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2010 AGM

CHAIRMAN'S ADDRESS

Shane Tanner



Introduction

- The New Funtastic
- Key Financial Result Improvement
- Looking forward

The New Funtastic

In the last eighteen months, the Board and management have taken a number of steps to transform the business for a more sustainable future

- The Board is entirely new, with all of the current Directors having been appointed in the last eighteen months, most recently being Stephen Heath
- The Senior Management team has been completely restructured with the majority being new to the Group
- 5 'non-core' businesses have either been sold or wound down
- The Australian business has been simplified and a clear growth strategy put in place around a core brand proposition and a more focused product range

Key Financial Results

7 months ended 31 July 2010

During the period, the Group changed its year-end from 31 December to 31 July

- The improvement in gross margins combined with a lower cost base has driven an improvement in profitability, specifically EBITA from continuing operations has increased from a loss of \$21.0m in the comparative period to a profit of \$0.7m in the current period
- Net Profit after tax (NPAT) was a loss of \$3.6m compared with a loss of \$58.1m in the comparative period
- Ongoing bank facilities have been secured to 31 August 2011

Key Financial Results

7 months ended 31 July 2010

- Revenue from Funtastic's key brands performed well, however the Group's secondary brands suffered as retailers reduced support for all but the strongest performing brands during the tough retail trading conditions
- Additionally, the loss of former key brands Thomas the Tank Engine, WWE and Bratz in 2009 continued to impact revenues in the first part of 2010, however the Group's International division based in Hong Kong is making up for this and is showing promising sales growth
- Gross margins have improved by around 10 percentage points during the period as a result of the more streamlined business profile, improved currency hedging arrangements and reduced clearance activity as a result of improved inventory management



Looking Forward

- The growth of the International business continues to expand the Group's distribution reach
- In August the management team undertook further cost base reductions driven in part by the tougher than expected retail environment, but also by having developed a better understanding of the optimal operating cost model for the Group
- Revenue for quarter one is \$64m, \$5m lower than the same period last year but EBITA is \$3.9m before redundancy costs and abnormal legals of \$0.8m in the quarter
- The corresponding quarter of 2009 reported a small EBITA loss
- The outlook for the full year for the company is encouraging in spite of continued challenges at retail

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Stewart Downs

Quantum Change Facts

	<u>FY10</u>	<u>FY11</u>
Headcount Reduction	47%*	18%
Supplier Reduction	33%	21%
Brand Reduction	23%	38%
SKU Reduction	42%	37%
Warehouse Space	44%	31%

*Excludes NSR acquisition



Trading update

- Retail remains tight, soft and cautious
 - Kmart repositioning to AAA+ brands has caused major product / brand deletions
 - Minor brands not working, consumers very focussed on what they want and shopping by catalogues
- Revised Toy portfolio performing very strongly, this delivers future confidence. 12 brands driving 80%+ of business
 - Core range replenishment business gaining solid momentum
- Product selection criteria has improved, minimising FUN's weakness of inventory overstocks and clearance activity

Trading update

- Madman performance solid in a tough DVD environment for back catalogue, however new releases performing well, and digital sales becoming meaningful
- International is developing well and organisation ready to grow
 - Significant number of global business pitches are underway to further underpin the growth strategy
- Product release strategy for strong back half and significantly strong than previous year, especially in Toys. Madman's catalogue continues to grow

The Strategy

“Focus the Growth”

International Growth

Establish ‘Toy Leadership’ position

“Fund the Growth”

Significantly reduce cost base / improve profitability of business

Maximise growth potential in Australia

“Enable the Growth”

People, organisation and key processes

“Accelerate the Growth”

Consider inorganic growth opportunities to accelerate strategy implementation, within established financial parameters

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International Growth

- Developed organisation strength, capability and capacity
- Added product sourcing function to help recover overheads and leverage private label opportunities globally
- Working on global pitches that align with competitive advantages of the categories we play in (plush, infant and preschool and outdoor)
- QA and safety remain key positioning in everything we do
- Exhibiting at all major events, including our own Hong Kong showroom

The LEGO logo is displayed in its characteristic white, bold, rounded font with a black outline and a yellow shadow, set against a red square background with a white border.

- Funtastic enters into an Aus/NZ distribution relationship with Kidz@Play
- Kidz @ Play have also enlisted the services and resources of Funtastic's international infrastructure to assist Kidz @ Play to achieve the same level of success in our Australian and New Zealand market
- Kidz@Play have an extensive Lego License covering a variety of categories including plastic and wooden storage and furniture, playtables, playmats, stationary, luggage and bag tags
- Business is already well established in USA, Canada, UK, Germany, Austria, Switzerland, Aus/NZ with more markets set to come on board in 2011
- A strong compliment to existing business and delivers necessary scale and talent

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- #2 Pre-school Property in France
- #3 Pre-school Property in Portugal
- Top 3 Pre-school TV series in UK
- Top 5 Pre-school TV series in Spain
- 216% sales increase in France 2009 vs 2010
- 2011 Re-launch in UK



Funtastic has built this range with strong focus on quality, ensuring it remains the premium brand in the market place

Domestic

Currently on range with ARL,
Toy Specialised, Aquatic Specialised & Myer

Currently developing a plan to range
with TRU and Baby's R Us

International Distributors



Asia



Europe



USA/Canada



It's a Bugs World

- Scuttlebug and Scramblebug have successfully sold through in 21 countries around the world
- Over 300,000 units sold in 2010!
- Scope for further expansion within existing markets and continued penetration into new territories the focus of 2011

QuickSmart Nursery

- Range has been successfully bolstered in 2010 by new product development with further innovation to come in 2011
- Expansion of brand range has set foundation for solid domestic and international growth
- Currently represented in 12 international markets, with major strategic territories being pursued for 2011

Toy Leadership "Home of Brands"

- Stable and experienced team focused on best in class practices
 - Category management approach - core range everyday philosophy is the key competitive advantage
 - Excellence in "Demand Creation"
- Cost structure now aligned with revenue, with ongoing continuous improvement initiatives
- Aggressive portfolio changes have positioned the business well
- Key top brands driving success
 - Top 12 brands drive 80+% of revenue
 - Importantly +17% YTD growth in GFK
- New division - FUN Trading





#7 Property in the market YTD* with over \$22m in retail sales.

4 items within the top 20 value skus in the total industry, more than any other brand:

#2 Ripstik

#10 Powerwing

#12 Original Kick Scooter

#19 Pro Model Scooter

Total Razor sales (excluding the Ripstik) are up 22% YTD.

Australia and Funtastic are leading the way in the developing Pro Scooter trend with Funtastic design and Razor manufactured "Black Label"

Razor Black Label are now being distributed by Razor worldwide





- #17 Property in Total Market and #3 in Infant/Preschool YTD*
- Property is up 33% in value and on track to exceed \$20m in retail sales for 2010
- 4 items within the top 20 value Skus in Infant/Pre School category:
 - #1 Scribble and Write
 - #11 Leapster Explorer green
 - #12 Leapster 2 Green
 - #14 Leapster 2 Pink
 - #15 Tag Hardware Green
- Leapster Explorer launched in October 2010, one of Leapfrog and Funtastic's most successful launches ever.



TECH DECK

- #2 Vehicles property in value YTD*
- **Up 39%** in value YTD* since Funtastic acquired in January 2010
- Funtastic have taken Tech Deck in Australia to be the 2nd best sales per head of population worldwide, in front of the US** with **over 480,000 units sold YTD***
- 4 items in top 20 Vehicles in value YTD*:
 - #2 Tech Deck 96MM Boards
 - #7 Ryan Sheckler Park
 - #11 Tech Deck Skate Shop
 - #20 Tech Deck Build – A - Park



FLICK TRIX

- #7 Vehicles property in value YTD* after launching in March 2010
- 4 items in top 20 Vehicles Skus in value YTD*:
 - #8 Flick Trix BMX Bike asstd
 - #9 Flick Trix Bike Shop asstd
 - #15 Flick Trix Stunt Set asstd



AIR HOGS

- Brand re launched in October of 2010
- Already the # 14 Radio Controlled property YTD* **up 202%** only 7 weeks into launch
- For the w/e Nov 28 2010 Airhogs was the **no.1 Remote Control brand** for the week
- Airhogs Sharp Shooter was the no.1 Radio Control SKU in value for the w/e Nov 28 2010





- # 19 property in the market YTD*
- #6 property in the Dolls category
- The Funtastic Dolls portfolio is up 52% in value YTD*



- #5 Plush Property in value YTD*
- Up 198% in value YTD*
- Expanded ranging into grocery via Coles.
- 2 items in the top 20 Plush skus in value YTD:
 - #13 Club Penguin Puffle Plush
 - #15 Club Penguin 6.5" Plush



- #6 Fashion Doll property in value in the market YTD.
- Growth of 319% in value YTD
- New lower pricepoint range launched in October 2010



Disney · PIXAR
**TOY
STORY**

- #2 Property in value YTD*
- Funtastic's Toy Story range responsible for over \$6.7m in retail YTD*
- 2 items in the top 100 skus market wide in value YTD*:
 - #38 Buzz Lightyear - \$1.24m at retail YTD
 - #63 Woody the Sheriff - \$976K at retail YTD



BENTM
10

- #12 property in value in total market YTD*
- #4 property in Action Figures YTD*
- 10 – 10 – 10 Ultimate Alien was Cartoon Network's highest ever ratings day since the STV ratings panel began in August 2003*
- The 10/10/10 Ultimate Alien launch was a success, with 4 Funtastic Ben 10 Ultimate Alien skus appearing in the Top 20 Action Figures





HERO: 108™

- A highly collectible toy and battle game line based on the heroes and villains in the hit TV series
- A Cartoon Network property which will have both FTA and STV exposure early in 2011
- Funtastic will launch in the Australian market in March 2011

- The only brand of toy tools that really work with functional material (Kid Wood)
- Teaching lifelong skills and empowering kids to build whatever they can imagine
- Worldwide launch results extremely positive

TOMICA 108

- Hugely successful Japanese Train and Playset System now modified for Western markets.
- Successful 2010 launches in UK and US
- Funtastic will launch in the Australian market in March 2011.



- Real Tech for Real Spies
- Key Item: Spynet Video watch
- Early reads have seen the item sell out in a number of retailers.



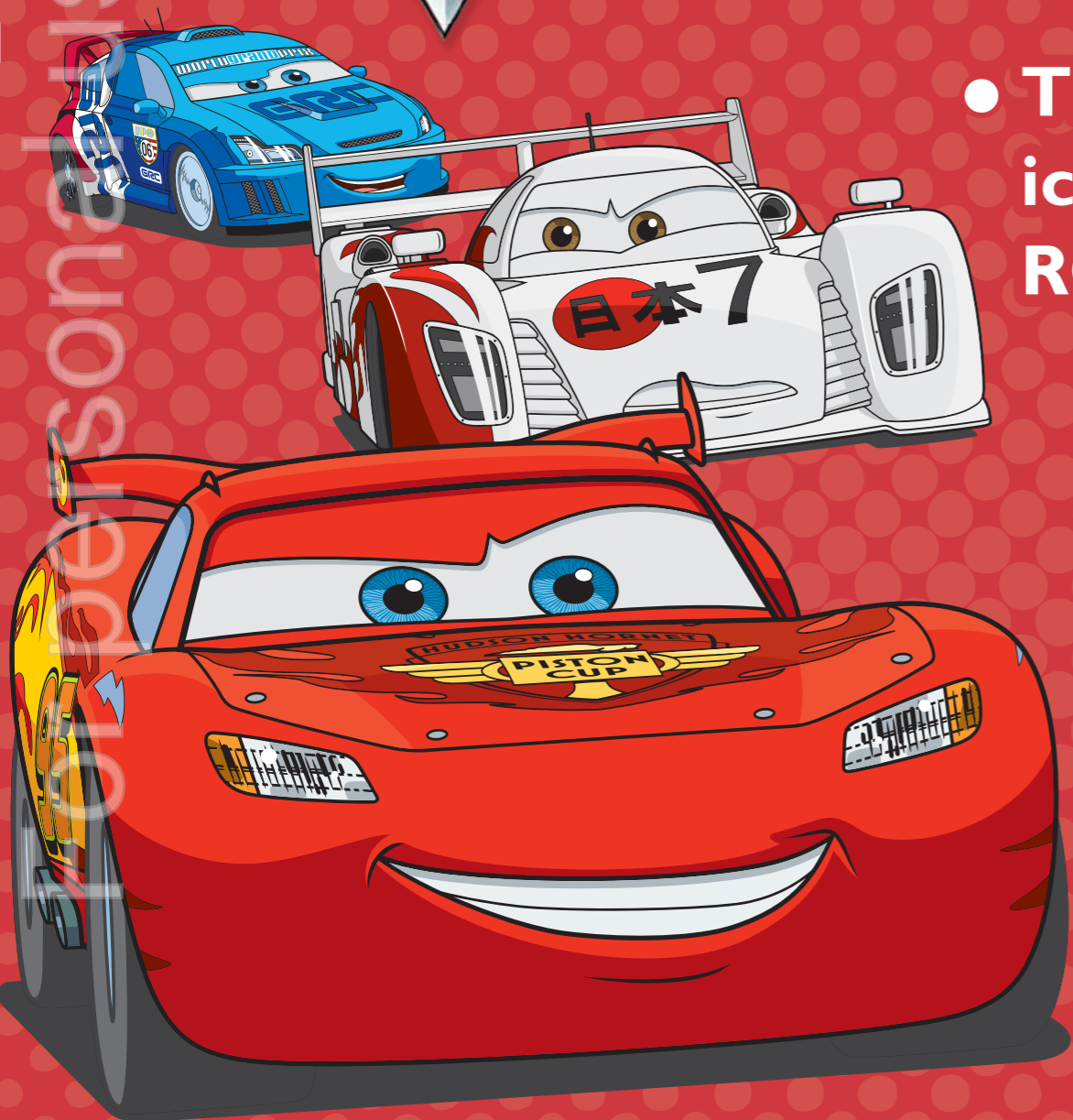
- A completely new way to play with Remote Control, allowing you to create and control your own Zibits World!
- Strong 2010 sales in the UK and US markets.
- Funtastic will launch in the Australian market in March 2011



- The newest collectible trend for girls is Squinkies – the only small doll collectible that comes in a surprise capsule
- The hottest Christmas launch for US girls market - a phenomenon with estimated retail sales of over \$240m
- “Walmart.com has been sold out of them for more than a week, and stores nationwide are sold out or limiting how many Squinkies each person can buy.”
– NY Times.com, November 24 2010
- Funtastic will launch in March 2011



- Cars 2 goes global next year in a tale of international espionage featuring lovable tow truck Mater
- The Spinmaster range of toys couples iconic characters from Cars 2 with true RC innovation



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MADMAN



Madman - Maximise Growth Potential

- Digital sales building, substitutes physical DVD back catalogue sales declines
- Continued catalogue acquisition
- Success rate still 'second to none'
- Team solid and experienced

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