

The Fantastic Corporation, Zug

Report for the third quarter of 2005

Fantastic

Foreword by the Board of Directors

During the first half of the 3rd quarter Mr Hirsch, a former director of the Fantastic Corporation, attempted to find a suitable investor for the company. Two investment projects were accordingly put to the vote at the general meeting of shareholders (invitation to the general meeting of shareholders of 22 July 2005, ad-hoc announcement of 12 August 2005). The general meeting of shareholders rejected the investment proposal from Transcodec Ltd. and accepted that of Dr Luigi Carlo De Micco.

Resolutions were passed to carry out a capital reduction (for restructuring purposes and to eliminate the capital loss) and two capital increases. Shareholders voted in favour of excluding the subscription rights for funding and restructuring purposes under the second capital increase, and assigning them in full to Dr Luigi Carlo De Micco.

Mr Pete Hirsch's term of office as a director of the company tasked with its restructuring came to an end at the general meeting of shareholders on 16 August 2005. Dr Luigi Carlo De Micco, Mr Dominique Freymond and the undersigned were newly elected to the board of directors.

The present board of directors thanks Mr Hirsch for the efforts that he has made in the interests of the Fantastic Corporation.

The board of directors hopes that the new contributions, both in cash and otherwise, will enable the company to resume operations in the very near future and to embark on a successful future.

For the Board of Directors

Cristiàn Mantzke Beck
Chairman of the Board of Directors

At a glance

At a glance

General

Until 16 August 2005 the Fantastic Corporation was inactive and non-operational. The board of directors hopes that the new contributions now to be made, both in cash and otherwise, will enable the company to resume operations in the very near future and to embark on a successful future.

Ordinary general meeting of shareholders

Numerous resolutions were passed at the general meeting of shareholders on 16 August 2005. One of these was to accept the investment proposal from Dr Luigi Carlo De Micco, who after the implementation of the capital increases now agreed will hold a qualified majority of the equity of the Fantastic Corporation.

The balance sheet and income statement in overview

The interim financial statements for the period ending on 30 September 2005 report an over-indebtedness.

Restructuring measures were accordingly approved at the general meeting of shareholders on 16 August 2005. The capital reduction for restructuring purposes and the two capital increases, though approved by the general meeting of shareholders, had not been fully implemented by 30 September 2005, and the restructuring measures are therefore not yet apparent in the accounts.

In view of the current situation, a comparison with the previous year makes little sense. The previous year's figures are nonetheless mentioned wherever it is beneficial to do so.

Earnings

No sales were generated in the third quarter of 2005. The company's costs mainly comprise the general administrative costs of the Fantastic Corporation.

In the third quarter of 2005 the company posted negative earnings of \$748,000, equivalent to earnings per share (eps) of -\$0.006.

Liquidity and capital resources

Holdings of liquid funds at the end of the third quarter of 2005 totalled \$156,000.

The nominal share capital is \$2,975,493 (CHF 3,838,386 divided into 127,946,210 registered shares, each with a nominal value of CHF 0.03). After deduction of the balance-sheet loss and the loss in the third quarter of 2005, shareholders' equity is negative at some -\$290,000.

Corporate Governance

Even during this difficult phase the company remains committed to the high principles of Corporate Governance, and to full disclosure to its shareholders and the public at large.

Miscellaneous

The Fantastic Corporation paid no dividends in the third quarter of 2005. Changes to the membership of the board of directors took place as described above. The Fantastic Corporation has no other employees. As there is no operating activity, any segment reporting would be superfluous.

Outlook

The new board of directors of the Fantastic Corporation is seeking a successful route to the future. It is confident that the company will soon resume operating activities.

Note to the unaudited consolidated interim financial statements:

The attached consolidated interim financial statements of the Fantastic Corporation were prepared in compliance with the International Financial Reporting Standards.

Financial statements for the period ending on 30.09.2005		
The Fantastic Corporation, Zug		
(Amounts in thousands of U.S. dollars)		
	30.09.2005	30.06.2005
ASSETS	US \$	US \$
<i>Current assets</i>		
Liquid funds	156	946
Receivables		0
./ del credere		0
Other credits	139	70
Prepaid assets / accrued income		0
Total current assets	295	1,016
<i>Fixed assets</i>		
<i>Tangible assets</i>		
Other tangible assets	33	33
Technology acquired		0
Total fixed assets	33	33
TOTAL ASSETS	328	1,049

Financial statements for the period ending on 30.09.2005		
The Fantastic Corporation, Zug		
<i>(Amounts in thousands of U.S. dollars)</i>		
	30.09.2005	30.06.2005
LIABILITIES	US \$	US \$
<i>Short-term debt capital</i>		
Trade accounts payable	0	14
Other liabilities	0	0
Accrued expenses / deferred income	314	217
Total short-term debt capital	314	231
<i>Long-term debt capital</i>		
Other provisions	304	327
Total long-term debt capital	304	327
<i>Shareholders' equity</i>		
Share capital	2,976	3,198
Loss carryforward	-1,795	-1,931
Loss 1.1. – 31.3.2005		0
Loss 1.1. – 30.6.2005		-777
Loss 1.1. – 30.9.2005	-1,471	0
Total shareholders' equity	-290	490
TOTAL LIABILITIES	328	1,049

The Fantastic Corporation, Zug

Interim financial statements: unaudited consolidated income statement

(Amount in thousands of U.S. dollars)

	2005	2005	2005	2004	2004	2004
	1.7.- 30.09.05	1.4.- 30.06.05	1.1.- 31.3.05	1.7.- 30.9.04	1.4.-30.6.04	1.1.- 31.3.04
Sales revenue						
Licences	0	2	0	0	0	240
Maintenance	0	0	0	0	0	0
Professional Services	0	0	0	0	0	0
Total	0	2	0	0	0	240
Cost of sales						
Licences	0	0	0	0	0	-11
Maintenance	0	0	0	0	0	0
Professional Services	0	0	0	0	0	0
Total	0	0	0	0	0	-11
Gross profit on sales	0	2	0	0	0	229
Operating expenses and earnings						
Distribution & marketing	0	0	0	0	0	-71
Administration & general costs, depreciation and amortisation	-741	-696	-130	-239	-276	-261
Non-cash remuneration costs	0	0	0	0	0	0
Research & development	0	0	0	0	0	0
Restructuring costs, Reorg. A	0	0	0	0	0	0
Other operating earnings	0	0	0	0	0	0
Total	-741	-694	-130	-239	-276	-332
Operating profit	-741	-694	-130	-239	-276	-103
Exchange-rate gains / (- losses)	-7	10	0	0	1	-47
Net interest income	0	0	0	0	-1	1
Pre-tax loss	-748	-684	-130	-239	-276	-149
Taxes on income & earnings	0	0	33	0	-16	0
Extraordinary earnings	0	0	5	29	52	111
Loss	-748	-684	-92	-210	-240	-38
Loss per share	0.006	-0.006	-0.0007	-0.0016	-0.0019	-0.0003
Number of shares for the calculation of the loss per share	127,946,210	127,946,210	127,946,210	127,946,210	127,946,210	127,946,210

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Interim financial statements: unaudited consolidated flow-of-funds analysis

(Amounts in thousands of U.S. dollars)

	2005 1.7.-30.9.05	2005 1.4.-30.6.05	2005 1.1.-31.3.05
Inflow / (outflow) of funds from			
Loss	-748	-684	-92
Expenses with no effect on cash flow			
Depreciation and amortisation	0	267	0
Amortisation on deferred remuneration expense	0	0	0
Change in provisions for doubtful receivables	0	0	0
Extraordinary depreciation on assets	0	0	0
Expense for restructuring provisions	0	0	0
Exchange profit / loss	-7	10	0
Change in net current assets			
Receivables	69	0	0
Prepaid assets / accrued income		0	3
Liabilities	-84	-14	-290
Provisions	-24	-306	0
Accrued expense / deferred income, others		-203	-147
Tax provisions		0	0
Total outflow of funds from business activity	-794	-910	-619
Inflow / (outflow) of funds from investment activity			
Tangible assets	0	0	0
Total inflow / (outflow) of funds from investment activity	0		0
Inflow / (outflow) of funds from funding activity	0	-31	
Repayment of loans to third parties	0	0	0
Total inflow / (outflow) of funds from funding activity	0	-31	0
Effect of exchange-rate changes	0	0	0
Net change in liquid funds	-794	-528	-619
Liquid funds at the beginning of the period	950	1,478	1,625
Liquid funds at the end of the period	156	950	1,006