T|F|C

# The Fantastic Company AG
# Group Annual Report 2013

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# Overview of the Group

| | 1st Jan – 31st Dec 2013<br>EUR | 1st Jan – 31st Dec 2012<br>EUR |
|---|---|---|
| **Sales revenues** | 5,079,227 | 4,549,556 |
| **Gross profit on turnover** | 2,437,772 | 2,618,060 |
| **Earnings before interest and taxes (EBIT)** | -2,294,372 | -1,584,513 |
| **Annual profit or loss** | -1,590,143 | -1,266,465 |

| | 1st Jan – 31st Dec 2013<br>EUR | 1st Jan – 31st Dec 2012<br>EUR |
|---|---|---|
| **Cash flow from business activity** | -1,040,201 | -2,328,892 |
| **Cash flow from investment activity** | -910,932 | -168,775 |
| **Cash flow from financing activity** | 2,428,585 | 1,975,098 |
| **Exchange rate fluctuations** | 18,946 | -16,208 |
| **Changes in liquid assets** | 496,398 | -538,777 |
| **Liquid assets at the end of the year** | 663,689 | 167,291 |
| | **31st Dec 2013**<br>EUR | **31st Dec 2012**<br>EUR |
| **Non-current assets** | 6,271,117 | 3,486,029 |
| **Current assets** | 7,433,838 | 1,728,363 |
| **Current liabilities** | 9,835,784 | 2,972,783 |
| **Non-current liabilities** | 3,772,445 | 589,805 |
| **Equity capital** | 96,726 | 1,651,804 |
| **Equity ratio** | 0.7% | 31.7% |
| **Balance sheet total** | 13,704,955 | 5,214,392 |

# The world of our brands

## EYEWEAR BRANDS

### Own eyewear brands

- SICARA
- Pola Sun
- Hors Piste
- Amy Rose
- Côte Lecture
- Côte Soleil
- Hot'z
- Jiko
- Little Jack
- Manitou
- Nina Casari
- Pichoun's
- Presto
- StopSol
- Tom Smith
- Twenty
- Visiosoft
- Toxic
- TX

### Licensed eyewear brands

- Rivaldi
- Terre des Marins
- Maui and Sons
- Disney
- Freegun
- Hello Kitty
- Lulu Castagnette
- Longboard
- Marvel
- Olympique de Marseille
- Rica Lewis

### Distributed eyewear brands

- 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,**

In 2013, the growth-oriented path initiated in the previous year expanded further for "The Fantastic Company AG" (in the following: TFC). The announced "buy-and-build strategy" was implemented with the takeover of all shares in the Société de Gestion de Marques (in the following: SOGEMA). This company has been selling products comparable to those of SICARA with the same sales channels for around 30 years. With more than two million sunglasses sold annually, SOGEMA is the market leader in French supermarkets. In addition to this, SOGEMA has in recent years successfully developed additional product categories, including umbrellas and jewellery products. SOGEMA has 40 employees and is based in Oyonnax near Geneva.

Toward the end of the reporting year we also acquired 21% non-controlling interests in SICARA, so that we now hold all shares in one portfolio.

A special challenge was the difficult economic environment in the French retail sector, which is characterised by stagnation and high unemployment.

Thus the focus on the emphasis of synergy: scale effects on the procurement side and in administration. All work processes and departments are being examined with a view to increasing efficiency.

Operative improvement measures and fixed cost reduction. The improvements primarily involve:

- Cost discipline throughout the company
- Streamlining of the assortment and renegotiation of licensing agreements
- Stringent branding and improved results through strengthening of home brands
- Improvement of operative processes to increase work productivity
- Exploitation of growth potential through non-summer products such as umbrellas and jewellery, etc.

In the reporting year our subsidiary company SICARA celebrated its 50th company anniversary.

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As the result of the takeover of SOGEMA, the figures of the previous year up to 31 December 2012, which are indicated in the following Management Discussion & Analysis and in the consolidated financial statement, are therefore not comparable with the figures in the reporting year of the group. In addition, the determination of the market values for the purchase price allocation has commenced, which could still result in changes to the indicated preliminary figures.

The administrative board thanks all business partners, friends and stockholders of the company for the trust you have shown. We will continue to work hard to justify the trust you have placed in us and to sustainably increase the company value of TFC.

Zug, Switzerland, April 2014

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*

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# The Board of Directors in 2013

In fiscal year 2013 there were no changes in the composition of the Board of Directors. The table below lists the members and their other directorships or similar functions:

| Name and function | Other directorships or similar functions |
|---|---|
| **Oliver Krautscheid,** **President of the Board of Directors**<br>Frankfurt am Main, Germany | DESIGN Bau AG, Director of the Supervisory Board<br>EASY SOFTWARE AG, Director of the Supervisory Board<br>EPG AG, Director of the Supervisory Board<br>Fortunatus GmbH, Managing Director<br>Heliocentris Energy Solutions AG, Supervisory Board<br>Value Investor Partners GbR, Partner |
| **Roger Meier-Rossi,** **Vice-President of the Board of Directors**<br>Zürich, Switzerland | Adastra AG, Board of Directors<br>Anerdgy AG, Board of Directors<br>Corporate Equity Direct GmbH, Managing Director<br>EMM Legal, Partner<br>ETWeb Software AG, Board of Directors<br>ExecuTRACK Software AG, Board of Directors<br>Fortunatus GmbH, Managing Director<br>Global Agenda GmbH, Managing Director<br>Projektreal AG, President of the Board of Directors<br>The Fantastic TM GmbH, Managing Director |
| **Markus Gildner,** **Member of the Board of Directors**<br>Hamburg | Time6Money AG, President of the Board of Directors<br>Solgarden GmbH, Managing Director |

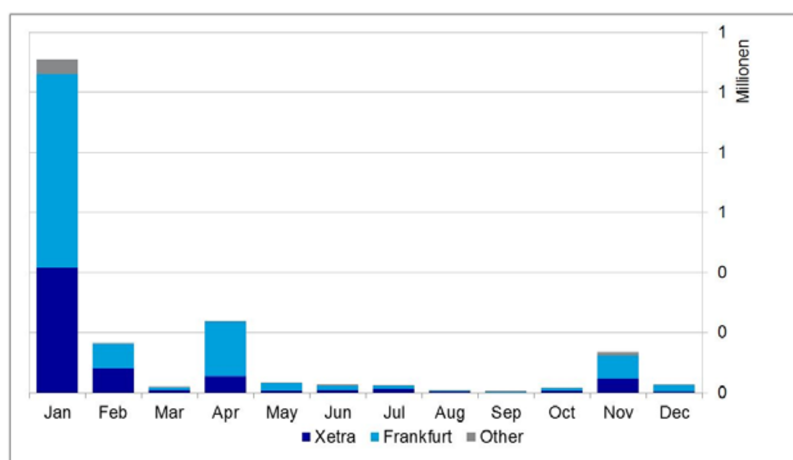
## Summary Information about TFC Shares

| | |
|---|---|
| **Ticker symbol (i.e. stock exchange code)** | *FAN* |
| **International securities identification number (ISIN)** | A0YJPEW / CH 0108 753 523 |
| **Designated sponsor** | Equinet AG, Frankfurt |
| **Market segment** | Regulated market/prime standard<br>From 21 Aug 2014 general standard |

| | **2013** | 2012 |
|---|---:|---:|
| **Share value in EUR cents** | | |
| Listed share price at year end | **1** | 1 |
| Highest listed share price | **4** | 4 |
| Lowest listed share price | **1** | 1 |
| Number of shares | **245.574.000** | 245.574.000 |
| **Market capitalisation** In thousands of EUR (31.12.) | **2.455** | 2.455 |
| **Share capital** in thousands of EUR | **1.442** | 1.442 |
| **Equity ratio of the group** in % | **0.7%** | 31.6% |

## TFC at the capital market 2013

The median monthly trading volume 2013 in TFC shares in aggregate of all trading locations amounted to EUR 27.549 (Source: Deutsche Börse AG)

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Very low trade volume due to low free float. No functioning market and credible transactions. TFC share price amounted on average EUR 1-2 cents with the exception of January 2013 when a share traded at EUR 4 cents.

**Shareholder structure**

| | |
|---|---|
| Global Derivative Trading GmbH | 89.08% |
| Free float | 10.92% |

**Investor relations**

In this last fiscal year, TFC regularly informed private investors, institutional investors as well as the business press about the company's business situation, and about other major developments involving the group as well. It has done so by means of financial publications as well as ad hoc bulletins and press releases.

At the Ordinary General Assembly on the 28th June 2013 the Board of Directors informed the represented shareholders about the results for reporting year 2012 and the developments in the first quarter of 2013.

You will find information about The Fantastic Company AG, and also comprehensive financial documentation, on the Internet at www.Fantastic.com.

You can contact our Investor Relations Service at:


Phone +41 44 350 2280
Fax +41 44 350 2282
E-mail info@fantastic.com


## Financial calendar for 2014

| | |
|---|---|
| **16th May 2014** | **Interim Report I/2014** |
| **24th June 2014** | **General Meeting** |
| **1st Sep 2014** | **Semi-annual report for 2014** |
| **18th Nov 2014** | **Interim Report II/2014** |

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# Company profile

## Business activity

**TFC acts as a holding company that**, among other things, accompanies the business transactions of subsidiary companies and carries out further acquisition projects. TFC's tasks as a holding company are:

- Strategic alignment and ongoing monitoring of the Group's strategy as well as that of associate companies;
- Identifying, addressing and reviewing other potentially suitable shareholdings domestically and abroad on the basis of the corporate strategy;
- Negotiating and carrying out the acquisition of companies and shareholdings;
- Organising the funds and financing further Group development;
- Controlling, risk management and compliance;
- Creating valuation and accounting - guidelines as well as preparing the Group financial report in accordance with IFRS;
- Group planning;
- Leading the management of the Group's companies and supporting them with regard to operational questions;
- Integrating the shareholdings into the consolidated Group;
- Organising and coordinating cross-group committees and processes as well as structuring the Group,
- Coordinating project activities;
- Controlling cross-group PR, Marketing and Investor Relations.

**The marketplace and customer structure in France**

The operative business of our French subsidiary companies is primarily generated in the French large-scale distribution.

For the majority of French people, the regular weekly visit to the large supermarket chains is an important element of leisure activity due to the variety of offerings, activities and promotional campaigns.

The largest market share in terms of sales is held by the Carrefour Group, followed by Leclerc, Intermarche, Auchan, Casino, System U and Cora.

All major hypermarket and supermarket chains are customers of our two subsidiary companies.

The dependence of customers upon the Carrefour Group has been reduced to an economically acceptable extent in the course of recent years. On the whole, the Carrefour Group represented less than 30% of sales in 2013. However, half of Carrefour sales are in the decentralised 'Carrefour Markets', which have a strong and personal relationship with suppliers.

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Our key French customers are:

**Operative business in France:**

Typically, the strongest sales months for the core products of sunglasses are February to May each year. This results in surplus liquidity, and low liquidity in the autumn and winter months because operational fixed costs continue despite low sales.

This starting point gave TFC an incentive to extend the products that sell well all year, reading glasses and shoes, significantly, in order to offset a strong dependency on the summer season. Through the acquisition of SOGEMA, we have also expanded the product assortment with umbrellas and jewellery, which reduces the dependency of business upon the sun.

Sunglasses are generally sold decentrally. The share of promotional campaigns for sunglasses and reading glasses is directly processed by the head offices of the major retail chains.

**De Fonseca**

DeFonseca in Turin is Italy's established market leader for

- indoor and casual shoes for the entire family, especially indoor slippers;

- Three-dimensional collections, often derived from successful TV series and accompanying the 2013 cinema success: "The Smurfs";

- Ballerinas, flip-flops, soft sporty shoes and also wellness and spa footwear.

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Their unmistakably individualistic appearance and modern, stylish Italian design make these products stand out from the crowd. The exceptionally high standards of handcrafted construction and quality, coupled with the unequalled variety of the collection are the unique feature of the DeFonseca brand.

By outsourcing its production abroad, whilst still manufacturing to strict Italian standards, DeFonseca achieves a cost-benefit ratio that puts its products within the reach of a wide spectrum of prospective customers. DeFonseca launches four collections a year of which its Autumn/Winter collections generate significantly greater revenues than the Summer collections.

In addition to the shoes as compensation for the strong summer business, since the acquisition of SOGEMA the company also has a strong umbrella and jewellery business.

SOGEMA modern jewelry collection comprises bracelets, earings etc.

# Organisation, in-house controls and risk management

## Organisation

One of the most noticeable features of TFC's corporate culture is its lean organisational format and flat hierarchical structure, which means decisions can be made quickly and effectively and information transferred efficiently.

## In-house control system

The task of the in-house control and risk management team is to ensure compliance with currently applicable legal guidelines and to ensure the accounts are drawn up in a legally compliant, effective and commercially sound manner. It defines principles, procedures and measures to achieve this.

## Risk report

The early recognition of risks and the countermeasures that need to be derived from them are an important element of corporate management because of its international business activity.

To complement this, the risk policy has the aim of securing the existence of the company, increasing the company value over the long term as well as achieving financial and strategic company goals.

## Risk management

In the TFC Group, comprehensive and efficient risk management is an essential component of corporate management. The Group's highly efficient controlling system is the foundation of the risk and opportunity management strategy in our company. On the one hand, it enables the Board and Management to receive relevant and timely information about those risks which would affect the company's viability or which would have a dramatic negative effect on the company's financial or revenue situation.

The risks are checked at least once a year to see whether they are still relevant, processed again if necessary or supplemented by the addition of new aspects. Depending on their severity, risks can also undergo these checks at semi-annual or quarterly intervals. Thanks to the ongoing monitoring of early warning indicators, any changes to plans can be identified early.

The individual risks identified in the TFC group are grouped together into general risk areas. In turn, these are assigned to an external, strategic, financial, operational or company organisation-related main risk category.

- *External risks*: Overall economy; sales markets and weather.
- *Strategic risks*: Collection; seasonal trends and brand.

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- *Financial risks*: Financing and cash resources; investment, currency exchange rates.
- *Operational risks*: Suppliers and procurement markets (dependencies, product costs); quality; logistics; sales.
- *Organisational risks*: IT; Legal; HR; Corporate Governance and Compliance.

Currently identified significant risks which may be faced by the group are analysed and described below.

**External risks**

In addition to the risks inherent in the economy as a whole, such as domestic demand in France, the operational subsidiaries are faced with potential sales risks from the substitution of the manufacturer's brands with private brands and a gradual migration of sales paths for sunglasses to filling stations, kiosks and other retailers. However, the management currently regards these as minor risks.

The main risk may be a lack of sunny days in spring/summer, because there is a certain correlation between sunglasses and sunny days. This risk can be limited by France's large geographical size and by SICARA's breadth of distribution networks.

**Strategic risks**

Rapid and unexpected changes in fashion and lifestyle trends can pose risks to collections. The challenge here is to identify the right trends at the right time and to reflect these quickly in the collection. These types of risk can be reduced by targeted product and trend research and the implementation of a strategy of developing varied product ranges. The management regards the probability of risks to the collection as minor.

The operational subsidiaries' commercial success is also based on their brand image and attractive product range. We constantly strive to produce customer-oriented brands and product ranges.

**Financial risks**

The central tasks of the TFC Group include coordinating the finances required within the Group, ensuring the financial independence of the company as a whole as well as reducing financial risks. Liquidity would be put at risk if the available cash and cash equivalents were insufficient to meet existing or future financial obligations, either at the right time or at the right amount.

The TFC Group is largely self-financed in order to finance organic and inorganic company growth. As the TFC Group is still suffering from relatively weak earnings, further corporate actions appear to be necessary.

Description of possible investment risks. Bottlenecks in warehousing capacity may occur as a result of long-term growth in revenues. One solution would be to split off parts of the warehousing operation.

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Currency risks are mainly the result of purchasing in USD in China and making sales in the Euro zone. The flexibility of the (mainly Chinese) suppliers keeps this risk within limits because the entire European market for sunglasses is almost wholly supplied by Chinese manufacturers.

**Operational risks**

The stringent demands made on product quality and therefore also the procurement and production processes require effective partnerships with suppliers. Dependencies can arise from concentrating production capacity at main suppliers. An additional possible risk could result from regional events that simultaneously affect several suppliers or product groups. The supplier structure is examined regularly and purchasing volumes are distributed to spread the risk and make the Group as independent from individual production companies as possible.

Although no individual supplier is a concentration risk for TFC, these companies produce primarily in China overall. This can cause supply bottlenecks in cases of force majeure such as earthquakes or strikes. However, this has not happened yet.

Wage increases in production industries, which are especially likely in regions with developing economies, added to rising raw material prices may lead to higher product costs and, as a consequence, impact the gross profit margin. If we look at current developments in China, our main procurement market, the Board of Directors assumes that although the risk of higher product costs is possible, this would have only a limited negative effect on the expected earnings trend.

In this sector it is quite usual that customers must agree to procure specific sales volumes from suppliers before the goods are sold to the retailer; this is known as assignment risk. Reassignments are rarely possible due to the long delivery times. Reducing excessive warehouse stocks caused by too much pre-purchasing can only be achieved by careful negotiation with the customers. In addition, operational subsidiaries are prepared to limit potential excessive assignment by working together on promotional sales activities with selected customers.

The core risk that all manufacturers of sunglasses have is that unsold products are returned (excluding quality-related returns).

Reduced collections tailored to local market needs and supplied in shorter intervals during the season. This not only speeds up stock turnover but also prevents the sales channels from becoming oversupplied with products.

We are also working on a system for sending goods that are returned in first-class condition back for sale at good margins by creating new combinations of product ranges (re-merchandising).

Risks from competitors in the sunglasses market can be countered by targeted product development and an attractive,

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customer-friendly sales strategy. TFC uses eye-catching displays to stand out from the competition.

**Organisational risks**

IT risks consist of system crashes, data loss and unauthorised access. These are addressed by a range of measures, such as keeping virus protection programs up-to-date, the assignment of access rights and access control systems.

Legal risks may occur as part of normal business activity. All legal disputes are monitored centrally. Last year the Group accrued sufficient reserves to cover court costs and legal advice fees. Although further legal risks are possible, the Board of Directors considers their potential to affect the group's asset, financial and revenue situation to be small.

Risks relating to employees generally involve key persons, a shortage of skilled employees and turnover.

# Analysis of the economic position

After The Fantastic Company Group acquired 79% of the shares of SICARA FASHION ACCESSORIES SAS in fiscal year 2012, the acquisition of the remaining 21% followed in the year under review. In addition, the companies Société de Gestion de Marques SAS ("SOGEMA") and Roseane SAS, which are active in the same market, were acquired in full in November 2013. In the Group statement of comprehensive income and the Group cash flow statement for the time period from 1st January until 31st December 2013, this was the first time SICARA was fully consolidated for 12 months. SOGEMA and Roseane, on the other hand, were consolidated only for five weeks within the period. The balance sheet as of 31st December 2013 shows the full consolidation of SOGEMA and Roseane. As a result, direct comparability of the figures reported in the previous year for fiscal year 2012 is not available.

The adjustment of the final purchase price allocation from the acquisition of SICARA had long-term effects on the comparative figures for the previous year (see Notes for the consolidated financial statements, Chapter 7). For this reason, the comparative figures for the previous year reported for individual items in this financial statement may contain figures different from those presented for the particular items in the Annual Report 2012.

## Group revenues and earnings situation for 2013

For fiscal year 2013, the Group reported revenues of EUR 5,079,227, compared to

EUR 4,549,556 in fiscal year 2012. This represents nominal revenue growth of EUR 529,671 or 11.6%. Although, it must be taken into account that this includes EUR 577,414 from the one-time consolidation of SOGEMA and Roseane. Without these business acquisitions, the revenue would have declined significantly.

The costs incurred to achieve sales revenues were EUR 2,641,455 in 2013 and increased by EUR 709,959 or 36.8% compared to fiscal year 2012 (EUR 1,931,496). The gross profit of revenue fell to EUR 180,288 or 6.9% less than the previous year due to the disproportionately high increase in costs incurred to achieve sales revenues. It reached EUR 2,437,772 (fiscal year 2012: EUR 2,618,060).

The costs for managing and general costs noticeably increased EUR 554,914 or 29.0% from EUR 1,912,211 in the 2012 fiscal year to the current figure of EUR 2,467,125. The costs for marketing and sales also significantly increased, specifically by EUR 595,132 or 25.6%, and reached EUR 2,921,412, compared to EUR 2,326,280 in the previous year. Along with these increases in costs, which can primarily be traced back to the acquisition and time-based consolidation of the two new subsidiaries, The Fantastic Company Group was able to mark a drastic increase in remaining revenues of EUR 620,475 (or 1,727.5%) from EUR 35,918 to EUR 656,393. However, EUR 637,014 of this is apportioned to one-time effects from the initial consolidation of the subsidiaries, SOGEMA and Roseane, acquired in 2013.

The operating result (EBIT) decreased by EUR 709,859 or 44.8% compared to the previous year due to the Group's revenue and expense situation. It was EUR –2,294,372 (fiscal year 2012: EUR -1,584,513).

The financial result increased by EUR 12,409 (equivalent of 58.2%) from EUR –21,314 to EUR –8,905 and remains negative.

The Fantastic Company Group's earnings before taxes for fiscal year 2013 is EUR –2,303,277 (previous year: EUR -1,605,827). Tax credits totalling EUR 713,134 (previous year: EUR 339,362) reduced the net loss for the period, as in the previous year. The net loss was EUR 1,590,143 in 2013 (fiscal year 2012: EUR 1,266,465).

Positive currency differences (EUR 18,946 compared to EUR 7,686 in the previous year), actuarial profits (EUR 20,796 compared to actuarial losses amounting to EUR 39,000 in the previous year) and deferred taxes from actuarial profits and losses (EUR –4,677 compared to EUR 10,660) added up to a comprehensive income of EUR –1,555,078 for The Fantastic Company Group. In comparison to the fiscal year 2012 (comprehensive income: EUR -1,287,119), this means the results worsened by EUR 267,959 or 20.8%.

## Assets situation on 31st December 2013

The initial consolidation of the new SOGEMA and Roseane subsidiaries

allowed the total assets to increase considerably and were at EUR 13,704,955 on 31st December 2013. Compared to the value on the balance sheet date for fiscal year 2012 (EUR 5,214,392), this represents an increase of EUR 8,490,563 or 162.8%.

On the asset side of the balance sheet, both non-current and current assets increased significantly in this process. With a share of 54.2% of the total assets, the current assets predominated in the year under review after only making up a third (33.2%) of the total assets in fiscal year 2012. Overall, the current assets increased by EUR 5,705,475 or 330.1% from EUR 1,728,363 (2012) to EUR 7,433,838. The largest item among current assets was inventories at EUR 3,316,169 (EUR 2,101,187 or 172.9% increase compared to EUR 1,214,982 as of year end 2012), followed by receivables from suppliers at 2,912,979 (EUR 2,682,801 or 1,165.5% increase compared to EUR 230,178 as of year end 2012), liquid assets at EUR 663,689 (EUR 496,398 or 296.7% increase compared to EUR 167,291 as of year end 2012), short-term financial investments at EUR 316,716 (previous year balance sheet date: EUR 0), accrued income at EUR 198,529 (EUR 182,449 increase or 1,134.6% increase compared to EUR 16,080 as of year end 2012), other receivables from third parties at EUR 18,598 (EUR 71,311 or 79.3% decrease compared to EUR 89,909 as of year end 2012) and receivables from associated parties with EUR 7,158 (EUR 2,765 or 27.9% decrease compared to EUR 9,923 as of year end 2012).

The non-current assets amounted to 45.8% of total assets on the balance sheet date (2012: 66.8%) and were at EUR 6,271,117 (2012: EUR 3,486,029). This represents an increase of EUR 2,785,088 or 79.9%. Real estate and buildings, at EUR 3,101,105, make up the largest single item within the non-current assets. As of 31st Dec 2012, the item was still at EUR 2,102,116 and increased EUR 998,989 or 47.5%. The customer base is evaluated at EUR 1,157,741 (EUR 980,594 or 553.6% increase compared to EUR 177,147 as of year end 2012), deferred tax assets at EUR 1,131,122 (EUR 681,166 or 151.4% increase compared to EUR 449,956 as of year end 2012), goodwill—unchanged from the previous year—at EUR 504,041, rights and licences at EUR 153,255 (EUR 138,163 or 915.5% increase compared to EUR 15,092 as of year end 2012), other financial assets and loans at EUR 90,008 (EUR 40,957 or 31.3% decrease compared to EUR 130,965 as of year end 2012), commercial equipment at EUR 77,136 (EUR 29,169 or 60.8% increase compared to EUR 47,967 as of year end 2012) and plants and machinery at EUR 56,709 (EUR 2,036 or 3.5% decrease compared to EUR 58,745 as of year end 2012).

The current liabilities amounted to EUR 9,835,784 on the balance sheet date and made up 71.8% of total assets. Compared to the previous year (current liabilities in the amount of EUR 2,972,783 or 57.0% of the total assets), they increased by EUR 6,863,001, which is equivalent to an increase of 230.9%. The largest item within the current liabilities are other provisions at EUR 4,725,522 (EUR

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2,979,532 or 170.7% increase compared to EUR 1,745,990 at year end 2012). This is followed by liabilities from suppliers at EUR 3,549,735 (EUR 2,442,149 or 220.5% increase compared to EUR 1.107.586 at year end 2012), other liabilities at EUR 913.112 (EUR 880,593 or 2,707.9% increase compared to EUR 32,519 at year end 2012), financial liabilities at EUR 506,917 (at year end 2012: EUR 0), accrued liabilities at EUR 90,580 (EUR 11,267 or 14.2% increase compared to EUR 79,313 at year end 2012) and other liabilities toward associated persons at EUR 49,918 (EUR 42,543 or 576.9% increase compared to EUR 7,375 at year end 2012).

The non-current liabilities as of 31st December 2013 were EUR 3,772,445 compared to EUR 589,805 at the end of fiscal year 2012. This increase amounts to EUR 3,182,640 or 539.6%. 27.5% of the total assets are attributed to non-current liabilities (previous year : 11.3%). By far the largest item within the non-current liabilities is financial liabilities toward associated persons at EUR 2,450,000. These were EUR 0 on the comparative balance sheet date for the previous year. Deferred taxes made up the second-largest non-current liability item at EUR 1,059,421. They increased EUR 615,616 or 138.7% from EUR 443,805 (2012). Pension fund liabilities reached EUR 263,024 and increased EUR 117,024 or 80.2% compared to the balance sheet date on 31st Dec 2012 (EUR 146,000).

The equity of The Fantastic Company Group decreased drastically by EUR 1,555,078 or 94.1% and, as of 31st December 2013, was still at EUR 96,726 after it was at EUR 1,651,804 on the comparative balance sheet date for the previous year. The equity ratio is 0.7% (balance sheet date 2012: 31.7%). Taking into account shareholder loans, which are primarily structured in the form of convertible loans, the Group's equity ratio is 18.6% The equity ratio in the AG (controlling company) on the reporting date is: 25.6% The share capital was EUR 1,441,657, as in the previous year. The Group reserves had a negative value of EUR 1,344,931 (negative group reserves as of the 31st of December 2012: EUR 145,662). After acquiring the still outstanding 21% of minority interests in the subsidiary SICARA in November 2013, The Fantastic Company no longer shows non-controlling interest in equity as of 31st December 2013 (31st December 2012: EUR 355,809).

## Financial situation for 2013

### Liquidity and financial resources, cash flow

The cash flow statement shows an increase in liquid assets of EUR 496,398 for fiscal year 2013 after the liquid assets decreased EUR 538,777 in the comparative previous year. The increase in liquid assets was caused by the inflow of funds from financing activity, which was EUR 2,428,585 in the reporting year (Fiscal year 2012: EUR 1,975,098). This allowed the outflow of funds from current business activities in the amount of EUR 1,040,201 (outflow of funds from current

business activities in fiscal year 2012: EUR 2,328,892) and the outflow of funds from investment activities in the amount of EUR 910,832 (outflow of funds from investment activities in fiscal year 2012: EUR 168,775) to be overcompensated.

In the year under review, increased currency differences in the amount of EUR 18,946 increased liquid assets after they had reduced liquid assets in fiscal year 2012 by EUR 16,208.

On the balance sheet date on 31st December 2013, The Fantastic Company Group's liquid assets were at EUR 663,689. Compared to 31st December 2012, when the liquid assets were only EUR 167,291, they increased by EUR 496,398 or 296.7%.

## Events after the balance sheet date

There have been no events after the balance sheet date that could have any significant impact on the consolidated profit and loss account for 2013.

In 2014, additional shareholder loans were taken out in the form of convertible loans in the amount of EUR 1,050,000 that safeguard the financing of TFC Group.

We also removed management positions at our operational subsidiary SICARA at the beginning of 2014, starting substantial cost reductions that will become effective later in 2014.

On the 12th May 2014, the company requested to change the stock exchange market segment from Prime Standard to General Standard. The Board of Directors justifies this step with the strong seasonally dependent operational business of the company, and thus does not have to satisfy a quarterly obligation to report, as with Prime Standard. The Frankfurt Stock Exchange granted this request on the 20th May 2014. Trading the TFC shares in the regular market (General Standard) begins on 21st August 2014.

The company points out that, due to the change, a financial report for the 1st quarter of 2014 will not be published. The interim report in accordance with § 37x of the Securities Trading Act was published on 16th May 2014

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Deloitte.

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**Auditor's report**

To the general assembly of
**THE FANTASTIC COMPANY AG, ZUG, SWITZERLAND**

**Auditor's report for the Consolidated Accounts**

As statutory auditor we have audited the accompanying consolidated financial statements of The Fantastic Company AG, which comprise of the statement of comprehensive income for the Group, the Group's balance sheet, the statement of performance of shareholders' equity, the consolidated cash flow statement, and the Group's appendix for the business year ending 31st December 2013.

*Board of Directors' Responsibility*
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Group Auditor's Responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends upon the auditor's discretion. This includes the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes an evaluation of the appropriateness of the accounting policies used, the reasonableness of accounting estimates made, as well as an appraisal of the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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*Opinion*

In our opinion, the consolidated financial statements for the fiscal year that ended on 31st December 2013 give a true and fair view of the financial position, the results of operations, and the cash flows, in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

**Report on Other Legal Requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

**Deloitte AG**

| Martin Welser | Christophe Aebi |
|---|---|
| Licensed audit expert | Licensed audit expert |
| Auditor in charge | |

Zurich, 26th May 2014
MWE/cae

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## Group statement of comprehensive income

| | Reference to the Appendix | 1st Jan – 31st Dec 2013<br>EUR | 1st Jan – 31 Dec 2012 (restated)<br>EUR |
|---|---|---|---|
| ***Sales revenues*** | 8 | **5,079,227** | **4,549,556** |
| Costs incurred to achieve sales revenues | | -2,641,455 | -1,931,496 |
| ***Gross profit on turnover*** | | ***2,437,772*** | ***2,618,060*** |
| Administration and general costs | 20 | -2,467,125 | -1,912,211 |
| Distribution and marketing | 20 | -2,921,412 | -2,326,280 |
| Other revenues | 22 | 656,393 | 35,918 |
| ***Earnings before interest and taxes (EBIT)*** | | ***-2,294,372*** | ***-1,584,513*** |
| Financial income | | 82,124 | 203 |
| Financial expenses | | -73,922 | -11,805 |
| Capital gains/losses (net) | | -17,107 | -9,712 |
| **Total financial result** | | **-8,905** | **-21,314** |
| ***Earnings before taxes*** | | ***-2,303,277*** | ***-1,605,827*** |
| Taxes | 16 | 713,134 | 339,362 |
| ***Net loss for the period*** | | ***-1,590,143*** | ***-1,266,465*** |

| | | |
|---|---|---|
| **Undiluted and diluted earnings per share** | [1] **-0.0065** | [1] **-0.0095** |

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[1)] Number of shares (weighted average: 245,574,000) (Previous year: 133,098,982)

| | | 1st Jan – 31st Dec 2013 | 1st Jan – 31 Dec 2012 (restated) |
|---|---|---|---|
| ***NET LOSS FOR THE PERIOD*** | | ***-1,590,143*** | ***-1,266,465*** |
| Currency differences | | 18,946 | 7,686 |
| Actuarial profits/losses | 19 | 20,796 | -39,000 |
| Deferred taxes from actuarial profits and losses | 16 | -4,677 | 10,660 |
| ***OVERALL RESULT*** | | ***-1,555,078*** | ***-1,287,119*** |

**The overall result for the period is made up of:**

| | | |
|---|---|---|
| Shareholder of the parent company | -1,590,143 | -1,127,442 |
| Non-controlling shareholders | 0 | -139,023 |
| ***Total*** | ***-1,590,143*** | ***-1,266,465*** |

**The overall result is made up of:**

| | | |
|---|---|---|
| Shareholder of the parent company | -1,555,078 | -1,144,437 |
| Non-controlling shareholders | 0 | -142,682 |
| ***Total*** | ***-1,555,078*** | ***-1,287,119*** |

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## Consolidated balance sheet – assets

| | Reference to the Appendix | 31st Dec 2013<br>EUR | 31st Dec 2012<br>(restated)<br>EUR |
|---|---|---|---|
| ***Current assets*** | | | |
| Liquid assets | 15 | 663,689 | 167,291 |
| Current financial assets | | 316,716 | 0 |
| Receivables from suppliers | 14 | 2,912,979 | 230,178 |
| Receivables from associated parties | | 7,158 | 9,923 |
| Receivables from third parties | | 18,598 | 89,909 |
| Inventory | 13 | 3,316,169 | 1,214,982 |
| Accrued income | | 198,529 | 16,080 |
| ***Total current assets*** | | ***7,433,838*** | ***1,728,363*** |
| ***Non-current assets*** | | | |
| Deferred taxes | 16 | 1,131,122 | 449,956 |
| Other financial assets and loans | | 90,008 | 130,965 |
| Fixed assets | | | |
| Real estate and buildings | 10 | 3,101,105 | 2,102,116 |
| Commercial equipment | 10 | 77,136 | 47,967 |
| Installations, Machines | 10 | 56,709 | 58,745 |
| Intangible assets | | | |
| Goodwill | 11 | 504,041 | 504,041 |
| Customer base | 12 | 1,157,741 | 177,147 |
| Rights and licences | 12 | 153,255 | 15,092 |
| ***Total non-current assets*** | | **6,271,117** | ***3,486,029*** |
| **TOTAL ASSETS** | | ***13,704,955*** | **5,214,392** |

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## Consolidated balance sheet – liabilities

| | Reference to the Appendix | 31st Dec 2013<br>EUR | 31st Dec 2012<br>(restated)<br>EUR |
|---|---|---|---|
| ***Liabilities*** | | | |
| Reserves | 18 | 4,725,522 | 1,745,990 |
| Liabilities from suppliers | | 3,549,735 | 1,107,586 |
| Other liabilities | | 913,112 | 32,519 |
| Other liabilities towards associated persons | 21 | 49,918 | 7,375 |
| Financial liabilities | | 506,917 | 0 |
| Accrued liabilities | | 90,580 | 79,313 |
| ***Total current liabilities*** | | ***9,835,784*** | ***2,972,783*** |
| | | | |
| Financial liabilities toward associated persons | 21 | 2,450,000 | 0 |
| Pension fund liabilities | 19 | 263,024 | 146,000 |
| Deferred taxes | 16 | 1,059,421 | 443,805 |
| ***Total non-current liabilities*** | | ***3,772,445*** | ***589,805*** |
| | | | |
| ***Equity capital*** | | | |
| Share capital | 17 | 1,441,657 | 1,441,657 |
| Group reserves | | -1,344,931 | -145,662 |
| Non-controlling shares | | 0 | 355,809 |
| ***Total equity capital*** | | ***96,726*** | ***1,651,804*** |
| **TOTAL LIABILITIES** | | **13,704,955** | **5,214,392** |

## Performance of shareholders' equity in 2013

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| **EQUITY CAPITAL**<br><br>All figures in EUR | **Share capital** | **Currency differenc es** | **Retained earnings** | **Non-controllin g shares** | **Total equity capital** |
|---|---|---|---|---|---|
| **Status as of 1st Jan. 2013** | **1,441,657** | **773,813** | **-919,475** | **355,809** | **1,651,804** |
| **Items from the overall results**: | | | | | |
| - Currency differences | | 18,946 | | | 18,946 |
| - Actuarial losses from benefit-related pension schemes | | | 20,796 | | 20,796 |
| - Deferred taxes on actuarial losses from benefit-related pension schemes | | | -4,677 | | -4,677 |
| - Net loss for the period | | | -1,590,143 | | -1,590,143 |
| **Overall result** | | **18,946** | **-1,574,024** | **0** | **-1,555,078** |
| Acquisition of non-controlling shares | | | 355,809 | -355,809 | 0 |
| **Status as of 31st Dec. 2013** | **1,441,657** | **792,759** | **-2,137,690** | **0** | **96,726** |

# Performance of shareholders' equity - comparison with previous year

| **EQUITY CAPITAL**<br>All figures in EUR | **Share capital** | **Currency differences** | **Retained earnings** | **Non-controlling shares** | **Total equity capital** |
|---|---|---|---|---|---|
| **Status as of 1st Jan. 2012** | **1,438,190** | **766,127** | **-1,578,744** | | **625,573** |
| Capital reduction | -1,971,631 | | 1,971,631 | | 0 |
| Capital increase 1 | 1,159,783 | | | | 1,159,783 |
| Capital increase 2 | 815,315 | | | | 815,315 |
| Costs of raising equity capital | | | -160,239 | | -160,239 |
| Change to minority interest from acquisition of SICARA | | | | 498,491 | 498,491 |
| **Items from the overall results**: | | | | | |
| - Currency differences | | 7,686 | | | 7,686 |
| - Actuarial losses from benefit-related pension schemes | | | -33,540 | -5,460 | -39,000 |
| - Deferred taxes on actuarial losses from benefit-related pension schemes | | | 8,859 | 1,801 | 10,660 |
| - Net loss for the period | | | -1,127,442 | -139,023 | -1,266,465 |
| **Overall result** | | **7,686** | **-1,152,123** | **-142,682** | **-1,287,119** |
| **Status as of 31st Dec. 2012** | **1,441,657** | **773,813** | **-919,475** | **355,809** | **1,651,804** |

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# Consolidated cash flow statement

| | 1st Jan – 31st Dec 2013 | 1st Jan – 31 Dec 2013 (adjusted) |
|---|---|---|
| | EUR | EUR |
| Pre-tax loss for the period | -2,303,277 | -1,605,827 |
| *Reconciliation of loss in period to cash outflow from current business activities:* | | |
| Depreciation | 301,419 | 178,091 |
| Financial income | -82,124 | -203 |
| Financial expenses | 73,922 | 11,805 |
| Non-cash earnings from initial consolidation | -637,013 | 0 |
| Decrease in inventory | 390,217 | 347,413 |
| Increase in trade account receivables | -280,026 | -117,763 |
| Decrease in other short-term receivables | 271,886 | 119,202 |
| Decrease in trade account liabilities | 793,876 | -865,258 |
| Decrease in other current liabilities | 438,601 | -367,123 |
| Increase in remaining non-current liabilities | -3,611 | 94,000 |
| Taxes paid | -5,115 | -111,627 |
| Interest and dividends paid | -73,922 | -11,805 |
| Interest and dividends received | 74,966 | 203 |
| ***Cash inflow (outflow) from current business activity*** | ***-1,040,201*** | ***-2,328,892*** |

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| | 1st Jan – 31st Dec 2013 | 1st Jan – 31 Dec 2013 (adjusted) |
|---|---|---|
| | **EUR** | **EUR** |
| ***Cash flow from investment activity:*** | | |
| Investments in movable tangible assets | -101,953 | -37,810 |
| Investment in financial assets | 0 | -130,965 |
| Divestments of movable tangible assets | 40,957 | |
| Expenditure for acquiring other companies | -849,936 | 0 |
| ***Cash flow from investment activity*** | ***-910,932*** | ***-168,775*** |
| | | |
| ***Cash flow from financing activity:*** | | |
| Deposits by taking out loans | 2,428,585 | 0 |
| Capital increase | 0 | 1,975,098 |
| ***Cash inflow (outflow) from financing activity*** | ***2,428,585*** | ***1,975,098*** |
| | | |
| Conversion differences for cash and cash equivalents | 18,946 | -16,208 |
| | | |
| **Increase/decrease in cash or cash equivalents** | **496,398** | **-538,777** |
| **Liquid assets at start of period** | **167,291** | **706,068** |
| **Liquid assets at end of period** | **663,689** | **167,291** |

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# Notes for the consolidated financial statements – descriptions for the consolidated accounts

## 1. Business activity

"The Fantastic Company AG" is a Swiss Public Limited Company with its head office 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 fiscal year is the calendar year. The Company's area of activity is the purchasing, retaining and administering of shareholdings in other companies.

The area of activity of the SICARA and SOGEMA subsidiaries is importing and selling fashion accessories, particularly sunglasses, reading glasses, fashion slippers and casual shoes. The business is transacted mainly with major French supermarket chains. Subsidiary Roseane sells glasses in the retail channel made up of pharmacies and health and beauty stores.

## 2. Application of new invoicing standards

The following revisions of and additions to the standards and interpretations of the IASB are to be applied for the first time for the fiscal year beginning 1 January 2013:

| | | Implementation date | Application by TFC |
|---|---|---|---|
| **New standards or interpretations** | | | |
| IFRS 10 | Consolidated accounts | 1st Jan. 2013 | FY 2013 |
| IFRS 11 | Joint arrangements | 1st Jan. 2013 | FY 2013 |
| IFRS 12 | Disclosure of interests in other entities | 1st Jan. 2013 | FY 2013 |
| IFRS 13 | Fair value measurement | 1st Jan. 2013 | FY 2013 |

| | | Implementation date | Application by TFC |
|---|---|---|---|
| **Changes to standards and interpretations** | | | |
| IAS 1 | Presentation of items of other comprehensive income | 1st July 2012 | FY 2013 |
| IAS 19 (rev. 2011) | Employee benefits | 1st Jan. 2013 | FY 2012 |

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| | | Implementation date | Application by TFC |
|---|---|---|---|
| IAS 27 (rev. 2011) | Separate financial statements | 1st January 2014 | FY 2014 |
| **Changes to standards and interpretations** | | | |
| IAS 28 (rev. 2011) | Investments in associates and joint ventures | 1st Jan. 2014 | FY 2014 |
| IFRS 1 | Government loans | 1st Jan. 2013 | FY 2013 |
| IFRS 7 | Disclosures - Offsetting financial assets and financial liabilities | 1st Jan. 2013 | FY 2013 |

IAS 19 (rev. 2011) was already applied effective 1st January 2012.

The following new and revised standards and interpretations from the IASB have been passed. However they will come into effect at a later date and have not been applied ahead of time in this set of consolidated accounts. The group Executive Board foresees the following effects, which are listed in the table below:

| | | Implementati on date | Planned application by TFC | Footn ote |
|---|---|---|---|---|
| **New standards or interpretations** | | | | |
| IFRIC 21 | Levies | 1st January 2014 | FY 2014 | * |
| IFRS 9 | Financial Instruments and associated amendments to IFRS 7 with regard to initial application | 1st January 2015 | FY 2015 | ** |
| **Changes to standards and interpretations** | | | | |
| IAS 32 | Offsetting financial assets and financial liabilities | 1st January 2014 | FY 2014 | * |
| IFRS 10, IFRS 12, IAS 27 | Investment entities | 1st January 2014 | FY 2014 | * |
| IAS 36 | Recoverable amount disclosures for non-financial assets | 1st January 2014 | FY 2014 | ** |
| IAS 39 | Novation of OTC derivatives and continuing designation for hedge accounting | 1st January 2014 | FY 2014 | ** |

FY Fiscal Year
* The TFC group expects to see no (or only negligible) effects on its consolidated accounts.
** The effects on the TFC group's consolidated accounts cannot yet be determined with any accuracy.
*** The TFC group mainly expects to have to make additional disclosures or change the way in which its consolidated accounts are presented.

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## 3. Main valuation and accounting methods

*Preparation of the consolidated financial statements*

The company's consolidated accounts on 31st Dec. 2013 were drawn up in accordance with the IFRS published by the International Accounting Standards Board (IASB), including the International Accounting Standards (IAS) and the interpretation of the International Financial Reporting Standards Interpretation Committee (IFRIC) and the Standing Interpretation Committee (SIC). It takes into account all the applicable standards and interpretations for fiscal year 2013, insofar as they are relevant to the current set of consolidated accounts. The comparative figures for fiscal year 2012 were determined in accordance with the same principles.

The reporting currency is the euro since the company primarily generates revenue in euros in its business activities. All annual reports of the companies included in the Group consolidated accounts that require auditing have been audited by independent auditors or by the Group auditor. 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.

The balance sheet date for all Group companies is the 31st December 2013.

*Consolidated group*

The audited consolidated accounts presented here include the following companies and together form 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 | 100% |
| **Société de Gestion de Marques SAS (SOGEMA)** | France | 100% |
| **Roseane SAS** | France | 100% via SOGEMA |

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*Consolidation principles*

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

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*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 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 viewed 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 tax assets 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 tax assets 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.

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*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 and property | 20 to 30 years | Linear |
| Technical plants 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.

The depreciation is debited on the statement of comprehensive income under the "Depreciation" item, on a linear basis over the expected useful life. Intangible capital goods are depreciated commencing with the date of first use. The expected useful life of these assets is as follows:

| Balance sheet item | Utilisation period | Method |
|---|---|---|
| Software | 3 years | Linear |
| Customer base | 14 years | Linear |
| Patents and similar rights | 5 years | Linear |

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*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 attainable 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 attainable value. The attainable value is the net resell value or value obtained through use, whichever is higher. 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 disability 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.

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The revised version of IAS 19 has already been applied in advance in the TFC consolidated accounts 2012.

*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 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 euros (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 assets, receivables 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 assets, receivables 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.

*Risk management in connection with financial instruments*

Management can make use of derivative financial instruments for the purpose of securing the share price, especially for hedging currency risks. Hedge accounting in accordance with IAS 39 is not used. No derivative financial instruments are held for speculative purposes. When derivative financial instruments are first shown on the balance sheet, they are recorded at the market value on the date of sale and then revaluated at market value on each succeeding balance sheet date. Changes in the market value of the financial instruments are shown in the statement of comprehensive income.

*a) Credit risks*

Credit risks and risks in connection with default by an opposing party are monitored. Management does not expect any default, due to the credit rating of the opposing parties. The accounting values correspond to the maximum default risk.

*b) Liquidity risks*

The maturity structure of contractual liabilities required by IFRS 7 is omitted since no non-current or interest-bearing liabilities exist.

*c) Market risks*

*c1) Interest rate risks*

The Group is not subject to any substantial interest rate risks.

*c2) Foreign currency risks*

The local companies primarily conduct transactions in their own functional currency and therefore encounter manageable risks involved in conducting transactions in foreign currencies during short periods. Consequently, no sensitivity analysis is required.

Investments in subsidiary companies outside the Eurozone are not hedged. Because exchange rate differences from the consolidations of these companies are shown in the

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equity capital, profits and losses relating to this only have effect on net income in the event of a sale or liquidation of the company in question.

*c3) Fair value risks*

There were no material fair value risks on 31st Dec. 2013.

*Capital management*

Within the framework of capital planning, the company aims to secure the ongoing financial requirements for continuation of the company and provide the necessary funds to achieve the aims of the reorientation of the company. Management can carry out adjustments in view of the planned reorientation.

## 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 fiscal 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.

*Asset values*

When evaluating the asset values of tangible fixed assets and intangible assets, the expected utilisation period of the assets must be estimated. Management estimates were the basis for determining the current time values of assets and liabilities, and also the effective lives of the assets.

Estimates are also made when determining the reduction in the value of tangible fixed assets and intangible assets. These estimates relate to the cause, point in time, and amount of the reduction in value, among other things.

*Goodwill*

As of 31 December 2013, goodwill amounted to TEUR 504 for SICARA. TFC has carried out the prescribed annual impairment test. Due to this test, it was not necessary to record a reduction in value. The significant presumptions are listed in No. 11 of the Appendix.

*Revenue taxes*

Revenue taxes must be estimated for every tax jurisdiction in which the Group is active. In doing so, the expected actual revenue taxes owed for each taxable entity must be calculated. Management must make judgements when calculating actual and deferred taxes. Deferred taxes for tax-loss carry-forwards have been reported to the extent that it is probable that they can be utilised.

*Reserves*

The recognition and evaluation of reserves in the context of related legal disputes or other outstanding claims are associated with estimates by management. The individual book values reported in the balance sheet have been determined using these assumptions and estimates.

The reserve for returns records the taking back of unpurchased products. Historical data has been included in the evaluation. This data includes the type of revenues achieved (repeated or one-time business transactions) and the historic return rates of particular customers, and also the return rates after the balance sheet date. These empirical values have been updated with data for the sales season (sunny days, sales locations, etc.).

## 6. Foreign currencies

The following rates have been applied for converting Euros into Swiss francs:

| Average exchange rate | 2013 | 2012 |
|---|---|---|
| 1 EUR | 1.2304 | 1.2051 |

| Year-end rate | 2013 | 2012 |
|---|---|---|
| 1 EUR | 1.22566 | 1.20716 |

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## 7. 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 12 months. This resulted in changes for the same period in the previous year as of 31st December 2012. The changes from the final determination of the market values for the purchase price allocation are revealed in the following table:

| In thousands of EUR | Fair value, final | Fair value, preliminary |
|---|---:|---:|
| Liquid assets (after capital increase) | 1,057 | 1,057 |
| Accounts receivable, trade | 112 | 112 |
| Inventory | 1,562 | 1,562 |
| Other current assets | 193 | 193 |
| Other receivables | 0 | 273 |
| Fixed assets other non-current assets | 2,304 | 2,304 |
| Intangible assets | 217 | 845 |
| Deferred taxes | 113 | 200 |
| **Total assets** | **5,558** | **6,546** |
| Liabilities from deliveries and services | 1,963 | 1,963 |
| Miscellaneous outside capital and deferred liabilities | 2,198 | 2,250 |
| Deferred tax liabilities | 457 | 666 |
| Total liabilities | **4,618** | **4,879** |
| **Net assets** | 940 | 1,667 |
| | | |
| Minus minority interest | -249 | -498 |
| | | |
| **Goodwill** | **504** | **26** |
| | | |
| Purchase price for 79% share | 1,195 | 1,195 |

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The adjustment of the final purchase price allocation affects the figures for the previous year. These effects are revealed in the following table:

| In EUR | 2012 (published) | Adjustment | 2012 (adjusted) |
|---|---|---|---|
| **Balance sheet as of 31st December 2012** | | | |
| Deferred taxes | 536,820 | -86,864 | 449,956 |
| Goodwill | 26,308 | 477,733 | 504,041 |
| Customer base | 781,837 | -604,690 | 177,147 |
| Deferred tax liabilities | 635,045 | -191,240 | 443,805 |
| Group reserves | -127,803 | -17,859 | -145,662 |
| Non-controlling shares | 360,530 | -4,721 | 355,809 |
| | | | |
| **Statement of comprehensive income** | | | |
| Administration and general costs | -1,911,120 | -1,091 | -1,912,211 |
| Distribution and marketing | -2,322,543 | -3,737 | -2,326,280 |
| **Earnings before interest and taxes (EBIT)** | **-1,579,685** | **-4,828** | **-1,584,513** |
| **Earnings before taxes** | **-1,600,999** | **-4,828** | **-1,605,827** |
| Taxes | 357,015 | -17,653 | 339,362 |
| **Net loss for the period** | **-1,243,984** | **-22,481** | **-1,266,465** |
| Currency differences | 7,785 | -99 | 7,686 |
| **Overall result** | **-1,264,539** | **-22,580** | **-1,287,119** |
| | | | |
| **Company result per share** | | | |
| Undiluted and diluted earnings per share | -0.0093 | -0.0002 | -0.0095 |
| | | | |
| **Cash flow statement** | | | |
| Pre-tax loss for the period | -1,600,999 | -4,828 | -1,605,827 |
| Depreciation | 173,263 | 4,828 | 178,091 |
| Change in other current liabilities | -365,299 | -1,824 | -367,123 |
| Taxes paid | -123,912 | 12,285 | -111,627 |
| **Cash flow from current business activities** | **-2,339,353** | **10,461** | **-2,328,892** |

In fiscal year 2013, TFC purchased the remaining 21% of the shares in SICARA FASHION ACCESSORIES SAS for EUR 3.00.

*Société de Gestion de Marques (SOGEMA)*

In the second half of November 2013, the TFC Group, as part of a business acquisition, purchased 100% of the voting shares in Société de Gestion de Marques SAS, including their wholly owned subsidiary, Roseane SAS.

The net asset values for the purchased companies are revealed in the tables below:

**SOGEMA**:

| In thousands of EUR | Fair value |
|---|---:|
| Liquid assets | 80 |
| Accounts receivable, trade | 2,304 |
| Inventory | 2,068 |
| Other current assets | 701 |
| Fixed assets | 1,237 |
| Intangible assets | 1,087 |
| **Total assets** | **7,477** |
| Liabilities from deliveries and services | 1,178 |
| Miscellaneous outside capital and deferred liabilities | 3,731 |
| Deferred tax liabilities | 653 |
| Total liabilities | **5,562** |
| **Net assets** | **1,915** |
| Badwill | 535 |
| Purchase price for 100% share | 1,380 |

**Roseane**:

| In thousands of EUR | Fair value |
|---|---:|
| Liquid assets | 120 |
| Accounts receivable, trade | 99 |
| Inventory | 34 |
| Total assets | **253** |
| Liabilities from deliveries and services | 81 |
| Miscellaneous outside capital and deferred liabilities | 50 |
| Total liabilities | **131** |
| **Net assets** | **122** |
| Badwill | 102 |
| Purchase price for 100% share | 20 |

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SOGEMA and Roseane are reported only with provisional values in the TFC consolidated accounts because the identification and determination of the time values (current market values) of the identified assets, liabilities and contingent liabilities have not yet been completed. On the basis of the provisional purchase price allocation, badwill is present for both companies (negative difference in assets). During the purchase price allocation, the following major balance sheet items were adjusted: Revaluation of the corporate real estate on the basis of an independent valuation, determination of the value of the customer base, determination of pension liabilities and also deferred tax assets and liabilities. Until now no amount has been assigned for proportions of the profit in the order stock or inventory. The badwill results from an overall satisfying purchase, since we, as a competitor, were able to acquire a profitable business for only the market value of the corporate real estate, and thus were not required to pay for the potential yield from customer relationships. This was in part because the target company had not generated annual reports during the fiscal year and thus it was unclear at the end of 2013 how high the actual operational profits would turn out to be in 2013. In the end SOGEMA was able to generate an audited 2013 Annual Result, which fortunately was about three-times higher than both previous years.

SOGEMA's and Roseane's pro forma net sales revenues for 2013 equalled EUR 8,631,411, of which EUR 577,414 had to be included in consolidation.

## 8. Sales revenues

Sales revenues are entered once the goods have been supplied. In the year under review this equalled around EUR 8,507,965 including a proportion of SOGEMA revenues for the consolidation period of five weeks.

Received or expected product returns to the value of EUR 2,539,008 were deducted from this, as were sales deductions worth EUR 889,730 in total. Consequently the resulting (net) sales revenues for the reporting period equalled EUR 5,079,227, reported in the statement of comprehensive income for 2013.

## 9. Segment reporting

The basic operational activities of the TFC Group are performed in the subsidiaries. Due to the fact that all operational subsidiaries sell fashion accessories in France under very much the same conditions to a homogeneous customer group, there is no longer any need to draw up a segment report.

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The subsidiaries achieved a gross sales turnover of EUR 8,507,965 before deduction of discounts and returns. Around 27% of this amount was achieved with the largest customers, when all in some cases independently acting company group subsidiaries of the customer are added together. In addition, in the reporting period, we had three other customers that individually contributed 11 to 17% of revenues.

The table below breaks down the net Group revenues by geographic markets, regardless of the origin of the goods or services:

*Geographic information by customer site*

| In EUR | 2013 | In % |
|---|---|---|
| France | 4,918,172 | 96.8 |
| Export to neighbouring countries (Benelux, Spain) | 161,055 | 3.2 |

| In EUR | 2012 | In % |
|---|---|---|
| France | 4,304,570 | 94.6 |
| Export to neighbouring countries (Benelux, Spain) | 244,986 | 5.4 |

## 10. Fixed assets

***Real estate and buildings***

In 2012, our subsidiary SICARA carried out a revaluation of real estate and buildings on the basis of an independent property valuation.

| **Historical acquisition values** | Land Building | Installations Machines | Office equipment | Total |
|---|---|---|---|---|
| Status on 1st January 2012 | 0 | 0 | 23,962 | 23,962 |
| Inputs | 0 | 0 | 36,860 | 36,860 |
| Disposals | 0 | 0 | -2,257 | -2,257 |
| Change in consolidated group | 2,227,444 | 75,229 | 2,570 | 2,305,243 |
| Status on 31st December 2012 | 2,227,444 | 75,229 | 61,135 | 2,363,808 |
| Status on 1st January 2012 | 2,227,444 | 75,229 | 61,135 | 2,363,808 |
| Inputs | 0 | 12,943 | 26,075 | 39,018 |
| Disposals | 0 | 0 | 0 | 0 |
| Change in consolidated group | 1,200,000 | 0 | 566,468 | 1,766,468 |
| Reclassifications | 0 | 13,242 | -13,242 | 0 |
| Status on 31st December 2013 | 3,427,444 | 101,414 | 640,436 | 4,169,294 |

| **Accumulated depreciation** | Land Building | Installations Machines | Office equipment | Total |
|---|---|---|---|---|
| Status on 1st January 2012 | 0 | 0 | -3,987 | -3,987 |
| Depreciation | -125,328 | -16,484 | -11,202 | -153,014 |
| Disposals | | | 2,021 | 2,021 |
| Status on 31st December 2012 | -125,328 | -16,484 | -13,168 | -154,980 |
| Status on 1st January 2012 | -125,328 | -16,484 | -13,168 | -154,980 |
| Depreciation | -201,011 | -28,221 | -22,590 | -251,822 |
| Disposals | 0 | 0 | 0 | 0 |
| Change in consolidated group | 0 | 0 | -527,542 | -527,542 |
| Status on 31st December 2013 | -326,339 | -44,705 | -563,300 | -934,344 |
| Net book values on 31st December 2012 | 2,102,116 | 58,745 | 47,967 | 2,208,828 |
| Net book values on 31st December 2013 | 3,101,105 | 56,709 | 77,136 | 3,234,950 |

## 11. Goodwill

Goodwill exists solely for SICARA FASHION ACCESSORIES SAS in the amount of EUR 504,041. Depreciation was not required during the fiscal year.
Goodwill is checked in accordance with IFRS 3 (revised) annually at the end of the year for value reductions. The calculation of impairment (impairment test) was carried out on the basis of the discounted cash flow method with a discount factor of 10%. The management estimates the discount factor, based on current market appraisals, of the money value and of the specific risk of the units generating the means of payment. An increase in the discount factors of 1 percent did not have a further need to adjust value as a consequence.

TFC creates cash flow forecasts based on the budgets for the year 2014 approved by the management and administrative board and extrapolates future cash flows based on the estimated growth of business for the years 2015 to 2017. When defining the planning parameters, both the growth on the basis of company goals and the current global economic development were appropriately considered. For those units generating the means of payment that are assigned to SICARA, an average annual growth rate of sales revenues of 7.3% were presumed in the planning phase 2014 to 2017 (subsequently 0% growth in perpetuity). The anticipated operating results margins amount to between 4.3% and 10.4% for the period 2015 to 2017. In 2013, impairment test did not result in a need for value reduction attributable to goodwill.

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## 12. Intangible assets

| **Historical acquisition values** | Brands Licenses | Customer base | Total |
|---|---|---|---|
| Status on 1st January 2012 | 401 | 0 | 401 |
| Inputs | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Change in consolidated group | 19,826 | 197,489 | 217,315 |
| Status on 31st December 2012 | **20,227** | **197,489** | **217,716** |
| | | | |
| Status on 1st January 2012 | **20,227** | **197,489** | **217,716** |
| Inputs | 57,950 | 0 | 57,950 |
| Disposals | 0 | 0 | 0 |
| Change in consolidated group | 336,954 | 1,000,000 | 1,336,954 |
| Status on 31st December 2013 | 415,131 | 1,197,489 | 1,612,620 |
| **Accumulated depreciation** | Brands Licenses | Customer base | Total |
| Status on 1st January 2012 | -400 | 0 | -400 |
| Depreciation | -4,735 | -20,342 | -25,077 |
| Disposals | 0 | 0 | 0 |
| Status on 31st December 2012 | **-5,135** | **-20,342** | **-25,477** |
| | | | |
| Status on 1st January 2012 | **-5,135** | **-20,342** | **-25,477** |
| Depreciation | -30,191 | -19,406 | -49,597 |
| Disposals | 0 | 0 | 0 |
| Change in consolidated group | -226,550 | 0 | -226,550 |
| Status on 31st December 2013 | -261,876 | -39,748 | -301,624 |
| Net book values on 31st December 2012 | ***15,092*** | ***177,147*** | ***192,239*** |
| Net book values on 31st December 2013 | **153,255** | **1,157,741** | **1,310,996** |

## 13. Inventory

The goods inventory has been evaluated using the average unit cost method. The gross value for goods and procurement comprises the purchase price and the incidental costs involved in the purchase, excluding the entire internal value creation, with the net value being determined by deducting any discount amount received.

The financing costs have also not been included in the evaluation of the inventories. In some circumstances, a reserve for reduction in value for inventory must be formed, which equals

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the difference between the gross value determined using the method described above and the current price or disposal value, minus the proportionate costs for the sale. However, this is only necessary in the case that this gross value exceeds the total amounts to be deducted mentioned.

On the balance sheet date for the fiscal year, inventories were depreciated by EUR 233,653 using a method that is based on the turnover rate or age structure within the inventories:

- Less than 6 months 0% depreciation
- 6 to 12 months 20% depreciation
- 12 to 18 months 50% depreciation
- 18 to 24 months 80% depreciation
- More than 24 months 100%

## 14. Accounts receivable, trade

Receivables have been reported at their nominal value. The reserves for reductions in value for receivables have been measured using the expected risk. The risk evaluation is especially based on the age of the receivables, the existence or nonexistence of a guarantee, the creditworthiness of the customers, and the existence or nonexistence of a reimbursement schedule. On the balance sheet date for the fiscal year, the receivables were reduced in value by EUR 163,000.

| In EUR | 31st December 2013 | 31st December 2012 |
|---|---|---|
| Receivables (gross) | 3,075,979 | 340,709 |
| Provision for bad debt | -163,000 | -110,531 |
| **Total** | **2,912,979** | **230,178** |

The development of the provision for bad debt is presented below:

| In EUR | 31st December 2013 | 31st December 2012 |
|---|---|---|
| On 1st January | -110,531 | 0 |
| Change in consolidated group | 0 | -108,745 |

| | | |
|---|---:|---:|
| Allowance for doubtful receivables | -15,204 | 0 |
| Using the provisions for bad debt | 0 | 0 |
| Resolution (+)/creation (-) of provisions for bad debt | -37,265 | -1,786 |
| **Total on 31st December** | **-163,000** | **-110,531** |

The Accounts receivable, trade had the following age structure:

| In EUR | 31st December 2013 | 31st December 2012 |
|---|---:|---:|
| Not overdue | 83,891 | 0 |
| Less than 1 month overdue | 56,248 | 0 |
| Between 1 and 3 months overdue | 1,737,359 | 0 |
| Between 3 and 12 months overdue | 1,198,481 | 340,709 |
| More than 1 year overdue | 0 | 0 |
| Provision for bad debt | -163,000 | -110,531 |
| **Total** | **2,912,979** | **230,178** |

## 15. Liquid assets

Liquid assets are reported at the costs of acquisition in the balance sheet. For the purposes of the consolidated cash flow statement, the liquid assets include cash, credit at credit institutions that can be accessed all times, and short-term time deposits. In the profit and loss statement, overdrafts have been reported under current liabilities.

## 16. Income 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 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 tax assets have been formed on the net losses for the periods of 2012 and 2013 in the operational subsidiary SICARA. SICARA has already implemented a

restructuring concept, which significantly reduces the strong seasonal nature and personnel expenses in subsequent years. The forecast is also supported by the positive trend in earnings of primary competitors in addition to the restructuring measures. In addition, the board of directors intends to implement a tax-efficient structure in France whereby the profits of one business can be offset with losses carried forward from another business. Our forecast is based on a time horizon of four 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** |
|---|---|---|
| Real estate and buildings | 0 | 714,065 |
| Customer base | 0 | 385,528 |
| Pensions | 1,393 | |
| Tax loss carry-forwards | 1,129,729 | 0 |
| Valuation adjustments for deferred taxes | 0 | 0 |
| Provisions for pensions | 40,172 | 0 |
| Balancing | - 40,172 | - 40,172 |
| **Deferred taxes as of 31st December 2013** | **1,131,122** | **1,059,421** |
| **In EUR** | **Assets** | **Liabilities** |
| Real estate and buildings | 0 | 384,815 |
| Customer base | 0 | 58,990 |
| Tax loss carry-forwards | 449,956 | 0 |
| Valuation adjustments for deferred taxes | 0 | 0 |
| Provisions for pensions | 0 | 0 |
| Balancing | 0 | 0 |
| **Deferred taxes as of 31st December 2012** | **449,956** | **443,805** |

*Income taxes recorded in the profit and loss statement*

| **In EUR** | **2013** | **2012** |
|---|---|---|
| *Current taxes* | | |
| Tax expenditure in the current period | 0 | 0 |
| | | |
| *Deferred taxes* | | |
| Deferred tax amount recorded in the year under review | 713,134 | 339,362 |
| | | |
| **Income tax amount in the current fiscal year** | **713,134** | **339,362** |

| **In EUR** | **2013** | **2012** |
|---|---|---|
| Earnings before taxes | -2,303,277 | -1,605,827 |
| Expected tax yield at a Group level tax rate of 16% | 368,524 | 256,932 |
| Effects of unused tax losses that are not recorded as | -122,002 | -96,763 |

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| | | |
|---|---|---|
| deferred taxes | | |
| Effects of different taxation rates used in subsidiaries in other jurisdictions | 466,612 | 179,193 |
| **Effective Tax Revenue and/or Tax Costs** | **713,134** | **339,362** |

*Income taxes recorded in the other result*

| In EUR | 2013 | 2012 |
|---|---|---|
| *Current taxes* | *0* | *0* |
| | | |
| *Deferred taxes* | | |
| Incurred in connection with the expenses and revenues recorded in the other result: | | |
| – Recording of actuarial profits/losses | -4,677 | 10,660 |
| **Total income taxes recorded in the other result** | **-4,677** | **10,660** |

*Tax losses carried forward and tax credits Tax losses carried forward, for which no deferred tax assets have been recorded:*

| In EUR | 2013 | 2012 |
|---|---|---|
| Forfeiture 2012 | | 1,707,787 |
| Forfeiture 2013 | 668,049 | 682,109 |
| Forfeiture 2014 | 980,591 | 1,001,228 |
| Forfeiture 2015 | 714,827 | 729,871 |
| Forfeiture 2016 | 1,249,572 | 1,275,871 |
| Forfeiture 2017 | 535,556 | 546,828 |
| Forfeiture 2018 | 475,243 | 485,245 |
| Forfeiture 2019 | 747,281 | |
| Total | **5,371,119** | **6,428,939** |

*Note: The table above does not contain the tax losses from the current fiscal year, which expire after 7 years*

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## 17. Share capital

| In EUR | 31st December 2013 | 31st December 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.

## 18. Reserves

| In EUR | HR-related | Returns, discounts | Taxes | Other | Total |
|---|---:|---:|---:|---:|---:|
| Status 1st January 2012 | 0 | 0 | 0 | 0 | 0 |
| Creation | 59,014 | 1,171,406 | 128,252 | 0 | 1,358,672 |
| Resolution | 0 | 0 | 0 | 0 | 0 |
| Use | -45,282 | -1,351,235 | -81,810 | 0 | -1,478,327 |
| Change in consolidated group | 491,549 | 1,274,368 | 99,728 | 0 | 1,865,645 |
| **Total as of** | **505,281** | **1,094,539** | **146,170** | **0** | **1,745,990** |

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| 31st December 2012 | | | | | |
|---|---|---|---|---|---|
| Status 1st January 2013 | **505,281** | **1,094,539** | **146,170** | **0** | **1,745,990** |
| Creation | 0 | 827,317 | 0 | 73,981 | 901,298 |
| Resolution | -263,993 | 0 | -65,305 | 0 | -329,298 |
| Use | 0 | 0 | 0 | -2,327 | -2,327 |
| Change in consolidated group | 232,749 | 878,897 | 3,000 | 1,295,213 | 2,409,859 |
| **Total as of 31st December 2013** | **474,037** | **2,800,753** | **83,865** | **1,366,867** | **4,725,522** |

## 19. Pension plans (pension scheme commitments)

| In EUR | 2013 | 2012 |
|---|---|---|
| ***Balance sheet assets/liabilities for:*** | | |
| 1. Asset values | 0 | 0 |
| 2. Pension Liabilities | 263,024 | 146,158 |
| **3. Net pension liabilities recorded in the profit and loss statement** | **263,024** | **146,158** |

The values reported in the balance sheet were as follows:

| In EUR | 2013 | 2012 |
|---|---|---|
| 1. Pension obligations with selected assets | 59,545 | 55,158 |
| 2. Market Value of the Assets | -37,521 | -27,000 |
| **3. Inadequate coverage** | **22,024** | **28,158** |
| 4. Pension obligations without selected assets | 241,000 | 118,000 |
| 5. **Net pension liabilities recorded in the profit and loss statement** | **263,024** | **146,158** |

The following values are included in the Statement of Comprehensive Income:

| In EUR | 2013 | 2012 |
|---|---|---|
| ***Pension costs entered in the profit and loss account for fiscal year 2013*** | | |
| 1st Service costs | 22,681 | 16,000 |
| 2a. Interest expenditure on the cash value of the obligations | 4,468 | 4,000 |
| 2b. Interest income receipt on the asset | -594 | -1,000 |
| 3. *Total net interest expenditure* | *3,874* | *3,000* |
| **4. Total pension costs for the period (in personnel costs)** | **26,555** | **19,000** |
| ***Revaluation components entered in the statement of comprehensive income*** | | |
| 5a. Because of the adjustment of demographic assumptions | 0 | 3,000 |
| 5b. Because of the adjustment of commercial assumptions | -19,063 | 26,000 |
| 5c. Experience variances | -1,733 | 8,000 |

| | | | |
|---|---|---|---|
| 6. | Income from plan assets (excluding amounts in the net interest expenditure) | 594 | 2,000 |
| **7.** | **Total expenses entered in the statement of comprehensive income** | **-20,202** | **39,000** |
| **8.** | **Total pension scheme costs** | **6,353** | **58,000** |

Development of the cumulated actuarial profits and losses recorded in the other result:

| In EUR | 2013 | 2012 |
|---|---|---|
| 1. At start of year | 40,908 | 2,000 |
| 2. Actuarial (profits)/losses in the year | -20,796 | 37,000 |
| 3. (Profits)/losses on the asset | 594 | 2,000 |
| **4. Differences from currency exchanges** | **-273** | **-92** |
| **5. Year end** | **20,433** | **40,908** |

Development of pension fund liabilities:

| In EUR | 2013 | 2012 |
|---|---|---|
| 1. Pension liabilities/(assets), period start | 146,158 | 13,000 |
| 2. Pension costs for the period | 7,718 | 58,000 |
| 3. Employer Contributions | -5,688 | -7,000 |
| 4. Employer's pension payments | -5,352 | -1,000 |
| 5. Purchase of companies | 120,635 | 83,000 |
| 6. Exchange rate differences | -447 | 158 |
| **7. Pension liabilities/(assets), period end** | **263,024** | **146,158** |

| ***Calculation assumptions as of year end*** | 2013 | 2012 |
|---|---|---|
| 1. Interest rate for calculation purposes CHF | 2.30% | 1.85% |
| 1. Interest rate for calculation purposes EUR | 3.75% | 3.00% |
| 2. Annual Wage Growth | 2.00% | 2.00% |
| 3. Annual Pension Indexing | 0.00% | 0.00% |

## 20. Personnel costs

| Fiscal year 2013 In EUR | Administration/ general costs | Distribution and marketing | Total |
|---|---|---|---|
| Personnel costs | 1,827,298 | 732,317 | 2,559,615 |
| Other costs | 639,827 | 2,189,095 | 2,828,922 |
| **Total** | **2,467,125** | **2,921,412** | **5,388,537** |

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| Fiscal year 2012<br>In EUR | Administration/<br>general costs | Distribution and<br>marketing | Total |
|---|---:|---:|---:|
| Personnel costs | 1,395,784 | 559,381 | 1,955,165 |
| Other costs | 516,427 | 1,766,899 | 2,283,326 |
| **Total** | **1,912,211** | **2,326,280** | **4,238,491** |

## 21. Business transactions with related parties

In accordance with 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*

| **Fiscal year 2013**<br>Values in EUR | **O. Krautscheid**<br>Board and<br>Management-P | **R. Meier**<br>Board and<br>Management | **M. Gildner**<br>Board and<br>Management | **Total** |
|---|---:|---:|---:|---:|
| Board and Management fee | 98,386 | 16,375 | 31,212 | **145,973** |
| Contributions for company pension scheme | 4,623 | 0 | 660 | **5,283** |

| **Fiscal year 2012**<br>Values in EUR | **O. Krautscheid**<br>Board and<br>Management-<br>P | **R. Meier**<br>Board and<br>Management | **M. Gildner**<br>Board and<br>Management | **Total** |
|---|---:|---:|---:|---:|
| Board and Management fee | 104,565 | 22,629 | 53,628 | **180,822** |
| Contributions for company pension scheme | 3,469 | 0 | 2,645 | **6,114** |

*Payments to associated people of the Board of Directors*

| In EUR | 2013 | 2012 |
|---|---:|---:|
| Fees Erne Meier Mongiovì [1)] | 40,381 | 53,388 |
| Fees Global Agenda GmbH [2)] | 21,196 | 31,224 |
| **Total** | **61,577** | **84,612** |

[1)] Mr Roger Meier, member of the Board of Directors, is a partner in the law firm of "Erne Meier Mongiovì Rechtsanwälte".

[2)] "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.

*Other payments to related persons*

| In EUR | 2013 | 2012 |
|---|---|---|
| Global Derivative Trading GmbH [1)] | 0 | 74,199 |
| Global Markets Trading GmbH [1)] | 0 | 48,895 |
| **Total** | **0** | **123,094** |

[1)] The two financing packages in 2012, totalling TEUR 1.975, involved capital procurement costs to related persons of TEUR 123. These concerned the normal market remuneration for granting an underwriting guarantee for all shares that were not transferred from the previous shareholders in the context of the subscription right. Placing all the new shares was essential for the transaction to be carried out successfully, and could not be achieved at acceptable cost levels because of TFC's listed share price and also the state of the entire marketplace at the time. The remuneration was paid to GDT GmbH and GMT GmbH. GDT is the majority shareholder in TFC. GMT GmbH is to be qualified as an associated person via the personal identity of the managing director.

Loans by a person associated with the company

Over the course of the fiscal year, the company received a long-term, convertible loan worth EUR 2,450,000 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 49,931 (in the previous year zero).

## 22. Other revenues

In 2013, miscellaneous operating revenues mostly contains revenues from the immediate receipt of the negative difference from the first consolidation of SOGEMA and Roseane in the amount of EUR 637,014. The remaining amount of miscellaneous operating revenues consists of non-redeemed customer credit memos (a claim no longer exists after 5 years according to French law, they are deleted from the balance sheet for this reason), insurance compensation and reimbursement of paid training and qualification.

The miscellaneous operating revenues disclosed in the 2012 fiscal year largely consist of non-redeemed customer credit memos, insurance compensation and reimbursement for paid training and qualification.

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## 23. Legal disputes

The company (AG) was not party to any court proceedings or legal cases during the reporting period. At the balance sheet date, legal proceedings in the human resources department existed in the operational subsidiary.

## 24. Capital measures

There were no financing packages at The Fantastic Company AG during the year under review. The following financing packages were implemented during fiscal year 2012:

After the shareholders' resolution at the Extraordinary General Meeting on 10th February 2012, the following capital measures were implemented in the first quarter of 2012:

*1. Decrease of equity capital*

By reducing the nominal value of each bearer share from CHF 0.35 to CHF 0.01 the company's equity capital was reduced by CHF 2,384,576 and the adverse balance caused by the company's losses was partly eliminated (by CHF 1,422,507).

*2. Increase in share capital by cash capital increase*

At the same time as the capital was decreased, the share capital was increased with a cash capital increase of CHF 1,403,280 million through the issue of new bearer shares with a nominal value of CHF 0.01 per share. The company received liquid funds in the same amount.

Following valid registration of these two capital measures on 26th March 2012 in the Commercial Register for the canton of Zug, Switzerland, the equity capital shown on the company's balance sheet amounts to CHF 1,473,444, consisting of 147,334,400 bearer shares with a nominal value of CHF 0.01 per share.

*3. Further increase in share capital by cash capital increase*

The Extraordinary General Meeting of the Company on 11th October 2012 decided to increase the share capital by at least CHF 736,722 to CHF 2,210,166 or by a maximum of CHR 982,296 to CHR 2,455,740. On 28th November 2012 the capital increase of CHF 982,296 was successfully placed on the market.

On the balance sheet date 2012 the value of TFC AG's equity capital shown on the company's balance sheet equalled CHF 2,455,740.00, consisting of 245,574,000 bearer shares with a nominal value of CHF 0.01 per share.

## 25. Events after the balance sheet date

There have been no events after the balance sheet date that could have any significant impact on the consolidated profit and loss account for 2013.

## 26. Approval by the Board of Directors

The Consolidated Accounts were approved for publication by the Board and Management on 26th May 2014. It is recommended for approval by the General Assembly.

## 27. 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 Annual 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 one of these factors causing uncertainty, or should 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.

## Addresses

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