



11 January 2013

ASX Announcement

Funtastic announced on March 9, 2012 that it had entered into a deal pursuant to which it acquired the business assets of Australian company KP Multinational Pty Ltd (KPM). A significant component of this acquisition saw Funtastic acquire a three year license from the LEGO Group to manufacture and distribute certain LEGO® brand licensed product throughout Australia, New Zealand, USA, Canada, United Kingdom, Germany, Austria, Switzerland, Finland, Sweden, Norway, Denmark, Iceland, France, Belgium, Netherlands, Luxembourg; and through Toys R Us stores in China, Hong Kong, Taiwan, Philippines, Thailand, Singapore and Malaysia. The business was acquired under an earnout arrangement payable over 3 years.

In Funtastic's Annual Report for the 12 months ended July 31, 2012, the company recorded deferred purchase consideration of \$9.5m.

Funtastic has now entered into a Deed of Variation with KPM, this transaction removed the obligation for Funtastic to pay further earnout payments, in exchange for a one off amount of \$5.5m, of which \$5.0m is payable immediately and \$0.5m in twelve months' time. This will result in the company recognising additional profit in the current period of approximately \$4.0m, however the company notes that this profit will be of a non-recurring nature.

Stewart Downs, Funtastic CEO today said "we are very pleased to have reached this agreement with KPM as it enables the team, who came across as part of the original deal, to focus all efforts on developing our LEGO® brand licensed business without distraction. We are keen to build on the initial success of the lines we have developed and are particularly excited about the LEGO® branded stationery range. We believe that our LEGO brand licensed business presents exceptional opportunities for growth and that growth can now be vigorously pursued in the knowledge that all benefits will accrue directly to Funtastic".

The early exit payment has been funded from a new line of credit from the company's major lender which will be repaid progressively within the next 2 years and in line with the payments the company would have made under the earnout arrangement.

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About the LEGO Group

The LEGO Group is a privately held, family-owned company, based in Billund, Denmark. It was founded in 1932 and today the group is one of the world's leading manufacturers of play materials for children, employing more than 10,500 people globally. The LEGO Group is committed to the development of children's creative and imaginative abilities. LEGO products can be purchased in more than 130 countries. Visit us at www.LEGO.com

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About Funtastic

Funtastic is a publicly listed Australian company. With our head office in Melbourne and offices in Hong Kong and China, we supply retailers and customers across the country, and the world, with an array of leading products for kids of all ages.

For more information on Funtastic visit the web site at www.funtastic.com.au and for comment contact Stewart Downs (CEO and Managing Director). Ph: 03 8531 0002.