



**CEP** CORPORATE  
EQUITY  
PARTNERS AG

**Corporate Equity Partners AG**  
1<sup>st</sup> Quarterly Report 2007

## Addresses

### Corporate Equity Partners AG

Registered company address:

Obmoos 4  
CH-6301 Zug  
Switzerland

### Subsidiaries

The Fantastic IP GmbH

Obmoos 4  
CH-6301 Zug  
Switzerland

The Fantastic TM GmbH

Obmoos 4  
CH-6301 Zug  
Switzerland

Mallebrann GmbH

Obmoos 4  
CH-6301 Zug  
Switzerland

The Fantastic Corporation (USA) Inc. (in Liquidation)

c/o CFO Advisory Services  
1302 Colins Boulevard  
Richardson, Texas 75081  
USA

The Fantastic Corporation (UK) LTD. (in Liquidation)

c/o Curry Clark Chartered Accountants  
Herschel House  
58 Herschel Street  
Slough SL1 1PG  
United Kingdom of Great Britain

The Fantastic Corporation Holding (UK) LTD. (in Liquidation)

c/o Curry Clark Chartered Accountants  
Herschel House  
58 Herschel Street  
Slough SL1 1PG  
United Kingdom of Great Britain

## Legal Notes

### Notes on statements referring to the future

This Quarterly Report reflects the position of the Corporate Equity Partners AG Company as of March 31<sup>st</sup>, 2007. Where possible, current developments are also reported. In the Quarterly Report, however, statements referring to the future are also contained, which refer to future events or future financial developments. Such statements referring to the future are denoted by terms such as "will", "expected", "could", "estimates", "plans", "intends", "is of the opinion", "predicts" or similar terms. Statements referring to the future contain uncertainties, known and unknown risks and/or other factors on their own or in conjunction with others, therefore the actual financial position and/or events, services or similar of the Corporate Equity Partners AG may diverge from the situation expected directly or implicitly in statements related to the future. The possible divergences can also be of considerable extent.

Factors that influence the actual development of the company are e.g. market development, general economic trends in countries and segments in which the company is active, competition, gaining and/or loss of qualified personnel, fluctuations in currency exchange rates, changes in legal context or regulatory environment including tax laws, but also acts of terrorism, force majeure, acts of war, plagues, internal unrest etc. \*

The company expressly warns investors against relying on statements relating to the future to a great extent. These only reflect the opinion of the management at the time of preparing this Annual Report. Corporate Equity Partners AG accepts no responsibility whatsoever for updating or checking these future-related statements.

Additionally, the transactions of the Corporate Equity Partners AG and their new strategic orientation carry numerous risks, which will be extensively outlined in the CP Prospectus for the authorization of newly issued shares on the regulated market of the Frankfurt Stock Market. The Company Report can be requested from the company after prior approval.

\* This listing contains only examples and is by no means complete.

### Translation of German to English

This document is an unevaluated translation of the German version of the annual report and was performed by professionals for business translations without any legal adjuration. From this or any reason there could be differences between the German and English version that could change the meaning of this document. The Company or any other is not taking any liability for differences between the German and the English version and possible different interpretations of the content of the whole document. The main document we are referring to is the German version of the 1<sup>st</sup> quarterly report 2007.

### Notes on risks

The risk profile of the Corporate Equity Partners Company in the first Quarter 2007 has not significantly changed to the end of fiscal year 2006. Whereas in the 1<sup>st</sup> Quarter of 2006 it was a Company that was involved with ongoing legal proceedings and in the middle of the year was threatened by accounting insolvency and inability to pay, the position and the corresponding risk profile has consequently improved significantly at the end of the year by successful issue of shares and settlement of all claims and legal activities against the company.

The establishment of the Private Equity business, however, carries additional risks for Corporate Equity Partners. The acquisition and integration of established Private Equity Houses and the initiation of its own Funds carries risks that arise for example through planned profit sharing (the so called "Carry") from the administration of Private Equity Funds does not accrue at the time or to the extent planned and thus, the proceeds of the Private Equity Houses capable of consolidation and belonging to the Corporate Equity Partners Company do not cover the costs.

The strategic orientation of the Corporate Equity Partners Company towards Private Equity also makes the group to a greater extent dependent on the development of the (international) financial markets. It can therefore not be excluded that Corporate Equity Partners does not succeed in acquiring promising Private Equity Houses or to place new Funds and to capitalize with investor money in order to accrue continuous income that covers the costs of the Company on a middle and long-term basis.

Additionally, Corporate Equity Partners can take advantage of opportune chances on the capital market in order to deploy the company funds profitably and accrue short-term proceeds for the Corporate Equity Partners Company. This can end up with non inconsiderable risks for the company. In certain cases, this can lead to a total loss of the capital deployed.

The continued existence of the Corporate Equity Partners Company can therefore also possibly be dependent upon the materialization of further financing measures in the future. As a result of the aforementioned risks and other, unpredicted factors or short-term, repeated unpredicted risks, the results of the Corporate Equity Partners Company can be considerably burdened. In future considerable losses can occur through this, which can negatively influence the share price of the company and / or permanently limit the possibilities of continuing financing of the Corporate Equity Partners Company.

In addition to this the Company faces acquisition risks - . In general, the purchase of company shares, e.g. from mainstream Private Equity Houses is subject to high risks, which cannot be completely excluded, despite careful checking

of the objects within the scope of Corporate Due Diligence,. Such risks can result e.g. from previous business of these companies and can include unforeseeable (financial) liabilities. It can therefore not be ensured that the prices paid for the Company do correspond to their actual value and that no (subsequent) write-offs of these investments become necessary. Losses arising from the valuation of shareholdings can furthermore also be caused by changes in the accounting regulations applicable.

Furthermore, every action orientated towards the future is based upon specific expectations concerning future conditions and circumstances. There is however no guarantee that that these expectations will also actually be met. This risk can lead to gravely mistaken decisions made by the management. In connection with the risks of future development, express reference is made to the "Legal Notes - Note on statements referring to the future"at the beginning of this Annual Report.

## An Overview of the Company (in accordance with IFRS)

PROFIT SITUATION	Jan./01 - Mar./31/2007	Jan./01 - Mar./31/2006
	000 EUR	000 EUR
Revenues	0	1
Gross profits from turnover	0	1
Operating Profit (EBIT)	-215	-185
Quarterly income (3 months)	-207	-213

CASHFLOW / LIQUIDITY	000 EUR	000 EUR
Cash-Flow from operational activities	-68	94
Cash-Flow from investing activities	0	0
Cash-Flow from financing activities	-240	-203
Increase in liquidity	-309	-1,614
Liquidity at end of year	3,659	1,716

ASSET / CAPITAL STRUCTURE	as of Mar. 31, 2007	as of Mar. 31, 2006
	000 EUR	000 EUR
Long-term assets (capital assets)	12	2,141
Short-term assets (liquid assets)	3,673	1,759
Short-term liabilities	145	392
Long-term liabilities	319	2,443
Equity Capital	3,220	1,065
Equity Ratio	87,3%	27,3 %
<b>Total Assets</b>	<b>3,686</b>	<b>3,901</b>

### Remarks:

The report is presented in EUR, because the Company will accrue essential turnover in EUR. However, as the essential consolidated active and passive assets primarily arise in CHF, these were converted from CHF into EUR. The conversion was not made with a linear conversion rate between EUR and CHF, but individually and related to the timing, which is why considerable differences may arise between the amounts quoted in EUR and in CHF.

The foreign currency conversion for assets and liabilities is determined according to the rate at deadline, whilst the corresponding income and expense items are converted at the average foreign exchange rate during the applicable period. Adjustments of foreign currency are not identified as separate items in equity capital. The foreign currency profits and losses go into the corporate profit-and-loss account.

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## Report from the Executive Board

Dear Shareholders and friends of the company,

after finishing recapitalization of the Company successfully during the 1st Quarter 2007 the Company was in a so called post-recapitalization phase und started working on different tasks as follows. Amongst others we were working on the liquidation of Companies' legal entities in the UK and the USA, final negotiations regarding the Swiss VAT investigation, preparations for the admission of all outstanding shares to the stock exchange (shares issued by the corporate actions 2006 as decided by the annual shareholder meeting held on 24th August 2006).

For preparing the needed prospectus for admitting the shares to the stock exchange we commissioned DZ Bank AG, Deutsche Zentral-Genossenschaftsbank as underwriter, Taylor Wessing Attorneys as editorial leader, Testor Treuhand AG for Commercial Due Diligence and Kloter Attorneys for Legal Due Diligence.

In parallel we started executing the new business model and setting up operational business activities. We commissioned in the end of March an international operating M&A consultancy firm for selecting acquisition targets and driving the process till contracting and closing.

For executing the business model of a „Multi Strategy Private Equity House“ Corporate Equity Partners will acquire at step 1 existing Private Equity Management Companies that have achieved an outstanding position in its niche market of selected Private Equity Strategies.

Typical acquisition targets that Corporate Equity Partners is focusing on are specialized in Private Equity Strategies like Growth-Financing, Mezzanine-Financing, MidCap-Buy Out und Distressed-Transactions and are preferably subsidiaries of larger Cooperations that are considering Private Equity not as their core business (any more).

In close cooperation with the management of the acquired companies Corporate Equity Partners will create a proper environment for growing and expanding their business.

In step 2 Corporate Equity Partners will raise new funds and issue structured products based on the track record of the acquired companies and can - if appropriate for expanding the focus of the business model on further strategies of Private Equity - set up new business units.

Believing well known spokesmen of the Private Equity industry the landscape of Private Equity will change significantly during the next 5 years. Today there is still a heterogeneous field of players in the market, but that will change. Only big players with multi-billion funds under management and small Private Equity firms that achieved a high grade of specialization on profitable niches will co-exist in the future market of Private Equity.

The execution of Corporate Equity Partners' business model will create a new type of Private Equity house that will combine on one hand the advantages of big Private Equity firms, like access to international capital markets, broad coverage of the market and on the other hand the advantages of smaller firms, like speediness, flexibility and high grade of specialization on profitable niches.

The outstanding advantage for shareholders of Corporate Equity Partners is that Corporate Equity Partners' stock will provide access to direct different Private Equity strategies with a high level of risk diversification (similar to an investment through a fund-of-fund model) and access to the profit sharing between Private Equity fund and fund management company (so called carried forward), without investing into a fund and taking risks directly.

The acquired Private Equity companies will focus on developing their core business and managing their portfolio meanwhile Corporate Equity Partners will support them by providing certain Corporate Functions to them. These would be like Group Accounting & Treasury, Group Controlling, Group Finance, Group Communications, Group HR und IT.

The first feedback of approaching potential target firms let us believe that the business model is targeting important issues of existing Private Equity firms. It is assumed that beside outstanding competence, financial background particularly an adequate time frame will be needed to execute the business model successfully. Our schedule is considering that the set up of a "Multi Strategy Private Equity House" with relevance and sustainable business will take a period of time from 36 - 60 months.

We would like to thank everyone - shareholders, business partners and friends of the company - for the work also performed in the first quarter of fiscal year 2007 and for their trust in the Executive Board and the Company. In the future, we will continue to do everything we can justify your trust and make the shares of the Corporate Equity Partners AG a successful investment.

Zug, May 2007

The image shows three handwritten signatures in black ink. The first signature on the left is 'C. Mantzke', the middle one is 'Markus Gildner', and the one on the right is 'Roger Meier'. Each signature is written in a cursive, flowing style.

Cristián Mantzke  
President of the Executive Board

Markus Gildner  
Member of the Executive Board

Roger Meier  
Member of the Executive Board

Consolidated Accounts of Corporate Equity Partners AG  
and Subsidiaries



**CEP** CORPORATE  
EQUITY  
PARTNERS AG

as of March 31, 2007

including Settlement Periods and Attachment Data  
not including Auditor's Certificate

## Consolidated Accounts

### Active Assets

	31.03.2007	31.03.2006
<b><i>Short-term assets (floating assets)</i></b>	EUR	EUR
Fluid funds	3,659,735	63,883
Capital payment account	0	1,652,635
Current account affiliated persons	0	0
Remaining claims against third parties	6,513	25,235
Remaining claims against affiliated persons	0	13,918
Active accruals and deferrals	7,425	4,299
<b><i>Total short-term assets</i></b>	<b>3,673,673</b>	<b>1,759,970</b>
<b><i>Long-term assets (investment capital)</i></b>		
<b><i>Fixed Assets</i></b>		
Deposit account for office rental agreement	3,326	0
Remaining fixed assets	1	1
Real Estate (held by an institute)	0	2,111,279
<b><i>Immaterial Assets</i></b>		
Rights and Licenses	248	317
Remaining immaterial assets	8,982	29,905
<b><i>Total long-term assets</i></b>	<b>12,557</b>	<b>2,141,502</b>
<b>TOTAL ASSETS</b>	<b>3,686,230</b>	<b>3,901,472</b>

## Liabilities

	31.03.2007	31.03.2006
<i>Short-term loan capital</i>	EUR	EUR
Liabilities from Deliveries and Services	53,719	51,613
to Third Parties	0	269,093
Remaining Liabilities to Third Parties	50,002	0
Passive accruals and deferrals	42,138	72,077
<b><i>Total Short-term loan capital</i></b>	<b>145,859</b>	<b>392,783</b>
<i>Long-term loan capital</i>		
Loans by shareholders	0	0
Mortgages	0	421,420
Property Reserves	0	1,689,860
Remaining reserves	319,579	332,392
<b><i>Total long-term loan capital</i></b>	<b>319,579</b>	<b>2,443,672</b>
<i>Equity Capital</i>		
Share Capital (701'638'428 shares at a value of CHF 0.01)	4,322,093	2,459,243
Capital payment account	0	1,652,635
Goodwill	23,406	12,813
<i>Accounting Loss:</i>		
- Loss carried forward	-917,552	-2,846,245
- Quarterly Loss	-207,155	-213,429
<b><i>Total Equity Capital</i></b>	<b>3,220,791</b>	<b>1,065,017</b>
<b>TOTAL LIABILITIES</b>	<b>3,686,230</b>	<b>3,901,472</b>

## Company Profit and Loss Statement

	1. Jan - 31.Mar. 2007	1. Jan - 31.Mar. 2006
	EUR	EUR
Revenues	0	1.666
cost of sales	0	680
<b><i>Gross Profit</i></b>	<b><i>0</i></b>	<b><i>986</i></b>
Depreciation	-924	0
Maintenance costs	-215.440	-186.032
<b><i>Operating Results</i></b>	<b><i>-216.364</i></b>	<b><i>-185.046</i></b>
Financial Results	10.558	-135
<b><i>Operating Results before tax</i></b>	<b><i>-205.806</i></b>	<b><i>-185.181</i></b>
Tax	-1.847	23.337
extraordinary income	498	0
extraordinary expenses	0	-51.585
<b>QUARTERLY RESULT</b>	<b>-207.155</b>	<b>-213.429</b>

## Company Cash Flow Statement

	1. Jan - 31.Mar. 2007	1.Jan - 31.Mar. 2006
<b><i>Cash-Flow from operating activities:</i></b>	<b>EUR</b>	<b>EUR</b>
Quarterly Result	-207,155	-213,429
<i>Transition from quarterly results to flow of funds from operational activities:</i>		
Depreciation	924	0
Dissolution of reserves	7,161	0
Decrease of short-term claims	91,359	65,560
Decrease /increase of remaining floating assets	15,085	143,539
Decrease /increase of short-term loans	24,013	99,202
<b><i>Flow of funds from operational activities</i></b>	<b>-68,613</b>	<b>94,872</b>
<b><i>Cash-Flow from investing activities:</i></b>		
Purchase of immaterial investments	0	316
<b><i>Flow of funds from investment activities</i></b>	<b>0</b>	<b>316</b>
<b><i>Cash-Flow from financing activities:</i></b>		
Income of issue of new shares	-240,582	-203,056
<b><i>Flow of funds from financing activities</i></b>	<b>-240,582</b>	<b>-203,056</b>
Conversion differences	0	0
<b>Increase/decrease of fluid and operational funds</b>	<b>-309,195</b>	<b>-107,868</b>
<b>Fluid and operational funds at start of fiscal year</b>	<b>3,968,930</b>	<b>2,076,739</b>
<b>Fluid and operational funds at end of fiscal year</b>	<b>3,659,735</b>	<b>1,716,518</b>

## Development of Consolidated Equity Capital

	1. Jan - 31.Mar. 2007	1.Jan - 31.Mar. 2006
	EUR	EUR
<i>Equity capital as of Jan. 1<sup>st</sup> of fiscal year</i>	<b>4,434,552</b>	<b>1,521,497</b>
Change in capital	-240,582	-203,056
Annual result	-207,155	-213,429
<i>Equity capital as of 31st of March of fiscal year</i>	<b>3,976,815</b>	<b>1,105,012</b>

## Discussion of Consolidated Accounts

### 1. Business activity

With consideration given to the restructuring and reorientation measures described above, the Corporate Equity Partners AG and subsidiaries (the "Company") was not operatively active in the 1<sup>st</sup> quarter of fiscal year 2007 and generated no revenues from its business.

The consolidated companies in the 1<sup>st</sup> quarter 2007 fiscal year are as follows:

Corporate Equity Partners AG	Switzerland	100%
The Fantastic IP GmbH	Switzerland	100%
The Fantastic TM GmbH	Switzerland	100%
Mallebrann GmbH	Switzerland	100%
The Fantastic Corporation Inc.*	USA	0%
The Fantastic Corporation (UK) LTD.*	GB	0%
The Fantastic Corporation Holding (UK) LTD.*	GB	0%

\* No consolidation in companies' accounts as these subsidiaries are term of a liquidation process.

### 2. Essential valuation and accounting methods

#### *Preparation of the consolidated accounts*

The consolidated accounts of the Company include the annual accounts of the Corporate Equity Partners AG as well as all subsidiaries owned to 100%. These consolidated accounts were prepared in accordance with the generally recognized principles of accounting of the IFRS (International Financial Reporting Standards, formerly IAS, International Accounting Standards). The report is presented in EUR, because in its future business activities, the Company will accrue essential turnover in EUR. However, as the essential consolidated active and passive assets primarily arise in CHF, these were converted from CHF into EUR. The conversion was not made with a linear conversion rate between EUR and CHF, but individually and related to the timing, which is why considerable differences may arise between the amounts quoted in EUR and in CHF.

#### *Use of estimates*

The preparation of the consolidated accounts in accordance with the principles of orderly accounting requires estimates and assumptions made by the management of the company, which can influence the data in the consolidated accounts as well as the related explanations. The actual results can diverge from the estimates and assumptions made.

#### *Realization of sale*

Sales are achieved through delivery and acceptance of the services by the customer.

#### *Liquidity*

The company treats all capital investments with high fungibility and a settlement date of up to 3 months from the date of acquisition as liquidity.

#### *Stock*

Finished products can be taken into account of purchase costs, with regards to the principle of lowest value. The acquisition costs are determined in accordance with IAS 2 using the FIFO method.

#### *Provisions*

Provisions are all present liabilities for which time and value cannot be conclusively judged and for which the initial intention lies in the past. The management has estimated the value and likelihood of such occurrence to its best knowledge, in particular with reference to possible additional claims from the Swiss Federal tax administration (VAT) and has set aside appropriate provisions.

#### *Total amount of assigned or ceded active assets under reservation of ownership for security of own liabilities:*

None.

#### *Total amount of unaccounted leasing liabilities*

None.

#### *Fixed assets insured against fire*

None.

#### *Claims and liabilities with regard to associated persons and firms*

At the end of 1<sup>st</sup> quarter 2007 there are no liabilities with regard to associated persons and firms.

#### *Financial assets with regard to associated persons*

At the end of 1<sup>st</sup> quarter 2007 there are no financial assets with regard to associated persons.

#### *Social Security Contributions*

Corporate Equity Partners AG employed staff requiring social insurance. All necessary social security contributions were paid by the Company to all social security funds of Switzerland.

#### *Events after accounting deadline*

At 24th of April the Annual shareholder meeting of the Company took place in Zurich. All agenda items, like approval of Company's 2006 report, discharge and reelection of all members of the executive board, change of registered shares of the Company to bearer shares, generation of authorized and conditional shares were approved at an absolute majority (> 90%) of the shareholder meeting.

Dating from the active time of "The Fantastic Corp. AG", there remains uncertainty in respect of value-added-tax. Negotiations and investigations are in progress. The Executive Board is of the opinion that the existing reserves set aside for this are sufficiently highly endowed.

#### *Fixed Assets*

The items of the tangible fixed assets are in accordance with IAS 16 attributed to acquisition costs or lower production costs. Maintenance, repair and renovation expenses are recorded as allowed expenses, whilst essential accruals to the fixed assets are activated. Acquisition costs and cumulative depreciation with reference to the outflow of items of the fixed assets are eliminated. Profits or losses from the outflow of items of the fixed assets are recorded in the profit-and-loss account. Items of tangible fixed assets are written off linearly over the period of their anticipated life.

#### *Foreign currency conversion*

The foreign currency conversion for assets and liabilities is determined according to the rate at deadline, whilst the corresponding income and expense items are converted at the average foreign exchange rate during the applicable period. Adjustments of foreign currency are not identified as separate items in equity capital. The foreign currency profits and losses go into the corporate profit-and-loss account.

#### *Taxes on Income and yield*

Taxes on income and yield in the reporting period are recorded in accordance with the regulations of IAS 12. In accordance with IAS 12.24 it is refrained from recording and accounting of the time differences, as the realization of such amounts cannot be determined with sufficient certainty.

#### *Credit risks*

Financing instruments that possibly pose a considerable risk to the company refer essentially to liquidity as well as claims arising from deliveries and services. The company has cash investments at various credit institutions. The company attempts to keep the risk of dependence upon one single credit institute as small as possible. In the reporting period the company utilized no financing instruments requiring announcement of data according to IAS 32.

*Market value of financing instruments*

The book value of financing instruments such as liquidity as well as claims and liabilities corresponds on account of the short-term maturity of these instruments essentially to the market value.

**3. Legal Claims**

The company and its associated firms were in the 1<sup>st</sup> quarter of 2007 no party to any court proceedings and legal claims.

**4. Data regarding associated persons**

In accordance with IAS 24, relationships and business transactions with economically associated firms and natural persons must be declared, since their relationship can have an affect upon the asset, financial and income position of the firm.

In the reporting period, no transactions requiring notification were undertaken.

**5. Corporate action in the 1<sup>st</sup> quarter of fiscal year 2007**

-- None --

Imprint



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PARTNERS AG

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