The Fantastic Company AG

Financial Report 2013 for the Nine-Months Period

This Financial Report is an uncertified translation – only the German version is legally binding.

Overview of the Group

	1st Jan - 30th Sep 2013	1st Jan - 30th Sep 2012
	EUR	EUR
Sales Revenues	4,500,336	3,028,185
Gross Profit	2,563,804	1,933,839
Operating Result (EBIT)	-1,158,248	-1,093,460
Net profit or loss for the period	-918,294	-869,363

	1st Jan - 30th Sep 2013	1st Jan - 30th Sep 2012
	EUR	EUR
Cash-Flow from Business Activity	-154,277	-1,714,279
Cash-Flow from Investment Activity	-28,162	-372,878
Cash-Flow from Financing Activity	350,000	1,419,332
Profits/Losses due to Exchange Rate Fluctuations	1,385	5,169
Changes in Liquid Assets	168,946	-662,656
Consolidation-related change in financial funds	0	135,415
Liquid assets at end of period	336,237	178,827

	30th Sep 2013	31st Dec 2012
	EUR	EUR
Fixed Assets	3,588,951	3,486,029
Current Assets	2,436,152	1,728,363
Current Liabilities	4,718,452	2,972,783
Long-term Liabilities	561,963	580,012
Equity Capital	744,688	1,661,597
Equity Ratio	12.4%	31.9%
Total Assets	6,025,103	5,214,392

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The World of Our Brands

EYEWEAR BRANDS

Own eyewear brands

- SICARA, with the following sub-brands for the different customer segments:
  - SICARA Premium
  - SICARA Platinum
  - SICARA CWL
  - SICARA Colors
  - SICARA Active/Sports
- Pola Sun
- Hors Piste

Licensed eyewear brands

- Rivaldi
- Terre des Marins
- Maui and Sons

Distributed eyewear brands

- Disney (children)
- Hello Kitty (ladies and children)
- Reebok (exclusively for sportswear shops)

SHOE BRAND

- De Fonseca

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To Our Shareholders

Letter from the Board of Directors

Dear shareholders,

ladies, and gentlemen,

The main collections for sunglasses were delivered to French retailers and these achieved a significant increase in revenue for DeFonseca products in the first nine months.

The recession in France resulted in a drop in consumer confidence that was reflected in our customers. Our French subsidiary SICARA FASHION ACCESSORIES SAS succeeded in bucking this market trend in 2012 as a result of the measures that we have implemented to improve our operations.

Not only were sales revenues in the reporting period significantly higher than in the same period in the previous year, but also significantly higher when the revenues from the SICARA subsidiary, which were only consolidated over some of the period in the previous year, are taken into account.

In the reporting period we have provided strong support for the business in France in monthly face to face meetings and weekly telephone conferences.

After the key reporting date (in November) we were able to finalise the company takeover on which we had been working for a long time. The acquisition of 100% of the shares of Société des Gestion des Marque SAS is a strategic expansion of our business. The company generated over EUR 8 million net revenue in each of the last three years with good annual profit in each year.

With the acquisition, the market positioning of TFC Group has improved significantly in France. It was also possible to achieve significant cost savings, e.g. by implementing synergy effects. The board of directors assumes that this transaction has laid the foundations for turning around The Fantastic Company Group.

The major shareholder Global Derivative Trading GmbH provided The Fantastic Company AG with a shareholder's loan to finance this transaction.

In addition, in November 2013 the shares of minority shareholders (21%) in the SICARA Fashion Accessories SAS were also transferred so The Fantastic Company AG now holds 100% of the shares.

The Board of Directors thanks all business partners, friends, and shareholders of the company for the trust placed in them.

We will continue to work hard in the future to justify the trust placed in us and substantially increase the value of TFC.

Zug, December 2013

Oliver Krautscheid
President of the Board of Directors

Roger Meier-Rossi, *Vice-President of the Board of Directors*

Markus Gildner
Member of the Board of Directors

Analysis of the economic position

The Group's intermediate accounts to 30th September 2013 remain characterised by the business of operating subsidiary SICARA FASHION ACCESSORIES SAS. The majority takeover of this company took place on 1st March 2012; for this reason the revenues, costs and business results from the comparison with the previous year only include the numbers for SICARA FASHION ACCESSORIES SAS pro rata for the period from March to September 2012. It is therefore not possible to directly compare the numbers.

The Fantastic Company Group's half-year results to 30th June 2013 for the first time showed the final numbers for the purchase price allocation in connection with the majority acquisition of SICARA FASHION ACCESSORIES SAS. This generated changes from the final calculations of the market value that relate both to the past quarterly accounts and the consolidated accounts to 31st December 2012. With regard to the details of these changes, we refer to the information provided in the intermediate Group accounts to 30th June 2013.

Comprehensive Income in the first three quarters of the 2013 financial year

Net revenue for the first nine months of the current financial year was recorded at EUR 4,500,336. Compared to the previous year (net revenue totalling EUR 3,028,185), this represented an increase of EUR 1,472,151 or 48.6%. The measures undertaken immediately after the majority acquisition to increase revenues at SICARA revealed their effects in the current financial year.

The expenses paid to achieve the revenues increased more strongly from EUR 1,094,346 (as of 30th September 2012) to EUR 1,936,532. The increase therefore amounted to EUR 842,186 or 77.0%. The main reason for the significantly stronger rise in the expenses paid to achieve the revenues compared with the increase in the net revenues was in the rise in low-margin transactions in the current financial year.

Gross profit on revenue was at EUR 2,563,804 and therefore EUR 629,965 or 32.6% above that of the first three quarters of the 2012 financial year (EUR 1,933,839).

The cost of administration and general costs also rose significantly from EUR 1,074,068 to EUR 1,576,367 (increase of EUR 502,299 or 46.8%). The reason for this increase in costs was, on the one hand HR recruitment and restructuring costs, but also on the other hand costs associated with the purchase of 100% of the shares of Société des Gestion des Marque SAS, which took place in the fourth quarter of 2013.

The increase in the costs of sales and marketing was EUR 175,634 or 8.9%. This reached EUR 2,149,498 after EUR 1,973,864 as of 30th September 2012.

The rise in the costs of sales and marketing was within budget and mainly arose from increases in revenue.

Other income is recorded at EUR 3,813 (EUR 20,633 as of 30th September 2012).

The operating result (EBIT) was EUR -1,158,248 after equalling EUR -1,093,460 in the same period in the previous year. This was EUR 64,788 or 5.9% worse than in the previous year.

The financial loss reached EUR -36,883 after having been EUR -6,810 in the first nine months of 2012.

The Fantastic Company Group recorded a loss before taxes as of 30th September 2013 totalling EUR -1,195,131 (same period in the previous year: EUR -1,100,270). Tax credits totalling EUR 276,837 (same period in the previous year: EUR 230,907) reduced the loss however so the loss for the period of EUR -918,294 (same period last year: EUR -869,363) was calculated for the first three quarters of the current financial year.

When currency differences worth EUR 1,385 (in the previous year: EUR 5,169) are taken into account The Fantastic Company Group generated a total loss of EUR -916,909. Compared with the first three quarters of the 2012 financial year (total loss: EUR -864,194) this means a deterioration in the results of EUR 52,715.

EUR -104,917 has been allocated to third party minority shareholdings, both from the overall result and also from the period result (in the previous year: EUR -89,922).

Assets situation on 30th September 2013

The balance sheet total of The Fantastic Company Group as of 30th September 2013 reached EUR 6,025,103 and was therefore EUR 810,711 or 15.5% above that of 31st December 2012 (EUR 5,214,392).

EUR 3,588,951 or 59.6% of the balance sheet total related to long-term assets; in 31st December 2012 this amount was EUR 3,486,029 (66.9% of the balance sheet total).

The most important items within the long-term assets were land and buildings, which was shown as of 30th September 2013 at EUR 2,002,322 (31st December 2012: EUR 2,102,116; change: EUR -99,794 or -4.7%), deferred tax assets, which rose from EUR 449,956 (31st December 2012) by EUR 258,788 or 57.5% to EUR 708,744 and goodwill which remained the same as recorded on 31st December 2012 at EUR 504,041.

At EUR 2,436,152 40.4% of the balance sheet total related to short-term assets (31st December 2012: EUR 1,728,363 or 33.1% of the balance sheet total). The short-term assets rose by EUR 707,789 or 41.0% whereby this made by far the highest contribution to the growth of the balance sheet total.

Within the short-term assets, inventories at EUR 1,086,698 (31st December 2012: EUR 1,214,982, which represented a decrease of EUR 128,284 or 10.6%), trade receivables at EUR 961,222 (31st December 2012: EUR 230,178, which represented an increase of EUR 731,044 or 317.6%) and liquid funds at EUR 336,237 (31st December 2012: EUR 167,291 therefore an increase of EUR 168,946 or 101.0%) represented the largest items.

The liabilities on the balance sheet show short-term debts at 78.3%, long-term debts at 9.3% and equity capital (equity ratio) at 12.4%. Compared with 31st December 2012, short-term debts increased significantly (31st December 2012: share of short-term debts on the balance sheet 57.0%), whereas the equity ratio reduced significantly (equity ratio as of 31st December 2012: 31.9%).

Short-term debts as of 30th September 2013 stood at EUR 4,718,452 following EUR 2,972,783 on 31st December 2012. This represents an increase of EUR 1,745,669 or 58.7%.

Within the short-term debts, the most important items were trade liabilities were EUR 2,052,467 (after EUR 1,107,586 as of 31st December 2012, which represented an increase of EUR 944,881 or 85.3%), other provisions at EUR 1,790,996 (after EUR 1,745,990 as of 31st December 2012 a slight increase by EUR 45,006 or 2.6%) and other liabilities at EUR 459,098 (EUR 32,519 on 31st December 2012, which was an increase in other liabilities of EUR 426,579 or 1,311.8%). The financial liabilities to those close to the company were also recorded at EUR 350,000 (31st December 2012: EUR 0). This relates to a short-term, secured shareholder loan with Global Derivative Trading GmbH, the majority shareholder of The Fantastic Company AG.

Long-term debt fell slightly by EUR 18,049 or 3.1% from EUR 580,012 (31st December 2012) to EUR 561,963. These included pension fund provisions of EUR 146,000 (unchanged from the figure of 31st December 2012) and deferred tax liabilities of EUR 415,963 (31st December 2012: EUR 434,012).

The equity capital of The Fantastic Company Group increased by EUR 916,909 or 55.2% and had a value of EUR 744,688 on 30th September 2013 (31st December 2012: 1,661,597). Share capital remained unchanged at EUR 1,441,657. The group reserves had a negative value of EUR 949,917 (negative group reserves as of the 31st of December 2012: EUR 137,925). The minority shareholdings of third parties (non-controlling shares) had a value of EUR 252,948 on the reporting date (EUR 357,865 as of 31st December 2012).

Financial situation in the first nine months of the 2013 financial year

Liquidity and Financial Resources, Cash-Flow

Cash flow from ongoing business operations in the first three quarters of the 2013 financial year was negative at EUR 154,277 (outflow of funds from the current business activities in the 2012 comparative period: EUR 1,714,279). The cash flow from investing activities also resulted in an outflow of funds. This was at EUR 28,162 after an outflow of funds from investing activities totalling EUR 372,878 in the comparison period in 2012. The equivalent inflow of funds from financing activities resulting from taking out a loan totalling EUR 350,000 (inflow of funds in the comparison period in 2012: EUR 1,419,332) resulting from the inclusion of positive currency differences totalling EUR 1,385 (2012 comparison period: EUR 5,169) generated an increase in liquid funds of EUR 168,946 (2012 comparison period: reduction in liquid funds by EUR 662,656).

The Fantastic Company group's liquid assets equalled EUR 336,237 on 30th September 2013 after equalling EUR 178,827 on 30th September 2012.

Interim Reporting

This third quarter report is unaudited and has not been inspected by the qualified auditor.

Events After The Accounting Cut-off Date

In November 2013, The Fantastic Company AG purchased 100% of the shares in the French company Société des Gestion des Marque SAS. The company, just like Fantastic subsidiary SICARA Fashion Accessories SAS, is involved in the marketing and distribution of fashion accessories in France. A shareholder loan was provided by the major shareholder (Global Derivative Trading GmbH) of The Fantastic Company AG to finance these transactions.

In addition in November 2013, the shares of minority shareholder (21%) in the SICARA Fashion Accessories SAS subsidiary were taken over so The Fantastic Company AG now holds 100% of the shares.

Group Statement of Comprehensive Income

	Reference to the Appendix	1st Jan - 30th Sept 2013 EUR	1 Jan - 30th Sept 2012 EUR
Sales Revenues	7	4,500,336	3,028,185
Costs Incurred to Achieve Sales Revenues		-1,936,532	-1,094,346
Gross Profit		***2,563,804***	***1,933,839***
Administration and General Costs	11	-1,576,367	-1,074,068
Distribution and Marketing	11	-2,149,498	-1,973,864
Other revenues		3,813	20,633
Operating Result (EBIT)		***-1,158,248***	***-1,093,460***
Financial Income		398	645
Financial Expenses		-29,386	-5,327
Capital Gains/Losses (net)		-7,895	-2,128
Total financial result		**-36,883**	**-6,810**
Pre-Tax Profit/Loss		***-1,195,131***	***-1,100,270***
Taxes	9	276,837	230,907
Net loss for the period		***-918,294***	***-869,363***
Undiluted and diluted result per share		[1] **-0.0037**	[1] **-0.0085**

[1] Number of shares (weighted average): 245,574,000 (previous year: 102,647,333)

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	Reference to the Appendix	1st Jan - 30th Sept 2013 EUR	1 Jan - 30th Sept 2012 EUR
NET LOSS FOR THE PERIOD		***-918,294***	***-869,363***
Currency differences		1,385	5,169
OVERALL RESULT		***-916,909***	***-864,194***

The overall result for the period is made up of

Shareholder of the parent company	-813,377	-779,441
Non-controlling shareholders	-104,917	-89,922
Total	***-918,294***	***-869,363***

The overall result is made up of:

Shareholder of the parent company	-811,992	-774,272
Non-controlling shareholders	-104,917	-89,922
Total	***-916,909***	***-864,194***

Balance sheet - assets

	Reference to the Appendix	30. Sept 2013 EUR	31st Dec 2012 EUR
Current Assets			
Liquid Assets		336,237	167,291
Receivables from Suppliers		961,222	230,178
Receivables from Associated Parties		500	9,923
Receivables from Third Parties		19,334	89,909
Inventory		1,086,698	1,214,982
Accrued Income		32,161	16,080
Total Current Assets		***2,436,152***	***1,728,363***
Fixed Assets			
Deferred taxes	9	708,744	449,956
Other financial assets and loans		134,983	130,965
<u>FIXED ASSETS</u>			
Real estate and buildings		2,002,322	2,102,116
Commercial equipment		42,029	47,967
Installations, Machines		6,121	58,745
<u>Intangible Assets</u>			
Goodwill	6	504,041	504,041
Customer base		167,056	177,147
Rights and Licenses		23,655	15,092
Total long-term assets		**3,588,951**	**3,486,029**
TOTAL ASSETS		***6,025,103***	***5,214,392***

Balance sheet - liabilities

	Reference to the Appendix	30. Sept 2013 EUR	31st Dec 2012 EUR
Liabilities			
Reserves		1,790,996	1,745,990
Liabilities from Suppliers		2,052,467	1,107,586
Other Liabilities		459,098	32,519
Other liabilities towards associated persons		14,340	7,375
Financial liability towards associated persons	12	350,000	0
Accrued Liabilities		51,551	79,313
Total Current Liabilities		***4,718,452***	***2,972,783***
Pension Fund Liabilities		146,000	146,000
Deferred taxes	9	415,963	434,012
Total Long-term Liabilities		***561,963***	***580,012***
Equity Capital			
Share Capital	10	1,441,657	1,441,657
Group reserves		-949,917	-137,925
Non-controlling Shares		252,948	357,865
Total Equity Capital		***744,688***	***1,661,597***
TOTAL LIABILITIES		**6,025,103**	**5,214,392**

Performance of Shareholders' Equity 2013

EQUITY CAPITAL All figures in EUR	**Share Capital**	**Currency differences**	**Retained earnings**	**Non-controlling Shares**	**Total Equity Capital**
Status as of 01.01.2013	**1,441,657**	**773,813**	**-911,738**	**357,865**	**1,661,597**
Items from the overall results:					
- Currency differences		1,385			1,385
- Actuarial losses from benefit-related pension schemes					
- Deferred taxes on the actuarial losses from benefit-related pension schemes					
- Net loss for the period			-813,377	-104,917	-918,294
Overall Result		**1,385**	**-813,377**	**-104,917**	**-916,909**
Status as of 30.09.2013	**1,441,657**	**775,198**	**-1,725,115**	**252,948**	**744,688**

Performance of Shareholders' Equity - Comparison with Previous Year

EQUITY CAPITAL All figures in EUR	**Share Capital**	**Currency differences**	**Retained earnings**	**Non-controlling Shares**	**Total Equity Capital**
Status as of 01.01.2012	**1,438,190**	**766,127**	**-1,578,744**	**0**	**625,573**
Capital decrease	-1,971,631		1,971,631		0
Capital increase	1,159,783				1,159,783
Capital procurement costs			-94,024		-94,024
Change to minority interest from acquisition of SICARA				498,492	498,492
Items from the overall results:					
- Currency differences		5,169			5,169
- Net loss for the period			-779,441	-89,922	-869,363
Overall Result		**5,169**	**-779,441**	**-89,922**	**-864,194**
Status as of 30.09.2012	**626,342**	**771,296**	**-480,578**	**408,570**	**1,325,630**

Consolidated Cash Flow Statement

	Reference to the Appendix	1 Jan - 30th Sept 2013 EUR	1 Jan - 30th Sept 2012 EUR
Cash-Flow from Current Business Activity:			
Pre-Tax Profit/Loss		-1,195,131	-1,100,270
Depreciation		184,030	115,046
Financial Income		-398	-645
Financial Expenses		29,386	5,327
Decrease (-)/Increase (+) in Inventory		128,284	572,730
Decrease (-)/Increase (+) in Trade Account Receivables		-731,044	-567,196
Decrease (-)/Increase (+) in other Short-term Receivables		63,915	123,493
Decrease (-)/Increase (+) in Trade Account Liabilities		944,881	-1,195,166
Decrease (-)/Increase (+) in other Short-term Liabilities		450,788	231,100
Decrease (-)/Increase (+) in other Long-term Liabilities		0	83,000
Paid Taxes		0	22,984
Interest and Dividends Paid		-29,386	-5,327
Interest and Dividends Received		398	645
Cash Inflow (Outflow) from Current Business Activity		***-154,277***	***-1,714,279***

	Reference to the Appendix	1st Jan - 30th Sept 2013	1st Jan - 30th Sept 2012
		EUR	**EUR**
Cash Flow from Investment Activity:			
Investments in movable tangible assets		-24,144	0
Investment in financial assets		-4,018	-130,337
Sale of mobile fixed assets		0	110,400
Expenditure for acquiring other companies	6	0	-352,941
Cash-Flow from Investment Activity		***-28,162***	***-372,878***
Cash Flow from Financing Activity:			
Deposit by taking out loans		350,000	0
Capital procurement costs for capital increase		0	-94,024
Capital increase in SICARA		0	353,573
Capital increase		0	1,159,783
Cash Inflow (Outflow) from Financing Activity		***350,000***	***1,419,332***
Conversion differences for Cash and Cash Equivalents		1,385	5,169
Increase/Decrease in Cash or Cash Equivalents		**168,946**	**-662,656**
Consolidation-related change in financial funds		**0**	**135,415**
Liquid assets at start of period		**167,291**	**706,068**
Liquid assets at end of period		**336,237**	**178,827**

Notes for the Consolidated Financial Statements -

Notes on the Consolidated Interim Financial Statements

The third quarter reporting has been performed with abbreviated explanations. For a detailed explanation, please refer to the consolidated report of 31st December 2012.

1. Business Activity

"The Fantastic Company AG" is a Swiss Public Limited Company whose head office is located in Zug, Switzerland. The Commercial Register for Zug, Switzerland, has an entry for the Company with the number CH-170.3.021.014-9. The business year is the calendar year. The Company's area of activity is the purchasing, retaining and administering of shareholdings in other companies.

The commercial activities of the operationally active SICARA subsidiary involve the import and sale of stylish accessories, in particular sunglasses and reading glasses, and also trendy shoes for wear at home and for leisure activities.

2. Application of New Invoicing Standards

TFC applied the revised IAS 19 Employee Benefits standard (rev. 2011) for the business year starting on 1st January 2012 before the deadline requiring it to do so. It already started using this standard from the 31st of December 2011.

Although the following changes or additions to the standards and interpretations of the IASB should be applied for the first time in the business year starting 1st January 2012, they have either no effect (or only a very minor effect) on the TFC Group's consolidated accounts.

- IAS 12 Deferred taxes - achievement of underlying assets
- IFRS 7 data - transfer of financial assets

As of the 1st of January 2013, the following changes or additions to the standards and interpretations of the IASB came into force, and must be applied. However, they have either no effect (or only a very minor effect) on the consolidated accounts of the TFC group.

- IFRS 10 - Consolidated Financial Statements
- IFRS 12 - Data about shareholdings in other companies

3. Main Valuation and Accounting Methods

Preparation of the Consolidated Financial Statements

The company's Consolidated Accounts on 30th September 2013 was drawn up in accordance with the IFRS published by the International Accounting Standards Board (IASB), including the International Accounting Standards Board (IAS) and the interpretation of the International Financial Reporting Standards Interpretation Committee (IFRIC) or the Standing Interpretation Committee (SIC). It takes into account all the applicable standards and interpretations for the business year 2013, insofar as they are relevant to the current set of Consolidated Accounts. The comparative figures for the business year 2012 were determined in accordance with the same principles.

The reporting currency is the Euro since the Company will primarily generate revenue in Euro in its future business activities. The Group's in-house profits and losses, sales revenues, expenses and revenues, and any current receivables and liabilities between consolidated companies, and interim results are eliminated.

Consolidated group

These audited Consolidated Accounts are for "The Fantastic Company AG" and its subsidiaries "The Fantastic TM GmbH", "Corporate Equity Direct GmbH" and "SICARA FASHION ACCESSORIES SAS" (referred to jointly as the "Group").

The Fantastic Company AG	Switzerland	Holding
The Fantastic TM GmbH	Switzerland	100%
Corporate Equity Direct GmbH	Switzerland	100%
SICARA FASHION ACCESSORIES SAS	France	79%

Consolidation Principles

Capital consolidation has been carried out in accordance with IFRS 3 (revised 2008), which had to be applied for the first time from business year 2009.

Business acquisitions are accounted for using the purchase method of accounting which requires that the assets and liabilities acquired be recorded at their fair value on the date that effective control is gained.

Application of the purchase method requires certain valuations and judgements, particularly with respect to the fair market value of intangible assets and property, liabilities assumed at the time of acquisition and the useful life of the intangible assets and property acquired.

The goodwill corresponds to the surplus from the total of the transferred consideration, the amount of all non controlling shares in the purchased company, the current fair value of the equity capital in the purchased company previously received from the purchaser (if given), and the balance of the amounts of the purchased identifiable assets and transferred liabilities existing on the acquisition date. If, after successful revaluation, the share of the current fair value of the purchased identifiable net asset allocable to the Group is larger than the total of the transferred consideration, the amount of the non controlling shares in the purchased company, the current fair value of the equity capital in the purchased company previously received from the purchaser (if given), then the amount that exceeds that total value must be recorded as profit with an effect on revenue, without delay.

Goodwill is recorded as an intangible asset, and has an indeterminate utilisation period. It is subject to at least one annual impairment test, or a more frequent impairment test, if there are indications that there is a requirement for value reduction. Each reduction in value is recorded immediately with an effect on revenue. There is no subsequent reinstatement of original values. Goodwill is reported separately in the consolidated balance sheet. Profits and losses arising during the sale of a commercial business contain the assignable goodwill book value.

Revenue recognition

Sales revenues are entered once the goods have been supplied. Sales revenues have been reported minus all sales deductions, excluding excise duties, and after reducing the performed or expected product returns, in the sense of goods that have been taken back, but not because of quality failings.

Income Taxes and Deferred taxes

The income tax expense represents the total for the current tax expense and the deferred taxes. The current tax expenditure for the year has been determined on the basis of the taxable income. The taxable income differs from the Consolidated result from the Group Statement of Comprehensive Income since it excludes expenses and revenues that in will be taxable, or eligible for use as tax deductions, in later years or never. The Group's liability to pay these current taxes has been calculated on the basis of the valid taxation rates, or those that will shortly apply when seen on the balance sheet date.

The liability method has been used to record deferred taxes on temporary differences resulting from differences between the book value of assets and liabilities in the IFRS financial statements, and their tax book value. In addition, deferred taxes have been formed on tax losses that can be used in the future.

Deferred tax claims and tax debts have been determined on the basis of the expected taxation rates (and the tax laws) that were assumed to apply at the time the debt was discharged or the asset was realised. The evaluation of deferred tax claims and tax debts mirrors the tax consequences whose type and manner would result from how the Group would expect to meet the liability or realise the asset value on the balance sheet date.

The book value of the deferred taxes is checked on the reporting date each year and reduced if it is no longer probable that sufficient taxable income will be available, to complete or partially realise the claim. Consequently, deferred taxes for tax-loss carry-forwards have only been reported in the balance sheet to the extent that foreseeable future results, for which taxes will be due, will be available for offsetting the temporary differences or for utilising the tax losses.

Deferred tax claims and tax debts have been balanced out against each other if an enforceable right to offset current tax claims against current tax debts existed, and if they related to revenue taxes from the same tax authority, and the Group had the intention to settle its current tax claims and tax debts on a net basis.

Current and deferred taxes have been recorded as expenditure or income, having an effect on revenue, unless they related to items that have been entered in the other result or directly in the equity capital.

Deferred taxes on as yet unused tax losses carried forward have - in accordance with IAS 12.24 and IAS 12.35 - not been recorded for individual companies of The Fantastic Company Group, with the exception of SICARA, because the utilisation of such amounts cannot be determined with sufficient certainty.

Liquid Assets

The Company treats all capital investments with high fungibility and a due date of up to three months from the date of acquisition as liquid assets.

Tangible assets

Tangible assets are valued in accordance with IAS 16 at the lower of either the cost of acquisition or cost of production. Maintenance, repair and renovation costs are deducted from net income, whereas significant acquisitions of fixed assets are reflected in the balance sheet. Acquisition costs and accumulated depreciation relating to the retirement of these fixed tangible assets are netted off. Profits and losses resulting from the retirement of fixed tangible asset items are recorded in the statement of comprehensive income. Tangible assets are depreciated on a linear basis over the period of their anticipated life.

Balance sheet item	Utilisation period	Method
Buildings	20 to 30 years	Linear
Technical Plant and Machinery	2 to 5 years	Linear
Plant equipment	5 to 10 years	Linear
Office Furniture and IT	3 to 5 years	Linear
Other Furniture	5 years	Linear

Intangible Assets

Intangible assets (patents and similar rights) that have been bought from third parties have been recorded at acquisition cost, minus accumulated depreciation.

Depreciation has been debited on the statement of comprehensive income, on a linear basis over the expected useful life, under the following items: "Expenses relating to achieving Sales Revenues“, "Administration and General Costs" and "Sales and Marketing". Intangible capital goods are depreciated commencing with the date of first use. The expected useful live of these assets are:

Balance sheet item	Utilisation period	Method
Software	3 years	Linear
Patents and similar rights	5 years	Linear

Customer base

The acquired value of the established customer relationships is entered as the customer base and is depreciated in the following years over the expected useful life.

Reduction in Value of Assets (Impairment)

At least at every accounting date, a judgement is made to determine whether there are indications of an impairment of the accounting values of the assets of the Group. When there are such indications, the achievable value of the assets is investigated. A loss resulting from impairment is entered in the accounts if the current accounting value is higher than the achievable value. The higher of the two values, net resell value and value obtained through use, is applied in the valuation model. The value from use is obtained from the estimated future cash flows derived from the use of the assets. The discount rate used for this corresponds to the average capital interest rate of the country in which the asset is located, taking into account the specific risks of the asset.

Reserves

Reserves are all current liabilities whose due date and amount cannot be finally evaluated and whose cause lies in the past. Management has estimated the value of reserves and their likelihood of occurrence to the best of its knowledge.

Personnel Pension Arrangements and other Benefits for Employees

The Group maintains a number of pension schemes for employees who meet the eligibility criteria in Switzerland or in France. These pension schemes are arranged in accordance with the guidelines and circumstances of the particular country. The schemes insure eligible Group employees against the risk of death, and provide for invalidity and retirement pensions. The contributions of the occupational pension scheme are paid by the employer and employees in accordance with the laws and regulations outlined in the respective codes of conduct.

In accordance with legal guarantees, these pension schemes are classified as benefit-related. The cost of this pension scheme and the cash value of the pension commitment are determined on the basis of actuarial assumptions using the projected unit credit method. The evaluation of the pension commitment is carried out annually by an independent expert.

The revised version of IAS 19 has been applied in our consolidated accounts since the 1st of January 2012, and the comparative figures as of the 31st of December 2011 have been revised accordingly after the application of IAS 19.

Transactions with Related Persons or Parties

Someone who can directly or indirectly exert a significant influence on financial or operational decisions of the Company or the Group is considered a related person or party (natural or legal). Companies that are directly or indirectly controlled by related persons or parties also count as related.

Conversion of Foreign Currencies and Currency Differences

The accounting of the Group companies is carried out in the currency of the economic region in which the particular company is primarily active (functional currency). Currently, these are the Swiss franc (CHF) and the Euro (EUR).

Transactions in foreign currencies are converted into the functional currency at the exchange rates that were applicable on the day of the transaction, or, if need be, at the average rate for the month. Balance sheet items in foreign currency have been converted at the period-end exchange rate on the balance sheet date. Profits and losses from foreign currency transactions and from the revaluation at the period-end exchange rate are recorded as affecting net income.

The consolidated accounts are presented in Euro (presentation currency). The annual reports of the Group companies that do not show the EUR as the functional currency are converted at the exchange rates valid on the balance sheet date, using the cut-off date method (balance sheet items at the exchange rate on the cut-off day, statement of comprehensive income at the average exchange rate of the period). The conversion differences resulting from this are shown in the remaining overall results and reported in equity capital, and only shown as affecting net income in the case of a possible deconsolidation of the Group company.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial Instruments

The financial instruments of the Group consist of liquid funds, claims and liabilities. Financial instruments are then shown in the Group balance sheet if the Group becomes party to the contractual conditions of the instrument, which, in the case of purchase or sale of a financial instrument, corresponds to the trading day. The accounting value of financial instruments such as liquid funds and claims and liabilities essentially corresponds to the market value due to the short-term maturities of these financing instruments.

General Information concerning Risk Management

Through the involvement of the Board of Directors and management, risks are constantly monitored. All transactions are reviewed by at least two officers of the Company.

The main risks consist of the further development of international financial markets and thus the possibility of carrying out additional financing measures for the Company, successful implementation of the strategic alignment of the Group as a private equity management company, and the ability to identify appropriate investment properties within a reasonable time frame and perform the appropriate investments.

5. Main Causes of Estimation Uncertainties

The creation of the Consolidated Accounts requires estimates and assumptions which can influence the amounts of the assets, liabilities, and financial obligations, on the balance sheet date, and also the revenues and expenses for the business year. Although these estimates and assumptions have been made with the greatest care, and on the basis of all available information, the actual results may vary from them.

6. Changes to the Consolidated Group

SICARA FASHION ACCESSORIES SAS

In the middle of February, and at the start of March, 2012, in the context of a management buy out, TFC participated in two cash capital increases for SICARA FASHION ACCESSORIES SAS, totalling TEUR 1,195 in value, and used them to purchase 79% of the voting shares. Following the acquisition through capital increase there was no outflow of funds from the Group.

The purchase price allocation involved in the majority acquisition of Sicara was finalised in accordance with the IFRS 3 guidelines within the maximum period of 12 months. As a result there were changes in the previous year's third quarter accounts to 30th September 2012 and also in the figures to 31st December 2012. They concern the following profit and loss statement items, reported with the updated, revised figures as of 31st December 2012, shown in the sequence in which they have changed, by size:

- Customer base (reduced to TEUR 177)
- Goodwill (increased to TEUR 504)
- Deferred tax assets and liabilities (both reduced): deferred tax assets on TEUR 450 and deferred tax liabilities at TEUR 434)
- Value of the order stock of TEUR 9, which had already been achieved/depreciated.

7. Sales Revenues

Sales revenues are entered once the goods have been supplied. This equalled in the reporting period EUR 6,599,719. Expected product returns to the value of EUR 1,292,719 were deducted from this, as were sales deductions worth in total EUR 806,664. Consequently the resulting (net) sales revenues for the reporting period were EUR 4,500,336. These have been reported in the Statement of Comprehensive Income for the first three quarters of 2013.

8. Segment reporting

The basic operational activities of the TFC Group are performed in the SICARA subsidiary. Due to the fact that SICARA mainly sells fashion accessories in France under very much the same conditions to a homogeneous customer group (large-scale distribution), there is no longer any need to draw up a segment report.

The table below breaks down the gross Group revenues (before returns and discounts) by geographic markets, regardless of the origin of the goods or services:

Geographic information by customer site

In EUR	1st half of 2013	In %
France	6,304,620	95.5%
Export to neighbouring countries (Benelux, Spain)	295,099	4.5%

9. Deferred taxes

Deferred tax assets and liabilities are evaluated in accordance with IAS 12. Deferred taxes are determined for all temporary differences between the balance sheet amounts and the tax amounts stated, from consolidation procedures, and also on achievable accumulated losses brought forward. Deferred taxes have been calculated on the basis of the taxation rates expected in the countries on the date on which they are realised. The French deferred tax assets and liabilities were determined using a profit tax rate of 33.3 %. Those for Switzerland were determined using a profit tax rate of 16.0%. Deferred taxes for tax-loss carry-forwards have been taken into account to the extent that it is probable that they can be utilised by future taxable revenues. In the consolidated accounts, deferred taxes have been reported on the period losses for the year 2012 and also for the first nine months of 2013, by the operational subsidiary. SICARA had already implemented a restructuring concept in 2012 that greatly reduced the strong seasonality and enabled it to achieve profitability by making better use of organisational capacity. Our forecast is based on a time horizon of three years.

The deferred taxes consist of a temporary difference between the tax and book values in the following items for the Group:

In EUR	Assets	Liabilities
Property		360,667
Customer base		55,296
Tax loss carry-forwards	708,744	0
Valuation adjustments for deferred taxes		0
Deferred taxes (gross)	**708,744**	**415,963**

10. Share Capital

In EUR	30.09.2013	31.12.2012
Number of registered shares	245,574,000	245,574,000
Number of authorised shares [1)]	70,000,000	70,000,000
Number of conditional shares [2)]	73,672,200	73,672,200
Par value per share (CHF)	0.01	0.01
Share capital in EUR [3)]	1,441,657	1,441,657

[1] The Board of Directors is authorised, in accordance with Articles 651 and 652b para 2 OR (Swiss Code of Obligations) to increase the share capital at any time before 10th October 2014, to a maximum amount of CHF 70,000,000, by issuing a maximum of 70,000,000 new, fully paid up, transferable shares with a nominal value of CHF 0.01 per share. Increases by means of underwriting or instalments are permitted. The subscription rights of the shareholders are suspended with respect to these shares.

[2] The Company's share capital will be increased to the maximum amount of CHF 736,722 by issuing a maximum of 73,672,200 fully paid-up bearer shares with a nominal value of CHF 0.01 per share, by exercising conversion rights, involving a maximum of 73,672,200 bearer shares, to be issued, with a nominal value of CHF 0.01 per share and a maximum amount for the capital increase of CHF 736,722, or option rights involving a maximum of 73,672,200 bearer shares, to be issued, with a nominal value of CHF 0.01 per share and maximum amount for the capital increase of CHF 736,722, which are assigned in connection with straight bonds or similar bonds, issued by the Company or by Group companies, or by exercising option rights assigned to the shareholders. The shareholders will have no right to acquire the shares.

[3] The Company's share capital will be converted at the market price on the date of the capital transaction.

11. Personnel Costs

01.01.2013 - 30.09.2013 In EUR	**Administration/ general costs**	**Distribution and Marketing**	**Total**
Personnel Costs	479,140	1,289,119	1,768,259
Other Costs	1,097,227	860,379	1,957,606
Total	**1,576,367**	**2,149,498**	**3,725,865**

01.01.2012 - 30.09.2012 In EUR	**Administration/ general costs**	**Distribution and Marketing**	**Total**
Personnel Costs	425,179	952,596	1,377,775
Other Costs	648,889	1,021,268	1,670,157
Total	**1,074,068**	**1,973,864**	**3,047,932**

12. Business Transactions with Related Parties

According to IAS 24, relationships and business transactions with commercially related companies and natural persons shall be stated since their relationship can have an effect on the asset, financial, and revenue situation of the Group.

Payments to Board Members and Management

01.01.2013 - 30.09.2013 Values in EUR	**O. Krautscheid** P	**R. Meier** Board and Management	**M Gildner** Board and Management	**Total**
Board and Management fee	74,271	12,361	23,562	**110,194**
Contributions for Company pension scheme	3,490	0	498	**3,988**

01.01.2012 - 30.09.2012 Values in EUR	**O. Krautscheid** P	**R. Meier** Board and Management	**M Gildner** Board and Management	**Total**
Board and Management fee	74,588	13,282	43,503	**131,373**
Contributions for Company pension scheme	2,598	0	1,999	**4,597**

Payments to associated people of the Board of Directors

In EUR	**01.01.2013 -30.09.2013**	**01.01.2012 -30.09.2012**
Fees Lawyer Roger Meier	31,318	40,385
Fees Global Agenda GmbH [1)]	13,116	26,397
Total	**44,434**	**66,782**

[1)] "The Fantastic Company Group" concluded a media consultancy contract with Global Agenda GmbH on 1st April 2012. The contract runs for 24 months and ends on 31st March 2014. Mr Roger Meier, member of the Board of Directors, is Managing Director of Global Agenda GmbH. Mr Meier does not have a contract of employment, and receives no remuneration for this position. Furthermore, Mr Markus Gildner is the sole member of the Board of Directors for the sole shareholder.

Payments to a person associated with the Board of Directors

On the 8th of April 2013, the company received a short-term loan worth EUR 350,000, obtained on the usual market terms, from Global Derivative Trading GmbH, the majority shareholder in The Fantastic Company AG. The normal market (effective) interest expenditure until the reporting date equalled EUR 14,340 (in the previous year zero).

13. Legal Disputes

The Company was not party to any court actions or legal cases in the reporting period. In the case of the operational subsidiary, legal disputes involving the employees, and concerning a patent infringement, did exist on the balance sheet date .

14. Events After The Accounting Cut-off Date

In November 2013 The Fantastic Company AG purchased 100% of the shares in the French company Société des Gestion des Marque SAS. The company, just like Fantastic subsidiary SICARA Fashion Accessories SAS, is involved in the marketing and distribution of fashion accessories in France. A shareholder loan was provided by the major shareholder (Global Derivative Trading GmbH) of The Fantastic Company AG to finance these transactions.

In addition in November 2013, the shares of minority shareholder (21%) in the SICARA Fashion Accessories SAS subsidiary were taken over so The Fantastic Company AG now holds 100% of the shares.

15. Approval by the Board of Directors

The Third Quarter Financial Report was approved for publication by the Board of Directors on December 2nd, 2013.

16. Binding version

These Consolidated Accounts appear in German and English. Only the German version is legally binding. The English version is a translation.

Other Details

General Comments

The development of our Company is most clearly expressed in the Consolidated Accounts. Like many other companies we have decided, in the interest of clarity, not to include the figures from the annual financial statement of The Fantastic Company AG in the interim report.

Forward-looking Statements

This document contains statements that look into the future, concerning future developments based on current estimates by the management. Words like "anticipate", "assume", "believe", "estimate", "intend", "can/could", "plan", "project“, "should", and similar expressions, identify such forward-looking statements. Such statements are subject to certain risks and uncertainties. Should such factors causing uncertainty, or other imponderables, occur, or should one of the assumptions underlying the statements prove to be incorrect, the actual results could differ fundamentally from the results given in these statements or the results that are implicitly expressed. We neither have the intention, nor do we take on the duty, to constantly update these forward-looking statements, since they depend exclusively on the circumstances that apply on the day they are published.

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