\$M)	191.5	214.7	220.6	227.6	233.4
EBITDA(\$M)	12.4	20.2	16.3	20.6	21.3
EBITDA / Sales (%)	6.5	9.4	7.4	9.1	9.1

- Growth in EBITDA of \$0.7M compared to pcp mainly attributable to increased sales volumes
- Plush impacted by aggressive mid market discounting and higher costs
- Le Cornu subsequent to business re-structure and brand re-launch, returned to profitability with improved sales and margin performance and better management of operational costs
- EBITDA improvements in Fantastic Furniture, Le Cornu, OMF and Dare Gallery versus pcp, Plush below pcp

Balance Sheet



FHL balance sheet continues to strengthen with stable underlying earnings underpinning the subdued retail market

As at	Jun 12	Dec 12	Mvt (\$)	Mvt (%)
Cash (\$M)	15.9	20.8	+4.9	30.8
Inventory (\$M)	75.6	73.9	(1.7)	(2.2)
Investment Properties (\$M)	19.4	29.7	10.3	53.1
Intangibles (\$M)	9.4	9.4	-	-
Interest Bearing Loans (\$M)	19.9	27.1	7.2	36.2
Net Assets (\$M)	109.0	115.7	6.7	6.1
Net Debt (\$M)	4.0	6.3	2.3	57.5
Net Debt / Equity (%)	3.7	5.4	n/a	1.7

Half year to	Dec 11	Dec 12	Mvt (%)
Return on Equity (%)	12.2	11.6	(0.6)

- Increase in Investment Properties mainly attributable to Dandenong Retail Property Project of \$10.3M funded externally by \$7.2M and internally by FHL of \$3.1M
- Inventory holdings have decreased by 2.2% mainly attributable to improvement in supply chain initiatives thereby releasing liquidity within the FHL Group

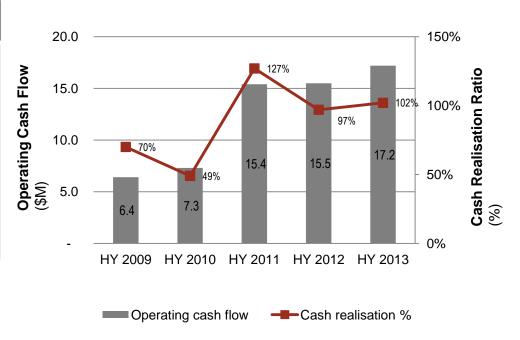
Cash Flows



Cash flow continues to improve with FHL's ability to realise cash from operations strengthening the cash position

Half Year to	Dec 11	Dec 12	Mvt
EBIT (\$M)	17.8	17.8	-
Net Cash Flow provided by Operations (\$M)	15.5	17.2	+1.7
Net Investment Expenditure (\$M)	(4.3)	(12.8)	(8.5)
Net Cash Flow provided by / (used in) Financing (\$M)	(6.6)	0.5	+7.1
Cash Realisation Ratio (1)	97%	102%	5 %

⁽¹⁾ Cash Realisation Ratio = operating cash flow / NPAT add back depreciation & amortisation



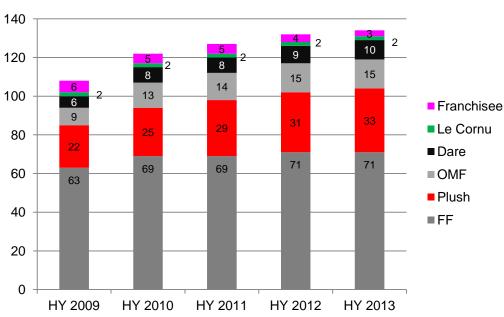
- Strong cash generated from established stores with efficient working capital management
- The Group continued to have a strong relationship between profit and cashflows as evidenced by Cash Realisation Ratio

Business Performance - Store Network Growth



The FHL Group has a footprint of 134 stores country-wide with a market dominating presence in NSW and VIC

Number of Stores (as at 30 December 2012)



Network of Stores (as at 30 December 2012)

	NSW	VIC	QLD	WA	OTHER	TOTAL
FF	33	18	9	6	7	73
Plush	13	12	5	-	3	33
OMF	14	-	-	-	1	15
Dare	2	6	3	-	-	11
Le Cornu	-	-	-	-	2	2
Total	62	36	17	6	13	134

3 Franchise stores in operation. 2 in Fantastic Furniture and 1 in Dare Gallery

- Store number movement in the half year:
 - Plush opened 1 store in Maroochydore (QLD)
 - OMF opened 1 store in Dubbo (NSW), and closed 1 store in Balgowlah (NSW)

- Further 5 stores planned in the second half:
 - 2 Fantastic stores: NSW (1), Victoria (1)
 - 1 Plush: SA Gepps Cross
 - 2 OMF: NSW (2)
- Further expansion is expected in WA and QLD

Property Segment



Leasing income provides stable earnings outside core business. Focus on property to support the growth of the retail business

Half year to	Dec 11	Dec 12	% Change
Property EBIT	\$0.8M	\$0.8M	-

- Property segment income primarily from leasing income on FHL owned properties
- FHL owns 5 properties: Dandenong (VIC), Campbelltown, Roselands and Newcastle (NSW) and Rockhampton (QLD)
- Dandenong retail property development (GLA 12,000sqm) site approaching completion. 65% tenants secured, mainly national retailers. The centre is scheduled to open for trading in March 2013

Strategic Priorities – FY13

FHL's strategy over the next 12 months is to grow organically



•	Focus on reduction of Group CODB and streamlining of operations
•	Turnaround to profitability of Dare Gallery and Le Cornu
•	Progress sale of Dare Gallery
•	Continue organic store network growth
•	Build on-line transactional capability at Fantastic Furniture and Plush
•	Further develop supply chain and manufacturing capability focusing on operational efficiency, product availability and reduced customer lead-times to provide cost benefits
•	Continue to focus on group employee engagement, people development and reduced employee turnover

On-going
Achieved
On-going
On-going
On Track
On Track
On-going

FHL Group FY13 Outlook

Cautious on retail sales with further improvements in costs expected to be delivered



- Sales in January and early February were slightly below prior comparative period. Notwithstanding strong employment figures and low interest rates, subdued consumer confidence still a reality, and we maintain a cautious outlook with overall low sales growth predicted
- Restructure of the business model in WA to align with the East Coast model i.e. moving away from a major central DC to warehouses attached to stores
- Investment in Vietnam manufacturing to provide alternate sources of supply and further control of the supply chain



Questions & Answers

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