

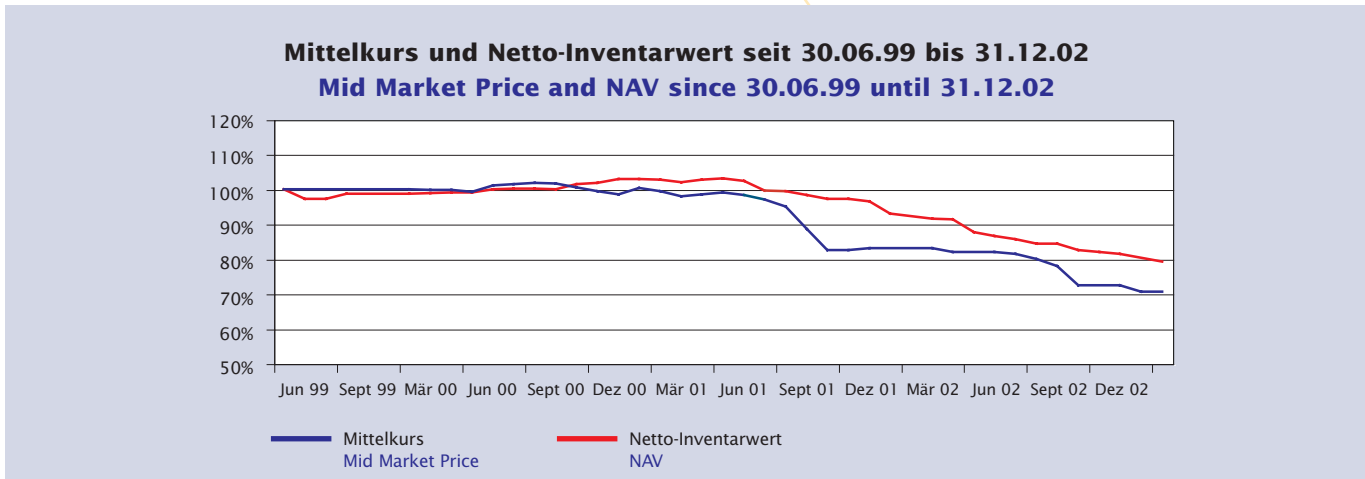


*Geschäftsbericht
Annual Report
2002*

 **Princess**

Kurs- und Performance-Information

Price and Performance Information



Firmenprofil

Princess Private Equity Holding Limited ist eine Private Equity-Investmentgesellschaft mit Sitz in Guernsey. Die von der Princess Holding emittierte Wandelanleihe eröffnet sowohl institutionellen als auch privaten Investoren die Möglichkeit, an einem professionell betreuten und breit diversifizierten Portfolio aus Beteiligungen an Private Equity-Partnerships zu partizipieren. Der Emissionserlös von USD 700 Mio. wird seit Juni 1999 von diesen Partnerships in nicht börsennotierte Unternehmen investiert. Durch eine Rückversicherung der Swiss Re ist die deckungsstockfähige Wandelanleihe mit einem vollen Kapitalschutz bis zur Wandlung und einem AA+ Rating von Standard & Poor's ausgestattet.

Company profile

Princess Private Equity Holding Limited is a Guernsey-registered private equity investment company. The Princess Holding convertible bond enables institutional and private investors to participate in a professionally managed, broadly diversified portfolio of investments in private equity partnerships. Since June 1999, the total issue amount of USD 700 million has been progressively invested in unlisted companies by the partnerships. By means of re-insurance cover provided by Swiss Re, the capital of the convertible bond, which is eligible in Germany for investment of prime stock reserves, is fully protected until maturity and the issue has been assigned a AA+ rating by Standard & Poor's.

	Wert per 31. Dez. 1999 Value as of Dec. 31. 1999	Wert per 31. Dez. 2000 Value as of Dec. 31. 2000	Wert per 31. Dez. 2001 Value as of Dec. 31. 2001	Wert per 31. Dez. 2002 Value as of Dec. 31. 2002	Performance seit Ausgabe bis 31. Dez. 2002 Since Issuance until Dec. 31. 2002
NAV	98.62%	102.89%	92.13%	78.66%	-21.34%
Mittelkurs Mid Market Price	102.75%	100.25%	83.00%	70.50%	-29.50%

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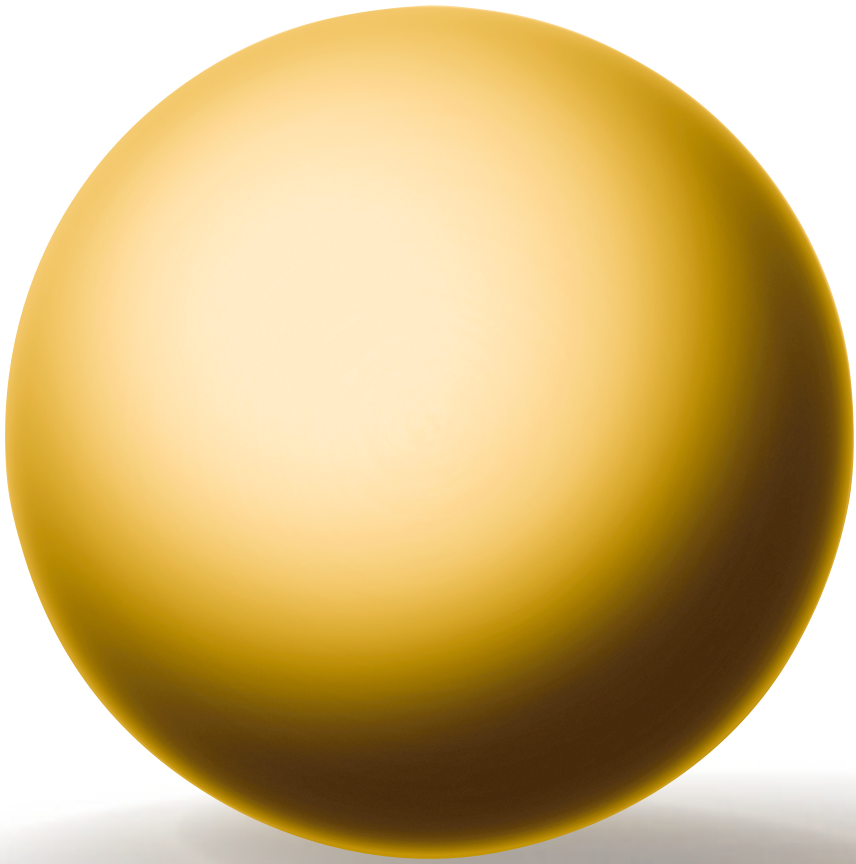
This document is neither a sales prospectus nor a direct or indirect sales promotion instrument.

Daten und Fakten

Emittent der Wandelanleihe	Princess Private Equity Holding Limited, Guernsey
Versicherung	Kapitalgarantie bei Fälligkeit durch Princess Management & Insurance Limited, Guernsey, rückversichert durch Swiss Re
Gebühren	Versicherungsprämie: 1.5% p.a. Management Fee: 1.5% p.a.
Gesamtbetrag der Anleihe	USD 700 Mio.
Zinssatz	0%
Verfallsdatum	31. Dezember 2010
Rückzahlung bei Verfall	100%
Anfängliche Wandelprämie bei Emission	0%
Wandlungsfrist	1. Januar 2007 bis 30. November 2010
Status	AA+ Rating Standard & Poor's Deckungsstockfähig
Börse	Notierung an den Börsen in Frankfurt und Luxembourg
Kennnummern	Schweiz 813.917 Deutschland 313.965
Settlement	Euroclear/Clearstream/ ISIN XS0098576563
Berichte	Monatsbericht Quartalsbericht Jahresbericht

Facts and Figures

Issuer	Princess Private Equity Holding Limited, Guernsey
Capital Protection	Principal of the Bond protected at maturity under insurance arrangements by Princess Management & Insurance Limited, Guernsey, reinsured by Swiss Re
Fees	Insurance Fee: 1.5% p.a. Management Fee: 1.5% p.a.
Issue Size	USD 700 Mio.
Coupon	0%
Maturity	December 31, 2010
Redemption	100%
Initial Conversion Premium	0%
Conversion Period	January 1, 2007 until November 30, 2010
Rating	AA+ rating by Standard & Poor's Fulfills stringent investment regulations for German investors
Stock Exchange	Listed on the Frankfurt and Luxembourg Stock Exchanges
Security Numbers	Switzerland 813.917 Germany 313.965
Settlement	Euroclear/Clearstream/ ISIN XS0098576563
Reporting	Monthly Report Quarterly Report Annual Report



Vorwort des Verwaltungsrates

Sehr geehrte Investoren

Das letzte Jahr war eine schwierige Zeit für die Weltwirtschaft und die Finanzmärkte. Die Private Equity-Branche musste während dieser Periode weitere Bewertungsanpassungen hinnehmen und war einem zähen Marktumfeld für Realisierungen ausgesetzt, besonders im Bereich von Neuemissionen (IPOs) und Akquisitionen & Fusionen (M&A). Trotzdem freuen wir uns, Ihnen den Jahresbericht 2002 der Princess Private Equity Holding, welcher die Aktivitäten des Geschäftsjahres kommentiert, präsentieren zu können.

Aufgrund der bereits aufgeführten Entwicklungen sank der Innere Wert von Princess von 92.1% am 31. Dezember 2001 um 14.6% auf 78.7% am 31. Dezember 2002. Obwohl der Grossteil der Abschreibungen bereits getätigt wurde, gerade im Venture Capital-Segment, welches 16% aller Investitionen darstellt und in welchem Bewertungsanpassungen von bis zu 40% vorgenommen wurden, kann der Investment Manager weitere Wertbereinigungen nicht ausschliessen, soweit keine eindeutige Erholung des wirtschaftlichen Umfelds in 2003 eintreten sollte. Dennoch schneidet sowohl die Preis- als auch die NAV-Performance von Princess im Vergleich zu den öffentlichen Märkten durchaus positiv ab. Dies unterstreicht die Bedeutung von Private Equity-Investitionen sowohl für institutionelle als auch private Investoren.

Bitte beachten Sie, dass der Quartalsbericht per 31. Dezember 2002 einen NAV von 79.2% auswies. Dieser Wert basierte auf den letzten verfügbaren, durch die General Partner berichteten und auf Folgeereignisse angepassten Bewertungen. Einige General Partner berichten nicht nach IAS, sondern nach einem anderen Standard (z.B. UK GAAP, US GAAP, HGB, EVCA etc.). Um Bewertungen anderer Standards dem "fairen Wert" nach IAS 39 anzupassen, wurde eine tiefgreifende Portfolio-Analyse durchgeführt. Bedingt durch diese Analyse wurde ein geprüfter NAV von 78.7% per 31. Dezember 2002 errechnet.

Kapitalabrufe der Partnerships in Höhe von fast USD 120 Mio. liessen den Investitionsgrad auf 87.3% ansteigen. Durch die Mittel, die nun investiert werden, sowie durch die noch vorhandenen liquiden Mittel von USD 70 Mio. wird Princess von den derzeit tiefen Bewertungen profitieren. Ein schwieriges Finanzierungsumfeld sowie ständig fallende Einstiegswert-Multiples haben Bewertungen nach unten auf das Niveau von Mitte der 90er Jahre gedrückt. In Bezug auf Rückflüsse hat Princess seit Lancierung mehr als USD 133 Mio. an Rückflüssen erhalten und trotz des unvorteilhaften Realisierungsumfeldes USD 53 Mio. allein in 2002. Dies ist ein Anzeichen dafür, dass Princess von der Aufbau-Phase in die Reife-Phase übergeht.

Wie bereits im Quartalsbericht per 30. September 2002 beschrieben, revidierte Standard & Poor's die *Long-term Counterparty Credit and Insurer Financial Strength Ratings* der Swiss Re und setzte das Rating von AAA auf AA+ mit einem stabilen Ausblick. Standard & Poor's Rating der Princess Wandelanleihe ist auf die *Financial Strength Ratings* der Swiss Re, des Rückversicherers der Anleihe, zurückzuführen. Als Ergebnis der Revision des Swiss Re Ratings wurde das Rating der Anleihe entsprechend angepasst. Swiss Re zählt noch immer zu den 40 europäischen Unternehmen mit *Financial Strength Ratings* von AA+ oder besser.

Der Aufsichtsrat ist überzeugt, dass Princess ein gut diversifiziertes Portfolio aufgebaut hat und gut positioniert ist, um von einer Wiederauflebung der Weltwirtschaft und der Realisierungsmöglichkeiten zu profitieren. Dies sollte in langfristigen Wertzuwachs resultieren. Wir werden in den kommenden 12 Monaten, wie auch in den vergangenen Jahren, bemüht sein, Ihren hohen Ansprüchen und dem uns entgegengebrachten Vertrauen zu entsprechen.

Der Verwaltungsrat

Statement of the Board of Directors

Dear valued investor

The past year has been a difficult time for the world economy and the financial markets. The poor performance of public equity markets combined with the lowest level of activity regarding initial public offerings (IPOs) and merger & acquisitions (M&As) for the last 15 years spilled over to the private equity industry causing additional adjustments to portfolio company valuations and reducing the distribution activity further. Nonetheless, the Board of Directors has the pleasure of presenting the Princess Private Equity Holding Limited 2002 Annual Report which details the year's business activities.

Owing to the above-mentioned development, the net asset value (NAV) of Princess declined by 14.6% from 92.1% at December 31, 2001 to 78.7% at December 31, 2002. With corrections to investments having already been made in large measure, especially to venture investments made at the height of the market in 1999 and 2000 which have depreciated by more than 40%, the Investment Manager believes that the bulk of the value adjustments to the portfolio have been made. However, further valuation adjustments cannot be ruled out if the economic environment fails to improve in 2003. The Princess convertible bond performance since inception compares favorably with most public markets and its listed private equity peers both in terms of price performance as well as NAV development. This underlines the importance of private equity allocations for institutional and private investors' portfolios.

Please note that in the quarterly report as of December 31, 2002 an NAV of 79.2% was quoted. This figure was based on the latest available valuations reported by the general partners, adjusted by subsequent capital activities. Several general partners report on a different accounting standard than IAS, e.g., UK GAAP, US GAAP, HGB, EVCA, etc. To make their reported valuations IAS 39 fair value compatible a detailed portfolio based analysis was required. This analysis resulted in an adjustment of the audited NAV to 78.7%.

Capital calls by the portfolio partnerships amounting to almost USD 120 million pushed the investment level up to 87.3%. The money now being invested in addition to the remaining cash of almost USD 70 million will enable Princess Holding to profit from the current valuation levels. Difficult financing conditions and ever lower purchase price multiples have pulled valuations down to levels of the mid-90s. Despite the adverse economic environment of the last 12 months, Princess portfolio partnerships were able to successfully exit investments. Princess has received over USD 133 million since inception and despite the unfavorable exit environment it received USD 52 million alone in 2002. This is indication

that the portfolio is progressing from the build-up phase and is approaching maturity.

As already communicated in the quarterly report per September 30, 2002, Standard & Poor's revised the long-term counterparty credit and insurer financial strength ratings on Swiss Re from AAA to AA+ with stable outlook. When Standard & Poor's initially rated the Princess bond in June 1999, it indicated that the rating drew on the financial strength rating of Swiss Re. The rerating of the latter resulted therefore in the rating of the bonds being amended to reflect that new level. Swiss Re is still one of 40 European companies with a financial strength rating of AA+ or better.

The Board of Directors considers the Princess portfolio to be well-diversified and thus well positioned to benefit from a recovering world economy and the re-opening of exit markets which will reposition Princess on the path of long-term growth and value creation. Over the next 12 months, as in the previous years, we will continue to be fully dedicated to justifying the trust and confidence you have placed in us.

The Board of Directors

Rückblick Private Equity-Branche in 2002

Während der letzten zwölf Monate fanden eine Reihe von Ereignissen statt, die das Vertrauen der Investoren beeinträchtigt haben. Auf die Terroranschläge des 11. Septembers 2001 folgten grosse Firmenpleiten in den USA wie Enron, Andersen und Worldcom, dem grössten Konkurs der amerikanischen Geschichte, oder Swissair, Kirch und Holzmann in Europa. Das vergangene Jahr war aber nicht nur eine turbulente Zeit für die Weltwirtschaft und die Börsen. Die hohe Aktienvolatilität, der Druck auf Unternehmensbewertungen und das verlangsamte Wirtschaftswachstum forderten ihren Tribut auch von privaten Unternehmen.

Während des letzten Jahres sanken Venture Capital-Investitionen in den USA weiter, wenn auch bedeutend langsamer als im Vorjahr. Der US Venture Capital-Markt erreichte seinen Zenit im 2. Quartal 2000, als USD 29.1 Mrd. in 2'226 Transaktionen investiert wurden. Laut einer Studie von PricewaterhouseCoopers, Venture Economics und National Venture Capital Association sank im 4. Quartal 2002 dieser Betrag auf USD 4.0 Mrd., die sich auf 424 Transaktionen verteilten.

Obwohl alle Industriesektoren betroffen waren, waren die Sektoren Bio- und Informationstechnologie resistenter. Unternehmen, die sich in der Expansionsphase befanden, konnten das meiste Geld aufnehmen. "Later Stage"- und besonders "Start-up"- und "Seed stage"-Unternehmen hatten Probleme, weitere Unterstützung von Venture Capital-Investoren zu bekommen.

Das Buyout-Segment hat sich hingegen vorteilhafter entwickelt. Nachdem in den letzten 12 bis 18 Monaten relativ wenig Transaktionen zustande kamen, stieg der "Deal Flow" aufgrund von Firmenrestrukturierungen (Veräusserungen von Nicht-Kerngeschäften), krisengeplagten Unternehmen und niedrigeren Preiserwartungen der Verkäufer. Der Trend innerhalb der Branche ging zu grossen Buyout-Transaktionen und den daraus resultierenden Syndikaten, um das Risiko solcher Deals auf verschiedene Private Equity-Firmen zu verteilen. Der Erwerb des Telekommunikationsunternehmens Qwest für USD 7 Mrd. durch ein von Carlyle geführtes Konsortium in 2002 stellte, mit Ausnahme des Kaufs von RJR Nabisco durch Kohlberg Kravis & Roberts Ende der 80er Jahre, die grösste Buyout-Transaktion aller Zeiten dar.

Auch in Europa nahmen Private Equity-Investitionen innerhalb der letzten 12 Monate ab. Laut der European Venture Capital Association (EVCA) wurden zu Höchstzeiten des Marktes in 2000 EUR 35 Mrd. in insgesamt 13'107 Unternehmen investiert. In 2002 sanken diese Zahlen auf EUR 27.6 Mrd bzw. 8'684 Unternehmen. Dabei entfielen EUR 16.9 Mrd. auf Buyout-Transaktionen, etwa ein Fünftel entfielen auf Expansionskapital und nur ein Zehntel der Summe wurde in "Early

Review of the Private Equity Industry in 2002

Over the past 12 months, a series of shocks has hit the world's financial system, shattering investor confidence. The terrorist attacks of September 11, 2001, were followed by corporate failures such as Enron, Arthur Andersen and Worldcom in the USA and Swissair, Kirch Media and Holzmann in Europe. While the past year proved not only to be a turbulent time for the global economy and the public markets, high stock market volatility and downward pressure on the valuations of blue-chip companies also took a toll on privately held companies.

Over the past year, venture capital investing in the USA continued its downward trend, though at a considerably slower rate of decline than the previous year. The US venture capital market had reached its zenith in the second quarter of 2000 when some USD 29.1 billion was invested in 2'226 transactions. By the fourth quarter of 2002, venture capital investing had contracted to USD 4 billion in 424 transactions, according to the latest survey by PricewaterhouseCoopers, Venture Economics and the National Venture Capital Association.

While all the major industries experienced declines, both software and life sciences in Europe demonstrated some resilience. While later stage and expansion stage companies continued to attract the most capital, early stage and start-up/seed stages in particular experienced difficulty in obtaining venture-backing.

By contrast the buyout front following a 12-18 month period of low activity deal flow picked up on the back of corporate restructuring (in particular disposals of non-core subsidiaries), distressed companies and sellers' lowered price expectations. Large-sized buyouts and concomitant syndicate building to spread the risk of such investments among several private equity firms were dominant emerging trends. With the USD 7 billion purchase of US telecommunications operator Qwest Communications by a Carlyle Group-led consortium, 2002 saw the second largest buyout transaction ever since Kohlberg Kravis & Roberts' purchase of RJR Nabisco in the late 1980s.

Private equity investing in Europe also contracted over the past 12 months. According to the European Venture Capital Association (EVCA), EUR 35 billion was invested in 13'107 companies at the height of the market in 2000. In 2002, only EUR 27.6 billion was invested in 8'684 companies. At EUR 16.9 billion, buyout stage deals continued to drive investments. Expansion investment accounted for around a fifth and early stage for around a tenth of the total. As in the USA, private equity firms directed their efforts towards supporting existing portfolio companies. In geographical terms, the UK continued to account for the lion's share of venture capital deals in Europe, followed by Germany and France.

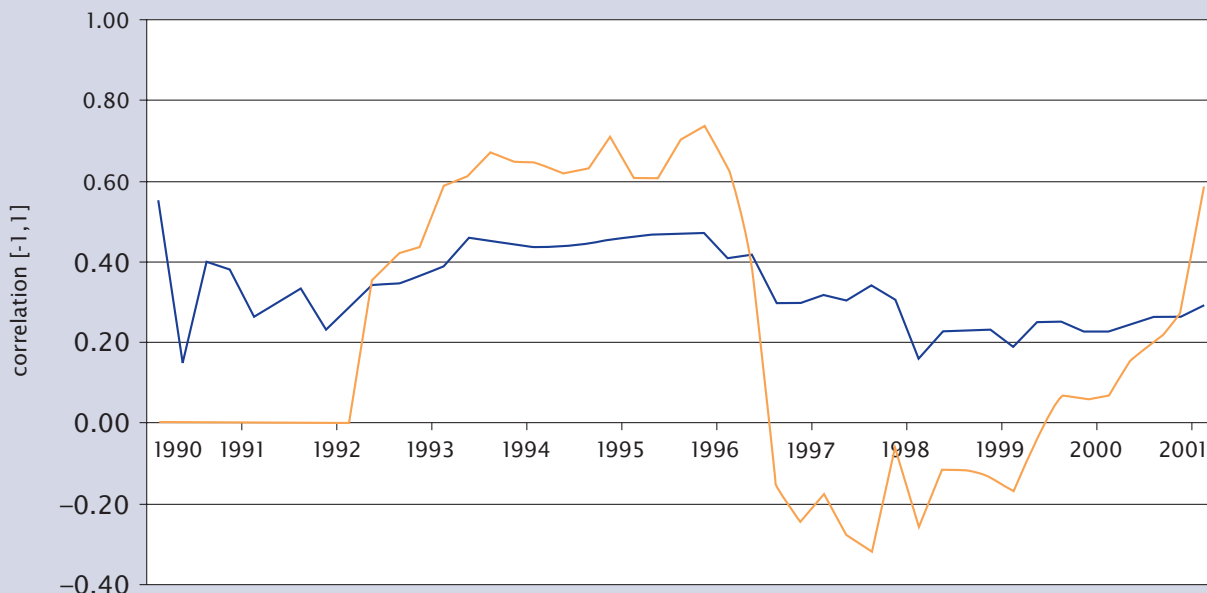
stage"-Unternehmen investiert. Ähnlich wie in den USA konzentrierten sich europäische Private Equity-Firmen darauf, ihre bestehenden Portfolios zu stärken. Unterscheidet man nach geografischen Regionen, so konnte Grossbritannien den Grossteil der Venture Capital-Deals für sich verbuchen, gefolgt von Deutschland und Frankreich.

Auf beiden Seiten des Atlantiks herrschte ein schwieriges Umfeld, um neue Gelder aufzunehmen. Aufgrund einer "Flucht zu Qualität" waren die Fonds von etablierten Partnerships häufig überzeichnet. Neue Partnerships, die keinen "Track Record" vorweisen konnten, hatten hingegen Schwierigkeiten, neue Gelder zu sammeln. In den USA geben sogar einige Partnerships ungenutzte Gelder an ihre Investoren zurück. Im letzten Jahr stieg auch die Zahl der "Corporate Ventures" und "Captives", die ihre Präsenz reduzierten oder sich vollständig vom Private Equity-Markt zurückzogen, da sie wiederholt massive Quartalsverluste erlitten, was sich negativ auf die Bilanz des Mutterunternehmens auswirkte. Für Käufer von Secondaries ergaben sich dadurch interessante Opportunitäten zu teilweise grossen Discounts.

On both sides of the Atlantic, it was a tough environment for fundraising. In a flight to quality, some of the leading, established partnerships frequently overshot their fundraising targets for new funds, while new partnerships without track records experienced difficulties attracting sufficient capital. At the same time, some US funds actually returned un-deployed capital back to investors. During 2002, an increasing number of corporate venturing arms and captive funds decided to reduce their presence in or withdraw altogether from the private equity market after recording successive quarters of substantial private equity losses that impacted the income statements of their parent companies. Moreover, the sale of these private equity interests at substantial discounts provided interesting opportunities for secondary buyers.

With limited exit opportunities via IPOs, M&As and trade sales, financial buyers increasingly stepped into the breach. Nevertheless, a backlog of quality portfolio companies is ready for exiting but waiting for a restoration of public equity confidence.

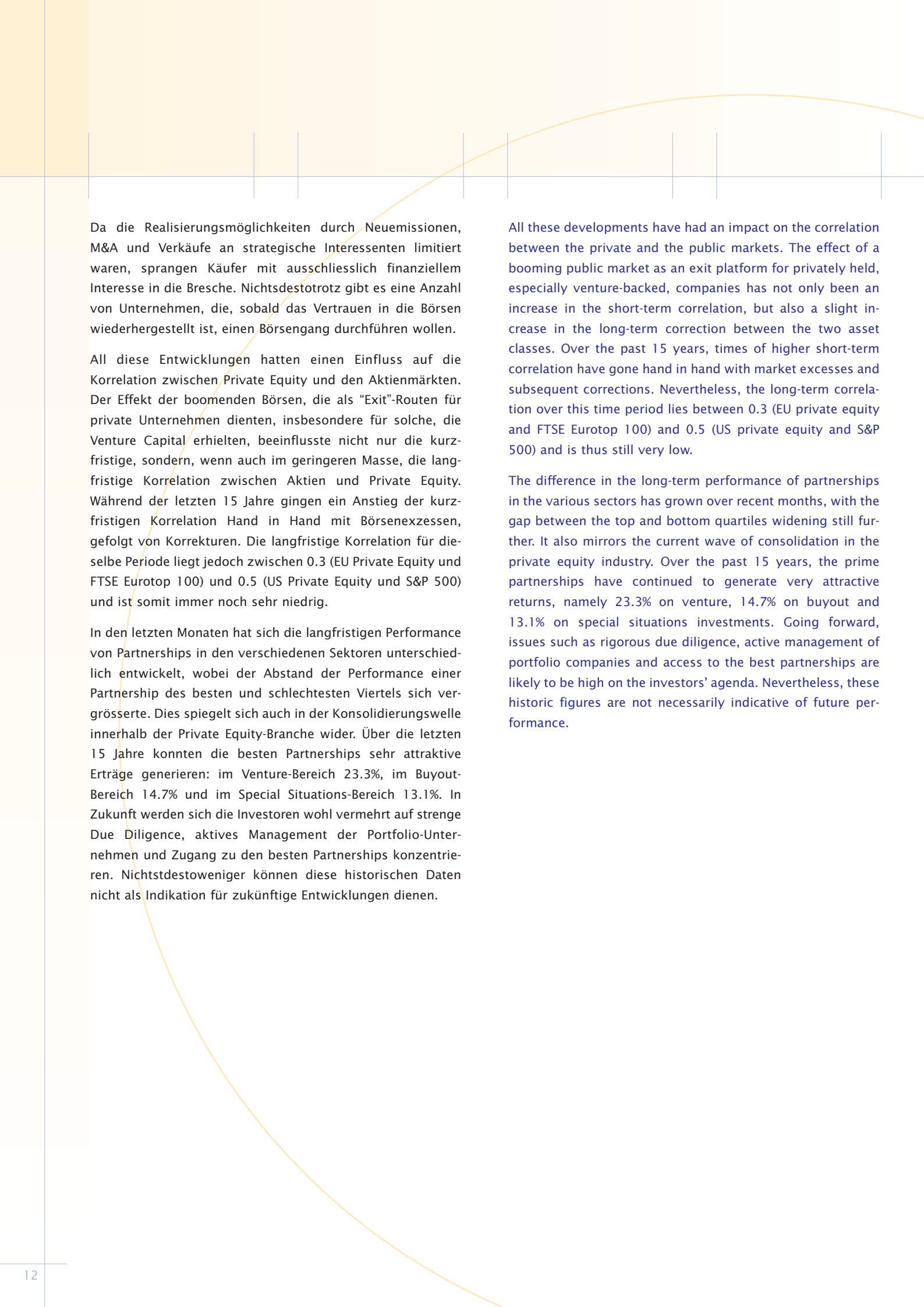
Korrelation zwischen Private Equity und den öffentlichen Märkten Correlation between Private Equity and Public Markets



■ Korrelation zwischen (i) European All Private Equity und (ii) FTSE Eurotop 100 Index, seit 1990
Correlation between (i) European All Private Equity and (ii) FTSE Eurotop 100 Index, since 1990

■ Rollende Korrelation, über 12 Quartale
Rolling Correlation, over 12 quarters

Quelle: Bloomberg und Venture Economics, analysiert durch Partners Group
Source: Bloomberg and Venture Economics Data, analyzed by Partners Group



Da die Realisierungsmöglichkeiten durch Neuemissionen, M&A und Verkäufe an strategische Interessenten limitiert waren, sprangen Käufer mit ausschliesslich finanziellem Interesse in die Bresche. Nichtsdestotrotz gibt es eine Anzahl von Unternehmen, die, sobald das Vertrauen in die Börsen wiederhergestellt ist, einen Börsengang durchführen wollen.

All diese Entwicklungen hatten einen Einfluss auf die Korrelation zwischen Private Equity und den Aktienmärkten. Der Effekt der boomenden Börsen, die als "Exit"-Routen für private Unternehmen dienten, insbesondere für solche, die Venture Capital erhielten, beeinflusste nicht nur die kurzfristige, sondern, wenn auch im geringeren Masse, die langfristige Korrelation zwischen Aktien und Private Equity. Während der letzten 15 Jahre gingen ein Anstieg der kurzfristigen Korrelation Hand in Hand mit Börsenexzessen, gefolgt von Korrekturen. Die langfristige Korrelation für dieselbe Periode liegt jedoch zwischen 0.3 (EU Private Equity und FTSE Eurotop 100) und 0.5 (US Private Equity und S&P 500) und ist somit immer noch sehr niedrig.

In den letzten Monaten hat sich die langfristige Performance von Partnerships in den verschiedenen Sektoren unterschiedlich entwickelt, wobei der Abstand der Performance einer Partnership des besten und schlechtesten Viertels sich vergrösserte. Dies spiegelt sich auch in der Konsolidierungswelle innerhalb der Private Equity-Branche wider. Über die letzten 15 Jahre konnten die besten Partnerships sehr attraktive Erträge generieren: im Venture-Bereich 23.3%, im Buyout-Bereich 14.7% und im Special Situations-Bereich 13.1%. In Zukunft werden sich die Investoren wohl vermehrt auf strenge Due Diligence, aktives Management der Portfolio-Unternehmen und Zugang zu den besten Partnerships konzentrieren. Nichtsdestoweniger können diese historischen Daten nicht als Indikation für zukünftige Entwicklungen dienen.

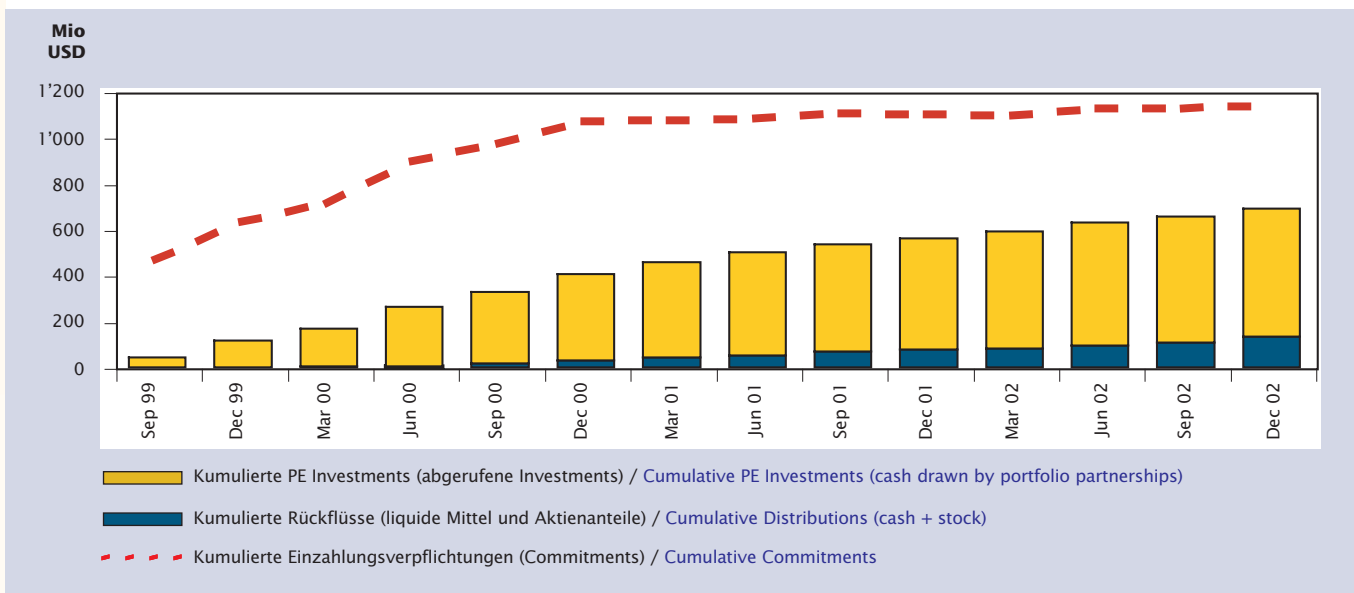
All these developments have had an impact on the correlation between the private and the public markets. The effect of a booming public market as an exit platform for privately held, especially venture-backed, companies has not only been an increase in the short-term correlation, but also a slight increase in the long-term correlation between the two asset classes. Over the past 15 years, times of higher short-term correlation have gone hand in hand with market excesses and subsequent corrections. Nevertheless, the long-term correlation over this time period lies between 0.3 (EU private equity and FTSE Eurotop 100) and 0.5 (US private equity and S&P 500) and is thus still very low.

The difference in the long-term performance of partnerships in the various sectors has grown over recent months, with the gap between the top and bottom quartiles widening still further. It also mirrors the current wave of consolidation in the private equity industry. Over the past 15 years, the prime partnerships have continued to generate very attractive returns, namely 23.3% on venture, 14.7% on buyout and 13.1% on special situations investments. Going forward, issues such as rigorous due diligence, active management of portfolio companies and access to the best partnerships are likely to be high on the investors' agenda. Nevertheless, these historic figures are not necessarily indicative of future performance.



Verlauf des Investitionsprozesses

Progress in Investment Activities



Eine gründliche Analyse des Portfolios der Princess Private Equity Holding zeigt, dass die meisten der notwendigen Bewertungsanpassungen bereits vorgenommen – speziell Venture Investitionen der Jahre 1999 und 2000 wurden zu über 40% wertberichtigt – und im Princess-NAV reflektiert wurden. Abschreibungen konnten zum Teil von Rückflüssen der Buyout- und Special Situations-Partnerships sowie durch die strategischen Sekundärmarkt-Investitionen kompensiert werden. Der Investment Manager möchte an dieser Stelle die Bedeutung der Sekundärmarkt-Portfolios, an denen sich Princess in 2000 beteiligte, betonen. Durch diese Beteiligungen konnte Princess die Stabilität und Reife des Portfolios erhöhen, den Investitionsgrad anheben und frühe Rückflüsse verbuchen.

Während des Jahres stieg der Investitionsgrad des Princess-Portfolios auf 87.3%. Investitionen der Partnerships stiegen um 21.0% auf USD 690 Mio. per Ende 2002, verglichen mit USD 570 Mio. im vorhergehenden Jahr. Insgesamt erhielt Princess mehr als USD 130 Mio. an Rückflüssen, equivalent zu ca. 19.3% des abgerufenen Kapitals. Insgesamt kamen per 31. Dezember 2002 43.4% der Rückflüsse von Sekundärmarkt-Portfolios.

Princess-Partnerships investieren in vielversprechende Unternehmen und Ventures. Dies wird von der *Hot Company List*, welche im Mai 2002 von *Time Magazine* publiziert wurde, unterstrichen. Das zum dritten Mal veröffentlichte Ranking wählt jedes Jahr die top 50 europäischen High-tech Unternehmen mit den innovativsten Unternehmens-Modellen und dem grössten Potential. Princess ist in fünf der 33 "heissesten", durch Venture Capital-finanzierten High-tech

A thorough analysis of the Princess Private Equity Holding Limited portfolio shows that most of the necessary valuation adjustments have been made, in particular venture investments that were made in 1999 and 2000 have been corrected by over 40%, and are already reflected in the NAV of Princess. Write-downs have been partly offset by proceeds from buyout and special situation partnerships as well as the strategic secondary investments. The Investment Manager would like to underline the value of the three secondaries that Princess participated in 2000. Through this participation Princess was able to increase the stability and maturity of its portfolio and at the same time boost the investment level and receive considerable distributions.

During the course of the year the investment level of the Princess portfolio rose to 87.3%. Investments made by the partnerships increased by 21.0% to USD 690 million at the end of 2002 compared to USD 570 million the previous year. In total Princess has received more than USD 130 million in proceeds which is equivalent to approximately 19.3% of drawn down capital. As per December 31, 2002, 43.4% of all proceeds have stemmed from the secondary investments.

That Princess's partnerships are able to identify and invest in the most promising companies and ventures is underscored by *Time Magazine's Hot Company List*, published in May 2002. The magazine's third annual ranking names the top 50 European high-tech companies with the most innovative products and services, the most promising business models, and the greatest future potential. Princess is invested in five of the 33 "hottest" venture-backed high-tech companies,

Unternehmen investiert, namentlich Astex Technology, Cellzome, Ark Therapeutics, StreamServe und Kamelian.

Im Juni 2002 veröffentlichte *Red Herring*, ein führendes US-Technologie- und Venture Capital Journal, eine jährliche Aufstellung der 50 privaten und 50 öffentlichen Unternehmen, welche eine technologische Vorreiterrolle einnehmen und ein hohes Mass an wirtschaftlichem Potential besitzen. Princess ist an 10 der 50 europäischen High-tech Unternehmen der respektierten *Red Herring*-Liste beteiligt. Diese Unternehmen sind alle Industrieführer und in verschiedenen Sektoren wie Biotechnologie (Cytokinetics), Nanotechnologie (Quantum Dot), mobile Kommunikation (Schema), Computer Hard- und Software (Egenera, Inkra Networks, RouteScience Technologies, Asera, Google) bis Datenspeicherung (Seagate Technology) und Kommunikations-Dienstleistungen (QuantumShift) tätig.

Des Weiteren wählte im Dezember das *World Economic Forum* 40 *Technology Pioneers* für 2003. Seit 2000 ehrt das *World Economic Forum* die CEOs der Unternehmen, welche die innovativsten und transformativsten Technologien herstellen und verwenden. Diese dynamische Gruppe ist an der Spitze von Veränderungen in verschiedenen Technologie-Sektoren. Ihre Vorreiterrolle in Gebieten wie Proteomics, erneuerbare Energien und Internet-Infrastruktur repräsentiert eine enorme Quelle an unternehmerischem Talent. Princess hält Anteile an fünf der diesjährigen *Technology Pioneer*-Unternehmen: Canestra, Cellzome, Cyclacel, Cytogenetics und Vertex Pharmaceuticals.

Diese Auszeichnungen unterstreichen die Qualität und das beachtliche Potential der Princess Portfolio-Unternehmen.

namely Astex Technology, Cellzome, Ark Therapeutics, StreamServe and Kamelian.

In June 2002 *Red Herring*, a leading US venture capital journal, published its annual compilation of the 50 private and 50 public companies that it considers to be at the cutting edge of science and technology and to have a sound business model. Princess counts ten portfolio companies on *Red Herring's* well respected list of top 50 privately backed high-tech companies. The companies are all industry leaders, spread across various sectors from biotechnology (Cytokinetics), nanotechnology (Quantum Dot), wireless (Schema) and computer hardware & software (Egenera, Inkra Networks, RouteScience Technologies, Asera, Google) to data storage (Seagate Technology) and communications services (QuantumShift).

Furthermore, the *World Economic Forum* selected its 40 *Technology Pioneers* for 2003 in December. Set up in 2000, the *Technology Pioneer* program honors the chief executives of companies that are developing and applying the most innovative and transformational technologies. This dynamic group is at the forefront of change in a variety of technology sectors. Their cutting-edge work in fields such as proteomics, renewable energy and Internet infrastructure represents an enormous resource of entrepreneurial talent. Princess holds stakes in five of this year's *Technology Pioneer* companies: Canestra, Cellzome, Cyclacel, Cytokinetics and Vertex Pharmaceuticals.

These listings underline the quality and considerable potential of the investee companies in the Princess portfolio.

Performance

Im Vergleich zur Performance der öffentlichen Märkte schnitten die Preis- und NAV-Entwicklung von Princess gut ab. Seit Juni 1999 haben die öffentlichen Märkte wie folgt performiert: Dow Jones -24.0%, NASDAQ -50.3%, DAX -46.2%, Nemax -91.7%, SMI -33.0%. Im gleichen Zeitraum hat der Princess-NAV um -21.3% und der Marktpreis (Mittelkurs) um -29.5% nachgegeben.

Zusätzlich schränkte der Bond Floor von 69.0% per Ende Jahr die Wahrscheinlichkeit für eine weitere Preiskorrektur der Princess-Wandelanleihe, welche bei 70.50% per Ende Jahr handelte, substantiell ein. Die implizite Mindestrendite bis Fälligkeit (bedingt durch den Versicherungsschutz des Nominalkapitals der Wandelanleihe) betrug 4.5% p.a. per Jahresende. Beeinflusst von der negativen Marktstimmung handelte die Princess-Wandelanleihe fast par zu einer traditionellen AA+ Anleihe, wobei dem Upside des zugrundeliegenden Private Equity-Portfolios keine Rechnung getragen wurde.

Portfolio-Allokation

Der Investment Manager zielt darauf ab, ein global-diversifiziertes Private Equity-Portfolio für Princess Private Equity Holding aufzubauen. Dadurch dass Princess ihre Commitments optimal nach verschiedenen festgelegten Parametern abgibt, deckt das Princess Portfolio alle Private Equity-Diversifizierungs-Dimensionen ab, d.h. Finanzierungsstadien, geografische Regionen, Industriesektoren, Lancierungsjahre und Investitionsstile (Primary gegenüber Secondary-Commitments). Das Ziel dieser breiten Diversifikation ist es, die Risiken der Anlageklasse Private Equity zu minimieren.

Das Princess-Portfolio beinhaltet eine grosse Zahl verschiedener Lancierungsjahre. Das Chase 1998 Pool Participation Portfolio, ein Sekundärmarkt-Portfolio, an dem sich Princess in 2000 beteiligte, trägt erheblich zur Diversifikation hinsichtlich der Lancierungsjahre bei, da es Partnerships beinhaltet, die bis 1988 zurückreichen. Die Commitments an Prism Ventures IV und American Securities III in 2001 stellen die jüngsten Lancierungsjahre dar. Es wurden keine Commitments in 2002 abgegeben. Die Gründe hierfür können anhand einer kurzen Beschreibung der Commitment-Strategie aufgezeigt werden:

Zuerst wurden statistische Daten analysiert um Cash-flow-Muster innerhalb der Private Equity-Industrie möglichst genau vorhersagen zu können. Diese empirische Auswertung fungierte als Basis für Commitment-Entscheidungen als Princess in 1999 lanciert wurde und ist nach wie vor von Bedeutung, um zukünftige Cash-flows einschätzen zu können. Zweitens

Performance

In comparison to the performance of the public markets, the price and NAV development of Princess have held up well. Since June 1999, the public markets have had the following performance: Dow Jones: -24.0%, NASDAQ: -50.3%, DAX: -46.2%, Nemax: -91.7%, SMI: -33.0% while the NAV of Princess has declined by -21.3% to currently 79.2% and its market price by -29.5% to currently 70.5% (mid-market price). I do not consider that the drop in NAV versus market indices is relevant since the indices show only market prices, irrespective of underlying NAV of the relevant companies.

In addition, the bond floor of 69.0% at year-end narrowed the possibility of further downside for the Princess convertible bond which was trading at 70.5% at end of December 2002. The implicit inherent yield to maturity (due to the principal protection of the convertible bond) was 4.5% p.a. at year-end. Due to the negative market sentiment, the Princess year-end price just compares to a traditional AA+ bond without valuing the upside of the underlying private equity portfolio.

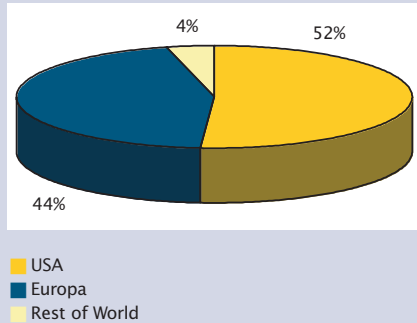
Portfolio Allocation

The Investment Manager aims to build a globally diversified private equity portfolio for Princess Private Equity Holding. Through allocating its commitments optimally according to various set parameters, the Princess portfolio covers all the main dimensions of private equity, i.e., financing stages, geographical regions, industry sectors, vintage years and the different investment styles, e.g., primary versus secondary commitments. The purpose of this broad diversification is to minimize the risks inherent in the private equity asset class.

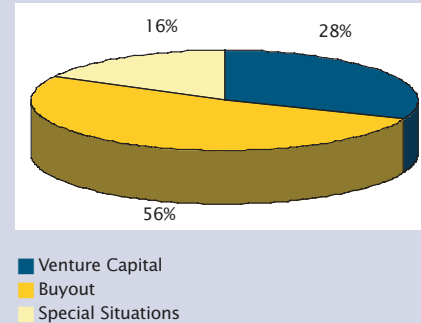
The portfolio comprises several vintage years. The Chase 1998 Pool Participation Fund, a secondary portfolio which Princess participated in 2000, contributes vintages reaching back to 1988, while the commitments to Prism Ventures IV and American Securities III in 2001 represent the most recent vintages. No commitments were allocated to the 2002 vintage year. The reasons for this decision can be best explained by a brief description of the process by which the Investment Manager determines the feasible commitment capacity:

Initially statistical data is analysed in order to determine how private equity cash flows can be expected to behave. This empirical evaluation formed the basis for commitment decisions when Princess was launched in 1999 and it still plays a major role in terms of expectations about Princess' future cash flows. Secondly, the current portfolio is analysed in terms of the actual cash flows and the current portfolio value,

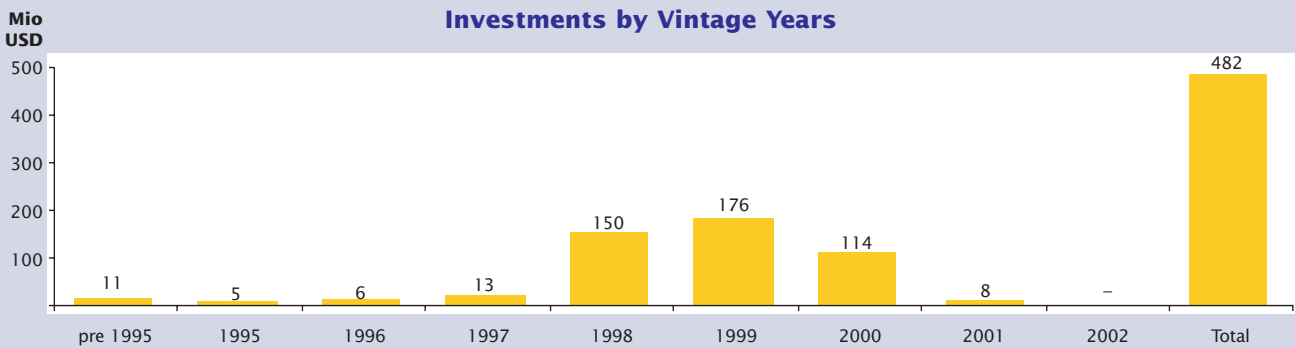
Investitionen nach geografischen Regionen Investments by Geographic Region



Investitionen nach Finanzierungsstadien Investments by Financing Stage



Investitionen nach Lancierungsjahren Investments by Vintage Years



wird das aktuelle Portfolio anhand von den eigentlichen Cash-flows und dem Wert der Investitionen analysiert, d.h. anhand von den potentiellen Rückflüssen. Zusätzlich wird eine Analyse der nicht-abgerufenen Commitments, d.h. der zukünftigen Kapitalabrufe, vorgenommen. Als drittes bewertet der Investment Manager das aktuelle Portfolio und projiziert zukünftige Cash-flows. Zuletzt prüft der Investment Manager das Verhalten des Portfolios unter verschiedenen simulierten Szenarien und sog. "Stress Tests".

Nachdem das Princess-Portfolio genau analysiert wurde, erkannte der Investment Manager, dass sich die Cash-flow-Muster innerhalb der Private Equity-Industrie nach 2000 massgeblich verändern würden. In 2001 kam der Investment Manager zu dem Schluss, dass der Private Equity-Markt nicht schnell auf das Niveau von vor-2001 zurückkehren würde. Basierend auf den eigentlichen, d.h. zu erkennbaren Investitions- und Realisierungsaktivitäten der Princess-Partnerships und der Abweichung zu dem erwarteten Aktivitäts-Niveau (basierend auf empirischen Beobachtungen von ähnlich reifen und breit-diversifizierten Portfolios) führte im Sommer 2001 zu der Entscheidung, auf weitere Commitments zu verzichten, bis eine nachhaltige Erholung

i.e., potential future distributions. An analysis of the unfunded commitments, i.e. future capital calls, is also done. Thirdly, the Investment Manager assesses the current portfolio and projects future cash flows and investigates the possible future development of the Princess portfolio by means of simulations and stress tests/scenarios.

Having closely analysed and monitored the Princess portfolio the Investment Manager recognized that cash flow patterns in the private equity industry changed significantly after 2000. In 2001, the Investment Manager concluded that the private equity market was unlikely to revert back to pre-2001 levels quickly. Based on the actual, i.e., observable, investment and exit activity by the Princess partnerships and also the deviation from the expected level of activity (based on empirical observations for similar mature and well-diversified portfolios), this led to a decision in summer 2001 to halt making further commitments until there were clear signs for a market recovery. Market activity did neither return to average levels in the second half of 2001 nor did it in 2002. Princess, as the entire private equity industry, has experienced a rather slow capital call and distribution rate over the past eighteen months.

der Märkte zu erkennen ist. Markt-Aktivität kehrte weder im zweiten Halbjahr 2001 noch in 2002 zu durchschnittlichen Werten zurück. Infolgedessen hat Princess, wie auch die gesamte Private Equity-Branche, in den letzten 18 Monaten ein tiefes Niveau von Kapitalabrufen und Kapitalrückflüssen erlebt.

Aufgrund der vorherrschenden, niedrigen Aktivität in der globalen Private Equity-Branche empfiehlt der Investment Manager keine weiteren Commitments vorzunehmen, bis eindeutige Hinweise auf eine Markterholung ersichtlich sind. Während der Investment Manager die Bedeutung der Diversifikation nach Lancierungsjahren immer betont hat, ist die Auslassung des Lancierungsjahres 2002 im besten Interesse von Princess und seinen Investoren. In Bezug auf Investitions-Opportunitäten in 2002 und 2003: Aufgrund der in 2002 getätigten Investitionen der Partnerships in Höhe von USD 120 Mio. und den noch nicht abgerufenen Commitments in Höhe von USD 430 Mio., profitiert Princess von den derzeit tiefen Bewertungen. Während Princess die verbleibenden liquiden Mittel noch investieren muss, werden die noch nicht abgerufenen Commitments über die kommenden Quartale und Jahre abgerufen werden. Es ist deshalb zu erwarten, dass Princess in 2003 voll investiert sein wird, auch ohne weitere Commitments abzugeben.

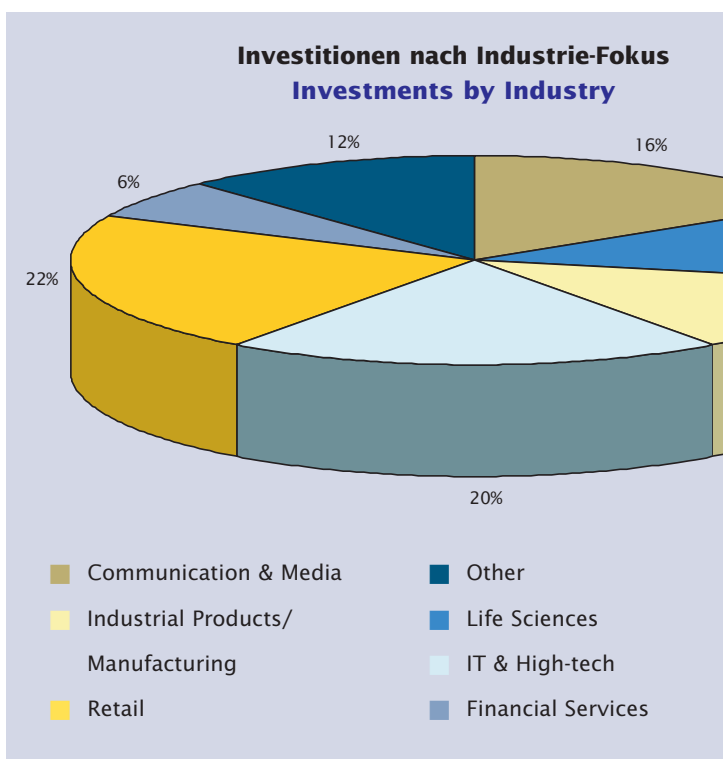
Mit Hinblick auf Princess's Overcommitment-Strategie und das derzeitige tiefe Niveau der globalen Private Equity-Aktivitäten, das eine Verminderung der Rückflüsse von bestehenden Investitionen hervorrief, hat sich der Investment Manager dazu entschlossen, eine Kreditlinie von USD 130 Millionen über die nächsten sieben Jahre abzuschliessen, um eventuelle Kapitalabrufe, die die vorhandenen liquiden Mittel übersteigen, bedienen zu können. Der Princess-Emissionsprospekt sieht eine Kreditlinie vor, die nur zwecks Cash-Management gezogen werden darf. Aus diesem Grund wird die Kreditlinie nicht dazu verwendet, um irgendeine Form von systematischem oder langfristigem Leverage zu erzeugen.

In Bezug auf die Porfolio-Diversifikation nach Finanzierungsstadien (basierend auf Investitionen) vergrösserte sich der Anteil von Buyout und Special Situations von 53% auf 56% und von 11% auf 16%, wobei der Venture-Anteil von 36% per Dezember 2001 auf 28% per Dezember 2002 zurückfiel. Die Erklärung hierfür ist zweifaltig: Obwohl sich das Investitionstempo verlangsamte, führten Buyout- und Special Situations-Partnerships ihre Investitionstätigkeiten fort, speziell im zweiten Halbjahr 2002 war eine erhöhte Investitionstätigkeit zu erkennen. Andererseits tätigten Venture-Partnerships praktisch keine Investitionen. Zweitens trugen Wertberichtigungen von Venture-Investitionen, welche in 1999 und 2000 getätigt wurden, zu einem allgemein tieferen Venture-Exposure für Princess bei.

While the Investment Manager has always stressed the importance of vintage year diversification, the omission of the vintage 2002 is considered to be in the best interests of Princess and its investors. In terms of investment opportunities in 2002 and 2003, Princess will, nevertheless, be able to benefit from the low valuations through the roughly USD 120 million in investments by its portfolio partnerships made in 2002 and through future investments based on the undrawn commitments of approximately USD 430 million. While Princess has still to invest the remaining cash, the unfunded commitments will be drawn over the coming quarters and years. Thus it is expected that Princess will be fully invested in 2003 even without making further commitments.

Given Princess's overcommitment strategy and the above mentioned prevailing low activity levels in the global private equity industry, which has led to a slowdown in distributions from existing investments, the Investment Manager has established a seven year USD 130 million revolving credit facility to be able to cover any potential capital calls exceeding the amount of cash available. As contemplated in Princess's offering documents and consistent with its investment strategy, the credit facility will be used for cash management purposes and not to create any systematic leverage.

Regarding the portfolio allocation with respect to financing stages (based on investment) the most significant shift was



Im Vergleich zum vorherigen Jahr änderte die Portfolioallokation nach geografischen Regionen nur geringfügig: Die Gewichtung der USA fiel von 54% auf 52%, die Gewichtung des europäischen Marktes stieg von 41% auf 44%, während der Anteil der Investitionen im "Rest der Welt" von 5% auf 4% fiel.

Die Diversifikation nach Industriesektoren konnte weiter ausgebaut werden, was in einer gleichmässigeren Gewichtung der einzelnen Sektoren resultierte. Aufgrund der breiten Diversifikation ist das Princess-Portfolio gut positioniert, Ausfälle einzelner Industrie-Sektoren zu kompensieren. Ungefähr 50% des Portfolios sind in sog. "old economy"-Unternehmen investiert.

Im Dezember ratifizierten die Direktoren der Princess Private Equity Holding Änderungen zu den Anlagerichtlinien (Aufstellung B des Investment Management Agreements), welche sie unter den derzeitigen und zukünftigen Rahmenbedingungen für nicht mehr angemessen betrachteten. Die vorgenommenen Änderungen zielen darauf ab, die bestehenden Bestimmungen zu stärken, und basieren auf den bis dato gemachten Erfahrungen. Die Direktoren sind überzeugt, dass diese Änderungen im besten Interesse von Princess Private Equity Holding getätigt wurden. Die fundamentalen Anlageziele und -strategien von Princess bleiben dabei unverändert. Die Änderungen fallen in drei Kategorien:

that buyout and special situations increased from 53% to 56% and 11% to 16% respectively whereas the venture exposure declined from 36% in December 2001 to 28% in December 2002. The explanation for this shift is twofold: firstly buyout and special situation partnerships continued, albeit at a lower level, their investment activities especially in the second half of 2002 whereas venture partnerships did hardly any investments. Secondly, value adjustments to venture investments made in 1999 and 2000 certainly contributed to the decline in the overall exposure of Princess to the venture segment.

Compared to the previous year the geographical allocation of the portfolio changed slightly with the weighting of the USA decreasing from 54% to 52%. The weighting of the European market increased from 41% to 44% while the share of investments in the rest of the world declined from 5% to 4%.

Diversification by industry broadened further with the various sectors being more equally weighted. On account of its broad diversification the Princess portfolio is well positioned and able to compensate for isolated industry sector downturns. Approximately 50% of the portfolio is invested in so-called "old economy" industries.

In December, the Directors of Princess Private Equity Holding ratified changes to the investment guidelines (Schedule B of the Investment Management Agreement) which they no



1. Die Optimierung der Richtlinien im Bezug auf Übereinstimmung mit aktuellen "best practices": Die ursprünglichen Richtlinien bezüglich der Industrie-Allokationen beinhaltete eine Liste mit Industrie-Codes, welche sich in der Praxis als umständlich herausstellte und welche die Klassifizierung einzelner Portfolio-Unternehmen erschwerte. Eine der Hauptänderungen, um die verschiedenen Investitions-Kriterien zu vereinfachen, ist der Gebrauch von Klassifikationskriterien (z.B. Venture Economics Industrie Codes), um die Portfolio-Unternehmen zu kategorisieren.
2. Die Anpassung der Allokations-Matrix gemäss den Investitions-Erfahrungen bis dato: Die verschiedenen Allokations-Methoden, welche dazu benutzt werden, das Portfolio im Hinblick auf die verschiedenen Dimensionen wie Industrie-Sektoren, Finanzierungsstadien, geographische Regionen usw. zu diversifizieren, wurden ebenfalls überprüft. Zwei Kriterien wurden hierbei geändert: Erstens wurden die Allokations-Kriterien vereinfacht und letztlich an die zugrundeliegenden Investitionen anstatt an die Commitments gebunden. Dies wurde beschlossen, da das Portfolio über die anfängliche Aufbauphase hinaus gereift ist und die zugrundeliegenden Investitionen die beste Möglichkeit darstellen, das Portfolio auf seine Diversifikation zu prüfen. Zweitens wurden die Allokations-Methoden bestimmter formuliert, indem Minimum- und Maximum-Allokationen hinsichtlich jährlich abgerufener Commitments (zusammen mit einer Zielallokation) festgelegt wurden.
3. Die Sicherstellung von stabilen Rahmenbedingungen für den Gebrauch einer Kreditlinie: Die einzige substantielle Veränderung in Bezug auf die Investitions-Strategie war die Anpassung der Höhe der Kreditlinie. Dieses Limit würde von 20% auf 33% des inneren Wertes erhöht. Dies war notwendig, um einen maximalen Grad an Flexibilität für eine Kreditlinie zu ermöglichen, welche die kontinuierliche Finanzierung der ausstehenden, noch nicht abgerufenen Commitments, trotz kürzlicher Wertanpassungen des inneren Wertes, garantiert. Mit dem Beschluss dieser Änderung hat der Verwaltungsrat nochmals unterstrichen, dass der Zweck der Kreditlinie nicht der Leverage des Fonds, sondern die Bereitstellung einer Cash-flow-Komponente ist, mit dem Ziel die Finanzierung von Commitments, welche innerhalb der Commitment-Strategie eingegangen wurden, zu sichern.

Eine vollständige Aufstellung der Investitions-Richtlinien kann bei Citibank, London, dem Registrar der Princess-Anleihe, dem Paying und Conversion Agent oder in den Büroräumen von Princess Management & Insurance Limited eingesehen werden.

longer considered appropriate under current and prospective conditions. The changes seek to strengthen the existing provisions and are based on actual experience to date. The Directors consider the changes to be in the best interests of Princess Private Equity Holding Limited. The fundamental investment objectives and strategy of Princess remain unchanged. The changes fall into three main areas:

1. The streamlining of guidelines in accordance with current best practice: the original industry allocation guidelines had a list of industries segmentations that proved in practice to be difficult in many instances to place on a given portfolio company. A key change to simplify the various investment criteria is the use of norms, such as the Venture Economics industry codes, to categorize the portfolio companies.
2. Adapting the allocation matrix according to the investment experience to date: the various allocation methods used to balance the portfolio over criteria such as industry sectors, financing stages and geographic regions etc. also required review. Two primary areas of change were made here: The first was to tighten and simplify the allocation criteria to promote compliance being ultimately tied to the underlying investments rather than to commitments. This was done as the portfolio has matured beyond the initial building stage and the underlying investments have become the best means to test the degree of diversification of the portfolio. Secondly, the allocation methods were tightened up by providing minima and maxima based on the annual deployment of commitments (together with a target), removing at times conflicting dual criteria and refining the definitions used.
3. Providing stable conditions for the deployment of a credit line: the only change of any substance to the investment strategy was to increase the borrowing limit permissible for a credit line. This limit was increased from 20% to 33% of net assets. This was necessary to provide the maximum flexibility for a credit facility in order to enable continued funding of existing commitments despite recent write-downs in the NAV. In adopting such a change, the Board has reiterated that its purpose is not to leverage the fund, but rather that it is a cash flow facility to satisfy the funding of commitments contracted within the commitment strategy.

A full set of the amended investment guidelines can be found with Citibank, London, the Princess bonds' Registrar, Paying and Conversion agent, and at the offices of Princess Management & Insurance Limited.

Portfolio-Details

Investments to Partnerships

Manager	Fund name/Partnership Name	Total Size / USD Gesamtvolumen	Amount Committed / USD Beteiligung von Princess	Percent Owned/ Anteil der Beteiligung	Percentage Drawn Down/ Anteil abgerufen	Vintage Year/ Lancierungs-jahr	Financing Stage/ Finanzierungs-stadium
Europe - Buyout							
3i Plc	3i Eurofund III	1'043'357'000	20'972'000	2.01	80.50	1999	BO Large-cap
Botts & Company Limited	Botts Capital Partners, L.P.	208'287'242	32'198'000	15.46	100.00	1998	BO Large-cap
Bridgepoint Capital Limited	Bridgepoint Europe I, L.P.	337'374'669	32'198'000	9.54	90.00	1998	BO Large-cap
Coller Capital Limited	Coller International Partners III NW1, L.P.	182'948'320	20'928'700	11.44	78.40	1994	BO Large-cap
Coller Capital Limited	Coller International Partners III NW2, L.P.	185'234'775	24'953'450	13.47	90.30	1996	BO Large-cap
Doughty Hanson & Co	Doughty Hanson & Co. Fund III, L.P. No. 14	2'660'000'000	7'000'000	0.26	83.37	1997	BO Large-cap
Suez Capital Partenaires SAS	FCPR Astorg II, L.P.	194'960'955	9'856'840	5.06	94.00	1998	BO Large-cap
Graphite Capital Management Limited	Graphite Capital Partners V "A"	295'014'175	8'854'450	3.00	62.50	1999	BO Large-cap
Graphite Capital Management Limited	Graphite Capital Partners V "F"	295'014'175	7'244'550	2.46	62.50	1999	BO Large-cap
Industri Kapital 2000 Limited	Industri Kapital 2000 Limited Partnership	2'202'060'000	10'486'000	0.48	81.58	1999	BO Large-cap
B & S Investments Limited	Italian Private Equity Fund III, L.P.	314'586'292	4'194'400	1.33	77.22	2000	BO Large-cap
Mercapital Servicios Financieros	Mercapital Spanish Private Equity Fund II, L.P.	629'160'000	7'340'200	1.17	36.51	2000	BO Large-cap
Nordic Capital	Nordic Capital IV, L.P.	709'550'000	15'525'000	2.19	66.81	2000	BO Large-cap
Palamon Capital Partners	Palamon European Equity "C", L.P.	461'047'399	10'486'000	2.27	51.28	1999	BO Large-cap
Partners Private Equity Management Inc.	Partners Private Equity, L.P.	108'420'000	7'748'417	7.15	95.00	1998	BO Large-cap
Permira Ventures Europe	Permira Ventures European Fund II, L.P.	3'460'380'000	20'972'000	0.61	61.70	2000	BO Large-cap
Quadriga Capital Limited	Quadriga Capital Private Equity Fund II, L.P.	278'793'308	7'505'969	2.69	37.32	1999	BO Large-cap
Segulah Management II Limited	Segulah II, L.P.	97'750'000	9'775'000	10.00	25.93	1999	BO Large-cap
Cinven	The Second Cinven Fund	1'456'959'500	8'250'738	0.57	91.69	1998	BO Large-cap
Warburg Pincus International Partners	Warburg Pincus International Partners, L.P.	2'500'000'000	5'000'000	0.20	41.00	2000	BO Large-cap
Europe - Special Situations							
Coller Capital Limited	Coller International Partners III, L.P.	444'880'980	12'000'000	2.70	91.20	1999	SS Other
Doughty Hanson & Co	Doughty Hanson & Co. European Real Estate Fund	616'350'000	10'000'000	1.62	32.28	1999	SS Other
Intermediate Capital Group	ICG Mezzanine Fund 2000 Limited Partnership	175'640'500	10'486'000	5.97	94.58	2000	SS Other
Mezzanine Management Limited	Mezzanine Management Fund III, L.P.	528'926'900	15'000'000	2.84	50.89	1999	SS Other
Rutland Fund Management Limited	The Rutland Fund	337'567'052	10'464'350	3.10	40.40	2000	SS Other
Europe - Venture							
Abingworth Management Limited	Abingworth Bioventures III, L.P.	225'000'000	2'500'000	1.11	45.00	2001	VC Later
Elderstreet Investments Limited	Elderstreet Capital Partners, L.P.	91'762'690	11'269'300	12.28	73.20	1999	VC Later
Zouk Ventures Limited	European E-Commerce Fund	75'800'000	5'000'000	6.60	86.59	1999	VC Later
EFP Managers Limited	European Equity Partners (III), L.P.	28'888'930	3'145'800	10.89	60.76	1999	VC Later
Galileo Partners	Galileo III, L.P.	165'632'924	10'486'000	4.00	39.86	2000	VC Later
GMT Communications Partners Limited	GMT Communications Partners II, L.P.	379'233'216	14'680'400	3.87	24.01	1999	VC Later
Index Ventures	Index Ventures I (Jersey), L.P.	183'453'456	10'000'000	5.45	92.77	1998	VC Later
Merlin Capital Partners	Merlin Biosciences Fund, L.P.	258'950'721	5'243'000	2.02	62.65	2000	VC Later
SVLS Management Advisers Inc.	Schroder Ventures Int'l Life Science Fund II	279'964'000	20'000'000	7.14	95.00	1998	VC Early/seed
Wellington Partners Verwaltungs GmbH	Wellington Partners II, L.P.	116'394'600	4'194'400	3.60	60.00	2000	VC Later
Rest of World - Buyout							
Advent International Corporation	Advent Latin American Private Equity Fund II, L.P.	127'500'000	5'000'000	3.92	17.00	2001	BO Large-cap
Exxel Group S.A., The	Exxel Capital Partners VI, L.P.	441'382'766	5'000'000	1.13	38.50	2000	BO Large-cap
Texas Pacific Group	Newbridge Asia III, L.P.	724'000'000	5'000'000	0.69	6.02	2000	BO Large-cap
Enterprise Investors	Polish Enterprise Fund IV, L.P.	216'666'666	5'000'000	2.31	32.51	2000	BO Large-cap
Unison Capital, Inc.	Unison Capital Partners, L.P.	319'200'000	5'292'000	1.66	51.37	1999	BO Large-cap
Rest of World - Venture							
Carmel Ventures	Carmel Software Fund (Cayman), L.P.	171'130'000	10'000'000	5.84	37.50	2000	VC Later
Crimson Capital	Crimson Velocity Fund, L.P.	313'499'929	5'000'000	1.59	42.57	2000	VC Later
CIBC World Markets Corp	Genesis Partners II LDC	263'407'775	10'000'000	3.80	51.96	1999	VC Later
Jerusalem Venture Partners (Israel)	Jerusalem Venture Partners III, L.P.	146'400'000	5'000'000	3.42	100.00	1999	VC Later
Pitango Venture Capital	Pitango Venture Capital Fund III	283'634'000	12'000'000	4.23	50.00	2000	VC Later
US - Buyout							
American Securities Associates	American Securities Partners III, L.P.	650'000'000	5'000'000	0.77	10.63	2001	BO Large-cap
Apollo Management, L.P.	Apollo Overseas Partners V, L.P.	3'750'000'000	10'000'000	0.27	22.10	2000	BO Large-cap
The Blackstone Group	Blackstone Communications Partners I, L.P.	2'018'600'000	10'000'000	0.50	20.03	2000	BO Large-cap
Bruckmann, Rosser, Sherrill & Co., Inc.	Bruckmann, Rosser, Sherrill & Co. II, L.P.	767'200'000	15'000'000	1.96	39.74	1999	BO Large-cap
Carlyle Group	Carlyle Partners III, L.P.	3'800'000'000	10'000'000	0.26	46.55	1999	BO Large-cap
Fenway Partners, Inc.	Fenway Partners Capital Fund II, L.P.	909'090'909	30'500'000	3.36	56.50	1998	BO Large-cap

Manager	Fund name/Partnership Name	Total Size / USD Gesamtvolumen	Amount Committed / USD Beteiligung von Princess	Percent Owned/ Anteil der Beteiligung	Percentage Drawn Down/ Anteil abgerufen	Vintage Year/ Lancierungs-jahr	Financing Stage/ Finanzierungs-stadium
Heritage Partners, Inc.	Heritage Fund III, L.P.	843'434'343	10'000'000	1.19	35.96	1999	BO Large-cap
INVESCO Private Capital, Inc.	INVESCO U.S. Buyout Partnership Fund II, L.P.	87'897'373	30'000'000	34.13	60.30	2000	BO Large-cap
Kohlberg & Company, L.L.C.	Kohlberg TE Investors IV, L.P.	576'044'250	10'000'000	1.74	38.80	2000	BO Large-cap
PGPEAL	Partners Group SPP1 Limited	310'219'000	40'000'000	12.89	86.42	1998	BO Large-cap
Silver Lake Partners	Silver Lake Partners, L.P.	2'247'940'000	30'000'000	1.33	50.61	1999	BO Large-cap
Texas Pacific Group	T3 Partners, L.P.	486'842'106	7'000'000	1.44	76.57	1999	BO Large-cap
Thomas H. Lee Company	Thomas H. Lee Equity Fund V, L.P.	1'207'817'197	10'000'000	0.83	18.73	2000	BO Large-cap
Thomas Weisel Capital Partners	Thomas Weisel Capital Partners, L.P.	1'070'741'483	10'000'000	0.93	69.75	1999	BO Large-cap
Texas Pacific Group	TPG Partners III, L.P.	3'413'684'209	4'000'000	0.12	58.20	1999	BO Large-cap
Vestar Capital Partners	Vestar Capital Partners IV, L.P.	2'480'350'000	5'000'000	0.20	36.13	1999	BO Large-cap
William Blair & Company LLC	William Blair Capital Partners VI, L.P.	269'655'000	2'000'000	0.74	93.63	1998	BO Large-cap
US - Special Situations							
The Blackstone Group	Blackstone Mezzanine Partners, L.P.	1'141'000'000	4'000'000	0.35	35.74	1999	SS Other
Canterbury Capital Partners	Canterbury Mezzanine Capital II, L.P.	243'181'818	10'000'000	4.11	66.57	1999	SS Other
Chase Capital Partners	Chase 1998 Pool Participation Fund, L.P.	252'525'252	20'000'000	7.92	95.04	1998	SS Other
Levine Liechtman Capital Partners, Inc.	Levine Leichtman Capital Partners II, L.P.	349'455'000	30'000'000	8.58	77.45	1998	SS Other
Oaktree Capital Management, LLC	OCM Opportunities Fund III, L.P.	2'076'910'000	4'000'000	0.19	100.00	1999	SS Other
Oaktree Capital Management, LLC	OCM/GFI Power Opportunities Fund, L.P.	453'839'000	4'000'000	0.88	42.93	1999	SS Other
Pegasus Capital Advisors	Pegasus Partners II, L.P.	561'050'000	4'000'000	0.71	57.67	1999	SS Other
Providence Equity Partners, Inc.	Providence Equity Partners IV, L.P.	2'755'511'022	10'000'000	0.36	23.82	2000	SS Other
TCW/Crescent Mezzanine, L.L.C.	TCW/Crescent Mezzanine Partners III, L.P.	979'515'000	10'000'000	1.02	46.88	2001	SS Other
US - Venture							
Access Technology Partners	Access Technology Partners, L.P.	267'676'768	15'000'000	5.60	100.00	1999	VC Later
Advanced Technology Partners	Advanced Technology Ventures VI, L.P.	400'000'000	5'000'000	1.25	72.50	1999	VC Later
Apax Partners	APAX Excelsior VI, L.P.	926'868'686	5'000'000	0.54	36.84	2000	VC Later
Austin Ventures	Austin Ventures VII, L.P.	825'000'000	5'000'000	0.61	57.58	1999	VC Later
Battery Ventures	Battery Ventures VI, L.P.	1'010'101'010	5'000'000	0.50	46.50	2000	VC Later
Cardinal Health Partners	Cardinal Health Partners II, L.P.	117'474'747	5'000'000	4.26	38.78	2000	VC Later
Catterton Partners	Catterton Partners IV Offshore, L.P.	400'000'002	15'000'000	3.75	77.79	1999	VC Later
INVESCO Private Capital, Inc.	Chancellor V, L.P.	225'740'230	20'000'000	8.86	57.59	1999	VC Later
Columbia Capital	Columbia Capital Equity Partners III (Cayman), L.P.	253'835'100	10'000'000	3.94	47.49	2000	VC Later
Crescendo Ventures	Crescendo IV, L.P.	585'808'081	7'000'000	1.19	67.50	2000	VC Later
Dolphin Communications	Dolphin Communications Fund, L.P.	125'606'061	10'000'000	7.96	92.25	1998	VC Later
Draper Fisher Jurvetson	Draper Fisher Jurvetson Fund VII, L.P.	643'080'808	5'000'000	0.78	29.00	2000	VC Later
EnerTech Capital Partners	EnerTech Capital Partners II, L.P.	234'194'600	5'000'000	2.13	36.00	2000	VC Later
Infinity Capital Ventures	Infinity Capital Venture Fund 1999, L.P.	200'000'000	10'000'000	5.00	82.25	1999	VC Later
INVESCO Private Capital, Inc.	INVESCO Venture Partnership Fund II, L.P.	341'877'575	60'000'000	17.55	68.45	1999	VC Later
Partners Private Equity Management Inc.	INVESCO Venture Partnership Fund II-A, L.P.	40'404'040	40'000'000	99.00	49.50	2000	VC Later
Lightspeed Venture Partners	Lightspeed Venture Partners VI, L.P.	880'838'323	10'000'000	1.14	26.33	2000	VC Later
Menlo Ventures	Menlo Ventures IX, L.P.	1'515'151'515	10'000'000	0.66	25.00	2000	VC Later
Morgan Stanley Dean Witter & Co	Morgan Stanley Dean Witter Venture Partners IV, L.P.	487'000'000	5'000'000	1.03	81.17	1999	VC Later
Morgenthaler Partners	Morgenthaler Partners VII, L.P.	868'917'526	3'000'000	0.35	20.00	2001	VC Later
Prism Venture Partners	Prism Venture Partners IV, L.P.	428'838'388	2'000'000	0.47	26.50	2001	VC Later
Sevin Rosen Funds	Sevin Rosen VIII, L.P.	600'426'500	5'000'000	0.57	37.17	2000	VC Later
Sierra Ventures	Sierra Ventures VIII-A, L.P.	495'172'803	10'000'000	2.02	25.00	2000	VC Later
Summit Partners	Summit Ventures VI-B, L.P.	590'161'626	5'000'000	0.85	13.00	2000	VC Later
T A Associates	TA IX, L.P.	2'000'100'000	10'000'000	0.50	26.50	2000	VC Later
TH Lee Internet Partners	TH Lee Putnam Ventures Parallel, L.P.	437'123'140	10'000'000	2.29	53.79	1999	VC Later
TL Ventures	TL Ventures V, L.P.	685'506'000	10'000'000	1.46	31.00	2000	VC Later
Vortex Partners	Vortex Corporate Development Fund, L.P.	48'613'540	4'000'000	8.23	55.00	2000	VC Later
Worldview Technology Partners	Worldview Technology Partners III, L.P.	364'646'465	5'000'000	1.37	96.00	1999	VC Later
Worldview Technology Partners	Worldview Technology Partners IV, L.P.	641'113'033	3'777'088	0.59	30.22	2000	VC Later

n.m. = not meaningful/nicht aussagekräftig

Einige Beispiele von Portfoliorealisierungen

Bis heute hat Princess Rückflüsse in Höhe von USD 130 Mio. erhalten, davon USD 53 Mio. alleine in 2002. Rückflüsse kamen vor allem von Special Situations- und Buyout-Partnerships sowie den Sekundärmarkt-Portfolios Coller NW1+2. Zu den aktivsten Partnerships in Bezug auf Portfoliorealisierungen gehörten 3i und Texas Pacific Group. Bedeutende Realisierungen dieser Partnerships waren z.B. der Verkauf der "Billig"-Fluggesellschaft GoFly und der Börsengang von Seagate Technology.

Blackstone Communication Partners I and Battery Ventures VI

Rückflüsse kamen von Blackstone und Battery Ventures durch den Verkauf ihrer jeweiligen Anteile an der London Financial Futures and Options Exchange (LIFFE) an Euronext. Euronext wurde 2000 durch den Zusammenschluss der Börsen in Belgien, Niederlanden und Frankreich gegründet. Die Transaktion wurde mit GBP 555 Mio. bewertet. Blackstone und Battery Venture generierten eine substantielle Rendite auf ihre Investition. Blackstone tätigte seine Investition in LIFFE in Kooperation mit Battery Ventures im November 2000. Mit ihren Investitionen ermöglichten die beiden Private Equity-Unternehmen der Börse den Übergang von einem traditionellen "out-cry" europäischen Futures Exchange zu einem elektronischen, Multi-Produkt, global-operierenden Finanzinstitution sicherzustellen. Die Börse zeigte im Anschluss sehr gute Leistungen und verkaufte die erste kommerzielle Version ihres Handelssystems, lancierte eine bedeutende Produktinitiative (Einzelne Aktien Futures) und unterschrieb ein Joint Venture-Abkommen mit NASDAQ, um die Präsenz in den USA auszubauen.

Industri Kapital 2000, L.P.

Industri Kapital 2000, L.P. konnte einen Teil seiner in 2000 getätigten Investition in Alfa Laval realisieren, nachdem das Unternehmen im Mai einen Börsengang an der Stockholmer Börse vollzog. Alfa Laval erhielt dadurch Mittel in Höhe von SEK 5 Mrd. Die grössten Anteilseigner Industri Kapital und Tetra Laval haben ihren Anteil von 51% auf 30% bzw. von 49% auf 17% verringert. Alfa Laval ist ein weltweit führender Hersteller von Produkten und Systemen zur Erhitzung, Kühlung, Trennung sowie zum Transport von Getränken und Nahrungsmitteln.

Exits 2002

To date Princess has received over USD 130 million and during 2002 alone in the order of USD 53 million. Distributions came primarily from special situations and buyout partnerships and the secondary vehicle Coller NW I + II. Among the most active partnerships with regards to exiting investments were 3i and Texas Pacific Group. Prominent exits of these partnerships were for example the sale of budget airline GoFly and the IPO of Seagate Technology which are described below.

Blackstone Communication Partners I, L.P. and Battery Ventures VI, L.P.

Distributions were received from Blackstone and Battery Ventures from the sale of their respective stakes in the London Financial Futures and Options Exchange (LIFFE) to Euronext. Euronext was formed in 2000 by the merger of the Belgian, Dutch and French exchanges. The transaction was worth GBP 555 million. Blackstone and Battery Ventures generated a substantial return on its initial investment. Blackstone made its investment in LIFFE in partnership with Battery Ventures in November 2000. With their investment the two private equity firms allowed the exchange to continue its transition from an open out-cry, European futures exchange to an electronic, multi-product, global financial institution. The exchange subsequently performed well, and sold the first commercial version of its trading system, launched a major product initiative (single stock futures) and signed a joint venture agreement with NASDAQ to expand its presence in the USA.

Industri Kapital 2000, L.P.

Industri Kapital 2000, L.P. managed a partial exit from the investment it had originally made in 2000 in Alfa Laval, following the company's flotation on the Stockholm Exchange in May. The company raised some SEK 5 billion. The main shareholders Industri Kapital and Tetra Laval, the packaging company, have reduced their holdings from 51% to 30% and from 49% to 17% respectively. Alfa Laval is a leading global provider of products and systems to heat, cool, separate and transport, among others, chemicals, beverages and foodstuffs.

The Second Cinven Fund

Im Juni brachte die Partnership The Second Cinven Fund ihr Portfolio-Unternehmen William Hill an die Londoner Börse. Das Emissionsangebot war um das Zehnfache überzeichnet. William Hill wurde zum Zeitpunkt des Börsengangs mit mehr als GBP 1 Mrd. bewertet. Cinven und CVC, die Hauptanteileseigner an William Hill, halten weiterhin einen Anteil von 27%. Der in 1934 gegründete Wettkonzern ist einer der bekanntesten Namen der Wettindustrie in Grossbritannien. Das Unternehmen unterhält sowohl ein nationales Netzwerk von mehr als 1'500 lizenzierten Wettbüros als auch Wett- und Spieldienstleistungen, die über das Telefon oder das Internet zugänglich sind.

3i Eurofund III

Im Mai gab 3i den Verkauf der "Billig"-Fluggesellschaft GoFly an easyJet bekannt. 3i und Barclays Private Equity hatten im Juni 2001, im Zuge eines Management Buyouts, einen 62%-Anteil an Go für GBP 83.5 Millionen akquiriert. Go-Mitarbeiter übernahmen einen 22.5%igen Anteil. Das 1998 gegründete Unternehmen wurde jetzt für GBP 374 Mio. veräussert. Mit netto liquiden Mitteln von GBP 116.4 Mio. in der Bilanz, wird der Wert des Unternehmens auf GBP 257.6 Mio. geschätzt. Dies bedeutet, dass 3i durch den Verkauf einen Ertrag von GBP 231 Mio. erzielen wird, was eine ausgezeichnete Rendite des investierten Kapitals von 2.7× darstellt. Die Akquisition wird easyJet erlauben, sein Flugnetz zu expandieren, ohne das Risiko zusätzlicher Infrastruktur-Investitionen tätigen zu müssen. Zudem wird das Unternehmen von der starken Marke und der bereits existierenden Kundenbasis profitieren. Im Gegensatz zu Europas etablierten Fluggesellschaften verbuchen die "Billig"-Fluggesellschaften eine steigende Anzahl an Fluggästen, was darauf zurückzuführen ist, dass europäische Flugreisende verstärkt preissensitiv geworden sind.

Nordic Capital IV, L.P.

Nordic Capital konnte seine Beteiligung an Nycomed Holding A/S erfolgreich an ein Konsortium bestehend aus CSFB Private Equity, Blackstone Capital Partners und NIB Capital Private Equity NV verkaufen. Nordic Capital hatte im Mai 1999 die Mehrheitsbeteiligung an Nycomed von Amersham plc übernommen und die restlichen Anteile von Amersham im August 2001 erworben. Nycomed ist ein Pharmaunternehmen mit Hauptsitz in Dänemark, das spezialisierte und rezeptpflichtige Medikamente entwickelt und vermarktet. Nycomed, das rund 2'600 Mitarbeiter beschäftigt, hat eine starke Marktposition in Europa und Skandinavien.

The Second Cinven Fund

The Second Cinven Fund achieved a partial exit with William Hill's IPO on the London Stock Exchange in June. The offering was more than 10 times oversubscribed. The company was valued at over GBP 1 billion on flotation. Cinven and CVC, the principal shareholders, who have owned William Hill for over three years, retain a 27% stake. Founded in 1934, William Hill is one of the best-known names in the UK betting industry. It operates a nationwide network of over 1'500 licensed betting offices as well as telephone and online betting and gaming.

3i Eurofund III

In May, 3i announced the sale of budget airline Go to easyJet. 3i and Barclays Private Equity had acquired a 62% stake in Go in June 2001 for GBP 84 million as part of a GBP 110 million management buyout. Go employees had taken a 23% stake in the company. Go, which was originally set up in 1998, is being sold for GBP 374 million in cash. With GBP 116 million in net cash on the company's balance sheet, the enterprise value is GBP 258 million. This means that 3i will record a GBP 231 million profit or a 2.7 times return on their initial investment. The Go acquisition will allow easyJet to expand into new routes without having to take the risk of investing in new infrastructure. Also they will benefit from a strong brand and existing market base. In contrast to Europe's flag-carrier airlines, the low-cost airlines are enjoying increasing passenger numbers, as European air travelers are becoming increasingly price sensitive.

Nordic Capital IV, L.P.

Nordic Capital exited its investment in Nycomed Holding A/S following its sale for an undisclosed sum to a company owned by a consortium of private equity firms comprising CSFB Private Equity, Blackstone Capital Partners and NIB Capital Private Equity NV. Headquartered in Denmark, Nycomed is a pharmaceutical company that sources, develops, manufactures and markets specialist and prescription pharmaceuticals and consumer health products. It has a strong market presence in Europe and the Nordic region. It employs around 2'600 people. Nordic Capital had acquired a majority stake in Nycomed from Amersham plc in May 1999 and went on in August 2001 to acquire Amersham's remaining shareholding. Between 1999 and 2001, EBITDA grew by more than 25% on a yearly basis to EUR 105 million.

Bridgepoint Capital Partnership, L.P.

Der Investment Manager Bridgepoint Capital hat erfolgreich folgende Investitionen realisiert: Der Verkauf des auf Sportprodukte spezialisierten italienischen Einzelhändlers Longoni Sport an Giacomelli Sport für EUR 76 Mio. Longoni Sport hat 22 Einzelhandelsgeschäfte und 700 Mitarbeiter. Die Akquisition macht Giacomelli Sport zu Italiens grösstem Sport-Einzelhändler. Ohne Angabe eines Preises meldete Bridgepoint den Verkauf des Mehrheitsanteils an der Golden Wonder Group Ltd an Longulf, dem Eigentümer des grössten britischen Imbiss-Produzenten. Ausserdem konnte Bridgepoint das Management-Buyout des spanischen Bauunternehmers Isolux Wat bekannt geben.

Silver Lake Partners, L.P.;

Texas Pacific Group III, L.P.; T3 Partners, L.P.

Seagate Technology, heute der weltgrösste Hersteller von Diskettenlaufwerken, Magnetdisketten, Lese- und Schreibköpfen für die Datenspeicherung, führte am 10. Dezember erfolgreich einen Börsengang durch. Princess wird – über Silver Lake Partners, Texas Pacific Group und T3 Partners an Seagate beteiligt – wesentlich von dieser Transaktion profitieren. Während Seagate im Jahr 2000 noch einen Verlust in Höhe von USD 285 Mio. erwirtschaftete, konnte per Ende der Rechnungsperiode 2002 bereits ein Gewinn von USD 374 Mio. ausgewiesen werden. Der von Silver Lake, Texas Pacific Group und anderen Private Equity-Investoren erzielte Erlös entspricht viermal der insgesamt investierten Summe von USD 1.1 Mrd. Ungefähr 10% von Seagates Aktien wurden anlässlich des IPOs veräussert.

Bridgepoint Capital Partnership, L.P.

Bridgepoint Capital, the investment manager, had successful exits with the sale of Italian specialist sports retailers Longoni Sport for EUR 76 million to Giacomelli Sport, making it Italy's leading sports retailer; the sale of its majority stake in Golden Wonder Group Ltd to Longulf, the owner of the UK's leading snack manufacturer Snack Factory; and the around EUR 150 million management buyout of Spanish building contractor Isolux Wat.

Silver Lake Partners, L.P.;

Texas Pacific Group III, L.P.; T3 Partners, L.P.

Seagate Technology, the world's largest manufacturer of disc drives and magnetic recording heads went public in December 2002. Princess will benefit with significant returns from Seagate's IPO through Silver Lake Partners and two Texas Pacific Group funds. Seagate's IPO represented the biggest primary stock offering by a technology company in 2002. Seagate's income from operations improved from a loss of USD 285 million in fiscal year 2000 to a gain of USD 374 million in fiscal year 2002 that ended June 28th. Investors like Silver Lake Partners, Texas Pacific Group and other private equity firms will almost quadruple the USD 1.1 billion they invested in 2000. Roughly 10% of Seagate's shares were sold at the IPO.

Einige Beispiele von Neu-Investitionen

Doughty Hanson & Co III, L.P.

Doughty Hanson & Co hat das Unternehmen Priory Healthcare im Zuge eines fremdfinanzierten MBOs für GBP 288 Millionen von Westminster Health Care übernommen. Priory Healthcare ist der grösste unabhängige Anbieter von Psychoanalyse- und Rehabilitationsdienstleistungen in Grossbritannien.

Zusätzlich konnte Doughty Hanson die Mehrheit an der ATU Auto-Teile-Unger Gruppe, dem grössten unabhängigen Auto-zubehör-Fachhändler in Deutschland, erwerben. Der Verkaufspreis wurde nicht bekannt gegeben. ATU hat 383 Niederlassungen in Deutschland, 12 in Österreich und eine in Tschechien. Auto-Teile-Unger Gruppe beschäftigt rund 10'000 Mitarbeiter.

Schroder Ventures International Life Science Fund II

Schroder Ventures beteiligte sich mit GBP 29.5 Mio. an der Drittrunden-Finanzierung von KuDOS Pharmaceuticals Ltd, einer in Grossbritannien ansässigen Firma für die Erforschung von Krebsmedikamenten. Im Bereich der Biotechnologie ist die Venture Capital Transaktion die grösste der letzten 12 Monate. Das aufgenommene Kapital wird für die Entwicklung von Medikamenten zur Krebsbehandlung eingesetzt. KuDOS Pharmaceuticals wurde im Dezember 1997 gegründet. Die erste Finanzierungsrunde wurde im Mai 1999 in Höhe von GBP 5 Mio. getätigt, die zweite Finanzierungsrunde im April 2000 belief sich auf GBP 8 Mio.

Vestar Capital Partners

Für eine ungenannte Summe erwarb Vestar das Unternehmen Zanussi Metallurgica vom schwedischen Unternehmen Electrolux Group für eine ungenannte Summe. Zanussi Metallurgica ist ein Hersteller von Gusseisen- und Aluminium-Komponenten sowie emailliertem Kupferdraht für die Haushaltsapplikationen und die Fahrzeugindustrie. Das Unternehmen mit Sitz in Norditalien hat ungefähr 650 Angestellte. In einer zweiten Transaktion hat Vestar für GBP 230 Mio. SAB WABCO übernommen, einen führenden Hersteller von Brems-systemen für Eisenbahnen. Verkauft wurde SAB WABCO von der in Schweden kotierten Cardo AB. SAB WABCO hat mehr als 2'000 Mitarbeiter, Niederlassungen in 15 Ländern sowie Produktionsstätten in Frankreich, Italien, Deutschland, Grossbritannien, Schweden, Brasilien, Südkorea und Indien.

Investments 2002

Doughty Hanson & Co III, L.P.

Doughty Hanson & Co acquired Priory Healthcare from Westminster Health Care for GBP 288 million in a leveraged management buyout. Priory Healthcare is the largest independent provider of mental health and rehabilitation services in the UK.

Doughty Hanson & Co also acquired a majority interest in ATU Auto-Teile-Unger Group, the largest independent car parts stockist and car repair company in Germany, for an undisclosed sum. ATU has 383 branches in Germany, 12 in Austria and one in the Czech Republic, and employs some 10'000 people.

Schroder Ventures International Life Science Fund II

Schroder Ventures participated in the GBP 30 million third round of financing for KuDOS Pharmaceuticals Ltd, the UK-based cancer drug development company, in the largest British biotechnology venture capital financing in 12 months. The funds will be used to finance the development of drugs to improve cancer treatment. KuDOS Pharmaceuticals was established in December 1997. The company closed its GBP 5 million first financing round in May 1999 and its GBP 8 million second round in April 2001.

Vestar Capital Partners

Vestar acquired Zanussi Metallurgica from the Swedish company Electrolux Group for an undisclosed sum. Zanussi Metallurgica is a manufacturer of cast iron and aluminum components and enameled copper wire for the household appliance and automotive industries. The company is based in Northern Italy and has around 650 employees. In a second deal, Vestar acquired SAB WABCO, a leading manufacturer of brake systems for the rail industry, from Cardo AB, a publicly listed company based in Sweden. The transaction was valued at EUR 230 million. The company has facilities in 15 countries and plants in France, Italy, Germany, UK, Sweden, Brazil, South Korea and India. It employs over 2'000 people.

Weiss, Peck & Greer Venture Associates VI, L.P.

Die in San Francisco ansässige Exigen Group konnte unter Führung von Lightspeed Venture Partners (ehemals Weiss, Peck & Greer) eine vierte Finanzierungsrunde abschliessen. Mit einem Volumen von USD 62 Mio. zählt die Transaktion zu einer der grössten des Jahres. Die 1999 gegründete Exigen Group ist ein Anbieter von Global Business Process Solutions und zielt darauf ab, die Gesamtkosten für Dienstleister vor allem in den Bereichen Financial Services, Versicherung und Kommunikation zu senken. Exigen operiert in 12 Ländern und hat mehr als 300 Kunden.

3i Eurofund III

Im November übernahm 3i in einem EUR 425 Mio. MBO den Mehrheitsanteil an SR Technics, der führenden Flugzeug-Instandhaltungs-Gruppe der früheren SAirGroup. Während das Management sowie die Belegschaft einen 12%-igen Anteil halten, wird 3i der Mehrheitseigner sein. Mit 2'900 Mitarbeitern und einem erwarteten Umsatz von EUR 750 Mio. für das Jahr 2002 zählt SR Technics zu den grössten technischen Service-Unternehmen für Flugzeuge, Motoren und Komponenten.

Texas Pacific Group III, L.P.

Im Dezember 2002 konnte ein von Texas Pacific Group (TPG) initiiertes Konsortium nach langwierigen Verhandlungen die Fast Food-Kette Burger King von Diageo plc. übernehmen. Da Burger King gewisse Vorgaben im Vorfeld der Transaktion nicht erfüllen konnte, wurde der Kaufpreis um über 30% von USD 2.3 Mrd. auf USD 1.5 Mrd. reduziert. 1954 in Miami gegründet, ist Burger King heute mit 11'450 Restaurants in 58 Ländern weltweit vertreten.

Weiss, Peck & Greer Venture Associates VI, L.P.

The San Francisco-based Exigen Group closed a series D round of financing led by Lightspeed Venture Partners, formerly known as Weiss, Peck & Greer. At USD 62 million, it ranks as one of the largest venture deals of the year. Formed in 1999, Exigen is a global business process solutions company that focuses on lowering the total cost of operations for financial services, insurance, communications and other service firms. Exigen operates in 12 countries and has over 300 clients.

3i Eurofund III

In November, 3i acquired a majority stake in a EUR 425m MBO of SR Technics, the aircraft maintenance unit of SAirGroup. The management team and its workforce will have a 12% stake in the company. 3i and funds managed by 3i will be the main shareholder. With a workforce of 2'900 and an expected turnover of EUR 750 million for 2002 SR Technics is one of the world's largest service companies providing comprehensive technical support for aircrafts, engines and components.

Texas Pacific Group III, L.P.

In December, a Texas Pacific Group-led consortium finally closed an agreement to purchase Burger King, the fast food restaurant chain, from UK-based Diageo plc. After protracted negotiations and Burger King's failure to attain certain performance targets, the sale price was cut by over 30% from USD 2.3 billion to USD 1.5 billion. Founded in 1954 in Miami, Burger King has grown to 11'450 restaurants in 58 countries worldwide.

Aussichten für 2003

Im kommenden Jahr wird einerseits erwartet, dass bei Private Equity-Partnerships weiterhin kleinere Wertanpassungen, gerade bei Venture Capital-Investitionen, die in den Boom-Jahren 1999 und 2000 getätigt wurden, anfallen werden. Andererseits geht man davon aus, dass sie ihre Investitionstätigkeit wieder aufnehmen werden, um von den niedrigen Bewertungsniveaus profitieren zu können. Das Niveau der Verkaufspreise fiel von einem 8-fachen EBITDA im Jahr 2000 auf einen realistischen 6-fachen EBITDA; ein Niveau, das letztmals Mitte der 90er Jahre erreicht wurde. Mit einem signifikanten Anteil an nicht abgerufenen Commitments wird Princess Private Equity Holding von diesen attraktiven Bewertungen profitieren können.

Sowohl in den USA als auch in Europa werden die Private Equity-Aktivitäten von grossen konsortiumsgeführten Buyout-Transaktionen geprägt sein, da Grossunternehmen weiterhin ihre Nicht-Kerngeschäftsbereiche veräussern werden, um ihre Schuldenlast zu reduzieren. Dagegen werden Unternehmen, die sich in frühen Finanzierungsstadien wie z. B. "Seed" oder "Start-up" befinden, Schwierigkeiten haben, Gelder aufzunehmen. Unternehmer werden überzeugende Geschäftsmodelle und starke Management Teams präsentieren müssen, um sich Finanzierungen zu sichern. Private Equity-Partnerships werden ihre bestehenden Portfolio-Unternehmen mit zusätzlichen Finanzierungsrunden weiter finanzieren.

Da weiterhin keine nachhaltige Erholung der Weltwirtschaft zu erkennen ist, wird es schwierig bleiben, Investitionen zu realisieren. Solange sich das Fenster für IPOs nicht öffnet, werden Trade- und Secondary-Sales die wichtigsten Routen für die Realisierung von Private Equity-Investitionen bleiben. Princess sollte jedoch weiterhin Realisierungen von den zunehmend reifen Primär- und Sekundärmarkt-Investitionen der Jahre 1999 und 2000 verbuchen können.

Auch das Fundraising-Umfeld wird weiterhin schwierig sein. Eine "Flucht zu Qualität" macht es für Partnerships, die ihren ersten Fonds auflegen, besonders schwer, Investoren zu finden. Andererseits gibt es Anzeichen dafür, dass erfahrene Top-Partnerships (speziell im Venture-Bereich) mit neuen Fonds Ende 2003 / Anfang 2004 auf den Markt kommen werden. Diese Fonds werden kleinere Volumina haben und möglicherweise überzeichnet sein.

Die Qualität der von Princess ausgewählten Partnerships und der bereits getätigten Investitionen bilden eine solide Grundlage für die Entwicklung des Portfolios, sobald sich die Weltwirtschaft erholt.

Outlook 2003

In the coming year private equity partnerships will, on one hand, continue to make slight downward adjustments especially to venture investments made at the height of the market in 1999 and 2000, and, on the other hand, step up their investment activity in order to profit from low company valuations. Purchase price multiples have fallen from 8 times EBITDA three years ago to 6 times EBITDA – a level last seen in the early 1990s. With its significant portion of undrawn commitments Princess will be able to benefit from current valuation levels.

Both in the USA and Europe we expect private equity investment activity will be driven by large and consortium-led buy-out deals as large corporations continue to spin off non-core activities to reduce debt levels in a disinflationary environment. In Europe mid-size buyouts are likely to be another interesting segment due to attractive valuation levels. Mid-market opportunities are growing due to corporate restructuring, divestments of non-core operations and succession issues of family businesses. In contrast, early stage companies, i.e. seed and start-ups, are likely to find it difficult to attract investments and entrepreneurs will have to produce convincing business models with a clear path to profitability and strong management teams to secure investment.

In the absence of a sustainable global economic recovery we expect exiting investments will be difficult. Trade and secondary sales will remain the most important exit routes, especially if the IPO window fails to open up significantly. Princess should continue to see exits from increasingly maturing primary and secondary investments made in 1999 and 2000.

The fundraising climate will remain tough as well. A flight to quality to the most successful firms will mean that first-time partnerships will find it particularly difficult to attract funds. Indications show that some experienced top tier funds (especially in the venture area) are likely to come back to the market at the end of 2003 / beginning in 2004 with smaller fund-sizes and are likely to be oversubscribed.

The quality of the selected partnerships and the investments that have already been made bode well for the future development of the portfolio as soon as global economic growth recovers.

PRINCESS
PRIVATE EQUITY
HOLDING
LIMITED



Vereinfachte Strukturdarstellung

Die Princess Holding gibt zunächst den Emissionserlös der Wandelanleihe in Form von Zahlungsverprechen an professionelle Private Equity-Partnerships weiter. Das Portfolio der Princess Holding umfasste Ende 2002 bereits 101 solcher

Simplified Structural Overview

Princess Holding passes on the capital, raised through the issuance of its convertible bond, in the form of commitments to professional Private Equity partnerships. The portfolio of Princess Holding contained 101 such partnerships by the end of 2002.



Partnerships. Diese bauen ein eigenes Portfolio aus direkten Beteiligungen an nichtbörsennotierten Unternehmen auf. Diese Portfolios wiederum können nach Abschluss der durchschnittlich 3 bis 5 Jahre dauernden Investitionsphase zwischen 20 und 30 Beteiligungen enthalten. Auf diese Weise ist schon jetzt ein Gesamtportfolio von über 2'500 Direktbeteiligungen entstanden, an dessen Potenzial die Investoren der Princess Holding partizipieren können.

Die Auswahl derjenigen Partnerships, an die Zahlungsverprechen abgegeben werden, wird vom Investment-Manager, der Princess Management & Insurance Limited, getroffen. Diese Gesellschaft, die ihren Sitz ebenfalls in Guernsey hat, wurde als Joint Venture zwischen Swiss Re, der zweitgrößten Rückversicherung weltweit, und Partners Group, einem der weltweit größten, unabhängigen Private Equity-Manager/Advisor, gegründet.

The latter then build up their own portfolio of direct investments in unlisted companies. Once the investment phase is completed, these portfolios can themselves contain between 20 and 30 holdings. Thus a total portfolio of more than 2'500 direct investments has already been created, in whose potential Princess Holding's investors will be able to participate.

The selection of the partnerships, to which the commitments are made, is undertaken by the Investment Manager, Princess Management & Insurance Limited. This company, which is also registered in Guernsey, was set up as a joint venture between Swiss Re, the second largest re-insurance company in the world, and Partners Group, one of the world's largest independent Private Equity manager/advisors.

Princess Management & Insurance Limited is the primary insurer of Princess Holding's paid-up nominal issuing amount. This primary insurance is re-insured at maturity in 2010 by

Princess Management & Insurance Limited tritt als Erstversicherer des im Rahmen der Emission einbezahlten Nominal-Kapitals gegenüber den Investoren der Princess Holding auf. Diese Erstversicherung wird von einer Versicherungspolice der Swiss Re bis zur Wandlung im Jahr 2010 rückversichert. Auf diese Weise entstand erstmalig eine deckungsstockfähige, mit einem AA+ Rating von Standard & Poor's ausgestattete Wandelanleihe, die das Renditepotential eines breit gestreuten und professionell aufgebauten Private Equity-Portfolios mit dem Verlustrisiko einer normalen Zero Coupon-Anleihe verbindet.

Die Investitionsentscheidungen werden im Rahmen eines klar definierten und strukturierten Auswahlprozesses getroffen. Hierbei verfolgt Princess Management & Insurance Limited grundsätzlich zwei integrierte Ansätze. Im Rahmen der "Top Down"-Allokation wurden umfassende Diversifikationsrichtlinien festgelegt, die für eine optimale Streuung der Mittel und damit des Risikos sorgen. Im Verlaufe des Investitionsprozesses und des einsetzenden Re-Investitionsprozesses der zu einem späteren Zeitpunkt zurückfließenden Mittel, werden diese Richtlinien dauernd überwacht und dynamisch an die unterschiedlichen Cash-Flows angepasst.

Der "Bottom Up"-Ansatz ist ein strukturierter Auswahlprozess der Partnerships, wobei angestrebt wird, in diejenigen Partnerships zu investieren, die in der Vergangenheit überdurchschnittliche Ergebnisse für ihre Investoren ausweisen konnten. In mehreren Phasen werden im Rahmen eines aufwendigen Analyseprozesses Team, Struktur und Strategie der Partnerships an unterschiedlichen Kriterien gemessen. Durchgeführt wird die Auswahl von zusammen weit über 50 Private Equity-Professionals der Partners Group, Hamilton Lane und Invesco. Mit diesen Sub-Advisors hat Princess Holding Zugriff auf ein globales Team mit ein-drucksvoller Private Equity-Expertise und einem breiten Netzwerk.

means of a re-insurance policy with Swiss Re. Thus, for the first time ever, a convertible bond was created, which is eligible in Germany for the investment of prime stock reserves and is rated AA+ by Standard & Poor's. This bond combines the potential returns of a broadly diversified, professionally developed Private Equity portfolio with the down side risk of a normal zero coupon bond.

The investment decisions are taken according to a clearly defined and structured selection process. As such, Princess Management & Insurance Limited follows two basically inter-related approaches.

Within the top down approach, comprehensive diversification guidelines have been set, which ensure the optimal spread of the funds and, therefore, of any risk. These guidelines are constantly monitored in the course of the investment of original funds and the re-investment process of partnership distributions as they later flow back, and are adapted dynamically to the differing cash flows.

The bottom up approach is a structured process by which the partnerships are selected, aiming to invest in those partnerships which have in the past shown their investors above-average performance. The team, structure and strategy of the partnerships are measured against different criteria in the course of a detailed analysis process, which is divided into several stages. The selection is carried out by a total of well over 50 Private Equity professionals from Partners Group, Hamilton Lane and Invesco. With these sub-advisors Princess Holding has access to a global team which brings together an impressive Private Equity expertise and a broad network.



Financial Figures

Independent auditor's report to the members of Princess Private Equity Holding Limited

We have audited the financial statements, which comprise the Consolidated statement of income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Guernsey law and International Financial Reporting Standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 64 of The Companies (Guernsey) Law, 1994 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 2002 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

PricewaterhouseCoopers
Chartered Accountants
Guernsey, Channel Islands

2003

Consolidated audited statement of income

for the period from 01 January 2002 to 31 December 2002

	Notes	01.01.02 31.12.02	01.01.01 31.12.01
Net income from limited partnerships and directly held investments		(72'180'452)	(58'936'458)
Dividend and interest income	4	2'864'378	2'336'068
Revaluation	4	(73'716'731)	(57'941'985)
Foreign exchange gains and losses	4	(1'328'099)	(3'330'541)
Net income from short term investments		1'132'370	7'208'143
Interest income	5	1'132'370	6'883'143
Revaluation	5	–	325'000
Net income from cash and cash equivalents		983'674	3'593'228
Interest income	7	995'407	3'596'411
Foreign exchange gains and losses		(11'733)	(3'183)
Operating income		(70'064'408)	(48'135'087)
Operating expenses		(24'380'559)	(27'340'416)
Management fee		(14'526'568)	(15'825'395)
Insurance fee		(9'107'402)	(10'581'659)
Administration fee		(303'579)	(352'722)
Tax exemption fees		(1'732)	(1'589)
Other operating expenses		(441'278)	(579'051)
Financing cost		(32'486'453)	(30'770'262)
Finance cost on convertible bond	9	(30'919'382)	(29'203'191)
Amortisation of transaction costs	9	(1'567'071)	(1'567'071)
Surplus / (loss) for the financial period		(126'931'420)	(106'245'765)
The disclosures relating to the calculation of the result per share are included in note 13.			
Basic surplus / (loss) per share	USD	(12'693.1420)	(10'624.5765)
Diluted surplus / (loss) per share	USD	(18.1072)	(15.1563)

Consolidated audited balance sheet
at 31 December 2002

	Notes	USD	31.12.02 USD	USD	31.12.01 USD
Assets					
Non-current assets					
Investments in limited partnerships and directly held investments	1&4		481'527'060		461'574'349
Current assets					
Short-term investments	1&5	–		129'674'211	
Other short-term receivables	6	90'061		188'881	
Hedging asset	4	–		659'959	
Cash and cash equivalents	7	78'526'819		53'785'261	
			78'616'880		184'308'312
Total assets			560'143'940		645'882'661
Equity and liabilities					
Capital and reserves					
Issued capital	8	100		100	
Reserves		612'857		127'544'277	
			612'957		127'544'377
Liabilities falling due after more than one year					
Convertible bond	9		550'784'154		518'297'701
Liabilities falling due within one year					
Hedging liability	4	8'516'481		–	
Other short-term payables	10	230'348		40'583	
			8'746'829		40'583
Total liabilities			560'143'940		645'882'661
The financial statements on pages 35 to 50 were approved by the board of directors on 04 June 2003 and are signed on its behalf by:					
P. Gujer Director		G. Hall Director			

Consolidated audited statement of changes in equity

for the period from 01 January 2002 to 31 December 2002

	Share capital	Share premium USD	Accumulated surplus/(loss) USD	Total USD
Equity at beginning of reporting period	100	241'028'914	(113'484'637)	127'544'377
Surplus / (loss) for the financial period	–	–	(126'931'420)	(126'931'420)
Equity at end of reporting period	100	241'028'914	(240'416'057)	612'957

Consolidated audited statement of changes in equity

for the period from 01 January 2001 to 31 December 2001

	Share capital	Share premium USD	Accumulated surplus/(loss) USD	Total USD
Equity at beginning of reporting period	100	241'028'914	(7'238'872)	233'790'142
Surplus/ (loss) for the financial year	–	–	(106'245'765)	(106'245'765)
Equity at end of reporting period	100	241'028'914	(113'484'637)	127'544'377

Consolidated audited cash flow statement

for the period from 01 January 2002 to 31 December 2002

	Notes	01.01.02 31.12.02 USD	01.01.01 31.12.01 USD
Cash flow from operating activities			
Management fees		(14'526'568)	(15'825'395)
Administration fees		(303'579)	(352'722)
Insurance fees		(9'107'402)	(10'581'659)
Other operating expenses		(443'010)	(580'640)
Realised gains / (losses) on hedging	4	(15'418'624)	(1'810'969)
(Increase) / Decrease in other short term receivables		98'820	5'113'300
Increase / (Decrease) in other short term payables		189'765	(209'421)
Interest and dividend income from limited partnerships and directly held investments	4	2'864'378	2'336'068
Purchase of limited partnerships and directly held investments	4	(119'849'809)	(151'547'123)
Distributions of limited partnerships and directly held investments	4	49'447'332	45'679'845
Interest income received from short term investments	5	1'860'680	6'154'832
Purchase of short term investments	5	(154'190'387)	(346'037'683)
Repayment at cost of short term Investments	5	283'136'288	457'091'782
Interest income received from cash and cash equivalents	7	931'310	3'682'527
Net increase / (decrease) in cash and cash equivalents		24'689'194	(6'887'258)
Cash and cash equivalents at beginning of reporting period	7	53'785'261	60'675'702
Effect of exchange rate changes on cash and cash equivalents		(11'733)	(3'183)
Cash and cash equivalents at end of reporting period	7	78'462'722	53'785'261

Notes to the Consolidated audited financial statements

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

Basis of preparation

The financial assets are disclosed at fair value. All realised and unrealised surpluses and losses are recognised in the statement of income. All realised surpluses and losses are posted against the fair value of the investment in the balance sheet.

Income

Income from bank deposits is included on an accruals basis.

Net income from short-term investments and Net income from cash and cash equivalents also includes the increase in value of bonds purchased at a discount.

Expenditure

The expenditure is included in the accounts on an accruals basis.

Reporting currency

As US dollars reflects the economic substance of the underlying events and circumstances relevant to the Group and US dollars are used to a significant extent in, or has a significant impact on, the Group, US dollars are the appropriate currency to be used as the measurement currency and accordingly the reporting currency in these financial statements. All transactions in currencies other than the measurement currency are treated as transactions in foreign currencies.

Investment in limited partnerships

International Accounting Standard 39 ("IAS 39"), Financial Instruments: Recognition and Measurement requires investments treated as "available for sale" to be held at fair value, or at cost less provision for diminution in value, where no reasonable range of fair values can be determined. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction.

Investments in limited partnerships and directly held investments are valued initially at cost. For the ongoing valuation of such investments the directors review information provided by underlying partnerships and other business partners and among other techniques apply the following methods to estimate a fair value as per the balance sheet date:

- Multiple analysis
- DCF method (discounted cash flows)
- Reference to transaction prices including follow on financing rounds
- Reference to valuations of other investors
- Reference to the analysis of the economic environment

Notes to the Consolidated audited financial statements (continued)

1 Principal accounting policies (continued)

Notwithstanding the above, the variety and quality of information provided by the underlying partnerships and other business partners and the lack of liquid markets for the investments held mean there are inherent uncertainties in determining fair values which cannot be eliminated. Amounts realised on the sale of investments will differ from the values reflected in these financial statements and the difference may be significant.

Owing to the diversified nature of the limited partnership investments, underlying partnerships adopt a variety of accounting and valuation bases. In selecting investments the directors have taken into consideration the accounting and valuation basis of the underlying partnership and select only those investments, which adopt an internationally recognised standard.

Any changes in fair value of the investments are shown within "Net income from limited partnerships and directly held investments – Revaluation".

The Company recognises the funding of the limited partnerships on the date funds are transferred to the partnership. Any distributions, including return of principal of investment, received from the underlying limited partnerships are recognised on the distribution date.

Investments in directly held investments

The directly held investments are being treated as "available for sale" and are therefore disclosed at fair value. The fair value is based on the most recent information available to the Directors with any changes resulting from additional financing rounds or a permanent diminution in value.

Any changes in fair value as well as any realised surpluses and losses, being the difference between the proceeds and the carrying amount of the investments, are shown within "Net income from limited partnerships and directly held investments – Revaluation".

Short-term investments

Short-term investments are defined as investments with maturity between three and twelve months from the date of purchase.

The short-term investments purchased at par are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value are included within "Net income from short term investments – Revaluation".

The short-term investments purchased at a discount are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value and the interest received at maturity are included within "Net income from short-term investments".

Upon maturity of the short-term investments purchased at a discount the difference between the last reported fair value and the maturity amount are included within "Net income from short-term investments".

All transactions relating to short-term investments are recognised on the settlement date.

*Notes to the Consolidated audited financial statements (continued)***1 Principal accounting policies (continued)*****Cash and cash equivalents***

The Cash and cash equivalents consist of cash at bank and cash invested in money market instruments with a maturity of up to three months from the date of purchase. The cash equivalent investments purchased at a discount are included in the balance sheet at market values ruling at the balance sheet date. The changes in the fair value and the interest received at maturity are included within "Net income from cash and cash equivalents".

Upon maturity of the cash equivalent investments purchased at a discount the difference between the last reported fair value and the maturity amount are included within "Net income from cash and cash equivalents".

Foreign exchange

Transactions in foreign currencies are translated into US dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate prevailing at the balance sheet date. Exchange gains and losses are included in the statement of income.

Accounting for hedging activities

The Group's policy of hedging the value of non-US dollar investments in limited partnerships and directly held investments against the US dollar does not qualify as hedge accounting as defined in IAS39. As a result the unrealised changes in the fair value of these derivatives and the realised net gains / losses on the derivatives that matured during the year are recognised in the statement of income under the heading of "Net income from Limited Partnerships and directly held investments – foreign exchange gains and losses".

Consolidation

Subsidiary undertakings, which are those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, have been consolidated. All inter-company transactions, balances and unrealised surplus and deficits on transactions between group companies have been eliminated. A listing of the Group's subsidiaries is set out in Note 17.

2 Expenses***Management fee***

The management fee is paid quarterly in advance pursuant to the Investment Management Agreement between Princess Private Equity Holding Limited and Princess Management & Insurance Limited.

Administration fee

The administration fee is paid quarterly in advance pursuant to the Administration Agreement between Princess Private Equity Holding Limited and Partners Group (Guernsey) Limited.

Notes to the Consolidated audited financial statements (continued)

Insurance fee

The insurance fee is paid quarterly in advance pursuant to the Insurance Trust Agreement between Princess Private Equity Holding Limited and Princess Management & Insurance Limited.

3 Taxation status

The companies are exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinances 1989 and 1992 and they are each charged an annual exemption fee of GBP 600.

4 Limited partnerships and directly held investments

4.1 Investments

	31.12.02	31.12.01
	USD	USD
Balance at beginning of reporting period	461'574'349	415'975'657
Capital activity recorded at the transaction rate	117'792'877	149'830'213
Out of commitment expenses	2'056'932	1'716'910
Distributions	(49'447'332)	(38'315'707)
Revaluation	(73'716'731)	(65'306'122)
Foreign exchange gain/ (loss)	23'266'965	(2'326'602)
Balance at end of reporting period	481'527'060	461'574'349

The balance on the investments in limited partnerships and directly held investments at the end of the reporting period can be split as follows:

North America	242'870'719	256'799'915
Europe	219'886'530	184'853'665
Rest of World	18'769'811	19'920'769

Notes to the Consolidated audited financial statements (continued)

4.2 Distributions

	01.01.02 – 31.12.02 USD	01.01.01 – 31.12.01 USD
Dividends	2'864'378	2'336'068
Interest income	2'864'378	2'336'068
Return of investments – received in cash	49'460'254	38'315'707
Return of investments – received in kind	–	–
Total distributions	52'324'632	40'651'775

4.3 Foreign exchange

	01.01.02 – 31.12.02 USD	01.01.01 – 31.12.01 USD
Foreign exchange revaluation	23'266'965	(2'326'602)
Revaluation of foreign exchange hedges relating to investments in limited partnerships and directly held investments	(9'176'440)	807'030
Foreign exchange gain from settled hedging contract, recognised directly in equity	(15'418'624)	(1'810'969)
	(1'328'099)	(3'330'541)

At the balance sheet date, Princess Private Equity Holding had the following forward foreign exchange contracts in place. The contracts were entered into to hedge against changes in the foreign exchange value of the investments of Princess Private Equity Subholding Limited. The unrealised surplus / (loss) at the end of the reporting period is detailed below:

	USD	Rate	Value date	Surplus / (loss) 31.12.02	Surplus / (loss) 31.12.01
Buy USD against GBP	80'000'000	1.4389	27. Mar 02	–	561'540
Buy USD against Euro	45'000'000	0.8946	27. Mar 02	–	90'543
Buy USD against CHF	5'000'000	1.6336	27. Mar 02	–	(11'683)
Buy USD against SEK	9'000'000	10.5710	27. Mar 02	–	19'559
Buy USD against GBP	80'000'000	1.5460	29. Jan 03	(3'151'358)	–
Buy USD against Euro	54'000'000	0.9740	29. Jan 03	(4'069'405)	–
Buy USD against CHF	6'000'000	1.4966	29. Jan 03	(493'781)	–
Buy USD against SEK	10'000'000	9.4100	29. Jan 03	(801'937)	–
				(8'516'481)	659'959

Notes to the Consolidated audited financial statements (continued)

5	Short-term investments		
5.1	Investments		
		31.12.02	31.12.01
		USD	USD
	Cost		
	At beginning of reporting period	128'945'901	240'000'000
	Additions	154'190'387	346'037'683
	Interest received in redemption	1'860'680	2'908'218
	Redemptions	(284'996'968)	(460'000'000)
	At end of reporting period	–	128'945'901
	Valuation		
	At end of reporting period	–	129'674'211
	At beginning of reporting period	129'674'211	239'675'000
5.2	Income	01.01.02 –	01.01.01 –
		31.12.02	31.12.01
		USD	USD
	Interest income		
	Interest received from investments issued at a discount	1'860'680	2'908'218
	Net interest accrued from investments issued at a discount	(728'310)	728'310
	Interest received from investments issued at par	–	2'606'795
	Net interest accrued from investments issued at par	–	639'820
	Total interest income from short-term investments	1'132'370	6'883'143
	Revaluation		
	Fair value revaluation of investments issued at par	–	325'000

Notes to the Consolidated audited financial statements (continued)

6 Other short-term receivables	31.12.02 USD	31.12.01 USD
Bank deposit interest receivable	1'647	16'049
Hedging gain	–	135'890
Stock distribution	60'869	–
Sundry prepayments	27'545	36'942
	90'061	188'881

7 Cash and cash equivalents	31.12.02 USD	31.12.01 USD
7.1 Balance		
Cost		
Cash equivalents at beginning of reporting period	–	29'649'884
Additions	229'128'404	302'497'605
Interest received on redemption	733'519	2'852'511
Redemptions	(179'996'698)	(335'000'000)
Cash equivalents at end of reporting period	49'865'225	–
Cash at banks	28'597'497	53'785'261
Total cost recorded in the cash flow statement	78'462'722	53'785'261
Valuation		
Cash equivalents	49'929'322	–
Cash at banks	28'597'497	53'785'261
Total cash and cash equivalents	78'526'819	53'785'261

7.2 Interest income	01.01.02 – 31.12.02 USD	01.01.01 – 31.12.01 USD
Interest received from cash equivalents on maturity	733'519	2'852'511
Net interest accrued from cash and cash equivalents	64'097	(86'116)
Interest received from cash at banks	197'791	830'016
Total interest income from cash and cash equivalents	995'407	3'596'411

Notes to the Consolidated audited financial statements (continued)

8 Share capital	31.12.02 USD	31.12.01 USD
Authorised		
20,000,000 Class A shares of USD 0.01 each	200'000	200'000
10,000 Class B shares of USD 0.01 each	100	100
	200'100	200'100
Issued		
10,000 Class B shares of USD 0.01 each	100	100

9 Convertible bond	31.12.02 USD	31.12.01 USD
Balance at beginning of reporting period	518'297'701	487'527'439
Amortisation of transaction costs	1'567'071	1'567'071
Finance cost on convertible bond	30'919'382	29'203'191
Balance at end of reporting period	550'784'154	518'297'701

As at the balance sheet date the nominal value of the convertible bond outstanding was USD 700,000,000. The bond is not convertible into shares until on or after 1 January 2007, at the option of the investor, using the relevant conversion price. Princess Private Equity Holding Limited has entered into an insurance policy to ensure that it is provided with sufficient funds for the repayment of the principal upon redemption of the bond on 31 December 2010.

In accordance with IAS 32, Financial Instruments: Disclosure and Presentation, the net proceeds of the bond have been split between the liability and equity option components. The fair value of the equity component has been calculated as USD 242,200,000 using an accepted option valuation model. This amount is classified as share premium and will remain part of the permanent equity of the Company. The remaining net proceeds, after the allocation of the liability related transaction costs, of USD 446,135,767 are allocated to the liability component. The liability, including transaction costs, is therefore stated at a discount of 1.4379% per quarter to the maturity value.

The result of this technical requirement in IAS 32 is that the discount is amortised through the income statement as a finance cost, on a yield to maturity basis, over the 7.5-year life of the bonds until the first conversion at 1 January 2007. This accounting treatment has no effect on either the economic position or the net asset value of the Company. The cumulative finance cost in retained earnings is offset by an equivalent credit in share premium. However, the required treatment clearly does have a significant impact on the net surplus or loss reported in the income statement over the period to the conversion of the bond.

Notes to the Consolidated audited financial statements (continued)

10 Other short-term payables	31.12.02 USD	31.12.01 USD
Sundry accruals	230'348	40'583
11 Commitments	31.12.02 USD	31.12.01 USD
Total committed translated at the rate prevailing at the balance sheet date	1'132'528'051	1'090'470'850
Actual funded at the transaction rate	679'697'797	561'904'920
Unutilised commitment translated at the rate prevailing at the balance sheet date	432'957'120	536'611'271
Differences due to foreign exchange movements	19'873'134	(8'045'341)
12 Diluted net assets per ordinary share		
<p>The Net Assets are calculated by deducting the Current Liabilities from the Gross Assets. The 700,000 convertible bonds at a par value of USD 1,000 each, if converted at USD 100 per share would result in 7,000,000 shares.</p>		
	31.12.02 USD	31.12.01 USD
Net assets of the company	551'397'111	645'842'078
Outstanding shares at the balance sheet date	10'000	10'000
Additional shares due to conversion	7'000'000	7'000'000
Net assets per share after conversion	78.6586	92.1315

*Notes to the Consolidated financial statements (continued)***13 Basic and diluted surplus / (loss) per share**

In relation to the calculation of the diluted value per share the 700'000 convertible bonds at a par value of USD 1'000 each, if converted at USD 100 per share would result in 7'000'000 shares.

	31.12.02	31.12.01
	USD	USd
Basic surplus / (loss) per share		
Surplus / (Loss) for the financial period	(126'931'420)	(106'245'765)
Outstanding shares at the balance sheet date	10'000	10'000
Net surplus / (loss) per share	(12'693.1420)	(10'624.5765)
Diluted surplus / (loss) per share		
Surplus / (Loss) for the financial period	(126'931'420)	(106'245'765)
Outstanding shares at the balance sheet date	10'000	10'000
Additional shares due upon conversion	7'000'000	7'000'000
Net surplus / (loss) per share after dilution	(18.1072)	(15.1563)

14 Contingent Assets

On 29 June 1999, Princess Private Equity Holding Limited has entered into an Insurance Agreement with Princess Management & Insurance Limited, to ensure that it will be provided with sufficient funds to be able to pay the principal amount of the Bond at maturity on 31 December 2010.

15 Number of employees

At the balance sheet date the Company had no persons employed.

16 Related party transactions**Investment in underlying partnership**

On 30 December 1999, Princess Private Equity Subholding Limited committed CHF 10,720,000 to Partners Private Equity L.P., a partnership administered by Partners Private Equity Management Inc., a subsidiary of Partners Group Holding.

Partners Group Holding owns 19.9 % of the share capital of the share capital of GE & W AG who in turn holds 80.1 % of the Class B shares of Princess Private Equity Holding Limited.

On 15 December 2000, Princess Private Equity Subholding Limited committed USD 40,000,000 to Partners Group SPP1 Limited, a special purpose vehicle established to facilitate the participation by various Partners Group mandates in Lexington Hamilton Lane 2000 LLC that purchased 65 limited partnership interests from JP Morgan Partners (formerly Chase Capital Partners).

*Notes to the Consolidated audited financial statements (continued)***Affiliated Companies and Controlling Parties**

The following directors are affiliated to companies that are disclosed as related parties within these financial statements

M Giannini	Hamilton Lane
P Gujer	Swiss Reinsurance Company
S Scherling	Swiss Reinsurance Company
U Wietlisbach	Partners Group

GE & W AG, a majority of whose shares are held by the founding partners of Partners Group, and Swiss Reinsurance Company hold 8,010 and 1,090 Class B Shares respectively. Mr Wietlisbach, a Director of Princess Private Equity Holding Limited and a Partner of Partners Group, controls 26.7 % of the issued share capital of GE & W AG.

17 Group enterprises – significant subsidiaries

	Country of incorporation	Ownership interest	
		30.09.02	31.12.01
Princess Private Equity Subholding Limited	Guernsey	100%	100%

18 Parent company and ultimate controlling party

GE & W AG, a company organised by Swiss law holds the majority of the Class B shares.

19 Risks

It is expected, that a large proportion of the Group's investments will be made by investing in private equity funds (including affiliated funds). Many of the private equity funds may be wholly unregulated investment vehicles. In addition, certain of the private equity funds may have limited or no operational history and have no proven track record in achieving their stated investment objective.

The value of the investments in the private equity funds and the income from them may fluctuate significantly.

The Group's over-commitment strategy could result in periods in which the Group has inadequate liquidity to fund its investments or to pay other amounts payable by the Group.

The Group expects that a portion of the private equity investments to be made by the Group will be in a number of different countries and denominated in a number of different currencies. Any returns on and value of, such portion of the private equity investments made by the Group may, therefore, be materially affected by exchange rate fluctuations, local exchange control and other restrictions, including restrictions on the convertibility of the currencies in question and also by political and economic developments in the relevant countries.

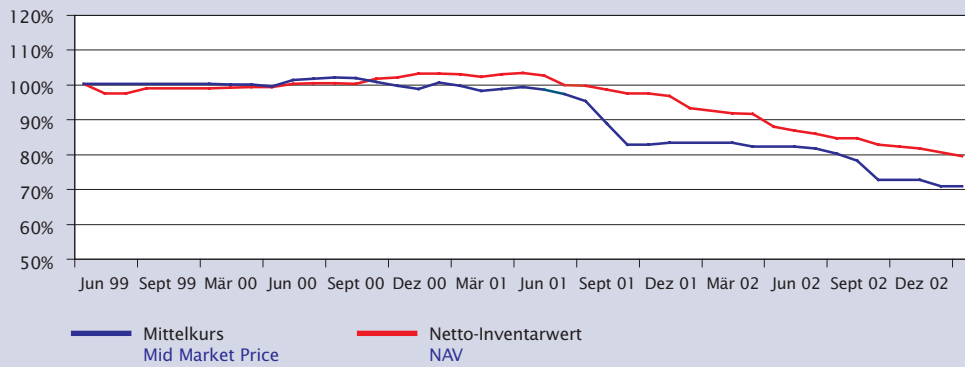
DEVELOPMENT
SINCE ISSUANCE

ENTWICKLUNG
SEIT EMISSION

Kurs- und Performance-Information

Price and Performance Information

Mittelkurs und Netto-Inventarwert seit 30.06.99 bis 31.12.02
Mid Market Price and NAV since 30.06.99 until 31.12.02



	Wert per 31. Dez. 1999 Value as of Dec. 31. 1999	Wert per 31. Dez. 2000 Value as of Dec. 31. 2000	Wert per 31. Dez. 2001 Value as of Dec. 31. 2001	Wert per 31. Dez. 2002 Value as of Dec. 31. 2002	Performance seit Ausgabe bis 31. Dez. 2002 Since Issuance until Dec. 31. 2002
NAV	98.62%	102.89%	92.13%	78.66%	-21.34%
Mittelkurs Mid Market Price	102.75%	100.25%	83.00%	70.50%	-29.50%

Adressen -

List of Addresses

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PricewaterhouseCoopers

Handelsinformation -

Trading Information

Price Information - Preisinformation

Reuters	DBSTRUK03
Bloomberg	PRINEQ <<Corp>>RELS <go>
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