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ASX Announcement

Funtastic Returns to Strong Profitability, Signals Growth Phase

Funtastic Limited today delivered on its promise to deliver a strong return to profitability and reaffirmed previous EBITDA earnings guidance for the full year FY13 in the range $23 - $25 million.

Funtastic intends to commence paying dividends in 2013.

The highlights of the company's results for the financial year ending on July 2012 included:

- Net profit after tax of $10.4 million vs a loss of $38.2 million
- EBITDA of $20.2 million vs a loss of $29.1 million
- Reduction in core debt of $20 million
- Costs reduced by $12.4 million (19%)
- Gross Profit Margins improved by 14%
- A return to dividends in 2013

Funtastic announced that Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA) for the period 12 months to July 2012 was $20.192 million compared with a loss of $29.058 million in the corresponding period in FY11. Net Profit for the period hit $10.368 million, thanks to lower costs and improved margins on a narrower and more successful product range.

The Company repaid debt of $20m in the year, allowing Funtastic to have both strong working capital and the capacity to pay dividends to shareholders in 2013 equal to up to half of retained earnings.

Funtastic's Chief Executive, Stewart Downs said: "The results for the full year show that we've not only turned around the fortunes of the company, but we've now ensured that Funtastic is primed for a strong growth period ahead."

"Now we've got the balance sheet under control with substantial debt reduction in FY12, we can reward our shareholders with a healthy fully franked dividend thanks to the accumulation of franking credits.

"The two major toy acquisitions we made in the financial year, the PILLOW PETS™ brand and the licenses to manufacture and distribute certain LEGO® products, have proven to be very commercially successful, but I'm delighted to say we have another six new major toy product lines ready to roll-out in the current financial year," he said.

"We also believe that Madman is poised to successfully benefit from investing in a new multi-channel digital strategy and has a very strong content pipeline for 2013."

"Overall our shift in the business model away from a promotionally driven business to a clearly sustainable model based on everyday core brands and acquisition of toy rights has proven to be successful. We've

narrowed our product range, increased our margins and we have also completely re-engineered the business to achieve a more appropriate cost base. That all adds up to stronger profits in the future".

12 months Ended July 2012 ($m)	**FY12**	**FY11**
Revenue	170.70	182.92
EBITDA	20.20	(29.06)
Net Profit	**10.44**	**(38.20)**

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